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U.S. International Transactions in 1994

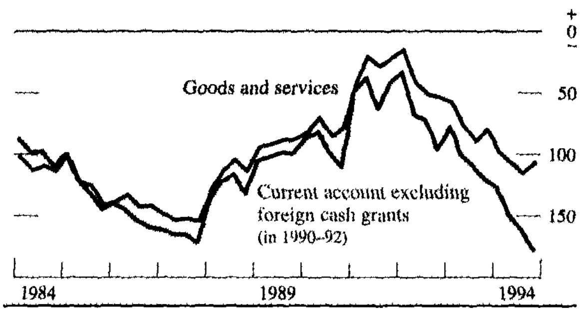
Charles P. Thomas, of the Board's Division of International Finance, prepared this article.

The U.S. current account deficit widened substantially in 1994 as the balances on goods and services, investment income, and transfers all declined. Rapid economic growth in the United States relative to growth abroad contributed significantly to a marked decline in the balance on goods and services; to a lesser extent, declines in U.S. price competitiveness in previous years also played a role. The balance on investment income decreased as payments on foreign direct investment capital in the United States rebounded from very low levels and as large net inflows of portfolio capital raised net portfolio payments. Last year's decline in net investment income pushed this balance into deficit for the first time in eighty years.

A widening of the deficit on goods transactions made the largest contribution to the decline of the current account in 1994 and more than offset a small improvement in the balance on service transactions, which remained positive (table 1). The overall balance on goods and services remains the largest and most volatile component of the current account and thus defines its general contour (chart 1). Over the past decade, however, the balance on investment income has declined markedly, and this decline is now evident in the level of the current account. To understand this decline, it is useful to note the way investment income is linked to the other external balances and to the economy in general.

1. U.S. external balances, 1984–94

Billions of dollars



NOTE. The data are quarterly at seasonally adjusted annual rates.
SOURCE. Department of Commerce, Bureau of Economic Analysis, U.S. international transactions accounts.

1. U.S. external balances, 1989–94
Billions of dollars

Item	1989	1990	1991	1992	1993	1994	Change, 1993–94
Trade in goods and services, net	–90.3	–78.8	–28.5	–40.4	–75.7	–106.4	–30.7
Goods, net	–115.2	–109.0	–74.1	–96.1	–132.5	–166.4	–33.9
Services, net	24.9	30.2	45.6	55.7	56.8	60.0	3.2
Investment income, net	13.7	20.7	14.8	4.5	3.9	–15.2	–19.1
Direct investment, net	48.9	55.9	55.4	47.7	52.4	41.4	–11.0
Portfolio investment, net	–35.2	–35.1	–40.5	–43.2	–48.5	–56.6	–8.1
Unilateral transfers, net	–26.1	–33.7	6.7	–32.0	–32.1	–34.1	–2.0
Foreign cash grants to the United States	.0	17.0	42.5	1.3	.0	.0	.0
Other transfers, net	–26.1	–50.7	–35.8	–33.3	–32.1	–34.1	–2.0
Current account balance	–102.8	–91.7	–6.9	–67.9	–103.9	–155.7	–51.8
MEMO:							
Current account balance excluding foreign cash grants	–102.8	–108.7	–49.4	–69.2	–103.9	–155.7	–51.8

NOTE. In this and the tables that follow, components may not sum to totals because of rounding.

SOURCE. U.S. Department of Commerce, Bureau of Economic Analysis, U.S. international transactions accounts.

As an accounting identity, the current account deficit equals the excess of national expenditure (including net transfers to foreigners) over national income. This identity, as such, cannot explain the fundamental forces determining income, consumption, and investment nor the channels by which these aggregates adjust to make the identity hold. The identity is useful, however, because it highlights the fact that a current account deficit, by necessity, gives rise to a financing requirement and associated capital inflows. These capital inflows, in turn, give rise to a service burden that lowers income and, all else being equal, increases the current account deficit in the future.

During the past three years, rapid growth in both U.S. consumption and investment expenditures outpaced the U.S. economy's capacity to expand production of goods and services. The widening deficit on goods and services is a direct measure of this shortfall. Traditionally, such shortfalls have been financed in part by income from U.S. investments abroad. Over the past decade, however, this deficit (plus transfers) has greatly exceeded investment income from abroad, and the current account deficit has averaged about $100 billion a year, or 2¼ percent of U.S. gross domestic product (GDP). To finance this deficit the United States has borrowed from abroad: As a result, net investment income has declined, and in 1994 it registered a deficit instead of its traditional surplus.

Thus the proximate determinants of the increase in the current account deficit in 1994 were of two types. First, there were those directly associated with the goods and services (trade) balance, which include investment and consumption in the United States and abroad as well as changes in exchange rates and U.S. price competitiveness. Second, there were those associated with the investment income balance, of which the deterioration of the U.S. international investment position was the most important.

In terms of its proximate determinants, the decline in the trade balance last year was caused primarily by the cyclical expansion of investment and consumption in the United States relative to activity abroad. Changes in exchange rates and U.S. price competitiveness had a smaller, yet noticeable, effect on U.S. trade. A rise in the exchange value of the dollar during 1993 helped to keep down import prices that year and, with the usual lags, boosted the volume of imports in 1994. The subsequent decline in the exchange value of the dollar in 1994 raised prices of imports somewhat and increased the value of imports.

In the first quarter of 1995, the dollar depreciated further against the currencies of Japan and many U.S. trading partners in Europe. This depreciation, if it is sustained and not offset by rising U.S. prices, should lead to some increase in U.S. price competitiveness. Any increase in U.S. price competitiveness, together with some slowing in U.S. consumption and investment growth and strong growth abroad, should slow the rate by which the deficit on goods and services widens next year. Any improvement in this balance, however, will be tempered, or at least delayed, by recent events in Mexico, which have severely limited that country's capacity to import. In addition, the further deterioration of the U.S. net international investment position in 1994 will likely lead to a widening of the deficit on investment income this year.

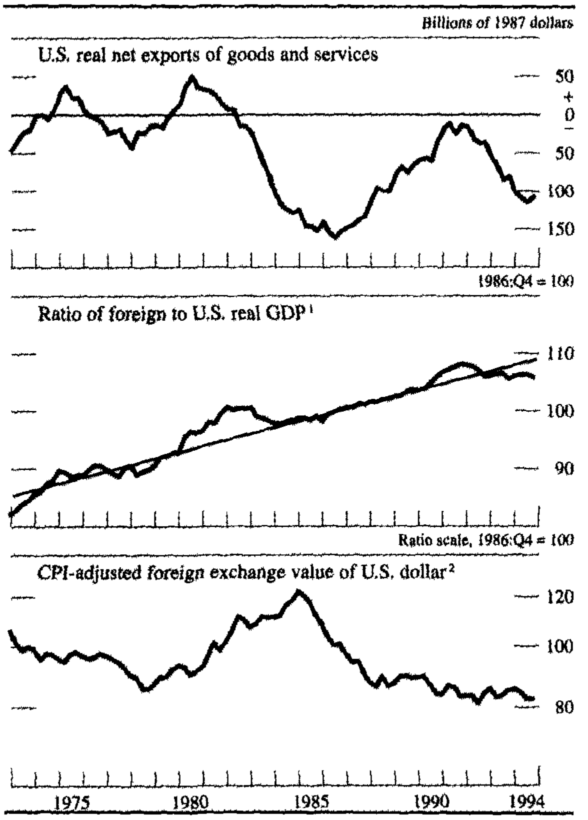
MAJOR ECONOMIC INFLUENCES ON U.S. INTERNATIONAL TRANSACTIONS

The increase in the U.S. international deficit in goods and services last year was slightly less than that recorded in 1993. Most of the increase in 1994, as in other recent years, reflected cyclical movements in economic activity at home and abroad rather than changes in U.S. international price competitiveness. The price-adjusted foreign exchange value of the dollar was fairly stable between 1989 and the end of 1994, and this stability implies that changes in prices of U.S. goods have moved about in line with changes in prices of foreign goods expressed in dollars. Thus, from 1989 to 1991, when foreign economies grew much more rapidly than the U.S. economy, the U.S. trade deficit narrowed; in contrast, from 1992 to 1993, when the U.S. economy expanded more rapidly than those of its trading partners, the deficit widened markedly. Growth abroad picked up last year to an average rate near that of the United States but remained below its historical average. The slower widening of the U.S. trade deficit last year was broadly consistent with these developments in growth here and abroad.

Relative Rates of Economic Growth

The developments in the trade balance during the past three years are broadly consistent with the historical relation between relative growth rates and the balance on goods and services. This relation is most evident when the trade balance is compared with deviations of the ratio of foreign GDP to U.S. GDP from its trend (chart 2, middle panel). The trend line has an upward slope because foreign economies have on average grown faster than the U.S. economy over the past two decades. Because of the close historical association between U.S. imports and U.S. GDP and between U.S. exports and foreign GDP, the balance on goods and services has been closely related to deviations in the GDP ratio from its trend. This relation is evident in the 1970s and again in the 1990s. It is less evident in the 1980s because the large swings in the foreign exchange value of the dollar during that period (chart 2, bottom panel) continued to affect the trade balance even after the price-adjusted dollar returned to the level of the late 1970s. In recent years, swings in the price-adjusted value of the dollar have been smaller, and the balance of trade has tended to move more in line with relative GDP growth rates.

2. Historical perspective on the U.S. external balance and its proximate determinants, 1973–94



NOTE. The data are quarterly.

1. The GDP for foreign countries is the weighted average of the foreign G-10 countries, other industrial countries, and selected developing countries. The weights are based on bilateral shares in U.S. nonagricultural merchandise exports in 1987–89.

2. This index comprises the G-10 countries and eight developing countries. See note to chart 3 for details.

U.S. real GDP grew 4 percent over the four quarters of 1994 compared with an average increase of 3½ percent in the previous two years. This relatively rapid growth over the past three years has raised U.S. activity to a level close to its potential and its trend. The economic advance in 1994 was driven mainly by sharp increases in the real expenditures of households and businesses. Business investment in inventories increased appreciably in 1994, reflecting a desire to build stocks in anticipation of continued strength in sales and to increase buffers against potential delays in supply. As in the two previous years, a significant portion of the rise in domestic spending in 1994 was on imports of goods and services, which increased about 14 percent in real terms during the year.

Economic growth in major U.S. export markets averaged about 4½ percent in 1994, a rate sharply higher than that recorded during the previous two years (table 2). Despite the rapid growth last year, the level of foreign activity remained low by historical standards relative to both its trend and the level of activity in the United States. Much of the foreign growth last year, especially in many developing countries, was in investment spending. This investment spending was of particular importance for U.S. exports, as capital goods have become an increasingly important component of U.S. exports.

In the major foreign industrial countries, growth of real GDP rebounded sharply during 1994, significantly exceeding the pace of recovery widely expected at the start of the year. In the United Kingdom and Canada, where recovery was already well established, growth continued to be vigorous, particularly in machinery and equipment investment. In Germany, France, and other continental European countries, where activity had been sluggish during 1993, real GDP grew at a faster rate as the year progressed, boosted by growth in investment outlays. Recovery was evident in Japan as well, but the pace of expansion there remained subdued relative to that of the other industrial countries, and investment in machinery and equipment fell. Although most of these economies clearly had moved past the troughs of their recessions, considerable slack remained. As a result, consumer price inflation remained low and, in some countries, fell further. On average, in the ten major foreign industrial countries, consumer prices rose 2 percent during the year, a rate less than that of consumer price inflation in the United States.

Economic growth in the major developing countries in 1994 continued at about the same strong pace as that in 1993. In Asia, the newly industrializing economies grew rapidly. They benefited from low domestic interest rates, fast growth in China, and recovery in the industrial countries. Although the exports of these Asian developing economies increased rapidly in 1994, domestic demand—and especially investment—generally was their primary source of GDP growth. Growth in China, although still quite rapid, was slower than that in 1992–93, as credit conditions were tightened further and various controls were imposed to dampen demand. In Mexico, growth of real GDP picked up markedly during the second and third quarters of 1994, in part because of fiscal stimulus and easier monetary conditions. However, in the aftermath of the currency crisis in Mexico, including the implementation of a program of monetary and fiscal restraint, economic activity is expected to be depressed this year.

2. Growth of real GDP in selected foreign economies, 1992–94

Percent change, fourth quarter to fourth quarter

Country	1992	1993	1994[1]
Total	**1.6**	**2.8**	**4.4**
Industrial countries[2]	.4	1.6	3.9
Canada	.5	3.2	5.6
Japan	−.4	−.5	.9
Western Europe	.3	.7	3.3
Developing countries[3]	4.7	5.9	6.2
Asia	6.6	7.8	7.7
Latin America	2.3	3.6	4.3
Mexico	2.1	1.0	4.0
Other Latin America	2.4	5.9	4.5

NOTE. Aggregate measures are weighted by bilateral shares in U.S. nonagricultural merchandise exports in 1987–89.

1. Data for 1994 are partly estimated.

2. The industrial countries index includes Australia and New Zealand in addition to Canada, Japan, and Western Europe. The index for Western Europe comprises Belgium, France, Germany, the Netherlands, Sweden, Switzerland, the United Kingdom, Austria, Denmark, Finland, Greece, Ireland, Norway, Portugal, Spain, and Turkey.

3. The developing countries in the index for Asia are the Peoples Republic of China, Hong Kong, Korea, Malaysia, the Philippines, Singapore, and Taiwan. The countries in "Other Latin America" are Argentina, Brazil, and Chile.

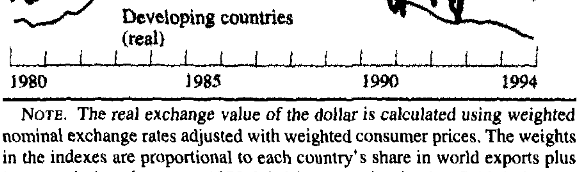
SOURCE. Various national sources.

U.S. Price Competitiveness

Broad measures of U.S. price competitiveness have changed little in recent years, compared with the 1980s. One such broad measure is the "real," or "CPI-adjusted," foreign exchange value of the dollar, which is computed as the ratio of U.S. consumer prices to foreign consumer prices translated into dollars at current nominal exchange rates. Between 1980 and 1987, the real value of the dollar showed a dramatic swing, first appreciating and then depreciating. Since 1988, however, the value of the dollar has fluctuated in a much narrower range (chart 3). The smaller changes recorded in recent years, combined with roughly similar trends in CPI inflation in the United States and abroad, have resulted in only moderate changes in U.S. price competitiveness. The 7 percent real appreciation of the dollar against the currencies of the other G-10 countries in 1993 (which indicated a deterioration in U.S. price competitiveness) was reversed

3. Nominal and real exchange value of the dollar against currencies of selected countries, 1980–94

Ratio scale, 1987=100

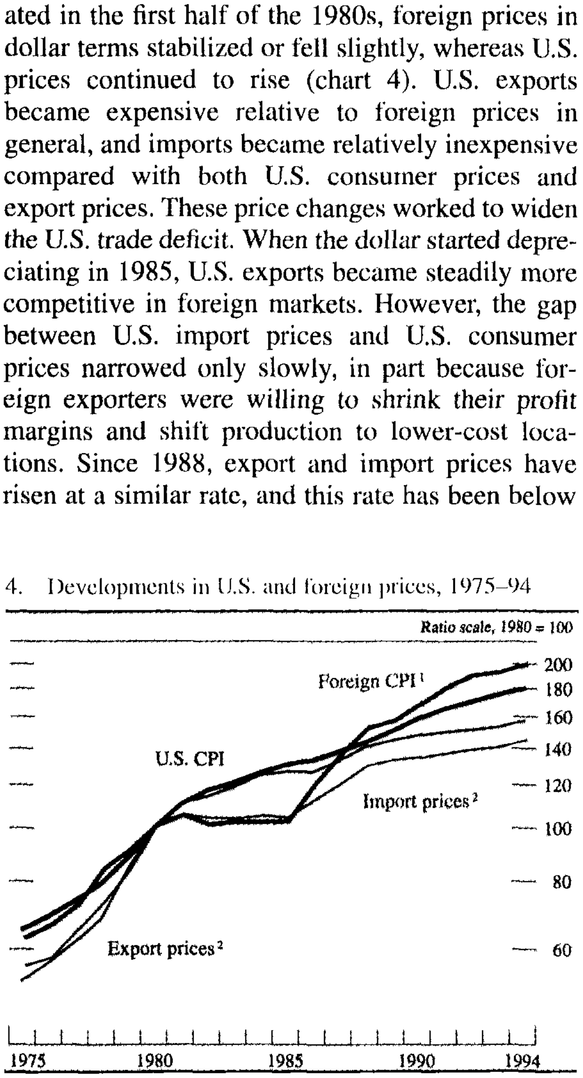


NOTE. The real exchange value of the dollar is calculated using weighted nominal exchange rates adjusted with weighted consumer prices. The weights in the indexes are proportional to each country's share in world exports plus imports during the years 1972–76. The countries in the G-10 index are Belgium-Luxembourg, Canada, France, Germany, Italy, Japan, the Netherlands, Sweden, Switzerland, and the United Kingdom. The countries in the developing countries index are Brazil, Hong Kong, Korea, Malaysia, Mexico, the Philippines, Singapore, and Taiwan. The data are quarterly, except for nominal G-10 exchange rates, which are weekly.

in 1994. The depreciation of the dollar in "real" terms during 1994 was slightly smaller than the depreciation in nominal terms, as U.S. inflation exceeded inflation in the other G-10 countries. The dollar showed about the same degree of real depreciation during 1994 when measured with an index that also includes the currencies of major U.S. trading partners in Latin America and East Asia.

The prices of exports and imports only loosely followed the movements in consumer prices when the dollar was tracing its large swing in the 1980s. In recent years, trade prices have moved more in line with consumer prices. When the dollar appreciated in the first half of the 1980s, foreign prices in dollar terms stabilized or fell slightly, whereas U.S. prices continued to rise (chart 4). U.S. exports became expensive relative to foreign prices in general, and imports became relatively inexpensive compared with both U.S. consumer prices and export prices. These price changes worked to widen the U.S. trade deficit. When the dollar started depreciating in 1985, U.S. exports became steadily more competitive in foreign markets. However, the gap between U.S. import prices and U.S. consumer prices narrowed only slowly, in part because foreign exporters were willing to shrink their profit margins and shift production to lower-cost locations. Since 1988, export and import prices have risen at a similar rate, and this rate has been below that for consumer prices both in the United States and abroad.

4. Developments in U.S. and foreign prices, 1975–94



NOTE. The data are yearly.

1. The CPI for foreign countries is the weighted average of the foreign G-10 and eight developing countries. The weights are constant shares in U.S. non-oil imports for 1987–89.

2. U.S. export prices (nonagricultural, excluding computers), U.S. import prices (non-oil, excluding computers).

Several factors may account for the slow growth of traded goods prices, relative to consumer prices, in recent years. First, measured productivity gains in manufacturing in general have been greater than those in services. Because manufactured goods carry a larger weight in the export and import price indexes than in the consumer price index, these greater productivity gains have dampened trade prices more than consumer prices. Second, for several reasons, foreigners who export to the United States may have reduced profit margins further in an effort to maintain market share. By maintaining market share in the United States, foreign firms could keep production near efficient levels despite low demand in their home markets. Similarly, by squeezing profit margins, some firms were able to maintain market share while waiting for production facilities in the United States to become operational. Finally, there is some evidence that U.S. import prices react more slowly to movements in exchange rates than to changes in the home-currency cost of production because relatively large swings in exchange rates have often proved to be temporary.

From this longer-term perspective, it is apparent that movements in exchange rates during 1993 and 1994 did not significantly alter the basic constellation of relative trade prices. By these price measures, U.S. exports appear quite competitive in foreign markets, which is consistent with the rapid growth of exports relative to foreign activity. At the same time, by these measures, U.S. import prices also appear quite competitive relative to general U.S. prices, which is again consistent with the rapid growth of imports in recent years.

Developments in Trade in Goods and Services

Rapid growth in the United States and abroad together with small price changes produced strong growth of both exports and imports in 1994 (table 3).

Strong Expansion of Exports

The value of exported goods and services rose almost 9 percent last year as goods exports

3. U.S. international trade in goods and services, 1992–94
Billions of dollars

Item	1992	1993	1994
Balance on goods and services	−40	−76	−106
Exports of goods and services	617	642	698
Services	177	185	195
Goods	440	457	503
Agricultural	44	44	47
Computers	29	29	33
Aircraft and parts	38	33	32
Other capital	110	120	141
Consumer	51	55	60
Automotive products	47	52	57
Industrial supplies	110	112	121
Other	12	12	12
Imports of goods and services	657	717	804
Services	121	128	135
Goods	536	589	669
Petroleum and products	52	51	51
Computers	32	38	46
Other capital	103	114	138
Consumer	123	134	146
Automotive products	92	102	119
Industrial supplies	89	101	114
Foods and other	47	48	55

SOURCE. U.S. Department of Commerce, Bureau of Economic Analysis, U.S. international transactions accounts.

increased 10 percent and service exports rose about 5 percent. Goods exports to most major regions of the world increased as the pace of economic activity in U.S. trading partners improved significantly. Exports to Canada, Mexico, other countries in Latin America, and many developing countries in Asia grew more than 20 percent. Exports to Japan grew 14 percent and to Western Europe, 7 percent (table 4).

Most of the increase in export value came from rapid growth in the quantity of goods and services exported rather than from changes in prices. Growth in the quantity of exports (measured in constant 1987 dollars) picked up as the year progressed and totaled 12 percent from the fourth quarter of 1993 to the fourth quarter of 1994, compared with 6 percent over the four quarters of 1993 (table 5). More than half the increase in 1994 was in exports of capital goods. High levels of investment spending, especially in Asia and Europe, contributed to a nearly 20 percent increase in exports of machinery. Canada, Latin America, and Asia each accounted for one-fourth of the rise in machinery exports. Shipments to Mexico contributed a little more than half of the rise to Latin America. Machinery exports to Korea, Malaysia, and Thailand jumped more than 30 percent in 1994;

4. U.S. exports of goods, by importing region, 1992–94
Billions of dollars

Importing region	1992	1993	1994	Percent change, 1993–94
Total	**441**	**457**	**503**	**10**
Industrial countries[1]	263	269	293	9
Canada	91	101	115	14
Japan	47	47	52	11
Western Europe	115	111	115	4
Developing countries[2]	178	188	210	12
Asia	88	96	104	8
Latin America	75	78	92	18
Mexico	40	41	51	24
Other Latin America	35	37	41	11

1. See note 2 to table 2.
2. See note 3 to table 2.
SOURCE. U.S. Department of Commerce, Bureau of Economic Analysis, U.S. international transactions accounts.

these three countries accounted for two-thirds of the increase in shipments to Asia. Shipments to Western Europe picked up only at the end of the year.

While computers accounted for half of the increase in the quantity of exported machinery and semiconductors another 9 percent, most of the remaining increase was in a wide range of machines, such as electricity generating equipment; industrial engines and pumps; and measuring, testing, and scientific equipment. The growth of capital goods exports was only slightly restrained by a further decline in aircraft exports.

Exports of other goods and services, which accounted for roughly 70 percent of exports, grew more slowly on average than capital goods in 1994. Automotive exports grew strongly; most of the rise

5. Change in the quantity of U.S. exports, 1992–94
Percent change, fourth quarter to fourth quarter

Type of export	1992	1993	1994
Total	**5.0**	**5.8**	**11.6**
Services	−2.0	5.0	4.8
Goods	7.6	6.1	13.9
Agricultural	9.5	−5.3	17.9
Computers	34.8	23.1	29.3
Aircraft and parts	−12.0	−10.0	−17.0
Other capital	6.8	11.0	20.2
Consumer	8.9	5.0	13.2
Automotive products	19.6	9.2	11.5
Industrial supplies	1.0	1.1	6.3
Other	−7.7	−.4	2.3

NOTE. Quantities are measured in constant 1987 dollars.
SOURCE. U.S. Department of Commerce, Bureau of the Census.

was in shipments of automotive parts to Canada for assembly into vehicles largely for sale in the United States (reflecting the surge in domestic sales during 1994).

Exports of consumer goods also boosted overall exports in 1994. About half of the increase went to industrial countries, primarily Canada and Western Europe; shipments to Mexico accounted for another one-fifth of the increase. Agricultural exports bounced back last year from a decline in 1993; the much-improved harvest of 1994 eased supply constraints that had been limiting shipments of farm products. The quantity of exported industrial supplies other than agricultural products grew 6 percent during 1994; increases were in a wide range of categories, from metals and chemicals to textiles. Exports of services expanded 5 percent in 1994 in terms of constant dollars, with the sharpest increase in royalties and license fees.

Vigorous Growth of Imports

The value of imported goods and services rose rapidly last year. As with exports, nearly all of the increase in import value last year reflected growth in the quantity rather than higher prices of imports. In quantity terms, imports of goods and services grew even more strongly than the double-digit pace recorded in 1993 (table 6). Prices of imports rose slowly (less than 1½ percent) in 1993, in part because of the appreciation of the dollar. In 1994, these prices rose about 4 percent, as the dollar retraced its previous appreciation. The growth of imports of goods and services last year reflected primarily the vigorous growth in real expenditures by households and businesses. In addition, the slow growth in import prices during 1993 provided some further stimulus in 1994.

6. Change in the quantity of U.S. imports, 1992–94
Percent change, fourth quarter to fourth quarter

Type of import	1992	1993	1994
Total	**8.6**	**12.4**	**14.1**
Services	1.4	8.7	3.3
Goods	10.1	13.1	16.1
Petroleum and products	12.1	10.0	−1.7
Computers	48.7	38.3	36.0
Other capital	9.8	14.1	23.2
Consumer	3.6	8.9	11.3
Automotive products	4.1	9.2	15.7
Industrial supplies	6.6	10.8	15.3
Foods and other	1.5	4.3	4.9

NOTE. Quantities are measured in constant 1987 dollars.
SOURCE. U.S. Department of Commerce, Bureau of the Census.

The sharpest increase in imports was in capital goods, which expanded nearly 30 percent in real terms. Part of the rise was in imports of computers, which continued to expand sharply in response to technological change. But imports of other capital goods also grew strongly in 1994 including semiconductors, telecommunications equipment, electricity generating equipment, and other industrial and agricultural goods.

Imports of non-oil industrial supplies grew 15 percent from the fourth quarter of 1993 to the fourth quarter of 1994, with about 30 percent of the increase attributable to metals and another 20 percent to chemicals. Increasingly tight world commodity markets, especially for metals, caused prices of imported industrial supplies to jump 7 percent in 1994.

Automotive imports increased 16 percent in 1994. Two-thirds of the rise was from Canada and Mexico, where assembly operations of parts and vehicles for U.S. companies expanded in response to the strength of automobile sales in the United States. In addition, imports of cars from Japan jumped in the fall as strong demand for some models exceeded supplies in the United States; imports dropped back late in the year as supply pressures eased and as Toyota doubled its assembly capacity in the United States.

Consumer expenditures in the United States expanded steadily throughout the year, and imports of consumer goods increased 11 percent. The strongest increases were in home entertainment products, household goods, and apparel. About 40 percent of the increase in imported consumer goods came from China; another 25 percent came from other developing countries in Asia (particularly Malaysia). Mexico provided about 10 percent of the increase; and Western Europe, about 20 percent. Imports of consumer goods from Japan declined in 1994.

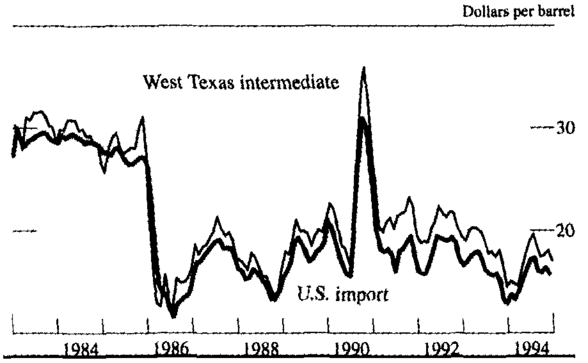
Imports of services rose 3 percent in terms of constant dollars in 1994. Small increases were recorded in travel, transportation, and payments of royalties and fees.

Oil Imports

The value of oil imports changed little between 1993 and 1994 as an increase in the volume of oil imports was offset by a $1 per barrel decline in the average price of imported oil.

Oil import prices have tended to mirror spot oil prices (West Texas intermediate) with a lag of several weeks (chart 5). Spot prices fell sharply during the fourth quarter of 1993 and began 1994 near $15 per barrel—a five-year low. This decline in price reflected a surge in North Sea oil production, which benefited from new oil field production and improved recovery techniques. Prices began to rise in the spring as OPEC curtailed production, refiners replenished inventories, and consumption increased as a result of accelerating global economic activity. Prices peaked at $19.65 per barrel in July when the height of the U.S. driving season coincided with an oil workers' strike in Nigeria. Prices then eased through the beginning of October at which time the massing of Iraqi troops along the Kuwaiti border, together with supply disruptions in Houston, prompted a small run-up in oil prices.

5. Oil prices, 1983–94



NOTE. The data are monthly.
SOURCE. *Petroleum Intelligence Weekly*, various issues, and U.S. Department of Commerce, Bureau of Economic Analysis.

OPEC's decision in November to roll over its production quota throughout 1995 failed to sustain this run-up, and prices closed the year at $17.16 per barrel. Oil import prices mirrored the changes in spot prices and averaged $14.75 in 1994, about $1 below the average for 1993.

The quantity of oil imports rose from a rate of 8.6 million barrels per day in 1993 to 8.9 million barrels per day in 1994. The increase resulted from a continued decline in U.S. oil production, heavy stockbuilding, and gains in U.S. consumption (table 7).

DEVELOPMENTS IN THE NONTRADE CURRENT ACCOUNT

The balance on nontrade items in the U.S. current account declined $23 billion last year to a deficit of $49 billion. Nearly all of this decline was in the balance on investment income.

Investment Income and Payments

The balance on investment income declined significantly from a surplus of $4 billion in 1993 to a deficit of $15 billion in 1994 (table 8). This balance is the difference between the amount that U.S. residents earn on their assets abroad (receipts) and the amount that foreigners earn on their assets in the United States (payments). U.S. residents hold many types of assets abroad, and foreign residents hold many types of assets in the United States. Year-to-year variations in the rates of return on these different assets can influence year-to-year changes in net investment income. In the long run, however, the most important determinant of net investment income is the net international investment position, which reflects the financing of past current account balances. Last year, changes in the

7. U.S. oil consumption, production, and imports, selected years, 1980–94

Millions of barrels per day

Item	1980	1985	1991	1992	1993	1994
Consumption	17.1	15.7	16.7	17.0	17.2	17.7
Production	10.8	11.2	9.9	9.8	9.6	9.4
Imports	6.9	5.1	7.6	7.9	8.6	8.9

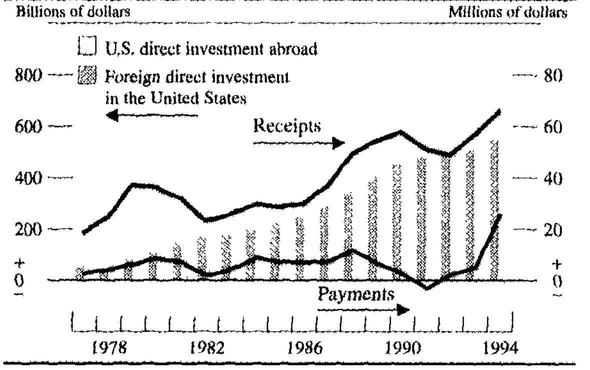
SOURCE. U.S. Department of Energy, Energy Information Administration.

8. U.S. net investment income, 1991–94
Billions of dollars

Item	1991	1992	1993	1994
Investment income, net	15	5	4	−15
Direct investment income, net	55	48	52	41
Receipts	52	50	58	67
Payments	−3	2	5	25
Portfolio income, net	−41	−43	−48	−56
Receipts	85	65	56	68
Private	77	57	51	64
Government	8	7	5	4
Payments	125	108	105	125
Private	84	67	63	78
Government	42	41	42	47

SOURCE. U.S. Department of Commerce, Bureau of Economic Analysis, U.S. international transactions accounts.

6. Direct investment: position and income, 1977–94



NOTE. The position data are period averages using the current-cost measure as of year-end for the current and previous years. The year-end data for 1994 were constructed by adding the recorded direct investment capital flows during 1994 to the recorded year-end position for 1993.

SOURCE. Department of Commerce, Bureau of Economic Analysis; and the Federal Reserve Board.

rates of return and the further deterioration of the investment position both contributed to the decline in net investment income. The rate of return on foreign direct investment assets in the United States, which had been depressed in recent years, returned to a more normal rate. In addition, the continued decline in the net portfolio position last year further reduced net portfolio income.

Net Direct Investment Income

The balance on direct investment income decreased about $11 billion in 1994, to $41 billion. Receipts on U.S. direct investment abroad increased $9 billion (about 15 percent) in 1994, the increase reflecting faster foreign growth. Payments by foreign subsidiaries in the United States grew even faster, however, from a severely depressed level of $5 billion in 1993 to more than $25 billion in 1994.

Direct investment payments last year were significantly above their previous high. In terms of historical rates of return on investment capital, however, last year's payments were not an aberration. In 1994 the rate of return on foreign direct investment in the United States was either 4.6 percent or 3.2 percent, depending on whether one uses a current-cost or a market-value measure for the value of direct investment assets in the United States. This rate of return is not unusually high when compared either with previous rates of return for direct investment payments or with the rate of return received by U.S. direct investors abroad. As table 9 shows, the rate of return on foreign direct investment assets in the United States averaged almost 8 percent in 1977–80 and 3 percent between

9. Rates of return on direct investment, 1977–94
Percent

Item	1977–80	1981–88	1989	1990	1991	1992	1993	1994[1]
U.S. investment abroad								
Current	9.9	7.9	10.3	10.0	8.2	7.6	8.3	8.9
Market	n.a.	n.a.	7.4	7.6	6.8	6.2	6.5	6.5
Foreign investment in the United States								
Current	7.8	3.1	1.6	.6	−.7	.4	1.0	4.6
Market	n.a.	n.a.	1.4	.5	−.5	.3	.7	3.2

NOTE. The rates of return are calculated as follows: The numerator is direct investment receipts or payments from the U.S. transaction accounts. The denominator is the average of year-end figures for the value of direct investment for the current and previous years.

n.a. Not available.

1. The year-end values of claims and liabilities that appear in the denominators are estimates constructed by adding the recorded direct investment capital flows during 1994 to the recorded year-end positions for 1993.

SOURCE. U.S. Department of Commerce, Bureau of Economic Analysis, U.S. international transactions accounts and U.S. international investment position.

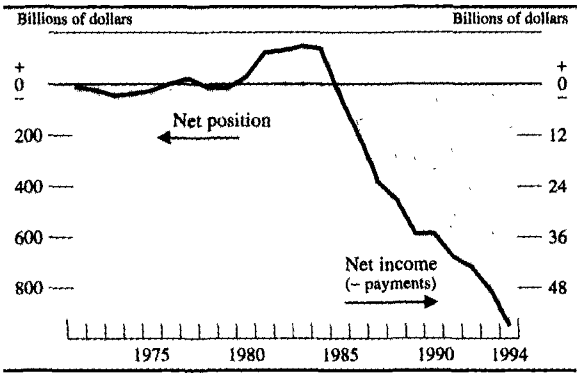
1981 and 1988 (on a current-cost basis); moreover, the rate of return last year was only about one-half of that on U.S. direct investment assets abroad.

U.S. direct investment income has fluctuated with the cycles of foreign activity and changes in exchange rates, but it has generally moved with the U.S. direct investment position abroad (chart 6). In contrast, U.S. direct investment payments failed to keep pace with the large increases in the foreign position in the United States during the 1980s. Some of that investment in the 1980s now appears to have been ill conceived. The growth in payments during the past three years has brought the level of payments to a record high, yet payments remain quite low relative to the foreign direct investment position in the United States.

Net Portfolio Income

The balance on portfolio income has tended to mirror the U.S. net portfolio position and has registered net payments since 1985 (chart 7). Net portfolio payments increased $8 billion, to $56 billion, as the net position deteriorated by roughly $150 billion on an annual-average basis. The rates of return on both portfolio claims and liabilities rose during 1994, as they generally followed the path of U.S. dollar interest rates. The rate of return on claims rose somewhat faster than that on liabilities, however, resulting in little change in the effective rate of return on the net position (chart 8).

7. Net portfolio position and income, 1971–94



NOTE. The data are annual averages.

SOURCE. Department of Commerce, Bureau of Economic Analysis; and the Federal Reserve Board.

Unilateral Transfers

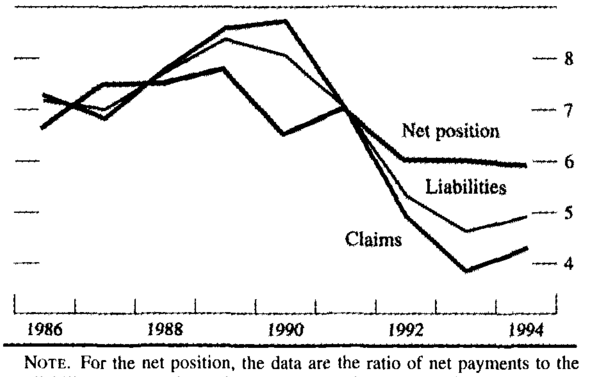
Net unilateral transfers to foreigners increased $2 billion last year, to $34 billion. These transfers include government grant and pension payments as well as net private transfers to foreigners. Most of the increase last year was in private transfers to foreigners; government grants declined slightly.

International Investment Position

The U.S. net international investment position at the end of 1994 was roughly a negative $750 billion, or about 11 percent of U.S. GDP.[1] Of this, the net portfolio position was about negative $1,050 billion; the net direct investment position was positive $200 billion (on a current-cost basis); and the official gold stock was roughly $100 billion. Net investment payments were small relative to this position because of lower rates of return on direct investment assets in the United States compared with those on U.S. direct investment assets abroad (table 9).

1. This position estimate takes the investment position at year-end 1993 (with direct investment valued on a current-cost basis and the official gold stock at its year-end 1993 market value) and adds to it the net capital inflows recorded for 1994. Official estimates of the investment position will be published in the June 1995 issue of the *Survey of Current Business*.

8. Rates of return on portfolio investment, 1986–94



NOTE. For the net position, the data are the ratio of net payments to the net liability position (shown in chart 7). For claims (liabilities), the data are the ratio of total receipts (payments) to claims (liabilities).

SOURCE. Department of Commerce, Bureau of Economic Analysis; and the Federal Reserve Board.

CAPITAL ACCOUNT TRANSACTIONS

The large U.S. current account deficit in 1994 was financed by substantial net capital inflows from both private and official sources (table 10). Compared with 1993, net private capital inflows increased sharply while net official capital inflows fell. The increase in net private capital inflows came primarily from larger net inflows through the banking sector and smaller net outflows through U.S. purchases of foreign securities. The statistical discrepancy in the international accounts declined substantially, thus indicating that the increase in recorded net capital inflows exceeded the recorded increase in the current account deficit.

Recorded net inflows through the banking sector swelled to more than $100 billion in 1994 from about $50 billion in 1993. Nearly all of the net inflow reflected borrowing from related foreign offices to finance U.S. domestic lending. Last year's banking environment was marked by strong loan demand and generally rising interest rates. Banks were unusually sluggish in raising offering rates on retail deposits, however, and instead relied on wholesale sources of funds, such as senior bank notes and borrowing from their own foreign offices. From the fourth quarter of 1993 to the fourth quarter of 1994, domestic banks raised about $70 billion from abroad, and branches and agencies of foreign banks raised about $20 billion. For domestic banks, one attraction of these funding sources was the absence of deposit insurance premiums on them. U.S. banks may also have found these sources more readily available to them last year as their overall creditworthiness improved along with the economy and the quality of their assets. Responses to a recent Federal Reserve survey of senior financial officers at large commercial banks indicated that a bank's credit rating was a very important factor in the cost of wholesale deposits raised either domestically or in Eurodollar markets in 1994. According to available data, only about one-quarter of the $90 billion increase in net Eurodollar borrowing by banks in the United States was matched by an increase in Eurodollar holdings of U.S. residents; thus foreigners were the likely source of the bulk of these funds.

U.S. net purchases of foreign securities, particu-

10. Composition of U.S. capital flows, 1990–94

Billions of dollars

Item	1990	1991	1992	1993	1994	Change, 1993–94
Current account balance	−92	−7	−68	−104	−156	−52
Official capital, net	34	26	43	70	44	−26
Foreign official assets in the United States	34	17	41	72	39	−33
U.S. official reserve assets	−2	6	4	−1	5	6
Other U.S. government assets	2	3	−2	−0	0	0
Private capital, net	18	21	42	13	145	132
Net inflows reported by U.S. banking offices	12	9	38	51	104	53
Securities transactions, net	−34	10	18	−15	31	46
Private foreign net purchases of U.S. securities	−6	54	64	105	92	−13
Treasury securities	−3	19	37	25	33	8
Corporate bonds[1]	12	26	31	61	56	−5
Corporate stocks	−15	9	−4	19	3	−16
U.S. net purchases of foreign securities	−29	−45	−45	−120	−61	59
Stocks	−7	−31	−31	−61	−43	18
Bonds	−21	−14	−14	−59	−18	41
Direct investment, net	22	−6	−28	−37	2	39
Foreign direct investment in the United States	48	26	10	21	60	39
U.S. direct investment abroad[1]	−26	−32	−37	−58	−58	0
Other	17	8	14	14	8	−6
Statistical discrepancy	40	−40	−17	21	−33	−54

1. Transactions with finance affiliates in the Netherlands Antilles have been excluded from direct investment outflows and added to foreign purchases of U.S. securities through 1992. This adjustment was discontinued in 1993 because of the assumption that virtually all the Eurobonds issued by Netherlands Antilles affiliates before mid-1984 have already come due.

SOURCE. U.S. Department of Commerce, Bureau of Economic Analysis, U.S. international transactions accounts.

larly bonds, fell sharply from record levels reached in 1993. Rising interest rates on bonds denominated in dollars and many other major currencies produced capital losses for U.S. holders of long-term bonds. Transactions with the United Kingdom, the major center for new international bond issues and Eurobond trading, shifted from large net purchases in 1993 to large net sales in 1994.

The decline in U.S. net purchases of foreign stocks was less precipitous. U.S. investors made heavy net purchases of stocks in Japan last year, particularly in the first half. Japan alone accounted for about one-third of all U.S. net purchases of foreign stocks for the year. In developing countries, those that received the largest net equity inflows in 1993 (Hong Kong, Mexico, Argentina, Brazil, and Singapore) were less favored by U.S. investors last year, while interest picked up in a wide assortment of other developing countries, including South Korea, Chile, Indonesia, China, India, and Peru.

Private foreign net purchases of U.S. securities declined in 1994 yet remained near the record level of 1993. Net foreign purchases of U.S. corporate stocks fell from $19 billion in 1993 to $3 billion in 1994. The largest declines were in purchases from the United Kingdom and offshore financial centers, providing little information on the residence of the ultimate transactor. Net purchases by Japanese residents totaled about $1 billion in 1994, down from $4 billion in 1993. In contrast to the decline in equities, foreign private net purchases of U.S. bonds rose slightly last year as increased purchases of Treasury securities were only partly offset by decreased purchases of corporate and agency bonds.

In 1994 foreign direct investment in the United States revived, while U.S. direct investment abroad remained at near record levels. The direct investment inflow was swelled by takeovers of U.S. companies and by the revival of profits and reinvested earnings reported by affiliates of foreign companies in the United States. U.S. direct investment abroad continued to be strong in Western Europe, Canada, Japan, and Australia; these countries accounted for 60 percent of U.S. direct investment abroad in 1993 and more than 50 percent in 1994. In addition, U.S. direct investment in developing countries increased.

Increases in foreign official assets in the United States in 1994 were substantial but well below those in 1993. In particular, the large reserve accumulations by certain developing countries in Latin America, which experienced massive private capital inflows in 1993, were not repeated in 1994.

Total recorded net capital inflows increased substantially in 1994. That increase over the 1993 inflow was the counterpart of both the larger current account deficit and a sharp swing in unrecorded transactions from a net inflow (positive) in 1993 to a net outflow (negative) in 1994. The statistical discrepancy in the international accounts was large and negative last year despite substantial increases in foreign holdings of U.S. currency. Increases in foreign holdings of currency, which are not recorded in the U.S. international accounts, represent an unrecorded capital inflow and tend to make the discrepancy positive. Much of the increase in net shipments of currency in 1994 was to Russia.

PROSPECTS FOR 1995

Over the year ahead, the U.S. external deficit should widen by somewhat less than it did last year. Recent data indicate some slowing in the growth of U.S. investment and consumption. If sustained, this slowing should reduce the pace of import growth from last year's rapid pace. In addition, continued strong economic growth in many of our major trading partners should support a further expansion of exports. The recent decline of the dollar against the currencies of other industrial countries on average, if it is sustained and not offset by a relative rise in U.S. inflation, will tend to stimulate U.S. exports and depress the volume of imports.

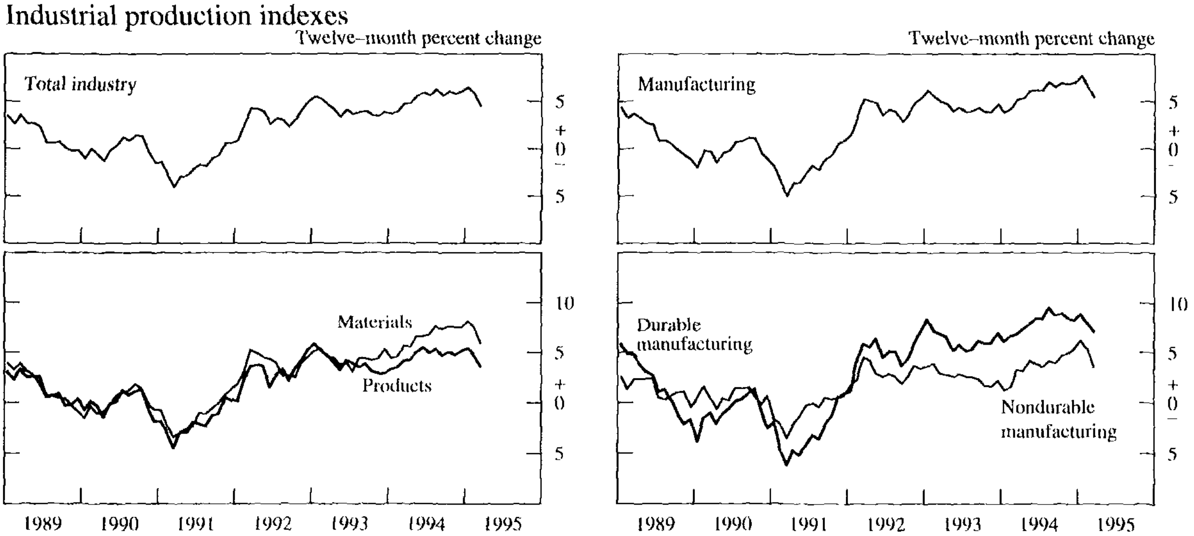
Balanced against these factors is a likely sharp reduction in U.S. exports to Mexico because of the downturn in economic activity in that country. In addition, the further decline in the net investment position that occurred last year will likely widen the deficit on the investment income balance this year. □

Industrial Production and Capacity Utilization for March 1995

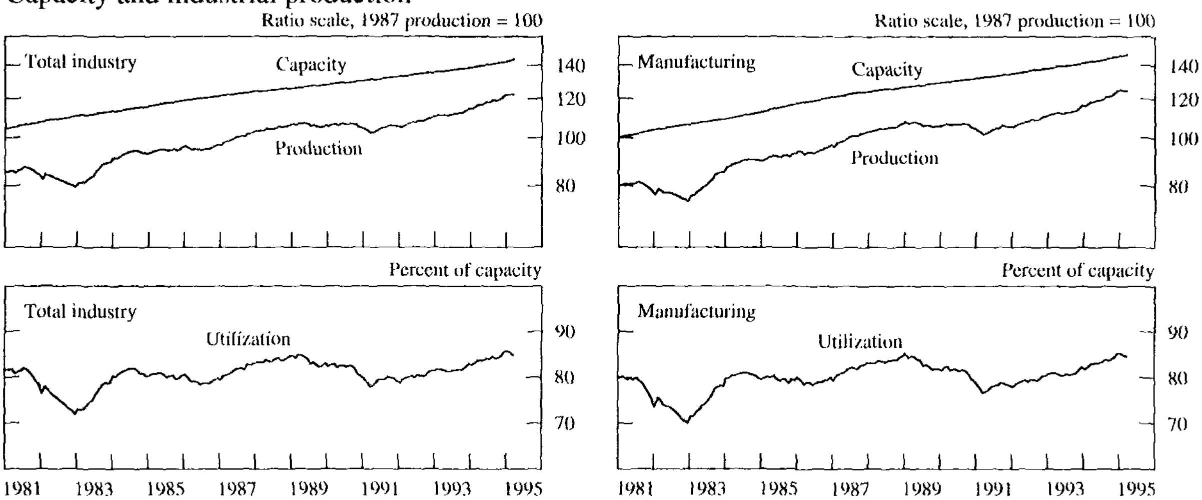
Released for publication April 14

Industrial production fell 0.3 percent in March, and the cumulative gain during January and February was 0.3 percent less than previously estimated. The March decline is the first contraction in monthly production since the strike-affected decline of last September and the second since May 1993. Much of the decrease in overall production reflected a 2.6 percent drop at utilities, which reversed a

Industrial production indexes



Capacity and industrial production



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

Industrial production and capacity utilization, March 1995

Category	Industrial production, index, 1987 = 100				Percentage change				
	1994	1995			1994[1]	1995[1]			Mar. 1994 to Mar. 1995
	Dec.r	Jan.r	Feb.r	Mar.p	Dec.r	Jan.r	Feb.r	Mar.p	
Total	**121.7**	**122.2**	**122.3**	**121.9**	**1.1**	**.4**	**.1**	**−.3**	**4.5**
Previous estimate	121.7	122.0	122.6	...	1.1	.2	.5	...	...
Major market groups									
Products, total[2]	118.7	119.3	119.3	118.8	1.0	.5	.0	−.4	3.6
Consumer goods	115.5	116.1	116.1	115.2	1.5	.5	.0	−.8	2.0
Business equipment	152.6	153.7	154.1	154.6	1.0	.7	.3	.3	8.4
Construction supplies	111.6	112.1	111.4	111.5	1.7	.5	−.7	.1	8.1
Materials	126.3	126.6	126.9	126.7	1.4	.3	.2	−.2	5.9
Major industry groups									
Manufacturing	124.2	124.7	124.5	124.4	1.3	.4	−.1	−.1	5.4
Durable	131.2	131.8	131.7	131.6	1.6	.5	−.1	−.1	7.1
Nondurable	116.4	116.8	116.6	116.4	.9	.4	−.2	−.1	3.5
Mining	100.1	99.8	100.3	99.8	1.9	−.3	.5	−.5	−.8
Utilities	115.2	116.0	118.9	115.9	−1.1	−.7	2.5	−2.6	−1.7

Category	Capacity utilization, percent								MEMO Capacity, percentage change, Mar. 1994 to Mar. 1995
	Average, 1967–94	Low, 1982	High, 1988–89	1994		1995			
				Mar.	Dec.r	Jan.r	Feb.r	Mar.p	
Total	**82.0**	**71.8**	**84.9**	**83.7**	**85.5**	**85.6**	**85.4**	**84.9**	**3.0**
Previous estimate	...	...	...	...	85.5	85.5	85.7	...	...
Manufacturing	81.3	70.0	85.2	82.9	85.2	85.3	84.9	84.5	3.4
Advanced processing	80.7	71.4	83.5	81.3	83.0	83.3	83.0	82.6	3.8
Primary processing	82.5	66.8	89.0	86.8	90.8	90.3	89.7	89.5	2.3
Mining	87.4	80.6	86.5	90.2	89.8	89.6	90.0	89.5	−.1
Utilities	86.7	76.2	92.6	87.5	84.7	85.3	87.3	85.0	1.3

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.

similarly sized gain in February. Also, manufacturing output edged down 0.1 percent in March, and mining output fell 0.5 percent. At 121.9 percent of its 1987 average, industrial production was slightly above its level in December and was 4.5 percent higher than it was a year ago. Capacity utilization contracted 0.5 percentage point, to 84.9 percent, a level equal to the high achieved during the 1988–89 period.

When analyzed by market group, the data show that the overall output of consumer goods decreased 0.8 percent. However, the output of consumer durable goods declined 1.9 percent, largely because of a drop in the production of consumer light trucks and further weakness in the production of household furniture and various household appliances. The production of consumer nondurables dipped 0.5 percent; a large cutback in the residential sales of energy by electric and gas utilities and smaller decreases in the production of food, clothing, and paper products more than offset increases in the output of gasoline and distillate fuel oil.

The production of business equipment grew 0.3 percent for a second consecutive month, a noticeable slowing from last year's average monthly pace. The strong gain of 1.3 percent in the output of information processing equipment was largely offset by notable declines in the production of transit equipment and farm equipment. The output of commercial aircraft continued to slide, but most of the decrease in transit equipment was in truck production. The production of defense and space equipment also continued to decline and is now 8.1 percent below its March 1994 level. Among intermediate products, construction supplies changed little, while business supplies slipped 0.3 percent.

The production index for materials dipped 0.2 percent, as a decline of 1.1 percent in the output of energy materials more than offset an increase of 0.2 percent in the output of nondurable goods materials. The production of durable goods materials was unchanged. Decreases in coal production and electricity generation account for much of the contraction in the output of energy materials.

When analyzed by industry group, the data show that factory output is estimated to have decreased slightly in both February and March; it had gained an average of ¼ percent per month during the October–January period. The output of nondurables manufacturers edged down: The production of petroleum products increased noticeably, while the production of apparel and of rubber and plastics was sharply down. Instruments and stone, clay, and glass products were the only major industries in durable manufacturing to advance appreciably; furniture and fixtures, motor vehicles and parts, and miscellaneous manufactures decreased notably.

Reflecting the recent weakness in output, the factory operating rate declined to 84.5 percent of capacity; the most recent peaks were 85.3 percent in January 1995 and 85.2 percent in 1988–89. The utilization rate in the primary-processing industries edged down to 89.5 percent (the most recent peaks were 90.8 percent in December 1994 and 89.0 percent in 1988–89). The utilization rate for advanced-processing industries slipped back, to 82.6 percent; this rate is 0.7 percentage point below its January 1995 peak and 0.9 percentage point below its January 1989 peak.

The output of utilities, which had rebounded strongly in January and February from unusually mild temperatures in December, gave back in March all of its February gain. The operating rate at utilities fell to 85.0 percent after having reached 87.3 percent in February. Operating rates at mines declined to 89.5 percent, with coal mining and oil and gas drilling decreasing noticeably. □

Statements to the Congress

Statement by Alan Greenspan, Chairman, Board of Governors of the Federal Reserve System, before the Committee on the Budget, U.S. House of Representatives, March 8, 1995

I appreciate this opportunity to discuss the Federal Reserve's conduct of monetary policy. Because I presented our semiannual Monetary Policy Report to the Congress just two weeks ago, I will review only briefly the current outlook before focusing on some key longer-term issues bearing on macroeconomic policy, issues that are highly relevant to recent foreign exchange market developments.[1]

The weakness of the dollar against other major currencies is both unwelcome and troublesome. Dollar weakness, while very likely overdone, is unwelcome because it adds to potential inflation pressures in our economy. As I have emphasized numerous times in the past, it is important that we contain such pressures. Dollar weakness is also troublesome because it is doubtless symptomatic of some of the underlying problems confronting the longer-term health of the economy: inadequate national savings, continuing large budget deficits, and a persistent current account imbalance.

THE CURRENT OUTLOOK

Turning to the economic outlook, the data that have been published thus far in 1995 have offered some indications that the expansion may be slowing from its torrid and unsustainable pace of late 1994. Although hours of work lengthened in January, employment growth slowed from its average of recent quarters and the unemployment rate rose. Moreover, recent readings on retail sales suggest a more moderate rate of increase, and housing activity has shown some softness. Nonetheless, to date, the real economy appears to have continued to grow, without seeming to develop the types of imbalances that in the past have undermined ongoing expansions.

The degree of the strength of the expansion this year is likely to depend on the same elements that contributed strongly to last year's solid performance: plant and equipment outlays and inventory investment. Although the recent newly revised survey by the U.S. Department of Commerce of plant and equipment investment intentions of U.S. business points to more modest increases in capital spending than were reported for last year, there are, as yet, few indications of that degree of slowing in orders for nondefense capital goods or in contracts or permits for private nonresidential building. Indeed, backlogs of equipment orders are rising relative to sales, and business profitability, a key factor in investment plans, continues to exceed expectations. The investment plans of manufacturers, whose capacity is clearly stretched, reflect this strong demand for capital goods. But planned spending outside of manufacturing, especially among utilities and service industries, is evidently softening. Of course, at this stage the lack of a historical track record for this new survey makes it very difficult to draw firm conclusions from these figures.

Inventory investment contributed the better part of 1 percentage point to overall economic growth last year, and while that type of boost to growth this year seems most unlikely, there is little evidence that an overhang has developed that will lead to an abrupt adjustment of production any time soon. Standard inventory–sales ratios remain on the low side of historical experience; those ratios look even lower, compared with historical experience if one subtracts wholesale and retail markups from the published inventory investment figures to get a better handle on the underlying physical units of stocks. Moreover, even if there were a swing in inventory investment, it would have a more muted

1. See "Monetary Policy Report to the Congress," *Federal Reserve Bulletin*, vol. 81 (March 1995), pp. 219–43.

effect on domestic production than the inventory cycles of just a few years ago. Rough estimates suggest that currently perhaps a quarter of the nominal value of all wholesale and retail stocks are imported, whereas the share was markedly less as recently as the late 1970s.

As I indicated in my recent testimony, while there are signs that spending is slowing, the jury remains out on whether that will be sufficient to contain inflation pressures. We must remember that the nation has entered 1995 with its resources stretched. If we are to do our part in helping the economy operate at its fullest potential over time, we need to remain watchful to ensure that any upswing in the inflation rate does not become firmly entrenched.

GAUGING INFLATION RISKS

I remain firmly of the belief that a key ingredient in achieving the highest possible levels of productivity, real incomes, and living standards over the long run is the achievement of price stability. Thus, I see it as crucial that we extend the period of low inflation, hopefully returning it to a downward trend in the years ahead. The prospects in this regard are fundamentally good, but there are reasons for some concern, at least with respect to the nearer term. These concerns relate primarily to the fact that resource utilization rates have already risen to high levels by recent historical standards.

Clearly, one factor in judging the inflationary risks in the economy is the potential for expansion of our productive capacity. If "potential GDP" is growing rapidly, actual output can also continue to grow rapidly without intensifying pressures on resources. In this regard, many commentators, myself included, have remarked that there might well be more than a cyclical character to the evident improvement of U.S. competitive capabilities in recent years. But it is still too soon to judge whether that improvement is a few tenths of a percentage point annually or even more. It is fair to note, however, that the fact that labor and factory utilization rates have risen as much as they have in the past year or so does argue that the rate of increase in potential is appreciably below the 4 percent growth rate of 1994.

Knowing in advance our true growth potential obviously would be useful in setting policy because history tells us that economies that strain labor force and capital stock limits tend to engender inflation instabilities that undermine growth. It is true, however, that in modern economies output levels may not be so rigidly constrained in the short run as they used to be. It is possible for the economy to exceed "potential" for a time without adverse consequences by extending work hours, by deferring maintenance, and by forgoing longer-term improvements. Moreover, as world trade expands, access to foreign sources of supply augments, to a degree, the flexibility of domestic productive facilities for goods and some services.

Aggregative indicators, such as the unemployment rate and capacity utilization, may be suggestive of emerging inflation and asset–price instabilities. But these indicators cannot be determinative. Policymakers must monitor developments on an ongoing basis to gauge when economic potential is actually beginning to become strained—irrespective of where current unemployment rates or capacity utilization rates may lie. If we are endeavoring to fend off instability before it becomes debilitating to economic growth, direct evidence of the emerging process is essential. The Federal Reserve will remain watchful of these developments, while remaining focused on its longer-run goal—the eventual achievement of price stability. We can do no less if we are to maximize our opportunity for advancing the economic well-being of the nation.

FISCAL POLICY

We must recognize that the productive potential of the U.S. economy will be shaped significantly by the actions of this Congress regarding the federal budget deficit. Too much of the small pool of national saving goes toward funding the government. In the past few years, we as a nation have been able to finance our investment by tapping saving from abroad. The United States has been running persistent and growing deficits in its current account position vis-à-vis the rest of the world. This ability to finance our domestic investment from abroad highlights the openness of world capital markets. But it would certainly be unwise and probably impossible to rely on them forever. Indeed, given the recent weakness in the foreign exchange value of the dollar, world capital markets may be sending us just that message. This suggests that a key element in dealing with the dollar's weakness is to convincingly address our underlying fiscal imbalance.

If we are to sustain the higher levels of investment that are crucial to achieve healthy increases in productivity and to remain a viable competitor on world markets, we must raise the level of domestic saving and reduce our reliance on foreign saving. Reliable and robust estimates of the determinants of private saving have eluded economists for many years; we can only conclude that there is no sure-fire scheme that this Congress could adopt to entice our citizens to save more. But the government can decide to use less private domestic saving than it does now. By trimming the deficit, those resources will likely be put to more productive uses, leading to benefits in the form of improved standards of living.

Trimming the deficit would doubtless make the economy more vibrant and less reliant on foreign sources of capital over time. But there would be shorter-run benefits as well. While there is some uncertainty about the causes of the apparent relatively high real long-term rates around the world, the majority of analysts agree that in the United States the current sizable federal deficits—and their projected growth over the decades ahead—play a significant role. In part, this owes to market participants' perception of the risks to future monetary policy that are posed by persistent large federal budget deficits. While we at the Federal Reserve have clearly avoided it in recent years, world history is replete with examples of fiscal pressures leading to monetary excesses and then to greater inflation. Progress in addressing the federal deficit would do much to eliminate any lingering suspicion that the Federal Reserve would ultimately accommodate fiscal imbalances by monetary excess. This would help to lower inflation-risk premiums that are embedded in dollar-denominated assets. All told, a credible program of fiscal restraint that moves the government's finances to a sounder footing almost surely will find a favorable reception in financial markets. That market reaction, by itself, should serve as a source of stimulus that would help to offset, in whole or in part, the drag on spending that otherwise would be associated with reductions in federal outlays and transfers over time.

CONCLUSION

I can assure the members of this committee that we at the Federal Reserve share your goal—the largest possible advance in living standards in the United States over time. That goal can be best achieved if our actions ultimately allow concerns about the variability of the purchasing power of money to recede into the background. Price stability enables households and firms to have the greatest freedom possible to do what they do best—to produce, invest, and consume efficiently. Moreover, a credible program of fiscal restraint will do much to free up private resources for more productive purposes.

Formidable challenges will confront policy—both fiscal and monetary—in the years ahead. It is, of course, unrealistic to assume that we can eliminate the business cycle, human nature being what it is. But containing inflation and thereby damping economic fluctuations is a reasonable goal. We at the Federal Reserve look forward to working with the Administration and the Congress in meeting our common challenges. □

Statement by Lawrence B. Lindsey, Member, Board of Governors of the Federal Reserve System, before the Subcommittee on Financial Institutions and Consumer Credit of the Committee on Banking and Financial Services, U.S. House of Representatives, March 8, 1995

I appreciate the opportunity to provide the Federal Reserve's perspectives on the status of the Community Reinvestment Act (CRA) and our efforts to reform our system for assessing CRA performance. Although the agencies have submitted a joint statement, which I believe lays out in fair and comprehensive form the history and status of our CRA efforts, I would like to take some time to emphasize a few additional points.

First, let me say that the Federal Reserve Board fully supports this effort to reform our CRA regulations. It is, as a rule, advisable to take a close look at regulations periodically, and the CRA was overdue for such a look, even absent the President's prompting of July 15, 1993. During the past twenty months, I have been the Board's representative in the interagency process. This has involved not only formal meetings and hearings but also informal trips around the country to see how the CRA is actually working in practice. Our efforts to date have been an exhaustive—and at times exhausting—process of finding an appropriate balance among the sometimes conflicting objectives of the CRA.

It is no secret that CRA reform has involved a longer process than any of us wanted. But I believe that the issue before us is too important to rush. The nature of the law itself and the resulting plethora of tough issues that confront the agencies have posed many challenges—some foreseen, others not. I believe that the time we have spent on this project will, in the long run, prove to be time well spent. We do no one any favors if we institute a set of regulations that are unworkable in the field or produce bizarre anomalies as they are applied to the many and diverse markets with which we are dealing. Further, we will not be aiding the process of extending credit in traditionally underserved markets if we adopt regulations that cannot stand the test of time and do not have broad support and acceptance by those involved in the process. In particular, we will be doing more harm than good if we treat the CRA as anything other than a way of developing and extending profitable market opportunities for financial institutions.

In my statement for the Board, I would like to focus on several reasons why the process has been so difficult and taken so long. In so doing, I would also like to explore some of what I believe are the misunderstandings about the CRA, including assertions that the CRA process as presently constituted has had so little impact and is so unworkable that it requires radical revamping. Finally, I would like to outline some of the key principles the Federal Reserve believes should be reflected in any CRA reform.

CRA DIFFICULTIES

Some of the central issues with which the agencies are now dealing, in fact, have been well known from the beginning. In part, that is because those issues derive from the unusual content and structure of the law itself and have plagued the CRA implementation process in varying degrees ever since the act was passed in 1977. There are, in short, inherent, unavoidable contradictions in any scheme to administer the CRA. Moreover, the agencies have been charged with developing that process with a minimum of congressional guidance.

In the absence of very much legislative direction, the agencies have been asked to do the following:

- Develop clearer, more objective criteria or standards for measuring CRA performance but without forcing institutions to engage in governmentally mandated or sanctioned credit allocation activity or to compromise the safety and soundness of insured institutions
- Assemble sufficient information about the needs of communities and bank activities to enable the agencies and the public to determine whether performance standards have been met, while minimizing compliance burden on the institutions and protecting the confidentiality of the financial situation of the bank's customers
- Ensure consistency in CRA evaluations while maintaining enough flexibility and judgment to consider fairly the vast differences among banks in size, capacity, business strategies, and product mix, and the diversity of communities in terms of their size, economic condition, programs, and resources.

These goals are often contradictory. All of these core issues involve important matters of public policy and difficult trade-offs. Let me briefly elaborate on the inherently contradictory nature of these objectives. Consistency and objectivity are laudable goals. But to be implemented in a regulatory scheme, they require both a set of statistical data and a formulaic basis for evaluating those data. The more rigid the formulas that are applied, the greater the consistency but the lower the variety of outcomes and allowance for local circumstances that is permitted.

Some may argue that a sufficiently detailed set of data and complex set of formulas will permit regulators to capture the variety of local circumstances that exists. Ultimately such quantifiable evaluations could be applied to individual loan decisions. Such an approach is now a risk in such areas as fair lending, for example. But given the public nature of the CRA disclosure process, such detailed data collection and reporting involve a degree of intrusion into the affairs of a bank's customers that we have tended, in this country, to find objectionable. Carried to its logical conclusion, such a process would tend to replace examiner judgment and personal evaluations of character and creditworthiness with evaluations based solely on quantifiable criteria. In my view, while such an approach may seem superficially fairer than the current system, it might ultimately reduce economic opportunity and might prove counterproductive in aiding traditionally underserved populations.

In addition, given the complexity and diversity of our financial system and the markets it serves, one may suspect whether any nationally imposed set of formulas on performance, no matter how sophisticated, could ever be made to work. As a result, subjectivity and some degree of inconsistency and attendant unfairness will be inherent in any CRA enforcement process we develop.

I believe that my colleagues and I have confronted these issues head-on and are evolving a set of rules that balances the maximum amount of flexibility in implementation with the spirit of objectivity and consistency in CRA enforcement that the President called for. However, getting to that point has not been easy.

NATURE OF THE LAW

As our joint statement indicates, the CRA is indeed a highly unusual law. At first glance, the CRA's mandate to us as a regulatory agency appears fairly simple. Under the CRA, we have four primary duties: to encourage banks to help meet the credit needs of their communities, including low- and moderate-income areas; to assess bank records of performance through examinations; to produce publicly available evaluations of bank CRA performance; and to take their records of performance under the CRA into account when evaluating proposals for expansion.

Note that all of these requirements are for regulatory action. Although the CRA says that we are to encourage banks to help meet community credit needs, the act does not require any specific bank actions. The CRA reminds banks and thrift institutions about their charter obligations, but it does not specifically define them in a way that would provide guidance on reinvestment questions. The act also says that banks should "help" meet community credit needs, but it does not specify what kind of help, or how much help, is necessary or appropriate.

Further, in calling on the supervisory agencies to assess bank performance, the act does not tell us or the banks what good CRA performance is or what types of specific measures the regulators might use to define good performance. The CRA also requires that the agencies consider an institution's CRA performance when reviewing its applications involving depository facilities, but it leaves to the agencies the task of determining what the consequences of poor CRA performance will be and when and how those consequences should be applied.

Even on relatively simple but important matters, such as what constitutes an institution's community, whether "services" should be included in the concept of helping meet credit needs, and whether banks should be judged on credit extended to low- and moderate-income persons or only to borrowers in low- and moderate-income neighborhoods, the act provides little help to regulators, bankers, or community representatives.

In the absence of guidance on principles, standards, or definitions in the CRA, the agencies have been forced to attempt to add much more substance through regulation than is usual for the agencies, to an extent that may be unique for financial regulators. And as this committee knows, the public policy process requires consideration of highly divergent views and interests in an attempt to strike a compromise acceptable to affected parties. This is not a comfortable role for the agencies.

It is not my purpose to suggest that the Congress should rewrite the law to clarify its intent. I am simply attempting to describe the circumstance in which we have found ourselves and indicate that this too has contributed to the difficulty of the reform process. Moreover, there are other factors that have complicated the task.

Public Scrutiny and Involvement

Although it is extremely vague, the CRA is unusual in quite another way. Virtually every other banking law and regulation involves two primary parties—the agency and the bank. The CRA, however, compels the agencies to look beyond the bank itself and assess the role the bank plays in its community. While supervision of the safety and soundness of financial institutions involves us in a primarily two-way conversation with the bank about its policies, practices, and financial condition, the CRA brings a third-party to the table—the bank's community or the public at large.

As the members of this committee are well aware, the "public" is a large and amorphous group of diverse interests. Often, the voice of the public is interpreted as belonging to the individual or group that can marshal the greatest communication skills. Thus, even a theoretical three-way conversation about the CRA among the agencies, banks, and the public is, in practice, hard to hold and often can be quite contentious.

One of the reasons for the increasingly contentious nature of the discussion is that the CRA has become much more prominent and important to the involved parties. Public disclosure of CRA evaluations, which began a few years ago as a result of amendments to the act, has focused greater attention on this issue. More than ever, the CRA performance of financial institutions is being discussed in the press and media, and virtually every group or association with a constituency focused on housing and community development has demonstrated some interest in the CRA over the past few years. On the local level, elected officials, trade unions, church groups, and civil rights groups have become active in CRA protests. In those instances where governmental dollars for economic development have dwindled, communities have often turned their attention to the private sector and the prospect that the CRA will be a strong encouragement to private financial institutions to assume a more direct role in revitalization.

Much of this public interest is based on a realistic understanding of what the CRA says and how private financial institutions work. But some is not. Public pressure, at times, has brought needed correction to insensitive or recalcitrant institutions. At other times, the ability to threaten adverse publicity and delay has no doubt led to abuses in demands from particular special interest groups claiming to represent the public.

The CRA has also become increasingly important to the management of financial institutions. Many now recognize that in an era of growing competition, CRA performance may be critical to an institution's ability to adjust to the new banking environment. CRA-related activities can help develop new markets, potentially profitable business, and can improve a bank's public image. Also, bankers, and even some bank analysts, now recognize that cleaning up the deficient CRA record of an institution, both before and after consummation of a merger or acquisition, can be a costly process.

Consequently, for both the public and financial institutions, concerns about CRA performance have intensified. This has produced a commonality of interest in clarifying standards. However, views about the appropriateness of the law, the attributes of good CRA performance, and the effectiveness of the supervisory agencies have become increasingly divergent.

Evolving Views

Some may think that the current reform effort is simply directed at correcting the administration of the law to return to what it should have been from the inception of the CRA in 1977. But this may be too limited a view. In fact, given the increasing intensity of interest in the CRA over the years from all sides, the expectations about the CRA performance of banks have evolved considerably.

In the CRA's early years, a commonly held view was that the CRA's essential purpose was geographic in nature: to help ensure that banks would not ignore the needs of low- and moderate-income areas in their communities. Today, however, there is a widely held view among community groups that banks can, and should, do more. This may involve aggressive outreach, the use of new marketing tools, and the evolution of new loan products designed to increase loan approvals to low- and moderate-income borrowers.

The current emphasis is not on simply ensuring that segments of communities are not ignored but on dynamic, affirmative efforts. As a result, even institutions that have demonstrably increased mortgage and other credit extensions in lower-income areas, and have expanded their participation in community development, are not infrequently criticized for failure to do more. I might add that we regulators have, to a substantial degree, concurred with the evolution in thinking in this area. Our expectations of what banks should be expected to do to comply with the CRA are much more aggressive than they were ten or fifteen years ago.

CRA COMPLAINTS

Not surprisingly, along with these rising expectations, many in the banking community have come to view agency CRA efforts as increasingly burdensome and unfair. These views have intensified even as the agencies have taken explicit steps to reduce burden, especially for small banks.

At the same time, community and consumer groups often view agency efforts as weak and have suggested a number of changes, including new disclosure provisions, to help ensure that banks and supervisory agencies approach their CRA responsibilities effectively. Further, community groups say that the CRA ratings are much too high, and they contend that the banking agencies are much too lenient. They point to the fact that more than 90 percent of the institutions do get a satisfactory or better rating.

Both bankers and community representatives have alleged that the evaluations of the agencies are not equally comprehensive and that the CRA ratings assigned are not always the same for banks that appear to have similar performance. And both bankers and community groups continue to charge that the agencies appear more interested in ensuring that institutions have the appropriate CRA procedures and paperwork than actual lending programs in their communities.

All of these frustrations are real, but as I have tried to indicate they are probably natural products of the CRA law itself as well as the 1990's view of the CRA, which is quite different from its modest beginnings in 1977.

Although the complaints about the CRA are real, to some extent I believe that many are based on misunderstandings. First, I want to note here that the Board is not particularly disturbed by the ratings distribution for state member banks, which are virtually identical to those of other regulators. Yes, more than 90 percent do pass. But CRA ratings are not, and frankly for several reasons should not be, as some have suggested, the result of "grading on a curve."

I do not mean to say that the Board or the other agencies have been infallible in assigning ratings. But at the Board, we have put tremendous resources behind intensive examiner training on the CRA, fair lending, and other related issues. A great deal of time and effort also have been spent, especially over the past three years, in reviewing CRA evaluations to ensure that they reflect what we believe are fair outcomes and are as comprehensive and consistent as we can make them.

Moreover, through our community affairs programs at Reserve Banks, the Federal Reserve System has developed or sponsored over the past five years more than 650 educational conferences, seminars, and workshops for bankers and others on the CRA and the types of community development lending and investment programs available to help them respond to community credit needs. We believe that these programs—attended by thousands of bankers—have had a positive effect.

Finally, we have been examining each state member bank for CRA performance once every eighteen months to two years for more than sixteen years. The cumulative effect of our training, educational programs, and examinations, I believe, makes it highly likely that most banks generally understand their CRA obligations and should know what needs to be done to achieve adequate performance.

And frankly, our goal—the goal of the CRA, I believe—is to encourage all institutions to have, in substance, good or outstanding CRA programs. Just as we would not entertain the notion that bank CAMEL ratings should somehow be proportional—meaning that at least a certain number of banks should, *a priori,* fail their safety and soundness examinations—we do not believe that this should be assumed for bank CRA performance ratings. Just as we try to help banks with financial problems solve them and return to safe and sound operations, we also have been helping banks with CRA problems improve their programs. CRA evaluations are certainly not grading on a curve. We believe that all banks could be outstanding if they chose to be.

The regulatory burden of the CRA may have been overstated somewhat by the industry. Most of the more vigorous complaints about regulatory burden come from community bankers who understandably remain concerned and pressed by the cumulative effects of all of the consumer laws and regulations passed over the past twenty-five years besides the CRA. Cumulatively, these regulations have been costly to all institutions and certainly have fallen disproportionately on smaller banks. Given the CRA's vague prescriptions and the uncertainty of the examination process, the CRA may have become a stalking horse for frustration with regulatory costs in general.

My point is that I think some caution is called for in assessing the extent of the CRA's burden, and its purported enforcement.

THE CRA'S IMPACT

Despite the CRA's lack of clarity and the criticisms of the CRA from all quarters, I believe that the CRA has had a significant impact on the availability of credit in low- and moderate-income areas. In fact, I fear that the focus on the imperfections of the CRA—many of them probably unavoidable—has misdirected the public debate. Far too much emphasis has probably been placed on the problems of the CRA, rather than on its strengths. Here is a government program that has entailed little bureaucracy, great local autonomy, and virtually no federal tax dollars to administer. Yet its impact on communities can probably be measured in billions of dollars in community and economic development activity, benefiting the most distressed parts of communities.

The CRA has helped stimulate loans for home mortgages, housing construction and rehabilitation, and small and minority business development in low- and moderate-income communities. Banks and thrift institutions have made tremendous strides to explore new loan underwriting standards to better accommodate the circumstances of lower-income borrowers without sacrificing safe and sound lending principles. The Home Mortgage Disclosure Act (HMDA) data for 1992 and 1993 show encouraging signs that the greatest percentage of growth in home mortgages is to low-income and minority borrowers.

More banks and thrift institutions are seeking and participating in *public–private* partnerships in both urban and rural communities than ever before. A growing number of bank-led community development corporations or multibank lending consortia are supporting home ownership, small business development, and other projects benefiting low- and moderate-income areas. Moreover, all this has been accomplished with no significant adverse effect on safety and soundness. And though, as I have said, we support this reform effort, the record suggests that we want to be very cautious in avoiding unintended consequences from any proposed changes in the CRA.

FEDERAL RESERVE PRINCIPLES FOR CRA REFORM

Finally, let me be clear about the Federal Reserve's position on a number of issues related to the CRA and the reform process. First, as indicated, in our view, the CRA has had a beneficial effect on many communities and institutions. On balance, we believe that the law is worthy of being maintained, provided it is administered in a sensible fashion.

Second, one of the major risks in the reform process is that changes we may make to the CRA's regulations could result in unintended and unwarranted credit allocation. I want to emphasize that the Board is very concerned about this prospect. Let me assure this committee that the Federal Reserve has no wish to produce a regulatory scheme that would result in governmentally imposed credit allocation driven from Washington. But despite our best intentions, this is an undeniable risk. One of the strengths of the CRA that we should take special care to preserve is its flexibility and responsiveness to local conditions. Under any scheme, banks should still be able to determine how best to serve the needs of their communities. We must not substitute the judgment of the agencies for the judgment of the banks. I do not believe that any other alternative would be acceptable to the Board, and we will not endorse any reform approach—no matter how well intentioned—that violates this principle.

Third, we must be very cautious in attempting any revision of the regulations, given the uncertainties involved in how an entirely new set of regulations will actually affect bank behavior. I am particularly concerned about the unintended consequences of regulation, which may actually harm existing minority-owned or minority-oriented financial institutions, undermine the efforts of small community-based banks or nonprofit institutions, or cause banks to leave markets or avoid experimentation because of a fear of increased risk. Wholesale or radical change invariably ends up as counterproductive. Underserved markets do not need alternating periods of extreme policy activism followed by extreme neglect. They require steady, moderate, predictable, and workable efforts.

In that regard, I would emphasize that the Board historically has endeavored to steer a steady course on the CRA, adopting modest changes in policy to respond reasonably to new conditions and expectations but avoiding radical changes that could have unfortunate consequences. We believe that approach has been the correct one.

Fourth, any pursuit of more objectivity in the rating scheme must be tempered with a recognition of the potential adverse consequences of any mechanical system that does not allow considerable agency judgment. I think that was brought home clearly in the responses by many in the banking industry to the first reform proposal, which proposed a formulaic market share test as the primary element in a rating system. There were just too many unforeseen problems with the concept.

Fifth, any reform structure must recognize the uniqueness of small institutions and the disproportionate burden they bear from any regulation, CRA or otherwise. I believe that any final proposal will accommodate a streamlined examination for smaller banks, though it will not exempt them from their CRA obligations.

Sixth, any increased data reporting must be justified. It is important to bear in mind that the primary cost of detailed data reporting is not borne by the banks but by their customers. The detailed reporting of individual loans now required under HMDA, for example, means that applicants' incomes and other sensitive pieces of information are placed in the public domain. While the Congress has determined that the benefits of such reporting outweigh the costs in that particular instance, the assumption that further detailed reporting is necessarily beneficial should be carefully scrutinized.

Seventh, while we can understand the desire to develop additional incentives for good CRA performance, discussion of a variety of safe harbor proposals over the years has generally provided protection to too many institutions whose performance may be barely satisfactory and too few when limited to only those rated "outstanding." One solution that the Congress may want to consider is to establish a new rating category of "strong satisfactory" and focus some benefits to institutions at that level or higher.

Finally, we believe it especially important that the commitment to safety and soundness be maintained. Community reinvestment must be economically sound and ultimately engender adequate rates of profitability if it is to be sustained. If the CRA is to work over the long term, economic sense, not shifting views about CRA obligations, must be the driving force. Giving money away is not what the CRA is, or should be, about, and while some flexibility in loan terms may at times be appropriate, we do not support anything other than safe, sound, and profitable lending.

CONCLUSION

The CRA reform process has been very arduous and difficult and certainly has taken longer than desired. But I believe that the Board, along with the other agencies, has made a good faith effort to adhere to the President's request. The Board has devoted a tremendous amount of time and energy, as have the Reserve Banks, to the reform process.

Our work is not done, however, and we welcome this committee's interest in this process. Our task is to develop a CRA regulation and evaluation process that is superior to the one now in place but one that will not have adverse long-term consequences. I can assure you of the Federal Reserve's commitment to this goal. □

Statement by Alan Greenspan, Chairman, Board of Governors of the Federal Reserve System, before the Committee on Finance, U.S. Senate, March 13, 1995

I am pleased to appear here today to address some of the issues surrounding the adjustment of federal programs for movements in the cost of living. For the current fiscal year, roughly 30 percent of total federal outlays are indexed to movements in consumer prices, with social security, Supplemental Security Income, veterans' pensions, military retirement, and civilian pensions accounting for the bulk of this spending. On the tax side, indexation is largely confined to the individual income tax, which accounts for about 45 percent of federal receipts. The Congress explicitly intended, in enacting the indexation of these spending and tax programs, to insulate those affected individuals from the consequences of increases in the cost of living. The vehicle chosen for making these adjustments was the consumer price index (CPI), and the issue at hand is whether that price index is appropriate for the task.

If it is not, there are significant implications for the budget deficit, and there is the potential for considerable unintended transfers of wealth. As I noted in testimony earlier this year, if annual inflation adjustments to indexed programs and taxes were reduced 1 percentage point—and making the admittedly strong assumption that there are no other changes in the economy—the annual level of the deficit would be lower by about $55 billion after five years, including the effects of lower debt levels. The cumulative deficit reduction over this period would be nearly $150 billion, and these savings would continue to grow in subsequent years.

I believe that the evidence suggests that some adjustment to our indexing procedures is warranted. I am certain that many of the technical details will be elaborated in your discussions later this morning, but let me briefly outline some of the conceptual issues. To begin, a review of the legislative history surrounding indexation does not reveal a full appreciation for the important distinction between the CPI and a true measure of the cost of living. The CPI is constructed to measure price changes for a fixed market basket of goods and services. At present, that market basket—at least at the higher levels of aggregation—is fixed to spending patterns that prevailed in the period from 1982 to 1984. Economic theory indicates that changes in a fixed-weight price index such as the CPI form an upper bound to changes in the cost of living, even if all of the individual prices used in the index are measured without error. The reason is that the use of fixed weights is appropriate only if there is no possibility for consumers to offset any of the consequences of increased prices for some goods by substituting others. While the degree of substitutability among products may be open to question, it is undeniable that such substitution does indeed occur.

Other technical aspects to the construction of the CPI also suggest that it may overstate cost-of-living changes. Researchers at the Bureau of Labor Statistics (BLS) have found that an interaction between the use of fixed weights at the most disaggregated level and the manner in which new samples of retail outlets are linked into the index may be resulting in an overstatement of price increases. In January, the Bureau implemented procedures that should alleviate this so-called "sample rotation bias" at grocery stores, but the problem likely remains for other categories. More generally, the BLS is experimenting with a geometric weighting scheme that offers broader relief from this technical problem.

Over the postwar period, there has been a marked tendency for consumers to shift purchases from high-priced, full-service stores to lower-priced, discount retailers. The BLS uses surveys of consumer buying patterns to keep abreast of these developments. On the basis of these surveys, a new sample of retail outlets is drawn for roughly one-fifth of U.S. cities each year. Thus, with some lag, innovations in retailing are captured in the CPI. However, at the time when new outlets are rotated into the sample, if prices are found to be lower at the new establishments than at those being rotated out of the sample, the differential is, in effect, attributed to lower quality rather than to lower prices. Even granting that the quality of service and ambience may differ between the new and old outlets, presumably some of the shift in shopping patterns reflects the fact that consumers can purchase the same goods at lower prices. Consequently, some of the price declines associated with the growing importance of discount retailers may not be fully captured by our statistics.

In sum, the fixed-weight nature of the CPI and other aspects of its construction point in the direction of an overstatement of increases in the cost of living. Even if this upward bias were only a fraction of a percentage point per year, the relentless compounding of such a discrepancy ultimately would have budgetary consequences meriting serious attention.

There are, however, reasons for suspecting that weighting and construction are not the only factors leading the CPI to overstate changes in the cost of living. A more difficult but, to my mind, no less important issue concerns making adequate adjustment for the improvement in the quality of goods and services over time. I would note that the BLS does make adjustments for quality changes in the CPI. What is at issue is whether the implemented procedures, or for that matter any practical procedures that could be established in the foreseeable future, can be expected to account fully for quality changes across the vast array of goods and services available in our economy.

In many respects, the issue of price measurement has as its mirror image the fundamental problem of defining with precision a unit of output. If this conundrum could be resolved, not only would we have more accurate price measures but we would have correspondingly better measures of output and productivity. But defining a unit of output is an exceptionally difficult task when the characteristics of products and services are changing rapidly and along many dimensions. Under these circumstances, disentangling price change from quality improvement presents a formidable challenge.

Nowhere are these challenges more acute than in the area of medical care. What is the appropriate unit of output? Should one price procedures, treatments, or cures? Should the comfort or satisfaction of the patient be accounted for in price measurement? The past century has witnessed astonishing improvements in medical care. Cures and preventive treatments have become available for previously untreatable diseases. Medical advances have also led to new treatments that are more effective and that have increased the speed and comfort of recovery.

Technological innovations have been exceptionally rapid in the medical field. A case study of CAT scanners documented the dramatic and swift improvements in quality that occurred after their introduction in the early 1970s. Substantial gains were made in scan time, resolution, and the speed of image reconstruction. These characteristics, in turn, have a direct bearing on the comfort and convenience of the patient and the quality of the diagnosis provided by the doctor. Conventional price measures will almost surely miss much of this type of quality improvement because of the enormous complexity involved in defining the output that is being consumed and measuring the corresponding unit price of that output.

Although medical care is perhaps the most striking example of rapid—and difficult-to-measure—quality improvement, similar problems occur across a broad range of goods and services. Research has found that quality improvement may not be adequately captured for goods and services ranging from complicated capital equipment to power tools to consumer appliances to the simple consumption of household lighting.

To be sure, there are offsets to unmeasured increases in quality. The downward adjustment made to measured auto prices for the cost of mandated pollution control devices is one example cited in a recent study by the Congressional Budget Office: Although this equipment may provide a benefit to society, the owner of the automobile likely captures little of the direct benefit associated with his or her increase in outlays. Other products may be made more poorly in ways that escape detection in our price statistics. But given the perpetual advance of knowledge and technology, these cases are surely overwhelmed by a tendency for the quality of goods and services to rise over time in a manner that is difficult to define and measure. Those who remember with fondness the products of yesteryear are probably suffering either from fading memories or excessive sentimentality.

The difficulties confronted in price measurement are not confined to the quality advances of existing products. The continual introduction of new goods and services onto the markets of our dynamic economy creates additional challenges for price measurement. In some cases, a new good may be similar to an improved version of an old good. In other cases, new products may deliver services to consumers that effectively were not available before—for example, personal computers, videocassette recorders, and cellular phones. New goods and services are incorporated in our price measures but only with a lag. This lag can create an upward bias because new products often experience their largest price declines early in the product cycle. The more spectacular examples involve consumer electronics, such as computers and communications equipment, but the entry of an enormous amount of new products onto the markets every year makes this a more pervasive problem than is commonly understood. While any one product may not figure prominently in household budgets, the totality of new products and the often large price declines that occur before they are incorporated in our price measures suggest that this problem may not be trivial.

These difficulties should not be read as a blanket indictment of our current statistical procedures. The consumer price index is a fundamentally sound statistical program. The BLS has, over the years, made frequent and significant improvements in the CPI, and further improvements should be, and are, on their agenda. Updated market baskets, experimentation with alternative indexing formulas, and ongoing research on the application of hedonic indexes offer the possibility of better measurement in the future.

But even the implementation of improvements in the CPI can lead to distortions when this measure is used directly as a cost-of-living escalator. For example, the BLS made a significant change in how it calculates the CPI in 1983, when it shifted from a method in which the price index for housing was constructed as if each household was paying the current home price and mortgage rate on its residence to one that is a more realistic measure of the cost of home occupancy. Because of the run-up in house prices and interest rates between the 1960s and early 1980s, the official CPI rose about 9 percent more than indicated by the newer, superior measure. By the time the index was changed, this overstatement had added substantially to the level of outlays in the large indexed federal programs. Once the additional interest outlays required to finance the cumulatively higher federal debt are added in, a rough estimate suggests that, all else equal, the deficit for fiscal year 1994 would have been smaller by $50 billion had the overindexing not occurred.

The fundamental problem is that we have legislated a mechanical procedure to implement cost-of-living adjustments when—given the problems inherent in any statistical measure of aggregate prices—there is a need for the application of sound judgment. If indexation had prevailed for only a short period of time, the discrepancy between the CPI and a true measure of the cost of living would not have resulted in any appreciable problem. But left in place over long periods of time, as has now occurred and is envisioned continuing in the future, the discrepancy will compound in a manner that cumulates to very substantial magnitudes.

For this reason, I suggest that the Congress give careful consideration to the establishment of an independent national commission to set annual adjustment factors for federal receipt and outlay programs. The members of this commission could review the available price statistics, taking into account the differences between these measures and the concept of a true measure of the cost of living. In addition, periodic review would allow the discrepancy to be adjusted for improvements in the available statistics as well as for insights developed from outside research. Careful consideration could be given to the establishment of a special cost-of-living adjustment for retirement benefits to reflect the buying patterns of the affected population. The replacement of a mechanical procedure by the informed judgment of experts would best ensure that the original intent of the legislation would be fulfilled—to insulate taxpayers and recipients of benefits from the effects of changes in the cost of living.

The issue that we are discussing today demonstrates clearly the long-lived consequences of having allowed inflation to increase in the late 1960s and 1970s. Had the inflation environment of the 1950s and early 1960s been maintained, no widespread application of indexation would have emerged; there simply would have been no need for it. Indexation was viewed as a way of mitigating the effects of inflation. It succeeded in many respects, but we have also seen another example of the operation of the "Law of Unintended Consequences" in the enlargement of our budget deficit. I believe that, if the Federal Reserve can maintain a proper direction for monetary policy, we shall make this whole matter moot. But in the interim, we should at least attempt to refine our indexation procedures so as to ensure that the distortions are minimized. □

Announcements

RESIGNATION OF GOVERNOR JOHN P. LAWARE AS A MEMBER OF THE BOARD OF GOVERNORS

John P. LaWare on March 27, 1995, submitted his resignation as a member of the Board of Governors, effective April 30.

Governor LaWare, who had been a member of the Board since August 15, 1988, submitted his letter of resignation to President Clinton. In view of his impending departure from the Board, Governor LaWare did not attend the meeting of the Federal Open Market Committee on March 28, 1995.

Before becoming a member of the Board, Governor LaWare served as chairman and as a director of Shawmut National Corporation, a superregional bank holding company in New England. His banking career spanned thirty-five years, beginning in 1953 after service in the U.S. Air Force.

The text of his letter of resignation appears below.

March 27, 1995

The Honorable William Jefferson Clinton
The President of the United States
The White House

Dear Mr. President:

I hereby submit my resignation as a Member of the Board of Governors of the Federal Reserve System effective April 30, 1995.

It has been a distinct honor and privilege to serve as a Member of the Board and the Federal Open Market Committee with such distinguished colleagues and under the outstanding leadership of Chairman Alan Greenspan. In my opinion, it has been important for the Board to have an experienced banker as a Member during these past six-and-a-half years. The Board has an important role vis-à-vis the banking system as a supplier of services, supervisor and regulator. The quality of Board deliberations and decisions on banking matters is enhanced by the direct participation of a Member with personal private sector experience in banking. Therefore, I respectfully recommend that, in your search for a successor to my seat on the Board, every effort be made to nominate a person with that background.

Respectfully yours,

John P. LaWare

The text of the letter from President Clinton appears below:

The White House
Washington

April 5, 1955

The Honorable John P. LaWare
Board of Governors of the
Federal Reserve System
Washington, D.C. 20551

Dear John:

I have received your letter advising me of your resignation from the Board of Governors of the Federal Reserve System. As you requested, I hereby accept your resignation, effective April 30, 1995.

I appreciate your dedicated work for the federal government. Your skill and experience have been of tremendous value to the Board, helping to ensure a stable monetary system and greater prosperity and opportunity for our fellow citizens. I will certainly keep your suggestions in mind as we seek a worthy successor.

On behalf of all who have benefited from your service, I thank you for a job well done. Hillary joins me in extending best wishes for every future success.

Sincerely,

Bill Clinton

After the announcement of Governor LaWare's resignation, Alan Greenspan, Chairman of the Board of Governors, issued the following statement:

I deeply regret, but understand, the decision of Governor John LaWare to retire from public service. His advice and counsel during his more than six and one-half years as a member of the Board have been outstanding and in the best interest of the country. He has been not only a valuable and trusted colleague but also a close friend. To say he will be missed is truly an understatement. I wish him well in whatever future endeavors he undertakes.

Issuance of Final Guidelines on an Internal Process for Appealing an Adverse Material Supervisory Determination

The Federal Reserve Board on March 24, 1995, issued final guidelines on an internal appeals process for institutions wishing to appeal an adverse material supervisory determination. The guidelines were effective immediately.

The Riegle Community Development and Regulatory Improvement Act of 1994 requires that the Board (as well as other federal banking agencies) establish an independent, intra-agency appellate process, which will be available to review material supervisory determinations made at insured depository institutions, such as an adverse examination report.

Issuance of Final Rule to Regulation E

The Federal Reserve Board on March 16, 1995, issued a final rule to its Regulation E (Electronic Fund Transfers) to give financial institutions more flexibility in identifying consumer accounts on receipts at automated teller machines (ATMs).

The final rule, effective April 24, 1995, no longer requires that terminal receipts uniquely identify the consumer's account or card. This change will allow institutions to truncate the number on the receipt and will help protect consumers and financial institutions against fraudulent withdrawals of funds.

In some fraud schemes, criminals manufacture counterfeit ATM cards by using valid account numbers from receipts discarded by consumers at ATMs. They then withdraw funds by using the personal identification number that, without the consumer's knowledge, they have observed the consumer enter at the ATM. The amendments to Regulation E are designed to address these problems.

Issuance of Amendments to Regulation Z and Revisions to Its Official Staff Commentary

The Federal Reserve Board on March 16, 1995, issued amendments to its Regulation Z (Truth in Lending), requiring new disclosures for reverse mortgages as set forth in the Home Ownership and Equity Protection Act of 1994.

A reverse mortgage transaction is a loan secured by the equity in a home. In a reverse mortgage, disbursements are made to homeowners—typically on a monthly basis and typically to the elderly—until the homeowner dies, moves permanently, or sells the home. The lender relies on the home's future value for repayment.

The amendments would impose disclosure requirements about the potential cost of the transaction on creditors offering reverse mortgages and would impose substantive limitations on home mortgage transactions having rates or fees above a certain percentage or amount.

On March 28, 1995, the Federal Reserve Board issued revisions to the official staff commentary to its Regulation Z. The rule is effective April 1, 1995; however, compliance is optional until October 1, 1995.

The revisions to the commentary clarify regulatory provisions and provide further guidance on issues of general interest, such as the treatment of various fees and taxes associated with real estate-secured loans, including charges by third parties, and a creditor's responsibilities when investigating a claim of an unauthorized use of a credit card.

Availability of Transcripts of 1989 Meetings of the Federal Open Market Committee

The Federal Reserve on March 21, 1995, made available for public inspection transcripts of meetings of the Federal Open Market Committee (FOMC) that were held during 1989. The package includes transcripts of eight regularly scheduled meetings and six telephone conference calls.

This action is in line with procedures adopted by the FOMC at its last meeting that called for the public release of transcripts for an entire year with a five-year lag.

The 1989 transcripts have been lightly edited to enhance readability and to redact confidential material such as information pertaining to individual foreign central banks and private business information.

Last year, the Committee issued transcripts for meetings and conference calls held in 1988, 1987, and the last half of 1986. Earlier transcripts will be made available as soon as editing can be completed.

START OF EDUCATION CAMPAIGN ON THE SALE OF MUTUAL FUNDS AND ANNUITIES AT BANKS

The Federal Reserve announced on March 20, 1995, that it would soon begin a nationwide education campaign about the sale of mutual funds and annuities at banks.

The campaign, entitled "Mutual Funds: Understand the Risks," will begin with a series of seminars for retirees and those planning for retirement. The seminars will be hosted by the twelve District Federal Reserve Banks and will emphasize that mutual funds and annuities, unlike certificates of deposit, are not insured by the Federal Deposit Insurance Corporation or in any way guaranteed by the banks that sell them.

The Federal Reserve developed the program in cooperation with the American Association of Retired Persons and conducted pilot seminars in the Boston area in late 1994.

A short video providing basic information about mutual funds is also under development for use by the Federal Reserve, bankers, and consumer groups in their education programs. In addition, the Federal Reserve will provide banks with training on the interagency guidelines governing the retail sale of mutual funds and other uninsured products on bank premises.

Additional information about the seminar program may be obtained from the District Federal Reserve Banks. □

Minutes of the Federal Open Market Committee Meeting Held on January 31–February 1, 1995

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., starting on Tuesday, January 31, 1995, at 1:30 p.m. and continuing on Wednesday, February 1, 1995, at 9:00 a.m.

Present:

Mr. Greenspan, Chairman
Mr. McDonough, Vice Chairman
Mr. Blinder
Mr. Hoenig
Mr. Kelley
Mr. LaWare
Mr. Lindsey
Mr. Melzer
Ms. Minehan
Mr. Moskow
Ms. Phillips
Ms. Yellen

Messrs. Boehne, Jordan, McTeer, and Stern, Alternate Members of the Federal Open Market Committee

Messrs. Broaddus, Forrestal, and Parry, Presidents of the Federal Reserve Banks of Richmond, Atlanta, and San Francisco respectively

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

Messrs. Davis, Dewald, Lindsey, Mishkin, Promisel, Siegman, Slifman, and Stockton, Associate Economists

Mr. Fisher, Manager, System Open Market Account

Mr. Ettin, Deputy Director, Division of Research and Statistics, Board of Governors
Mr. Madigan, Associate Director, Division of Monetary Affairs, Board of Governors
Mr. Simpson, Associate Director, Division of Research and Statistics, Board of Governors
Mr. Winn,[1] Assistant to the Board, Office of Board Members, Board of Governors
Messrs. Hooper and Reinhart,[1] Assistant Directors, Divisions of International Finance and Monetary Affairs respectively, Board of Governors
Mr. Rosine,[1] Senior Economist, Division of Research and Statistics, Board of Governors
Mr. English,[1] Economist, Division of Monetary Affairs, Board of Governors
Mr. Freeman,[1] Section Chief, Division of International Finance, Board of Governors
Ms. O'Day,[1] Associate General Counsel, Legal Division, Board of Governors
Mr. Baer,[1] and Ms. Misback,[1] Managing Senior Counsels, Legal Division, Board of Governors
Mr. Ely,[1] Senior Attorney, Legal Division, Board of Governors
Ms. Low, Open Market Secretariat Assistant, Division of Monetary Affairs, Board of Governors

Messrs. Barron and Rasdall, First Vice Presidents, Federal Reserve Banks of San Francisco and Kansas City respectively

Messrs. Beebe, Goodfriend, Lang, Rosenblum, Sniderman, and Ms. Tschinkel, Senior Vice Presidents, Federal Reserve Banks of San Francisco, Richmond, Philadelphia, Dallas, Cleveland, and Atlanta respectively
Messrs. McNees and Miller, Vice Presidents, Federal Reserve Banks of Boston and Minneapolis respectively
Mr. Evans and Ms. Krieger, Assistant Vice Presidents, Federal Reserve Banks of Chicago and New York respectively

1. Attended portions of the meeting.

In the agenda for this meeting, it was reported that advices of the election of the following members and alternate members of the Federal Open Market Committee for the period commencing January 1, 1995, and ending December 31, 1995, had been received and that the named individuals had executed their oaths of office.

The elected members and alternate members were as follows:

William J. McDonough, President of the Federal Reserve Bank of New York, with James H. Oltman, First Vice President of the Federal Reserve Bank of New York, as alternate;
Cathy E. Minehan, President of the Federal Reserve Bank of Boston, with Edward G. Boehne, President of the Federal Reserve Bank of Philadelphia, as alternate;
Michael H. Moskow, President of the Federal Reserve Bank of Chicago, with Jerry L. Jordan, President of the Federal Reserve Bank of Cleveland, as alternate;
Thomas C. Melzer, President of the Federal Reserve Bank of St. Louis, with Robert D. McTeer, President of the Federal Reserve Bank of Dallas, as alternate;
Thomas M. Hoenig, President of the Federal Reserve Bank of Kansas City, with Gary H. Stern, President of the Federal Reserve Bank of Minneapolis, as alternate.

By unanimous vote, the following officers of the Federal Open Market Committee were elected to serve until the election of their successors at the first regularly scheduled meeting of the Committee after December 31, 1995, with the understanding that should they discontinue their official connection with the Board of Governors or with a Federal Reserve Bank, they would cease to have any official connection with the Federal Open Market Committee:

Alan Greenspan	Chairman
William J. McDonough	Vice Chairman
Donald L. Kohn	Secretary and Economist
Normand R.V. Bernard	Deputy Secretary
Joseph R. Coyne	Assistant Secretary
Gary P. Gillum	Assistant Secretary
J. Virgil Mattingly, Jr.	General Counsel
Ernest T. Patrikis	Deputy General Counsel
Michael J. Prell	Economist
Edwin M. Truman	Economist

Lynn E. Browne, Thomas E. Davis, William G. Dewald, David E. Lindsey, Frederic S. Mishkin, Larry J. Promisel, Charles J. Siegman, Lawrence Slifman, David J. Stockton, and Carl E. Vander Wilt, Associate Economists

By unanimous vote, the Federal Reserve Bank of New York was selected to execute transactions for the System Open Market Account until the adjournment of the first meeting of the Committee after December 31, 1995.

By unanimous vote, Peter R. Fisher was selected to serve at the pleasure of the Committee as Manager, System Open Market Account, on the understanding that his selection was subject to being satisfactory to the Federal Reserve Bank of New York.

Secretary's note. Advice subsequently was received that the selection of Mr. Fisher was satisfactory to the board of directors of the Federal Reserve Bank of New York.

By unanimous vote, the minutes of the meeting of the Federal Open Market Committee held on December 20, 1994, were approved.

The Manager of the System Open Market Account reported on developments in foreign exchange markets since the December meeting. There were no market transactions for System Account during this period, and thus no vote was required of the Committee.

The Manager also reported on developments in domestic financial markets and on System open market transactions in government securities and federal agency obligations during the period December 20, 1994, through January 31, 1995. By unanimous vote, the Committee ratified these transactions.

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 suggested a strong further rise in economic activity during the closing months of 1994. Although consumer spending appeared to be less buoyant and housing demand had softened somewhat, growth in business investment, exports, and inventories remained brisk. Industrial production and payroll employment continued to record substantial gains. Broad indexes of prices for consumer goods and services had risen moderately on average over recent months despite shrinking margins of unemployed resources and further sizable increases in the prices of many materials.

Nonfarm payroll employment advanced considerably further in December after a sharp rise in November. Substantial job gains were recorded in December in service industries and in the retail trade sector. Hiring in manufacturing was brisk for a third straight month, with labor demand especially strong in motor vehicles, capital goods, and electronic equipment. Construction payrolls slipped after a large increase in November. The average workweek was unchanged in December, but factory overtime edged back up, matching the highest level reached in the history of this series. The civilian unemployment rate declined to 5.4 percent.

Industrial production registered another large advance in December. Manufacturing accounted for all of the gain; an upturn in mining production offset a decline in the output of utilities associated with unseasonably warm weather. In manufacturing, the output of motor vehicles and parts surged again and further solid gains were recorded in the production of other goods. The large advance in industrial output in December boosted rates of capacity utilization above already high levels.

Retail sales were reported to have changed little over November and December after substantial advances in September and October; the flattening of sales reflected sharply reduced increases in outlays for non-auto consumer goods. Consumer spending on services rose moderately on balance over November and December, with outlays for energy services held down by unusually mild weather. Although some indicators of housing demand had weakened, housing starts posted sizable gains on balance over November and December; single-family construction remained at a relatively high level despite the rise in mortgage rates in 1994, and multifamily construction continued its gradual recovery from the depressed levels of early 1993. The regional pattern of starts activity suggested that favorable weather accounted for little of the strength in December.

Business fixed investment was estimated to have grown at a very rapid pace in the fourth quarter, with a pickup indicated for business spending on both equipment and nonresidential structures. New orders for nondefense capital goods declined on balance over November and December, but the large backlog of unfilled orders, especially for computers, pointed to a continued strong expansion in spending on business equipment in coming months. Nonresidential construction activity was up considerably in November for a third straight month, with increases in construction widespread by type of structure. Recent data indicated that permits for nonresidential construction were continuing to trend higher and perhaps were running ahead of construction activity.

Business inventory investment remained brisk in November; in the aggregate, the buildup was in line with shipments and sales. In manufacturing, stocks increased more rapidly in November, but the ratio of stocks to shipments declined further and was at a historically low level. In wholesale trade, inventories rose less rapidly in November, but the inventory-to-sales ratio increased further, although it remained within its range of recent years. Inventory accumulation slowed a little at the retail level, and the inventory-to-sales ratio for this sector remained near the middle of its range of recent years.

The nominal deficit on U.S. trade in goods and services widened somewhat further in November, and for October and November combined the deficit was well above its average rate in the third quarter. The value of exports of goods and services increased more slowly in the October–November period than in the third quarter, largely reflecting reduced growth of exported industrial supplies. The rise in the value of imports of goods and services for the October–November period was led by increased imports of non-oil industrial supplies and automotive, capital, and consumer goods. Available data for the fourth quarter of 1994 indicated continued growth in economic activity, though perhaps at a somewhat slower pace, in the major foreign industrial countries.

Consumer price inflation slowed a little in December despite a jump in food prices that was only partly offset by a decline in energy prices. Excluding food and energy items, consumer prices edged up in December and rose significantly less in 1994 than in 1993. At the producer level, prices of finished goods also advanced more slowly in December, with a drop in energy prices balancing a surge in food prices. Prices of finished goods other than food and energy increased modestly in 1994 after being held down in 1993 by a sharp drop in the prices of tobacco products. In contrast to prices of finished goods, price inflation at earlier stages of production picked up in 1994. For intermediate goods other than food and energy items, prices rose at a faster rate in the second half of 1994, with the pickup most clearly evident in materials used in manufacturing. Prices of crude materials rose rapidly in the second half of 1994 and for the year as a whole. Increases in labor costs remained moderate. Average hourly earnings were little changed on balance over November and December, and for the year as a whole they advanced only slightly more than in 1993. More broadly, hourly compensation of private industry workers increased more slowly in the fourth quarter than in any of the previous three quarters of 1994, and the rise for the year was significantly less than in 1993.

At its meeting on December 20, 1994, the Committee adopted a directive that called for maintaining the existing degree of pressure on reserve positions and that included a bias toward the possible firming of reserve conditions during the intermeeting period. Accordingly, the directive stated that in the context of the Committee's long-run objectives for price stability and sustainable economic growth, and giving careful consideration to economic, financial, and monetary developments, somewhat greater reserve restraint would be acceptable 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 modest growth in the broader monetary aggregates over coming months.

Open market operations during the intermeeting period were directed toward maintaining the existing degree of pressure on reserve positions. With the need for seasonal credit diminishing over the period, adjustment plus seasonal borrowing trended lower but averaged a little above anticipated levels. Near year-end, the Trading Desk accommodated heavy demands for reserves through System repurchase agreements (RPs). The federal funds rate averaged close to 5½ percent during the intermeeting period.

Most other market interest rates declined slightly on balance over the period after the December 20 meeting. Very short term interest rates fell after the first of the year, reflecting the disappearance of year-end premiums. More broadly, favorable news on inflation and indications of some unexpected slowing in the growth of final demand apparently led market participants to conclude that further tightening of monetary policy, though still expected to be substantial, would be less than previously thought and would be spread over a longer period. Yields on tax-exempt instruments declined considerably as concerns about the implications of Orange County's problems for the financial condition of other municipal governments abated. Strong earnings reports for the fourth quarter boosted major indexes of equity prices.

In foreign exchange markets, the trade-weighted value of the dollar in terms of the other G-10 currencies declined somewhat over the intermeeting period. The dollar fell substantially against the mark, which was buoyed by safe-haven inflows from weaker European currencies, but dropped less against the yen. One factor that weighed against the dollar was uncertainty about the consequences for the U.S. economy of the sharp depreciation of the Mexican peso and the related economic and financial problems in Mexico and other developing economies; market participants expressed some concern that the crisis might constrain U.S. monetary policy in the event of further domestic inflation pressures and that the counterpart to the large prospective reduction in the Mexican current account deficit would lie importantly in the already substantial U.S. deficit.

Growth of M2 and M3 strengthened in December, and data for the first half of January suggested a further acceleration in that month. Much of the pickup in M2 in December was due to rapid expansion in overnight RPs and overnight Eurodollars, which outweighed a further contraction of liquid accounts associated in part with depositor efforts to obtain higher returns by shifting funds into market instruments. The faster growth of M3 reflected, in addition to the acceleration of its M2 component, bank use of large CDs and nondeposit sources of funds to finance relatively robust demands for credit. From the fourth quarter of 1993 to the fourth quarter of 1994, M2 grew at the lower end of the Committee's range for 1994 and M3 in the lower half of its range. Total domestic nonfinancial debt had continued to expand at a moderate rate in recent months, and for 1994 it was in the lower half of its monitoring range.

The staff forecast prepared for this meeting suggested that growth of economic activity would slow substantially over the next several quarters and for some period thereafter would average less than the rate of increase in the economy's potential output. Consumer spending was projected to be well sustained for a time but to be restrained later by smaller gains in real incomes, the satisfaction of pent-up demands, and the lagged effects of higher interest rates on the demand for durable goods. Business outlays for new equipment were expected to decelerate substantially in response to higher financing costs and slower growth of sales and profits. Homebuilding was anticipated to soften a little in response to slower growth in jobs and income as well as to the increase that had occurred in mortgage rates. Recent developments in Mexico were expected to cut into exports in the near term, but the sustained economic growth elsewhere would keep export demand on an uptrend. Although there was considerable uncertainty regarding the fiscal outlook, in light of the congressional intent to cut the federal deficit the forecast incorporated a somewhat greater degree of fiscal restraint than had been built into recent forecasts. In the staff's judgment, the economy currently was operating beyond its long-run, noninflationary capacity, and there remained a substantial risk that inflation could ratchet higher absent further monetary policy actions.

In the Committee's discussion of current and prospective economic developments, the members agreed that growth in economic activity could be expected to moderate considerably over the course of 1995, although inflation was likely to be higher than in 1994. They acknowledged that their current projections were subject to substantial risks. The expansion continued to display appreciable momentum and signs of slower growth were still quite limited and tentative. Even so, the members remained persuaded that the lagged effects of the policy tightening implemented over the course of 1994 would become increasingly evident in interest-sensitive sectors of the economy as the year progressed. The projected moderation in the growth of final demands, which probably would be concentrated at least initially in the housing and consumer durables sectors, would undoubtedly reinforce an expected cutback in inventory investment from its unsustainable pace in recent quarters. A key uncertainty in the outlook was whether the slowing in overall economic growth would be sufficient to relieve the current pressures on labor and other producer resources, which many members saw as portending higher inflation, or, indeed, whether such pressures would intensify further. Opinions differed to some degree with regard to both the likely extent of the prospective slowing in economic growth and the outlook for inflation. However, most of the members concluded that some rise in inflation appeared probable over coming quarters, and they were concerned that this upturn would not be reversed and could be extended in the absence of further monetary restraint.

In keeping with the practice at meetings when the Committee establishes its long-run ranges for growth of the money and debt aggregates, the members of the Committee and the Federal Reserve Bank presidents not currently serving as members had prepared individual projections of economic activity, the rate of unemployment, and inflation for the year 1995. Measured from the fourth quarter of 1994 to the fourth quarter of 1995, their forecasts of the growth in real GDP had a central tendency of 2 to 3 percent, compared with a growth rate of 4 percent estimated for 1994. Most of the members also anticipated that economic expansion in line with their forecasts would be associated with little change in the unemployment rate, and their projections of the rate in the fourth quarter of 1995 were centered in a narrow range around 5½ percent. The high levels of resource utilization implied by these projections were viewed by most members as likely to foster somewhat greater pressure on wages and prices. Accordingly, projections of the rate of inflation, as indexed by the consumer price index, had a central tendency of 3 to 3½ percent for the period from the fourth quarter of 1994 to the fourth quarter of 1995, compared with rates of about 2¾ percent in both 1993 and 1994.

In their review of regional economic developments, members referred to widespread evidence of further growth in business activity, but a number also mentioned scattered signs of some softening in a few areas or industries. Several emphasized, however, that the anecdotal evidence did not currently point to any significant moderation in the overall growth of the economy. With regard to financial conditions, members commented that they saw little indication that policy tightening actions over the past year were constraining the availability of credit to any observable degree. Despite higher interest rates, financial conditions remained broadly supportive of further economic expansion. The performance of stock market prices and the relatively narrow quality spreads in debt markets attested to a considerable degree of confidence among investors. Members also took note of the accommodative lending policies of banking institutions. Those policies had encouraged rapid growth in consumer and business loans and evidently were contributing to the ongoing strength of the economic expansion. Some members expressed concern that a number of banks might have eased their lending standards unduly and thus assumed unwarranted risks in their loan portfolios.

In their assessment of developments in key sectors of the economy, members referred to the sluggish behavior of non-auto retail sales in November and December, but they also noted that the available information on consumer spending during the first few weeks of this year was inconclusive with regard to the possible emergence of a slowing trend. Anecdotal commentary on retail sales was mixed, and evidence of some decline in January sales of motor vehicles needed to be evaluated with caution because of the introduction of a new reporting method. Consumer confidence was at a high level, but some members observed that consumer indebtedness had grown rapidly and was likely to exert a retarding effect on consumer spending at some point. In this regard, however, it was pointed out that rising consumer incomes had kept debt service burdens from increasing significantly thus far. On balance, the members believed that the growth in consumer spending probably would slow over the forecast horizon though such spending might be relatively well maintained for some period, given the ongoing expansion in jobs and incomes and the ready availability of financing to many consumers. In any event, the outlook for this sector of the economy, which was critical to any significant moderation in overall economic growth, was uncertain with regard to both the timing and the extent of possible slowing.

Housing construction was cited as potentially the most important demand sector of the economy that was likely to contribute to more moderate economic growth over the year ahead. As evidenced by nationwide data through the end of 1994, single-family housing starts had held up unexpectedly well despite sizable increases in home mortgage rates, but anecdotal reports from around the country had pointed to weakening demand for new homes for several months and continued to do so. Against the background of current mortgage rate levels and the rise that had occurred in home mortgage indebtedness, the members continued to anticipate softening demand for housing, at least in the single-family sector. The mild uptrend in the much smaller multifamily sector was likely to continue for some period, given low rental vacancy rates in a number of areas, and further improvement in nonresidential construction was likely to offset to some extent the overall slowing in housing construction.

In the capital goods sector, real business-fixed investment had strengthened further in the fourth quarter, and the members believed, on the basis of rising order backlogs and the strength of permits for new business construction, that considerable momentum had carried into this year. While the growth in spending for business equipment undoubtedly would moderate from its extraordinary pace over an extended period, large business profits and the still relatively low user cost of capital would tend to support appreciable further growth in such investment in the context of elevated levels of capacity utilization and ongoing efforts, induced by strong market competition, to increase productivity. Moreover, nonresidential construction was now trending higher, with particular strength evident in industrial and commercial construction.

The pace of inventory accumulation in recent quarters was viewed as unsustainable and a decline in inventory investment was seen as likely over the forecast horizon, though the precise timing and extent were impossible to predict. While slower growth in final demand might in most circumstances stimulate a relatively sharp adjustment in inventory investment, members cited factors that could mute the size of that adjustment and its effects on overall GDP. These included relatively low inventory–sales ratios across much of the economy and little anecdotal or other evidence of unintended inventory accumulation. Moreover, because an unusually large share of the inventory buildup in recent quarters appeared to involve imports, a cutback in such investment should tend to have a smaller-than-usual impact on domestic production. There was no current evidence that inventory investment was slowing, and indeed recent data on business loans at banks might suggest some acceleration in inventory accumulation since the beginning of the year. Nonetheless, as more moderate growth in final demand began to emerge, concerns about the availability of materials used in the production process or stocks needed to meet market demand should diminish, and business firms could be expected to trim their demand for inventories, perhaps aggressively for a time. Indeed, this sector of the economy might well account for much of the slowing in the expansion for some period of time during the year ahead.

Fiscal policy was under active debate in the Congress, and the members viewed the outcome of that debate as very uncertain. The emergence of a moderately restrictive fiscal policy might be a reasonable assumption to incorporate in current forecasts, albeit an assumption that clearly was subject to a wide range of error. In any event, any progress toward cutting future budget deficits was likely to have a favorable effect on domestic financial markets and perhaps also on the dollar in foreign exchange markets.

Developments in Mexico and their possible repercussions in other developing nations had negative implications for U.S. exports, at least over the short run. Indeed, some members cited anecdotal evidence that reduced trade with Mexico had already emerged since late 1994. Moreover, the effects of the earthquake in Kobe, Japan, seemed to be disrupting trade with that nation in agricultural and other bulk goods and was likely to continue doing so over the near term. Looking beyond the months immediately ahead, the relatively robust growth projected for many industrial countries together with the lower value of the dollar should boost the nation's overall external trade balance, though probably not to the extent of providing substantial stimulus to the economy. One member observed that a number of countries throughout the world faced the potential for important changes in political conditions that could have adverse effects on their growth and trading relationships, with possible repercussions on U.S. exports.

Members commented that the strong growth in economic activity and high levels of resource utilization had fostered relatively rapid increases in the prices of many raw materials and semi-finished goods used in the production process, but contrary to numerous forecasts these developments had not led thus far to a broad pickup in inflation as measured by the prices of final goods and services. This favorable development might be explained in part by lags in the inflation transmission process and perhaps to some degree by various structural changes and productivity improvements in recent years that may have raised both the level and the rate of increase of the economy's potential for sustained activity. Many members observed, however, that it would not be prudent from a monetary policy standpoint to assume that continued rapid economic growth and further pressures on producer resources would not lead to rising inflation over the quarters ahead. While competitive pressures still generally limited the extent to which business firms could pass through rising costs of raw materials and other producer inputs to the prices of final goods, the members referred to increasingly numerous examples of successful efforts to raise such prices and to apparently growing business expectations that it would be possible to implement such increases over the months ahead. On balance, the members generally were persuaded that the economy had attained levels of labor and capital utilization that implied a strong risk of rising inflation over coming quarters.

In keeping with the requirements of the Full Employment and Balanced Growth Act of 1978 (the Humphrey–Hawkins Act), the Committee at this meeting reviewed the ranges for growth of the monetary and debt aggregates in 1995 that it had established on a tentative basis at its meeting in July 1994. The tentative ranges included expansion of 1 to 5 percent for M2 and 0 to 4 percent for M3, measured from the fourth quarter of 1994 to the fourth quarter of 1995. The monitoring range for growth of total domestic nonfinancial debt had been set provisionally at 3 to 7 percent for 1995. The ranges for M2 and M3 were unchanged from those that the Committee had used in 1994, while the range for debt was 1 percentage point lower.

All the members endorsed a proposal to adopt the ranges that the Committee had set on a tentative basis in July 1994. While some acceleration in the growth of the broad monetary aggregates from the pace in 1994 could be anticipated over the year ahead according to a staff analysis, monetary expansion within the ranges in question appeared to be consistent with the moderation in the expansion of nominal GDP that the members were projecting for 1995 and that they viewed as desirable to head off increasing inflation. Moreover, the ranges for the broad monetary aggregates had been reduced over the past decade to levels that, notably in the case of M2, should now be consistent over long periods with the Committee's objectives for stable prices and maximum sustainable economic growth. This outcome would depend on the restoration over time of the historical velocity patterns linking the monetary aggregates to broad measures of economic performance, including a level velocity trend for M2. It was noted in this regard that until recent years the growth of M3 had tended to exceed that of M2—a pattern that seemed to be re-emerging—and therefore a somewhat higher range might be set for M3 than for M2. However, the members did not believe that a persuasive argument could be made at this juncture for raising the M3 range, though they did not want to rule out the option of doing so later, possibly when the ranges were reviewed at midyear. Indeed, to make the change at this point might convey a misleading message regarding the Committee's policy intentions or its confidence in prospective monetary growth relationships.

The Committee also considered the potential advantages and disadvantages of setting specific targets for bringing inflation down and achieving price stability over time. Such targets might provide an alternative or supplemental approach to the monetary growth ranges, which had been found to be unreliable guides for monetary policy over the past several years. The members discussed a number of aspects of inflation targeting. On the one hand, such targeting would help to anchor the conduct of monetary policy and progress in meeting these objectives could enhance the credibility of the Federal Reserve and perhaps reduce the overall cost of attaining price stability. On the other hand, close adherence to preset inflation targets could unduly constrain the Federal Reserve in its efforts to counteract the effects of cyclical shortfalls in the performance of the economy. The members agreed that the discussion had been helpful in outlining the issues and that the subject should be revisited. It was noted in this connection that the Committee might be asked to comment during the months ahead on specific congressional proposals for inflation targeting.

At the conclusion of its discussion, all the members voted to approve without change the tentative ranges for 1995 that the Committee had established in July of last year. In keeping with its usual procedures under the Humphrey–Hawkins Act, the Committee would review its ranges at midyear, or sooner if interim conditions warranted, in light of the growth and velocity behavior of the aggregates and ongoing economic and financial developments. Accordingly, the following longer-run policy statement for 1995 was approved for inclusion in the domestic policy directive:

> 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 this meeting 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 1994 to the fourth quarter of 1995. The Committee anticipated 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 lowered to 3 to 7 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.

Votes for this action: Messrs. Greenspan, McDonough, Blinder, Hoenig, Kelley, LaWare, Lindsey, Melzer, Ms. Minehan, Mr. Moskow, Mses. Phillips and Yellen. Votes against this action: None.

In the Committee's discussion of policy for the intermeeting period ahead, all the members indicated that they could support some firming in reserve conditions, though a few preferred to delay such an action pending the receipt within the next few weeks of significant new information that could help the Committee to evaluate whether and to what extent the economic expansion might be slowing. Most of the members were convinced, however, that current monetary policy should be adjusted promptly to a more clearly restrictive stance. In their view, prompt action was needed to counter inflationary pressures and inflationary expectations in an economy that already seemed to be operating at, and perhaps beyond, sustainable capacity levels and to be continuing to expand at a pace above its long-run potential. In these circumstances, a delay in tightening policy would incur an unacceptable risk of allowing further inflationary momentum to develop in the economy and would require more tightening over time than might otherwise be needed to achieve the Committee's objectives. Part of the risk involved a potential further decline in the dollar at a time when there already was considerable concern about rising pressures on prices. Some tightening of policy at this meeting was generally anticipated in markets, and a failure to take action now was likely in the view of a number of members to raise questions about the credibility of the System's anti-inflation resolve and to generate some unsettlement in financial markets, notably in the foreign exchange market where the dollar already appeared to be vulnerable to further weakness. In terms of balancing the policy risks that were involved, a prompt move would provide some insurance against what these members viewed as the principal risk in current circumstances—that of rising inflation. The risks of excessive tightening, while not completely absent, were believed to be limited in light of the apparent strength and momentum of the expansion, which many forecasters had underestimated over the past year. One member expressed the view that while monetary growth had been damped, continuing restraint on the growth of the narrow monetary aggregates was desirable to offset a previous buildup in liquidity and to help ensure that inflationary pressures would be contained.

Members who saw an advantage in postponing a decision to tighten policy commented that, in light of some scattered signs of a moderating expansion, it would be helpful to wait for certain key statistics that would become available within the next few weeks to judge the extent of any moderation. Data on retail sales in January might provide particular insights as to whether the softening in such sales in November and December was persisting. The favorable news on inflation in the fourth quarter had lessened concerns about an immediate inflation threat, and if the incoming information confirmed the need for further tightening, the short delay in implementing it would have only a minimal cost. In addition, an increase in monetary restraint would be likely to exacerbate the problems of Mexico and perhaps to some extent those of Canada and would have potentially adverse implications for U.S. trade with both of these key trading partners. Because the probability that incoming information would counsel against any further policy tightening was certainly less than 50 percent so that only a matter of timing was likely to be involved, these members indicated that they would join with the other members in voting to tighten policy at this meeting.

Concerning the possible need to adjust policy during the intermeeting period, the members were unanimously in favor of adopting a symmetric directive. Given a decision to implement some tightening in monetary policy at this meeting, they did not believe that there should be a presumption toward possible further tightening in this period. A number of members observed that further monetary restraint might not be needed if, in line with their expectations, the incoming evidence on the performance of the economy suggested that the expansion was moderating sufficiently for the economy to return to a growth path consistent with containing inflation pressures. In any event, the Committee's most difficult decision over the next several quarters was likely to be that of determining when further tightening was no longer desirable.

Prior to the end of the meeting, the members were apprised of a disposition on the part of the Board of Governors to approve an increase of ½ percentage point in the discount rate that was pending at several Federal Reserve Banks. In the event that such an increase was approved by the Board, the members agreed that open market operations should be conducted so as to allow that increase to be reflected fully in reserve markets.

At the conclusion of the Committee's discussion, all the members indicated that they could support a directive that called for increasing somewhat the degree of pressure on reserve positions. In the implementation of this policy, account would be taken of a possible increase of ½ percentage point in the discount rate that was under consideration by the Board of Governors. The members also agreed that the directive should not include any presumption about possible adjustments 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 somewhat greater or somewhat lesser reserve restraint would 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 coming months.

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 a strong further rise in economic activity during the closing months of 1994. Nonfarm payroll employment was up considerably further in December after a sharp increase in November, and the civilian unemployment rate declined to 5.4 percent. Industrial production registered another large advance in December and capacity utilization continued to move up from already high levels. Current estimates indicate little change in retail sales over November and December, while housing starts posted sizable gains on balance over the two months. Orders for nondefense capital goods point to a continued strong expansion in spending on business equipment; permits for nonresidential construction have been trending appreciably higher. The nominal deficit on U.S. trade in goods and services widened somewhat in October–November from its average rate in the third quarter. Prices of many materials have continued to move up rapidly, but broad indexes of prices for consumer goods and services have increased moderately on average over recent months.

Most market interest rates have declined slightly on balance since the Committee meeting on December 20, 1994. In foreign exchange markets, the trade-weighted value of the dollar in terms of the other G-10 currencies has declined somewhat over the intermeeting period. The Mexican peso has depreciated sharply against the dollar.

Growth of M2 and M3 strengthened in December and January. From the fourth quarter of 1993 to the fourth quarter of 1994, M2 grew at a rate at the bottom of the Committee's range for 1994 and M3 at a rate in the lower half of its range for the year. Total domestic nonfinancial debt has continued to expand at a moderate rate in recent months, and for the year 1994 it grew at a rate in the lower half of its monitoring range.

The Federal Open Market Committee seeks monetary and financial conditions that will foster price stability and promote sustainable growth in output. In furtherance of these objectives, the Committee at this meeting 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 1994 to the fourth quarter of 1995. The Committee anticipated 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 lowered to 3 to 7 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 somewhat the existing degree of pressure on reserve positions, taking account of a possible increase in the discount rate. In the context of the Committee's long-run objectives for price stability and sustainable economic growth, and giving careful consideration to economic, financial, and monetary developments, somewhat greater reserve restraint or somewhat lesser reserve restraint would be acceptable in the intermeeting period. The contemplated reserve conditions are expected to be consistent with moderate growth in M2 and M3 over coming months.

Votes for this action: Messrs. Greenspan, McDonough, Blinder, Hoenig, Kelley, LaWare, Lindsey, Melzer, Ms. Minehan, Mr. Moskow, Mses. Phillips and Yellen. Votes against this action: None.

Temporary Increase in Reciprocal Currency Agreement with the Bank of Mexico and Increase in Agreement to "Warehouse" Foreign Currencies

On December 30, 1994, the Committee approved a temporary increase from $3 billion to $4½ billion in the System's reciprocal currency (swap) agreement with the Bank of Mexico and it also approved the activation of that agreement. The Committee approved a further temporary increase of $1½ billion and activation of that amount at this meeting, thereby raising the swap arrangement with the Bank of Mexico to a level of $6 billion, consisting of the regular $3 billion line and a special $3 billion line. The special $3 billion line may be drawn on until January 31, 1996. Drawings would be for three-month periods and could be renewed a maximum of three times. Once a drawing on the special line is repaid, the size of the line will be reduced pari passu. All drawings on the special line will have to be repaid no later than January 31, 1997. The terms and conditions for use of the permanent $3 billion swap facility with the Bank of Mexico remain unchanged and drawings, once repaid, will require Committee action prior to subsequent use. The Treasury has undertaken to ensure the repayment of any swap drawing by the Bank of Mexico on the $6 billion in lines that is outstanding more than twelve months.

Votes for this action: Messrs. Greenspan, McDonough, Blinder, Hoenig, Kelley, LaWare, Ms. Minehan, Mr. Moskow, Mses. Phillips and Yellen. Votes against this action: Messrs. Lindsey and Melzer.

The Committee also approved at this meeting an increase from $5 billion to $20 billion in the amount of eligible foreign currencies that the System is prepared to "warehouse" for the Treasury and the Exchange Stabilization Fund (ESF). The purpose of the warehousing facility, which has been in place for many years, is to supplement the U.S. dollar resources of the Treasury and the ESF for financing purchases of foreign currencies and related international operations. The size of the warehousing facility had ranged up to $15 billion in past years, but it was reduced to $5 billion in February 1992. The expansion of the warehousing agreement at this meeting was intended to facilitate U.S. participation in the Multilateral Program to Restore Financial Stability in Mexico, announced by President Clinton on January 31, 1995, by warehousing up to $20 billion in German marks and Japanese yen held by the Treasury through the ESF. The Committee will review each year the need to maintain this level of warehousing authority in light of the progress and needs of the Program.

Votes for this action: Messrs. Greenspan, McDonough, Blinder, Hoenig, Kelley, LaWare, Ms. Minehan, Mr. Moskow, Mses. Phillips and Yellen. Votes against this action: Messrs. Lindsey and Melzer.

Members who voted to approve these proposals were persuaded that the nature and severity of Mexico's financial problems could not be contained without making substantial financial assistance available to the Government of Mexico. The financial support provided by the United States would be accompanied by similar assistance from the IMF and would be conditioned on Mexico's commitment to implement major changes in its economic policies, including monetary policy. It was emphasized during the Committee's discussion that the United States had a strong interest in encouraging the restoration of stability in Mexico for numerous reasons, including the growth of trade between the two nations and the resulting creation of jobs in both countries. Moreover, Mexico's financial problems appeared to be spreading to a number of other nations and adversely affecting the dollar in the foreign exchange markets. The participation of the Federal Reserve in this effort was strongly endorsed by the Administration and the overall program had the support of the bipartisan leadership in the Congress. Apart from temporary financial resources, the Federal Reserve was in a position to supply expertise and experience that were not readily available elsewhere. On the negative side, the members acknowledged that there could be no assurances that the rescue program would succeed, but its scale, its multinational character, and the apparent willingness of Mexican officials to pursue the difficult policies needed to ensure success were grounds for optimism.

Messrs. Lindsey and Melzer dissented with respect to increases in both the swap line and the warehousing arrangement with the Exchange Stabilization Fund. They did not believe that the Committee had been provided sufficient information to assess whether developments in Mexico threatened U.S. financial stability, a possible justification for increased central bank lending on a short-term basis. Furthermore, they considered it inappropriate for the Federal Reserve to participate, directly or indirectly, in intermediate- to long-term financing to facilitate debt restructuring. They were concerned that such participation in a fiscal policy matter might compromise, or appear to compromise, the independence of the monetary policy process. Mr. Lindsey added that the latter risks were significantly enhanced given the absence of congressional authorization or more general public support for these measures.

Disclosure Policy

At this meeting, the Committee decided to retain the procedures that it had followed over the past year for providing greater information to the public about its policy actions and discussions. It was the judgment of the members that these procedures strike an appropriate balance between making the Committee's decisions and deliberations accessible to the public as soon and as fully as feasible, while safeguarding the Committee's flexibility in policymaking and preserving an unfettered deliberative process. The procedures in question involve the prompt announcement of the Committee's decisions and the release of minutes and transcripts of FOMC meetings.

The Committee will continue its practice of announcing each change in the stance of monetary policy in a press release on the day the decision is made. This practice removes any uncertainty about the Committee's intentions in regard to reserve conditions and enables all financial market participants and others to receive the information at the same time. When no change is made at a meeting, the Committee normally will announce only the time when the meeting ended and that there are no further announcements. However, in some infrequent circumstances, the Committee may decide to issue a statement even when no change in policy is made.

The full substance of the Committee's deliberations relating to each policy decision will continue to be reported, as is the current practice, in comprehensive minutes of the meeting that are released two or three days following the next regularly scheduled meeting. For historians and other students of monetary policymaking, those minutes will be supplemented by lightly edited transcripts of the discussion at each Committee meeting. For recent and future meetings, transcripts for an entire year will be released with a five-year lag; earlier transcripts dating back to March 1976 will continue to be released on an ongoing basis as the light editing process is completed. Continuing the practice followed since the beginning of 1994, transcripts prepared by the Committee's Secretariat will be circulated to each participant to verify his or her comments, and only changes that clarify meaning, such as the correction of grammar or transcription errors, will be permitted. A limited amount of material will be withheld from the publicly released version of these documents, primarily to protect the confidentiality of foreign and domestic sources of information that likely would be lost if the information they provide were to be made public. As required by law, a complete, unredacted version of the transcript of each meeting will be turned over to the National Archives after thirty years have elapsed.

For the purpose of preparing the minutes and transcripts, the discussions of monetary policy at Committee meetings will continue to be recorded. The tape recorder may be turned off at the Chairman's discretion when the Committee deals with issues unrelated to monetary policy, such as organizational and personnel matters. The transcripts will indicate that the tape recorder has been turned off and the minutes will provide a summary description of the matters that were discussed, As permitted by the National Records Act, the recordings and unedited transcripts will be discarded after all the participants at the meeting have reviewed and corrected, as necessary, the transcripts prepared by the Secretariat.

It was agreed that the next meeting of the Committee would be held on Tuesday, March 28, 1995.

The meeting adjourned at 3:20 p.m.

Donald L. Kohn
Secretary

Legal Developments

FINAL RULE—AMENDMENT TO REGULATION E

The Board of Governors is amending 12 C.F.R. Part 205, its Regulation E (Electronic Fund Transfers). The amendment eliminates the requirement that an electronic terminal receipt disclose a number or code that *uniquely* identifies the consumer, the consumer's account, or the access device. This requirement posed a significant security risk to consumers and financial institutions by making information accessible to criminals that could be used to make fraudulent fund withdrawals. To address this problem, the Board adopted an interim rule effective December 1, 1994. The Board also sought comments on the interim rule and is amending the rule to address the comments received.

Effective April 24, 1995, 12 C.F.R. Part 205 is amended as follows:

Part 205—Electronic Fund Transfers (Regulation E)

1. The authority citation for Part 205 continues to read as follows:

Authority: 12 U.S.C. 1693.

2. Section 205.9 is amended by revising paragraph (a)(4), to read as follows:

Section 205.9—Documentation of transfers.

(a) * * *

(4) A number or code that identifies the consumer initiating the transfer, the consumer's account(s), or the access device used to initiate the transfer. The number or code need not exceed four digits or letters to comply with the requirements of this paragraph.

* * * * *

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). The Board is issuing an interpretation of the provisions of its Regulation H concerning the establishment of loan production offices and "back office" facilities by state member banks. The interpretation provides that a state member bank may establish a back office facility that is not accessible to the public without such a facility being considered to be a branch. The interpretation also provides that loans originated by a loan production office may be approved at a back office location, rather than at the main office or a branch of the bank, without the loan production office being considered to be a branch, if the proceeds of loans originated by the loan production office are received by customers at locations other than a loan production office or back office facility. This interpretation is intended to provide parity between state member banks and national banks with respect to the establishment of loan production offices and back office facilities.

Effective April 6, 1995, 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. 78b, 781(b), 781(g), 781(i), 78o-4(c)(5), 78q, 78q-1, and w; 31 U.S.C. 5318.

2. In Subpart E, section 208.123 is added in numerical order to read as follows:

Section 208.123—Loan Production Offices and "Back Office" Facilities.

(a) *Scope.* The Board has considered two issues:

(1) Whether a state member bank may establish a "back office" facility that is not accessible to the public and is not visited by customers without such a facility being considered to be a branch of the bank; and

(2) Whether a loan production office will be considered to be a branch of the bank if it takes loan applications and performs related functions, but the

loans are approved at locations other than an approved branch or main office of the bank and funds are not disbursed at the loan production office.

(b) *Authority.* State member banks are subject to the same limitations on branching as national banks. Federal Reserve Act, section 9, paragraph 3 (12 U.S.C. 321). Under the McFadden Act (44 Stat. 1228), national banks may establish branches within a state only at locations at which a state bank would be permitted to establish a branch. 12 U.S.C. 36(c). For the purposes of the McFadden Act, "branch" is defined to include "any branch bank, branch office, branch agency, additional office, or any branch place of business . . . at which deposits are received, or checks are paid, or money lent." 12 U.S.C. 36(f). Interpreting the branching restrictions of the McFadden Act, the Supreme Court has stated that the purpose of the McFadden Act was to maintain competitive equality between national and state banks, and that the determination as to whether a facility was a branch must be based on the convenience of the customer, rather than on the technical or legal relationship between the customer and the bank. In later cases addressing automated teller machines, the courts generally have rejected arguments that money is lent at the time and place where a loan or line of credit is approved, and instead found that money is lent for the purposes of the McFadden Act when the customer actually receives the funds and interest begins to run on the loan. *See, e.g., IBAA v. Smith,* 534 F.2d 921 (D.C. Cir. 1976).

(c) *Interpretation.* The Board previously had determined that an office engaged in preliminary or servicing functions is not lending money and therefore is not a "branch" for the purposes of the McFadden Act if the loans originated by the office are approved and the funds disbursed at the main office or an approved branch of the bank. *See* 12 C.F.R. 250.141. Whether a loan production office should be considered to be a branch if loans originated by the office are approved at locations other than the main office or a branch of the bank depends on whether the location where loan approval takes place enhances the convenience to the customer and therefore provides a competitive advantage to the bank. Back office facilities that are not accessible to the public are not visited by customers and do not appear to provide customers of the bank with any greater level of convenience. From the point of view of a customer whose loan has been originated at an loan production office, there does not appear to be any difference in the convenience based on whether the loan is approved at the back office facility or at a branch of a bank, as it is unlikely that the customer will visit either location. Based on this analysis, the Board has concluded that a state member bank may establish a back office facility without such a facility being considered to be a branch for the purposes of the McFadden Act. The Board also has determined that loans originated by a loan production office may be approved at a back office location, rather than at the main office or a branch of the bank, without the loan production office being considered to be a branch, provided that the proceeds of loans originated by the loan production office are received by the customer at locations other than a loan production office or back office facility. This interpretation supersedes the Board's prior interpretation, published at 12 C.F.R. 250.141, as it applies to loan production offices.

Final Rule—Amendment to Regulation Z

The Board of Governors is amending 12 C.F.R. Part 226, its Regulation Z (Truth in Lending). The amendments implement changes made to the Truth in Lending Act by the Riegle Community Development and Regulatory Improvement Act of 1994. The law imposes new disclosure requirements and substantive limitations on closed-end home equity mortgage loans bearing rates or fees above a certain percentage or amount. The amendments provide protection to consumers entering into these mortgages. The law also imposes new disclosure requirements to assist consumers in comparing the cost of reverse mortgage transactions, which provide periodic advances primarily to elderly homeowners and rely principally on the home's value for repayment.

Effective March 22, 1995, 12 C.F.R. Part 226 is amended as follows (compliance is optional until October 1, 1995).

Part 226—Truth in Lending (Regulation Z)

1. The authority citation for Part 226 continues to read as follows:

Authority: 12 U.S.C. 3806; 15 U.S.C. 1604 and 1637(c)(5).

2. Section 226.1 is amended as follows:
   a. Paragraph (b) is revised;
   b. Paragraph (d)(5) is redesignated as paragraph (d)(6);
   c. A new paragraph (d)(5) is added; and
   d. Redesignated paragraph (d)(6) is revised.

The revisions and addition read as follows:

Section 226.1—Authority, purpose, coverage, organization, enforcement and liability.

* * * * *

(b) The purpose of this regulation is to promote the informed use of consumer credit by requiring disclosures about its terms and cost. The regulation gives consumers the right to cancel certain credit transactions that involve a lien on a consumer's principal dwelling, regulates certain credit card practices, and provides a means for fair and timely resolution of credit billing disputes. The regulation does not govern charges for consumer credit. The regulation requires a maximum interest rate to be stated in variable-rate contracts secured by the consumer's dwelling. It also imposes limitations on home equity plans that are subject to the requirements of section 226.5b and mortgages that are subject to the requirements of section 226.32.

* * * * *

(d) * * *

(5) Subpart E relates to mortgage transactions covered by section 226.32 and reverse mortgage transactions. It contains rules on disclosures, fees, and total annual loan cost rates.

(6) Several appendices contain information such as the procedures for determinations about state laws, state exemptions and issuance of staff interpretations, special rules for certain kinds of credit plans, a list of enforcement agencies, and the rules for computing annual percentage rates in closed-end credit transactions and total annual loan cost rates for reverse mortgage transactions.

* * * * *

3. In section 226.2, footnote 3 in paragraph (a)(17)(i) is revised to read as follows:

Section 226.2—Definitions and rules of construction.

(a) * * *

(17) * * *

(i) * * *[3] * * *

4. In section 226.5b, paragraph (f)(2) introductory text is revised and a new paragraph (f)(4) is added to read as follows:

3. A person regularly extends consumer credit only if it extended credit (other than credit subject to the requirements of section 226.32) more than 25 times (or more than five times for transactions secured by a dwelling) in the preceding calendar year. If a person did not meet these numerical standards in the preceding calendar year, the numerical standards shall be applied to the current calendar year. A person regularly extends consumer credit if, in any 12-month period, the person originates more than one credit extension that is subject to the requirements of section 226.32 or one or more such credit extensions through a mortgage broker.

Section 226.5b—Requirements for home equity plans.

* * * * *

(f) * * *

(2) Terminate a plan and demand repayment of the entire outstanding balance in advance of the original term (except for reverse mortgage transactions that are subject to paragraph (f)(4) of this section) unless:

* * * * *

(4) For reverse mortgage transactions that are subject to section 226.33, terminate a plan and demand repayment of the entire outstanding balance in advance of the original term except:

(i) In the case of default;

(ii) If the consumer transfers title to the property securing the note;

(iii) If the consumer ceases using the property securing the note as the primary dwelling; or

(iv) Upon the consumer's death.

* * * * *

5. In section 226.23, footnote 48 in paragraph (a)(3) is revised to read as follows:

Section 226.23—Right of rescission.

(a) * * *

(3) * * *[4] * * *

6. In section 226.28, the first sentence of paragraph (b) is revised to read as follows:

Section 226.28—Effect on State laws.

(b) *Equivalent disclosure requirements.* If the Board determines that a disclosure required by state law (other than a requirement relating to the finance charge, annual percentage rate, or the disclosures required under section 226.32) is substantially the same in meaning as a disclosure required under the act or this regulation, creditors in that state may make the state disclosure in lieu of the federal disclosure. * * *

* * * * *

7. Part 226 is amended by adding a new Subpart E to read as follows:

4. The term "material disclosures" means the required disclosures of the annual percentage rate, the finance charge, the amount financed, the total payments, the payment schedule, and the disclosures and limitations referred to in sections 226.32(c) and (d).

Subpart E—Special Rules for Certain Home Mortgage Transactions

Subpart E—Special Rules for Certain Home Mortgage Transactions

Section 226.31—General rules.

(a) *Relation to other subparts in this part.* The requirements and limitations of this subpart are in addition to and not in lieu of those contained in other subparts of this part.
(b) *Form of disclosures.* The creditor shall make the disclosures required by this subpart clearly and conspicuously in writing, in a form that the consumer may keep.
(c) *Timing of disclosure*—(1) *Disclosures for certain closed-end home mortgages.* The creditor shall furnish the disclosures required by section 226.32 at least three business days prior to consummation of a mortgage transaction covered by section 226.32.
(i) *Change in terms.* After complying with paragraph (c)(1) of this section and prior to consummation, if the creditor changes any term that makes the disclosures inaccurate, new disclosures shall be provided in accordance with the requirements of this subpart.
(ii) *Telephone disclosures.* A creditor may provide new disclosures by telephone if the consumer initiates the change and if, at consummation:
(A) The creditor provides new written disclosures; and
(B) The consumer and creditor sign a statement that the new disclosures were provided by telephone at least three days prior to consummation.
(iii) *Consumer's waiver of waiting period before consummation.* The consumer may, after receiving the disclosures required by paragraph (c)(1) of this section, modify or waive the three-day waiting period between delivery of those disclosures and consummation if the consumer determines that the extension of credit is needed to meet a bona fide personal financial emergency. To modify or waive the right, the consumer shall give the creditor a dated written statement that describes the emergency, specifically modifies or waives the waiting period, and bears the signature of all the consumers entitled to the waiting period. Printed forms for this purpose are prohibited, except when creditors are permitted to use printed forms pursuant to section 226.23(e)(2).
(2) *Disclosures for reverse mortgages.* The creditor shall furnish the disclosures required by section 226.33 at least three business days prior to:
(i) Consummation of a closed-end credit transaction; or
(ii) The first transaction under an open-end credit plan.
(d) *Basis of disclosures and use of estimates.* Disclosures shall reflect the terms of the legal obligation between the parties. If any information necessary for accurate disclosure is unknown to the creditor, the creditor shall make the disclosure based on the best information reasonably available and shall state clearly that the disclosure is an estimate.
(e) *Multiple creditors; multiple consumers.* If a transaction involves more than one creditor, only one set of disclosures shall be given and the creditors shall agree among themselves which creditor must comply with the requirements that this part imposes on any or all of them. If there is more than one consumer, the disclosures may be made to any consumer who is primarily liable on the obligation. If the transaction is rescindable under section 226.15 or section 226.23, however, the disclosures shall be made to each consumer who has the right to rescind.
(f) *Effect of subsequent events.* If a disclosure becomes inaccurate because of an event that occurs after the creditor delivers the required disclosures, the inaccuracy is not a violation of Regulation Z (12 C.F.R. Part 226), although new disclosures may be required for mortgages covered by section 226.32 under paragraph (c) of this section, section 226.9(c), section 226.19, or section 226.20.
(g) *Accuracy of annual percentage rate.* For purposes of section 226.32, the annual percentage yield shall be considered accurate if it is accurate according to the requirements and within the tolerances set forth in section 226.22.

Section 226.32—Requirements for certain closed-end home mortgages.

(a) *Coverage.* (1) Except as provided in paragraph (a)(2) of this section, the requirements of this section apply to a consumer credit transaction that is secured by the consumer's principal dwelling, and in which either:
(i) The annual percentage rate at consummation will exceed by more than 10 percentage points the yield on Treasury securities having comparable periods of maturity to the loan maturity as of the fifteenth day of the month immediately preceding the month in which the application for the extension of credit is received by the creditor; or

(ii) The total points and fees payable by the consumer at or before loan closing will exceed the greater of 8 percent of the total loan amount, or $400; the $400 figure shall be adjusted annually on January 1 by the annual percentage change in the Consumer Price Index that was reported on the preceding June 1.

(2) This section does not apply to the following:

(i) A residential mortgage transaction.

(ii) A reverse mortgage transaction subject to section 226.33.

(iii) An open-end credit plan subject to subpart B of this part.

(b) *Definitions.* For purposes of this subpart, the following definitions apply:

(1) For purposes of paragraph (a)(1)(ii) of this section, *points and fees* mean:

(i) All items required to be disclosed under sections 226.4(a) and 226.4(b), except interest or the time-price differential;

(ii) All compensation paid to mortgage brokers; and

(iii) All items required to be disclosed under section 226.4(c)(7) (other than amounts held for future payment of taxes) unless the charge is reasonable, the creditor receives no direct or indirect compensation in connection with the charge, and the charge is not paid to an affiliate of the creditor.

(2) *Affiliate* means any company that controls, is controlled by, or is under common control with another company, as set forth in the Bank Holding Company Act of 1956 (12 U.S.C. 1841 *et seq.*).

(c) *Disclosures.* In addition to other disclosures required by this part, in a mortgage subject to this section the creditor shall disclose the following:

(1) *Notices.* The following statement: "You are not required to complete this agreement merely because you have received these disclosures or have signed a loan application. If you obtain this loan, the lender will have a mortgage on your home. You could lose your home, and any money you have put into it, if you do not meet your obligations under the loan."

(2) *Annual percentage rate.* The annual percentage rate.

(3) *Regular payment.* The amount of the regular monthly (or other periodic) payment.

(4) *Variable-rate.* For variable-rate transactions, a statement that the interest rate and monthly payment may increase, and the amount of the single maximum monthly payment, based on the maximum interest rate required to be disclosed under section 226.30.

(d) *Limitations.* A mortgage transaction subject to this section may not provide for the following terms:

(1)(i) *Balloon payment.* For a loan with a term of less than five years, a payment schedule with regular periodic payments that when aggregated do not fully amortize the outstanding principal balance.

(ii) *Exception.* The limitations in paragraph (d)(1)(i) of this section do not apply to loans with maturities of less than one year, if the purpose of the loan is a "bridge" loan connected with the acquisition or construction of a dwelling intended to become the consumer's principal dwelling.

(2) *Negative amortization.* A payment schedule with regular periodic payments that cause the principal balance to increase.

(3) *Advance payments.* A payment schedule that consolidates more than two periodic payments and pays them in advance from the proceeds.

(4) *Increased interest rate.* An increase in the interest rate after default.

(5) *Rebates.* A refund calculated by a method less favorable than the actuarial method (as defined by section 933(d) of the Housing and Community Development Act of 1992, 15 U.S.C. 1615(d)), for rebates of interest arising from a loan acceleration due to default.

(6) *Prepayment penalties.* Except as allowed under paragraph (d)(7) of this section, a penalty for paying all or part of the principal before the date on which the principal is due. A prepayment penalty includes computing a refund of unearned interest by a method that is less favorable to the consumer than the actuarial method, as defined by section 933(d) of the Housing and Community Development Act of 1992.

(7) *Prepayment penalty exception.* A mortgage transaction subject to this section may provide for a prepayment penalty otherwise permitted by law (including a refund calculated according to the rule of 78s) if:

(i) The penalty can be exercised only for the first five years following consummation;

(ii) The source of the prepayment funds is not a refinancing by the creditor or an affiliate of the creditor; and

(iii) At consummation, the consumer's total monthly debts (including amounts owed under the mortgage) do not exceed 50 percent of the consumer's monthly gross income, as verified by the consumer's signed financial statement, a credit report, and payment records for employment income.

(e) *Prohibited acts and practices.* A creditor extending mortgage credit subject to this section may not:

(1) *Repayment ability.* Engage in a pattern or practice of extending such credit to a consumer based on the consumer's collateral if, considering the consumer's current and expected income, current obligations, and employment status, the consumer will be unable to make the scheduled payments to repay the obligation.

(2) *Home improvement contracts.* Pay a contractor

under a home improvement contract from the proceeds of a mortgage covered by this section, other than:

(i) By an instrument payable to the consumer or jointly to the consumer and the contractor; or

(ii) At the election of the consumer, through a third-party escrow agent in accordance with terms established in a written agreement signed by the consumer, the creditor, and the contractor prior to the disbursement.

(3) *Notice to assignee.* Sell or otherwise assign a mortgage subject to this section without furnishing the following statement to the purchaser or assignee: "Notice: This is a mortgage subject to special rules under the federal Truth in Lending Act. Purchasers or assignees of this mortgage could be liable for all claims and defenses with respect to the mortgage that the borrower could assert against the creditor."

Section 226.33—Requirements for reverse mortgages.

(a) *Definition.* For purposes of this subpart, *reverse mortgage transaction* means a nonrecourse consumer credit obligation in which:

(1) A mortgage, deed of trust, or equivalent consensual security interest securing one or more advances is created in the consumer's principal dwelling; and

(2) Any principal, interest, or shared appreciation or equity is due and payable (other than in the case of default) only after:

(i) The consumer dies;

(ii) The dwelling is transferred; or

(iii) The consumer ceases to occupy the dwelling as a principal dwelling.

(b) *Content of disclosures.* In addition to other disclosures required by this part, in a reverse mortgage transaction the creditor shall provide the following disclosures in a form substantially similar to the model form found in paragraph (d) of Appendix K of this part:

(1) *Notice.* A statement that the consumer is not obligated to complete the reverse mortgage transaction merely because the consumer has received the disclosures required by this section or has signed an application for a reverse mortgage loan.

(2) *Total annual loan cost rates.* A good-faith projection of the total cost of the credit, determined in accordance with paragraph (c) of this section and expressed as a table of "total annual loan cost rates," using that term, in accordance with Appendix K of this part.

(3) *Itemization of pertinent information.* An itemization of loan terms, charges, the age of the youngest borrower and the appraised property value.

(4) *Explanation of table.* An explanation of the table of total annual loan cost rates as provided in the model form found in paragraph (d) of Appendix K of this part.

(c) *Projected total cost of credit.* The projected total cost of credit shall reflect the following factors, as applicable:

(1) *Costs to consumer.* All costs and charges to the consumer, including the costs of any annuity the consumer purchases as part of the reverse mortgage transaction.

(2) *Payments to consumer.* All advances to and for the benefit of the consumer, including annuity payments that the consumer will receive from an annuity that the consumer purchases as part of the reverse mortgage transaction.

(3) *Additional creditor compensation.* Any shared appreciation or equity in the dwelling that the creditor is entitled by contract to receive.

(4) *Limitations on consumer liability.* Any limitation on the consumer's liability (such as nonrecourse limits and equity conservation agreements).

(5) *Assumed annual appreciation rates.* Each of the following assumed annual appreciation rates for the dwelling:

(i) 0 percent.

(ii) 4 percent.

(iii) 8 percent.

(6) *Assumed loan period.*

(i) Each of the following assumed loan periods, as provided in Appendix L of this part:

(A) Two years.

(B) The actuarial life expectancy of the consumer to become obligated on the reverse mortgage transaction (as of that consumer's most recent birthday). In the case of multiple consumers, the period shall be the actuarial life expectancy of the youngest consumer (as of that consumer's most recent birthday).

(C) The actuarial life expectancy specified by paragraph (c)(6)(i)(B) of this section, multiplied by a factor of 1.4 and rounded to the nearest full year.

(ii) At the creditor's option, the actuarial life expectancy specified by paragraph (c)(6)(i)(B) of this section, multiplied by a factor of .5 and rounded to the nearest full year.

9. In Part 226, Appendix H is amended by:

a. Revising the appendix heading;

b. Revising the table of contents at the beginning of the appendix; and

c. Adding a new H-16 Mortgage Sample in numerical order.

The revisions and additions read as follows:

Appendix H to Part 226—Closed-End Model Forms and Clauses

H-1—Credit Sale Model Form (Section 226.18)
H-2—Loan Model Form (Section 226.18)
H-3—Amount Financed Itemization Model Form (Section 226.18(c))
H-4(A)—Variable-Rate Model Clauses (Section 226.18(f)(1))
H-4(B)—Variable-Rate Model Clauses (Section 226.18(f)(2))
H-4(C)—Variable-Rate Model Clauses (Section 226.19(b))
H-4(D)—Variable-Rate Model Clauses (Section 226.20(c))
H-5—Demand Feature Model Clauses (Section 226.18(i))
H-6—Assumption Policy Model Clause (Section 226.18(q))
H-7—Required Deposit Model Clause (Section 226.18(r))
H-8—Rescission Model Form (General) (Section 226.23)
H-9—Rescission Model Form (Refinancing) (Section 226.23)
H-10—Credit Sale Sample
H-11—Installment Loan Sample
H-12—Refinancing Sample
H-13—Mortgage with Demand Feature Sample
H-14—Variable-Rate Mortgage Sample (Section 226.19(b))
H-15—Graduated Payment Mortgage Sample
H-16—Mortgage Sample (Section 226.32)

* * * * *

H-16—Mortgage Sample

You are not required to complete this agreement merely because you have received these disclosures or have signed a loan application. If you obtain this loan, the lender will have a mortgage on your home. You could lose your home, and any money you have put into it, if you do not meet your obligations under the loan.

The annual percentage rate on your loan will be ___ %. Your regular [frequency] payment will be $______. [Your interest rate may increase. Increases in the interest rate could increase your payment. The highest amount your payment could increase is to $ ______.]

* * * * *

10. In Part 226, a new Appendix K is added to read as follows:

Appendix K to Part 226—Total Annual Loan Cost Rate Computations for Reverse Mortgage Transactions

(a) *Introduction.* Creditors are required to disclose a series of total annual loan cost rates for each reverse mortgage transaction. This appendix contains the equations creditors must use in computing the total annual loan cost rate for various transactions, as well as instructions, explanations, and examples for various transactions. This appendix is modeled after Appendix J of this part (Annual Percentage Rates Computations for Closed-end Credit Transactions); creditors should consult Appendix J of this part for additional guidance in using the formulas for reverse mortgages.

(b) *Instructions and equations for the total annual loan cost rate.*

(1) *General rule.* The total annual loan cost rate shall be the nominal total annual loan cost rate determined by multiplying the unit-period rate by the number of unit-periods in a year.

(2) *Term of the transaction.* For purposes of total annual loan cost disclosures, the term of a reverse mortgage transaction is assumed to begin on the first of the month in which consummation is expected to occur. If a loan cost or any portion of a loan cost is initially incurred beginning on a date later than consummation, the term of the transaction is assumed to begin on the first of the month in which that loan cost is incurred. For purposes of total annual loan cost disclosures, the term ends on each of the assumed loan periods specified in section 226.33(c)(6).

(3) *Definitions of time intervals.*

(i) A *period* is the interval of time between advances.

(ii) A *common period* is any period that occurs more than once in a transaction.

(iii) A *standard interval* of time is a day, week, semimonth, month, or a multiple of a week or a month up to, but not exceeding, 1 year.

(iv) All months shall be considered to have an equal number of days.

(4) *Unit-period.* (i) In all transactions other than single-advance, single-payment transactions, the unit-period shall be that common period, not to exceed one year, that occurs most frequently in the transaction, except that:

(A) If two or more common periods occur with equal frequency, the smaller of such common periods shall be the unit-period; or

(B) If there is no common period in the transaction, the unit-period shall be that period which is the average of all periods rounded to the nearest whole standard interval of time. If the average is equally near two standard intervals of time, the lower shall be the unit-period.

(ii) In a single-advance, single-payment transaction, the unit-period shall be the term of the transaction, but shall not exceed one year.

(5) *Number of unit-periods between two given dates.*

(i) The number of days between two dates shall be the number of 24-hour intervals between any point in time on the first date to the same point in time on the second date.

(ii) If the unit-period is a month, the number of full unit-periods between two dates shall be the number of months. If the unit-period is a month, the number of unit-periods per year shall be 12.

(iii) If the unit-period is a semimonth or a multiple of a month not exceeding 11 months, the number of days between two dates shall be 30 times the number of full months. The number of full unit-periods shall be determined by dividing the number of days by 15 in the case of a semimonthly unit-period or by the appropriate multiple of 30 in the case of a multimonthly unit-period. If the unit-period is a semimonth, the number of unit-periods per year shall be 24. If the number of unit-periods is a multiple of a month, the number of unit-periods per year shall be 12 divided by the number of months per unit-period.

(iv) If the unit-period is a day, a week, or a multiple of a week, the number of full unit-periods shall be determined by dividing the number of days between the two given dates by the number of days per unit-period. If the unit-period is a day, the number of unit-periods per year shall be 365. If the unit-period is a week or a multiple of a week, the number of unit-periods per year shall be 52 divided by the number of weeks per unit-period.

(v) If the unit-period is a year, the number of full unit-periods between two dates shall be the number of full years (each equal to 12 months).

(6) *Symbols.* The symbols used to express the terms of a transaction in the equation set forth in paragraph (b)(8) of this appendix are defined as follows:

A_j = The amount of each periodic or lump-sum advance to the consumer under the reverse mortgage transaction.

i = Percentage rate of the total annual loan cost per unit-period, expressed as a decimal equivalent.

j = The number of unit-periods until the jth advance.

n = The number of unit-periods between consummation and repayment of the debt.

P_n = Min (Bal_n, Val_n). This is the maximum amount that the creditor can be repaid at the specified loan term.

Bal_n = Loan balance at time of repayment, including all costs and fees incurred by the consumer (including any shared appreciation or shared equity amount) compounded to time n at the creditor's contract rate of interest.

Val_n = $Val_0 (1 + \sigma)^y$, where Val_0 is the property value at consummation, σ is the assumed annual rate of appreciation for the dwelling, and y is the number of years in the assumed term. Val_n must be reduced by the amount of any equity reserved for the consumer by agreement between the parties, or by 7 percent (or the amount or percentage specified in the credit agreement), if the amount required to be repaid is limited to the net proceeds of sale.

Σ = The summation operator.

Symbols used in the examples shown in this appendix are defined as follows:

$FV_x^{-1} i$ = The future value of 1 per unit-period for x unit periods, first advance due immediately (at time = 0, which is consummation).

$$= \sum_{j=0}^{x-1} (1+i)^{x-j} = (1+i)^x + (1+i)^{x-1} + \ldots (1+i)^1; \text{ or}$$

$$= \frac{(1+i)^n - 1}{i} \times (1+i)$$

w = The number of unit-periods per year.

I = $wi \times 100$ = the nominal total annual loan cost rate.

(7) *General equation.* The total annual loan cost rate for a reverse mortgage transaction must be determined by first solving the following formula, which sets forth the relationship between the advances to the consumer and the amount owed to the creditor under the terms of the reverse mortgage agreement for the loan cost rate per unit-period (the loan cost rate per unit-period is then multiplied by the number of unit-

periods per year to obtain the total annual loan cost rate I; that is, I = wi):

$$\sum_{j=0}^{n-1} A_j (1+i)^{n-j} = P_n$$

(8) *Solution of general equation by iteration process.*

(i) The general equation in paragraph (b)(7) of this appendix, when applied to a simple transaction for a reverse mortgage loan of equal monthly advances of $350 each, and with a total amount owed of $14,313.08 at an assumed repayment period of two years, takes the special form:

$$P_n = 350\ FV_{24},\ i, \text{ or}$$

$$P_n = 350 \times \left[\frac{(1+i)^n - 1}{i} \times (1+i)\right]$$

Using the iteration procedures found in steps 1 through 4 of (b)(9)(i) of Appendix J of this part, the total annual loan cost rate, correct to two decimals, is 48.53%.

(ii) In using these iteration procedures, it is expected that calculators or computers will be programmed to carry all available decimals throughout the calculation and that enough iterations will be performed to make virtually certain that the total annual loan cost rate obtained, when rounded to two decimals, is correct. Total annual loan cost rates in the examples below were obtained by using a 10-digit programmable calculator and the iteration procedure described in Appendix J of this part.

(9) *Assumption for discretionary cash advances.* If the consumer controls the timing of advances made after consummation (such as in a credit line arrangement), the creditor must use the general formula in paragraph (b)(7) of this appendix. The total annual loan cost rate shall be based on the assumption that 50 percent of the principal loan amount is advanced at closing, or in the case of an open-end transaction, at the time the consumer becomes obligated under the plan. Creditors shall assume the advances are made at the interest rate then in effect and that no further advances are made to, or repayments made by, the consumer during the term of the transaction or plan.

(10) *Assumption for variable-rate reverse mortgage transactions.* If the interest rate for a reverse mortgage transaction may increase during the loan term and the amount or timing is not known at consummation, creditors shall base the disclosures on the initial interest rate in effect at the time the disclosures are provided.

(11) *Assumption for closing costs.* In calculating the total annual loan cost rate, creditors shall assume all closing and other consumer costs are financed by the creditor.

(c) *Examples of total annual loan cost rate computations.*

(1) *Lump-sum advance at consummation.*

Lump-sum advance to consumer at consummation: $30,000

Total of consumer's loan costs financed at consummation: $4,500

Contract interest rate: 11.60%

Estimated time of repayment (based on life expectancy of a consumer at age 78): 10 years

Appraised value of dwelling at consummation: $100,000

Assumed annual dwelling appreciation rate: 4%

P_{120} = Min (109,441.32, 137,662.72)

$$30{,}000(1+i)^{120-0} + \sum_{j=0}^{119} 0(1+i)^{120-j} = 109{,}441.32$$

$i = .010843293$

Total annual loan cost rate (100(.010843293 × 12)) = 13.01%

(2) *Monthly advance beginning at consummation.*

Monthly advance to consumer, beginning at consummation: $492.51

Total of consumer's loan costs financed at consummation: $4,500

Contract interest rate: 9.00%

Estimated time of repayment (based on life expectancy of a consumer at age 78): 10 years

Appraised value of dwelling at consummation: $100,000

Assumed annual dwelling appreciation rate: 8%

P_{120} = Min (107,053.63, 200,780.02)

$$492.51 \times \left[\frac{(1+i)^{120} - 1}{i} \times (1+i)\right] = 107{,}053.63$$

$i = .009061140$

Total annual loan cost rate (100(.009061140 × 12)) = 10.87%

(3) *Lump sum advance at consummation and monthly advances thereafter.*

Lump sum advance to consumer at consummation: $10,000

Monthly advance to consumer, beginning at consummation: $725

Total of consumer's loan costs financed at consummation: $4,500

Contract rate of interest: 8.5%
Estimated time of repayment (based on life expectancy of a consumer at age 75): 12 years
Appraised value of dwelling at consummation: $100,000
Assumed annual dwelling appreciation rate: 8%

$$P_{144} = \text{Min}\,(221{,}818.30,\ 234{,}189.82)$$

$$10{,}000(1 + i)^{144-0} + \sum_{j=0}^{143} 725(1 + i)^{144-j} = 221{,}818.30$$

$i = .007708844$

Total annual loan cost rate $(100(.007708844 \times 12))$
$= 9.25\%$

(d) *Reverse mortgage model form and sample form.*
(1) *Model form.* (See page 459)
(2) *Sample form.* (See page 460)

11. In Part 226, a new Appendix L is added to read as follows:

Appendix L to Part 226—Assumed Loan Periods for Computations of Total Annual Loan Cost Rates

(a) *Required tables.* In calculating the total annual loan cost rates in accordance with Appendix K of this part, creditors shall assume three loan periods, as determined by the following table.

(b) *Loan periods.* (1) Loan Period 1 is a two-year loan period.

(2) Loan Period 2 is the life expectancy in years of the youngest borrower to become obligated on the reverse mortgage loan, as shown in the U.S. Decennial Life Tables for 1979-1981 for females, rounded to the nearest whole year.

(3) Loan Period 3 is the life expectancy figure in Loan Period 3, multiplied by 1.4 and rounded to the nearest full year (life expectancy figures at .5 have been rounded up to 1).

(4) At the creditor's option, an additional period may be included, which is the life expectancy figure in Loan Period 2, multiplied by .5 and rounded to the nearest full year (life expectancy figures at .5 have been rounded up to 1).

Appendix L to Part 226—Assumed Loan Periods for Computations of Total Annual Loan Cost Rates

Age of youngest borrower	Loan period 1 (in years)	[Optional loan period (in years)]	Loan period 2 (life expectancy) (in years)	Loan period 3 (in years)
62	2	[11]	21	29
63	2	[10]	20	28
64	2	[10]	19	27
65	2	[9]	18	25
66	2	[9]	18	25
67	2	[9]	17	24
68	2	[8]	16	22
69	2	[8]	16	22
70	2	[8]	15	21
71	2	[7]	14	20
72	2	[7]	13	18
73	2	[7]	13	18
74	2	[6]	12	17
75	2	[6]	12	17
76	2	[6]	11	15
77	2	[5]	10	14
78	2	[5]	10	14
79	2	[5]	9	13
80	2	[5]	9	13
81	2	[4]	8	11
82	2	[4]	8	11
83	2	[4]	7	10
84	2	[4]	7	10
85	2	[3]	6	8
86	2	[3]	6	8
87	2	[3]	6	8
88	2	[3]	5	7
89	2	[3]	5	7
90	2	[3]	5	7
91	2	[2]	4	6
92	2	[2]	4	6
93	2	[2]	4	6
94	2	[2]	4	6
95 and over	2	[2]	3	4

Final Rule—Amendment to Regulation Z

The Board of Governors is amending 12 C.F.R. Part 226, its Regulation Z (Truth in Lending), to clarify regulatory provisions and provide further guidance on issues of general interest, such as the treatment of various fees and taxes associated with real estate-secured loans and a creditor's responsibilities when investigating a claim of the unauthorized use of a credit card.

Effective April 1, 1995, 12 C.F.R. Part 226 is amended as follows:

Part 226—Truth in Lending (Regulation Z)

1. The authority citation for Part 226 continues to read as follows:

Authority: 12 U.S.C. 3806; 15 U.S.C. 1604 and 1637(c)(5).

2. In Supplement I to Part 226, under *Section 226.2—Definitions and Rules of Construction,* under *Paragraph 2(a)(17)(i).,* paragraph 8. is revised to read as follows:

Supplement I—Official Staff Interpretations

* * * * *

(1) MODEL FORM

TOTAL ANNUAL LOAN COST RATE

LOAN TERMS
Age of youngest borrower:
Appraised property value:
Interest rate:
Monthly advance:
Initial draw:
Line of credit:

INITIAL LOAN CHARGES
Closing costs:
Mortgage insurance premium:
Annuity cost:

MONTHLY LOAN CHARGES
Servicing fee:

OTHER CHARGES
Mortgage insurance:
Shared Appreciation:

REPAYMENT LIMITS

Assumed Annual Appreciation	Total Annual Loan Cost Rate			
	2-year loan term	[[ ]-year loan term]	[ ]-year loan term	[ ]-year loan term
0%		[ ]		
4%		[ ]		
8%		[ ]		

The cost of any reverse mortgage loan depends on how long you keep the loan and how much your house appreciates in value. Generally, the longer you keep a reverse mortgage, the lower the total annual loan cost rate will be.

This table shows the estimated cost of your reverse mortgage loan, expressed as an annual rate. It illustrates the cost for three [four] loan terms: 2 years, [half of life expectancy for someone your age,] that life expectancy, and 1.4 times that life expectancy. The table also shows the cost of the loan, assuming the value of your home appreciates at three different rates: 0%, 4% and 8%.

The total annual loan cost rates in this table are based on the total charges associated with this loan. These charges typically include principal, interest, closing costs, mortgage insurance premiums, annuity costs, and servicing costs (but not costs when you sell the home).

The rates in this table are estimates. Your actual cost may differ if, for example, the amount of your loan advances varies or the interest rate on your mortgage changes.

SIGNING AN APPLICATION OR RECEIVING THESE DISCLOSURES DOES NOT REQUIRE YOU TO COMPLETE THIS LOAN

Subpart A—General

* * * * *

Section 226.2—Definitions and Rules of Construction.

* * * * *

Paragraph 2(a)(17)(i).

* * * * *

8. *Loans from employee savings plan.* Some employee savings plans permit participants to borrow money up to a certain percentage of their account balances, and use a trust to administer the receipt and disbursement of funds. Unless each participant's account is an individual plan and trust, the creditor should apply the numerical tests to the plan as a whole rather than to the individual account, even if the loan amount is determined by reference to the balance in the individual account and the repayments are credited to the individual account. The person to whom

(2) SAMPLE FORM

TOTAL ANNUAL LOAN COST RATE

LOAN TERMS
Age of youngest borrower: 75
Appraised property value: $100,000
Interest rate: 9%
Monthly advance: $301.80
Initial draw: $1,000
Line of credit: $4,000

INITIAL LOAN CHARGES
Closing costs: $5,000
Mortgage insurance premium: None
Annuity cost: None

MONTHLY LOAN CHARGES
Servicing fee: None

OTHER CHARGES
Mortgage insurance: None
Shared Appreciation: None

REPAYMENT LIMITS
Net proceeds estimated at 93% of projected home sale

Assumed Annual Appreciation	Total Annual Loan Cost Rate			
	2-year loan term	[6-year loan term]	12-year loan term	17-year loan term
0%	39.00%	[14.94%]	9.86%	3.87%
4%	39.00%	[14.94%]	11.03%	10.14%
8%	39.00%	[14.94%]	11.03%	10.20%

The cost of any reverse mortgage loan depends on how long you keep the loan and how much your house appreciates in value. Generally, the longer you keep a reverse mortgage, the lower the total annual loan cost rate will be.

This table shows the estimated cost of your reverse mortgage loan, expressed as an annual rate. It illustrates the cost for three [four] loan terms: 2 years, [half of life expectancy for someone your age,] that life expectancy, and 1.4 times that life expectancy. The table also shows the cost of the loan, assuming the value of your home appreciates at three different rates: 0%, 4% and 8%.

The total annual loan cost rates in this table are based on the total charges associated with this loan. These charges typically include principal, interest, closing costs, mortgage insurance premiums, annuity costs, and servicing costs (but not disposition costs—costs when you sell the home).

The rates in this table are estimates. Your actual cost may differ if, for example, the amount of your loan advances varies or the interest rate on your mortgage changes.

SIGNING AN APPLICATION OR RECEIVING THESE DISCLOSURES DOES NOT REQUIRE YOU TO COMPLETE THIS LOAN

the obligation is originally made payable (whether the plan, the trust, or the trustee) is the creditor for purposes of the act and regulation.

* * * * *

3. In Supplement I to Part 226, under *Section 226.4—Finance Charge,* the following amendments are made:

a. Under *4(a) Definition.*, paragraphs 1. and 3. are revised, paragraphs 4., 5., and 6. are redesignated as paragraphs 5., 6., and 7., a new paragraph 4. is added, and newly designated paragraph 7. is revised;

b. Under *Paragraph 4(c)(7).*, paragraph 1. is revised and new paragraphs 2. and 3. are added; and

c. Under *(4)(e) Certain security interest charges.*, paragraph 1. is revised.

The revisions and additions read as follows:

* * * * *

Section 226.4—Finance Charge.

4(a) Definition.

1. *Charges in comparable cash transactions.* Charges imposed uniformly in cash and credit transactions are not finance charges. In determining whether an item is a finance charge, the creditor should compare the credit transaction in question with a similar cash transaction. A creditor financing the sale of property or services may compare charges with those payable in a similar cash transaction by the seller of the property or service.

 i. For example, the following items are not finance charges:

  A. Taxes, license fees, or registration fees paid by both cash and credit customers.

  B. Discounts that are available to cash and credit customers, such as quantity discounts.

  C. Discounts available to a particular group of consumers because they meet certain criteria, such as being members of an organization or having accounts at a particular financial institution. This is the case even if an individual must pay cash to obtain the discount, provided that credit customers who are members of the group and do not qualify for the discount pay no more than the nonmember cash customers.

  D. Charges for a service policy, auto club membership, or policy of insurance against latent defects offered to or required of both cash and credit customers for the same price.

 ii. In contrast, the following items are finance charges:

  A. Inspection and handling fees for the staged disbursement of construction loan proceeds.

  B. Fees for preparing a Truth in Lending disclosure statement, if permitted by law (for example, the Real Estate Settlement Procedures Act prohibits such charges in certain transactions secured by real property).

  C. Charges for a required maintenance or service contract imposed only in a credit transaction.

 iii. If the charge in a credit transaction exceeds the charge imposed in a comparable cash transaction, only the difference is a finance charge. For example:

  A. If an escrow agent is used in both cash and credit sales of real estate and the agent's charge is $100 in a cash transaction and $150 in a credit transaction, only $50 is a finance charge.

2. *Costs of doing business.* * * *

3. *Charges by third parties.* Charges imposed on the consumer by someone other than the creditor are finance charges (unless otherwise excluded) if the creditor requires the use of a third party as a condition of or incident to the extension of credit, even if the consumer can choose the third party, or the creditor retains the charge. For example:

 i. The cost of required mortgage insurance, even if the consumer is allowed to choose the insurer.

 ii. A mortgage broker fee, to the extent that the broker shares the fee with the creditor.

4. *Charges by settlement agents.* Charges imposed on the consumer by a settlement agent (such as an attorney, escrow agent, or title company) are finance charges only if the creditor requires the particular services for which the settlement agent is charging the borrower and the charge for those services is not otherwise excluded from the finance charge. For example, a fee for courier service charged by a settlement agent to send a document to the title company or some other party is not a finance charge, provided that the creditor has not required the use of a courier or retained the charge.

5. *Forfeitures of interest.* * * *

6. *Treatment of fees for use of automated teller machines.* * * *

7. *Taxes.* i. Generally, a tax imposed by a state or other governmental body solely on a creditor is a finance charge if the creditor separately imposes the charge on the consumer.

 ii. In contrast, a tax is not a finance charge (even if the tax is collected by the creditor) if applicable law imposes the tax:

  A. Solely on the consumer;

  B. On the creditor and the consumer jointly;

  C. On the credit transaction, without indicating which party is liable for the tax; or

  D. On the creditor, if applicable law directs or authorizes the creditor to pass the tax on to the consumer. (For purposes of this section, if applicable law is silent as to passing on the tax, the law is deemed not to authorize passing it on.)

 iii. For example, a stamp tax, property tax, intangible tax, or any other state or local tax imposed on the consumer, or on the credit transaction, is not a finance charge even if the tax is collected by the creditor.

 iv. In addition, a tax is not a finance charge if it is excluded from the finance charge by an other provision of the regulation or commentary (for example, if the tax is imposed uniformly in cash and credit transactions).

* * * * *

Paragraph 4(c)(7).

1. *Real estate or residential mortgage transaction charges.* The list of charges in section 226.4(c)(7) applies both to residential mortgage transactions (which may include, for example, the purchase of a mobile home) and to other transactions secured by real estate. The fees are excluded from the finance charge even if the services for which the fees are imposed are per-

formed by the creditor's employees rather than by a third party. In addition, the cost of verifying or confirming information connected to the item is also excluded. For example, credit report fees cover not only the cost of the report, but also the cost of verifying information in the report. In all cases, charges excluded under section 226.4(c)(7) must be bona fide and reasonable.

2. *Lump sum charges.* If a lump sum charged for several services includes a charge that is not excludable, a portion of the total should be allocated to that service and included in the finance charge. However, a lump sum charged for conducting or attending a closing (for example, by a lawyer or a title company) is excluded from the finance charge if the charge is primarily for services related to items listed in section 226.4(c)(7) (for example, reviewing or completing documents), even if other incidental services such as explaining various documents or disbursing funds for the parties are performed. The entire charge is excluded even if a fee for the incidental services would be a finance charge if it were imposed separately.

3. *Charges assessed during the loan term.* Real estate or residential mortgage transaction charges excluded under section 226.4(c)(7) are those charges imposed solely in connection with the initial decision to grant credit. This would include, for example, a fee to search for tax liens on the property or to determine if flood insurance is required. The exclusion does not apply to fees for services to be performed periodically during the loan term, regardless of when the fee is collected. For example, a fee for one or more determinations during the loan term of the current tax lien status or flood insurance requirements is a finance charge, regardless of whether the fee is imposed at closing, or when the service is performed. If a creditor is uncertain about what portion of a fee to be paid at consummation or loan closing is related to the initial decision to grant credit, the entire fee may be treated as a finance charge.

* * * * *

(4)(e) Certain security interest charges.

1. *Examples.* i. *Excludable charges.* Sums must be actually paid to public officials to be excluded from the finance charge under section 226.4(e)(1). Examples are charges or other fees required for filing or recording security agreements, mortgages, continuation statements, termination statements, and similar documents, and intangible property or other taxes imposed by the state solely on the creditor and payable by the consumer (if the tax must be paid to record a security agreement).

   ii. *Charges not excludable.* If the obligation is between the creditor and a third party (an assignee, for example), charges or other fees for filing or recording security agreements, mortgages, continuation statements, termination statements, and similar documents relating to that obligation are not excludable from the finance charge under this section.

* * * * *

4. In Supplement I to Part 226, under *Section 226.5—General Disclosure Requirements,* under *5(b)(1) Initial disclosures.,* in paragraph 1., the first and second sentences are revised, and a new paragraph 5. is added to read as follows:

* * * * *

Subpart B—Open-End Credit

Section 226.5—General Disclosure Requirements.

5(a) Form of disclosures.

Paragraph 5(a)(1).

1. *Disclosure before the first transaction.* The rule that the initial disclosure statement must be furnished "before the first transaction" requires delivery of the initial disclosure statement before the consumer becomes obligated on the plan. For example, the initial disclosures must be given before the consumer makes the first purchase (such as when a consumer opens a credit plan and makes purchases contemporaneously at a retail store), receives the first advance, or pays any fees or charges under the plan other than an application fee or refundable membership fee (see below).* * *

* * * * *

5. *Balance transfers.* A creditor that solicits the transfer by a consumer of outstanding balances from an existing account to a new open-end plan must comply with section 226.6 before the balance transfer occurs. Card issuers that are subject to the requirements of section 226.5a may establish procedures that comply with both sections in a single disclosure statement.

* * * * *

5. In Supplement I to Part 226, under *Section 226.6—Initial Disclosure Statement,* under *6(b) Other charges.,* paragraph 1. is revised to read as follows:

* * * * *

Section 226.6—Initial Disclosure Statement.

* * * * *

6(b) Other charges.

1. *General; examples of other charges.* Under section 226.6(b), significant charges related to the plan (that are not finance charges) must also be disclosed. For example:

i. Late payment and over-the-credit-limit charges.
ii. Fees for providing documentary evidence of transactions requested under section 226.13 (billing error resolution).
iii. Charges imposed in connection with real estate transactions such as title, appraisal, and credit report fees (*see* section 226.4(c)(7)).
iv. A tax imposed on the credit transaction by a state or other governmental body, such as a documentary stamp tax on cash advances (*see* the commentary to section 226.4(a)).
v. A membership or participation fee for a package of services that includes an open-end credit feature, unless the fee is required whether or not the open-end credit feature is included. For example, a membership fee to join a credit union is not an "other charge," even if membership is required to apply for credit.
vi. Automated teller machine (ATM) charges described in comment 4(a)-5 that are not finance charges.
vii. Charges imposed for the termination of an open-end credit plan.

* * * * *

6. In Supplement I to Part 226, under *Section 226.12—Special Credit Card Provisions,* under *12(b) Liability of cardholder for unauthorized use.,* new paragraphs 2. and 3. are added to read as follows:

* * * * *

Section 226.12—Special Credit Card Provisions.

* * * * *

12(b) Liability of cardholder for unauthorized use.

* * * * *

2. *Imposing liability.* A card issuer is not required to impose liability on a cardholder for the unauthorized use of a credit card; if the card issuer does not seek to impose liability, the issuer need not conduct any investigation of the cardholder's claim.
3. *Reasonable investigation.* If a card issuer seeks to impose liability when a claim of unauthorized use is made by a cardholder, the card issuer must conduct a reasonable investigation of the claim. In conducting its investigation, the card issuer may reasonably request the cardholder's cooperation. The card issuer may not automatically deny a claim based solely on the cardholder's failure or refusal to comply with a particular request; however, if the card issuer otherwise has no knowledge of facts confirming the unauthorized use, the lack of information resulting from the cardholder's failure or refusal to comply with a particular request may lead the card issuer reasonably to terminate the investigation. The procedures involved in investigating claims may differ, but actions such as the following represent steps that a card issuer may take, as appropriate, in conducting a reasonable investigation:
i. Reviewing the types or amounts of purchases made in relation to the cardholder's previous purchasing pattern.
ii. Reviewing where the purchases were delivered in relation to the cardholder's residence or place of business.
iii. Reviewing where the purchases were made in relation to where the cardholder resides or has normally shopped.
iv. Comparing any signature on credit slips for the purchases to the signature of the cardholder or an authorized user in the card issuer's records, including other credit slips.
v. Requesting documentation to assist in the verification of the claim.
vi. Requesting a written, signed statement from the cardholder or authorized user.
vii. Requesting a copy of a police report, if one was filed.
viii. Requesting information regarding the cardholder's knowledge of the person who allegedly used the card or of that person's authority to do so.

* * * * *

7. In Supplement I to Part 226, under *Section 226.15—Right of Rescission,* the following amendments are made:
a. Under *Paragraph 15(a)(1).*, paragraph 5. is revised;
b. Under *Paragraph 15(a)(1).*, paragraph 6. is revised; and
c. Under *Paragraph 15(d)(2).*, in paragraph 1., the third sentence is revised.

The additions and revisions read as follows:

* * * * *

Section 226.15—Right of Rescission.

* * * * *

Paragraph 15(a)(1).

* * * * *

5. *Principal dwelling.* A consumer can only have one principal dwelling at a time. (*See* comment 15(a)(1)-6.) A vacation or other second home would not be a principal dwelling. A transaction secured by a second home (such as a vacation home) that is not currently being used as the consumer's principal dwelling is not rescindable, even if the consumer intends to reside there in the future. When a consumer buys or builds a new dwelling

that will become the consumer's principal dwelling within one year or upon completion of construction, the new dwelling is considered the principal dwelling if it secures the open-end credit line. In that case, the transaction secured by the new dwelling is a residential mortgage transaction and is not rescindable. For example, if a consumer whose principal dwelling is currently A builds B, to be occupied by the consumer upon completion of construction, an advance on an open-end line to finance B and secured by B is a residential mortgage transaction. Dwelling, as defined in section 226.2, includes structures that are classified as personalty under state law. For example, a transaction secured by a mobile home, trailer, or houseboat used as the consumer's principal dwelling may be rescindable.

6. *Special rule for principal dwelling.* Notwithstanding the general rule that consumers may have only one principal dwelling, when the consumer is acquiring or constructing a new principal dwelling, a credit plan or extension that is subject to Regulation Z and is secured by the equity in the consumer's current principal dwelling is subject to the right of rescission regardless of the purpose of that loan (for example, an advance to be used as a bridge loan). For example, if a consumer whose principal dwelling is currently A builds B, to be occupied by the consumer upon completion of construction, a loan to finance B and secured by A is subject to the right of rescission. Moreover, a loan secured by both A and B is, likewise, rescindable.

* * * * *

Paragraph 15(d)(2).

1. *Refunds to consumer.* * * * "Any amount" includes finance charges already accrued, as well as other charges such as broker fees, application and commitment fees, or fees for a title search or appraisal, whether paid to the creditor, paid by the consumer directly to a third party, or passed on from the creditor to the third party. * * *

* * * * *

8. In Supplement I to Part 226, under *Section 226.16—Advertising, under 16(d) Additional Requirements for Home Equity Plans,* a new paragraph 7. is added to read as follows:

* * * * *

Section 226.16—Advertising.

* * * * *

16(d) Additional Requirements for Home Equity Plans.

* * * * *

7. *Balloon payment.* In some programs, a balloon payment will occur if only the minimum payments under the plan are made. If an advertisement for such a program contains any statement about a minimum periodic payment, the advertisement must also state that a balloon payment will result (not merely that a balloon payment "may" result). (*See* comment 5b(d)(5)(ii)-3 for guidance on items not required to be stated in the advertisement, and on situations in which the balloon payment requirement does not apply.)

* * * * *

9. In Supplement I to Part 226, under *Section 226.17—General Disclosure Requirements,* the following amendments are made:

a. Under *Paragraph 17(a)(1).*, paragraph 5. is revised;
b. Under *Paragraph 17(c)(4).*, a new paragraph 4. is added; and
c. Under *17(f) Early disclosures.*, paragraph 1. is revised.

The revisions and additions read as follows:

* * * * *

Subpart C—Closed-end Credit

Section 226.17—General Disclosure Requirements.

* * * * *

Paragraph 17(a)(1).

* * * * *

5. *Directly related.* The segregated disclosures may, at the creditor's option, include any information that is directly related to those disclosures. The following is directly related information:

i. A description of a grace period after which a late payment charge will be imposed. For example, the disclosure given under section 226.18(l) may state that a late charge will apply to "any payment received more than 15 days after the due date."

ii. A statement that the transaction is not secured. For example, the creditor may add a category labelled "unsecured" or "not secured" to the security interest disclosures given under section 226.18(m).

iii. The basis for any estimates used in making disclosures. For example, if the maturity date of a loan depends solely on the occurrence of a future event, the creditor may indicate that the disclosures assume that event will occur at a certain time.

iv. The conditions under which a demand feature may be exercised. For example, in a loan subject to

demand after five years, the disclosures may state that the loan will become payable on demand in five years.
v. An explanation of the use of pronouns or other references to the parties to the transaction. For example, the disclosures may state, "'You' refers to the customer and 'we' refers to the creditor."
vi. Instructions to the creditor or its employees on the use of a multiple-purpose form. For example, the disclosures may state, "Check box if applicable."
vii. A statement that the borrower may pay a minimum finance charge upon prepayment in a simple-interest transaction. For example, when state law prohibits penalties, but would allow a minimum finance charge in the event of prepayment, the creditor may make the section 226.18(k)(1) disclosure by stating, "You may be charged a minimum finance charge."
viii. A brief reference to negative amortization in variable-rate transactions. For example, in the variable- rate disclosure, the creditor may include a short statement such as "Unpaid interest will be added to principal." (*See* the commentary to section 226.18(f)(1)(iii).)
ix. A brief caption identifying the disclosures. For example, the disclosures may bear a general title such as "Federal Truth in Lending Disclosures" or a descriptive title such as "Real Estate Loan Disclosures."
x. A statement that a due-on-sale clause or other conditions on assumption are contained in the loan document. For example, the disclosure given under section 226.18(q) may state, "Someone buying your home may, subject to conditions in the due-on-sale clause contained in the loan document, assume the remainder of the mortgage on the original terms."
xi. If a state or Federal law prohibits prepayment penalties and excludes the charging of interest after prepayment from coverage as a penalty, a statement that the borrower may have to pay interest for some period after prepayment in full. The disclosure given under section 226.18(k) may state, for example, "If you prepay your loan on other than the regular installment date, you may be assessed interest charges until the end of the month."
xii. More than one hypothetical example under section 226.18(f)(1)(iv) in transactions with more than one variable-rate feature. For example, in a variable-rate transaction with an option permitting consumers to convert to a fixed-rate transaction, the disclosures may include an example illustrating the effects on the payment terms of an increase resulting from conversion in addition to the example illustrating an increase resulting from changes in the index.
xiii. The disclosures set forth under section 226.18(f)(1) for variable-rate transactions subject to section 226.18(f)(2).
xiv. A statement whether or not a subsequent purchaser of the property securing an obligation may be permitted to assume the remaining obligation on its original terms.
xv. A late-payment fee disclosure under section 226.18(l) on a single payment loan.

* * * * *

Paragraph 17(c)(4).

* * * * *

4. *Relation to prepaid finance charges.* Prepaid finance charges, including "odd-days" or "per-diem" interest, paid prior to or at closing may not be treated as the first payment on a loan. Thus, creditors may not disregard an irregularity in disclosing such finance charges.

* * * * *

17(f) Early disclosures.

1. *Change in rate or other terms.* Redisclosure is required for changes that occur between the time disclosures are made and consummation if the annual percentage rate in the consummated transaction exceeds the limits prescribed in section 226.22(a) (1/8 of 1 percentage point in regular transactions and 1/4 of 1 percentage point in irregular transactions). Redisclosure is also required, even if the annual percentage rate is within the permitted tolerance, if the disclosures were not based on estimates in accordance with section 226.17(c)(2) and labelled as such. To illustrate:

i. If disclosures are made in a regular transaction on July 1, the transaction is consummated on July 15, and the actual annual percentage rate varies by more than 1/8 of 1 percentage point from the disclosed annual percentage rate, the creditor must either redisclose the changed terms or furnish a complete set of new disclosures before consummation. Redisclosure is required even if the disclosures made on July 1 are based on estimates and marked as such;

ii. If disclosures are made on July 1, the transaction is consummated on July 15, and the finance charge increased by $35 but the disclosed annual percentage rate is within the permitted tolerance, the creditor must at least redisclose the changed terms that were not marked as estimates. (*See* section 226.18(d) and footnote 41 of this part); and

iii. If early disclosures are marked as estimates and the disclosed annual percentage rate is within tolerance at consummation, the creditor need not redisclose the changed terms (including the annual percentage rate).

* * * * *

10. In Supplement I to Part 226, under *Section 226.18—Content of Disclosures,* the following amendments are made:
a. Under *Paragraph 18(c)(1)(iv).*, a new paragraph 2. is added; and
b. Under *18(d) Finance charge.*, paragraph 2. is revised.

The additions and revisions read as follows:

* * * * *

Section 226.18—Content of Disclosures.

* * * * *

Paragraph 18(c)(1)(iv).

* * * * *

2. *Prepaid mortgage insurance premiums.* RESPA requires creditors to give consumers a settlement statement disclosing the costs associated with mortgage loan transactions. Included on the settlement statement are mortgage insurance premiums collected at settlement, which are prepaid finance charges. In calculating the total amount of prepaid finance charges, creditors should use the amount for mortgage insurance listed on the line for mortgage insurance on the settlement statement (line 1002 on HUD-1 or HUD 1-A), without adjustment, even if the actual amount collected at settlement may vary because of RESPA's escrow accounting rules. Figures for mortgage insurance disclosed in conformance with RESPA shall be deemed to be accurate for purposes of Regulation Z.

18(d) Finance charge.

* * * * *

2. *Tolerance.* A tolerance for the finance charge is provided in footnote 41 of this part. When a miscalculation of the amount financed, or of some other numerical disclosure for which the regulation provides no specific tolerance, results from an error in a finance charge, the miscalculated amount financed or other numerical disclosure does not violate the act or the regulation if the finance charge disclosed under section 226.18(d) is within the permissible tolerance under footnote 41 of this part.

* * * * *

11. In Supplement I to Part 226, under *Section 226.19 — Certain Residential Mortgage and Variable-Rate Transactions,* under paragraph *19(b)(2)(vii).*, paragraph 2. is revised to read as follows:

Section 226.19—Certain Residential Mortgage and Variable-Rate Transactions.

* * * * *

Paragraph 19(b)(2)(vii).

* * * * *

2. *Negative amortization and interest rate carryover.* A creditor must disclose, where applicable, the possibility of negative amortization. For example, the disclosure might state, "If any of your payments is not sufficient to cover the interest due, the difference will be added to your loan amount." Loans that provide for more than one way to trigger negative amortization are separate variable-rate programs requiring separate disclosures. (*See* the commentary to section 226.19(b)(2) for a discussion on the definition of a variable-rate loan program and the format for disclosure.) If a consumer is given the option to cap monthly payments that may result in negative amortization, the creditor must fully disclose the rules relating to the option, including the effects of exercising the option (such as negative amortization will occur and the principal loan balance will increase); however, the disclosure in section 226.19(b)(2)(viii) need not be provided.

* * * * *

12. In Supplement I to Part 226, under *Section 226.22—Determination of the Annual Percentage Rate,* under *Paragraph 22(a)(1).*, in paragraph 5., the reference "Footnote 45a" is revised to read "Footnote 45d".
13. In Supplement I to Part 226, under *Section 226.23—Right of Rescission,* the following amendments are made:
a. Under *Paragraph 23(a)(1).*, paragraph 3. is revised;
b. Under *Paragraph 23(a)(1).*, paragraph 4. is revised;
c. Under *Paragraph 23(d)(2).*, in paragraph 1., the third sentence is revised; and
d. Under *23(f) Exempt transactions.*, in paragraph 4., two new sentences are added following the first sentence, and a new sentence is added at the end of the paragraph.

The additions and revisions read as follows:

* * * * *

Section 226.23—Right of Rescission.

* * * * *

Paragraph 23(a)(1).

* * * * *

3. *Principal dwelling.* A consumer can only have one principal dwelling at a time. (But see comment 23(a)(1)-4.) A vacation or other second home would not be a principal dwelling. A transaction secured by a second home (such as a vacation home) that is not currently being used as the consumer's principal dwelling is not rescindable, even if the consumer intends to reside there in the future. When a consumer buys or builds a new dwelling that will become the consumer's principal dwelling within one year or upon completion of construction, the new dwelling is considered the principal dwelling if it secures the acquisition or construction loan. In that case, the transaction secured by the new dwelling is a residential mortgage transaction and is not rescindable. For example, if a consumer whose principal dwelling is currently A builds B, to be occupied by the consumer upon completion of construction, a construction loan to finance B and secured by B is a residential mortgage transaction. Dwelling, as defined in section 226.2, includes structures that are classified as personalty under state law. For example, a transaction secured by a mobile home, trailer, or houseboat used as the consumer's principal dwelling may be rescindable.

4. *Special rule for principal dwelling.* Notwithstanding the general rule that consumers may have only one principal dwelling, when the consumer is acquiring or constructing a new principal dwelling, any loan subject to Regulation Z and secured by the equity in the consumer's current principal dwelling (for example, a bridge loan) is subject to the right of rescission regardless of the purpose of that loan. For example, if a consumer whose principal dwelling is currently A builds B, to be occupied by the consumer upon completion of construction, a construction loan to finance B and secured by A is subject to the right of rescission. A loan secured by both A and B is, likewise, rescindable.

* * * * *

Paragraph 23(d)(2).

1. *Refunds to consumer.* * * * "Any amount" includes finance charges already accrued, as well as other charges, such as broker fees, application and commitment fees, or fees for a title search or appraisal, whether paid to the creditor, paid directly to a third party, or passed on from the creditor to the third party. * * *

* * * * *

23(f) Exempt transactions.

* * * * *

4. *New advances.* * * * The original creditor is the creditor to whom the written agreement was initially made payable. In a merger, consolidation or acquisition, the successor institution is considered the original creditor for purposes of the exemption in section 226.23(f)(2). * * * The general rescission notice (model form H-8) is the appropriate form for use by creditors not considered original creditors in refinancing transactions.

* * * * *

14. In Supplement I to Part 226, under Appendix J, under the subheading References, under *1981 changes:*, the last sentence is revised to read as follows:

* * * * *

APPENDIX J—ANNUAL PERCENTAGE RATE COMPUTATIONS FOR CLOSED-END CREDIT TRANSACTIONS

* * * * *

References

* * * * *

1981 changes: * * * Paragraph (b)(5)(vi) has been revised to permit creditors in single-advance, single-payment transactions in which the term is less than a year and is equal to a whole number of months, to use either the 12-month method or the 365-day method to compute the number of unit-periods per year.

ORDERS ISSUED UNDER BANK HOLDING COMPANY ACT

Orders Issued Under Section 3 of the Bank Holding Company Act

Chase Manhattan Corporation
New York, New York

Order Approving the Formation of a De Novo Bank

Chase Manhattan Corporation, New York, New York ("Chase"), 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 all the voting shares of Chase Savings Bank, New York, New York, a *de novo* state-chartered savings bank ("Savings Bank").

Notice of the application, affording interested persons an opportunity to submit comments, has been published (59 *Federal Register* 65,361 (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.

Chase, with consolidated assets of approximately $114 billion, operates five subsidiary banks in Connecticut, Delaware, Florida, Maryland, and New York, controlling approximately $33.3 billion in total domestic deposits.[1] Chase's lead bank, Chase Manhattan Bank, N.A., New York, New York ("Manhattan Bank"), controls deposits of $29.5 billion, representing approximately 12 percent of total domestic deposits in commercial banks in New York. Chase also engages in a number of permissible nonbanking activities nationwide.

Savings Bank would be chartered as a non-operating institution in connection with a multi-step corporate reorganization of Chase's banks in New York and Connecticut. Specifically, Chase has structured this proposal in order to merge Chase Manhattan Bank of Connecticut, N.A., Bridgeport, Connecticut ("Connecticut Bank"), and Manhattan Bank, with Manhattan Bank surviving the merger and operating the branches of Connecticut Bank in Connecticut.[2] This proposal represents a reorganization of Chase's existing banking operations, and would not result in any expansion of Chase's deposit-taking facilities. The steps involving the merger of Connecticut Bank into Manhattan Bank is subject to review by the Federal Deposit Insurance Corporation ("FDIC") and the Office of the Comptroller of the Currency ("OCC"), under applicable federal laws, and the other steps in this transaction are subject to the review of the state banking supervisors of New York and Connecticut.[3] The proposal before the Board represents an intermediary and transitory step to facilitate the underlying merger.[4]

For these reasons, and based on all the facts of record, the Board concludes that consummation of this proposal would not result in any significantly adverse effects on competition in any relevant banking market. The Board also concludes that the financial and managerial resources and future prospects of Chase and its subsidiaries and other supervisory factors the Board must consider under section 3 of the BHC Act are consistent with approval of this proposal.[5]

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 their safe and sound operation. 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.[6]

Protestant submitted comments alleging a number of deficiencies in Chase's record of performance under the CRA. In particular, Protestant contends that Manhattan Bank and its mortgage subsidiaries[7] have failed to ascertain credit needs, market their services or extend credit

1. Asset and deposit data are as of December 31, 1994.

2. Chase proposes to accomplish this merger in four steps. Initially, Connecticut Bank would convert from a national bank to a Connecticut state-chartered bank and then, as discussed above, Chase would establish and acquire Savings Bank as an interim New York state-chartered savings bank. In the third step, Connecticut Bank would merge with and into Savings Bank, with Savings Bank surviving the merger. Finally, Savings Bank would merge with and into Manhattan Bank.

3. On October 13, 1994, the New York Superintendent of Banks approved Chase's application to charter Savings Bank, and on February 10, 1995, the OCC approved Chase's proposal to merge Savings Bank into Manhattan Bank (and to retain the branches of Connecticut Bank) pursuant to 12 U.S.C. §§ 215a, 36(b), and 1828(c). The Connecticut Banking Commissioner has indicated preliminarily that the proposed charter conversion of Connecticut Bank in step one is permissible under Connecticut law. Similarly, the FDIC and the New York State Superintendent of Banks have indicated preliminarily that the merger of the resulting Connecticut state-chartered bank with and into Savings Bank in step three is permissible under the Bank Merger Act (12 U.S.C. § 1828(c)) and New York State law.

4. Inner City Press/Community on the Move ("Protestant") maintains that this proposal is inconsistent with Connecticut interstate banking laws. As noted earlier, step three of the proposal involves the merger of a Connecticut savings bank with and into the surviving out-of-state New York savings bank, which is authorized by Conn. Gen. Stat. § 36–555 (1995). The remaining step of this transaction, the merger of a state-chartered savings bank with a nationally chartered bank, and the retention of the Connecticut branches by a nationally chartered bank headquartered in New York, is authorized under the Bank Merger Act, the Bank Conservation Act and the National Bank Act (*See* 12 U.S.C. §§ 1828(c), 215a and 36(b)(2)). The OCC has approved the structure of this proposal under federal law, and the Connecticut Bank Commission has informally indicated that this proposal is consistent with Connecticut's interstate banking statutes. In this light, the Board concludes that Protestant's comments do not provide a basis for denying this proposal.

5. Protestant contends that Manhattan Bank's recent settlement of alleged securities laws violations, political repercussions in Mexico from an article published by Chase's Emerging Markets Groups, and Chase's alleged overexposure to Mexican debt, reflect adversely under these factors. Chase recently resolved allegations by the Securities and Exchange Commission involving the alleged failure of Manhattan Bank to properly report the reappearance of cancelled corporate bond certificates by paying a $100,000 fine without admitting or denying liability. Manhattan Bank has reviewed and revised its procedures for the cancellation, storage, and destruction of cancelled certificates to the satisfaction of the OCC. Protestant's comments have been reviewed in light of all the facts of record, including relevant reports of examination by the OCC assessing Chase's financial and managerial resources. Based on these and other facts of record, the Board concludes that Protestant's comments do not warrant an adverse determination on these factors.

6. *See* 12 U.S.C. § 2903.

7. Chase has reorganized its mortgage lending operations into an indirect subsidiary of Manhattan Bank. Specifically, Chase created Chase Manhattan Mortgage Corporation ("CMMC") by merging Chase Home Mortgage Corporation with Troy & Nichols, Inc. and American Residential Mortgage Company which Chase acquired in 1993 and 1994, respectively. Personal Finance Services, Inc., formerly a subsidiary of Chase U.S. Consumer Services, Inc., is now a division of CMMC.

in neighborhoods with low- and moderate-income and minority residents in the South Bronx and Upper Manhattan.[8] In addition, Protestant maintains, on the basis of data filed under the Home Mortgage Disclosure Act (12 U.S.C. § 2801 *et seq.*) ("HMDA"), that Manhattan Bank and its mortgage subsidiaries have failed to assist in meeting the housing-related credit needs of areas within its service communities in New York City and Upstate New York. Protestant also makes similar allegations for Connecticut Bank and Chase's mortgage subsidiaries operating in Connecticut. Finally, Protestant maintains that Chase does not have a sufficient number of branches to serve the needs of low- and moderate-income areas, particularly in the Bronx and Manhattan.

Protestant also alleges that Chase and its mortgage subsidiaries violate both the Equal Credit Opportunity Act (15 U.S.C. § 1601 *et seq.*) ("ECOA") and the Fair Housing Act (42 U.S.C. § 3601 *et seq.*) ("FHA") (together, "fair lending laws"). Specifically, Protestant believes that Chase "steers" low- and moderate-income and minority mortgage loan applicants to Manhattan Bank for housing-related loans to improve the bank's CRA record of performance while directing and marketing mortgage loans by its mortgage subsidiaries, which are not subject to CRA performance evaluation, to only affluent non-minority customers.[9] Protestant maintains that this practice and other practices by Manhattan Bank and its mortgage subsidiaries, and deficiencies in Chase's CRA performance record, result in illegal disparate treatment of and disparate effects on minority borrowers under the fair lending laws.

The Board has carefully reviewed the CRA performance record of Chase and its subsidiaries in light of the CRA, relevant fair lending laws and related regulatory materials, the Board's regulations, the Statement of the Federal Financial Supervisory Agencies Regarding the Community Reinvestment Act ("Agency CRA Statement"),[10] all comments received, and Chase's response to these comments.

OCC Review of Protestant's Comments

As noted above, this application represents an interim step in a reorganization of banks already owned by Chase through a merger transaction that is subject to full review by the OCC. The Board notes that Protestant submitted substantially similar comments about the lending and credit practices of Chase to the OCC, the federal supervisor responsible for evaluating the underlying merger of Connecticut Bank with and into Manhattan Bank. In reviewing these comments, the OCC considered the CRA performance records of both banks involved and the lending records of Chase's mortgage subsidiaries, performance examinations it had conducted, and the results of fair lending examinations for some of Chase's mortgage subsidiaries.

On the basis of all the facts of record, the OCC concluded that neither the banks nor the mortgage subsidiaries had engaged in illegal discriminatory lending or credit practices as alleged by Protestant. The OCC also determined that the relevant factors for consideration under the Bank Merger Act, including convenience and needs considerations and the CRA performance records of Manhattan Bank and Connecticut Bank, were consistent with approval of the substantive portion of this transaction—the merger of the two nationally chartered banks into a single nationally chartered bank with branches in New York and Connecticut.[11] The Board has considered all of the comments received in light of all the facts of record, including information provided to the Board by the OCC and the OCC's action on the substantive merger.

Evaluation of CRA Performance

A. Fair Lending Issues

The Board has carefully considered Protestant's allegations that Chase violates fair lending laws by steering prospective borrowers to its banks or mortgage subsidiaries in a discriminatory manner.[12] Protestant also believes that this structure permits Chase's mortgage subsidiaries to avoid scrutiny under the fair lending laws and the CRA. In addition, Protestant contends that practices by Chase's mortgage subsidiaries such as offering primarily larger "jumbo" mortgages and marketing these products to affluent non-minority borrowers is an illegal fair lending activity. Finally, Protestant believes

8. The South Bronx is approximated by Community Districts 1–6, and Upper Manhattan is approximated by Community Districts 1–9 within the Bronx and Manhattan sections of New York City.

9. Protestant argues that HMDA data for Chase's banks and mortgage subsidiaries, and interpretations of these data in studies performed by community groups and the press, show illegal discriminatory lending practices.

10. 54 *Federal Register* 13,742 (1989).

11. *See* Decision of the OCC and letter dated February 10, 1995 ("OCC Decision").

12. Protestant also argues that Manhattan Bank's lending activities, conducted in cooperation with such organizations as the New York City Partnership Foundation ("NYC Partnership") and private redevelopers, involve illegal "pre-screening" of applicants. Illegal pre-screening is an activity that discourages a reasonable person from making or pursuing an application on a prohibited basis such as race, national origin or sex. Prospective borrowers, however, may be evaluated on the basis of income and credit history under fair lending laws, and Protestant's allegations relate to this type of activity. Chase also contends loan underwriting criteria are used for all borrowers referred by private redevelopers in making its loan decisions. Moreover, OCC examiners have favorably noted Manhattan Bank's participation in the NYC Partnership program as a means to assist in meeting needs for affordable housing.

that the mortgage-backed securities activities Chase conducts through Chase Manhattan Finance Corporation, which involve the pooling of loans from Chase mortgage company affiliates, also violate fair lending laws and provide an economic incentive to continue these and other alleged violations.

Chase contends that Manhattan Bank's mortgage lending activities are organized along functional lines, with the bank and each of its subsidiaries fulfilling a different function. Chase notes that this approach has permitted Manhattan Bank and its mortgage subsidiaries to offer a variety of loan products, including conventional and jumbo mortgages and community development loans, to meet the housing-related credit needs of their entire community by specializing in the types of loan products that meet the personal needs of the borrower. Chase maintains that prospective customers are directed to the appropriate unit of Manhattan Bank based on the product profile and financing requirements of the borrower.[13] Chase also contends that mortgage pools assembled from mortgages originated by this functional approach do not violate fair lending laws and are packaged for sale by Chase Finance Mortgage Corporation according to criteria, such as loan size, coupon interest rates and caps, and length of time on Chase's books, that are not prohibited under fair lending laws.

The most recent CRA examination of Manhattan Bank and the OCC Decision both noted that the performance of Chase's mortgage subsidiaries were evaluated in assessing the bank's CRA performance in its delineated community. Moreover, all housing-related loans made by these subsidiaries are reflected in the relevant HMDA data. In addition, the OCC conducted a fair lending examination of the mortgage company subsidiaries,[14] and found no evidence of illegal discrimination by Manhattan Bank or its affiliates. The OCC also reviewed Protestant's comments about steering and the specialized lending activities of Manhattan Bank's mortgage units in light of relevant fair lending laws and determined that there were no illegal credit practices.[15]

Chase has also implemented a comprehensive National Mortgage Fair Lending Program designed to ensure equal treatment of applicants and compliance with fair lending laws. The program covers all of Chase's consumer and small business lending and sets consistent standards for all Chase entities (bank and nonbank) and all Chase credit products, including mortgage, auto, credit card, small business, educational, home equity, and installment loan products.[16] The program specifically recognizes that all of Chase's bank and nonbank affiliates are required to comply with fair lending laws, irrespective of whether the entity is covered by the CRA. Training and monitoring for compliance through regular review procedures and testing are major components of this program.

In light of these and other facts of record, the Board does not believe that these comments present adverse considerations relating to Chase's compliance with fair lending laws or the CRA.

B. Examination Record 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.[17] In this case, the Board notes that all of Chase's subsidiary banks received "outstanding" or "satisfactory" ratings at the most recent examinations of their CRA performance. In particular, Chase's lead bank, Manhattan Bank, received a "satisfactory" rating from the OCC at its most recent examination for CRA performance as of October 1993 ("Manhattan Bank Examination"). Connecticut Bank also received a "satisfactory" rating from the OCC at its most recent examination for CRA performance as of October 1993 ("Connecticut Bank Examination").[18]

13. In general, jumbo mortgages are for larger amounts (with lower loan-to-value ratios), require more income to qualify, and are processed by loan officers with experience in financial and tax considerations. In contrast, conventional loans with special financing considerations are processed by loan officers and underwriters trained to take into account particular circumstances, such as interrupted employment histories, government benefits and alternate indicia of creditworthiness.

14. The sample files were drawn from New York, Connecticut, and Florida, the three states in which Chase's national banks operate, and included sample loan files from Chase Home Mortgage Corporation, Personal Financial Services, and other nonbank affiliates that sell mortgages to Chase's subsidiary banks. The OCC reviewed loan files for approximately half of all minority applicants denied and compared them to the files of white applicants provided loans.

15. The OCC Decision noted that Manhattan Bank's processing of low- and moderate-income mortgage applications benefitted borrowers because these loans could use more flexible underwriting criteria than the criteria required for mortgages eligible for sale on the secondary market.

16. Protestant alleges that HMDA data for American Residential Mortgage Corporation indicates illegal "pre-screening" of refinanced mortgages. As previously noted, this company was not acquired by Chase until October 1994, and has since been merged into CMMC. CMMC is subject to all of the compliance policies and procedures of Chase's fair lending program, and the supervisory authority of the OCC as a subsidiary of a national bank.

17. *See* Agency CRA Statement, at 13,745.

18. The Chase Manhattan Bank of Florida, Tampa, Florida, also received a "satisfactory" rating from the OCC at its most recent examinations for CRA performance as of October 1993. In addition, The Chase Manhattan Bank of Maryland, Baltimore, Maryland, received a "satisfactory" rating from the Federal Reserve Bank of Richmond at its most recent examination for CRA performance as of October 1993; and The Chase Manhattan Bank (USA), Wilmington, Delaware ("Chase-USA"), a specialized bank engaged in credit card operations, received an "outstanding" rating from its primary regulator, the FDIC, at its most recent examination for CRA performance as of August 1994.

C. Manhattan Bank's Record of CRA Performance

Lending Activities. Manhattan Bank has initiated a number of steps to strengthen its already satisfactory record of meeting the housing-related credit needs in low- to moderate-income areas of its communities throughout its New York City and State designated communities,[19] particularly in Upper Manhattan and the South Bronx. For example, in 1993, Manhattan Bank introduced a Tax Advantaged Installment Loan product ("TAIL") to meet the financing needs of residents of Co-op City and Concourse Village, both in the Bronx. This product offers applicants up to 100 percent financing for cooperative units, with no application or appraisal fees and minimal closing costs. During the first year of this program, the bank originated 209 TAIL loans with minority applicants receiving more than 90 percent of these loans.[20] Manhattan Bank also offers an affordable mortgage product through Community Homebuyers Program ("CHBP"). This loan program, developed by the Federal National Mortgage Association, provides mortgage loans with such features as a low down payment mortgage product and flexible underwriting criteria.[21]

Chase also provided $8.9 million for the acquisition, rehabilitation and permanent financing of nine occupied buildings containing 487 units of affordable housing in Upper Manhattan and the Bronx through the Ownership Transfer Program, which operates in conjunction with the Community Service Society, local community based organizations, and organized tenants groups.[22] Chase also has provided over $120 million in real estate and real estate-related commercial loans since 1989 through its community development corporation, Chase Community Development Corporation ("CCDC") to finance a wide variety of housing-related programs that provide housing for low- to moderate-income residents in the bank's delineated communities, including residents of Upper Manhattan and the South Bronx.[23]

The credit needs of small businesses are also addressed by several programs offered by Chase. For example, in 1993, Chase's Small Business Group developed an enhanced Small Business Plan to achieve higher levels of lending to small businesses in low- to moderate income areas. In furtherance of this goal, the Small Business Group has prepared a mailing focusing on companies with sales of $500,000 to $1 million located in low- to moderate-income areas.[24] As a result of these efforts, the Small Business Group has approved 20 small business loans totalling $1.9 million, with the majority of the applicants located in low- to moderate-income areas. During the fourth quarter of 1994, the Small Business Group developed a pilot lending program to be introduced in the Bronx, with a total of $500,000 allocated among four branch managers. Under this program, each participating branch manager has the authority to approve loans between $10,000 and $25,000 (up to a total of $125,000) in the aggregate for existing customers who did not meet conventional underwriting standards.[25]

Manhattan Bank also actively participates in governmentally sponsored programs such as those of the Small Business Administration ("SBA"), the New York City Small Business Reserve Fund ("Reserve Fund"), and the New York Business Development Program. For example, Manhattan Bank has the largest outstanding amount of loans for lenders under the Reserve Fund, which provides financing to small businesses located in the inner city. In terms of SBA lending, Manhattan Bank originated 20 loans totalling $5 million during the first

19. Protestant maintains that the nationwide lending activities of Manhattan Bank's subsidiaries should expand consideration of its relevant service area beyond the bank's delineated communities. Protestant contends that the Board should consider the nationwide lending record of these subsidiaries, including the alleged fair lending violations, in its evaluation of this application. Protestant also believes that Manhattan Bank's current service communities should include New Jersey. The geographic scope of Manhattan Bank's community delineations was determined to be reasonable and not to arbitrarily exclude any low- and moderate-income areas by examiners in the Manhattan Bank Examination. Moreover, as previously noted, the mortgage subsidiaries' performance under the CRA and fair lending laws has been evaluated by the OCC in its CRA performance examinations of these banks and the OCC Decision. Based on these and other facts of record, including findings in the OCC Decision, the Board believes that the communities delineated by Manhattan Bank are the appropriate areas to consider consistent with the requirements of the CRA and its implementing regulations.

20. Manhattan Bank also introduced a special loan program to meet the housing-related finance needs of individuals purchasing units of a cooperative in Morningside Heights in Upper Manhattan.

21. During the first half of 1993, Manhattan Bank originated 140 CHBP loans totalling $17 million.

22. Chase also provided $17.4 million in construction financing for the renovation of 673 vacant units to be used as affordable rental housing through the HPD's Vacant Building Program, the New York City Housing Authority Turnkey Program, and the State of New York Mortgage Agency rehab program.

23. Protestant believes that indirect lending programs should be accorded less weight under the CRA, and that CCDC is used to ensure that only creditworthy CRA-related loans are booked by Manhattan Bank. OCC examiners concluded in the Manhattan Bank Examination that the lending activities of CCDC, characterized as a multi-purpose lender concentrating in the low- and moderate-income neighborhoods of the greater New York City area, were appropriate to consider in assessing the bank's CRA performance in its delineated communities. Examiners also noted with approval lending activities conducted with the NYC Partnership, which administers the New Homes Program (described by examiners as one of the largest affordable housing new construction programs in New York City). Based on all the facts of record, the Board does not believe that Protestant's comments warrant adverse consideration of these activities under the CRA and fair lending laws.

24. Chase also has prepared a "*Guide to Government Programs*" to be used both internally for product awareness and training of branch officers, and externally in targeted branches located in low- to moderate-income areas.

25. In addition, Chase recently funded four special funds for small loans to organizations in Rockaway, Inwood (Upper Manhattan), Ridgewood, and the South Bronx.

half of 1993. Chase also originated eight loans totalling $2 million under the New York Business Development Loan Program.

Outreach and Marketing. The Manhattan Bank Examination noted that Chase has a formalized process to ascertain community credit needs through focus groups, community contacts, and independent market research. The bank's outreach efforts include regular contacts with individuals and groups representing a variety of viewpoints, including governmental, religious, real estate development, and minority rights interests. Examiners found that Manhattan Bank's outreach and ascertainment efforts have lead to a number of new products, many of which are housing related.

After its credit products and programs are developed, Manhattan Bank's marketing program is designed to inform all members of its community of available products and services, including low- and moderate-income and minority residents. Examiners found that Manhattan Bank's marketing efforts have included specific low- and moderate-income areas and minority residents within its delineated communities. For example, Manhattan Bank retained a minority-owned marketing and public relations firm to assist in developing a formal strategy to focus on minority residents. The bank also advertises its credit products in a number of media designed to reach minority and low- to moderate-income residents of New York, including subway posters, spot radio campaigns, and television advertisements in English and Spanish. Other marketing efforts include trade shows, mortgage seminars, and banking seminars conducted with community based organizations throughout its delineated community.

Branch Locations and Closings. OCC examiners concluded that Manhattan Bank's branch locations provided reasonable access to most segments of its delineated community, and noted with approval Chase's efforts through the use of mobile banking units to provide banking services to underserved areas. Moreover, nine of Manhattan Bank's 14 Bronx branches and mobile banking units are located in low- to moderate-income census tracts, while 11 of the bank's 48 Manhattan branches are located in low- to moderate-income census tracts. Manhattan Bank also has expanded its locations of ATMs to serve low- and moderate-income and minority neighborhoods. For example, the bank will establish an ATM in East Harlem during the first quarter of 1995. Manhattan Bank has established, in conjunction with the Veterans Administration, the Homeless Veterans Program under which the bank provides for the direct deposit of benefit checks and allows for access through bank ATMs.

The Manhattan Bank Examination also noted that branch office closings have had no adverse impact on Chase's communities. OCC examiners concluded that the branch closing policy was consistent with current regulatory guidelines, and that this policy included the consideration of input from local community groups and political leaders in order to minimize any impact a closing would have on an area.

D. Connecticut Bank's Performance in Connecticut

The 1993 CRA performance examination for Connecticut Bank found that the bank affirmatively solicits mortgage loans in low- and moderate-income census tracts and minority neighborhoods, and noted that Chase's initiatives to increase its lending in certain underserved low- and moderate-income areas within the bank's delineated community were yielding positive results. These steps included the origination of mortgages in the bank's branches, hiring low- and moderate-income mortgage originating specialists, expanding the types of mortgage products to include government sponsored loan programs, and increased marketing efforts. As a result of these efforts, the new mortgage originators approved 38 loans totalling approximately $3 million (as of October 1993), and Connecticut Bank developed a pre-approval program for low- and moderate-income home buyers. The bank also began offering mortgages through government sponsored programs with the Federal Housing Administration, Veterans Administration, Connecticut Housing Finance Authority, the Connecticut Homebuyers Affordable Mortgage Program, and the State Treasurer's Affordable Residential Mortgage Program.

Connecticut Bank also actively participates in governmentally sponsored small business programs such as those of the SBA and the Connecticut Development Authority ("CDA"). In particular, Connecticut Bank participates in the Connecticut Works Guarantee Fund (a program to create and maintain jobs in Connecticut through the use of loan guarantees from the state), and the Urbank Fund (a lending program specifically designed to assist small businesses).[26] In addition, CCDC provided $1 million to a program sponsored by the CDA to provide direct financing and investment to Connecticut businesses that are unable to obtain traditional financing. Connecticut Bank also is a founding member of the Connecticut Economic Development Fund, which focuses on inner city lending.[27]

26. As of the Connecticut Bank Examination in 1993, Connecticut Bank had originated five SBA loans totalling $1.6 million, three Connecticut Works loans totalling $3.9 million, and nine Urbank loans totalling over $900,000.

27. In addition, the bank's Small Business Sales Group conducted regional small business meetings, primarily in the urban centers of Bridgeport, Norwalk, Stamford, Waterbury, and Danbury. These meetings resulted in the development and introduction of two small business

OCC examiners concluded that the bank's outreach and marketing efforts inform its entire community of the credit products and services being offered. Products and services are marketed through various newspaper, radio, direct mail, and billboard advertisements. In addition, Connecticut Bank's mortgage loan department conducts homebuyer workshops in various communities to make consumers aware of government programs available to assist in the purchase of a home. The Connecticut Bank Examination also concluded that the bank's office locations were reasonably accessible to the entire community, with 17 of its 51 branches located in low- and moderate-income communities.

E. HMDA Data

The Board has carefully reviewed 1992 and 1993 HMDA data reported by Manhattan Bank, Connecticut Bank, and the relevant mortgage subsidiaries in light of Protestant's comments.[28] These data generally indicate that Chase has improved its record of home mortgage lending to low- and moderate-income and minority neighborhoods throughout the communities served by these subsidiaries. For example, 1993 HMDA data reported by Chase subsidiaries serving Upper Manhattan and the South Bronx indicate an increase in the number of applications received from residents of low- to moderate-income census tracts, as well as an increase in the number of mortgages originated in these census tracts. Chase also has shown improvement in its record of lending to communities with predominately minority populations.[29] In particular, 1993 HMDA data indicate an increase in the number of loan applications received from, and loans extended to, African Americans and Hispanics in Upper Manhattan and the South Bronx. Preliminary 1994 HMDA data submitted by Chase shows continued improvement in these lending trends in low- to moderate-income and minority neighborhoods in Upper Manhattan and the South Bronx.[30]

products, the Small Business Installment Loan and the Small Business Line of Credit.

28. The 1993 HMDA data does not include data reported by Troy & Nichols, which was acquired by Chase in July 1993. The Board has also reviewed preliminary 1994 HMDA for the New York City Metropolitan Statistical Area ("MSA"), which confirms that applications from and lending to minorities have continued to increase, and that these levels exceed the aggregate for all HMDA reporting lenders in the New York City MSA.

29. In the New York City MSA, applications received from African Americans increased from 453 in 1992 to 976 in 1993, and originations increased from 295 to 635 during this period.

30. For example, of the applications Chase received from the South Bronx in 1994, 47 percent were submitted by African-American applicants and 44 percent by Hispanic applicants. Notably, Chase's denial rate for all applications received from the South Bronx in 1994 dropped to 10.1 percent.

1993 HMDA data also indicate that Chase has improved its record of lending to low- to moderate-income and minority areas in Upstate New York. For example, these data indicate an increase in the number of applications received from residents of low- to moderate-income census tracts, as well as an increase in the number of mortgages originated in these census tracts.[31] These data also indicate an increase in the number of loan applications received from minorities.

Similarly, 1993 HMDA data indicate improvement in the record of Chase's lending in the communities its subsidiaries serve in Connecticut, particularly with regard to home purchase and home improvement lending. For example, 1993 HMDA data indicate that Chase significantly increased the number of home purchase and home improvement loans it received from low- and moderate-income areas in Connecticut.

However, HMDA data for Chase and its mortgage subsidiaries in its delineated communities also indicate some disparities in the rate of loan origination, denials, and applications by racial group and income levels. 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, and 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 in the most recent CRA performance examinations for Manhattan Bank and Connecticut Bank, OCC examiners found no evidence of prohibited discrimination or other illegal credit practices.[32] The examination also found no evidence of practices intended to discourage applications for the types of credit listed in the banks' CRA statements.

Chase has also initiated steps that have resulted in increasing the number of applications received and loans made to low- and moderate-income and minority borrowers. These efforts include a second review program for all mortgage denials for borrowers with household incomes of less than $55,000 to ensure that standards are applied fairly and uniformly to these applicants. Chase

31. Chase's origination rate of 78.2 percent in low- and moderate-income census tracts in Upstate New York exceeded the origination rate of aggregate lenders in these communities (66.4 percent) during 1993.

32. The Manhattan Bank Examination noted some procedural deficiencies in compliance with the ECOA and the Fair Credit Reporting Act that did not indicate discrimination or illegal credit practices. The OCC has concluded that these issues have been satisfactorily addressed by the bank.

also has implemented a regular analysis of HMDA data to review declination rates and a comparative mortgage loan file review as part of its mortgage lending activities. Special advertising programs have also been initiated to concentrate on minority borrowers in certain geographical areas. The effectiveness of these steps is monitored through review procedures and a "mystery shopper" program.

Conclusion Regarding Convenience and Needs Considerations

The Board has carefully considered all the facts of record, including all comments received, in reviewing the convenience and needs factors under the BHC Act. Based on a review of the entire record of performance, including information provided by the OCC and relevant reports of examination, the Board believes that the efforts of Chase and its subsidiaries to help meet the credit needs of all segments of its communities, including low- and moderate-income neighborhoods, is consistent with approval of this application.[33]

Request for a Hearing

Protestant has requested that the Board hold a public hearing or meeting in connection with this application. Protestant supports this request by alleging that facts are in dispute relating to a number of issues.[34] Section 3(b) of the BHC Act does not require the Board to hold a public hearing on an application unless the appropriate supervisory authority for the bank to be acquired makes a timely written recommendation of denial of the application. In this case, the Board has not received such a recommendation from any state or federal supervisory authority.

Generally, under the Board's rules, the Board may, in its discretion, hold a public hearing or meeting on an application to clarify factual issues related to the application and to provide an opportunity for testimony, if appropriate. 12 C.F.R. 262.3(e) and 262.25(d). The Board has carefully considered this request in light of all the facts of record. In the Board's view, Protestant has had ample opportunity to submit its views, and has in fact submitted hundreds of pages of materials before, during and after the close of the public comment period that have been considered by the Board in acting on this application. Protestant's request fails to demonstrate why its substantial written submissions do not adequately present its allegations, what additional evidence it would produce at an oral hearing, or why a public hearing or meeting is otherwise warranted in this case.[35] Moreover, after a careful review of all the facts of record, the Board concludes that Protestant's request disputes the weight that should be accorded to, and the conclusions that may be drawn from, the existing facts of record, and does not identify any genuine dispute about facts that are material to the Board's decision. Based on all the facts of record, the Board has determined that a public meeting or hearing is not necessary to clarify the factual record in this application, or otherwise warranted in this case, and the request for a public hearing or meeting on this application is denied.

Based on the foregoing and in light of all the facts of record, the Board has determined that this application should be, and hereby is, approved. The Board's approval is conditioned upon compliance by Chase with all commitments made in connection with the application. 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 acquisition should not be consummated before the fifteenth calendar day following the effective date of this order, or later than three months following the effective date of this order, unless such period is extended for good cause by the Board or by the Federal Reserve Bank of New York, acting pursuant to delegated authority.

By order of the Board of Governors, effective March 13, 1995.

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33. The Board also has received comments from the Broome County CRA Coalition asserting generally that Chase has illegally discriminated against low- to moderate-income and minority residents of Broome County, New York, and objecting to this proposal while discussions between the Coalition and Chase are pending. The Board notes that 1993 HMDA data indicate an increase in the number of mortgages originated in low- to moderate-income census tracts in Broome County. Moreover, for the reasons discussed above and in light of all the facts of record, the Board does not believe that the record supports this commenter's allegations of illegal discrimination in Broome County, and that Chase's record of helping to meet the credit needs of all its delineated communities is consistent with approval. The Board has also previously stated that while communication by depository institutions with community groups provides a valuable method of assessing and determining how best to address the credit needs of the community, neither the CRA nor the Agency Policy Statement require depository institutions to enter into agreements with particular organizations. Accordingly, the Board's review has focused on the programs and policies that Chase has in place to serve the credit needs of its entire community. *See Fifth Third Bancorp*, 80 *Federal Reserve Bulletin* 838 (1994).

34. Protestant also argues that factual disputes have been created by Chase's failure to provide clarifications of its responses as requested by Protestant, certain data relating to its small business and consumer lending activities, and other information requested from Chase by Protestant. For the reasons stated above, and in light of all the facts of record, the Board concludes that the record before the Board is sufficient to act on this application.

35. Although Protestant alleges that at a hearing it would seek to dispute certain facts or record, Protestant does not identify what evidence it would present for that purpose. The Board's rules expressly require that a party requesting a hearing summarize the evidence that would be presented. 12 C.F.R. 262.3(e). Consequently, Protestant has not provided sufficient information for the Board to determine that a hearing would serve any useful purpose.

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

JENNIFER J. JOHNSON
Deputy Secretary of the Board

Cho Hung Bank
Seoul, Korea

Order Approving the Acquisition of a Bank

Cho Hung Bank, Seoul, Korea ("Cho Hung"), 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 Seoul Bank of California, Los Angeles, California ("Bank").

Notice of the application, affording interested persons an opportunity to submit comments, has been published (59 *Federal Register* 56,080 (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 of the BHC Act.

Cho Hung, with total consolidated assets equivalent to approximately $35.1 billion, is the 153d largest commercial banking organization in the world, and the fourth largest banking organization in Korea.[1] In the United States, Cho Hung controls a bank in New York, New York;[2] operates branches in New York, New York and Chicago, Illinois; and maintains an agency in San Francisco, California. Bank controls $21.3 million in deposits, representing less than 1 percent of total deposits in commercial banks in the state.[3] Cho Hung and Bank do not compete in any relevant banking market. Accordingly, the Board concludes that consummation of this proposal would not have a significantly adverse effect on competition or the concentration of banking resources in any relevant banking market.

Under section 3 of the BHC Act, as amended by the Foreign Bank Supervision Enhancement Act of 1991,[4] the Board may not approve an application involving a foreign bank unless the bank is "subject to comprehensive supervision or regulation on a consolidated basis by the appropriate authorities in the bank's home country."[5] The Board has previously determined, in an application under the International Banking Act (12 U.S.C. § 3101 *et seq.*) (the "IBA"), that another Korean credit institution was subject to comprehensive consolidated supervision by its home country authorities.[6] Cho Hung has represented to the Board that it is subject to the same regulatory scheme applicable to the other Korean credit institution, and has furnished information regarding the authorities' ability to supervise and regulate the activities of Cho Hung on a worldwide consolidated basis.[7] The Board has reviewed this information, as well as the information previously received as it may apply to Cho Hung.

Based on all the facts of record, including the information described above, the Board has concluded that Cho Hung is subject to comprehensive supervision and regulation on a consolidated basis by its home country supervisor.

In addition, Cho Hung has committed that, to the extent not prohibited by applicable law, it will make available to the Board such information on the operations of Cho Hung and any of its affiliates that the Board deems necessary to determine and enforce compliance with the BHC Act, the IBA, and other applicable federal law. Cho Hung also has committed to cooperate with the Board to obtain any waivers or exemptions that may be necessary in order to enable Cho Hung to make any such information available to the Board. In light of these commitments and other facts of record,[8] the Board has concluded that Cho Hung has provided adequate assurances of access to any appropriate information the Board may request. For these reasons, and based on all the facts of record, the Board concludes that the supervisory factors the Board is required to consider under section 3 of the BHC Act are consistent with approval.

The Board also has concluded that considerations relating to the financial and managerial resources and future prospects of Cho Hung and its subsidiaries and Bank and the convenience and needs of the community

1. Asset and ranking data are as of December 31, 1993, and employ exchange rates then in effect.
2. Cho Hung's subsidiary bank is Cho Hung Bank of New York.
3. Deposit data are as of December 31, 1994.
4. Pub. L. No. 102-242, § 201 *et seq.*, 105 Stat. 2286 (1991).
5. 12 U.S.C. § 1842(c)(3)(B). As provided in the Board's Regulation Y, the Board determines whether a foreign bank is subject to consolidated home country supervision under the standards set forth in Regulation K. 12 C.F.R. 225.13(b)(5). Regulation K provides that a foreign bank may be considered subject to consolidated supervision if the Board determines that the bank is supervised or regulated in such a manner that its home country supervisor receives sufficient information on the worldwide operations of the foreign bank, including the relationship of the bank to its affiliates, to assess the foreign bank's overall financial condition and compliance with law and regulation. 12 C.F.R. 211.24(c)(1)(ii).
6. *See KorAm Bank*, 80 *Federal Reserve Bulletin* 184 (1994) ("*KorAm*").
7. The activities of Cho Hung's leasing subsidiary, Cho Hung Leasing Co., Ltd. ("CH Leasing"), are regulated by the Korean Ministry of Finance and Economy ("MFE"). The activities of Cho Hung's securities subsidiary, Cho Hung Securities Co., Ltd. ("CH Securities"), are subject to supervision by the Korean Securities Supervisory Board ("SSB"), which is a subordinate agency of the MFE. The MFE and the SSB supply information as needed to other regulators, such as the Office of Bank Supervision of the Bank of Korea, Cho Hung's primary supervisor.
8. In this regard, the Board notes that it previously has reviewed relevant provisions of Korean confidentiality, secrecy, and other laws. *See KorAm*.

to be served are consistent with approval of this proposal.[9]

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

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

By order of the Board of Governors, effective March 1, 1995.

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

JENNIFER J. JOHNSON
Deputy Secretary of the Board

9. The Board notes that Cho Hung's capital is in excess of the minimum levels that would be required under the Basle accord, and is considered equivalent to the capital that would be required of a U.S. bank holding company.

Comerica Incorporated
Detroit, Michigan

Order Approving the Acquisition of a Bank

Comerica Incorporated, Detroit, Michigan, and Comerica California Incorporated, San Jose, California (collectively, "Comerica"), bank holding companies within the meaning of the Bank Holding Company Act ("BHC Act"), have applied under section 3 of the BHC Act (12 U.S.C. § 1842) to acquire all the voting shares of University Bank & Trust Company, Palo Alto, California ("University Bank").

Notice of the application, affording interested persons an opportunity to submit comments, has been published (59 *Federal Register* 62,731 (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 of the BHC Act.

Comerica, with total consolidated assets of $31.9 billion, is the 13th largest commercial banking organization in California, controlling deposits of $1.4 billion, representing less than 1 percent of the total deposits in commercial banking organizations in the state.[1] University Bank is the 42d largest commercial banking organization in California, controlling deposits of $383.4 million, representing less than 1 percent of total deposits in commercial banking organizations in the state. Upon consummation of this proposal, Comerica would become the 11th largest commercial banking organization in California, controlling deposits of $1.9 billion, representing less than 1 percent of total deposits in commercial banking organizations in the state.

Comerica and University Bank own depository institutions that compete directly in the San Francisco, California, banking market ("San Francisco banking market").[2] Comerica is the 14th largest banking or thrift organization ("depository institution") in this market, controlling deposits of $995.1 million, representing approximately 1.2 percent of total deposits in depository institutions in the market ("market deposits").[3] University Bank is the 30th largest depository institution in the market, controlling deposits of $352 million, representing less than 1 percent of market deposits. Upon consummation of this proposal, Comerica would become the 13th largest depository institution in the San Francisco banking market, controlling deposits of $1.3 billion, representing approximately 1.6 percent of the market deposits. The Herfindahl–Hirschman Index ("HHI") would increase by 1 point to 1501 and 115 banking competitors would remain in the market.[4]

1. Asset and state deposit data are as of June 30, 1994.

2. The San Francisco banking market consists of the San Francisco-Oakland Ranally Metropolitan Area. The Board has considered comments from an individual ("New York Protestant") alleging that this proposal would have anti-competitive effects on banking services in California and suggesting that entry into the market through branches would be more procompetitive.

3. Market data are as of June 30, 1993. Market share data are based on calculations in which the deposits of thrift institutions are included at 50 percent. The Board previously has indicated that thrift institutions have become, or have the potential to become, significant competitors of commercial banks. *See Midwest Financial Group*, 75 *Federal Reserve Bulletin* 386 (1989); *National City Corporation*, 70 *Federal Reserve Bulletin* 743 (1984). Thus, the Board has regularly included thrift deposits in the calculation of market share on a 50 percent weighted basis. *See, e.g.*, *First Hawaiian Inc.*, 77 *Federal Reserve Bulletin* 52 (1991).

4. 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. A market in which the post-merger HHI is above 1800 is considered to be highly concentrated. In such markets, the Justice Department is likely to challenge a merger that increases the HHI by more than 50 points. The Justice Department has informed the Board that a bank merger or acquisition generally will not be challenged (in the absence of other factors indicating anticompetitive effects) unless the post-merger HHI is at least 1800 and the merger increases the HHI by more than 200 points. The Justice Department has stated that the higher than normal threshold for an increase in the HHI when screening bank mergers and acquisitions for anticompetitive effects implicitly

Based on all the facts of record, including the number of competitors that would remain in the San Francisco banking market, and the relatively small increase in the market concentration and market share, the Board has concluded that consummation of Comerica's proposal would not result in any significantly adverse effects on competition in the San Francisco banking market or any other 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 their safe and sound operation. 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 expansion proposals.[5]

In connection with this application, the Board has received comments from an organization in San Jose, California ("California Protestant"), criticizing the lending record of Comerica's subsidiary banks, in Detroit, Michigan (Comerica - Detroit, Detroit, Michigan, "Comerica-Detroit"), and Chicago, Illinois (Comerica - Franklin Park, Franklin Park, Illinois, "Comerica-Illinois"), in meeting the housing- related credit needs of African Americans and Hispanics. In particular, California Protestant maintains that data filed under the Home Mortgage Disclosure Act ("HMDA") for 1993 show that denial rates for African-American and Hispanic borrowers at these banks are higher than denial rates for white borrowers.[6] California Protestant argues that the alleged deficiencies in the records of Comerica-Detroit and Comerica-Illinois indicate that Comerica will not assist in meeting the credit needs of underserved African Americans and Hispanics in San Jose for housing-related credit.

recognizes the competitive effect of limited-purpose lenders and other non-depository financial entities.

5. 12 U.S.C. § 2903.

6. California Protestant also contends that disparities exist between the percentage of home purchase loan applications from and originations to African-American and Hispanic borrowers by these banks and the percentage of African-American and Hispanic households in Detroit and Chicago.

The Board has carefully reviewed the CRA performance records of Comerica and its subsidiary depository institutions as well as University Bank, all comments received regarding these applications, Comerica'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").[7]

Record of Performance Under the CRA

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 reports of these examinations will be given great weight in the applications process.[8] The Board notes that Comerica-Detroit received a "satisfactory" rating from the Federal Reserve Bank of Chicago ("Reserve Bank") at its most recent examination for CRA performance in March 1993 ("1993 Detroit Examination") and Comerica-Illinois received a "satisfactory" rating from the Reserve Bank at its most recent examination for CRA performance in March 1994 ("1994 Illinois Examination"). Comerica Bank - California, San Jose, California ("Comerica-California"), received a "satisfactory" rating from the Federal Deposit Insurance Corporation ("FDIC") in January 1993 ("1993 California Examination"). Comerica's remaining four subsidiary banks and savings associations received either "outstanding" or "satisfactory" ratings from their primary federal supervisors in the most recent examinations of their CRA performance.[9] University Bank received a "satisfactory" performance rating from the Federal Reserve Bank of San Francisco as of April 1994.

7. 54 *Federal Register* 13,742 (1989).

8. *Id.* at 13,745.

9. New York Protestant has questioned the CRA performance record for Comerica Bank - Midwest NA, Toledo, Ohio ("Comerica-Ohio"), because Protestant was unable to obtain financing to redevelop a warehouse as an industrial "incubator." The Board notes that Comerica-Ohio received a "satisfactory" rating from the Office of the Comptroller of the Currency ("OCC"), its primary federal supervisor, in its most recent CRA performance examination as of November 1993 ("1993 Ohio Examination"). Comerica-Ohio is recognized by the OCC as a limited service banking institution engaged primarily in offering credit cards and other revolving consumer credit products. The OCC noted in the 1993 Ohio Examination that in offering these products, Comerica-Ohio eliminated minimum income level requirements for all products in order to increase the availability of credit. Based on these and other facts of record, the Board believes that the CRA record of performance of Comerica-Ohio is consistent with approval of this application. This complaint has been referred to the OCC, which has authority to investigate and resolve claims of this type.

B. HMDA Data

The Board has carefully reviewed California Protestant's allegations that Comerica-Detroit and Comerica-Illinois have not adequately served the African-American and Hispanic communities in Detroit and Chicago. The Board has carefully reviewed 1992 and 1993 HMDA data for Comerica-Detroit and Comerica-Illinois in light of Protestant's concerns. The HMDA data indicate that conventional home purchase lending by Comerica-Detroit and Comerica-Illinois to African-American and Hispanic borrowers and in low- and moderate-income neighborhoods is comparable to that of lenders in the aggregate in the Detroit and Chicago area. However, these data show some disparities in the rate of loan originations, denials, and applications by racial group or income level.

The Board is concerned when the record of an institution indicates disparities in lending to minority applicants and it 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 lending.

The 1994 Illinois Examination found that Comerica-Illinois is in compliance with the substantive provisions of fair lending laws. Examiners also found no evidence of prohibited discriminatory credit practices. Moreover, the examination found that the delineation does not exclude any low- and moderate-income neighborhoods that the bank could reasonably be expected to serve. The 1993 Detroit Examination also found that Comerica-Detroit's delineation of its local communities was reasonable and did not exclude low-to moderate-income areas and that the bank annually reviews it's delineations.

C. Record of Lending Activities

Housing-Related Lending. Comerica engages in residential mortgage lending in Michigan and Illinois through its subsidiary, Comerica Mortgage Corporation, Detroit, Michigan ("CMC"). CMC has developed several programs to serve low- and moderate-income home buyers. For example, CMC established the Mortgage Affordability Program ("MAP") in November 1993. Under this program, qualified low- and moderate-income borrowers may obtain a 30-year, zero-point mortgage product that offers a below-market-rate installment loan to cover the borrower's out-of-pocket closing costs. In 1994, CMC originated 220 MAP loans in Michigan, totalling approximately $8 million. MAP was introduced in Illinois in mid-1994, and 36 MAP loans, totalling approximately $131,346, have been originated to date. In addition, in late 1994, CMC introduced an Acquisition Renovation Loan Program for nonprofit community organizations that purchase property to renovate and resell or rent to low- and moderate-income individuals in Michigan.

CMC also offers mortgage loans on behalf of the Federal National Mortgage Association, Government National Mortgage Association, and Federal Home Loan Mortgage Corporation. In addition, CMC has established a separate $10 million loan fund to provide funding for applicants who may not meet regular lending standards. In addition, CMC offers alternative mortgage underwriting criteria that give creditworthy low-income individuals improved access to conventional mortgage products. CMC adjusts standard underwriting criteria by broadening debt-to-income ratios, consideration of alternative credit histories, and down payment sources.

Detroit. Comerica-Detroit offers several other lending programs focusing on its low- and moderate-income communities and provides technical assistance to neighborhood and community organizations that are committed to improving their communities. Comerica-Detroit participates in governmentally insured and guaranteed loan programs to further improve its lending to minorities and low- and moderate-income communities. In particular, the 1993 Detroit Examination noted that the bank participated in Veteran's Administration ("VA") and Federal Housing Administration ("FHA") lending programs, and had approximately $81 million in outstanding loans under these programs. Examiners also found that the bank had over $2.7 million outstanding in Small Business Administration ("SBA") loans. In 1994, Comerica-Detroit originated 341 FHA Mortgage and Home Improvement loans, totalling approximately $16.7 million, 117 VA Mortgage loans, totalling approximately $7.8 million, and 44 SBA loans, totalling approximately $29.6 million.

Comerica-Detroit established the Comerica Community Development Corporation ("CCDC") in the third quarter of 1993 to further enhance community development activities for low- and moderate-income individuals in Michigan. CCDC has provided financing for 14 development projects through several community organizations, totalling approximately $3.6 million in 1993 and 1994. In addition, Comerica-Detroit has provided approximately $87.3 million in financing to new businesses, neighborhood and nonprofit organizations, and community development organizations, such as Northwest Detroit Neighborhood Development, Inc., West Detroit Inter-Faith Community Organization, and

HOP, a lending consortium that funds affordable home purchases in Kalamazoo, Michigan.[10]

Illinois. Comerica-Illinois also has several lending programs to provide assistance to low- and moderate-income borrowers. Through its Installment Loan Department, the bank can advance 100 percent of home equity to creditworthy applicants for home improvement loans, while the standard credit policy allows a maximum advance of 80 percent. Comerica-Illinois also participates in the Chicago Family Housing Fund ("Fund"), a partnership with Neighborhood Housing Services of Chicago, Inc. and others, to provide financial and leadership assistance to local housing and economic development projects. In the last quarter of 1993, the Fund originated 28 loans, totalling approximately $1.4 million, in primary and secondary mortgages. In 1994, a total of 32 first mortgages and 60 refinancings, totalling $3.2 million, were originated through the Fund. In addition, Comerica-Illinois participates in several governmentally insured, guaranteed or subsidized loan programs that benefit the community, including FHA and SBA lending. In 1994, the bank originated four FHA loans, totalling approximately $496,473, and 12 SBA loans, totalling approximately $2.3 million.

Comerica-Illinois also is active in community development lending. For example, the bank has funded ten loans, totalling $84,500, to the Chicago Association of Neighborhood Development Organizations Self Employment Loan Fund, which provides technical assistance and loan packaging for entrepreneurs. Comerica-Illinois also has issued a credit for approximately $289,675 to Neighborhood Housing Services' Redevelopment Corporation for the rehabilitation of five properties for a lease-to-purchase program. Moreover, in August 1994, CCDC expanded into Illinois, and has funded one project in the amount of $94,500.

California. Comerica-California is primarily a wholesale lender and does not make a large number of housing-related loans directly. However, examiners noted in the 1993 California Examination that the bank assists in meeting the housing-related credit needs of low- and moderate-income and minority borrowers by concentrating on lending to mortgage bankers and developers that specialize in low- income housing and community rehabilitation loans. For example, from 1993 through the third quarter of 1994, the bank loaned approximately $145 million to mortgage bankers to finance VA, FHA, and California Housing Finance Authority Government Housing Agency Bond loans.

10. New York Protestant asserts that Comerica-Detroit's service fees are excessive. Comerica responds that its service fees are competitive with other major financial institutions and are fully disclosed to the bank's customers.

Comerica-California is also active in small business lending. The 1993 California Examination noted that the bank has made small business loans in the San Jose Enterprise Zone, an area designed by the California Department of Commerce as a depressed area. In addition, examiners noted that the bank funded over $63 million in SBA loans and loaned approximately $53 million to low- and moderate-income and minority businessman in 1992.

D. Conclusion Regarding Convenience and Needs Factors

The Board has carefully considered the entire record, including the comments filed in this case, in reviewing the convenience and needs factors under the BHC Act. Based on a review of the entire record of performance, including information provided by Protestants and Comerica, and the CRA performance examinations and other information from the bank's primary regulators, the Board believes that the efforts of Comerica to help meet the credit needs of all segments of the communities served by its subsidiary banks, including low- and moderate-income neighborhoods, are consistent with approval. For these reasons, and based on all the facts of record, the Board concludes that convenience and needs considerations, including the CRA performance records of the companies and banks involved in these proposals, are consistent with approval of these applications.

Other Considerations

The Board also has concluded that the financial and managerial resources and future prospects of Comerica, its subsidiaries, and University Bank, 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, including the commitments made to the Board by Comerica in connection with this application, and in light of all the facts of record, the Board has determined that this application should be, and hereby is, approved. The Board's approval is specifically conditioned on Comerica's compliance with all commitments made in connection with this application. 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 less than fifteen calendar days following the effective date of this order, or later than three months after the effective date of this order, unless such period is extended for good cause by the Board or by the Federal Reserve Bank of Chicago, acting pursuant to delegated authority.

By order of the Board of Governors, effective March 1, 1995.

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

JENNIFER J. JOHNSON
Deputy Secretary of the Board

Illinois Financial Services, Inc. Chicago, Illinois

Alpha Bancorp, Chicago, Illinois

Order Approving the Formation and Acquisition of a Bank Holding Company

Illinois Financial Services, Inc. ("IFS"), has applied under section 3 of the Bank Holding Company Act ("BHC Act") (12 U.S.C. § 1842(a)) to acquire indirectly 80 percent of Alpha Financial Corporation ("AFC"), and thereby indirectly acquire AFC's subsidiary banks, Archer National Bank ("ANB") and Chicago National Bank ("CNB"), all of Chicago, Illinois. To effect this proposal, IFS has also applied to form a new intermediary holding company, Alpha Bancorp, Chicago, Illinois, and to acquire at least 80 percent of its shares.

Notice of the applications, affording interested persons an opportunity to submit comments, has been published (59 *Federal Register* 65,056 (1995)). The time for filing comments has expired, and the Board has considered these applications and all comments received in light of the factors set forth in section 3(c) of the BHC Act.

IFS is the 62d largest commercial banking organization in Illinois, controlling deposits of $331.8 million, representing less than 1 percent of total deposits in commercial banks in the state.[1] AFC is the 109th largest commercial banking organization in Illinois, controlling approximately $176.7 million in deposits, representing less than 1 percent of total deposits in commercial banks in the state. Upon consummation of the proposal, IFS would become the 40th largest commercial banking organization in Illinois, controlling approximately $508.5 million in deposits, representing less than 1 percent of total deposits in commercial banks in the state.

IFS and AFC compete directly in the Chicago, Illinois, banking market.[2] After consummation of this proposal, this banking market would remain unconcentrated as measured by the Herfindahl–Hirschman Index ("HHI"),[3] and numerous competitors would remain in the market. Based on all the facts of record, the Board concludes that consummation of this proposal is not likely to result in significantly adverse effects on competition or the concentration of banking resources in the Chicago banking market or any other relevant banking market.

Convenience and Needs Considerations

In acting on applications to acquire a depository institution, 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 their safe and sound operation. 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 institutions," and to take that record into account in its evaluation of these applications.[4]

The Board has reviewed comments submitted by an individual ("Protestant") generally alleging that the subsidiary banks of IFS and AFC have not adequately met the credit and banking services needs of African-American communities. In addition, Protestant contends that data filed by IFS's subsidiary banks under the Home Mortgage Disclosure Act (12 U.S.C. § 2801 *et seq.*) ("HMDA") in 1994 show that these banks illegally discriminate against minorities in making housing-

1. Deposit and state data are as of June 30, 1994, and market data are as of June 30, 1993.

2. The Chicago banking market is approximated by Cook, Du Page, and Lake Counties in Illinois.

3. 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 to be unconcentrated. In such markets, the Justice Department is unlikely to challenge a merger. 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. In this case, the post-merger HHI for the Chicago market would remain at 594 points and increase by less than one point.

4. 12 U.S.C. § 2903.

related loans. Protestant also maintains that other aspects of the CRA performance record of IFS's subsidiary bank, North Community Bank, Chicago, Illinois ("Community Bank"), including the bank's ascertainment and marketing efforts, do not adequately serve the credit needs of African-American communities.

The Board has carefully reviewed the CRA performance records of the subsidiary banks of IFS and AFC, all comments received on these applications, the responses from IFS to these 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").[5]

Record of Performance Under the CRA

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 reports of these examinations will be given great weight in the applications process.[6] Community Bank received an "outstanding" CRA performance rating from its primary federal supervisor, the Federal Deposit Insurance Corporation ("FDIC") as of April 1993. Community Bank's lending activities are primarily concentrated in commercial lending, particularly in loans to small businesses. IFS's other subsidiary banks, Metropolitan Bank and Trust Company, Chicago ("Metropolitan Bank"), and Plaza Bank, Norridge ("Plaza Bank"), both of Illinois, also received "satisfactory" CRA performance ratings as of September 1993 and October 1992, respectively, from the FDIC. AFC's two subsidiary banks, which are the banks IFS proposes to acquire, both received less than satisfactory CRA performance ratings from their primary federal supervisor, the Office of the Comptroller of the Currency, at their most recent CRA performance evaluation.

B. HMDA and Lending Activities of IFS Banks

The Board has carefully reviewed the 1993 and 1994 data filed by IFS's subsidiary banks in light of Protestant's allegations that these banks, particularly Community Bank, illegally discriminate against African Americans. As noted above, Community Bank is primarily a commercial lender and HMDA data show that the number of loan applications and originations for the bank are very small. Moreover, the Board has previously noted that HMDA data alone provide an incomplete measure of an institution's lending in its community, and that these data have limitations that make the data an inadequate basis, absent other information, for conclusively determining whether an institution has engaged in illegal discrimination in making lending decisions.

The most recent CRA performance examinations of all IFS banks by their primary regulator, the FDIC, concluded that the institutions were in compliance with the substantive provisions of the fair housing and fair lending laws, and found no illegal discriminatory practices.[7] Examiners also found no practices intended to discourage credit applications.[8]

IFS banks assist in meeting the housing-related credit needs of its communities primarily through construction and rehabilitation projects. For example, Community Bank, with total assets of $134.2 million, extended seven loans for multi-family housing totalling $1.2 million, and 24 loans for the rehabilitation of buildings for nonprofit and business organizations totalling $9.2 million in 1994.[9] In addition, all IFS banks participate in lending programs sponsored by the Small Business Administration ("SBA"). In 1994, Community Bank extended six SBA loans totalling approximately $1.7 million, while Metropolitan Bank and Plaza Bank extended SBA loans totalling $974,000 and $2.3 million, respectively. Community Bank also assists in financing specialized credit needs such as the City of Chicago's Taxi Medallion Program which offers financing of up to $100,000 for qualified taxicab drivers.[10]

5. 54 *Federal Register* 13,742 (1989).

6. *Id.* at 13,742.

7. Examiners noted some procedural violations of fair lending and fair housing statutes. In response to these findings, bank management has substantially implemented all its proposed corrective measures to the satisfaction of the FDIC.

8. Protestant alleges that he was treated unfairly in several loan applications with Community Bank, and that Community Bank requires excessive documentation to apply for a loan or to open a deposit account. Protestant has also submitted a 1992 petition signed by 700 residents alleging that Community Bank illegally discriminates in its lending practices. As noted above, the CRA performance examination of Community Bank found that the bank was in compliance with the substantive provisions of fair lending laws and not engaged in practices that discourage credit applications. Based on all the facts of record, the Board believes that these are isolated disputes involving individual transactions between Protestant and the bank. The Board has referred Protestant's allegations to the FDIC for consideration.

9. In 1994, Metropolitan Bank, with total assets of $119.7 million, also extended seven loans for multi-family housing totalling $3.2 million, and seven loans for the rehabilitation of buildings for nonprofit and business organizations totalling $600,000. The 1994 lending record for Plaza Bank, which has assets of $125.4 million, included 13 multifamily housing loans totalling $1.9 million, and 13 loans for the rehabilitation of buildings for nonprofit and business organizations totalling $4.1 million.

10. In 1994, Community Bank extended 81 medallion loans totalling approximately $2.3 million under this program. Each bank also provides special deposit products for low- and moderate-income persons. In particular, the banks offer low-cost checking and participate in the Illinois Smart Money Program, which provides free checking for any participant of federal or state entitlement programs who receives benefits through the Automated Clearing House.

The lending activities of IFS's subsidiary banks assist in meeting the credit needs of their entire communities, including low- and moderate-income neighborhoods. All IFS banks were found to have a reasonable geographic distribution of loans within their delineated communities at their most recent examinations for CRA performance. Moreover, in 1993 and 1994, Community Bank made approximately 76 percent and 80 percent, respectively, of its loans within its delineated community. For both years, approximately 28 percent of these loans were made in low- and moderate-income census tracts. In the case of Metropolitan Bank, examiners found that most of its loans were made within its delineated community, and no adverse patterns of distribution relating to low- and moderate-income census tracts were noted. The Plaza Bank examination showed similar results, with a majority of sampled loans extended to borrowers within its delineated community and a reasonable penetration of all segments within the community.

C. Other Aspects of CRA Performance by IFS Banks

IFS banks ascertain and market their credit products to the entire community in several ways. Community Bank uses a questionnaire to survey local organizations to determine the types of banking and credit services needed within the community and to determine if those needs are being met. In addition, the bank relies on a calling program and personal contacts to ascertain credit needs. Metropolitan Bank uses similar means to elicit assistance from well-known community leaders in identifying community credit needs.[11]

Products and services are marketed in media designed to reach minority communities. Community Bank advertises in newspapers such as *La Raza* and *Afrique* that serve the Hispanic and African-American communities in Chicago. Metropolitan Bank markets its products and services through local newspapers and outdoor signs in English and Spanish. Plaza Bank advertises its products and services through advertisements in newspapers and fliers throughout the delineated community.

D. CRA Performance Records of AFC Banks

As previously noted, both of AFC's subsidiary banks received less than satisfactory ratings in their most recent examinations for CRA performance. Upon the acquisition of the AFC banks by IFS, IFS has committed to implement policies and programs to improve the CRA performance records of the acquired banks. In light of all the facts of record, the Board concludes that IFS has the types of policies and programs in place at its subsidiary banks that can be effective in helping meet the credit needs of an entire community, including low- and moderate-income and minority neighborhoods. Community Bank currently has an "outstanding" CRA performance rating, and implementation of IFS's plan at the AFC banks will be directed by Community Bank's management. One goal of the IFS plan is to increase the lending-to-deposit ratios of both banks from their current 10 percent levels to 60 percent within five years in order to help meet the credit needs of the banks' entire delineated community, including low- and moderate-income areas.[12] The Board expects IFS to improve the CRA performance records of both AFC banks and will review IFS's progress in future applications to establish depository institutions. In addition, part of IFS's plan to improve the CRA performance record of the AFC banks includes increasing the ascertainment efforts of these banks to concentrate on helping meet the credit needs of their entire communities, including minority neighborhoods.[13]

E. Conclusion

The Board has carefully considered all the facts of record, including the comments received on all subsidiary banks of IFS and AFC, IFS's responses, the banks' CRA performance examinations and the commitments referred to in this order. Based on a review of the entire record, and in reliance on commitments, the Board concludes that convenience and needs considerations, including the CRA records of performance of the IFS subsidiary banks are consistent with approval of these applications.[14]

11. Metropolitan Bank also recently initiated a low-cost deposit program and a school sponsored bank awareness program.

12. The Board notes that the loan-to-deposit ratio of Plaza Bank, which examiners concluded in 1992 had a satisfactory dispersion of loans throughout its entire community, was increased by IFS from 40 percent in 1989 to 60 percent in 1991.

13. For example, IFS would implement a local media campaign to advertise depository and lending products and hire bilingual personnel to assist customers.

14. Protestant has requested that the Board hold a public meeting or hearing on this application. Section 3(b) of the BHC Act does not require the Board to hold a public hearing or meeting on an application unless the appropriate supervisory authority for the bank to be acquired makes a timely written recommendation of denial of the application. No supervisory agency has recommended denial of the proposal. Generally, under its rules, the Board may, in its discretion, hold a public hearing or meeting on an application to clarify factual issues related to the application and to provide an opportunity for testimony, if appropriate. 12 C.F.R. 262.3(e) and 262.25(d). In the Board's view, all parties have had ample opportunity to submit their views, and have, in fact, submitted substantial written submissions that have been carefully considered in connection with the Board's decision. Protestant's request also fails to demonstrate why written submissions are inadequate in this case to present his views or resolve the issues raised by his comments as required by the Board's rules. 12 C.F.R. 262.3(e). For these reasons, and

Other Considerations

The Board also concludes that financial and managerial resources and future prospects of IFS and Bancorp and their respective subsidiary banks, and the other supervisory factors that 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 these applications should be, and hereby are, approved.[15] The Board's approval is expressly conditioned on IFS's compliance with all the commitments made in connection with this application. The commitments and conditions relied on by the Board in reaching this decision shall be deemed to be conditions imposed in writing by the Board in connection with its findings and decision, and, as such, may be enforced in proceedings under applicable law.

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

By order of the Board of Governors, effective March 13, 1995.

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

JENNIFER J. JOHNSON
Deputy Secretary of the Board

based on 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 warranted in this case. Accordingly, Protestant's request for a public hearing or meeting on these applications is denied.

15. Protestant and the 1992 petition filed with his comments allege that IFS and Community Bank discriminate against African Americans in their hiring and promotion practices. The Board notes that, because IFS employs more than 50 people, serves as a depository of government funds, and acts as agent in selling or redeeming U.S. savings bonds and notes, IFS and its subsidiaries are subject to regulations enforceable by the Department of Labor that require:

(1) The filing of annual reports with the Equal Employment Opportunity Commission; and

(2) A written affirmative action compliance program which states efforts and plans to achieve equal opportunity in the employment, hiring, promotion, and separation of personnel.

See 41 C.F.R. 50–1.7(a), 60-1.40. The Board also notes that Protestant's 1989 claim of illegal employment discrimination against Community Bank was considered by the Chicago Commission on Human Relations and no action was taken against Community Bank.

Investors Banking Corporation
Salem, Oregon

Order Approving the Acquisition of a Bank Holding Company

Investors Banking Corporation, Salem, Oregon ("Investors Banking"), a bank holding company within the meaning of the Bank Holding Company Act ("BHC Act"), has applied under section 3(a)(3) of the BHC Act (12 U.S.C. § 1842(a)(3)) to acquire up to 88 percent of the voting shares of BKLA Bancorp ("BKLA"), and thereby indirectly acquire up to 88 percent of the voting shares of Bank of Los Angeles ("Bank"), both of West Hollywood, California.

Notice of the application, affording interested persons an opportunity to submit comments, has been published (59 *Federal Register* 43,585 (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 section 3(c) of the BHC Act.

Investors Banking, a one-bank holding company, is the 25th largest commercial banking organization in Oregon, controlling deposits of approximately $58.8 million, representing less than 1 percent of total deposits in commercial banking organizations in the state.[1] Investors Banking does not currently control any banks in California. BKLA is the 187th largest commercial banking organization in California, controlling deposits of approximately $79.1 million, representing less than 1 percent of total deposits in commercial banking organizations in the state.

Investors Banking and BKLA do not compete directly in any banking market. Accordingly, consummation of this proposal would not have a significantly adverse effect on competition or the concentration of banking resources in any relevant banking market.

Douglas Amendment Analysis

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 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."[2] For purposes of the Douglas Amendment, the home state of Investors Banking is Oregon.[3]

1. State deposit data are as of September 30, 1994.

2. 12 U.S.C. § 1842(d).

3. A bank holding company's home state is that state in which the operations of the bank holding company's banking subsidiaries were

The California interstate banking law permits out-of-state bank holding companies to acquire California banks or bank holding companies, provided that the home state of the acquiring bank holding company permits the acquisition of banks or bank holding companies in that state on a reciprocal basis.[4] Oregon's interstate banking law permits out-of-state bank holding companies to acquire established Oregon banks or bank holding companies, with approval of the Oregon Department of Insurance and Finance.[5] The California Superintendent of Banks has preliminarily indicated that the proposed acquisition is expressly authorized under California state law. In light of the foregoing, and based on an analysis of the interstate banking statutes involved, the Board has determined that this proposal is not prohibited by the Douglas Amendment. Approval of this proposal is conditioned upon Investors Banking receiving all required state regulatory approvals.

Other Considerations

In considering the financial and managerial factors in this case, the Board has reviewed the financial condition of BKLA and Bank. Under this proposal, Investors Banking would provide substantial new capital to BKLA and Bank, and would restore Bank's capital to the levels required by Bank's federal and state supervisors. The Board also notes that Investors Banking has committed to provide managerial resources to BKLA and has an established record of improving the financial condition of troubled institutions it acquires.

In this light, and based on all the facts of record, the Board concludes that the financial and managerial resources and future prospects of Investors Banking, BKLA, and their respective subsidiaries are consistent with approval of this proposal.[6] Considerations relating to the convenience and needs and other supervisory factors that the Board must consider under section 3 of the BHC Act also are consistent with approval.

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 conditioned on Investors Banking's compliance with all commitments made in connection with this application and on receipt of all required state regulatory approvals. For purposes of this action, these commitments and conditions relied on by the Board in reaching its decision are 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 fifteenth calendar day following the effective date of this order, or later than three months after the effective date of this order, unless such period is extended for good cause by the Board or by the Federal Reserve Bank of San Francisco, acting pursuant to delegated authority.

By order of the Board of Governors, effective March 6, 1995.

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

JENNIFER J. JOHNSON
Deputy Secretary of the Board

Irving National Bancshares, Inc., Dallas, Texas

Order Approving the Formation of a Bank Holding Company

Irving National Bancshares, Inc., Dallas, Texas ("Applicant"), has applied under section 3(a)(1) of the Bank holding Company Act (12 U.S.C. § 1842(a)(1)) ("BHC Act") to become a bank holding company by acquiring all the voting shares of Irving National Bank, Irving, Texas ("INB"), and First Continental Bank of Grand Prairie, N.A., Grand Prairie, Texas ("FCB").

Notice of the application, affording interested persons an opportunity to submit comments, has been published (59 *Federal Register* 63,805 (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.

Applicant is a non-operating company formed for the purpose of acquiring INB and FCB. INB is the 684th largest commercial banking organization in Texas, controlling deposits of approximately $23.5 million, representing less than 1 percent of total deposits in commercial banks in the state. FCB is the 739th largest commercial banking organization in Texas, controlling

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

4. *See* Cal. Fin. Code §§ 3753 and 3756 (West Supp. 1994). Under California law, the California Superintendent of Banks must determine that the Oregon interstate banking statute is substantially reciprocal with California's interstate banking law and that the proposal would not have an "adverse effect on the public convenience or advantage in California." *Id.*

5. *See* Or. Rev. Stat. § 715.065(1) (1993).

6. In reaching this conclusion, the Board has carefully reviewed a settlement between a management official of Investors Banking and its subsidiary bank, Colonial Bank, Grants Pass, Oregon ("Colonial Bank"), and the Securities and Exchange Commission ("SEC") that concluded an SEC enforcement action in connection with alleged insider trading transactions unrelated to this proposal. The Board also has carefully considered information received from Colonial Bank's primary federal supervisor, the Federal Deposit Insurance Corporation ("FDIC"), including Colonial Bank's most recent reports of examination assessing its managerial resources, and the FDIC's review of this matter. The Board notes that the FDIC did not object to this proposal. Based on these and all the facts of record, the Board does not believe that this single incident, which has been addressed through corrective actions, warrants adverse consideration under the BHC Act.

deposits of approximately $18.8 million, representing less than 1 percent of total deposits in commercial banks in the state. Upon consummation of this proposal, Applicant would become the 455th largest commercial banking organization in Texas, controlling approximately $42.3 million in deposits, representing less than 1 percent of total deposits in commercial banks in the state.[1]

INB and FCB compete directly in the Dallas, Texas, banking market.[2] After consummation of this proposal, numerous competitors would remain in the market; the market would remain moderately concentrated, as measured by the Herfindahl–Hirschman Index ("HHI"); and this proposal would not exceed the Department of Justice merger guidelines.[3] Based on all the facts of record, the Board concludes that consummation of this proposal is not likely to result in significantly adverse effects on competition or the concentration of banking resources in the Dallas banking market or any other relevant banking market.

Convenience and Needs Considerations

In acting on applications to acquire a depository institution, 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 institutions," and to take that record into account in its evaluation of these applications.[4]

Comments on the application were submitted by an individual ("Protestant") criticizing the record of INB under the CRA, and alleging that INB does not support community development or charitable projects that would economically revitalize the bank's culturally diverse community. The Board has carefully reviewed the entire CRA performance record of INB and FCB, all comments received on these applications, Applicant's response to these 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").[5]

A. Record 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 reports of these examinations will be given great weight in the applications process.[6] The Board notes that INB received a "satisfactory" rating at its most recent examination for CRA performance from its primary supervisor, the Office of the Comptroller of the Currency ("OCC"), as of February 8, 1995. FCB also received a "satisfactory" CRA rating from its primary supervisor, the OCC, as of April 15, 1993.

B. Lending Activities

INB is a small bank with $26.1 million in total assets that provides primarily consumer and small business loans. After its 1992 CRA examination, INB created a CRA Advisory Council to ascertain the credit needs of the community. The CRA Advisory Council conducted a comprehensive survey of the needs of its delineated community, and based on that survey, began participating in programs offered by the Small Business Administration ("SBA"). INB subsequently hired a lending officer with SBA experience and became a SBA certified lender. In 1994, the bank funded 17 SBA loans, totalling $4.7 million dollars. Approximately $1.7 million (more than 20 percent) of these loans were made to businesses owned by women and minorities, and 29 percent of these loans were extended to businesses that operate in low- and moderate-income census tracts.

During 1994, INB participated with the Dallas/Fort Worth International Airport Director of Disadvantaged Business Enterprises to develop a special financing pro-

1. Asset, deposit, and state data are as of December 31, 1994. Market data are as of June 30, 1993.

2. The Dallas banking market is approximated by Dallas County, Denton and Lewisville in Denton County, McKinney and Plano in Collin County, the northern half of Rockwall County, the communities of Forney and Terrell in Kaufman County, Midlothian, Waxahachie, and Ferris in Ellis County, and Grapevine and Arlington in Tarrant County.

3. 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 entities. The HHI for the Dallas market is 1402 and would increase by less than one point as a result of this transaction.

4. 12 U.S.C. § 2903.

5. 54 *Federal Register* 13,742 (1989).

6. *Id.* at 13,745.

gram for businesses owned by women and minorities in connection with concession contracts awarded by the airport.[7] The program has resulted in several loans funded by the bank as part of an effort to improve minority participation in airport service contracts.

The 1995 examination also found that INB has a satisfactory record of participating in community development activities. For example, examiners noted that the bank makes loans to rehabilitation contractors who make home improvements to housing for low- and moderate-income persons that qualify under the Tarrant County Department of Housing & Human Services ("DHHS") Revitalization Program. Under that program, Tarrant County homeowners apply to the DHHS for a loan funded by HUD to pay for the home improvements. INB also works with Habitat for Humanity to provide interest-free financing for qualified first time home buyers.

The 1995 examination of INB found no evidence of illegal discrimination and found that INB was in compliance with laws and regulations related to discrimination. In addition, the 1995 examination found no evidence of practices intended to discourage credit applications. With regard to credit offered, the examination found that INB's loan volume was good relative to its funding ability, the local competitive environment, and the community's credit needs. As of December 31, 1994, loans comprised 68 percent of INB's total assets, resulting in a loan-to-deposit ratio of 75 percent, and 53 percent of the total loan volume are extended within INB's delineated community. According to the 1995 examination, the bank solicits credit applications from all segments of its delineated community and the overall geographic distribution of loans throughout all the areas within its delineated community is reasonable.

The 1993 examination of FCB found that the bank was in compliance with fair lending laws and regulations and noted that there are no discriminatory or other practices intended to discourage credit applications. FCB is a small bank, with total assets of $22.3 million, and examiners concluded that its CRA-related activities are consistent with the bank's financial condition and size.

C. Conclusion

The Board has considered carefully all the facts of record, including Protestant's comments, in reviewing the CRA records of performance for INB and FCB. Based on a review of the entire record, including relevant reports of examination, the Board concludes that convenience and needs considerations, including the CRA records of performance of the banks, are consistent with approval of this application.

Other Considerations

The financial and managerial resources and future prospects of Applicant, INB and FCB, and the other supervisory factors that 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 the application should be, and hereby is, approved. The Board's approval is expressly conditioned on Applicant's compliance with all the commitments made in connection with this application. The commitments and conditions relied on by the Board in reaching this decision shall be deemed to be conditions imposed in writing by the Board in connection with its findings and decision, and, as such, may be enforced in proceedings under applicable law.

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

By order of the Board of Governors, effective March 13, 1995.

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

JENNIFER J. JOHNSON
Deputy Secretary of the Board

Northern Trust Corporation
Chicago, Illinois

Northern Trust of Florida Corporation
Miami, Florida

Order Approving Acquisition of a Bank Holding Company

Northern Trust Corporation, Chicago, Illinois ("Northern Trust"), and Northern Trust of Florida Corporation, Miami, Florida ("Northern Florida"), bank holding companies within the meaning of the Bank Holding Company Act ("BHC Act"), have applied under section 3 of the BHC Act (12 U.S.C. § 1842) to acquire by merger Beach One Financial Services, Inc. ("Beach One"), and thereby indirectly acquire all the voting shares of The Beach Bank of Vero Beach ("Beach Bank"), both of Vero Beach, Florida.

Notice of the applications, affording interested persons an opportunity to submit comments, has been published (59 *Federal Register* 16,815 (1994)). The time for filing comments has expired, and the Board has considered the

7. Dallas/Fort Worth International Airport is within INB's delineated community.

applications and all comments received in light of the factors set forth in section 3 of the BHC Act.

Douglas Amendment Analysis

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 its 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."[1] For purposes of the Douglas Amendment, Northern Trust's home state is Illinois.

Under Florida's current interstate banking statute, acquisitions of banks by out-of-state bank holding companies are not permitted unless the acquiring company is located in a specified region that does not include Illinois.[2] However, an out-of-state bank holding company that controlled a Florida bank when this statute was enacted in 1984 is permitted to make additional banking acquisitions in Florida. Northern Trust has controlled a Florida bank since 1982[3] and is authorized to make additional banking acquisitions in Florida. The Florida State Comptroller has determined that the proposed transaction is expressly authorized under the laws of Florida and has approved it. In light of the foregoing, the Board has determined that its approval of this proposal is not prohibited by the Douglas Amendment.

Competitive Considerations

Northern Trust, with total assets of $18.4 billion, controls eight banks in Illinois, Florida, Texas, Arizona, and California, and engages through other subsidiaries in various permissible nonbanking activities.[4] Northern Trust is the seventh largest commercial banking organization in Florida, controlling approximately $1.1 billion in deposits, representing less than 1 percent of total deposits in commercial banks in the state. Beach One is the 47th largest commercial banking organization in the state, controlling approximately $184 million in deposits, representing less than 1 percent of total deposits in commercial banks. Upon consummation of this proposal, Northern Trust would remain the seventh largest commercial banking organization in Florida, controlling approximately $1.3 billion in deposits, representing approximately 1 percent of total deposits in commercial banking organizations in the state.

Northern Trust and Beach One do not compete directly in any relevant banking market. Based on all the facts of record, the Board concludes that consummation of this proposal would not have a significantly adverse effect on competition or the concentration of banking resources in any relevant banking market.

Managerial and Convenience and Needs Considerations

In considering an application to acquire a depository institution under the BHC Act, the Board must consider the managerial resources of the companies and banks involved in the proposal and 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"). In reviewing this proposal, the Board has considered the fact that the Department of Justice ("DOJ") is investigating Northern Trust's Illinois banking subsidiaries, including Northern Trust's lead subsidiary bank, The Northern Trust Company, Chicago, Illinois ("Chicago Bank"), for compliance with federal fair lending statutes.[5] Chicago Bank represents approximately 81 percent of Northern Trust's total assets.

The DOJ investigation has focused primarily on a period from 1992 until early 1994. Northern Trust has addressed concerns expressed by DOJ regarding the documentation and oversight of its loan underwriting process during the time period covered by the DOJ investigation, but has denied that its Illinois banking subsidiaries violated the substantive provisions of the federal fair lending laws in processing loan applications from African Americans, Hispanics, or other minorities. Northern Trust also has submitted extensive information to the Board on steps taken and to be taken, particularly at Chicago Bank, to improve its underwriting practices and its fair lending compliance programs. The DOJ and Northern Trust are discussing the issues raised by this

1. 12 U.S.C. § 1842(d). A bank holding company's home state is that state in which the operations of the bank holding company's banking subsidiaries were principally conducted on July 1, 1966, or the date on which the company became a bank holding company, whichever is later.

2. *See* Fla. Stat. Ann. § 658.925(3)(b) (West 1984 and supp.). Effective May 1, 1995, Florida statutory law will permit bank holding companies to acquire a Florida bank or bank holding company on a reciprocal nationwide basis, provided that the Florida bank to be acquired or all banking subsidiaries of the Florida bank holding company to be acquired have been in existence and continuously operated for at least two years. *See* 1994 Fla. Sess. Laws ch. 94-203, § 1. Beach Bank has been in existence and continuously operated for more than two years.

3. Under Florida law in effect in 1982, an out-of-state bank holding company that controlled a Florida trust company as of December 20, 1972, was permitted to acquire a Florida bank. *See NCNB Corporation*, 68 *Federal Reserve Bulletin* 54 (1982); *see also* 1980 Fla. Sess. Laws ch. 80-260, § 19. Northern Trust acquired a Florida trust company under section 4 of the BHC Act before the 1972 grandfather date. *See Nortrust Corporation*, 58 *Federal Reserve Bulletin* 67 (1972).

4. Asset and deposit data are as of June 30, 1994.

5. The other Illinois banking subsidiaries of Northern Trust are: Northern Trust Bank/DuPage, Oakbrook Terrace, Illinois ("DuPage Bank"); Northern Trust Bank/Lake Forest, N.A., Lake Forest, Illinois ("Lake Forest Bank"); and Northern Trust Bank/O'Hare, N.A., Chicago, Illinois ("O'Hare Bank").

investigation, but there has been no judicial or other final resolution of this matter.

The Board has an obligation under the BHC Act to consider specified statutory factors in acting on applications. The Board must apply the criteria specified by statute on the basis of the evidence of record before the Board, and its findings must be supported by substantial evidence. In addition, the BHC Act and the Board's regulations require the Board to act on applications submitted under section 3 of the BHC Act within specified time periods.

The Board notes that it has received no comment from the public opposing this proposal or contending that Northern Trust is not serving the credit needs of its many local communities, including the low- and moderate-income neighborhoods of these communities. The Board also notes that all the banking subsidiaries of Northern Trust subject to the DOJ investigation received either "outstanding" or "satisfactory" ratings for CRA performance from their primary federal supervisors in recent examinations that covered the period after the period under review by the DOJ.[6] Examiners did not find any pattern or practice of illegal discrimination or other illegal practices intended to discourage applications for credit during the time periods covered by these examinations. Beach Bank also received a "satisfactory" rating from the FDIC at its most recent CRA examination as of January 6, 1993.

A. Compliance with Fair Lending Laws

The Board has carefully considered a number of steps taken by Northern Trust and Chicago Bank to strengthen their fair lending compliance programs and underwriting procedures. For example, in consultation with the DOJ, in 1994 Chicago Bank implemented a second review process for all mortgage and installment loans that receive a preliminary recommendation of denial. Prior to any adverse action on a loan, the complete loan file is reviewed by a senior management committee, the members of which represent several operational areas of the bank and diverse racial and ethnic backgrounds. For each loan reviewed, the committee considers the adequacy of the information obtained, the accuracy of the loan processing, and the availability of any alternative lending programs. Northern Trust also hired a new corporate consumer compliance officer with overall responsibility to design, implement, and manage a corporate consumer compliance program. In addition, Chicago Bank revised its loan underwriting guidelines to incorporate detailed and objective rules that address many issues concerning an applicant's income level, outstanding debts and obligations, and borrowing capacity not addressed or inconsistently handled under the previous guidelines.

Two new quality control officers, one for mortgage lending and the other for installment lending, have been hired by Chicago Bank and have responsibility to review and monitor all changes in procedure and recommend improvements. The success of these initiatives will be assessed by the bank's audit department, which has been restructured by assigning a team to conduct quarterly consumer compliance audits and report their findings to the bank's board of directors. This team will receive specialized training, and the bank may employ outside experts to assist in the conduct of the first audit.

The bank also has adopted a uniform loan summary sheet that serves as a checklist to ensure that consistent borrower information has been obtained and loan approval criteria have been used in every case, and a uniform installment loan application form to replace several different forms previously used and to provide the loan underwriter more complete information.[7] The bank expanded its loan tracking system to facilitate monitoring of the information obtained and assistance rendered during the loan underwriting process. All home mortgage and consumer lenders have been trained in the use of the new guidelines, forms, and procedures.

To ensure compliance with these measures, Northern Trust increased the responsibility of its fair lending policy committee for setting fair lending policy and overseeing the implementation of its policy at the holding company's subsidiary banks. For example, the committee directed each of Northern Trust's Illinois subsidiary banks to adopt the second review policy and structure developed at Chicago Bank, and has overseen the adoption of a modified second review policy at all the subsidiary banks not located in Illinois.[8]

6. In particular, the Northern Trust banks subject to the DOJ investigation received the following ratings for CRA performance: Chicago Bank, "satisfactory" as of April 25, 1994, by the Federal Reserve Bank of Chicago ("Reserve Bank"); Lake Forest Bank, "outstanding" as of March 21, 1994, by the Office of the Comptroller of the Currency ("OCC"); O'Hare Bank, "satisfactory" as of March 21, 1994, by the OCC; and DuPage Bank, "outstanding" as of November 21, 1994, by the Federal Deposit Insurance Corporation ("FDIC"). Northern Trust subsidiary banks in Texas, Arizona, and California also received "satisfactory" ratings in their most recent CRA performance examinations.

7. In particular, the Northern Trust banks subject to the DOJ investigation received the following ratings for CRA performance: Chicago Bank, "satisfactory" as of April 25, 1994, by the Federal Reserve Bank of Chicago ("Reserve Bank"); Lake Forest Bank, "outstanding" as of March 21, 1994, by the Office of the Comptroller of the Currency ("OCC"); O'Hare Bank, "satisfactory" as of March 21, 1994, by the OCC; and DuPage Bank, "outstanding" as of November 21, 1994, by the Federal Deposit Insurance Corporation ("FDIC"). Northern Trust subsidiary banks in Texas, Arizona, and California also received "satisfactory" ratings in their most recent CRA performance examinations.

8. To ensure that Beach Bank will comply with consumer lending laws following consummation of this proposal, Northern Trust has committed to the Board that CRA and consumer compliance officers of Florida Bank would have direct responsibility for consumer compliance at Beach Bank. Northern Trust would follow a detailed and specific schedule to review consumer compliance at Beach Bank, develop a comprehensive compliance manual, and implement revised procedures at the bank. In addition, Northern Trust's fair lending policy committee,

Finally, Chicago Bank has revised its incentive compensation program to encourage lending to low- and moderate-income borrowers. The bank broadened the loan product base upon which sales credit is given, in order to increase the bonus opportunities for loan officers making loans under the bank's affordable mortgage programs. In addition, Chicago Bank has opened its first branch in the predominantly minority and low- and moderate-income area of south Chicago.[9]

B. Chicago Bank's Record of Lending in its Community

Commercial Lending and Community Development Activities. The Board notes that the CRA does not require banks to use specific lending products or services to meet the credit needs of a community. Rather, the Board has, in the past, recognized the importance of allowing banks to focus their lending efforts on particular community needs in meeting their responsibilities under the CRA.[10]

The record in this case indicates that, consistent with Chicago Bank's commercial lending orientation, Chicago Bank has endeavored to meet community credit needs through commercial lending and community development activities. Several of Chicago Bank's loan programs and initiatives focus on business development, creating employment opportunities, and supporting neighborhood revitalization efforts of private developers. In 1993, for example, Chicago Bank made five loans totaling $24.8 million for economic redevelopment funded by linked deposits by the Illinois State Treasurer. The bank made three other loans to small businesses under the linked deposit program of the City of Chicago, and two loans to finance job creation under the State of Illinois Department of Commerce and Community Affairs Small Business Loan Program and the City of Chicago Department of Planning and Development Bank Loan Participation Program. Chicago Bank also is providing a $5 million revolving credit facility to be used by delivery drivers for a large food products company to purchase and independently operate their delivery routes.

Chicago Bank loaned $13.7 million during 1992 and 1993 for neighborhood revitalization through the Northern Trust Neighborhood Lending Program, a project co-sponsored by the Chicago Reinvestment Alliance, to finance housing, small businesses, and mixed-use real estate projects in low- and moderate-income neighborhoods of Cook County, Illinois. In 1993, the bank provided a $4 million line of credit to the Community Investment Corporation and committed to purchase $12.5 million of loans originated by the organization to finance the purchase or rehabilitation of multi-family housing in 20 low- and moderate-income Chicago neighborhoods. The bank committed an additional $375,000 to the Evanston Housing Mortgage Corporation for a similar purpose in Evanston, Illinois. Chicago Bank also has committed to make a $6 million loan to the Local Initiatives Support Corporation to fund equity bridge loans to help selected local community development corporations revitalize low- and moderate-income neighborhoods. Under the New Homes for Chicago Program, Chicago Bank, in cooperation with various community development corporations, during 1994 financed or committed to finance the purchase of over 45 new homes with no points and no application fee in the South Shore, West Humboldt Park, Edgewater, Marshall Square/Douglas Park, and Near Westside neighborhoods and the 37th aldermanic ward.[11]

Special Home Mortgage Products. In addition to its commercial lending and community development activities, Chicago Bank is striving to meet the home mortgage credit needs of its communities, including low- and moderate-income neighborhoods. Chicago Bank offers the First-Time Home Buyer's Club, a low-cost conventional mortgage for first-time low- and moderate-income home buyers that features no points and no application fee and provides financial counseling to help applicants increase their savings for a down payment. Chicago Bank made 320 loans under this program in 1992 and 1993. Chicago Bank also introduced a number of new home mortgage programs in 1994. These include two programs supported by the Illinois State Treasurer's linked deposit program: the American Dream Initiative, under which Chicago Bank committed to make $1 million of loans during the year featuring below-market interest rates, flexible underwriting, no private mortgage insurance, and pre-qualification credit counseling; and the HomeStart Program, under which the bank committed to make an additional $1 million of loans during the year featuring flexible underwriting, the use of gifts for a portion of the down payment, and home buyer counseling. Chicago Bank also gained approval to participate in

consumer compliance policy committee, and CRA policy committee would have ongoing responsibility to review Beach Bank's CRA and consumer compliance performance.

9. Preliminary data submitted by Chicago Bank under the Home Mortgage Disclosure Act ("HMDA") for the first three quarters of 1994 indicate increases in lending to African Americans and Hispanics.

10. *See, e.g., Dominion Bancshares Corporation*, 72 *Federal Reserve Bulletin* 787 (1986); *C&S/Sovran Corporation/Avantor Financial Corporation*, 76 *Federal Reserve System* 779 (1990).

11. Chicago Bank also participates in several government-assisted housing programs. In 1994, Chicago Bank committed $600,000 to the Chicago Family Housing Fund, a loan pool underwritten and administered by the City of Chicago Department of Housing and by Neighborhood Housing Services of Chicago for reduced rate home purchase, rehabilitation, and improvement loans. The bank does not directly underwrite FHA or VA loans, but refers all such loan applications to an independent loan broker, from which it buys back participations in the loans. The bank also purchases blocks of FHA home improvement loans from an independent bank serving the south side of Chicago.

the General Electric Community Home Buyer's Program, which allows the bank to employ more flexible loan underwriting standards for insured loans, including a higher loan-to-value ratio and the use of gifts for a portion of the down payment. Finally, Chicago Bank has signed agreements with two loan brokers serving south Chicago, including the low- and moderate-income neighborhoods in this area, to market its entire array of community lending programs.

Ascertainment and Marketing. Chicago Bank employed African-American and Hispanic focus groups in a study of its products and services in November 1993, and employed a focus group of realtors serving African-American and low- and moderate-income neighborhoods to study the credit needs of these areas in February 1994. Chicago Bank also has an extensive officer call program, which regularly contacts several organizations serving minority and low- and moderate-income areas of the community. This call program has led to the introduction of several credit programs for low- and moderate-income individuals, including low-interest rate installment loans secured by a savings account, low-cost home equity loans, and a credit repair counseling program.

Chicago Bank relies extensively on product-specific newspaper and radio advertising. The bank advertises in newspapers oriented to African-American readers, in Spanish-language newspapers, and in neighborhood newspapers in south Chicago. In addition, it advertises on radio stations with primarily African-American and Spanish speaking listeners. Direct mail advertising also has been used to market the low-cost home equity and secured installment loan programs described above, and "back-to-school" loans have been advertised in fliers distributed to community groups, churches, and neighborhood associations. The bank's management expects the recent opening of the bank's first full-service branch on Chicago's south side to increase the effectiveness of its advertising and its officer call program in this area.

Conclusion Regarding Managerial and Convenience and Needs Factors

The Board has carefully considered the entire record available to it in reviewing these applications under the factors specified in the BHC Act, including the views of the DOJ on compliance by Northern Trust and its Illinois banking subsidiaries with the federal fair lending laws and the steps subsequently taken by Northern Trust to improve its record of performance in this area. The DOJ investigation, however, focused on the period from 1992 until early 1994. The Board has reviewed information concerning Chicago Bank's record of performance during the first three quarters of 1994, additional corrective measures implemented by Northern Trust and Chicago Bank during 1994 and early 1995, and results of CRA examinations of all the banks subject to the DOJ investigation conducted subsequently to the DOJ investigation. On the basis of all the facts of record, and for the reasons discussed in this order, the Board concludes that managerial and convenience and needs factors, including the CRA performance of Chicago Bank, are consistent with approval of these applications, and that the record does not provide a basis to deny these applications under the statutory factors the Board must consider in applications of this type. In acting on these applications, the Board has considered that its actions will not hinder the DOJ in any action that may result from its investigation. The Board will monitor the DOJ investigation, and it will monitor Chicago Bank's progress in implementing the programs and procedures discussed in this order and the effects of those efforts through the submission of quarterly reports to the Reserve Bank. The Board expects Northern Trust, Chicago Bank, and the other Chicago area banking subsidiaries of Northern Trust to continue their efforts to improve their internal procedures and to increase their lending to minority and low- and moderate-income borrowers in their delineated communities. The Board retains authority to take appropriate supervisory action, including action on future applications by Northern Trust or Chicago Bank, if warranted.

Other Considerations

The Board also concludes that the financial resources and future prospects of Northern Trust, Northern Florida, Beach One, and their respective subsidiary banks, 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, including the conditions described in this order, commitments by Northern Trust in connection with these applications, and in light of all the facts of record, the Board has determined that these applications should be, and hereby are, approved. The Board's approval is specifically conditioned on compliance by Northern Trust with all conditions and commitments made in connection with these applications as well as the conditions discussed in this order. The commitments and conditions relied on by the Board in reaching this decision are both 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 before the fifteenth calendar day following the effective date of this order, and shall not be consummated later than three months following the effective date of this order, unless such period is extended for good cause by the Board or by the Federal Reserve Bank of Chicago, acting pursuant to delegated authority.

By order of the Board of Governors, effective March 1, 1995.

Voting for this action: Chairman Greenspan and Governors Kelley, LaWare, Lindsey, and Phillips. Voting against this action: Vice Chairman Blinder and Governor Yellen.

JENNIFER J. JOHNSON
Deputy Secretary of the Board

Dissenting Statement of Vice Chairman Blinder and Governor Yellen

We dissent not because we think the application should be denied, but because we believe it wise to wait a short while for more pertinent information.

The evidence presented to the Board to date raises substantial questions about the adequacy of Chicago Bank's policies and practices designed to ensure that all loan applicants have equal opportunity to obtain credit. This evidence includes the conclusions from an investigation by DOJ, although the record available to us does not contain the evidence gathered by the DOJ. Based on all the facts of record, including a recent examination of Chicago Bank by the Reserve Bank, we do not think that the evidence before the Board sustains a finding of illegal discrimination.

Chicago Bank now appears to be making good faith efforts to address its deficiencies in the fair lending area. These steps may well prove sufficient, but many of them are yet to be taken. Thus, in our view, it seems impossible to find that Chicago Bank already has "the necessary policies in place and working well," as required by the Agency CRA Statement.

While we realize that there have been delays in this case, significant new information will be available shortly. First, we note that Northern Trust and DOJ are discussing the issues raised by the DOJ investigation, and these discussions could be completed in the near future. Although we do not believe as a matter of policy that applications should be delayed for pending investigations, information from these discussions, if provided expediently, could be very important in deciding this case. Second, Chicago Bank's first quarterly status report to the Reserve Bank on the bank's progress in addressing problems in the fair lending area is due by April 30, 1995. These two pieces of information, we believe, would put the Board in a much better position to make a determination.

As noted above, we are not prepared to argue that this application should be denied on the basis of illegal discrimination in light of the facts available to the Board. However, we do think this is an inappropriate time for the Board to make its decision for the reasons previously discussed.

March 1, 1995

Orders Issued Under Section 4 of the Bank Holding Company Act

Banc One Corporation
Columbus, Ohio

CoreStates Financial Corp
Philadelphia, Pennsylvania

PNC Bank Corp.
Pittsburgh, Pennsylvania

KeyCorp
Cleveland, Ohio

National City Corporation
Cleveland, Ohio

Order Approving Notices to Acquire Certain Data Processing Assets and to Engage in Certain Nonbanking Activities

Banc One Corporation, Columbus, Ohio; CoreStates Financial Corp, Philadelphia, Pennsylvania; PNC Bank Corp., Pittsburgh, Pennsylvania; and KeyCorp, Cleveland, Ohio (collectively, "Current Owners"), bank holding companies within the meaning of the Bank Holding Company Act ("BHC Act"), have given notice pursuant to section 4(c)(8) of the BHC Act (12 U.S.C. § 1843(c)(8)) and section 225.23(a) of the Board's Regulation Y (12 C.F.R. 225.23(a)) to acquire certain data processing assets of a fifth bank holding company, National City Corporation, Cleveland, Ohio ("National City", and, together with Current Owners, collectively, "Applicants"). The acquisition would be made through the Current Owners' existing joint venture subsidiary, Electronic Payment Services, Inc., Wilmington, Delaware ("EPS"), and would include all of National City's automated teller machine ("ATM") assets and some of its point of sale ("POS") assets.[1] In addition, National City has given notice of its intention to become an equity owner of EPS.[2]

1. National City's POS processing subsidiary, National City Processing Company, would not be acquired as part of this transaction.

2. Keycorp also has given notice of its intention to increase its equity ownership in EPS. As a result of this proposal, each of the Applicants would own a 20 percent interest in EPS. As used herein, the term "EPS" includes the operating subsidiaries of EPS, unless the context clearly indicates otherwise.

Notice of this proposal, affording interested persons an opportunity to submit comments, has been published (59 *Federal Register* 44,149 (1994)). The time for filing comments has expired, and the Board has considered the notices and all comments received in light of the factors set forth in section 4(c)(8) of the BHC Act.

On the basis of all the facts of record, including comments received from organizations opposing this proposal, the notices are approved for the reasons set forth in the Board's Statement, which will be released at a later date. The Board also has denied requests for a hearing on the proposal.

The Board's approval is specifically conditioned on Applicants' compliance with the commitments made in connection with these notices. The Board's determination also is subject to all of the conditions set forth in Regulation Y, including those in sections 225.7 and 225.23(b) of Regulation Y (12 C.F.R. 225.7 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 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 Cleveland or the Federal Reserve Bank of Philadelphia, acting pursuant to delegated authority.

By order of the Board of Governors, effective March 1, 1995.

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

JENNIFER J. JOHNSON
Deputy Secretary of the Board

Banc One Corporation
Columbus, Ohio

CoreStates Financial Corp
Philadelphia, Pennsylvania

PNC Bank Corp.
Pittsburgh, Pennsylvania

KeyCorp
Cleveland, Ohio

National City Corporation
Cleveland, Ohio

Statement by the Board of Governors of the Federal Reserve System Regarding Notices to Acquire Certain Data Processing Assets and to Engage in Certain Nonbanking Activities

By order dated March 1, 1995, the Board approved the notices pursuant to section 4(c)(8) of the Bank Holding Company Act (12 U.S.C. § 1843(c)(8)) ("BHC Act") and section 225.23(a) of the Board's Regulation Y (12 C.F.R. 225.23(a)) of Banc One Corporation, Columbus, Ohio; CoreStates Financial Corp, Philadelphia, Pennsylvania; PNC Bank Corp., Pittsburgh, Pennsylvania; and KeyCorp, Cleveland, Ohio (collectively, "Current Owners"), bank holding companies within the meaning of the BHC Act, to acquire certain data processing assets of a fifth bank holding company, National City Corporation, Cleveland, Ohio ("National City", and, together with Current Owners, collectively, "Applicants"). Under this proposal, the acquisition would be made through the Current Owners' existing joint venture subsidiary, Electronic Payment Services, Inc., Wilmington, Delaware ("EPS"), and would include all of National City's automated teller machine ("ATM") assets and some of its point of sale ("POS") assets.[1] The Board also approved National City's notice of its intention to become an equity owner of EPS.[2]

Notice of this proposal, affording interested persons an opportunity to submit comments, has been published (59 *Federal Register* 44,149 (1994)). The time for filing comments has expired, and the Board has considered the notices and all comments received in light of the factors set forth in section 4(c)(8) of the BHC Act.

Applicants are large commercial banking organizations headquartered in Ohio and Pennsylvania,[3] and engage directly and through subsidiaries in a broad range of banking and permissible nonbanking activities in the United States. EPS currently provides data processing and transmission services to banks and retail merchants

1. National City's POS processing subsidiary, National City Processing Company, would not be acquired as part of this transaction.

2. The Board also approved Keycorp's notice of its intention to increase its equity ownership in EPS. As a result of this proposal, each of the Applicants would own a 20 percent interest in EPS. As used herein, the term "EPS" includes the operating subsidiaries of EPS, unless the context clearly indicates otherwise.

3. Asset and deposit information for each of the Applicants is contained in the Appendix.

who are members of EPS's branded ATM and POS network ("MAC").[4] EPS also is engaged in developing and providing a variety of electronic payment, benefit transfer, and data interchange services.[5]

Section 4(c)(8) of the BHC Act provides that a bank holding company may, with Board approval, engage in any activity that the Board determines to be "so closely related to banking or managing or controlling banks as to be a proper incident thereto." The Board previously has determined that all the activities proposed in these notices are closely related to banking within the meaning of section 4(c)(8) of the BHC Act.[6] Applicants would conduct these activities in accordance with Regulation Y and previous Board decisions.

To approve these transactions, the Board also must determine that the performance of the proposed activities by Applicants through EPS "can reasonably be expected to produce benefits to the public . . . that outweigh possible adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interests, or unsound banking practices."[7]

The Board has received comments opposing this proposal from an electronic funds transfer ("EFT") network ("Money Station") and several banking organizations that operate in Ohio and adjacent states (collectively, "Protestants"). Protestants generally allege that consummation of the proposal would result in significant anticompetitive effects in the market for ATM services in the Ohio-Kentucky-Pennsylvania region, and particularly in certain areas in Ohio.[8] Protestants also believe that this proposal would not result in benefits to the public that would outweigh possible adverse effects as required by section 4(c)(8) of the BHC Act, and requested that the Board hold a hearing on the proposal.

The Board has carefully considered these comments in light of all the facts of record, including the extensive written submissions from both Applicants and Protestants. The record of this matter also has been developed through an informal meeting among Federal Reserve System staff, Applicants, and Protestants for the purpose of receiving additional information and clarifying issues in this case.[9] In addition, the Board has reviewed these notices in light of the recent proceeding between EPS and the Department of Justice ("DOJ"). EPS and DOJ have entered into a consent decree ("Consent Decree") that requires EPS to modify certain operational practices of the MAC network.[10] In addition, DOJ conducted an investigation of the competitive effects of the transactions between National City and EPS during the processing of these notices, and has not objected to approval of this proposal.

Competitive Considerations

In order to determine whether a particular transaction is likely to decrease competition, the Board traditionally has considered the area of effective competition between parties. The area of effective competition has been defined by reference to the line of commerce, or product market, and a geographic market. The Board has carefully considered the relevant product and geographic markets in which to analyze the competitive effects of this proposal in light of all the facts of record, including information provided by Applicants and Protestants, the geographic scope of and services provided by existing ATM networks and other providers of EFT services, and legal precedents in this area.

In this case, for example, MAC provides three distinct services to its network members:

(1) Network access (access to an ATM network identified by a common trademark or logo displayed on ATMs and ATM cards);[11]

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

5. *See Banc One Corporation, et al.*, 79 *Federal Reserve Bulletin* 1158 (1993) ("1993 EPS Order").

6. *See* 12 C.F.R. 225.25(b)(7) and 1993 *EPS Order*. As part of this proposal, EPS would engage in merchant processing services (the settlement and reconciliation of merchants' POS transactions and related data processing activities). The Board believes that this activity is within EPS's previous authorization to engage in data processing activities under Regulation Y.

7. *See* 12 U.S.C. § 1843(c)(8).

8. Protestants also generally object to the competitive effects of the proposal on the provision of POS services in these areas. As previously noted, EPS would acquire only a portion of National City's POS assets, consisting of a single merchant account, and National City would retain its POS processing subsidiary. Based on all the facts of record, the Board believes that this aspect of the proposal is *de minimis* and would not significantly affect competition in any market for POS-related services in light of the number of actual and potential competitors in these markets.

9. *See* 12 C.F.R. 262.25(c).

10. The DOJ filed a complaint against EPS in April 1994, in the United States District Court for the District of Delaware, alleging that certain operating practices of the MAC network violated sections 1 and 2 of the Sherman Act (15 U.S.C. §§ 1 and 2). This action was resolved by agreement of the parties ratified in a final judgment entered on October 14, 1994, after opportunity for public comment. *See* 59 *Federal Register* 24,711 and 44,757 (1994).

11. Network access includes providing:

(1) The right to "brand" ATMs and ATM cards with the trademark or logo of the ATM network;

(2) The ability of an ATM cardholder with an account at one member depository institution to initiate withdrawal and other account transactions at an ATM owned by another depository institution that is a member of the same network; and

(3) Minimum standards for network performance and products offered through the network.

(2) Network services (the switching functions for the network);[12] and

(3) ATM processing (the data processing and telecommunications facilities used to operate, monitor, and support a bank's ATMs).[13]

In contrast to MAC, some networks directly provide only network access (with network services and ATM processing generally being provided through third parties),[14] while other networks provide network access and network services separately from ATM processing.[15] In this regard, several regional or national firms offer network switching services and ATM processing services to unaffiliated networks and their members.[16]

The Board notes that ATM networks have been recognized as encompassing separate product markets. For example, the DOJ concluded in the Consent Decree that network access and ATM processing by MAC constituted separate product markets for antitrust purposes.[17] The Consent Decree further indicates that switching may be a service distinct from ATM processing.[18] On the basis of these considerations and all the other facts of record, the Board concludes that network access, network services, and ATM processing constitute the relevant product markets for evaluating the competitive effects of this proposal.

The Supreme Court has indicated that the appropriate geographic market for each relevant line of commerce is the area in which the effect of a transaction will be direct and immediate.[19] The Board notes that early ATM networks typically were composed of banks that used their ATMs for cash-dispensing purposes, and were confined to branches in local banking markets. More recently, however, local ATM networks have consolidated in an effort to enhance the value of their services to customers through the economies of ubiquity.[20] A recent survey of the 50 largest regional shared EFT networks indicated that 17 networks identified their markets as encompassing two to five states, while 21 networks had markets of six to 15 states and four networks had markets of more than 15 states.[21] In addition, a study conducted by Federal Reserve System staff suggests that the geographic market for network access is an area significantly larger than local banking markets.[22] The Board also believes that the markets for network services and ATM processing are at least regional.[23] Moreover, the Board notes that the DOJ considered MAC a regional ATM network in the Consent Decree.[24]

For these reasons, and based on all the facts of record, the Board believes that the appropriate geographic market area for MAC's product lines is a region composed of several states, and that MAC has a competitively significant presence in the following three regions: New England (Maine, New Hampshire, Vermont, Massachusetts, Rhode Island, Connecticut, and upstate New York); Middle Atlantic (southern New York, New Jersey, most of Pennsylvania, Delaware, and a portion of Maryland outside the Washington-Baltimore area); and Mideast

12. Switching functions are provided by means of an "ATM switch", which is a telecommunications and data processing facility operated by or on behalf of an ATM network and used to receive and route transactions from ATMs or ATM processors to data processing facilities used by depository institutions to authorize ATM transactions. Network services also may include "gateways" between regional networks. With a gateway, the transaction can be routed directly from the network of the ATM owner to the network of the card issuer, without passing through a national ATM network. Access to other networks may be provided through these regional network gateways or through the use of third-party processors. *See* 59 *Federal Register* 44,759 (1994) (discussion by DOJ of comments received on the Consent Decree).

13. ATM processing includes the provision of terminal driving, transaction routing and authorization, and account reconciliation services.

14. Two of the five largest shared regional networks (STAR and MOST) provide network access but do not provide their own switching services. *See Bank Network News* (November 1994).

15. For example, before the merger of the Yankee 24 and NYCE regional ATM networks, approximately 96 percent and 68 percent of the networks' members, respectively, relied on third parties for ATM processing. Member depository institutions also may provide ATM processing to themselves (as so-called "intercept processors").

16. Examples of these firms include Deluxe Data Systems and Electronic Data Systems. *See Bank Network News* (November 1994).

17. *See* 59 *Federal Register* 24,712 (1994).

18. The Consent Decree defines the function of an ATM switch as routing transactions from "ATMs or ATM processors." The term "MAC switch" is defined as an ATM switch "operated by or on behalf of, or providing such functionality for branded ATM network access to" MAC. *See* 59 *Federal Register* 24,712 (1994).

19. *United States v. Philadelphia National Bank*, 374 U.S. 321, 357 (1963).

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

21. *See Bank Network News* (November 1994). Only eight networks identified a single state as their market. Currently, five ATM networks are recognized as "national" networks. These networks are regarded in the industry as networks of last resort in the sense that they are used only when two banks involved in a transaction are not members of the same regional network. National networks typically provide more basic services and charge higher fees than regional networks. The two largest national networks, CIRRUS and PLUS, are operated by MasterCard and VISA, respectively.

22. *See* McAndrews and Kauffman, "Network Externalities and Shared Electronic Banking Network Adoption," Working Paper No. 93-18, November 1993, Federal Reserve Bank of Philadelphia.

23. Companies are able to provide ATM processing and network services through data processing and telecommunications facilities without regard to the physical proximity of their customers. Some firms provide nationwide ATM processing and network services. The Board notes that any increase in the size of the geographic markets beyond a certain region would tend to decrease any adverse competitive effects of this proposal because additional existing and potential competitors would be included in the relevant product markets.

24. *See* 59 *Federal Register* 24,711 (1994).

(western Pennsylvania, Ohio, Indiana, Kentucky, and West Virginia). In light of National City's banking presence in Ohio, Indiana, and Kentucky, the appropriate geographic market in which to analyze the competitive effects of this proposal is MAC's Mideast region.

Under this proposal, EPS would acquire National City's branded ATM network ("MoneyCenter"), which operates in Ohio, Indiana, and Kentucky.[25] MoneyCenter operates as a network to serve only National City's subsidiary banks, as opposed to a "shared" network.[26] In this capacity, MoneyCenter provides branded network access only to banks that are subsidiaries of National City.[27] EPS, by contrast, provides branded network access to MAC member institutions that are unaffiliated with the banking organizations that own MAC, as well as to affiliated institutions, through a shared network. MoneyCenter also provides network services and ATM processing only to its affiliated banks.[28] EPS, on the other hand, offers network services and ATM processing to all its member institutions. As a result, National City does not compete with EPS for new network members, does not seek to enhance the value of its network's trademark in competition with MAC, and does not compete with MAC for switching volume or ATM processing contracts. Accordingly, National City does not compete with MAC in the markets for network access, network services, or ATM processing. This proposal, therefore, would not result in the loss of an existing competitor in any of the relevant product markets within the Mideast region.

Protestants contend, however, that consummation of this proposal would adversely affect existing competition, including competition with Money Station and other ATM networks in the area, because after the acquisition there would be an economic incentive for National City to remove its ATM cards and terminals from any network affiliation other than MAC.[29] The Board believes that Protestants' concerns regarding these potential effects on direct competition are speculative at this time because MAC's equity owners are permitted to be, and in fact are, members of competing regional ATM networks. Moreover, even if all of National City's ATM terminals were converted to provide access only to the MAC network, the effect on competition of such a development should be considered at that time in light of all the relevant facts, including the effects of the Consent Decree and other events that may occur within the region.

Protestants also contend that this proposal would decrease competition and result in other adverse effects under section 4(c)(8) of the BHC Act by solidifying the affiliation of National City's ATM cardholders and terminals with the MAC network through National City's equity ownership. Protestants believe that such an affiliation would result in the elimination of National City as a potential competitor of EPS and a significant increase in the barriers to entry or expansion for potential or existing ATM network competitors. In Protestants' view, this proposal increases the difficulty for existing or potential competing ATM networks to retain or assemble the necessary "critical mass" of terminals and cardholders required by economic considerations, such as economies of scale and ubiquity, to be effective competitors of MAC. Because of the combined relative size of National City's operations and the Ohio- and Kentucky-based operations of the Current Owners, Protestants believe that these adverse effects of this proposal are particularly significant in Ohio and Kentucky.

The facts of record do not support the view that National City would be particularly likely to enter any relevant product market in the Mideast region independently, or through another joint venture in competition with MAC, if this proposal were denied. The Board notes that National City abandoned its attempts to form a new regional ATM network with other large banking organizations in 1992, and instead became a participating member of the MAC network. National City also has ceased offering ATM processing services to unaffiliated third parties, for example, by allowing ATM processing contracts obtained through acquisitions of other banking organizations to expire. In addition, MAC would remain subject to actual and potential competition from other providers of EFT services, including other regional networks, the national ATM networks, and third-party providers of network services and ATM processing.

Moreover, the Board previously has determined that ATM network operating rules are an important consideration in assessing the competitive impact of a proposal

25. National City owns approximately 500 ATMs in Ohio, 270 in Indiana, and 125 in Kentucky.

26. A shared network generally is accessible to cardholders of many unaffiliated institutions that elect to become members of the network, and is often a joint venture owned by some or all of the network's members.

27. Cardholders of institutions belonging to certain other branded ATM networks also may conduct transactions at National City's ATM terminals.

28. Until recently, National City provided ATM processing for a limited number of banks pursuant to processing contracts that were acquired in a 1992 acquisition. The record indicates that the last of these contracts terminated in October 1994, and that National City has not advertised this service or sought any new processing business.

29. Protestants attempt to quantify MAC's alleged increased market share resulting from this proposal through calculations based on the number of ATM terminals branded by MAC and ATM terminals owned by EPS's shareholders. Because National City does not currently compete with MAC in any relevant market, this proposal would not produce an increase in MAC's market share. However, it should be noted that data on ATM ownership do not sufficiently account for the impact that co-branded ATM terminals could have on the calculation of market shares or changes in market shares, or for the fact that National City currently is a participating member of the MAC network.

under the section 4(c)(8) factors.[30] In this case, the Board has given careful consideration to a number of steps implemented under the Consent Decree that promote competition and access to the MAC network.

Under the terms of the Consent Decree, EPS may not require depository institutions that obtain ATM network access services from MAC also to obtain ATM processing services from MAC. Third-party processors can provide banking organizations in the MAC network, particularly small banks, with a competitive alternative to MAC's ATM processing services. Moreover, these third-party processors also can provide a channel for entry by competing regional ATM networks. In particular, a third-party processor may maintain connections to several regional ATM networks, any one of which would then be able to reach banks that are connected with the processor. These connections can reduce costs and entry barriers for those networks seeking to attract new members and thereby compete with MAC or other networks.

MAC has permitted dual network memberships since 1992, and if the ATM card and the ATM terminal used in a transaction both have more than one common trademark or logo, the card issuer can generally elect, under MAC's routing rules, which network would process the transaction. Under the Consent Decree, MAC must permit its members to display multiple network trademarks on all of their ATM terminals. MAC also must permit multiple branding of ATM cards issued by MAC members in several states where MAC has or could soon gain market power, including Ohio.[31]

Protestants claim that other provisions of MAC's current operating rules, not covered by the Consent Decree, have serious anticompetitive effects. For example, Protestants contend MAC's routing rules and various fees thwart any procompetitive effects achieved under the decree. In particular, Protestants argue that MAC's prohibition on subswitching, and MAC's rights under the Consent Decree to charge a royalty fee if subswitching were to be permitted, diminish the procompetitive effects of allowing third-party processors.[32] The Consent Decree did not enjoin MAC from prohibiting subswitching. Moreover, the DOJ did not conclude that MAC's prohibition on subswitching was a substantial barrier to entry, and expressly permitted MAC to assess royalty fees in the event that subswitching were allowed. Other rules and fees cited by Protestants, including MAC's requirement that national network transactions be routed through the MAC network and MAC's holding company rule that generally requires membership of all affiliated banks, were reviewed by the DOJ and were not made subject to any remedy in the Consent Decree.

Protestants also maintain that because of MAC's alleged history of engaging in anticompetitive practices, the anticompetitive conduct that the Consent Decree sought to restrain will continue. Protestants suggest that MAC's execution of long-term ATM processing contracts with smaller network banks after entry of the Consent Decree, MAC's delay in certifying third-party processors that would then be able to offer processing services to MAC members pursuant to the Consent Decree, and MAC's failure to inform some network members of the effects of the decree support their belief that MAC will continue in practice to require MAC members to obtain ATM processing services from MAC, and otherwise to continue to engage in anticompetitive conduct, notwithstanding the Consent Decree.

The Board notes that the Consent Decree recently became effective, and that its terms are designed to achieve procompetitive effects over time during the ten-year duration of the decree. In addition, the Board does not conclude from the facts alleged by Protestants that MAC has violated provisions of the Consent Decree, including the provisions requiring the completion of third-party processor certification in a reasonably prompt manner. If violations should occur in the future, the DOJ may enforce the provisions of the decree in the courts. Moreover, as noted previously, the DOJ has reviewed this proposal in light of the Consent Decree, and has raised no objection based on its investigation of the National City acquisition and equity investment.[33]

For these reasons, and based on all the facts of record, the Board concludes that this proposal would not result in significant adverse effects on the competitive considerations required to be reviewed under the section 4(c)(8) standard.

30. *See generally The Bank of New York Company, et al.*, 80 *Federal Reserve Bulletin* 1107 (1994).

31. *See* 59 *Federal Register* 24,721 (1994).

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

33. Protestants also raise issues with respect to EPS's publicly announced position that the Consent Decree's provisions restricting MAC from prohibiting co-branding of its ATM cards does not apply to ATM cards that contain an integrated circuit computer chip with a stored value function (so-called "smart cards"). Since EPS has not made smart cards available to its members, and in view of the state of development of this product and the uncertainty of its ultimate effect on the EFT industry, the Board believes that Protestants' concerns in this regard are both speculative and premature. In addition, the Board notes that the DOJ disagrees with EPS's interpretation of the Consent Decree, and maintains that the decree's restrictions apply to the ATM functions of a smart card. Moreover, the DOJ has stated that the Consent Decree does not give EPS the "right" to prohibit multiple branding of smart cards, and that any prohibitions EPS may implement in the future with respect to smart cards would remain subject to the antitrust laws and scrutiny by the DOJ. The Board also notes that the DOJ has full statutory authority to seek remedies for any illegal anticompetitive practices by EPS, as well as to enforce the terms of the Consent Decree.

Other Considerations

The Board also must consider under section 4(c)(8) of the BHC Act whether a proposal may result in an undue concentration of resources. Initially, the Board notes that the inclusion of undue concentration of resources as an adverse effect in the section 4(c)(8) balancing test appears to reflect a congressional concern that the combination of large banking and nonbanking organizations might be contrary to the public interest.[34] The transaction contemplated here does not involve the combination of a large banking organization with a large nonbanking business, or the merger of large regional shared EFT networks, but instead would result in additional equity investments in a single regional data processing and transmission joint venture already owned by banking organizations.

It has been recognized that MAC has a significant position in ATM network access services in certain states in the Mideast region.[35] However, the significant position of a regional ATM network is not, standing alone, contrary to the public interest. Network externalities, such as the economies of ubiquity, tend to promote consolidation of regional ATM networks. As a result, in various geographic areas, like the Mideast region, dominant ATM networks have been emerging throughout the EFT industry.[36] One recent study indicates that the ten largest regional networks now account for 80 percent of all regional ATM network transactions in the United States.[37] In this light, the Board believes that, as a result of economic and market structure conditions, regions are likely to have one dominant ATM network.

Moreover, while approval of this proposal would permit MAC to obtain control of National City's ATM assets, it is at best speculation that the availability of National City's ATM terminals for access to competing networks would be altered by the terms of this proposal. All MAC member terminals would remain available, under the MAC rules, for transactions by cardholders of other regional ATM networks. The MAC rules specifically provide for membership in other regional networks, and MAC members, including members that are equity owners, do in fact participate in other regional networks throughout the United States as well as in some of the national networks. In this regard, the Board notes that in Ohio, which has been identified by Protestants and DOJ as an area where MAC has market power, a MAC member, under an agreement between MAC and Money Station, is permitted to allow cardholders of Money Station network members to conduct transactions at ATMs owned by the MAC member. This proposal would not alter the terms of the MAC/Money Station agreement.[38] For these reasons, and based on all the facts of record, the Board concludes that consummation of this proposal would not result in undue concentration of resources.

In all cases under section 4(c)(8) of the BHC Act, the Board also considers the financial and managerial resources of the applicants and their subsidiaries, and any company to be acquired, and the effect of the proposal on those resources.[39] Based on all the facts of record, the Board concludes that financial and managerial considerations are consistent with approval of this proposal.[40]

Based on a review of the record, including the considerations discussed above, the Board finds that this proposal is not likely to result in any significant unfair competition, conflicts of interests, unsound banking practices, or other adverse effects.[41]

34. *See Citicorp v. Board of Governors of the Federal Reserve System*, 589 F.2d 1182, 1190-91 (2d Cir. 1979), *aff'g Citicorp*, 64 *Federal Reserve Bulletin* 321 (1978) (application by nation's third largest banking organization to acquire nation's fourth largest mortgage banker denied in part on undue concentration of resources grounds).

35. Although MAC is one of the nation's largest ATM networks, the Board notes that there are a number of other large ATM networks serving regions where MAC has a small competitive presence, and that this proposal would have a *de minimis* effect on the concentration of resources in the EFT industry nationwide.

36. For example, Southeast Switch, Inc., operator of the Honor network, is the dominant firm in the southeastern United States, while InfiNet Payment Services, Inc., operator of the NYCE and Yankee 24 networks, has a dominant position in the northeastern United States.

37. For example, Southeast Switch, Inc., operator of the Honor network, is the dominant firm in the southeastern United States, while InfiNet Payment Services, Inc., operator of the NYCE and Yankee 24 networks, has a dominant position in the northeastern United States.

38. Protestants contend that the agreement may be cancelled with six months' prior notice. The Board believes that whether this event would occur, or would lead to an undue concentration of resources or other adverse effects, is speculative at this time and would depend on a number of factors, including the effects of the Consent Decree.

39. *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).

40. The Board has reviewed Protestants' allegations that misstatements were made by Current Owners in their 1992 applications to form EPS. Protestants contend that Current Owners failed to present to the Board potential adverse competitive effects that could result from the formation of EPS. In addition, Protestants point to several alleged differences between presentations of procompetitive considerations described in the 1992 applications and the current notices, including matters relating to the procompetitive role played by National City and Money Station and the subsequent withdrawal by some Current Owners from competing ATM networks such as Money Station and Quest (a branded ATM network in Kentucky that will cease operations this year). The Board believes that these matters raised by Protestants concern judgments and inferences about competitive effects to be drawn from the facts of record in each case, and do not involve misrepresentations of material fact. The Board also notes that the record does not indicate any failure by Current Owners to comply with any of the commitments relied on by the Federal Reserve System as a basis for approving the 1992 applications. Moreover, the Board believes that the potential adverse effects of this proposal have been fully developed in this protested proceeding. On the basis of these considerations and all the other facts of record, the Board believes that managerial considerations are consistent with approval of this proposal.

41. Protestants believe that consumer convenience would be adversely affected by the possibility that National City's ATM cards and terminals would access the MAC network exclusively. The Board believes that this concern is too speculative at this time to represent a

Public Benefits

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

Both National City and KeyCorp propose to make significant cash investments to purchase or increase their respective equity positions in the operations of EPS, including the MAC network. The capital infusions resulting from these investments should enable EPS to continue and to expand its research and development efforts, and thereby improve its ability to develop and offer to the public innovative electronic banking and funds transfer products, such as stored value cards and home banking services.

Protestants also dispute generally EPS's claims that public benefits would result from this proposal and, in particular, the claim that this proposal would result in innovative electronic banking products and services. While the Board recognizes that some of these products are already offered in some form, the Board believes that the availability of these products throughout a broad-based ATM network such as MAC represents some public benefit. Similarly, while the Board believes that EPS already has made substantial progress in developing these products without the contemplated capital infusions, the enhanced research and development capabilities generated by these investments should improve EPS's ability to introduce these products sooner, to ensure the quality of the products being offered, and to present the products to a broad customer base. The Board also believes that the broader ownership base of EPS should improve the probability of success for new products by increasing the number of financial institutions and consumers that are likely to use these products in earlier stages of development.

Based on the foregoing and all the other facts of record, the Board has determined that consummation of this proposal would not result in any significant adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interests, or unsound banking practices, that would not be outweighed by the benefits to the public that may reasonably be expected to result from this proposal. Accordingly, the Board concludes that the balance of the public interest factors that it is required to consider under section 4(c)(8) of the BHC Act is favorable, and consistent with approval of this proposal.

Request for a Hearing

Protestants have requested that the Board hold a hearing on these notices. To support this request, Protestants allege that a number of issues of material fact are in dispute, including issues that would require a hearing to:

(1) Quantify the anticompetitive impact of this proposal;

(2) Show whether the Consent Decree has had procompetitive effects;

(3) Ascertain whether MAC has engaged in anticompetitive practices; and

(4) Evaluate the public benefits Applicants allege would result from this proposal.

Section 4(c)(8) of the BHC Act provides that a bank holding company may, with Board approval and "after due notice and *opportunity for hearing*", engage in certain nonbanking activities [emphasis supplied]. Under the Board's rules, a formal hearing will be ordered under section 4(c)(8) "only if there are disputed issues of material fact that cannot be resolved in some other manner."[42] Since the Bank Holding Company Act Amendments of 1970 ("1970 Amendments"),[43] it has become well established that a formal hearing is not required on every section 4(c)(8) application.[44] The courts have uniformly interpreted the 1970 Amendments in light of relevant legislative history, which reflects that evidentiary hearings are to be reserved only for cases

significant potential adverse effect for the reasons previously discussed, including the agreement between MAC and Money Station which permits a MAC member to allow cardholders of Money Station network members to conduct transactions at ATMs owned by the MAC member. Protestants also contend that Applicants have an inherent conflict of interest between earning profits from the operation of MAC and obtaining the lowest ATM costs for their cardholders, and that MAC's history of anticompetitive operating practices and its elimination of competitors through acquisitions weighs against approval. The conflicts identified by Protestants are potentially present in all the joint ventures that currently own ATM networks, and in all proposals to provide nonbanking services to affiliated financial institutions. The Board also notes that MAC's past practices have been addressed by the Consent Decree. It is the Board's view that these contentions do not raise potential adverse effects that would weigh significantly in favor of denial of this proposal.

42. 12 C.F.R. 225.23(g). A hearing request must also "include a statement of why a written presentation would not suffice in lieu of a hearing, identifying specifically any questions of fact that are in dispute and summarizing the evidence that would be presented at a hearing." 12 C.F.R. 262.3(e).

43. *See* Pub. L. 91-607, Title I, § 103, 84 Stat. 1763 (December 31, 1970).

44. *See Connecticut Bankers Association v. Board of Governors of the Federal Reserve System*, 627 F.2d 245, 250 (D.C. Cir. 1980) ("*Connecticut Bankers*"); *American Bancorp, Inc. v. Board of Governors of the Federal Reserve System*, 509 F.2d 29, 35 (8th Cir. 1974) ("*American Bancorp*").

"where a contest is raised."[45] Moreover, even when a contest is raised, the statute and its legislative history have not been interpreted as requiring a formal hearing in every case, even when the protestant has alleged that there are disputed questions of fact.[46] Rather, the Board is required to grant a full evidentiary hearing to interested parties only when there is a dispute as to facts that are material to the Board's decision.[47]

In American Bancorp, the court noted that "not every list of unanswered factual issues will unlock the door to a trial-type hearing."[48] The dispute must be a meaningful one, justifying a substantial, in-depth inquiry. The Board is not required to "investigate every potential adverse contingency which a contestant hypothesizes."[49]

Protestants and Applicants have had the opportunity to present, and have submitted, substantial written materials as part of the record in this case. In addition, as noted previously, the record in this case has been developed through an informal meeting among Federal Reserve System staff, Applicants, and Protestants. After a careful review of all the facts of record, the Board believes that Protestants' request disputes the weight accorded to, and the conclusions that may be drawn from, all the facts of record, and does not identify disputed issues of fact that are material to the Board's decision.[50] For the reasons discussed below, the Board does not believe that a hearing is necessary to clarify the factual record or is otherwise required or warranted in this case.

Protestants contend that a hearing is required to determine the competitive impact of the proposal on regional branded ATM network services in the Ohio-Kentucky-Pennsylvania region, and suggest that facts would be produced to resolve whether National City is an actual competitor of MAC or a potential competitor with entry advantages, what shares of the relevant markets are held by MAC and National City, and whether an appreciable number of institutions favor MAC or would be likely to join a competing network in the near future. Protestants also believe that a hearing would provide facts relevant to defining the relevant product and geographic markets and the appropriate measurements of market share within those markets. These inquiries, however, do not dispute any specific facts, but instead represent the ultimate factual findings that, to the extent relevant to this decision, the Board must make based on the record. In addition, as discussed earlier, the Board has concluded on undisputed facts that MAC and National City are not current or significant potential competitors in any relevant product or geographic market. For these reasons, the Board believes that a hearing with respect to the number of current competitors and their market shares in the relevant markets, as well as the likelihood of entry into such markets, is not required.

Protestants also claim a hearing is necessary with regard to their claim that the Consent Decree will not in fact prevent the anticompetitive conduct that the Decree sought to eliminate. Protestants do not dispute any of the terms of the Consent Decree or MAC rules that Applicants claim will allow MAC members to select alternative processors and to join other ATM networks. Instead, Protestants cite the need to examine the extent and nature of MAC's existing long-term ATM processing contracts with its members, and MAC's market position in terms of number of ATMs after the acquisition of the National City ATMs.[51] However, these suggested lines of inquiry do not challenge any facts of record relied on by the Board. Moreover, even if it is assumed that Protestants' factual allegations regarding the current status of MAC's compliance with the Consent Decree are correct, that conduct by MAC, as the Board has determined above, would not demonstrate a violation of the Consent Decree or any significant anticompetitive effects that would be material to the Board's decision here.[52]

Another basis cited by Protestants for conducting a hearing is their claim that MAC has engaged in past anticompetitive behavior and that certain of MAC's current operating rules not addressed by the Consent Decree have anticompetitive effects.[53] As discussed above, most

45. *Connecticut Bankers*, 627 F.2d at 250; H.R. Rep. No. 1747, 91st Cong., 2d. Sess. 15 (1970).

46. *Connecticut Bankers*, 627 F.2d at 250. In particular, a party does not become entitled to an evidentiary hearing merely on the basis of a bald or conclusory allegation that a dispute of material fact exists. *Id.* at 251.

47. *See Independent Bankers of Georgia v. Board of Governors of the Federal Reserve System*, 516 F.2d 1206, 1220-21 (D.C. Cir. 1975); *Independent Insurance Agents of America v. Board of Governors of the Federal Reserve System*, 658 F.2d 571, 574 (8th Cir. 1981); *Independent Insurance Agents of America v. Board of Governors of the Federal Reserve System*, 646 F.2d 868, 869 (4th Cir. 1981).

48. 509 F.2d at 39. *See also Connecticut Bankers*, 627 F.2d at 251.

49. *Connecticut Bankers*, 627 F.2d at 254.

50. Protestants' request also poses a number of questions that they maintain could be explored at a hearing without indicating why a written presentation would not suffice, or what evidence would be produced by Protestants at a hearing, as required by Regulation Y and the Board's Rules of Procedure. *See* 12 C.F.R. 225.23(g) and 262.3(e).

51. Protestants believe that a hearing would produce facts relating to the Consent Decree's effects on MAC's operations, such as whether MAC has certified any third-party processors, whether an appreciable number of banks have informed MAC that they intend to add other logos to their ATMs and cards, whether MAC members have indicated that they intend to use third-party processors, and whether fees charged by MAC are now lower as a result of the decree.

52. Similarly, Protestants' assertion that MAC is attempting to evade the terms of the Consent Decree with respect to the potential co-branding of smart cards is a dispute over the legal meaning of the terms of the decree and does not present any current factual dispute for which a hearing would be required.

53. Specifically, Protestants cite MAC's prior history of not allowing its members to join other ATM networks or to route transactions through other networks, and of tying membership in the MAC network with MAC's provision of ATM processing services, as well as MAC's

of the specific operating rules Protestants complain of have either been changed by MAC voluntarily or are specifically addressed in the Consent Decree. The provisions of MAC's other current operating rules are not in dispute. With respect to other anticompetitive behavior cited by Protestants, that conduct, even if assumed to be true, would not be material to the Board's consideration of this proposal because the relevant behavior occurred before the Consent Decree but was not addressed by the DOJ.[54]

Protestants also contend that a hearing should be conducted in order to determine what effect the various fees charged by MAC to users of its network, which Protestants claim are higher than the industry norm, would have on the competitive effects of this proposal. However, the fees charged by MAC are a matter of record.[55] And, although the DOJ regarded, for example, MAC's switch fee schedule as the "steepest in the industry," the Consent Decree indicates that any potential competitive deterrent posed by MAC fees could be offset by the procompetitive influence of the Consent Decree. Thus, the issue raised by Protestants here relates not to facts in dispute, but to the inferences to be drawn from the undisputed facts.

Finally, with regard to expected benefits to the public from this proposal, Protestants cite as material facts in dispute MAC's claim that the new investments in MAC resulting from this proposal would produce improvements, including improvements in the payment systems and data processing technology. According to Protestants, these advances can be, and were going to be, offered by MAC without the additional capital that would be provided if these notices are approved. However, these facts are not in dispute. Even if Protestants' statements on this point are taken as true, the Board has found that the infusion of additional capital would encourage existing efforts to develop technology and would benefit the public as discussed above.

In light of these considerations and all the facts of record, the Board does not believe that Protestants have demonstrated disputed issues of material fact that cannot be resolved in some manner other than a hearing, or have adequately indicated how a hearing would assist in resolving these issues. Accordingly, Protestants' request for a hearing is hereby denied.

Conclusion

Based on all the facts of record, and for the reasons discussed in this statement, the Board has determined that the notices should be approved. The Board's approval is specifically conditioned on Applicants' compliance with the commitments made in connection with these notices. The Board's determination also is subject to all the conditions set forth in Regulation Y, including those in sections 225.7 and 225.23(b) of Regulation Y (12 C.F.R. 225.7 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 ensure compliance with, and to prevent evasion of, the provisions of the BHC Act and the Board's regulations and orders issued thereunder. All of the commitments and conditions relied on by the Board in reaching its decision in this case 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.

JENNIFER J. JOHNSON
Deputy Secretary of the Board

March 6, 1995

Appendix

Asset and Deposit Data as of September 30, 1994.

Banc One Corporation, with $88.1 billion in total consolidated assets, is the eighth largest commercial banking organization in the United States, controlling $65.7 billion in deposits. Banc One operates subsidiary banks in Ohio, Kentucky, Indiana, Michigan, Illinois, Wisconsin, Texas, Colorado, Arizona, California, Oklahoma, Utah, and West Virginia.

CoreStates Financial Corp, with $27.2 billion in total consolidated assets, is the 30th largest commercial banking organization in the United States, controlling $19.5 billion in deposits. CoreStates operates subsidiary banks in Pennsylvania, New Jersey, and Delaware.

PNC Bank Corp., with $64.1 billion in total consolidated assets, is the 12th largest commercial banking organization in the United States, controlling $33.6 billion in deposits. PNC operates subsidiary banks in Penn-

current rules relating to transaction routing and membership of subsidiary banks of a single holding company.

54. Protestants also assert that MAC has a history of acquiring or eliminating competing networks. For example, Protestants allege that in 1993, EPS forced Star Banc to abandon its Tellerific branded ATM network and agree to exclusive participation in the MAC network as a condition of membership. This past conduct is not disputed and is of little relevance to this proposal, which does not involve the acquisition of a direct competitor network. In addition, the Board notes that these events occurred before the Consent Decree but were not made the subject of any restrictions in that decree.

55. *See* 59 *Federal Register* 24,711, 24,719 and n.5 (1994).

sylvania, Ohio, Kentucky, Indiana, New Jersey, Massachusetts, and Delaware.

KeyCorp, with $64.5 billion in total consolidated assets, is the 11th largest commercial banking organization in the United States, controlling $47.8 billion in deposits. KeyCorp operates subsidiary banks in Ohio, Indiana, Michigan, New York, Washington, Maine, Oregon, Idaho, Utah, Colorado, Wyoming, and Alaska.

National City, with $31.1 billion in total consolidated assets, is the 28th largest commercial banking organization in the United States, controlling $22.9 billion in deposits. National City operates subsidiary banks in Ohio, Indiana, and Kentucky.

Dissenting Statement of Vice Chairman Blinder

I agree that this proposal should be approved. My dissent is based on a matter of law, not economics. The reduction of competition that will result from the proposed acquisition is modest and thus not very troubling on strictly economic grounds.

But, section 4(c)(8) of the Bank Holding Company Act imposes a sterner test: It requires the Board to determine that the acquisition "can reasonably be expected to produce benefits to the public . . . that outweigh possible adverse effects, such as . . . decreased or unfair competition . . . ." In this case, it seems undeniable that allowing National City's ATM network to be merged into the MAC network would result in *some* adverse effect on competition. Therefore, to approve this transaction, the Board must find that there are sufficient public benefits to outweigh the loss of competition. The application, *per se*, demonstrates no such benefits to the *public*, in my view.

The Board previously has recognized that ATM network operating rules are an important consideration in assessing competition in this industry under the section 4(c)(8) standard. If, as a condition for approving this application, the Board were to require a few procompetitive changes in MAC's operating rules (such as eliminating the holding company rule that generally requires all affiliated banks of a holding company to be members of the network if one bank joins), the net public benefits test of section 4(c)(8) would be met. Absent some changes, however, I do not see how the standard is met. The Board's decision came down to choosing between (a) approving the transaction conditioned on certain changes in MAC's operating rules or (b) approving the transaction unconditionally. In view of the law, I could not vote for the latter and so instead supported the former.

March 6, 1995

Banco Santander, S.A.
Madrid, Spain

Order Approving Application to Engage De Novo in Underwriting and Dealing in All Types of Debt and Equity Securities on a Limited Basis and Other Nonbanking Activities

Banco Santander, S.A., Madrid, Spain ("Applicant"), a foreign bank subject to 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(a) of the Board's Regulation Y (12 C.F.R. 225.23(a)) to engage *de novo* through its wholly owned subsidiary, Santander Investment Securities Inc., New York, New York ("Company"), in the following nonbanking activities:

(1) Underwriting and dealing in securities which may be underwritten and dealt in by state member banks ("bank-eligible securities");

(2) Underwriting and dealing in all types of debt and equity securities;

(3) Engaging as agent in the private placement of all types of securities;

(4) Buying and selling all types of securities on the order of investors as a riskless principal;

(5) Making, acquiring or servicing loans or other extensions of credit (including issuing letters of credit and accepting drafts), including, without limitation, purchasing and selling such loans or extensions of credit in the secondary market, and engaging in mortgage banking and commercial finance activities.

Notice of the application, affording interested persons an opportunity to submit comments on the proposal, has been published (59 *Federal Register* 54,454 (1994)). The time for filing comments has expired, and the Board has considered the application and all comments received in light of the public interest factors set forth in section 4(c)(8) of the BHC Act.

Applicant, with total consolidated assets of $73.1 billion, is the third largest commercial banking organization in Spain and the 81st largest bank in the world.[1] Applicant operates a branch in New York, New York; a finance company in Wilmington, Delaware; and an agency and an Edge corporation in Miami, Florida. Applicant also has a controlling interest in First Fidelity Bancorporation, a bank holding company in Lawrenceville, New Jersey.[2] Company is a member of the

1. All data are as of December 31, 1993.

2. Applicant also controls Banco de Santander-Puerto Rico, S.A., Hato Rey, Puerto Rico, and Santander Overseas Bank, Hato Rey, Puerto Rico. Applicant owns a minority, non-controlling interest in The Royal Bank of Scotland Group plc., Edinburgh, Scotland.

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

Activities Approved by Regulation

Two of the activities proposed by Applicant have been determined by regulation to be activities that are closely related to banking for purposes of section 4(c)(8) of the BHC Act. *See* 12 C.F.R. 225.25(b)(1) (making and servicing loans), and (b)(16) (underwriting and dealing in bank-eligible securities). Applicant proposes to conduct these activities through Company in accordance with the Board's regulations.

Underwriting and Dealing in Bank-Ineligible Securities

The Board previously has determined that the conduct of the proposed securities underwriting and dealing activities is consistent with section 20 of the Glass–Steagall Act, provided that the underwriting and dealing subsidiary derives no more than 10 percent of its total gross revenue over any two-year period from underwriting and dealing in securities that a bank may not underwrite or deal in directly ("bank-ineligible securities").[3] Applicant has committed that Company will conduct its underwriting and dealing activities with respect to bank-ineligible securities subject to this 10 percent revenue test.[4]

The Board also has determined that the proposed underwriting and dealing activities involving bank-ineligible securities are so closely related to banking as to be proper incidents thereto within the meaning of section 4(c)(8) of the BHC Act when they are conducted subject to the prudential framework of limitations established in previous decisions.[5] These limitations address the potential for conflicts of interest, unsound banking practices, or other adverse effects. Applicant has committed that Company will conduct the proposed underwriting and dealing activities using the same methods and procedures, and subject to the same prudential limitations established by the Board in the Section 20 Orders and other previous cases.[6]

Private Placement and Riskless Principal Activities

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

"Riskless principal" is the term used in the securities business to refer to a transaction in which a broker-

3. *See Canadian Imperial Bank of Commerce, et al.*, 76 *Federal Reserve Bulletin* 158 (1990); *J.P. Morgan & Company Incorporated, et al.*, 75 *Federal Reserve Bulletin* 192 (1989), *aff'd sub nom, Securities Industry Association v. Board of Governors of the Federal Reserve System*, 900 F.2d 360 (D.C. Cir. 1990); *Citicorp, et al.*, 73 *Federal Reserve Bulletin* 473 (1987), *aff'd sub nom, Securities Industry Association v. Board of Governors of the Federal Reserve System*, 839 F.2d 47 (2d Cir.), *cert. denied*, 486 U.S. 1059 (1988) (collectively, "Section 20 Orders"). Compliance with the 10 percent revenue limitation shall be calculated in accordance with the method stated in the Section 20 Orders, as modified by the *Order Approving Modifications to Section 20 Orders*, 75 *Federal Reserve Bulletin* 751 (1989), *the Order Approving Modifications to the Section 20 Orders*, 79 *Federal Reserve Bulletin* 226 (1993), and the *Supplement to Order Approving Modifications to Section 20 Orders*, 79 *Federal Reserve Bulletin* 360 (1993) (collectively, the "Modification Orders"). The Board notes that Applicant has not adopted the Board's alternative indexed revenue test to measure compliance with the 10 percent limitation on bank-ineligible securities activities, and, absent such election, will continue to employ the Board's original 10 percent revenue standard.

4. As an incident to the proposed underwriting and dealing activities, Company also proposes to engage in trading options, futures, and options on futures in bank-eligible and bank-ineligible securities, for hedging purposes only. Applicant has committed that these activities will be conducted in accordance with the Board's policy statement on derivative transactions, 12 C.F.R. 225.142. The Board has previously determined that section 20 subsidiaries may provide services that are necessary incidents to approved underwriting and dealing activities, provided that any activities conducted as a necessary incident to bank-ineligible securities activities are treated as part of the bank-ineligible securities activities unless Company has received specific approval under section 4(c)(8) of the BHC Act to conduct the activities independently. *See J.P. Morgan & Co. Incorporated, et al.*, 75 *Federal Reserve Bulletin* at 213 n. 59. Until such approval is obtained, any revenues from the incidental activities must be counted as ineligible revenues subject to the 10 percent revenue limitations set forth in the Section 20 Orders, as modified by the Modification Orders.

5. *See* Section 20 Orders.

6. Applicant has received approval to engage through Company in full-service brokerage pursuant to 12 C.F.R. 225.25(b)(4) and (b)(15). In order to address potential conflicts of interest arising from Company's conduct of full-service brokerage activities together with underwriting and dealing in bank-ineligible securities, Applicant has committed that whenever Company provides full-service brokerage services with respect to ineligible securities that it holds as principal, Company will inform its customers at the commencement of the relationship that, as a general matter, Company may be a principal or may be engaged in underwriting with respect to, or may purchase from an affiliate, those securities for which brokerage and advisory services are provided. In addition, at the time any brokerage order is taken, the customer will be informed (usually orally) whether Company is acting as agent or principal with respect to a security. Confirmations sent to customers also will state whether Company is acting as agent or principal. *See PNC Financial Corp.*, 75 *Federal Reserve Bulletin* 396 (1989).

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.[7] Riskless principal transactions are understood in the industry to include only transactions in the secondary market. Thus, Company would not act as a riskless principal in selling 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 has determined by order that, subject to prudential limitations that address the potential for conflicts of interests, unsound banking practices, or other adverse effects, the proposed private placement and riskless principal activities are so closely related to banking as to be a proper incident thereto within the meaning of section 4(c)(8) of the BHC Act.[8] The Board also has determined that acting as agent in the private placement of securities, and purchasing and selling securities on the order of investors as a riskless principal, do not constitute underwriting and dealing in securities for purposes of section 20 of the Glass–Steagall Act, and that revenue derived from these activities is not subject to the 10 percent revenue limitation on bank-ineligible securities underwriting and dealing.[9]

Applicant has committed that Company will conduct its private placement and riskless principal activities using the same methods and procedures, and subject to the same prudential limitations established by the Board in the *Bankers Trust* Order and the *J.P. Morgan* Order,[10] as modified to reflect Applicant's status as a foreign bank.[11]

Other Considerations

In every case under section 4(c)(8) of the BHC Act, the Board considers the financial and managerial resources of the applicant and its subsidiaries and the effect of the transaction upon such resources.[12] In considering these factors, the Board has noted that Applicant's capital ratios satisfy applicable risk-based standards established under the Basle Accord, and are considered equivalent to the capital levels that would be required of a U.S. banking organization. The Board has also reviewed the capitalization of Applicant and Company in accordance with the standards set forth in the Section 20 Orders, and finds the capitalization of each to be consistent with approval of this proposal. With respect to the capitalization of Company, this determination is based on all the facts of record, including Applicant's projections of the volume of Company's underwriting and dealing activities in bank-ineligible securities.

On the basis of all the facts of record, including the foregoing, the Board has concluded that financial and managerial considerations are consistent with approval of this application. The Federal Reserve Bank of New York has completed a review of Applicant's and Company's policies and procedures to determine whether those policies and procedures ensure compliance with the Section 20 Firewalls and the other requirements of this order and the Section 20 Orders, including computer, audit, and accounting systems, internal risk management controls, and the necessary operational and managerial infrastructure. The results of that review are consistent with approval of the application.

Under the framework and conditions established in this and prior decisions, consummation of this proposal is not likely to result in any significant adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interests, or unsound banking practices. Moreover, the Board expects that the *de novo* entry of Company 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. For these reasons, the Board has determined that the performance of the proposed activities by Applicant can reasonably be expected to produce public benefits that outweigh possible adverse effects

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

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

9. *See Bankers Trust* Order at 831–833.

10. Among the prudential limitations detailed more fully in the *Bankers Trust* Order and the *J.P. Morgan* Order are 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 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 any foreign affiliate that engages 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 for any securities of investment companies that are advised by Applicant or any of its affiliates. With regard to private placement activities, Applicant has committed that Company will not privately place registered investment company securities or securities of investment companies that are advised by Applicant or any of its affiliates.

11. *See, e.g., The Bank of Nova Scotia*, 76 *Federal Reserve Bulletin* 545 (1990).

12. *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).

under the proper incident to banking standard of section 4(c)(8) of the BHC Act.

Accordingly, and for the reasons set forth in this order and in the Section 20 Orders, the Board has concluded that Applicant's proposal to engage through Company in the proposed activities is consistent with the Glass-Steagall Act, and that the proposed activities are so closely related to banking as to be proper incidents thereto within the meaning of section 4(c)(8) of the BHC Act, provided that Applicant limits Company's activities as specified in this order and the Section 20 Orders, as modified by the Modification Orders.

Conclusion

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

Company may immediately commence the proposed underwriting and dealing activities, subject to the other conditions of this order and the Section 20 Orders.

The Board's determination also is subject to all the terms and conditions set forth in Regulation Y, including those in sections 225.7 and 225.23(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. The Board's decision is specifically conditioned on compliance with all the commitments made in connection with this application, including the commitments discussed in this order and conditions set forth in this order and the above-noted Board regulations and orders. 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 New York, acting pursuant to delegated authority.

By order of the Board of Governors, effective March 27, 1995.

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

WILLIAM W. WILES
Secretary of the Board

Carbon County Holding Company
Englewood, Colorado

Order Approving Notice to Engage in Investment Advisory and Related Nonbanking Activities

Carbon County Holding Company, Englewood, Colorado ("Carbon County"), 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 Hanifen, Imhoff Management Co., Inc., Denver, Colorado ("Company"), and to engage through Company in providing investment advisory and administrative services to one open-end investment company or mutual fund (the "Fund").[1]

Notice of the application, affording interested persons an opportunity to submit comments, has been published (59 *Federal Register* 56,494 (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 of the BHC Act.

Carbon County is a one-bank holding company that operates Rawlins National Bank, Rawlins, Wyoming ("Bank"). Bank has total assets of $89.8 million.[2] Carbon County does not engage in any nonbanking activities.

Company currently provides investment advisory and administrative services to the Fund. The administrative services Company provides to the Fund include computing the Fund's net asset value and performance data, coordinating communications and activities between the investment advisor and the other service providers, accounting and recordkeeping, disbursing payments for the

1. The Fund is registered under the Investment Company Act of 1940 (15 U.S.C. § 80a-1 *et seq.*) ("1940 Act"). Fund is not a so-called proprietary mutual fund, and shares of Fund would not be sold or marketed primarily to customers of Company's bank affiliate or customers of any other insured depository institution affiliate. Upon consummation of this proposal, Company would change its name to Freedom Funds Management Company, and the Fund would be named Freedom Fund.

2. Asset data are as of December 31, 1994.

Fund's expenses, arranging office space for the Fund, and preparing and filing regulatory reports for the Fund.[3]

Glass–Steagall Act

Under the Glass–Steagall Act, a company that owns a member bank may not control "through stock ownership or in any other manner" a company that engages principally in distributing, underwriting or issuing securities.[4] In 1972, the Board issued an interpretive rule that explained the Board's view that the provisions of the Glass–Steagall Act govern the relationship between mutual funds and companies that own member banks because mutual funds engage continuously in issuing and redeeming securities.[5] The Board found that the Glass–Steagall Act prohibited affiliates of banks from sponsoring, organizing, or controlling mutual funds or distributing their shares.[6]

The Board also found, however, that the Glass–Steagall Act does not prohibit all relationships between a bank holding company and a mutual fund. The Board previously has determined that bank holding companies may serve as the investment advisor to mutual funds, and, therefore, that a bank holding company that serves as investment advisor to a mutual fund does not control the fund for purposes of the Glass–Steagall Act.[7]

The Board also has determined previously that a bank holding company may provide investment advisory and administrative services to a mutual fund consistent with the provisions of the Glass–Steagall Act.[8] In the Board's opinion, permitting a bank holding company that serves as the investment advisor to a mutual fund also to provide the essentially ministerial or supporting functions as administrator to that fund would not significantly increase the ability of the bank holding company to control the mutual fund. In *Mellon,* the Board noted that the 1940 Act requires that at least 40 percent of the board of directors of a mutual fund be disinterested individuals who are not affiliated with the investment advisor, with any person that the Securities Exchange Commission ("SEC") has determined to have a material business or professional relationship with the fund, with any employee or officer of the fund, with any registered broker or dealer, or with any other interested or affiliated person.[9] These unaffiliated board members must approve the fund's contracts with its investment advisor, underwriter, and often its administrator. The 1940 Act also requires that these contracts be reviewed annually the mutual fund's board of directors, and that these contracts be terminable by the board of directors on no more than 60 days written notice.[10] Carbon County has committed that a majority of the Fund's trustees will be disinterested persons.

Company has committed to provide advisory and administrative services in accordance with the conditions relied on by the Board in *Mellon.*[11] In particular, the distributor of the Fund would not be affiliated with Carbon County. Company would not, by virtue of becoming administrator to a fund that it or an affiliate advises, become involved in policy-making functions of the Fund to a greater extent than if Company provided solely investment advisory services. The Board believes that control of the Fund would continue to rest with the board of trustees of the Fund, which would be independent of Company. In this regard, Carbon County has committed that it will not have any director or officer interlocks with the Fund.[12]

In providing this combination of services, Carbon County and Company would also be subject to the restrictions set forth in the Board's interpretive rule on investment advisory activities (12 C.F.R. 225.125). The rule requires any bank holding company that acts as agent in the purchase or sale of shares of an investment company advised by a holding company affiliate or recommends the purchase or sale of such shares to any customer to disclose to the customer in writing the role of the bank holding company and its affiliates with the investment company. In addition, the bank holding company must disclose in writing that the shares of the investment company are not federally insured, are not deposits, and are not obligations of, or guaranteed by, any bank.

The interpretive rule also precludes an investment company advised by a bank holding company from

3. A list of the proposed administrative services is included in the Appendix.

4. 12 U.S.C. §§ 221a, 377.

5. 12 C.F.R. 225.125.

6. Carbon County has committed that Company will not sponsor any additional mutual funds.

7. 12 C.F.R. 225.25(b)(4); 12 C.F.R. 225.125.

8. *Mellon Bank Corporation,* 79 *Federal Reserve Bulletin* 626 (1993) ("*Mellon*").

9. 15 U.S.C. §§ 80a-2, 80a-10.

10. Company provides the Fund with investment advisory and administrative services under a single contract. Accordingly, directors who are not considered interested persons of the investment advisor must also review and approve the contract for administrative services.

11. Carbon County would not be involved in the distribution of the shares of any mutual fund. In particular, Company would not be involved in the promotion or sale of the Fund's shares. Carbon County has committed that Company would not engage in any marketing, sales or advertising activities relative to any mutual fund. Company would provide the distributor of the Fund with performance and portfolio data. In addition, Company would review marketing materials prepared by the distributor for the sole purpose of ensuring compliance with all pertinent regulatory requirements.

12. An officer and director of Company, who would serve as an officer and director of Carbon County and Bank, has served as Secretary to the Fund's board of trustees. Carbon County has committed that, prior to Company's acquisition by Carbon County, this individual will resign his position with the Fund and would attend meetings of the Fund's board of trustees only to the extent necessary for him to provide information to the board on behalf of Company as investment advisor and administrator to the Fund.

having a name that is similar to, or a variation of, the name of any bank holding company or any of its subsidiary banks.[13] In addition, the Board's rule prohibits a bank holding company from owning shares of any mutual fund that it advises, from purchasing in a fiduciary capacity in its sole discretion shares of these mutual funds, and from lending to any such fund or accepting shares of such funds as collateral for any loan for the purpose of acquiring shares of the fund. Carbon County has committed to abide by these restrictions.

On this basis, and subject to the commitments made by Carbon County and its compliance with the Board's interpretive rule, the Board believes that Carbon County's proposal to provide both investment advisory and administrative services to the Fund is not prohibited by the Glass–Steagall Act.

Bank Holding Company Act

The Board has previously determined by regulation that a bank holding company may act as investment advisor to a mutual fund.[14] In addition, the Board has previously determined by order that acting as the administrator for a mutual fund is closely related to banking for purposes of section 4(c)(8) of the BHC Act.[15] In order to approve this proposal, the Board also must find that the performance of the proposed activities by Company "can reasonably be expected to produce benefits to the public . . . that outweigh possible adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interest, or unsound banking practices." 12 U.S.C. § 1843(c)(8).

The Board has previously determined that the provision of administrative services within certain parameters is not likely to result in the types of subtle hazards at which the Glass–Steagall Act is aimed or any other adverse effects. For the same reasons, and based on the commitments made by Carbon County, the Board has determined that the performance of the proposed activities by Company can reasonably be expected to produce benefits to the public such as increased efficiency and greater convenience that would outweigh any possible adverse effects of this proposal under the proper incident to banking standard of section 4(c)(8) of the BHC Act. There is no evidence in the record to indicate that consummation of this proposal, subject to the commitments noted above, would result in significant adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interests, or unsound banking practices, that are not outweighed by the expected public benefits of the proposal.[16] In making this determination, the Board has considered the financial and managerial resources of Carbon County and its subsidiaries, including Company, and the effect of this proposal upon such resources, and has concluded that financial and managerial factors are consistent with approval of this application.[17]

Based on the foregoing and all the facts of record, including all the commitments and representations made by Carbon County in this case, and subject to all the terms and conditions set forth in this order, the Board has determined that the application should be, and hereby is, approved. The Board's determination is subject to all the conditions set forth in the Board's Regulation Y, including those in sections 225.7 and 225.23(b)(3) of Regulation Y (12 C.F.R. 225.7 and 225.23(b)(3)), and to the Board's authority to require modification or termination of the activities of a bank holding company or any of its subsidiaries as the Board finds necessary to assure compliance with, and to prevent evasion of, the provisions of the BHC Act and the Board's regulations and orders issued thereunder. The Board's decision is specifically conditioned on Carbon County's compliance with all the commitments and representations made in connection with this application, including the commitments and conditions discussed in this order. The commitments, representations, and conditions relied on in reaching this decision shall be deemed to be conditions imposed in writing by the Board in connection with its findings and decision and, 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 Kansas City, acting pursuant to delegated authority.

By order of the Board of Governors, effective March 6, 1995.

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

JENNIFER J. JOHNSON
Deputy Secretary of the Board

13. 12 C.F.R. 225.125(f).
14. 12 C.F.R. 225.25(b)(4).
15. *See Mellon.*

16. Carbon County has committed that there will be no cash or security transactions between the Fund and Bank or any other insured depository institution affiliate, Carbon County, or Rawlins National Bancorporation, a wholly owned subsidiary of Carbon County that is the direct parent company of Bank.

17. The Board notes that its capital adequacy guidelines ("Guidelines") provide that bank holding companies with less than $150 million in assets, such as Carbon County, are generally subject to the Guidelines on a bank-only basis, unless the bank holding company engages in significant nonbanking activities. In recognition of the significant nonbanking activities approved in this order, the Board believes that it is appropriate that Carbon County meet the Guidelines on a consolidated basis, and Carbon County has committed to do so.

Appendix

List of Administrative Services

(1) Maintaining and preserving the records of the Fund, including financial and corporate records;
(2) Computing net asset value, dividends, performance data and financial information regarding the Fund;
(3) Furnishing statistical and research data;
(4) Preparing and filing with the SEC and state securities regulators registration statements, notices, reports and other material required to be filed under applicable laws;
(5) Preparing reports and other informational materials regarding the Fund including proxies and other shareholder communications and reviewing prospectuses;
(6) Providing office facilities and clerical support for the Fund;
(7) Developing and implementing procedures for monitoring compliance with regulatory requirements and compliance with the Fund's investment objectives, policies, and restrictions as established by the Fund's board;
(8) Providing routine fund accounting services and liaison with outside auditors;
(9) Reviewing and arranging for payment of the Fund's expenses;
(10) Providing communication and coordination services with regard to the Fund's investment advisor, transfer agent, custodian, distributor and other service organizations that render recordkeeping or shareholder communication services;
(11) Reviewing and providing advice to the distributor, the Fund and investment advisor regarding sales literature and marketing plans to assure regulatory compliance;
(12) Providing information to the distributor's personnel concerning the Fund's performance and administration;
(13) Participation in seminars, meetings, and conferences designed to present information to brokers and investment companies, but not in connection with the sale of shares of the funds to the public, concerning the operations of the funds, including administrative services provided by Carbon County to the funds;
(14) Assisting the Fund in the development of additional portfolios; and
(15) Providing reports to the Fund's board with regard to its activities.

Johnson International, Inc.
Racine, Wisconsin

Order Denying Acquisition of a Savings Association

Johnson International, Inc., Racine, Wisconsin ("Johnson"), 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 Seaboard Savings Bank, F.S.B., Stuart, Florida ("Seaboard"), and thereby engage in the operation of a savings association pursuant to section 225.25(b)(9) of the Board's Regulation Y (12 C.F.R. 225.25(b)(9)).

Notice of the application, affording interested persons an opportunity to submit comments, has been published (59 *Federal Register* 36,765) (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.

Johnson, with consolidated assets of $1.1 billion, controls five bank subsidiaries in Wisconsin. Johnson is the sixth largest commercial banking organization in Wisconsin, controlling deposits of $673.5 million, representing 1.6 percent of total deposits in commercial banking organizations in the state.[1] Seaboard is the 51st largest thrift organization in Florida, controlling deposits of $69.6 million, representing less than one percent of total deposits in thrift institutions in Florida. Johnson and Seaboard do not compete in any banking market.

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)).[2] To approve an application under section 4(c)(8) of the BHC Act, the Board also 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."[3]

The Board notes that in each of the last three consumer compliance examinations of the lead bank of Johnson, Heritage Bank and Trust, Racine, Wisconsin ("Heritage"), the Federal Deposit Insurance Corporation ("FDIC"), Heritage's primary supervisor, issued to the bank an unsatisfactory compliance rating and cited

1. All banking data are as of June 30, 1994.
2. 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(c)(8) of the BHC Act and Regulation Y. Johnson has committed to conform all activities of Seaboard to these requirements.
3. 12 U.S.C. § 1843(c)(8). Pursuant to section 225.24 of the Board's Regulation Y (12 C.F.R. 225.24), the Board's analysis includes an evaluation of the financial and managerial resources of Johnson, its subsidiaries, and Seaboard. In considering an application to acquire a savings association under section 4(c)(8) of the BHC Act, the Board also reviews the records of performance of the relevant institutions under the Community Reinvestment Act (12 U.S.C. § 2901 *et seq.*). *See Norwest Corporation*, 76 *Federal Reserve Bulletin* 873, 876 (1990).

substantive violations by Heritage of federal consumer laws and deficiencies in policies and procedures for assuring compliance with federal consumer laws. These violations and deficiencies include numerous errors in reporting Home Mortgage Disclosure Act ("HMDA") data, violations of the Truth in Lending Act that require reimbursement to customers, and numerous violations of other consumer laws, including the Equal Credit Opportunity Act, Fair Housing Act, and Truth in Savings Act. The examinations also noted numerous deficiencies in compliance with the Bank Secrecy Act, Electronic Funds Transfer Act, and the Expedited Funds Availability Act. The Board notes that some of the specific deficiencies identified by Heritage's primary supervisor have persisted over two examinations, and one deficiency was criticized in each of the past three examinations.[4] Upon completion of the 1992 examination, Heritage entered into a memorandum of understanding with the FDIC, which remains in effect. Heritage is the largest bank operated by Johnson, and represents 56 percent of the consolidated total assets of Johnson.

During the processing of this application, Johnson has indicated that it has undertaken various steps to improve the regulatory compliance record of Heritage. For example, in November 1994, Heritage established a Compliance Committee that reports weekly to Johnson's corporate audit committee and board of directors regarding corrective measures implemented, internal review results, training programs, regulatory developments, and other compliance issues. In January 1995, Johnson implemented a compliance program at Heritage. The program includes a compliance training plan for bank personnel; review of all closed retail and mortgage loans for proper documentation and disclosures; conversion of the bank's HMDA Loan Application Register to ensure reporting accuracy; and implementation of new audit procedures. The FDIC reviewed these steps in January 1995, and indicated these steps are relatively new and have not been in place for a sufficient period of time to allow for an adequate evaluation of the effectiveness of these initiatives.

The Board has previously stated that repeated violations of consumer compliance laws are regarded as serious matters that reflect adversely on the managerial resources of an applicant.[5] In this case, significant violations of consumer compliance and other laws have been noted in three successive examination reports beginning in 1989. Many of these violations appear to stem from inadequate managerial oversight, training, and review procedures. The Board believes that the past failure to address these violations and the deficiencies in corporate policies and practices that permit these violations to continue over an extended period of time reflects adversely on the managerial resources of Johnson. While Johnson has recently taken a number of steps and proposed others to correct these violations, it is unclear at this time whether these steps will be sufficient to address fully and adequately the compliance deficiencies found at Heritage. The Board is unable to conclude, in light of the significant period of time over which these matters have been identified by examiners and remained uncorrected by Johnson, that Johnson has demonstrated a record of performance that outweighs these adverse managerial considerations.

Johnson contends that consummation of this proposal can reasonably be expected to result in public benefits that justify approval of this proposal. In particular, Johnson contends that the proposal will improve the financial condition of Seaboard and permit Seaboard to provide additional services to Seaboard's customers. The Board notes that Seaboard's financial condition is improving under its current management and that the proposed acquisition is not required by Seaboard's federal or state supervisor. Moreover, management of Johnson must focus attention on compliance efforts within its existing organization. The acquisition of another company at this time may distract management from that effort. Thus, the Board believes that the potential benefits for consummation of this proposal are at best small and would not outweigh the adverse effects in this case.

The Board also has considered the financial condition of Johnson and its subsidiaries, the potential competitive effects of the proposal, and the other factors required under section 4(c)(8) of the BHC Act. While these factors appear to be consistent with approval, the Board believes these factors do not outweigh the adverse considerations discussed above.

For these reasons and based on all the facts of record, the Board has determined that approval of this application is not warranted and that the application should be, and hereby is, denied.

By order of the Board of Governors, effective March 27, 1995.

4. In the consumer compliance examination of Heritage conducted by the FDIC as of August 1, 1989, examiners noted violations in 11 of 16 consumer regulations reviewed. In the consumer compliance examination as of August 31, 1992, FDIC examiners noted numerous violations, including eight violations cited in the 1989 examination. The most recent examination of Heritages's compliance program, as of September 12, 1994, noted that eight of the violations cited in this examination were also cited in 1992, and one violation had been cited in 1989 and 1992. The 1994 examination also noted new violations of consumer regulations.

5. *See, e.g., First State Holding Company, Inc.*, 67 *Federal Reserve Bulletin* 802 (1981).

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

WILLIAM W. WILES
Secretary of the Board

North Fork Bancorporation, Inc. Mattituck, New York

Order Approving Notice to Acquire Shares of a Nonbanking Company

North Fork Bancorporation, Inc., Mattituck, New York ("North Fork"), a bank holding company within the meaning of the Bank Holding Company Act ("BHC Act"), has requested Board approval pursuant to section 4(c)(8) of the BHC Act (12 U.S.C. § 1843(c)(8)) and section 225.23(a) of the Board's Regulation Y (12 C.F.R. 225.23(a)) to acquire up to 9.9 percent of the voting shares of Sunrise Bancorp, Inc. ("Sunrise"), and thereby indirectly acquire an interest in Sunrise's wholly owned subsidiary, Sunrise Federal Savings Bank ("Savings Bank"), and Savings Bank's wholly owned nonbank subsidiary, Paumanok Service Corp. ("Paumanok"), all of Farmingdale, New York.

Notice of this proposal, affording interested persons an opportunity to submit comments, has been published (59 *Federal Register* 7567 (1995)). The time for filing comments has expired, and the Board has considered the notice and all comments received in light of the factors set forth in section 4(c)(8) of the BHC Act.

The Board has previously determined that the operation of a savings association and the conduct of discount securities brokerage activities are closely related to banking for purposes of section 4(c)(8) of the BHC Act.[1] In order to approve this proposal, the Board also is required by section 4(c)(8) of the BHC Act to determine that the acquisition by North Fork of its interest in Sunrise "can reasonably be expected to produce benefits to the public . . . that outweigh possible adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interests, or unsound banking practices."[2] The Board has carefully considered comments submitted by Sunrise in opposing this proposal. Sunrise argues that this notice should be denied because it represents a minority investment that would disrupt the management of Sunrise without permitting North Fork to gain actual control of Sunrise.[3] The requirement under section 4(c)(8) of the BHC Act, however, that the Board's prior approval must be obtained before a bank holding company acquires more than 5 percent of the voting shares of a nonbanking company indicates that Congress contemplated the acquisition by bank holding companies of less than a controlling interest in nonbanking companies.[4]

In addition, North Fork has made other commitments of the type relied on by the Board in previous cases involving the acquisition of a minority interest in a bank or bank holding company in order to address concerns about the effect that North Fork's acquisition of shares would have on the management and operations of Sunrise.[5] These commitments include a commitment not to seek or accept any representation on the board of directors of Sunrise or any of its subsidiaries, and a commitment not to attempt to influence the management or policies of Sunrise or any of its subsidiaries. North Fork, therefore, may not participate in the deliberations or decision making of the board of directors of Sunrise or any of its subsidiaries without the Board's prior approval. Based on the facts of record and North Fork's commitments, the Board concludes that North Fork would not acquire control or the ability to exercise a controlling influence over Sunrise upon consummation of this proposal. On this basis, the Board does not believe that the proposed ownership of up to 9.9 percent of the voting shares of Sunrise by North Fork would

1. 12 C.F.R. 225.25(b)(9) and 225.25(b)(15)(i). In making this determination, the Board requires that savings associations acquired by bank holding companies conform their direct and indirect activities to those permissible for bank holding companies under section 4(c)(8) of the BHC Act. Paumanok engages in certain insurance activities impermissible under the BHC Act. As set forth in the Appendix, North Fork has committed to cease or otherwise address these and other impermissible activities.

2. 12 U.S.C. § 1843(c)(8).

3. Sunrise notes that it converted in 1993 from a mutual savings association to a capital stock association, and that North Fork is required to obtain the written approval of the Office of Thrift Supervision ("OTS") prior to acquiring or offering to acquire, directly or indirectly, more than 10 percent of any class of equity security of Sunrise within three years of the consummation of its conversion. 12 C.F.R. 563b.3(i)(3)(i). In addition, Sunrise states that it will oppose North Fork's acquisition of any additional shares of North Fork voting shares during this period, and alleges that North Fork has not demonstrated its financial ability to acquire a large number of additional shares in the near future. Sunrise argues that these factors render it highly uncertain whether North Fork can significantly increase its shareholding interest in Sunrise in the near future, and that as a result this proposal would tend to perpetuate dissension within Sunrise management.

4. Sunrise also alleges that North Fork's expressed interest in acquiring additional shares of Sunrise voting stock in the future, together with the shares of voting stock to be acquired by North Fork in this proposal, amounts to an "offer" to acquire more than 10 percent of a class of equity securities of Sunrise. The Board notes that North Fork seeks approval to acquire less than 10 percent of Sunrise's voting shares, and has indicated that it has no right or agreement to acquire any additional voting shares of Sunrise at this time. The OTS has informally advised Board staff that it concurs in the view that a general expression of interest in acquiring shares of a savings association does not constitute an "offer" under 12 C.F.R. 563b.3(i)(3)(i) or the underlying OTS policies. Moreover, North Fork's inquiries of Sunrise management concerning its receptivity to the basic structure of a potential acquisition are expressly permitted by the OTS. *See* 12 C.F.R. 563b.3(i)(7)(ii). OTS rules also would permit North Fork to acquire in excess of 10 percent of the voting shares of Sunrise after obtaining OTS approval.

5. These commitments are set forth in the Appendix.

impede the ability of the management of Sunrise to deploy the assets acquired through the recent conversion of Sunrise from mutual to stock form.

The Board's inquiry does not end, however, with its finding that North Fork will not control Sunrise. The Board notes that noncontrolling interests in directly competing depository institutions may raise serious questions under the BHC Act. The Board has previously noted that one company need not acquire control of another in order to substantially lessen competition between them, and that the specific facts of each case will determine whether the minority investment in a company would be anticompetitive.[6] In this case, it is the Board's judgment, based upon careful analysis of the record, that no significant reduction in competition is likely to result from the acquisition. The record indicates that there will be no officer or director interlocks between North Fork and Sunrise, that North Fork intends the acquisition to be a strictly passive investment, and that North Fork is prohibited by the BHC Act and its commitments from acting in concert with any other entity for control of Sunrise.

Moreover, even if the Board were to conclude that North Fork would control Sunrise, the elimination of competition between the two entities would not be so substantial as to warrant denial of the application. North Fork is the 34th largest bank or thrift organization ("depository institution") in New York, controlling deposits of approximately $2.3 billion, representing less than 1 percent of total deposits in depository institutions in the state.[7] Sunrise is the 73d largest depository institution in New York, controlling deposits of approximately $439 million, also representing less than 1 percent of total deposits in depository institutions in the state. North Fork and Sunrise compete directly in the Metropolitan New York-New Jersey banking market,[8] where each controls less than 1 percent of the total deposits in depository institutions in the market ("market deposits").[9] Upon consummation of this proposal, North Fork and Sunrise, if considered as a combined banking organization, would remain the 22d largest depository institution in the market, and would control total deposits of approximately $2.8 billion, representing less than 1 percent of market deposits. The Metropolitan New York-New Jersey banking market is unconcentrated, with a Herfindahl–Hirschman Index ("HHI") of 531, which would remain unchanged upon consummation of this proposal.[10] Based on all the facts of record, the Board concludes that consummation of this proposal would not have a significantly adverse effect on competition or on the concentration of resources in any relevant banking market in which North Fork and Sunrise compete.

In reviewing whether the public benefits of a proposal outweigh the adverse effects, the Board considers the financial and managerial resources of the applicant. Based on a review of relevant examination reports and other information relating to the financial condition and managerial resources and plans of North Fork and its subsidiaries, the Board concludes that the potential financial strength of North Fork as a shareholder, and the financial[11] and managerial[12] resources of North Fork, Sunrise and their banking and nonbanking subsidiaries are consistent with approval of this proposal. Accordingly, for all the reasons discussed in this order, the Board has determined that the balance of the public interest factors it is required to consider under section 4(c)(8) of the BHC Act is favorable and consistent with approval.

Based on the foregoing and all the facts of record, including all of North Fork's commitments and representations, and subject to all the terms and conditions set

6. *See Sun Banks, Inc.*, 71 *Federal Reserve Bulletin* 243 (1985).

7. State and market deposit data are as of June 30, 1994. In this context, depository institutions include commercial banks, savings banks, and savings associations.

8. The Metropolitan New York-New Jersey banking market includes New York City, Long Island, and Orange, Putnam, Rockland, Sullivan, and Westchester Counties in New York; Bergen, Essex, Hudson, Hunterdon, Middlesex, Monmouth, Morris, Ocean, Passaic, Somerset, Sussex, Union, Warren, and a portion of Mercer Counties in New Jersey; Pike County in Pennsylvania; and portions of Fairfield and Litchfield Counties in Connecticut.

9. Market share data before consummation are based on calculations in which the deposits of thrift institutions, other than Sunrise, 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 North Fork and Sunrise are being analyzed as a combined entity, the deposits of Sunrise 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).

10. 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 to be unconcentrated. The Department of Justice has informed the Board that, as a general matter, a bank merger or acquisition 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 or acquisition increases the HHI by 200 points. The Department of Justice has stated that the higher-than-average HHI thresholds for screening bank mergers for anticompetitive effects implicitly recognize the competitive effects of limited-purpose lenders and other non-depository financial entities.

11. Sunrise alleges that this proposal, together with North Fork's proposed noncontrolling equity investment in another depository institution, may reduce North Fork's ability to serve as a financial source of strength to its subsidiary depository institutions.

12. The Board has received a comment from a shareholder of North Fork alleging that North Fork's management is inattentive to the interests of the depositors of its wholly owned subsidiary, North Fork Bank, Mattituck, New York ("Bank"). The Board has carefully reviewed this allegation in light of all facts of record, including the relevant reports of examination of North Fork and Bank. The Board notes that the findings and conclusions in these reports indicate North Fork and Bank have satisfactory records of management performance, and do not support the shareholder's allegation. Based on all the facts of record, the Board does not believe that this allegation warrants denial of this proposal.

forth in this order, the Board has determined that the notice should be, and hereby is, approved. The Board's determination is subject to all the conditions set forth in Regulation Y, including those in sections 225.7 and 225.23(b)(3) of Regulation Y (12 C.F.R. 225.7 and 225.23(b)(3)), 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, or 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 North Fork's compliance with all the commitments and representations made in connection with the notice, including the commitments and conditions discussed in this order. The commitments, representations, and conditions relied on in reaching this decision shall be deemed to be conditions imposed in writing by the Board in connection with its findings and decisions and may be enforced in proceedings under applicable law.

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

By order of the Board of Governors, effective March 29, 1995.

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

WILLIAM W. WILES
Secretary of the Board

Appendix

As part of this proposal, North Fork has committed that it will not, without the Board's prior approval:

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

North Fork also has committed that it will:

(12) No later than two years following the date of increasing its interest in the voting shares of Sunrise to 5 percent or more, either:

(i) Acquire control of Sunrise and cause Sunrise to cease all impermissible activities and cause Paumanok to cease all impermissible insurance activities and divest all commissions, if any, generated from those impermissible insurance activities, or
(ii) Reduce its interest in the voting shares of Sunrise to less than 5 percent.

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

Bank of Ireland
Dublin, Ireland

Bank of Ireland First Holdings, Inc.
Manchester, New Hampshire

First NH Bank
Manchester, New Hampshire

Order Approving Acquisition of a Bank Holding Company

Bank of Ireland, Dublin, Ireland ("Applicant"), and its subsidiary, Bank of Ireland First Holdings, Inc., Manchester, New Hampshire ("BOIFH"), bank holding companies within the meaning of the Bank Holding Company Act ("BHC Act"), have applied under section 3 of the BHC Act (12 U.S.C. § 1842) to acquire indirectly all the voting shares of Great Bay Bancshares, Inc., Dover, New Hampshire ("Great Bay"), and thereby indirectly acquire Great Bay's subsidiary bank, Southeast Bank for Savings, Dover, New Hampshire ("Bank").[1]

Applicant, BOIFH, and First NH also 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 Constitution Trust Company, Dover, New Hampshire ("Constitution Trust"), a wholly owned subsidiary of Great Bay that engages in trust company activities under section 225.25(b)(3) of Regulation Y.[2]

Notice of the applications, affording interested persons an opportunity to submit comments, has been published (60 *Federal Register* 1781, 3403 (1995)). 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.

Applicant, with consolidated assets equivalent to approximately $28.3 billion, is the second largest banking organization in Ireland.[3] In the United States, Applicant indirectly controls First NH, a state-chartered guaranty savings bank. Applicant is the largest depository institution[4] in New Hampshire, controlling deposits of $2.47 billion, representing approximately 17.3 percent of all deposits in depository institutions in the state. Great Bay is the eighth largest depository institution in New Hampshire, controlling deposits of $260.1 million, representing approximately 1.8 percent of all deposits in depository institutions in the state. Upon consummation of this proposal, Applicant would remain the largest depository institution in New Hampshire, controlling deposits of $2.73 billion, representing approximately 19.1 percent of all deposits in depository institutions in the state.[5]

Applicant and Great Bay compete directly in the Portsmouth-Dover-Rochester banking market.[6] Upon consummation of this proposal, this market would remain moderately concentrated as measured by the Herfindahl–Hirschman Index ("HHI").[7] After considering the competition offered by other depository institutions in the market, the number of competitors that would remain in the market, the resulting market concentration as measured by the HHI and deposit share, and all other facts of record, the Board has concluded that consummation of this proposal would not have a significantly adverse effect on competition or the concentration of banking resources in any relevant banking market.

Supervisory Considerations

In order to approve an application by a foreign bank to acquire a U.S. bank or bank holding company, the BHC

1. First NH Bank, Manchester, New Hampshire ("First NH"), a state nonmember bank wholly owned by BOIFH, also has applied to become a bank holding company by acquiring directly all the voting shares of Great Bay. First NH would become a bank holding company only momentarily to facilitate the acquisition of Great Bay by Applicant and BOIFH and the merger of Bank into First NH. First NH has obtained approval from the Federal Deposit Insurance Corporation for its proposed merger with Bank under the Bank Merger Act (12 U.S.C. § 1828(c)).

2. Immediately upon consummation of this transaction, Constitution Trust would be merged with and into First New Hampshire Investment Services ("FNHIS"), a wholly owned trust company subsidiary of First NH engaged in trust activities permissible for banks under New Hampshire law. *See* 12 C.F.R. 225.22(d)(2)(ii).

3. Asset and national ranking data are as of September 30, 1994. State deposit and ranking data are as of June 30, 1994. Market deposit data are as of June 30, 1993.

4. In this context, depository institutions include commercial banks, savings banks, and savings associations.

5. The Bank Commissioner for the State of New Hampshire has approved the merger of Bank and First NH.

6. The Portsmouth-Dover-Rochester banking market is approximated by the Portsmouth-Dover-Rochester RMA plus the towns of Brookfield, Epping, Fremont, Hampton Falls, Kensington, Middleton, New Durham, Northwood, Nottingham, Strafford, and Wakefield in New Hampshire and the town of Lebanon in Maine.

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). Market share data are based on calculations in which the deposits of thrift institutions operating in the market, except First NH, are included at 50 percent. In light of all the facts of record, including the full cluster of banking products and loans offered by First NH and its level of non-real estate commercial lending activities, the deposits controlled by First NH have been included at 100 percent in the calculation of existing and *pro forma* market share. *See Peoples Heritage Financial Group*, 80 *Federal Reserve Bulletin* 755 (1994); *Fleet/Norstar Financial Group, Inc.*, 77 *Federal Reserve Bulletin* 669 (1990). Because Bank will be affiliated with First NH upon consummation of this proposal, the deposits of Bank are also 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, 670 n.9 (1990).

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 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 anti-competitive effects) unless the post-merger HHI is at least 1800 and the merger or acquisition increases the HHI by at least 200 points. The Justice Department has stated that the higher than normal threshold for an increase in the HHI when screening bank mergers and acquisitions for anti-competitive effects implicitly recognizes the competitive effect of limited-purpose lenders and other non-depository financial entities. Upon consummation of this transaction, the HHI would increase by 343 points to 1380.

Act and Regulation Y require the Board to determine that the foreign bank is subject to comprehensive supervision or regulation on a consolidated basis by its home country supervisor.[8] The Board also must determine that the foreign bank has provided adequate assurances that it will make available to the Board such information on its operations and activities and those of its affiliates that the Board deems appropriate to determine and enforce compliance with applicable law.[9]

The Board considers a foreign bank to be subject to comprehensive supervision or regulation on a consolidated basis if the Board determines that its home country supervisor receives sufficient information on the foreign bank's worldwide operations, including the bank's relationship to any affiliate, to assess the bank's overall financial condition and compliance with law and regulation.[10] In making its determination on these applications, the Board considered the following information.

The Central Bank of Ireland ("Central Bank") is the bank supervisory authority in the Republic of Ireland and, as such, is the home country supervisor of Applicant. The Central Bank is authorized to issue and revoke banking licenses, prescribe requirements as to capital adequacy and the composition of assets and liabilities, and issue regulations for the prudent conduct of banking business. The Central Bank's supervision of Applicant is conducted on a consolidated basis and consists of on-site inspections, meetings with senior management, review of required periodic financial reports, and review of information provided by independent auditors. The Central Bank may enforce compliance with prudential controls and other supervisory or regulatory requirements by imposing conditions on or revoking a banking license.

The Central Bank has the authority to conduct inspections of all banks licensed in Ireland as it deems necessary, and exercises this authority frequently. The Central Bank's inspection powers extend to branches and subsidiaries of Applicant, both domestic and foreign, and include matters such as asset quality, large exposures, capital adequacy, liquidity, corporate governance, and internal controls.

The Central Bank also monitors developments regarding banking organizations and their activities through regularly scheduled meetings with senior bank management. These meetings allow the Central Bank to monitor the plans of banks to diversify either geographically or by product line. Representatives of the Central Bank meet quarterly with Applicant's Group Chief Financial Officer and semiannually with Applicant's Group Chief Executive. Frequent unscheduled discussions also take place between the Central Bank and senior management of Bank of Ireland.

The Central Bank also monitors the operations of Applicant through quarterly and semiannual consolidated financial reports that address matters such as off-balance-sheet exposures, capital adequacy, large exposures, liquidity, and bad or doubtful debts. These reports are used by the Central Bank to monitor the performance and financial condition of banking organizations and to schedule special examinations when conditions warrant. The Central Bank also may request additional financial information from the Applicant and its subsidiaries whenever deemed necessary. The Central Bank also relies on information provided by independent auditors, which review the consolidated operations of Applicant, including operations outside Ireland.[11]

Applicant's transactions with its affiliates are monitored by the Central Bank through investment application requirements, lending restrictions, and reporting requirements. Any investment by a licensed bank in 10 percent or more of the shares or voting rights of any enterprise requires the approval of the Central Bank. There are exposure ceilings and reporting requirements for lending to clients in which the bank has a major interest, and for lending to directors and significant shareholders. Moreover, several of Applicant's financial institution subsidiaries also are regulated directly by the Central Bank.

The Central Bank ensures that Applicant has adequate procedures for monitoring and controlling its activities worldwide through its review of Applicant's internal controls and procedures as part of its inspection program. Applicant monitors and controls its worldwide operations through three distinct internal functions addressing matters relating to financial control, internal audit, and credit control. All business units are required to produce monthly management information, which

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8. *See* 12 U.S.C. § 1842(c)(3)(B); 12 C.F.R. 225.13(b)(5).

9. *See* 12 U.S.C. § 1842(c)(3)(A); 12 C.F.R. 225.13(b)(4).

10. In assessing this standard, the Board considers, among other factors, the extent to which the home country supervisor:

(i) Ensures that the foreign bank has adequate procedures for monitoring and controlling its activities worldwide;

(ii) Obtains information on the condition of the foreign bank and its subsidiaries and offices outside the home country through regular reports of examination, audit reports, or otherwise;

(iii) Obtains information on the dealings and relationships between the foreign bank and its affiliates, both foreign and domestic;

(iv) Receives from the foreign bank financial reports that are consolidated on a worldwide basis, or comparable information that permits analysis of the foreign bank's financial condition on a worldwide, consolidated basis; and

(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. 12 C.F.R. 211.24(c)(1).

11. Independent auditors are required by law to report to the Central Bank without delay if they have reason to believe that circumstances exist that are likely to materially affect the bank's ability to fulfill its obligations to depositors, that there are any material defects in the accounting records of the bank, or that there are material inaccuracies in or omissions from reports provided by Applicant to the Central Bank.

includes detailed profit and loss accounts, balance sheets, and information regarding asset quality. Comprehensive full-scope internal audits are performed annually.

Based on all the facts of record, the Board concludes that Applicant is subject to comprehensive supervision on a consolidated basis by its home country supervisor.

The Board has reviewed the restrictions on disclosure in certain jurisdictions where Applicant operates and has communicated with the relevant government authorities concerning access to information. Applicant has committed to make available to the Board such information on the operations or activities of Applicant and any affiliate of Applicant that the Board deems necessary to determine and enforce compliance with the International Banking Act, the BHC Act, 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, Applicant has committed to cooperate with the Board in obtaining any necessary consent or waivers that might be required from third parties for disclosure. In light of these commitments and other facts of record, and subject to the condition described below, the Board concludes that Applicant has provided adequate assurances of access to any necessary information the Board may request.

Other Considerations

The Board also considers the financial condition of a foreign bank involved in a section 3 application.[12] Applicant's capital exceeds the minimum standards contained in the Basle Accord and is equivalent to capital that would be required of a U.S. banking organization.

Based on the foregoing and all the facts of record, the Board has determined that the financial and managerial resources and future prospects of Applicant, BOIFH, and First NH, and the other supervisory factors the Board must consider under section 3 of the BHC Act, are consistent with approval of the proposal. In addition, the convenience and needs of the communities to be served, the supervision of Applicant, and the Board's access to information are all consistent with approval of this proposal.

Applicant, BOIFH, and First NH also have applied to acquire Constitution Trust pursuant to section 4(c)(8) of the BHC Act and thereby engage in trust company activities. The Board has determined by regulation that the operation of a trust company is a permissible activity for a bank holding company.[13] The record in this case indicates that there are numerous providers of trust services, 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.

Based on the foregoing and all the other facts of record, the Board has determined that the applications should be, and hereby are, approved. Should any restrictions on access to information on the operations or activities of Applicant and any of its affiliates subsequently interfere with the Board's ability to determine the safety and soundness of Applicant's U.S. operations or the compliance by Applicant or its affiliates with applicable federal statutes, the Board may require termination of any of Applicant's direct or indirect activities in the United States. The Board's approval is specifically conditioned on compliance by Applicant with all the commitments made in connection with these applications and on receipt by Applicant, BOIFH, and First NH of all necessary approvals from state and federal regulators. The determination on the nonbanking activities is also subject to all the terms and conditions set forth in Regulation Y, including those in sections 225.7 and 225.23(b) of Regulation Y (12 C.F.R. 225.7 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 ensure compliance with, and to prevent evasion of, the provisions 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 against Applicant, its offices, and its affiliates.

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

By order of the Board of Governors, effective March 6, 1995.

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

JENNIFER J. JOHNSON
Deputy Secretary of the Board

12. *See* 12 C.F.R. 225.13(b)(1).

13. *See* 12 C.F.R. 225.25(b)(3). Constitution Trust would not open for business as a separate nonbank subsidiary of Applicant, but would merge with FNHIS, First NH's existing trust company subsidiary.

ORDERS ISSUED UNDER BANK MERGER ACT

First Interstate Bank of California
Los Angeles, California

Order Approving the Acquisition of Assets and the Assumption of Liabilities of a Bank

First Interstate Bank of California, Los Angeles, California ("First Interstate"), has applied for the Board's approval under the Bank Merger Act (12 U.S.C. § 1828) to acquire certain assets and assume certain liabilities of First Trust Bank, Ontario, California ("Bank"). First Interstate also has applied to establish branches pursuant to section 9 of the Federal Reserve Act (12 U.S.C. § 321) at the current locations of Bank.

Public notice of the applications before the Board is not required by the Bank Merger Act, and in view of the emergency situation, the Board has not followed its normal practice of affording interested parties the opportunity to submit comments and views. In view of the emergency situation involving Bank, the California State Banking Department has recommended immediate action by the Board to prevent the probable failure of Bank.

In connection with the applications, the Secretary of the Board has taken into consideration the competitive effects of the proposed transaction, the financial and managerial resources and future prospects of the banks concerned and the convenience and needs of the communities to be served. On the basis of the information before the Board, the Secretary of the Board finds that an emergency situation exists so as to require that the Secretary of the Board act immediately pursuant to the provisions of section 18(c)(3) of the Federal Deposit Insurance Act (12 U.S.C. § 1828(c)(3)) in order to safeguard depositors of Bank. Having considered the record of these applications in light of the factors contained in the Bank Merger Act and the Federal Reserve Act, the Secretary of the Board has determined that consummation of the transaction would be in the public interest and that the applications should be approved on a basis that would not preclude immediate consummation of the proposal. On the basis of these considerations, the applications are approved.

Based on the foregoing and all the facts of record, the Board has determined that these applications should be, and hereby are, approved. The Board's approval of these applications is conditioned on compliance by Bank 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 both conditions imposed in writing by the Board and, as such, may be enforced in proceedings under applicable law.

The transaction may be consummated immediately, but in no event later than three months after the effective date of this order, unless such period is extended for good cause by the Board or by the Federal Reserve Bank of San Francisco, acting pursuant to delegated authority.

By order of the Secretary of the Board, acting pursuant to delegated authority for the Board of Governors, effective March 3, 1995.

WILLIAM W. WILES
Secretary of the Board

ORDERS ISSUED UNDER INTERNATIONAL BANKING ACT

Banque Nationale de Paris
Paris, France

Order Approving Establishment of Two Branches

Banque Nationale de Paris ("Bank"), Paris, France, 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 state-licensed branches in Los Angeles and San Francisco, California.[1] 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 Los Angeles, California (*Los Angeles Daily Journal*, January 25, 1995), and San Francisco, California (*The Recorder*, January 25, 1995). The time for filing comments has expired and the Board has considered all comments received.

Bank, with total consolidated assets equivalent to approximately $272 billion as of December 31, 1994, is chartered in France. Bank operates through an extensive worldwide network, with offices in approximately 78 countries throughout the world. Bank's operations in France include retail banking, insurance, leasing, factoring, real estate investment, and securities activities.

Bank owns a bank in San Francisco, California;[2] operates branches in New York, New York, and Chicago, Illinois; maintains agencies in Los Angeles and San Francisco, California; Miami, Florida; and Houston,

1. By these applications, Bank proposes to convert two existing state-licensed agencies to branches.
2. Bank's subsidiary bank is Bank of the West, a state-chartered non-member bank.

Texas; and owns a commercial lending company in New York, New York.[3] Bank also operates in the United States through several nonbank subsidiaries and affiliates.[4] 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 a branch 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).

Bank engages directly in the business of banking outside of the United States through its extensive banking operations in France and throughout the world. 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.[5] 12 C.F.R. 211.24(c)(1). In making its determination on these applications, the Board considered the following information.

Bank is subject to the regulatory and supervisory authority of the Banque de France, the Commission Bancaire, the Comité de la Réglementation Bancaire, and the Comité des Etablissements de Crédit. The Comité de la Réglementation Bancaire issues regulations setting forth the supervisory standards to which credit institutions are subject. The Comité des Etablissements de Crédit grants banking licenses, approves *de novo* banks or branches, and is empowered to withdraw authorization if a credit institution fails to comply with regulatory requirements. The Commission Bancaire, which has primary responsibility for supervising Bank, monitors Bank's compliance with French law and regulatory standards, as well as Bank's financial condition. France's central bank, the Banque de France, is the coordinating body for the regulatory agencies. The Commission Bancaire receives information on the worldwide operations of Bank, including domestic and foreign branches and affiliates, through the review of periodic reports submitted by Bank, the review of annual reports prepared by Bank's two statutory external auditors, and the conduct of periodic on-site inspections of Bank.

Bank is required to satisfy extensive financial reporting requirements on an annual, semi-annual, quarterly, and monthly basis. These financial reports generally are submitted to the Commission Bancaire and are consolidated to include the operations of Bank's domestic and foreign subsidiaries. The statutory auditors, which must be chosen from a list approved by the Commission Bancaire, certify the accuracy and sufficiency of Bank's financial statements annually. Bank and its material subsidiaries are subject to an annual full scope audit by external auditors. The external audits of Bank's worldwide operations are coordinated from France by its statutory auditors. Bank also is required to maintain adequate internal controls in order to monitor properly its extensive worldwide operations. Bank reports annually to the statutory auditors, and to the Commission Bancaire on request, regarding its internal control procedures.

The Commission Bancaire has the authority to conduct inspections of Bank and to gain access to any documentation and information, including the reports and records of Bank's subsidiaries. The inspections of Bank, which are conducted by examiners from the Banque de France, generally take place every four or five years, but could occur more frequently in the discretion of the Commission Bancaire if conditions warranted. The scope of inspections of Bank is broad, and includes a review of Bank's asset quality and internal controls. A formal report of the examiners' findings is provided to Bank's statutory auditors.

The Commission Bancaire supervises the dealings and

3. Bank's commercial lending company subsidiary is French-American Banking Corporation, a company organized under Article XII of the New York Banking Law.

4. Bank controls several nonbank subsidiaries engaged in activities under section 4(c)(8) of the Bank Holding Company Act, a commercial paper subsidiary, and a company operating under section 25 of the Federal Reserve Act.

5. In assessing this standard, the Board considers, among other factors, the extent to which the home country supervisor:

(i) Ensures that the foreign bank has adequate procedures for monitoring and controlling its activities worldwide;

(ii) Obtains information on the condition of the foreign bank and its subsidiaries and offices outside the home country through regular examination reports, audit reports, or otherwise;

(iii) Obtains information on the dealings and relationships between the foreign bank and its affiliates, both foreign and domestic;

(iv) Receives from the foreign bank financial reports that are consolidated on a worldwide basis, or comparable information that permits analysis of the foreign 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 influence the Board's determination.

relationships of Bank with its foreign and domestic affiliates through the review of consolidated financial reports. The audited reports are required to address the status of the companies included in the consolidation, the foreseeable prospects of such companies, and significant events that have occurred after the close of Bank's fiscal year. Limits, which are expressed in terms of percentages of Bank's regulatory capital, also are imposed on equity investments by Bank and are monitored through reporting requirements.

The Commission Bancaire has the authority to impose sanctions if it considers banking regulations have been violated. These sanctions may include revocation of banking authorization, appointment of a temporary administrator to manage a bank it deems to be mismanaged, or appointment of a liquidator. Other disciplinary powers include imposition of monetary penalties, limitation or termination of specific activities, and dismissal of members of management.

Based on all the facts of record, including the information described above, the Board concludes that Bank is subject to comprehensive supervision on a consolidated basis by its 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). The Banque de France has indicated that it has no objection to the establishment by Bank of the proposed branches. In addition, subject to certain restrictions, the Commission Bancaire may share information with other banking authorities, including the Board.

France is a signatory to the Basle risk-based capital standards, and French 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 numerous branches and subsidiaries outside France, appears to have the experience and capacity to conduct banking operations in the United States through the proposed branches. In addition, Bank has established controls and procedures for its U.S. offices to ensure compliance with U.S. law.

Finally, with respect to access to information regarding Bank's operations, the Board has reviewed the restrictions on disclosure in certain jurisdictions where Bank operates and has communicated with the relevant government authorities concerning access to information. Bank has committed that it will make available to the Board such information on the operations or activities 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 has committed to cooperate with the Board in obtaining any necessary consents or waivers that might be required from third parties for disclosure. 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 determined that Bank's applications to establish the branches 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 Bank's compliance with the commitments made in connection with this application and with the conditions contained in this order.[6] 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 against Bank, its offices, and its affiliates under applicable law.

By order of the Board of Governors, effective March 27, 1995.

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

WILLIAM W. WILES
Secretary of the Board

Standard Bank of South Africa
Johannesburg, South Africa

Order Approving Establishment of a Representative Office

Standard Bank of South Africa ("Bank"), Johannesburg, South Africa, a foreign bank within the meaning of the

6. The Board's authority to approve the establishment of the proposed branches parallels the continuing authority of the California 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 California, and its agent, the California State Banking Department, to license the proposed branches of Bank in accordance with any terms or conditions that the California State Banking Department may impose.

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 New York, New York. 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 submit comments, has been published in a newspaper of general circulation in New York, New York (*New York Times*, July 7, 1994). The time for filing comments has expired, and the Board has considered the application and all comments received.

Bank, with $20.2 billion in consolidated assets,[1] is the second largest commercial bank chartered in the Republic of South Africa. Bank operates approximately 650 branches in South Africa.[2] Bank also has a subsidiary bank in Bophuthatswana, a branch in Taiwan, and a representative office in the Republic of Mozambique. The proposed representative office would engage in representational functions, including soliciting loans for Bank's head office, providing liaison services for South African and U.S. companies, and developing correspondent banking relationships. Bank is a wholly owned subsidiary of Standard Bank Investment Corporation Limited ("Parent"), Johannesburg, South Africa, a company that is engaged primarily in commercial and merchant banking activities.[3]

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 of 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(c)(1)). 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)(2)).

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 a representative office does 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 the establishment of a branch or agency, 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.[4] A foreign bank's financial and managerial resources will be reviewed to determine whether its financial condition and performance demonstrate that the bank is capable of complying with applicable laws and has an operating record that would be consistent with the establishment of a representative office in the United States. All foreign banks, whether seeking to establish a branch, agency or representative office, will be required to provide adequate assurances of access to information on the operations of bank and its affiliates that is necessary to determine compliance with U.S. laws.

In this case, with respect to supervision by home country authorities, the Board has considered the following information. The South African Reserve Bank ("Reserve Bank") is the primary bank supervisory authority in South Africa and, as such, is the home country supervisor of Bank. The Reserve Bank has authorized Bank to establish the proposed representative office. The Reserve Bank establishes capital and liquidity requirements, evaluates the financial condition and performance of all South African banks, and monitors all banks and their controlling companies for adherence to South African laws and regulations. Through the Office for Deposit-Taking Institutions, the Reserve Bank supervises the foreign and domestic banking activities of Bank and Parent. The Reserve Bank monitors the operations of Bank through the review of information obtained from required statutory reports and from independent reviews conducted by external auditors. Bank is required to submit to the Reserve Bank on a monthly and quarterly basis its balance sheet, income statement and various other reports. Also, Parent annually submits to the Reserve Bank a consolidated balance sheet and a notice of any non-banking subsidiary that is engaged in banking related activities. In addition, Bank's Taiwan branch and each of Parent's foreign banking subsidiaries are required to provide various quarterly financial reports.

In addition to required periodic regulatory reports, the Reserve Bank requires both external and internal audits of the worldwide operations of Parent's banking group. External audits of the operations of the group are conducted annually and include a review of the Bank's and foreign affiliates' asset quality and risk management processes. The external auditor reviews all internal audit

1. Data are as of December 31, 1994, unless otherwise noted.

2. Bank also has South African subsidiaries that engage in property fund management, mortgage bond financing, insurance brokerage, and credit card services.

3. Through a U.K. banking subsidiary, Parent indirectly operates Standard New York Inc., New York, New York, a U.S. broker/dealer.

4. *See Citizens National Bank*, 79 *Federal Reserve Bulletin* 805 (1993).

reports and maintains informal contact with the internal auditors. The Reserve Bank meets annually with the external auditor, and relies on the external auditor for determining whether Bank and Parent are in compliance with regulatory and legal requirements.[5]

With respect to the internal monitoring of the banking group's operations, a Board Audit Committee has been established to coordinate internal audits, review audit findings, and meet with Reserve Bank staff.[6] Based on the guidelines established by this committee, internal audits of the operations of Bank's head office, branch network, and Parent's foreign banking subsidiaries are conducted at least once every two years. Also, Parent receives monthly financial reports from its foreign 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 also has found that Bank engages directly in the business of banking outside of the United States through its commercial banking operations in South Africa. Bank has provided the Board with the information necessary to assess the application through submissions that address relevant issues.

The Board also has 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)). As noted above, Reserve Bank has authorized Bank to establish the proposed representative office.

With respect to the financial and managerial resources of Bank, given Bank's record of operations in its home country, its overall financial resources, and its standing with its home country supervisors, the Board has determined that the 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 established controls and procedures for the proposed representative office to ensure compliance with U.S. law.

Bank and Parent have committed to 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 disclosure of such information is prohibited by law, Bank and Parent also have 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 also has reviewed the restrictions on disclosure of information by banks in jurisdictions in which Bank has material operations. In light of the commitments provided by Bank and Parent 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 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 Bank's compliance with the commitments made in connection with this application and with the conditions in this order.[7] 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 against Bank and its affiliates under 12 U.S.C. § 1818.

By order of the Board of Governors, effective March 22, 1995.

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

JENNIFER J. JOHNSON
Deputy Secretary of the Board

West Merchant Bank Limited
London, England

Order Approving Establishment of an Agency

West Merchant Bank Limited ("Bank"), London, England, a foreign bank within the meaning of the Interna-

5. Reserve Bank staff also meet directly with officers of the banking group quarterly and annually to discuss a variety of issues, including the financial condition and performance of Bank and Parent.

6. Members of the Board Audit Committee include directors and officers of both Bank and Parent.

7. The Board's authority to approve the establishment of the proposed representative office parallels the continuing authority of the State of New York 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 representative office of Bank in accordance with any terms or conditions that the New York State Banking Department may impose.

tional 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. 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, which amended the IBA.

Notice of the application, affording interested persons an opportunity to submit comments, has been published in a newspaper of general circulation in New York, New York (*New York Times*, January 4 and 5, 1995). The time for filing comments has expired and the Board has considered the application and all comments received.

Bank, with assets of $4.4 billion,[1] operates branches in Germany and Singapore and representative offices in seven countries. Westdeutsche Landesbank Girozentrale ("WestLB"), Düsseldorf, Federal Republic of Germany, indirectly owns approximately 75 percent of Bank.[2] WestLB has substantial direct and indirect U.S. operations. Südwestdeutsche Landesbank Girozentrale ("Südwest LB"), Stuttgart, Federal Republic of Germany, indirectly owns approximately 25 percent of Bank.[3] Bank currently operates in the United States only through its representative office and a nonbanking subsidiary. Bank and its foreign bank parents would be qualifying foreign banking organizations within the meaning of Regulation K after establishment of the proposed agency. 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 applicant engages directly in the business of banking outside of the United States and has furnished the Board with the information it needs to adequately assess the application. The Board also must determine that each of the foreign bank applicant and any foreign bank parent is subject to comprehensive supervision or regulation on a consolidated basis by its home country supervisors. 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).

Bank engages directly in the business of banking outside of the United States through its banking operations in the United Kingdom. Bank also has provided the Board with the information necessary to assess the application through submissions that address relevant issues.

Regulation K provides that a 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. 12 C.F.R. 211.24(c)(1).[4] In making its determination under this standard, the Board has considered the following information.

Supervision of Bank by U.K. Authorities

The Bank of England is the home country supervisor of Bank. The Bank of England has broad statutory powers to supervise and take enforcement action against an authorized institution such as Bank. The Board has previously considered applications in which it determined that particular banks in the United Kingdom were subject to comprehensive, consolidated home country supervision.[5] Bank states that it is subject to the same supervision as other U.K. banks and has furnished information regarding the authorities' ability to supervise and regulate the activities of Bank on a worldwide consolidated basis.[6] The Board has reviewed this information, as well as information previously received as it may apply to Bank, and has determined that Bank is supervised by the Bank of England on substantially the same terms and conditions as set forth in the earlier orders.

1. Financial data are as of December 31, 1994, unless otherwise noted.

2. WestLB currently operates a branch in New York, New York, and is subject to the provisions of the Bank Holding Company Act ("BHC Act") and the IBA.

3. SüdwestLB is a foreign bank that would become subject to the BHC Act and the IBA upon the establishment of the proposed agency.

4. In assessing this standard, the Board considers, among other factors, the extent to which the home country supervisors:

(i) Ensure that the bank has adequate procedures for monitoring and controlling its activities worldwide;

(ii) Obtain information on the condition of the bank and its subsidiaries and offices through regular examination reports, audit reports, or otherwise;

(iii) Obtain information on the dealings with and relationship between the bank and its affiliates, both foreign and domestic;

(iv) Receive 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; and

(v) Evaluate 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.

5. *See Coutts & Co. AG*, 79 *Federal Reserve Bulletin* 636 (1993); *Singer & Friedlander*, 79 *Federal Reserve Bulletin* 809 (1993).

6. Certain activities of Bank are also subject to regulation by the Securities and Futures Authority ("SFA"), a self-regulatory organization in the United Kingdom. The SFA and the Bank of England exchange supervisory information as necessary to supervise operations of Bank.

Supervision of WestLB and SüdwestLB by German Authorities

The German Federal Banking Supervisory Office ("FBSO") and the Bundesbank share responsibility as WestLB's and SüdwestLB's (collectively, "Parent Banks") home country supervisors. The FBSO has enforcement powers with regard to bank regulation and supervision and works closely with the Bundesbank in supervising Parent Banks. The FBSO's supervision of Parent Banks is conducted on a consolidated basis and consists of, among other things, review of required periodic financial reports and information provided by external and internal auditors.

The FBSO also has authority to carry out on-site audits of German credit institutions. Generally, the FBSO relies on independent external auditors to conduct such audits, which may encompass all of a bank's operations or may be limited to specific areas, such as internal auditing, accounting or lending operations. The Bundesbank also is authorized to conduct on-site audits of foreign exchange operations. Areas covered by these audits include the organization of foreign exchange operations, adequacy of internal controls, and compliance with foreign currency risk regulations.

The FBSO and the Bundesbank also monitor the operations of Parent Banks through the receipt of annual and monthly reports that are prepared on a consolidated basis. Annual reports are prepared by external auditors and include evaluation of a bank's financial statements, internal controls, and loan classification practices.[7] Monthly reports include financial returns and reports addressing capital adequacy and liquidity. Quarterly reports are also required regarding extensions of credit, interest rates, and securities activities. The German banking supervisors may require the provision of additional information from external auditors or the institution itself.

Parent Banks are also required to have adequate procedures for monitoring and controlling their worldwide activities. Under these requirements, banks are required to maintain an internal auditing department capable of effectively monitoring their worldwide activities in all business areas. The reports of a bank's internal auditors, and their compliance with FBSO guidelines, are reviewed by their external auditors as part of the annual review. Each of the Parent Banks has established an audit department that conducts or oversees periodic audits of all branches and representative offices located in Germany and abroad, and all majority-owned bank and non-bank subsidiaries.

Each of the Parent Banks' transactions with affiliated parties also are monitored by the FBSO and the Bundesbank through lending restrictions and reporting requirements. Although German banks may invest in commercial, industrial and insurance companies, the aggregate book value of investments in nonfinancial enterprises may not exceed 60 percent of the bank's total capital. Investment in any one nonfinancial enterprise may not exceed 15 percent of total capital.[8] There are also reporting requirements for loans to significant shareholders or companies of which the bank owns more than 25 percent.

The FBSO has authority to enforce the German banking laws by levying fines or imposing other penalties. The FBSO also may restrict dividends, prohibit the sale of assets, close the bank, or revoke its license.

Based on all facts of record, which include the information described above, the Board finds that Bank, WestLB, and SüdwestLB are subject to comprehensive supervision or regulation on a consolidated basis by their respective home country supervisors.

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). Bank's direct and indirect supervisors have indicated they have no objection to establishment of the proposed state-licensed agency. In addition, subject to certain conditions, the Bank of England the FBSO, and the Bundesbank may share information on the operations of Bank and the Parent Banks with other supervisors, including the Board.

The United Kingdom is a signatory to the Basle risk-based capital standards, and United Kingdom 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 other financial resources of Bank are also consistent with approval in light of commitments and conditions reflected in the record. Bank appears to have the experience and capacity to support the proposed agency and has established controls and procedures for its U.S. offices to ensure compliance with U.S. law.

Finally, the Board has reviewed the restrictions on disclosure in certain jurisdictions where Bank and Parent Banks operate and has communicated with relevant government authorities concerning access to information. Bank and Parent Banks have committed to make available to the Board such information on

7. The external auditors that conduct on-site audits on behalf of the FBSO generally do not audit the annual accounts of the same bank.

8. Other limitations include the requirement that a capital investment in a foreign bank subsidiary must be deducted from total capital, if a parent bank cannot obtain information required for consolidation.

the operations of Bank and any of its affiliates that the Board deems necessary to determine and enforce compliance with the IBA, the BHC Act, 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 and Parent Banks have committed to cooperate with the Board to obtain necessary consents or waivers that may be required from third parties to gain access to such 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 all commitments made by Bank and Parent Banks, as well as the terms and conditions set forth in this order, the Board has determined that Bank's application to establish a state-licensed agency should be, and hereby is, approved. If any restrictions on access to information on the operations or activities of Bank or any of its affiliates subsequently interfere with the Board's ability to determine the safety and soundness of Bank's U.S. operations or 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 Parent Banks and Bank with the commitments made in connection with this application, and with the conditions in this order.[9] 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, including its offices and its affiliates.

By order of the Board of Governors, effective March 29, 1995.

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

WILLIAM W. WILES
Secretary of the Board

9. The Board's authority to approve the establishment of the proposed office parallels the continuing authority of the State of New York 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 office of Bank in accordance with any terms or conditions that the State of New York may impose.

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.

Jones v. Board of Governors, No. 95-1142 (D.C. Cir., filed March 3, 1995). Petition for review of a Board order dated February 2, 1995, approving the applications by First Commerce Corporation, New Orleans, Louisiana, to merge with City Bancorp, Inc., New Iberia, Louisiana, and First Bankshares, Inc., Slidell, Louisiana.

In re Subpoena Duces Tecum, No. 95-5034 (D.C. Cir., filed January 26, 1995). Appeal of partial denial of plaintiff's motion to compel production of examination and other supervisory material in connection with a shareholder derivative action against a bank holding company.

Kuntz v. Board of Governors, No. 95-3044 (6th Cir., filed January 12, 1995). Petition for review of a Board order dated December 19, 1994, approving an application by KeyCorp, Cleveland, Ohio, to acquire BANKVERMONT Corp., Burlington, Vermont. On February 10, 1995, the Board filed its motion to dismiss.

Zemel v. Board of Governors, No. 95-5007 (D.C. Cir., filed December 30, 1994). Appeal of district court's dismissal of Age Discrimination in Employment Act case.

In re Subpoena Duces Tecum, Misc. No. 95-06 (D.D.C., filed January 6, 1995). Action to enforce subpoena seeking pre-decisional supervisory documents sought in connection with an action by Bank of New England Corporation's trustee in bankruptcy against the Federal Deposit Insurance Corporation. The Board filed its opposition on January 20, 1995.

Cavallari v. Board of Governors, No. 94-4183 (2d Cir., filed October 17, 1994). Petition for review of Board order of prohibition against a former outside counsel to a national bank (80 *Federal Reserve Bulletin* 1046 (1994)). The case was consolidated with a petition for review of orders of the Comptroller of the Currency imposing a civil money penalty and cease and desist order against petitioner (*Cavallari v. OCC,* No. 94-4151). Oral argument was heard on March 23, 1995.

In re Subpoena Duces Tecum, No. 94-MS-214 (D. D.C., filed June 27, 1994). Subpoena enforcement case in which the plaintiff in a securities fraud class action seeks examination reports and internal Board memos. On February 1, 1995, the court granted the plaintiff's motion to compel, subject to the Board's right to claim privilege with respect to the documents sought.

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.

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.

WRITTEN AGREEMENTS APPROVED BY FEDERAL RESERVE BANKS

Equitable Bank
North Miami Beach, Florida

The Federal Reserve Board announced on March 8, 1995, the execution of a Written Agreement between the Federal Reserve Bank of Atlanta and the Equitable Bank, North Miami Beach, Florida.

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
South Trust Corporation, Birmingham, Alabama	CNB Capital Corporation, Pascagoula, Mississippi	March 28, 1995

Sections 3 and 4

Applicant(s)	Bank(s)	Effective Date
Old National Bancorp., Evansville, Indiana	Citizens National Bank Corporation, Tell City, Indiana Citizens National Life Insurance Corporation, Tell City, Indiana	March 10, 1995

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
American Community Bankshares, Inc., Wausau, Wisconsin	American Community Bank, Wausau, Wisconsin	Chicago	February 22, 1995
Baltz Family Partners, Ltd., Parker, Colorado	First United Bancorporation, Parker, Colorado	Kansas City	February 24, 1995

Section 3—Continued

Applicant(s)	Bank(s)	Reserve Bank	Effective Date
Benjamin Franklin Bancorp, M.H.C., Franklin, Massachusetts	Benjamin Franklin Savings Bank, Franklin, Massachusetts	Boston	February 27, 1995
B J Morgan Bancshares, Inc., Morgantown, Indiana	First State Bank, Morgantown, Indiana	Chicago	February 23, 1995
Boatmen's Bancshares, Inc., St. Louis, Missouri	West Side Bancshares, Inc., San Angelo, Texas	St. Louis	March 1, 1995
The Chase Manhattan Corporation, New York, New York Chase Manhattan National Holding Corporation, New York, New York	The Chase Manhattan Bank of New Jersey, National Association, Oradell, New Jersey	New York	March 3, 1995
Cullen/Frost Bankers, Inc., San Antonio, Texas	Valley Bancshares, Inc., McAllen, Texas	Dallas	February 27, 1995
Deposit Guaranty Corporation, Jackson, Mississippi	Citizens National Bancshares, Inc., Hammond, Louisiana	Atlanta	March 8, 1995
Fifth Third Bancorp, Cincinnati, Ohio	Fifth Third Bank of Northeastern Ohio, Cleveland, Ohio	Cleveland	March 8, 1995
First Centralia Bancshares, Inc., Centralia, Kansas	Onaga Bancshares, Inc., Onaga, Kansas	Kansas City	March 2, 1995
First Citizens BancShares, Inc., Raleigh, North Carolina	Old White Bankshares, Inc., White Sulphur Springs, West Virginia	Richmond	March 16, 1995
Foxdale Bancorp, South Elgin, Illinois	Foxdale Bank, South Elgin, Illinois	Chicago	March 8, 1995
Ida Grove Bancshares, Inc., Ida Grove, Iowa	American National Bank, Hostein, Iowa	Chicago	February 23, 1995
Independent Bancorp, Inc., Oxford, Alabama	The Independent Bank of Oxford, Oxford, Alabama	Atlanta	March 16, 1995
IBW, Inc., Washington, D.C.	Industrial Bank of Washington, Washington, D.C.	Richmond	March 2, 1995
ISB Financial Corporation, New Iberia, Louisiana	Iberia Savings Bank, New Iberia, Louisiana	Atlanta	February 24, 1995
L.B.S. McMullan Limited Partnership, Shelbyville, Kentucky	Citizens Union Bancorp of Shelbyville, Inc., Shelbyville, Kentucky	St. Louis	March 14, 1995
MNB Bancshares, Inc., Manhattan, Kansas	Auburn Bancshares, Inc., Auburn, Kansas	Kansas City	March 10, 1995
Morrill Bancshares, Inc., Sabetha, Kansas	Onaga Bancshares, Inc., Onaga, Kansas	Kansas City	March 2, 1995
National Bancorp, Inc., Melrose Park, Illinois	Northwest Community Bank, Prospect Heights, Illinois	Chicago	February 24, 1995
National City Bancshares, Inc., Evansville, Indiana	White County Bank, Carmi, Illinois	St. Louis	March 14, 1995
Norwest Corporation, Minneapolis, Minnesota	United Texas Financial Corporation, Wichita Falls, Texas	Minneapolis	March 1, 1995

Section 3—Continued

Applicant(s)	Bank(s)	Reserve Bank	Effective Date
Otto Bremer Foundation, St. Paul, Minnesota Bremer Financial Corporation, St. Paul, Minnesota	Morris State Bancorporation, Morris, Minnesota	Minneapolis	March 16, 1995
Peoples Bancorp, Inc., Plano, Texas Peoples Bancorp of Delaware, Inc., Dover, Delaware	Plano Bank & Trust, Plano, Texas	Dallas	February 28, 1995
Peoples Bancorp of Delaware, Inc., Dover, Delaware	Plano Bank & Trust, Plano, Texas	Dallas	February 28, 1995
Persons Banking Company, Lithonia, Georgia	Spivey Bank Shares, Inc., Swainsboro, Georgia	Atlanta	March 13, 1995
State Bank Employees Stock Ownership Plan, Hoxie, Kansas	Prairie State Bancshares, Inc., Hoxie, Kansas	Kansas City	March 6, 1995
Synovus Financial Corp., Columbus, Georgia TB&C Bancshares, Inc., Columbus, Georgia	Citizens & Merchants Corporation, Douglasville, Georgia	Atlanta	March 3, 1995
Texas Financial Bancorporation, Inc., Minneapolis, Minnesota First Bancorp, Inc., Denton, Texas First Delaware Bancorp, Inc., Dover, Delaware	Shady Oaks Bancshares, Inc., Fort Worth, Texas Shady Oaks National Bank, Fort Worth, Texas	Dallas	March 1, 1995
United Valley Bancorp, Inc., Philadelphia, Pennsylvania	United Valley Bank, Philadelphia, Pennsylvania	Philadelphia	March 1, 1995
Warren County Bancshares, Inc., Warrenton, Missouri	Bay-Hermann-Berger Bank, Hermann, Missouri	St. Louis	March 2, 1995
West Plains Investors, Inc., Pleasant Plains, Illinois	Pleasant Plains State Bank, Pleasant Plains, Illinois	Chicago	March 1, 1995
Wilmot Bank Holding Company, Wilmot, Arkansas	Wilmot State Bank, Wilmot, Arkansas	St. Louis	February 27, 1995

Section 4

Applicant(s)	Nonbanking Activity/Company	Reserve Bank	Effective Date
Central Louisiana Capital Corporation, Vidalia, Louisiana	To engage *de novo* in consumer finance activities and the sale of money orders	Dallas	February 16, 1995
Central Louisiana Capital Corporation, Vidalia, Louisiana	To engage *de novo* in the sale of credit related insurance	Dallas	March 2, 1995

Section 4—Continued

Applicant(s)	Nonbanking Activity/Company	Reserve Bank	Effective Date
Deutsche Bank AG, Frankfurt (Main), Federal Republic of Germany	Deutsche Bank Trust Company, New York, New York	New York	March 3, 1995
Gillmor Financial Services, Inc., Old Fort, Ohio	The Old Fort Real Estate Company, Old Fort, Ohio	Cleveland	February 16, 1995
ISB Financial Corporation, New Iberia, Louisiana	Iberia Financial Services, Inc., New Iberia, Louisiana	Atlanta	March 1, 1995
Jacob Schmidt Company, St. Paul, Minnesota American Bancorporation, Inc., St. Paul, Minnesota	American Credit Corporation, St. Paul, Minnesota	Minneapolis	March 8, 1995
The Toronto-Dominion Bank, Toronto, Canada	Lancaster Financial Corporation, New York, New York	New York	February 28, 1995

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
1st United Bank, Boca Raton, Florida	Jupiter Tequesta National Bank, Tequesta, Florida	Atlanta	March 2, 1995
Enterprise Bank and Trust Company, Winston-Salem, North Carolina	First Union National Bank of North Carolina, Charlotte, North Carolina	Richmond	February 24, 1995
Fifth Third Bank of Northeastern Ohio, Cleveland, Ohio	The Fifth Third Bank, Cincinnati, Ohio	Cleveland	March 8, 1995
Firstar Bank Illinois, Naperville, Illinois	All American Bank, Chicago, Illinois Colonial Bank, Chicago, Illinois Community Bank & Trust Company of Edgewater, Chicago, Illinois Michigan Avenue National Bank, Chicago, Illinois First Colonial Bank Southwest, Burbank, Illinois First Colonial Bank of McHenry County, Crystal Lake, Illinois First Colonial Bank of Downers Grove, Downers Grove, Illinois York State Bank, Elmhurst, Illinois	Chicago	March 1, 1995

Bank Merger Act—Continued

Applicant(s)	Bank(s)	Reserve Bank	Effective Date
	Fox Lake State Bank, Fox Lake, Illinois First Colonial Bank/Highwood, Highwood, Illinois First Colonial Bank/Mundelein, Mundelein, Illinois First Colonial Bank of DePage County, Naperville, Illinois First Colonial Bank Northwest, Niles, Illinois First Colonial Bank/Northlake, Northlake, Illinois Avenue Bank of Oak Park, Oak Park, Illinois First Colonial Bank/Rosemont, Rosemont, Illinois First Colonial Bank of Lake County, Vernon Hills, Illinois		
Old Kent Bank, Elmhurst, Illinois	Countryside Bank, Edgewood, Illinois	Chicago	March 2, 1995
Pace American Bank, Lawrenceville, Virginia	NationsBank of Virginia, N.A., Richmond, Virginia	Richmond	February 24, 1995
Shelby County State Bank, Shelbyville, Illinois	Strasburg State Bank, Strasburg, Illinois	Chicago	March 10, 1995
United Valley Bank, Philadelphia, Pennsylvania	UVB Interim Bank, Philadelphia, Pennsylvania	Philadelphia	March 1, 1995

Directors of Federal Reserve Banks and Branches

Regional decentralization and a combination of governmental and private characteristics are important hallmarks of the uniqueness of the *Federal Reserve System*. Under the Federal Reserve Act, decentralization was achieved by division of the country into twelve regions called Federal Reserve Districts, and the establishment in each District of a separately incorporated Federal Reserve Bank with its own board of directors. The blending of governmental and private characteristics is provided through ownership of the stock of the Reserve Bank by member banks in its District, which also elect the majority of the board of directors, and by the general supervision of the Reserve Banks by the Board of Governors, an agency of the federal government. The Board also appoints a *minority* of each board of directors. Thus, there are essential elements of regional participation and counsel in the conduct of the System's affairs for which the Federal Reserve relies importantly on the contributions of the directors of the Federal Reserve Banks and Branches.

The following list of directors of Federal Reserve Banks and Branches shows for each director the class of directorship, the principal business affiliation, and the date the current term expires. Each Federal Reserve Bank has nine members on its board of directors: The member banks elect the three Class A and three Class B directors, and the Board of Governors appoints the three directors in Class C. Directors are chosen without discrimination as to race, creed, color, sex, or national origin.

Class A directors of each Reserve Bank represent the stockholding member banks of the Federal Reserve District. Class B and Class C directors represent the public and are chosen with due, but not exclusive, consideration to the interests of agriculture, commerce, industry, services, labor, and consumers; they may not be officers, directors, or employees of any bank. In addition, Class C directors may not be stockholders of any bank. The Board of Governors designates annually one Class C director as chairman of the board of directors of each District Bank and designates another Class C director as deputy chairman.

Each of the twenty-five Branches of the Federal Reserve Banks has a board of either seven or five directors, a majority of whom are appointed by the parent Federal Reserve Bank; the others are appointed by the Board of Governors. One of the Board's appointees is designated annually as chairman of the board of that Branch in a manner prescribed by the parent Federal Reserve Bank.

The names of the chairman and deputy chairman of the board of directors of each Reserve Bank and of the chairman of each Branch are published monthly in the *Federal Reserve Bulletin*.[1]

1. The current list appears on page A86 of this *Bulletin*.

DISTRICT 1—BOSTON

		Term expires December 31
Class A		
Ira Stepanian	Chairman and Chief Executive Officer, The Bank of Boston Corporation, Boston, Massachusetts	1995
David A. Page	President and Chief Executive Officer, Ocean National Bank of Kennebunk, Kennebunk, Maine	1996
Jane C. Walsh	President and Chief Executive Officer, Northmark Bank, North Andover, Massachusetts	1997

DISTRICT 1—Continued — *Term expires December 31*

Class B

Joan T. Bok	Chairman, New England Electric System, Westborough, Massachusetts	1995
Stephen L. Brown	Chairman and Chief Executive Officer, John Hancock Mutual Life Insurance Company, Boston, Massachusetts	1996
Edward Dugger III	President and Chief Executive Officer, UNC Ventures, Inc., Boston, Massachusetts	1997

Class C

William C. Brainard	Professor of Economics and Chair, Department of Economics, Yale University, New Haven, Connecticut	1995
John E. Flynn	Executive Director, The Quality Connection, East Dennis, Massachusetts	1996
Jerome H. Grossman	Chairman and Chief Executive Officer, New England Medical Center, Inc., Boston, Massachusetts	1997

DISTRICT 2—NEW YORK

Class A

Robert G. Wilmers	Chairman, President, and Chief Executive Officer, Manufacturers and Traders Trust Company, Buffalo, New York	1995
J. William Johnson	Chairman and Chief Executive Officer, The First National Bank of Long Island, Glen Head, New York	1996
J. Carter Bacot	Chairman and Chief Executive Officer, The Bank of New York, New York, New York	1997

Class B

William C. Steere, Jr.	Chairman and Chief Executive Officer, Pfizer Inc., New York, New York	1995
Sandra Feldman	President, United Federation of Teachers, New York, New York	1996
Eugene R. McGrath	Chief Executive Officer, Consolidated Edison Company of New York, Inc., New York, New York	1997

Class C

Herbert L. Washington	Owner, HLW Fast Track, Inc., Rochester, New York	1995
David A. Hamburg	President, Carnegie Corporation of New York, New York, New York	1996
Maurice R. Greenberg	Chairman and Chief Executive Officer, American International Group, Inc., New York, New York	1997

BUFFALO BRANCH

Appointed by the Federal Reserve Bank

George W. Hamlin IV	President and Chief Executive Officer, The Canandaigua National Bank and Trust Company, Canandaigua, New York	1995
Louise C. Woerner	Chairman and Chief Executive Officer, HCR, Rochester, New York	1996
William E. Swan	President and Chief Executive Officer, Lockport Savings Bank, Lockport, New York	1997
Mark W. Adams	Owner and Operator, Adams Poultry Farm, Naples, New York	1997

DISTRICT 2—Continued

Term expires December 31

Buffalo Branch—Continued

Appointed by the Board of Governors

F.C. Richardson	President, Buffalo State College, Buffalo, New York	1995
Joseph J. Castiglia	President and Chief Executive Officer, Pratt & Lambert, Inc., Buffalo, New York	1996
Donald L. Rust	Plant Manager, Tonawanda Engine Plant, General Motors Powertrain Division, General Motors Corporation, Buffalo, New York	1997

DISTRICT 3—PHILADELPHIA

Class A

Carl L. Campbell	President and Chief Executive Officer, Keystone Financial, Inc., Harrisburg, Pennsylvania	1995
Terry K. Dunkle	Chairman, United States National Bank, Johnstown, Pennsylvania	1996
Dennis W. DiLazzero	President and Chief Executive Officer, Minotola National Bank, Vineland, New Jersey	1997

Class B

David W. Huggins	President and Chief Executive Officer, RMS Technologies, Inc., Marlton, New Jersey	1995
J. Richard Jones	President and Chief Executive Officer, Jackson-Cross Company, Philadelphia, Pennsylvania	1996
Robert D. Burris	President and Chief Executive Officer, Burris Foods, Inc., Milford, Delaware	1997

Class C

James M. Mead	President and Chief Executive Officer, Capital Blue Cross, Harrisburg, Pennsylvania	1995
Joan Carter	President and Chief Operating Officer, UM Holdings Ltd., Haddonfield, New Jersey	1996
Donald J. Kennedy	Business Manager, International Brotherhood of Electrical Workers, Local Union No. 269, Trenton, New Jersey	1997

DISTRICT 4—CLEVELAND

Class A

Edward B. Brandon	Chairman and Chief Executive Officer, National City Corporation, Cleveland, Ohio	1995
Alfred C. Leist	Chairman, President, and Chief Executive Officer, The Apple Creek Banking Company, Apple Creek, Ohio	1996
David S. Dahlmann	President and Chief Executive Officer, Southwest National Corporation, Greensburg, Pennsylvania	1997

Class B

I.N. Rendall Harper, Jr.	President and Chief Executive Officer, American Micrographics Company, Inc., Monroeville, Pennsylvania	1995
Thomas M. Nies	President, Cincom Systems, Inc., Cincinnati, Ohio	1996
Michele Tolela Myers	President, Denison University, Granville, Ohio	1997

DISTRICT 4—Continued

		Term expires December 31
Class C		
A. William Reynolds	Chief Executive, Old Mill Group, Hudson, Ohio	1995
Robert Y. Farrington	Executive Secretary–Treasurer, Ohio State Building and Construction Trades Council, Columbus, Ohio	1996
G. Watts Humphrey, Jr.	President, GWH Holdings, Inc., Pittsburgh, Pennsylvania	1997

CINCINNATI BRANCH

Appointed by the Federal Reserve Bank		
Jerry W. Carey	President and Chief Executive Officer, Union National Bank and Trust Company, Barbourville, Kentucky	1995
Judith G. Clabes	Editor, *The Kentucky Post,* Covington, Kentucky	1996
Phillip R. Cox	President, Cox Financial Corporation, Cincinnati, Ohio	1996
Jerry A. Grundhofer	Chairman, President, and Chief Executive Officer, Star Banc Corporation, Cincinnati, Ohio	1997
Appointed by the Board of Governors		
Eleanor Hicks	President, M.I.N.D.S. International, Cincinnati, Ohio	1995
John N. Taylor, Jr.	Chairman and Chief Executive Officer, Kurz–Kasch, Inc., Dayton, Ohio	1996
C. Wayne Shumate	Chairman and Chief Executive Officer, Kentucky Textiles, Inc., Paris, Kentucky	1997

PITTSBURGH BRANCH

Appointed by the Federal Reserve Bank		
Helen J. Clark	Chairman, President, and Chief Executive Officer, Apollo Trust Company, Apollo, Pennsylvania	1995
Randall L.C. Russell	President and Chief Executive Officer, Ranbar Technology, Inc., Glenshaw, Pennsylvania	1996
Wesley W. von Schack	Chairman, President, and Chief Executive Officer, DQE, Pittsburgh, Pennsylvania	1996
Thomas J. O'Shane	President and Chief Executive Officer, First Western Bancorp, Inc., New Castle, Pennsylvania	1997
Appointed by the Board of Governors		
Robert P. Bozzone	Vice Chairman of the Board, Allegheny Ludlum Corporation, Pittsburgh, Pennsylvania	1995
Sandra L. Phillips	Executive Director, Pittsburgh Partnership for Neighborhood Development, Pittsburgh, Pennsylvania	1996
John T. Ryan III	President, Chairman, and Chief Executive Officer, Mine Safety Appliances Company, Pittsburgh, Pennsylvania	1997

DISTRICT 5—RICHMOND		*Term expires December 31*
Class A		
Charles E. Weller	President, Elkridge National Bank and ENB Financial Corporation, Elkridge, Maryland	1995
Robert M. Freeman	Chairman and Chief Executive Officer, Signet Banking Corporation, Richmond, Virginia	1996
Philip L. McLaughlin	President and Chief Executive Officer, Horizon Bancorp, Inc., and Greenbrier Valley National Bank, Lewisburg, West Virginia	1997
Class B		
R.E. Atkinson, Jr.	Chairman, Dilmar Oil Company, Inc., Florence, South Carolina	1995
Paul A. DelaCourt	Chairman, The North Carolina Enterprise Corporation, Raleigh, North Carolina	1996
L. Newton Thomas, Jr.	Senior Vice President (Retired), ITT/Carbon Industries, Inc., Charleston, West Virginia	1997
Class C		
Henry J. Faison	Chairman, Faison, Charlotte, North Carolina	1995
Stephen Brobeck	Executive Director, Consumer Federation of America, Washington, D.C.	1996
Claudine B. Malone	President, Financial & Management Consulting, Inc., McLean, Virginia	1997

BALTIMORE BRANCH

Appointed by the Federal Reserve Bank		
Richard M. Adams	Chairman and Chief Executive Officer, United Bankshares, Inc., Parkersburg, West Virginia	1995
Morton I. Rapoport	President and Chief Executive Officer, University of Maryland Medical System, Baltimore, Maryland	1996
Thomas J. Hughes	President and Chief Executive Officer, Navy Federal Credit Union, Vienna, Virginia	1997
F. Levi Ruark	Chairman, President, and Chief Executive Officer, The National Bank of Cambridge, Cambridge, Maryland	1997
Appointed by the Board of Governors		
Daniel R. Baker	President and Chief Executive Officer, Tate Access Floors, Inc., Jessup, Maryland	1995
Michael R. Watson	President, Association of Maryland Pilots, Baltimore, Maryland	1996
Rebecca Hahn Windsor	Chairman and Chief Executive Officer, Hahn Transportation, Inc., New Market, Maryland	1997

CHARLOTTE BRANCH

Appointed by the Federal Reserve Bank		
David B. Jordan	Vice Chairman, Chief Executive Officer, and Director, Security Capital Bancorp, Salisbury, North Carolina	1995
Jim M. Cherry, Jr.	President and Chief Executive Officer, Williamsburg First National Bank, Kingstree, South Carolina	1996
Dorothy H. Aranda	President, Dohara Associates, Inc., Hilton Head Island, South Carolina	1997
J. Walter McDowell	President and Chief Executive Officer, Wachovia Bank of North Carolina, N.A., Winston-Salem, North Carolina	1997

DISTRICT 5—Continued

Charlotte Branch—Continued

Appointed by the Board of Governors

		Term expires December 31
James O. Roberson	President and Chief Executive Officer, Research Triangle Foundation of North Carolina, Research Triangle Park, North Carolina	1995
Dennis D. Lowery	Chief Executive Officer and Chairman, Continental Ltd., Charlotte, North Carolina	1996
Joan H. Zimmerman	President, Southern Shows, Inc., Charlotte, North Carolina	1997

DISTRICT 6—ATLANTA

Class A

W.H. Swain	Chairman, First National Bank, Oneida, Tennessee	1995
James B. Williams	Chairman and Chief Executive Officer, SunTrust Banks, Inc., Atlanta, Georgia	1996
D. Paul Jones, Jr.	Chairman and Chief Executive Officer, Compass Bancshares, Inc., Birmingham, Alabama	1997

Class B

J. Thomas Holton	President, Sherman International Corporation, Birmingham, Alabama	1995
Andre M. Rubenstein	Chairman and Chief Executive Officer, Rubenstein Brothers, Inc., New Orleans, Louisiana	1996
Maria Camila Leiva	Executive Vice President, Miami Free Zone Corporation, Miami, Florida	1997

Class C

Leo Benatar	Chairman and Chief Executive Officer, Engraph, Inc., Atlanta, Georgia	1995
Daniel E. Sweat, Jr.	Program Director, The America Project, Atlanta, Georgia	1996
Hugh M. Brown	President and Chief Executive Officer, BAMSI, Inc., Titusville, Florida	1997

BIRMINGHAM BRANCH

Appointed by the Federal Reserve Bank

J. Stephen Nelson	Chairman and Chief Executive Officer, First National Bank of Brewton, Brewton, Alabama	1995
Julian W. Banton	Chairman, President, and Chief Executive Officer, SouthTrust Bank of Alabama, N.A., Birmingham, Alabama	1996
Marlin D. Moore, Jr.	Chairman, Pritchett–Moore, Inc., Tuscaloosa, Alabama	1997
Columbus Sanders	President, Consolidated Industries, Inc., Huntsville, Alabama	1997

Appointed by the Board of Governors

Patricia B. Compton	President, Patco, Inc., Georgiana, Alabama	1995
Donald E. Boomershine	President, The Better Business Bureau of Central Alabama, Inc., and the Counties of the Wiregrass, Birmingham, Alabama	1996
D. Bruce Carr	International Representative, Laborers' International Union, AFL–CIO of North America, Gadsden, Alabama	1997

DISTRICT 6—Continued

JACKSONVILLE BRANCH

		Term expires December 31
Appointed by the Federal Reserve Bank		
Royce B. Walden	Vice President, Ward Bradford & Company, Orlando, Florida	1995
William G. Smith, Jr.	President, Capital City First National Bank, Tallahassee, Florida	1996
Terry R. West	President and Chief Executive Officer, Jax Navy Federal Credit Union, Jacksonville, Florida	1997
Arnold A. Heggestad	Chester Holloway Professor of Entrepreneurship, University of Florida, Gainesville, Florida	1997
Appointed by the Board of Governors		
Lana Jane Lewis-Brent	President, Paul Brent Designer, Inc., Panama City, Florida	1995
Joan Dial Ruffier	General Partner, Sunshine Cafes, Orlando, Florida	1996
Patrick C. Kelly	Chairman and Chief Executive Officer, Physician Sales & Service, Inc., Jacksonville, Florida	1997

MIAMI BRANCH

Appointed by the Federal Reserve Bank		
E. Anthony Newton	President and Chief Executive Officer, Island National Bank and Trust Company, Palm Beach, Florida	1995
Pat L. Tornillo, Jr.	Executive Vice President, United Teachers of Dade, Miami, Florida	1996
Steven C. Shimp	President, O-A-K/Florida, Inc., Fort Myers, Florida	1996
Carlos A. Migoya	President, Dade/Monroe Counties, First Union National Bank of Florida, Miami, Florida	1997
Appointed by the Board of Governors		
R. Kirk Landon	Chairman and Chief Executive Officer, American Bankers Insurance Group, Miami, Florida	1995
Michael T. Wilson	President, Vinegar Bend Farms, Inc., Belle Glade, Florida	1996
Kaaren Johnson-Street	Vice President, Diversity Business Enterprise, Burger King Corporation, Miami, Florida	1997

NASHVILLE BRANCH

Appointed by the Federal Reserve Bank		
James D. Harris	President and Chief Executive Officer, Brentwood National Bank, Brentwood, Tennessee	1995
Williams E. Arant, Jr.	President and Chief Executive Officer, First Knoxville Bank, Knoxville, Tennessee	1996
Jack J. Vaughn	President, Opryland Hospitality & Attractions Group, Gaylord Entertainment Company, Nashville, Tennessee	1997
John E. Seward, Jr.	President and Chief Executive Officer, The Paty Company, Piney Flats, Tennessee	1997
Appointed by the Board of Governors		
Frances F. Marcum	Chairman, Micro Craft, Inc., Tullahoma, Tennessee	1995
Paula Lovell	President, Lovell Communications, Inc., Nashville, Tennessee	1996
James E. Dalton, Jr.	President and Chief Executive Officer, Quorum Health Group, Inc., Brentwood, Tennessee	1997

DISTRICT 6—Continued — *Term expires December 31*

NEW ORLEANS BRANCH

Appointed by the Federal Reserve Bank

Thomas E. Walker	Chairman and Chief Executive Officer, Bank of Forest, Forest, Mississippi	1995
Howard C. Gaines	Chairman and Chief Executive Officer, First National Bank of Commerce, New Orleans, Louisiana	1996
Angus R. Cooper II	Chairman and Chief Executive Officer, Cooper/T. Smith Corporation, Mobile, Alabama	1997
Kay L. Nelson	President, Nelson Capital Corporation, New Orleans, Louisiana	1997

Appointed by the Board of Governors

Lucimarian Tolliver Roberts	President, Mississippi Coast Coliseum Commission, Biloxi, Mississippi	1995
Victor Bussie	President, Louisiana AFL–CIO, Baton Rouge, Louisiana	1996
Jo Ann Slaydon	President, Slaydon Consultants and Insight Productions and Advertising, Baton Rouge, Louisiana	1997

DISTRICT 7—CHICAGO

Class A

Arnold C. Schultz	Chairman and President, Grundy National Bank, Grundy Center, Iowa	1995
David W. Fox	Chairman and Chief Executive Officer, The Northern Trust Corporation and The Northern Trust Company, Chicago, Illinois	1996
Stefan S. Anderson	Chairman, President, and Chief Executive Officer, First Merchants Corporation, Muncie, Indiana	1997

Class B

Donald J. Schneider	President, Schneider National, Inc., Green Bay, Wisconsin	1995
A. Charlene Sullivan	Associate Professor of Management, Krannert Graduate School of Management, Purdue University, West Lafayette, Indiana	1996
Thomas C. Dorr	President and Chief Executive Officer, Dorr's Pine Grove Farm Co., Marcus, Iowa	1997

Class C

Richard G. Cline	Chairman and Chief Executive Officer, NICOR Inc., Naperville, Illinois	1995
Robert M. Healey	Member, Illinois Labor Relations Board, Chicago, Illinois	1996
Lester H. McKeever, Jr.	Managing Partner, Washington, Pittman & McKeever, Chicago, Illinois	1997

DISTRICT 7—Continued		*Term expires December 31*
DETROIT BRANCH		
Appointed by the Federal Reserve Bank		
Norman F. Rodgers	President and Chief Executive Officer, Hillsdale County National Bank, Hillsdale, Michigan	1995
William E. Odom	Chairman and Chief Executive Officer, Ford Motor Credit Company, Dearborn, Michigan	1996
Charles E. Allen	President and Chief Executive Officer, Graimark Realty Advisors, Inc., Detroit, Michigan	1996
Charles R. Weeks	Chairman, President, and Chief Executive Officer, Citizens Banking Corporation, Flint, Michigan	1997
Appointed by the Board of Governors		
J. Michael Moore	Chairman and Chief Executive Officer, Invetech Company, Detroit, Michigan	1995
Florine Mark	President and Chief Executive Officer, The WW Group, Farmington Hills, Michigan	1996
John D. Forsyth	Executive Director, University of Michigan Hospitals, Ann Arbor, Michigan	1997

DISTRICT 8—ST. LOUIS

Class A		
Douglas M. Lester	Chairman and President, Trans Financial Bancorp, Inc., Bowling Green, Kentucky	1995
W.D. Glover	Chairman and Chief Executive Officer, First National Bank of Eastern Arkansas, Forrest City, Arkansas	1996
Michael A. Alexander	Chairman, President, and Director, The First National Bank of Woodlawn, Mount Vernon, Illinois	1997
Class B		
Richard E. Bell	President and Chief Executive Officer, Riceland Foods, Inc., Stuttgart, Arkansas	1995
Warren R. Lee	President, W.R. Lee & Associates, Inc., Louisville, Kentucky	1996
Sandra B. Sanderson	President and Chief Executive Officer, Sanderson Plumbing Products, Inc., Columbus, Mississippi	1997
Class C		
John F. McDonnell	Chairman, McDonnell Douglas Corporation, St. Louis, Missouri	1995
Veo Peoples, Jr.	Partner, Peoples & Hale, St. Louis, Missouri	1996
Robert H. Quenon	Mining Consultant, St. Louis, Missouri	1997
LITTLE ROCK BRANCH		
Appointed by the Federal Reserve Bank		
Mark A. Shelton III	President, M.A. Shelton Farming Company, Altheimer, Arkansas	1995
Mahlon A. Martin	President, Winthrop Rockefeller Foundation, Little Rock, Arkansas	1996
James V. Kelley	Chairman, President, and Chief Executive Officer, First United Bancshares, Inc., El Dorado, Arkansas	1996
Lunsford W. Bridges	President and Chief Executive Officer, Metropolitan National Bank, Little Rock, Arkansas	1997

DISTRICT 8—Continued

Little Rock Branch—Continued

Appointed by the Board of Governors

		Term expires December 31
Betta Carney	Chairman and Chief Executive Officer, World Wide Travel Service, Inc., Little Rock, Arkansas	1995
Janet M. Jones	President, The Janet Jones Company, Little Rock, Arkansas	1996
Robert Daniel Nabholz, Jr.	Chief Executive Officer, Nabholz Construction Corporation, Conway, Arkansas	1997

LOUISVILLE BRANCH

Appointed by the Federal Reserve Bank

Malcolm B. Chancey, Jr.	Chairman and Chief Executive Officer, Liberty National Bank & Trust Company of Kentucky, Louisville, Kentucky	1995
Charles D. Storms	President and Chief Executive Officer, Red Spot Paint and Varnish Company, Inc., Evansville, Indiana	1996
Robert M. Hall	Owner, East Fork Growers, Seymour, Indiana	1996
Thomas E. Spragens, Jr.	President and Chief Executive Officer, Farmers National Bank, Lebanon, Kentucky	1997

Appointed by the Board of Governors

Daniel L. Ash	Consultant, Wenz–Neely Company, Louisville, Kentucky	1995
John A. Williams	Chairman and Chief Executive Officer, Computer Services, Inc., Paducah, Kentucky	1996
Laura M. Douglas	Legal Counsel, Louisville & Jefferson County Metropolitan Sewer District, Louisville, Kentucky	1997

MEMPHIS BRANCH

Appointed by the Federal Reserve Bank

Anthony M. Rampley	President, Chief Executive Officer, and Director, Arkansas Glass Container Corporation, Jonesboro, Arkansas	1995
Katie S. Winchester	President and Director, First Citizens National Bank, Dyersburg, Tennessee	1996
Benjamin W. Rawlins, Jr.	Chairman and Chief Executive Officer, Union Planters Corporation, Memphis, Tennessee	1996
Lewis F. Mallory, Jr.	Chairman, President, and Chief Executive Officer, NBC Capital Corporation, Starkville, Mississippi	1997

Appointed by the Board of Governors

John V. Myers	President, Better Business Bureau, Memphis, Tennessee	1995
Woods E. Eastland	President and Chief Executive Officer, Staple Cotton Cooperative Association, Greenwood, Mississippi	1996
Vacancy		1997

DISTRICT 9—MINNEAPOLIS		*Term expires December 31*
Class A		
Susanne V. Boxer	President and Chief Executive Officer, MFC First National Bank, Houghton, Michigan	1995
Jerry B. Melby	President, First National Bank, Bowbells, North Dakota	1996
William S. Pickerign	President, The Northwestern Bank, Chippewa Falls, Wisconsin	1997
Class B		
Dennis W. Johnson	President, TMI Systems Design Corporation/TMI Transport Corporation, Dickinson, North Dakota	1995
Clarence D. Mortenson	President, M/C Professional Associates, Inc., Pierre, South Dakota	1996
Kathryn A. Ogren	Owner and Dealer, Bitterroot Motors, Missoula, Montana	1997
Class C		
Gerald A. Rauenhorst	Chairman and Chief Executive Officer, Opus Corporation, Minneapolis, Minnesota	1995
David A. Koch	Chairman and Chief Executive Officer, Graco, Inc., Golden Valley, Minnesota	1996
Jean D. Kinsey	Professor, Consumption and Consumer Economics, Department of Agricultural and Applied Economics, University of Minnesota, St. Paul, Minnesota	1997

HELENA BRANCH

Appointed by the Federal Reserve Bank		
Ronald D. Scott	President and Chief Executive Officer, The First State Bank of Malta, Malta, Montana	1995
Donald E. Olsson, Jr.	President, Ronan State Bank, Ronan, Montana	1996
Sandra M. Stash	Manager, Montana Facilities, Atlantic Richfield Company (ARCO), Anaconda, Montana	1996
Appointed by the Board of Governors		
Matthew J. Quinn	President, Carroll College, Helena, Montana	1995
Lane W. Basso	President, Deaconess Medical Center of Billings, Inc., Billings, Montana	1996

DISTRICT 10—KANSAS CITY

Class A		
William L. McQuillan	President, Chief Executive Officer, and Director, City National Bank, Greeley, Nebraska	1995
L.W. Menefee	Chairman and Chief Executive Officer, Union Colony Bank, Greeley, Colorado	1996
Samuel P. Baird	President, Farmers State Bank & Trust Co., Superior, Nebraska	1997

Term expires December 31

DISTRICT 10—Continued

Class B

W.W. Allen	Chairman and Chief Executive Officer, Phillips Petroleum Company, Bartlesville, Oklahoma	1995
Charles W. Nichols	Managing Partner, Davison & Sons Cattle Company, Arnett, Oklahoma	1996
Jo Marie Dancik	Area Managing Partner, Ernst & Young LLP, Denver, Colorado	1997

Class C

Herman Cain	President and Chief Executive Officer, Godfather's Pizza, Inc., Omaha, Nebraska	1995
Colleen D. Hernandez	Executive Director, Kansas City Neighborhood Alliance, Kansas City, Missouri	1996
A. Drue Jennings	Chairman, President, and Chief Executive Officer, Kansas City Power & Light Company, Kansas City, Missouri	1997

DENVER BRANCH

Appointed by the Federal Reserve Bank

Peter I. Wold	Partner, Wold Oil & Gas Company, Casper, Wyoming	1995
Peter R. Decker	President, Peter R. Decker & Associates, Denver, Colorado	1996
Richard I. Ledbetter	President and Chief Executive Officer, The First National Bank of Farmington, Farmington, New Mexico	1997
Clifford E. Kirk	President and Chief Executive Officer, First National Bank of Gillette, Gillette, Wyoming	1997

Appointed by the Board of Governors

Sandra K. Woods	Vice President, Environmental Health and Safety Systems, Coors Brewing Company, Golden, Colorado	1995
Vacancy		1996
Donald E. Gallegos	President, King Soopers, Denver, Colorado	1997

OKLAHOMA CITY BRANCH

Appointed by the Federal Reserve Bank

C. Kendric Fergeson	Chairman and Chief Executive Officer, The National Bank of Commerce, Altus, Oklahoma	1995
Dennis M. Mitchell	President, Citizens Bank of Ardmore, Ardmore, Oklahoma	1995
Gordona Duca	President and Owner, Gordona Duca, Inc., Realtors, Tulsa, Oklahoma	1996
Michael S. Samis	President and Chief Executive Officer, Macklanburg-Duncan Co., Oklahoma City, Oklahoma	1997

Appointed by the Board of Governors

Barry L. Eller	Senior Vice President and General Manager, MerCruiser, Stillwater, Oklahoma	1995
Ernest L. Holloway	President, Langston University, Langston, Oklahoma	1996
Victor R. Schock	President and Chief Executive Officer, Credit Counseling Centers, Tulsa, Oklahoma	1997

DISTRICT 10—Continued

Term expires December 31

OMAHA BRANCH

Appointed by the Federal Reserve Bank

Robert L. Peterson	Chairman, President, and Chief Executive Officer, IBP, Inc., Dakota City, Nebraska	1995
Bruce R. Lauritzen	President, First National Bank of Omaha, Omaha, Nebraska	1996
Donald A. Leu	President and Chief Executive Officer, Consumer Credit Counseling Service, Omaha, Nebraska	1997
Thomas H. Olson	Chairman, First National Bank, Sidney, Nebraska	1997

Appointed by the Board of Governors

Sheila Griffin	Special Adviser to the Governor of the State of Nebraska for International Trade, Lincoln, Nebraska	1995
LeRoy W. Thom	President, T-L Irrigation Company, Hastings, Nebraska	1996
Arthur L. Shoener	Executive Vice President—Operations, Union Pacific Railroad, Omaha, Nebraska	1997

DISTRICT 11—DALLAS

Class A

Eugene M. Phillips	Chairman and President, The First National Bank of Panhandle, Panhandle, Texas	1995
Gayle M. Earls	President and Chief Executive Officer, Texas Independent Bank, Dallas, Texas	1996
Kirk A. McLaughlin	President and Chief Executive Officer, Security Bank, Ralls, Texas	1997

Class B

Milton Carroll	Chairman and Chief Executive Officer, Instrument Products, Inc., Houston, Texas	1995
J.B. Cooper, Jr.	Farmer, Roscoe, Texas	1996
Peyton Yates	President, Yates Drilling Company, Artesia, New Mexico	1997

Class C

Roger R. Hemminghaus	Chairman, President, and Chief Executive Officer, Diamond Shamrock, Inc., San Antonio, Texas	1995
James A. Martin	Second General Vice President, International Association of Bridge, Structural, & Ornamental Iron Workers, Austin, Texas	1996
Cece Smith	General Partner, Phillips-Smith Specialty Retail Group, Dallas, Texas	1997

EL PASO BRANCH

Appointed by the Federal Reserve Bank

Wayne Merritt	President, Norwest Bank Texas, Midland, N.A., Midland, Texas	1995
Ben H. Haines, Jr.	President and Chief Executive Officer, First National Bank of Dona Ana County, Las Cruces, New Mexico	1996
Veronica K. Callaghan	Vice President and Principal, KASCO Ventures, Inc., El Paso, Texas	1996
Hugo Bustamante, Jr.	Owner and Chief Executive Officer, CarLube, Inc., and ProntoLube, Inc., El Paso, Texas	1997

DISTRICT 11—Continued — *Term expires December 31*

El Paso Branch—Continued

Appointed by the Board of Governors

W. Thomas Beard III	President, Leoncita Cattle Company, Alpine, Texas	1995
Patricia Z. Holland-Branch	President and Director of Design, PZH Contract Design, Inc., El Paso, Texas	1996
Alvin T. Johnson	President, Management Assistance Corporation of America, El Paso, Texas	1997

HOUSTON BRANCH

Appointed by the Federal Reserve Bank

J. Michael Solar	Managing Partner, Solar & Fernandes, L.L.P., Houston, Texas	1995
Judith B. Craven	President, United Way of the Texas Gulf Coast, Houston, Texas	1996
Walter E. Johnson	President and Chief Executive Officer, Southwest Bank of Texas, Houston, Texas	1996
Tieman H. Dippel, Jr.	Chairman and President, Brenham Bancshares, Inc., Brenham, Texas	1997

Appointed by the Board of Governors

Judy Ley Allen	Partner and Administrator, Allen Investments, Houston, Texas	1995
Robert C. McNair	Chairman and Chief Executive Officer, Cogen Technologies, Inc., Houston, Texas	1996
Isaac H. Kempner III	Chairman, Imperial Holly Corporation, Sugar Land, Texas	1997

SAN ANTONIO BRANCH

Appointed by the Federal Reserve Bank

Gregory W. Crane	President and Chief Executive Officer, Broadway National Bank, San Antonio, Texas	1995
Juliet V. Garcia	President, University of Texas at Brownsville, Brownsville, Texas	1996
Douglas G. Macdonald	President, South Texas National Bank, Laredo, Texas	1996
Calvin R. Weinheimer	President and Chief Operating Officer, Kerrville Communications Corporation, Kerrville, Texas	1997

Appointed by the Board of Governors

Carol L. Thompson	President, The Thompson Group, Austin, Texas	1995
Erich Wendl	President and Chief Executive Officer, Maverick Markets, Inc., Corpus Christi, Texas	1996
H.B. Zachry, Jr.	Chairman and Chief Executive Officer, H.B. Zachry Company, San Antonio, Texas	1997

DISTRICT 12—SAN FRANCISCO

Class A

Carl J. Schmitt	Chairman, University Bank & Trust Company, Palo Alto, California	1995
Richard L. Mount	Chairman, President, and Chief Executive Officer, Saratoga Bancorp, Saratoga, California	1996
Gerry B. Cameron	Chairman and Chief Executive Officer, U.S. Bancorp, Portland, Oregon	1997

DISTRICT 12—Continued		*Term expires December 31*
Class B		
E. Kay Stepp	Principal and Owner, Executive Solutions, Portland, Oregon	1995
Gary G. Michael	Chairman and Chief Executive Officer, Albertson's, Inc., Boise, Idaho	1996
Krestine Corbin	President and Chief Executive Officer, Sierra Machinery, Inc., Sparks, Nevada	1997
Class C		
Cynthia A. Parker	Executive Director, Anchorage Neighborhood Housing Services, Inc., Anchorage, Alaska	1995
James A. Vohs	Chairman and Chief Executive Officer (Retired), Kaiser Foundation Health Plan, Inc., and Kaiser Foundation Hospitals, Oakland, California	1996
Judith M. Runstad	Partner, Foster Pepper & Shefelman, Seattle, Washington	1997

LOS ANGELES BRANCH

Appointed by the Federal Reserve Bank		
Steven R. Sensenbach	President and Chief Executive Officer, Vineyard National Bank, Rancho Cucamonga, California	1995
Thomas L. Stevens, Jr.	President, Los Angeles Trade–Technical College, Los Angeles, California	1996
William S. Randall	Chief Operating Officer, First Interstate Bancorp, Phoenix, Arizona	1997
Antonia Hernandez	President and General Counsel, Mexican American Legal Defense and Educational Fund, Los Angeles, California	1997
Appointed by the Board of Governors		
Anne L. Evans	Chairman, Evans Hotels, San Diego, California	1995
Anita Landecker	Western Regional Vice President, Local Initiatives Support Corporation, Los Angeles, California	1996
David L. Moore	President, Western Growers Association, Newport Beach, California	1997

PORTLAND BRANCH

Appointed by the Federal Reserve Bank		
John D. Eskildsen	President and Chief Executive Officer, U.S. National Bank of Oregon, Portland, Oregon	1995
Elizabeth K. Johnson	President, TransWestern, Inc., Scappoose, Oregon	1996
Cecil W. Drinkward	President and Chief Executive Officer, Hoffman Construction Company, Portland, Oregon	1996
Thomas C. Young	Chairman, President, and Chief Executive Officer, Northwest National Bank, Vancouver, Washington	1997
Appointed by the Board of Governors		
Carol A. Whipple	Owner and Manager, Rocking C Ranch, Elkton, Oregon	1995
Ross R. Runkel	Professor of Law, Willamette University, Salem, Oregon	1996
Marvin R. O'Quinn	Chief Operating Officer, Providence Portland Medical Center, Portland, Oregon	1997

DISTRICT 12—Continued

Term expires December 31

SALT LAKE CITY BRANCH

Appointed by the Federal Reserve Bank

Roy C. Nelson	President, Bank of Utah, Ogden, Utah	1995
Daniel R. Nelson	Chairman and Chief Executive Officer, West One Bancorp, Boise, Idaho	1996
Nancy Mortensen	Vice President—Marketing, ZCMI, Salt Lake City, Utah	1996
Vacancy		1997

Appointed by the Board of Governors

Richard E. Davis	President and Chief Executive Officer, Salt Lake Convention & Visitors Bureau, Salt Lake City, Utah	1995
Constance G. Hogland	Executive Director, Boise Neighborhood Housing Services, Inc., Boise, Idaho	1996
Gerald R. Sherratt	President, Southern Utah University, Cedar City, Utah	1997

SEATTLE BRANCH

Appointed by the Federal Reserve Bank

Constance L. Proctor	Partner, Alston, Courtnage, MacAulay & Proctor, Seattle, Washington	1995
Tomio Moriguchi	President, Uwajimaya, Inc., Seattle, Washington	1996
John V. Rindlaub	Chairman and Chief Executive Officer, Seafirst Corporation, Seattle, Washington	1996
Thomas E. Cleveland	Chairman and Chief Executive Officer, Enterprise Bank, Bellevue, Washington	1997

Appointed by the Board of Governors

Emilie A. Adams	President and Chief Executive Officer, Better Business Bureau Foundation, Seattle, Washington	1995
George F. Russell, Jr.	Chairman, Frank Russell Company, Tacoma, Washington	1996
William R. Wiley	Senior Vice President for Science & Technology Policy, Battelle Memorial Institute, Richland, Washington	1997

Financial and Business Statistics

CONTENTS

Domestic Financial Statistics—Continued

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	1994				1994			1995	
	Q1	Q2	Q3	Q4	Oct.	Nov.[r]	Dec[r]	Jan.	Feb.
Reserves of depository institutions[2]									
1 Total	3.3[r]	−3.1[r]	−1.9[r]	−3.3[r]	−6.0[r]	−1.9	−1.2	−4.4[r]	−4.2
2 Required	2.7[r]	−2.3[r]	−1.9[r]	−3.0[r]	−.8[r]	−6.1	−4.5	−8.0[r]	3.9
3 Nonborrowed	3.9[r]	−4.2[r]	−3.5[r]	−2.1[r]	3.9[r]	.7	−.4	−2.9[r]	−2.6
4 Monetary base[3]	9.8[r]	8.4[r]	7.5[r]	6.9	7.3[r]	8.5	4.1	8.1[r]	3.5
Concepts of money, liquid assets, and debt[4]									
5 M1	5.5	2.7	2.4	−1.2	−3.0	−.6	.3	1.0[r]	−1.8
6 M2	1.8	1.7	.7[r]	−.4	−1.3	.6	1.4	4.4	−1.2
7 M3	.6	1.3	1.9[r]	1.7[r]	1.9[r]	1.9	3.3	7.1[r]	2.8
8 L	2.4	1.6	1.7	3.9[r]	5.8[r]	3.6	9.6	4.5	n.a.
9 Debt	5.6[r]	4.8[r]	4.7[r]	5.5	5.3[r]	5.9	4.3	4.9	n.a.
Nontransaction components									
10 In M2[5]	.1	1.3	−.1[r]	.0[r]	−.5	1.1	1.8	5.9	−.9
11 In M3 only[6]	−5.8	−1.3	8.6[r]	13.2[r]	19.5	9.2	13.6	21.2[r]	23.1
Time and savings deposits									
Commercial banks									
12 Savings, including MMDAs	5.0	−3.7	−4.6	−8.5	−11.5	−9.7	−10.9	12.9	−15.8
13 Small time[7]	−5.1	.3	9.4	16.0	16.2[r]	15.5	20.4	24.4[r]	27.4
14 Large time[8,9]	−.9	.8	13.1	19.2[r]	19.8	18.7	16.7	−3.2[r]	33.5
Thrift institutions									
15 Savings, including MMDAs	.2	−.4	−11.5	−17.7[r]	−15.5	−21.3	−20.5	−19.3[r]	−24.9
16 Small time[7]	−11.1	−5.8[r]	−1.7	8.6	11.4	17.5	5.4	19.9	31.2
17 Large time[8]	−7.4	−3.5	6.8	12.0	19.1	3.8	7.5	33.6	27.2
Money market mutual funds									
18 General purpose and broker–dealer	3.4	11.9	5.0	8.9	9.9	14.2	17.2	8.9	−1.2
19 Institution-only	−20.5	−15.7	−4.5	7.3	30.6	−2.0	2.0	36.5	−38.0
Debt components[4]									
20 Federal	7.3	5.4	3.9	5.9	5.4	8.5	1.1	2.5	n.a.
21 Nonfederal	5.0[r]	4.5[r]	4.9[r]	5.3[r]	5.3[r]	4.9	5.4	5.8	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: The debt aggregate is the outstanding credit market debt of the domestic nonfinancial sectors—the federal sector (U.S. government, not including government-sponsored enterprises or federally related mortgage pools) and the nonfederal sectors (state and local governments, households and nonprofit organizations, nonfinancial corporate and nonfarm noncorporate businesses, and farms). Nonfederal debt consists of mortgages, tax-exempt and corporate bonds, consumer credit, bank loans, commercial paper, and other loans. The data, which are derived from the Federal Reserve Board's flow of funds accounts, are break-adjusted (that is, discontinuities in the data have been smoothed into the series) and month-averaged (that is, the data have been derived by averaging adjacent month-end levels).

5. Sum of (1) 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.

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, the 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	1995		1995						
	Dec.	Jan	Feb.	Jan. 11	Jan. 18	Jan. 25	Feb. 1	Feb 8	Feb. 15	Feb. 22
SUPPLYING RESERVE FUNDS										
1 Reserve Bank credit outstanding	405,187	404,335r	400,035	407,550	406,094	398,989r	399,710	398,931	398,954	400,874
U.S. government securities[2]										
2 Bought outright—System account	364,374	363,467	361,651	366,654	364,185	361,134	361,265	360,296	359,922	363,074
3 Held under repurchase agreements	3,278	2,758	46	3,187	2,772	0	732	0	0	0
Federal agency obligations										
4 Bought outright	3,653	3,600	3,542	3,629	3,610	3,585	3,546	3,546	3,546	3,546
5 Held under repurchase agreements	648	440	1	509	743	0	266	0	0	0
6 Acceptances	0	0	0	0	0	0	0	0	0	0
Loans to depository institutions										
7 Adjustment credit	87	111	23	15	43	153	97	23	19	30
8 Seasonal credit	101	43	32	40	36	40	41	29	32	34
9 Extended credit	0	4	0	0	0	19	0	0	0	0
10 Float	825	727r	653	812	1,355	742r	154	270	616	1,004
11 Other Federal Reserve assets	32,220	33,184	34,086	32,704	33,350	33,315	33,607	34,768	34,820	33,186
12 Gold stock	11,051	11,050	11,050	11,050	11,050	11,050	11,050	11,050	11,050	11,050
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	22,971	23,031	23,090	23,015	23,029	23,043	23,057	23,071	23,085	23,099
ABSORBING RESERVE FUNDS										
15 Currency in circulation	398,875	399,371	396,641	401,478	399,552	397,765	395,636	396,007	396,538	397,249
16 Treasury cash holdings	350	332	339	330	331	332	335	335	338	343
Deposits, other than reserve balances, with Federal Reserve Banks										
17 Treasury	6,113	7,147	5,753	7,421	6,525	5,919	8,630	6,864	4,789	5,707
18 Foreign	195	198	183	170	206	201	187	176	187	200
19 Service-related balances and adjustments	4,573	4,460	4,349	4,440	4,361	4,276	4,810	4,525	4,368	4,241
20 Other	342	333	426	223	284	307	308	335	356	359
21 Other Federal Reserve liabilities and capital	12,000	12,367	12,705	12,127	12,492	12,495	12,525	12,589	12,691	12,724
22 Reserve balances with Federal Reserve Banks[3]	24,778	22,225r	21,798	23,444	24,440	19,804r	19,404	20,241	21,839	22,220
	End-of-month figures			Wednesday figures						
	Dec	Jan.	Feb.	Jan. 11	Jan. 18	Jan. 25	Feb. 1	Feb. 8	Feb. 15	Feb. 22
SUPPLYING RESERVE FUNDS										
1 Reserve Bank credit outstanding	411,368	403,812r	405,238	406,330	410,028	399,203r	401,808	399,137	404,187	403,556
U.S. government securities[2]										
2 Bought outright—System account	364,519	362,987	365,631	367,578	364,434	361,284	363,404	360,277	366,209	365,087
3 Held under repurchase agreements	9,565	2,010	0	249	5,821	0	1,300	0	0	0
Federal agency obligations										
4 Bought outright	3,637	3,546	3,491	3,610	3,610	3,546	3,546	3,546	3,546	3,546
5 Held under repurchase agreements	1,025	1,320	0	300	1,101	0	25	0	0	0
6 Acceptances	0	0	0	0	0	0	0	0	0	0
Loans to depository institutions										
7 Adjustment credit	148	48	18	20	53	470	45	19	20	25
8 Seasonal credit	75	30	36	27	38	46	27	32	33	38
9 Extended credit	0	0	0	0	3	22	0	0	0	0
10 Float	-716	151r	1,895	1,777	1,691	369r	-282	276	1,398	1,558
11 Other Federal Reserve assets	33,115	33,722	34,167	32,769	33,278	33,465	33,743	34,988	32,980	33,303
12 Gold stock	11,051	11,050	11,050	11,051	11,050	11,050	11,050	11,050	11,050	11,050
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	23,001	23,057	23,113	23,015	23,029	23,043	23,057	23,071	23,085	23,099
ABSORBING RESERVE FUNDS										
15 Currency in circulation	403,850	396,025	397,729	400,964	399,642	397,176	396,341	397,234	397,370	398,094
16 Treasury cash holdings	335	335	340	331	332	335	334	338	343	340
Deposits, other than reserve balances, with Federal Reserve Banks										
17 Treasury	7,161	13,964	6,890	7,276	6,888	7,672	6,774	7,774	5,234	5,660
18 Foreign	250	185	188	197	157	200	170	255	166	296
19 Service-related balances and adjustments	4,463	4,810	4,171	4,440	4,361	4,276	4,810	4,525	4,368	4,241
20 Other	876	308	325	273	296	315	332	349	386	332
21 Other Federal Reserve liabilities and capital	11,959	12,854	13,710	12,009	12,495	12,248	12,396	12,184	12,480	12,570
22 Reserve balances with Federal Reserve Banks[3]	24,543	17,456r	24,064	22,924	27,955	19,091r	22,776	18,616	25,992	24,191

1. Amounts of cash held as reserves are shown in table 1.12, line 2.
2. Includes securities loaned—fully guaranteed by U.S. government securities pledged with Federal Reserve Banks—and excludes securities sold and scheduled to be bought back under matched sale–purchase transactions.
3. Excludes required clearing balances and adjustments to compensate for float.

1.12 RESERVES AND BORROWINGS Depository Institutions[1]

Millions of dollars

Reserve classification	Prorated monthly averages of biweekly averages									
	1992	1993	1994	1994					1995	
	Dec.	Dec.	Dec	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.[r]	Feb.
1 Reserve balances with Reserve Banks[2]	25,368	29,374	24,658	25,284	25,157	24,745	24,715	24,658	22,291	21,758
2 Total vault cash[3]	34,541	36,818	40,365	37,618	38,433	38,231	38,933	40,365	42,290	39,792
3 Applied vault cash[4]	31,172	33,484	36,682	34,052	34,794	34,745	35,291	36,682	38,230	35,940
4 Surplus vault cash[5]	3,370	3,334	3,683	3,566	3,639	3,486	3,642	3,683	4,059	3,852
5 Total reserves[6]	56,540	62,858	61,340	59,337	59,951	59,490	60,006	61,340	60,521	57,698
6 Required reserves	55,385	61,795	60,172	58,333	58,891	58,686	58,999	60,172	59,182	56,752
7 Excess reserve balances at Reserve Banks[7]	1,155	1,063	1,168	1,004	1,060	804	1,008	1,168	1,339	946
8 Total borrowings at Reserve Banks[8]	124	82	209	469	487	380	249	209	136	59
9 Seasonal borrowings	18	31	100	445	444	339	164	100	46	33
10 Extended credit[9]	1	0	0	0	0	0	0	0	4	0
	Biweekly averages of daily figures for two week periods ending on dates indicated									
	1994					1995				
	Oct. 26	Nov. 9	Nov. 23	Dec. 7	Dec 21	Jan. 4	Jan. 18	Feb. 1[r]	Feb. 15	Mar. 1
1 Reserve balances with Reserve Banks[2]	25,025	23,771	25,360	24,638	24,288	25,189	23,958	19,603	21,028	22,710
2 Total vault cash[3]	37,609	39,238	38,237	39,936	40,864	39,967	42,165	43,140	41,292	37,921
3 Applied vault cash[4]	34,137	35,506	34,677	36,245	37,082	36,429	38,223	38,793	37,274	34,285
4 Surplus vault cash[5]	3,472	3,733	3,560	3,691	3,782	3,539	3,942	4,347	4,018	3,636
5 Total reserves[6]	59,161	59,276	60,037	60,883	61,370	61,618	62,181	58,396	58,302	56,994
6 Required reserves	58,587	58,435	59,092	59,538	60,291	60,451	60,822	57,026	57,329	56,110
7 Excess reserve balances at Reserve Banks[7]	574	841	945	1,346	1,080	1,167	1,360	1,370	973	885
8 Total borrowings at Reserve Banks[8]	346	351	201	216	179	246	68	176	51	60
9 Seasonal borrowings	326	223	152	112	98	95	38	41	31	36
10 Extended credit[9]	0	0	0	0	0	0	0	10	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 may be used to satisfy reserve requirements. The maintenance period for weekly reporters ends sixteen days after the lagged computation period during which the vault cash is held. Before Nov. 25, 1992, the maintenance period ended thirty days after the lagged computation period.
4. All vault cash held during the lagged computation period by "bound" institutions (that is, those whose required reserves exceed their vault cash) plus the amount of vault cash applied during the maintenance period by "nonbound" institutions (that is, those whose vault cash exceeds their required reserves) to satisfy current reserve requirements.
5. Total vault cash (line 2) less applied vault cash (line 3).
6. Reserve balances with Federal Reserve Banks (line 1) plus applied vault cash (line 3).
7. Total reserves (line 5) less required reserves (line 6).
8. Also includes adjustment credit.
9. Consists of borrowing at the discount window under the terms and conditions established for the extended credit program to help depository institutions deal with sustained liquidity pressures. Because there is not the same need to repay such borrowing promptly as with traditional short-term adjustment credit, the money market 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	1995, week ending Monday								
	Jan. 2	Jan. 9	Jan. 16	Jan. 23	Jan. 30	Feb. 6	Feb. 13	Feb. 20	Feb. 27
Federal funds purchased, repurchase agreements, and other selected borrowings									
From commercial banks in the United States									
1 For one day or under continuing contract	74,453r	78,333r	75,143r	75,617r	73,540r	74,373	71,099	74,506	69,701
2 For all other maturities	13,891	12,820	13,670	13,954	15,165	15,394	14,544	14,022	14,853
From other depository institutions, foreign banks and official institutions, and U.S. government agencies									
3 For one day or under continuing contract	17,401r	19,000r	17,932r	18,450r	15,016r	20,317	19,630	21,042	18,988
4 For all other maturities	20,101	17,422	17,940	19,076	20,508	20,479	23,904	22,603	24,916
Repurchase agreements on U.S. government and federal agency securities									
Brokers and nonbank dealers in securities									
5 For one day or under continuing contract	25,756	26,281	23,152	20,963	20,598	23,508	22,125	22,527	21,324
6 For all other maturities	25,348r	27,495r	33,496	33,118	36,738r	33,747	35,697	33,721	34,532
All other customers									
7 For one day or under continuing contract	37,512	38,237	37,952	38,303	38,572	39,335	37,966	38,545	37,337
8 For all other maturities	16,874	15,842	16,597	17,609	18,616r	17,323	18,202	18,293	18,981
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	68,735	69,356	69,328	71,078	68,464	69,137	64,408	67,736	65,706
10 To all other specified customers[2]	22,477	22,646	25,209	23,779	24,888	27,851	28,860	29,856	28,604

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 4/7/95	Effective date	Previous rate	On 4/7/95	Effective date	Previous rate	On 4/7/95	Effective date	Previous rate
Boston	5.25	2/1/95	4.75	6.05	3/30/95	6.05	6.55	3/30/95	6.55
New York		2/1/95							
Philadelphia		2/2/95							
Cleveland		2/9/95							
Richmond		2/1/95							
Atlanta		2/2/95							
Chicago		2/1/95							
St. Louis		2/1/95							
Minneapolis		2/2/95							
Kansas City		2/1/95							
Dallas		2/2/95							
San Francisco	5.25	2/1/95	4.75	6.05	3/30/95	6.05	6.55	3/30/95	6.55

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.
In effect Dec. 31, 1977	6	6
1978—Jan. 9	6–6.5	6.5
20	6.5	6.5
May 11	6.5–7	7
12	7	7
July 3	7–7.25	7.25
10	7.25	7.25
Aug. 21	7.75	7.75
Sept. 22	8	8
Oct. 16	8–8.5	8.5
20	8.5	8.5
Nov. 1	8.5–9.5	9.5
3	9.5	9.5
1979—July 20	10	10
Aug. 17	10–10.5	10.5
20	10.5	10.5
Sept. 19	10.5–11	11
21	11	11
Oct. 8	11–12	12
10	12	12
1980—Feb. 15	12–13	13
19	13	13
May 29	12–13	13
30	12	12
June 13	11–12	11
16	11	11
July 28	10–11	10
29	10	10
Sept. 26	11	11
Nov. 17	12	12
Dec. 5	12–13	13
8	13	13
1981—May 5	13–14	14
8	14	14

Effective date	Range (or level)— All F.R. Banks	F.R. Bank of N.Y.
1981—Nov. 2	13–14	13
6	13	13
Dec. 4	12	12
1982—July 20	11.5–12	11.5
23	11.5	11.5
Aug. 2	11–11.5	11
3	11	11
16	10.5	10.5
27	10–10.5	10
30	10	10
Oct. 12	9.5–10	9.5
13	9.5	9.5
Nov. 22	9–9.5	9
26	9	9
Dec. 14	8.5–9	9
15	8.5–9	8.5
17	8.5	8.5
1984—Apr. 9	8.5–9	9
13	9	9
Nov. 21	8.5–9	8.5
26	8.5	8.5
Dec. 24	8	8
1985—May 20	7.5–8	7.5
24	7.5	7.5
1986—Mar. 7	7–7.5	7
10	7	7
Apr. 21	6.5–7	6.5
23	6.5	6.5
July 11	6	6
Aug. 21	5.5–6	5.5
22	5.5	5.5

Effective date	Range (or level)— All F.R. Banks	F.R. Bank of N.Y.
1987—Sept. 4	5.5–6	6
11	6	6
1988—Aug. 9	6–6.5	6.5
11	6.5	6.5
1989—Feb. 24	6.5–7	7
27	7	7
1990—Dec. 19	6.5	6.5
1991—Feb. 1	6–6.5	6
4	6	6
Apr. 30	5.5–6	5.5
May 2	5.5	5.5
Sept. 13	5–5.5	5
17	5	5
Nov. 6	4.5–5	4.5
7	4.5	4.5
Dec. 20	3.5–4.5	3.5
24	3.5	3.5
1992—July 2	3–3.5	3
7	3	3
1994—May 17	3–3.5	3.5
18	3.5	3.5
Aug. 16	3.5–4	4
18	4	4
Nov. 15	4–4.75	4.75
17	4.75	4.75
1995—Feb. 1	4.75–5.25	5.25
9	5.25	5.25
In effect Apr. 7, 1995	5.25	5.25

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

2. Available to help relatively small depository institutions meet regular seasonal needs for funds that arise from a clear pattern of intrayearly movements in their deposits and loans and that cannot be met through special industry lenders. The discount rate on seasonal credit takes into account rates charged by market sources of funds and ordinarily is reestablished on the first business day of each two-week reserve maintenance period; however, it is never less than the discount rate applicable to adjustment credit.

3. May be made available to depository institutions when similar assistance is not reasonably available from other sources, including special industry lenders. Such credit may be provided when exceptional circumstances (including sustained deposit drains, impaired access to money market funds, or sudden deterioration in loan repayment performance) or practices involve only a particular institution, or to meet the needs of institutions experiencing difficulties adjusting to changing market conditions over a longer period (particularly at times of deposit disintermediation). The discount rate applicable to adjustment credit ordinarily is charged on extended-credit loans outstanding less than thirty days; however, at the discretion of the Federal Reserve Bank, this time period may be shortened. Beyond this initial period, a flexible rate somewhat above rates charged on market sources of funds is charged. The rate ordinarily is reestablished on the first business day of each two-week reserve maintenance period, but it is never less than the discount rate applicable to adjustment credit plus 50 basis points.

4. For earlier data, see the following publications of the Board of Governors: *Banking and Monetary Statistics, 1914–1941*, and *1941–1970*; and the *Annual Statistical Digest, 1970–1979*.

In 1980 and 1981, the Federal Reserve applied a surcharge to short-term adjustment-credit borrowings by institutions with deposits of $500 million or more that had borrowed in successive weeks or in more than four weeks in a calendar quarter. A 3 percent surcharge was in effect from Mar. 17, 1980, through May 7, 1980. A surcharge of 2 percent was reimposed on Nov. 17, 1980; the surcharge was subsequently raised to 3 percent on Dec. 5, 1980, and to 4 percent on May 5, 1981. The surcharge was reduced to 3 percent effective Sept. 22, 1981, and to 2 percent effective Oct. 12, 1981. As of Oct. 1, 1981, the formula for applying the surcharge was changed from a calendar quarter to a moving thirteen-week period. The surcharge was eliminated on Nov. 17, 1981.

1.15 RESERVE REQUIREMENTS OF DEPOSITORY INSTITUTIONS[1]

Type of deposit[2]	Requirement	
	Percentage of deposits	Effective date
Net transaction accounts[3]		
1 $0 million–$54.0 million	3	12/20/94
2 More than $54.0 million[4]	10	12/20/94
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 of 1980, depository institutions include commercial banks, mutual savings banks, savings and loan associations, credit unions, agencies and branches of foreign banks, and Edge Act corporations.

2. The Garn–St Germain Depository Institutions Act of 1982 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. 20, 1994, the exemption was raised from $4.0 million to $4.2 million. 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 considered 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 of each year. Effective Dec. 20, 1994, the amount was increased from $51.9 million to $54.0 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	1992	1993	1994	1994 July	Aug.	Sept.	Oct.	Nov.	Dec.	1995 Jan.
U.S. TREASURY SECURITIES										
Outright transactions (excluding matched transactions)										
Treasury bills										
1 Gross purchases	14,714	17,717	17,484	0	1,610	0	518	6,109	444	0
2 Gross sales	1,628	0	0	0	0	0	0	0	0	0
3 Exchanges	308,699	332,229	380,327[r]	29,559	36,281	29,668	29,361	36,543	29,883	37,122
4 Redemptions	1,600	0	0	0	0	0	0	0	0	0
Others within one year										
5 Gross purchases	1,096	1,223	1,238	0	0	151	450	0	125	0
6 Gross sales	0	0	0	0	0	0	0	0	0	0
7 Maturity shifts	36,662	31,368	0	1,692	6,131	961	460	1,790	−2,430[r]	2,835
8 Exchanges	−30,543	−36,582	0	−1,626	−4,089	−2,203	0	−5,795	1,680[r]	−3,167
9 Redemptions	0	0	0	0	0	0	0	0	0	0
One to five years										
10 Gross purchases	13,118	10,350	9,168	0	0	2,530	0	200	2,208	0
11 Gross sales	0	0	0	0	0	0	0	0	0	0
12 Maturity shifts	−34,478	−27,140	0	−1,692	−5,506	−837	−460	−1,123	2,430[r]	−2,145
13 Exchanges	25,811	0	0	1,626	2,889	2,203	0	4,192	−1,680[r]	3,167
Five to ten years										
14 Gross purchases	2,818	4,168	3,818	0	0	938	0	0	660	0
15 Gross sales	0	0	0	0	0	0	0	0	0	0
16 Maturity shifts	−1,915	0	0	0	−549	−125	0	−278	0	−690
17 Exchanges	3,532	0	0	0	750	0	0	1,603	0	0
More than ten years										
18 Gross purchases	2,333	3,457	3,606	0	0	840	0	0	1,252	0
19 Gross sales	0	0	0	0	0	0	0	0	0	0
20 Maturity shifts	−269	0	0	0	−76	0	0	−389	0	0
21 Exchanges	1,200	0	0	0	450	0	0	0	0	0
All maturities										
22 Gross purchases	34,079	36,915	35,314	0	1,610	4,459	968	6,309	4,689	0
23 Gross sales	1,628	0	0	0	0	0	0	0	0	0
24 Redemptions	1,600	767	2,337	302	0	0	979	0	0	621
Matched transactions										
25 Gross sales	1,480,140[r]	1,475,941[r]	1,700,836[r]	126,677[r]	169,018[r]	151,029[r]	136,556[r]	148,425[r]	166,648[r]	160,465
26 Gross purchases	1,482,467[r]	1,475,085[r]	1,701,309[r]	125,181[r]	170,356[r]	151,589[r]	137,242[r]	147,858[r]	166,007[r]	167,676
Repurchase agreements										
27 Gross purchases	378,374	475,447	309,276	28,085	44,948	4,975	17,088	35,456	29,406	32,201
28 Gross sales	386,257	470,723	311,898	35,374	41,199	9,354	15,613	32,561	26,351	39,756
29 Net change in U.S. Treasury securities	20,642	41,729	29,882	−6,095	4,022	−479	778	9,771	8,385	−15,387
FEDERAL AGENCY OBLIGATIONS										
Outright transactions										
30 Gross purchases	0	0	0	0	0	0	0	0	0	0
31 Gross sales	0	0	0	0	0	0	0	0	0	0
32 Redemptions	632	774	1,002	20	63	31	62	70	37	91
Repurchase agreements										
33 Gross purchases	14,565	35,063	52,696	9,472	8,491	3,620	2,868	8,615	5,090	5,243
34 Gross sales	14,486	34,669	52,696	8,702	8,109	4,982	2,838	7,360	5,720	4,948
35 Net change in federal agency obligations	−554	−380	−1,002	750	319	−1,393	−32	1,185	−667	204
36 Total net change in System Open Market Account	**20,089**	**41,348**	**28,880**	**−5,345**	**4,341**	**−1,872**	**746**	**10,956**	**7,718**	**−15,183**

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		
	1995					1994	1995	
	Jan. 25	Feb. 1	Feb. 8	Feb. 15	Feb. 22	Dec. 31	Jan. 31	Feb. 28
	Consolidated condition statement							
ASSETS								
1 Gold certificate account	11,050	11,050	11,050	11,050	11,050	11,051	11,050	11,050
2 Special drawing rights certificate account	8,018	8,018	8,018	8,018	8,018	8,018	8,018	8,018
3 Coin	380	404	423	439	436	320	402	429
Loans								
4 To depository institutions	538	72	51	53	63	223	77	54
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	3,546	3,546	3,546	3,546	3,546	3,637	3,546	3,491
8 Held under repurchase agreements	0	25	0	0	0	1,025	1,320	0
9 Total U.S. Treasury securities	**361,284**	**364,704**	**360,277**	**366,209**	**365,087**	**374,084**	**364,997**	**365,631**
10 Bought outright[2]	361,284	363,404	360,277	366,209	365,087	364,519	362,987	365,631
11 Bills	174,764	176,884	173,757	179,689	178,567	177,378	176,467	179,111
12 Notes	143,522	143,522	143,522	143,773	143,773	144,143	143,522	143,773
13 Bonds	42,998	42,998	42,998	42,747	42,747	42,998	42,998	42,747
14 Held under repurchase agreements	0	1,300	0	0	0	9,565	2,010	0
15 Total loans and securities	**365,369**	**368,347**	**363,874**	**369,808**	**368,695**	**378,969**	**369,940**	**369,176**
16 Items in process of collection	5,620	5,728	5,849	6,444	9,694	4,688	6,979	9,161
17 Bank premises	1,076	1,076	1,076	1,076	1,079	1,076	1,076	1,078
Other assets								
18 Denominated in foreign currencies[3]	22,589	22,833	23,850	23,868	23,873	22,031	22,829	24,743
19 All other[4]	9,802	9,889	10,093	8,080	8,421	10,333	9,833	8,388
20 Total assets	**423,905**	**427,345**	**424,234**	**428,784**	**431,267**	**436,487**	**430,126**	**432,044**
LIABILITIES								
21 Federal Reserve notes	374,849	374,021	374,923	375,067	375,772	381,505	373,705	375,385
22 Total deposits	**31,806**	**35,490**	**32,049**	**36,367**	**35,090**	**39,075**	**37,224**	**36,469**
23 Depository institutions	23,619	28,214	23,670	30,579	28,802	30,789	22,768	28,754
24 U.S. Treasury—General account	7,672	6,774	7,774	5,234	5,660	7,161	13,964	6,890
25 Foreign—Official accounts	200	170	255	166	296	250	185	188
26 Other	315	332	349	386	332	876	308	325
27 Deferred credit items	5,001	5,438	5,077	4,870	7,835	3,948	6,343	6,479
28 Other liabilities and accrued dividends[5]	4,414	4,370	4,295	4,549	4,604	4,592	4,423	4,510
29 Total liabilities	**416,071**	**419,319**	**416,344**	**420,853**	**423,301**	**429,120**	**421,696**	**422,843**
CAPITAL ACCOUNTS								
30 Capital paid in	3,697	3,698	3,756	3,759	3,777	3,683	3,696	3,768
31 Surplus	3,683	3,683	3,683	3,683	3,683	3,683	3,683	3,683
32 Other capital accounts	453	645	450	488	505	0	1,051	1,749
33 Total liabilities and capital accounts	**423,905**	**427,345**	**424,234**	**428,784**	**431,267**	**436,487**	**430,126**	**432,044**
MEMO								
34 Marketable U.S. Treasury securities held in custody for foreign and international accounts	405,890	409,168	411,459	413,486	414,268	410,405	408,118	418,667
	Federal Reserve note statement							
35 Federal Reserve notes outstanding (issued to Banks)	455,381	455,676	456,243	456,314	456,976	454,642	455,470	457,095
36 LESS: Held by Federal Reserve Banks	80,532	81,655	81,320	81,247	81,204	73,137	81,765	81,710
37 Federal Reserve notes, net	374,849	374,021	374,923	375,067	375,772	381,505	373,705	375,385
Collateral held against notes, net								
38 Gold certificate account	11,050	11,050	11,050	11,050	11,050	11,051	11,050	11,050
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	355,781	354,953	355,855	355,999	356,704	362,437	354,637	356,317
42 Total collateral	**374,849**	**374,021**	**374,923**	**375,067**	**375,772**	**381,505**	**373,705**	**375,385**

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		
	1995					1994	1995	
	Jan. 25	Feb. 1	Feb. 8	Feb. 15	Feb. 22	Dec. 31	Jan. 31	Feb. 28
1 **Total loans**	**538**	**72**	**51**	**53**	**63**	**223**	**77**	**54**
2 Within fifteen days[1]	536	56	28	53	60	202	67	38
3 Sixteen days to ninety days	3	16	23	0	3	21	10	16
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**	**361,284**	**363,405**	**360,277**	**366,209**	**365,087**	**364,519**	**362,988**	**365,631**
10 Within fifteen days[1]	17,673	21,435	17,775	15,333	18,268	11,685	14,385	11,471
11 Sixteen days to ninety days	79,448	78,186	82,950	87,589	83,531	87,450	84,818	89,928
12 Ninety-one days to one year	112,478	112,969	108,736	113,464	113,464	112,455	112,969	113,264
13 One year to five years	90,242	89,373	89,373	87,289	87,289	90,031	89,373	87,864
14 Five years to ten years	26,597	26,597	26,597	26,990	26,990	28,053	26,597	27,561
15 More than ten years	34,845	34,845	34,845	35,545	35,545	34,845	34,845	35,545
16 **Total federal agency obligations**	**3,546**	**3,546**	**3,546**	**3,546**	**3,546**	**3,637**	**3,546**	**3,491**
17 Within fifteen days[1]	116	0	0	310	310	252	116	255
18 Sixteen days to ninety days	628	758	758	448	448	573	683	448
19 Ninety-one days to one year	902	888	888	888	888	912	847	888
20 One year to five years	1,393	1,393	1,393	1,418	1,418	1,387	1,393	1,418
21 Five years to ten years	482	482	425	457	457	488	482	457
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	1991 Dec.	1992 Dec.	1993 Dec.	1994 Dec.[r]	1994[r] July	Aug.	Sept.	Oct.	Nov.	Dec.	1995 Jan.[r]	Feb.
					Seasonally adjusted							
ADJUSTED FOR CHANGES IN RESERVE REQUIREMENTS[2]												
1 Total reserves[3]	45.54[r]	54.35[r]	60.50[r]	59.34	60 11	59.84	59.79	59.50	59.40	59.34	59.12	58.92
2 Nonborrowed reserves[4]	45.34	54.23[r]	60.42[r]	59.13	59.65	59.37	59.31	59.12	59.15	59.13	58.99	58.86
3 Nonborrowed reserves plus extended credit[5]	45.34	54.23[r]	60.42[r]	59.13	59.65	59.37	59.31	59.12	59.15	59.13	58.99	58.86
4 Required reserves	44.56[r]	53.20[r]	59.44[r]	58.17	59.00	58.84	58.73	58.69	58.39	58.17	57.79	57.97
5 Monetary base[6]	317.43	351.12[r]	386.60	418.22	407.18	409.24	411.34	413.85	416.79	418.22	421.05	422.29
					Not seasonally adjusted							
6 Total reserves[7]	46.98	56.06	62.37	61.13	59.92	59.14	59.73	59.24	59.73	61.13	60.52	57.72
7 Nonborrowed reserves	46.78	55.93	62.29	60.92	59.47	58.67	59 24	58.86	59.48	60.92	60.38	57.66
8 Nonborrowed reserves plus extended credit[5]	46.78	55.93	62.29	60.92	59.47	58.67	59.24	58.86	59.48	60.92	60.39	57.66
9 Required reserves[8]	46.00	54.90	61.31	59.96	58.82	58.14	58.67	58.44	58.72	59.96	59.18	56.78
10 Monetary base[9]	321.07	354.55	390.59	422.51	408.38	409.21	411.37	413.15	417.08	422.51	421.83	419.23
NOT ADJUSTED FOR CHANGES IN RESERVE REQUIREMENTS[10]												
11 Total reserves[11]	55.53	56.54	62.86	61.34	60.09	59.34	59.95	59.49	60.01	61.34	60.52	57.70
12 Nonborrowed reserves	55.34	56.42	62.78	61.13	59.63	58.87	59.47	59.11	59.76	61.13	60.39	57.64
13 Nonborrowed reserves plus extended credit[5]	55.34	56.42	62.78	61.13	59.64	58.87	59.47	59.11	59.76	61.13	60.39	57.64
14 Required reserves	54.55	55.39	61.80	60.17	58.99	58.33	58.89	58.69	59 00	60.17	59.18	56.75
15 Monetary base[12]	333.61	360.90	397.62	427.25	414.39	414.92	416.70	418.19	421.90	427.25	426.30	423.55
16 Excess reserves[13]	.98	1.16	1.06	1.17	1.11	1.00	1.06	.80	1.01	1.17	1.34	.95
17 Borrowings from the Federal Reserve	.19	.12	.08	.21	.46	47	.49	38	.25	.21	.14	.06

1. Latest monthly and biweekly figures are available from the Board's H.3 (502) weekly statistical release. Historical data starting in 1959 and estimates of the impact on required reserves of changes in reserve requirements are available from the Money and Reserves Projections Section, Division of Monetary Affairs, Board of Governors of the Federal Reserve System, Washington, DC 20551.

2. Figures reflect adjustments for discontinuities, or "breaks," associated with regulatory changes in reserve requirements. (See also table 1.10)

3. Seasonally adjusted, break-adjusted total reserves equal seasonally adjusted, break-adjusted required reserves (line 4) plus excess reserves (line 16).

4. Seasonally adjusted, break-adjusted nonborrowed reserves equal seasonally adjusted, break-adjusted total reserves (line 1) less total borrowings of depository institutions from the Federal Reserve (line 17).

5. Extended credit consists of borrowing at the discount window under the terms and conditions established for the extended credit program to help depository institutions deal with sustained liquidity pressures. Because there is not the same need to repay such borrowing promptly as with traditional short-term adjustment credit, the money market 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 regulatory changes in reserve requirements.

11. Reserve balances with Federal Reserve Banks plus vault cash used to satisfy reserve requirements.

12. The monetary base, not break-adjusted and not seasonally adjusted, consists of (1) total reserves (line 11), plus (2) required clearing balances and adjustments to compensate for float at Federal Reserve Banks, plus (3) the currency component of the money stock, plus (4) (for all quarterly reporters on the "Report of Transaction Accounts, Other Deposits and Vault Cash" and for all those weekly reporters whose vault cash exceeds their required reserves) the difference between current vault cash and the amount applied to satisfy current reserve requirements. Since the introduction of contemporaneous reserve requirements in February 1984, currency and vault cash figures have been measured over the computation periods ending on Mondays.

13. Unadjusted total reserves (line 11) less unadjusted required reserves (line 14).

1.21 MONEY STOCK, LIQUID ASSETS, AND DEBT MEASURES[1]

Billions of dollars, averages of daily figures

Item	1991 Dec.	1992 Dec.	1993 Dec.	1994 Dec.	1994 Nov.	1994 Dec.	1995 Jan.	1995 Feb.
	Seasonally adjusted							
Measures[2]								
1 M1	897.3	1,024.4	1,128.6	1,147.8	1,147.5	1,147.8	1,148.8r	1,147.1
2 M2	3,457.9	3,515.3	3,583.6	3,611.9r	3,607.8r	3,611.9r	3,625.0r	3,621.5
3 M3	4,176.0	4,182.9	4,242.5	4,301.1r	4,289.3r	4,301.1r	4,326.4r	4,336.4
4 L	4,990.9	5,061.1	5,150.3	5,291.5r	5,249.5r	5,291.5r	5,311.3	n.a.
5 Debt	11,174.1r	11,714.4r	12,335.3r	12,965.0r	12,919.2r	12,965.0r	13,018.4	n.a.
M1 components								
6 Currency[3]	267.4	292.8	322.1	354.5	353.0	354.5	357.7	358.8
7 Travelers checks[4]	7.7	8.1	7.9	8.4	8.4	8.4	8.4	8.4
8 Demand deposits[5]	289.5	338.9	383.9	382.0	382.3	382.0	383.5	384.1
9 Other checkable deposits[6]	332.7	384.6	414.7	402.9	403.8	402.9	399.2r	395.7
Nontransaction components								
10 In M2[7]	2,560.6	2,490.9	2,455.0	2,464.0r	2,460.3r	2,464.0r	2,476.2r	2,474.4
11 In M3[8] only	718.1	667.6	658.9	689.2r	681.5r	689.2r	701.4r	714.9
Commercial banks								
12 Savings deposits, including MMDAs	665.6	754.7	785.8	752.3	759.2	752.3	744.2	734.4
13 Small time deposits[9]	602.5	508.1	468.6	502.4	494.0	502.4	512.6r	524.3
14 Large time deposits[10, 11]	333.3	286.7	271.2	297.9r	293.8	297.9r	297.1r	305.4
Thrift institutions								
15 Savings deposits, including MMDAs	375.6	428.9	429.8	391.6r	398.4	391.6r	385.3	377.3
16 Small time deposits[9]	464.1	361.1	316.5	314.2	312.8	314.2	319.4	327.7
17 Large time deposits[10]	83.3	67.1	61.6	64.3	63.9	64.3	66.1	67.6
Money market mutual funds								
18 General purpose and broker-dealer	374.2	356.9	360.1	389.7	384.2	389.7	392.6	392.2
19 Institution-only	180.0	200.2	198.1	180.8	180.5	180.8	186.3	180.4
Debt components								
20 Federal debt	2,763.3	3,067.9	3,328.0	3,497.4	3,494.1r	3,497.4	3,504.7	n.a.
21 Nonfederal debt	8,410.8r	8,646.5r	9,007.3r	9,467.6r	9,425.1r	9,467.6r	9,513.7	n.a.
	Not seasonally adjusted							
Measures[2]								
22 M1	916.0	1,046.0	1,153.7	1,173.5	1,155.3	1,173.5	1,158.5	1,134.1
23 M2	3,472.7	3,533.6	3,606.1	3,635.4r	3,616.1r	3,635.4r	3,631.5r	3,607.8
24 M3	4,189.4	4,201.4	4,266.3	4,327.2r	4,303.7r	4,327.2r	4,336.0r	4,325.1
25 L	5,015.5	5,090.8	5,184.9	5,329.2r	5,271.6r	5,329.2r	5,334.3	n.a.
26 Debt	11,171.4r	11,717.3r	12,327.4r	12,956.8r	12,890.3r	12,956.8r	12,993.1	n.a.
M1 components								
27 Currency[3]	269.9	295.0	324.8	357.6	353.2	357.6	355.9	357.0
28 Travelers checks[4]	7.4	7.8	7.6	8.1	8.2	8.1	8.1	8.1
29 Demand deposits[5]	302.4	354.4	401.8	400.1	390.7	400.1	388.8	375.0
30 Other checkable deposits[6]	336.3	388.9	419.4	407.6	403.1	407.6	405.7	394.0
Nontransaction components								
31 In M2[7]	2,556.6	2,487.7	2,452.4	2,461.9r	2,460.8r	2,461.9r	2,473.1r	2,473.6
32 In M3[8]	716.7	667.7	660.2	691.8r	687.6r	691.8r	704.5r	717.3
Commercial banks								
33 Savings deposits, including MMDAs	664.0	752.9	784.3	751.1	761.4	751.1	739.6r	730.0
34 Small time deposits[9]	601.9	507.8	468.2	502.0	493.7	502.0	513.1r	524.4
35 Large time deposits[10, 11]	332.6	286.2	270.8	297.6r	295.2	297.6r	295.8r	303.9
Thrift institutions								
36 Savings deposits, including MMDAs	374.8	427.9	429.0	390.9	399.5	390.9	382.9	375.0
37 Small time deposits[9]	463.7	360.9	316.2	313.9	312.7r	313.9	319.7	327.8
38 Large time deposits[10]	83.1	67.0	61.5	64.3	64.2	64.3	65.8	67.2
Money market mutual funds								
39 General purpose and broker-dealer	372.2	355.1	358.3	387.7	380.8	387.7	393.3	397.0
40 Institution-only	180.8	201.7	200.0	183.1	182.5	183.1	192.4	188.8
Repurchase agreements and Eurodollars								
41 Overnight and continuing	79.9	83.2	96.5	116.3r	112.7r	116.3r	124.5r	119.3
42 Term	132.7	127.8	144.1	159.2r	158.7r	159.2r	164.2r	170.3
Debt components								
43 Federal debt	2,765.0	3,069.8	3,329.5	3,499.0	3,485.4r	3,499.0	3,499.0	n.a.
44 Nonfederal debt	8,406.5r	8,647.4r	8,997.9r	9,457.7r	9,404.9r	9,457.7r	9,494.1	n.a.

Footnotes appear on following page

NOTES TO TABLE 1.21

1. Latest monthly and weekly figures are available from the Board's H.6 (508) weekly statistical release. Historical data starting in 1959 are available from the Money and Reserves Projections Section, Division of Monetary Affairs, Board of Governors of the Federal Reserve System, Washington, DC 20551.

2. Composition of the money stock measures and debt is as follows:

M1: (1) currency outside the U.S. Treasury, Federal Reserve Banks, and the vaults of depository institutions, (2) travelers checks of nonbank issuers, (3) demand deposits at all commercial banks other than those owed to depository institutions, the U.S. government, and foreign banks and official institutions, less cash items in the process of collection and Federal Reserve float, and (4), other checkable deposits (OCDs), consisting of negotiable order of withdrawal (NOW) and automatic transfer service (ATS) accounts at depository institutions, credit union share draft accounts, and demand deposits at thrift institutions. Seasonally adjusted M1 is computed by summing currency, travelers checks, demand deposits, and OCDs, each seasonally adjusted separately.

M2: M1 plus (1) 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: The debt aggregate is the outstanding credit market debt of the domestic nonfinancial sectors—the federal sector (U.S. government, not including government-sponsored enterprises or federally related mortgage pools) and the nonfederal sectors (state and local governments, households and nonprofit organizations, nonfinancial corporate and nonfarm noncorporate businesses, and farms). Nonfederal debt consists of mortgages, tax-exempt and corporate bonds, consumer credit, bank loans, commercial paper, and other loans. The data, which are derived from the Federal Reserve Board's flow of funds accounts, are break-adjusted (that is, discontinuities in the data have been smoothed into the series) and month-averaged (that is, the data have been derived by averaging adjacent month-end levels).

3. Currency outside the U.S. Treasury, Federal Reserve Banks, and vaults of depository institutions.

4. Outstanding amount of U.S. dollar-denominated travelers checks of nonbank issuers. Travelers checks issued by depository institutions are included in demand deposits.

5. Demand deposits at commercial banks and foreign-related institutions other than those owed to depository institutions, the U.S. government, and foreign banks and official institutions, less cash items in the process of collection and Federal Reserve float.

6. Consists of NOW and ATS account balances at all depository institutions, credit union share draft account balances, and demand deposits at thrift institutions.

7. Sum of (1) 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, the 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	1992 Dec.	1993 Dec.	1994 June	1994 July	1994 Aug.	1994 Sept.	1994 Oct.[r]	1994 Nov.[r]	1994 Dec.[r]	1995 Jan.[r]	1995 Feb.
	Interest rates (annual effective yields)[2]										
INSURED COMMERCIAL BANKS											
1 Negotiable order of withdrawal accounts	2.33	1.86	1.82	1.83	1.85	1.87	1.88	1.92	1.96	1.98	2.01
2 Savings deposits[3]	2.88	2.46	2 54	2.57	2.63	2.67	2.72	2.81	2.91	2.98	3.09
Interest-bearing time deposits with balances of less than $100,000, by maturity											
3 7 to 91 days	2.90	2.65	3.08	3.17	3.29	3.36	3.47	3.65	3.81	3.96	4.19
4 92 to 182 days	3.16	2.91	3.36	3.44	3.61	3.75	3.93	4.22	4.44	4.67	4.83
5 183 days to 1 year	3.37	3.13	3.76	3.88	4.11	4.27	4.50	4.85	5.12	5.39	5.57
6 More than 1 year to 2½ years	3.88	3.55	4.26	4 39	4.61	4.80	5.08	5.42	5.74	6.00	6.12
7 More than 2½ years	4.77	4.29	5.02	5.14	5.33	5.47	5.77	6.09	6.30	6.47	6.52
BIF-INSURED SAVINGS BANKS[4]											
8 Negotiable order of withdrawal accounts	2.45	1.87	1.88	1.89	1.89	1.91	1.88	1.91	1.95	1.99	2.05
9 Savings deposits[3]	3.20	2.63	2.69	2.67	2.74	2.78	2.76	2.83	2.88	2.91	2.95
Interest-bearing time deposits with balances of less than $100,000, by maturity											
10 7 to 91 days	3.13	2.70	2.84	2.98	3.03	3.11	3.32	3.51	3.80	3.98	4.17
11 92 to 182 days	3.44	3.02	3.41	3.53	3.69	3.87	4.10	4.42	4.89	5.13	5.33
12 183 days to 1 year	3.61	3.31	3.92	4.02	4.24	4.47	4.80	5.18	5.52	5.75	5.95
13 More than 1 year to 2½ years	4.02	3.66	4.38	4.56	4.83	5.04	5.39	5.70	6.09	6.29	6.37
14 More than 2½ years	5.00	4.62	5.24	5.35	5.47	5.64	5.79	6.18	6.43	6.68	6.75
	Amounts outstanding (millions of dollars)										
INSURED COMMERCIAL BANKS											
15 Negotiable order of withdrawal accounts	286,541	305,223	290,220	290,631	295,320	286,787	294,072	294,282	303,724	291,355	290,184
16 Savings deposits[3]	738,253	766,413	767,539	765,751	764,035	755,249	751,183	746,605	734,519	723,295	714,915
17 Personal	578,757	597,838	608,132	605,881	600,892	595,175	590,875	584,628	578,459	569,619	566,871
18 Nonpersonal	159,496	168,575	159,407	159,870	163,143	160,074	160,308	161,977	156,060	153,676	148,044
Interest-bearing time deposits with balances of less than $100,000, by maturity											
19 7 to 91 days	38,474	29,455	28,763	28,659	27,959	28,312	31,447	31,077	32,375	32,154	31,770
20 92 to 182 days	127,831	110,069	102,439	100,424	98,085	96,398	95,359	94,692	95,901	96,895	98,014
21 183 days to 1 year	163,098	146,565	151,165	152,216	155,964	157,253	158,753	159,645	161,831	163,939	169,043
22 More than 1 year to 2½ years	152,977	141,223	144,686	146,875	150,807	152,514	155,111	158,382	162,486	168,515	177,185
23 More than 2½ years	169,708	181,528	181,843	182,944	186,490	190,209	188,479	189,741	190,897	190,215	191,364
24 IRA and Keogh plan deposits	147,350	143,985	142,513	142,649	142,617	142,700	142,896	143,075	143,428	143,900	145,017
BIF-INSURED SAVINGS BANKS[4]											
25 Negotiable order of withdrawal accounts	10,871	11,151	10,792	10,925	11,016	10,769	11,120	11,002	11,317	11,127	10,870
26 Savings deposits[3]	81,786	80,115	77,289	77,337	75,108	74,659	73,416	72,622	70,642	71,639	69,526
27 Personal	78,695	77,035	74,121	74,064	72,040	71,525	70,215	69,412	67,673	68,760	66,701
28 Nonpersonal	3,091	3,079	3,168	3,273	3,068	3,134	3,201	3,211	2,969	2,878	2,825
Interest-bearing time deposits with balances of less than $100,000, by maturity											
29 7 to 91 days	3,867	2,793	2,614	2,531	2,523	2,402	2,245	2,209	2,166	2,041	2,065
30 92 to 182 days	17,345	12,946	12,515	12,511	12,292	12,276	11,987	11,913	11,793	12,084	11,846
31 183 days to 1 year	21,780	17,426	17,310	17,591	17,593	17,928	18,123	18,509	18,753	19,336	19,808
32 More than 1 year to 2½ years	18,442	16,546	16,493	16,901	16,824	17,287	17,519	17,999	17,842	20,460	21,650
33 More than 2½ years	18,845	20,464	21,079	21,573	21,531	21,923	21,624	21,687	21,600	21,888	22,056
34 IRA and Keogh plan accounts	21,713	19,356	19,511	19,757	19,445	19,532	19,550	19,532	19,325	19,802	19,938

1. BIF, Bank Insurance Fund. Data in this table also appear in the Board's H.6 (508) Special Supplementary Table monthly statistical release. For ordering address, see inside front cover. Estimates are based on data collected by the Federal Reserve System from a stratified random sample of about 425 commercial banks and 75 savings banks on the last day of each month. Data are not seasonally adjusted and include IRA and Keogh deposits and foreign currency-denominated deposits. Data exclude retail repurchase agreements and deposits held in U.S. branches and agencies of foreign banks.

2 As of October 31, 1994, interest rate data for NOW accounts and savings deposits reflect a series break caused by a change in the survey used to collect these data.

3. Includes personal and nonpersonal money market deposits.

4. Includes both mutual and federal savings banks.

1.23 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 deposit	1992[2]	1993[2]	1994[2]	1994 July[r]	1994 Aug.	1994 Sept.	1994 Oct.[r]	1994 Nov.[r]	1994 Dec.
DEBITS	Seasonally adjusted								
Demand deposits[3]									
1 All insured banks	313,128.1[r]	334,245.6[r]	367,155.9	348,403.1	380,282.1[r]	368,276.6[r]	352,480.7	369,318.2	371,157.4
2 Major New York City banks	165,447.7[r]	171,227.3[r]	191,169.5	183,403.1	195,568.2[r]	186,074.2[r]	179,395.0	186,348.6	187,955.9
3 Other banks	147,680.4[r]	163,018.3[r]	175,986.4	165,000.0	184,713.9[r]	182,202.4[r]	173,085.6	182,969.6	183,201.6
4 Other checkable deposits[4]	3,780.3[r]	3,467.1[r]	3,830.1	3,582.2	3,890.7[r]	3,905.1[r]	3,896.5	4,116.0	4,183.3
5 Savings deposits (including MMDAs)[5]	3,309.1[r]	3,508.8[r]	3,733.1	3,464.3	3,862.2[r]	3,760.0[r]	3,639.7	3,835.9	3,984.6
DEPOSIT TURNOVER									
Demand deposits[3]									
6 All insured banks	825.9[r]	785.3[r]	813.1	763.7	842.1[r]	815.5[r]	783.8	826.7	820.9
7 Major New York City banks	4,795.3[r]	4,198.1[r]	4,481.6	4,130.6	4,608.4[r]	4,502.1[r]	4,414.6	4,544.7	4,490.8
8 Other banks	428.7	423.6[r]	430.4	400.7	451.5[r]	444.1[r]	423.1	451.0	446.5
9 Other checkable deposits[4]	14.4	11.8	12.7	11.8	12.9[r]	13.0	13.0	13.9	14.1
10 Savings deposits (including MMDAs)[5]	4.7	4.6	4.8	4.5	5.0	4.9[r]	4.8	5.1	5.3
DEBITS	Not seasonally adjusted								
Demand deposits[3]									
11 All insured banks	313,344.9	334,354.6	367,245.6	347,403.9	394,394.4	365,063.0	352,653.3	359,333.9	384,332.1
12 Major New York City banks	165,595.0	171,283.5	191,226.1	182,452.9	202,845.6	186,161.8	181,406.6	184,656.3	194,120.1
13 Other banks	147,749.9	163,071.0	176,019.6	164,951.0	191,548.8	178,901.2	171,246.6	174,677.5	190,211.9
14 Other checkable deposits[4]	3,783.6	3,467.5	3,826.5	3,515.0	3,861.2	3,960.9	3,796.9	3,845.6	4,348.8
15 Savings deposits (including MMDAs)[5]	3,310.0	3,509.5	3,730.7	3,521.8	3,873.3	3,716.4	3,472.3	3,640.6	4,193.8
DEPOSIT TURNOVER									
Demand deposits[3]									
16 All insured banks	826.1	785.4	813.9	761.9	889.5	811.9	774.8	786.1	815 2
17 Major New York City banks	4,803.5	4,197.9	4,490.3	4,150.3	4,960.2	4,539.5	4,435.8	4,391.6	4,343.4
18 Other banks	428.8	423.8	430.6	400.4	475.9	437.8	413.4	420.9	445.7
19 Other checkable deposits[4]	14.4	11.8	12.7	11.8	13.0	13.3	12.9	13.0	14.4
20 Savings deposits (including MMDAs)[5]	4.7	4.6	4.8	4.6	5.0	4.9	4.6	4.8	5.6

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			
	1994[r]						1995		1995			
	Feb.	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.[r]	Feb.	Feb. 1	Feb. 8	Feb. 15	Feb. 22
ALL COMMERCIAL BANKING INSTITUTIONS	Seasonally adjusted											
Assets												
1 Bank credit	3,155.3	3,269.2	3,281.4	3,290.7	3,300.8	3,320.3	3,351.7	3,363.5	3,358.7	3,351.2	3,359.1	3,366.0
2 Securities in bank credit	943.0	969.5	967.4	959.3	952.3	948.4	946.7	938.2	939.3	938.2	934.9	939.9
3 U.S. government securities	735.7	745.7	740.6	731.2	723.7	719.5	720.6	715.8	716.2	718.8	714.5	715.2
4 Other securities	207.4	223.9	226.8	228.1	228.7	228.9	226.1	222.4	223.1	219.5	220.4	224.7
5 Loans and leases in bank credit[2]	2,212.3	2,299.6	2,314.0	2,331.5	2,348.4	2,372.0	2,405.0	2,425.3	2,419.3	2,412.9	2,424.1	2,426.1
6 Commercial and industrial	592.3	623.5	628.0	634.5	640.7	646.0	658.8	670.9	668.1	667.6	670.4	670.6
7 Real estate	942.7	973.1	980.6	985.5	990.8	998.5	1,013.5	1,021.0	1,018.5	1,017.9	1,019.9	1,022.6
8 Revolving home equity	73.3	74.4	74.9	75.1	75.7	76.2	76.6	76.9	76.9	77.0	76.9	76.9
9 Other	869.4	898.7	905.7	910.4	915.1	922.4	936.8	944.1	941.6	940.9	943.0	945.6
10 Consumer	398.3	429.7	435.0	441.4	444.4	449.7	454.6	455.6	455.9	453.9	455.5	456.8
11 Security[3]	83.0	75.0	69.7	71.2	71.8	73.6	71.9	70.8	70.3	68.1	70.8	70.9
12 Other	195.9	198.3	200.7	198.9	200.8	204.1	206.3	206.9	206.5	205.3	207.7	205.3
13 Interbank loans[4]	153.9	160.6	161.7	165.8	173.0	175.8	179.8	178.6	182.8	173.5	180.6	177.2
14 Cash assets[5]	224.0	205.7	203.2	209.2	205.7	208.3	218.5	216.3	231.8	205.5	213.9	216.7
15 Other assets[6]	212.1	224.2	221.1	220.3	222.2	231.4	242.7	251.0	250.3	247.7	251.6	249.7
16 **Total assets**[7]	**3,687.8**	**3,802.7**	**3,810.6**	**3,829.2**	**3,845.1**	**3,879.2**	**3,935.4**	**3,952.4**	**3,966.4**	**3,921.1**	**3,948.1**	**3,952.5**
Liabilities												
17 Deposits	2,527.6	2,517.5	2,517.7	2,526.8	2,522.9	2,528.9	2,544.0	2,546.7	2,561.2	2,532.5	2,545.0	2,544.8
18 Transaction	816.9	809.6	803.6	804.7	796.7	795.8	806.6	802.8	820.9	791.7	803.3	798.5
19 Nontransaction	1,710.6	1,707.9	1,714.1	1,722.2	1,726.2	1,733.1	1,737.4	1,743.8	1,740.3	1,740.9	1,741.6	1,746.3
20 Large time	341.0	341.5	346.5	353.6	357.6	360.4	364.6	371.9	367.0	367.2	369.9	376.2
21 Other	1,369.7	1,366.4	1,367.6	1,368.6	1,368.6	1,372.7	1,372.7	1,371.9	1,373.3	1,373.7	1,371.7	1,370.0
22 Borrowings	537.9	577.0	579.7	583.7	591.2	607.1	639.9	642.7	657.0	626.1	646.9	642.6
23 From banks in the U.S.	154.4	158.5	160.5	165.7	170.0	177.6	182.0	179.6	186.2	173.3	183.1	176.9
24 From nonbanks in the U.S.	383.6	418.5	419.2	418.1	421.2	429.5	457.9	463.1	470.9	452.8	463.8	465.7
25 Net due to related foreign offices	145.7	205.3	209.7	214.3	213.1	225.3	244.5	252.2	248.0	262.2	255.3	247.4
26 Other liabilities[8]	170.7	177.9	177.9	180.0	180.6	187.6	183.3	189.4	186.3	187.6	185.6	188.9
27 **Total liabilities**	**3,381.9**	**3,477.7**	**3,485.0**	**3,504.8**	**3,507.8**	**3,548.9**	**3,611.7**	**3,631.0**	**3,652.6**	**3,608.4**	**3,632.8**	**3,623.7**
28 Residual (assets less liabilities)[9]	305.9	325.1	325.5	324.4	337.4	330.3	323.7	321.4	313.8	312.6	315.4	328.8
	Not seasonally adjusted											
Assets												
29 Bank credit	3,152.3	3,262.7	3,280.2	3,291.1	3,309.1	3,336.6	3,348.2	3,359.5	3,357.7	3,351.2	3,358.4	3,352.2
30 Securities in bank credit	941.7	968.0	965.7	958.1	953.7	943.5	940.7	936.9	936.7	937.8	935.8	935.3
31 U.S. government securities	731.7	746.8	743.1	730.6	724.6	718.3	714.5	711.3	712.4	714.2	711.0	709.6
32 Other securities	210.0	221.2	222.6	227.6	229.1	225.2	226.3	225.6	224.3	223.6	224.8	225.7
33 Loans and leases in bank credit[2]	2,210.5	2,294.6	2,314.6	2,332.9	2,355.4	2,393.1	2,407.4	2,422.6	2,421.0	2,413.4	2,422.6	2,417.0
34 Commercial and industrial	591.1	620.6	624.5	632.3	640.7	646.7	655.5	669.5	665.1	665.2	668.8	668.3
35 Real estate	939.2	972.6	981.9	988.1	995.5	1,004.9	1,011.8	1,017.2	1,015.0	1,016.0	1,017.0	1,016.9
36 Revolving home equity	73.0	74.5	75.2	75.7	76.1	76.2	76.6	76.5	76.7	76.7	76.7	76.6
37 Other	866.3	898.1	906.7	912.4	919.4	928.7	935.2	940.6	938.2	939.3	940.3	940.3
38 Consumer	399.4	429.3	435.9	441.4	444.6	454.7	459.3	456.9	458.9	456.4	457.3	457.5
39 Security[3]	87.2	72.6	68.4	71.0	73.4	78.6	74.4	74.2	75.8	71.3	73.5	73.1
40 Other	193.6	199.5	203.8	200.1	201.2	208.2	206.5	204.8	206.3	204.6	206.0	201.1
41 Interbank loans[4]	155.4	156.7	158.8	164.0	174.5	186.6	186.7	180.8	190.8	175.7	186.5	175.2
42 Cash assets[5]	220.1	198.2	204.6	209.7	212.2	222.1	223.8	212.9	225.8	190.1	214.3	220.1
43 Other assets[6]	210.2	225.8	221.6	222.2	225.0	237.3	242.6	248.7	252.3	246.2	248.7	245.4
44 **Total assets**[7]	**3,680.4**	**3,786.5**	**3,808.3**	**3,830.3**	**3,864.1**	**3,925.6**	**3,944.5**	**3,944.8**	**3,969.6**	**3,906.1**	**3,950.7**	**3,935.8**
Liabilities												
45 Deposits	2,518.5	2,503.3	2,514.6	2,522.4	2,537.9	2,561.6	2,547.9	2,537.4	2,547.3	2,517.1	2,542.9	2,530.3
46 Transaction	808.2	793.2	800.9	801.9	810.9	831.5	816.9	794.0	813.9	775.4	800.9	785.4
47 Nontransaction	1,710.3	1,710.1	1,713.7	1,720.5	1,727.1	1,730.1	1,731.0	1,743.5	1,733.4	1,741.7	1,742.0	1,744.8
48 Large time	341.3	342.2	346.4	351.5	356.7	359.0	361.4	372.2	364.5	367.6	370.0	376.2
49 Other	1,369.0	1,367.9	1,367.3	1,368.9	1,370.3	1,371.2	1,369.6	1,371.3	1,368.9	1,374.2	1,372.0	1,368.6
50 Borrowings	542.4	584.0	589.5	591.5	604.2	619.7	633.2	639.0	657.0	621.5	644.1	636.7
51 From banks in the U.S.	155.9	156.5	158.6	163.7	174.3	186.6	186.7	180.8	190.8	175.7	186.5	175.2
52 From nonbanks in the U.S.	386.5	427.5	430.9	427.8	430.0	433.1	446.4	458.2	466.2	445.9	457.7	461.4
53 Net due to related foreign offices	143.0	200.7	204.2	214.1	212.9	230.2	251.2	249.3	249.1	250.6	249.2	252.0
54 Other liabilities[8]	171.2	177.1	177.7	181.8	185.8	190.8	186.3	190.2	189.6	188.8	186.5	188.6
55 **Total liabilities**	**3,375.1**	**3,465.2**	**3,485.9**	**3,509.8**	**3,540.9**	**3,602.3**	**3,618.6**	**3,615.9**	**3,642.9**	**3,578.1**	**3,622.8**	**3,607.6**
56 Residual (assets less liabilities)[9]	305.2	321.3	322.3	320.4	323.2	323.3	325.9	328.9	326.6	328.0	327.9	328.3

Footnotes appear on last page.

1.26 ASSETS AND LIABILITIES OF COMMERCIAL BANKS[1]—Continued

Billions of dollars

Account	Monthly averages								Wednesday figures			
	1994[r]						1995		1995			
	Feb.	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Feb. 1	Feb. 8	Feb. 15	Feb. 22
DOMESTICALLY CHARTERED COMMERCIAL BANKS	Seasonally adjusted											
Assets												
57 Bank credit	2,818.1	2,918.2	2,928.0	2,939.2	2,948.0	2,962.7	2,991.8	2,993.8	2,996.2	2,980.9	2,990.0	3,000.5
58 Securities in bank credit	865.3	886.1	881.7	875.5	871.3	868.8	864.2	848.2	855.7	847.6	845.7	851.8
59 U.S. government securities	679.7	686.3	680.7	674.0	669.7	667.9	666.8	655.2	661.8	657.0	655.4	655.9
60 Other securities	185.6	199.8	201.1	201.5	201.6	201.0	197.4	193.0	194.0	190.5	190.3	195.8
61 Loans and leases in bank credit[2]	1,952.8	2,032.1	2,046.3	2,063.7	2,076.8	2,093.8	2,127.6	2,145.6	2,140.4	2,133.3	2,144.4	2,148.7
62 Commercial and industrial	442.6	465.4	469.3	473.6	476.5	479.8	491.0	498.2	497.1	495.4	497.4	498.4
63 Real estate	897.3	930.4	938.3	943.9	949.4	957.3	972.9	980.9	978.2	977.8	979.7	982.5
64 Revolving home equity	73.2	74.4	74.9	75.1	75.7	76.1	76.6	76.9	76.9	77.0	76.9	76.9
65 Other	824.0	856.1	863.4	868.8	873.8	881.2	896.2	904.1	901.3	900.8	902.8	905.5
66 Consumer	398.3	429.7	435.0	441.4	444.4	449.7	454.6	455.6	455.9	453.9	455.5	456.8
67 Security[3]	55.1	47.0	43.6	45.6	46.2	45.7	45.7	46.8	45.4	43.9	47.1	47.6
68 Other	159.5	159.6	160.1	159.2	160.3	161.3	163.4	164.2	163.8	162.3	164.6	163.4
69 Interbank loans[4]	129.0	136.1	138.2	141.2	149.7	153.0	156.6	156.7	158.0	151.2	159.7	154.8
70 Cash assets[5]	198.5	181.3	180.8	185.2	181.2	181.3	191.5	190.8	204.6	180.3	188.1	190.8
71 Other assets[6]	164.8	170.0	167.2	165.7	166.2	168.0	173.1	177.1	178.8	176.4	179.3	175.2
72 **Total assets**[7]	**3,253.0**	**3,348.7**	**3,357.4**	**3,374.6**	**3,388.8**	**3,408.4**	**3,455.8**	**3,461.6**	**3,480.5**	**3,432.0**	**3,460.0**	**3,464.3**
Liabilities												
73 Deposits	2,380.4	2,372.6	2,367.8	2,371.1	2,367.3	2,369.9	2,389.0	2,394.3	2,407.8	2,378.0	2,394.0	2,391.7
74 Transaction	805.9	799.5	793.6	794.8	787.1	786.1	797.1	793.1	811.1	782.3	793.3	788.6
75 Nontransaction	1,574.5	1,573.1	1,574.2	1,576.3	1,580.2	1,583.8	1,591.9	1,601.2	1,596.7	1,595.7	1,600.7	1,603.1
76 Large time	208.5	210.3	209.3	212.6	216.7	217.7	225.0	234.1	229.1	229.8	233.9	236.1
77 Other	1,366.0	1,362.8	1,364.8	1,363.6	1,363.5	1,366.1	1,367.0	1,367.1	1,367.6	1,365.9	1,366.7	1,367.0
78 Borrowings	433.5	470.9	475.5	483.1	488.3	501.0	534.4	533.7	550.1	518.9	538.4	538.5
79 From banks in the U.S.	134.4	140.7	143.4	149.3	153.7	161.4	163.6	160.6	168.5	154.7	163.9	159.1
80 From nonbanks in the U.S.	299.1	330.2	332.1	333.8	334.6	339.6	370.8	373.1	381.5	364.1	374.5	379.3
81 Net due to related foreign offices	5.1	52.2	58.9	65.4	66.4	77.4	91.3	87.8	84.3	94.4	87.4	87.0
82 Other liabilities[8]	128.6	132.1	133.4	133.6	133.3	130.8	122.9	126.0	125.1	124.9	125.1	125.0
83 **Total liabilities**	**2,947.6**	**3,027.8**	**3,035.6**	**3,053.2**	**3,055.2**	**3,079.1**	**3,137.7**	**3,141.7**	**3,167.4**	**3,116.2**	**3,144.8**	**3,142.1**
84 Residual (assets less liabilities)[9]	305.4	320.9	321.7	321.4	333.6	329.3	318.1	319.9	313.1	315.8	315.2	322.2
	Not seasonally adjusted											
Assets												
85 Bank credit	2,814.1	2,912.5	2,928.6	2,941.3	2,956.0	2,970.1	2,982.8	2,989.2	2,989.0	2,978.9	2,988.6	2,989.0
86 Securities in bank credit	864.4	884.9	880.6	873.9	871.8	862.4	856.8	847.3	851.2	847.6	846.3	848.2
87 U.S. government securities	676.7	687.8	683.5	673.1	669.4	664.7	659.4	652.0	656.0	653.9	652.6	652.0
88 Other securities	187.7	197.0	197.0	200.8	202.4	197.8	197.4	195.4	195.2	193.7	193.7	196.2
89 Loans and leases in bank credit[2]	1,949.7	2,027.6	2,048.1	2,067.4	2,084.3	2,107.7	2,126.0	2,141.9	2,137.8	2,131.4	2,142.3	2,140.8
90 Commercial and industrial	442.2	462.1	466.3	472.4	476.6	479.5	487.5	497.7	494.5	494.1	496.9	497.5
91 Real estate	893.7	929.8	939.4	946.6	954.1	963.8	971.3	976.9	974.6	975.5	976.6	976.8
92 Revolving home equity	72.9	74.5	75.2	75.7	76.1	76.2	76.6	76.5	76.7	76.7	76.7	76.5
93 Other	820.7	855.3	864.2	870.8	878.0	887.6	894.7	900.4	897.8	898.9	900.0	900.3
94 Consumer	399.4	429.3	435.9	441.4	444.6	454.7	459.3	456.9	458.9	456.4	457.3	457.5
95 Security[3]	56.8	46.1	43.7	46.1	47.4	46.2	45.2	48.1	47.0	44.5	48.2	48.5
96 Other	157.7	160.4	162.7	160.8	161.5	163.5	162.8	162.4	162.9	160.9	163.3	160.4
97 Interbank loans[4]	131.6	133.3	134.8	138.5	151.5	161.4	162.1	159.8	165.5	155.8	166.3	152.6
98 Cash assets[5]	195.5	173.2	181.0	184.9	187.8	194.9	197.4	188.4	199.3	165.5	189.7	195.6
99 Other assets[6]	162.8	170.8	168.6	167.9	167.9	170.3	172.5	174.8	180.4	173.4	176.3	172.2
100 **Total assets**[7]	**3,246.4**	**3,332.9**	**3,356.0**	**3,376.0**	**3,406.5**	**3,439.7**	**3,457.9**	**3,455.2**	**3,477.0**	**3,416.5**	**3,463.8**	**3,452.3**
Liabilities												
101 Deposits	2,370.5	2,358.8	2,365.2	2,370.4	2,383.9	2,402.6	2,393.3	2,384.3	2,393.1	2,361.8	2,391.6	2,376.3
102 Transaction	797.2	783.3	790.1	791.9	801.2	821.4	807.2	784.3	803.9	766.0	791.2	775.5
103 Nontransaction	1,573.3	1,575.5	1,575.1	1,578.5	1,582.7	1,581.2	1,586.1	1,600.0	1,589.2	1,595.9	1,600.4	1,600.8
104 Large time	208.8	211.8	210.2	213.5	216.9	216.1	222.8	234.3	227.3	230.2	234.3	236.3
105 Other	1,364.6	1,363.7	1,364.8	1,365.1	1,365.9	1,365.1	1,363.3	1,365.7	1,361.9	1,365.6	1,366.1	1,364.5
106 Borrowings	440.8	476.0	484.7	490.8	501.6	512.2	528.6	532.6	550.4	516.3	538.1	537.0
107 From banks in the U.S.	136.5	138.8	141.0	148.0	157.4	168.9	167.7	162.3	171.8	157.3	167.4	159.0
108 From nonbanks in the U.S.	304.3	337.2	343.7	342.8	344.2	343.3	360.8	370.3	378.6	358.9	370.7	378.0
109 Net due to related foreign offices	5.4	51.0	55.5	63.2	64.9	74.5	90.2	88.5	84.7	91.0	86.2	91.3
110 Other liabilities[8]	128.3	131.0	133.2	136.1	137.8	132.0	124.8	125.6	127.0	124.2	124.8	124.3
111 **Total liabilities**	**2,945.1**	**3,016.8**	**3,038.6**	**3,060.5**	**3,088.2**	**3,121.3**	**3,136.9**	**3,131.1**	**3,155.2**	**3,093.3**	**3,140.7**	**3,128.8**
112 Residual (assets less liabilities)[9]	301.3	316.1	317.4	315.5	318.3	318.4	321.0	324.1	321.9	323.2	323.1	323.5

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	1995							
	Dec. 28	Jan. 4	Jan. 11	Jan. 18	Jan. 25	Feb. 1	Feb. 8	Feb. 15	Feb. 22
ASSETS									
1 Cash and balances due from depository institutions	132,405[r]	143,036[r]	113,317[r]	139,226[r]	105,967[r]	128,696	100,961	121,554	122,838
2 U.S. Treasury and government securities	293,581	299,779	302,334[r]	302,228[r]	298,516[r]	299,869	297,331	298,527	298,558
3 Trading account	17,116	18,990	21,645	21,955	20,114	20,335	19,341	23,689	22,279
4 Investment account	276,465	280,789	280,688[r]	280,273[r]	278,402[r]	279,534	277,990	274,838	276,279
5 Mortgage-backed securities[1]	95,238	96,323	96,573[r]	96,015[r]	95,246	96,209	96,156	95,160	96,026
All others, by maturity									
6 One year or less	43,583	44,761	45,728	45,201	45,276	44,801	44,789	44,667	45,318
7 One year through five years	73,645	75,510	74,805[r]	75,182[r]	74,811[r]	75,027	73,408	71,563	71,709
8 More than five years	63,999	64,196	63,583[r]	63,874[r]	63,069[r]	63,497	63,637	63,448	63,226
9 Other securities	112,454[r]	112,724[r]	112,252[r]	111,211[r]	112,721[r]	109,513	108,087	108,301	110,885
10 Trading account	2,135	2,002	2,035	1,941	2,128	2,180	1,916	2,059	1,843
11 Investment account	62,093[r]	62,039	62,276[r]	62,241[r]	62,176[r]	61,329	61,422	61,393	61,050
12 State and local government, by maturity	21,450[r]	21,306	21,330[r]	21,401[r]	21,390	20,622	20,576	20,468	20,432
13 One year or less	5,481[r]	5,475	5,491[r]	5,533[r]	5,547[r]	5,561	5,524	5,454	5,455
14 More than one year	15,969	15,831	15,839[r]	15,868[r]	15,843[r]	15,061	15,053	15,013	14,977
15 Other bonds, corporate stocks, and securities	40,643	40,732	40,946[r]	40,840[r]	40,786[r]	40,707	40,846	40,926	40,618
16 Other trading account assets	48,226[r]	48,684[r]	47,942[r]	47,030[r]	48,418[r]	46,004	44,750	44,849	47,992
17 Federal funds sold[2]	107,395	113,284	107,548	112,092	106,989	114,501	106,375	119,278	108,281
18 To commercial banks in the United States	79,541	81,434	77,598[r]	82,937[r]	76,100[r]	82,849	73,986	83,153	73,413
19 To nonbank brokers and dealers in securities	21,494	24,928	24,206	23,286	24,539	25,750	24,406	27,875	28,211
20 To others[3]	6,361	6,922	5,745[r]	5,869[r]	6,350[r]	5,902	7,984	8,250	6,657
21 Other loans and leases, gross	1,156,160	1,167,223	1,162,864[r]	1,167,837[r]	1,166,987[r]	1,179,813	1,170,993	1,176,200	1,176,309
22 Commercial and industrial	314,699[r]	316,927[r]	316,214[r]	318,785[r]	319,878[r]	325,292	325,163	327,481	328,212
23 Bankers acceptances and commercial paper	2,680	2,605	2,536	2,523	2,434	2,525	2,437	2,254	2,224
24 All other	312,018[r]	314,322[r]	313,678[r]	316,262[r]	317,443[r]	322,768	322,726	325,227	325,988
25 U.S. addressees	309,940[r]	312,251[r]	311,604[r]	314,165[r]	315,272[r]	320,639	320,622	323,145	323,936
26 Non-U.S. addressees	2,078	2,071	2,073	2,097	2,171	2,129	2,103	2,082	2,052
27 Real estate loans	456,506[r]	459,993[r]	462,501[r]	463,463[r]	463,524[r]	465,681	465,839	466,230	466,883
28 Revolving, home equity	46,686	46,912	47,038	47,090	47,127[r]	47,173	47,141	47,165	47,153
29 All other	409,821[r]	413,081[r]	415,464[r]	416,374[r]	416,397[r]	418,508	418,699	419,065	419,730
30 To individuals for personal expenditures	240,169	241,470	241,312	240,777[r]	239,566	240,013	237,979	238,327	238,303
31 To depository and financial institutions	52,955	54,328	54,428	54,087	55,671	56,405	54,224	54,369	52,999
32 Commercial banks in the United States	32,792	33,522	33,286	32,752	35,247	36,179	34,617	34,684	34,045
33 Banks in foreign countries	2,844	3,410	2,830	3,141	2,785	2,790	2,203	2,726	2,827
34 Nonbank depository and other financial institutions	17,319	17,397	18,311	18,194	17,639	17,436	17,404	16,958	16,127
35 For purchasing and carrying securities	16,050	15,112	15,068	15,302	15,417	16,026	14,803	15,019	15,137
36 To finance agricultural production	6,389	6,580	6,468	6,338	6,321	6,276	6,233	6,254	6,150
37 To states and political subdivisions	11,299	11,234	11,083	11,111	11,089	11,248	11,160	11,272	11,163
38 To foreign governments and official institutions	942	912	914	1,034	904	925	901	938	957
39 All other loans[4]	25,407	28,804	22,789[r]	24,657	22,265	25,539	22,223	23,803	23,914
40 Lease-financing receivables	31,743	31,861	32,087	32,283	32,352	32,407	32,468	32,509	32,591
41 LESS: Unearned income	1,764	1,755	1,760	1,756	1,769	1,771	1,778	1,790	1,801
42 Loan and lease reserve[5]	34,267	34,329	34,303[r]	34,300[r]	34,319[r]	34,428	34,504	34,527	34,489
43 Other loans and leases, net	1,120,129	1,131,139	1,126,801[r]	1,131,780[r]	1,130,898[r]	1,143,614	1,134,711	1,139,883	1,140,019
44 All other assets	135,915[r]	135,107[r]	133,869[r]	131,685[r]	132,623[r]	142,994	136,953	142,158	135,522
45 **Total assets**[6]	**1,901,880**[r]	**1,935,069**[r]	**1,896,121**[r]	**1,928,224**[r]	**1,887,714**[r]	**1,939,187**	**1,884,418**	**1,929,702**	**1,916,104**

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	1995							
	Dec. 28	Jan. 4	Jan. 11	Jan. 18	Jan. 25	Feb. 1	Feb. 8	Feb. 15	Feb. 22
LIABILITIES									
46 Deposits	1,171,898	1,202,073	1,157,465	1,173,998	1,133,572r	1,167,953	1,139,077	1,165,945	1,152,126
47 Demand deposits[3]	327,647	340,463	298,284	315,649	281,139r	310,677	279,679	304,364	293,097
48 Individuals, partnerships, and corporations	274,439	285,612	252,923	263,060	236,447	257,513	237,511	256,362	245,031
49 Other holders	53,208	54,851	45,360	52,588	44,692r	53,164	42,168	48,002	48,066
50 States and political subdivisions	9,845	10,336	8,642	9,189	9,203	10,485	8,584	9,526	8,896
51 U.S. government	2,144	3,109	2,253	3,428	1,890r	3,075	1,669	3,274	1,552
52 Depository institutions in the United States	23,143	25,535	18,786	24,587	18,382	23,907	17,584	21,164	21,186
53 Banks in foreign countries	5,910	5,007	5,675	5,784	5,734	5,508	4,582	5,305	5,422
54 Foreign governments and official institutions	816	794	673	658	815	824	710	652	723
55 Certified and officers' checks	11,350	10,069	9,332	8,943	8,669	9,366	9,037	8,082	10,287
56 Transaction balances other than demand deposits[4]	127,581	136,150	131,460	130,198	124,859	128,070	127,146	125,907	124,150
57 Nontransaction balances	716,670	725,459	727,721	728,151	727,574	729,207	732,253	735,674	734,879
58 Individuals, partnerships, and corporations	696,718	705,834	707,525	707,757	705,485	707,325	709,632	712,812	711,455
59 Other holders	19,952	19,626	20,196	20,394	22,089	21,882	22,621	22,862	23,424
60 States and political subdivisions	16,833	17,796	18,095	18,265	18,508	18,322	18,921	18,900	19,438
61 U.S. government	1,279	330	331	336	1,715	1,726	1,815	1,881	1,805
62 Depository institutions in the United States	1,327	995	1,273	1,298	1,372	1,339	1,382	1,662	1,824
63 Foreign governments, official institutions, and banks	513	504	496	495	494	495	503	419	356
64 Liabilities for borrowed money[5]	365,997	367,917	373,357	384,533r	378,062r	401,055	371,221	391,762	387,819
65 Borrowings from Federal Reserve Banks	0	890	0	0	350	0	0	0	0
66 Treasury tax and loan notes	9,835	8,128	10,346r	19,297	19,732r	26,536	12,626	10,872	14,633
67 Other liabilities for borrowed money[6]	356,163	358,899	363,011r	365,235r	357,981r	374,519	358,595	380,890	373,186
68 Other liabilities (including subordinated notes and debentures)	189,950r	189,846r	189,655r	192,891r	198,770r	192,874	197,485	195,360	198,437
69 **Total liabilities**	**1,727,845r**	**1,759,835r**	**1,720,476r**	**1,751,421r**	**1,710,405r**	**1,761,882**	**1,707,783**	**1,753,067**	**1,738,382**
70 Residual (total assets less total liabilities)[7]	174,035r	175,234	175,644r	176,803r	177,309r	177,305	176,635	176,635	177,722
MEMO									
71 Total loans and leases, gross, adjusted, plus securities[8]	1,557,259r	1,578,054r	1,574,114r	1,577,680r	1,573,867r	1,584,668	1,574,183	1,584,470	1,586,576
72 Time deposits in amounts of $100,000 or more	95,684r	96,582	99,944	101,659	103,408	103,183	104,530	107,633	108,525
73 Loans sold outright to affiliates[9]	617	603	602	597	580	579	576	578	572
74 Commercial and industrial	298	296	296	295	295	295	295	295	295
75 Other	319	307	306	302	285	284	281	283	277
76 Foreign branch credit extended to U.S. residents[10]	23,048	23,343	23,458	23,821	23,893	23,497	23,686	23,710	23,366
77 Net owed to related institutions abroad	75,297r	79,264	81,218	88,440	90,942	78,794	85,463	81,427	86,253

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 (NOWs) and automatic transfer service (ATS) accounts, 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.

1.28 LARGE WEEKLY REPORTING U.S. BRANCHES AND AGENCIES OF FOREIGN BANKS
Assets and Liabilities

Millions of dollars, Wednesday figures

Account	1994	1995							
	Dec. 28	Jan. 4	Jan. 11	Jan. 18	Jan. 25	Feb. 1	Feb. 8	Feb. 15	Feb. 22
ASSETS									
1 Cash and balances due from depository institutions	17,987	17,500	16,455	16,542	16,043	16,567	15,327	15,283	15,299
2 U.S. Treasury and government agency securities	37,614	37,116	36,875	37,634	38,502	38,624	41,266	39,890	39,447
3 Other securities	12,855	12,962	13,241	13,725	13,685	13,602	13,901	14,533	13,789
4 Federal funds sold[1]	35,824	30,802	30,250	28,238	30,776	29,097	26,119	24,767	24,944
5 To commercial banks in the United States	9,094	7,412	6,791	6,588	8,099	7,434	4,804	5,078	6,663
6 To others[2]	26,730	23,390	23,459	21,650	22,677	21,663	21,315	19,689	18,281
7 Other loans and leases, gross	170,760	169,588r	168,063r	168,531r	169,425r	171,511	169,919	170,173	168,574
8 Commercial and industrial	107,554r	106,587r	107,558r	107,604r	108,258r	109,607	109,557	110,020	109,427
9 Bankers acceptances and commercial paper	3,668	3,730	3,501	3,500	3,455	3,713	3,665	3,715	3,432
10 All other	103,887r	102,858r	104,057r	104,104r	104,802r	105,895	105,892	106,305	105,995
11 U.S. addressees	99,713r	98,804r	100,091r	99,998r	100,631r	101,732	101,748	102,276	101,884
12 Non-U.S. addressees	4,174	4,054	3,967	4,106	4,171	4,163	4,144	4,029	4,111
13 Loans secured by real estate	25,788	25,421r	25,472r	25,462r	25,409r	25,350	25,290	25,256	25,130
14 Loans to depository and financial institutions	28,545r	28,465r	26,528r	26,805r	27,324r	27,590	26,457	26,417	25,746
15 Commercial banks in the United States	5,785r	5,450r	5,485r	5,705r	5,832r	5,854	5,658	5,527	5,124
16 Banks in foreign countries	2,097	2,019	2,184	2,152	2,101	1,992	1,931	2,005	2,039
17 *Nonbank financial institutions*	20,663r	20,996r	18,858r	18,948r	19,391r	19,743	18,867	18,885	18,583
18 For purchasing and carrying securities	4,784r	4,850	4,181	4,334	3,947	4,307	4,288	3,971	3,900
19 To foreign governments and official institutions	378	374	401	338	344	349	374	363	329
20 All other	3,710	3,891	3,923	3,988	4,143	4,308	3,952	4,145	4,042
21 Other assets (claims on nonrelated parties)	42,775	44,952	46,189	46,063	47,344	47,705	48,208	47,806	48,640
22 **Total assets[3]**	**343,194r**	**338,276r**	**338,506r**	**334,405r**	**338,740r**	**340,319**	**336,708**	**334,614**	**332,375**
LIABILITIES									
23 Deposits or credit balances owed to other than directly related institutions	99,639	95,015	96,035	95,750	99,404	96,295	97,044	95,647	96,621
24 Demand deposits[4]	4,737	4,499	3,840	3,822	3,716	4,127	3,800	4,024	4,133
25 *Individuals, partnerships, and corporations*	3,911	3,755	3,229	3,093	3,059	3,359	3,014	3,032	3,114
26 Other	826	744	610	728	657	768	785	992	1,019
27 Nontransaction accounts	94,902	90,516	92,196	91,928	95,688	92,169	93,245	91,623	92,488
28 *Individuals, partnerships, and corporations*	63,532	61,330	62,645	62,474	64,678	62,214	61,924	60,836	62,557
29 Other	31,370	29,186	29,551	29,454	31,010	29,955	31,321	30,787	29,931
30 Borrowings from other than directly related institutions	79,948	74,847	74,770	73,861	73,294	75,652	75,354	76,834	71,717
31 Federal funds purchased[5]	43,489	42,698	42,908	41,284	38,998	43,331	41,812	44,664	38,776
32 From commercial banks in the United States	6,620	7,515	8,929	7,656	5,393	7,303	6,848	8,291	5,687
33 From others	36,869	35,183	33,979	33,629	33,605	36,028	34,964	36,373	33,089
34 Other liabilities for borrowed money	36,459	32,149	31,862	32,576	34,296	32,321	33,542	32,170	32,941
35 To commercial banks in the United States	6,425	6,122	6,738	6,262	6,448	6,960	6,169	6,235	5,927
36 To others	30,034	26,027	25,123	26,314	27,848	25,361	27,373	25,936	27,014
37 Other liabilities to nonrelated parties	40,192	42,079	43,263	43,065	44,288	44,116	45,705	44,101	45,656
38 **Total liabilities[6]**	**343,194r**	**338,276r**	**338,506r**	**334,405r**	**338,740r**	**340,319**	**336,708**	**334,614**	**332,375**
MEMO									
39 Total loans (gross) and securities, adjusted[7]	242,174r	237,606r	236,153r	235,835r	238,457r	239,546	240,743	238,758	234,968
40 Net owed to related institutions abroad	98,037	100,979r	97,005r	98,057r	98,788r	101,043	96,637	95,870	96,699

1. Includes securities purchased under agreements to resell.
2. Includes transactions with nonbank brokers and dealers in securities.
3. For U.S. branches and agencies of foreign banks having a net "due from" position, includes net due from related institutions abroad.
4. Includes *other transaction deposits*
5. Includes securities sold under agreements to repurchase.
6. For U.S. branches and agencies of foreign banks having a net "due to" position, includes net owed to related institutions abroad.
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					1994					1995
	1990	1991	1992	1993	1994	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.
	Commercial paper (seasonally adjusted unless noted otherwise)										
1 **All issuers**	**562,656**	**528,832**	**545,619**	**555,075**	**601,940**	**564,639**	**574,471**	**592,518**	**580,673**	**601,940**	n.a.
Financial companies[1]											
Dealer-placed paper[2]											
2 Total	214,706	212,999	226,456	218,947	225,413	214,769	214,349	224,280	215,748	225,413	n.a.
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	200,036	182,463	171,605	180,389	211,017	199,031	203,573	207,296	202,781	211,017	n.a.
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.	n.a.
6 Nonfinancial companies[5]	147,914	133,370	147,558	155,739	165,510	150,839	156,549	160,942	162,144	165,510	n.a.
	Bankers dollar acceptances (not seasonally adjusted)[6]										
7 **Total**	**54,771**	**43,770**	**38,194**	**32,348**	**29,835**	**30,448**	**31,164**	**30,413**	**29,760**	**29,835**	n.a.
By holder											
8 Accepting banks	9,017	11,017	10,555	12,421	11,783	11,543	11,299	11,061	11,689	11,783	n.a.
9 Own bills	7,930	9,347	9,097	10,707	10,462	10,824	10,475	9,931	10,548	10,462	n.a.
10 Bills bought from other banks	1,087	1,670	1,458	1,714	1,321	719	824	1,130	1,142	1,321	n.a.
Federal Reserve Banks[7]											
11 Foreign correspondents	918	1,739	1,276	725	410	325	388	332	234	410	n.a.
12 Others	44,836	31,014	26,364	19,202	17,642	18,580	19,477	19,020	17,836	17,642	n.a.
By basis											
13 Imports into United States	13,095	12,843	12,209	10,217	10,062	10,486	10,985	10,674	10,272	10,062	n.a.
14 Exports from United States	12,703	10,351	8,096	7,293	6,355	6,458	6,575	6,754	6,688	6,355	n.a.
15 All other	28,973	20,577	17,890	14,838	13,417	13,505	13,604	12,986	12,800	13,417	n.a.

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. Beginning January 1995, data for Bankers dollar acceptances will be reported annually in September.
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
1992—Jan. 1	6.50	1992	6.25	1993—Jan.	6.00	1994—Jan.	6.00
July 2	6.00	1993	6.00	Feb.	6.00	Feb.	6.00
		1994	7.15	Mar.	6.00	Mar.	6.06
1994—Mar. 24	6.25			Apr.	6.00	Apr.	6.45
Apr. 19	6.75	1992—Jan.	6.50	May	6.00	May	6.99
May 17	7.25	Feb.	6.50	June	6.00	June	7.25
Aug 16	7.75	Mar.	6.50	July	6.00	July	7.25
Nov. 15	8.50	Apr.	6.50	Aug.	6.00	Aug.	7.51
		May	6.50	Sept.	6.00	Sept.	7.75
1995—Feb. 1	9.00	June	6.50	Oct.	6.00	Oct.	7.75
		July	6.02	Nov.	6.00	Nov.	8.15
		Aug.	6.00	Dec.	6.00	Dec.	8.50
		Sept.	6.00				
		Oct.	6.00			1995—Jan.	8.50
		Nov.	6.00			Feb	9.00
		Dec.	6.00			Mar.	9.00

1. The prime rate is one of several base rates that banks use to price short-term business loans. The table shows the date on which a new rate came to be the predominant one quoted by a majority of the twenty-five largest banks by asset size, based on the most recent Call Report. Data in this table also appear in the Board's H.15 (519) weekly and G.13 (415) monthly statistical releases. For ordering address, see inside front cover.

1.35 INTEREST RATES Money and Capital Markets

Percent per year; figures are averages of business day data unless otherwise noted

Item	1992	1993	1994	1994		1995		1995, week ending				
				Nov.	Dec.	Jan.	Feb.	Jan. 27	Feb. 3	Feb. 10	Feb. 17	Feb. 24
MONEY MARKET INSTRUMENTS												
1 Federal funds[1,2,3]	3.52	3.02	4.21	5.29	5.45	5.53	5.92	5.42	5.63	5.95	5.93	5.94
2 Discount window borrowing[2,4]	3.25	3.00	3.60	4.40	4.75	4.75	5.25	4.75	4.82	5.25	5.25	5.25
Commercial paper[3,5,6]												
3 1-month	3.71	3.17	4.43	5.40	6.08	5.86	6.05	5.94	6.08	6.03	6.07	6.03
4 3-month	3.75	3.22	4.66	5.81	6.26	6.22	6.15	6.24	6.23	6.14	6.16	6.12
5 6-month	3.80	3.30	4.93	6.01	6.62	6.63	6.38	6.63	6.58	6.38	6.38	6.30
Finance paper, directly placed[3,5,7]												
6 1-month	3.62	3.12	4.33	5.30	5.93	5.76	5.95	5.83	5.96	5.94	5.97	5.92
7 3-month	3.65	3.16	4.53	5.67	6.12	6.10	6.04	6.10	6.10	6.06	6.05	6.00
8 6-month	3.63	3.15	4.56	5.58	6.17	6.25	6.10	6.23	6.19	6.12	6.12	6.05
Bankers acceptances[3,5,8]												
9 3-month	3.62	3.13	4.56	5.71	6.18	6.12	6.05	6.10	6.11	6.05	6.05	6.00
10 6-month	3.67	3.21	4.83	5.93	6.53	6.45	6.22	6.41	6.36	6.26	6.22	6.13
Certificates of deposit, secondary market[3,9]												
11 1-month	3.64	3.11	4.38	5.38	6.01	5.84	6.01	5.92	6.03	6.01	6.01	5.99
12 3-month	3.68	3.17	4.63	5.79	6.29	6.24	6.16	6.22	6.22	6.16	6.17	6.11
13 6-month	3.76	3.28	4.96	6.11	6.78	6.71	6.44	6.65	6.58	6.46	6.46	6.34
14 Eurodollar deposits, 3-month[3,10]	3.70	3.18	4.63	5.78	6.27	6.23	6.14	6.23	6.21	6.13	6.15	6.11
U.S. Treasury bills												
Secondary market[3,5]												
15 3-month	3.43	3.00	4.25	5.29	5.60	5.71	5.77	5.77	5.82	5.79	5.75	5.72
16 6-month	3.54	3.12	4.64	5.72	6.21	6.21	6.03	6.18	6.14	6.09	6.04	5.94
17 1-year	3.71	3.29	5.02	6.13	6.67	6.59	6.28	6.50	6.43	6.37	6.29	6.15
Auction average[3,5,11]												
18 3-month	3.45	3.02	4.29	5.25	5.64	5.81	5.80	5.80	5.79	5.83	5.82	5.74
19 6-month	3.57	3.14	4.66	5.69	6.21	6.31	6.10	6.24	6.12	6.10	6.15	6.01
20 1-year	3.75	3.33	4.98	6.09	6.75	6.86	6.59	n.a.	n.a.	6.59	n.a.	n.a.
U.S. TREASURY NOTES AND BONDS												
Constant maturities[12]												
21 1-year	3.89	3.43	5.32	6.54	7.14	7.05	6.70	6.95	6.88	6.79	6.70	6.54
22 2-year	4.77	4.05	5.94	7.15	7.59	7.51	7.11	7.45	7.27	7.22	7.15	6.96
23 3-year	5.30	4.44	6.27	7.44	7.71	7.66	7.25	7.60	7.41	7.39	7.28	7.07
24 5-year	6.19	5.14	6.69	7.72	7.78	7.76	7.37	7.74	7.54	7.47	7.40	7.23
25 7-year	6.63	5.54	6.91	7.83	7.80	7.79	7.44	7.78	7.59	7.53	7.47	7.33
26 10-year	7.01	5.87	7.09	7.96	7.81	7.78	7.47	7.78	7.62	7.56	7.48	7.36
27 20-year	n.a.	6.29	7.49	8.20	7.99	7.97	7.73	7.97	7.81	7.76	7.73	7.69
28 30-year	7.67	6.59	7.37	8.08	7.87	7.85	7.61	7.86	7.72	7.66	7.60	7.56
Composite												
29 More than 10 years (long-term)	7.52	6.45	7.41	8.16	7.97	7.93	7.69	7.94	7.79	7.73	7.69	7.64
STATE AND LOCAL NOTES AND BONDS												
Moody's series[13]												
30 Aaa	6.09	5.38	5.77	6.57	6.62	6.55	6.05	6.64	6.18	6.05	6.00	5.98
31 Baa	6.48	5.82	6.17	6.89	7.17	7.05	6.61	7.00	6.69	6.69	6.56	6.49
32 *Bond Buyer* series[14]	6.44	5.60	6.18	6.97	6.80	6.53	6.22	6.49	6.40	6.18	6.18	6.11
CORPORATE BONDS												
33 Seasoned issues, all industries[15]	8.55	7.54	8.26	8.94	8.73	8.71	8.50	8.73	8.57	8.52	8.50	8.47
Rating group												
34 Aaa	8.14	7.22	7.97	8.68	8.46	8.46	8.26	8.49	8.33	8.28	8.26	8.23
35 Aa	8.46	7.40	8.15	8.83	8.62	8.60	8.39	8.62	8.46	8.41	8.39	8.36
36 A	8.62	7.58	8.28	8.94	8.73	8.70	8.48	8.72	8.55	8.51	8.48	8.46
37 Baa	8.98	7.93	8.63	9.32	9.10	9.08	8.85	9.10	8.92	8.87	8.85	8.82
38 A-rated, recently offered utility bonds[16]	8.52	7.46	8.29	8.95	8.78	8.75	8.55	8.69	8.54	8.62	8.55	8.49
MEMO												
Dividend price ratio[17]												
39 Common stocks	2.99	2.78	2.82	2.86	2.91	2.87	2.81	2.87	2.86	2.80	2.79	2.79

1. The daily effective federal funds rate is a weighted average of rates on trades through New York brokers.
2. Weekly figures are averages of seven calendar days ending on Wednesday of the current week; monthly figures include each calendar day in the month.
3. Annualized using a 360-day year for bank interest
4. Rate for the Federal Reserve Bank of New York.
5. Quoted on a discount basis.
6. An average of offering rates on commercial paper placed by several leading dealers for firms whose bond rating is AA or the equivalent
7. An average of offering rates on paper directly placed by finance companies.
8. Representative closing yields for acceptances of the highest-rated money center banks.
9. An average of dealer offering rates on nationally traded certificates of deposit.
10. Bid rates for Eurodollar deposits at 11:00 a.m London time. Data are for indication purposes only.
11. Auction date for daily data, weekly and monthly averages computed on an issue-date basis.
12. Yields on actively traded issues adjusted to constant maturities. Source: U.S. Department of the Treasury.
13. General obligations based on Thursday figures; Moody's Investors Service.
14. State and local government general obligation bonds maturing in twenty years are used in compiling this index. The twenty-bond index has a rating roughly equivalent to Moodys' A1 rating. Based on Thursday figures.
15. Daily figures from Moody's Investors Service. Based on yields to maturity on selected long-term bonds.
16. Compilation of the Federal Reserve. This series is an estimate of the yield on recently offered, A-rated utility bonds with a thirty-year maturity and five years of call protection. Weekly data are based on Friday quotations.
17. Standard & Poor's corporate series. Common stock ratio is based on the 500 stocks in the price index.

NOTE. Some of the data in this table also appear in the Board's H.15 (519) weekly and G.13 (415) monthly statistical releases. For ordering address, see inside front cover.

1.36 STOCK MARKET Selected Statistics

Indicator	1992	1993	1994	1994							1995	
				June	July	Aug	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.
	Prices and trading volume (averages of daily figures)											
Common stock prices (indexes)												
1 New York Stock Exchange (Dec. 31, 1965 = 50)	229.00	249.71	254.16	251.21	249.29	256.08	257.61	255.22	252.48	248.65	253.56	261.86
2 Industrial	284.26	300.10	315.32	308.66	307.34	316.56	322.19	321.53	319.33	313.92	319.93	328.98
3 Transportation	201.02	242.68	247.17	246.64	244.21	244.67	239.10	230.71	227.44	218.93	230.25	237.29
4 Utility	99.48	114.55	104.96	103.27	102.73	105.61	102.30	101.67	100.07	100.01	100.58	103.87
5 Finance	179.29	216.55	209.75	215.89	210.91	214.77	211.90	203.33	198.38	195.25	201.05	211.76
6 Standard & Poor's Corporation (1941–43 = 10)[1]	415.75	451.63	460.42	454.83	451.40	464.24	466.96	463.81	461.01	455.19	465.25	481.92
7 American Stock Exchange (Aug. 31, 1973 = 50)[2]	391.28	438.77	449.49	436.08	430.10	444.89	456.31	456.25	445.16	427.39	436.09	446.37
Volume of trading (thousands of shares)												
8 New York Stock Exchange	202,558	263,374	290,652	265,341	250,382	277,877	292,356	301,327	297,001	302,049	326,652	333,020
9 American Stock Exchange	14,171	18,188	17,951	18,400	14,378	15,874	18,785	20,731	18,465	18,745	18,829	18,424
	Customer financing (millions of dollars, end-of-period balances)											
10 **Margin credit at broker–dealers**[3]	**43,990**	**60,310**	**61,160**	**60,800**	**61,930**	**63,070**	**61,630**	**62,150**	**61,000**	**61,160**	**64,380**	**59,800**
Free credit balances at brokers[4]												
11 Margin accounts[5]	8,970	12,360	14,095	12,560	12,620	12,090	12,415	12,875	13,635	14,095	13,225	12,380
12 Cash accounts	22,510	27,715	28,870	28,585	25,790	24,400	25,230	24,180	25,625	28,870	26,440[r]	25,860
	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. In July 1976 a financial group, composed of banks and insurance companies, was added to the group of stocks on which the index is based. The index is now based on 400 industrial stocks (formerly 425), 20 transportation (formerly 15 *rail*), 40 *public* utility (formerly 60), and 40 financial.

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. Series initiated in June 1984.

6. *Margin requirements*, stated in regulations adopted by the Board of Governors pursuant to the Securities Exchange Act of 1934, limit the amount of credit that can be used to purchase and carry "margin securities" (as defined in the regulations) when such credit is collateralized by securities. *Margin requirements* on securities 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					
				1994				1995	
	1992	1993	1994	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.
U.S. budget[1]									
1 Receipts, total	1,090,453	1,153,226	1,257,187	135,895	89,024	87,673	130,810	131,801	82,544
2 On-budget	788,027	841,292	922,161	105,212	65,385	62,083	103,859	101,036	54,405
3 Off-budget	302,426	311,934	335,026	30,683	23,639	25,590	26,951	30,765	28,139
4 Outlays, total	1,380,856	1,408,532	1,461,067r	131,903	120,365r	124,915r	134,941r	115,172r	120,536
5 On-budget	1,128,518	1,141,945	1,460,557r	103,189	95,307	99,464	123,643r	89,890r	94,058
6 Off-budget	252,339	266,587	279,372	28,714	25,059r	25,452r	11,297r	25,282r	26,478
7 Surplus or deficit (−), total	−290,403	−255,306	−203,370	3,993	−31,342r	−37,242r	−4,130r	16,628r	−37,992
8 On-budget	−340,490	−300,653	−259,024	2,024	−29,922	−37,381	−19,783r	11,146r	−39,653
9 Off-budget	50,087	45,347	55,654	1,969	−1,420r	138r	15,653r	5,483r	1,661
Source of financing (total)									
10 Borrowing from the public	310,918	248,594	184,998	−11,996	32,457	40,528	−13,316	13,337	38,972
11 Operating cash (decrease, or increase (−))	−17,305	6,283	16,564	−5,855	−480	9,366	476	−23,264	14,000
12 Other[2]	−3,210	429	1,808	13,858	−635r	−12,652r	16,970r	−6,701r	−14,980
MEMO									
13 Treasury operating balance (level, end of period)	58,789	52,506	35,942	35,942	36,422	27,056	26,580	49,844	35,844
14 Federal Reserve Banks	24,586	17,289	6,848	6,848	5,164	5,348	7,161	13,964	6,890
15 Tax and loan accounts	34,203	35,217	29,094	29,094	31,258	21,709	19,419	35,880	28,954

1. Since 1990, off-budget items have been the social security trust funds (federal old-age survivors insurance and federal disability insurance) and the U.S. Postal Service.

2. Includes special drawing rights (SDRs); reserve position on the U.S. quota in the International Monetary Fund (IMF); loans to the IMF; other cash and monetary assets; accrued interest payable to the public; allocations of SDRs; deposit funds; miscellaneous liability (including checks outstanding) and asset accounts; seigniorage; increment on gold; net gain or loss for U.S. currency valuation adjustment; net gain or loss for IMF loan-valuation adjustment; and profit on sale of gold.

SOURCES. U.S. Department of the Treasury, *Monthly Treasury Statement of Receipts and Outlays of the U.S. Government*; and U.S. Office of Management and Budget, *Budget of the U.S. Government*.

1.39 U.S. BUDGET RECEIPTS AND OUTLAYS[1]

Millions of dollars

Source or type	Fiscal year		Calendar year						
	1993	1994	1993		1994			1995	
			H1	H2	H1	H2	Dec.	Jan.	Feb.
RECEIPTS									
1 **All sources**	**1,153,226**	**1,257,453**	**593,212**	**582,038**	**652,236**	**625,557**	**130,810**	**131,801**	**82,544**
2 Individual income taxes, net	509,680	543,055	255,556	262,073	275,053	273,474	54,315	79,162	33,863
3 Withheld	430,211	459,699	209,517	228,423	225,387	240,062	50,680	49,432	40,643
4 Presidential Election Campaign Fund	28	70	25	2	63	10	0	0	4
5 Nonwithheld	154,989	160,364	113,510	41,768	118,245	42,031	3,635	29,980	1,061
6 *Refunds*	75,546	77,077	67,468	8,115	68,642	9,207	579	245	7,845
Corporation income taxes									
7 Gross receipts	131,548	154,205	69,044	68,266	80,536	78,392	32,616	5,415	3,483
8 Refunds	14,027	13,820	7,198	6,514	6,933	7,331	700	2,157	1,423
9 Social insurance taxes and contributions, net	428,300	461,475	227,177	206,176	248,301	220,141	36,358	40,442	38,653
10 Employment taxes and contributions[2]	396,939	428,810	208,776	192,749	228,714	206,613	35,708	26,096	35,667
11 Self-employment taxes and contributions[3]	20,604	24,433	16,270	4,335	20,762	4,135	0	1,279	1,718
12 Unemployment insurance	26,556	28,004	16,074	11,010	17,301	11,177	230	1,069	2,630
13 Other net receipts[4]	4,805	4,661	2,326	2,417	2,284	2,349	420	372	357
14 Excise taxes	48,057	55,225	23,398	25,994	26,444	30,062	4,587	4,555	3,485
15 Customs deposits	18,802	20,099	8,860	10,215	9,500	11,042	1,747	1,539	1,435
16 Estate and gift taxes	12,577	15,225	6,494	6,617	8,197	7,071	1,092	1,005	916
17 Miscellaneous receipts[5]	18,273	22,041	9,879	9,227	11,170	13,305	1,375	1,839	2,131
OUTLAYS									
18 **All types**	**1,408,532**	**1,461,067**	**673,915**	**727,685**	**710,620**	**751,642**[r]	**134,941**[r]	**115,172**[r]	**120,536**
19 National defense	291,086	281,451	140,535	146,672	133,841[r]	141,092	26,348	18,499	21,461
20 International affairs	16,826	17,249	6,565	10,186	5,800	12,056	1,334	999	1,108
21 General science, space, and technology	17,030	17,602	7,996	8,880	8,502	8,979	1,529	1,194	1,374
22 Energy	4,319	5,398	2,462	1,663	2,036	2,949	417	488	260
23 Natural resources and environment	20,239	20,902	8,592	11,221	9,110[r]	12,373	1,622	1,571	1,374
24 Agriculture	20,443	15,131	11,872	7,516	7,451	7,697	1,938	1,049	1,264
25 Commerce and housing credit	-22,725	-4,851	14,537	1,490	-5,114	-2,678	2,166	1,469	-2,978
26 Transportation	35,004	36,835	16,076	19,570	16,760[r]	20,489	3,021	3,080	2,799
27 Community and regional development	9,051	11,877	4,929	4,288	5,592	7,070	1,102	1,140	228
28 Education, training, employment, and social services	50,012	44,730	24,080	26,753	19,000	25,887	5,779	4,650	4,078
29 Health	99,415	106,495	49,882	52,958	53,439[r]	54,123	9,246	9,440	8,918
30 Social security and Medicare	435,137	464,314	195,933	223,735	232,777	236,819	41,216	39,734	39,461
31 Income security	207,257	213,972	107,870	102,380	109,080	101,743	19,331	16,326	20,583
32 Veterans benefits and services	35,720	37,637	16,385	19,852	16,686	19,757	4,277	1,996	3,023
33 Administration of justice	14,955	15,283	7,482	7,400	7,718	7,800	1,278	1,568	1,099
34 General government	13,009	11,348	5,205	6,531	5,076	7,393	1,972	-233	1,170
35 Net interest[6]	198,811	202,957	99,635	99,914	99,844	109,435	19,302	19,568	18,002
36 Undistributed offsetting receipts[7]	37,386	37,772	-17,035	20,344	17,308	-20,065	2,671	2,911	2,688

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. 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 U.S. Office of Management and Budget, *Budget of the U.S. Government, Fiscal Year 1996*.

1.40 FEDERAL DEBT SUBJECT TO STATUTORY LIMITATION

Billions of dollars, end of month

Item	1992	1993				1994			
	Dec. 31	Mar. 31	June 30	Sept. 30	Dec. 31	Mar. 31	June 30	Sept. 30	Dec. 31
1 **Federal debt outstanding**	**4,196**	**4,250**	**4,373**	**4,436**	**4,562**	**4,602**	**4,673**	**4,721**	**4,800**
2 Public debt securities	4,177	4,231	4,352	4,412	4,536	4,576	4,646	4,693	n.a.
3 Held by public	3,129	3,188	3,252	3,295	3,382	3,434	3,443	3,480	n.a.
4 Held by agencies	1,048	1,043	1,100	1,117	1,154	1,142	1,203	1,213	n.a.
5 Agency securities	19	20	21	25	27	26	28	29	n.a.
6 Held by public	19	20	21	25	27	26	27	29	n.a.
7 Held by agencies	0	0	0	0	0	0	0	0	n.a.
8 **Debt subject to statutory limit**	**4,086**	**4,140**	**4,256**	**4,316**	**4,446**	**4,491**	**4,559**	**4,605**	**4,711**
9 Public debt securities	4,085	4,139	4,256	4,315	4,445	4,491	4,559	4,605	4,711
10 Other debt[1]	0	0	0	0	0	0	0	0	0
MEMO									
11 Statutory debt limit	4,145	4,145	4,370	4,900	4,900	4,900	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	1991	1992	1993	1994	1994			
					Q1	Q2	Q3	Q4
1 **Total gross public debt**	**3,801.7**	**4,177.0**	**4,535.7**	n.a.	**4,575.9**	**4,645.8**	**4,692.8**	n.a.
By type								
2 Interest-bearing	3,798.9	4,173.9	4,532.3	4,769.2	4,572.6	4,642.5	4,689.5	4,769.2
3 Marketable	2,471.6	2,754.1	2,989.5	3,126.0	3,042.9	3,051.0	3,091.6	3,126.0
4 Bills	590.4	657.7	714.6	733.8	721.2	698.5	697.3	733.8
5 Notes	1,430.8	1,608.9	1,764.0	1,867.0	1,802.5	1,835.7	1,867.5	1,867.0
6 Bonds	435.5	472.5	495.9	510.3	504.2	501.8	511.8	510.3
7 Nonmarketable[1]	1,327.2	1,419.8	1,542.9	1,643.1	1,529.7	1,591.5	1,597.9	1,643.1
8 State and local government series	159.7	153.5	149.5	132.6	145.5	143.4	137.4	132.6
9 Foreign issues[2]	41.9	37.4	43.5	42.5	42.7	42.2	42.0	42.5
10 Government	41.9	37.4	43.5	42.5	42.7	42.2	42.0	42.5
11 Public	.0	.0	.0	.0	0	.0	.0	.0
12 Savings bonds and notes	135.9	155.0	169.4	177.8	172.6	174.9	176.4	177.8
13 *Government account series*[3]	959.2	1,043.5	1,150.0	1,259.8	1,138.4	1,200.6	1,211.7	1,259.8
14 Non-interest-bearing	2.8	3.1	3.4	31.0	3.3	3.3	3.2	31.0
By holder[4]								
15 U.S. Treasury and other federal agencies and trust funds	968.7	1,047.8	1,153.5		1,141.7	1,203.0	1,213.1	
16 Federal Reserve Banks	281.8	302.5	334.2		342.6	357.7	355.2	
17 *Private investors*	2,563.2	2,839.9	3,047.7		3,094.6	3,088.2	3,127.8	
18 Commercial banks	233.4	294.0	316.0		345.0	330.7	325.0	
19 Money market funds	80.0	79.4	80.5		70.5	59.5	59.9	
20 Insurance companies	168.7	197.5	216.0		236.9	244.1	250.0	
21 Other companies	150.8	192.5	213.0	n.a.	216.3	226.3	229.3	n.a.
22 State and local treasuries	520.3	534.8	564.0		517.4	520.1	521.0	
Individuals								
23 Savings bonds	138.1	157.3	171.9		175.0	177.1	178.6	
24 Other securities	125.8	131.9	137.9		140.1	144.0	148.6	
25 Foreign and international[5]	491.8	549.7	623.3		632.7	632.5	653.8	
26 Other miscellaneous investors[6]	651.3	702.4	725.0		760.7	754.0	761.6	

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		1995	1994 and 1995, week ending								
	Nov.	Dec.	Jan.	Dec. 28	Jan. 4	Jan. 11	Jan. 18	Jan. 25	Feb. 1	Feb. 8	Feb. 15	Feb 22
OUTRIGHT TRANSACTIONS[2]												
By type of security												
1 U.S. Treasury bills	53,255	55,792	61,020	49,061	55,855	66,421	66,093	52,203	62,823	64,937	61,124	50,127
Coupon securities, by maturity												
2 Five years or less	102,316[r]	83,764	99,644[r]	57,849	59,195	90,630	109,668	109,685	116,168	108,919	114,585	114,831
3 More than five years	51,516[r]	34,619	40,619[r]	25,146	24,992	39,174	45,847	39,817	48,611	58,840	59,828	46,130
4 Federal agency	18,993	23,472	26,320	25,435	24,608	25,552	28,506	26,378	25,757	23,905	24,872	26,459
5 Mortgage-backed	30,516	24,508	27,653	10,989	15,892	40,358	30,241	24,790	20,936	40,686	36,306	21,248
By type of counterparty												
With interdealer broker												
6 U.S. Treasury	120,872	100,469	116,796[r]	73,664	74,860	114,424	129,807	117,266	134,359	134,701	137,768	119,117
7 Federal agency	543	510	662	399	523	597	655	714	789	766	988	1,198
8 Mortgage-backed	9,765	8,208	10,543	3,380	5,982	13,741	11,492	11,019	8,183	10,912	11,292	8,384
With other												
9 U.S. Treasury	86,216	73,707	84,487[r]	58,392	65,182	81,801	91,801	84,438	93,244	97,994	97,769	91,970
10 Federal agency	18,450	22,962	25,658	25,036	24,086	24,956	27,851	25,664	24,968	23,139	23,884	25,261
11 Mortgage-backed	20,751	16,300	17,111	7,609	9,911	26,618	18,749	13,771	12,753	29,774	25,013	12,864
FUTURES TRANSACTIONS[3]												
By type of deliverable security												
12 U.S. Treasury bills	1,667	1,377	1,096	865	589	504	1,577	1,067	1,653	959	1,870	2,022
Coupon securities, by maturity												
13 Five years or less	3,642	3,097	3,016	1,714	2,249	2,574	3,503	2,952	3,616	3,362	3,710	3,966
14 More than five years	14,287	10,277	11,231	5,509	6,740	11,893	12,927	10,268	12,856	12,955	15,352	13,378
15 Federal agency	0	0	0	0	0	0	0	0	0	0	0	0
16 Mortgage-backed	0	0	0	0	0	0	0	0	0	0	0	0
OPTIONS TRANSACTIONS[4]												
By type of underlying security												
17 U.S. Treasury bills	0	0	0	0	0	0	0	0	0	0	0	0
Coupon securities, by maturity												
18 Five years or less	2,722	1,353	3,049	1,063	1,504	2,498	4,455	2,254	4,131	3,109	3,722	2,986
19 More than five years	5,327	2,938	4,025	2,034	3,047	3,678	4,594	4,524	3,859	3,806	4,142	5,649
20 Federal agency	0	0	0	0	0	0	0	0	0	0	0	0
21 Mortgage-backed	463	330	476	324	392	581	342	390	682	787	957	1,301

1. Transactions are market purchases and sales of securities as reported to the Federal Reserve Bank of New York by the U.S. government securities dealers on its published list of primary dealers. Monthly averages are based on the number of trading days in the month. Transactions are assumed evenly distributed among the trading days of the report week. Immediate, forward, and futures transactions are reported at principal value, which does not include accrued interest; options transactions are reported at the face value of the underlying securities.

Dealers report cumulative transactions for each week ending Wednesday.

2. Outright transactions include immediate and forward transactions. Immediate delivery refers to purchases or sales of securities (other than mortgage-backed federal agency securities) for which delivery is scheduled in five business days or less and "when-issued" securities that settle on the issue date of offering. Transactions for immediate delivery of mortgage-backed agency securities include purchases and sales for which delivery is scheduled in thirty business days or less. Stripped securities are reported at market value by maturity of coupon or corpus.

Forward transactions are agreements made in the over-the-counter market that specify delayed delivery. Forward contracts for U.S. Treasury securities and federal agency debt securities are included when the time to delivery is more than five business days. Forward contracts for mortgage-backed agency securities are included when the time to delivery is more than thirty business days.

3. Futures transactions are standardized agreements arranged on an exchange. All futures transactions are included regardless of time to delivery.

4. Options transactions are purchases or sales of put and call options, whether arranged on an organized exchange or in the over-the-counter market, and include options on futures contracts on U.S. Treasury and federal agency securities.

NOTE. "n.a." indicates that data are not published because of insufficient activity.

Major changes in the report form filed by primary dealers induced a break in the dealer data series as of the week ending July 6, 1994

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

Millions of dollars

Item	1994 Nov.	1994 Dec.	1995 Jan	1994 and 1995, week ending Dec. 28	Jan. 4	Jan. 11	Jan. 18	Jan. 25	Feb. 1	Feb. 8	Feb. 15
						Positions[2]					
NET OUTRIGHT POSITIONS[3]											
By type of security											
1 U.S. Treasury bills	13,089[r]	15,132[r]	5,471	8,075[r]	10,528	6,451	6,063	2,953	3,205	1,205	5,957
Coupon securities, by maturity											
2 Five years or less	−7,394[r]	−7,690[r]	−10,042	2,705[r]	−5,594	−11,478	−12,361	−8,820	−10,054	−10,384	−20,384
3 More than five years	−30,584[r]	32,196[r]	−32,613	−32,559[r]	−30,074	−33,434	−35,026	−31,830	−31,447	−24,482	−22,832
4 Federal agency	20,097	20,263	20,004	21,122	17,995	18,012	19,871	24,072	19,077	17,773	21,203
5 Mortgage-backed	35,323	32,889	32,275	33,082	35,146	31,658	31,304	31,428	33,204	33,378	32,940
NET FUTURES POSITIONS											
By type of deliverable security											
6 U.S. Treasury bills	−275	−906	−1,906	−446	277	1,485	81	−1,414	−6,744	−6,059	−6,655
Coupon securities, by maturity											
7 Five years or less	7,470	5,292	3,629	3,167	2,832	5,314	3,853	3,202	2,432	2,419	1,396
8 More than five years	2,308	857[r]	2,312	755[r]	1,978	3,403	2,685	1,750	1,484	3,157	−3,283
9 Federal agency	0	0	0	0	0	0	0	0	0	0	0
10 Mortgage-backed	0	0	0	0	0	0	0	0	0	0	0
						Financing[5]					
Reverse repurchase agreements											
11 Overnight and continuing	248,670	238,704	240,357	215,630	233,813	236,713	244,351	231,203	254,993	231,926	263,908
12 Term	343,089	355,245	347,721	350,856	302,271	345,503	353,508	378,397	338,067	368,698	312,969
Securities borrowed											
13 Overnight and continuing	180,702	181,785	181,131	180,017	189,326	181,843	175,727	181,015	181,276	181,229	178,938
14 Term	46,394	46,339	50,752	46,874	47,633	52,023	50,255	54,151	47,962	51,132	48,770
Securities received as pledge											
15 Overnight and continuing	2,392	3,346	3,637	3,351	4,011	4,318	3,268	3,505	3,178	3,189	3,594
16 Term	32	37	177	16	110	n.a.	58	105	445	22	n.a.
Repurchase agreements											
17 Overnight and continuing	438,464	432,430	442,422	394,035	436,633	431,608	447,158	433,618	463,644	439,118	493,818
18 Term	338,786	341,663	307,485	345,223	272,824	306,085	313,968	331,153	297,051	321,373	258,536
Securities loaned											
19 Overnight and continuing	6,262	5,994	6,775	5,750	6,689	6,877	6,031	6,693	7,678	6,822	7,015
20 Term	1,285	1,328	1,524	1,037	1,187	1,529	1,755	1,558	1,435	1,993	1,097
Securities pledged											
21 Overnight and continuing	33,695	35,928	33,191	35,697	38,583	35,606	33,191	31,506	28,746	29,590	28,136
22 Term	3,416	1,609	1,684	1,566	1,660	1,397	1,899	2,073	1,328	1,429	2,631
Collateralized loans											
23 Overnight and continuing	17,871	14,021	14,886	14,414	15,023	15,822	16,650	12,370	14,578	18,241	15,967
24 Term	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
MEMO: Matched book[6]											
Securities in											
25 Overnight and continuing	224,758	223,889	230,619	201,905	228,378	228,823	232,307	223,723	240,286	216,882	238,935
26 Term	323,287	326,161	321,937	322,628	276,235	319,933	324,174	354,843	313,742	338,830	283,869
Securities out											
27 Overnight and continuing	260,138	255,975	278,708	233,666	265,477	275,129	282,169	280,339	285,765	272,573	301,655
28 Term	272,124	279,824	258,389	286,163	219,517	255,201	262,886	285,746	250,859	267,966	206,040

1. Data for positions and financing are obtained from reports submitted to the Federal Reserve Bank of New York by the U.S. government securities dealers on its published list of primary dealers. Weekly figures are close-of-business Wednesday data. Positions for calendar days of the report week are assumed to be constant. Monthly averages are based on the number of calendar days in the month.

2. Securities positions are reported at market value.

3. Net outright positions include immediate and forward positions. Net immediate positions include securities purchased or sold (other than mortgage-backed agency securities) that have been delivered or are scheduled to be delivered in five business days or less and "when-issued" securities that settle on the issue date of offering. Net immediate positions for mortgage-backed agency securities include securities purchased or sold that have been delivered or are scheduled to be delivered in thirty business days or less.

Forward positions reflect agreements made in the over-the-counter market that specify delayed delivery. Forward contracts for U.S. Treasury securities and federal agency debt securities are included when the time to delivery is more than five business days. Forward contracts for mortgage-backed agency securities are included when the time to delivery is more than thirty business days.

4. Futures positions reflect standardized agreements arranged on an exchange. All futures positions are included regardless of time to delivery.

5. Overnight financing refers to agreements made on one business day that mature on the next business day; continuing contracts are agreements that remain in effect for more than one business day but have no specific maturity and can be terminated without advance notice by either party; term agreements have a fixed maturity of more than one business day. Financing data are reported in terms of actual funds paid or received, including accrued interest.

6. Matched-book data reflect financial intermediation activity in which the borrowing and lending transactions are matched. Matched-book data are included in the financing breakdowns given above. The reverse repurchase and repurchase numbers are not always equal because of the "matching" of securities of different values or different types of collateralization.

NOTE. "n.a." indicates that data are not published because of insufficient activity.

Major changes in the report form filed by primary dealers induced a break in the dealer data series as of the week ending July 6, 1994.

1.44 FEDERAL AND FEDERALLY SPONSORED CREDIT AGENCIES Debt Outstanding

Millions of dollars, end of period

Agency	1990	1991	1992	1993	1994				
					Aug.	Sept.	Oct.	Nov.	Dec.
1 **Federal and federally sponsored agencies**	**434,668**	**442,772**	**483,970**	**570,711**	**674,020**	**684,129r**	**698,792r**	**715,782r**	**741,992**
2 Federal agencies	42,159	41,035	41,829	45,193	43,861	42,544	39,037	39,662	39,186
3 Defense Department[1]	7	7	7	6	6	6	6	6	6
4 Export-Import Bank[2,3]	11,376	9,809	7,208	5,315	4,389	3,932	3,932	3,932	3,455
5 Federal Housing Administration[4]	393	397	374	255	101	112	114	117	116
6 Government National Mortgage Association certificates of participation[5]	0	0	0	0	0	0	0	0	0
7 Postal Service[6]	6,948	8,421	10,660	9,732	9,773	8,973	7,773	8,073	8,073
8 Tennessee Valley Authority	23,435	22,401	23,580	29,885	29,592	29,521	27,212	27,534	27,536
9 United States Railway Association[6]	0	0	0	0	0	0	0	0	0
10 Federally sponsored agencies[7]	392,509	401,737	442,141	525,518	630,159	641,585	659,755	676,120	702,806
11 Federal Home Loan Banks	117,895	107,543	114,733	141,577	169,284	174,414	185,894	193,920	208,881
12 Federal Home Loan Mortgage Corporation	30,941	30,262	29,631	49,993	81,270	83,947	88,680	90,709	93,279
13 Federal National Mortgage Association	123,403	133,937	166,300	201,112	237,564	239,320	242,575	247,743	257,230
14 Farm Credit Banks[8]	53,590	52,199	51,910	53,123	53,844	54,333	53,609	54,800	53,175
15 Student Loan Marketing Association[9]	34,194	38,319	39,650	39,784	48,313	49,692	49,112	49,066	50,335
16 Financing Corporation[10]	8,170	8,170	8,170	8,170	8,170	8,170	8,170	8,170	8,170
17 Farm Credit Financial Assistance Corporation[11]	1,261	1,261	1,261	1,261	1,261	1,261	1,261	1,261	1,261
18 Resolution Funding Corporation[12]	23,055	29,996	29,996	29,996	29,996	29,996	29,996	29,996	29,996
MEMO									
19 **Federal Financing Bank debt**[13]	**179,083**	**185,576**	**154,994**	**128,187**	**112,804**	**109,357**	**106,935**	**105,662**	**103,817**
Lending to federal and federally sponsored agencies									
20 Export-Import Bank[3]	11,370	9,803	7,202	5,309	4,383	3,926	3,926	3,926	3,449
21 Postal Service[6]	6,698	8,201	10,440	9,732	9,773	8,973	7,773	8,073	8,073
22 Student Loan Marketing Association	4,850	4,820	4,790	4,760	0	0	0	0	0
23 Tennessee Valley Authority	14,055	10,725	6,975	6,325	4,375	3,400	3,200	3,200	3,200
24 United States Railway Association[6]	0	0	0	0	0	0	0	0	0
Other lending[14]									
25 Farmers Home Administration	52,324	48,534	42,979	38,619	34,594	34,129	33,869	33,719	33,719
26 Rural Electrification Administration	18,890	18,562	18,172	17,578	17,402	17,316	17,322	17,365	17,392
27 Other	70,896	84,931	64,436	45,864	42,322	41,613	40,845	39,379	37,984

1. Consists of mortgages assumed by the Defense Department between 1957 and 1963 under family housing and homeowners assistance programs.
2. Includes participation certificates reclassified as debt beginning Oct. 1, 1976.
3. On-budget since Sept. 30, 1976.
4. Consists of debentures issued in payment of Federal Housing Administration insurance claims. Once issued, these securities may be sold privately on the securities market.
5. Certificates of participation issued before fiscal year 1969 by the Government National Mortgage Association acting as trustee for the Farmers Home Administration, the Department of Health, Education, and Welfare, the Department of Housing and Urban Development, the Small Business Administration, and the Veterans' Administration.
6. Off-budget.
7. Includes outstanding noncontingent liabilities: notes, bonds, and debentures. Includes Federal Agricultural Mortgage Corporation, therefore details do not sum to total. Some data are estimated.
8. Excludes borrowing by the Farm Credit Financial Assistance Corporation, which is shown on line 17.
9. Before late 1982, the association obtained financing through the Federal Financing Bank (FFB). Borrowing excludes that obtained from the FFB, which is shown on line 22.
10. The Financing Corporation, established in August 1987 to recapitalize the Federal Savings and Loan Insurance Corporation, undertook its first borrowing in October 1987.
11. The Farm Credit Financial Assistance Corporation, established in January 1988 to provide assistance to the Farm Credit System, undertook its first borrowing in July 1988.
12. The Resolution Funding Corporation, established by the Financial Institutions Reform, Recovery, and Enforcement Act of 1989, undertook its first borrowing in October 1989.
13. The FFB, which began operations in 1974, is authorized to purchase or sell obligations issued, sold, or guaranteed by other federal agencies. Because FFB incurs debt solely for the purpose of lending to other agencies, its debt is not included in the main portion of the table 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	1992	1993	1994	1994 July	Aug.	Sept.	Oct.	Nov.	Dec.	1995 Jan.	Feb.
1 **All issues, new and refunding**[1]	**226,818**	**279,945**	**153,922**[r]	**13,533**[r]	**12,289**[r]	**7,903**[r]	**11,053**[r]	**11,856**[r]	**9,513**[r]	**7,331**	**7,114**
By type of issue											
2 General obligation	78,611	90,599	54,258	7,110	4,177	2,309	2,891	5,592	2,284	3,780	3,681
3 Revenue	136,580	189,346	92,100	5,340	8,133	5,325	6,899	6,093	7,970	3,551	3,433
By type of issuer											
4 State	24,874	27,999	19,363	4,686	1,675	1,009	952	1,528	151	739	1,032
5 Special district or statutory authority[2]	138,327	178,714	87,751	4,931	7,963	4,962	6,511	6,148	7,501	4,484	4,657
6 Municipality, county, or township	63,617	73,232	40,524	2,833	2,672	1,663	2,327	4,009	2,102	2,108	1,425
7 **Issues for new capital**	**101,865**	**91,434**	**106,799**[r]	**10,970**[r]	**10,536**[r]	**6,195**[r]	**9,127**[r]	**9,630**[r]	**8,447**[r]	**5,473**	**5,576**
By use of proceeds											
8 Education	18,852	16,831	21,360[r]	1,312[r]	2,242[r]	833[r]	1,650[r]	1,780[r]	1,713[r]	1,333	1,515
9 Transportation	14,357	9,167	10,765[r]	295[r]	1,089[r]	335[r]	1,380[r]	621[r]	304[r]	587	666
10 Utilities and conservation	12,164	12,014	10,230[r]	729[r]	1,108[r]	454[r]	979[r]	976[r]	1,290[r]	524	367
11 Social welfare	16,744	13,837	19,917	1,698	2,117	1,897	1,887	1,535	2,172	1,036	943
12 Industrial aid	6,188	6,862	9,054	959	1,128	403	420	688	1,085	260	346
13 Other purposes	33,560	32,723	37,250	5,560	3,401	2,011	2,396	4,750	2,063	1,733	1,739

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	1992	1993	1994	1994 June	July	Aug.	Sept.	Oct.	Nov.	Dec.	1995 Jan.
1 **All issues**[1]	**559,827**	**754,969**	n.a.	**49,578**	**29,818**	**37,871**	**29,416**	**34,421**[r]	**38,801**[r]	**22,999**	**31,123**
2 **Bonds**[2]	**471,502**	**641,498**	n.a.	**43,210**	**26,159**	**34,495**	**25,983**	**30,849**[r]	**33,276**[r]	**20,493**	**28,000**
By type of offering											
3 Public, domestic	378,058	486,879	364,942	38,472	22,441	30,088	22,736	25,132[r]	27,268	17,809	20,000
4 Private placement, domestic[3]	65,853	116,240	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
5 Sold abroad	27,591	38,379	56,184	4,738	3,718	4,406	3,248	5,718[r]	6,008[r]	2,684	8,000
By industry group											
6 Manufacturing	82,058	88,002	31,971	2,093	2,316	2,596	2,167	2,498	2,481	1,508	1,322
7 Commercial and miscellaneous	43,111	60,293	27,885	3,277	997	3,570	2,112	2,204[r]	1,578	2,469	3,875
8 Transportation	9,979	10,756	4,573	1,082	248	315	229	227	239	269	0
9 Public utility	48,055	56,272	11,713	681	487	575	707	695	744	273	529
10 Communication	15,394	31,950	11,986	618	429	345	526	279	333	419	899
11 Real estate and financial	272,904	394,226	332,999	35,459	21,682	27,094	20,242	24,947[r]	27,902[r]	15,556	21,375
12 **Stocks**[2]	**88,325**	**113,472**	n.a.	**6,368**	**3,659**	**3,376**	**3,433**	**3,572**	**5,525**	**2,506**	**3,123**
By type of offering											
13 Public preferred	21,339	18,897	12,952	1,396	584	710	555	1,202	279	178	505
14 Common	57,118	82,657	47,670	4,972	3,075	2,666	2,877	2,370	5,246	2,327	2,618
15 Private placement[3]	9,867	11,917	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
By industry group											
16 Manufacturing	22,723	22,271	↑	1,106	492	569	904	745	1,963	1,148	1,049
17 Commercial and miscellaneous	20,231	25,761		1,834	701	805	821	1,105	1,783	830	177
18 Transportation	2,595	2,237	n.a.	449	75	50	223	79	76	0	19
19 Public utility	6,532	7,050		297	0	180	78	4	333	165	209
20 Communication	2,366	3,439		28	0	0	0	0	0	20	472
21 Real estate and financial	33,879	52,021	↓	2,654	2,386	1,767	1,407	1,639	1,351	343	1,000

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. Beginning July 1993, Securities Data Company and the Board of Governors of the Federal Reserve System.

1.47 OPEN-END INVESTMENT COMPANIES Net Sales and Assets[1]

Millions of dollars

Item	1993	1994	1994							1995
			June	July	Aug.	Sept.	Oct	Nov.	Dec.[r]	Jan.
1 **Sales of own shares[2]**	**851,885**	**841,286**	**65,333**	**59,258**	**64,833**	**62,263**	**59,285**	**56,849**	**73,183**	**75,099**
2 Redemptions of own shares	567,881	699,823	56,068	50,275	53,242	53,383	53,743	55,757	70,747	63,737
3 Net sales[3]	284,004	141,463	9,265	8,983	1,592	8,880	5,543	1,092	2,436	11,362
4 **Assets[4]**	**1,510,209**	**1,550,490**	**1,509,998**	**1,552,652**	**1,604,961**	**1,588,277**	**1,601,363**	**1,549,186**	**1,550,490**	**1,563,187**
5 Cash[5]	100,209	121,296	114,885	120,129	120,315	121,575	126,766	125,843	121,296	124,351
6 Other	1,409,838	1,429,195	1,395,113	1,432,523	1,484,646	1,466,702	1,474,597	1,423,344	1,429,195	1,438,836

1. Data on sales and redemptions exclude money market mutual funds but include limited-maturity municipal bond funds. Data on asset positions exclude both money market mutual funds and limited-maturity municipal bond funds.
2. Includes reinvestment of net income dividends. Excludes reinvestment of capital gains distributions and share issue of conversions from one fund to another in the same group.
3. Excludes sales and redemptions resulting from transfers of shares into or out of money market mutual funds within the same fund family.
4. Market value at end of period, less current liabilities.
5. Includes all U.S. Treasury securities and other short-term debt securities.

SOURCE. Investment Company Institute. Data based on reports of membership, which comprises substantially all open end investment companies registered with the Securities and Exchange Commission. Data reflect underwritings of newly formed companies after their initial offering of securities.

1.48 CORPORATE PROFITS AND THEIR DISTRIBUTION

Billions of dollars; quarterly data at seasonally adjusted annual rates

Account	1992	1993	1994	1993				1994			
				Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
1 Profits with inventory valuation and capital consumption adjustment	405.1	485.8	n.a.	442.5	473.1	493.5	533.9	508.2	546.4	556.0	n.a.
2 Profits before taxes	395.9	462.4	n.a.	432.7	456.6	458.7	501.7	483.5	523.1	538.1	n.a.
3 Profits-tax liability	139.7	173.2	n.a.	159.8	171.8	169.9	191.5	184.1	201.7	208.6	n.a.
4 Profits after taxes	256.2	289.2	n.a.	273.0	284.8	288.9	310.2	299.4	321.4	329.5	n.a.
5 Dividends	171.1	191.7	205.2	188.2	190.7	193.2	194.6	196.3	202.5	207.9	213.9
6 Undistributed profits	85.1	97.5	n.a.	84.7	94.1	95.6	115.6	103.0	118.9	121.6	n.a.
7 Inventory valuation	6.4	-6.2	19.3[r]	11.2	10.0	3.0	-6.5	12.3	14.1	19.6	31.2
8 Capital consumption adjustment	15.7	29.5	37.7	21.0	26.5	31.7	38.8	37.0	37.4	37.5	38.8

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]	1993				1994			
				Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4[1]
1 **Total nonfarm business**	**546.60**	**586.73**	**638.37**	**563.48**	**578.95**	**594.56**	**604.51**	**619.34**	**637.08**	**651.92**	**645.13**
Manufacturing											
2 Durable goods industries	73.32	81.45	92.78	78.19	80.33	82.74	83.64	86.03	91.71	98.97	94.44
3 Nondurable goods industries	100.69	98.02	99.77	95.80	97.22	99.74	98.51	99.02	102.28	98.39	99.39
Nonmanufacturing											
4 Mining	8.88	10.08	11.24	8.98	9.10	11.09	10.92	11.43	10.70	11.57	11.27
Transportation											
5 Railroad	6.67	6.14	6.72	6.16	5.94	5.89	6.55	7.46	5.36	6.65	7.40
6 Air	8.93	6.42	3.95	7.26	6.63	6.70	5.06	4.23	4.53	3.86	3.16
7 Other	7.04	9.22	10.53	8.96	8.92	8.74	10.23	10.77	9.70	10.22	11.42
Public utilities											
8 Electric	48.22	52.55	52.25	49.98	50.61	52.96	55.60	48.68	53.55	54.15	52.60
9 Gas and other	23.99	23.43	24.20	23.79	23.83	22.98	23.27	24.51	22.96	24.35	24.97
10 Commercial and other[2]	268.84	299.44	336.93	284.35	296.35	303.74	310.73	327.20	336.28	343.76	340.48

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	1993 Q1	1993 Q2	1993 Q3	1993 Q4	1994 Q1	1994 Q2	1994 Q3
ASSETS										
1 Accounts receivable, gross[2]	484.6	491.8	482.8	477.9	473.7	474.0	482.8	494.5	511.3	524.1
2 Consumer	121.7	118.3	116.5	112.6	110.6	111.0	116.5	120.1	124.3	130.3
3 Business	295.8	301.3	294.6	292.7	291.8	291.9	294.6	302.3	313.2	317.2
4 Real estate	67.1	72.2	71.7	72.5	71.4	71.1	71.7	72.1	73.8	76.6
5 LESS: Reserves for unearned income	56.1	53.2	50.7	50.1	49.7	49.5	50.7	51.2	51.9	51.1
6 Reserves for losses	13.1	16.2	11.2	15.2	10.8	11.2	11.2	11.6	12.1	12.1
7 Accounts receivable, net	415.4	422.4	420.9	412.6	413.2	413.3	420.9	431.7	447.3	460.9[r]
8 All other	144.9	142.5	170.9	150.6	151.5	163.9	170.9	171.2	174.6	177.2
9 **Total assets**	**560.3**	**564.9**	**591.8**	**563.3**	**564.7**	**577.3**	**591.8**	**602.9**	**621.9**	**638.1**
LIABILITIES AND CAPITAL										
10 Bank loans	42.3	37.6	25.3	34.1	29.4	25.8	25.3	24.2	23.3	21.6
11 Commercial paper	159.5	156.4	159.2	149.8	144.5	149.9	159.2	165.9	171.2	171.0
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	35.5	39.5	42.7	43.1	45.0	44.6	42.7	41.1	44.7	50.0
15 Not elsewhere classified	190.2	196.3	206.0	197.3	199.9	204.2	206.0	211.7	219.6	228.2
16 All other liabilities	68.4	68.0	87.1	72.5	77.8	83.8	87.1	90.5	89.9	95.0
17 Capital, surplus, and undivided profits	64.5	67.1	71.4	66.5	68.1	68.9	71.4	69.5	73.2	72.3
18 **Total liabilities and capital**	**560.3**	**564.9**	**591.8**	**563.3**	**564.7**	**577.3**	**591.8**	**602.9**	**621.9**	**638.1**

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	1992	1993	1994[r]	1994 Aug.	1994 Sept.	1994 Oct.	1994 Nov.	1994 Dec.[r]	1995 Jan.
	Seasonally adjusted								
1 **Total**	**540,679**	**546,020**	**610,710**	**579,032**	**590,512**	**596,397**	**602,463**	**610,710**	**618,239**
2 Consumer	157,857	160,802	174,059	166,921	172,547	173,178	174,324	174,059	175,579
3 Real estate[2]	72,496	71,991	78,774	75,524	76,424	76,971	77,991	78,774	79,045
4 Business	310,325	313,226	357,877	336,587	341,542	346,248	350,148	357,877	363,615
	Not seasonally adjusted								
5 **Total**	**544,691**	**550,387**	**615,758**	**575,769**	**588,525**	**596,054**	**603,305**	**615,758**	**617,625**
6 Consumer	159,558	162,770	176,316	166,501	172,002	172,813	174,118	176,316	176,569
7 Motor vehicles	57,259	56,057	61,609	58,589	60,522	60,750	61,372	61,609	62,326
8 Other consumer[3]	61,020	60,396	73,221	66,608	69,784	70,812	71,502	73,221	74,391
9 Securitized motor vehicles[4]	29,734	36,024	31,861	31,787	32,372	31,592	31,494	31,861	30,228
10 Securitized other consumer[4]	11,545	10,293	9,625	9,517	9,324	9,659	9,750	9,625	9,624
11 Real estate[2]	72,243	71,727	78,479	76,012	76,585	77,235	77,907	78,479	79,540
12 Business	312,890	315,890	360,963	333,256	339,938	346,006	351,280	360,963	361,516
13 Motor vehicles	89,011	95,173	118,197	102,655	106,365	110,089	113,222	118,197	118,885
14 Retail[5]	20,541	18,091	21,514	20,272	21,164	21,645	22,113	21,514	21,811
15 Wholesale[6]	29,890	31,148	35,037	25,875	27,201	29,302	30,614	35,037	34,447
16 Leasing	38,580	45,934	61,646	56,508	58,000	59,142	60,495	61,646	62,627
17 Equipment	151,424	145,452	157,953	151,388	152,782	152,675	154,312	157,953	158,351
18 Retail	33,521	35,513	39,680	39,629	39,357	38,584	38,912	39,680	40,187
19 Wholesale[6]	8,680	8,001	9,678	8,968	9,119	9,134	9,484	9,678	9,361
20 Leasing	109,223	101,938	108,595	102,791	104,306	104,957	105,916	108,595	108,803
21 Other business[7]	60,856	53,997	61,495	56,389	58,101	59,314	59,893	61,495	61,193
22 Securitized business assets[4]	11,599	21,268	23,318	22,824	22,690	23,928	23,853	23,318	23,087
23 Retail	1,120	2,483	3,065	2,656	2,564	2,956	2,853	3,065	2,901
24 Wholesale	5,756	10,584	14,499	14,147	14,411	15,173	15,311	14,499	14,621
25 Leasing	4,723	8,201	5,754	6,021	5,715	5,799	5,689	5,754	5,565

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	1992	1993	1994	1994 Aug.	1994 Sept.	1994 Oct.	1994 Nov.	1994 Dec.	1995 Jan.	1995 Feb.
	Terms and yields in primary and secondary markets									
PRIMARY MARKETS										
Terms[1]										
1 Purchase price (thousands of dollars)	158.1	163.1	170.4	167.6	170.6	173.4	178.2	184.9	176.5	175.6
2 Amount of loan (thousands of dollars)	118.1	123.0	130.8	129.3	133.7	131.9	136.2	136.2	134.2	135.6
3 *Loan-to-price ratio (percent)*	76.6	78.0	78.8	79.0	79.4	78.3	78.0	76.9	78.0	79.3
4 Maturity (years)	25.6	26.1	27.5	28.0	27.9	27.6	27.9	28.0	28.0	28.3
5 Fees and charges (percent of loan amount)[2]	1.60	1.30	1.29	1.38	1.36	1.22	1.30	1.38	1.31	1.32
Yield (percent per year)										
6 Contract rate[1]	7.98	7.02	7.26	7.45	7.48	7.55	7.59	7.61	7.96	8.07
7 Effective rate[1,3]	8.25	7.24	7.47	7.67	7.70	7.76	7.81	7.83	8.18	8.28
8 Contract rate (HUD series)[4]	8.43	7.37	8.58	8.68	8.96	9.19	9.34	9.32	9.11	8.79
SECONDARY MARKETS										
Yield (percent per year)										
9 FHA mortgages (Section 203)[5]	8.46	7.46	8.68	8.66	9.10	9.23	9.53	9.54	9.10	9.05
10 GNMA securities[6]	7.71	6.65	7.96	8.15	8.28	8.66	8.86	8.76	8.69	8.38
	Activity in secondary markets									
FEDERAL NATIONAL MORTGAGE ASSOCIATION										
Mortgage holdings (end of period)										
11 Total	158,119	190,861	222,057	212,680	215,249	218,479	220,377	222,057	222,774	223,137
12 FHA/VA insured	22,593	23,857	28,377	25,604	25,800	26,226	27,118	28,377	28,368	28,420
13 Conventional	135,526	167,004	194,499	187,076	189,449	192,253	193,259	194,499	195,170	195,439
Mortgage transactions (during period)										
14 Purchases	75,905	92,037	62,389	4,077	4,266	5,003	3,549	3,399	2,154	1,802
Mortgage commitments (during period)										
15 Issued[7]	74,970	92,537	54,038	3,776	4,880	3,421	2,696	2,910	1,720	1,683
16 To sell[8]	10,493	5,097	1,820	0	0	48	20	55	57	82
FEDERAL HOME LOAN MORTGAGE CORPORATION										
Mortgage holdings (end of period)[8]										
17 Total	33,665	55,012	72,693	64,118	66,478	69,340	70,757	72,693	73,553	75,184
18 FHA/VA insured	352	321	276	291	287	284	279	276	272	n.a.
19 Conventional	33,313	54,691	72,416	63,827	66,191	69,057	70,477	72,416	73,281	n.a.
Mortgage transactions (during period)										
20 Purchases	191,125	229,242	124,697	6,407	5,512	8,351	3,022	4,890	3,254	5,537
21 Sales	179,208	208,723	117,110	5,828	5,213	8,139	2,865	3,769	2,862	4,806
Mortgage commitments (during period)[9]										
22 Contracted	261,637	274,599	136,067	5,649	5,035	7,288	3,454	2,412	6,541	7,741

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	1991	1992	1993	1993 Q4	1994 Q1	1994 Q2	1994 Q3	1994 Q4[p]
1 **All holders**	**3,926,154**	**4,056,233**	**4,215,480**	**4,215,480**	**4,242,350[r]**	**4,300,086[r]**	**4,361,119**	**4,409,390**
By type of property								
2 One- to four-family residences	2,781,327[r]	2,963,391	3,147,255	3,147,255	3,181,125[r]	3,234,663[r]	3,291,915	3,339,190
3 Multifamily residences	306,551[r]	295,417	290,489	290,489	289,236[r]	290,807[r]	292,180	292,151
4 Commercial	759,154[r]	716,687	696,542	696,542	690,718[r]	692,764[r]	694,736	695,548
5 Farm	79,122[r]	80,738	81,194	81,194	81,272[r]	81,853[r]	82,288	82,500
By type of holder								
6 Major financial institutions	1,846,726	1,769,187	1,767,835	1,767,835	1,746,474	1,763,296[r]	1,786,171	1,813,751
7 Commercial banks[2]	876,100	894,513	940,444	940,444	937,944	956,840[r]	981,365	1,004,237
8 One- to four-family	483,623	507,780	556,538	556,538	553,894[r]	569,512[r]	592,021	609,521
9 Multifamily	36,935	38,024	38,635	38,635	38,690[r]	38,609[r]	38,004	39,289
10 Commercial	337,095	328,826	324,409	324,409	324,106[r]	326,800[r]	328,931	332,859
11 Farm	18,447	19,882	20,862	20,862	21,254	21,918[r]	22,408	22,567
12 Savings institutions[3]	705,367	627,972	598,330	598,330	584,531	585,671	587,538	596,035
13 One- to four-family	538,358	489,622	469,959	469,959	458,057[r]	462,219[r]	466,697	477,144
14 Multifamily	79,881	69,791	67,362	67,362	66,924[r]	66,281[r]	65,530	64,557
15 Commercial	86,741	68,235	60,704	60,704	59,253[r]	56,872[r]	55,019	54,048
16 Farm	388	324	305	305	297	299	291	286
17 Life insurance companies	265,258	246,702	229,061	229,061	223,999	220,785	217,269	213,479
18 One- to four-family	11,547	11,441	9,458	9,458	9,245	9,107	8,956	8,794
19 Multifamily	29,562	27,770	25,814	25,814	25,232	24,855	24,442	24,002
20 Commercial	214,105	198,269	184,305	184,305	180,152	177,463	174,514	171,368
21 Farm	10,044	9,222	9,484	9,484	9,370	9,360	9,357	9,315
22 Federal and related agencies	266,146	286,263	317,486	317,486	323,464	327,690	334,359	335,228
23 Government National Mortgage Association	19	30	22	22	20	12	12	6
24 One- to four-family	19	30	15	15	13	12	12	6
25 Multifamily	0	0	7	7	7	0	0	0
26 Farmers Home Administration[4]	41,713	41,695	41,386	41,386	41,209	41,370	41,587	41,781
27 One- to four-family	18,496	16,912	15,303	15,303	14,870	14,459	14,084	13,826
28 Multifamily	10,141	10,575	10,940	10,940	11,037	11,147	11,243	11,319
29 Commercial	4,905	5,158	5,406	5,406	5,399	5,526	5,608	5,670
30 Farm	8,171	9,050	9,739	9,739	9,903	10,239	10,652	10,966
31 Federal Housing and Veterans' Administrations	10,733	12,581	12,215	12,215	11,344	11,169	10,533	10,964
32 One- to four-family	4,036	5,153	5,364	5,364	4,738	4,826	4,321	4,753
33 Multifamily	6,697	7,428	6,851	6,851	6,606	6,343	6,212	6,211
34 Resolution Trust Corporation	45,822	32,045	17,284	17,284	14,241	13,908	15,403	10,428
35 One- to four-family	14,535	12,960	7,203	7,203	6,308	6,045	6,998	5,200
36 Multifamily	15,018	9,621	5,327	5,327	4,208	4,230	4,569	2,859
37 Commercial	16,269	9,464	4,754	4,754	3,726	3,633	3,836	2,369
38 Farm	0	0	0	0	0	0	0	0
39 Federal National Mortgage Association	112,283	137,584	166,642	166,642	172,343	175,377	177,200	178,059
40 One- to four-family	100,387	124,016	151,310	151,310	156,576	159,437	161,255	162,160
41 Multifamily	11,896	13,568	15,332	15,332	15,767	15,940	15,945	15,899
42 Federal Land Banks	28,767	28,664	28,460	28,460	28,181	28,475	28,538	28,565
43 One- to four-family	1,693	1,687	1,675	1,675	1,658	1,675	1,679	1,681
44 Farm	27,074	26,977	26,785	26,785	26,523	26,800	26,859	26,885
45 Federal Home Loan Mortgage Corporation	26,809	33,665	51,476	51,476	56,127	57,379	61,087	65,424
46 One- to four-family	24,125	31,032	48,929	48,929	53,571	54,799	58,432	62,594
47 Multifamily	2,684	2,633	2,547	2,547	2,556	2,580	2,655	2,830
48 Mortgage pools or trusts[5]	1,250,666	1,425,546	1,550,818	1,550,818	1,604,449	1,643,627	1,668,496	1,683,946
49 Government National Mortgage Association	425,295	419,516	414,066	414,066	423,446	435,709	444,976	450,934
50 One- to four-family	415,767	410,675	404,864	404,864	414,194	426,363	435,511	441,198
51 Multifamily	9,528	8,841	9,202	9,202	9,251	9,346	9,465	9,736
52 Federal Home Loan Mortgage Corporation	359,163	407,514	443,029	443,029	459,949	470,183	469,062	467,071
53 One- to four-family	351,906	401,525	438,494	438,494	455,779	466,361	465,614	463,945
54 Multifamily	7,257	5,989	4,535	4,535	4,170	3,822	3,448	3,126
55 Federal National Mortgage Association	371,984	444,979	495,525	495,525	507,376	514,855	523,512	530,343
56 One- to four-family	362,667	435,979	486,804	486,804	498,489	505,730	514,375	520,763
57 Multifamily	9,317	9,000	8,721	8,721	8,887	9,125	9,137	9,580
58 Farmers Home Administration[4]	47	38	28	28	26	22	20	19
59 One- to four-family	11	8	5	5	5	4	4	3
60 Multifamily	0	0	0	0	0	0	0	0
61 Commercial	19	17	13	13	12	10	9	9
62 Farm	17	13	10	10	9	8	7	7
63 Private mortgage conduits	94,177	153,499	198,171	198,171	213,653	222,858	230,926	235,579
64 One- to four-family	84,000	132,000	164,000	164,000	177,000	179,500	182,300	183,600
65 Multifamily	3,698	6,305	8,701	8,701	9,202	11,514	13,891	14,850
66 Commercial	6,479	15,194	25,469	25,469	27,451	31,844	34,735	37,129
67 Farm	0	0	0	0	0	0	0	0
68 Individuals and others[6]	562,616	575,237	579,341	579,341	567,963[r]	565,473[r]	572,092	576,465
69 One- to four-family	370,157[r]	382,572	387,334	387,334	376,728[r]	374,612[r]	379,656	384,001
70 Multifamily	83,937[r]	85,871	86,516	86,516	86,700	87,014	87,638	87,893
71 Commercial	93,541[r]	91,524	91,482	91,482	90,621	90,617	92,084	92,096
72 Farm	14,981[r]	15,270	14,009	14,009	13,915[r]	13,229[r]	12,714	12,474

1. Multifamily debt refers to loans on structures of five or more units.
2. Includes loans held by nondeposit trust companies but not loans held by bank trust departments.
3. Includes savings banks and savings and loan associations.
4. FmHA-guaranteed securities sold to the Federal Financing Bank were reallocated from FmHA mortgage pools to FmHA mortgage holdings in 1986:Q4 because of accounting changes by the Farmers Home Administration.
5. Outstanding principal balances of mortgage-backed securities insured or guaranteed by the agency indicated.
6. 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 for some quarters, are estimated in part 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	1992	1993	1994[r]	1994					1995
				Aug.	Sept.	Oct.	Nov.[r]	Dec.[r]	Jan.
	Seasonally adjusted								
1 **Total**	**731,098**	**794,300**	**911,311**	**869,628**	**879,961**	**891,603**	**904,757**	**911,311**	**918,956**
2 Automobile	257,678	282,036	324,519	309,721	315,162	318,036	323,447	324,519	324,230
3 Revolving	257,304	287,875	337,694	321,365	322,823	327,707	334,843	337,694	342,406
4 Other	216,117	224,389	249,098	238,542	241,976	245,860	246,467	249,098	252,319
	Not seasonally adjusted								
5 **Total**	**747,690**	**812,782**	**932,890**	**868,049**	**880,609**	**891,442**	**906,436**	**932,890**	**927,933**
By major holder									
6 Commercial banks	330,088	368,549	434,790	404,438	410,312	414,833	421,790	434,790	430,241
7 Finance companies	118,279	116,453	134,830	125,197	130,306	131,562	132,874	134,830	136,717
8 Credit unions	91,694	101,634	120,158	113,122	114,699	116,325	117,984	120,158	120,798
9 Savings institutions	37,049	37,855	38,750	37,975	37,943	38,122	38,275	38,750	39,250
10 Nonfinancial business	49,184	57,637	64,944	56,496	55,967	56,020	58,247	64,944	61,382
11 Pools of securitized assets[2]	121,396	130,654	139,418	130,821	131,382	134,580	137,266	139,418	139,545
By major type of credit[3]									
12 Automobile	258,226	282,825	325,536	310,925	316,778	320,182	323,744	325,536	324,201
13 Commercial banks	109,623	123,358	148,117	142,452	144,260	146,456	148,004	148,117	146,622
14 Finance companies	57,259	56,057	61,609	58,589	60,522	60,750	61,372	61,609	62,326
15 Pools of securitized assets[2]	33,888	39,490	34,515	34,584	35,149	34,394	34,301	34,515	32,869
16 Revolving	271,368	303,444	355,859	319,003	321,205	325,872	336,575	355,859	349,242
17 Commercial banks	132,966	149,527	180,530	161,417	164,724	165,561	171,318	180,530	175,828
18 Nonfinancial business	43,974	52,113	58,870	50,873	50,314	50,332	52,475	58,870	55,405
19 Pools of securitized assets[2]	74,931	79,887	93,545	85,644	85,051	88,762	91,469	93,545	95,015
20 Other	218,096	226,513	251,495	238,121	242,626	245,388	246,117	251,495	254,490
21 Commercial banks	87,499	95,664	106,143	100,569	101,328	102,816	102,468	106,143	107,791
22 Finance companies	61,020	60,396	73,221	66,608	69,784	70,812	71,502	73,221	74,391
23 Nonfinancial business	5,210	5,524	6,074	5,623	5,653	5,688	5,772	6,074	5,977
24 Pools of securitized assets[2]	12,577	11,277	11,358	10,593	11,182	11,424	11,496	11,358	11,661

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	1992	1993	1994	1994						1995
				July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.
INTEREST RATES										
Commercial banks[2]										
1 48-month new car	9.29	8.09	8.12	n.a.	8.41	n.a.	n.a.	8.75	n.a.	n.a.
2 24-month personal	14.04	13.47	13.19	n.a.	13.33	n.a.	n.a.	13.59	n.a.	n.a.
Credit card plan										
3 All accounts	n.a.	n.a.	15.91	n.a.	n.a.	n.a.	n.a.	15.91	n.a.	n.a.
4 Accounts assessed interest	n.a.	n.a.	15.74	n.a.	n.a.	n.a.	n.a.	15.74	n.a.	n.a.
Auto finance companies										
5 New car	9.93	9.48	9.79	10.17	10.32	10.13	10.39	10.53	10.72	11.35
6 Used car	13.80	12.80	13.50	13.90	13.90	14.00	14.00	14.20	14.50	14.60
OTHER TERMS[3]										
Maturity (months)										
7 New car	54.0	54.5	54.0	53.9	54.2	54.3	54.9	54.6	53.9	53.9
8 Used car	48.0	49.0	50.0	50.0	50.0	50.0	50.0	50.0	50.0	52.0
Loan-to-value ratio										
9 New car	89	91	92	93	93	93	92	93	92	92
10 Used car	97	98	99	100	100	100	100	100	100	99
Amount financed (dollars)										
11 New car	13,584	14,332	15,375	15,319	15,283	15,419	15,827	15,971	16,187	16,068
12 Used car	9,119	9,875	10,709	10,735	10,755	10,906	10,554	11,202	11,309	11,185

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	1993 Q2	1993 Q3	1993 Q4	1994 Q1	1994 Q2[r]	1994 Q3[r]	1994 Q4
	Nonfinancial sectors											
1 **Total net borrowing by domestic nonfinancial sectors**	**729.0**	**635.6**	**475.8**	**536.1**	**628.1**	**740.5**	**613.3**	**677.2**	**657.1[r]**	**550.6**	**620.8**	**649.5**
By sector and instrument												
2 U.S. government	146.4	246.9	278.2	304.0	256.1	336.4	173.4	274.2	210.5[r]	122.9	135.0	155.0
3 Treasury securities	144.7	238.7	292.0	303.8	248.3	332.3	157.2	266.5	211.8	118.2	130.7	162.1
4 Budget agency issues and mortgages	1.6	8.2	-13.8	.2	7.8	4.1	16.2[r]	7.7	-1.3	4.7	4.3	-7.1
5 Private	582.7	388.7	197.5	232.1	372.0	404.1	439.9	403.0	446.6[r]	427.7	485.8	494.5
By instrument												
6 Tax-exempt obligations	69.8	48.7	68.7	31.1	78.1	130.3	66.2	27.4	22.6	-9.8	-41.2	-32.1
7 Corporate bonds	73.8	47.1	78.8	67.5	75.2	75.7	72.0	67.4	35.5[r]	35.8	14.0	2.4
8 Mortgages	281.2	199.5	161.4	123.9	155.7[r]	152.2	222.2[r]	148.5	163.0[r]	188.6	239.8	185.0
9 Home mortgages	224.5	185.6	163.8	179.5	183.9	193.5	236.5	184.5	191.2[r]	172.3	224.8	179.5
10 Multifamily residential	11.5	4.8	-3.1	-11.2	-6.1	-11.4	-4.9	-2.6	-5.1[r]	6.1	5.5	.4
11 Commercial	47.8	9.3	.4	-45.5	-22.5	-30.9	-9.9	-33.6	23.4	7.8	7.8	4.3
12 Farm	2.5	-.3	.4	1.1	.5	1.0	.4	.2	.3[r]	2.3	1.7	.8
13 Consumer credit	45.8	16.0	-15.0	5.5	62.3	41.6	76.2	111.3	72.7	121.9	125.9	149.4
14 Bank loans n.e.c.	27.3	.4	-40.9	-13.8	5.0	-.2	7.8	28.5	68.2[r]	57.9	89.4	94.8
15 Commercial paper	21.4	9.7	-18.4	8.6	10.0	33.2	17.2	3.8	8.0	16.4	33.8	27.2
16 Other loans	63.3	67.4	-37.1	9.2	-14.4[r]	-28.6	-21.7	16.2	76.5	16.9	24.1	67.8
By borrowing sector												
17 Household	281.6	218.9	170.9	217.7	284.5	264.1	368.5	337.7	304.3[r]	316.0	387.7	390.5
18 Nonfinancial business	233.1	123.7	-35.9	-2.0	21.9	26.7	24.1	48.2	135.8[r]	139.9	146.8	150.7
19 Farm	.6	2.3	2.1	1.0	2.0	2.7	4.1	3.6	2.6[r]	8.1	1.7	3.2
20 Nonfarm noncorporate	40.3	10.1	-28.5	-43.9	-26.0	-33.4	-26.2	-15.6	8.4	18.5	28.9	23.2
21 Corporate	192.1	111.3	-9.6	40.9	45.8	57.4	46.3	60.2	124.7[r]	113.2	116.2	130.7
22 State and local government	68.0	46.0	62.6	16.4	65.7	113.2	47.3	17.1	6.5[r]	-28.2	-48.7	-46.6
23 Foreign net borrowing in United States	10.2	23.9	13.9	21.3	46.9	42.8	83.1	22.9	-66.3	-10.1	4.1	23.9
24 Bonds	4.9	21.4	14.1	14.4	59.4	45.3	84.5	41.4	29.0	9.4	4.9	25.2
25 Bank loans n.e.c.	-.1	-2.9	3.1	2.3	.7	6.6	1.0	-6.3	6.0	4.5	4.7	-.5
26 Commercial paper	13.1	12.3	6.4	5.2	-9.0	-.6	-1.6	-12.0	-101.8	-5.2	-8.1	5.9
27 U.S. government and other loans	-7.6	-7.0	-9.8	-.6	-4.2	-8.4	-.8	.1	.5	-9.8	2.8	-6.6
28 **Total domestic plus foreign**	**739.2**	**659.4**	**489.6**	**557.4**	**675.0**	**783.3**	**696.4**	**700.2**	**590.8[r]**	**540.5**	**624.9**	**673.4**
	Financial sectors											
29 **Total net borrowing by financial sectors**	**225.1**	**202.9**	**152.6**	**237.1**	**286.1**	**175.5**	**438.9**	**349.8**	**488.9[r]**	**343.5**	**367.7**	**479.6**
By instrument												
30 U.S. government-related	149.5	167.4	145.7	155.8	161.2	56.6	287.3	131.3	320.8	245.2	224.9	281.7
31 Government-sponsored enterprises securities	25.2	17.1	9.2	40.3	80.6	68.8	167.8	53.4	160.0	146.6	152.1	250.2
32 Mortgage pool securities	124.3	150.3	136.6	115.6	80.6	-12.2	119.5	77.9	180.0	98.6	72.8	31.5
33 Loans from U.S. government	.0	-.1	.0	.0	.0	.0	.0	.0	-19.2	.0	.0	.0
34 Private	75.7	35.5	6.8	81.3	125.0	118.9	151.6	218.5	168.2[r]	98.3	142.8	197.9
35 Corporate bonds	41.5	46.3	67.6	78.5	118.3	92.4	143.4	138.3	154.5[r]	91.9	84.3	82.8
36 Mortgages	.3	.6	.5	.6	3.6	1.4	6.2	5.5	.2	.6	.1	-1.5
37 Bank loans n.e.c.	13.5	4.7	8.8	2.2	-14.0	12.8	-16.1	-18.0	-12.3[r]	-30.1	-14.6	6.2
38 Open market paper	31.3	8.6	-32.0	-.7	-6.2	-16.2	-9.4	76.0	36.6	3.6	42.3	84.0
39 Loans from Federal Home Loan Banks	-11.0	-24.7	-38.0	.8	23.3	28.4	27.4	16.8	-10.8	32.3	30.7	38.8
By borrowing sector												
40 Government-sponsored enterprises	25.2	17.0	9.1	40.2	80.6	68.8	167.8	53.4	140.8	146.6	152.1	250.2
41 Federally related mortgage pools	124.3	150.3	136.6	115.6	80.6	-12.2	119.5	77.9	180.0	98.6	72.8	31.5
42 Private	75.7	35.5	6.8	81.3	125.0	118.9	151.6	218.5	168.2[r]	98.3	142.8	197.9
43 Commercial banks	-1.4	-.7	-11.7	8.8	5.6	11.3	6.5	1.2	2.0	12.4	22.8	2.9
44 Bank holding companies	6.2	-27.7	-2.5	2.3	8.8	1.3	.5	12.2	3.5	10.1	11.5	8.5
45 Funding corporations	12.5	15.4	-6.5	13.2	2.9	-1.6	7.9	36.7	48.2[r]	-17.9	46.5	26.3
46 Savings institutions	-15.1	-30.2	-44.5	-6.7	11.1	12.6	13.5	8.8	-5.6	5.8	14.8	36.1
47 Credit unions	.0	.0	.0	.0	.2	.3	.3	.1	.1	.2	.5	.2
48 Life insurance companies	.0	.0	.0	.0	.2	.6	-.1	.4	.0	.0	.0	1.3
49 Finance companies	27.4	24.0	18.6	-3.6	.2	-13.6	17.5	16.3	63.3	67.0	16.9	54.0
50 Mortgage companies	10.1	.0	-2.4	8.0	-1.0	32.4	-.8	-10.4	-21.6[r]	-18.2	-7.0	5.0
51 Real estate investment trusts (REITs)	1.4	.8	1.2	.3	3.5	1.3	6.0	6.2	1.2	2.2	2.3	1.1
52 Issuers of asset-backed securities (ABSs)	28.3	52.3	51.0	56.3	81.5	60.5	85.8	117.6	86.9[r]	36.5	42.2	53.1

1.57 FUNDS RAISED IN U.S. CREDIT MARKETS[1]—Continued

Transaction category or sector	1989	1990	1991	1992	1993	1993 Q2	1993 Q3	1993 Q4	1994 Q1	1994 Q2[r]	1994 Q3[r]	1994 Q4
	All sectors											
53 **Total net borrowing, all sectors**	**964.4**	**862.3**	**642.2**	**794.5**	**961.2**	**958.8**	**1,135.3**	**1,050.0**	**1,079.7[r]**	**884.0**	**992.6**	**1,153.0**
54 U.S. government securities	295.8	414.4	424.0	459.8	417.3	393.0	460.7	405.5	550.5	368.1	359.9	436.7
55 Tax-exempt securities	69.8	48.7	68.7	31.1	78.1	130.3	66.2	27.4	22.6	−9.8	−41.2	−32.1
56 Corporate and foreign bonds	120.2	114.7	160.5	160.4	252.9	213.4	299.9	247.1	219.0[r]	137.0	103.1	110.3
57 Mortgages	281.6	200.1	161.9	124.5	159.2	153.5	228.3	154.0	163.2[r]	189.1	239.9	183.5
58 Consumer credit	45.8	16.0	−15.0	5.5	62.3	41.6	76.2	111.3	72.7	121.9	125.9	149.4
59 Bank loans n.e.c.	40.7	2.2	−29.1	−9.4	−8.3	19.2	−7.3	4.2	61.9	23.3	79.5	88.1
60 Open market paper	65.9	30.7	−44.0	13.1	−5.1	16.4	6.3	67.7	−57.2	14.8	68.0	117.1
61 Other loans	44.7	35.6	−84.9	9.5	4.7	−8.7	4.9	32.9	47.0	39.4	57.6	100.0
	Funds raised through mutual funds and corporate equities											
62 **Total net share issues**	**−60.8**	**19.7**	**215.4**	**296.0**	**437.1[r]**	**471.9**	**498.0**	**434.5[r]**	**312.3[r]**	**236.4**	**126.7**	**−36.0**
63 Mutual funds	37.2	65.3	151.5	211.9	317.0[r]	358.0	348.9	292.0[r]	204.5[r]	167.0	129.3	12.3
64 Corporate equities	−98.0	−45.6	64.0	84.1	120.1	113.9	149.1	142.4	107.8[r]	69.4	−2.6	−48.3
65 Nonfinancial corporations	124.2	−63.0	18.3	27.0	21.3	23.2	32.3	21.5	−9.6	−2.0	−50.0	−102.0
66 Financial corporations	9.0	10.0	15.1	26.4	38.2	38.6	38.2	40.9	47.9[r]	24.8	23.7	17.9
67 Foreign shares purchased in United States	17.2	7.4	30.7	30.7	60.6	52.1	78.6	80.0	69.4	46.7	23.7	35.7

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	1989	1990	1991	1992	1993	1993 Q2	1993 Q3	1993 Q4	1994 Q1	1994 Q2[r]	1994 Q3[r]	1994 Q4
NET LENDING IN CREDIT MARKETS[2]												
1 **Total net lending in credit markets**	**964.4**	**862.3**	**642.2**	**794.5**	**961.2**	**958.8**	**1,135.3**	**1,050.0**	**1,079.7[r]**	**884.0**	**992.6**	**1,153.0**
2 Private domestic nonfinancial sectors	137.0	190.1	-7.5	72.0	4.8[r]	-4.6[r]	39.5	86.3[r]	391.3[r]	340.1	152.0	302.5
3 Households	94.7	157.2	-39.6	70.7	-11.5[r]	-76.5[r]	69.7	174.7[r]	394.3[r]	408.3	246.6	464.1
4 Nonfarm noncorporate business	-.8	-1.7	-3.7	-1.1	3.2	-3.2	-3.3	-3.5	3.6	1.8	-1.9	-.5
5 Nonfinancial corporate business	13.7	-3.7	6.7	29.2	18.0	17.3	41.2	16.0	22.3[r]	16.9	21.8	11.7
6 State and local governments	29.3	38.3	29.2	-26.8	1.5	57.7	-7.7	-101.0	-21.6	83.2	-114.4	-172.7
7 U.S. government	-3.1	33.7	10.5	-11.9	-18.4	-27.1	-15.4	7.9	-40.8	11.1	.9	-25.7
8 Foreign	86.6	85.5	26.6	100.5	126.0	93.4	123.5	221.2	127.6[r]	49.4	119.6	219.6
9 Financial sectors	743.8	553.0	612.5	633.9	848.8[r]	897.1[r]	1,066.6	750.4[r]	601.6[r]	505.5	721.9	656.6
10 Government sponsored enterprises	-4.1	13.9	15.2	69.0	90.2	128.0	144.8	71.2	92.4	101.1	125.6	156.5
11 Federally related mortgage pools	124.3	150.3	136.6	115.6	80.6	-12.2	119.5	77.9	180.0	98.6	72.8	31.5
12 Monetary authority	-7.3	8.1	31.1	27.9	36.2	35.7	28.2	38.5	48.8	17.9	24.0	35.4
13 Commercial banking	177.2	125.1	80.8	95.3	142.2	133.4	146.7	188.1	184.7	109.1	191.3	163.3
14 U.S. commercial banks	146.1	94.9	35.7	69.5	149.6	137.4	160.3	197.3	120.6	128.4	164.6	178.7
15 Foreign banking offices	26.7	28.4	48.5	16.5	-9.8	-14.3	-16.9	-6.5	59.0	-21.5	22.1	-15.7
16 Bank holding companies	2.8	-2.8	-1.5	5.6	.0	7.9	1.2	-4.8	3.1	.2	2.7	-1.5
17 Banks in U.S. affiliated areas	1.6	4.5	-1.9	3.7	2.4	2.4	2.2	2.1	2.1	1.9	1.9	1.8
18 Funding corporations	8.0	16.1	15.8	23.5	18.1	1.1	32.4	42.6	17.8	35.3	21.4	-24.1
19 Thrift institutions	-90.0	-154.0	-123.5	-61.3	1.7[r]	16.1[r]	21.0	-13.3	13.6[r]	42.6	52.0	34.1
20 Life insurance companies	101.8	94.4	83.2	79.1	105.1	109.4	111.8	86.4	53.7	6.1	83.4	78.3
21 Other insurance companies	29.7	26.5	32.6	12.8	33.3	36.0	37.6	32.1	27.9	20.8	16.0	19.7
22 Private pension funds	81.1	17.2	85.7	37.3	40.2	11.1	91.9	60.1	-97.7	-30.7	17.5	-25.5
23 State and local government retirement funds	46.1	34.9	46.0	34.4	25.5	47.5	27.4	36.9	30.3[r]	51.2	41.5	52.1
24 Finance companies	32.0	29.0	-12.7	1.7	9.0	34.7	9.4	22.6	72.1	49.8	58.9	86.4
25 Mortgage companies	20.1	.0	11.2	.1	0	65.1	-1.6	13.3	-43.5[r]	36.3	-14.0	10.0
26 Mutual funds	23.8	41.4	90.3	123.7	164.0	194.4	174.6	138.4	18.0[r]	11.3	18.7	-66.5
27 Closed-end funds	6.6	.2	14.7	17.4	10.2	10.5	5.9	7.7	8.3[r]	3.2	1.4	1.0
28 Money market funds	67.1	80.9	30.1	1.3	14.7[r]	33.3	25.3	57.3[r]	-44.5[r]	33.7	54.4	78.4
29 Real estate investment trusts (REITs)	.5	.7	-.7	1.1	.6	.8	1.0	.2	7	.7	7	.7
30 Brokers and dealers	80.2	2.8	17.5	6.9	9.2	52.5	7.8	-82.8	-56.1	-52.6	11.8	7.6
31 Asset-backed securities issuers (ABSs)	27.1	51.1	48.9	53.8	80.1	59.4	88.6	111.1	86.0[r]	38.7	37.4	45.1
32 Bank personal trusts	19.7	15.9	10.0	8.0	9.5	10.0	9.9	8.9	9.3	5.2	2.9	7.7
RELATION OF LIABILITIES TO FINANCIAL ASSETS												
33 **Net flows through credit markets**	**964.4**	**862.3**	**642.2**	**794.5**	**961.2**	**958.8**	**1,135.3**	**1,050.0**	**1,079.7[r]**	**884.0**	**992.6**	**1,153.0**
Other financial sources												
34 Official foreign exchange	24.8	2.0	-5.9	1.6	.8	4.0	1.7	2.2	.2	14.6	.2	-7.8
35 Special drawing rights certificates	3.5	1.5	.0	-2.0	.0	.0	0	.0	.0	.0	.0	.0
36 Treasury currency	6	1.0	.0	.2	.4	.4	.4	.7	.7	.6	.8	.7
37 Life insurance reserves	28.8	25.7	25.7	27.3	35.2	35.3	36.6[r]	35.5[r]	20.0	8.1	23.8	28.7
38 Pension fund reserves	321.2	165.1	360.3	249.7	309.2[r]	313.7[r]	349.9[r]	251.6[r]	-8.8[r]	64.3	214.4	185.6
39 Interbank claims	-16.2	35.4	-3.9	61.7	44.7[r]	128.9[r]	-5.0[r]	13.7[r]	150.9[r]	184.9	26.6	30.8
40 Checkable deposits and currency	6.4	43.3	86.4	113.8	117.3	214.4	73.1	81.9	173.1	-66.1	-87.4	-60.6
41 Small time and savings deposits	98.7	63.7	1.5	-57.2	-70.3	-67.8	68.1	-36.6	2.5	62.4	-56.4	42.9
42 Large time deposits	16.9	-66.1	58.5	73.2	-23.5	-26.8	59.5	13.7	-39.6	-4.4	83.8	42.9
43 Money market fund shares	90.1	70.3	41.2	3.9	15.3[r]	61.8	.6	45.7[r]	-33.5[r]	67.8	50.3	100.8
44 Security repurchase agreements	77.8	-24.2	16.5	35.5	65.5	37.9	67.8	-14.4	14.3[r]	175.9	76.9	49.3
45 Foreign deposits	35.7	38.2	-16.7	-7.2	11.0[r]	-17.1	-50.7	35.7[r]	16.4[r]	14.6	-8.4	29.6
46 Mutual fund shares	37.2	65.3	151.5	211.9	317.0[r]	358.0	348.9	292.0[r]	204.5[r]	167.0	129.3	12.3
47 Corporate equities	-98.0	-45.6	64.0	84.1	120.1	113.9	149.1	142.4	107.8[r]	69.4	-2.6	-48.3
48 Security credit	15.6	3.5	51.4	4.2	61.9	40.0	76.6	86.5	29.7	17.5	61.7	37.3
49 Trade debt	68.2	37.0	3.6	41.5	49.0	51.0	49.6	51.9	35.6[r]	87.2	92.2	87.4
50 Taxes payable	2.4	-4.8	-6.2	8.5	4.6	7.3	1.8	4.9	14.2[r]	-11.6	2.7	3.9
51 Noncorporate proprietors' equity	-25.8	-28.3	-3.3	18.4	-10.2	-14.9[r]	6.3[r]	25.6[r]	50.3[r]	-44.6	-40.7	-43.8
52 Investment in bank personal trusts	19.6	29.7	16.1	-7.1	1.6	7.2	.1	17.6	15.4	-15.5	6.7	11.9
53 Miscellaneous	313.8	135.7	197.2	257.6	289.7[r]	402.1[r]	221.4[r]	342.0[r]	359.6[r]	272.3	289.2	118.9
54 **Total financial sources**	**1,985.7**	**1,410.6**	**1,530.2**	**1,764.5**	**2,278.5[r]**	**2,585.6[r]**	**2,332.5[r]**	**2,364.0[r]**	**2,092.0[r]**	**1,759.5**	**1,679.0**	**1,689.9**
Floats not included in assets (-)												
55 U.S. government checkable deposits	8.4	3.3	-13.1	.7	-1.5	2.9	2.1	-15.5	-2.4	1.4	15.2	-30.3
56 Other checkable deposits	-2.2	8.5	4.5	1.6	-1.3	8.3	5.2	6.2	.6	1.1	-6.2	-4.3
57 Trade credit	7.0	9.1	9.7	4.1	16.5	25.7	22.2	12.5	25.7[r]	5.6	14.1	2.3
Liabilities not identified as assets (-)												
58 Treasury currency	.2	.2	-.6	-.2	.2	-.2	-.2	-.2	-.2	-.2	-.2	-.2
59 Interbank claims	4.4	1.6	26.2	-4.9	4.2	.5	-10.4	24.0	-29.1	5.3	11.3	1.7
60 Security repurchase agreements	32.4	24.0	6.2	27.9	82.2[r]	60.8	66.6	21.6[r]	4.4[r]	117.3	62.1	17.1
61 Taxes payable	2.7	.1	1.3	14.0	1.0	18.2	1.2	-8.6	-.3[r]	4.2	-4.6	-3.8
62 Miscellaneous	-55.6	-35.4	-45.3	-46.0	-41.9[r]	-98.0[r]	20.9[r]	48.2[r]	66.0[r]	171.5	147.5	61.0
63 **Total identified to sectors as assets**	**1,997.6**	**1,447.2**	**1,541.2**	**1,767.2**	**2,219.5[r]**	**2,567.4[r]**	**2,277.1[r]**	**2,288.2[r]**	**2,210.9[r]**	**1,801.3**	**1,439.9**	**1,680.5**

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	1990	1991	1992	1993	1993			1994			
					Q2	Q3	Q4	Q1	Q2[r]	Q3[r]	Q4
	Nonfinancial sectors										
1 **Total credit market debt owed by domestic nonfinancial sectors**	**10,712.6**	**11,181.5**	**11,720.7**	**12,363.1**	**12,008.9**	**12,155.3**	**12,363.1**	**12,487.0[r]**	**12,633.0**	**12,780.4**	**12,982.5**
By sector and instrument											
2 U.S. government	2,498.1	2,776.4	3,080.3	3,336.5	3,201.2	3,247.3	3,336.5	3,387.7	3,395.4	3,432.6	3,492.3
3 Treasury securities	2,465.8	2,757.8	3,061.6	3,309.9	3,180.6	3,222.6	3,309.9	3,361.4	3,368.0	3,404.1	3,465.6
4 Budget agency issues and mortgages	32 4	18.6	18.8	26.6	20.6	24.7	26.6	26.3	27.4	28.5	26.7
5 Private	8,214.5	8,405.1	8,640.4	9,026.6	8,807.7	8,908.1	9,026.6	9,099.3[r]	9,237.5	9,347.7	9,490.2
By instrument											
6 Tax-exempt obligations	1,039.9	1,108.6	1,139.7	1,217.8	1,202.2	1,210.0	1,217.8	1,222.3	1,229.5	1,209 9	1,202.7
7 Corporate bonds	1,008.2	1,086.9	1,154.4	1,229.6	1,194.8	1,212.8	1,229.6	1,238.5[r]	1,247.5	1,251.0	1,251.6
8 Mortgages	3,758.5	3,920 0	4,043.9	4,206.5	4,109.9	4,166.6	4,206.5	4,233.3[r]	4,290.9	4,351.9	4,400.6
9 Home mortgages	2,616.3	2,780.0	2,959.6	3,147.3	3,038.1	3,098.3	3,147.3	3,181.1[r]	3,234.7	3,291.9	3,339 2
10 Multifamily residential	307.9	304.8	293.6	287.5	289.4	288.2	287.5	286.3[r]	287.8	289.1	289.2
11 Commercial	755.4	755.8	710.3	690.6	701.4	699.0	690.6	684.7	686.6	688.6	689.7
12 Farm	78.9	79.3	80.4	81.2	81.0	81.1	81.2	81.3[r]	81.9	82.3	82.5
13 Consumer credit	812.4	797.4	803.0	866.5	800.2	824.3	866.5	863 6	895.3	931.8	984.0
14 Bank loans n.e.c.	726.9	686.0	672.1	677.2	666.3	665.6	677 2	687.3[r]	707.4	726.4	754.7
15 Commercial paper	116.9	98.5	107.1	117.8	124.0	123.2	117.8	129 9	135.7	138.7	139 2
16 Other loans	751.8	707.8	720.2	711.1	710.2	705.5	711 1	724.3	731.2	738.1	757.4
By borrowing sector											
17 Household	3,614.3	3,784.7	4,002.3	4,292.0	4,093.0	4,190.9	4,292.0	4,331.7[r]	4,425.0	4,527.1	4,641.3
18 Nonfinancial business	3,751.7	3,709.3	3,710.5	3,741.5	3,729.8	3,729.1	3,741.5	3,774.0[r]	3,816 3	3,845.8	3,885.0
19 Farm	135.4	135.0	136.0	138.3	136.7	138.7	138.3	136.6[r]	141 3	142.8	140.6
20 Nonfarm noncorporate	1,147.0	1,116.4	1,074.1	1,049.1	1,059 4	1,052.2	1,049.1	1,050.4	1,055 6	1,062.2	1,068.8
21 Corporate	2,469.2	2,458.0	2,500.4	2,554.1	2,533.7	2,538.3	2,554.1	2,586.9[r]	2,619.3	2,640.9	2,675.6
22 State and local government	848.6	911.1	927 5	993.2	984.9	988.0	993.2	993.6[r]	996.3	974.8	963.9
23 **Foreign credit market debt held in United States**	**285.0**	**298.8**	**310.9**	**357.8**	**332.0**	**351.3**	**357.8**	**340.3**	**339.2**	**338.8**	**345.8**
24 Bonds	115.4	129.5	143.9	203.4	171.9	193.0	203.4	210.6	212.9	214.2	220.4
25 Bank loans n.e.c.	18.5	21.6	23 9	24.6	25.9	26.2	24.6	26 2	25.1	26.3	26 1
26 Commercial paper	75 3	81.8	77.7	68.7	72.1	71.7	68 7	43.3	42.0	39 9	41.4
27 U.S. government and other loans	75 7	65 9	65.3	61.1	62.0	60.3	61.1	60.3	59.2	58.4	57.8
28 ***Total credit market debt owed by nonfinancial sectors, domestic and foreign***	**10,997.6**	**11,480.3**	**12,031.6**	**12,720.8**	**12,340.9**	**12,506.6**	**12,720.8**	**12,827.3[r]**	**12,972.2**	**13,119.2**	**13,328.3**
	Financial sectors										
29 **Total credit market debt owed by financial sectors**	**2,599.5**	**2,752.1**	**3,004.7**	**3,297.3**	**3,096.6**	**3,204.7**	**3,297.3**	**3,415.3[r]**	**3,507.6**	**3,597.7**	**3,722.4**
By instrument											
30 U.S. government-related	1,418.4	1,564.2	1,720.0	1,881.1	1,774.5	1,845.2	1,881.1	1,954.5	2,021.1	2,075.9	2,149 3
31 Government-sponsored enterprises securities	393 7	402.9	443.1	523.7	468.4	510.3	523.7	563.7	600.3	638.3	700.9
32 Mortgage pool securities	1,019.9	1,156.5	1,272.0	1,352.6	1,301.3	1,330.1	1,352.6	1,390.8	1,420.8	1,437.6	1,448.4
33 Loans from U.S. government	4.9	4.8	4.8	4.8	4.8	4 8	4.8	.0	.0	.0	.0
34 Private	1,181.1	1,187.9	1,284.8	1,416.1	1,322.2	1,359.5	1,416.1	1,460.9[r]	1,486.6	1,521 8	1,573.2
35 Corporate bonds	572.4	640.0	724.8	844.1	774.8	810.5	844.1	880.8[r]	904.5	925.4	944.9
36 Mortgages	4.3	4 8	5.4	8.9	6.0	7.6	8.9	9.0	9.1	9.2	8.8
37 Bank loans n.e.c.	69.6	78.4	80.5	66.5	73.3	69.2	66.5	61.8[r]	54.1	50.5	50.7
38 Open market paper	417.7	385.7	394.3	393.5	375.9	373.2	393.5	408.8	410.3	420.5	442.8
39 Loans from Federal Home Loan Banks	117.1	79.1	79.9	103.1	92.1	98.9	103.1	100.4	108.5	116.2	125.9
By borrowing sector											
40 Government-sponsored enterprises	398.5	407.7	447.9	528.5	473.2	515.1	528.5	563.7	600.3	638.3	700.9
41 Federally related mortgage pools	1,019.9	1,156.5	1,272.0	1,352.6	1,301.3	1,330.1	1,352.6	1,390.8	1,420.8	1,437.6	1,448.4
42 Private financial sectors	1,181.1	1,187.9	1,284.8	1,416.1	1,322.2	1,359.5	1,416.1	1,460.9[r]	1,486.6	1,521.8	1,573.2
43 Commercial banks	76.7	65.0	73.8	79.5	76.6	77.9	79.5	78.4	82.1	87.5	89.5
44 Bank holding companies	114.8	112.3	114.6	123.4	120.2	120.3	123.4	124.2	126.8	129.6	131.8
45 Funding corporations	145.7	139.1	161 6	169.9	166.5	166.3	169.9	190.6[r]	191.1	200.1	200 9
46 Savings institutions	139.1	94.6	87.8	99.0	93.4	96.8	99.0	97.6	99.0	102.7	111.7
47 Credit unions	.0	0	.0	.2	.1	.2	.2	.3	.3	.4	.5
48 Life insurance companies	.0	.0	.0	.2	.2	.1	.2	.3	3	.3	6
49 Finance companies	374.4	393.0	389.4	390.5	373.8	380.0	390.5	401.9	414.2	420.9	440.8
50 Mortgage companies	24.6	22.2	30.2	29.2	32.0	31.8	29.2	23.8[r]	19.3	17.5	16.3
51 Real estate investment trusts (REITs)	12.4	13.6	13.9	17.4	14.4	15.8	17.4	17.7	18.3	18.8	19.1
52 Issuers of asset-backed securities (ABSs)	278.1	329.1	391.7	473.2	422.3	443.8	473.2	494.9[r]	504.0	514 5	527 8
	All sectors										
53 ***Total credit market debt, domestic and foreign***	**13,597.1**	**14,232.3**	**15,036.3**	**16,018.1**	**15,437.5**	**15,711.3**	**16,018.1**	**16,242.6[r]**	**16,479.8**	**16,716.9**	**17,050.7**
54 U.S. government securities	3,911.7	4,335.7	4,795.5	5,212.8	4,970.9	5,087.7	5,212 8	5,342.2	5,416.5	5,508.6	5,641.6
55 Tax-exempt securities	1,039.9	1,108.6	1,139 7	1,217.8	1,202 2	1,210.0	1,217 8	1,222.3	1,229.5	1,209.9	1,202.7
56 Corporate and foreign bonds	1,696.0	1,856.5	2,023.1	2,277.0	2,141.5	2,216.3	2,277.0	2,329.9[r]	2,364 9	2,390.5	2,416.9
57 Mortgages	3,762.9	3,924.8	4,049.3	4,215.5	4,116.0	4,174.2	4,215.5	4,242 4[r]	4,300.1	4,361.1	4,409.4
58 Consumer credit	812 4	797.4	803.0	866.5	800.2	824.3	866.5	863.6	895.3	931.8	984.0
59 Bank loans n e.c.	815.0	785.9	776.6	768.4	765.5	761.0	768.4	775.4	786.6	803.2	831.6
60 Open market paper	609.9	565.9	579.0	580.0	572.0	568.2	580.0	582.0	587.9	599.2	623.5
61 Other loans	949.4	857.5	870.2	880.1	869.1	869 6	880.1	884.9	898.9	912 7	941.1

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	1990	1991	1992	1993	1993 Q2	1993 Q3	1993 Q4	1994 Q1	1994 Q2[r]	1994 Q3[r]	1994 Q4
CREDIT MARKET DEBT OUTSTANDING[2]											
1 **Total credit market assets**	**13,597.1**	**14,232.3**	**15,036.3**	**16,018.1**	**15,437.5**	**15,711.3**	**16,018.1**	**16,242.6[r]**	**16,479.8**	**16,716.9**	**17,050.7**
2 Private domestic nonfinancial sectors	2,260.8	2,240.2	2,318.0	2,338.9[r]	2,296.1[r]	2,284.8[r]	2,338.9[r]	2,432.9[r]	2,513.8	2,551.1	2,663.4
3 Households	1,499.3	1,446.5	1,523.1	1,525.9[r]	1,473.3[r]	1,459.6[r]	1,525.9[r]	1,631.1[r]	1,723.4	1,789.3	1,932.3
4 Nonfarm noncorporate business	47.8	44.1	42.9	39.7	41.4	40.6	39.7	38.8	38.4	37.9	37.7
5 Nonfinancial corporate business	189.6	196.2	225.4	248.1	227.3	234.7	248.1	243.8[r]	250.9	253.9	266.2
6 State and local governments	524.1	553.3	526.5	525.2[r]	554.2[r]	549.9[r]	525.2[r]	519.2[r]	501.1	470.0	427.2
7 U.S. government	239.0	246.9	235.0	216.6	223.1	218.8	216.6	206.3	204.0	203.3	197.0
8 Foreign	918.3	958.1	1,052.7	1,175.1	1,084.0	1,118.1	1,175.1	1,206.8	1,218.5	1,251.3	1,304.1
9 Financial sectors	10,179.0	10,787.2	11,430.6	12,287.5[r]	11,834.2[r]	12,089.6[r]	12,287.5[r]	12,396.5[r]	12,543.5	12,711.1	12,886.2
10 Government-sponsored enterprises	375.6	390.7	459.7	549.8	495.5	531.8	549.8	572.0	597.9	629.4	668.7
11 Federally related mortgage pools	1,019.9	1,156.5	1,272.0	1,352.6	1,301.3	1,330.1	1,352.6	1,390.8	1,420.8	1,437.6	1,448.4
12 Monetary authority	241.4	272.5	300.4	336.7	318.2	324.2	336.7	341.5	351.6	356.8	368.2
13 Commercial banking	2,772.5	2,853.3	2,948.6	3,090.8	2,998.8	3,036.4	3,090.8	3,120.2	3,156.2	3,204.2	3,252.9
14 U.S. commercial banks	2,466.7	2,502.5	2,571.9	2,721.5	2,628.5	2,670.2	2,721.5	2,743.8	2,780.3	2,822.4	2,869.6
15 Foreign banking offices	270.8	319.2	335.8	326.0	327.1	322.3	326.0	331.8	330.8	335.5	337.0
16 Bank holding companies	13.4	11.9	17.5	17.5	18.4	18.7	17.5	18.2	18.3	19.0	18.6
17 Banks in U.S. affiliated areas	21.6	19.7	23.4	25.8	24.8	25.3	25.8	26.4	26.8	27.3	27.8
18 Funding corporations	35.7	51.5	75.0	93.1	74.3	82.4	93.1	97.5	106.3	111.7	105.6
19 Thrift institutions	1,320.5	1,192.6	1,134.5	1,132.7[r]	1,130.0[r]	1,136.5[r]	1,132.7[r]	1,134.2[r]	1,146.1	1,160.1	1,168.3
20 Life insurance companies	1,116.5	1,199.6	1,278.8	1,383.9	1,343.9	1,372.1	1,383.9	1,404.2	1,409.1	1,430.3	1,439.3
21 Other insurance companies	344.0	376.6	389.4	422.7	405.3	414.6	422.7	429.6	434.8	438.8	443.8
22 Private pension funds	607.4	693.0	730.4	770.6	762.6	785.6	770.6	746.2	738.5	734.1	727.7
23 State and local government retirement funds	433.9	479.9	514.3	542.6	526.5	533.4	542.6	550.2[r]	563.0	573.3	586.4
24 Finance companies	497.6	484.9	486.6	482.8	473.7	474.0	482.8	494.5	511.3	524.1	549.6
25 Mortgage companies	49.2	60.3	60.5	60.4	64.1	63.8	60.4	49.5[r]	40.4	37.0	34.5
26 Mutual funds	360.2	450.5	574.2	738.2	659.9	703.6	738.2	720.1[r]	722.9	718.2	701.6
27 Closed-end funds	35.6	50.3	67.7	77.9	74.5	76.0	77.9	80.0[r]	80.8	81.1	81.4
28 Money market funds	372.7	402.7	404.1	418.8[r]	403.9	400.6	418.8[r]	422.2	422.0	425.1	449.2
29 Real estate investment trusts (REITs)	7.7	7.0	8.1	8.6	8.3	8.6	8.6	8.8	9.0	9.1	9.3
30 Brokers and dealers	106.5	124.0	117.1	126.3	149.0	147.1	126.3	112.3	99.2	96.2	94.3
31 Asset-backed securities issuers (ABSs)	268.9	317.8	377.9	458.0	408.1	430.2	458.0	479.5[r]	489.2	498.5	509.8
32 Bank personal trusts	213.4	223.5	231.5	240.9	236.2	238.7	240.9	243.3	244.6	245.3	247.2
RELATION OF LIABILITIES TO FINANCIAL ASSETS											
33 **Total credit market debt**	**13,597.1**	**14,232.3**	**15,036.3**	**16,018.1**	**15,437.5**	**15,711.3**	**16,018.1**	**16,242.6[r]**	**16,479.8**	**16,716.9**	**17,050.7**
Other liabilities											
34 Official foreign exchange	61.3	55.4	51.8	53.4	53.9	55.6	53.4	56.4	54.9	55.5	53.2
35 Special drawing rights certificates	10.0	10.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0	8.0
36 Treasury currency	16.3	16.3	16.5	17.0	16.7	16.8	17.0	17.1	17.3	17.5	17.6
37 Life insurance reserves	380.0	405.7	433.0	468.2	450.2[r]	459.4[r]	468.2	473.2	475.2	481.2	488.4
38 Pension fund reserves	3,484.2	4,138.3	4,516.5	4,974.7[r]	4,730.8[r]	4,887.8[r]	4,974.7[r]	4,923.0[r]	4,915.8	5,045.5	5,061.2
39 Interbank claims	95.3	96.4	132.8	177.7[r]	145.2[r]	166.9[r]	177.7[r]	204.2[r]	223.8	243.4	263.8
40 Deposits at financial institutions	5,005.3	5,044.8	5,059.1	5,152.4[r]	5,097.1	5,088.5	5,152.4[r]	5,158.9[r]	5,180.5	5,198.2	5,261.5
41 Checkable deposits and currency	934.2	1,020.6	1,134.4	1,251.7	1,168.0	1,181.9	1,251.7	1,220.5	1,229.7	1,205.4	1,241.4
42 Small time and savings deposits	2,349.2	2,350.7	2,293.5	2,223.2	2,255.0	2,236.6	2,223.2	2,233.8	2,214.1	2,198.9	2,183.4
43 Large time deposits	546.9	488.4	415.2	391.7	401.1	389.4	391.7	382.6	379.0	402.9	412.4
44 Money market fund shares	498.4	539.6	543.6	558.9[r]	549.8	547.9	558.9[r]	576.2[r]	570.3	579.9	605.3
45 Security repurchase agreements	372.3	355.8	392.3	457.8	450.4	472.5	457.8	472.7[r]	510.6	536.4	536.9
46 Foreign deposits	304.3	289.6	280.1	269.1[r]	272.8	260.2	269.1[r]	273.2[r]	276.8	274.7	282.1
47 Mutual fund shares	602.1	813.9	1,042.1	1,429.3	1,225.8	1,342.4	1,429.3	1,438.7[r]	1,443.6	1,505.7	1,463.0
48 Security credit	137.4	188.9	217.3	279.3	234.7	254.5	279.3	282.7	278.0	263.3	276.2
49 Trade debt	942.2	935.9	977.4	1,026.4	989.7	1,009.6	1,026.4	1,023.6[r]	1,045.7	1,076.6	1,102.0
50 Taxes payable	77.4	71.2	79.6	84.2	81.2	82.8	84.2	89.0[r]	82.4	85.4	86.5
51 Investment in bank personal trusts	522.1	608.3	629.6	660.9	637.6	651.2	660.9	655.3	640.2	656.8	655.6
52 Miscellaneous	2,820.4	2,992.2	3,160.2	3,402.3[r]	3,248.3[r]	3,314.6[r]	3,402.3[r]	3,510.9[r]	3,571.1	3,662.8	3,687.8
53 **Total liabilities**	**27,751.1**	**29,609.6**	**31,360.1**	**33,751.8[r]**	**32,356.5[r]**	**33,049.4[r]**	**33,751.8[r]**	**34,083.7[r]**	**34,416.5**	**35,016.8**	**35,475.6**
Financial assets not included in liabilities (+)											
54 Gold and special drawing rights	22.0	22.3	19.6	20.1	20.0	20.3	20.1	20.4	20.8	21.0	21.1
55 Corporate equities	3,530.2	4,863.6	5,462.9	6,186.5	5,683.7	5,941.7	6,186.5	6,052.2	5,877.7	6,135.1	6,048.8
56 Household equity in noncorporate business	2,529.1	2,444.4	2,411.5	2,421.7[r]	2,407.1[r]	2,420.3[r]	2,421.7[r]	2,460.2[r]	2,473.6	2,482.9	2,485.0
Floats not included in assets (−)											
57 U.S. government checkable deposits	15.0	3.8	6.8	5.6	3.5	2.2	5.6	.3	.9	1.2	3.4
58 Other checkable deposits	35.9	40.4	42.0	40.7	41.6	33.7	40.7	36.3	38.7	30.6	38.0
59 Trade credit	−130.3	−129.3	−124.6	101.7	−135.0	−130.4	−101.7	−121.2[r]	−130.7	−127.2	−102.3
Liabilities not identified as assets (−)											
60 Treasury currency	−4.1	4.8	−4.9	−5.1	−5.0	5.1	−5.1	−5.2	−5.2	5.3	−5.4
61 Interbank claims	−32.0	−4.2	−9.3	4.7	−5.7	−7.8	−4.7	−7.7	−7.4	−3.5	−6.5
62 Security repurchase agreements	3.0	9.2	38.1	120.2[r]	108.0	132.6	120.2[r]	133.4[r]	160.0	186.1	162.3
63 Taxes payable	17.8	17.8	25.2	26.2	24.3	24.3	26.2	15.3[r]	21.7	21.0	25.1
64 Miscellaneous	−261.2	330.7	−398.4	−477.2[r]	−436.1[r]	480.5[r]	−477.2[r]	−491.2[r]	−461.4	−481.2	−519.4
65 **Total identified to sectors as assets**	**34,188.3**	**37,337.6**	**39,679.1**	**42,776.1[r]**	**40,871.8[r]**	**41,862.8[r]**	**42,776.1[r]**	**43,056.7[r]**	**43,171.9**	**44,034.1**	**44,435.1**

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	1992	1993	1994	1994							1995	
				June	July	Aug.	Sept.	Oct	Nov.	Dec.[r]	Jan.[r]	Feb
1 **Industrial production**[1]	**107.6**	**112.0**	**118.1**	**118.0**	**118.2**	**119.1**	**119.0**	**119.5**	**120.3**[r]	**121.7**	**122.0**	**122.6**
Market groupings												
2 Products, total	106.5	110.7	115.9	115.9	116.2	116.7	116.4	116.9	117.5[r]	118.7	119.1	119.7
3 Final, total	109.0	113.4	118.4	118.4	118.5	119.2	118.9	119.2	119.8[r]	121.2	121.6	122.1
4 Consumer goods	105.9	109.4	113.2	113.5	113.3	113.8	113.0	113.0	113.9	115.2	115.3	115.9
5 Equipment	113.4	119.3	126.5	125.8	126.4	127.5	128.0	128.8	128.9[r]	130.4	131.5	131.8
6 Intermediate	98.8	102.4	108.2[r]	108.5	109.1	109.2	108.6	109.9	110.6[r]	111.1	111.6	112.0
7 Materials	109.2	114.1	121.5[r]	121.2	121.4	122.8	122.9	123.4	124.6	126.3	126.3	127.2
Industry groupings												
8 Manufacturing	108.0	112.9	119.7	119.3	119.8	120.9	120.9	121.5	122.6	124.1	124.3	124.8
9 Capacity utilization, manufacturing (percent)[2]	79.2	80.9	83.4	83.2	83.3	83.8	83.6	83.8	84.4	85.2	85.1	85.1
10 Construction contracts[3]	97.7	104.4	107.8[r]	105.0	109.0	110.0	109.0	107.0	111.0	101.0	104.0	111.0
11 Nonagricultural employment, total[4]	106.5	108.4	111.3	111.2	111.4	111.7	112.0	112.2	112.7	112.9	113.1	113.4
12 Goods-producing, total	94.2	94.3	95.6	95.6	95.6	95.8	95.9	96.1	96.6	96.8	97.1	97.1
13 Manufacturing, total	95.3	94.8	95.1	95.0	95.0	95.2	95.3	95.5	95.7	95.9	96.2	96.3
14 Manufacturing, production workers	94.9	94.9	96.1	96.0	96.0	96.3	96.4	96.7	97.1	97.3	97.6	97.8
15 Service-producing	110.5	112.9	116.3	116.1	116.5	116.8	117.1	117.3	117.8	118.1	118.2	118.6
16 Personal income, total	135.6	141.4	150.0	149.3	150.0	150.7	151.7	153.7	153.7[r]	154.8	156.1	n.a.
17 Wages and salary disbursements	131.6	136.2	145.0	144.5	145.2	145.5	146.4	148.2	148.1	149.0	150.3	n.a
18 Manufacturing	118.0	120.0	126.0	125.3	125.6	126.2	126.7	128.8	127.9	128.5	129.1	n.a.
19 Disposable personal income[5]	137.0	142.5	150.8	150.1	150.9	151.6	152.6	154.8[r]	154.7[r]	155.9	157.0	n.a
20 Retail sales[5]	126.4[r]	134.7[r]	145.2[r]	144.4[r]	144.4[r]	146.5[r]	147.6[r]	149.3[r]	149.8[r]	150.0	150.9	150.2
Prices[6]												
21 Consumer (1982–84 = 100)	140.3	144.5	148.2	148.0	148.4	149.0	149.4	149.5	149.7	149.7	150.3	150.9
22 Producer finished goods (1982 = 100)	123.2	124.7	125.5	125.6	126.0	126.5	125.6	125.8	126.1	126.2	126.5	126.9

1. Data in this table also appear in the Board's G.17 (419) monthly statistical release. For the ordering address, see the inside front cover. The latest historical revision of the industrial production index and the capacity utilization rates was released in November 1994. See "Industrial Production and Capacity Utilization: A Revision," *Federal Reserve Bulletin*, vol. 81 (January 1995), pp. 16–26. For a detailed description of the industrial production index, see "Industrial Production: 1989 Developments and Historical Revision," *Federal Reserve Bulletin*, vol. 76 (April 1990), pp. 187–204.

2. Ratio of index of production to index of capacity. Based on data from the Federal Reserve, DRI McGraw-Hill, U.S. Department of Commerce, and other sources.

3. Index of dollar value of total construction contracts, including residential, nonresidential, and heavy engineering, from McGraw-Hill Information Systems Company, F.W. Dodge Division.

4. Based on data from *U.S. Department of Labor, Employment and Earnings*. Series covers employees only, excluding personnel in the armed forces.

5. Based on data from *U.S. Department of Commerce, Survey of Current Business*.

6. Based on data not seasonally adjusted. Seasonally adjusted data for changes in the price indexes can be obtained from the U.S. Department of Labor, Bureau of Labor Statistics, *Monthly Labor Review*.

NOTE. Basic data (not indexes) for series mentioned in notes 4 and 5, and indexes for series mentioned in notes 3 and 6, can also be found in the *Survey of Current Business*.

Figures for industrial production for the latest month are preliminary, and many figures for the three months preceding the latest month have been revised. See "Recent Developments in Industrial Capacity and Utilization," *Federal Reserve Bulletin*, vol. 76 (June 1990), pp. 411–35. See also "Industrial Production Capacity and Capacity Utilization since 1987," *Federal Reserve Bulletin*, vol. 79 (June 1993), pp. 590–605.

2.11 LABOR FORCE, EMPLOYMENT, AND UNEMPLOYMENT

Thousands of persons; monthly data seasonally adjusted except as noted

Category	1992	1993	1994	1994						1995	
				July	Aug.	Sept.	Oct.	Nov.	Dec.[r]	Jan.[r]	Feb.
HOUSEHOLD SURVEY DATA[1]											
1 Civilian labor force[2]	126,982	128,040	131,056	130,774	131,086	131,291	131,646	131,718	131,725	132,136	132,308
Employment											
2 Nonagricultural industries[3]	114,391	116,232	119,651	119,448	119,761	120,233	120,647	120,903	121,038	121,064	121,469
3 Agriculture	3,207	3,074	3,409	3,333	3,436	3,411	3,494	3,500	3,532	3,575	3,656
Unemployment											
4 Number	9,384	8,734	7,996	7,993	7,889	7,647	7,505	7,315	7,155	7,498	7,183
5 Rate (percent of civilian labor force)	7.4	6.8	6.1	6.1	6.0	5.8	5.7	5.6	5.4	5.7	5.4
ESTABLISHMENT SURVEY DATA											
6 **Nonagricultural payroll employment**[4]	**108,604**	**110,525**	**113,423**	**113,624**	**113,914**	**114,186**	**114,348**	**114,882**	**115,113**	**115,289**	**115,607**
7 Manufacturing	18,104	18,003	18,064	18,045	18,095	18,096	18,142	18,183	18,226	18,270	18,297
8 Mining	635	611	604	601	603	605	599	600	597	599	597
9 Contract construction	4,492	4,642	4,916	4,944	4,942	4,972	4,974	5,044	5,050	5,091	5,059
10 Transportation and public utilities	5,721	5,787	5,842	5,857	5,866	5,865	5,867	5,888	5,911	5,911	5,929
11 Trade	25,354	25,675	26,362	26,439	26,484	26,565	26,629	26,772	26,887	26,940	27,035
12 Finance	6,602	6,712	6,789	6,797	6,801	6,794	6,786	6,791	6,785	6,784	6,782
13 Service	29,052	30,278	31,805	31,918	32,036	32,138	32,231	32,414	32,506	32,562	32,753
14 Government	18,653	18,817	19,041	19,023	19,087	19,151	19,120	19,190	19,151	19,132	19,155

1. Beginning January 1994, reflects redesign of current population survey and population controls from the 1990 census.

2. Persons sixteen years of age and older, including Resident Armed Forces. Monthly figures are based on sample data collected during the calendar week that contains the twelfth day; annual data are averages of monthly figures. By definition, seasonality does not exist in population figures.

3. Includes self-employed, unpaid family, and domestic service workers.

4. Includes all full- and part-time employees who worked during, or received pay for, the pay period that includes the twelfth day of the month; excludes proprietors, self-employed persons, household and unpaid family workers, and members of the armed forces. Data are adjusted to the March 1992 benchmark, and only seasonally adjusted data are available at this time.

SOURCE. Based on data from U.S. Department of Labor, *Employment and Earnings*.

2.12 OUTPUT, CAPACITY, AND CAPACITY UTILIZATION[1]

Seasonally adjusted

Series	1994				1994				1994			
	Q1	Q2	Q3	Q4[r]	Q1	Q2	Q3	Q4[r]	Q1	Q2	Q3	Q4[r]
	Output (1987=100)				Capacity (percent of 1987 output)				Capacity utilization rate (percent)[2]			
1 **Total industry**	**115.7**	**117.4**	**118.8**	**120.5**	**139.0**	**140.0**	**140.9**	**141.9**	**83.2**	**83.8**	**84.3**	**84.9**
2 Manufacturing	116.8	118.9	120.5	122.7	142.0	143.1	144.2	145.3	82.3	83 1	83.6	84.5
3 Primary processing[3]	112.4	114.7	115.9	118.4	130.3	131.0	131.6	132.3	86.3	87.6	88.1	89.5
4 Advanced processing[4]	118.9	120.9	122.7	124.8	147 4	148.7	150.0	151.3	80.7	81.3	81.8	82.5
5 Durable goods	122.0	124.1	126.5	129.5	148.8	150.2	151.6	153.1	82.0	82.6	83.4	84.6
6 Lumber and products	104.4	105.4	106.6	107.9	115.1	115.5	116.0	116.5	90.7	91.2	91.9	92.6
7 Primary metals	110.6	114.4	114.1	119.5	124.7	125.0	125.2	125.4	88.6	91.6	91.1	95.3
8 Iron and steel	114.5	120.2	115.8	123.7	127.5	127.9	128.4	128.8	89.8	93.9	90.2	96.0
9 Nonferrous	105.3	106.9	111.4	113.9	120.6	120.5	120.5	120.5	87.3	88.7	92.4	94.5
10 Industrial machinery and equipment	152.1	157.6	162.6	167.7	176.5	179.0	181.6	184.1	86.2	88.0	89.6	91.1
11 Electrical machinery	150.3	156.8	163.5	169.4	175.8	179.9	184.1	188.5	85.5	87.1	88.8	89.9
12 Motor vehicles and parts	140.0	133.3	135.0	141.5	156.7	158.5	160.3	162.2	89.4	84.1	84.2	87.2
13 Aerospace and miscellaneous transportation equipment	83.7	84.2	82.1	80.8	130.1	129.8	129.4	129.1	64.4	64.9	63.5	62.6
14 Nondurable goods	111.0	113.1	113.8	115.2	134.0	134.8	135.5	136.3	82.9	83.9	84.0	84.5
15 Textile mill products	106.8	108.7	108.9	111.6	120.1	120.8	121.4	122.0	88.9	90.1	89.7	91.4
16 Paper and products	115.1	115.9	118.5	120.5	126.0	126.6	127.1	127.7	91.4	91.6	93.2	94.4
17 Chemicals and products	122.1	123.6	124.4	126.1	150.5	151.9	153.3	154.7	81.1	81.4	81.1	81.5
18 Plastics materials	120.6	124.3	126.9	130.0	129.2	130.0	130.8	131.6	93.4	95.6	97.0	98.8
19 Petroleum products	103.7	106.3	104.9	106.5	115.4	115.3	115.2	115.1	89.9	92.2	91.1	92.5
20 Mining	99.3	100.7	100.1	99.2	111.5	111.5	111.5	111.4	89.1	90.3	89.8	89.0
21 Utilities	119.3	117.2	118.1	116.5	134.6	135.0	135.4	135.8	88.6	86.8	87.2	85.8
22 Electric	117.6	118 0	118 2	117 3	132.1	132.6	133.1	133.6	89.0	89.0	88.8	87.8/

	1973	1975	Previous cycle[5]		Latest cycle[6]		1994	1994				1995	
	High	Low	High	Low	High	Low	Feb.	Sept.	Oct.	Nov.[r]	Dec.[r]	Jan.	Feb.[p]
	Capacity utilization rate (percent)[2]												
1 **Total industry**	**89.2**	**72.6**	**87.3**	**71.8**	**84.9**	**78.0**	**83.2**	**84.2**	**84.4**	**84.8**	**85.5**	**85.5**	**85.7**
2 Manufacturing	88.9	70.8	87.3	70.0	85.2	76.6	82.2	83.6	83.8	84.4	85.2	85.1	85.1
3 Primary processing[3]	92 2	68.9	89 7	66.8	89.0	77.9	86.1	88.2	88.3	89.5	90.7	89.9	89.8
4 Advanced processing[4]	87.5	72.0	86.3	71.4	83.5	76.2	80.7	81.8	82.1	82.4	83.0	83.2	83.3
5 Durable goods	88.8	68.5	86.9	65.0	84.0	73.7	82.0	83.6	83.9	84.3	85.5	85.6	85.6
6 Lumber and products	90.1	62.2	87.6	60.9	93 3	76.3	90.2	92.6	91.7	91.6	94.5	94.6	93.6
7 Primary metals	100.6	66.2	102.4	46.8	92 8	74.0	89.5	92.6	92.5	95.0	98.5	95.0	94.6
8 Iron and steel	105.8	66.6	110.4	38.3	95.7	72.1	91.0	92.0	92.4	94.6	101.0	96.7	95.1
9 Nonferrous	92.9	61.3	90.5	62.2	88.7	75 0	87.7	93.5	92.7	95.6	95.2	93.0	94.1
10 Industrial machinery and equipment	96.4	74.5	92.1	64.9	84.0	72.5	86.1	90.2	90.9	91.0	91.5	92.5	92.4
11 Electrical machinery	87.8	63.8	89.4	71.1	84.9	76.6	85.4	88.9	89.3	89.6	90.8	90.4	90.7
12 Motor vehicles and parts	93.4	51.1	93.0	44.5	85.1	57.6	91.0	85.3	85.7	87.2	88.8	89.4	89.7
13 Aerospace and miscellaneous transportation equipment	77.0	66.6	81 1	66.9	88.4	79.4	64.1	62.9	62.6	62.6	62.5	62.4	62.3
14 Nondurable goods	87.9	71.8	87.0	76.9	86.7	80.4	82.6	83.8	83.9	84.6	85.1	84.7	84.8
15 Textile mill products	92.0	60.4	91.7	73.8	92.1	78.9	88.6	89.0	90.8	91.7	91.8	92.1	92.2
16 Paper and products	96.9	69.0	94.2	82.0	94.8	86.5	91.9	93.2	93.2	95.0	95.0	92.4	92.7
17 Chemicals and products	87.9	69.9	85.1	70 1	85.9	78.9	81.0	80.4	80.2	81.6	82.6	82.5	82.7
18 Plastics materials	102.0	50.6	90.9	63.4	97.0	74.8	93.3	95.7	93.3	98.5	104.6	...	...
19 Petroleum products	96.7	81.1	89.5	68.2	88.5	83.7	89.9	91.4	90.4	93.5	93.7	93.4	93.7
20 Mining	94.4	88.4	96.6	80.6	86.5	86.0	89.3	89.8	89.0	88.2	89.8	89.7	89.9
21 Utilities	95.6	82.5	88.3	76.2	92.6	83.2	88.9	86.0	86.4	85.8	85.2	86.2	88.3
22 Electric	99.0	82.7	88.3	78.7	94.8	86.5	88.9	87.9	88.3	88.0	87.1	88.1	90.4

1. Data in this table also appear in the Board's G.17 (419) monthly statistical release. For the ordering address, see the inside front cover. The latest historical revision of the industrial production index and the capacity utilization rates was released in November 1994. See "Industrial Production and Capacity Utilization: A Revision," *Federal Reserve Bulletin*, vol. 81 (January 1995), pp. 16–26. For a detailed description of the industrial production index, see "Industrial Production: 1989 Developments and Historical Revision," *Federal Reserve Bulletin*, vol. 76 (April 1990), pp. 187–204.

2. Capacity utilization is calculated as the ratio of the Federal Reserve's seasonally adjusted index of industrial production to the corresponding index of capacity.

3. Primary processing includes textiles; lumber; paper; industrial chemicals; 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, and miscellaneous manufacturing.

5. Monthly highs, 1978–80; monthly lows, 1982.

6. Monthly highs, 1988–89; monthly lows, 1990–91.

2.13 INDUSTRIAL PRODUCTION Indexes and Gross Value[1]

Monthly data seasonally adjusted

	Group	1992 proportion	1994 avg.	1994 Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.[r]	Dec.[r]	1995 Jan.	Feb.[p]
				Index (1987 = 100)												
	Major Markets															
1	**Total index**	**100.0**	**118.1**	**115.6**	**116.6**	**116.7**	**117.4**	**118.0**	**118.2**	**119.1**	**119.0**	**119.5**	**120.3**	**121.7**	**122.0**	**122.6**
2	Products	60.9	115.9	114.0	114.7	114.7	115.3	115.9	116.2	116.7	116.4	116.9	117.5	118.7	119.1	119.7
3	Final products	46.6	118.4	117.0	117.4	117.3	117.8	118.4	118.5	119.2	118.9	119.2	119.8	121.2	121.6	122.1
4	Consumer goods, total	28.5	113.2	112.4	112.9	112.3	112.8	113.5	113.3	113.8	113.0	113.0	113.9	115.2	115.3	115.9
5	Durable consumer goods	5.5	119.4	121.1	119.0	117.8	116.4	118.0	118.0	120.7	119.1	119.4	120.5	123.3	123.9	124.1
6	Automotive products	2.5	125.5	131.5	126.4	124.1	120.1	121.0	119.5	124.9	123.8	124.5	127.1	131.2	131.6	133.3
7	Autos and trucks	1.6	125.4	134.8	127.7	125.0	118.1	118.5	115.0	126.0	122.5	122.3	126.5	131.4	132.7	134.4
8	Autos, consumer	.9	94.9	102.7	98.8	96.0	90.4	89.6	86.5	91.7	90.2	92.9	94.0	100.5	103.6	103.2
9	Trucks, consumer	.7	180.7	192.7	179.6	177.2	168.0	170.7	166.6	189.0	181.5	175.5	185.8	187.3	184.6	190.6
10	Auto parts and allied goods	.9	123.2	121.9	121.1	119.8	121.9	123.8	126.6	120.0	123.9	126.6	125.7	128.1	126.7	128.1
11	Other	3.0	114.1	112.2	112.7	112.5	113.2	115.4	116.7	117.1	115.2	115.2	115.0	116.5	117.4	116.2
12	Appliances televisions and air conditioners	.7	126.0	121.6	124.3	120.7	125.6	132.8	129.7	135.1	130.2	124.9	126.9	131.0	128.7	125.0
13	Carpeting and furniture	.8	105.0	103.5	103.1	104.5	103.3	103.6	108.4	106.9	104.1	107.4	105.9	107.5	109.6	109.2
14	Miscellaneous home goods	1.5	113.8	112.7	112.8	113.2	113.1	114.2	115.3	114.6	114.6	114.9	114.5	114.9	116.5	116.0
15	Nondurable consumer goods	23.0	111.8	110.4	111.5	111.0	112.0	112.5	112.2	112.2	111.7	111.5	112.4	113.3	113.3	114.0
16	Foods and tobacco	10.3	110.4	107.6	109.8	110.2	110.9	110.5	110.6	111.2	111.9	112.2	112.4	113.1	113.0	113.5
17	Clothing	2.4	95.9	94.5	95.7	96.4	97.2	96.3	96.5	95.9	95.5	96.2	96.2	96.8	95.9	95.2
18	Chemical products	4.5	129.7	128.7	130.3	128.4	129.5	131.4	131.1	129.8	127.5	127.2	130.5	134.5	135.4	136.8
19	Paper products	2.9	104.7	103.9	103.9	105.1	105.6	105.8	105.2	105.9	105.2	103.6	104.6	104.3	103.0	103.3
20	Energy	2.9	113.9	117.3	114.5	110.0	112.4	115.5	114.3	113.1	110.5	109.8	110.6	109.8	110.6	113.1
21	Fuels	.9	106.7	105.4	105.8	108.3	107.4	106.5	105.8	105.8	107.4	103.9	109.8	107.4	107.4	108.7
22	Residential utilities	2.1	116.9	122.2	118.1	110.5	114.4	119.3	117.8	116.1	111.8	112.2	110.7	110.7	111.8	114.8
23	Equipment	18.1	126.5	123.8	124.3	124.9	125.4	125.8	126.4	127.5	128.0	128.8	128.9	130.4	131.5	131.8
24	Business equipment	14.0	146.7	142.0	142.6	143.5	144.5	145.5	146.9	148.9	149.5	150.9	151.0	153.1	154.7	155.2
25	Information processing and related	5.7	176.4	168.5	170.0	170.2	171.8	173.7	177.1	179.7	181.1	183.2	184.2	188.6	190.2	190.5
26	Computer and office equipment	1.5	284.2	267.6	270.9	270.8	271.6	276.5	282.6	288.9	295.8	300.5	305.7	311.9	317.9	324.2
27	Industrial	4.0	121.0	116.4	117.8	119.2	120.7	120.6	122.1	122.3	123.0	124.4	124.1	125.2	127.0	127.8
28	Transit	2.6	137.9	142.3	139.3	138.0	135.3	136.1	132.6	137.9	136.8	137.1	137.5	137.8	139.6	140.5
29	Autos and trucks	1.2	148.0	154.6	148.1	145.9	140.0	141.7	138.2	149.4	147.7	149.2	151.6	152.6	157.2	158.1
30	Other	1.7	129.4	122.3	123.3	127.1	129.4	130.5	132.6	133.5	133.3	134.3	133.1	133.1	133.8	133.9
31	Defense and space equipment	3.4	71.0	73.6	73.7	73.6	72.4	71.3	69.9	69.2	68.8	68.7	69.0	68.7	68.4	68.0
32	Oil and gas well drilling	.5	90.8	91.9	92.1	93.2	94.6	94.2	93.7	89.6	93.9	88.3	86.0	86.0	86.7	89.1
33	Manufactured homes	.2	137.3	131.5	135.6	132.4	135.2	137.8	133.3	134.5	138.4	142.0	143.1	153.6	153.6	...
34	Intermediate products, total	14.3	108.2	104.9	106.3	106.9	107.7	108.5	109.1	109.2	108.6	109.9	110.6	111.1	111.6	112.0
35	Construction supplies	5.3	106.8	102.7	103.2	104.7	106.1	106.4	107.9	108.2	108.6	109.7	109.8	111.6	112.2	112.3
36	Business supplies	9.0	109.2	106.5	108.4	108.5	108.8	110.1	110.0	109.9	108.7	110.1	111.3	111.0	111.3	112.0
37	Materials	39.1	121.5	118.1	119.5	119.7	120.5	121.2	121.4	122.8	122.9	123.4	124.6	126.3	126.3	127.2
38	Durable goods materials	20.6	131.2	126.2	128.3	129.2	129.8	130.0	130.9	132.6	133.3	134.2	136.0	138.7	139.1	140.0
39	Durable consumer parts	3.9	132.2	129.7	131.5	130.1	129.7	129.2	130.4	133.2	133.1	133.8	135.8	139.7	139.8	140.4
40	Equipment parts	7.5	143.1	135.6	137.9	139.6	140.5	142.1	143.8	145.2	146.7	149.0	150.7	152.5	154.2	156.7
41	Other	9.1	121.3	117.1	119.3	120.4	121.2	120.8	121.1	122.3	122.8	122.7	124.6	127.3	126.9	126.8
42	Basic metal materials	3.0	119.8	116.9	117.6	119.7	120.0	119.6	118.8	119.3	121.1	121.3	123.2	126.4	123.2	123.0
43	Nondurable goods materials	8.9	118.4	115.6	116.7	115.9	118.2	118.1	118.6	120.3	119.8	120.3	121.5	122.4	121.0	121.6
44	Textile materials	1.1	105.3	102.7	104.0	104.4	104.2	104.8	104.8	105.7	105.9	106.9	110.3	108.9	109.3	109.8
45	Paper materials	1.8	118.7	116.3	117.8	116.1	118.9	118.4	117.5	122.5	121.5	120.5	122.1	120.8	118.1	119.0
46	Chemical materials	4.0	123.2	120.0	120.6	120.6	123.8	122.9	123.4	124.8	124.0	124.6	125.9	127.4	125.8	126.7
47	Other	2.0	116.8	114.0	115.6	113.3	114.8	116.5	118.6	118.1	118.2	119.5	119.3	122.1	121.2	121.2
48	Energy materials	9.6	105.2	104.7	105.0	104.8	104.6	106.7	105.2	106.1	105.6	105.2	104.9	105.4	106.0	107.1
49	Primary energy	6.3	100.3	99.4	100.5	100.9	100.4	100.2	100.3	100.9	100.8	100.3	100.7	101.7	101.9	102.5
50	Converted fuel materials	3.3	115.0	115.2	114.0	112.5	112.8	119.9	114.9	116.3	115.1	115.1	113.4	112.8	114.1	116.2
	Special Aggregates															
51	Total excluding autos and trucks	97.2	117.6	114.8	116.1	116.2	117.1	117.7	118.1	118.7	118.6	119.1	119.8	121.1	121.4	122.0
52	Total excluding motor vehicles and parts	95.2	117.1	114.3	115.5	115.7	116.6	117.3	117.7	118.2	118.0	118.5	119.2	120.5	120.7	121.4
53	Total excluding computer and office equipment	98.3	115.4	113.1	114.0	114.1	114.8	115.4	115.5	116.4	116.1	116.6	117.4	118.7	118.9	119.5
54	Consumer goods excluding autos and trucks	26.9	112.4	111.0	111.9	111.5	112.4	113.2	113.2	113.0	112.4	112.4	113.1	114.2	114.2	114.7
55	Consumer goods excluding energy	25.6	113.1	111.9	112.7	112.5	112.8	113.2	113.2	113.8	113.3	113.3	114.2	115.8	115.8	116.2
56	Business equipment excluding autos and trucks	12.8	146.5	140.7	142.0	143.2	144.8	145.7	147.7	148.8	149.5	151.0	150.9	153.0	154.3	154.8
57	Business equipment excluding computer and office equipment	12.5	130.8	127.2	127.6	128.5	129.4	130.0	131.1	132.7	132.7	133.8	133.6	135.2	136.4	136.5
58	Materials excluding energy	29.5	127.3	122.9	124.8	125.1	126.2	126.4	127.2	128.8	129.2	129.9	131.6	133.7	133.6	134.4

2.13 INDUSTRIAL PRODUCTION Indexes and Gross Value[1]—Continued

Group	SIC code[2]	1992 proportion	1994 avg.	1994 Feb.	Mar	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.[r]	Dec.[r]	1995 Jan.	Feb.[p]
				Index (1987 = 100)												
MAJOR INDUSTRIES																
59 **Total index**	...	**100.0**	**118.1**	**115.6**	**116.6**	**116.7**	**117.4**	**118.0**	**118.2**	**119.1**	**119.0**	**119.5**	**120.3**	**121.7**	**122.0**	**122.6**
60 Manufacturing	...	85.5	119.7	116.7	118.0	118.4	119.0	119.3	119.8	120.9	120.9	121.5	122.6	124.1	124.3	124.8
61 Primary processing	...	26.5	115.3	112.2	113.3	114.0	115.2	114.7	115.3	116.3	116.2	116.6	118.4	120.2	119.4	119.5
62 Advanced processing	...	59.0	121.8	118.9	120.2	120.5	120.8	121.5	121.9	123.1	123.1	123.8	124.6	126.0	126.7	127.3
63 Durable goods	...	45.1	125.5	122.1	122.9	123.7	124.0	124.6	125.2	127.0	127.2	128.0	129.1	131.3	131.9	132.5
64 Lumber and products	24	2.0	106.0	103.8	104.0	103.9	106.0	106.2	106.8	105.5	107.6	106.7	106.7	110.2	110.5	109.6
65 Furniture and fixtures	25	1.4	111.4	107.6	107.7	110.2	110.1	111.8	114.0	115.5	112.4	114.8	113.0	114.4	115.3	114.5
66 Stone, clay, and glass products	32	2.1	104.9	101.8	103.7	105.0	105.5	104.4	104.3	105.8	105.8	105.4	106.9	110.0	109.7	109.3
67 Primary metals	33	3.1	114.5	111.6	112.1	114.8	114.8	113.7	112.7	113.5	116.0	115.9	119.1	123.5	119.4	119.1
68 Iron and steel	331,2	1.7	118.3	116.0	116.7	121.5	120.9	118.2	116.1	113.0	118.2	118.8	121.9	130.3	124.9	123.0
69 Raw steel	...	.1	107.9	105.8	106.0	105.3	105.7	106.3	104.7	107.0	109.9	109.0	114.2	121.9	114.6	...
70 Nonferrous	333–6,9	1.4	109.3	105.8	106.0	106.2	106.9	107.6	108.0	113.6	112.7	111.8	115.2	114.8	112.2	113.8
71 Fabricated metal products	34	5.0	110.7	106.6	108.5	109.6	110.0	110.2	111.7	112.4	111.6	112.2	113.3	114.8	115.8	116.2
72 Industrial and commercial machinery and computer equipment	35	7.9	160.0	151.9	154.0	156.1	157.7	158.9	160.6	162.6	164.6	166.5	167.5	169.2	172.3	173.6
73 Computer and office equipment	357	1.7	284.2	267.6	270.9	270.8	271.6	276.5	282.6	288.9	295.8	300.5	305.7	311.9	317.9	324.2
74 Electrical machinery	36	7.3	160.0	150.1	152.6	154.3	156.5	159.5	161.5	164.1	165.0	166.9	168.8	172.5	173.4	175.9
75 Transportation equipment	37	9.6	109.7	112.3	110.7	109.5	107.6	107.5	105.7	109.5	108.8	109.0	110.5	111.9	112.5	113.1
76 Motor vehicles and parts	371	4.8	137.9	142.6	138.8	136.2	131.6	132.2	129.6	138.1	137.4	138.4	141.4	144.6	146.1	147.4
77 Autos and light trucks	371	2.5	131.9	141.9	134.7	131.7	124.4	124.6	120.8	131.9	128.4	128.6	132.7	138.4	140.0	141.6
78 Aerospace and miscellaneous transportation equipment	372–6,9	4.8	82.6	83.3	83.8	84.1	84.6	83.8	82.8	82.3	81.4	80.8	80.9	80.6	80.4	80.3
79 Instruments	38	5.4	107.4	106.3	106.9	106.6	106.4	106.8	108.5	108.7	108.0	108.2	107.7	109.1	109.4	109.0
80 Miscellaneous	39	1.3	116.2	113.5	114.1	115.2	115.4	115.8	118.6	117.1	117.0	118.4	118.6	117.6	118.9	120.1
81 Nondurable goods	...	40.5	113.2	110.7	112.5	112.4	113.4	113.4	113.6	114.0	113.7	114.2	115.4	116.2	115.9	116.3
82 Foods	20	9.4	112.8	109.9	112.9	111.9	112.8	112.8	113.4	113.7	114.6	113.4	113.9	114.7	114.6	115.1
83 Tobacco products	21	1.6	96.2	93.6	93.0	98.1	98.5	95.9	93.7	96.2	96.1	104.5	101.5	102.6	102.2	102.9
84 Textile mill products	22	1.8	109.0	106.4	107.9	108.6	108.9	108.7	109.4	109.0	108.3	110.6	112.0	112.2	112.8	113.1
85 Apparel products	23	2.2	96.3	94.9	95.7	96.2	97.1	97.0	97.0	96.8	96.8	96.9	96.8	97.0	96.7	95.7
86 Paper and products	26	3.6	117.4	115.7	115.7	114.4	116.7	116.6	116.6	120.2	118.7	118.9	121.3	121.5	118.4	119.1
87 Printing and publishing	27	6.8	101.1	98.8	101.3	101.7	101.6	102.4	102.1	101.5	100.9	101.4	102.0	101.6	101.4	101.6
88 Chemicals and products	28	9.9	124.1	121.8	123.1	122.4	124.0	124.4	124.7	124.7	123.7	123.8	126.2	128.2	128.4	129.2
89 Petroleum products	29	1.4	105.3	103.8	103.4	107.5	107.0	104.5	104.3	105.2	105.3	104.0	107.6	107.7	107.5	107.9
90 Rubber and plastic products	30	3.5	133.5	128.2	130.9	130.8	132.4	132.8	134.5	134.5	134.7	136.7	138.3	140.1	140.7	140.8
91 Leather and products	31	.3	85.8	85.4	87.0	87.6	85.9	85.5	86.3	85.5	85.4	85.6	84.5	84.4	83.7	83.9
92 Mining	...	6.8	99.8	99.5	100.5	100.7	100.7	100.6	100.1	100.0	100.1	99.2	98.3	100.1	100.0	100.2
93 Metal	10	.4	159.4	161.6	165.2	157.0	156.4	162.8	159.5	156.6	160.0	158.9	154.3	156.5	157.3	158.5
94 Coal	12	1.0	112.0	112.0	117.7	118.3	111.5	113.4	108.6	111.4	110.7	110.2	110.1	117.8	117.9	117.5
95 Oil and gas extraction	13	4.7	93.0	92.7	92.9	93.2	94.3	93.8	93.9	93.5	93.7	92.2	91.2	92.1	91.7	92.1
96 Stone and earth minerals	14	.6	107.0	104.8	104.7	105.9	108.1	105.6	107.9	106.6	106.7	109.3	109.9	110.0	112.0	110.4
97 Utilities	...	7.7	118.2	119.6	117.9	114.7	115.8	121.1	119.0	118.8	116.5	117.2	116.5	115.8	117.3	120.3
98 Electric	491,3PT	6.1	117.8	117.5	117.2	116.4	116.2	121.4	119.0	118.4	117.1	117.9	117.5	116.6	118.0	121.2
99 Gas	492,3PT	1.6	119.6	128.1	120.5	107.9	114.1	120.0	118.9	120.4	114.2	114.4	112.3	112.7	114.4	116.7
SPECIAL AGGREGATES																
100 Manufacturing excluding motor vehicles and parts	...	80.7	118.6	115.2	116.7	117.3	118.2	118.6	119.2	119.8	119.9	120.5	121.5	122.9	123.0	123.5
101 Manufacturing excluding office and computing machines	...	83.8	116.5	113.7	114.9	115.3	115.9	116.2	116.6	117.6	117.5	118.1	119.1	120.6	120.7	121.1
		Gross value (billions of 1987 dollars, annual rates)														
MAJOR MARKETS																
102 **Products, total**	...	**1,707.0**	**2,006.3**	**1,977.8**	**1,985.6**	**1,985.8**	**1,990.7**	**2,002.5**	**2,002.1**	**2,020.2**	**2,015.6**	**2,020.4**	**2,037.2**	**2,057.7**	**2,062.6**	**2,073.6**
103 Final	...	1,314.6	1,576.4	1,559.9	1,563.6	1,559.9	1,561.7	1,571.1	1,569.3	1,586.6	1,584.2	1,584.4	1,598.4	1,615.2	1,619.4	1,629.6
104 Consumer goods	...	866.6	982.5	979.6	981.3	976.0	977.1	983.0	979.0	987.3	981.5	977.0	988.5	998.6	996.3	1,003.2
105 Equipment	...	448.0	593.9	580.4	582.3	583.9	584.5	588.1	590.3	599.3	602.7	607.3	609.9	616.6	623.1	626.4
106 Intermediate	...	392.5	430.0	417.8	422.0	425.9	429.0	431.4	432.9	433.5	431.4	436.0	438.8	442.5	443.2	444.1

1. Data in this table also appear in the Board's G.17 (419) monthly statistical release. For the ordering address, see the inside front cover. The latest historical revision of the industrial production index and the capacity utilization rates was released in November 1994. See "Industrial Production and Capacity Utilization: A Revision," *Federal Reserve Bulletin*, vol. 81 (January 1995), pp. 16–26. For a detailed description of the industrial production index, see "Industrial Production: 1989 Developments and Historical Revision," *Federal Reserve Bulletin*, vol. 76, (April 1990), pp. 187–204.

2. Standard industrial classification.

2.14 HOUSING AND CONSTRUCTION

Monthly figures at seasonally adjusted annual rates except as noted

Item	1992	1993	1994[r]	1994 Apr.	May	June	July	Aug.	Sept	Oct.	Nov.[1]	Dec.[r]	1995 Jan.
	Private residential real estate activity (thousands of units except as noted)												
NEW UNITS													
1 Permits authorized	1,095	1,199	1,369	1,377	1,383	1,336	1,347	1,382	1,416	1,391	1,355	1,421	1,302
2 One-family	911	986	1,061	1,068	1,099	1,054	1,035[r]	1,047	1,052	1,028	1,011	1,094	999
3 Two-family or more	184	213	307	309	284	282	312[r]	335	364	363	344	327	303
4 Started	1,200	1,288	1,457	1,463	1,489	1,370	1,440	1,463	1,511	1,451	1,536	1,545	1,359
5 One-family	1,030	1,126	1,198	1,209	1,197	1,174	1,219	1,174	1,235	1,164	1,186	1,250	1,059
6 Two-family or more	169	162	259	254	292	196	221	289	276	287	350	295	300
7 Under construction at end of period[1]	612	680	764	736[r]	746[r]	751	757[r]	770[r]	773[r]	779	787	792	794
8 One-family	473	543	560	582[r]	581[r]	585[r]	585	589[r]	590[r]	587	587	587	582
9 Two-or-more-family	140	137	204	154[r]	165[r]	166[r]	172[r]	181	183	192	200	205	212
10 Completed	1,158	1,193	1,347	1,363[r]	1,438[r]	1,333[r]	1,280[r]	1,337[r]	1,400	1,376[r]	1,371	1,388	1,410
11 One-family	964	1,040	1,160	1,200[r]	1,245[r]	1,151	1,157[r]	1,144[r]	1,158[r]	1,169[r]	1,136	1,174	1,183
12 Two-or-more-family	194	153	187	163[r]	193[r]	182[r]	123[r]	193[r]	242[r]	207	235	214	227
13 Mobile homes shipped	210	254	304	292	296	295	289	295	307	314	322	347	361
Merchant builder activity in one-family units													
14 Number sold	610	666	672	672[r]	689[r]	632[r]	630	672[r]	691[r]	707[r]	648	654	679
15 Number for sale at end of period[1]	265[r]	293[r]	341	298	302[r]	313	317	322	328	330[r]	335	341	344
Price of units sold (thousands of dollars)[2]													
16 Median	121.3	126.1	130.3	129.0	129.9	133.5	124.4	133.3	129.7	132.0[r]	129.9	134.0	125.1
17 Average	144.9	147.6	153.6	152.9	151.8	158.4	144.4	154.9	157.2	153.0	155.0	158.8	142.7
EXISTING UNITS (one-family)													
18 Number sold	3,520	3,800	3,946	4,110	4,110	4,010	3,940	3,910	3,870	3,820	3,690	3,760	3,610
Price of units sold (thousands of dollars)[2]													
19 Median	103.6	106.5	109.6	109.1	109.9	113.3	112.4	113.0	108.9	107.5	108.7	109.1	108.1
20 Average	130.8	133.1	136.4	135.7	136.7	141.3	139.7	141.2	135.8	133.0	134.7	135.6	135.3
	Value of new construction (millions of dollars)[3]												
CONSTRUCTION													
21 Total put in place	**435,355**	**466,365**	**506,943**	**497,035**	**504,356**	**506,144**	**505,445**	**505,470**	**514,197**	**521,376**	**525,136**	**530,927**	**529,738**
22 Private	316,115	341,101	377,782	374,091	378,235	379,345	376,463	376,216	382,287	384,888	393,536	395,215	393,068
23 Residential	187,870	210,455	237,945	238,049	241,162	240,694	237,775	236,871	238,529	239,337	242,339	243,936	242,775
24 Nonresidential	128,245	130,646	139,837	136,042	137,073	138,651	138,688	139,345	143,758	145,551	151,197	151,279	150,293
25 Industrial buildings	20,720	19,533	21,600	21,221	21,338	20,960	21,117	22,012	22,621	22,318	24,951	23,096	23,933
26 Commercial buildings	41,523	42,627	48,268	47,481	47,912	48,410	48,607	48,185	50,180	50,535	51,954	53,271	54,469
27 Other buildings	21,494	23,626	23,835	23,824	23,956	24,439	23,838	23,648	24,784	24,107	24,376	25,104	25,465
28 Public utilities and other	44,508	44,860	46,134	43,516	43,867	44,842	45,126	45,500	46,173	48,591	49,916	49,808	46,426
29 Public	119,238	125,262	129,157	122,944	126,121	126,799	128,982	129,255	131,910	136,488	131,600	135,712	136,671
30 Military	2,502	2,454	2,338	1,959	2,024	2,277	2,351	2,357	2,364	2,585	2,285	2,455	2,748
31 Highway	34,899	37,355	40,185	39,508	40,655	40,300	40,305	40,057	40,797	41,685	40,126	39,466	40,920
32 Conservation and development	6,021	5,976	6,246	5,851	5,677	4,605	5,935	5,754	7,521	7,155	6,930	7,925	7,325
33 Other	75,816	79,477	80,388	75,626	77,765	79,617	80,391	81,087	81,228	85,063	82,259	85,866	85,678

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.

SOURCES. 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, Feb. 1995[1]
	1994 Feb.	1995 Feb.	1994				1994			1995		
			Mar.	June	Sept.	Dec.	Oct.	Nov.	Dec.	Jan.	Feb.	
CONSUMER PRICES[2] (1982–84=100)												
1 **All items**	**2.5**	**2.9**	**2.2**	**2.7**	**3.6**	**1.9**	**.1**	**.1**	**.2**	**.3**	**.3**	**150.9**
2 Food	2.1	3.1	−.3	2.8	5.1	3.9	.1	.1	.8	−.3	.3	147.4
3 Energy items	−.2	1.7	3.1	−3.0	9.2	.4	−.3	.5	−.1	.3	−.1	103.7
4 All items less food and energy	2.8	3.0	2.9	3.1	2.6	2.0	.2	.2	.1	.4	.3	159.6
5 Commodities	.8	1.9	.6	3.9	.9	.3	.0	.0	.1	.4	.1	138.4
6 Services	3.7	3.4	3.9	2.7	3.6	2.6	.2	.2	.2	.5	.4	171.7
PRODUCER PRICES (1982=100)												
7 Finished goods	.2	1.7	2.9	.0	1.9	2.2	−.4	.6	.4	.3	.3	126.9
8 Consumer foods	1.8	1.3	−.9	−5.5	1.9	9.2	−.1r	.9r	1.4	−.6	.3	128.3
9 *Consumer energy*	−2.6	2.3	14.7	−2.6	3.2	.0	−1.3r	2.4r	−1.0	2.3	.4	76.6
10 Other consumer goods	−.5	1.5	1.5	2.0	1.7	.6	−.3	.1	.3	.1	.3	140.8
11 Capital equipment	1.8	1.9	2.7	3.0	2.1	.0	−.5	.1	.4	.3	.3	136.1
Intermediate materials												
12 Excluding foods and feeds	.6	6.3	3.1	2.8	6.2	7.6	.4r	.9r	.5	1.0	1.0	123.9
13 Excluding energy	1.1	7.0	1.9	3.9	6.8	8.3	.7r	.8r	.5	1.0	1.0	133.6
Crude materials												
14 Foods	6.7	−8.0	−4.9	−18.0	−13.5	−.8	−1.1	.7	.2	−.1	1.2	104.0
15 Energy	−11.9	2.2	10.1	21.0	−19.2	−13.8	−1.5r	.1r	−2.3	−.1	1.7	69.8
16 Other	10.6	16.4	25.1	−.8	20.3	26.7	.6	3.1	2.3	3.0	1.4	177.0

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	1992	1993	1994[r]	1993	1994			
				Q4	Q1	Q2	Q3	Q4[r]
GROSS DOMESTIC PRODUCT								
1 **Total**	**6,020.2**	**6,343.3**	**6,736.1**	**6,478.1**	**6,574.7**	**6,689.9**	**6,791.7**	**6,888.1**
By source								
2 Personal consumption expenditures	4,136.9	4,378.2	4,628.0	4,469.6	4,535.0	4,586.4	4,657.5	4,732.9
3 Durable goods	492.7	538.0	591.4	562.8	576.2	580.3	591.5	617.6
4 Nondurable goods	1,295.5	1,339.2	1,394.4	1,355.2	1,368.9	1,381.4	1,406.1	1,421.2
5 Services	2,348.7	2,501.0	2,642.1	2,551.6	2,589.9	2,624.7	2,659.9	2,694.1
6 Gross private domestic investment	788.3	882.0	1,031.6	922.5	966.6	1,034.4	1,055.1	1,070.2
7 Fixed investment	785.2	866.7	979.6	913.5	942.5	967.0	992.5	1,016.6
8 Nonresidential	561.4	616.1	696.9	646.3	665.4	683.3	709.1	729.7
9 Structures	171.1	173.4	182.6	176.7	172.7	181.8	184.6	191.4
10 Producers' durable equipment	390.3	442.7	514.3	469.6	492.7	501.5	524.5	538.4
11 *Residential structures*	223.8	250.6	282.8	267.2	277.1	283.6	283.4	286.9
12 Change in business inventories	3.0	15.4	51.9	9.0	24.1	67.4	62.6	53.6
13 Nonfarm	−2.7	20.1	45.5	10.7	22.3	60.4	53.4	46.1
14 Net exports of goods and services	−30.3	−65.3	98.6	−71.2	−86.7	97.6	−109.6	−100.6
15 Exports	638.1	659.1	718.7	680.3	674.2	704.5	730.5	765.6
16 Imports	668.4	724.3	817.3	751.4	760.9	802.1	840.1	866.2
17 Government purchases of goods and services	1,125.3	1,148.4	1,175.2	1,157.2	1,159.8	1,166.7	1,188.8	1,185.5
18 Federal	449.0	443.6	437.3	439.8	437.8	435.1	444.3	431.8
19 State and local	676.3	704.7	737.9	717.4	722.0	731.5	744.5	753.7
By major type of product								
20 Final sales, total	6,017.2	6,327.9	6,684.2	6,469.2	6,550.6	6,622.5	6,729.1	6,834.5
21 Goods	2,292.0	2,390.4	2,531.5	2,452.6	2,489.1	2,493.7	2,543.6	2,599.6
22 Durable	968.6	1,032.4	1,117.9	1,072.9	1,098.2	1,099.4	1,125.8	1,148.3
23 Nondurable	1,323.4	1,358.1	1,413.6	1,379.7	1,390.9	1,394.3	1,417.8	1,451.3
24 Services	3,227.2	3,405.5	3,575.6	3,459.3	3,503.8	3,555.4	3,603.6	3,639.5
25 Structures	498.1	532.0	577.1	557.2	557.7	573.4	581.9	595.4
26 Change in business inventories	3.0	15.4	51.9	9.0	24.1	67.4	62.6	53.6
27 Durable goods	−13.0	8.6	33.8	9.0	20.6	38.2	44.1	32.4
28 Nondurable goods	16.0	6.7	18.1	.0	3.5	29.2	18.5	21.1
MEMO								
29 **Total GDP in 1987 dollars**	**4,979.3**	**5,134.5**	**5,342.4**	**5,218.0**	**5,261.1**	**5,314.1**	**5,367.0**	**5,427.2**
NATIONAL INCOME								
30 **Total**	**4,829.5**	**5,131.4**	n.a.	**5,262.0**	**5,308.7**	**5,430.7**	**5,494.9**	n.a.
31 Compensation of employees	3,591.2	3,780.4	4,004.6	3,845.8	3,920.0	3,979.3	4,023.7	4,095.6
32 Wages and salaries	2,954.8	3,100.8	3,279.0	3,148.4	3,208.3	3,257.2	3,293.9	3,356.6
33 Government and government enterprises	567.3	583.8	602.8	587.8	595.7	601.9	604.4	609.1
34 Other	2,387.5	2,517.0	2,676.2	2,560.7	2,612.6	2,655.4	2,689.6	2,747.5
35 Supplement to wages and salaries	636.4	679.6	725.6	697.4	711.7	722.0	729.7	739.0
36 Employer contributions for social insurance	307.7	324.3	344.6	330.6	338.5	343.6	346.0	350.3
37 Other labor income	328.7	355.3	381.0	366.8	373.2	378.4	383.7	388.7
38 Proprietors' income[1]	418.7	441.6	473.6	462.9	471.0	471.3	467.0	485.3
39 *Business and professional*[1]	374.4	404.3	434.2	418.5	423.8	431.9	437.1	443.8
40 Farm[1]	44.4	37.3	39.4	44.4	47.2	39.3	29.8	41.4
41 Rental income of persons[2]	−5.5	24.1	27.7	30.3	15.3	34.1	32.6	28.8
42 Corporate profits[1]	405.1	485.8	n.a.	533.9	508.2	546.4	556.0	n.a.
43 Profits before tax[3]	395.9	462.4	n.a.	501.7	483.5	523.1	538.1	n.a.
44 Inventory valuation adjustment	−6.4	−6.2	−19.3	−6.5	−12.3	−14.1	−19.6	−31.2
45 Capital consumption adjustment	15.7	29.5	37.7	38.8	37.0	37.4	37.5	38.8
46 Net interest	420.0	399.5	n.a.	389.1	394.2	399.7	415.7	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	1992	1993	1994[r]	1993	1994			
				Q4	Q1	Q2	Q3	Q4[r]
PERSONAL INCOME AND SAVING								
1 **Total personal income**	**5,154.3**	**5,375.1**	**5,701.9**	**5,484.6**	**5,555.8**	**5,659.9**	**5,734.5**	**5,857.5**
2 Wage and salary disbursements	2,974.8	3,080.8	3,279.0	3,148.4	3,208.3	3,257.2	3,293.9	3,356.6
3 Commodity-producing industries	757.6	773.8	818.1	791.0	801.9	811.6	821.8	837.1
4 Manufacturing	578.3	588.4	617.5	601.7	609.4	612.8	618.3	629.3
5 Distributive industries	682.3	701.9	748.6	712.6	728.6	742.5	753.5	769.9
6 Service industries	967.6	1,021.4	1,109.5	1,057.0	1,082.0	1,101.2	1,114.3	1,140.5
7 Government and government enterprises	567.3	583.8	602.8	587.8	595.7	601.9	604.4	609.1
8 Other labor income	328.7	355.3	381.0	366.8	373.2	378.4	383.7	388.7
9 Proprietors' income[1]	418.7	441.6	473.6	462.9	471.0	471.3	467.0	485.3
10 Business and professional[1]	374.4	404.3	434 2	418.5	423.8	431.9	437.1	443.8
11 Farm[1]	44.4	37.3	39.4	44.4	47.2	39.3	29.8	41.4
12 Rental income of persons[2]	−5.5	24.1	27.7	30.3	15.3	34.1	32.6	28.8
13 Dividends	161.0	181.3	194.3	184.1	185.7	191.7	196.9	202.7
14 Personal interest income	665.2	637.9	664.3	627.7	631.1	649.4	674.2	702.4
15 Transfer payments	860.2	915.4	963.4	931.0	947.4	957.6	969.0	979.6
16 *Old-age survivors, disability, and health insurance benefits*	414.0	444.4	473.5	452.1	463.8	470.7	476.5	483.0
17 LESS: Personal contributions for social insurance	248.7	261.3	281.4	266.6	276.3	279.9	282.9	286.6
18 EQUALS: Personal income	5,154.3	5,375.1	5,701.9	5,484.6	5,555 8	5,659.9	5,734.5	5,857.5
19 LESS: Personal tax and nontax payments	648.6	686.4	742.1	707.0	723.0	746.4	744.1	754.9
20 EQUALS: Disposable personal income	4,505.8	4,688.7	4,959.8	4,777.6	4,832.8	4,913.5	4,990.3	5,102.6
21 LESS: Personal outlays	4,257.8	4,496.2	4,756.1	4,588.2	4,657.3	4,712.4	4,787.0	4,867.5
22 EQUALS: Personal saving	247.9	192 6	203.7	189.4	175.5	201 1	203.3	235.1
MEMO								
Per capita (1987 dollars)								
23 Gross domestic product	19,489.7	19,878.8	20,469.7	20,119.1	20,235.2	20,389.7	20,536.5	20,714.5
24 Personal consumption expenditures	13,110.4	13,390.8	13,715.0	13,518.9	13,639.8	13,650.9	13,716.6	13,851.5
25 Disposable personal income	14,279.0	14,341.0	14,698.0	14,451.0	14,535.0	14,625.0	14,697.0	14,934.0
26 Saving rate (percent)	5.5	4.1	4.1	4.0	3.6	4.1	4.1	4.6
GROSS SAVING								
27 **Gross saving**	**722.9**	**787.5**	n.a	**825.8**	**886.2**	**923.3**	**922.6**	n.a.
28 Gross private saving	980.8	1,002 5	n.a.	1,011.4	1,037.3	1,041.4	1,052.7	n.a.
29 Personal saving	247.9	192.6	203 7	189.4	175.5	201.1	203.3	235.1
30 Undistributed corporate profits[1]	94.3	120.9	n.a.	147.9	127.7	142.3	139.5	n.a.
31 Corporate inventory valuation adjustment	6.4	−6.2	−19.3	−6.5	−12.3	−14.1	−19.6	−31.2
Capital consumption allowances								
32 Corporate	396.8	407.8	432.2	411.1	432.2	425.9	432.6	438.1
33 Noncorporate	261 8	261.2	283.2	263.0	301.8	272.1	277.3	281.4
34 Government surplus, or deficit ( ), national income and product accounts	−257.8	−215.0	n.a.	−185.6	−151.1	−118.1	−130.1	n.a.
35 Federal	−282.7	−241.4	n.a.	−220.1	−176.2	−145.1	−154.0	n.a.
36 State and local	24.8	26.3	n a.	34.5	25.2	27.0	23.9	n.a.
37 **Gross investment**	**731.7**	**789.8**	n.a.	**809.3**	**850.2**	**899.3**	**901.5**	n.a.
38 Gross private domestic investment	788.3	882.0	1,031.6	922.5	966.6	1,034.4	1,055.1	1,070.2
39 Net foreign investment	56.6	−92 3	n.a.	−113.2	−116.4	−135.1	−153.6	n.a.
40 **Statistical discrepancy**	**8.8**	**2.3**	n a.	**−16.5**	**−36.1**	**−24.0**	**−21.1**	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	1992	1993	1994[p]	1993	1994			
				Q4	Q1	Q2	Q3	Q4[p]
1 Balance on current account	-67,886	-103,896	-155,673	-30,587	-32,238[r]	-37,827[r]	-40,848	-44,758
2 Merchandise trade balance[2]	-96,097	-132,575	-166,364	-33,169	-37,052[r]	-41,721[r]	-44,615	-42,976
3 Merchandise exports	440,361	456,866	502,729	119,679	117,848[r]	122,510[r]	127,632	134,739
4 Merchandise imports	-536,458	-589,441	-669,093	-152,848	-154,900[r]	-164,231[r]	-172,247	-177,715
5 *Military transactions, net*	-3,034	-763	268	-444	-338	177	230	199
6 Other service transactions, net	58,747	57,613	59,726	13,637	13,070[r]	14,907[r]	15,647	16,102
7 Investment income, net	4,540	3,946	-15,181	-590	820[r]	2,819[r]	-4,037	-7,504
8 U.S. government grants	-15,010	-14,620	-14,532	-5,591	-2,371	-3,590	-2,839	-5,731
9 U.S. government pensions and other transfers	-3,735	-3,785	-4,246	-987	-889[r]	-895[r]	-1,474	-988
10 Private remittances and other transfers	-13,297	-13,712	-15,343	-3,443	-3,838[r]	-3,886[r]	-3,760	-3,860
11 Change in *U.S. government* assets other than official reserve assets, net (increase, -)	-1,652	306	277	321	490	462	-270	961
12 Change in U.S. official reserve assets (increase, -)	3,901	-1,379	5,346	673	-59	3,537	-165	2,033
13 Gold	0	0	0	0	0	0	0	0
14 Special drawing rights (SDRs)	2,316	-537	-441	-113	-101	108	-111	-121
15 Reserve position in International Monetary Fund	-2,692	-44	494	80	3	251	273	-27
16 Foreign currencies	4,277	-797	5,293	-480	45	3,394	-327	2,181
17 Change *in* U.S. private assets abroad (increase, -)	-63,759	-146,214	-130,756	-62,628	-48,887[r]	-11,250[r]	-25,414	-45,208
18 Bank-reported claims[3]	22,314	32,238	-2,033	-9,293	-1,236	15,248	1,268	-17,313
19 Nonbank-reported claims	45	-598	-9,679	303	1,941	4,264	-7,356	...
20 U.S. purchases of foreign securities, net	-45,114	-119,983	-60,621	-30,349	-24,605	-14,007	-8,103	-13,906
21 U.S. direct investments abroad, net	-41,004	-57,870	-58,423	-22,683	-24,987[r]	-8,227[r]	-11,223	-13,989
22 Change in foreign official assets in United States (increase, +)	40,858	71,681	38,912	23,962	11,530	8,925	19,460	-1,003
23 *U.S. Treasury securities*	18,454	48,702	30,441	22,856	1,193	6,033	15,841	7,374
24 Other U.S. government obligations	3,949	4,062	5,988	970	50	2,355	2,003	1,580
25 Other U.S. government liabilities[4]	2,572	1,666	2,514	825	938	252	700	624
26 Other U.S. liabilities reported by U.S. banks[3]	16,571	14,666	2,317	587	10,139	1,241	1,695	-10,758
27 Other foreign official assets[5]	688	2,585	-2,348	102	-790	-956	-779	177
28 Change in foreign private assets in United States (increase, +)	105,646	159,017	275,702	66,200	83,600[r]	40,384[r]	60,794	90,924
29 U.S. bank-reported *liabilities*[3]	15,461	18,452	106,189	7,370	35,200	25,539	18,353	27,097
30 U.S. nonbank-reported liabilities	13,573	14,282	17,955	4,733	5,867	3,662	8,426	...
31 *Foreign private purchases* of U.S. Treasury securities, net	36,857	24,849	32,925	7,996	9,260	-7,434	5,111	25,988
32 Foreign purchases of other U.S. securities, net	29,867	80,068	58,562	38,008	21,258	13,152	14,168	9,984
33 Foreign direct investments in United States, net	9,888	21,366	60,071	8,093	12,015[r]	5,465[r]	14,736	27,855
34 Allocation of special drawing rights	0	0	0	0	0	0	0	0
35 Discrepancy	17,108	21,096	33,255	4,047	14,436[r]	4,231[r]	-13,557	1,027
36 Due to seasonal adjustment	...	...	...	103	5,899[r]	728[r]	6,686	62
37 *Before seasonal adjustment*	17,108	21,096	33,255	3,944	20,335	4,959	-6,871	-1,089
MEMO								
Changes in official assets								
38 U.S. official reserve assets (increase, -)	3,901	-1,379	5,346	673	-59	3,537	165	2,033
39 Foreign official assets in United States, excluding *line* 25 (increase, +)	38,286	70,015	36,398	23,137	10,592	8,673	18,760	1,627
40 Change in Organization of Petroleum Exporting Countries official assets in United States (part of line 22)	5,942	-3,847	1,049	229	1,674	-4,149	3,726	1,048

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	1992	1993	1994r	1994r July	Aug.	Sept.	Oct.	Nov.	Dec.	1995 Jan.p
1 Goods and services, balance	−40,384	−75,725	−106,370	−10,732	−9,124	−8,879	−9,996	−9,628	−7,261	−12,227
2 Merchandise	−96,097	−132,575	−166,364	−15,955	−14,141	−14,517	−15,117	−15,170	−12,896	−17,191
3 Services	55,713	56,850	59,994	5,223	5,017	5,638	5,121	5,542	5,635	4,964
4 Goods and services, exports	616,924	641,677	698,016	56,510	60,291	60,510	59,881	61,909	63,611	60,697
5 Merchandise	440,361	456,866	502,729	40,101	44,054	43,485	43,289	44,814	46,490	43,978
6 Services	176,563	184,811	195,287	16,409	16,237	17,025	16,592	17,095	17,121	16,719
7 Goods and services, imports	−657,308	−717,402	−804,386	−67,242	−69,415	−69,389	−69,877	−71,537	−70,872	−72,924
8 Merchandise	−536,458	−589,441	−669,093	−56,056	−58,195	−58,002	−58,406	−59,984	−59,386	−61,169
9 Services	−120,850	−127,961	−135,293	−11,186	−11,220	−11,387	−11,471	−11,553	−11,486	−11,755
MEMO										
10 **Balance on merchandise trade, Census basis**	**−84,501**	**−115,568**	**−151,098**	**−14,875**	**−12,788**	**−13,418**	**−13,845**	**−14,092**	**−11,644**	**−16,254**

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	1991	1992	1993	1994 Aug.	Sept.	Oct.	Nov.	Dec.	1995 Jan.	Feb.p
1 **Total**	**77,719**	**71,323**	**73,442**	**75,740**	**76,532**	**78,172**	**74,000**	**74,335**	**76,027**	**81,439**
2 Gold stock, including Exchange Stabilization Fund[1]	11,057	11,056	11,053	11,054	11,054	11,053	11,052	11,051	11,050	11,050
3 Special drawing rights[2,3]	11,240	8,503	9,039	9,837	9,971	10,088	10,017	10,039	10,154	11,158
4 Reserve position in International Monetary Fund[2]	9,488	11,759	11,818	12,161	12,067	12,339	12,037	12,030	12,120	12,853
5 Foreign currencies[4]	45,934	40,005	41,532	42,688	43,440	44,692	40,894	41,215	42,703	46,378

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	1991	1992	1993	1994 Aug.	Sept.	Oct.	Nov.	Dec.	1995 Jan.	Feb.p
1 **Deposits**	**968**	**205**	**386**	**188**	**342**	**223**	**230**	**250**	**185**	**188**
Held in custody										
2 *U.S. Treasury securities*[2]	*281,107*	*314,481*	*379,394*	427,574	429,819	439,854	444,339	441,866	439,139	447,206
3 Earmarked gold[3]	13,303	13,118	12,327	12,044	12,044	12,039	12,037	12,033	12,033	12,033

1. Excludes deposits and U.S. Treasury securities held for international and regional organizations.
2. Marketable U.S. Treasury bills, notes, and bonds and nonmarketable U.S. Treasury securities, in each case measured at face (not market) value.
3. Held in foreign and international accounts and valued at $42.22 per fine troy ounce; not included in the gold stock of the United States.

3.15 SELECTED U.S. LIABILITIES TO FOREIGN OFFICIAL INSTITUTIONS

Millions of dollars, end of period

Item	1992	1993	1994						1995
			July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.[p]
1 **Total**[1]	**412,624**	**482,858**	**516,466**	**518,785**	**520,585**	**531,073**	**523,530**	**519,408**	**516,276**
By type									
2 Liabilities reported by banks in the United States[2]	54,967	69,808	84,889	79,806	82,582	79,436	73,525	72,318	74,045
3 U.S. Treasury bills and certificates[3]	104,596	150,900	146,244	143,400	138,261	147,849	143,132	139,480	132,924
U.S. Treasury bonds and notes									
4 Marketable	210,931	212,253	233,720	242,936	247,624	250,465	253,111	253,693	255,435
5 Nonmarketable[4]	4,532	5,652	5,913	5,952	5,990	6,031	6,069	6,109	6,137
6 U.S. securities other than U.S. Treasury securities[5]	37,598	44,245	45,700	46,691	46,128	47,292	47,693	47,808	47,735
By area									
7 Europe[1]	189,230	206,921	227,466	226,234	225,600	223,205	217,415	214,854	212,423
8 Canada	13,700	15,285	18,656	18,597	19,287	18,402	17,339	17,046	17,852
9 Latin America and Caribbean	37,973	55,898	42,749	44,224	44,427	47,844	45,303	41,326	37,033
10 Asia	164,690	197,758	217,931	221,100	222,971	232,191	233,654	236,174	239,358
11 Africa	3,723	4,052	3,862	4,259	4,388	4,232	4,673	4,179	4,335
12 Other countries[6]	3,306	2,942	5,800	4,369	3,910	5,197	5,144	5,827	5,273

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 U.S. Department of the Treasury data and on data reported to the department by banks (including Federal Reserve Banks) and securities dealers in the United States, and on the 1989 benchmark survey of foreign portfolio investment in the United States.

3.16 LIABILITIES TO, AND CLAIMS ON, FOREIGNERS Reported by Banks in the United States[1] Payable in Foreign Currencies

Millions of dollars, end of period

Item	1991	1992	1993	1994			
				Mar.	June	Sept.	Dec.
1 Banks' liabilities	75,129	72,796	78,120	86,459	72,312	82,183	89,534
2 Banks' claims	73,195	62,799	59,262	72,696	55,978	58,536	54,382
3 Deposits	26,192	24,240	19,404	19,684	20,499	19,623	19,122
4 Other claims	47,003	38,559	39,858	53,012	35,479	38,913	35,260
5 Claims of banks' domestic customers[2]	3,398	4,432	3,058	3,655	4,182	4,987	9,508

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	1992	1993	1994[r]	1994 July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.[p]
BY HOLDER AND TYPE OF LIABILITY										
1 **Total, all foreigners**	**810,259**	**920,995**	**1,003,713**	**997,239**	**993,475**	**993,564**	**1,006,836**	**984,833[r]**	**1,003,713**	**1,005,841**
2 Banks' own liabilities	606,444	622,847	713,253	697,021	692,920	706,331	708,805	686,124[r]	713,253	720,953
3 Demand deposits	21,828	21,574	25,136	23,549	22,962	23,541	24,627	23,969	25,136	27,526
4 Time deposits[2]	160,385	175,116	185,812	185,826	184,552	178,006	181,169	178,399[r]	185,812	188,346
5 Other[3]	93,237	110,144	108,811	127,500	118,816	134,614	133,661	124,104[r]	108,811	119,345
6 Own foreign offices[4]	330,994	316,013	393,494	360,146	366,590	370,170	369,348	359,652[r]	393,494	385,736
7 Banks' custodial liabilities[5]	203,815	298,148	290,460	300,218	300,555	287,233	298,031	298,709[r]	290,460	284,888
8 U.S. Treasury bills and certificates[6]	127,644	176,523	162,504	170,064	170,592	164,341	174,239	168,864[r]	162,504	156,424
9 Other negotiable and readily transferable instruments[7]	21,974	36,289	41,555	46,257	46,416	39,033	37,681	39,854[r]	41,555	40,435
10 Other	54,197	85,336	86,401	83,897	83,547	83,859	86,111	89,991[r]	86,401	88,029
11 Nonmonetary international and regional organizations[8]	9,350	10,936	4,639	7,318	5,323	7,279	7,574	6,207	4,639	6,215
12 Banks' own liabilities	6,951	5,639	4,209	5,511	4,328	6,302	5,797	5,441	4,209	5,749
13 Demand deposits	46	15	29	29	36	28	83	35	29	24
14 Time deposits[2]	3,214	2,780	2,641	3,469	2,691	2,699	2,845	2,817	2,641	3,331
15 Other[3]	3,691	2,844	1,539	2,013	1,601	3,575	2,869	2,589	1,539	2,394
16 Banks' custodial liabilities[5]	2,399	5,297	430	1,807	995	977	1,777	766	430	466
17 U.S. Treasury bills and certificates[6]	1,908	4,275	281	1,082	836	767	1,572	501	281	280
18 Other negotiable and readily transferable instruments[7]	486	1,022	149	725	159	205	205	265	149	181
19 Other	5	0	0	0	0	5	0	0	0	5
20 Official institutions[9]	159,563	220,708	211,798	231,133	223,206	220,843	227,285	216,657	211,798	206,969
21 Banks' own liabilities	51,202	64,231	58,867	73,967	67,619	72,109	67,580	60,735	58,867	62,058
22 Demand deposits	1,302	1,601	1,566	1,472	1,232	1,691	2,028	1,682	1,566	1,598
23 Time deposits[2]	17,939	21,654	22,995	27,497	25,948	26,909	23,801	20,634	22,995	22,622
24 Other[3]	31,961	40,976	34,306	44,998	40,439	43,509	41,751	38,419	34,306	37,838
25 Banks' custodial liabilities[5]	108,361	156,477	152,931	157,166	155,587	148,734	159,705	155,922	152,931	144,911
26 U.S. Treasury bills and certificates[6]	104,596	150,900	139,480	146,244	143,400	138,261	147,849	143,132	139,480	132,924
27 Other negotiable and readily transferable instruments[7]	3,726	5,482	13,245	10,863	12,054	10,407	11,820	12,773	13,245	11,947
28 Other	39	95	206	59	133	66	36	17	206	40
29 Banks[10]	547,320	588,448	674,564	649,670	652,508	646,547	653,356	643,185[r]	674,564	675,235
30 Banks' own liabilities	476,117	476,426	564,548	536,234	536,398	538,016	545,107	532,222[r]	564,548	564,444
31 Unaffiliated foreign banks	145,123	160,413	171,054	176,088	169,808	167,846	175,759	172,570	171,054	178,708
32 Demand deposits	10,170	9,719	13,073	11,792	11,837	10,555	11,023	11,259	13,073	14,369
33 Time deposits[2]	90,296	105,192	111,659	106,888	107,110	101,741	106,646	106,087[r]	111,659	112,191
34 Other[3]	44,657	45,502	46,322	57,408	50,861	55,550	58,090	55,224[r]	46,322	52,148
35 Own foreign offices[4]	330,994	316,013	393,494	360,146	366,590	370,170	369,348	359,652[r]	393,494	385,736
36 Banks' custodial liabilities[5]	71,203	112,022	110,016	113,436	116,110	108,531	108,249	110,963[r]	110,016	110,791
37 U.S. Treasury bills and certificates[6]	11,087	10,707	11,043	10,138	12,249	10,951	10,771	11,690[r]	11,043	10,884
38 Other negotiable and readily transferable instruments[7]	7,555	17,020	14,279	21,446	22,049	15,388	13,248	13,550[r]	14,279	14,182
39 Other	52,561	84,295	84,694	81,852	81,812	82,192	84,230	85,723[r]	84,694	85,725
40 Other foreigners	94,026	100,903	112,712	109,118	112,438	118,895	118,621	118,784[r]	112,712	117,422
41 Banks' own liabilities	72,174	76,551	85,629	81,309	84,575	89,904	90,321	87,726	85,629	88,702
42 Demand deposits	10,310	10,239	10,468	10,256	9,857	11,267	11,493	10,993	10,468	11,535
43 Time deposits[2]	48,936	45,490	48,517	47,972	48,803	46,657	47,877	48,861	48,517	50,202
44 Other[3]	12,928	20,822	26,644	23,081	25,915	31,980	30,951	27,872	26,644	26,965
45 Banks' custodial liabilities[5]	21,852	24,352	27,083	27,809	27,863	28,991	28,300	31,058[r]	27,083	28,720
46 U.S. Treasury bills and certificates[6]	10,053	10,641	11,700	12,600	14,107	14,362	14,047	13,541[r]	11,700	12,336
47 Other negotiable and readily transferable instruments[7]	10,207	12,765	13,882	13,223	12,154	13,033	12,408	13,266[r]	13,882	14,125
48 Other	1,592	946	1,501	1,986	1,602	1,596	1,845	4,251[r]	1,501	2,259
MEMO										
49 Negotiable time certificates of deposit in custody for foreigners	9,111	17,567	17,928	25,589	25,338	19,160	16,813	17,417	17,928	16,487

1. Reporting banks include all types of depository institutions, 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 quarterly Consolidated Reports of Condition filed with bank regulatory agencies. For agencies, branches, and majority-owned subsidiaries of foreign banks, consists principally of amounts owed to the head office or parent foreign bank, and to foreign branches, agencies, or wholly owned subsidiaries of the head office or parent foreign bank.
5. Financial claims on residents of the United States, other than long-term securities, held by or through reporting banks.
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	1992	1993	1994[r]	1994 July	1994 Aug.	1994 Sept.	1994 Oct.	1994 Nov.	1994 Dec.	1995 Jan.[p]
AREA										
1 **Total, all foreigners**	**810,259**	**920,995**	**1,003,713**	**997,239**	**993,475**	**993,564**	**1,006,836**	**984,833[r]**	**1,003,713**	**1,005,841**
2 **Foreign countries**	**800,909**	**910,059**	**999,074**	**989,921**	**988,152**	**986,285**	**999,262**	**978,626[r]**	**999,074**	**999,626**
3 Europe	307,670	376,988	389,658	422,577	419,932	406,937	413,278	393,102[r]	389,658	391,769
4 Austria	1,611	1,917	3,649	3,364	3,349	3,014	3,610	4,264	3,649	3,331
5 Belgium and Luxembourg	20,567	28,627	21,758	25,145	27,159	27,593	23,591	22,346	21,758	21,578
6 Denmark	3,060	4,517	2,776	2,877	2,634	2,128	2,374	2,307	2,776	2,657
7 Finland	1,299	1,872	1,433	2,504	1,747	2,319	2,601	1,587	1,433	2,396
8 France	41,411	39,741	44,704	41,410	41,911	43,143	44,209	41,160	44,704	42,251
9 Germany	18,630	26,613	27,004	30,838	31,046	31,889	33,136	31,049	27,004	28,491
10 Greece	913	1,519	1,389	1,153	1,199	1,227	1,711	1,477	1,389	1,228
11 Italy	10,041	11,559	10,760	11,537	11,725	10,781	10,701	9,685	10,760	10,151
12 Netherlands	7,365	16,096	15,990	18,446	17,199	18,754	18,034	17,310	15,990	14,830
13 Norway	3,314	2,966	2,336	3,731	3,195	2,861	3,400	2,807	2,336	2,306
14 Portugal	2,465	3,366	2,845	2,865	2,867	3,023	2,861	2,919	2,845	2,862
15 Russia	577	2,511	2,063	4,593	3,794	2,899	2,337	2,367	2,063	1,449
16 Spain	9,793	20,493	14,588	17,137	15,455	14,198	16,324	15,038[r]	14,588	15,113
17 Sweden	2,953	2,572	3,093	5,709	4,149	4,651	3,467	3,361	3,093	2,258
18 Switzerland	39,440	41,555	41,863	41,378	43,486	41,050	41,834	41,756	41,863	39,505
19 Turkey	2,666	3,227	3,301	3,515	3,238	3,013	3,133	3,032	3,301	3,598
20 United Kingdom	111,805	133,936	162,527	171,239	174,078	160,361	171,954	162,775	162,527	173,839
21 Yugoslavia[11]	504	570	245	230	227	224	220	240	245	261
22 Other Europe and other former U.S.S.R.[12]	29,256	33,331	27,534	34,906	31,474	33,909	27,981	27,822	27,534	23,865
23 Canada	22,420	20,227	23,947	26,625	26,341	24,660	23,115	23,295	23,947	26,498
24 Latin America and Caribbean	317,228	357,380	417,529	375,700	377,864	384,805	386,867	393,001[r]	417,529	408,971
25 Argentina	9,477	14,477	17,177	14,592	14,806	13,783	15,577	15,950	17,177	12,766
26 Bahamas	82,284	73,150	105,344	87,264	83,260	86,011	88,168	89,597	105,344	99,281
27 Bermuda	7,079	7,830	7,803	10,103	8,422	10,334	8,936	7,615	7,803	8,901
28 Brazil	5,584	5,301	9,121	6,261	5,697	5,670	6,195	6,723[r]	9,121	8,964
29 British West Indies	153,033	190,446	223,525	198,471	204,677	208,452	205,671	211,547[r]	223,525	225,035
30 Chile	3,035	3,183	3,111	3,353	2,988	3,407	3,078	3,741	3,111	2,965
31 Colombia	4,580	3,171	4,603	3,773	3,726	4,027	4,471	4,417[r]	4,603	4,302
32 Cuba	3	33	13	12	13	13	7	7	13	12
33 Ecuador	993	880	874	819	847	823	830	825	874	1,339
34 Guatemala	1,377	1,207	1,117	1,207	1,142	1,103	1,076	1,036[r]	1,117	1,056
35 Jamaica	371	410	520	518	531	565	589	513	520	439
36 Mexico	19,454	28,018	12,232	20,182	20,821	19,937	21,254	19,199[r]	12,232	12,596
37 Netherlands Antilles	5,205	4,195	4,516	4,301	5,058	4,268	4,146	4,838	4,516	3,831
38 Panama	4,177	3,582	4,540	4,087	3,843	4,082	4,077	4,598	4,540	4,803
39 Peru	1,080	926	896	916	1,027	1,079	1,027	935	896	889
40 Uruguay	1,955	1,611	1,595	1,420	1,336	1,399	1,471	1,190[r]	1,595	1,795
41 Venezuela	11,387	12,786	13,954	12,004	13,157	13,297	13,805	13,833[r]	13,954	13,412
42 Other	6,154	6,174	6,588	6,417	6,513	6,555	6,489	6,437	6,588	6,585
43 Asia	143,540	144,639	155,105	151,279	152,530	158,328	163,346	157,086	155,105	159,152
China										
44 People's Republic of China	3,202	4,011	10,063	5,018	4,394	5,062	5,625	8,017	10,063	12,908
45 Republic of China (Taiwan)	8,408	10,633	9,794	8,811	8,737	8,863	9,483	10,929	9,794	9,136
46 Hong Kong	18,499	17,233	17,188	18,759	18,679	18,819	18,244	17,573[r]	17,188	18,425
47 India	1,399	1,114	2,336	1,695	1,777	2,187	2,376	2,377[r]	2,336	2,293
48 Indonesia	1,480	1,986	1,561	1,676	1,835	1,828	1,734	1,613	1,561	1,598
49 Israel	3,773	4,435	5,150	3,822	3,436	3,204	6,607	5,066	5,150	5,470
50 Japan	58,435	61,466	64,030	65,671	65,755	68,242	66,145	63,331	64,030	61,566
51 Korea (South)	3,337	4,913	5,104	5,310	4,873	4,622	4,740	5,016	5,104	4,792
52 Philippines	2,275	2,035	2,709	3,396	3,214	3,135	3,158	3,064	2,709	2,612
53 Thailand	5,582	6,137	6,466	5,222	6,364	6,503	5,682	5,926	6,466	8,216
54 Middle Eastern oil-exporting countries[13]	21,437	15,824	15,433	14,935	15,928	17,138	17,232	17,678	15,433	16,136
55 Other	15,713	14,852	15,271	16,964	17,538	18,725	22,320	16,496	15,271	16,000
56 Africa	5,884	6,633	6,458	6,153	6,360	6,278	6,375	6,939	6,458	6,270
57 Egypt	2,472	2,208	1,839	1,706	1,914	2,014	1,996	2,097	1,839	1,721
58 Morocco	76	99	93	80	82	72	66	67	93	74
59 South Africa	190	451	433	289	417	197	245	693	433	285
60 Zaire	19	12	9	8	8	9	9	10	9	10
61 Oil-exporting countries[14]	1,346	1,303	1,343	1,291	1,156	1,186	1,176	1,227	1,343	1,409
62 Other	1,781	2,560	2,741	2,779	2,783	2,800	2,883	2,845	2,741	2,771
63 Other	4,167	4,192	6,377	7,587	5,125	5,277	6,281	5,203	6,377	6,966
64 Australia	3,043	3,308	5,141	6,288	3,935	3,966	5,114	4,094	5,141	5,395
65 Other	1,124	884	1,236	1,299	1,190	1,311	1,167	1,109	1,236	1,571
66 Nonmonetary international and regional organizations	9,350	10,936	4,639	7,318	5,323	7,279	7,574	6,207	4,639	6,215
67 International[15]	7,434	6,851	3,634	5,446	3,998	5,350	5,847	4,361	3,634	4,852
68 Latin American regional[16]	1,415	3,218	551	612	418	1,058	950	1,094	551	865
69 Other regional[17]	501	867	454	1,260	907	871	777	752	454	498

11. Since December 1992, has excluded Bosnia, Croatia, and Slovenia.

12. Includes the Bank for International Settlements. Since December 1992, has included all parts of the former U.S.S.R. (except Russia), and Bosnia, Croatia, and Slovenia.

13. Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).

14. Comprises Algeria, Gabon, Libya, and Nigeria.

15. Principally the International Bank for Reconstruction and Development. Excludes "holdings of dollars" of the International Monetary Fund.

16. Principally the Inter-American Development Bank.

17. Asian, African, Middle Eastern, and European regional organizations, except the Bank for International Settlements, which is included in "Other Europe."

3.18 BANKS' OWN CLAIMS ON FOREIGNERS Reported by Banks in the United States[1]
Payable in U.S. Dollars

Millions of dollars, end of period

	Area or country	1992	1993	1994[r]	1994						1995
					July	Aug	Sept.	Oct.	Nov.	Dec.	Jan.[p]
1	**Total, all foreigners**	**499,437**	**483,600**	**477,429**	**468,933**	**478,179**	**474,585**	**478,822**	**464,104[r]**	**477,429**	**478,613**
2	**Foreign countries**	**494,355**	**481,195**	**473,306**	**467,537**	**476,220**	**471,321**	**476,817**	**462,811[r]**	**473,306**	**475,627**
3	Europe	123,377	121,253	122,651	123,072	124,237	119,758	131,486	119,780[r]	122,651	124,866
4	Austria	331	413	692	470	442	282	440	369	692	350
5	Belgium and Luxembourg	6,404	6,535	6,644	6,915	6,543	7,250	6,323	6,237	6,644	5,545
6	Denmark	707	382	1,039	622	464	521	880	668	1,039	480
7	Finland	1,418	594	696	735	507	599	591	718	696	722
8	France	14,723	11,497	12,128	13,263	15,992	14,829	16,292	12,906	12,128	12,610
9	Germany	4,222	7,693	6,642	7,927	9,996	8,650	8,496	8,460[r]	6,642	8,461
10	Greece	717	679	592	583	657	613	520	518	592	668
11	Italy	9,047	8,845	6,052	6,039	5,518	5,308	6,652	5,920	6,052	6,730
12	Netherlands	2,468	3,063	2,914	3,006	2,948	2,854	3,358	3,360	2,914	2,870
13	Norway	355	396	504	751	826	650	905	981	504	1,069
14	Portugal	325	834	938	1,035	1,040	1,182	1,056	1,006	938	988
15	Russia	3,147	2,310	949	1,541	1,378	1,272	1,220	1,172	949	1,148
16	Spain	2,755	2,766	3,532	1,900	2,664	2,211	2,731	2,174	3,532	2,944
17	Sweden	4,923	4,082	4,111	3,601	4,168	3,903	3,156	3,596	4,111	3,837
18	Switzerland	4,717	6,567	7,493	9,028	6,938	5,854	7,670	6,544	7,493	9,025
19	Turkey	962	1,287	860	1,208	1,152	1,024	1,142	912[r]	860	548
20	United Kingdom	63,430	60,997	65,435	62,492	61,264	60,518	68,211	62,525	65,435	64,865
21	Yugoslavia[2]	569	536	265	275	273	258	266	266	265	265
22	Other Europe and other former U.S.S.R.[3]	2,157	1,777	1,165	1,681	1,467	1,980	1,577	1,448[r]	1,165	1,741
23	Canada	13,845	18,413	17,974	19,888	19,678	19,226	16,384	17,785[r]	17,974	18,709
24	Latin America and Caribbean	218,078	224,112	220,152	215,608	223,297	220,137	221,254	216,326[r]	220,152	220,529
25	Argentina	4,958	4,427	5,782	5,811	5,876	5,585	5,588	5,717[r]	5,782	5,837
26	Bahamas	60,835	65,060	66,638	67,955	63,358	63,096	65,196	61,219[r]	66,638	64,018
27	Bermuda	5,935	8,034	7,472	5,783	7,328	5,430	5,186	6,697	7,472	14,608
28	Brazil	10,773	11,812	9,449	10,547	10,051	10,278	10,188	9,781[r]	9,449	9,625
29	British West Indies	101,507	97,997	94,264	89,528	100,519	100,657	99,345	95,922[r]	94,264	90,141
30	Chile	3,397	3,616	3,787	3,327	3,410	3,391	3,429	3,628[r]	3,787	3,866
31	Colombia	2,750	3,179	4,003	3,326	3,414	3,459	3,670	3,768	4,003	3,816
32	Cuba	0	0	0	8	0	0	12	0[r]	0	0
33	Ecuador	884	680	685	683	604	624	628	635[r]	685	712
34	Guatemala	262	286	366	308	320	310	337	335	366	349
35	Jamaica	162	195	254	186	210	204	255	251	254	253
36	Mexico	14,991	15,838	17,496	16,378	16,459	16,223	16,825	17,405[r]	17,496	17,300
37	Netherlands Antilles	1,379	2,367	1,018	2,118	2,139	1,295	1,158	1,781	1,018	1,205
38	Panama	4,654	2,892	2,190	2,335	2,386	2,372	2,307	2,304	2,190	2,156
39	Peru	730	653	959	926	924	943	857	884	959	997
40	Uruguay	936	952	485	748	706	711	800	652	485	420
41	Venezuela	2,525	2,907	1,830	2,240	2,146	2,055	1,934	1,921	1,830	1,716
42	Other	1,400	3,217	3,474	3,401	3,447	3,504	3,539	3,426[r]	3,474	3,510
43	Asia	131,789	110,751	106,365	102,408	102,391	105,597	101,197	103,051[r]	106,365	104,745
	China										
44	People's Republic of China	906	2,299	835	951	764	1,177	822	817	835	923
45	Republic of China (Taiwan)	2,046	2,628	1,386	1,786	1,807	1,256	1,467	1,485	1,386	1,245
46	Hong Kong	9,642	10,878	9,171	10,045	9,921	13,066	10,354	11,228	9,171	10,291
47	India	529	589	980	791	829	950	971	1,021	980	1,099
48	Indonesia	1,189	1,522	1,454	1,369	1,363	1,343	1,326	1,364[r]	1,454	1,478
49	Israel	820	826	691	638	675	663	860	696	691	673
50	Japan	79,172	59,616	58,936	53,286	52,597	52,872	50,032	53,356	58,936	54,742
51	Korea (South)	6,179	7,569	9,998	8,112	8,553	8,639	8,948	8,933	9,998	10,533
52	Philippines	2,145	1,408	636	514	533	562	639	583	636	563
53	Thailand	1,867	2,154	2,818	2,839	2,784	2,686	2,756	2,676	2,818	2,795
54	Middle Eastern oil-exporting countries[4]	18,540	14,398	13,732	16,342	16,080	15,293	15,424	14,454	13,732	14,084
55	Other	8,754	6,864	5,728	5,735	6,485	7,090	7,598	6,438	5,728	6,319
56	Africa	4,279	3,857	2,989	3,456	3,659	3,473	3,147	3,085	2,989	2,937
57	Egypt	186	196	225	234	229	250	237	229	225	227
58	Morocco	441	481	429	479	485	490	468	480	429	415
59	South Africa	1,041	633	652	492	656	569	480	454	652	657
60	Zaire	4	4	2	3	3	3	3	3	2	2
61	Oil-exporting countries[5]	1,002	1,129	842	1,194	1,189	1,103	955	879	842	825
62	Other	1,605	1,414	839	1,054	1,097	1,058	1,004	1,040	839	811
63	Other	2,987	2,809	3,175	3,105	2,958	3,130	3,349	2,784	3,175	3,841
64	Australia	2,243	2,072	2,303	1,587	1,390	1,810	2,158	1,687	2,303	2,203
65	Other	744	737	872	1,518	1,568	1,320	1,191	1,097	872	1,638
66	Nonmonetary international and regional organizations[6]	5,082	2,405	4,123	1,396	1,959	3,264	2,005	1,293	4,123	2,986

1. Reporting banks include all types of depository institutions, as well as some brokers and dealers.
2. Since December 1992, has excluded Bosnia, Croatia, and Slovenia.
3. Includes the Bank for International Settlements. Since December 1992, has included all parts of the former U.S.S.R. (except Russia), and Bosnia, Croatia, and Slovenia.
4. Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).
5. Comprises Algeria, Gabon, Libya, and Nigeria.
6. Excludes the Bank for International Settlements, which is included in "Other Europe."

3.19 BANKS' OWN AND DOMESTIC CUSTOMERS' CLAIMS ON FOREIGNERS Reported by Banks in the United States[1] Payable in U.S. Dollars

Millions of dollars, end of period

Type of claim	1992	1993	1994[r]	1994						1995
				July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.[p]
1 **Total**	**559,495**	**535,131**	**546,763**	...	..	**528,287**	...	...	**546,763**	...
2 Banks' claims	499,437	483,600	477,429	468,933	478,179	474,585	478,822	464,104	477,429	478,613
3 Foreign public borrowers	31,367	28,904	22,911	21,536	22,392	24,419	22,144	20,571	22,911	22,827
4 Own foreign offices[2]	303,991	286,880	282,532	283,848	287,022	283,308	287,017	276,503	282,532	278,156
5 Unaffiliated foreign banks	109,342	98,165	109,278	100,922	102,200	100,414	106,566	103,419	109,278	103,913
6 Deposits	61,550	47,039	58,131	50,849	49,809	50,736	52,709	50,418	58,131	53,715
7 Other	47,792	51,126	51,147	50,073	52,391	49,678	53,857	53,001	51,147	50,198
8 All other foreigners	54,737	69,651	62,708	62,627	66,565	66,444	63,095	63,611	62,708	73,717
9 Claims of banks' domestic customers[3]	60,058	51,531	69,334	...	...	53,702	...	...	69,334	...
10 Deposits	15,452	20,006	35,649	...	...	24,441	...	..	35,649	...
11 Negotiable and readily transferable instruments[4]	31,474	17,842	20,658	...	..	16,246	...	...	20,658	...
12 Outstanding collections and other claims	13,132	13,683	13,027	...	...	13,015	...	. .	13,027	...
MEMO										
13 Customer liability on acceptances	8,655	7,854	8,315	...	...	7,605	...	...	8,315	...
14 Dollar deposits in banks abroad, reported by nonbanking business enterprises in the United States[5]	38,623	26,073	26,875	22,880	23,026	24,574	23,268[r]	27,856	26,875	n.a.

1. For banks' claims, data are monthly; for claims of banks' domestic customers, data are for quarter ending with month indicated.

Reporting banks include all types of depository institution, as well as some brokers and dealers.

2. *For U.S. banks, includes amounts due from own foreign branches and foreign* subsidiaries consolidated in quarterly Consolidated Reports of Condition filed with bank regulatory agencies. For agencies, branches, and majority-owned subsidiaries of foreign banks, consists principally of amounts due from the head office or parent foreign bank, and to foreign branches, agencies, or wholly owned subsidiaries of the head office or parent foreign bank.

3. Assets held by reporting banks in the accounts of their domestic customers.

4. Principally negotiable time certificates of deposit 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]	1991	1992	1993	1994			
				Mar.	June	Sept.	Dec.[p]
1 **Total**	**195,302**	**195,119**	**195,180**	**193,306**	**185,359**	**190,159**	**194,184**
By borrower							
2 Maturity of one year or less	162,573	163,325	166,567	166,741	160,270	164,659	169,295
3 Foreign public borrowers	21,050	17,813	17,563	15,953	12,786	16,703	14,937
4 All other foreigners	141,523	145,512	149,004	150,788	147,484	147,956	154,358
5 Maturity of more than one year	32,729	31,794	28,613	26,565	25,089	25,500	24,889
6 Foreign public borrowers	15,859	13,266	10,813	9,260	8,056	7,379	7,675
7 All other foreigners	16,870	18,528	17,800	17,305	17,033	18,121	17,214
By area							
Maturity of one year or less							
8 Europe	51,835	53,300	56,432	58,919	51,037	57,719	56,259
9 Canada	6,444	6,091	7,545	7,272	8,258	7,202	7,251
10 Latin America and Caribbean	43,597	50,376	56,720	58,942	56,552	56,779	58,817
11 Asia	51,059	45,709	40,341	36,007	37,992	36,161	39,751
12 Africa	2,549	1,784	1,821	1,620	1,798	1,496	1,364
13 All other[3]	7,089	6,065	3,708	3,981	4,633	5,302	5,853
Maturity of more than one year							
14 Europe	3,878	5,367	4,404	3,840	3,327	3,609	3,642
15 Canada	3,595	3,287	2,553	2,548	2,451	2,607	2,373
16 Latin America and Caribbean	18,277	15,312	13,863	13,023	12,420	12,145	11,958
17 Asia	4,459	5,038	5,412	4,704	4,607	4,841	4,551
18 Africa	2,335	2,380	1,934	2,001	1,849	1,836	1,549
19 All other[3]	185	410	447	449	435	462	816

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. and Foreign Offices of U.S. Banks[1]

Billions of dollars, end of period

Area or country	1990	1991	1992	1993				1994			
			Dec.	Mar.	June	Sept.	Dec.	Mar.	June	Sept.	Dec.^{p}
1 **Total**	**320.1**	**343.6**	**346.5**	**361.1**	**377.1**	**388.4**	**404.1**	**489.3**	**499.4^{r}**	**504.1^{r}**	**506.8**
2 G-10 countries and Switzerland	132.2	137.6	132.9	142.5	150.0	153.3	161.1	178.1	171.4^{r}	185.0^{r}	187.3
3 Belgium and Luxembourg	.0	6.0	5.6	6.1	7.0	7.1	7.4	8.1	8.8	9.7^{r}	7.0
4 France	10.4	11.0	15.3	13.5	14.0	12.3	11.7	16.4	18.8	20.7^{r}	19.1
5 Germany	10.6	8.3	9.3	9.9	10.8	12.4	12.6	28.7	24.4	23.5^{r}	24.4
6 Italy	5.0	5.6	6.5	6.7	7.9	8.7	7.7	15.5	14.0	11.6	11.8
7 Netherlands	.0	4.7	2.8	3.6	3.7	3.7	4.7	4.1	3.6	3.4	3.5
8 Sweden	2.2	1.9	2.3	3.0	2.5	2.5	2.5	2.8	2.9	2.6	2.7
9 Switzerland	4.4	3.4	4.8	5.3	4.7	5.6	5.9	6.3	6.5	6.2	6.9
10 United Kingdom	60.9	68.5	60.8	65.7	73.5	74.7	84.5	69.9	63.3^{r}	81.5^{r}	81.8
11 Canada	5.9	5.8	6.3	8.2	8.0	9.7	6.7	7.6	9.5	9.8	9.5
12 Japan	24.0	22.6	19.3	20.4	17.9	16.8	17.4	18.7	19.5	16.0	20.5
13 Other industrialized countries	22.9	22.8	24.0	25.4	27.2	26.0	24.6	41.2	41.6	41.5	44.3
14 Austria	1.4	.6	1.2	1.2	1.3	.6	.4	1.0	1.0	1.0	1.1
15 Denmark	1.1	.9	.9	.8	1.0	1.1	1.0	1.1	1.1	.8	1.2
16 Finland	.7	.7	.7	.7	.9	.6	.4	1.0	.8	.8	1.0
17 Greece	2.7	2.6	3.0	2.7	3.1	3.2	3.2	3.8	4.6	4.3	4.5
18 Norway	1.6	1.4	1.2	1.8	1.8	2.1	1.7	1.6	1.6	1.6	2.0
19 Portugal	.6	.6	.4	.7	.9	1.0	.8	1.2	1.1	1.0	1.2
20 Spain	8.3	8.3	8.9	9.5	10.5	9.3	8.9	12.3	11.7	13.1	13.6
21 Turkey	1.7	1.4	1.3	1.4	2.1	2.1	2.1	2.4	2.1	1.8	1.6
22 Other Western Europe	1.2	1.8	1.7	2.0	1.7	2.2	2.6	3.0	2.8	1.0	2.7
23 South Africa	1.8	1.9	1.7	1.6	1.3	1.2	1.1	1.2	1.2	1.2	1.0
24 Australia	1.8	2.7	2.9	2.9	2.5	2.8	2.3	12.7	13.7	15.0	14.4
25 OPEC[2]	12.8	14.5	16.1	16.6	15.7	14.8	16.7	22.5	21.5	21.5	22.1
26 Ecuador	1.0	.7	.6	.6	.6	.5	.5	.5	.5	.4	.5
27 Venezuela	5.0	5.4	5.2	5.1	5.5	5.4	5.1	4.7	4.4	3.9	3.7
28 Indonesia	2.7	2.7	3.0	3.1	3.1	2.8	3.2	3.4	3.2	3.2	3.6
29 Middle East countries	2.5	4.2	6.2	6.6	5.4	4.9	6.7	12.8	12.4	13.0	13.4
30 African countries	1.7	1.5	1.1	1.1	1.1	1.1	1.2	1.1	1.1	1.0	.9
31 Non-OPEC developing countries	65.4	63.9	72.1	74.4	76.7	77.0	82.6	93.5	93.9	91.9	94.9
Latin America											
32 Argentina	5.0	4.8	6.6	7.1	6.6	7.2	7.7	8.7	9.8	10.5	11.1
33 Brazil	14.4	9.6	10.8	11.6	12.3	11.7	12.0	12.5	11.8	9.1	8.2
34 Chile	3.5	3.6	4.4	4.6	4.6	4.7	4.7	5.1	5.1	5.4	6.1
35 Colombia	1.8	1.7	1.8	1.9	1.9	2.0	2.1	2.2	2.4	2.4	2.6
36 Mexico	13.0	15.5	16.0	16.8	16.8	17.5	17.7	18.7	18.3	19.5	18.1
37 Peru	.5	.4	.5	.4	.4	.3	.4	.5	.6	.6	.5
38 Other	2.3	2.1	2.6	2.7	2.7	2.7	3.0	2.7	2.7	2.7	2.5
Asia											
China											
39 Peoples Republic of China	.2	.3	.7	.6	1.6	.5	2.0	.8	.7	1.0	1.1
40 Republic of China (Taiwan)	3.5	4.1	5.2	5.3	5.9	6.4	7.3	7.5	7.1	6.9	9.1
41 India	3.3	3.0	3.2	3.1	3.1	2.9	3.2	3.6	3.7	3.9	4.2
42 Israel	.5	.5	.4	.5	.4	.4	.5	.4	.4	.4	4
43 Korea (South)	6.2	6.8	6.6	6.5	6.9	6.5	6.7	13.9	14.1	13.9	14.1
44 Malaysia	1.9	2.3	3.1	3.4	3.7	4.1	4.4	5.2	5.2	3.9	3.3
45 Philippines	3.8	3.7	3.6	3.4	2.9	2.6	3.1	3.4	3.2	2.9	3.3
46 Thailand	1.5	1.7	2.2	2.2	2.4	2.8	3.1	2.9	3.3	3.4	3.7
47 Other Asia	1.7	2.0	2.7	2.7	2.6	3.0	2.9	3.1	3.5	3.6	4.8
Africa											
48 Egypt	.4	.4	.2	.2	.2	.2	.4	.4	.5	.3	3
49 Morocco	.8	.7	6	.5	.6	.6	.7	7	.7	.7	6
50 Zaire	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
51 Other Africa[3]	1.0	.7	1.0	.8	.9	.8	.8	1.0	.9	.9	8
52 Eastern Europe	2.3	2.4	3.1	2.9	3.2	3.0	3.1	3.4	3.0	3.0^{r}	2.6
53 Russia[4]	.2	.9	1.9	1.7	1.9	1.7	1.6	1.5	1.2	1.1	.8
54 Yugoslavia[5]	1.2	.9	.6	.6	.6	.6	.6	.5	.5	.5	.5
55 Other	.9	.7	.6	.7	.8	.7	.9	1.4	1.4	1.5^{r}	1.3
56 Offshore banking centers	44.7	54.2	58.3	60.3	58.0	67.9	72.5	78.3	76.5^{r}	75.4^{r}	68.8
57 Bahamas	2.9	11.9	6.9	9.7	7.1	12.7	12.6	15.5	13.6	13.9^{r}	10.4
58 Bermuda	4.4	2.3	6.2	4.1	4.5	5.5	8.1	8.4	6.1	5.3	7.3
59 Cayman Islands and other British West Indies	11.7	15.8	21.8	17.6	15.6	15.1	17.0	17.2	20.0	20.4^{r}	18.7
60 Netherlands Antilles	7.9	1.2	1.1	1.6	2.5	2.8	2.3	2.7	2.4	1.7	.9
61 Panama[6]	1.4	1.4	1.9	2.0	2.1	2.1	2.4	2.0	1.9	1.8	1.5
62 Lebanon	.1	.1	.1	.1	.1	.1	.1	.1	.1	.1	.1
63 Hong Kong	9.7	14.4	13.8	16.7	16.9	19.1	18.7	19.7	21.8	20.3	19.8
64 Singapore	6.6	7.1	6.5	8.4	9.3	10.4	11.2	12.7	10.6^{r}	11.8	10.0
65 Other[7]	0	0	0	.0	.0	.0	.1	.0	.0	.0^{r}	.1
66 Miscellaneous and unallocated[8]	39.9	48.0	39.7	38.8	46.2	46.3	43.3	72.0	91.0	85.4^{r}	86.7

1. The banking offices covered by these data include U.S. offices and foreign branches of U.S. banks, including U.S. banks that are subsidiaries of foreign banks. Offices not covered include U.S. agencies and branches of foreign banks. Beginning March 1994, the data include large foreign subsidiaries of U.S. banks. The data also include other types of U.S. depository institutions as well as some types of brokers and dealers. To eliminate duplication, the data are adjusted to exclude the claims on foreign branches held by a U.S. office or another foreign branch of the same banking institution.

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

3. Excludes Liberia. Beginning March 1994 includes Namibia.

4. As of December 1992, excludes other republics of the former Soviet Union.

5. As of December 1992, excludes Croatia, Bosnia and Hercegovinia, and Slovenia.

6. Includes Canal Zone.

7. Foreign branch claims only.

8. Includes New Zealand, Liberia, and international and regional organizations.

3.22 LIABILITIES TO UNAFFILIATED FOREIGNERS Reported by Nonbanking Business Enterprises in the United States[1]

Millions of dollars, end of period

Type of liability, and area or country	1990	1991	1992	1993 June	1993 Sept.	1993 Dec.	1994 Mar.	1994 June	1994 Sept.
1 **Total**	**46,043**	**44,708**	**45,331**	**46,502**	**48,513**	**49,645**	**51,728**	**55,265**	**56,917**
2 Payable in dollars	40,786	39,029	37,276	36,988	39,270	38,361	38,074	42,463	42,536
3 Payable in foreign currencies	5,257	5,679	8,055	9,514	9,243	11,284	13,654	12,802	14,381
By type									
4 Financial liabilities	21,066	22,518	23,661	25,100	26,731	28,254	30,111	33,226	35,580
5 Payable in dollars	16,979	18,104	16,780	16,935	18,705	18,175	18,481	22,424	23,081
6 Payable in foreign currencies	4,087	4,414	6,881	8,165	8,026	10,079	11,630	10,802	12,499
7 Commercial liabilities	24,977	22,190	21,670	21,402	21,782	21,391	21,617	22,039	21,337
8 Trade payables	10,683	9,252	9,566	9,358	9,215	8,787	8,944	9,855	9,534
9 Advance receipts and other liabilities	14,294	12,938	12,104	12,044	12,567	12,604	12,673	12,184	11,803
10 Payable in dollars	23,807	20,925	20,496	20,053	20,565	20,186	19,593	20,039	19,455
11 Payable in foreign currencies	1,170	1,265	1,174	1,349	1,217	1,205	2,024	2,000	1,882
By area or country									
Financial liabilities									
12 Europe	10,978	12,003	13,207	14,199	16,445	18,185	20,293	23,564	23,552
13 Belgium and Luxembourg	394	216	414	268	278	175	525	503	650
14 France	975	2,106	1,623	2,219	2,077	2,326	2,589	1,590	2,241
15 Germany	621	682	889	863	855	975	1,214	939	1,467
16 Netherlands	1,081	1,056	606	585	573	534	564	533	648
17 Switzerland	545	408	569	491	378	634	1,200	631	633
18 United Kingdom	6,357	6,528	8,430	9,118	11,694	12,925	13,595	18,151	16,598
19 Canada	229	292	544	493	663	859	508	698	618
20 Latin America and Caribbean	4,153	4,784	4,053	4,199	3,719	3,359	3,553	3,282	3,159
21 Bahamas	371	537	379	476	1,301	1,148	1,157	1,052	1,112
22 Bermuda	0	114	114	124	114	0	120	115	15
23 Brazil	0	6	19	18	18	18	18	18	7
24 British West Indies	3,160	3,524	2,850	2,901	1,600	1,533	1,613	1,454	1,364
25 Mexico	5	7	12	11	15	17	14	13	15
26 Venezuela	4	4	6	5	5	5	5	5	5
27 Asia[2]	5,295	5,381	5,818	6,039	5,754	5,689	5,601	5,643	8,099
28 Japan	4,065	4,116	4,750	4,857	4,725	4,620	4,589	4,709	6,897
29 Middle Eastern oil-exporting countries[3]	5	13	19	19	23	23	24	24	31
30 Africa	2	6	6	130	132	133	133	9	133
31 Oil-exporting countries[4]	0	4	0	123	124	123	124	0	123
32 All other[5]	409	52	33	40	18	29	23	30	19
Commercial liabilities									
33 Europe	10,310	8,701	7,398	6,804	7,048	6,830	6,545	6,903	6,870
34 Belgium and Luxembourg	275	248	298	269	257	239	252	254	287
35 France	1,218	1,039	700	774	642	654	553	711	742
36 Germany	1,270	1,052	729	603	571	684	577	669	552
37 Netherlands	844	710	535	576	600	688	628	642	674
38 Switzerland	775	575	350	441	536	375	387	472	391
39 United Kingdom	2,792	2,297	2,505	2,186	2,319	2,051	2,155	2,309	2,358
40 Canada	1,261	1,014	1,002	939	845	881	1,037	1,062	1,071
41 Latin America and Caribbean	1,672	1,355	1,533	1,824	1,754	1,663	1,907	2,004	1,787
42 Bahamas	12	3	3	6	4	21	8	2	6
43 Bermuda	538	310	307	356	340	348	493	416	200
44 Brazil	145	219	209	226	214	216	211	217	148
45 British West Indies	30	107	33	16	35	26	19	23	33
46 Mexico	475	307	457	658	576	483	556	705	670
47 Venezuela	130	94	142	172	173	126	150	194	192
48 Asia[2]	9,483	9,334	10,594	10,518	10,915	10,961	10,904	10,898	10,480
49 Japan	3,651	3,721	3,612	3,390	3,726	4,310	4,612	4,385	4,234
50 Middle Eastern oil-exporting countries[3]	2,016	1,498	1,889	1,815	1,968	1,526	1,533	1,813	1,675
51 Africa	844	715	568	665	641	464	490	523	482
52 Oil-exporting countries[4]	422	327	309	378	320	171	199	247	271
53 Other[5]	1,406	1,071	575	652	579	592	734	649	647

1. For a description of the changes in the international statistics tables, see *Federal Reserve Bulletin*, vol. 65, (July 1979), p. 550.
2. Revisions include a reclassification of transactions, which also affects the totals for Asia and the grand totals.
3. Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).
4. Comprises Algeria, Gabon, Libya, and Nigeria.
5. Includes nonmonetary international and regional organizations.

3.23 CLAIMS ON UNAFFILIATED FOREIGNERS Reported by Nonbanking Business Enterprises in the United States[1]

Millions of dollars, end of period

	Type of claim, and area or country	1990	1991	1992	1993			1994		
					June	Sept.	Dec.	Mar.	June	Sept.
1	**Total**	**35,348**	**45,262**	**45,073**	**45,680**	**46,002**	**48,853**	**48,849**	**50,664**	**49,279**
2	Payable in dollars	32,760	42,564	42,281	42,245	42,314	45,523	45,312	47,028	45,938
3	Payable in foreign currencies	2,589	2,698	2,792	3,435	3,688	3,330	3,537	3,636	3,341
	By type									
4	Financial claims	19,874	27,882	26,509	25,632	26,902	28,537	28,607	29,706	27,857
5	Deposits	13,577	20,080	17,695	14,298	14,512	16,815	16,943	17,449	17,494
6	Payable in dollars	12,552	19,080	16,872	13,329	13,503	16,041	16,117	16,598	16,914
7	Payable in foreign currencies	1,025	1,000	823	969	1,009	774	826	851	580
8	Other financial claims	6,297	7,802	8,814	11,334	12,390	11,722	11,664	12,257	10,363
9	Payable in dollars	5,280	6,910	7,890	10,185	11,282	10,641	10,575	11,163	9,304
10	Payable in foreign currencies	1,017	892	924	1,149	1,108	1,081	1,089	1,094	1,059
11	Commercial claims	15,475	17,380	18,564	20,048	19,100	20,316	20,242	20,958	21,422
12	Trade receivables	13,657	14,468	16,007	17,565	16,122	17,372	17,404	18,187	18,698
13	Advance payments and other claims	1,817	2,912	2,557	2,483	2,978	2,944	2,838	2,771	2,724
14	Payable in dollars	14,927	16,574	17,519	18,731	17,529	18,841	18,620	19,267	19,720
15	Payable in foreign currencies	548	806	1,045	1,317	1,571	1,475	1,622	1,691	1,702
	By area or country									
	Financial claims									
16	Europe	9,645	13,441	9,331	9,745	8,376	8,136	7,545	8,093	8,045
17	Belgium and Luxembourg	76	13	8	74	70	131	122	83	114
18	France	371	269	764	781	708	785	753	859	825
19	Germany	367	283	326	383	362	452	419	407	331
20	Netherlands	265	334	515	500	485	502	503	480	503
21	Switzerland	357	581	490	494	512	515	520	495	747
22	United Kingdom	7,971	11,534	6,252	6,579	5,230	4,608	4,136	4,696	4,461
23	Canada	2,934	2,642	1,833	2,034	2,103	2,206	2,573	3,547	3,156
24	Latin America and Caribbean	6,201	10,717	13,893	10,095	12,965	15,834	15,363	15,393	14,019
25	Bahamas	1,090	827	778	827	980	968	1,157	1,187	1,005
26	Bermuda	3	8	40	258	197	125	34	65	52
27	Brazil	68	351	686	590	590	599	567	370	341
28	British West Indies	4,635	9,056	11,747	7,484	10,000	12,807	12,463	12,940	11,786
29	Mexico	177	212	445	665	882	865	782	507	453
30	Venezuela	25	40	29	24	25	161	26	33	32
31	Asia	860	640	864	3,016	2,754	1,785	2,646	2,209	2,154
32	Japan	523	350	668	2,485	2,213	1,047	1,782	1,351	662
33	Middle Eastern oil-exporting countries[2]	8	5	3	10	5	3	5	2	19
34	Africa	37	57	83	125	88	99	76	74	87
35	Oil-exporting countries[3]	0	1	9	1	1	1	0	1	1
36	All other[4]	195	385	505	617	616	477	404	390	396
	Commercial claims									
37	Europe	7,044	8,193	8,451	9,083	8,201	8,897	8,534	8,726	8,678
38	Belgium and Luxembourg	212	194	189	173	163	184	173	179	172
39	France	1,240	1,585	1,537	1,511	1,438	1,941	1,817	1,761	1,763
40	Germany	807	955	933	1,046	935	999	923	920	866
41	Netherlands	555	645	552	565	410	417	351	288	327
42	Switzerland	301	295	362	442	376	424	404	675	533
43	United Kingdom	1,775	2,086	2,094	2,561	2,287	2,268	2,219	2,338	2,430
44	Canada	1,074	1,121	1,286	1,359	1,360	1,355	1,440	1,451	1,506
45	Latin America and Caribbean	2,375	2,655	3,043	3,456	3,071	3,210	3,505	3,809	3,888
46	Bahamas	14	13	28	17	20	11	12	17	33
47	Bermuda	246	264	255	239	225	173	210	285	246
48	Brazil	326	427	357	788	407	462	422	494	472
49	British West Indies	40	41	40	43	39	70	58	66	49
50	Mexico	661	842	924	913	866	946	986	1,000	1,047
51	Venezuela	192	203	345	317	286	295	291	303	385
52	Asia	4,127	4,591	4,866	5,220	5,538	5,836	5,772	6,041	6,391
53	Japan	1,460	1,899	1,903	1,885	2,519	2,154	2,339	2,327	2,439
54	Middle Eastern oil-exporting countries[2]	460	620	693	673	456	709	656	601	612
55	Africa	488	430	554	516	493	513	512	483	457
56	Oil-exporting countries[3]	67	95	78	99	107	84	101	90	68
57	Other[4]	367	390	364	414	437	505	479	448	502

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	1993	1994[r]	1995 Jan.–Jan.	1994 July	1994 Aug.	1994 Sept.	1994 Oct.	1994 Nov.	1994 Dec.	1995 Jan.[p]
	U.S. corporate securities									
STOCKS										
1 Foreign purchases	319,728	355,267	24,999	24,332	29,312	28,849	27,794	28,730[r]	28,224	24,999
2 Foreign sales	298,145	352,645	25,893	25,174	26,400	30,431	29,841	27,658[r]	30,161	25,893
3 **Net purchases, or sales (−)**	**21,583**	**2,622**	**−894**	**−842**	**2,912**	**−1,582**	**−2,047**	**1,072**	**−1,937**	**−894**
4 **Foreign countries**	**21,311**	**2,612**	**−930**	**−846**	**2,914**	**−1,596**	**−2,079**	**1,049**	**−1,939**	**−930**
5 Europe	10,665	6,597	−516	−291	1,424	−1,198	−1,394	216	−1,445	−516
6 France	−103	−216	−255	−68	−22	−63	−198	−25	−117	−255
7 Germany	1,647	2,362	−157	56	73	104	−158	57	−159	−157
8 Netherlands	−600	1,851	278	357	266	−134	316	264	211	278
9 Switzerland	2,986	30	−389	82	136	−104	−655	−555	10	389
10 United Kingdom	4,560	642	253	−830	866	−641	557	565	−1,256	253
11 Canada	−3,213	−1,109	129	−313	−366	57	−416	−116	157	129
12 Latin America and Caribbean	5,724	−1,589	991	−476	989	−625	−516	673	−553	991
13 Middle East[1]	−328	−1,076	−22	−94	281	−431	−75	1	−85	−22
14 Other Asia	8,198	−1,040	−1,469	280	1,031	589	335	273	−149	−1,469
15 Japan	3,825	1,284	−860	555	1,132	761	251	272	−171	−860
16 Africa	63	30	−36	−7	0	10	12	−4	−25	−36
17 Other countries	202	799	−7	55	117	2	25	6	161	−7
18 **Nonmonetary international and regional organizations**	**272**	**10**	**36**	**4**	**−2**	**14**	**32**	**23**	**2**	**36**
BONDS[2]										
19 Foreign purchases	283,946	291,782	19,280	25,166	22,963	19,131	20,204	22,219[r]	18,900	19,280
20 Foreign sales	217,932	230,862	12,800	18,898	15,686	17,540	16,304	15,306	14,719	12,800
21 **Net purchases, or sales (−)**	**66,014**	**60,920**	**6,480**	**6,268**	**7,277**	**1,591**	**3,900**	**6,913[r]**	**4,181**	**6,480**
22 **Foreign countries**	**65,476**	**59,985**	**6,276**	**5,883**	**7,344**	**1,574**	**3,901**	**6,929[r]**	**3,841**	**6,276**
23 Europe	22,586	38,129	6,653	4,531	5,152	2,406	3,546	4,451[r]	2,586	6,653
24 France	2,346	243	157	21	−18	16	105	−106	4	157
25 Germany	885	647	1,516	52	34	−355	449	200	451	1,516
26 Netherlands	−290	3,018	−241	29	610	−64	125	344	28	−241
27 Switzerland	−627	1,052	−85	−192	−9	292	4	489	13	−85
28 United Kingdom	19,686	32,837	5,406	4,409	4,497	1,997	1,475	3,587[r]	1,916	5,406
29 Canada	1,668	3,018	245	625	519	194	460	201	462	245
30 Latin America and Caribbean	15,697	5,081	−655	−527	−81	−1,852	−981	1,290	694	−655
31 Middle East[1]	3,257	750	59	375	157	−76	56	−86	−176	59
32 Other Asia	20,846	12,276	−28	766	1,558	857	745	1,079	251	28
33 Japan	11,569	5,536	396	712	763	340	375	445	−172	−396
34 Africa	1,149	44	21	−23	18	2	20	−4	8	21
35 Other countries	273	687	−19	136	21	43	55	2	16	19
36 **Nonmonetary international and regional organizations**	**538**	**935**	**204**	**385**	**−67**	**17**	**−1**	**−16**	**340**	**204**
	Foreign securities									
37 Stocks, net purchases, or sales (−)	−63,287	−47,174	−195	−3,093	−4,568	679	−4,372	−2,552[r]	−2,114	−195
38 Foreign purchases	245,561	384,060	27,967	29,291	30,534	37,367	29,813	28,263[r]	25,668	27,967
39 Foreign sales[3]	308,848	431,234	28,162	32,384	35,102	36,688	34,185	30,815[r]	27,782	28,162
40 *Bonds, net purchases, or sales (−)*	−70,136	−20,113	1,182	−2,282	861	−1,150	−4,638	−2,598[r]	1,101	1,182
41 Foreign purchases	828,922	904,575	71,889	59,351	67,288	78,604	66,413	66,476[r]	68,775	71,889
42 Foreign sales	899,058	924,688	70,707	61,633	66,427	79,754	71,051	69,074[r]	67,674	70,707
43 ***Net purchases, or sales (−), of stocks and bonds***	**−133,423**	**−67,287**	**987**	**−5,375**	**−3,707**	**−471**	**−9,010**	**−5,150[r]**	**−1,013**	**987**
44 **Foreign countries**	**−133,584**	**−67,807**	**923**	**−5,557**	**−3,890**	**56**	**−8,860**	**−5,103[r]**	**−1,768**	**923**
45 Europe	90,005	−9,799	3,385	−2,490	−174	−2,931	−4,891	−914[r]	−726	3,385
46 Canada	14,997	−7,369	−165	−2,041	−600	865	−814	−910	1,629	−165
47 Latin America and Caribbean	−9,229	−22,337	−466	−1,437	−2,287	4,819	−1,481	−2,281[r]	−512	−466
48 Asia	−15,300	−23,536	−1,749	339	−321	−1,913	−1,503	453[r]	−2,148	−1,749
49 Africa	−185	−623	−2	29	48	−22	−73	−267[r]	−96	−2
50 Other countries	−3,868	−4,143	−80	43	−556	−762	−98	−1,184	85	−80
51 **Nonmonetary international and regional organizations**	**161**	**520**	**64**	**182**	**183**	**−527**	**−150**	**−47**	**755**	**64**

1. Comprises oil-exporting countries as follows: Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).

2. Includes state and local government securities and securities of U.S. government agencies and corporations. Also includes issues of new debt securities sold abroad by U.S. corporations organized to finance direct investments abroad.

3.25 MARKETABLE U.S. TREASURY BONDS AND NOTES Foreign Transactions[1]

Millions of dollars; net purchases, or sales (−) during period

Area or country	1993	1994	1995	1994						1995
			Jan.– Jan.	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.[p]
1 **Total estimated**	**23,451**	**77,594[r]**	**9,313**	**1,710**	**15,160**	**11,085**	**10,587**	**13,106**	**11,495**	**9,313**
2 Foreign countries	23,225	77,667	9,987	2,043	14,744	11,163	9,492	13,069	11,898	9,987
3 Europe	−2,403	38,418	2,906	4,891	8,274	3,922	−1,430	7,780	8,224	2,906
4 Belgium and Luxembourg	1,218	1,053	134	−78	529	−15	32	19	430	134
5 Germany	−9,975	6,669	60	714	1,795	−243	254	924	725	60
6 Netherlands	−515	1,412	2,388	120	−15	−68	954	−2	156	2,388
7 Sweden	1,421	794	−35	100	−158	105	−37	211	61	−35
8 Switzerland	−1,501	395	166	−416	−259	441	−718	−1,512	656	166
9 United Kingdom	6,167	22,657	299	4,820	5,361	3,522	−1,822	7,728	6,196	299
10 Other Europe and former U.S.S.R.	782	5,438	*−106*	*−369*	*1,021*	*180*	*−93*	*412*	*0*	*−106*
11 Canada	10,309	3,178	3,177	2,937	1,888	1,515	−420	−1,352	−557	3,177
12 Latin America and Caribbean	−4,572	−9,845	636	−7,273	−2,310	−666	6,680	713	984	636
13 Venezuela	390	−270	−211	17	−132	19	7	43	91	−211
14 Other Latin America and Caribbean	−5,806	−20,048	3,028	−7,663	3,172	1,487	−449	−2,086	80	3,028
15 Netherlands Antilles	844	10,473	−2,181	373	−5,350	−2,172	7,122	2,756	813	−2,181
16 Asia	20,581	46,247	3,664	2,522	5,987	6,761	4,386	4,942	3,642	3,664
17 Japan	17,070	29,584	3,444	−812	3,681	3,210	2,190	4,551	2,067	3,444
18 Africa	1,156	240	−9	5	80	200	135	−11	58	−9
19 Other	−1,846	−571	−387	−1,039	825	−569	141	997	−453	−387
20 Nonmonetary international and regional organizations	226	−73[r]	−674	−333	416	−78	1,095	37	−403	−674
21 International	−279	54[r]	−708	−425	317	−65	1,074	73	−322	−708
22 Latin American regional	654	75	−6	23	−4	−1	6	4	−3	−6
MEMO										
23 Foreign countries	23,225	77,667	9,987	2,043	14,744	11,163	9,492	13,069	11,898	9,987
24 Official institutions	1,322	41,440[r]	1,742	4,897	9,216	4,688	2,841	2,646	582	1,742
25 Other foreign[2]	21,903	36,227[r]	8,245	−2,854	5,528	6,475	6,651	10,423	11,316	8,245
Oil-exporting countries										
26 Middle East[2]	−8,836	21	−360	12	621	3	445	623	−405	−360
27 Africa[3]	−5	*0*	*0*	*0*	*1*	*0*	*0*	*0*	*−1*	*0*

1. Official and private transactions in marketable U.S. Treasury securities having an original maturity of more than one year. Data are based on monthly transactions reports. Excludes nonmarketable U.S. Treasury bonds and notes held by official institutions of foreign countries.

2. Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).

3. Comprises Algeria, Gabon, Libya, and Nigeria.

3.26 DISCOUNT RATES OF FOREIGN CENTRAL BANKS[1]

Percent per year, averages of daily figures

Country	Rate on Mar. 31, 1995		Country	Rate on Mar. 31, 1995		Country	Rate on Mar. 31, 1995	
	Percent	Month effective		Percent	Month effective		Percent	Month effective
Austria	4.0	Mar. 1995	Germany	4.0	Mar. 1995	Norway	4.75	Feb. 1994
Belgium	4.0	Mar. 1995	Italy	8.25	Feb. 1995	Switzerland	3.0	Mar. 1995
Canada	8.47	Mar. 1995	Japan	1.75	Sept. 1993	United Kingdom	12.0	Sept. 1992
Denmark	6.0	Mar. 1995	Netherlands	4.0	Mar. 1995			
France[2]	5.0	July 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	1992	1993	1994	1994				1995		
				Sept.	Oct	Nov.	Dec.	Jan.	Feb.	Mar.
1 Eurodollars	3.70	3.18	4.63	5.01	5.52	5.78	6.27	6.23	6.14	6.15
2 United Kingdom	9.56	5.88	5.45	5.65	5.83	5.98	6.30	6.50	6.68	6.61
3 Canada	6.76	5.14	5.57	5.61	5.56	5.77	6.75	7.86	8.14	8.32
4 Germany	9.42	7.17	5.25	4.95	5.12	5.10	5.29	5.04	5.00	4.96
5 Switzerland	7.67	4.79	4.03	4.00	4.02	3.86	4.07	3.95	3.77	3.62
6 Netherlands	9.25	6.73	5.09	4.98	5.12	5.15	5.35	5.09	5.03	5.03
7 France	10.14	8.30	5.72	5.50	5.52	5.49	5.82	5.76	5.70	7.77
8 Italy	13.91	10.09	8.45	8.68	8.80	8.72	8.98	9.10	9.07	10.98
9 Belgium	9.31	8.10	5.65	5.34	5.15	5.09	5.42	5.29	5.33	6.21
10 Japan	4.39	2.96	2.24	2.31	2.33	2.33	2.34	2.31	2.27	2.11

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	1992	1993	1994	1994			1995		
				Oct.	Nov.	Dec.	Jan.	Feb.	Mar.
1 Australia/dollar[2]	73.521	67.993	73.161	73.787	75.492	77.389	76.469	74.473	73.452
2 Austria/schilling	10.992	11.639	11.409	10.695	10.838	11.063	10.769	10.573	9.898
3 Belgium/franc	32.148	34.581	33.426	31.284	31.694	32.329	31.542	30.908	29.035
4 Canada/dollar	1.2085	1.2902	1.3664	1.3503	1.3647	1.3893	1.4132	1.4005	1.4077
5 China, P.R./yuan	5.5206	5.7795	8.6295	8.5492	8.5370	8.3833	8.4608	8.4553	8.4483
6 Denmark/krone	6.0372	6.4863	6.3561	5.9479	6.0268	6.1614	6.0311	5.9302	5.6281
7 Finland/markka	4.4865	5.7251	5.2340	4.6866	4.7388	4.8590	4.7505	4.6547	4.3967
8 France/franc	5.2935	5.6669	5.5459	5.2025	5.2867	5.4132	5.2912	5.2252	4.9756
9 Germany/deutsche mark	1.5618	1.6545	1.6216	1.5195	1.5396	1.5716	1.5302	1.5022	1.4061
10 Greece/drachma	190.81	229.64	242.50	233.06	237.38	242.96	238.21	236.17	228.53
11 Hong Kong/dollar	7.7402	7.7357	7.7290	7.7276	7.7306	7.7379	7.7439	7.7314	7.7318
12 India/rupee	28.156	31.291	31.394	31.373	31.394	31.389	31.374	31.380	31.587
13 Ireland/pound[2]	170.42	146.47	149.69	158.64	156.39	153.36	155.67	156.20	159.76
14 Italy/lira	1,232.17	1,573.41	1,611.49	1,548.29	1,583.81	1,633.71	1,611.53	1,620.58	1,688.99
15 Japan/yen	126.78	111.08	102.18	98.35	98.04	100.18	99.77[r]	98.24	90.52
16 Malaysia/ringgit	2.5463	2.5738	2.6237	2.5589	2.5604	2.5626	2.5556	2.5526	2.5464
17 Netherlands/guilder	1.7587	1.8585	1.8190	1.7028	1.7261	1.7601	1.7159	1.6844	1.5774
18 New Zealand/dollar[2]	53.792	54.127	59.358	60.898	62.093	63.726	64.018	63.448	64.598
19 Norway/krone	6.2142	7.1009	7.0553	6.6166	6.7297	6.8561	6.6968	6.5974	6.2730
20 Portugal/escudo	135.07	161.08	165.93	155.26	157.27	161.21	157.86	155.36	147.92
21 Singapore/dollar	1.6294	1.6158	1.5275	1.4761	1.4682	1.4657	1.4532	1.4541	1.4216
22 South Africa/rand	2.8524	3.2729	3.5526	3.5420	3.5256	3.5614	3.5404	3.5629	3.6013
23 South Korea/won	784.66	805.75	806.93	801.98	799.46	794.81	793.08	793.19	781.81
24 Spain/peseta	102.38	127.48	133.88	126.34	128.34	132.31	132.62	130.52	128.58
25 Sri Lanka/rupee	44.013	48.211	49.170	49.112	49.163	49.531	49.870	49.895	49.627
26 Sweden/krona	5.8258	7.7956	7.7161	7.2631	7.3637	7.5161	7.4774	7.3914	7.2787
27 Switzerland/franc	1.4064	1.4781	1.3667	1.2648	1.2956	1.3289	1.2863	1.2715	1.1709
28 Taiwan/dollar	25.160	26.416	26.465	26.132	26.188	26.381	26.300	26.339	26.102
29 Thailand/baht	25.411	25.333	25.161	25.001	24.992	25.109	25.133	25.020	24.760
30 United Kingdom/pound[2]	176.63	150.16	153.19	160.64	158.92	155.87	157.46	157.20	160.02
MEMO									
31 United States/dollar[3]	86.61	93.18	91.32	86.66	87.71	89.64	88.30[r]	87.29	83.69

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).

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4.23 TERMS OF LENDING AT COMMERCIAL BANKS Survey of Loans Made, February 6–10, 1995[1]

Commercial and Industrial Loans

Characteristic	Amount of loans (thousands of dollars)	Average size (thousands of dollars)	Weighted average maturity[2]	Loan rate (percent)		Loans secured by collateral (percent)	Loans made under commitment (percent)	Participation loans (percent)	Most common base pricing rate[5]
			Days	Weighted average effective[3]	Standard error[4]				
ALL BANKS									
1 Overnight[6]	13,341,829	8,469	*	6.67	.23	8.0	55.7	3.6	Other
2 One month or less (excluding overnight)	12,874,605	1,755	15	7.15	17	20.3	58.9	7.2	Other
3 Fixed rate	10,566,420	2,657	13	7.00	.21	15.2	53.1	7.5	Other
4 Floating rate	2,308,185	687	22	7.82	25	43.9	85.4	6.0	Foreign
5 More than one month and less than one year	10,119,116	194	157	8 18	.14	40.1	78.9	6.9	Prime
6 Fixed rate	4,307,767	198	121	7.48	.15	26.9	76.8	9.2	Foreign
7 Floating rate	5,811,348	191	183	8.70	.23	49 9	80.5	5.1	Prime
8 Demand[7]	15,875,734	298	*	8.00	.16	57.9	62.7	3.8	Prime
9 Fixed rate	4,786,759	987	*	6.74	21	20.1	54.5	3.9	Other
10 Floating rate	11,088,976	229	*	8.54	.18	74.1	66 2	3.7	Prime
11 **Total short-term**	**52,211,284**	**456**	**49**	**7.49**	**.14**	**32.4**	**63.1**	**5.2**	**Other**
12 Fixed rate (thousands of dollars)	33,002,622	1,025	24	6.89	16	14 5	57.5	5.6	Other
13 1–99	310,131	12	155	9.33	.20	83.1	45.9	.5	Other
14 100–499	327,143	220	69	8.36	.22	61.4	71.5	4.9	Other
15 500–999	494,935	677	53	7.89	.17	43.0	73.0	5.5	Other
16 1,000–4,999	4,706,479	2,310	39	7.32	.10	26.4	72.2	4.7	Other
17 5,000–9,999	5,259,726	6,616	27	7.00	.08	18.2	71.6	9.4	Other
18 10,000 or more	21,904,208	20,220	18	6.70	.07	8.8	50.5	5.0	Other
19 Floating rate (thousands of dollars)	19,208,662	234	137	8.50	.19	63.2	72.8	4.4	Prime
20 1–99	1,580,027	26	159	10.30	.04	82.0	85.1	2.8	Prime
21 100–499	3,325,193	200	155	9.86	.03	77.3	85.6	5.7	Prime
22 500–999	1,663,779	669	172	9 54	.12	69.6	81.2	5.5	Prime
23 1,000–4,999	4,142,326	1,973	149	8.76	.13	62.0	85.8	8.0	Prime
24 5,000–9,999	1,909,577	6,618	131	7.77	.29	41.2	78.0	3.5	Prime
25 10,000 or more	6,587,761	21,928	110	7.18	.47	57.0	51 7	2.0	Fed funds
			Months						
26 **Total long-term**	**6,729,813**	**270**	**47**	**8.80**	**.15**	**70.1**	**75.1**	**5.1**	**Prime**
27 Fixed rate (thousands of dollars)	1,655,151	157	59	8.20	.24	66.6	64.5	3.9	Other
28 1–99	191,827	22	50	9.82	.21	94.7	33.0	.3	Other
29 100–499	208,452	180	60	9 13	.17	90.0	68.1	.7	Other
30 500–999	165,819	590	69	8.07	55	74.6	64.4	.8	Other
31 1,000 or more	1,089,055	3,841	59	7.75	.33	56.0	69.4	5.6	Other
32 Floating rate (thousands of dollars)	5,074,661	351	43	9.00	14	71 2	78.5	5 5	Prime
33 1–99	301,207	32	40	10.12	.02	90.3	66.0	8.8	Prime
34 100–499	751,404	222	40	9.69	.06	81.3	78.7	9.9	Prime
35 500–999	590,225	686	37	9.62	.22	79.3	79.7	6.7	Prime
36 1,000 or more	3,431,825	3,723	44	8 65	.30	65.9	79.4	4.0	Prime
			Days	Loan rate (percent)					Prime rate[9]
				Effective[3]	Nominal[8]				
LOANS MADE BELOW PRIME[10]									
37 Overnight[6]	13,143,078	9,645	*	6.63	6.42	7.1	55 0	3.7	9.00
38 One month or less (excluding overnight)	12,299,429	3,849	15	7.01	6.78	18.0	58.3	7 5	9.00
39 More than one month and less than one year	6,697,003	717	147	7.18	7.01	24 4	80.4	7.6	9.06
40 Demand[7]	9,523,128	2,093	*	6 77	6.68	45.0	44.1	2.7	9.00
41 **Total short-term**	**41,662,637**	**2,259**	**37**	**6.86**	**6.68**	**21.8**	**57.6**	**5.2**	**9.01**
42 Fixed rate	31,960,291	2,707	22	6.79	6.61	13.0	57.4	5.6	9.01
43 Floating rate	9,702,347	1,462	119	7.08	6.92	50.7	58.2	3.7	9.03
			Months						
44 **Total long-term**	**3,000,086**	**589**	**42**	**7.40**	**7.27**	**55.1**	**79.1**	**4.5**	**9.08**
45 Fixed rate	1,034,466	321	39	7.18	7.07	52.0	61.4	6.2	9.12
46 Floating rate	1,965,619	1,050	44	7.52	7.38	56.7	88.4	3.6	9.05

Footnotes appear at the end of the table.

4.23 TERMS OF LENDING AT COMMERCIAL BANKS Survey of Loans Made, February 6–10, 1995—Continued

Commercial and industrial loans—Continued

Characteristic	Amount of loans (thousands of dollars)	Average size (thousands of dollars)	Weighted average maturity[2]	Loan rate (percent)		Loans secured by collateral (percent)	Loans made under commitment (percent)	Participation loans (percent)	Most common base pricing rate[5]
			Days	Weighted average effective[3]	Standard error[4]				
LARGE BANKS									
1 Overnight[6]	9,248,362	7,895	*	6.75	.20	8.9	57.2	1.7	Other
2 One month or less (excluding overnight)	10,580,960	4,902	15	7.14	.17	21.2	58.3	8.4	Other
3 Fixed rate	8,597,986	5,969	13	7.02	.11	16.0	51.5	8.9	Other
4 Floating rate	1,982,974	2,761	22	7.67	.28	43.5	87.7	6.2	Foreign
5 More than one month and less than one year	6,074,930	871	143	7.82	.14	32.5	80.5	8.4	Foreign
6 Fixed rate	2,852,024	2,741	109	7.43	.13	26.5	77.7	13.7	Other
7 Floating rate	3,222,907	543	174	8.15	.22	37.8	82.9	3.7	Prime
8 Demand[7]	10,271,619	478	*	7.67	.17	55.5	53.0	4.8	Prime
9 Fixed rate	3,483,230	3,203	*	6.58	.18	10.2	46.0	4.5	Domestic
10 Floating rate	6,788,389	333	*	8.23	.21	78.7	56.6	4.9	Prime
11 **Total short-term**	**36,175,871**	**1,137**	**40**	**7.30**	**.14**	**29.7**	**60.2**	**5.7**	**Other**
12 Fixed rate (thousands of dollars)	24,181,601	5,102	21	6.90	.12	13.7	56.0	6.1	Other
13 1–99	17,863	27	87	8.72	.41	71.6	76.1	2.8	Other
14 100–499	169,551	250	67	8.03	.20	55.2	75.7	3.7	Other
15 500–999	308,828	670	48	7.67	.09	41.0	85.1	7.4	Other
16 1,000–4,999	3,401,799	2,290	34	7.29	.10	25.3	69.6	6.0	Other
17 5,000–9,999	3,953,181	6,742	20	7.07	.09	17.8	67.7	9.1	Other
18 10,000 or more	16,330,379	18,857	18	6.75	.08	9.2	49.5	5.4	Other
19 Floating rate (thousands of dollars)	11,994,269	443	116	8.11	.19	61.9	68.8	4.8	Prime
20 1–99	541,999	32	151	10.21	.07	80.7	89.0	1.7	Prime
21 100–499	1,465,990	202	156	9.76	.10	75.3	90.4	4.4	Prime
22 500–999	765,789	661	172	9.38	.11	67.1	90.1	6.9	Prime
23 1,000–4,999	2,334,432	2,013	143	8.63	.18	57.0	84.8	10.8	Prime
24 5,000–9,999	1,233,250	6,509	99	7.45	.39	42.0	79.4	5.5	Foreign
25 10,000 or more	5,652,810	24,274	97	7.24	.49	62.3	49.5	2.3	Fed funds
			Months						
26 **Total long-term**	**4,115,294**	**734**	**39**	**8.67**	**.15**	**63.6**	**82.7**	**3.9**	**Prime**
27 Fixed rate (thousands of dollars)	719,774	1,040	35	7.75	.26	65.0	86.4	8.6	Other
28 1–99	9,924	30	45	9.71	.22	89.0	57.3	.0	Other
29 100–499	40,573	209	47	8.46	.31	67.1	80.5	.6	Other
30 500–999	35,711	657	44	7.52	.65	43.1	95.0	.0	Foreign
31 1,000 or more	633,565	5,572	34	7.68	.40	65.8	86.8	9.7	Other
32 Floating rate (thousands of dollars)	3,395,520	691	40	8.86	.13	63.2	81.9	2.9	Prime
33 1–99	71,099	34	29	9.75	.07	86.9	86.3	2.9	Prime
34 100–499	394,557	235	35	9.60	.07	76.0	86.1	6.6	Prime
35 500–999	329,831	683	38	9.39	.14	73.6	83.6	5.4	Prime
36 1,000 or more	2,600,033	3,868	42	8.66	.35	59.3	80.9	2.0	Prime
			Days	Loan rate (percent)					Prime rate[9]
				Effective[3]	Nominal[8]				
LOANS MADE BELOW PRIME[10]									
37 Overnight[6]	9,089,995	8,949	*	6.70	6.49	7.9	56.4	1.7	9.00
38 One month or less (excluding overnight)	10,245,228	6,279	15	7.04	6.81	19.7	58.1	8.6	9.00
39 More than one month and less than one year	4,690,086	3,018	135	7.12	6.94	24.9	80.1	9.2	9.00
40 Demand[7]	7,119,522	4,006	*	6.73	6.62	47.7	35.1	3.0	8.99
41 ***Total short-term***	**31,144,831**	**5,209**	**33**	**6.88**	**6.69**	**23.4**	**55.7**	**5.4**	**9.00**
42 Fixed rate	23,679,074	5,916	20	6.84	6.64	12.9	55.9	6.0	9.00
43 Floating rate	7,465,757	3,778	102	7.03	6.85	56.8	54.8	3.5	8.99
			Months						
44 **Total long-term**	**1,847,959**	**2,148**	**40**	**7.24**	**7.09**	**46.7**	**93.9**	**5.4**	**9.00**
45 Fixed rate	528,088	1,811	38	7.16	7.07	57.8	86.5	11.7	9.00
46 Floating rate	1,319,870	2,320	41	7.27	7.10	42.3	96.9	2.8	9.00

Footnotes appear at the end of the table.

4.23 TERMS OF LENDING AT COMMERCIAL BANKS Survey of Loans Made, February 6–10, 1995[1]—Continued

Commercial and industrial loans—Continued

Characteristic	Amount of loans (thousands of dollars)	Average size (thousands of dollars)	Weighted average maturity[2]	Loan rate (percent)		Loans secured by collateral (percent)	Loans made under commitment (percent)	Participation loans (percent)	Most common base pricing rate[5]
			Days	Weighted average effective[3]	Standard error[4]				
OTHER BANKS									
1 Overnight[6]	4,093,467	10,130	*	6.50	.29	6.1	52.3	8.0	Fed funds
2 One month or less (excluding overnight)	2,293,645	443	14	7.19	.24	16.4	61.9	1.6	Fed funds
3 Fixed rate	1,968,434	776	13	6.93	.32	11.4	60.3	1.0	Fed funds
4 Floating rate	325,211	123	21	8.80	.29	46.2	71.3	4.8	Prime
5 More than one month and less than one year	4,044,186	90	176	8.73	.16	51.6	76.6	4.6	Prime
6 Fixed rate	1,455,744	70	145	7.58	.18	27.8	74.9	.3	Foreign
7 Floating rate	2,588,442	106	194	9.38	.22	64.9	77.5	6.9	Prime
8 Demand[7]	5,604,116	176	*	8.61	.18	62.2	80.5	2.0	Prime
9 Fixed rate	1,303,529	347	*	7.18	.26	46.7	77.4	2.3	Other
10 Floating rate	4,300,587	153	*	9.04	.19	66.9	81.4	1.9	Prime
11 **Total short-term**	**16,035,413**	**194**	**72**	**7.90**	**.16**	**38.7**	**69.6**	**4.1**	**Prime**
12 Fixed rate (thousands of dollars)	8,821,020	321	32	6.87	.18	16.9	61.5	4.3	Fed funds
13 1–99	292,268	12	158	9.37	.23	83.8	44.1	.3	Other
14 100–499	157,592	195	72	8.71	.28	68.0	66.8	6.2	Other
15 500–999	186,107	690	64	8.25	.28	46.5	52.9	2.4	Other
16 1,000–4,999	1,304,679	2,363	55	7.41	.20	29.5	78.8	1.1	Other
17 5,000–9,999	1,306,545	6,263	49	6.78	.11	19.1	83.4	10.5	Fed funds
18 10,000 or more	5,573,829	25,657	16	6.54	.21	7.4	53.4	3.9	Fed funds
19 Floating rate (thousands of dollars)	7,214,393	131	175	9.15	.21	65.3	79.6	3.8	Prime
20 1–99	1,038,028	24	161	10.34	.04	82.7	83.1	3.3	Prime
21 100–499	1,859,203	199	155	9.93	.06	78.9	81.8	6.7	Prime
22 500–999	897,989	676	172	9.68	.17	71.8	73.7	4.4	Prime
23 1,000–4,999	1,807,894	1,924	162	8.92	.23	68.4	87.1	4.4	Prime
24 5,000–9,999	676,327	6,827	204	8.35	.55	39.8	75.4	.0	Prime
25 10,000 or more	934,951	13,840	330	6.79	.49	24.8	65.0	.0	Other
			Months						
26 **Total long-term**	**2,614,518**	**135**	**58**	**9.02**	**.17**	**80.3**	**63.2**	**7.0**	**Prime**
27 Fixed rate (thousands of dollars)	935,378	95	78	8.55	.29	67.8	47.7	.3	Other
28 1–99	181,902	21	50	9.83	.21	95.0	31.7	.3	Other
29 100–499	167,879	174	63	9.29	.21	95.6	65.1	.7	Other
30 500–999	130,107	574	76	8.23	.75	83.3	56.0	1.0	Other
31 1,000 or more	455,490	2,682	94	7.85	.77	42.4	45.3	.0	Other
32 Floating rate (thousands of dollars)	1,679,141	176	48	9.29	.19	87.3	71.8	10.7	Prime
33 1–99	230,107	32	44	10.24	.06	91.4	59.7	10.6	Prime
34 100–499	356,847	210	46	9.79	.16	87.1	70.5	13.5	Prime
35 500–999	260,394	689	36	9.91	.32	86.6	74.7	8.4	Prime
36 1,000 or more	831,792	3,334	53	8.62	.37	86.5	74.8	10.1	Prime
			Days	Loan rate (percent)					Prime rate[9]
				Effective[3]	Nominal[8]				
LOANS MADE BELOW PRIME[10]									
37 Overnight[6]	4,053,083	11,685	*	6.46	6.26	5.2	51.8	8.1	9.00
38 *One month or less (excluding overnight)*	*2,054,201*	*1,314*	*13*	*6.85*	*6.63*	*9.5*	*59.3*	*1.7*	*9.02*
39 More than one month and less than one year	2,006,916	258	177	7.33	7.17	23.1	81.1	4.0	9.20
40 Demand[7]	2,403,605	867	*	6.90	6.87	37.3	70.8	1.8	9.03
41 **Total short-term**	**10,517,806**	**844**	**48**	**6.80**	**6.65**	**16.8**	**63.2**	**4.6**	**9.05**
42 Fixed rate	8,281,217	1,061	29	6.68	6.50	13.2	61.5	4.6	9.02
43 Floating rate	2,236,590	480	183	7.27	7.17	30.1	69.5	4.7	9.14
			Months						
44 **Total long-term**	**1,152,127**	**272**	**46**	**7.67**	**7.57**	**68.4**	**55.3**	**3.1**	**9.20**
45 Fixed rate	506,378	173	39	7.20	7.06	46.0	35.1	.5	9.25
46 Floating rate	645,749	495	51	8.03	7.97	86.1	71.0	5.1	9.16

Footnotes appear at the end of the table.

4.23 TERMS OF LENDING AT COMMERCIAL BANKS Survey of Loans Made, February 6–10, 1995—Continued

NOTES

1. The survey of terms of bank lending to business collects data on gross loan extensions made during the first full business week in the mid-month of each quarter by a sample of 340 commercial banks of all sizes. A sample of 250 banks reports loans to farmers. The sample data are blown up to estimate the lending terms at all insured commercial banks during that week. The estimated terms of bank lending are not intended for use in collecting the terms of loans extended over the entire quarter or residing in the portfolios of those banks. Construction and land development loans include both unsecure loans and loans secured by real estate. Thus, some of the construction and land development loans would be reported on the statement of condition as real estate loans and the remainder as business loans. Mortgage loans, purchased loans, foreign loans, and loans of less that $1,000 are excluded from the survey. As of September 30, assets of most of the large banks were at least $7.0 billion. For all insured banks, total assets averaged $275 million.

2. Average maturities are weighted by loan size; excludes demand loans.

3. Effective (compounded) annual interest rate calculated from the stated rate and other terms of the loans and weighted by loan size.

4. The chances are about two out of three that the average rate shown would differ by less than the amount of the standard error from the average rate that would be found by a complete survey of lending at all banks.

5. The rate used to price the largest dollar volume of loans. Base pricing rates include the *prime* rate (sometimes referred to as a bank's "basic" or "reference" rate); the *federal funds* rate; *domestic* money market rates other than the *federal funds* rate; *foreign* money market rates; and *other* base rates not included in the foregoing classifications.

6. Overnight loans mature on the following business day.

7. Demand loans have no stated date of maturity.

8. Nominal (not compounded) annual interest rate calculated from the stated rate and other terms of the loans and weighted by loan size.

9. Calculated by weighting the prime rate reported by each bank by the volume of loans reported by that bank, summing the results, and then averaging over all reporting banks.

10. The proportion of loans made at rates below the prime may vary substantially from the proportion of such loans outstanding in banks' portfolios.

4.30 ASSETS AND LIABILITIES of U.S. Branches and Agencies of Foreign Banks, December 31, 1994[1]

Millions of dollars, except as noted

Item	All states[2]		New York		California		Illinois	
	Total including IBFs[3]	IBFs only[3]	Total including IBFs	IBFs only	Total including IBFs	IBFs only	Total including IBFs	IBFs only
1 **Total assets**[4]	**750,044**	**333,929**	**583,311**	**275,995**	**70,820**	**32,047**	**56,718**	**17,644**
2 Claims on nonrelated parties	673,163	192,311	521,178	162,193	65,259	13,862	55,967	11,161
3 Cash and balances due from depository institutions	155,467	128,944	138,309	113,805	5,862	5,276	9,870	9,128
4 Cash items in process of collection and unposted debits	2,577	0	2,407	0	7	0	108	0
5 Currency and coin (U.S. and foreign)	24	n.a.	17	n.a.	1	n.a.	1	n.a.
6 Balances with depository institutions in United States	94,842	74,381	84,132	65,237	4,138	3,614	5,775	5,225
7 U.S. branches and agencies of other foreign banks (including IBFs)	89,469	71,466	79,345	62,411	3,853	3,552	5,674	5,200
8 Other depository institutions in United States (including IBFs)	5,373	2,914	4,788	2,826	284	62	101	25
9 Balances with banks in foreign countries and with foreign central banks	57,208	54,564	51,054	48,568	1,680	1,663	3,978	3,903
10 Foreign branches of U.S. banks	1,755	1,513	1,686	1,445	11	10	41	41
11 Other banks in foreign countries and foreign central banks	55,453	53,051	49,368	47,123	1,670	1,652	3,937	3,862
12 Balances with Federal Reserve Banks	816	n.a.	699	n.a.	35	n.a.	9	n.a.
13 **Total securities and loans**	**379,705**	**52,377**	**260,652**	**38,665**	**53,802**	**7,788**	**37,380**	**1,707**
14 Total securities, book value	85,577	12,239	77,936	11,049	4,368	663	2,607	503
15 U.S. Treasury	24,650	n.a.	23,460	n.a.	660	n.a.	427	n.a.
16 Obligations of U.S. government agencies and corporations	20,414	n.a.	19,851	n.a.	341	n.a.	35	n.a.
17 Other bonds, notes, debentures, and corporate stock (including state and local securities)	40,514	12,239	34,626	11,049	3,367	663	2,146	503
18 Federal funds sold and securities purchased under agreements to resell	60,159	5,856	56,368	5,362	1,038	299	2,216	110
19 U.S. branches and agencies of other foreign banks	11,205	3,774	9,876	3,562	514	102	626	100
20 Commercial banks in United States	17,404	250	15,984	165	280	0	796	10
21 Other	31,550	1,832	30,508	1,635	244	197	795	0
22 Total loans, gross	294,254	40,147	182,797	27,620	49,462	7,128	34,780	1,205
23 LESS: Unearned income on loans	127	8	81	4	27	2	7	0
24 EQUALS: Loans, net	294,127	40,139	182,716	27,616	49,435	7,125	34,773	1,204
Total loans, gross, by category								
25 Real estate loans	39,699	286	22,484	118	12,006	167	3,195	0
26 Loans to depository institutions	39,170	25,358	25,946	16,337	7,416	5,328	1,697	784
27 Commercial banks in United States (including IBFs)	18,954	9,462	11,562	5,042	5,583	3,684	1,408	554
28 U.S. branches and agencies of other foreign banks	16,099	9,021	9,636	4,692	5,442	3,629	758	544
29 Other commercial banks in United States	2,855	441	1,926	350	142	55	650	10
30 Other depository institutions in United States (including IBFs)	22	0	22	0	0	0	0	0
31 Banks in foreign countries	20,194	15,897	14,363	11,295	1,833	1,644	289	230
32 Foreign branches of U.S. banks	460	424	446	420	6	3	0	0
33 Other banks in foreign countries	19,734	15,473	13,917	10,876	1,827	1,641	289	230
34 Loans to other financial institutions	24,801	762	20,470	629	1,538	28	2,214	72
35 Commercial and industrial loans	171,183	10,991	98,243	8,003	27,599	1,526	25,573	329
36 U.S. addressees (domicile)	151,044	58	84,030	47	24,981	3	24,755	0
37 Non-U.S. addressees (domicile)	20,139	10,933	14,213	7,957	2,617	1,523	818	329
38 Acceptances of other banks	891	80	716	72	65	0	65	0
39 U.S. banks	327	0	283	0	25	0	3	0
40 Foreign banks	564	80	433	72	40	0	62	0
41 Loans to foreign governments and official institutions (including foreign central banks)	3,901	2,450	3,244	2,266	201	78	88	20
42 Loans for purchasing or carrying securities (secured and unsecured)	8,326	30	7,938	30	196	0	83	0
43 All other loans	5,103	151	2,579	126	441	0	1,861	0
44 Assets held in trading accounts	9,886	68	8,739	63	35	5	1,110	0
45 All other assets	67,945	5,066	57,110	4,297	4,521	494	5,390	216
46 Customers' liabilities on acceptances outstanding	12,422	n.a.	8,724	n.a.	2,716	n.a.	482	n.a.
47 U.S. addressees (domicile)	9,367	n.a.	6,094	n.a.	2,548	n.a.	458	n.a.
48 Non-U.S. addressees (domicile)	3,055	n.a.	2,630	n.a.	168	n.a.	24	n.a.
49 Other assets including other claims on nonrelated parties	55,523	5,066	48,387	4,297	1,805	494	4,908	216
50 Net due from related depository institutions[5]	76,882	141,618	62,133	113,803	5,561	18,185	751	6,483
51 Net due from head office and other related depository institutions[5]	76,882	n.a.	62,133	n.a.	5,561	n.a.	751	n.a.
52 Net due from establishing entity, head offices, and other related depository institutions[5]	n.a.	141,618	n.a.	113,803	n.a.	18,185	n.a.	6,483
53 **Total liabilities**[4]	**750,044**	**333,929**	**583,311**	**275,995**	**70,820**	**32,047**	**56,718**	**17,644**
54 Liabilities to nonrelated parties	628,668	307,851	522,747	255,769	53,739	31,675	33,180	13,968

4.30 ASSETS AND LIABILITIES of U.S. Branches and Agencies of Foreign Banks, December 31, 1994[1]—Continued

Millions of dollars, except as noted

Item	All states[2] Total excluding IBFs[3]	All states[2] IBFs only[3]	New York Total excluding IBFs	New York IBFs only	California Total excluding IBFs	California IBFs only	Illinois Total excluding IBFs	Illinois IBFs only
55 Total deposits and credit balances	151,728	237,893	128,473	219,681	5,218	5,966	8,132	7,153
56 Individuals, partnerships, and corporations	100,466	13,111	81,689	8,856	4,534	551	6,113	20
57 U.S. addressees (domicile)	86,591	152	73,954	152	2,611	0	5,267	0
58 Non-U.S. addressees (domicile)	13,875	12,959	7,735	8,704	1,924	551	847	20
59 Commercial banks in United States (including IBFs)	28,146	71,327	25,498	66,485	365	2,612	1,835	1,935
60 U.S. branches and agencies of other foreign banks	15,032	65,611	13,954	61,450	134	2,149	591	1,733
61 Other commercial banks in United States	13,114	5,716	11,544	5,036	231	463	1,244	202
62 Banks in foreign countries	9,395	134,143	8,954	127,100	96	2,211	121	4,001
63 Foreign branches of U.S. banks	2,809	5,673	2,709	5,340	0	82	100	228
64 Other banks in foreign countries	6,586	128,469	6,245	121,760	96	2,129	21	3,773
65 Foreign governments and official institutions (including foreign central banks)	5,044	19,208	4,711	17,134	189	592	2	1,197
66 All other deposits and credit balances	8,319	104	7,322	104	8	0	53	0
67 Certified and official checks	359		300		25		8	
68 Transaction accounts and credit balances (excluding IBFs)	8,376		6,677		440		331	
69 Individuals, partnerships, and corporations	6,304		4,983		302		318	
70 U.S. addressees (domicile)	4,561		3,917		237		312	
71 Non-U.S. addressees (domicile)	1,743		1,066		65		5	
72 Commercial banks in United States (including IBFs)	90		80		6		0	
73 U.S. branches and agencies of other foreign banks	19		17		0		0	
74 Other commercial banks in United States	71		63		5		0	
75 Banks in foreign countries	1,048		796		96		1	
76 Foreign branches of U.S. banks	9		9		0		0	
77 Other banks in foreign countries	1,039		787		96		1	
78 Foreign governments and official institutions (including foreign central banks)	484		444		5		2	
79 All other deposits and credit balances	90		74		8		2	
80 Certified and official checks	359		300		25		8	
81 Demand deposits (included in transaction accounts and credit balances)	7,854		6,450		372		319	
82 Individuals, partnerships, and corporations	5,925		4,866		245		305	
83 U.S. addressees (domicile)	4,415		3,860		190		300	
84 Non-U.S. addressees (domicile)	1,510		1,006		54		5	
85 Commercial banks in United States (including IBFs)	61	n.a.	56	n.a.	0	n.a.	0	n.a.
86 U.S. branches and agencies of other foreign banks	19		16		0		0	
87 Other commercial banks in United States	42		39		0		0	
88 Banks in foreign countries	1,000		754		95		1	
89 Foreign branches of U.S. banks	9		9		0		0	
90 Other banks in foreign countries	990		745		95		1	
91 Foreign governments and official institutions (including foreign central banks)	469		443		4		2	
92 All other deposits and credit balances	40		32		2		2	
93 Certified and official checks	359		300		25		8	
94 Nontransaction accounts (including MMDAs, excluding IBFs)	143,353		121,796		4,778		7,801	
95 Individuals, partnerships, and corporations	94,161		76,707		4,233		5,796	
96 U.S. addressees (domicile)	82,030		70,038		2,374		4,954	
97 Non-U.S. addressees (domicile)	12,132		6,669		1,859		841	
98 Commercial banks in United States (including IBFs)	28,055		25,418		360		1,835	
99 U.S. branches and agencies of other foreign banks	15,012		13,937		134		591	
100 Other commercial banks in United States	13,043		11,480		226		1,244	
101 Banks in foreign countries	8,347		8,158		0		120	
102 Foreign branches of U.S. banks	2,800		2,700		0		100	
103 Other banks in foreign countries	5,548		5,458		0		20	
104 Foreign governments and official institutions (including foreign central banks)	4,560		4,267		185		0	
105 All other deposits and credit balances	8,229		7,248		0		51	
106 IBF deposit liabilities		237,893		219,681		5,966		7,153
107 Individuals, partnerships, and corporations		13,111		8,856		551		20
108 U.S. addressees (domicile)		152		152		0		0
109 Non-U.S. addressees (domicile)		12,959		8,704		551		20
110 Commercial banks in United States (including IBFs)		71,327		66,485		2,612		1,935
111 U.S. branches and agencies of other foreign banks		65,611		61,450		2,149		1,733
112 Other commercial banks in United States	n.a.	5,716	n.a.	5,036	n.a.	463	n.a.	202
113 Banks in foreign countries		134,143		127,100		2,211		4,001
114 Foreign branches of U.S. banks		5,673		5,340		82		228
115 Other banks in foreign countries		128,469		121,760		2,129		3,773
116 Foreign governments and official institutions (including foreign central banks)		19,208		17,134		592		1,197
117 All other deposits and credit balances		104		104		0		0

Footnotes appear at end of table

4.30 ASSETS AND LIABILITIES of U.S. Branches and Agencies of Foreign Banks, December 31, 1994[1]—Continued

Millions of dollars, except as noted

Item	All states[2]		New York		California		Illinois	
	Total including IBFs[3]	IBFs only[3]	Total including IBFs	IBFs only	Total including IBFs	IBFs only	Total including IBFs	IBFs only
118 Federal funds purchased and securities sold under agreements to repurchase	66,592	12,220	58,828	8,255	4,257	2,059	3,200	1,814
119 U.S. branches and agencies of other foreign banks	9,897	2,835	7,498	1,324	1,516	973	740	449
120 Other commercial banks in United States	6,226	291	4,107	47	1,555	194	486	50
121 Other	50,469	9,094	47,222	6,884	1,186	892	1,973	1,315
122 Other borrowed money	109,460	52,871	62,585	23,684	34,232	23,144	9,756	4,833
123 Owed to nonrelated commercial banks in United States (including IBFs)	36,256	19,838	15,352	5,600	16,678	11,987	2,717	1,650
124 Owed to U.S. offices of nonrelated U.S. banks	8,587	2,134	4,769	687	2,899	1,184	506	215
125 Owed to U.S. branches and agencies of nonrelated foreign banks	27,669	17,703	10,583	4,913	13,779	10,803	2,211	1,435
126 Owed to nonrelated banks in foreign countries	32,963	31,086	18,089	16,481	11,077	10,909	3,136	3,086
127 Owed to foreign branches of nonrelated U.S. banks	1,364	1,269	645	586	459	449	191	191
128 Owed to foreign offices of nonrelated foreign banks	31,599	29,818	17,444	15,895	10,618	10,460	2,945	2,895
129 Owed to others	40,241	1,947	29,143	1,603	6,477	247	3,903	97
130 All other liabilities	62,995	4,867	53,181	4,149	4,067	506	4,939	168
131 Branch or agency liability on acceptances executed and outstanding	12,910	n.a.	9,126	n.a.	2,730	n.a.	517	n.a.
132 Other liabilities to nonrelated parties	50,085	4,867	44,054	4,149	1,338	506	4,422	168
133 Net due to related depository institutions[5]	121,376	26,078	60,564	20,226	17,080	372	23,537	3,676
134 Net owed to head office and other related depository institutions[5]	121,376	n.a.	60,564	n.a	17,080	n.a.	23,537	n.a.
135 Net owed to establishing entity, head office, and other related depository institutions[5]	n.a.	26,078		20,226		372		3,676
MEMO								
136 Non-interest-bearing balances with commercial banks in United States	1,175	0	890	0	127	0	39	0
137 Holding of commercial paper included in total loans	1,304		1,258		11		15	
138 Holding of own acceptances included in commercial and industrial loans	4,557		3,439		998		26	
139 Commercial and industrial loans with remaining maturity of one year or less	103,368		58,314		16,495		16,857	
140 Predetermined interest rates	59,115	n.a.	33,341	n.a.	9,535	n.a.	11,316	n.a.
141 Floating interest rates	44,253		24,973		6,960		5,541	
142 Commercial and industrial loans with remaining maturity of more than one year	67,815		39,930		11,104		8,716	
143 Predetermined interest rates	18,746		10,781		3,307		3,306	
144 Floating interest rates	49,069		29,149		7,797		5,410	

4.30 ASSETS AND LIABILITIES of U.S. Branches and Agencies of Foreign Banks, December 31, 1994[1]—Continued

Millions of dollars, except as noted

Item	All states[2]		New York		California		Illinois	
	Total excluding IBFs[3]	IBFs only[3]	Total excluding IBFs	IBFs only	Total excluding IBFs	IBFs only	Total excluding IBFs	IBFs only
145 Components of total nontransaction accounts, included in total deposits and credit balances of nontransaction accounts, including IBFs	146,538	n.a.	125,535	n.a.	5,268	n.a.	7,945	n.a.
146 Time CDs in denominations of $100,000 or more	109,146	n.a.	93,532	n.a.	3,021	n.a.	5,567	n.a.
147 Other time deposits in denominations of $100,000 or more	28,822	n.a.	24,921	n.a.	1,270	n.a.	1,968	n.a.
148 Time CDs in denominations of $100,000 or more with remaining maturity of more than 12 months	8,570	n.a.	7,082	n.a.	977	n.a.	411	n.a.
	All states[2]		**New York**		**California**		**Illinois**	
	Total including IBFs	IBFs only	Total including IBFs	IBFs only	Total including IBFs	IBFs only	Total including IBFs	IBFs only
149 Market value of securities held	0	0	0	0	0	0	0	0
150 Immediately available funds with a maturity greater than one day included in other borrowed money	64,457	n.a.	31,000	n.a.	27,419	n.a.	4,620	n.a.
151 Number of reports filed[6]	541	0	255	0	124	0	47	0

1. Data are aggregates of categories reported on the quarterly form FFIEC 002, "Report of Assets and Liabilities of U.S. Branches and Agencies of Foreign Banks." The form was first used for reporting data as of June 30, 1980, and was revised as of December 31, 1985. From November 1972 through May 1980, U.S. branches and agencies of foreign banks had filed a monthly FR 886a report. Aggregate data from that report were available through the Federal Reserve statistical release G.11, last issued on July 10, 1980. Data in this table and in the G.11 tables are not strictly comparable because of differences in reporting panels and in definitions of balance sheet items. IBF, international banking facility.

2. Includes the District of Columbia.

3. Effective December 1981, the Federal Reserve Board amended Regulations D and Q to permit banking offices located in the United States to operate international banking facilities (IBFs). Since December 31, 1985, data for IBFs have been reported in a separate column. These data are either included in or excluded from the total columns as indicated in the headings. The notation "n.a." indicates that no IBF data have been reported for that item, either because the item is not an eligible IBF asset or liability or because that level of detail is not reported for IBFs. From December 1981 through September 1985, IBF data were included in all applicable items reported.

4. Total assets and total liabilities include *net* balances, if any, due from or owed to related banking institutions in the United States and in foreign countries (see note 5). On the former monthly branch and agency report, available through the G.11 statistical release, *gross* balances were included in total assets and total liabilities. Therefore, total asset and total liability figures in this table are not comparable to those in the G.11 tables.

5. Related depository institutions includes the foreign head office and other U.S. and foreign branches and agencies of a bank, a bank's parent holding company, and majority-owned banking subsidiaries of the bank and of its parent holding company (including subsidiaries owned both directly and indirectly).

6. In some cases two or more offices of a foreign bank within the same metropolitan area file a consolidated report.

Index to Statistical Tables

References are to pages A3–A75 although the prefix "A" is omitted in this index

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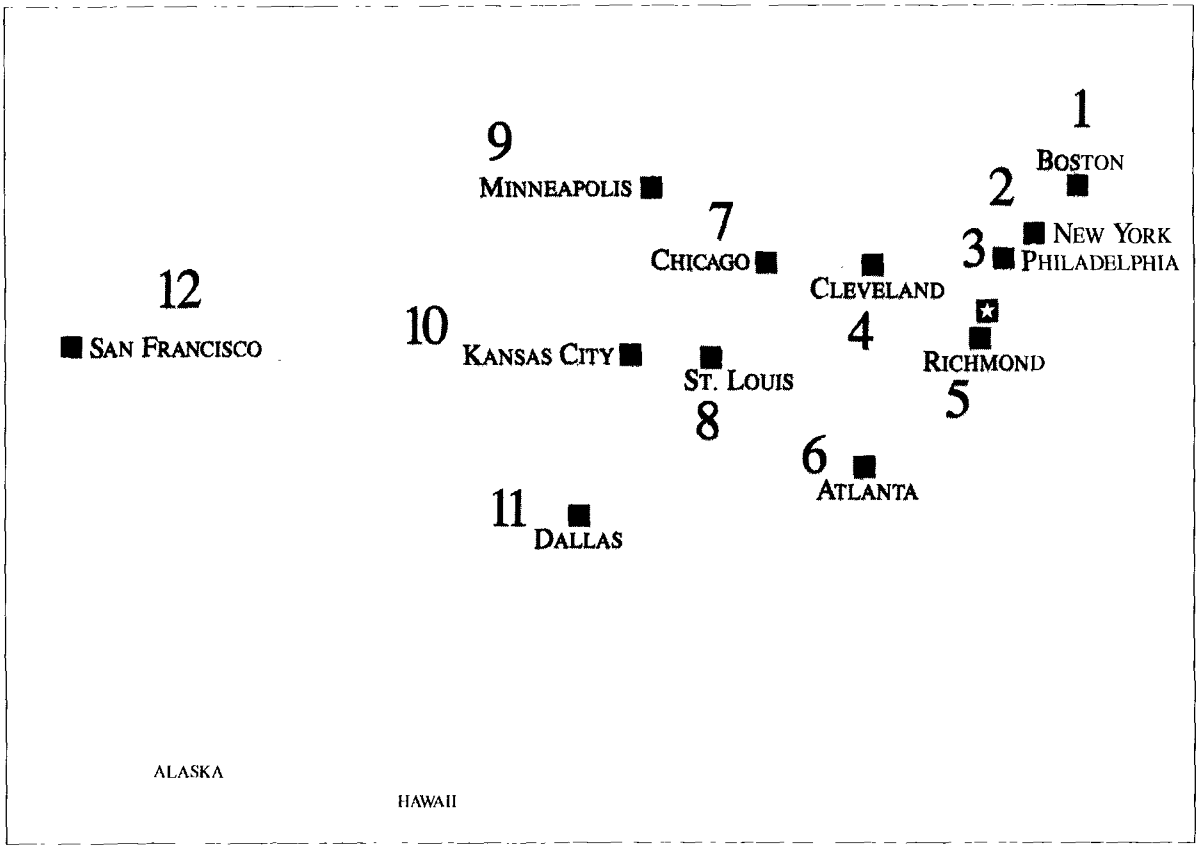


LEGEND

Both pages

■ Federal Reserve Bank city

◘ Board of Governors of the Federal Reserve System, Washington, D.C.

Facing page

• Federal Reserve Branch city

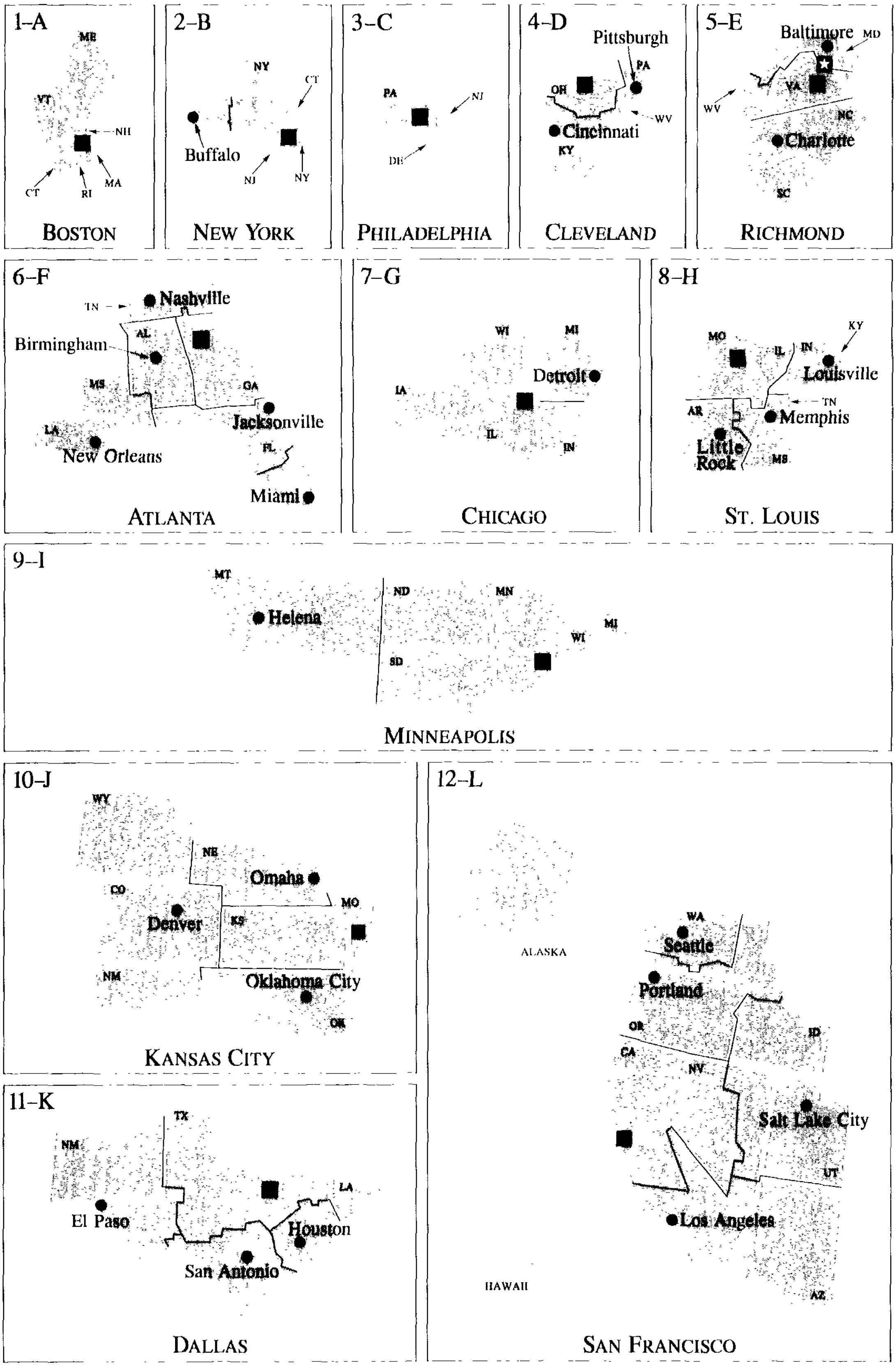
— Branch boundary

NOTE

The Federal Reserve officially identifies Districts by number and Reserve Bank city (shown on both pages) and by letter (shown on the facing page).

In the 12th District, the Seattle Branch serves Alaska, and the San Francisco Bank serves Hawaii.

The System serves commonwealths and territories as follows: the New York Bank serves the Commonwealth of Puerto Rico and the U.S. Virgin Islands; the San Francisco Bank serves American Samoa, Guam, and the Commonwealth of the Northern Mariana Islands. The Board of Governors revised the branch boundaries of the System most recently in December 1991.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1. Senior Vice President.
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