VOLUME 83 □ NUMBER 5 □ MAY 1997

FEDERAL RESERVE BULLETIN

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

PUBLICATIONS COMMITTEE
Joseph R. Coyne, *Chairman* □ S. David Frost □ Griffith L. Garwood □ Donald L. Kohn □ J. Virgil Mattingly, Jr. □ Michael J. Prell □ Richard Spillenkothen □ Edwin M. Truman

The *Federal Reserve Bulletin* is issued monthly under the direction of the staff publications committee. This committee is responsible for opinions expressed except in official statements and signed articles. It is assisted by the Economic Editing Section headed by S. Ellen Dykes, the Graphics Center under the direction of Peter G. Thomas, and Publications Services supervised by Linda C. Kyles.

Table of Contents

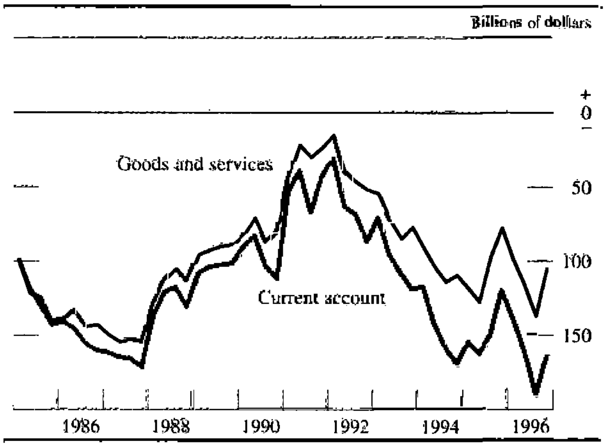
U.S. International Transactions in 1996

Guy V.G. Stevens, of the Board's Division of International Finance, prepared this article. Virginia Carper provided research assistance.

After stabilizing in 1995, the U.S. current account deficit widened in 1996 to $165 billion. The deficit increased sharply in the first three quarters of the year, but, because of strong export growth, narrowed significantly in the fourth quarter (chart 1). The widening of the deficit by $17 billion was the net result of moderate-to-strong growth in all the key components of the current account: exports and imports of goods and services, income from U.S. and foreign portfolio and direct investments, and net unilateral transfers.

A $14 billion increase in the deficit on traded goods and a smaller increase in the surplus on trade in services netted out to an overall increase in the deficit for trade in goods and services of $9 billion (table 1). The value of exported goods grew at more than 6 percent; however, robust U.S. growth, a strengthening U.S. dollar, and a higher price for oil resulted in import growth that was equally strong in percentage terms but, because of the higher initial level of imports, higher in value terms. A similar arithmetic affected the change in the value of net services, but in the opposite direction. Service exports and imports grew at about the same 6 percent rate, but the higher initial value of service exports resulted in a $5 billion increase in the net services balance.

1. U.S. external balances, 1985–96



NOTE. The data are quarterly at seasonally adjusted annual rates. Current account data exclude foreign cash grants received in 1990–92.

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

Net investment income changed only marginally in 1996. The net change, again, was the outcome of a balancing of positive and negative effects, as a $7 billion increase in net direct investment income nearly offset a growing net deficit for portfolio investment income. The former was attributable to the continued growth of, and remarkable profitability of, U.S. direct investment abroad, and the latter primarily to the large increase in net portfolio liabilities.

1. U.S. external balances, 1991–96

Billions of dollars

Item	1991	1992	1993	1994	1995	1996	Change, 1995 to 1996
Trade in goods and services, net	−29.9	−38.3	−72.0	−104.4	−105.1	−114.2	−9.1
Goods, net	−74.1	−96.1	−132.6	−166.1	−173.4	−187.7	−14.3
Services, net	44.2	57.8	60.6	61.7	68.4	73.5	5.1
Investment income, net	15.8	11.2	9.7	−4.2	−8.0	−8.4	−.4
Portfolio investment, net	−39.8	−40.4	−46.2	−51.6	−65.5	−72.9	−7.4
Direct investment, net	55.6	51.6	55.9	47.4	57.5	64.4	7.0
Unilateral transfers, net	4.5	−35.5	−37.6	−39.9	−35.1	−42.5	−7.4
Foreign cash grants to the United States	42.5	1.3	.0	.0	.0	.0	.0
Other transfers, net	−38.0	−36.8	−37.6	−39.9	−35.1	−42.5	−7.4
Current account balance	**−9.5**	**−62.6**	**−99.9**	**−148.4**	**−148.2**	**−165.1**	**−16.9**
MEMO:							
Current account balance excluding foreign cash grants	−52.0	−63.9	−99.9	−148.4	−148.2	−165.1	−16.9

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.

The change in the deficit on net unilateral transfers contributed about $7 billion to the overall deficit on the current account. The large size of this increase should be a one-time occurrence; it was caused by delays in the disbursement of U.S. government grants, mainly because of the budget impasse at the end of 1995.

Recorded net capital inflows, both official and private, more than financed the $165 billion current account deficit; as a result, the statistical discrepancy was negative for the first year since 1992. Of the capital inflows, about $123 billion represented an increase in net foreign official holdings in the United States and $89 billion an increase in net foreign private holdings.

MAJOR ECONOMIC INFLUENCES ON U.S. INTERNATIONAL TRANSACTIONS

The proximate determinants of the changes in the U.S. current account include economic growth in the United States and abroad, trends in U.S. international price competitiveness, movements in the U.S. international investment position, and changes in the rates of return on financial assets at home and abroad. The first two of these factors explain much of the deterioration of the trade balance in 1996 and earlier years, and the latter two explain the changes in portfolio and direct investment income.

Relative Rates of Economic Growth

In 1996 growth picked up significantly in both the United States and major foreign countries, with U.S. growth, at 2.4 percent year over year, about a percentage point below average foreign growth (table 2). Over the postwar period, in years when the U.S. economy and foreign economies have grown at approximately the same rate, U.S. imports have tended to increase significantly faster than U.S. exports. In fact, because the response of U.S. imports to changes in U.S. growth is considerably greater than the corresponding response of U.S. exports to changes in foreign growth, the U.S. trade balance has deteriorated even when foreign growth has been significantly stronger than that in the United States. This differential response, in conjunction with a starting point at which imports substantially exceed exports, is a major factor in explaining the change in the U.S. balance of trade in goods for 1996.

The overall foreign growth of 3.3 percent was an average of moderate growth in the industrial countries and a strong expansion in the developing countries. Growth in the developing countries of Asia continued at almost the strong 1995 pace. In Latin America, Mexico and Argentina rebounded from negative growth in 1995 to register year-over-year rates of 5.1 percent and 4.4 percent respectively.

2. Growth of real GDP in the United States and selected foreign economies, 1994–96

Percentage change, year over year

Country	1994	1995	1996[1]
United States	**3.5**	**2.0**	**2.4**
Total foreign	**4.4**	**2.5**	**3.3**
Industrial countries[2]	3.2	2.3	2.1
Canada	4.1	2.3	1.5
Western Europe	3.0	2.5	1.9
Japan	.7	1.3	3.7
Developing countries[3]	6.6	3.0	5.7
Asia	8.2	7.8	6.6
Latin America	4.4	-3.8	4.4
Mexico	4.5	-6.2	5.1
Other Latin America	4.2	2.3	2.7

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

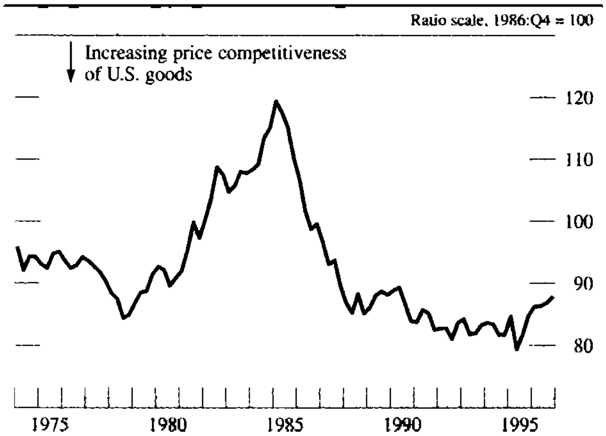
1. Data for 1996 are partly estimated.
2. The industrial countries index includes Australia and New Zealand in addition to Canada, Japan, and Western Europe. The index for Western Europe comprises Belgium, France, Germany, Italy, the Netherlands, Sweden, Switzerland, the United Kingdom, Austria, Denmark, 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, Chile, and Venezuela.

SOURCE. Various national sources.

U.S. Price Competitiveness

Broad measures of U.S. price competitiveness, such as the CPI-adjusted foreign exchange value of the dollar, have shown a moderate lessening of U.S. competitiveness since the middle of 1995 (chart 2). This real foreign exchange value of the dollar, in terms of the currencies of eighteen of our major trading partners, is computed as the ratio of U.S. consumer prices to foreign consumer prices translated into dollars at current nominal exchange rates. The rise in this measure over the past one and one-half years is primarily the result of the appreciation of the dollar relative to the currencies of our major trading partners. The movements of direct measures of relative export and import prices confirm this moderate loss of U.S. price competitiveness (chart 3). U.S. exports lost some of their competitiveness vis-à-vis foreign goods; similarly, imports into the United States became somewhat more competitive with respect to U.S. domestic goods, primarily because of the continued appreciation of the U.S. dollar.

2. CPI-adjusted foreign exchange value of the U.S. dollar, 1974–96



NOTE. Index based on the Group of Ten (G-10) countries (excluding the United States) and eight developing countries. The data are quarterly.

3. Relative prices of exports and imports, 1988–96

NOTE. For exports, the index is the ratio of foreign prices to U.S. export prices of nonagricultural products, excluding computers. For imports, the index is the ratio of U.S. import prices of non-oil imports, excluding computers, to the U.S. GDP deflator. The data are quarterly.

Because of lags in the impact of the rise of the dollar on the trade balance, the effects of this reduced competitiveness are likely to continue into 1997. In fact, the net effect of exchange rate changes on the trade balance in 1996 was probably *positive*, as the lagged effects of the dollar depreciation in early 1995 dominated those of the more recent dollar appreciation.

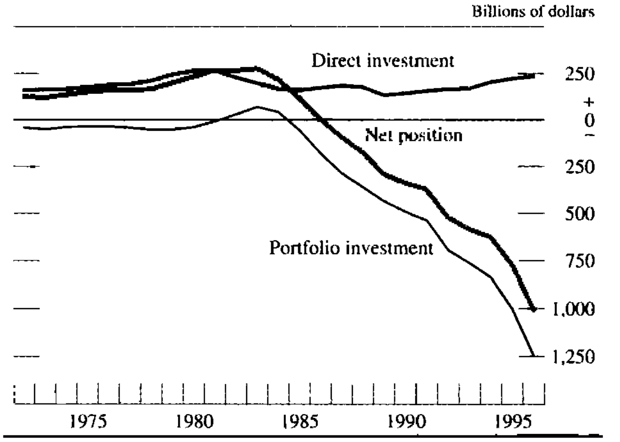
The U.S. Net Investment Position and Differential Rates of Return on U.S. Claims and Liabilities

Because of the run of current account deficits going back to the early 1980s, U.S. liabilities to foreigners—portfolio and direct—have grown much more rapidly than our claims on foreigners. Net liabilities grew by the end of 1996 to a total of approximately $1 trillion (chart 4). This negative overall net investment position is a major factor explaining why net investment income is now negative.

The relatively small deficit on net investment income of $8.4 billion in 1996, an amount little changed from 1995, illustrates the important influence of different rates of return on U.S. claims and liabilities. If the rate of return on all U.S. claims and liabilities had been the same in 1996, net investment income would have been equal to that common rate of return times the net investment position; for a 5 percent rate of return, about the 1996 average for portfolio claims and liabilities, net investment income would have been approximately negative $50 billion, rather than the actual negative $8.4 billion. The primary reason for the smaller size of the actual deficit is the consistently high rate of return on U.S. direct investment assets abroad, which, at almost 11 percent in 1996, was double the rates of return on nonresident holdings of portfolio and direct investment assets in the United States.

Changes in rates of return from 1995 to 1996, particularly the fall in the rates of return on portfolio liabilities and foreign direct investment in the United States, explain why net investment income changed so little in 1996 even as net liabilities increased substantially. Despite the fact that variations in rates of return on the various claims and liabilities had a

4. Net investment position, 1972–96



NOTE. For 1972–95, the data are end-of-year totals for net direct investment, net portfolio investment, and their difference (shown as the "net position"). The year-end position for 1996 was constructed by adding the recorded investment flows during 1996 to the recorded year-end position for 1995.

SOURCE. U. S. Department of Commerce, Bureau of Economic Analysis.

large positive effect on net investment income in 1996, the large and increasingly negative net investment position predisposes the United States to increasing deficits in the future.

Developments in Trade in Goods and Services

The values of exports and imports of goods grew between 6 percent and 7 percent in 1996, down from the double-digit growth rates of 1995 (table 3). The deficit on traded goods increased $14 billion, however, because the value of imports grew faster from a larger initial level (table 1). Service exports grew somewhat faster than imports, again from a higher base, leading to a $5 billion increase in the surplus for net services.

Exports

The value of exports of goods and services, at $836 billion for 1996, rose slightly more than 6 percent for the year—less than half the strong rate of almost 13 percent in 1995 (table 3). Although the export value of goods and of services advanced at nearly the same rate, because of the relative size of these two categories, the change in the value of exported goods accounted for three-fourths of the total change. The categories of exports showing the sharpest increases in value were agricultural products, capital goods, and consumer goods.

Shipments of aircraft and parts led the increase in the value of exported capital goods, with a jump of more than 18 percent. After a period of sluggish sales, deliveries of large jet aircraft rebounded, especially toward the end of the year, as a result of robust growth in world air traffic, high airline profits, and projections of strong replacement demands. Because of the backlog of existing orders from foreign airlines, this strength in aircraft exports is expected to continue throughout 1997.

Exports of machinery also expanded vigorously in 1996, in response to strengthening investment expenditures abroad. Relatively large increases were registered in a wide range of categories, notably computers (including peripherals and parts), scientific and medical equipment, and various types of power-generating equipment. The growth of machinery exports moderated a bit in response to a slowing in shipments of semiconductors and telecommunications equipment during the first part of the year; however, sales turned up toward the end of the year, and small annual increases were recorded in both

3. U.S. international trade in goods and services, 1994–96
Billions of dollars

Item	1994	1995	1996	Percentage change	
				1994 to 1995	1995 to 1996
Balance on goods and services	−104	−105	−114	...	...
Exports of goods and services	698	787	836	12.6	6.2
Services	196	211	224	7.5	6.3
Goods	502	576	612	14.6	6.2
Agricultural products	47	57	61	21.6	7.4
Nonagricultural goods	455	519	550	13.9	6.1
Capital goods	205	234	253	13.9	8.2
Aircraft and parts	31	26	31	−17.0	18.1
Computers, peripherals, and parts	33	40	44	19.0	10.2
Semiconductors	25	34	36	35.6	4.5
Other capital goods	115	134	143	16.1	6.6
Consumer goods	60	64	70	7.4	8.9
Automotive products	58	62	64	7.0	4.3
Industrial supplies	113	135	138	20.4	1.6
Other exports	20	23	25	17.0	7.9
Imports of goods and services	803	892	950	11.1	6.5
Services	134	142	150	6.1	5.8
Goods	669	749	799	12.1	6.7
Petroleum and products	51	55	68	7.4	24.0
Nonpetroleum goods	617	694	731	12.5	5.3
Capital goods	184	221	229	20.1	3.4
Aircraft and parts	11	11	13	−5.2	17.9
Computers, peripherals, and parts	46	56	62	21.9	9.3
Semiconductors	26	39	37	49.3	−6.0
Other capital goods	101	115	118	14.5	2.3
Consumer goods	146	160	171	9.3	6.9
Automotive products	118	125	130	5.5	4.3
Industrial supplies	114	129	136	13.3	5.7
Foods and other exports	55	59	65	8.4	9.2

NOTE. Percentage changes in this and subsequent tables may differ from those calculated from data shown in the tables because of rounding.

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

categories. An important element in the expansion of these high tech categories is the rapid penetration of personal computers (PCs) into emerging markets (especially in Asia), indications of the beginning of a computer upgrade cycle by corporations, and the increasing role PCs play in communications.

The value of consumer goods exports grew 9 percent in 1996, a somewhat faster pace than in 1995. About 30 percent of the increase went to Mexico, 40 percent went to major industrial countries, and the remaining 30 percent went largely to Korea, China, Eastern Europe, and other countries in Latin America.

The increase in the value of agricultural exports was due entirely to price increases; the quantity of shipments declined, on balance, below the levels of 1995. Real exports fell sharply in the first three quarters of 1996, after disappointing U.S. harvests of corn and soybeans in the fall of 1995 and of wheat in the spring of 1996. These production shortfalls also pushed inventories of grain and oilseed to historic lows. As inventories were drawn down to critically low levels, prices of many agricultural exports rose to record highs. However, following the improved U.S. harvests in the fall of 1996, exports of agricultural products recovered strongly and prices fell substantially.

By area, nearly one-third of the increase in the value of merchandise exports in 1996 went to Mexico. Spurred by the restoration of robust economic growth, shipments to Mexico jumped more than 23 percent (table 4), with the sharpest increases in automotive products and consumer goods. Smaller increases went to Canada, Japan, Asia, and other countries in Latin America. Weak GDP growth in Western Europe held down the expansion of U.S. exports to that area.

4. U.S. exports of goods to its major trading partners, 1994–96

Billions of dollars

Importing region	1994	1995	1996	Percentage change, 1995 to 1996
Total	**503**	**576**	**612**	**6.2**
Industrial countries[1]	293	335	351	4.6
Canada	115	128	134	5.0
Western Europe	115	132	137	3.6
Japan	52	63	66	4.5
Developing countries[2]	209	241	261	8.5
Asia	104	131	135	3.8
Latin America	92	96	109	13.9
Mexico	51	46	57	23.4
Other Latin America	41	50	52	4.8

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.

In terms of quantity, exports of goods and services grew 6½ percent in 1996 (table 5). Service exports, however, expanded more slowly than goods exports. With only small increases in receipts from royalties and license fees and little change in the value of military sales, total service receipts increased about 3½ percent in real terms in 1996. The drop in agricultural exports and the marked slowdown in exports of semiconductors held down overall growth in the quantity of merchandise exports. Real merchandise exports, exclusive of agricultural products, semiconductors, and computers, grew 6 percent in 1996—the same rate as in 1995. Overall, exports of goods and services contributed 0.7 percentage point to U.S. real GDP growth in 1996 (year over year).

Imports

In 1996 total imports of goods and services rose in value at about the same rate as exports—little more than half the rate of growth in 1995 (table 3). The value of imported services and of imported goods increased at about the same rate. Varying stories for different import categories combined to produce this outcome.

Oil Imports

Although the volume of oil imports increased only ½ percent from 1995 to 1996, the value of oil imports rose 24 percent because of a 23 percent increase in the average price of imported oil. Several factors contributed to what appears to have been a temporary, though large, increase. At the time of this writing, prices have dropped back sharply from the levels prevailing at the end of 1996.

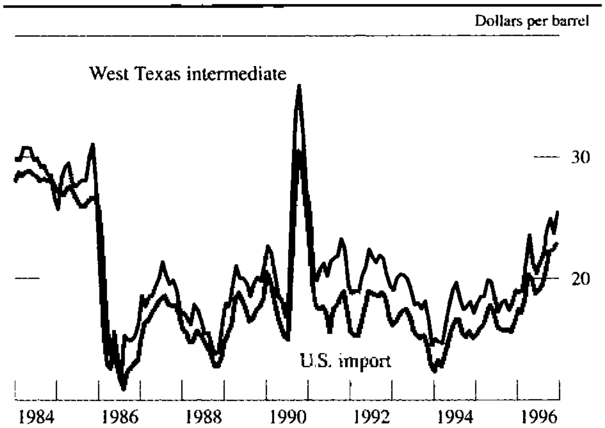
5. Change in the quantity of U.S. exports, 1994–96

Percentage change, year over year

Type of export	1994	1995	1996
All exports	**8.2**	**8.9**	**6.5**
Services	3.7	4.7	3.7
Goods	10.1	10.6	7.6
Agricultural products	3.4	11.7	–2.2
Nonagricultural goods	10.8	10.5	8.7
Computers, peripherals, and parts	26.9	41.0	43.8
Semiconductors	61.2	43.1	7.5
Other	7.3	6.3	5.7
MEMO:			
Contribution of exports to U.S. GDP growth (percentage points)	.8	1.0	.7

NOTE. Quantities are measured in chained (1992) dollars.
SOURCE. U.S. Department of Commerce, Bureau of the Census.

5. Oil prices, 1984–96



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

Changes in the prices of imported oil have tended to mirror changes in spot oil prices (West Texas intermediate) with a lag of several weeks (chart 5). Spot prices fell during the fourth quarter of 1995 but then rose at the beginning of 1996 to almost $19 per barrel. This rise in price reflected increased demand for heating oil and depleted heating oil stocks as a result of a winter season that was much colder than usual throughout the Northern Hemisphere. At the same time, Iraq approached the United Nations with a plan to export a limited, although significant, amount of oil under U.N. supervision in return for permission to use the proceeds primarily for the purchase of humanitarian supplies. Refiners, uncertain about the availability of crude oil supplies from Iraq and concerned about the effect that such supplies might have on the price of oil, tended to keep their stocks low. With the oil industry operating at minimal, just-in-time inventory levels, oil prices reacted quite strongly to unanticipated shocks. Two such events, the delay in the startup of several North Sea fields and stronger-than-anticipated economic activity in the United States drove up oil prices during the second half of the year. Oil import prices mirrored the changes in spot prices and averaged $19.76 per barrel in 1996, about $3.67 above the average for 1995. Spot prices fell back during late January and February of this year when Iraqi oil was finally offered on the spot market and warmer-than-normal weather softened demand for home heating oil.

The quantity of oil imports rose from a rate of 8.8 million barrels per day in 1995 to 9.4 million barrels per day in 1996 (table 6). The higher level of imports more than accounted for an increase in U.S. consumption in the range of ½ million barrels per day.

Non-oil Imports

The value of non-oil imports rose about 5½ percent in 1996 (table 3). Imports grew in response to the strength of U.S. economic activity and to the slight boost from the small increase in their price competitiveness; increases were recorded in almost all major import categories. One notable exception was imports of semiconductors. There was a large buildup in inventories in the semiconductor industry in 1995 and early 1996 that was drawn down beginning in early spring. After rising strongly during 1995, U.S. imports of semiconductors dropped during almost all of 1996 and turned up only at year-end. The deficit in the net semiconductor trade balance that had emerged in 1995 and continued into 1996 fell sharply during the year, as imports dropped and as exports turned up in the second half of the year.

In terms of quantity, imports of goods and services grew almost 6½ percent in 1996, with imports of services expanding more slowly than goods (table 7). Overall, imports of goods and services subtracted 0.8 percentage point from U.S. real GDP growth in 1996 (year over year).

Developments in Trade in Services

Unlike the balance on trade in goods, in 1996 the balance on trade in services was positive and actually increased $5 billion (table 8). The United States

6. U.S. oil consumption, production, and imports, selected years, 1980–96
Millions of barrels per day

Item	1980	1985	1993	1994	1995	1996
Consumption	17.1	15.7	17.2	17.7	17.7	18.2
Production	10.8	11.2	9.6	9.4	9.4	9.4
Imports	6.9	5.1	8.6	9.0	8.8	9.4

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

7. Change in the quantity of U.S. imports, 1994–96
Percentage change, year over year

Type of import	1994	1995	1996
All imports	**12.0**	**8.0**	**6.4**
Services	4.8	3.7	3.6
Goods	13.5	8.9	6.9
Petroleum and products	6.2	−1.7	.5
Nonpetroleum goods	14.2	9.8	7.4
Computers, peripherals, and parts	36.3	38.8	33.8
Semiconductors	41.5	57.2	6.2
Other	11.5	5.4	5.1
MEMO:			
Contribution of imports to U.S. GDP growth (percentage points)	−1.4	−1.0	−.8

NOTE. Quantities are measured in chained (1992) dollars.
SOURCE. U.S. Department of Commerce, Bureau of the Census.

continues to have a substantial positive balance of trade with respect to travel and passenger fares, business, professional, and technical services, royalties and license fees, and other private services. With respect to these last two categories, almost 60 percent of the $77 billion of U.S. exports in 1996 represented transactions between "affiliated" enterprises—U.S. parent firms and their foreign subsidiaries; for royalties and license fees alone, the proportion was 80 percent. Much of the increase in royalties in recent years has been associated with affiliated companies in the computer technology and pharmaceuticals industries. In some respects, these exports can be viewed as an additional component of the already robust return on U.S. direct investment abroad.

Developments in the Nontrade Current Account

The two major components of the nontrade current account are net unilateral transfers and net investment income (table 1). Net unilateral transfers include government grant and pension payments as well as net private transfers to foreigners. Net investment income 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). As mentioned earlier, the deficit on unilateral transfers increased $7 billion because of disbursement delays for U.S. government grants caused by the budget impasse and government shutdown at the end of 1995. For 1996, the balance on investment income, which first went into deficit in 1994, was virtually unchanged, as an increase in the deficit on portfolio income was almost offset by the increase in the surplus on direct investment income (table 9).

Net Portfolio Investment Income

The first component of investment income, the balance on portfolio income, registered a deficit of $73 billion in 1996, about $7 billion higher than that recorded in 1995 (table 9). The balance on portfolio income has been in deficit since 1985, and its size has broadly mirrored the net portfolio investment

8. Transactions in services, 1993–96
Billions of dollars

Item	1993	1994	1995	1996	Change, 1995 to 1996
Services transactions, net	**61**	**62**	**68**	**73**	**5**
Military, net	1	2	4	3	−1
Sales	13	12	13	14	0
Expenditures	12	10	10	11	1
Exports of private services	172	183	196	209	13
Travel and passenger fares	74	75	80	84	4
Other transportation	24	26	28	29	1
Insurance[1]	1	2	1	2	0
Business, professional, technical services	13	16	16	17	1
Royalties and license fees	20	22	27	29	2
Other private services	40	42	44	48	4
U.S. government receipts of miscellaneous services	1	1	1	1	0
Imports of private services	111	121	130	137	7
Travel and passenger fares	52	57	60	63	3
Other transportation	26	28	29	29	0
Insurance[2]	3	4	5	5	0
Business, professional, technical services	4	4	5	5	0
Royalties and license fees	5	6	6	7	1
Other private services	21	22	25	28	3
U.S. government payments for miscellaneous services	2	3	3	3	0

1. Premiums received less losses paid.
2. Premiums paid less amounts recovered.

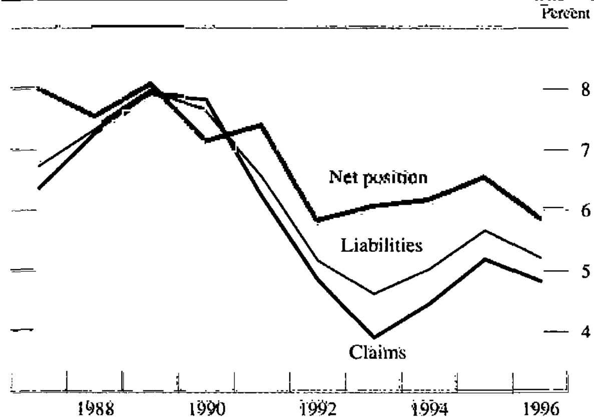
SOURCE. U.S. Department of Commerce, Bureau of Economic Analysis, U.S. international transactions accounts.

9. U.S. investment income, 1993–96
Billions of dollars

Item	1993	1994	1995	1996
Investment income, net	10	−4	−8	−8
Portfolio investment income, net	−46	−52	−66	−73
Receipts	58	73	94	98
Private	53	69	89	94
Government	5	4	5	5
Payments	105	125	159	172
Private	63	78	98	100
Government	42	47	61	71
Direct investment income, net	56	47	58	64
Receipts	62	69	89	98
Payments	6	21	31	34

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

7. Rates of return on U.S. portfolio investment, 1987–96



NOTE. The rates of return are annualized versions of quarterly rates calculated as follows: For claims (or liabilities), the numerator is total receipts (or payments) from the U.S. international transactions accounts, measured on a quarterly basis. The denominator is the average of end-of-quarter claims (or liabilities) for the current and previous quarters. To compute the numerator and denominator of the annualized rate of return, the numerators and denominators from the four quarterly rates of return are averaged.

The rate of return on the net position is calculated as the ratio of net investment income (annual receipts minus payments) to the annualized net position (annualized claims minus annualized liabilities).

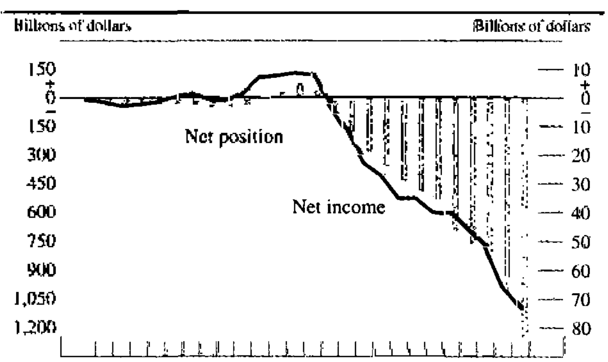
SOURCE. U.S. Department of Commerce, Bureau of Economic Analysis, U.S. international transactions accounts and U.S. international investment position; and the Federal Reserve Board.

position—claims minus liabilities (chart 6). The net portfolio position deteriorated significantly last year, with the net liability position increasing $245 billion, or 24 percent (chart 4). The 11 percent increase in net investment payments to foreigners was relatively modest by comparison, as a general decline in interest rates dampened the increase (chart 7).

Net Direct Investment Income

The second component of net investment income, the balance on net direct investment income, increased $6 billion to a positive $64 billion. Given that U.S. direct investment abroad and foreign direct investment in the United States increased by roughly equal amounts in 1996, the increase in net receipts was primarily the result of the higher rate of return earned on U.S. direct investment abroad (chart 8); a secondary reason was the small reduction in the rate of return on foreign direct investment in the United States.

6. Net portfolio investment: Position and income, 1972–96



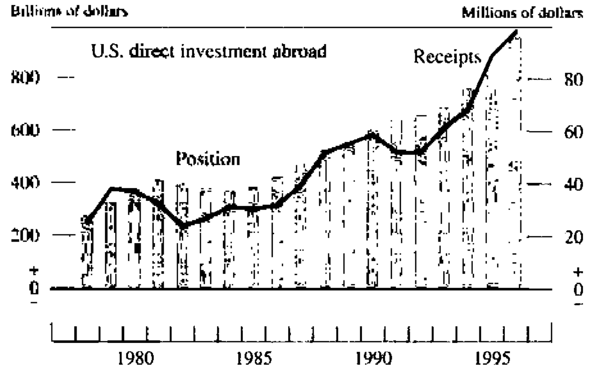
NOTE. The net position data are averages of the end-of-year net positions for the current and previous years. The year-end position for 1996 was constructed by adding the recorded portfolio investment flows during 1996 to the recorded year-end position for 1995.

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

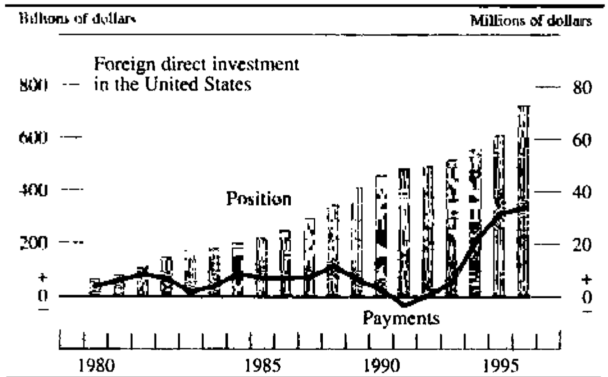
Various alternatives for measuring the rate of return on direct investment all lead to the same result for 1996 and for earlier years, as shown in table 10: Rates of return changed little from 1995 to 1996, and the rate of return on U.S. direct investment abroad continued to be more than double that on foreign direct investment in the United States. Given the importance of this differential, as noted previously, in mitigating the effect of the negative net investment position on the current account deficit, important and perennial questions are whether the differential will persist and whether it reflects biases in measurement rather than a true differential in underlying profitability. Researchers have investigated potential biases in both the numerator of the rate of return—direct investment receipts and payments from the U.S. international transactions accounts (table 9)—and its denominator—some measure of the value of the U.S. (foreign) ownership position in subsidiaries and branches abroad (in the United States).

Three measures of the value of direct investment have been constructed by the Bureau of Economic Analysis (BEA) and are used as alternative denominators in calculating the rates of return in table 10. BEA's original method of valuing direct investment,

8. Direct investment abroad: Position and income, 1978–96



NOTE. The position data are averages using the current-cost measures as of year-end for the current and previous years. The year-end data for 1996 were constructed by adding the recorded direct investment flows during 1996 to the recorded year-end position for 1995.



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

the historical cost method, values the assets of direct investors at the prices at which the assets were purchased. The other two measures attempt to correct for the biases inherent in the first. The value of direct investment at current cost adjusts the historical, accounting values for inventories and for plant and equipment to reflect current replacement values. The value of direct investment at market prices adjusts the ownership position using indexes of stock market prices. The estimated value of direct investment abroad is significantly higher when measured by either of these latter alternatives than it is when measured at historical costs; in 1995 the current cost measure was 23 percent higher and the market price measure 83 percent higher than the historical cost measure. For direct investment in the United States, the historical cost and the current cost measures differ by only 14 percent; however, because of the recent U.S. stock market increases, the market value measure is 82 percent greater than the historical cost measure.

For direct investment abroad, using the two alternative measures as denominators results in a significantly lower rate of return than when the historical cost measure is used; in 1996, for example, the rates of return for the current cost and market price measures differed from the historical cost measures by 2.3 and 5.7 percentage points respectively. In contrast, for direct investment in the United States, using either of the alternatives to the historical cost measure in the denominator reduces the rate of return in 1996 much less. This smaller reduction of the calculated rate of return is to be expected given the shorter length of time that the average foreign subsidiary in the United States has been in existence. In summary, the use of corrected measures for direct investment rather than the historical cost measure does in fact narrow the difference between the rates of return on direct investment abroad and in the United States; for 1996, a difference of 7.4 percentage points is reduced to 5.7 percentage points when the current cost measure is used and to 4.1 percentage points when

10. Rates of return on direct investment, 1989–96

Percent

Measure used in calculating the rate of return[1]	1989	1990	1991	1992	1993	1994	1995	1996
U.S. investment abroad								
Historical cost	15.2	14.5	11.6	10.7	11.5	11.6	13.3	13.0
Current cost	10.2	10.0	8.3	8.0	8.9	9.2	10.7	10.7
Market value	7.3	7.5	6.7	6.4	6.8	6.6	7.5	7.3
Foreign investment in the United States								
Historical cost	1.9	.8	–.8	.1	1.3	4.4	5.9	5.6
Current cost	1.6	.6	–.7	.1	1.1	3.8	5.2	5.0
Market value	1.4	.5	–.6	.0	.8	2.8	3.5	3.2

1. The rates of return are calculated as follows: The numerator is direct investment receipts or payments, from the U.S. international transactions accounts. The denominator is the average of year-end figures for the current and previous year for the particular measure of the value of direct investment shown. Each denominator for 1996 is constructed by adding the recorded direct investment flows during 1996 to the recorded year-end positions for 1995.

For a discussion of BEA's measure of "direct investment at current cost" and "direct investment at market value," see J. Steven Landefeld and Ann M. Lawson, "Valuation of the U.S. Net International Investment Position," *Survey of Current Business*, vol. 71 (May 1991), pp. 40–49.

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

the market value measure is used. However, the adjusted rates of return for U.S. direct investment abroad in 1996 remain almost twice those for foreign direct investment in the United States.

As for the numerator, a number of potential sources of either bias or systematic difference have been identified by researchers. Because of problems in the comparability of the rate-of-return data, however, there now exists only indirect evidence on the size and importance of these factors. In particular, a recent study by Grubert, Goodspeed, and Swenson, has made significant progress in providing such indirect evidence by using corporate tax return data to analyze differences in rates of return between foreign subsidiaries in the United States and domestically owned firms in the United States.[1] Because the study used two sets of firms in the United States, it does not provide a direct comparison of the rate of return for these firms with the rate of return on foreign investment abroad. It does explain about 50 percent of the difference between the rates of return for the two sets of firms by the following factors: (1) the revaluation of the assets of foreign subsidiaries in the United States after they are acquired, which, because of higher depreciation flows, lowered their rate of return; (2) the relative age of the subsidiary, with more mature firms earning higher rates of return; (3) the effects of exchange rate changes on the prices of imported inputs; (4) the amount of repatriated dividends and royalties from foreign operations controlled by the domestically owned U.S. firms, which raised the rate of return disproportionately for these firms; and (5) the effects of transfer pricing, by which firms shift reported profits to jurisdictions that have lower tax rates.

The first two of these factors suggest that, over time, the rates of return on foreign direct investment in the United States will rise—narrowing, therefore, the difference in the rates of return seen in table 10. The third and fourth factors shed no light on long-term differences in the rates of return. Finally, the effects of transfer pricing may distort the rates of return on direct investment in the United States and abroad, as profits are shifted to low-tax jurisdictions; how this factor will affect the difference in the rate of return is unknown. However, while the particular distortion caused by transfer pricing may affect direct investment receipts and payments in the balance of payments to an unknown degree, it will not affect the current account balance: Lower (or higher) direct investment profits caused by transfer pricing will be offset one-to-one by higher (or lower) import payments.

1. Harry Grubert, Timothy Goodspeed, and Deborah Swenson, "Explaining the Low Taxable Income of Foreign-Controlled Companies in the United States," in Alberto Giovannini, R. Glenn Hubbard, and Joel Slemrod, eds., *Studies in International Taxation* (University of Chicago Press, 1993). See also the update of this study: Harry Grubert, *Another Look at the Low Taxable Income of Foreign-Controlled Companies in the United States* (U.S. Department of the Treasury, 1996).

Capital Account Transactions

Record inflows of official capital and large net foreign purchases of U.S. Treasury and corporate bonds in 1996 more than offset both the $165 billion deficit on the U.S. current account and substantial net capital outflows through banks and for the purchase of foreign securities (table 11). For the first year since 1992, the statistical discrepancy turned negative and ended the year at $53 billion.

Foreign official assets held in the United States increased by a record $123 billion in 1996, surpassing the previous record set just the year before. Part of the increase was associated with exchange market intervention and the accumulation of interest receipts by the Group of Ten countries, and another small part reflected the effect of favorable oil price developments on the holdings of OPEC countries. However, more than half the increase was in official holdings of other countries.

Private foreign net purchases of Treasury securities and corporate bonds exceeded the already high purchases in 1995. Net purchases of Treasury securities, at $154 billion, reached a new high; most of the transactions were with financial institutions in the United Kingdom, so the nationality of the ultimate investors is unclear. Net purchases of Treasury securities by financial centers in the Caribbean were large and volatile, but the net of purchases and sales in 1996 was only about two-thirds the size recorded in 1995.

Private foreign net purchases of U.S. corporate and U.S. government agency bonds were also large for the year. However, private foreign net purchases of U.S. corporate stocks continued to be very small. In contrast, U.S. investors remained interested in both foreign stocks and bonds and purchased a net of $58 billion and $45 billion respectively.

Large direct investment capital flows occurred in both directions. Foreign direct investment in the United States surged to a record high $84 billion, reflecting a pickup in foreign acquisitions of U.S. firms. U.S. direct investment flows abroad were even stronger, at $88 billion, although off slightly from the record rate of 1995.

11. Composition of U.S. capital flows, 1992–96
Billions of dollars

Item	1992	1993	1994	1995	1996	Change, 1995 to 1996
Current account balance	−63	−100	−148	−148	−165	−17
Official capital, net	43	70	45	100	129	29
Foreign official assets in the United States	41	72	40	110	123	13
U.S. official reserve assets	4	−1	5	−10	7	17
Other U.S. government assets	−2	0	0	0	−1	−1
Private capital, net	45	−14	89	17	89	72
Net inflows reported by U.S. banking offices	36	51	104	−44	−90	−46
Securities transactions, net	14	−42	31	95	180	85
Private foreign net purchases of U.S. securities	64	104	91	193	285	92
Treasury securities	37	24	34	99	154	55
Corporate and other bonds[1]	31	61	54	81	119	38
Corporate stocks	−4	19	3	13	12	−1
U.S. net purchases of foreign securities	−49	−146	−60	−99	−105	−6
Stocks	−32	−63	−48	−50	−58	−8
Bonds	−16	−80	−9	−48	−45	3
Direct investment, net	−21	−33	−5	−35	−4	31
Foreign direct investment in the United States	18	43	50	60	84	24
U.S. direct investment abroad[1]	−39	−76	−55	−96	−88	7
Other	14	12	−41	0	3	3
Statistical discrepancy	−23	44	14	32	−53	−85

1. For 1992, transactions with finance affiliates in the Netherlands Antilles are excluded from direct investment outflows and included in foreign purchases of U.S. securities. This adjustment was discontinued in 1993 on the assumption that by then virtually all the Eurobonds issued by Netherlands Antilles had come due.

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

PROSPECTS FOR 1997

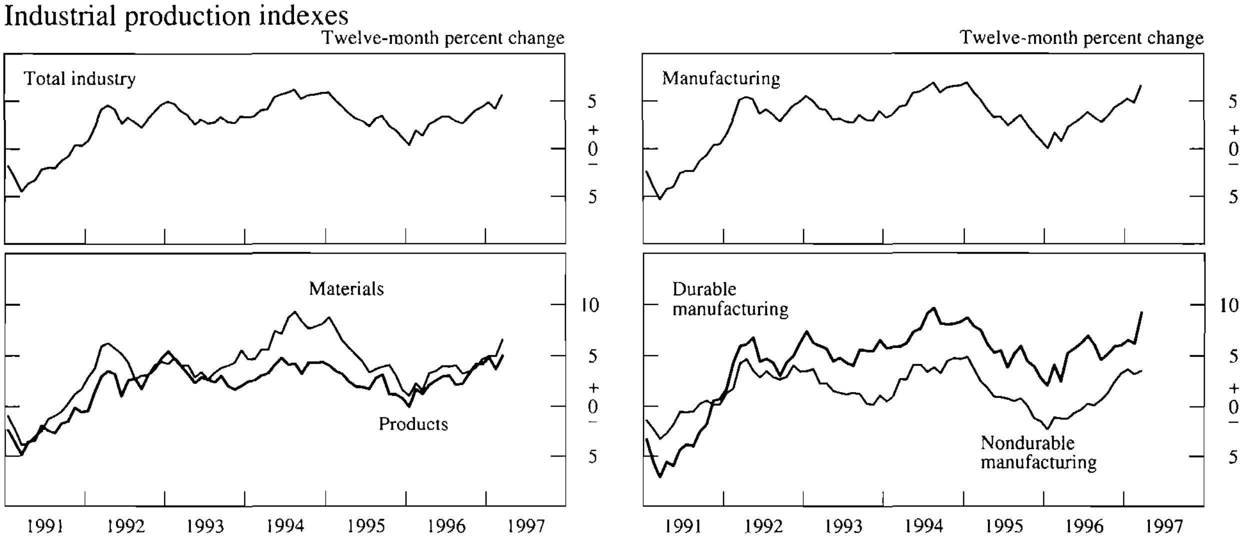
Given the prospects for continued moderate growth abroad and the strength of foreign demand for U.S. computer products and aircraft, U.S. exports of goods and services, in both nominal and real terms, should continue to expand in 1997. However, the tendency for U.S. imports to be more sensitive than U.S. exports to economic growth, along with the recent appreciation of the U.S. dollar, suggests that the current account deficit in 1997 will be larger than in 1996. Whether the deficit actually increases in 1997 will also depend on many other factors, including changes in the price of oil and in the rates of return that will be earned on existing U.S. claims and liabilities. □

Industrial Production and Capacity Utilization for March 1997

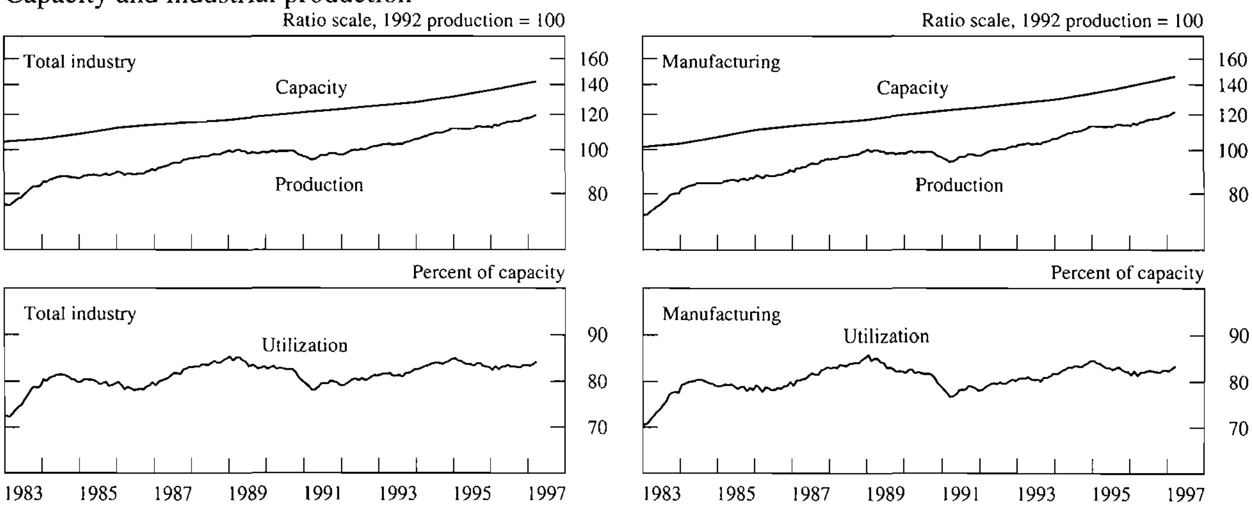
Released for publication April 16

Industrial production advanced 0.9 percent in March after a revised gain of 0.6 percent in February. In recent months, as in the past year, the gains have been mostly in durable manufacturing. At 119.6 percent of its 1992 average, total industrial production in March was 5.6 percent higher than it was in March 1996. For the first quarter as a whole, industrial production grew at an annual rate of 5.6 percent after an increase of 4.5 percent in the final quarter of 1996, when growth had been held down by strike-related losses in the motor vehicle industry. Excluding motor vehicles and parts, manufacturing output grew at the same strong rate in both quarters; the output at utilities declined in the first quarter as a result of unseasonably mild weather. The utilization of industrial capacity increased 0.5 percentage point

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 1997

Category	Industrial production, index, 1992 = 100								
	1996	1997			Percentage change				
					1996[1]	1997			Mar. 1996 to Mar. 1997
	Dec.r	Jan.r	Feb.r	Mar.p	Dec.r	Jan.r	Feb.r	Mar.p	
Total	**117.7**	**117.8**	**118.5**	**119.6**	**.4**	**.1**	**.6**	**.9**	**5.6**
Previous estimate	117.7	117.6	118.1	...	.4	−.1	.5	. .	...
Major market groups									
Products, total[2]	114.3	114.3	114.9	115.9	.2	.1	.5	.9	5.0
Consumer goods	112.7	112.0	111.8	112.6	.4	−.7	−.1	.7	2.9
Business equipment	130.7	132.1	133.8	135.6	.7	1.0	1.3	1.4	10.6
Construction supplies	117.8	117.6	119.8	120.6	−2.4	−.2	1.9	.7	4.4
Materials	123.1	123.3	124.4	125.4	.8	.2	.8	.8	6.6
Major industry groups									
Manufacturing	119.2	119.3	120.4	121.4	.6	.1	.9	.9	6.6
Durable	128.8	129.4	131.3	133.1	.3	.5	1.5	1.3	9.2
Nondurable	108.8	108.4	108.7	109.1	.8	−.4	.3	.3	3.5
Mining	104.5	104.2	105.7	106.7	1.0	−.3	1.5	.9	3.8
Utilities	112.6	113.5	109.7	110.6	−1.6	.8	−3.4	.8	−3.3

Category	Capacity utilization, percent								MEMO Capacity, percentage change, Mar. 1996 to Mar. 1997
	Average, 1967–96	Low, 1982	High, 1988–89	1996		1997			
				Mar.	Dec.r	Jan.r	Feb.r	Mar.p	
Total	**82.1**	**71.1**	**85.3**	**82.6**	**83.5**	**83.4**	**83.6**	**84.1**	**3.7**
Previous estimate	...	. .		...	83.5	83.2	83.3	...	. .
Manufacturing	81.2	69.0	85.7	81.3	82.5	82.3	82.8	83.3	4.1
Advanced processing	80.6	70.4	84.2	79.4	80.8	80.7	81.1	81.6	4.9
Primary processing	82.3	66.2	88.9	85.6	86.6	86.1	86.7	87.2	2.3
Mining	87.5	80.3	86.8	90.3	91.9	91.6	92.9	93.7	.0
Utilities	87.2	75.9	92.6	92.2	89.3	89.9	86.7	87.3	2.0

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.

in March, to 84.1 percent, the highest level since March 1995.

When analyzed by market group, the data show that the output of consumer goods advanced 0.7 percent, led by another increase of 1.5 percent in the output of durable consumer goods. Gains were especially notable for household appliances, home computing equipment, and furniture. The production of automotive products rose 0.8 percent for a second consecutive month. After declines in January and February, the production of nondurable consumer goods increased 0.5 percent, with gains in gasoline, paper, food, tobacco, and residential utilities.

The output of business equipment rose 1.4 percent further, its third consecutive monthly increase of 1 percent or more. Solid gains were evident in all the major categories within business equipment, with commercial aircraft, office and computing equipment, and business vehicles again accounting for much of the monthly increase. The output of defense and space equipment edged down; on balance, this series is close to the low it reached early last year.

The output of construction supplies rebounded further; over February and March, it recouped the 2½ percent drop of the previous two months. On balance, the production in this sector has been at a high level since last summer. The production of materials rose 0.8 percent for a second month. Gains of about 1½ percent in February and March in the output of durable goods materials dominated the advance. Among the components of durable materials, the output of equipment parts rose more than 2 percent for a second month; semiconductors again contributed much of the increase. The production of basic metals and parts for motor vehicles and other consumer durables also increased again. The output of nondurable goods materials edged down 0.1 percent and has changed little since the end of last year. The production of energy materials, which fell in February because of the benign weather conditions, recovered only a bit as weather remained mild. The output of coal, which is heavily used to generate electricity, declined.

When analyzed by industry group, the data show that manufacturing output rose 0.9 percent in March, the same amount as in February. The gain was concentrated in durables; the output in this sector rose 1.3 percent in March and 1.5 percent in February, with sizable increases in both months for most major groups. The production of nondurables rose 0.3 percent; this group has changed little, on balance, so far this year. The output at utilities rose, but it recovered only a fraction of the sharp drop in February. Mining output increased substantially again, propelled by the continued strong gains in oil and gas drilling activity.

The factory operating rate rose 0.5 percentage point, to 83.3 percent, 2 percentage points above both its 1967–96 average and its level in March 1996. Within the durable manufacturing category, rates remain relatively high for primary metals, light trucks, and industrial machinery and equipment. The capacity utilization rate for nondurable manufacturing is at its long-term average; relatively low rates for apparel, leather and products, and textiles balance operating rates that exceed 90 percent for petroleum refining and rubber and plastics products. The utilization rates for mining industries, with the exception of coal mining, are high.

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

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 4, 1997

I appreciate the opportunity to appear before you today. As you know, my colleagues and I who serve on the Federal Reserve Board just recently submitted to the Congress our semiannual report on monetary policy and the economy.[1] In brief, the performance of the U.S. economy over the past year has been quite favorable, with few signs of the imbalances that might typically have been expected by the sixth year of a cyclical expansion. Indeed, we believe that the most likely prospect is for continued sustainable economic growth accompanied by low and stable inflation, and our objective will be to foster the conditions most likely to produce that outcome.

In that regard, continued low levels of inflation and inflation expectations have been a key support for the healthy economic performance of the past year. They have helped to create a financial and economic environment conducive to strong capital spending and longer-range planning generally and so to sustained economic expansion. Consequently, it is crucial to keep inflation contained in the near term and ultimately to move toward price stability.

If we are successful, a stable macroeconomic environment will contribute to your efforts to place the fiscal health of the nation on a firmer footing. But achieving your fiscal objectives will require that this committee confront additional issues of extraordinary complexity and importance. I would like to devote the remainder of my prepared remarks to one of these issues, namely the bias in the consumer price index (CPI).

I want to begin by commending this committee for your continuing interest in this subject. Indeed, our conversation about potential bias in the CPI goes back about two years, when I testified before a joint meeting of this committee and your counterparts from the Senate. The topic remains just as important now as it was then.

1. See "Monetary Policy Report to the Congress," *Federal Reserve Bulletin*, vol. 83 (March 1997), pp. 173–87.

A useful starting point for discussion of this issue is to be clear that any index that endeavors to measure the cost of living should aim to be *unbiased.* That is, a serious examination of all available evidence should yield the conclusion that there is just as great a chance that the index *under*states the rate of growth of the true cost of living as there is that it *over*states it. The present-day consumer price index does not meet this standard. In fact, the best available evidence suggests that there is almost a 100 percent probability that we are overcompensating the average social security recipient for increases in the cost of living and almost a 100 percent probability that we are causing the inflation-adjusted burden of the income tax system to decline more rapidly than I presume the Congress intends.

A major reason for this is that consumers respond to changes in relative prices by changing the composition of their actual market basket. At present, however, the market basket used in constructing the CPI changes only once every decade or so. Moreover, new goods and services deliver value to consumers even at the relatively elevated prices that often prevail early in their life cycles; currently, that value is not reflected in the CPI.

For these and other reasons outlined in the Boskin Commission report and other studies, we know with near certainty that the current CPI is off. Although we do not know precisely by how much, there is a very high probability that the upward bias ranges between ½ percentage point per year and 1½ percentage points per year.

In thinking about how to remedy this situation, we must recognize that there is no sharp dividing line between a pristine estimate of a price and one that is not. Although the concept of price is clear enough in theory, it is often extremely difficult to implement in practice. To construct a fully satisfactory measure of the price of a given item, one would first have to specify all the characteristics of that item that deliver value to consumers. Then one would have to reprice the identical bundle of characteristics month in and month out. In practice, both of these steps are difficult because we are often not precisely certain about what consumers value and because the items that are available to consumers are constantly changing, often in subtle ways. As a result, virtually all of the components that make up the CPI are approximations, in some cases very rough approximations. But the essential fact remains that even combinations of very rough approximations can give us a far better judgment of the overall cost of living than would holding to a false precision of accuracy and thereby delimiting the range of goods and services evaluated. We would be far better served following the wise admonition of John Maynard Keynes that "it is better to be roughly right than precisely wrong."

Estimates of the magnitude of the bias in our price measures are available from a number of sources. Most have been developed from detailed examinations of the microstatistical evidence. However, recent work by staff economists at the Federal Reserve Board has added strong corroborating evidence of price mismeasurement using a macroeconomic approach that is essentially independent of the exercises performed by other researchers, including those on the Boskin Commission. In particular, employing the statistical system from which the Commerce Department estimates the national income and product accounts, this research finds that the measured growth of real output and productivity in the service sector are implausibly weak, given that the return to owners of businesses in that sector apparently has been well maintained. Taken at face value, the published data indicate that the level of output per hour in a number of service-producing industries has been falling for more than two decades. In other words, the data imply that firms in these industries have been becoming less and less efficient for more than twenty years.

These circumstances simply are not credible. On the reasonable assumption that nominal output and hours worked and paid of the various industries are accurately measured, faulty price statistics are by far the most likely cause of the implausible productivity trends. The source of a very large segment of these prices is the CPI.

Some observers who are skeptical that the bias in the CPI could be very large have noted that the evidence on the magnitude of unmeasured quality change and the importance of new items bias is incomplete and inconclusive. Without a doubt, quality change and new items are among the most difficult of the problems currently confronting the Bureau of Labor Statistics (BLS). But since I raised this issue two years ago, the accumulating evidence continues to support the view that the current treatment of quality change and new items in the CPI results in an overstatement of the rate of growth of the cost of living.

An even more difficult quality-related issue is whether changes in broad environmental and social conditions should be reflected in price measures that are used for indexing various components of federal outlays and receipts. That is, should the CPI reflect the influence of factors such as the level of crime, the quality of air and water, and the emergence of new diseases, which are not specifically related to products that consumers purchase? Little in the record suggests that, when the Congress enacted the indexation of social security benefits in 1972, it meant to insure the beneficiaries of that program against changes in such environmental and social factors. Nor do these issues appear to have been raised when the Congress debated the indexation of various tax parameters during the 1980s. Taking account of such conditions, particularly those that lie outside the markets for goods and services, would be an interesting exercise in its own right but would appear to extend well beyond the original intent of the Congress.

A considerable professional consensus already exists for at least two actions that would almost surely bring the CPI into closer alignment with a true cost-of-living index. First, we should move away from the concept of a fixed market basket at the upper level of aggregation and move toward an aggregation formula that takes into account the tendency of consumers to alter the composition of their purchases in response to changes in relative prices. Second, we should selectively move away from the current aggregation formula at the lower level of aggregation.

Beyond these rather limited steps, most of the needed developments will require time, effort, and quite possibly additional resources. It is important that the Congress provide the Bureau with sufficient resources to pursue the agenda vigorously.

Where will this longer-term effort be required? One of the key areas, by all accounts, is quality adjustment. As the Bureau has rightly noted, they do indeed already employ a variety of methods to control for quality change, but available evidence suggests that these are not sufficient to the task. Unfortunately, making improvements on this front will be difficult: Each item will have to be considered on its own, and there may well be limited transfer of knowledge from one item to the next.

The longer-term agenda should also include concentrated attention to the methods for introducing new items into the index; the development of new sources of data such as the information collected by bar code scanners; and the analysis of time use, the latter being important in understanding the value of time-saving and convenience-enhancing innovations.

Even if the BLS moves aggressively, some upward bias will almost surely remain in the CPI, at least for the next several years. Two years ago, I suggested that a workable structure for dealing with this situation might involve a two-track approach. That suggestion still seems to me to make sense. The first track would involve action by the BLS to address those aspects of the bias that can be dealt with in relatively short order, say within the next year. The second track would involve the establishment of an independent national commission to set annual cost-of-living adjustment factors for federal receipt and outlay programs. The Commission would examine available evidence on a periodic basis and estimate the bias in the CPI, taking into account both the latest research on the sources and magnitudes of the bias and any corrective actions that had been taken by the BLS. This type of approach would have the benefit of being objective, nonpartisan, and sufficiently flexible to take full account of the latest information. Moreover, there is no reason why the two tracks could not proceed in parallel.

Without the second track, we are implicitly assuming, contrary to overwhelming evidence, that the most accurate estimate of the bias due to quality adjustment problems and introduction of new items is zero. There has been considerable objection that such a second track procedure would be a political fix. To the contrary, assuming zero for the remaining bias is the *political* fix. On this issue, we should let evidence, not politics, drive policy.

We have an overarching national interest in building a better measure of consumer prices and in implementing more rational indexation procedures. These efforts are essential if we are to ensure that the original intent of the relevant pieces of legislation will be fulfilled in insulating taxpayers and benefit recipients from the effects of ongoing changes in the cost of living. At present this objective is not being met.

Statement by Alan Greenspan, Chairman, Board of Governors of the Federal Reserve System, before the Subcommittee on Capital Markets, Securities and Government-Sponsored Enterprises of the Committee on Banking and Financial Services, U.S. House of Representatives, March 19, 1997

Thank you for inviting me to present the views of the Federal Reserve Board on the supervision of our nation's banking organizations should they be authorized by the Congress to engage in a wider range of activities. As you know, the Board has supported financial modernization for many years and hopes that the Congress will act to facilitate reforms that, by enhancing competition within the financial services industry, would benefit the consumers of financial products in the United States.

Financial modernization may well mean that future banking organizations will be sufficiently different from today as to require perhaps substantial changes in the supervisory process for the entire organization. Just how much modification may be needed will depend on the kinds of reforms the Congress adopts. In evaluating those modifications, I would like to underline the significant supervisory role required by the Federal Reserve to carry out its central bank responsibilities. I also would like briefly to discuss the continued importance of umbrella supervision and the implications of a wider role for bank subsidiaries in the modernization process.

Supervision and Central Banking

There are compelling reasons why the central bank of the United States—the Federal Reserve—should continue to be involved in the supervision of banks. The supervisory activities of the Federal Reserve, for example, have benefited from its economic stabilization responsibilities and its recognition that safety and soundness goals for banks must be evaluated jointly with its responsibilities for the stability and growth of the economy. The Board believes that these joint responsibilities make for better supervisory and monetary policies than would result from either a supervisor divorced from economic responsibilities or a macroeconomic policymaker with no practical experience in the review of individual bank operations.

To carry out its responsibilities, the Federal Reserve has been required to develop extensive, detailed knowledge of the intricacies of the U. S., and indeed the world, financial system. That expertise is the result of dealing constantly over many decades with changing financial markets and institutions and their relationships with each other and with the economy and from exercising supervisory responsibilities. It comes as well from ongoing interactions with central banks and financial institutions abroad. These international contacts are critical because today crises can spread more rapidly than in earlier times—in large part reflecting new technologies—and require a coordinated international response.

Crisis Management and Systemic Risk

Second only to its macrostability responsibilities is the central bank's responsibility to use its authority and expertise to forestall financial crises (including systemic disturbances in the banking system) and to manage such crises once they occur. In a crisis, the Federal Reserve, to be sure, could always flood the market with liquidity through open market operations and discount window loans; at times it has stood ready to do so, and it does not need supervisory and regulatory responsibilities to exercise that power. But while sometimes necessary in times of crises, such an approach may be costly and distortive to economic incentives and long-term growth as well as an insufficient remedy. Supervisory and regulatory responsibilities give the Federal Reserve both the insight and the authority to use techniques that are less blunt and more precisely calibrated to the problem at hand. Such tools improve our ability to manage crises and, more important, to avoid them. The use of such techniques requires both the authority that comes with supervision and regulation *and* the understanding of the linkages among supervision and regulation, prudential standards, risk-taking, relationships among banks and other financial market participants, and macroeconomic stability.

Our financial system—market oriented and characterized by innovation and rapid change—imparts significant benefits to our economy. But one of the consequences of such a dynamic system is that it is subject to episodes of stress. In the 1980s and early 1990s we faced a series of international debt crises, a major stock market crash, the collapse of the most important player in the junk bond market, the virtual failure of the savings and loan industry, and extensive losses at many banking institutions. More recently, we faced another Mexican crisis and, while in the event less disruptive, the failure of a large British merchant bank. In such situations the Federal Reserve stands ready to provide liquidity, if necessary, and monitors continuously the condition of depository institutions to contain the secondary consequences of any problem. The objectives of the central bank in crisis management are to contain financial losses and prevent a contagious loss of confidence so that difficulties at one institution do not spread more widely to others. The focus of its concern is *not* to avoid the failure of entities that have made poor decisions or have had bad luck but rather to see that such failures—or threats of failures—do not have broad and serious impacts on financial markets and the national, and indeed the global, economy.

The Federal Reserve's ability to respond expeditiously to any particular incident does not necessitate comprehensive information on each banking institution. But it does require that the Federal Reserve have in-depth knowledge of how institutions of various sizes and other characteristics are likely to behave and what resources are available to them in the event of severe financial stress. Even for those events that might, but do not, precipitate financial crises, the authorities turn first to the Federal Reserve, not only because, as former Chairman Volcker noted last month, we have the money but also because we have the expertise and the experience. We currently gain the necessary insight by having a broad sample of banks subject to our supervision and through our authority over bank holding companies.

Payment and Settlement Systems

Virtually all of the U.S. dollar transactions made worldwide—for securities transfers, foreign exchange and other international capital flows, and for payment for goods and services—are settled in the U.S. banking system. A small number of transactions that comprise the vast proportion of the total value of transactions are transferred over large-dollar payment systems. Banks use two of these systems—Fedwire, operated by the Federal Reserve, and CHIPS (Clearing House Interbank Payments System), operated by the New York Clearing House—currently to transfer $1.6 trillion and $1.3 trillion a day respectively. CHIPS settles its members' net positions on Fedwire.

These interbank transfers, for banks' own accounts and for those of their customers, occur and are settled over a network and structure that is the backbone of the U.S. financial system. Indeed, it is arguably the linchpin of the international system of payments that relies on the dollar as the major international currency for trade and finance. Disruptions and disturbances in the U.S. payment system thus can easily have global implications. Fedwire, CHIPS, and the specialized depositories and clearinghouses for securities and other financial instruments are crucial to the integrity and stability not only of our financial markets and economy but those of the world. Similarly, adverse developments in transfers in London, Tokyo, Singapore, and a host of other centers could rapidly be transferred here, given the financial interrelationships among the individual trading nations.

In all these payment and settlement systems, commercial banks play a central role, both as participants and providers of credit to nonbank participants. Day in and day out, the settlement of payment obligations and securities trades requires significant amounts of bank credit. In periods of stress, such credit demands surge just at the time when some banks are least willing or able to meet them. These demands, if unmet, could produce gridlock in payment and settlement systems, halting activity in financial markets. Indeed, it is in the cauldron of the payments and settlement systems, where decisions involving large sums must be made quickly, that all of the risks and uncertainties associated with problems at a single participant become focused as participants seek to protect themselves from uncertainty. Better solvent than sorry, they might well decide, and refuse to honor a payment request. Observing that, others might follow suit. And that is how crises often begin.

Limiting, if not avoiding, such disruptions and ensuring the continued operation of the payment system requires broad and in-depth knowledge of banking and markets, as well as detailed knowledge *and* authority with respect to the payment and settlement arrangements and their linkages to banking operations. This type of understanding and authority—as well as knowledge about the behavior of key participants—cannot be created on an *ad hoc* basis. It requires broad and sustained involvement in both the payment infrastructure and the operation of the banking system. Supervisory authority over the major bank participants is a necessary element.

MONETARY POLICY

While financial crises and payment systems disruptions arise only sporadically, the Federal Reserve conducts monetary policy on an ongoing basis. In this area, too, the Federal Reserve's role in supervision and regulation provides an important perspective to the policy process. Monetary policy works through financial institutions and markets to affect the economy, and depository institutions are a key element in those markets. Indeed, banks and thrift institutions are more important in this regard than might be suggested by a simple arithmetic calculation of their share of total credit flows. While diverse securities markets handle the lion's share of credit flows these days, banks are the backup source of liquidity to many of the securities firms and large borrowers participating in these markets. Moreover, banks at all times are the most important source of credit to most small and intermediate-sized firms that do not have ready access to securities markets. These firms are the catalyst for U.S. economic growth and the prime source of new employment opportunities for our citizens. The Federal Reserve must make its monetary policy with a view to how banks are responding to the economic environment. This was especially important during the "credit crunch" of 1990. Our supervisory responsibilities give us important qualitative and quantitative information that not only helps us in the design of monetary policy but provides important feedback on how our policy stance is affecting bank actions.

The macroeconomic stabilization responsibilities of the Federal Reserve make us particularly sensitive to how regulatory and supervisory postures can influence bank behavior and hence how banks respond to monetary policy actions. For example, capital, liquidity, loan-loss reserve, and asset quality evaluation policies of supervisors will directly influence the manner and speed with which monetary policy actions work. In the development of interagency rules and policies, the Federal Reserve brings to the table its unique concerns about the impact of these rules on credit availability, potential responses to changes in interest rates, and the consequences for the economy. We believe that, as a result, supervisory policy is improved.

FEDERAL RESERVE'S SUPERVISORY ROLE

For all of these reasons, the Board believes the Federal Reserve needs to retain a significant supervisory role in the banking system. Just exactly how that is achieved depends critically on the types of reforms the Congress enacts and the direction the banking industry takes in structuring and conducting its activities. In the Board's view, its current authority is adequate for the current structure. For today's financial system, we are able to meet our obligations by the intelligence we gain from and the authorities we have over the modest number of large banks we directly supervise and the holding companies of these and other large banks over which we have a direct umbrella supervisory role. Our information is importantly supplemented by our supervision of a number of other banks of all sizes, namely state member banks. Currently, the latter group gives us a good representative sample of organizations of all sizes outside the largest entities.

The large entities are essential if we are to address the Federal Reserve's crisis management and systemic risk responsibilities, deal with international financial issues involving foreign central banks, manage risk exposures in payment systems, and retain our practical knowledge and skill base in rapidly changing financial markets. Large bank holding companies are typically at the forefront in financial innovation and in developing sophisticated techniques for managing risks. It is crucial that the Federal Reserve stay informed of these events and understand directly how they work in practice. Directly supervising both these large organizations and a sample of others is also critical to our ability to conduct monetary policy by permitting us to gain firsthand, on-the-spot intelligence on how changes in financial markets—including those induced by monetary policy—are affecting money and credit flows.

If in the future the holding company becomes a less clear window into the banking system, the Board believes that the Congress would need to change the supervisory structure if the central bank is to carry out the responsibilities I have discussed today.

UMBRELLA SUPERVISION

The Congress, in its review of financial modernization, must consider legal entity supervision alone versus legal entity supervision supplemented by umbrella supervision. The Board believes that umbrella supervision is a realistic necessity for the protection of our financial system and to limit any misuse of the sovereign credit, that is, the government's guarantees that support the banking system through the safety net.

The bank holding company organization increasingly is being managed so as to take advantage of the synergies between its component parts in order to deliver better products to the market and higher returns to stockholders. Such synergies cannot occur if the model of the holding company is one in which the parent is just, in effect, a portfolio investor in its subsidiary. Indeed, virtually all of the large holding companies now operate as integrated units and are managed as such, especially in their management of risk.

One could argue that regulators should be interested only in the entities they regulate and, hence, review the risk-evaluation process only as it relates to their regulated entity. Presumably each regulator of each entity—the bank regulators, the Securities and Exhange Commission, the state insurance and any state finance company authorities—would look only at how the risk-management process affected their units. It is our belief that this simply will not be adequate. Risks managed on a consolidated basis cannot be reviewed on an individual legal entity basis by different supervisors.

The latter logic motivated the congressional decision just five years ago to require that foreign banks could enter the United States if, and only if, they were subject to consolidated supervision. This decision, which is consistent with the international standards for consolidated supervision of banking organizations, was a good decision then. It is a good decision today, especially for those banking organizations whose disruption could cause major financial disturbances in U.S. and foreign markets. For foreign and for U.S. banking organizations, retreat from consolidated supervision would, the Board believes, be a significant step backward.

We have to be careful, however, that consolidated umbrella supervision does not inadvertently so hamper the decisionmaking process of banking organizations as to render them ineffectual. The Federal Reserve Board is accordingly in the process of reviewing its supervisory structure and other procedures in order to reflect a market-directed shift from conventional balance sheet auditing to evaluation of the internal risk-management process. Although focused on the key risk-management processes, it would sharply reduce routine supervisory umbrella presence in holding companies. As the committee knows, the Board has recently published for comment proposals to expedite the applications process, and the legislation the Congress enacted last year eased such procedures as well. Nonetheless, the Board requests even greater modification to its existing statutory mandate so that the required applications process could be sharply cut back, particularly in the area of nonbank financial services.

In the Board's view, those entities interested in banks are really interested in access to the safety net, since it is far easier to engage in the nonsafety net activities of banks without acquiring a bank. If an organization chooses to deliver some of its services with the aid of the sovereign credit by acquiring a bank, it should not be excused from efforts of the government to look out for the stability of the overall financial system. For bank holding companies, this implies umbrella supervision. Although that process will increasingly be designed to reduce supervisory presence and be as nonintrusive as possible, umbrella supervision should not be eliminated but recognized for what it is: the cost of obtaining a subsidy.

Nonetheless, we would hope that should the Congress authorize wider activities for financial services holding companies that it recognize that a bank which is a minor part of such an organization (and its associated safety net) can be protected through adequate bank capital requirements and the application of sections 23A and 23B of the Federal Reserve Act. The case is weak, in our judgment, for umbrella supervision of a holding company in which the bank is not the dominant unit and is not large enough to induce systemic problems should it fail.

SUBSIDIARIES, SUBSIDIES, AND SAFETY NETS

The members of this subcommittee are, I think, aware of the Board's concerns that the safety net constructed for banks inherently contains a subsidy, that conducting new activities in subsidiaries of banks will inadvertently extend that subsidy, and that extension of any subsidy is undesirable. The subcommittee recently heard testimony that there is no net subsidy and, therefore, the authorization of nonbank activities in bank subsidiaries would neither inadvertently extend this undesirable side effect of the safety net nor reduce the importance of the holding company as a consequence of the increased incentives to shift activities from the holding company to the bank.

I would like briefly to comment on these latter views.

Subsidy values—net or gross—vary from bank to bank; riskier banks clearly get a larger subsidy from the safety net than safer banks. In addition, the value of the subsidy varies over time; in good times, markets incorporate a low risk premium and when markets turn weak, financial asset holders demand to be compensated by higher yields for holding claims on riskier entities. It is at this time that subsidy values are the most noticeable. What was it worth in the late 1980s and early 1990s for a bank with a troubled loan portfolio to have deposit liabilities guaranteed by the Federal Deposit Insurance Corporation (FDIC), to be assured that it could turn illiquid to liquid assets at once through the Federal Reserve discount window, and to tell its customers that payment transfers would be settled on a riskless Federal Reserve Bank? For many, it was worth not basis points but percentage points. For some, it meant the difference between survival and failure.

It is argued by some that the cost of regulation exceeds the subsidy. I have no doubt that the costs of regulation are large, too large in my judgment. But no bank has turned in its charter in order to operate without the cost of banking regulation, which would require that it operate also without deposit insurance or access to the discount window or payments system. To do so would require both higher deposit costs and higher capital. Indeed, it is a measure of the size of banks' net subsidy that most nonbank financial institutions are required by the market to operate with significantly higher capital-to-asset ratios than banks. Most finance companies, for example, with credit ratings and debenture interest costs equal to banks are forced by today's market to hold 6 or 7 percentage points higher capital-to-asset ratios than those of banks.

It is instructive that there are no private deposit insurers competing with the FDIC. For the same product offered by the FDIC, private insurers would have to charge premiums far higher than those of government insurance, and still not be able to match the certainty of payments in the event of default, the hallmark of a government insurer backed by the sovereign credit of the United States.

The Federal Reserve has a similar status with respect to the availability of the discount window and riskless final settlement during a period of national economic stress. Providing such services is out of the reach of all private institutions. The markets place substantial values on these safety net subsidies, clearly in excess of the cost of regulation. To repeat, were it otherwise, some banks would be dropping their charters if there were not a net subsidy.

In fact, it is apparently the lower funding costs at banks, that benefit directly from the subsidy of the safety net, that has created the tendency for banking organizations to return to the bank and its subsidiaries many activities that are authorized to banks. These activities previously had been conducted in nonbank affiliates for reasons such as geographic and other inflexibilities, which have gradually eased. Indeed, over the past decade the share of consolidated assets of bank holding companies associated with nonbank affiliates—other than section 20 securities affiliates—has declined almost half to just 5.2 percent. This tendency reflects the fact that asset growth that earlier had been associated with nonbank affiliates of bank holding companies—consumer and commercial finance, leasing, and mortgage banking—has most recently occurred largely in the bank or in a subsidiary of the bank. To be sure, as Chairman Helfer indicated to the subcommittee earlier this month, many banking organizations still retain nonbank subsidiaries. Our discussions with bank holding companies, however, suggest that in some cases, these affiliates were acquired in the past and have established names and an interstate network whose value would be reduced if subsumed within a bank. There are also often adverse tax implications for the shift. And, finally, some of these activities may not be asset intensive and hence may not benefit significantly from bank funding.

Clearly, the authorization of *new* activities in bank subsidiaries that are not now permitted either to banks or their affiliates would tend to accelerate the trend to reduce holding company activity, even if these activities were also permitted to holding company subsidiaries. The subsidy inherent in the safety net would assure that result, extending the spread of the safety net and requiring that the Federal Reserve's authority and ability to meet its responsibilities be shifted to a different paradigm.

Such a result is reason enough for our concern about the spreading of the safety net subsidy. But we should also be concerned because of the distortions that subsidies bring to the financial system more generally. After all, the broad premise underlying financial modernization—with its removal of legislative and regulatory restrictions—is that free and often intense competition will create the most efficient and customer-oriented business system.

This principle has proved itself, generation by generation, with ever higher standards of living.

In financial, as well as most other, markets the principle is rooted in another premise—that the interaction of private competitive forces will, with rare exceptions, create a stable error self-correcting system. This premise is very seriously called into question if government subsidies are supplied at key balancing points. By their nature, subsidies distort the establishment of competitive market prices and create incentives that misalign private risks with private gains. Such distortions undermine the error self-correcting mechanisms that support strong financial markets.

We must be very careful that in the name of free market efficiency we do not countenance greater powers and profits subsidized directly or indirectly by government.

CONCLUSION

In conclusion, the Board believes that as the Congress moves toward financial modernization the newly created structure of financial organizations should limit, insofar as possible, the real and perceived transfer of the subsidy inherent in the safety net to nonbank activities. To maintain a level playing field for all competitors, nonbank activities must be financed at market, not subsidized, rates.

The Board also believes that financial modernization should not undermine the ability and authority of the central bank of the United States to manage crises, ensure an efficient and safe payment system, and conduct monetary policy. We believe all of these require that the Federal Reserve retain a significant and important role as a bank supervisor. In today's structure, we have adequate authority and coverage to meet our responsibilities. But should erosion occur, as would likely be the case if new activities are authorized in bank subsidiaries, the Congress would have to consider what changes would be required in the Board's supervisory authority to ensure that it continues to be able to meet its central bank responsibilities.

Statement by Alan Greenspan, Chairman, Board of Governors of the Federal Reserve System, before the Joint Economic Committee, U.S. Congress, March 20, 1997

I am pleased to appear here today. Last month, the Federal Reserve Board submitted its semiannual report on monetary policy to the Congress.[1] That report and my accompanying testimony covered in detail our assessment of the outlook for the U.S. economy. This morning, I would like to highlight some of the key aspects of the current economic situation.

As I told the Congress last month, the performance of the U.S. economy remains quite favorable. Real GDP growth picked up to more than 3 percent over the four quarters of 1996. Moreover, recently released data suggest that activity has retained a great deal of vigor in early 1997. In addition, nominal hourly wages and salaries have risen faster than prices over the past several quarters, meaning that workers have reaped some of the benefits of rising productivity and thus gained ground in real terms. Outside the food and energy sectors, increases in consumer prices have actually continued to edge lower, with core CPI inflation of only 2½ percent over the past twelve months.

The low inflation of the past year is both a symptom and a cause of the good economy. It is symptomatic of the balance and solidity of the expansion and

1. See "Monetary Policy Report to the Congress," *Federal Reserve Bulletin*, vol. 83 (March 1997), pp. 173–87.

the evident absence of major strains on resources. At the same time, continued low levels of inflation and inflation expectations have been a key support for healthy economic performance. They have helped to create a financial and economic environment conducive to strong capital spending and longer-range planning generally and so to sustained economic expansion. These types of results are why we stressed in our monetary policy testimony the importance of acting promptly—ideally preemptively—to keep inflation low over the intermediate term and to promote price stability over time.

For some, the benign inflation outcome of the past year might be considered surprising, as resource utilization rates—particularly of labor—have been in the neighborhood of those that historically have been associated with building inflation pressures. To be sure, nominal hourly labor compensation, especially its wage component, accelerated in 1996. But the rate of pay increase still was markedly less than historical relationships with labor market conditions would have predicted.

Atypical restraint on compensation increases has been evident for a few years now. Almost certainly, it reflects a number of factors, including the sharp deceleration in health care costs and the heightened pressure on firms and workers in industries that compete internationally. Domestic deregulation has also intensified the competitive forces in some industries. But, as I outlined in some detail in testimony last month, I believe that job insecurity has played the dominant role. For example, in 1991, at the bottom of the recession, a survey of workers at large firms by International Survey Research Corporation indicated that 25 percent feared being laid off. In 1996, despite the sharply lower unemployment rate and the tighter labor market, the same survey organization found that 46 percent were fearful of a job layoff.

Whatever the reasons for its persistence, job insecurity cannot suppress wage growth indefinitely. Clearly, there is a limit to how long workers will remain willing to accept smaller increases in living standards in exchange for additional job security. Even if real wages were to remain permanently on a lower upward track than otherwise as a result of the greater sense of insecurity, the rate of change of wages would revert at some point to a normal relationship with price inflation. The unknown is when a more normal pattern will resume.

Indeed, the labor markets bear especially careful watching for signs that such a process is under way. So far this year, the demand for labor has stayed strong. Payroll employment grew briskly in January and February, and the unemployment rate remained around 5¼ percent—roughly matching the low of the last cyclical upswing, in the late 1980s. Also, initial claims for unemployment insurance remained low into March. In addition, the percentage of households telling the Conference Board that jobs are plentiful has risen sharply of late, which suggests that workers may be growing more confident about the job situation. Finally, wages rose faster in 1996 than in 1995 by most measures—in fact, the acceleration was quite sizable by some measures. This, too, raises questions about whether the transitional period of unusually slow wage gains may be drawing to a close. In any event, further increases in labor utilization rates would heighten the risk of additional upward pressure on wage costs, and ultimately prices.

To be sure, the pickup in wage gains to date has not shown through to underlying price inflation. Increases in the core CPI, as well as in several other broad measures of prices, have stayed subdued or even edged off further of late. As best I can judge, faster productivity growth last year offset the pressure from rising compensation gains on labor costs per unit of output. And nonlabor costs, which are roughly a quarter of total consolidated costs of the nonfinancial corporate sector, were little changed in 1996.

Owing in part to this subdued behavior of unit costs, profits and rates of return on capital have risen to high levels. As a consequence, a substantial number of businesses apparently believe that, were they to raise prices to boost profits further, competitors with already ample profit margins would not follow suit; instead, they would use the occasion to capture a greater market share. This interplay is doubtless a significant factor in the evident loss of pricing power in U.S. business. Intensifying global competition may also be limiting the ability of domestic firms to hike prices as well as wages.

Competitive pressures here and abroad should continue to act as a restraint on inflation in the months ahead. In addition, crude oil prices have largely retraced last year's run-up, and, with the worldwide supply of oil having moved up relative to demand, futures markets project stable prices over the near term. Food prices should also rise less rapidly than they did in 1996 as some of last year's supply limitations ease. Nonetheless, the trends in the core CPI and in broader price measures are likely to come under pressure from a continued tight labor market, whose influence on costs will be augmented by the scheduled increase in the minimum wage later in the year. And, with considerable health care savings already having been realized, larger increases in fringe benefits could put upward pressure on overall compensation. Moreover, although non-oil import prices should remain subdued in 1997 as the sharp rise in the dollar over the past year and a half continues to feed through to domestic prices, their damping effects on U.S. inflation probably will not be as great as in 1996.

The lagged effects of the increase in the exchange value of the dollar will also likely restrain real U.S. net exports this year. In addition, declines in real federal government purchases should exert a modest degree of restraint on overall demand, and residential construction will probably not repeat the gains of 1996. On the other hand, financial conditions overall remain supportive to the real economy, and creditworthy borrowers are finding funding to be readily available from intermediaries and in the securities markets. Moreover, we do not see evidence of widespread imbalances either in business inventories or in stocks of capital equipment and consumer durables that would lead to a substantial cutback in spending.

The trends in consumer spending on items other than durables also look solid. Retail sales posted robust gains in January and February, and, according to various surveys, sentiment is decidedly upbeat. Moreover, consumers have enjoyed healthy increases in their real incomes over the past couple of years, along with the extraordinary stock-market-driven rise in their financial wealth.

Should the higher wealth be sustained, it could provide important support to consumption in 1997. But, looking at the data through 1996, the surging stock market does not seem to have imparted as big a boost to spending as past relationships would have predicted. The lack of a more substantial wealth effect is especially surprising because we have also seen a noticeable widening in the ownership of stocks over the past several years. Indeed, the Federal Reserve's recently released Survey of Consumer Finances suggests that of the total value of all families' holdings of publicly traded stocks and mutual funds, the share held by those with incomes below $100,000 (in 1995 dollars) rose from 32 percent in 1989 to 46 percent in 1995.

It is possible, however, that the wealth effect is being offset by other factors. In particular, families may be reluctant to spend their added wealth because they see a greater need to keep it to support spending in retirement. Many have expressed heightened concern about their financial security in old age, in part because of growing skepticism about the viability of the social security system. This concern has reportedly led to stepped-up saving for retirement.

The sharp increase in debt burdens in recent years may also be constraining spending by some families. Indeed, although our consumer survey showed that debt usage rose between 1992 and 1995 for almost all income groups, changes in financial conditions were not uniform across families. Notably, the median ratio of debt payments to income for families with debt—a useful measure of the typical debt burden—held steady or declined for families with incomes of at least $50,000, but it rose for those with incomes below $50,000. We do not know whether these latter families took on the additional debt because they perceived brighter future income prospects or simply to accelerate purchases they would have made later. Nonetheless, these families are probably the most vulnerable to disruptions in income, and the rise in their debt burdens is likely to make both borrowers and lenders a bit more cautious as we move forward.

Both household and business balance sheets have expanded at a pace considerably faster than income and product flows over the past decade. Accordingly, any percentage change in assets or liabilities has a greater effect on economic growth than it used to. However, identifying such influences in the aggregate data is not always easy. At present, the difficulty is compounded by concern that the currently published national statistics may not provide an accurate reading of the trends in recent years, especially for productivity.

In any event, other data suggest that wealth and debt effects may be exerting a measurable influence on the consumption and saving decisions of different segments of the population. According to the Consumer Expenditure Survey conducted by the Bureau of Labor Statistics, saving out of current income by families in the upper-income quintile evidently has declined in recent years. At the same time, Federal Reserve estimates suggest that the use of credit for purchases has leveled off after a sharp run-up from 1993 to 1996, perhaps because some families are becoming debt constrained and, as a result, are curtailing their spending.

The Federal Reserve, of course, will be weighing these and other influences as it makes future policy decisions. Demand has been growing quite strongly in recent months, and the Federal Open Market Committee (FOMC), at its meeting next week, will have to judge whether that pace of expansion will be maintained, and, if so, whether it will continue to be met by solid productivity growth, as it apparently has been—official figures to the contrary notwithstanding. Alternatively, if strong demand is expected to persist and does not seem likely to be matched by productivity improvement, the FOMC will have to decide whether increased pressures on supply will eventually produce the types of inflationary imbalances that, if not addressed early, will undermine the long expansion.

Should we choose to alter monetary policy, we know from past experience that, although the financial markets may respond immediately, the main effects on inflationary pressures may not be felt until late this year and in 1998. Because forecasts that far out are highly uncertain, we rarely think in terms of a single outlook. Rather, we endeavor to assess the likely consequences of our decisions in terms of a reasonable range of possible outcomes. Part of our evaluation is to judge not only the benefits that are likely to result from appropriate policy but also the costs should we be wrong. In any action—including leaving policy unchanged—we seek to assure ourselves that the expected benefits are large enough to risk the cost of a mistake.

In closing, I would like to note that the current economic expansion is now entering its seventh year. That makes it already a long upswing by historical standards. And yet, looking ahead, the prospects for sustaining the expansion are quite favorable. The flexibility of our market system and the vibrancy of our private sector remain examples for the whole world to emulate. We will endeavor to do our part by continuing to foster a monetary framework under which our citizens can prosper to the fullest possible extent.

Statement by Susan M. Phillips, Member, Board of Governors of the Federal Reserve System, before the Subcommittee on Financial Institutions and Regulatory Relief of the Committee on Banking, Housing, and Urban Affairs, U.S. Senate, March 20, 1997

I am pleased to be here today to discuss the Board's section 20 firewalls—that is, the restrictions the Board has imposed on bank holding companies engaged in underwriting and dealing in securities. As the name suggests, the purpose of firewalls is to insulate a bank and its customers from the potential hazards of combining commercial and investment banking.

Since last year the Board has been engaged in a comprehensive review of the twenty-eight firewalls it erected in the late 1980s, and the Board has recently proposed to eliminate a majority of those restrictions. This oversight hearing provides a constructive opportunity for comment and analysis of the Board's proposal. Furthermore, if financial modernization is to move forward, the issue of firewalls will have to be confronted again. I hope that the Board's review and the public comment process can inform the legislative process as well.

Today, I would like to explain why the Board proposed changes to the firewalls. I will also discuss the final changes the Board made last year to the revenue test that the Board uses to determine compliance with section 20 of the Glass–Steagall Act and to firewalls regarding cross-marketing between a bank and a securities affiliate, and officer, director, and employee interlocks between two such companies.

The Firewalls in Context: Independent Protections for Banks and Consumers

Before I begin this discussion, I think it is important to place the firewalls in their historical and regulatory context. Although the firewalls have served an important role, they are not the only protection against the hazards of affiliation of commercial and investment banks.

One important protection is the placement of securities activities in a separate subsidiary of the bank holding company, rather than in the bank itself or a subsidiary of the bank. Because nonbank subsidiaries of a bank holding company operating under section 20 of the Glass–Steagall Act are affiliates of a bank, they are not under the bank's control, do not have their profits or losses consolidated with the bank's, and are less liable to have their creditors recover against the bank. A bank therefore has less incentive to risk its own reputation or expose itself or its customers to loss to assist a troubled section 20 affiliate or a failed underwriting by that affiliate.

Also, because securities activities are conducted in an affiliate, banks are limited in their ability to fund those activities by sections 23A and 23B of the Federal Reserve Act. These restrictions are vitally important. Section 23A limits the total value of transactions with any one affiliate to 10 percent of the bank's capital and limits transactions with all affiliates to 20 percent of capital. It also requires that substantial collateral be pledged to the bank for any extension of credit. Section 23B requires that interaffiliate transactions be at arm's length and on market-terms and imposes other restrictions designed to limit conflicts of interest.

Thus, affiliate status prevents the bank from passing along the federal subsidy inherent in the federal safety net to its section 20 affiliate by extending credit. Regulators could conceivably limit a bank's ability to use credit to subsidize a direct securities subsidiary of the bank as well by applying sections 23A and 23B. But the equity investment in the subsidiary would still be funded from subsidized resources backed by the federal safety net. Even if the investment were deducted from the capital of the bank, the subsidy inherent in the transfer would remain.

A second protection is examination of the bank holding company, including the effect of securities activities on insured depository institution subsidiaries. The Federal Reserve as holding company regulator monitors compliance with sections 23A and 23B and other aspects of the relationship between a bank and its section 20 affiliate. In its supervision of bank holding companies, the Board increasingly pays attention to risk-management systems and policies that are centralized at the holding company level and govern both the bank and its section 20 affiliate.

A final series of protections is the regulatory regime that applies to all broker–dealers, including section 20 subsidiaries. The Securities Act of 1933 and the Securities Exchange Act of 1934 impose registration, capital and disclosure requirements, antifraud protections, and other investor-protection measures. These laws, and their enforcement by the Securities and Exchange Commission, address many of the safety and soundness and conflict-of-interest concerns about affiliation of commercial and investment banks.

I note that most of these important protections were not in place when the Glass–Steagall Act passed in 1933. Thus, although proponents of high firewalls frequently cite the subtle hazards of affiliation discussed in the legislative history of that act, the regulatory environment was far different then. I believe that the drafters of the Glass–Steagall Act would have had a very different discussion—and passed a very different act—had today's statutory and regulatory protections been present in 1933.

Not only were these protections largely absent in 1933, some were not even present in 1987 when the Board first erected its firewalls. Section 23B of the Federal Reserve Act had not been adopted at the time of the Board's first section 20 order in 1987. As a result, many of the firewalls overlap the restrictions of section 23B, which, as I noted, requires interaffiliate transactions to be at arm's length and on market terms but also prohibits a section 20 affiliate from representing that an affiliated bank is responsible for its obligations and prohibits a bank from purchasing certain products from a section 20 affiliate. Similarly, risk-based capital standards did not exist in 1987, and those standards now require a bank to hold capital against many of the on- and off-balance-sheet exposures it maintains in conjunction with a section 20 affiliate. Finally, the Interagency Statement on Retail Sales of Nondeposit Investment Products was not adopted until 1994. The Interagency Statement includes disclosure and other requirements that are now the primary means by which the federal banking agencies seek to ensure that retail customers are not misled about the nature of nondeposit products they are purchasing on bank premises.

THE BOARD'S REVIEW

Thus, when the Board last year decided to reexamine the firewalls, we felt it important to do so with a fresh eye, benefiting from our ten years of experience supervising the section 20 affiliates, acknowledging regulatory and legal developments since 1987, and focusing on the relevance of the firewalls in today's financial markets. As we began to look at the concerns the firewalls were designed to address, we asked two questions. Does the affiliation of a commercial and an investment bank cause safety and soundness or other concerns not present with any other commercial bank affiliation—concerns not addressed by general bank holding company regulation? Does operation of a broker–dealer within a bank holding company cause concerns that independent operation does not—concerns not addressed by broker–dealer regulation? In some areas—most notably, consumer protection—we believed that the answer was "yes." In most other areas, however, the Board believed, at least pending public comment, that the answer was "no."

The answers to these questions are important because the firewalls are far from costless. They impose operational inefficiencies on bank holding companies that increase their costs and reduce their competitiveness, and they limit a bank holding company's ability to market its products in a way that is both most profitable and desired by its customers. As such, the firewalls have served as a significant barrier to entry for small and midsize bank holding companies because those companies cannot realize sufficient synergies or achieve adequate operating revenues to justify establishing a section 20 subsidiary. The loss is not just to these companies but also to their customers and market competition.

Let me now discuss the most important of the firewalls to which the Board has proposed changes. The comment period closed on this proposal last week, and the comments were overwhelmingly favorable. I will not discuss all twenty-eight firewalls but have attached a summary list and their proposed disposition.[1]

Restrictions on Funding

The Board proposed to eliminate a series of firewalls that constitute a blanket prohibition on a bank's funding its section 20 affiliate and to rely instead on the protections of sections 23A and 23B of the Federal Reserve Act. The firewalls in question prohibit a bank from extending credit to a section 20 affiliate, purchasing corporate and other nongovernmental securities being underwritten by the section 20 affiliate, or purchasing from the section 20 affiliate such securities in which the affiliate makes a market. These firewalls were intended to prevent a bank from assisting a troubled affiliate by lending to it on preferential terms or by bailing out a failed underwriting by purchasing securities that cannot otherwise be sold.

Except for the prohibition on purchasing securities during the underwriting period, none of these funding firewalls was applied under the Board's original 1987 order but were added in 1989 when the range of permissible securities activities was expanded. Bank subsidiaries of the fourteen companies operating under the 1987 order have therefore been free to fund, and have in fact funded, their section 20 affiliates subject to sections 23A and 23B. The Board has not encountered problems arising from such funding.

If the Board were to eliminate the funding restrictions for the remaining section 20 subsidiaries, sections 23A and 23B would continue to impose quantitative and qualitative restrictions on interaffiliate transactions. In addition to requiring that the transaction be on market terms, section 23B specifically prohibits a bank from purchasing any security for which a section 20 affiliate is a principal underwriter during the existence of the underwriting or selling syndicate unless such a purchase has been approved by a majority of the bank's board of directors who are not officers of any bank or any affiliate. If the purchase is as fiduciary, the purchase must be permitted by the instrument creating the fiduciary relationship, court order, or state law. We believe that these are substantial protections and have proposed to rely on them in place of a firewall.

Prohibitions on a Bank Extending or Enhancing Credit in Support of Underwriting or Dealing by a Section 20 Affiliate

Three of the Board's firewalls restrict the ability of a bank to assist a section 20 affiliate *indirectly*, by enhancing the marketability of its products or lending to its customers. These firewalls prohibit a bank from extending credit or offering credit enhancements in support of corporate and other nongovernmental securities being underwritten by its section 20 affiliate or in which the section 20 affiliate makes a market; extending credit to issuers of securities to repay principal or interest on securities previously underwritten by a section 20 affiliate; or extending credit to customers to purchase securities currently being underwritten by a section 20 affiliate. The firewalls share a common purpose: to prevent a bank from imprudently exposing itself to loss to benefit the underwriting or dealing activities of its affiliate.

However, as financial intermediation has evolved, corporate customers frequently seek to obtain a variety of funding mechanisms from one source. By prohibiting banks from providing routine credit or credit enhancements in tandem with a section 20 affiliate, these firewalls hamper the ability of bank holding companies to serve as full-service financial services providers. The firewall thereby reduces options for their customers. For example, existing corporate customers of a bank may wish to issue commercial paper or issue debt in some other form. Although the bank may refer the customer to its section 20 affiliate, the bank is prohibited from providing credit enhancements even though it is the institution best suited to perform a credit analysis—and, with smaller customers, perhaps the only institution willing to do so. As another example, the restriction on lending for repayment of securities causes a bank compliance problems when renewing a compa-

1. The attachment to this statement is available from Publications Services, Mail Stop 127, Board of Governors of the Federal Reserve System, Washington, DC 20551.

ny's revolving line of credit if a section 20 affiliate has underwritten an offering by that company since the credit was first extended. The bank must either recruit other lenders to participate in the renewal or amend the line of credit to specify that its purpose does not include repayment of interest or principal on the newly underwritten securities.

Notably, even if these firewalls were lifted, a bank would still be required to hold capital against all credit enhancements and credit extended to customers of its section 20 affiliate. Section 23B of the Federal Reserve Act would require that such credit and credit enhancements be on an arm's length basis. Similarly, the federal antitying statute would prohibit a bank from offering discounted credit enhancements on the condition that an issuer obtain investment banking services from a section 20 affiliate. Thus, for example, a bank could not offer such credit enhancements below market prices, or to customers who were poor credit risks, to generate underwriting business for a section 20 affiliate.

The firewall prohibiting lending to retail customers for securities purchases during the underwriting period addresses one of the most important potential conflicts of interests arising from the affiliation of commercial and investment banking: the possibility that a bank would extend credit at below-market rates to induce consumers to purchase securities underwritten by its section 20 affiliate. The concern here is not only safety and soundness but customer protection.

The Securities Exchange Act of 1934 already prohibits a broker–dealer (including a section 20 affiliate) from extending or arranging for credit to its customers during the underwriting period. Still, we recognize that the act would not apply in the absence of arranging and, unlike the firewall, would not cover loans to purchase a security in which a section 20 affiliate makes a market. Section 23B of the Federal Reserve Act, and to some extent section 23A, would address some of these remaining concerns, but perhaps not all. The Board will be reviewing the comments on this firewall carefully.

CAPITAL REQUIREMENTS

The next group of firewalls I will discuss imposes capital requirements on a bank holding company and its section 20 subsidiary. These firewalls require a bank holding company to deduct from its capital any investment in a section 20 subsidiary and most unsecured extensions of credit to a section 20 subsidiary engaged in debt and equity underwriting; they also require the section 20 subsidiary to maintain its own capital in keeping with industry norms. These requirements apply only to section 20 subsidiaries and not to any other nonbank subsidiary of a bank holding company.

The Board proposed to eliminate the capital deductions for investments in, or credit extended to, a section 20 subsidiary. The original purpose of the deduction was to ensure that the holding company maintained sufficient resources to support its federally insured depository institutions. In practice, however, the deductions have created regulatory burden without strengthening the capital levels of the insured institutions.

The deduction is inconsistent with Generally Accepted Accounting Principles, which require consolidation of subsidiaries for accounting purposes. The deduction therefore has created confusion and imposed costs by requiring bank holding companies to prepare statements on two bases. The deduction does not strengthen the capital of either the bank or its section 20 affiliate, and elimination of the deduction would not create or expose any incentive for a bank holding company to divert necessary capital from a depository institution to a section 20 subsidiary. One of the purposes of the system of prompt corrective action adopted in 1992 is to ensure that a bank holding company maintains the capital of its subsidiary banks.

The Board also sought comment on whether it should continue to impose a special capital requirement on section 20 subsidiaries in addition to the Securities and Exchange Commission's (SEC's) net capital rules. The purpose of this requirement was to prevent a section 20 subsidiary from being able to leverage itself more than, and gain a competitive advantage over, its independent competitors by trading on the reputation of its affiliated bank. Although the SEC imposes capital requirements on all broker–dealers, these are minimum levels that are far below the industry norm.

This capital firewall has proved confusing and controversial, as "industry norms" are difficult to determine. Federal Reserve examiners have expected section 20 subsidiaries to maintain capital to cover risk exposure in an amount approximately twice what the SEC requires, but some section 20 subsidiaries have complained that this is more than their competitors maintain. They also argue that whereas SEC capital requirements allow all capital to be concentrated in the broker–dealer and dedicated to meeting capital requirements, a bank holding company must meet capital requirements at the bank and holding company levels as well.

Indeed, bank holding company capital is measured on a consolidated basis and thus includes the capital and assets of the section 20 subsidiary. Therefore, the Board believes it may be unnecessary to impose a separate capital requirement on the bank holding company's section 20 subsidiary.

Remaining Restrictions

Before leaving the Board's proposal, I should also note which restrictions the Board proposed to *retain.* The Board proposed to reserve its authority to reimpose the funding, credit extension, and credit enhancement firewalls in the event that an affiliated bank or thrift institution becomes less than well capitalized and the bank holding company does not promptly restore it to the well-capitalized level. The Board considered proposing to reimpose the firewalls on less than well capitalized banks automatically—as some recent bills introduced in the Congress would—but decided against it because a decline in a bank's capital ratios may be wholly unrelated to the bank's dealings with its section 20 affiliate. Thus, for example, forcing a bank suffering serious losses on real estate lending to desist from credit enhancements may be unproductive or—if the business is profitable—counterproductive.

The Board also proposed to retain existing firewalls requiring adequate internal controls and documentation, including a requirement that a bank exercise independent and thorough credit judgment in any transaction involving an affiliate. Although we expect banking organizations to have such internal controls and look for them during examinations, we believe that they are sufficiently important to warrant reinforcement through the operating standards. They are especially important in the section 20 context because of the likelihood that a bank and its section 20 affiliate may be selling similar products to the same customer.

Because of the potential for customer confusion as to which products are federally insured, the Board proposed to require a section 20 affiliate to make disclosures to customers similar to those that the Interagency Statement requires of a bank selling nondeposit products on bank premises. The proposal would also continue to prohibit an affiliated bank from knowingly advising a customer to purchase securities underwritten or dealt in by a section 20 affiliate unless it notifies the customer of its affiliate's role. The proposal also continues to prohibit a bank and its section 20 affiliate from sharing any nonpublic customer information without the customer's consent.

Earlier Board Action on Other Firewalls and the Revenue Limit

In addition to describing the Board's recent proposal, you also asked me to discuss other changes the Board finalized last year: increasing the section 20 revenue limit from 10 percent to 25 percent; allowing cross-marketing between a bank and a section 20 affiliate; permitting employee interlocks between a bank and a section 20 affiliate; and scaling back a restriction on officer and director interlocks.

The review that led to changes to the cross-marketing and interlocks firewalls was akin to what the Board recently went through for all the firewalls. The Board acted on these firewalls before the rest because it had previously sought comment on them some years ago and because they were identified by commenters as among the most unduly burdensome of all the firewalls. After reviewing its experience administering these firewalls, the Board decided that they caused inefficiencies that could not be justified by any benefit to safety and soundness, and commenters agreed overwhelmingly. Repeal of the interlocks and cross-marketing restrictions allows increased synergies in the operation of a section 20 subsidiary and its bank affiliates. Persons may be employed by both companies, and the trend toward coordinated management of like business functions can accelerate, with reporting lines running between companies. Companies need not fund dual back offices or trading floors, for example. To the extent that senior bank managers may now oversee related operations at a section 20 affiliate, risk management and safety and soundness may be improved.

Moreover, existing disclosure requirements adequately address concerns about customer confusion arising from increased cross-marketing and employee interlocks. Most notably, the Interagency Statement on Retail Sales of Nondeposit Products states that, before the initial sale of a nondeposit product by a bank employee or on bank premises, the customer must receive and acknowledge a written statement that the product being sold is not federally insured, is not a deposit or other obligation of the bank, is not guaranteed by the bank, and is subject to investment risks including loss of principal.

Finally, with regard to the revenue limit, section 20 of the Glass–Steagall Act prohibits a bank from being affiliated with any company "engaged principally" in underwriting and dealing, and the Board was obliged to make a narrow, legal determination of the level of revenue at which a company becomes "engaged principally." The Board interpreted the statute to allow 25 percent of total revenue to be derived from underwriting and dealing in bank-ineligible securities. In reviewing the revenue limit, the Board was not deciding what level of underwriting and dealing was consistent with safety and soundness or public policy. If it were, the Board may well have raised the limit to 100 percent, which would have been consistent with the Board's support of repeal of section 20.

I am pleased to report that early indications of the effects of these changes have been favorable. The Board currently has pending three applications to establish a section 20 subsidiary. As we had anticipated, two of these are small to midsize bank holding companies that may previously have either found it too expensive to fund the dual staffing required by the interlocks restrictions or too difficult to generate sufficient eligible revenue to maintain compliance with a 10 percent revenue limit. Furthermore, existing section 20 subsidiaries have indicated that they have been able to rationalize their organization and expand their activities given the added flexibility with respect to both staffing and revenue. □

Announcements

MEETING OF THE CONSUMER ADVISORY COUNCIL

The Federal Reserve Board announced on March 31, 1997, that the Consumer Advisory Council would hold its next meeting on Thursday, April 17. The council's function is to advise the Board on the exercise of the Board's responsibilities under the Consumer Credit Protection Act and on other matters on which the Board seeks its advice.

REDUCTIONS OF AUTOMATED CLEARINGHOUSE FEES OF THE FEDERAL RESERVE BANKS

The Federal Reserve Board on March 21, 1997, announced further reductions in the Reserve Banks' automated clearinghouse (ACH) fees. The new ACH fee schedule was effective May 1, 1997.

The Federal Reserve has reduced its ACH fees three times within the past twelve months. These price reductions reflect the efficiencies of the Federal Reserve's centralized Fed ACH processing environment.

Under the new ACH volume-based fee schedule, the cost to originate ACH transactions will decline an average of 17 percent. Customers that deposit files of fewer than 2,500 items will be assessed a file fee of $1.75 and a per item fee of $0.009. Customers that deposit files of more than 2,500 items will be assessed a file fee of $6.75 and a per item fee of $0.007. The cost to receive ACH transactions will decline 10 percent, to $0.009 for all customers.

The Federal Reserve Board also adopted guidelines for the use of volume-based fee structures for Reserve Bank payment services, which were effective March 25, 1997. Volume-based fees are an extension of multipart fees currently used by the Reserve Banks. The use of volume-based fees has the potential to improve payment system efficiency.

REGULATION M: REVISIONS AND REVISED OFFICIAL STAFF COMMENTARY

The Federal Reserve Board on March 27, 1997, announced revisions to Regulation M (Consumer Leasing) to implement amendments to the Consumer Leasing Act.

The act requires lessors to provide uniform cost and other disclosures for car leasing and other types of consumer lease transactions. The revisions were effective April 1, 1997, but compliance is optional until October 1, 1997.

The revisions primarily implement amendments to the act contained in the Economic Growth and Regulatory Paperwork Reduction Act of 1996, which streamline the advertising disclosures for lease transactions. The revisions make the disclosure of upfront costs in connection with a specific lease agreement parallel to statutory changes to the advertising rules. The revisions also contain several technical amendments to the regulation.

The Federal Reserve Board on March 27, 1997, issued a revised version of the official staff commentary to Regulation M. The revised commentary was effective April 1, 1997, but compliance is optional until October 1, 1997.

Regulation M was revised in September 1996 under the Board's Regulatory Planning and Review Program, which calls for the periodic review of Board regulations. The commentary applies and interprets the requirements of Regulation M, as amended in March 1997.

REGULATION O: FINAL AMENDMENT

The Federal Reserve Board on March 17, 1997, announced a final amendment to Regulation O (Loans to Executive Officers, Directors, and Principal Shareholders of Member Banks), which limits how much and on what terms a bank may lend to its own insiders and insiders of its affiliates. The final rule was effective April 1, 1997.

Under the final rule, Regulation O will not apply to extensions of credit by a bank to an executive officer or to a director of an affiliate, provided that the executive officer or director is not engaged in major policymaking functions of the bank and that the affiliate does not account for more than 10 percent of the consolidated assets of the bank's parent holding company.

This rule is consistent with changes to the exemptive authority of the Board made by the Economic Growth and Regulatory Paperwork Reduction Act of 1996.

REGULATION CC: AMENDMENTS

The Federal Reserve Board on March 18, 1997, announced approval of clarifying and technical amendments to its Regulation CC (Availability of Funds and Collection of Checks).

Among other things, the amendments, which were effective April 28, reduce compliance burden for depository institutions in some cases and permit institutions to satisfy the requirements to provide notice and disclosure by electronic means if certain conditions are met.

A review of the regulation was made under section 303 of the Riegle Community Development and Regulatory Improvement Act of 1994. That section directs the federal banking agencies to review their rules to improve efficiency, reduce unnecessary costs, and remove inconsistencies and outmoded and duplicative requirements.

ADOPTION OF FINAL RULES ON STANDARD PRACTICES REGARDING TRANSACTIONS IN GOVERNMENT SECURITIES BY DEPOSITORY INSTITUTIONS

The Federal Reserve Board on March 12, 1997, announced adoption of final standard practice rules regarding transactions in government securities by depository institutions. The final rule is effective July 1, 1997.

The Office of the Comptroller of the Currency and the Federal Deposit Insurance Corporation are adopting similar rules. The agencies are adopting the final rules to provide consistent treatment for customers of both bank and nonbank dealers and brokers in government securities.

The rules are substantively identical to the Business Conduct and Suitability Rules of the National Association of Securities Dealers (NASD) and the NASD Suitability Interpretation that apply to nonbank brokers and dealers in government securities.

PROPOSED ACTIONS

The Federal Reserve Board on March 6, 1997, requested comments on proposed amendments to Regulation D (Reserve Requirements of Depository Institutions) and Regulation I (Issue and Cancellation of Capital Stock of Federal Reserve Banks) to define the location of a depository institution to facilitate interstate branching. Comments were requested by April 18, 1997.

The Federal Reserve Board on March 21, 1997, requested comments on proposed amendments to Regulation H (Membership of State Banking Institutions in the Federal Reserve System) and Regulation P (Minimum Security Devices for Federal Reserve Banks and State Member Banks). Comments were requested by May 27, 1997.

The Federal Reserve Board, along with the Office of the Comptroller of the Currency and the Federal Deposit Insurance Corporation, on March 12, 1997, requested comments on a proposal to adopt uniform regulations to implement section 109 of the Riegle–Neal Interstate Banking and Branching Efficiency Act of 1994 (Interstate Act). Comments were requested by May 2, 1997.

The Federal Reserve Board on March 31, 1997, announced that it was seeking additional public comments on possible legislative changes to the Truth in Lending Act. Comments were requested by June 30, 1997.

AVAILABILITY OF A REPORT ON THE PROCESSING OF APPLICATIONS IN 1996 BY THE FEDERAL RESERVE

The Federal Reserve Board on March 27, 1997, issued a report on the timing of its processing of applications during 1996.

The System last year acted on 4,390 applications and notices filed by bank holding companies and state-chartered member banks. The total number of applications increased 25 percent over 1995. However, after adjusting for the effect of certain large multiple applications in 1995 and 1996, there was a 12 percent increase overall in activity.

A breakdown of applications by category processed showed the following percentages:

- To expand banking operations (other than branching), about 13 percent of total
- For nonbanking expansion, almost 15 percent
- Bank branch notices, 47 percent
- Bank holding company formations and change of control notices for state member banks and bank holding companies, about 11 percent
- International activities of U.S. banking organizations, about 5 percent

Performance of the Federal Reserve in 1996 in processing applications and notices filed by bank holding companies (BHCs) and state-chartered member banks (SMBKs)

Type of application or notice	Filed	Accepted for processing		Decided		Decided within 60 days of acceptance	
		Number	Average number of days since filing	Number	Average number of days since acceptance	Number	Percent
Domestic	4,045	3,789	15	4,167	35	4,090	98
BHC formations	413	356	20	336	33	330	98
BHC-SMBK mergers and acquisitions	573	552	25	586	30	573	98
BHC nonbank acquisitions	638	579	7	645	47	611	95
BHC-SMBK changes in control	219	168	0	162	42	152	94
Other SMBK actions	1,863	1,830	16	2,147	33	2,141	100
Other BHC actions	339	304	12	291	32	283	97
International	186	173	66	223	56	189	85
Total domestic and international	4,231	3,962	17	4,390	36	4,279	97

• Various applications, such as those from banks to become members of the Federal Reserve System or to invest in bank premises, or bank holding companies seeking relief from commitments or to redeem stock, about 9 percent.

The Federal Reserve maintains target dates and procedures for the processing of applications filed under the Bank Holding Company Act, the Bank Merger Act, or the Change in Bank Control Act. The time allowed for a decision is sixty days after acceptance of an application. In 1996, action was taken on 97 percent of all applications within the established time frame. Extra time required to allow for supervisory comments from other regulatory agencies and to investigate questions raised about performance with regard to relevant laws and regulations accounted for a majority of the applications that were not processed within the target time frame.

On average, the 4,390 applications and notices were processed in 36 calendar days from the date of acceptance and 53 days from the date of filing, an improvement from 38 days and 56 days respectively in 1995. The average total processing time for international applications increased from 117 days in 1995 to 122 days in 1996, and the average total processing time for domestic applications improved from 54 days in 1995 to 50 days in 1996.

CHANGES IN BOARD STAFF

The Federal Reserve Board announced that Charles W. Bennett, Assistant Director, Division of Reserve Bank Operations and Payment Systems, and most recently assigned to the Office of Board Members, retired on April 14, after having been at the Board for more than thirty years.

The Board also announced that John H. Parrish, Assistant Director, Division of Reserve Bank Operations and Payment Systems, had resigned to accept the position of General Auditor at the Federal Reserve Bank of San Francisco. □

Minutes of the Federal Open Market Committee Meeting Held on February 4–5, 1997

A meeting of the Federal Open Market Committee was held in the offices of the Board of Governors of the Federal Reserve System in Washington, D.C., on Tuesday, February 4, 1997, at 2:30 p.m. and continued on Wednesday, February 5, 1997, at 9:00 a.m.

Present:

Mr. Greenspan, Chairman
Mr. McDonough, Vice Chairman
Mr. Broaddus
Mr. Guynn
Mr. Kelley
Mr. Meyer
Mr. Moskow
Mr. Parry
Ms. Phillips
Ms. Rivlin

Messrs. Hoenig, Jordan, Melzer, and Ms. Minehan, Alternate Members of the Federal Open Market Committee

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

Mr. Kohn, Secretary and Economist
Mr. Bernard, Deputy Secretary
Mr. Coyne, Assistant Secretary
Mr. Gillum, Assistant Secretary
Mr. Mattingly, General Counsel
Mr. Baxter, Deputy General Counsel[1]
Mr. Prell, Economist
Mr. Truman, Economist

Messrs. Beebe, Eisenbeis, Goodfriend, Hunter, 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. Winn, Assistant to the Board, Office of Board Members, Board of Governors
Messrs. Madigan and Simpson, Associate Directors, Divisions of Monetary Affairs and Research and Statistics respectively, Board of Governors
Ms. Johnson,[2] Assistant Director, Division of International Finance, Board of Governors
Messrs. Brady[2] and Reifschneider,[2] Section Chiefs, Divisions of Monetary Affairs and Research and Statistics respectively, Board of Governors
Messrs. Brayton[2] and Rosine,[2] Senior Economists, Division of Research and Statistics, Board of Governors
Ms. Garrett, Economist, Division of Monetary Affairs, Board of Governors
Ms. Low, Open Market Secretariat Assistant, Division of Monetary Affairs, Board of Governors
Ms. Browne, Messrs. Dewald, Hakkio, Lang, Rosenblum, and Sniderman, Senior Vice Presidents, Federal Reserve Banks of Boston, St. Louis, Kansas City, Philadelphia, Dallas, and Cleveland respectively
Mr. Miller and Ms. Perelmuter, Vice Presidents, Federal Reserve Banks of Minneapolis and New York respectively

1. Attended Tuesday session only.

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, 1997, and ending December 31, 1997, 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 Ernest T. Patrikis, First Vice President of the Federal Reserve Bank of New York, as alternate;
J. Alfred Broaddus, Jr., President of the Federal Reserve Bank of Richmond, with Cathy E. Minehan, President of the Federal Reserve Bank of Boston, 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;
Jack Guynn, President of the Federal Reserve Bank of Atlanta, with Thomas C. Melzer, President of the Federal Reserve Bank of St. Louis, as alternate;

2. Attended portions of meeting relating to the Committee's review of the economic outlook and establishment of its monetary and debt ranges for 1997.

Robert T. Parry, President of the Federal Reserve Bank of San Francisco, with Thomas M. Hoenig, President of the Federal Reserve Bank of Kansas City, 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 meeting of the Committee after December 31, 1997, with the understanding that in the event of the discontinuance of 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
Thomas C. Baxter, Jr.	Deputy General Counsel
Michael J. Prell	Economist
Edwin M. Truman	Economist

Jack H. Beebe, Robert A. Eisenbeis, Marvin S. Goodfriend, William C. Hunter, David E. Lindsey, Frederic S. Mishkin, Larry J. Promisel, Charles J. Siegman, Lawrence Slifman, and David J. Stockton, 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, 1997.

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 as Manager was satisfactory to the board of directors of the Federal Reserve Bank of New York.

By unanimous vote, the Authorization for Domestic Open Market Operations shown below was reaffirmed.

AUTHORIZATION FOR DOMESTIC OPEN MARKET OPERATIONS

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

(a) To buy or sell U.S. Government securities, including securities of the Federal Financing Bank, and securities that are direct obligations of, or fully guaranteed as to principal and interest by, any agency of the United States in the open market, from or to securities dealers and foreign and international accounts maintained at the Federal Reserve Bank of New York, on a cash, regular, or deferred delivery basis, for the System Open Market Account at market prices, and, for such Account, to exchange maturing U.S. Government and Federal agency securities with the Treasury or the individual agencies or to allow them to mature without replacement; provided that the aggregate amount of U.S. Government and Federal agency securities held in such Account (including forward commitments) at the close of business on the day of a meeting of the Committee at which action is taken with respect to a domestic policy directive shall not be increased or decreased by more than $8.0 billion during the period commencing with the opening of business on the day following such meeting and ending with the close of business on the day of the next such meeting;

(b) When appropriate, to buy or sell in the open market, from or to acceptance dealers and foreign accounts maintained at the Federal Reserve Bank of New York, on a cash, regular, or deferred delivery basis, for the account of the Federal Reserve Bank of New York at market discount rates, prime bankers acceptances with maturities of up to nine months at the time of acceptance that (1) arise out of the current shipment of goods between countries or within the United States, or (2) arise out of the storage within the United States of goods under contract of sale or expected to move into the channels of trade within a reasonable time and that are secured throughout their life by a warehouse receipt or similar document conveying title to the underlying goods; provided that the aggregate amount of bankers acceptances held at any one time shall not exceed $100 million;

(c) To buy U.S. Government securities, obligations that are direct obligations of, or fully guaranteed as to principal and interest by, any agency of the United States, and prime bankers acceptances of the types authorized for purchase under 1(b) above, from dealers for the account of the Federal Reserve Bank of New York under agreements for repurchase of such securities, obligations, or acceptances in 15 calendar days or less, at rates that, unless otherwise expressly authorized by the Committee, shall be determined by competitive bidding, after applying reasonable limitations on the volume of agreements with individual dealers; provided that in the event Government securities or agency issues covered by any such agreement are not repurchased by the dealer pursuant to the agreement or a renewal thereof, they shall be sold in the market or transferred to the System Open Market Account; and provided further that in the event bankers acceptances covered by any such agreement are not repurchased by the seller, they shall continue to be held by the Federal Reserve Bank or shall be sold in the open market.

2. In order to ensure the effective conduct of open market operations, the Federal Open Market Committee authorizes and directs the Federal Reserve Banks to lend U.S. Government securities held in the System Open Market Account to Government securities dealers and to banks participating in Government securities clearing arrangements conducted through a Federal Reserve Bank, under

such instructions as the Committee may specify from time to time.

3. In order to ensure the effective conduct of open market operations, while assisting in the provision of short-term investments for foreign and international accounts maintained at the Federal Reserve Bank of New York, the Federal Open Market Committee authorizes and directs the Federal Reserve Bank of New York (a) for System Open Market Account, to sell U.S. Government securities to such foreign and international accounts on the bases set forth in paragraph l(a) under agreements providing for the resale by such accounts of those securities within 15 calendar days on terms comparable to those available on such transactions in the market; and (b) for New York Bank account, when appropriate, to undertake with dealers, subject to the conditions imposed on purchases and sales of securities in paragraph l(c), repurchase agreements in U.S. Government and agency securities, and to arrange corresponding sale and repurchase agreements between its own account and foreign and international accounts maintained at the Bank. Transactions undertaken with such accounts under the provisions of this paragraph may provide for a service fee when appropriate.

With Mr. Broaddus dissenting, the Authorization for Foreign Currency Operations shown below was reaffirmed.

AUTHORIZATION FOR FOREIGN CURRENCY OPERATIONS

1. The Federal Open Market Committee authorizes and directs the Federal Reserve Bank of New York, for System Open Market Account, to the extent necessary to carry out the Committee's foreign currency directive and express authorizations by the Committee pursuant thereto, and in conformity with such procedural instructions as the Committee may issue from time to time:

A. To purchase and sell the following foreign currencies in the form of cable transfers through spot or forward transactions on the open market at home and abroad, including transactions with the U.S. Treasury, with the U.S. Exchange Stabilization Fund established by Section 10 of the Gold Reserve Act of 1934, with foreign monetary authorities, with the Bank for International Settlements, and with other international financial institutions:

Austrian schillings	Italian lire
Belgian francs	Japanese yen
Canadian dollars	Mexican pesos
Danish kroner	Netherlands guilders
Pounds sterling	Norwegian kroner
French francs	Swedish kronor
German marks	Swiss francs

B. To hold balances of, and to have outstanding forward contracts to receive or to deliver, the foreign currencies listed in paragraph A above.

C. To draw foreign currencies and to permit foreign banks to draw dollars under the reciprocal currency arrangements listed in paragraph 2 below, provided that drawings by either party to any such arrangement shall be fully liquidated within 12 months after any amount outstanding at that time was first drawn, unless the Committee, because of exceptional circumstances, specifically authorizes a delay.

D. To maintain an overall open position in all foreign currencies not exceeding $25.0 billion. For this purpose, the overall open position in all foreign currencies is defined as the sum (disregarding signs) of net positions in individual currencies. The net position in a single foreign currency is defined as holdings of balances in that currency, plus outstanding contracts for future receipt, minus outstanding contracts for future delivery of that currency, i.e., as the sum of these elements with due regard to sign.

2. The Federal Open Market Committee directs the Federal Reserve Bank of New York to maintain reciprocal currency arrangements ("swap" arrangements) for the System Open Market Account for periods up to a maximum of 12 months with the following foreign banks, which are among those designated by the Board of Governors of the Federal Reserve System under Section 214.5 of Regulation N, Relations with Foreign Banks and Bankers, and with the approval of the Committee to renew such arrangements on maturity:

Foreign bank	Amount of arrangement (millions of dollars equivalent)
Austrian National Bank	250
National Bank of Belgium	1,000
Bank of Canada	2,000
National Bank of Denmark	250
Bank of England	3,000
Bank of France	2,000
German Federal Bank	6,000
Bank of Italy	3,000
Bank of Japan	5,000
Bank of Mexico	3,000
Netherlands Bank	500
Bank of Norway	250
Bank of Sweden	300
Swiss National Bank	4,000
Bank for International Settlements:	
Dollars against Swiss francs	600
Dollars against authorized European currencies other than Swiss francs	1,250

Any changes in the terms of existing swap arrangements, and the proposed terms of any new arrangements that may be authorized, shall be referred for review and approval to the Committee.

3. All transactions in foreign currencies undertaken under paragraph 1.A. above shall, unless otherwise expressly authorized by the Committee, be at prevailing market rates. For the purpose of providing an investment return on System holdings of foreign currencies, or for the purpose of adjusting interest rates paid or received in connection with swap drawings, transactions with foreign central banks may be undertaken at non-market exchange rates.

4. It shall be the normal practice to arrange with foreign central banks for the coordination of foreign currency transactions. In making operating arrangements with foreign central banks on System holdings of foreign currencies, the Federal Reserve Bank of New York shall not commit itself to maintain any specific balance, unless authorized by the Federal Open Market Committee. Any agreements or understandings concerning the administration of the accounts maintained by the Federal Reserve

Bank of New York with the foreign banks designated by the Board of Governors under Section 214.5 of Regulation N shall be referred for review and approval to the Committee.

5. Foreign currency holdings shall be invested to ensure that adequate liquidity is maintained to meet anticipated needs and so that each currency portfolio shall generally have an average duration of no more than 18 months (calculated as Macaulay duration). When appropriate in connection with arrangements to provide investment facilities for foreign currency holdings, U.S. Government securities may be purchased from foreign central banks under agreements for repurchase of such securities within 30 calendar days.

6. All operations undertaken pursuant to the preceding paragraphs shall be reported promptly to the Foreign Currency Subcommittee and the Committee. The Foreign Currency Subcommittee consists of the Chairman and Vice Chairman of the Committee, the Vice Chairman of the Board of Governors, and such other member of the Board as the Chairman may designate (or in the absence of members of the Board serving on the Subcommittee, other Board members designated by the Chairman as alternates, and in the absence of the Vice Chairman of the Committee, his alternate). Meetings of the Subcommittee shall be called at the request of any member, or at the request of the Manager, System Open Market Account ("Manager"), for the purposes of reviewing recent or contemplated operations and of consulting with the Manager on other matters relating to his responsibilities. At the request of any member of the Subcommittee, questions arising from such reviews and consultations shall be referred for determination to the Federal Open Market Committee.

7. The Chairman is authorized:

A. With the approval of the Committee, to enter into any needed agreement or understanding with the Secretary of the Treasury about the division of responsibility for foreign currency operations between the System and the U.S. Treasury;

B. To keep the Secretary of the Treasury fully advised concerning System foreign currency operations, and to consult with the Secretary on policy matters relating to foreign currency operations;

C. From time to time, to transmit appropriate reports and information to the National Advisory Council on International Monetary and Financial Policies.

8. Staff officers of the Committee are authorized to transmit pertinent information on System foreign currency operations to appropriate officials of the U.S. Treasury Department.

9. All Federal Reserve Banks shall participate in the foreign currency operations for System Account in accordance with paragraph 3 G(1) of the Board of Governors' Statement of Procedure with Respect to Foreign Relationships of Federal Reserve Banks dated January 1, 1944.

With Mr. Broaddus dissenting, the Foreign Currency Directive shown below was reaffirmed.

FOREIGN CURRENCY DIRECTIVE

1. System operations in foreign currencies shall generally be directed at countering disorderly market conditions, provided that market exchange rates for the U.S. dollar reflect actions and behavior consistent with the IMF Article IV, Section 1.

2. To achieve this end the System shall:

A. Undertake spot and forward purchases and sales of foreign exchange.

B. Maintain reciprocal currency ("swap") arrangements with selected foreign central banks and with the Bank for International Settlements.

C. Cooperate in other respects with central banks of other countries and with international monetary institutions.

3. Transactions may also be undertaken:

A. To adjust System balances in light of probable future needs for currencies.

B. To provide means for meeting System and U.S. Treasury commitments in particular currencies, and to facilitate operations of the Exchange Stabilization Fund.

C. For such other purposes as may be expressly authorized by the Committee.

4. System foreign currency operations shall be conducted:

A. In close and continuous consultation and cooperation with the U.S. Treasury;

B. In cooperation, as appropriate, with foreign monetary authorities; and

C. In a manner consistent with the obligations of the United States in the International Monetary Fund regarding exchange arrangements under the IMF Article IV.

Mr. Broaddus dissented in the votes on the Authorization and the Directive because they provide the foundation for foreign exchange market intervention. He believed that the Federal Reserve's participation in foreign exchange market intervention compromises its ability to conduct monetary policy effectively. Because sterilized intervention cannot have sustained effects in the absence of conforming monetary policy actions, Federal Reserve participation in foreign exchange operations in his view risks one of two undesirable outcomes. First, the independence of monetary policy is jeopardized if the System adjusts its policy actions to support short-term foreign exchange objectives set by the U.S. Treasury. Alternatively, the credibility of monetary policy is damaged if the System does not follow interventions with compatible policy actions, the interventions consequently fail to achieve their objectives, and the System is associated in the mind of the public with the failed operations.

By unanimous vote, the Procedural Instructions with Respect to Foreign Currency Operations shown below were reaffirmed.

PROCEDURAL INSTRUCTIONS WITH RESPECT TO FOREIGN CURRENCY OPERATIONS

In conducting operations pursuant to the authorization and direction of the Federal Open Market Committee as set forth in the Authorization for Foreign Currency Operations and the Foreign Currency Directive, the Federal Reserve Bank of New York, through the Manager, System Open Market Account ("Manager"), shall be guided by the following procedural understandings with respect to consultations and clearances with the Committee, the Foreign Currency Subcommittee, and the Chairman of the Committee. All operations undertaken pursuant to such clearances shall be reported promptly to the Committee.

1. The Manager shall clear with the Subcommittee (or with the Chairman, if the Chairman believes that consultation with the Subcommittee is not feasible in the time available):

A. Any operation that would result in a change in the System's overall open position in foreign currencies exceeding $300 million on any day or $600 million since the most recent regular meeting of the Committee.

B. Any operation that would result in a change on any day in the System's net position in a single foreign currency exceeding $150 million, or $300 million when the operation is associated with repayment of swap drawings.

C. Any operation that might generate a substantial volume of trading in a particular currency by the System, even though the change in the System's net position in that currency might be less than the limits specified in 1.B.

D. Any swap drawing proposed by a foreign bank not exceeding the larger of (i) $200 million or (ii) 15 percent of the size of the swap arrangement.

2. The Manager shall clear with the Committee (or with the Subcommittee, if the Subcommittee believes that consultation with the full Committee is not feasible in the time available, or with the Chairman, if the Chairman believes that consultation with the Subcommittee is not feasible in the time available):

A. Any operation that would result in a change in the System's overall open position in foreign currencies exceeding $1.5 billion since the most recent regular meeting of the Committee.

B. Any swap drawing proposed by a foreign bank exceeding the larger of (i) $200 million or (ii) 15 percent of the size of the swap arrangement.

3. The Manager shall also consult with the Subcommittee or the Chairman about proposed swap drawings by the System and about any operations that are not of a routine character.

By unanimous vote, the Committee reduced from $20 billion to $5 billion the amount of eligible foreign currencies that the System was prepared to "warehouse" for the U.S. Treasury and the Exchange Stabilization Fund (ESF). Warehousing involves spot purchases of foreign currencies from the U.S. Treasury or the ESF and simultaneous forward sales of the same currencies to the U.S. Treasury or the ESF at the then-current forward market rates. The effect of warehousing is to supplement the U.S. dollar resources of the U.S. Treasury and the ESF for financing the purchase of foreign currencies and related international operations. The agreement had been enlarged from $5 billion to $20 billion in early 1995 to facilitate U.S. participation in the Multilateral Program to Restore Financial Stability in Mexico. No use of the warehousing facility had been made by the U.S. Treasury or the ESF during this period, and in light of Mexico's repayment to the U.S. Treasury of all the financing provided under the Program and the termination of that Program, the Committee agreed that the size of the warehousing arrangement should revert to $5 billion.

The Report of Examination of the System Open Market Account, conducted by the Board's Division of Reserve Bank Operations and Payment Systems as of the close of business on October 31, 1996, was accepted.

By unanimous vote, the Program for Security of FOMC Information was amended to update the document with regard to certain security classifications, access to FOMC information, and attendance at FOMC meetings.

On January 23, 1997, the continuing rules and other standing instructions of the Committee were distributed with the advice that, in accordance with procedures approved by the Committee, they were being called to the Committee's attention before the February 4–5 organization meeting to give members an opportunity to raise any questions they might have concerning them. Members were asked to indicate if they wished to have any of the documents in question placed on the agenda for consideration at this meeting, and no requests for consideration were received.

By unanimous vote, the minutes of the meeting of the Federal Open Market Committee held on December 17, 1996, were approved. The Committee also discussed its long-standing practice of releasing the minutes a few days after the meeting at which they were approved, usually on the following Friday. The members agreed with a proposal to advance the normal release to Thursday to facilitate the dissemination and public understanding of these decisions.

The Manager of the System Open Market Account reported on developments in foreign exchange markets since the meeting on December 17, 1996. There were no transactions in foreign currencies 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 18, 1996, through February 4, 1997. By unanimous vote, the Committee ratified these transactions.

The Manager advised the Committee that the anticipated pattern of reserve needs was such that he might want to add considerably to the System's outright holdings of U.S. government securities over the coming intermeeting period. By unanimous vote, the Committee amended paragraph 1(a) of the Authorization for Domestic Open Market Operations to raise the limit on intermeeting changes in such holdings from $8 billion to $12 billion for the period ending with the close of business on the date of the next meeting, March 25, 1997.

The Committee then turned to a discussion of the economic and financial outlook, the ranges for the growth of money and debt in 1997, 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 that the growth of the economy had strengthened markedly in the fourth quarter of 1996. To a large extent the gain in final demand during the quarter reflected a surge in exports, but consumer spending also increased substantially after having risen at a much reduced pace in the third quarter. Despite some slowing in the growth of business fixed investment and some easing in housing activity, the overall economy had expanded briskly as reflected in data on production and employment. The tightness in labor markets had persisted and was evidenced by some continued acceleration in labor compensation in the fourth quarter. There was no discernible change in the underlying trend in price inflation, although a spurt in energy prices had resulted in faster increases in overall consumer and producer prices than in the third quarter.

Private payroll employment rose appreciably further in December after having recorded sizable increases over October and November. The gains remained widespread among employment categories and continued to be led by large advances in the services and trade industries. Aggregate hours of private production workers and the average workweek edged higher in the fourth quarter. The civilian unemployment rate was unchanged in December at 5.3 percent, its average level for the second half of the year.

Industrial production increased sharply in November and December. The gains in December were widely distributed across manufacturing industries but were held down by a steep decline in the output of utilities after a surge in November. The production of aircraft and parts extended a strong uptrend. The utilization of total manufacturing capacity rose considerably further in December, to a level slightly above its long-term average.

Consumer spending registered a sizable increase over the fourth quarter after having grown little during the summer. In December total nominal retail sales rose considerably following a small decline in November. The December increases were spread across all major categories except for some further decline in sales of building materials and supplies. The most recent data on services expenditures pointed to moderate advances in October and November. Surveys indicated that consumer confidence had remained elevated in late 1996 and early 1997.

Housing starts fell appreciably in December, evidently reflecting unusually adverse weather conditions in several parts of the country, and were down somewhat for the fourth quarter as a whole. The declines were concentrated in single-family units. Permits for new home construction were little changed in December but edged lower for the fourth quarter as a whole. Available data indicated a somewhat slower pace of sales of new and existing homes in the fourth quarter.

Growth of business fixed investment moderated considerably in the fourth quarter after having advanced sharply in the previous quarter. The slowdown reflected a small decline in spending on producer durable equipment that was more than offset by an apparent surge in outlays for nonresidential structures. Growth in spending on office, computing, and communications equipment slowed somewhat from the third-quarter pace but remained on a steep uptrend. Business investment in transportation equipment was weak in the fourth quarter, as sales of heavy trucks fell further and work stoppages at a major manufacturer prompted cuts in fleet auto sales in October and November.

Business inventory investment picked up somewhat on average in October and November, with most of the increase occurring in manufacturing. Trade inventories increased moderately on balance over the two-month period. Reflecting considerable strength in shipments and sales, however, inventory–sales ratios for most industries and trade groupings edged lower from their third-quarter levels.

The nominal deficit on U.S. trade in goods and services narrowed considerably in October and November from its rate in the third quarter. Nearly all the improvement was accounted for by a very large increase in exports of goods and services. The rise was spread among all major trade categories except automotive products. Economic activity in the major foreign industrial countries appeared to have continued to expand at a moderate rate on average in the fourth quarter. Available indicators suggested relatively strong economic performances in Japan, Canada, and the United Kingdom and slower growth in the major continental European countries. Further expansion was reported for several large Latin American and some Asian economies.

Recent data pointed to little change in underlying inflation trends. Overall consumer prices had continued under upward pressure in November and December, boosted by large advances in energy prices. Excluding food and energy items, consumer prices rose modestly over the two months and increased less over the twelve months ending in December than over the previous twelve months. At the producer level, a similar pattern prevailed in prices of finished goods, and there was no evidence of increased price pressures at earlier stages of production. Worker compensation as measured by the employment cost index (ECI) and average hourly earnings of production and nonsupervisory workers rose considerably further during the closing months of 1996. For the year, both measures were up appreciably more than in 1995, though much of the acceleration in the ECI occurred in the first half of the year.

At its meeting on December 17, 1996, the Committee issued a directive that called for maintaining the existing degree of pressure on reserve positions. The directive included a bias toward the possible firming of reserve conditions to reflect a consensus among the members that the risks remained biased toward higher inflation and that the next policy move was more likely to be toward some tightening than toward easing. In this regard, the directive stated that in the context of the Committee's long-run objectives for price stability and sustainable economic growth, and giving careful consideration to economic, financial, and monetary developments, somewhat greater reserve restraint would be acceptable and slightly lesser reserve restraint might be acceptable during the intermeeting period. The reserve conditions associated with this directive were expected to be consistent with some slowing of the growth of M2 and M3 over coming months.

Open market operations during the intermeeting period continued to be directed toward maintaining the existing degree of pressure on reserve positions. The federal funds rate rose briefly in response to year-end pressures, but it otherwise tended to remain close to the 5¼ percent level expected with an unchanged policy stance. Other short-term interest rates generally were unchanged to slightly higher over the intermeeting period. Rates on intermediate- and long-term securities edged higher on balance in reaction to incoming data on economic activity that were on the firm side of market expectations; the increases in such rates appeared to be tempered, however, by favorable market reactions to new data on wages and prices. The generally positive news on economic growth and inflation along with favorable reports on earnings appeared to reinforce the optimism of equity market investors, and major indexes of stock prices increased markedly further over the intermeeting period.

In foreign exchange markets, the trade-weighted value of the dollar in terms of the other G-10 currencies rose substantially over the intermeeting period. The rise, which was most pronounced against the Japanese yen and continental European currencies, appeared to reflect market perceptions of unexpectedly strong economic growth in the United States and a risk of faltering growth in the other countries. The dollar appreciated less against sterling and declined somewhat against the Canadian dollar in apparent response to expectations of relative strength in the economies of those countries.

After having grown at a considerably faster rate in the fourth quarter, M2 and M3 apparently increased at a more moderate but still brisk pace in January. The expansion of both aggregates likely was boosted by strong income growth, and the relatively rapid expansion of M3 reflected heavy bank reliance on the managed liabilities in M3 to fund robust loan growth. From the fourth quarter of 1995 to the fourth quarter of 1996, M2 was estimated to have grown at a rate near the upper end of the Committee's annual range and M3 at a rate appreciably above the top of its range. Total domestic nonfinancial debt had expanded moderately on balance over recent months and was estimated to have grown last year at a rate near the midpoint of its range.

The staff forecast prepared for this meeting suggested that the expansion would be sustained at a rate a bit above the economy's estimated growth potential. The increase in consumer spending was projected to moderate somewhat from its pace in the fourth quarter to a rate generally in line with the expected rise in disposable income. Homebuilding was forecast to decline somewhat but to stabilize at a relatively high level in the context of continued income growth and the generally favorable cash flow affordability of home ownership. Business spending on equipment and structures was projected to expand less rapidly in light of some anticipated slowing in the growth of sales and profits. Fiscal policy and the external sector were expected to exert small restraining influences on economic activity over the year ahead. With resource utilization high and rising, consumer price inflation, as measured by the CPI excluding the relatively volatile food and energy components of the index, was forecast to increase slightly this year in the context of some further pickup in the growth of labor compensation that would include another legislated rise in the federal minimum wage.

In the Committee's discussion of current and prospective economic developments, members commented that the robust performance of the economy in the fourth quarter partly reflected some sources of strength, notably a surge in exports, that were evidently temporary, and they anticipated substantial moderation in the pace of the expansion over the period ahead. The outlook was subject to considerable uncertainty, but as they assessed the numerous factors bearing on prospective developments, the members generally concluded as they had at previous meetings that further growth in aggregate demand at a rate averaging near or a bit above the economy's potential remained a reasonable expectation. Many observed, however, that the risks to such an outlook appeared to be tilted to the upside. The strength of the expansion in the fourth quarter, and in fact over 1996 as a whole, had heightened concerns that the economy had considerable forward momentum at a time when it was already operating at a level, especially with regard to labor resources, that could tend to generate rising inflationary pressures. Indeed, in the view of at least some members, growth of aggregate demand in line with increases in potential output posed a risk of rising price inflation because the recent relatively favorable price performance was seen in this view as reflecting at least in part the behavior of special factors that could dissipate over the projection horizon.

In keeping with the practice at meetings when the Committee establishes its long-run ranges for the growth of money and debt aggregates, the members of the Committee and the Federal Reserve Bank presidents not currently serving as members had provided individual projections of the growth in real and nominal GDP, the rate of unemployment, and the rate of inflation for the year 1997. The forecasts of the rate of expansion in real GDP had a central tendency of 2 to 2¼ percent and a full range of 2 to 2½ percent. The projections of the civilian unemployment rate associated with these growth expectations were all in a range of 5¼ to 5½ percent for the fourth quarter of the year. With regard to nominal GDP growth in 1997, the forecasts were mainly in a range of 4¼ to 4¾ percent, with an overall range of 4¼ to 5¼ percent. Nearly all the members anticipated a small decline in the rate of inflation in 1997, as measured by the consumer price index, from that recorded in 1996. Specifically, the projections converged on rates of 2¾ to 3 percent and a full range of 2¾ to 3½ percent in 1997. These forecasts took account of expected developments in the food and energy sectors and further technical improvements in the index by the Bureau of Labor Statistics, both of which were expected to trim the reported rate. The projections were based on individual views concerning what would be an appropriate policy over the projection horizon to further progress toward the Committee's goals.

In their review of developments in key sectors of the economy, members observed that the available data and anecdotal information indicated considerable strength in consumer spending in recent months, and they referred to a number of underlying factors that should help to sustain at least moderate further growth in such spending. The latter included the solid expansion in employment and incomes, the increased financial wealth of many consumers, and the high level of consumer confidence as indicated by recent surveys. However, members also cited some factors that would tend to restrain the growth in consumer spending. Among these factors were the effects of the high level of consumer debt and rising repayment problems on both the willingness of households to borrow and of financial intermediaries to lend, the likely absence of pent-up demands after an extended period of expansion, and the possibility of a setback in the stock market. It was difficult to evaluate how these differing factors would on balance affect consumer spending, but the members concluded that the consumer sector was likely to provide important support for sustained economic expansion.

The growth in business capital spending was expected to moderate somewhat in 1997 in association with slower growth in sales, profits, and cash flows. It also seemed likely after several years of robust investment expenditures that many business firms now had high levels of up-to-date capital stock relative to planned production. Members referred, however, to a number of favorable factors that should continue to support at least moderate further growth in business investment, including the attractive pricing of and ongoing rapid technological improvements in computer and communications equipment and the wide availability of equity and debt financing on favorable terms to business firms. Members also reported that commercial building activity had improved in many areas. Some noted a tendency to underestimate the strength of overall business investment in recent years, including the stimulus provided by efforts to improve productivity in highly competitive markets.

While indicators of housing activity had been somewhat erratic over the past several months, members sensed a somewhat softer tone on balance in this sector of the economy. This assessment was supported by anecdotal observations in several regions across the country. Against the background of the increase that had occurred earlier in mortgage financing costs and forecasts of some slowing in the growth of jobs and incomes, the housing sector was likely to weaken slightly over the coming year, but some members commented that surprises on the upside of current forecasts, as in 1996, could not be ruled out.

Fiscal policy and foreign trade also were seen as likely to exert some modest restraint on overall economic activity. Federal purchases of goods and services still appeared to be on a declining trend. Although fiscal policy negotiations were likely to be difficult and their outcome was uncertain, members felt that there was some basis for anticipating the enactment of further legislation this year to help bring the federal budget into eventual balance. The large increase in exports in the fourth quarter clearly was associated with temporary developments, and net exports were expected to weaken this year, reflecting both some reversal of recent developments and the earlier appreciation of the dollar. Some members reported that business contacts had already communicated concerns about increased competitive pressures from imports because of the rise in the foreign exchange value of the dollar.

Members commented that inflation had remained remarkably subdued, but they expressed considerable concern about the risks of rising inflation in the context of high levels of resource use. They referred in particular to statistical indications, supported by anecdotal reports from around the nation, of very tight conditions in labor markets and some upward pressures on wages. Thus far, the rise in compensation had been held down by diminishing increases in worker benefit costs, and productivity gains also appeared to have had a favorable effect on unit labor costs. In addition, the increases in wages themselves had continued to be restrained by apparent worker concerns about job security. To date, there was no evidence that pressures stemming from tight labor markets had been passed through to a measurable extent to higher prices,

While the absence of increasing price inflation was a welcome development, members were concerned that the break with historical patterns might not persist. If labor markets remained under pressure, nominal compensation costs were likely to pick up at some point as one-time savings in worker benefit costs ran out and as workers became less willing to trade off lower wages for increased security; such a development would foster increases in labor costs that ultimately would feed through to higher prices. The members did not anticipate a sudden surge in inflation, but many expressed concern about the possibility of a gradual upcreep in coming quarters that might become more considerable later. They generally expected a small decline in overall price inflation this year, reflecting favorable developments in food and energy and, for the CPI, further technical improvements by the Bureau of Labor Statistics; however, they believed that the risks to their forecasts were in the direction of greater inflation, and several noted in particular that projected declines in energy prices might not materialize as soon or to the extent assumed in many forecasts.

In keeping with the requirements of the Full Employment and Balanced Growth Act of 1978 (the Humphrey–Hawkins Act), the Committee reviewed the ranges for growth of the monetary and debt aggregates in 1997 that it had established on a tentative basis at its meeting in July 1996. Those ranges included expansion of 1 to 5 percent for M2 and 2 to 6 percent for M3, measured from the fourth quarter of 1996 to the fourth quarter of 1997. The monitoring range for growth of total domestic nonfinancial debt was provisionally set at 3 to 7 percent for 1997. The tentative ranges for 1997 were unchanged from the actual ranges adopted for 1995 (in July of that year for M3) and 1996.

In reviewing the tentative ranges, the members took note of a staff projection indicating that M2 and M3 likely would grow in 1997 at rates close to the upper limit of those ranges, given the Committee's expectations for the performance of the economy and prices and assuming no major changes in interest rates. The staff analysis anticipated that the velocities of the broad monetary aggregates would continue to behave in the relatively stable and predictable manner that had re-emerged in the last few years and that was closer to historical norms than had been the case in the early 1990s.

The greater measure of predictability in velocity recently was an encouraging development, but in view of the substantial changes in financial markets and the increased availability of investment alternatives it would be premature to assume that the pattern would necessarily continue going forward. Given the substantial uncertainty still attached to projections of money growth consistent with the Committee's basic objectives for monetary policy, the members agreed that there was no firm basis for changing the tentative ranges set in July 1996. Adopting higher ranges, which would be more closely centered on money growth thought likely to be consistent with the Committee's expectations for economic activity and prices, could be misinterpreted as indicating that the Committee had become much more confident of the predictability of velocity and was placing greater emphasis on M2 and M3 as gauges of the thrust of monetary policy. One member, while agreeing with this assessment, emphasized that a continuation of a stable and predictable pattern of velocity behavior would raise the question as to whether the Committee should return to setting ranges consistent with its expectations for economic developments. Nonetheless, from a longer-run perspective, the tentative ranges readily encompass rates of growth of M2 and M3 that, if velocity were to behave in line with historical experience, could be expected to be associated with approximate price stability and a sustainable rate of real economic growth. In that regard, they continue to serve the useful purpose of benchmarking money growth consistent with the Committee's long-run goal of price stability.

At the conclusion of its discussion, the Committee voted to approve without change the tentative ranges for 1997 that it 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 statement of longer-run policy for 1997 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 2 to 6 percent respectively, measured from the fourth quarter of 1996 to the fourth quarter of 1997. The monitoring range for growth of total domestic nonfinancial debt was set at 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, Broaddus, Guynn, Kelley, Meyer, Moskow, Parry, Mses. Phillips and Rivlin. Votes against this action: None. Absent and not voting: Mr. Lindsey and Ms. Yellen.

In the Committee's discussion of policy for the intermeeting period ahead, all the members favored or could support a proposal to maintain an unchanged policy stance; the members also strongly supported the retention of a bias toward restraint. An unchanged policy seemed appropriate with inflation still quiescent, with few signs of emerging price pressures, with growth in economic activity seen as likely to moderate appreciably from the unexpectedly strong and unsustainable pace of the fourth quarter, and with considerable uncertainty about future inflationary developments. However, the members emphasized that the extent of the slowdown in economic expansion was unclear and that the persisting, or even greater, tightness of labor markets, coupled with potentially faster growth in worker benefits and diminishing worker insecurity, could put added upward pressure on labor costs and induce some increase in price inflation over time. Even so, most members thought that inflation likely would remain contained for some period ahead and that any strengthening in inflation pressures probably would be gradual, allowing the Committee to respond in a timely manner. Several also commented that a tightening policy action was not generally anticipated in financial markets, and a move at this time could have exaggerated repercussions. A few members emphasized, however, that the recent surge in economic activity had raised the probability that the level of economic output was now above the economy's long-run potential, and without a significant slowing in economic growth, inflationary pressures were more likely to increase over the forecast horizon. While an immediate tightening of policy would help to forestall such a buildup of pressures, the members agreed that current uncertainties about the outlook for both the rate of expansion and inflation warranted a continuing "wait and see" policy stance, or at least made such a policy acceptable at this juncture.

In their discussion of possible adjustments to policy during the intermeeting period, the members recognized that an asymmetric directive tilted toward tightening was consistent with their general view that the risks were now more clearly in the direction of an upward trend in inflation. They agreed that the current environment called for careful monitoring of new developments and for prompt action by the Committee to counter any tendency for price inflation to rise and for higher inflation expectations to become embedded in financial markets and economic decisionmaking more generally. Indeed, in the interest of fostering a continuation of sustainable growth of the economy, it would be desirable to tighten before any sign of actual higher inflation were to become evident.

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

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

The information reviewed at this meeting suggests that the economic expansion strengthened markedly in the fourth quarter. Private nonfarm payroll employment increased appreciably further in December after sizable gains over October and November. The civilian unemployment rate remained at 5.3 percent in December. Industrial production rose sharply in November and December. Consumer spending posted a large increase in the fourth quarter after a summer lull. Housing activity moderated somewhat over the closing months of the year. Growth in business fixed investment slowed substantially in the fourth quarter after a sharp rise in the third quarter. The nominal deficit on U.S. trade in goods and services narrowed considerably in October and November from its rate in the third quarter. Advances in labor compensation trended up in 1996, but price inflation generally diminished apart from enlarged increases in food and energy prices.

Most market interest rates have changed little or risen slightly since the Committee meeting on December 17, 1996. In foreign exchange markets, the trade-weighted value of the dollar in terms of the other G-10 currencies has increased substantially over the intermeeting period.

Growth of M2 and M3 strengthened considerably in the fourth quarter and appeared to have continued at a fairly brisk, though diminished, pace in January. From the fourth quarter of 1995 to the fourth quarter of 1996, M2 is estimated to have grown near the upper end of the Committee's annual range and M3 well above the top of its range. Total domestic nonfinancial debt has expanded moderately on balance over recent months and is estimated to have grown last year near the midpoint of its range.

The Federal Open Market Committee seeks monetary and financial conditions that will foster price stability and promote sustainable growth in output. In furtherance of these objectives, the Committee at this meeting established ranges for growth of M2 and M3 of 1 to 5 percent and 2 to 6 percent respectively, measured from the fourth quarter of 1996 to the fourth quarter of 1997. The monitoring range for growth of total domestic nonfinancial debt was set at 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 maintain the existing degree of pressure on reserve positions. In the context of the Committee's long-run objectives for price stability and sustainable economic growth, and giving careful consideration to economic, financial, and monetary developments, somewhat greater reserve restraint would or slightly lesser reserve restraint might be acceptable in the intermeeting period. The contemplated reserve conditions are expected to be consistent with some moderation in the expansion of M2 and M3 over coming months.

Votes for this action: Messrs. Greenspan, McDonough, Broaddus, Guynn, Kelley, Meyer, Moskow, Parry, Mses. Phillips and Rivlin. Votes against this action: None. Absent and not voting: Mr. Lindsey and Ms. Yellen.

It was agreed that the next meeting of the Committee would be held on Tuesday, March 25, 1997.

The meeting adjourned at 11:35 a.m.

Donald L. Kohn
Secretary

Legal Developments

FINAL RULE—AMENDMENT TO GOVERNMENT SECURITIES SALES PRACTICES

The Office of the Comptroller of the Currency ("OCC"), Board of Governors of the Federal Reserve System ("Board"), and Federal Deposit Insurance Corporation ("FDIC") (collectively, "the agencies") are amending 12 C.F.R. Parts 13, 208, 211, and 368 (Government Securities Sales Practices). They are issuing rules regarding sales practices concerning government securities by depository institutions within their respective jurisdictions. The agencies are adopting the final rules in light of recent statutory changes authorizing the agencies to adopt rules governing transactions in government securities in order to provide consistent treatment for government securities customers. The final rules minimize regulatory burdens to the extent feasible, consistent with the goal of providing purchasers of government securities with consistent treatment regardless of whether they engage in transactions in government securities with banks or nonbank government securities brokers and dealers.

Effective July 1, 1997, 12 C.F.R. Parts 13, 208, 211, and 368 are amended as follows:

Part 13—Government Securities Sales Practices

Section

13.1 Scope.
13.2 Definitions.
13.3 Business conduct.
13.4 Recommendations to customers.
13.5 Customer information.

Interpretations

13.100 Obligations concerning institutional customers.

Authority: 12 U.S.C. 1 *et seq.*, and 93a; 15 U.S.C. 78o-5.

Section 13.1—Scope.

This part applies to national banks that have filed notice as, or are required to file notice as, government securities brokers or dealers pursuant to section 15C of the Securities Exchange Act (15 U.S.C. 78o-5) and Department of the Treasury rules under section 15C (17 C.F.R. 400.1(d) and part 401).

Section 13.2—Definitions.

(a) *Bank that is a government securities broker or dealer* means a national bank that has filed notice, or is required to file notice, as a government securities broker or dealer pursuant to section 15C of the Securities Exchange Act (15 U.S.C. 78o-5) and Department of the Treasury rules under section 15C (17 C.F.R. 400.1(d) and part 401).
(b) *Customer* does not include a broker or dealer or a government securities broker or dealer.
(c) *Government security* has the same meaning as this term has in section 3(a)(42) of the Securities Exchange Act of 1934 (15 U.S.C. 78c(a)(42)).
(d) *Non-institutional customer* means any customer other than:
(1) A bank, savings association, insurance company, or registered investment company;
(2) An investment adviser registered under section 203 of the Investment Advisers Act of 1940 (15 U.S.C. 80b-3); or
(3) Any entity (whether a natural person, corporation, partnership, trust, or otherwise) with total assets of at least $50 million.

Section 13.3—Business conduct.

A bank that is a government securities broker or dealer shall observe high standards of commercial honor and just and equitable principles of trade in the conduct of its business as a government securities broker or dealer.

Section 13.4—Recommendations to customers.

In recommending to a customer the purchase, sale or exchange of a government security, a bank that is a government securities broker or dealer shall have reasonable grounds for believing that the recommendation is suitable for the customer upon the basis of the facts, if any, disclosed by the customer as to the customer's other security holdings and as to the customer's financial situation and needs.

Section 13.5—Customer information.

Prior to the execution of a transaction recommended to a non-institutional customer, a bank that is a government securities broker or dealer shall make reasonable efforts to obtain information concerning:
(a) The customer's financial status;
(b) The customer's tax status;
(c) The customer's investment objectives; and

(d) Such other information used or considered to be reasonable by the bank in making recommendations to the customer.

Interpretations

Section 13.100—Obligations concerning institutional customers.

(a) As a result of broadened authority provided by the Government Securities Act Amendments of 1993 (15 U.S.C. 78o-3 and 78o-5)), the OCC is adopting sales practice rules for the government securities market, a market with a particularly broad institutional component. Accordingly, the OCC believes it is appropriate to provide further guidance to banks on their suitability obligations when making recommendations to institutional customers.
(b) The OCC's suitability rule (section 13.4) is fundamental to fair dealing and is intended to promote ethical sales practices and high standards of professional conduct. Banks' responsibilities include having a reasonable basis for recommending a particular security or strategy, as well as having reasonable grounds for believing the recommendation is suitable for the customer to whom it is made. Banks are expected to meet the same high standards of competence, professionalism, and good faith regardless of the financial circumstances of the customer.
(c) In recommending to a customer the purchase, sale, or exchange of any government security, the bank shall have reasonable grounds for believing that the recommendation is suitable for the customer upon the basis of the facts, if any, disclosed by the customer as to the customer's other security holdings and financial situation and needs.
(d) The interpretation in this section concerns only the manner in which a bank determines that a recommendation is suitable for a particular institutional customer. The manner in which a bank fulfills this suitability obligation will vary, depending on the nature of the customer and the specific transaction. Accordingly, the interpretation in this section deals only with guidance regarding how a bank may fulfill customer-specific suitability obligations under section 13.4.[1]
(e) While it is difficult to define in advance the scope of a bank's suitability obligation with respect to a specific institutional customer transaction recommended by a bank, the OCC has identified certain factors that may be relevant when considering compliance with section 13.4. These factors are not intended to be requirements or the only factors to be considered but are offered merely as guidance in determining the scope of a bank's suitability obligations.
(f) The two most important considerations in determining the scope of a bank's suitability obligations in making recommendations to an institutional customer are the customer's capability to evaluate investment risk independently and the extent to which the customer is exercising independent judgement in evaluating a bank's recommendation. A bank must determine, based on the information available to it, the customer's capability to evaluate investment risk. In some cases, the bank may conclude that the customer is not capable of making independent investment decisions in general. In other cases, the institutional customer may have general capability, but may not be able to understand a particular type of instrument or its risk. This is more likely to arise with relatively new types of instruments, or those with significantly different risk or volatility characteristics than other investments generally made by the institution. If a customer is either generally not capable of evaluating investment risk or lacks sufficient capability to evaluate the particular product, the scope of a bank's customer-specific obligations under section 13.4 would not be diminished by the fact that the bank was dealing with an institutional customer. On the other hand, the fact that a customer initially needed help understanding a potential investment need not necessarily imply that the customer did not ultimately develop an understanding and make an independent investment decision.
(g) A bank may conclude that a customer is exercising independent judgement if the customer's investment decision will be based on its own independent assessment of the opportunities and risks presented by a potential investment, market factors and other investment considerations. Where the bank has reasonable grounds for concluding that the institutional customer is making independent investment decisions and is capable of independently evaluating investment risk, then a bank's obligations under section 13.4 for a particular customer are fulfilled.[2] Where a customer has delegated decision-making authority to an agent, such as an investment advisor or a bank trust department, the interpretation in this section shall be applied to the agent.
(h) A determination of capability to evaluate investment risk independently will depend on an examination of the customer's capability to make its own investment decisions, including the resources available to the customer to make informed decisions. Relevant considerations could include:

(1) The use of one or more consultants, investment advisers, or bank trust departments;
(2) The general level of experience of the institutional customer in financial markets and specific experience with the type of instruments under consideration;
(3) The customer's ability to understand the economic features of the security involved;
(4) The customer's ability to independently evaluate how market developments would affect the security; and
(5) The complexity of the security or securities involved.

(i) A determination that a customer is making independent investment decisions will depend on the nature of the

1. The interpretation in this section does not address the obligation related to suitability that requires that a bank have "... a 'reasonable basis' to believe that the recommendation could be suitable for at least some customers." *In the Matter of the Application of F.J. Kaufman and Company of Virginia and Frederick J. Kaufman, Jr.*, 50 SEC 164 (1989).

2. *See* footnote 1 in paragraph (d) of this section.

relationship that exists between the bank and the customer. Relevant considerations could include:

(1) Any written or oral understanding that exists between the bank and the customer regarding the nature of the relationship between the bank and the customer and the services to be rendered by the bank;

(2) The presence or absence of a pattern of acceptance of the bank's recommendations;

(3) The use by the customer of ideas, suggestions, market views and information obtained from other government securities brokers or dealers or market professionals, particularly those relating to the same type of securities; and

(4) The extent to which the bank has received from the customer current comprehensive portfolio information in connection with discussing recommended transactions or has not been provided important information regarding its portfolio or investment objectives.

(j) Banks are reminded that these factors are merely guidelines that will be utilized to determine whether a bank has fulfilled its suitability obligation with respect to a specific institutional customer transaction and that the inclusion or absence of any of these factors is not dispositive of the determination of suitability. Such a determination can only be made on a case-by-case basis taking into consideration all the facts and circumstances of a particular bank/customer relationship, assessed in the context of a particular transaction.

(k) For purposes of the interpretation in this section, an institutional customer shall be any entity other than a natural person. In determining the applicability of the interpretation in this section to an institutional customer, the OCC will consider the dollar value of the securities that the institutional customer has in its portfolio and/or under management. While the interpretation in this section is potentially applicable to any institutional customer, the guidance contained in this section is more appropriately applied to an institutional customer with at least $10 million invested in securities in the aggregate in its portfolio and/or under management.

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

1. The authority citation for Part 208 is revised 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, 78l(b), 781(g), 781(i), 78o-4(c)(5), 78o-5, 78q, 78q-1, and 78w: 31 U.S.C. 5318; 42 U.S.C. 4012a, 4104a, 4104b, 4106, and 4128.

2. A new section 208.25 is added to subpart A to read as follows:

Section 208.25—Government securities sales practices.

(a) *Scope.* This subpart is applicable to state member banks that have filed notice as, or are required to file notice as, government securities brokers or dealers pursuant to section 15C of the Securities Exchange Act (15 U.S.C. 78o-5) and Department of the Treasury rules under section 15C (17 C.F.R. 400.1(d) and part 401).

(b) *Definitions.* (1) *Bank that is a government securities broker or dealer* means a state member bank that has filed notice, or is required to file notice, as a government securities broker or dealer pursuant to section 15C of the Securities Exchange Act (15 U.S.C. § 78o-5) and Department of the Treasury rules under section 15C (17 C.F.R. 400.1(d) and part 401).

(2) *Customer* does not include a broker or dealer or a government securities broker or dealer.

(3) *Government security* has the same meaning as this term has in section 3(a)(42) of the Securities Exchange Act of 1934 (15 U.S.C. 78c(a)(42)).

(4) *Non-institutional customer* means any customer other than:

(i) A bank, savings association, insurance company, or registered investment company;

(ii) An investment adviser registered under section 203 of the Investment Advisers Act of 1940 (15 U.S.C. 80b-3); or

(iii) Any entity (whether a natural person, corporation, partnership, trust, or otherwise) with total assets of at least $50 million.

(c) *Business conduct.* A bank that is a government securities broker or dealer shall observe high standards of commercial honor and just and equitable principles of trade in the conduct of its business as a government securities broker or dealer.

(d) *Recommendations to customers.* In recommending to a customer the purchase, sale or exchange of a government security, a bank that is a government securities broker or dealer shall have reasonable grounds for believing that the recommendation is suitable for the customer upon the basis of the facts, if any, disclosed by the customer as to the customer's other security holdings and as to the customer's financial situation and needs.

(e) *Customer information.* Prior to the execution of a transaction recommended to a non-institutional customer, a bank that is a government securities broker or dealer shall make reasonable efforts to obtain information concerning:

(1) The customer's financial status;

(2) The customer's tax status;

(3) The customer's investment objectives; and

(4) Such other information used or considered to be reasonable by the bank in making recommendations to the customer.

3. A new section 208.129 is added to subpart E to read as follows:

Section 208.129—Obligations concerning institutional customers.

(a) As a result of broadened authority provided by the Government Securities Act Amendments of 1993 (15 U.S.C. 78o-3 and 78o-5)), the Board is adopting sales practice rules for the government securities market, a market with a particularly broad institutional component. Accordingly, the Board believes it is appropriate to provide further guidance to banks on their suitability obligations when making recommendations to institutional customers.
(b) The Board's Suitability Rule, section 208.25(d), is fundamental to fair dealing and is intended to promote ethical sales practices and high standards of professional conduct. Banks' responsibilities include having a reasonable basis for recommending a particular security or strategy, as well as having reasonable grounds for believing the recommendation is suitable for the customer to whom it is made. Banks are expected to meet the same high standards of competence, professionalism, and good faith regardless of the financial circumstances of the customer.
(c) In recommending to a customer the purchase, sale, or exchange of any government security, the bank shall have reasonable grounds for believing that the recommendation is suitable for the customer upon the basis of the facts, if any, disclosed by the customer as to the customer's other security holdings and financial situation and needs.
(d) The interpretation in this section concerns only the manner in which a bank determines that a recommendation is suitable for a particular institutional customer. The manner in which a bank fulfills this suitability obligation will vary, depending on the nature of the customer and the specific transaction. Accordingly, the interpretation in this section deals only with guidance regarding how a bank may fulfill customer-specific suitability obligations under section 208.25(d).[1]
(e) While it is difficult to define in advance the scope of a bank's suitability obligation with respect to a specific institutional customer transaction recommended by a bank, the Board has identified certain factors that may be relevant when considering compliance with section 208.25(d). These factors are not intended to be requirements or the only factors to be considered but are offered merely as guidance in determining the scope of a bank's suitability obligations.
(f) The two most important considerations in determining the scope of a bank's suitability obligations in making recommendations to an institutional customer are the customer's capability to evaluate investment risk independently and the extent to which the customer is exercising independent judgment in evaluating a bank's recommendation. A bank must determine, based on the information available to it, the customer's capability to evaluate investment risk. In some cases, the bank may conclude that the customer is not capable of making independent investment decisions in general. In other cases, the institutional customer may have general capability, but may not be able to understand a particular type of instrument or its risk. This is more likely to arise with relatively new types of instruments, or those with significantly different risk or volatility characteristics than other investments generally made by the institution. If a customer is either generally not capable of evaluating investment risk or lacks sufficient capability to evaluate the particular product, the scope of a bank's customer-specific obligations under section 208.25(d) would not be diminished by the fact that the bank was dealing with an institutional customer. On the other hand, the fact that a customer initially needed help understanding a potential investment need not necessarily imply that the customer did not ultimately develop an understanding and make an independent investment decision.
(g) A bank may conclude that a customer is exercising independent judgement if the customer's investment decision will be based on its own independent assessment of the opportunities and risks presented by a potential investment, market factors and other investment considerations. Where the bank has reasonable grounds for concluding that the institutional customer is making independent investment decisions and is capable of independently evaluating investment risk, then a bank's obligations under section 208.25(d) for a particular customer are fulfilled.[2] Where a customer has delegated decision-making authority to an agent, such as an investment advisor or a bank trust department, the interpretation in this section shall be applied to the agent.
(h) A determination of capability to evaluate investment risk independently will depend on an examination of the customer's capability to make its own investment decisions, including the resources available to the customer to make informed decisions. Relevant considerations could include:

(1) The use of one or more consultants, investment advisers, or bank trust departments;
(2) The general level of experience of the institutional customer in financial markets and specific experience with the type of instruments under consideration;
(3) The customer's ability to understand the economic features of the security involved;
(4) The customer's ability to independently evaluate how market developments would affect the security; and
(5) The complexity of the security or securities involved.

(i) A determination that a customer is making independent investment decisions will depend on the nature of the relationship that exists between the bank and the customer. Relevant considerations could include:

(1) Any written or oral understanding that exists between the bank and the customer regarding the nature of

1. The interpretation in this section does not address the obligation related to suitability that requires that a bank have "... a 'reasonable basis' to believe that the recommendation could be suitable for at least some customers." *In the Matter of the Application of F.J. Kaufman and Company of Virginia and Frederick J. Kaufman, Jr.*, 50 SEC 164 (1989).

2. *See* footnote 1 in paragraph (d) of this section.

the relationship between the bank and the customer and the services to be rendered by the bank;
(2) The presence or absence of a pattern of acceptance of the bank's recommendations;
(3) The use by the customer of ideas, suggestions, market views and information obtained from other government securities brokers or dealers or market professionals, particularly those relating to the same type of securities; and
(4) The extent to which the bank has received from the customer current comprehensive portfolio information in connection with discussing recommended transactions or has not been provided important information regarding its portfolio or investment objectives.

(j) Banks are reminded that these factors are merely guidelines that will be utilized to determine whether a bank has fulfilled its suitability obligation with respect to a specific institutional customer transaction and that the inclusion or absence of any of these factors is not dispositive of the determination of suitability. Such a determination can only be made on a case-by-case basis taking into consideration all the facts and circumstances of a particular bank/customer relationship, assessed in the context of a particular transaction.

(k) For purposes of the interpretation in this section, an institutional customer shall be any entity other than a natural person. In determining the applicability of the interpretation in this section to an institutional customer, the Board will consider the dollar value of the securities that the institutional customer has in its portfolio and/or under management. While the interpretation in this section is potentially applicable to any institutional customer, the guidance contained in this section is more appropriately applied to an institutional customer with at least $10 million invested in securities in the aggregate in its portfolio and/or under management.

Part 211—International Banking Operations (Regulation K)

1. The authority citation for Part 211 is revised to read as follows:

Authority: 12 U.S.C. 221 *et seq.*, 1818, 1841 *et seq.*, 3101 *et seq.*, 3109 *et seq.*; 15 U.S.C. 78o-5.

2. Section 211.24 is amended by revising the section heading and adding a new paragraph (g) to read as follows:

Section 211.24—Approval of offices of foreign banks; procedures for applications; standards for approval; representative-office activities and standards for approval; preservation of existing authority; reports of crimes and suspected crimes; government securities sales practices.

* * * * *

(g) *Government securities sales practices.* An uninsured state-licensed branch or agency of a foreign bank that is required to give notice to the Board under section 15C of the Securities Exchange Act of 1934 (15 U.S.C. 78o-5) and the Department of the Treasury rules under section 15C (17 C.F.R. 400.1(d) and part 401) shall be subject to the provisions of 12 C.F.R. 208.25 to the same extent as a state member bank that is required to give such notice.

Part 368—Government Securities Sales Practices

Section

Authority: 15 U.S.C. 78o-5.

Section 368.1—Scope.

This part is applicable to state nonmember banks and insured state branches of foreign banks that have filed notice as, or are required to file notice as, government securities brokers or dealers pursuant to section 15C of the Securities Exchange Act (15 U.S.C. 78o-5) and Department of the Treasury rules under section 15C (17 C.F.R. 400.1(d) and part 401).

Section 368.2—Definitions.

(a) *Bank that is a government securities broker or dealer* means a state nonmember bank or an insured state branch of a foreign bank that has filed notice, or is required to file notice, as a government securities broker or dealer pursuant to section 15C of the Securities Exchange Act (15 U.S.C. 78o-5) and Department of the Treasury rules under section 15C (17 C.F.R. 400.1(d) and part 401).

(b) *Customer* does not include a broker or dealer or a government securities broker or dealer.

(c) *Government security* has the same meaning as this term has in section 3(a)(42) of the Securities Exchange Act of 1934 (15 U.S.C. 78c(a)(42)).

(d) *Non-institutional customer* means any customer other than:
(1) A bank, savings association, insurance company, or registered investment company;
(2) An investment adviser registered under section 203 of the Investment Advisers Act of 1940 (15 U.S.C. 80b-3); or
(3) Any entity (whether a natural person, corporation, partnership, trust, or otherwise) with total assets of at least $50 million.

Section 368.3—Business conduct.

A bank that is a government securities broker or dealer shall observe high standards of commercial honor and just and equitable principles of trade in the conduct of its business as a government securities broker or dealer.

Section 368.4—Recommendations to customers.

In recommending to a customer the purchase, sale or exchange of a government security, a bank that is a government securities broker or dealer shall have reasonable grounds for believing that the recommendation is suitable for the customer upon the basis of the facts, if any, disclosed by the customer as to the customer's other security holdings and as to the customer's financial situation and needs.

Section 368.5—Customer information.

Prior to the execution of a transaction recommended to a non-institutional customer, a bank that is a government securities broker or dealer shall make reasonable efforts to obtain information concerning:
(a) The customer's financial status;
(b) The customer's tax status;
(c) The customer's investment objectives; and
(d) Such other information used or considered to be reasonable by such bank in making recommendations to the customer.

Section 368.100—Obligations concerning institutional customers.

(a) As a result of broadened authority provided by the Government Securities Act Amendments of 1993 (15 U.S.C. 78o-3 and 78o-5)), the FDIC is adopting sales practice rules for the government securities market, a market with a particularly broad institutional component. Accordingly, the FDIC believes it is appropriate to provide further guidance to banks on their suitability obligations when making recommendations to institutional customers.
(b) The FDIC's suitability rule (section 368.4) is fundamental to fair dealing and is intended to promote ethical sales practices and high standards of professional conduct. Banks' responsibilities include having a reasonable basis for recommending a particular security or strategy, as well as having reasonable grounds for believing the recommendation is suitable for the customer to whom it is made. Banks are expected to meet the same high standards of competence, professionalism, and good faith regardless of the financial circumstances of the customer.
(c) In recommending to a customer the purchase, sale, or exchange of any government security, the bank shall have reasonable grounds for believing that the recommendation is suitable for the customer upon the basis of the facts, if any, disclosed by the customer as to the customer's other security holdings and financial situation and needs.
(d) The interpretation in this section concerns only the manner in which a bank determines that a recommendation is suitable for a particular institutional customer. The manner in which a bank fulfills this suitability obligation will vary, depending on the nature of the customer and the specific transaction. Accordingly, the interpretation in this section deals only with guidance regarding how a bank may fulfill customer-specific suitability obligations under section 368.4.[1]
(e) While it is difficult to define in advance the scope of a bank's suitability obligation with respect to a specific institutional customer transaction recommended by a bank, the FDIC has identified certain factors that may be relevant when considering compliance with section 368.4. These factors are not intended to be requirements or the only factors to be considered but are offered merely as guidance in determining the scope of a bank's suitability obligations.
(f) The two most important considerations in determining the scope of a bank's suitability obligations in making recommendations to an institutional customer are the customer's capability to evaluate investment risk independently and the extent to which the customer is exercising independent judgement in evaluating a bank's recommendation. A bank must determine, based on the information available to it, the customer's capability to evaluate investment risk. In some cases, the bank may conclude that the customer is not capable of making independent investment decisions in general. In other cases, the institutional customer may have general capability, but may not be able to understand a particular type of instrument or its risk. This is more likely to arise with relatively new types of instruments, or those with significantly different risk or volatility characteristics than other investments generally made by the institution. If a customer is either generally not capable of evaluating investment risk or lacks sufficient capability to evaluate the particular product, the scope of a bank's customer-specific obligations under section 368.4 would not be diminished by the fact that the bank was dealing with an institutional customer. On the other hand, the fact that a customer initially needed help understanding a potential investment need not necessarily imply that the customer did not ultimately develop an understanding and make an independent investment decision.
(g) A bank may conclude that a customer is exercising independent judgement if the customer's investment decision will be based on its own independent assessment of the opportunities and risks presented by a potential investment, market factors and other investment considerations. Where the bank has reasonable grounds for concluding that the institutional customer is making independent investment decisions and is capable of independently evaluating investment risk, then a bank's obligations under section 368.4 for a particular customer are fulfilled.[2] Where a customer has delegated decision-making authority to an

1. The interpretation in this section does not address the obligation related to suitability that requires that a bank have "... a 'reasonable basis' to believe that the recommendation could be suitable for at least some customers." *In the Matter of the Application of F.J. Kaufman and Company of Virginia and Frederick J. Kaufman, Jr.*, 50 SEC 164 (1989).

2. *See* footnote 1 in paragraph (d) of this section.

agent, such as an investment advisor or a bank trust department, the interpretation in this section shall be applied to the agent.

(h) A determination of capability to evaluate investment risk independently will depend on an examination of the customer's capability to make its own investment decisions, including the resources available to the customer to make informed decisions. Relevant considerations could include:

(1) The use of one or more consultants, investment advisers, or bank trust departments;

(2) The general level of experience of the institutional customer in financial markets and specific experience with the type of instruments under consideration;

(3) The customer's ability to understand the economic features of the security involved;

(4) The customer's ability to independently evaluate how market developments would affect the security; and

(5) The complexity of the security or securities involved.

(i) A determination that a customer is making independent investment decisions will depend on the nature of the relationship that exists between the bank and the customer. Relevant considerations could include:

(1) Any written or oral understanding that exists between the bank and the customer regarding the nature of the relationship between the bank and the customer and the services to be rendered by the bank;

(2) The presence or absence of a pattern of acceptance of the bank's recommendations;

(3) The use by the customer of ideas, suggestions, market views and information obtained from other government securities brokers or dealers or market professionals, particularly those relating to the same type of securities; and

(4) The extent to which the bank has received from the customer current comprehensive portfolio information in connection with discussing recommended transactions or has not been provided important information regarding its portfolio or investment objectives.

(j) Banks are reminded that these factors are merely guidelines that will be utilized to determine whether a bank has fulfilled its suitability obligation with respect to a specific institutional customer transaction and that the inclusion or absence of any of these factors is not dispositive of the determination of suitability. Such a determination can only be made on a case-by-case basis taking into consideration all the facts and circumstances of a particular bank/customer relationship, assessed in the context of a particular transaction.

(k) For purposes of the interpretation in this section, an institutional customer shall be any entity other than a natural person. In determining the applicability of the interpretation in this section to an institutional customer, the FDIC will consider the dollar value of the securities that the institutional customer has in its portfolio and/or under management. While the interpretation in this section is potentially applicable to any institutional customer, the guidance contained in this section is more appropriately applied to an institutional customer with at least $10 million invested in securities in the aggregate in its portfolio and/or under management.

Final Rule—Amendment to Regulation M

The Board of Governors is amending 12 C.F.R. Part 213, its Regulation M (Consumer Leasing), which implements the Consumer Leasing Act. The act requires lessors to provide uniform cost and other disclosures about consumer lease transactions. The revisions primarily implement amendments to the act contained in the Economic Growth and Regulatory Paperwork Reduction Act of 1996, which streamline the advertising disclosures for lease transactions. In addition, the final rule makes the disclosure of upfront costs in connection with a specific lease agreement parallel statutory changes to the advertising rules disclosing upfront costs — which now include total amounts due by lease signing or delivery, if delivery occurs later. Several technical amendments also have been made to the regulation.

Effective April 1, 1997, 12 C.F.R. Part 213 is amended as follows:

Part 213—Consumer Leasing (Regulation M)

1. The authority citation for part 213 continues to read as follows:

Authority: 15 U.S.C. 1604.

2. Section 213.1 is amended by revising paragraph (a) to read as follows:

Section 213.1—Authority, scope, purpose, and enforcement.

(a) *Authority.* The regulation in this part, known as Regulation M, is issued by the Board of Governors of the Federal Reserve System to implement the consumer leasing provisions of the Truth in Lending Act, which is Title I of the Consumer Credit Protection Act, as amended (15 U.S.C. 1601 *et seq.*). Information collection requirements contained in this regulation have been approved by the Office of Management and Budget under the provisions of 44 U.S.C. 3501 *et seq.* and have been assigned OMB control number 7100-0202.

* * * * *

3. Section 213.2 is amended by revising the first sentence of paragraph (f) to read as follows:

Section 213.2—Definitions.

* * * * *

(f) *Gross capitalized cost* means the amount agreed upon by the lessor and the lessee as the value of the leased property and any items that are capitalized or amortized during the lease term, including but not limited to taxes, insurance, service agreements, and any outstanding prior credit or lease balance. * * *

* * * * *

4. Section 213.4 is amended as follows:

a. Paragraph (b) is revised;
b. Paragraph (f)(1) is revised.
c. Paragraph (n) is revised;
d. The headings of paragraphs (o)(1) and (o)(2) are revised; and
e. New paragraph (t) is added.

The revisions and additions read as follows:

Section 213.4—Content of disclosures.

* * * * *

(b) *Amount due at lease signing or delivery.* The total amount to be paid prior to or at consummation or by delivery, if delivery occurs after consummation, using the term "amount due at lease signing or delivery." The lessor shall itemize each component by type and amount, including any refundable security deposit, advance monthly or other periodic payment, and capitalized cost reduction; and in motor-vehicle leases, shall itemize how the amount due will be paid, by type and amount, including any net trade-in allowance, rebates, noncash credits, and cash payments in a format substantially similar to the model forms in Appendix A of this part.

* * * * *

(f) *Payment calculation.* * * *
(1) *Gross capitalized cost.* The gross capitalized cost, including a disclosure of the agreed upon value of the vehicle, a description such as "the agreed upon value of the vehicle [state the amount] and any items you pay for over the lease term (such as service contracts, insurance, and any outstanding prior credit or lease balance)," and a statement of the lessee's option to receive a separate written itemization of the gross capitalized cost. If requested by the lessee, the itemization shall be provided before consummation.

* * * * *

(n) *Fees and taxes.* The total dollar amount for all official and license fees, registration, title, or taxes required to be paid in connection with the lease.
(o) *Insurance.* * * *
(1) *Through the lessor.* * * *
(2) *Through a third party.* * * *

* * * * *

(t) *Non-motor vehicle open-end leases.* Non-motor vehicle open-end leases remain subject to section 182(10) of the act regarding end of term liability.

5. Section 213.5 is amended by revising paragraph (d)(1) to read as follows:

Section 213.5—Renegotiations, extensions, and assumptions.

* * * * *

(d) *Exceptions.* * * *
(1) A reduction in the rent charge;

* * * * *

6. Section 213.7 is amended as follows:

a. Paragraph (b)(1) is revised;
b. Paragraph (d)(1)(i) is revised, paragraph (d)(1)(ii) is removed and republished, and paragraph (d)(1)(iii) is redesignated as (d)(1)(ii);
c. Paragraphs (d)(2)(ii) and (d)(2)(iii) are revised, paragraph (d)(2)(iv) is removed, paragraphs (d)(2)(v) and (d)(2)(vi) are revised and redesignated as paragraphs (d)(2)(iv) and (d)(2)(v) and paragraph (d)(2)(i) is republished, respectively.

The revisions and republications read as follows:

Section 213.7—Advertising.

* * * * *

(b) *Clear and conspicuous standard.* * * *
(1) *Amount due at lease signing or delivery.* Except for the statement of a periodic payment, any affirmative or negative reference to a charge that is a part of the disclosure required under paragraph (d)(2)(ii) of this section shall not be more prominent than that disclosure.

* * * * *

(d) *Advertisement of terms that require additional disclosure.*
(1) *Triggering terms.* An advertisement that states any of the following items shall contain the disclosures required by paragraph (d)(2) of this section, except as provided in paragraphs (e) and (f) of this section:
(i) The amount of any payment; or
(ii) A statement of any capitalized cost reduction or other payment required prior to or at consummation or by delivery, if delivery occurs after consummation.
(2) *Additional terms.* An advertisement stating any item listed in paragraph (d)(1) of this section shall also state the following items:
(i) That the transaction advertised is a lease;
(ii) The total amount due prior to or at consummation or by delivery, if delivery occurs after consummation;
(iii) The number, amounts, and due dates or periods of scheduled payments under the lease;
(iv) A statement of whether or not a security deposit is required; and
(v) A statement that an extra charge may be imposed at the end of the lease term where the lessee's liability (if any) is based on the difference between the residual value of the leased property and its realized value at the end of the lease term.

* * * * *

7. Appendix A to Part 213 is amended by revising Appendix A-1 and Appendix A-2 to read as follows:

Final Rule—Amendment to Regulation O

The Board of Governors is amending 12 C.F.R. Part 215, its Regulation O (Loans to Executive Officers, Directors, and Principal Shareholders of Member Banks; Loans to Holding Companies and Affiliates), which implements section 22(h) of the Federal Reserve Act and limits how much and on what terms a bank may lend to its own insiders and insiders of its affiliates. Under the final rule, Regulation O will not apply to extensions of credit by a bank to an executive officer or director of an affiliate, provided that the executive officer or director is not engaged in major policymaking functions of the bank and the affiliate does not account for more than 10 percent of the consolidated assets of the bank's parent holding company. Extensions of credit to executive officers of an affiliate that accounts for more than 10 percent of the consolidated assets of the bank's parent holding company are covered by Regulation O as a result of the Economic Growth and Regulatory Paperwork Reduction Act of 1996.

Effective April 1, 1997, 12 C.F.R. Part 215 is amended as follows:

Part 215—Loans to Executive Officers, Directors and Principal Shareholders of Member Banks (Regulation O)

1. The authority citation for part 215 continues to read as follows:

Authority: 12 U.S.C. 248(i), 375a(10), 375b(9) and (10), 1817(k)(3) and 1972(2)(G)(ii); Pub. L. 102–242, 105 Stat. 2236.

2. Section 215.2 is amended as follows:

a. Paragraph (d) introductory text and paragraphs (d)(1) through (d)(3) are redesignated as paragraph (d)(1) introductory text and paragraphs (d)(1)(i) through (d)(1)(iii), respectively;
b. New paragraphs (d)(2) and (d)(3) are added;
c. Paragraph (e)(2) is revised; and
d. A new paragraph (e)(3) is added.

The additions and revisions read as follows:

Section 215.2—Definitions.

* * * * *

(d)(1) * * *

(2) Extensions of credit to a director of an affiliate of a bank are not subject to sections 215.4, 215.6, and 215.8 if—

(i) The director of the affiliate is excluded, by resolution of the board of directors or by the bylaws of the bank, from participation in major policymaking functions of the bank, and the director does not actually participate in such functions;

(ii) The affiliate does not control the bank;

(iii) As determined annually, the assets of the affiliate do not constitute more than 10 percent of the consolidated assets of the company that—

(A) Controls the bank; and

(B) Is not controlled by any other company; and

(iv) The director of the affiliate is not otherwise subject to sections 215.4, 215.6, and 215.8.

(3) For purposes of paragraph (d)(2)(i) of this section, a resolution of the board of directors or a corporate bylaw may—

(i) Include the director (by name or by title) in a list of persons excluded from participation in such functions; or

(ii) Not include the director in a list of persons authorized (by name or by title) to participate in such functions.

(e)(1) * * *

(2) Extensions of credit to an executive officer of an affiliate of a bank are not subject to sections 215.4, 215.6, and 215.8 if—

(i) The executive officer is excluded, by resolution of the board of directors or by the bylaws of the bank, from participation in major policymaking functions of the bank, and the executive officer does not actually participate in such functions;

(ii) The affiliate does not control the bank;

(iii) As determined annually, the assets of the affiliate do not constitute more than 10 percent of the consolidated assets of the company that—

(A) Controls the bank; and

(B) Is not controlled by any other company; and

(iv) The executive officer of the affiliate is not otherwise subject to sections 215.4, 215.6, and 215.8.

(3) For purposes of paragraphs (e)(1) and (e)(2)(i) of this section, a resolution of the board of directors or a corporate bylaw may—

(i) Include the executive officer (by name or by title) in a list of persons excluded from participation in such functions; or

(ii) Not include the executive officer in a list of persons authorized (by name or by title) to participate in such functions.

* * * * *

3. Section 215.4 is amended by revising paragraph (a)(2) introductory text to read as follows:

Section 215.4—General prohibitions.

(a) * * *

(2) *Exception.* Nothing in this paragraph (a) or paragraph (e)(2)(ii) of this section shall prohibit any extension of credit made pursuant to a benefit or compensation program—

Appendix A-1 Model Open-End or Finance Vehicle Lease Disclosures

Federal Consumer Leasing Act Disclosures

Date ____________________

Lessor(s) ____________________ **Lessee(s)** ____________________

Amount Due at Lease Signing or Delivery	**Monthly Payments**	**Other Charges** (not part of your monthly payment)	**Total of Payments** (The amount you will have paid by the end of the lease)
(Itemized below)* $ __________	Your first monthly payment of $ ________ is due on ____________, followed by _____ payments of $ ________ due on the ________ of each month. The total of your monthly payments is $ ________.	Disposition fee (if you do not purchase the vehicle) $ ________ ____________ ________ Total $ ________	$ __________ You will owe an additional amount if the actual value of the vehicle is less than the residual value.

*** Itemization of Amount Due at Lease Signing or Delivery**

Amount Due At Lease Signing or Delivery:		**How the Amount Due at Lease Signing or Delivery will be paid:**	
Capitalized cost reduction	$ ________	Net trade-in allowance	$ ________
First monthly payment	________	Rebates and noncash credits	________
Refundable security deposit	________	Amount to be paid in cash	________
Title fees	________	____________	________
Registration fees	________		
____________	________		
Total	$ ________	Total	$ ________

Your monthly payment is determined as shown below:

Gross capitalized cost. The agreed upon value of the vehicle ($__________) and any items you pay over the lease term (such as service contracts, insurance, and any outstanding prior credit or lease balance) .... $ ________

If you want an itemization of this amount, please check this box. □

Capitalized cost reduction. The amount of any net trade-in allowance, rebate, noncash credit, or cash you pay that reduces the gross capitalized cost	−	________
Adjusted capitalized cost. The amount used in calculating your base monthly payment	=	________
Residual value. The value of the vehicle at the end of the lease used in calculating your base monthly payment	−	________
Depreciation and any amortized amounts. The amount charged for the vehicle's decline in value through normal use and for other items paid over the lease term	=	________
Rent charge. The amount charged in addition to the depreciation and any amortized amounts	+	________
Total of base monthly payments. The depreciation and any amortized amounts plus the rent charge	=	________
Lease term. The number of months in your lease	÷	________
Base monthly payment	=	________
Monthly sales/use tax	+	________
____________	+	________
Total monthly payment	=$	________

Rent and other charges. The total amount of rent and other charges imposed in connection with your lease $ ________.

Early Termination. You may have to pay a substantial charge if you end this lease early. The charge may be up to several thousand dollars. The actual charge will depend on when the lease is terminated. The earlier you end the lease, the greater this charge is likely to be.

Excessive Wear and Use. You may be charged for excessive wear based on our standards for normal use [and for mileage in excess of ________ miles per year at the rate of ________ per mile].

Purchase Option at End of Lease Term. [You have an option to purchase the vehicle at the end of the lease term for $ ________ [and a purchase option fee of $ ________].] [You do not have an option to purchase the vehicle at the end of the lease term.]

Other Important Terms. See your lease documents for additional information on early termination, purchase options and maintenance responsibilities, warranties, late and default charges, insurance, and any security interest, if applicable.

Appendix A-1 Model Open-End or Finance Vehicle Lease Disclosures

[The following provisions are the nonsegregated disclosures required under Regulation M.]

Description of Leased Property				
Year	Make	Model	Body Style	Vehicle ID #

Official Fees and Taxes. The total amount you will pay for official and license fees, registration, title, and taxes over the term of your lease, whether included with your monthly payments or assessed otherwise: $________________.

Insurance. The following types and amounts of insurance will be acquired in connection with this lease:

____.

________ We (lessor) will provide the insurance coverage quoted above for a total premium cost of $ ________________.

________ You (lessee) agree to provide insurance coverage in the amount and types indicated above.

End of Term Liability. (a) The residual value ($______________) of the vehicle is based on a reasonable, good faith estimate of the value of the vehicle at the end of the lease term. If the actual value of the vehicle at that time is greater than the residual value, you will have no further liability under this lease, except for other charges already incurred [and are entitled to a credit or refund of any surplus.] If the actual value of the vehicle is less than the residual value, you will be liable for any difference up to $________________ (3 times the monthly payment). For any difference in excess of that amount, you will be liable only if:
1. Excessive use or damage [as described in paragraph ____] [representing more than normal wear and use] resulted in an unusually low value at the end of the term.
2. The matter is not otherwise resolved and we win a lawsuit against you seeking a higher payment.
3. You voluntarily agree with us after the end of the lease term to make a higher payment.

Should we bring a lawsuit against you, we must prove that our original estimate of the value of the leased property at the end of the lease term was reasonable and was made in good faith. For example, we might prove that the actual was less than the original estimated value, although the original estimate was reasonable, because of an unanticipated decline in value for that type of vehicle. We must also pay your attorney's fees.
(b) If you disagree with the value we assign to the vehicle, you may obtain, at your own expense, from an independent third party agreeable to both of us, a professional appraisal of the ____________ value of the leased vehicle which could be realized at sale. The appraised value shall then be used as the actual value.

Standards for Wear and Use. The following standards are applicable for determining unreasonable or excess wear and use of the leased vehicle:

____

Maintenance.
[You are responsible for the following maintenance and servicing of the leased vehicle:

____].

[We are responsible for the following maintenance and servicing of the leased vehicle:

____].

Warranties. The leased vehicle is subject to the following express warranties:

____.

Early Termination and Default. (a) You may terminate this lease before the end of the lease term under the following conditions:

____.

The charge for such early termination is:

____.

(b) We may terminate this lease before the end of the lease term under the following conditions:

____.

Upon such termination we shall be entitled to the following charge(s) for:

____.

(c) To the extent these charges take into account the value of the vehicle at termination, if you disagree with the value we assign to the vehicle, you may obtain, at your own expense, from an independent third party agreeable to both of us, a professional appraisal of the ________________ value of the leased vehicle which could be realized at sale. The appraised value shall then be used as the actual value.

Security Interest. We reserve a security interest of the following type in the property listed below to secure performance of your obligation under this lease:

____.

Late Payments. The charge for late payments is: ____

Option to Purchase Leased Property Prior to the End of the Lease. [You have an option to purchase the leased vehicle prior to the end of the term. The price will be [$ ____________________ /[the method of determining the price].] [You do not have an option to purchase the leased vehicle.]

Appendix A-2 Model Closed-End or Net Vehicle Lease Disclosures

Federal Consumer Leasing Act Disclosures

Date ____________________

Lessor(s) ____ **Lessee(s)** ____

Amount Due at Lease Signing or Delivery (Itemized below)* $ __________	**Monthly Payments** Your first monthly payment of $ ________ is due on ____________, followed by _____ payments of $ ________ due on the ________ of each month. The total of your monthly payments is $ ________.	**Other Charges** (not part of your monthly payment) Disposition fee (if you do not purchase the vehicle) $ ________ ____________ ________ Total $ ________	**Total of Payments** (The amount you will have paid by the end of the lease) $ __________

*** Itemization of Amount Due at Lease Signing or Delivery**

Amount Due At Lease Signing or Delivery:

Capitalized cost reduction	$ __________
First monthly payment	__________
Refundable security deposit	__________
Title fees	__________
Registration fees	__________
__________	__________
Total	$ __________

How the Amount Due at Lease Signing or Delivery will be paid:

Net trade-in allowance	$ __________
Rebates and noncash credits	__________
Amount to be paid in cash	__________
__________	__________
Total	$ __________

Your monthly payment is determined as shown below:

Gross capitalized cost. The agreed upon value of the vehicle ($ ____________) and any items you pay over the lease term (such as service contracts, insurance, and any outstanding prior credit or lease balance)		$ __________
If you want an itemization of this amount, please check this box. ☐		
Capitalized cost reduction. The amount of any net trade-in allowance, rebate, noncash credit, or cash you pay that reduces the gross capitalized cost	−	__________
Adjusted capitalized cost. The amount used in calculating your base monthly payment	=	__________
Residual value. The value of the vehicle at the end of the lease used in calculating your base monthly payment	−	__________
Depreciation and any amortized amounts. The amount charged for the vehicle's decline in value through normal use and for other items paid over the lease term	=	__________
Rent charge. The amount charged in addition to the depreciation and any amortized amounts	+	__________
Total of base monthly payments. The depreciation and any amortized amounts plus the rent charge	=	__________
Lease term. The number of months in your lease	÷	__________
Base monthly payment	=	__________
Monthly sales/use tax	+	__________
__________	+	__________
Total monthly payment	=$	__________

Early Termination. You may have to pay a substantial charge if you end this lease early. The charge may be up to several thousand dollars. The actual charge will depend on when the lease is terminated. The earlier you end the lease, the greater this charge is likely to be.

Excessive Wear and Use. You may be charged for excessive wear based on our standards for normal use [and for mileage in excess of ________ miles per year at the rate of ______ per mile].

Purchase Option at End of Lease Term. [You have an option to purchase the vehicle at the end of the lease term for $ __________ [and a purchase option fee of $ ______________].] [You do not have an option to purchase the vehicle at the end of the lease term.]

Other Important Terms. See your lease documents for additional information on early termination, purchase options and maintenance responsibilities, warranties, late and default charges, insurance, and any security interest, if applicable.

Appendix A-2 Model Closed-End or Net Vehicle Lease Disclosures

[The following provisions are the nonsegregated disclosures required under Regulation M.]

Description of Leased Property				
Year	Make	Model	Body Style	Vehicle ID #

Official Fees and Taxes. The total amount you will pay for official and license fees, registration, title, and taxes over the term of your lease, whether included with your monthly payments or assessed otherwise: $________________ .

Insurance. The following types and amounts of insurance will be acquired in connection with this lease:

____

________ We (lessor) will provide the insurance coverage quoted above for a total premium cost of $ ________________ .

________ *You (lessee) agree to provide insurance coverage in the amount and types indicated above.*

Standards for Wear and Use. The following standards are applicable for determining unreasonable or excess wear and use of the leased vehicle:

____

Maintenance.
[You are responsible for the following maintenance and servicing of the leased vehicle:
____].

[We are responsible for the following maintenance and servicing of the leased vehicle:
____].

Warranties. The leased vehicle is subject to the following express warranties:

____ .

Early Termination and Default. (a) You may terminate this lease before the end of the lease term under the following conditions:

____ .

The charge for such early termination is:

____ .

(b) We may terminate this lease before the end of the lease term under the following conditions:

____ .

Upon such termination we shall be entitled to the following charge(s) for:

____ .

(c) To the extent these charges take into account the value of the vehicle at termination, if you disagree with the value we assign to the vehicle, you may obtain, at your own expense, from an independent third party agreeable to both of us, a professional appraisal of the ________________ value of the leased vehicle which could be realized at sale. The appraisal value shall then be used as the actual value.

Security Interest. We reserve a security interest of the following type in the property listed below to secure performance of your obligation under this lease:

____ .

Late Payments. The charge for late payments is: ____ .

Option to Purchase Leased Property Prior to the End of the Lease. [You have an option to purchase the leased vehicle prior to the end of the term. The price will be [$ ____________________ /[the method of determining the price].] [You do not have an option to purchase the leased vehicle.]

* * * * *

FINAL RULE—AMENDMENT TO REGULATION CC

The Board of Governors is amending 12 C.F.R. Part 229, its Regulation CC (Availability of Funds and Collection of Checks). The amendments relate to the availability of funds and collection of checks. The amendments do not represent any major policy changes and are intended to clarify the regulation and, in some cases, reduce the compliance burden for depository institutions.

Effective April 28, 1997, 12 C.F.R. Part 229 is amended as follows:

Part 229—Availability of Funds and Collection of Checks (Regulation CC)

1. The authority citation for part 229 continues to read as follows:

Authority: 12 U.S.C. 4001 *et seq.*

2. In section 229.2, the first sentence in paragraph (e) concluding text is revised, paragraph (s) is revised, paragraph (pp) is redesignated as paragraph (qq), and a new paragraph (pp) is added to read as follows:

Section 229.2—Definitions.

* * * * *

(e) * * *

For purposes of subpart C of this part and, in connection therewith, this subpart A, the term *bank* also includes any person engaged in the business of banking, as well as a Federal Reserve Bank, a Federal Home Loan Bank, and a state or unit of general local government to the extent that the state or unit of general local government acts as a paying bank. * * *

* * * * *

(s) *Local paying bank* means a paying bank that is located in the same check-processing region as the physical location of the branch, contractual branch, or proprietary ATM of the depositary bank in which that check was deposited.

* * * * *

(pp) *Contractual branch,* with respect to a bank, means a branch of another bank that accepts a deposit on behalf of the first bank.

* * * * *

3. Section 229.13 is amended as follows:

a. In paragraphs (g)(1) introductory text and (g)(1)(ii)(A), the phrase "paragraphs (b) through (f)" is revised to read "paragraphs (b) through (e)";
b. Paragraphs (g)(1)(i)(B) and (g)(1)(i)(E) are revised;
c. Paragraph (g)(1)(ii)(B) is removed and the paragraph designation (g)(1)(ii)(A) is removed;
d. Paragraph (g)(4) is redesignated as paragraph (g)(5) and new paragraph (g)(4) is added; and
e. Paragraph (h)(4) is revised.

The addition and revisions read as follows:

Section 229.13—Exceptions.

* * * * *

(g) *Notice of exception*—(1) * * *
(i) * * *
(B) The date of the deposit;

* * * * *

(E) The time period within which the funds will be available for withdrawal.

* * * * *

(4) *Emergency conditions exception notice.* When a depositary bank extends the time when funds will be available for withdrawal based on the application of the emergency conditions exception contained in paragraph (f) of this section, it must provide the depositor with notice in a reasonable form and within a reasonable time given the circumstances. The notice shall include the reason the exception was invoked and the time period within which funds shall be made available for withdrawal, unless the depositary bank, in good faith, does not know at the time the notice is given the duration of the emergency and, consequently, when the funds must be made available. The depositary bank is not required to provide a notice if the funds subject to the exception become available before the notice must be sent.

* * * * *

(h) *Availability of deposits subject to exceptions.* * * *
(4) For the purposes of this section, a "reasonable period" is an extension of up to one business day for checks described in section 229.10(c)(1)(vi), five business days for checks described in section 229.12(b)(1) through (4), and six business days for checks described in section 229.12(c)(1) and (2) or section 229.12(f). A longer extension may be reasonable, but the bank has the burden of so establishing.

4. Section 229.16(c)(2)(i)(B) is revised to read as follows:

Section 229.16—Specific availability policy disclosure.

* * * * *

(c) *Longer delays on a case-by-case basis.* * * *
(2) * * * (i) * * *
(B) The date of the deposit;

* * * * *

5. In section 229.19, paragraph (a)(1) and the first sentence of paragraph (a)(5)(ii) are revised to read as follows:

Section 229.19—Miscellaneous.

(a) * * *

(1) Funds deposited at a staffed facility, ATM, or contractual branch are considered deposited when they are received at the staffed facility, ATM, or contractual branch;

* * * * *

(5) * * *

(ii) After a cut-off hour set by the depositary bank for the receipt of deposits of 2:00 p.m. or later, or, for the receipt of deposits at ATMs, contractual branches, or off-premise facilities, of 12:00 noon or later. * * *

* * * * *

6. In section 229.30, paragraph (c) is revised to read as follows:

Section 229.30—Paying bank's responsibility for return of checks.

* * * * *

(c) *Extension of deadline.* The deadline for return or notice of nonpayment under the U.C.C. or Regulation J (12 C.F.R. part 210), or section 229.36(f)(2) is extended to the time of dispatch of such return or notice of nonpayment where a paying bank uses a means of delivery that would ordinarily result in receipt by the bank to which it is sent —

(1) On or before the receiving bank's next banking day following the otherwise applicable deadline, for all deadlines other than those described in paragraph (c)(2) of this section; this deadline is extended further if a paying bank uses a highly expeditious means of transportation, even if this means of transportation would ordinarily result in delivery after the receiving bank's next banking day; or

(2) Prior to the cut-off hour for the next processing cycle (if sent to a returning bank), or on the next banking day (if sent to the depositary bank), for a deadline falling on a Saturday that is a banking day (as defined in the applicable U.C.C.) for the paying bank.

* * * * *

7. In section 229.34, the section heading and paragraph (c)(4) are revised and a new paragraph (f) is added to read as follows:

Section 229.34—Warranties.

* * * * *

(c) *Warranty of settlement amount, encoding, and offset.* * * *

* * * * *

(4) If a bank settles with another bank for checks presented, or for returned checks for which it is the depositary bank, in amount exceeding the total amount of the checks, the settling bank may set off the excess settlement amount against subsequent settlements for checks presented, or for returned checks for which it is the depositary bank, that it receives from the other bank.

* * * * *

(f) *Notice of claim.* Unless a claimant gives notice of a claim for breach of warranty under this section to the bank that made the warranty within 30 days after the claimant has reason to know of the breach and the identity of the warranting bank, the warranting bank is discharged to the extent of any loss caused by the delay in giving notice of the claim.

8. In section 229.36, the heading and the last sentence of paragraph (c) and paragraph (e)(1)(ii) are revised to read as follows:

Section 229.36—Presentment and issuance of checks.

* * * * *

(c) *Electronic presentment.* * * * An electronic presentment agreement may not extend return times or otherwise vary the requirements of this part with respect to parties interested in the check that are not party to the agreement.

* * * * *

(e) *Issuance of payable-through checks.*

(1) * * *

(ii) The words "payable through" followed by the name of the payable-through bank.

* * * * *

9. In section 229.39, paragraph (b) is revised to read as follows:

Section 229.39—Insolvency of bank.

* * * * *

(b) *Preference against paying or depositary bank.* If a paying bank finally pays a check, or if a depositary bank becomes obligated to pay a returned check, and suspends payment without making a settlement for the check or returned check with the prior bank that is or becomes final, the prior bank has a preferred claim against the paying bank or the depositary bank.

* * * * *

10. Section 229.42 is revised to read as follows:

Section 229.42—Exclusions.

The expeditious-return (sections 229.30(a) and 229.31(a)), notice-of-nonpayment (section 229.33), and same-day settlement (section 229.36(f)) requirements of this subpart do not apply to a check drawn upon the United States Treasury, to a U.S. Postal Service money order, or to a check drawn on a state or a unit of general local government that is not payable through or at a bank.

11. A new section 229.43 is added to read as follows:

Section 229.43—Checks payable in Guam, American Samoa, and the Northern Mariana Islands.

(a) *Definitions.* The definitions in section 229.2 apply to this section, unless otherwise noted. In addition, for the purposes of this section—

(1) *Pacific island bank* means an office of an institution that would be a bank as defined in section 229.2(e) but for the fact that the office is located in Guam, American Samoa, or the Northern Mariana Islands;

(2) *Pacific island check* means a demand draft drawn on or payable through or at a Pacific island bank, which is not a check as defined in section 229.2(k).

(b) *Rules applicable to Pacific island checks.* To the extent a bank handles a Pacific island check as if it were a check defined in section 229.2(k), the bank is subject to the following sections of this part (and the word "check" in each such section is construed to include a Pacific island check)—

(1) Section 229.31, except that the returning bank is not subject to the requirement to return a Pacific island check in an expeditious manner;

(2) Section 229.32;

(3) Section 229.34(c)(2), (c)(3), (d), and (e);

(4) Section 229.35; for purposes of section 229.35(c), the Pacific island bank is deemed to be a bank;

(5) Section 229.36(d);

(6) Section 229.37;

(7) Section 229.38(a) and (c) through (h);

(8) Section 229.39(a), (b), (c) and (e); and

(9) Sections 229.40 through 229.42.

12. Appendix C to Part 229 is amended as follows:

a. The appendix heading is revised;
b. The introductory text is revised;
c. The heading above the contents listing for models C-1 through C-5 is revised;
d. A new item is added to the end of the contents listing for Model Clauses;
e. The heading immediately above model policy disclosure "C-1—Next-day availability" is revised; and
f. Model Availability Policy Disclosures C-1 through C-5, Model Clauses C-9 and C-10, and Model Notices C-12 through C-16 are revised, and a new Model Clause C-11A is added.

The revisions and additions read as follows:

Appendix C to Part 229—Model Availability Policy Disclosures, Clauses, and Notices

This Appendix contains model availability policy disclosures, clauses, and notices to facilitate compliance with the disclosure requirements of Regulation CC (12 C.F.R. Part 229). Although use of these models is not required, banks using them properly to make disclosures required by the Regulation CC are deemed to be in compliance.

MODEL AVAILABILITY POLICY DISCLOSURES

* * * * *

MODEL CLAUSES

C-11A Availability of funds deposited at other locations

* * * * *

MODEL AVAILABILITY POLICY DISCLOSURES

C-1—Next-day availability

YOUR ABILITY TO WITHDRAW FUNDS

Our policy is to make funds from your cash and check deposits available to you on the first business day after the day we receive your deposit. Electronic direct deposits will be available on the day we receive the deposit. Once the funds are available, you can withdraw them in cash and we will use them to pay checks that you have written.

For determining the availability of your deposits, every day is a business day, except Saturdays, Sundays, and federal holidays. If you make a deposit before (*time of day*) on a business day that we are open, we will consider that day to be the day of your deposit. However, if you make a deposit after (*time of day*) or on a day we are not open, we will consider that the deposit was made on the next business day we are open.

C-2—Next-day availability and section 229.13 exceptions

YOUR ABILITY TO WITHDRAW FUNDS

Our policy is to make funds from your cash and check deposits available to you on the first business day after the day we receive your deposit. Electronic direct deposits will be available on the day we receive the deposit. Once they are available, you can withdraw the funds in cash and we will use the funds to pay checks that you have written.

For determining the availability of your deposits, every day is a business day, except Saturdays, Sundays, and federal holidays. If you make a deposit before (*time of day*) on a business day that we are open, we will consider that day to be the day of your deposit. However, if you make a deposit after (*time of day*) or on a day we are not open, we will consider that the deposit was made on the next business day we are open.

LONGER DELAYS MAY APPLY

Funds you deposit by check may be delayed for a longer period under the following circumstances:

- We believe a check you deposit will not be paid.
- You deposit checks totaling more than $5,000 on any one day.
- You redeposit a check that has been returned unpaid.
- You have overdrawn your account repeatedly in the last six months.
- There is an emergency, such as failure of computer or communications equipment.

We will notify you if we delay your ability to withdraw funds for any of these reasons, and we will tell you when the funds will be available. They will generally be available no later than the (*number*) business day after the day of your deposit.

SPECIAL RULES FOR NEW ACCOUNTS

If you are a new customer, the following special rules will apply during the first 30 days your account is open. Funds from electronic direct deposits to your account will be available on the day we receive the deposit. Funds from deposits of cash, wire transfers, and the first $5,000 of a day's total deposits of cashier's, certified, teller's, traveler's, and federal, state and local government checks will be available on the first business day after the day of your deposit if the deposit meets certain conditions. For example, the checks must be payable to you (and you may have to use a special deposit slip). The excess over $5,000 will be available on the ninth business day after the day of your deposit. If your deposit of these checks (other than a U.S. Treasury check) is not made in person to one of our employees, the first $5,000 will not be available until the second business day after the day of your deposit.

Funds from all other check deposits will be available on the (*number*) business day after the day of your deposit.

C-3—Next-day availability, case-by-case holds to statutory limits, and section 229.13 exceptions

YOUR ABILITY TO WITHDRAW FUNDS

Our policy is to make funds from your cash and check deposits available to you on the first business day after the day we receive your deposit. Electronic direct deposits will be available on the day we receive the deposit. Once they are available, you can withdraw the funds in cash and we will use the funds to pay checks that you have written.

For determining the availability of your deposits, every day is a business day, except Saturdays, Sundays, and federal holidays. If you make a deposit before (*time of day*) on a business day that we are open, we will consider that day to be the day of your deposit. However, if you make a deposit after (*time of day*) or on a day we are not open, we will consider that the deposit was made on the next business day we are open.

LONGER DELAYS MAY APPLY

In some cases, we will not make all of the funds that you deposit by check available to you on the first business day after the day of your deposit. Depending on the type of check that you deposit, funds may not be available until the fifth business day after the day of your deposit. The first $100 of your deposits, however, may be available on the first business day.

If we are not going to make all of the funds from your deposit available on the first business day, we will notify you at the time you make your deposit. We will also tell you when the funds will be available. If your deposit is not made directly to one of our employees, or if we decide to take this action after you have left the premises, we will mail you the notice by the day after we receive your deposit.

If you will need the funds from a deposit right away, you should ask us when the funds will be available.

In addition, funds you deposit by check may be delayed for a longer period under the following circumstances:

- We believe a check you deposit will not be paid.
- You deposit checks totaling more than $5,000 on any one day.
- You redeposit a check that has been returned unpaid.
- You have overdrawn your account repeatedly in the last six months.
- There is an emergency, such as failure of computer or communications equipment.

We will notify you if we delay your ability to withdraw funds for any of these reasons, and we will tell you when the funds will be available. They will generally be available no later than the (*number*) business day after the day of your deposit.

SPECIAL RULES FOR NEW ACCOUNTS

If you are a new customer, the following special rules will apply during the first 30 days your account is open.

Funds from electronic direct deposits to your account will be available on the day we receive the deposit. Funds from deposits of cash, wire transfers, and the first $5,000 of a day's total deposits of cashier's, certified, teller's, traveler's, and federal, state and local government checks will be available on the first business day after the day of your deposit if the deposit meets certain conditions. For example, the checks must be payable to you (and you may have to use a special deposit slip). The excess over $5,000 will be available on the ninth business day after the day of your deposit. If your deposit of these checks (other than a U.S. Treasury check) is not made in person to one of our employees, the first $5,000 will not be available until the second business day after the day of your deposit.

Funds from all other check deposits will be available on the (*number*) business day after the day of your deposit.

C-4—Holds to statutory limits on all deposits (includes chart)

YOUR ABILITY TO WITHDRAW FUNDS

Our policy is to delay the availability of funds from your cash and check deposits. During the delay, you may not withdraw the funds in cash and we will not use the funds to pay checks that you have written.

DETERMINING THE AVAILABILITY OF A DEPOSIT

The length of the delay is counted in business days from the day of your deposit. Every day is a business day except Saturdays, Sundays, and federal holidays. If you make a deposit before (*time of day*) on a business day that we are open, we will consider that day to be the day of your deposit. However, if you make a deposit after (*time of day*) or on a day we are not open, we will consider that the deposit was made on the next business day we are open.

The length of the delay varies depending on the type of deposit and is explained below.

Same-Day Availability

Funds from electronic direct deposits to your account will be available on the day we receive the deposit.

Next-Day Availability

Funds from the following deposits are available on the first business day after the day of your deposit:

- U.S. Treasury checks that are payable to you.
- Wire transfers.
- Checks drawn on (*bank name*) [unless (*any limitations related to branches in different states or check processing regions*)].

If you make the deposit in person to one of our employees, funds from the following deposits are also available on the first business day after the day of your deposit:

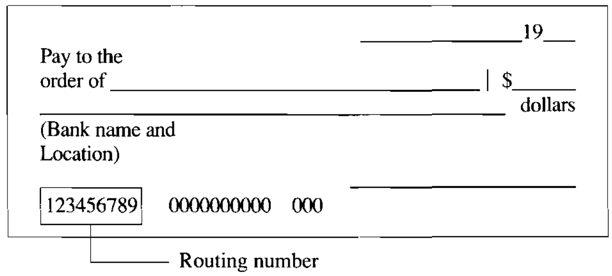
- Cash.
- State and local government checks that are payable to you [if you use a special deposit slip available from (*where deposit slip may be obtained*)].
- Cashier's, certified, and teller's checks that are payable to you [if you use a special deposit slip available from (*where deposit slip may be obtained*)].
- Federal Reserve Bank checks, Federal Home Loan Bank checks, and postal money orders, if these items are payable to you.

If you do not make your deposit in person to one of our employees (for example, if you mail the deposit), funds from these deposits will be available on the second business day after the day we receive your deposit.

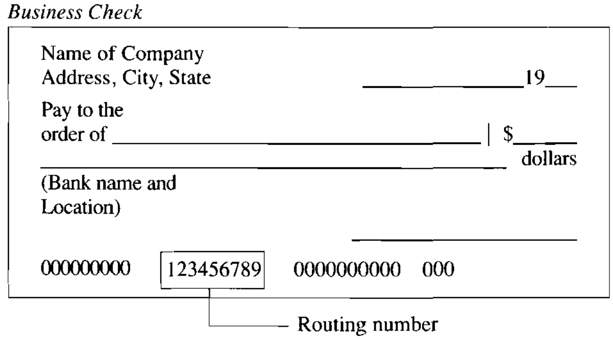
Other Check Deposits

To find out when funds from other check deposits will be available, look at the first four digits of the routing number on the check:

Personal Check



Business Check



Some checks are marked "payable through" and have a four- or nine-digit number nearby. For these checks, use this four-digit number (or the first four digits of the nine-digit number), not the routing number on the bottom of the check, to determine if these checks are local or nonlocal. Once you have determined the first four digits of the routing number (1234 in the examples above), the following chart will show you when funds from the check will be available:

First four digits from routing number	When funds are available	When funds are available if a deposit is made on a Monday
[local numbers]	$100 on the first business day after the day of your deposit.	Tuesday.
	Remaining funds on the second business day after the day of your deposit.	Wednesday.
All other numbers	$100 on the first business day after the day of your deposit.	Tuesday.
	Remaining funds on the fifth business day after the day of your deposit.	Monday of the following week.

If you deposit both categories of checks, $100 from the checks will be available on the first business day after the day of your deposit, not $100 from each category of check.

LONGER DELAYS MAY APPLY

Funds you deposit by check may be delayed for a longer period under the following circumstances:

- We believe a check you deposit will not be paid.
- You deposit checks totaling more than $5,000 on any one day.
- You redeposit a check that has been returned unpaid.
- You have overdrawn your account repeatedly in the last six months.
- There is an emergency, such as failure of computer or communications equipment.

We will notify you if we delay your ability to withdraw funds for any of these reasons, and we will tell you when the funds will be available. They will generally be available no later than the (*number*) business day after the day of your deposit.

SPECIAL RULES FOR NEW ACCOUNTS

If you are a new customer, the following special rules will apply during the first 30 days your account is open.

Funds from electronic direct deposits to your account will be available on the day we receive the deposit. Funds from deposits of cash, wire transfers, and the first $5,000 of a day's total deposits of cashier's, certified, teller's, traveler's, and federal, state and local government checks will be available on the first business day after the day of your deposit if the deposit meets certain conditions. For example, the checks must be payable to you (and you may have to use a special deposit slip). The excess over $5,000 will be available on the ninth business day after the day of your deposit. If your deposit of these checks (other than a U.S. Treasury check) is not made in person to one of our employees, the first $5,000 will not be available until the second business day after the day of your deposit.

Funds from all other check deposits will be available on the (*number*) business day after the day of your deposit.

C-5—Holds to statutory limits on all deposits

YOUR ABILITY TO WITHDRAW FUNDS

Our policy is to delay the availability of funds from your cash and check deposits. During the delay, you may not withdraw the funds in cash and we will not use the funds to pay checks that you have written.

DETERMINING THE AVAILABILITY OF A DEPOSIT

The length of the delay is counted in business days from the day of your deposit. Every day is a business day except Saturdays, Sundays, and federal holidays. If you make a deposit before (*time of day*) on a business day that we are open, we will consider that day to be the day of your deposit. However, if you make a deposit after (*time of day*) or on a day we are not open, we will consider that the deposit was made on the next business day we are open.

The length of the delay varies depending on the type of deposit and is explained below.

Same-Day Availability

Funds from electronic direct deposits to your account will be available on the day we receive the deposit.

Next-Day Availability

Funds from the following deposits are available on the first business day after the day of your deposit:

- U.S. Treasury checks that are payable to you.
- Wire transfers.
- Checks drawn on (*bank name*) [unless (*any limitations related to branches in different states or check processing regions*)].

If you make the deposit in person to one of our employees, funds from the following deposits are also available on the first business day after the day of your deposit:

- Cash.
- State and local government checks that are payable to you [if you use a special deposit slip available from (*where deposit slip may be obtained*)].
- Cashier's, certified, and teller's checks that are payable to you [if you use a special deposit slip available from (*where deposit slip may be obtained*)].
- Federal Reserve Bank checks, Federal Home Loan Bank checks, and postal money orders, if these items are payable to you.

If you do not make your deposit in person to one of our employees (for example, if you mail the deposit), funds from these deposits will be available on the second business day after the day we receive your deposit.

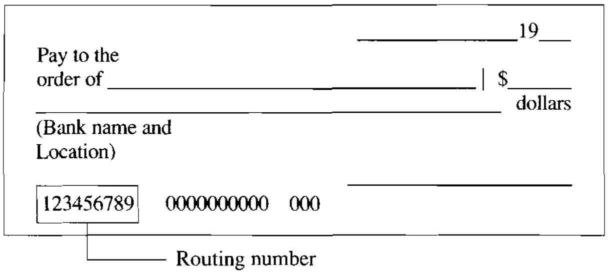
Other Check Deposits

The delay for other check deposits depends on whether the check is a local or a nonlocal check. To see whether a check is a local or a nonlocal check, look at the routing number on the check:

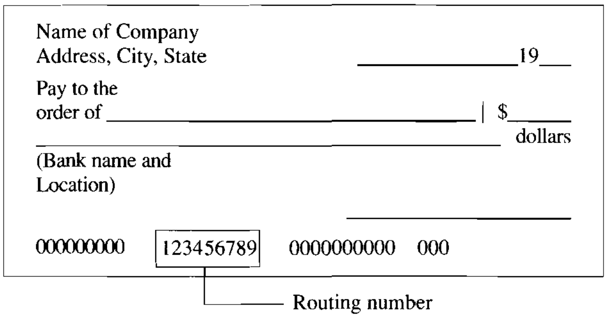
If the first four digits of the routing number (1234 in the examples above) are (*list of local numbers*), then the check is a local check. Otherwise, the check is a nonlocal check. Some checks are marked "payable through" and have a four- or nine-digit number nearby. For these checks, use the four-digit number (or the first four digits of the nine-digit number), not the routing number on the bottom of the check, to determine if these checks are local or nonlocal. Our policy is to make funds from local and nonlocal checks available as follows.

1. Local checks. The first $100 from a deposit of local

Personal Check



Business Check



checks will be available on the first business day after the day of your deposit. The remaining funds will be available on the second business day after the day of your deposit.

For example, if you deposit a local check of $700 on a Monday, $100 of the deposit is available on Tuesday. The remaining $600 is available on Wednesday.

2. *Nonlocal checks.* The first $100 from a deposit of nonlocal checks will be available on the first business day after the day of your deposit. The remaining funds will be available on the fifth business day after the day of your deposit.

For example, if you deposit a $700 nonlocal check on a Monday, $100 of the deposit is available on Tuesday. The remaining $600 is available on Monday of the following week.

LONGER DELAYS MAY APPLY

Funds you deposit by check may be delayed for a longer period under the following circumstances:

- We believe a check you deposit will not be paid.
- You deposit checks totaling more than $5,000 on any one day.
- You redeposit a check that has been returned unpaid.
- You have overdrawn your account repeatedly in the last six months.
- There is an emergency, such as failure of computer or communications equipment.

We will notify you if we delay your ability to withdraw funds for any of these reasons, and we will tell you when the funds will be available. They will generally be available no later than the (*number*) business day after the day of your deposit. If you deposit both categories of checks, $100 from the checks will be available on the first business day after the day of your deposit, not $100 from each category of check.

SPECIAL RULES FOR NEW ACCOUNTS

If you are a new customer, the following special rules will apply during the first 30 days your account is open.

Funds from electronic direct deposits to your account will be available on the day we receive the deposit. Funds from deposits of cash, wire transfers, and the first $5,000 of a day's total deposits of cashier's, certified, teller's, traveler's, and federal, state and local government checks will be available on the first business day after the day of your deposit if the deposit meets certain conditions. For example, the checks must be payable to you (and you may have to use a special deposit slip). The excess over $5,000 will be available on the ninth business day after the day of your deposit. If your deposit of these checks (other than a U.S. Treasury check) is not made in person to one of our employees, the first $5,000 will not be available until the second business day after the day of your deposit.

Funds from all other check deposits will be available on the (*number*) business day after the day of your deposit.

MODEL CLAUSES

* * * * *

C-9—Automated teller machine deposits (extended hold)

DEPOSITS AT AUTOMATED TELLER MACHINES

Funds from any deposits (cash or checks) made at automated teller machines (ATMs) we do not own or operate will not be available until the fifth business day after the day of your deposit. This rule does not apply at ATMs that we own or operate.

(*A list of our ATMs is enclosed.* or *A list of ATMs where you can make deposits but that are not owned or operated by us is enclosed.* or *All ATMs that we own or operate are identified as our machines.*)

C-10—Cash withdrawal limitation

CASH WITHDRAWAL LIMITATION

We place certain limitations on withdrawals in cash. In general, $100 of a deposit is available for withdrawal in cash on the first business day after the day of deposit. In addition, a total of $400 of other funds becoming available on a given day is available for withdrawal in cash at or after (*time no later than 5:00 p.m.*) on that day. Any remaining funds will be available for withdrawal in cash on the following business day.

* * * * *

C-11A—Availability of funds deposited at other locations

DEPOSITS AT OTHER LOCATIONS

This availability policy only applies to funds deposited at (*location*). Please inquire for information about the availability of funds deposited at other locations.

MODEL NOTICES

C-12—Exception hold notice

NOTICE OF HOLD

Account number: (*number*) Date of deposit: (*date*)

We are delaying the availability of $(*amount being held*) from this deposit. These funds will be available on the (*number*) business day after the day of your deposit.

We are taking this action because:

— A check you deposited was previously returned unpaid.
— You have overdrawn your account repeatedly in the last six months.
— The checks you deposited on this day exceed $5,000.
— An emergency, such as failure of computer or communications equipment, has occurred.
— We believe a check you deposited will not be paid for the following reasons [*]:

[*If you did not receive this notice at the time you made the deposit and the check you deposited is paid, we will refund to you any fees for overdrafts or returned checks that result solely from the additional delay that we are imposing. To obtain a refund of such fees, (*description of procedure for obtaining refund*).]

C-13—Reasonable cause hold notice

NOTICE OF HOLD

Account number: (*number*) Date of deposit: (*date*)

We are delaying the availability of the funds you deposited by the following check: (*description of check, such as amount and drawer.*)

These funds will be available on the (*number*) business day after the day of your deposit. The reason for the delay is explained below:

— We received notice that the check is being returned unpaid.
— We have confidential information that indicates that the check may not be paid.
— The check is drawn on an account with repeated overdrafts.
— We are unable to verify the endorsement of a joint payee.
— Some information on the check is not consistent with other information on the check.
— There are erasures or other apparent alterations on the check.
— The routing number of the paying bank is not a current routing number.
— The check is postdated or has a stale date.
— Information from the paying bank indicates that the check may not be paid.
— We have been notified that the check has been lost or damaged in collection.
— Other:

[If you did not receive this notice at the time you made the deposit and the check you deposited is paid, we will refund to you any fees for overdrafts or returned checks that result solely from the additional delay that we are imposing. To obtain a refund of such fees, (description of procedure for obtaining refund).]

C-14—One-time notice for large deposit and redeposited check exception holds

NOTICE OF HOLD

If you deposit into your account:

- Checks totaling more than $5,000 on any one day, the first $5,000 deposited on any one banking day will be available to you according to our general policy. The amount in excess of $5,000 will generally be available on the (*number*) business day after the day of deposit for checks drawn on (*bank name*), the (*number*) business day after the day of deposit for local checks and (*number*) business day after the day of deposit for nonlocal checks. If checks (not drawn on us) that otherwise would receive next-day availability exceed $5,000, the excess will be treated as either local or nonlocal checks depending on the location of the paying bank. If your check deposit, exceeding $5,000 on any one day, is a mix of local checks, nonlocal checks, checks drawn on (*bank name*), or checks that generally receive next-day availability, the excess will be calculated by first adding together the (*type of check*), then the (*type of check*), then the (*type of check*), then the (*type of check*).
- A check that has been returned unpaid, the funds will generally be available on the (*number*) business day after the day of deposit for checks drawn on (*bank name*), the (*number*) business day after the day of deposit for local checks and the (*number*) business day after the day of deposit for nonlocal checks. Checks (not drawn on us) that otherwise would receive next-day availability will be

treated as either local or nonlocal checks depending on the location of the paying bank.

C-15—One-time notice for repeated overdraft exception hold

NOTICE OF HOLD

Account Number: (*number*) Date of Notice: (*date*)
We are delaying the availability of checks deposited into your account due to repeated overdrafts of your account. For the next six months, deposits will generally be available on the (*number*) business day after the day of your deposit for checks drawn on (*bank name*), the (*number*) business day after the day of your deposit for local checks, and the (*number*) business day after the day of deposit for nonlocal checks. Checks (*not drawn on us*) that otherwise would have received next-day availability will be treated as either local or nonlocal checks depending on the location of the paying bank.

C-16—Case-by-case hold notice

NOTICE OF HOLD

Account number: (*number*) Date of deposit: (*date*)
We are delaying the availability of $(amount being held) from this deposit. These funds will be available on the (*number*) business day after the day of your deposit [(subject to our cash withdrawal limitation policy)].

[If you did not receive this notice at the time you made the deposit and the check you deposited is paid, we will refund to you any fees for overdrafts or returned checks that result solely from the additional delay that we are imposing. To obtain a refund of such fees, (*description of procedure for obtaining refund*).]

* * * * *

13. In Appendix E to Part 229, under section II,

a. In paragraph E.2., the last sentence is revised;
b. Paragraph S.1., is revised
c. In paragraph HH.2., the last sentence is revised; and
d. A new paragraph PP. is added.

The revisions and additions read as follows:

APPENDIX E TO PART 229 - COMMENTARY

* * * * *

II. Section 229.2—Definitions

* * * * *

E. 229.2(d) Available for Withdrawal

* * * * *

2. * * * For example, a bank does not violate its obligations under this subpart by holding funds to satisfy a garnishment, tax levy, or court order restricting disbursements from the account; or to satisfy the customer's liability arising from the certification of a check, sale of a cashier's or teller's check, guaranty or acceptance of a check, or similar transaction to be debited from the customer's account.

* * * * *

S. 229.2(s) Local Paying Bank
1. "Local paying bank" is defined as a paying bank located in the same check-processing region as the branch, contractual branch, or proprietary ATM of the depositary bank. For example, a check deposited at a contractual branch would be deemed local or nonlocal based on the location of the contractual branch with respect to the location of the paying bank.

* * * * *

HH. 229.2(hh) Traveler's Check

* * * * *

2. * * * Sometimes traveler's checks that are not issued by banks do not have any words on them identifying a bank as drawee or paying agent, but instead bear unique routing numbers with an 8000 prefix that identifies a bank as paying agent.

* * * * *

PP. 229.2(pp) Contractual Branch
1. When one bank arranges for another bank to accept deposits on its behalf, the second bank is a contractual branch of the first bank. For further discussion of contractual branch deposits and related disclosures, see sections 229.2(s) and 229.19(a) of the regulation and the commentary to sections 229.2(s), 229.10(c), 229.14(a), 229.16(a), 229.18(b), and 229.19(a).

* * * * *

14. In Appendix E, under section IV, in paragraph D.3.a., two new sentences are added to the end of the paragraph to read as follows:

* * * * *

IV. Section 229.10—Next-Day Availability

* * * * *

D. 229.10(c) Certain Check Deposits

* * * * *

3. * * *
a. * * * Employees of a contractual branch would not be considered employees of the depositary bank for the purposes of this regulation, and deposits at contractual branches would be treated the same as deposits to a proprietary ATM for the purposes of this regulation. (*See also,* Commentary to section 229.19(a).)

* * * * *

15. In Appendix E, under section VII:

a. In paragraph H.1.a, the first sentence is revised and two new sentences are added to the end of the paragraph;
b. Paragraph H.1.e. is removed and paragraph H.1.f. is redesignated as paragraph H.1.e.;
c. Paragraph H.4. is redesignated as paragraph H.5. and new paragraph H.4. is added;
d. The second sentence in paragraph I.1. is revised; and
e. The first sentence in paragraph I.4. is revised.

The additions and revisions read as follows:

* * * * *

VII. Section 229.13—Exceptions

* * * * *

H. 229.13(g) Notice of Exception
1. * * *
a. If a depositary bank invokes any of the safeguard exceptions to the schedules listed above, other than the new account or emergency conditions exception, and extends the hold on a deposit beyond the time periods permitted in sections 229.10(c) and 229.12, it must provide a notice to its customer. * * * A depositary bank satisfies the written notice requirement by sending an electronic notice that displays the text and is in a form that the customer may keep, if the customer agrees to such means of notice. Information is in a form that the customer may keep if, for example, it can be downloaded or printed.

* * * * *

4. Emergency conditions exception notice.
a. If an account is subject to the emergency conditions exception under section 229.13(f), the depositary bank must provide notice in a reasonable form within a reasonable time, depending on the circumstances. For example, a depositary bank may learn of a weather emergency or a power outage that affects the paying bank's operations. Under these circumstances, it likely would be reasonable for the depositary bank to provide an emergency conditions exception notice in the same manner and within the same time as required for other exception notices. On the other hand, if a depositary bank experiences a weather or power outage emergency that affects its own operations, it may be reasonable for the depositary bank to provide a general notice to all depositors via postings at branches and ATMs, or through newspaper, television, or radio notices.
b. If the depositary bank extends the hold placed on a deposit due to an emergency condition, the bank need not provide a notice if the funds would be available for withdrawal before the notice must be sent. For example, if on the last day of a hold period the depositary bank experiences a computer failure and customer accounts cannot be updated in a timely fashion to reflect the funds as available balances, notices are not required if the funds are made available before the notices must be sent.

* * * * *

I. 229.13(h) Availability of Deposits Subject to Exceptions
1. * * * This provision establishes that an extension of up to one business day for "on us" checks, five business days for local checks, and six business days for nonlocal checks and checks deposited in a nonproprietary ATM is reasonable. * * *

* * * * *

4. One business day for "on us" checks, five business days for local checks, and six business days for nonlocal checks or checks deposited in a nonproprietary ATM, in addition to the time period provided in the schedule, should provide adequate time for the depositary bank to learn of the nonpayment of virtually all checks that are returned. * * *

* * * * *

16. In Appendix E, under section VIII, a new sentence is added to the end of paragraph A.1. to read as follows:

* * * * *

VIII. Section 229.14—Payment of Interest

A. 229.14(a) In General
1. * * * In the case of a deposit at a contractual branch, credit is received on the day the depositary bank receives credit for the amount of the deposit, which may be different from the day the contractual branch receives credit for the deposit.

* * * * *

17. In Appendix E, under section IX, two new sentences are added immediately following the second sentence of paragraph A.1. to read as follows:

* * * * *

IX. Section 229.15—General Disclosure Requirements

A. 229.15(a) Form of Disclosures
1. * * * A depositary bank satisfies the written disclosure requirement by sending an electronic disclosure that displays the text and is in a form that the customer may keep, if the customer agrees to such means of disclosure. Information is in a form that the customer may keep if, for example, it can be downloaded or printed. * * *

* * * * *

18. In Appendix E, under section X, three new sentences are added to the end of paragraph A.2., one new sentence is added to the end of paragraph B.6., and the last sentence of paragraph C.2.a. is revised to read as follows:

X. Section 229.16—Specific Availability Policy Disclosure

A. 229.16(a) General

* * * * *

2. * * * A bank may establish different availability policies for different groups of customers, such as customers in a particular geographic area or customers of a particular branch. For purposes of providing a specific availability policy, the bank may allocate customers among groups through good faith use of a reasonable method. A bank may also establish different availability policies for deposits at different locations, such as deposits at a contractual branch.

* * * * *

B. 229.16(b) Content of Specific Policy Disclosure

* * * * *

6. * * * If a bank does not have a cut-off time prior to its closing time, the bank need not disclose a cut-off time.

* * * * *

C. 229.16(c) Longer Delays on a Case-by-Case Basis

* * * * *

2. * * *
a. * * * In addition, the notice must include the account number, the date of the deposit, and the amount of the deposit being delayed.

* * * * *

19. In Appendix E, under section XII, a sentence is added to the end of paragraph B.1. to read as follows:

XII. Section 229.18—Additional Disclosure Requirements

* * * * *

B. 229.18(b) Locations Where Employees Accept Consumer Deposits
1. * * * A bank that acts as a contractual branch at a particular location must include the availability policy that applies to its own customers but need not include the policy that applies to the customers of the bank for which it is acting as a contractual branch.

* * * * *

20. In Appendix E, under section XIII, two new sentences are added immediately following the first sentence of paragraph A.2., the last four sentences of paragraph A.6.a. are revised, and a new sentence is added to the end of paragraph E.3. to read as follows:

XIII. Section 229.19—Miscellaneous

A. 229.19(a) When Funds Are Considered Deposited

* * * * *

2. * * * Funds received at a contractual branch are considered deposited when received by a teller at the contractual branch or deposited into a proprietary ATM of the contractual branch. (*See also*, Commentary to section 229.10(c) on deposits made to an employee of the depositary bank.) * * *

* * * * *

6. * * *
a. * * * For receipt of deposits at ATMs, contractual branches, or other off-premise facilities, such as night depositories or lock boxes, the depositary bank may establish a cut-off hour of 12:00 noon or later (either local time of the branch or other location of the depositary bank at which the account is maintained or local time of the ATM, contractual branch, or other off-premise facility). The depositary bank must use the same timing method for establishing the cut-off hour for all ATMs, contractual branches, and other off-premise facilities used by its customers. The choice of cut-off hour must be reflected in the bank's internal procedures, and the bank must inform its customers of the cut-off hour upon request. This earlier cut-off for ATM, contractual branch, or other off-premise deposits is intended to provide greater flexibility in the servicing of these facilities.

* * * * *

E. 229.19(e) Holds on Other Funds

* * * * *

3. * * * When a customer cashes a check over the counter and the bank places a hold on an account of the customer, the bank must give whatever notice would have been required under sections 229.13 or 229.16 had the check been deposited in the account.

* * * * *

21. In Appendix E, under section XVI, a new sentence is added to the end of paragraphs C.1.a. and C.1.b. to read as follows:

* * * * *

XVI. Section 229.30—Paying Bank's Responsibility for Return of Checks

* * * * *

C. 229.30(c) Extension of Deadline
1. * * *
a. * * * This paragraph applies to the extension of all midnight deadlines except Saturday midnight deadlines (*see* paragraph C.1.b of this appendix).
b. * * * This paragraph applies exclusively to the extension of Saturday midnight deadlines.

* * * * *

22. In Appendix E, under section XVII, the second sentence of paragraph A.7.b. is revised to read as follows:

* * * * *

XVII. Section 229.31—Returning Bank's Responsibility for Return of Checks

A. 229.31(a) Return of Checks

* * * * *

7. * * *

b. * * * If the returning bank makes an encoding error in creating a qualified returned check, it may be liable under section 229.38 for losses caused by any negligence or under section 229.34(c)(3) for breach of an encoding warranty. * * *

* * * * *

23. In Appendix E, under section XX, the first sentence of paragraph A.1. and paragraph C.5. are revised, and a new paragraph F. is added as follows:

* * * * *

XX. Section 229.34—Warranties

A. 229.34(a) Warranty of Returned Check

1. This paragraph includes warranties that a returned check, including a notice in lieu of return, was returned by the paying bank, or in the case of a check payable by a bank and payable through another bank, the bank by which the check is payable, within the deadline under the U.C.C. (subject to any claims or defenses under the U.C.C., such as breach of a presentment warranty), Regulation J (12 C.F.R. Part 210), or section 229.30(c); that the paying or returning bank is authorized to return the check; that the returned check has not been materially altered; and that, in the case of a notice in lieu of return, the original check has not been and will not be returned for payment. * * *

* * * * *

C. 229.34(c) Warranty of Settlement Amount, Encoding, and Offset

* * * * *

5. Paragraph (c)(4) provides that a paying bank or a depositary bank may set off excess settlement paid to another bank against settlement owed to that bank for checks presented or returned checks received (for which it is the depositary bank) subsequent to the excess settlement.

* * * * *

F. 229.34(f) Notice of Claim

1. This paragraph adopts the notice provisions of U.C.C. sections 4–207(d) and 4–208(e). The time limit set forth in this paragraph applies to notices of claims for warranty breaches only. As provided in section 229.38(g), all actions under this section must be brought within one year after the date of the occurrence of the violation involved.

* * * * *

24. In Appendix E, section XXII is amended as follows:

a. Paragraph C. is revised; and

b. In paragraph E., the first sentence of paragraph E.1. is revised to read as follows:

* * * * *

XXII. Section 229.36—Presentment and Issuance of Checks

* * * * *

C. 229.36(c) Electronic Presentment

1. Under an electronic presentment agreement, presentment takes place when the paying bank receives an electronic transmission of information describing the check rather than upon delivery of the physical check. Electronic presentment agreements may include a variety of procedures in which the physical check is held (truncated) or delayed by the depositary or collecting bank. U.C.C. 4–110 and 4–406(b) make express provision for truncation and electronic presentment.

2. This paragraph allows electronic presentment by agreement with the paying bank; however, such agreement may not prejudice the interests of other parties to the check. For example, an electronic presentment agreement may not extend the paying bank's time for return. Such an extension could damage the depositary bank, which must make funds available to its customers under mandatory availability schedules.

* * * * *

E. 229.36(e) Issuance of Payable-Through Checks

1. If a bank arranges for checks payable by it to be payable through another bank, it must require its customers to use checks that contain conspicuously on their face the name, location, and first four digits of the nine-digit routing number of the bank by which the check is payable and the legend "payable through" followed by the name of the payable-through bank. * * *

* * * * *

25. In Appendix E, section XXIV is amended as follows:

a. In paragraph A.2., the third sentence is revised; and

b. In paragraph D.2.b., the second sentence is removed and two new sentences are added immediately following the first sentence to read as follows:

* * * * *

XXIV. Section 229.38—Liability

A. 229.38(a) Standard of care; liability; measure of damages

* * * * *

2. * * * The measure of damages provided in this section (loss incurred up to amount of check, less amount of loss party would have incurred even if bank had exercised ordinary care) is based on U.C.C. 4–103(e) (amount of the item reduced by an amount that could not have been realized by the exercise of ordinary care), as limited by

4–202(c) (bank is liable only for its own negligence and not for actions of subsequent banks in chain of collection). * * *

* * * * *

D. 229.38(d) Responsibility for Certain Aspects of Checks

* * * * *

2. * * *
b. * * * Under section 229.33(a), a paying bank that returns a check in the amount of $2,500 or more must provide notice of nonpayment to the depositary bank by 4:00 p.m. on the second business day following the banking day on which the check is presented to the paying bank. Even if a payable-through check in the amount of $2,500 or more is not returned through the payable-through bank as quickly as would have been required had the check been received by the bank by which it is payable, the depositary bank should not suffer damages unless it has not received timely notice of nonpayment. * * *

* * * * *

26. In Appendix E, under section XXV, the first sentence in paragraph C.1. is revised to read as follows:

XXV. Section 229.39—Insolvency of Bank

* * * * *

C. 229.39(b) Preference Against Paying or Depositary Bank

1. This paragraph gives a bank a preferred claim against a closed paying bank that finally pays a check without settling for it or a closed depositary bank that becomes obligated to pay a returned check without settling for it. * * *

* * * * *

27. In Appendix E, under section XXVIII, the first sentence of paragraph A. is revised to read as follows:

XXVIII. Section 229.42—Exclusions

A. Checks drawn on the United States Treasury, U.S. Postal Service money orders, and checks drawn on states and units of general local government that are presented directly to the state or unit of general local government and that are not payable through or at a bank are excluded from the coverage of the expeditious-return, notice-of-nonpayment, and same-day settlement requirements of subpart C of this part. * * *

* * * * *

28. In Appendix E, section XXIX is redesignated as section XXX, a new section XXIX is added, and newly designated section XXX is revised to read as follows:

XXIX. Section 229.43—Checks Payable in Guam, American Samoa, and the Northern Mariana Islands

A. 229.43(a) Definitions

1. Bank offices in Guam, American Samoa, and the Northern Mariana Islands (which Regulation CC defines as Pacific island banks) do not meet the definition of bank in section 229.2(e) because they are not located in the United States. Some checks drawn on Pacific island banks (defined as Pacific island checks) bear U.S. routing numbers and are collected and returned by banks in the same manner as checks payable in the U.S.

B. 229.43(b) Rules Applicable to Pacific Island Checks

1. When a bank handles a Pacific island check as if it were a check as defined in section 229.2(k), the bank is subject to certain provisions of Regulation CC, as provided in this section. Because the Pacific island bank is not a bank as defined in section 229.2(e), it is not a paying bank as defined in section 229.2(z) (unless otherwise noted in this section). Pacific island banks are not subject to the provisions of Regulation CC.

2. A bank may agree to handle a Pacific island check as a returned check under section 229.31 and may convert the returned Pacific island check to a qualified returned check. The returning bank is not, however, subject to the expeditious-return requirements of section 229.31. The returning bank may receive the Pacific island check directly from a Pacific island bank or from another returning bank. As a Pacific island bank is not a paying bank under Regulation CC, section 229.31(c) does not apply to a returning bank settling with the Pacific island bank.

3. A depositary bank that handles a Pacific island check is not subject to the provisions of subpart B of Regulation CC, including the availability, notice, and interest accrual requirements, with respect to that check. If, however, a bank accepts a Pacific island check for deposit (or otherwise accepts the check as transferee) and collects the Pacific island check in the same manner as other checks, the bank is subject to the provisions of section 229.32, including the provisions regarding time and manner of settlement for returned checks in section 229.32(b), in the event the Pacific island check is returned by a returning bank. If the depositary bank receives the returned Pacific island check directly from the Pacific island bank, however, the provisions of section 229.32(b) do not apply, because the Pacific island bank is not a paying bank under Regulation CC. The depositary bank is not subject to the notice of nonpayment provisions in section 229.33 for Pacific island checks.

4. Banks that handle Pacific island checks in the same manner as other checks are subject to the indorsement provisions of section 229.35. Section 229.35(c) eliminates the need for the restrictive indorsement "pay any bank." For purposes of section 229.35(c), the Pacific island bank is deemed to be a bank.

5. Pacific island checks will often be intermingled with other checks in a single cash letter. Therefore, a bank that handles Pacific island checks in the same manner as other checks is subject to the transfer warranty provision in

section 229.34(c)(2) regarding accurate cash letter totals and the encoding warranty in section 229.34(c)(3). A bank that acts as a returning bank for a Pacific island check is not subject to the warranties in section 229.34(a). Similarly, because the Pacific island bank is not a "bank" or a "paying bank" under Regulation CC, section 229.34(b), (c)(1), and (c)(4) do not apply. For the same reason, the provisions of section 229.36 governing paying bank responsibilities such as place of receipt and same-day settlement do not apply to checks presented to a Pacific island bank, and the liability provisions applicable to paying banks in section 229.38 do not apply to Pacific island banks. Section 229.36(d), regarding finality of settlement between banks during forward collection, applies to banks that handle Pacific island checks in the same manner as other checks, as do the liability provisions of section 229.38, to the extent the banks are subject to the requirements of Regulation CC as provided in this section, and sections 229.37 and 229.39 through 229.42.

* * * * *

XXX. Appendix C—Model Availability Policy Disclosures, Clauses, and Notices

A. Introduction

1. Appendix C contains model disclosures, clauses, and notices that may be used by banks to meet their disclosure responsibilities under the regulation. Banks using the models properly will be in compliance with the regulation's disclosure requirements.
2. Information that must be inserted by a bank using the models is (*italicized*) within parentheses in the text of the models. Optional information is enclosed in brackets.
3. Banks may make certain changes to the format or content of the models, including deleting material that is inapplicable, without losing the Act's protection from liability for banks that use the models properly. For example, if a bank does not have a cut-off hour prior to it's closing time, or if a bank does not take advantage of the section 229.13 exceptions, it may delete the references to those provisions. Changes to the models may not be so extensive as to affect the substance, clarity, or meaningful sequence of the models. Acceptable changes include, for example:
   a. Using "customer" and "bank" instead of pronouns.
   b. Changing the typeface or size.
   c. Incorporating certain state law "plain English" requirements.
4. Shorter time periods for availability may always be substituted for time periods used in the models.
5. Banks may also add related information. For example, a bank may indicate that although funds have been made available to a customer and the customer has withdrawn them, the customer is still responsible for problems with the deposit, such as checks that were deposited being returned unpaid. Or a bank could include a telephone number to be used if a customer has an inquiry regarding a deposit.
6. Banks are cautioned against using the models without reviewing their own policies and practices, as well as state and federal laws regarding the time periods for availability of specific types of checks. A bank using the models will be in compliance with the Act and the regulation only if the bank's disclosures correspond to its availability policy.
7. Banks that have used earlier versions of the models (such as those models that gave Social Security benefits and payroll payments as examples of preauthorized credits available the day after deposit, or that did not address the cash withdrawal limitation) are protected from civil liability under section 229.21(e). Banks are encouraged, however, to use current versions of the models when reordering or reprinting supplies.

B. Model Availability Policy Disclosures, Models C-1 through C-5

1. *Models C-1 through C-5 generally.*
a. Models C-1 through C-5 are models for the availability policy disclosures described in section 229.16. The models accommodate a variety of availability policies, ranging from next-day availability to holds to statutory limits on all deposits. Model C-3 reflects the additional disclosures discussed in sections 229.16 (b) and (c) for banks that have a policy of extending availability times on a case-by-case basis.
b. As already noted, there are several places in the models where information must be inserted. This information includes the bank's cut-off times, limitations relating to next-day availability, and the first four digits of routing numbers for local banks. In disclosing when funds will be available for withdrawal, the bank must insert the ordinal number (such as first, second, etc.) of the business day after deposit that the funds will become available.
c. Models C-1 through C-5 generally do not reflect any optional provisions of the regulation, or those that apply only to certain banks. Instead, disclosures for these provisions are included in Models C-6 through C-11A. A bank using one of the model availability policy disclosures should also consider whether it must incorporate one or more of Models C-6 through C-11A.
d. While section 229.10(b) requires next-day availability for electronic payments, Treasury regulations (31 C.F.R. Part 210) and ACH association rules require that preauthorized credits ("direct deposits") be made available on the day the bank receives the funds. Models C-1 through C-5 reflect these rules. Wire transfers, however, are not governed by Treasury or ACH rules, but banks generally make funds from wire transfers available on the day received or on the business day following receipt. Banks should ensure that their disclosures reflect the availability given in most cases for wire transfers.
2. *Model C-1 Next-day availability.* A bank may use this model when its policy is to make funds from all deposits available on the first business day after a deposit is made.

This model may also be used by banks that provide immediate availability by substituting the word "immediately" in place of "on the first business day after the day we receive your deposit."

3. *Model C-2 Next-day availability and section 229.13 exceptions.* A bank may use this model when its policy is to make funds from all deposits available to its customers on the first business day after the deposit is made, and to reserve the right to invoke the new account and other exceptions in section 229.13. In disclosing that a longer delay may apply, a bank may disclose when funds will generally be available based on when the funds would be available if the deposit were of a nonlocal check.

4. *Model C-3 Next-day availability, case-by-case holds to statutory limits, and section 229.13 exceptions.* A bank may use this model when its policy, in most cases, is to make funds from all types of deposits available the day after the deposit is made, but to delay availability on some deposits on a case-by-case basis up to the maximum time periods allowed under the regulation. A bank using this model also reserves the right to invoke the exceptions listed in section 229.13. In disclosing that a longer delay may apply, a bank may disclose when funds will generally be available based on when the funds would be available if the deposit were of a nonlocal check.

5. *Model C-4 Holds to statutory limits on all deposits.* A bank may use this model when its policy is to impose delays to the full extent allowed under section 229.12 and to reserve the right to invoke the section 229.13 exceptions. In disclosing that a longer delay may apply, a bank may disclose when funds will generally be available based on when the funds would be available if the deposit were of a nonlocal check. Model C-4 uses a chart to show the bank's availability policy for local and nonlocal checks and Model C-5 uses a narrative description.

6. *Model C-5 Holds to statutory limits on all deposits.* A bank may use this model when its policy is to impose delays to the full extent allowed under section 229.12 and to reserve the right to invoke the section 229.13 exceptions. In disclosing that a longer delay may apply, a bank may disclose when funds will generally be available based on when the funds would be available if the deposit were of a nonlocal check.

C. Model Clauses, Models C-6 through C-11A

1. *Models C-6 through C-11A generally.* Certain clauses like those in the models must be incorporated into a bank's availability policy disclosure under certain circumstances. The commentary to each clause indicates when a clause similar to the model clause is required.

2. *Model C-6 Holds on other funds (check cashing).* A bank that reserves the right to place a hold on funds already on deposit when it cashes a check for a customer, as addressed in section 229.19(e), must incorporate this type of clause in its availability policy disclosure.

3. *Model C-7 Holds on other funds (other account).* A bank that reserves the right to place a hold on funds in an account of the customer other than the account into which the deposit is made, as addressed in section 229.19(e), must incorporate this type of clause in its availability policy disclosure.

4. *Model C-8 Appendix B availability (nonlocal checks).* A bank in a check processing region where the availability schedules for certain nonlocal checks have been reduced, as described in Appendix B of Regulation CC, must incorporate this type of clause in its availability policy disclosure. Banks using Model C-5 may insert this clause at the conclusion of the discussion titled "Nonlocal checks."

5. *Model C-9 Automated teller machine deposits (extended holds).* A bank that reserves the right to delay availability of deposits at nonproprietary ATMs until the fifth business day following the date of deposit, as permitted by section 229.12(f), must incorporate this type of clause in its availability policy disclosure. A bank must choose among the alternative language based on how it chooses to differentiate between proprietary and nonproprietary ATMs, as required under section 229.16(b)(5).

6. *Model C-10 Cash withdrawal limitation.* A bank that imposes cash withdrawal limitations under section 229.12 must incorporate this type of clause in its availability policy disclosure. Banks reserving the right to impose the cash withdrawal limitation and using Model C-3 should disclose that funds may not be available until the sixth (rather than fifth) business day in the first paragraph under the heading "Longer Delays May Apply."

7. *Model C-11 Credit union interest payment policy.* A credit union subject to the notice requirement of section 229.14(b)(2) must incorporate this type of clause in its availability policy disclosure. This model clause is only an example of a hypothetical policy. Credit unions may follow any policy for accrual provided the method of accruing interest is the same for cash and check deposits.

8. *Model C-11A Availability of funds deposited at other locations.* A clause similar to Model C-11A should be used if a bank bases the availability of funds on the location where the funds are deposited (for example, at a contractual or other branch located in a different check processing region). Similarly, a clause similar to Model C-11A should be used if a bank distinguishes between local and non-local checks (for example, a bank using model availability policy disclosure C-4 or C-5), and accepts deposits in more than one check processing region.

D. Model Notices, Models C-12 through C-21

1. *Model Notices C-12 through C-21 generally.* Models C-12 through C- 21 provide models for the various notices required by the regulation. A bank that cashes a check and places a hold on funds in an account of the customer (*see* section 229.19(e)) should modify the model hold notice accordingly. For example, the bank could replace the word "deposit" with the word "transaction" and could add the phrase "or cashed" after the word "deposited."

2. *Model C-12 Exception hold notice.* This model satisfies the written notice required under section 229.13(g) when a bank places a hold based on a section 229.13 exception. If a hold is being placed on more than one check in a deposit,

each check need not be described, but if different reasons apply, each reason must be indicated. A bank may use the actual date when funds will be available for withdrawal rather than the number of the business day following the day of deposit. A bank must incorporate in the notice the material set out in brackets if it imposes overdraft or returned check fees after invoking the reasonable cause exception under section 229.13(e).

3. *Model C-13 Reasonable cause hold notice.* This notice satisfies the written notice required under section 229.13(g) when a bank invokes the reasonable cause exception under section 229.13(e). The notice provides the bank with a list of specific reasons that may be given for invoking the exception. If a hold is being placed on more than one check in a deposit, each check must be described separately, and if different reasons apply, each reason must be indicated. A bank may disclose its reason for doubting collectibility by checking the appropriate reason on the model. If the "Other" category is checked, the reason must be given. A bank may use the actual date when funds will be available for withdrawal rather than the number of the business day following the day of deposit. A bank must incorporate in the notice the material set out in brackets if it imposes overdraft or returned check fees after invoking the reasonable cause exception under section 229.13(e).

4. *Model C-14 One-time notice for large deposit and redeposited check exception holds.* This model satisfies the notice requirements of section 229.13(g)(2) concerning nonconsumer accounts.

5. *Model C-15 One-time notice for repeated overdraft exception hold.* This model satisfies the notice requirements of section 229.13(g)(3).

6. *Model C-16 Case-by-case hold notice.* This model satisfies the notice required under section 229.16(c)(2) when a bank with a case-by-case hold policy imposes a hold on a deposit. This notice does not require a statement of the specific reason for the hold, as is the case when a section 229.13 exception hold is placed. A bank may specify the actual date when funds will be available for withdrawal rather than the number of the business day following the day of deposit when funds will be available. A bank must incorporate in the notice the material set out in brackets if it imposes overdraft fees after invoking a case-by-case hold.

7. *Model C-17 Notice at locations where employees accept consumer deposits and Model C-18 Notice at locations where employees accept consumer deposits (case-by-case holds).* These models satisfy the notice requirement of section 229.18(b). Model C-17 reflects an availability policy of holds to statutory limits on all deposits, and Model C-18 reflects a case-by-case availability policy.

8. *Model C-19 Notice at automated teller machines.* This model satisfies the ATM notice requirement of section 229.18(c)(1).

9. *Model C-20 Notice at automated teller machines (delayed receipt).* This model satisfies the ATM notice requirement of section 229.18(c)(2) when receipt of deposits at off-premises ATMs is delayed under section 229.19(a)(4). It is based on collection of deposits once a week. If collections occur more or less frequently, the description of when deposits are received must be adjusted accordingly.

10. *Model C-21 Deposit slip notice.* This model satisfies the notice requirements of section 229.18(a) for deposit slips.

Final Rule—Amendment to Rules Regarding Delegation of Authority

The Board of Governors is amending 12 C.F.R. Part 265, its Rules Regarding Delegation of Authority. The Board is delegating to an individual member the Board's authority to approve extensions of the 180-day period for final Board action on applications to establish certain foreign bank offices in the United States. This delegation of authority is intended to aid in the efficient processing of such foreign bank office applications.

Effective March 22, 1997, 12 C.F.R. Part 265 is amended as follows:

Part 265—Rules Regarding Delegation of Authority

1. The authority citation for Part 265 continues to read as follows:

Authority: 12 U.S.C. 248(i) and (k).

2. Section 265.4 is amended by adding paragraph (a)(4) to read as follows:

Section 265.4—Functions delegated to Board members.

(a) * * *

(4) *Extension of time period for final Board action.* To extend for an additional 180 days the 180-day period within which final Board action is required on an application pursuant to section 7(d) of the International Banking Act.

* * * * *

Orders Issued Under Bank Holding Company Act

Orders Issued Under Section 3 of the Bank Holding Company Act

AMCORE Financial, Inc.
Rockford, Illinois

Order Approving the Acquisition of Bank Holding Companies

AMCORE Financial, Inc., Rockford, Illinois ("AMCORE"), a bank holding company within the meaning of the Bank Holding Company Act ("BHC Act"), has requested the Board's approval under section 3 of the BHC Act (12

U.S.C. § 1842) to acquire all the voting shares of First National Bancorp, Inc. ("Bancorp"), and thereby indirectly acquire its subsidiary bank, First National Bank & Trust ("First National"), both of Monroe, Wisconsin.

Notice of the proposal, affording interested persons an opportunity to submit comments, has been published (61 *Federal Register* 68,756 (1996)). The time for filing comments has expired, and the Board has considered the proposal and all comments received in light of the factors set forth in section 3 of the BHC Act.

AMCORE, with total consolidated assets of approximately $2.8 billion, operates five banks in Illinois and engages in certain permissible nonbanking activities.[1]

AMCORE is the 12th largest commercial banking organization in Illinois, controlling approximately $1.8 billion in deposits, representing approximately 1 percent of total deposits in commercial banks in the state.[2] Bancorp is the 23d largest commercial banking organization in Wisconsin, controlling approximately $187.7 million in deposits. Bancorp's deposits represent less than 1 percent of total deposits in commercial banking organizations in the state.

Interstate Analysis

Section 3(d) of the BHC Act, as amended by section 101 of the Riegle-Neal Interstate Banking and Branching Efficiency Act of 1994, allows the Board to approve an application by a bank holding company to acquire control of a bank located in a state other than the home state of such bank holding company, if certain conditions are met.[3] For purposes of the BHC Act, AMCORE's home state is Illinois, and AMCORE would acquire a bank in Wisconsin. The conditions for an interstate acquisition under section 3(d) are met in this case.[4] In view of all the facts of record, the Board is permitted to approve the proposal under section 3(d) of the BHC Act.

Competitive Considerations

AMCORE and Bancorp do not compete with each other in any relevant banking market. Based on all the facts of record, the Board concludes that the proposal would not have a significantly adverse effect on competition or on the concentration of banking resources in any relevant banking market. Accordingly, the Board concludes that competitive considerations are consistent with approval.

Other Factors Under the BHC Act

The BHC Act also requires the Board, in acting on an application, to consider the financial and managerial resources of the companies and banks involved, the convenience and needs of the communities to be served, and certain other supervisory factors.

A. Financial, Managerial, and other Supervisory Factors

The Board has carefully considered the financial and managerial resources and future prospects of AMCORE, Bancorp and their respective subsidiary banks and other supervisory factors in light of all the facts of record. The facts include supervisory reports of examination assessing the financial and managerial resources of the organizations and confidential financial information provided by AMCORE. Based on these and all other facts of record, the Board concludes that all the supervisory factors under the BHC Act, including financial and managerial resources, weigh in favor of approval of the proposal.

B. Convenience and Needs Factor

The Board also has carefully considered the effect of the proposal on the convenience and needs of the communities to be served in light of all the facts of record. As part of the review of this factor, the Board has considered comments from the Wisconsin Rural Development Center, Inc. ("Protestant"), alleging that AMCORE has not taken adequate steps to assess the banking needs of low- and moderate-income ("LMI") rural or farm borrowers and rural community credit needs in Illinois where it currently operates, and has not demonstrated how it plans to serve the credit needs of the residents in rural and farm areas in Wisconsin after consummation of the proposal.[5]

In reviewing the convenience and needs considerations in the proposal, the Board notes that AMCORE provides a full range of financial services through its banking subsidiaries, including a broad range of mortgage, consumer, agricultural, and small business loan products. AMCORE has stated that after consummation of the proposal, it would offer these services, some of which are not available through First National, in communities currently served by First National. In addition, AMCORE has stated that it

1. Asset data are as of December 31, 1996.

2. Deposit data are as of June 30, 1996.

3. Pub. L. No. 103-328, 108 Stat. 2338 (1994). A bank holding company's home state is the state in which the operations of the bank holding company's banking subsidiaries were principally conducted on July 1, 1966, or the date on which the company became a bank holding company, whichever is later.

4. *See* 12 U.S.C. §§ 1842(d)(1)(A) and (B) and 1842(d)(2)(A) and (B). AMCORE is adequately capitalized and adequately managed. In addition, on consummation of the proposal, AMCORE and its affiliates would control less than 10 percent of the total amount of deposits of insured depository institutions in the United States and less than 30 percent of the total amount of deposits of insured depository institutions in Wisconsin. First National also has been in existence and continuously operated for at least the minimum period required under Wisconsin law.

5. Protestant also contends that AMCORE's subsidiary banks in rural Illinois invest a significant proportion of their assets in securities, thereby reducing funding for loans, and criticizes AMCORE for not providing assurances in the proposal that First National's ratio of securities investments to total assets would remain consistent with the average ratio for Wisconsin institutions serving similar communities. The loan-to-deposit ratios of AMCORE's banks serving rural and farm areas indicate that the banks engage in significant levels of lending, and the examinations indicated that the level of lending at AMCORE's subsidiary banks is adequate.

would review First National's products and retain those that are unique to the local market. Products offered by AMCORE would include development and expansion of programs that serve rural and farm areas.

The Board has long held that consideration of the convenience and needs factor includes a review of the records of the relevant depository institutions under the Community Reinvestment Act ("CRA"). The CRA requires the federal banking agencies to encourage depository institutions to help meet the credit needs of local communities, including LMI communities, but does not establish a statutory preference for any specific type of credit. Accordingly, in reviewing the proposal, the Board has focused on AMCORE's performance record in helping to meet the credit needs of all its communities through the products offered by AMCORE's subsidiary banks.

As provided in the CRA, the Board evaluates this factor in light of examinations of the CRA performance records of the relevant institutions by the primary federal supervisor. An institution's most recent CRA performance evaluation is a particularly important consideration in the applications process because it represents a detailed on-site evaluation of an institution's overall record of performance under the CRA by its primary federal supervisor.[6]

All of AMCORE's subsidiary banks received "outstanding" or "satisfactory" ratings for CRA performance in their most recent evaluations by their primary federal supervisor. AMCORE's lead subsidiary bank, AMCORE Bank, N.A., Rockford, Rockford, Illinois, which controls a majority of all the deposits in the AMCORE subsidiary banks, received an "outstanding" rating in its most recent CRA performance examination from the Office of the Comptroller of the Currency ("OCC"), as of August 1995 (the "Rockford Examination"). The Rockford Examination concluded that the bank's lending activities and loan originations reflected excellent responsiveness to meeting community credit needs and that the bank was a leader in a number of federal loan programs. Examiners also concluded that the bank's distribution of credit products was reasonable and significantly penetrated all segments of the delineated community, including LMI neighborhoods. The Rockford Examination also noted that the bank was very active in community development activities, including providing assistance to several community development organizations located in LMI areas. The four remaining AMCORE subsidiary banks received "satisfactory" ratings for CRA performance in their most recent evaluations.[7] In addition, First National received a "satisfactory" rating for CRA performance from the OCC as of February 1992.[8]

The Board also has considered AMCORE's record of helping to meet the credit needs of rural and farming communities in light of Protestant's comments.[9] The most recent CRA performance evaluation of AMCORE Bank, N.A., Mendota, Mendota, Illinois ("Mendota Bank"), for example, found that the bank's primary business focus was the agricultural and small business segments of the banking market and that the bank defined its delineated community as those portions where its agricultural customers resided.[10] Mendota Bank also participates in government-guaranteed loan programs for farmers, including loans guaranteed by the Farmers Home Administration ("FmHA") and the Farm Service Agency. As of June 1995, the bank had 273 small farm loans outstanding, totalling more than $12 million.[11]

Examiners also noted that AMCORE Bank, Aledo, Illinois ("Aledo Bank"), participated in government subsidized loan programs such as the FmHA and the Illinois Farm Development Association.[12] Examiners found in Aledo Bank's most recent CRA evaluation that the bank had made approximately $7 million in operating loans at below prime interest rates to 65 farmers through the Illinois State Treasurer's Agriculture Loan Linked Deposit Program, and that the bank's agricultural-related lending comprised approximately 42 percent of its loan portfolio.

AMCORE proposes to implement similar programs in Wisconsin through First National. As noted above, AMCORE recognizes that First National offers some products that are uniquely suited to its local community, and also proposes to expand products to include others offered

6. The Statement of the Federal Financial Supervisory Agencies Regarding the Community Reinvestment Act (54 *Federal Register* 13,742, 13,745 (1989)) provides that a CRA examination is an important and often controlling factor in consideration of an institution's CRA record and that reports of these examinations will be given great weight in the applications process.

7. Protestant contends that AMCORE has been unwilling to seek advice on services, products, and credit needs of the local community served by First National. AMCORE denies this assertion, and states that it has met with members of the community served by First National, including Protestant. The Board notes that AMCORE's subsidiary banks' efforts to ascertain the credit needs of their communities were found to be satisfactory in their most recent CRA evaluations.

8. Examiners found no evidence of prohibited discrimination or other illegal credit practices at any of AMCORE's subsidiary banks or First National, and concluded that the banks were in satisfactory compliance with the substantive provisions of the fair lending laws. Examiners also found no evidence of any practices by the banks that were intended to discourage applications for the types of credit listed in the institutions' CRA statements.

9. Protestant asserts that because AMCORE has agreed in principle to acquire another Wisconsin bank holding company, Country Bank Shares Corporation, Mt. Horeb, Wisconsin ("Country"), AMCORE will close some Wisconsin branch offices. The First National proposal represents the initial entry by AMCORE into Wisconsin and therefore creates no institutional overlap. In addition, AMCORE has represented that it will serve the convenience and needs of the community through an expanded branch network in the areas in which First National currently has branches. If AMCORE proposed to acquire Country, that proposal, including the effect of the proposal on the convenience and needs of the community, would be subject to review under the federal banking laws.

10. The bank formed an Agriculture Advisory Committee composed of members of the agricultural community to better ascertain the credit needs of farm areas within the community served by the bank.

11. A small farm loan is defined as a loan of $500,000 or less.

12. In addition, AMCORE Bank N.A., Rock River Valley, Dixon, and AMCORE Bank N.A., Northwest, Woodstock, both in Illinois, participate in government-guaranteed loan programs such as those sponsored by the FmHA.

currently through AMCORE subsidiary banks. AMCORE's record indicates that it has successfully helped serve the credit needs of a variety of communities, including rural and agricultural communities.

Conclusion on the Convenience and Needs Factor.

The Board has carefully considered the entire record in its review of the convenience and needs factor under the BHC Act, including all the information provided by the commenters.[13] Based on all the facts of record, and for the reasons discussed above, the Board concludes that considerations relating to the convenience and needs factor, including the CRA performance records of the relevant institutions, are consistent with approval of the application.[14]

Conclusion

Based on all the facts of record, the Board has determined that this application should be, and hereby is, approved.[15]

13. Two individual commenters objected to the loss of local control of Bancorp that would result from its acquisition by AMCORE. The Board believes that an institution's performance should be assessed on the basis of the institution's actual record of assisting to meet the credit needs of its entire community and, accordingly, in reviewing the proposal the Board has focused on AMCORE's record as discussed above.

14. Protestant and individual commenters have requested that the Board hold a public hearing or public meeting on the 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. In this case, the Board has not received such a recommendation from any state or federal supervisory authority.

Under its rules, the Board may also, 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 these requests in light of all the facts of record. In the Board's view, the requestors have had ample opportunity to submit their views, and have, in fact, provided substantive written submissions that have been considered by the Board in acting on the proposal. The requests fail to demonstrate why the written submissions do not adequately present their views. After a careful review of all the facts of record, the Board concludes that the requests dispute the weight that should be accorded to, and the conclusions that may be drawn from, the existing facts of record, but do not identify any genuine dispute about facts that are material to the Board's decision. Based on all the facts of record, the Board has determined that a public hearing or meeting is not necessary to clarify the factual record, and is not otherwise warranted in this case. Accordingly, the requests for a public hearing or meeting on the proposal are denied.

15. Protestant requests that the Board withhold approval of the proposal until AMCORE addresses the issues Protestant has raised, the OCC conducts another CRA performance evaluation of First National, and the public has had an opportunity to provide additional comments. The Board is required under applicable law and its regulations to act on applications under the BHC Act within specified time periods. The Board notes, moreover, that Protestant has had a reasonable opportunity to submit information as provided under the Board's application processing procedures and has, in fact, submitted substantive comments that have been carefully considered by the Board. Based on all the facts of record, and for the reasons discussed above, the Board concludes that the record is sufficient to act on the proposal at this time, and that delay or denial of the proposal on the grounds of informational insufficiency is not warranted.

The Board's approval is specifically conditioned on compliance by AMCORE with all the commitments made in connection with this application. The commitments and conditions relied on by the Board in reaching its decision are deemed to be conditions imposed in writing by the Board in connection with its findings and decision and, as such, may be enforced in proceedings under applicable law.

The proposed acquisitions shall not be consummated before the fifteenth calendar day following the effective date of this order, and not later than three months after the effective date of this order, unless such period is extended 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 17, 1997.

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

JENNIFER J. JOHNSON
Deputy Secretary of the Board

First Alamogordo Bancorp of Nevada, Inc. Alamogordo, New Mexico

Order Approving the Formation of a Bank Holding Company

First Alamogordo Bancorp of Nevada, Inc., Alamogordo ("First Nevada" or "Applicant"), has requested the Board's approval under section 3 of the Bank Holding Company Act ("BHC Act") (12 U.S.C. § 1842) to become a bank holding company by merging with First Alamogordo Bancorp, Inc., Alamogordo ("First New Mexico"), and thereby acquiring its subsidiary banks, First National Bank of Alamogordo, Alamogordo, and First National Bank of Ruidoso, Ruidoso, all in New Mexico.

Notice of the proposal, affording interested persons an opportunity to submit comments, has been published (61 *Federal Register* 67,833 (1996)). The time for filing comments has expired, and the Board has considered the proposal and all comments received in light of the factors set forth in section 3 of the BHC Act.

First Nevada is a nonoperating company formed to acquire First New Mexico in a corporate reorganization, whereby First New Mexico would be reincorporated in the state of Nevada. First New Mexico is the 14th largest commercial banking organization in New Mexico, controlling $147 million in deposits, representing approximately 1 percent of total deposits in commercial banking organizations in the state.[1] The proposal would not result in the acquisition of any additional banking assets. Based on all the facts of record, the Board concludes that the proposal

1. Deposit data are as of June 30, 1996, and have been adjusted to reflect mergers and acquisitions since that date.

would not have any significantly adverse effects on competition or on the concentration of banking resources in any relevant banking market.

The BHC Act also requires the Board to consider the financial and managerial resources and future prospects of the companies and banks involved in a proposal, and certain other supervisory factors. The Board has carefully considered these factors in light of all the facts of record, including comments from certain minority shareholders of First New Mexico ("Protestants") objecting to the proposal. Under the proposal, all minority shareholders' interests in First New Mexico, including Protestants' 24.4 percent shareholding interest, would be redeemed for cash.[2]

Protestants contend that management of First New Mexico has underestimated the cost of "cashing out" the minority shareholders and that the proposal would have a negative impact on the financial resources of the institutions involved. The Board has carefully reviewed all the financial information provided by Applicant and Protestants regarding the proposal, including formal appraisals, evidence of prior sales, the affidavit of a banking consultant, and the assessment of the financial resources of the institutions made in confidential reports of examination by their primary federal supervisors. Under the proposal submitted by Applicant, the projected financial condition of First Nevada and its subsidiary banks and the projected debt-service obligation of First Nevada are reasonable and consistent with the Board's guidelines.[3] Based on all the facts of record, and subject to the condition that First Nevada not exceed certain limitations that are designed to ensure that the bank holding company and its subsidiary banks continue to be strongly capitalized after the shares of the minority shareholders are redeemed, the Board concludes that financial considerations are consistent with approval.

Protestants allege that First New Mexico's directors have refused to pay dividends to shareholders since its formation in 1982, despite the profitable performance of the bank holding company's subsidiary banks. In addition, Protestants assert that First New Mexico's directors, who also serve as directors of First New Mexico's subsidiary banks, are paid fees that are significantly higher than fees paid at institutions with comparable operations.[4] Applicant responds that New Mexico corporate law gives directors broad discretion to decide whether to declare dividends, that retained earnings have been used to improve and expand facilities and pay existing debts, and that the fees paid do not violate any federal banking law. Applicant also contends that the directors of First New Mexico's subsidiary banks meet frequently and perform the functions as a committee that are normally performed by a chief executive officer.

Protestants also maintain that actions by management in connection with the preparation of the proposal and its presentation to shareholders and the Board raise adverse managerial considerations. For example, Protestants allege that proxy materials relating to the proposal are insufficient and misleading and do not disclose Protestants' pending action in state court challenging the actions of management.[5] The Board has provided a copy of Protestants' comments to New Mexico state securities regulators for their review and consideration.[6] The Board also notes that Protestants intend to pursue their pending legal action against management, and that the court in their case has the authority to provide Protestants with an adequate remedy if their allegations can be substantiated.[7]

Finally, Protestants contend that the proposed merger serves no legitimate business purpose and is only designed to eliminate the minority shareholders. Protestants maintain that the management of First New Mexico has a special responsibility to deal fairly with minority shareholders, and that the elimination of minority shareholders under the circumstances in this case violates this responsibility. As noted above, Protestants also consider the offering price for their shares to be inadequate. Applicant responds that the proposal would enable the company to operate more efficiently and with greater certainty under Nevada law and thereby increase its profitability. Applicant also notes that New Mexico law permits dissenting shareholders the opportunity to have a state court establish the fair value of their shares.[8]

The BHC Act requires the Board to consider the affect of a proposed transaction on the institutions involved by

2. The directors and senior officers of First New Mexico currently hold their shares in a voting trust that controls approximately 70 percent of First New Mexico's voting shares and would own all the voting shares of First Nevada on consummation of the proposal. The remaining shareholders of First New Mexico, including Protestants, currently control approximately 30 percent of the shares as minority shareholders.

3. Protestants assert that if Applicant is required to pay the minority shareholders a higher-than-offered value for their shares, which Protestants contend is substantially higher than the price used in Applicant's projections, the proposal could adversely affect the financial condition of First Nevada and its subsidiary banks. The Board has reviewed the application in light of all the share pricing information provided by Protestants and Applicant.

4. Protestants have filed an action in New Mexico state court to recover these fees and have them redistributed to all shareholders as constructive dividends. This action is in its preliminary stages.

5. The court proceedings and Protestants' dispute with management were disclosed in the record of the application. Protestants also allege that the appraisals referred to in the proxy materials did not exist at the time the materials were distributed and have been improperly withheld from shareholders. Applicant denies the allegations, and has disclosed the appraisals in the record of the application. Applicant also contends it was not required to provide shareholders with a copy of the appraisals.

6. Securities of First New Mexico are not registered with the Securities and Exchange Commission ("SEC"), and the SEC has informally indicated to the Board that it will not address Protestants' allegations.

7. A request by Protestants for a temporary restraining order to postpone the shareholder meeting of First New Mexico was denied by a state court. Protestants indicate that they intend to file an amended complaint contesting the legality of the proxy solicitation and the merger under state law.

8. *See* N.M. Stat. Ann. § § 53-15-3 and 53-15-4.

taking into account specific considerations.[9] The Board has carefully considered Protestants' comments and all other facts of record, including the responses by Applicant and the reports of examination by the institutions' primary federal supervisors. The facts of record indicate that First New Mexico and its subsidiary banks have long records of being operated by current management in a safe and sound manner and support a finding that managerial resources are satisfactory. Many of Protestants' specific allegations do not relate to the operations of the banking organizations but rather to Protestants' contention that they have been denied a fair return on their investment in the past and would not receive the fair value of their investment under the proposal.[10]

Disputes between shareholders and management regarding the value of shares, the adequacy of dividends paid to shareholders, and the sufficiency of disclosures to shareholders are matters of state and federal securities law and state corporate law. Many of these issues already have been raised in a pending legal action by Protestants before a court with the authority to provide them with adequate relief. As previously noted, moreover, the supervisory record of First New Mexico and its subsidiary banks indicates that managerial operations have been and are satisfactory.

In this light, and based on all the facts of record, the Board concludes that the managerial resources and future prospects of the institutions involved, and other supervisory factors, are consistent with approval. The Board also concludes that considerations relating to the convenience and needs of the community 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 expressly conditioned on compliance with all the commitments made by First Nevada in connection with this application and the conditions referenced in this order. 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.

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

10. Protestants argue that the Board has adopted a requirement that the management of a bank holding company deal fairly with its shareholders. *Benson Bancshares, Inc.*, 63 *Federal Reserve Bulletin* 1009 (1977) ("*Benson*"). In *Benson*, the Board did not find that the BHC Act imposed any duties on the management in its relations with shareholders. In that case, the Board considered the manner is which the management priced the shares of minority shareholders, and, although the stock purchases by management were for significantly less than the book value of the stock, the Board found managerial resources to be satisfactory and approved the application. Unlike the minority shareholders in *Benson*, who appeared to have no means of protecting their interests, Protestants in this case have obtained their own professional valuation for their shares and have the right and the ability under state law to adjudicate the fair value of their shares. In addition, the offering price in this case is supported by two independent appraisals and a prior transaction.

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 Dallas, acting pursuant to delegated authority.

By order of the Board of Governors, effective March 24, 1997.

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

JENNIFER J. JOHNSON
Deputy Secretary of the Board

Pontotoc BancShares Corp.
Pontotoc, Mississippi

Order Approving Formation of a Bank Holding Company

Pontotoc BancShares Corp. ("Pontotoc"), has requested the Board's approval under section 3 of the Bank Holding Company Act ("BHC Act") to become a bank holding company by acquiring up to 100 percent of the voting shares of First National Bank of Pontotoc ("Bank"), both of Pontotoc, Mississippi.[1]

Notice of the proposal, affording interested persons the opportunity to submit comments, has been published (61 *Federal Register* 69,096 (1996)). The time for filing comments has expired, and the Board has considered the proposal and all comments received in light of the factors set forth in section 3 of the BHC Act.

Pontotoc is a nonoperating corporation established to acquire Bank. Bank is the 30th largest commercial banking organization in Mississippi, controlling deposits of $115.2 million, representing less than 1 percent of total deposits in commercial banking organizations in the state.[2] On consummation of the proposal, Pontotoc would become the 30th largest commercial banking organization in Mississippi. Pontotoc and Bank do not compete with each other in any relevant market. Based on all the facts of record, including the fact that the transaction represents a corporate reorganization of Bank into a holding company structure, the Board concludes that consummation of the proposal would not result in any significantly adverse effect on competition or on the concentration of banking resources in any relevant banking market.

The Board has carefully considered the financial and managerial resources of Pontotoc and Bank, and the effect of the proposed acquisition on the future prospects of these organizations in light of the facts of record, including

1. Pontotoc would acquire Bank by merging Pontotoc's wholly owned subsidiary, First Interim National Bank of Pontotoc ("Interim Bank"), with Bank. Interim Bank would survive the merger and shareholders of Bank would receive shares of Pontotoc in exchange for their Bank shares. The merger requires the approval of the Office of the Comptroller of the Currency ("OCC") under the Bank Merger Act (12 U.S.C. § 1828(c)).

2. All banking data are as of June 30, 1995.

comments submitted by Union Planters Corporation, Memphis, Tennessee ("Union Planters").[3] This proposal involves part of a contested attempt by Pontotoc and Union Planters to acquire control of the same bank.

Union Planters contends that the proposed formation of Pontotoc, employment agreements negotiated by Pontotoc with two senior Bank officials, and Bank's efforts to obtain right of first refusal agreements reflect attempts by Bank's management to thwart the efforts of Union Planters to make a tender offer for all of Bank's voting shares. Union Planters maintains that the proposal would not provide Bank with a competitive advantage and that the *pro forma* financial information in the application is insufficient to analyze the proposal because it does not account for the potential financial effects if a large percentage of shareholders dissent from the Pontotoc offer.

The BHC Act requires the Board to consider each proposal presented. The Board, therefore, has a long-standing policy of considering competing proposals individually, and of approving each proposal that meets the statutory criteria.[4]

Bank currently exceeds the "well capitalized" thresholds under applicable law, and Pontotoc would be "well capitalized" after the acquisition of Bank. Pontotoc proposes to exchange its shares for outstanding shares of Bank and expects to acquire a portion of the shares for cash. The Board has considered Pontotoc's proposal in light of the financial resources of Bank and Pontotoc's expectations regarding the number of Bank shareholders who may tender their shares for cash. Based on all the facts of record, including commitments and representations made by Pontotoc, the Board concludes that considerations relating to the financial and managerial resources of Pontotoc and Bank and the anticipated effect of the proposed acquisition on the future prospects of these organizations are consistent with approval. Considerations relating to the convenience and needs of the community are also consistent with approval,[5] as are the other supervisory factors that the Board must consider under section 3 of the BHC Act.[6]

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

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

By order of the Board of Governors, effective March 3, 1997.

This action was taken pursuant to the Board's Rules Regarding Delegation of Authority (12 C.F.R. 265.4(b)(1)) by a committee of Board members.

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

JENNIFER J. JOHNSON
Deputy Secretary of the Board

Westamerica Bancorporation San Rafael, California

Order Approving the Acquisition of a Bank Holding Company

Westamerica Bancorporation, San Rafael, California ("Westamerica"), a bank holding company within the meaning of the Bank Holding Company Act ("BHC Act"), has requested the Board's approval under section 3 of the BHC Act (12 U.S.C. § 1842) to acquire Vallicorp Holdings, Inc. ("Vallicorp"), and indirectly acquire Vallicorp's

3. Union Planters has agreements to acquire approximately 19.8 percent of Bank's voting shares, and has received Board approval to acquire up to 100 percent of the outstanding voting shares of Bank. *See Union Planters Corporation*, 83 *Federal Reserve Bulletin* 320 (1997).

4. Union Planters also maintains that registration materials filed by Pontotoc with the Securities and Exchange Commission ("SEC") do not give shareholders a complete and accurate description of the financial impact of the proposal on Bank or adequately disclose the potential adverse financial effect on shareholders entering into right of first refusal agreements with Bank if they are precluded from accepting Union Planters's offer. Pontotoc states that it has provided Bank's shareholders, including shareholders entering into right of first refusal agreements, with all relevant information required by law. The Board previously has stated that its limited jurisdiction to review applications under the BHC Act does not authorize the Board to adjudicate disputes between a commenter and an applicant that arise under a statute administered and enforced by another federal regulatory agency like the SEC. *See, e.g., Norwest Corporation*, 82 *Federal Reserve Bulletin* 580 (1996); *see also Western Bancshares v. Board of Governors*, 480 F.2d 749 (10th Cir. 1973). The SEC is reviewing the registration statement of Pontotoc and has the statutory authority to address the disclosure issues raised by Union Planters. The Board has provided the SEC with a copy of the comments for review and consideration.

5. Union Planters asserts that this proposal would not be in the best interest of the community served by Bank, but provides no facts to support its assertion. Pontotoc states that the formation of the holding company would enable Pontotoc to offer new services in the community Bank serves. The Board notes that Bank received a "satisfactory" rating from its primary federal supervisor, the OCC, at its most recent examination for CRA performance.

6. Union Planters also questions whether Bank's management is acting in concert with, or has entered into agreements with, unaffiliated third parties to acquire voting shares of Bank. Bank denies that there are any arrangements, understandings or agreements for Bank to assign any rights to acquire shares to a third party, and Union Planters has provided no facts to support its concerns.

wholly owned subsidiary bank, Valliwide Bank ("Valliwide Bank"), both of Fresno, California.[1]

Notice of the proposal, affording interested persons an opportunity to submit comments, has been published (61 *Federal Register* 67,833 (1996)). The time for filing comments has expired, and the Board has considered the proposal and all comments received in light of the factors set forth in section 3 of the BHC Act.

Westamerica, with total consolidated assets of $2.5 billion, operates two subsidiary banks in California, Westamerica Bank, in San Rafael ("Westamerica Bank"), and Bank of Lake County, in Lakeport ("Lake County Bank").[2] Westamerica is the 12th largest commercial banking organization in California, controlling $2 billion in deposits, representing less than 1 percent of the total deposits in commercial banking organizations in the state. Vallicorp is the 17th largest commercial banking organization in the state, controlling deposits of $1.2 billion, representing less than 1 percent of the total deposits in commercial banking organizations in the state. On consummation of the proposal, Westamerica would become the 10th largest commercial banking organization in California, controlling deposits of $3.2 billion, representing 1.4 percent of total deposits in commercial banking organizations in the state.

Competitive Considerations

Section 3 of the BHC Act prohibits the Board from approving any proposal that would result in a monopoly, or that would substantially lessen competition for banking services in any relevant banking market unless the Board finds that the anticompetitive effects are clearly outweighed in the public interest by the effect of the proposal on the convenience and needs of the community to be served.

Westamerica and Vallicorp compete directly in the Grass Valley, Modesto, and Sacramento banking markets, all in California.[3] After consummation of this proposal, none of these banking markets would be highly concentrated as measured by the Herfindahl–Hirschman Index ("HHI") under the Department of Justice Merger Guidelines ("DOJ Guidelines"),[4] and numerous competitors would remain in each market. The United States Attorney General has advised the Board that consummation of the proposal is not likely to have a significantly adverse effect on competition 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 on the concentration of banking resources in the Grass Valley, Modesto, and Sacramento banking markets or any other relevant banking market.

Other Factors Under the BHC Act

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

A. Financial, Managerial and other Supervisory Factors

The Board has carefully considered the financial and managerial resources and future prospects of Westamerica, Vallicorp, and their respective subsidiaries, and other supervisory factors in light of all the facts of record. The facts of record include supervisory reports of examination assessing the financial and managerial resources of the organizations and confidential financial information provided by Westamerica. Based on these and all other facts of record, the Board concludes that all the supervisory factors under the BHC Act, including financial and managerial resources, weigh in favor of approval of the proposal.

B. Convenience and Needs Factor

The Board also has carefully considered the effect of the proposal on the convenience and needs of the communities to be served in light of all the facts of record. As part of that review, the Board has considered submissions from several commenters contending that Vallicorp's plans to close five branches, which were announced before this proposal, would have an adverse effect on the communities served by the branches.[5] One commenter also maintained that Westamerica's and Vallicorp's 1995 Home Mortgage Disclosure Act (12 U.S.C. § 2801 *et seq.*) ("HMDA") data indicate that Westamerica and Vallicorp made few loans to minorities and that the outreach and marketing efforts of

1. Westamerica also has requested the Board's approval for an option to purchase up to 19.9 percent of the voting shares of Vallicorp if certain events occur. The option would expire on consummation of the proposal.

2. Asset data are as of September 30, 1996. Deposit data are as of June 30, 1996, and incorporate structural changes through January 1997.

3. The Grass Valley banking market includes the cities of Glenbrook, Grass Valley, Nevada City, and Penn Valley; the Modesto banking market includes the Modesto RMA, and the following cities, Escalon, Hughson, Oakdale, and Ripon, and the Sacramento banking market includes the Sacramento RMA and Lincoln City.

4. The HHI would increase by 113 points to 1643 in the Grass Valley banking market, 10 points to 1183 in the Modesto banking market, and 1 point to 1419 in the Sacramento banking market. Under the DOJ Guidelines, 49 *Federal Register* 26,823 (June 29, 1984), a market in which the post-merger HHI is between 1000 and 1800 is considered moderately concentrated. The Justice Department has informed the Board that a bank merger or acquisition generally will not be challenged (in the absence of other factors indicating anticompetitive effects) unless the post-merger HHI is at least 1800 and the merger increases the HHI by more than 200 points. The Justice Department has stated that the higher than normal threshold for an increase in the HHI when screening bank mergers and acquisitions for anticompetitive effects implicitly recognizes the competitive effects of limited- purpose lenders and other non-depository financial entities.

5. Commenters included a California state senator, the California Reinvestment Committee, Amador-Tuolumne Community Action Agency, and six small businesses in areas where Vallicorp would close branches.

the institutions were ineffective. In addition, a commenter noted that some individuals had expressed concern that the proposal would have an adverse effect on communities in the San Joaquin and Sacramento Valleys, both in California.

The Board has long held that consideration of the convenience and needs factor includes a review of the records of the relevant depository institutions under the Community Reinvestment Act (12 U.S.C. § 2901 *et seq.*) ("CRA"). As provided in the CRA, the Board evaluates this factor in light of examinations by the primary federal supervisor of the CRA performance records of the relevant institutions. An institution's most recent CRA performance evaluation is a particularly important consideration in the applications process because it represents a detailed on-site evaluation of the institution's overall record of performance under the CRA by its primary federal supervisor.[6]

Westamerica Bank, Westamerica's lead subsidiary bank, received an "outstanding" rating at the most recent examination of its CRA performance by the Federal Reserve Bank of San Francisco ("Reserve Bank"), as of May 13, 1996 ("Westamerica Examination"). The other bank controlled by Westamerica, Lake County Bank, received a "satisfactory" rating at the most recent examination of its CRA performance by the Federal Deposit Insurance Corporation, as of January 12, 1994. Valliwide Bank received an "outstanding" rating for CRA performance at its most recent examination by the Reserve Bank, as of January 22, 1996 ("Valliwide Examination").

Branches. Vallicorp provided notice to the California State Banking Department from September 1996 to January 1997, before this merger proposal, that it might close or divest a number of branches. The California Superintendent of Banks ("Superintendent") approved those possible closures after reviewing the potential effect on the public convenience in the areas served by the branches.[7] The Superintendent specifically approved Vallicorp's proposal to close five branches identified by commenters.[8] After receipt of the comments, however, Vallicorp entered into agreements to sell four of the five branches to another depository institution. Bank branches would, therefore, continue to be operated at these locations. If Vallicorp closed the fifth branch, in Twain Harte, alternative banking services would remain available nearby because two other depository institutions maintain branches within two miles of that Vallicorp branch. In addition, Vallicorp has represented that prior to determining to close that branch, it would consider whether closing the branch would have an adverse impact on the community served and the actions that should be taken to minimize any adverse impact. In the Valliwide Examination, examiners noted that in the past Vallicorp had assessed the potential impact of branch closings on its continued ability to offer services throughout the communities served.

The Board also has reviewed Westamerica's branch closing policy. Under this policy, before making a decision to close a branch, Westamerica considers whether the closing would have an adverse impact on the community served and the alternatives for banking services in the area affected by closing the branch. Examiners reviewed this policy and found it to be effective. In addition, any proposed closings also would be reviewed by the Superintendent and subject to prior notice under section 42 of the Federal Deposit Insurance Act. The Westamerica Examination noted that Westamerica branches were accessible to all segments of the community and that the bank had a strong record of offering services that helped meet the banking needs of its delineated community, including low- to moderate-income ("LMI") neighborhoods.

Lending Performance

Westamerica Bank and Valliwide Bank are primarily small business lenders with a secondary focus on mortgage lending. According to the Westamerica Examination, as of March 31, 1996, commercial lending represented 48 percent and residential lending represented 19.3 percent of Westamerica Bank's loan portfolio. In 1996, Westamerica Bank originated 1,386 small business loans for a total of approximately $196 million. According to the Valliwide Examination, 46 percent of Valliwide Bank's loan portfolio consists of commercial loans and 40 percent consists of real estate loans. In 1996, Valliwide Bank originated 5,044 small business loans for a total of approximately $509 million.

Lending Activities. Commenters maintain that the lending levels exhibited in the 1995 HMDA data of Westamerica Bank and Valliwide Bank raise concerns about the lending, marketing and outreach efforts to minorities by those banks. The Board notes, however, that the CRA does not require a bank to extend any particular type of credit, such as loans secured by residential housing that are reported under HMDA. Westamerica asserts that the proposal would improve the variety of affordable housing, business development and community development loans that would be available, because Westamerica plans to introduce many of its Community Access Loan ("CAL") products in the communities currently served by Valliwide. Those programs are designed for low-income borrowers and include the Community Access Loan Program, ("CAL Program") which provides home equity loans, automobile loans, and home improvement loans with lower monthly payments; the CAL PAL Loan program, which provides residential mortgage loans with flexible underwriting crite-

6. *See* Statement of the Federal Financial Supervisory Agencies Regarding the Community Reinvestment Act. 54 *Federal Register* 13,742, 13,745 (1989).

7. Vallicorp also provided notice of the branch closures to the public and to the Reserve Bank pursuant to section 42 of the Federal Deposit Insurance Corporation Act ("section 42"), as implemented by the Joint Policy Statement Regarding Branch Closings. *See* 12 U.S.C. § 1831r-1; 58 *Federal Register* 49,083 (1993). Section 42 requires that a bank provide the public with at least 30 days notice and the primary federal supervisor with at least 90 days notice before the date of the proposed branch closing. The bank is also required to provide reasons and other supporting data for the closure, consistent with the institution's written policy for branch closings.

8. Those towns are Altaville, Arnold, Columbia, Groveland, and Twain Harte in Tuolumne and Calaveras Counties, California.

ria, lower down payments, and no private mortgage insurance; and the CAL Business Loan Program, which offers "microenterprise" or "incubator" business loans to minorities and women through local agencies, that also provide technical support to the borrowers. In 1996, Westamerica Bank originated 33 CAL PAL loans for a total of approximately \$4.2 million, and 60 CAL Business Loans for nearly \$1 million. Westamerica also plans to offer community development loans within Valliwide Bank's delineated community and to continue offering Small Business Administration ("SBA") loans in the community served by Valliwide Bank. Valliwide Bank is a preferred SBA lender.

Westamerica Bank currently finances several affordable housing and community development projects within its community. From October 31, 1994, through May 13, 1996, Westamerica Bank extended a \$6 million commitment to finance the construction of 80 units of low-income housing for senior citizens and low-income families; approximately \$1 million to localities to finance the construction of a fire and police station; approximately \$1.2 million to local school districts for the purchase of equipment, construction of permanent and portable classrooms, and school buses; and a total of approximately \$1.5 million to one organization that provides food, shelter, clothing, and literacy classes for the homeless and another that provides services to the disabled.

The record in the Valliwide Examination demonstrates that Valliwide Bank provides funding for affordable housing projects, community development projects, and the credit needs of LMI individuals in its community. According to the Valliwide Examination, in 1995, Valliwide Bank committed \$26 million for the construction of 17 affordable housing projects and, between November 28, 1994, and January 22, 1996, the bank extended 2,644 community development loans for a total of approximately \$84 million for the purposes of start-up business and business expansion financing. In addition, Valliwide Bank's Community Loan Program originated 335 consumer loans to LMI individuals or in LMI areas for a total of approximately \$1.2 million in 1995.

Other aspects of CRA performance. The Board has reviewed HMDA data for 1994 and 1995, and preliminary data for 1996, filed by Westamerica and Vallicorp in light of the comments received on the proposal. In reviewing HMDA data, the Board considered that Westamerica is primarily a small business lender and that Valliwide Bank did not offer home mortgage-related loans before 1994.

In the Westamerica Examination, examiners found that in 1995, 353 people applied for HMDA loans and 251 HMDA loans were originated for an origination rate of 71 percent. Fifty-four of these applications were from individuals in LMI census tracts. The 1995 HMDA origination rates of Westamerica for LMI census tracts was 70 percent, which exceeded the average origination rate for other lenders in the market in LMI tracts in 1995, which was 54.3 percent.

The Board has reviewed carefully other information, particularly examination reports that provide an on-site evaluation of compliance by Westamerica and Vallicorp with fair lending laws. The examinations of Westamerica Bank and Valliwide Bank found no evidence of prohibited discrimination or other illegal credit practices at the institutions. Examiners also found no evidence at either of the institutions of any practices to discourage applications for the types of credit listed in the CRA statements of the banks. In addition, the Westamerica and Valliwide Examinations noted that both banks solicited credit from all segments of their community, including LMI neighborhoods.

The Westamerica Examination noted the bank's strong performance in ascertaining community credit needs. Westamerica Bank primarily relied on a call program to contact an extensive network of governmental, business, and community-based organizations throughout its community. Credit needs were documented in Community Needs Assessment Reports that were reviewed by senior managers. Those efforts resulted in more funding for small businesses, affordable housing, and neighborhood improvement projects. Westamerica also engaged in a print media advertising campaign in local newspapers, newsletters, and minority papers and directories.

Westamerica has stated that it would continue to assist in meeting the credit needs of communities in the San Joaquin and Sacramento Valleys after consummation of the proposal. Westamerica has indicated, for example, that it would continue the community development activities of Vallicorp in these areas, and expand outreach efforts throughout the San Joaquin Valley. In addition, Westamerica would continue its representation on the Greater Sacramento Community Lending Consortium, which provides affordable housing loans in Sacramento County. Westamerica also participates with the Valley Sierra Small Business Development Center and the Greater Sacramento Certified Development Corporation, which provide technical support to applicants under Westamerica's Women and Minority Microenterprise Loan Program.

Conclusion on Convenience and Needs Factor. In considering the convenience and needs factor, the Board has carefully reviewed all the facts of record including information provided by commenters on the proposal, responses by Westamerica and Vallicorp, and the results of the relevant CRA performance evaluations. Based on this review, and for the reasons discussed above, the Board concludes that considerations relating to the convenience and needs of the communities served, including the CRA performance records of the institutions involved, are consistent with approval.

Conclusion

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

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

By order of the Board of Governors, effective March 19, 1997.

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

JENNIFER J. JOHNSON
Deputy Secretary of the Board

Orders Issued Under Section 4 of the Bank Holding Company Act

Banc One Corporation
Columbus, Ohio

Order Approving a Notice to Engage in Underwriting and Dealing in All Types of Debt and Equity Securities on a Limited Basis

Banc One Corporation, Columbus, Ohio ("Applicant"), a bank holding company within the meaning of the Bank Holding Company Act ("BHC Act"), has requested the Board's approval under section 4(c)(8) of the BHC Act (12 U.S.C. § 1843(c)(8)) and section 225.23 of the Board's Regulation Y (12 C.F.R. 225.23) to engage *de novo* in underwriting and dealing in, to a limited extent, all types of debt and equity securities (other than ownership interests in open-end investment companies) through its subsidiary, Banc One Capital Corporation, Columbus, Ohio ("Company").

Notice of the proposal, affording interested persons an opportunity to submit comments, has been published (62 *Federal Register* 5008 (1997)). 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.

Applicant, with total consolidated assets of approximately $98.6 billion, is the 10th largest banking organization in the United States.[1] Applicant operates subsidiary banks in Ohio, Arizona, Colorado, Illinois, Indiana, Kentucky, Louisiana, Oklahoma, Texas, Utah, West Virginia, and Wisconsin. Company currently is engaged in limited underwriting and dealing in bank-ineligible securities[2] as permitted under section 20 of the Glass–Steagall Act (12 U.S.C. § 377).[3] Company is, and will continue to be, a broker-dealer registered with the Securities and Exchange Commission ("SEC") under the Securities Exchange Act of 1934 (15 U.S.C. § 78a *et seq.*) and a member of the National Association of Securities Dealers, Inc. ("NASD"). Accordingly, Company is, and will continue to be, subject to the record-keeping and reporting obligations, fiduciary standards, and other requirements of the Securities Exchange Act of 1934, the SEC, and the NASD.

The Board previously has determined that, subject to the prudential framework of limitations established in previous decisions to address the potential for conflicts of interests, unsound banking practices, or other adverse effects ("section 20 firewalls"), the proposed activities of underwriting and dealing in 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.[4] 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 that were established by the Board in the Section 20 Orders.

The Board also has determined that the conduct of these securities underwriting and dealing activities is consistent with section 20 of the Glass–Steagall Act (12 U.S.C. § 377), provided that the company engaged in the underwriting and dealing activities derives no more than 25 percent of its total gross revenue from underwriting and dealing in bank-ineligible securities over any two-year period.[5] Applicant has committed that Company will con-

1. Asset and ranking data are as of September 30, 1996.

2. As used in this order, "bank-ineligible securities" refers to all types of debt and equity securities that a bank may not underwrite or deal in directly under section 16 of the Glass–Steagall Act (12 U.S.C. § 24(7)).

3. Company has authority to underwrite and deal in, to a limited extent, certain municipal revenue bonds, 1–4 family mortgage-related securities, commercial paper, and consumer-receivable-related securities. *See Banc One Corporation*, 76 *Federal Reserve Bulletin* 756 (1990). Company also is authorized to engage in a variety of other nonbanking activities. *See id.*; *Banc One Corporation*, 77 *Federal Reserve Bulletin* 61 (1991).

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

5. *See* Section 20 Orders. Effective March 6, 1997, the Board increased from 10 percent to 25 percent the amount of total revenue that a section 20 subsidiary may derive from underwriting and dealing in bank-ineligible securities. *See Revenue Limit on Bank-Ineligible Activities of Subsidiaries of Bank Holding Companies Engaged in Underwriting and Dealing in Securities*, 61 *Federal Register* 68,750 (1996). Compliance with the revenue limitation shall be calculated in accordance with the method stated in the Section 20 Orders, as modified by the *Order Approving Modifications to the Section 20 Orders*, 75 *Federal Reserve Bulletin* 751 (1989); and *10 Percent Revenue Limit on Bank-Ineligible Activities of Subsidiaries of Bank Holding Companies Engaged in Underwriting and Dealing in Securi-*

duct its underwriting and dealing activities in bank-ineligible securities subject to the Board's revenue test.[6]

In order to approve this notice, the Board also must determine that the proposed activities "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."[7] As part of its review of these factors, the Board considers the financial and managerial resources of the notificant and its subsidiaries and the effect the transaction would have on such resources.[8] The Board has 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. With respect to 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. In connection with the proposal, the Federal Reserve Bank of Cleveland ("Reserve Bank") has reviewed the operational and managerial infrastructure of Company, including its computer, audit, and accounting systems and internal risk management procedures and controls, with respect to the proposed underwriting and dealing in debt securities. Based on the Reserve Bank's review and all other facts of record, the Board has determined that Company has established an adequate operational and managerial infrastructure with respect to debt securities to ensure compliance with the requirements of the Section 20 Orders. On the basis of all the facts of record, and subject to the completion of a satisfactory infrastructure review with respect to Company's proposed underwriting and dealing in all types of equity securities, the Board has concluded that financial and managerial considerations are consistent with approval of the notice.

In order to approve the proposal, the Board also must find that the performance of the proposed activities by Applicant can reasonably be expected to produce benefits that would outweigh possible adverse effects under the proper incident to banking standard of section 4(c)(8) of the BHC Act. Under the framework established in this and prior decisions, consummation of the proposal is not 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. The Board expects that consummation of the proposal would provide added convenience to the customers of Applicant and would increase competition among providers of these services. Accordingly, 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 under the proper incident to banking standard of section 4(c)(8) of the BHC Act.

On the basis of all the facts of record, the Board has determined to, and hereby does, approve this notice subject to all the terms and conditions discussed in this order and in the Section 20 Orders, as modified by the Modification Orders. The Board's approval of the 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, avoidance of conflicts of interests, and other relevant considerations under the BHC Act. Underwriting and dealing in any manner other than as approved in this order and the Section 20 Orders (as modified by the Modification Orders) is not authorized for Company.

The Board's approval of the proposed underwriting and dealing activities with respect to equity securities is conditioned on a future determination by the Board that Applicant and Company have established policies and procedures to ensure compliance with the conditions and restrictions previously relied on by the Board in approving these activities 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. On notification by the Board that this condition has been satisfied, Company may commence the proposed underwriting and dealing activities in equity securities, subject to the other conditions discussed in 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(g) (12 C.F.R. 225.7 and 225.23(g)), and to the Board's authority to require modification or termination of the activities of a bank holding company or any of its subsidiaries as the Board finds necessary to ensure compliance with, or to prevent evasion of, the provisions and purposes 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 notice, including the commitments discussed in this order and the conditions set forth in the Board regulations and orders noted above. The commitments and conditions shall be deemed to be conditions imposed in writing by the Board in connection with its findings and decision, and, as such, may be enforced in proceedings under applicable law.

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

By order of the Board of Governors, effective March 24, 1997.

---

ties, 61 *Federal Register* 48,953 (1996) (collectively, "Modification Orders").

6. Company also may engage in activities that are necessary incidents to the proposed underwriting and dealing activities. Unless Company receives specific approval under section 4(c)(8) of the BHC Act to conduct the activities independently, any revenues from the incidental activities must be counted as ineligible revenues subject to the Board's revenue limitation.

7. 12 U.S.C. § 1843(c)(8).

8. *See* 12 C.F.R. 225.24.

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

JENNIFER J. JOHNSON
Deputy Secretary of the Board

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

Order Approving Notice to Engage in Certain Nonbanking Activities

Stichting Prioriteit ABN AMRO Holding, Stichting Administratiekantoor ABN AMRO Holding, ABN AMRO Holding N.V., and ABN AMRO Bank N.V., all of Amsterdam, The Netherlands (collectively, "Notificants"), bank holding companies within the meaning of the Bank Holding Company Act ("BHC Act"), have requested the Board's approval under section 4(c)(8) of the BHC Act (12 U.S.C. § 1843(c)(8)) and section 225.23 of the Board's Regulation Y (12 C.F.R. 225.23) to acquire indirectly rights, interests, and obligations in clearing contracts held by Citicorp Futures Corporation, New York, New York ("CitiFutures"), and CitiFutures Limited, London, England ("CFL London"), and to acquire indirectly all the outstanding common shares of Citicorp Futures Limited, Singapore ("CFL Singapore"). Notificants would thereby indirectly engage in the following activities:

(1) Acting as a futures commission merchant ("FCM") for nonaffiliated persons in the execution and clearing on major commodities exchanges of financial futures and options on futures contracts, and providing investment advice on these contracts as an FCM or as a commodity trading advisor ("CTA"), pursuant to sections 225.25(b)(18) and (19) of Regulation Y (12 C.F.R. 225.25(b)(17) and (b)(18));
(2) Acting as an FCM for nonaffiliated persons in the execution and clearing on major commodity exchanges of futures and options on futures contracts based on bonds or other debt instruments, certain commodities, and stock, bond, or commodity indices, and providing investment advice, including discretionary management services, with respect to such contracts; and
(3) Providing execution-only, clearing-only and omnibus account services with respect to futures and options on futures based on certain financial and nonfinancial commodities.

Notice of the proposal, affording interested persons an opportunity to submit comments, has been published (62 *Federal Register* 9432 (1997)). The time for filing comments has expired, and the Board has considered the notice and all comments received in light of the factors set forth in section 4(c)(8) of the BHC Act.

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

CitiFutures, CFL London, and CFL Singapore are wholly owned indirect subsidiaries of Citicorp, New York, New York, and engage in a variety of futures-related activities pursuant to specific Board orders, including providing execution and clearing, execution-only and clearing-only services with respect to futures and options on futures on financial and nonfinancial commodities.[2] Notificants propose that ABN AMRO Chicago Corporation, Chicago, Illinois, Notificants' existing section 20 subsidiary, succeed to certain clearing businesses currently conducted by CitiFutures and acquire CFL Singapore. Notificants also propose that ABN AMRO Chicago Corporation (UK) Limited, London, England, succeed to the clearing businesses of CFL London.

Activities Previously Approved by the Board

The Board previously has determined by regulation and order that Notificants' proposed futures-related execution, clearing and advisory activities are so closely related to banking as to be proper incidents thereto, provided that the activities are conducted in conformity with certain limitations and conditions designed to, *inter alia*, ensure that the activities are consistent with safe and sound banking practices and mitigate potential conflicts of interests.[3] Notificants have committed to conduct the activities in accordance with the limitations set forth in Regulation Y, the Board's orders, and interpretations relating to each of the activities, including the limitations noted in the *ABN AMRO Order*. Notificants also have specifically committed to apply the risk management policies, procedures and internal control systems that were subject to the Board's scrutiny in connection with the *ABN AMRO Order*.

Proper Incident to Banking Standard

In order to approve this notice, the Board must determine that the activities are a proper incident to banking, that is, that performance of the proposed activities "can reasonably be expected to produce benefits to the public . . . that outweigh possible adverse effects, such as undue concentration of resources, decreased or unfair competition, con-

1. Asset and ranking data are as of December 31, 1995, and use exchange rates then in effect.
2. *See, e.g., Citicorp*, 81 *Federal Reserve Bulletin* 164 (1995).
3. *See* 12 C.F.R. 225.25(b)(18), (b)(19); *Stichting Prioriteit ABN AMRO Holding*, 83 *Federal Reserve Bulletin* 138 (1997) ("*ABN AMRO Order*").

flicts of interests, or unsound banking practices."[4] As part of its review of these factors, the Board considers the financial and managerial resources of the notificant and its subsidiaries and the effect the transaction would have on such resources.[5] Based on all the facts of record, the Board concludes that financial and managerial considerations are consistent with approval of the proposal.

The Board expects that the proposed transaction can reasonably be expected to provide added convenience and services to Notificants' customers by offering them an expanded range of futures-related products and services. There are numerous providers of the proposed futures-related services and, therefore, consummation of the proposal would not significantly decrease competition in any relevant market. The Board also believes that the conduct of the proposed activities within the framework established in this order, prior orders, and Regulation Y is not likely to result in significantly adverse effects, such as undue concentration of resources, decreased or unfair competition, or unsound banking practices. In addition, to address any potential adverse impact from the performance of the proposed activities, Notificants have committed to conduct the activities pursuant to conditions the Board previously has found satisfactory to mitigate potential adverse effects. Accordingly, the Board has concluded that the performance of the proposed activities by Notificants can reasonably be expected to produce public benefits that outweigh possible adverse effects under the proper incident to banking standard of section 4(c)(8) of the BHC Act.

Based on the foregoing and all the facts of record, the Board has determined that the notice should be, and hereby is, approved. Approval of this notice is specifically conditioned on compliance by Notificants with the commitments made in connection with this notice. 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) (12 C.F.R. 225.27 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 thereunder. For purposes of this transaction, the commitments and conditions agreed to by Notificants 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 the Federal Reserve Bank of Chicago, acting pursuant to delegated authority.

By order of the Board of Governors, effective March 19, 1997.

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

JENNIFER J. JOHNSON
Deputy Secretary of the Board

4. 12 U.S.C. § 1843(c)(8).

5. *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).

ORDERS ISSUED UNDER INTERNATIONAL BANKING ACT

Royal Bank of Canada
Montreal, Canada

Order Approving Establishment of a Representative Office

Royal Bank of Canada ("Bank"), Montreal, Canada, a foreign bank within the meaning of the International Banking Act ("IBA"), has applied under section 10(a) of the IBA (12 U.S.C. § 3107(a)) to establish a representative office in Houston, Texas. The Foreign Bank Supervision Enhancement Act of 1991 ("FBSEA"), 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 Houston, Texas (*Houston Chronicle*, November 27, 1996). The time for filing comments has expired, and all comments have been considered.

Bank, with total consolidated assets of approximately $162.0 billion,[1] is the largest bank in Canada. Bank's shares are publicly traded and widely held, and no shareholder owns more than 10 percent of Bank.

Bank provides a wide range of consumer, commercial, and corporate banking services through its network of more than 1500 offices in Canada. Foreign operations are conducted in 35 countries. In the United States, Bank currently operates a federally licensed branch in New York, New York, state-licensed agencies in Los Angeles, California, and Miami, Florida, and a representative office in Chicago, Illinois. Bank also engages in securities activities in the United States through its subsidiary, RBC Dominion Securities Corporation, New York, New York.

The purposes for establishing the proposed representative office are to market Bank's products and services and solicit loan business for Bank.

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 and has furnished to the Board the information it needs to assess the application adequately. The Board also shall take into account whether the foreign bank and any foreign bank parent 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.

1. Asset data are as of October 31, 1996.

211.24).[2] The Board may also take into account additional standards as set forth in the IBA and Regulation K (12 U.S.C. § 3105(d)(3)-(4); 12 C.F.R. 211.24(c)).

In this case, with respect to supervision by home country authorities, the Board has considered the following information. Bank is supervised and regulated by the Office of the Superintendent of Financial Institutions ("OSFI"). The OSFI is responsible for the prudential supervision and regulation of federally regulated financial institutions. The Board has previously determined, in connection with applications involving other Canadian banks, that these banks were subject to home country supervision on a consolidated basis.[3] Bank is supervised by the OSFI on substantially the same terms and conditions as these other banks. Based on all the facts of record, the Board has determined that Bank is subject to comprehensive supervision and regulation on a consolidated basis by its home country supervisor.

The Board also has taken into account the additional standards set forth in section 7 of the IBA (*See* 12 U.S.C. § 3105(d)(3)-(4); 12 C.F.R. 211.24(c)(2)). The OSFI has no objection to establishment of the proposed representative office.

With respect to the financial and managerial resources of Bank, taking into consideration Bank's record of operations in its home country, its overall financial resources, and its standing with its home country supervisors, the Board also has determined that financial and managerial factors are consistent with approval of the proposed representative office. Bank appears to have the experience and capacity to support the proposed representative office and also has established controls and procedures for the proposed representative office to ensure compliance with U.S. law.

With respect to access to information about Bank's operations, the Board has reviewed the restrictions on disclosure in relevant jurisdictions in which Bank operates and has communicated with relevant government authorities about access to information. Bank has 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 provision of such information may be prohibited by law, Bank has committed to cooperate with the Board to obtain any necessary consents or waivers that might be required from third parties for disclosure. In addition, subject to certain conditions, the OSFI may share information on Bank's operations with other supervisors, including the Board. 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 application to establish the representative office should be, and hereby is, approved. Should any restrictions on access to information on the operations or activities of Bank and its affiliates subsequently interfere with the Board's ability to obtain information to determine and enforce compliance by Bank or its affiliates with applicable federal statutes, the Board may require termination of any of the 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 the application, and with the conditions in this order.[4] The commitments and conditions referred to above are conditions imposed in writing by the Board in connection with its decision, and may be enforced in proceedings under 12 U.S.C. § 1818 or 12 U.S.C. § 1847 against Bank, its offices, and its affiliates.

By order of the Board of Governors, effective March 31, 1997.

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

JENNIFER J. JOHNSON
Deputy Secretary of the Board

2. 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.

3. *See Bank of Montreal*, 80 *Federal Reserve Bulletin* 925 (1994); *National Bank of Canada*, 82 *Federal Reserve Bulletin* 769 (1996).

4. The Board's authority to approve the establishment of the proposed office parallels the continuing authority of the Texas State Banking Department ("Department") to license offices of foreign banks. The Board's approval of this application does not supplant the authority of Texas and the Department to license the proposed office of Bank in accordance with any terms or conditions that the Department may impose.

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
1st United Bancorp, Boca Raton, Florida	Island National Bank and Trust Company, Palm Beach, Florida	March 19, 1997
Whitney Holding Corporation, New Orleans, Louisiana	Whitney National Bank of Mississippi, Gulfport, Mississippi Merchants Bancshares, Inc., Gulfport, Mississippi Merchants Bank & Trust Company, Gulfport, Mississippi	March 26, 1997

Section 4

Applicant(s)	Bank(s)	Effective Date
First Citizens Bancshares, Inc., Dyersburg, Tennessee	SecurAmerica Holding Corporation, Memphis, Tennessee SecurAmerica Business Credit, Memphis, Tennessee	March 25, 1997

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
Affiliated Community Bancorp, Inc., Waltham, Massachusetts	Middlesex Bank & Trust Company, Newton, Massachusetts	Boston	March 14, 1997
AliKat Investments, Inc., Gurnee, Illinois	NorthSide Community Bank, Gurnee, Illinois	Chicago	March 5, 1997
AmeriBancShares, Inc., Wichita Falls, Texas	AmeriBancShares of Delaware, Inc., Wilmington, Delaware American National Bank, Wichita Falls, Texas	Dallas	March 26, 1997
AmeriBancShares of Delaware, Inc., Wilmington, Delaware	American National Bank, Wichita Falls, Texas	Dallas	March 26, 1997
ANB Bancshares, Inc., Gonzales, Texas	ANB Nevada Group, Inc., Carson City, Nevada American National Bank, Gonzales, Texas	Dallas	March 24, 1997
ANB Nevada Group, Inc., Carson City, Nevada	American National Bank, Gonzales, Texas	Dallas	March 24, 1997

Section 3—Continued

Applicant(s)	Bank(s)	Reserve Bank	Effective Date
Arrowhead Capital Corporation, West Palm Beach, Florida	Sunniland Bank, Fort Lauderdale, Florida	Atlanta	March 11, 1997
BancFirst Corporation, Oklahoma City, Oklahoma	First Ada Bancshares, Inc., Ada, Oklahoma	Kansas City	March 3, 1997
Bank of Boston Corporation, Boston, Massachusetts BayBanks, Inc., Boston, Massachusetts	BankBoston, National Association, Nashua, New Hampshire	Boston	March 11, 1997
Blackhawk Bancorp, Inc., Beloit, Wisconsin	Rochelle Bancorp, Inc., Rochelle, Illinois Rochelle Savings Bank, S.B., Rochelle, Illinois	Chicago	March 11, 1997
Bolivar Bancshares, Inc., Bolivar, Missouri	Bank of Bolivar, Bolivar, Missouri	St. Louis	March 21, 1997
Cumberland Bancorp, Inc., Carthage, Tennessee	First Federal Bancshares, Inc., Memphis, Tennessee	Atlanta	March 14, 1997
Community Bancorp of Louisiana, Inc., Raceland, Louisiana	American Security Bancshares, Inc., Welsh, Louisiana American Bank, Welsh, Louisiana	Atlanta	March 5, 1997
The Connor Trusts, Auburndale, Wisconsin	Pioneer Bancorp, Inc., Auburndale, Wisconsin	Chicago	March 4, 1997
Eagle Bancshares, Inc., Fairfield, Texas	Fairfield Holdings, Inc., Fairfield, Texas First National Bank of Fairfield, Fairfield, Texas	Dallas	March 19, 1997
Emerald Coast Bancshares, Inc., Panama City Beach, Florida	Emerald Coast Bank, Panama City Beach, Florida	Atlanta	February 25, 1997
FCFT, Inc., Princeton, West Virginia	Blue Ridge Bank, Sparta, North Carolina	Richmond	March 12, 1997
FGH Bancorp, Inc., Herrin, Illinois	Bank of Herrin, Herrin, Illinois Carterville State & Savings Bank, Carterville, Illinois	St. Louis	February 21, 1997
Firstbank of Illinois Co., Springfield, Illinois FBIC Subsidiary, Inc., Springfield, Illinois	BankCentral Corporation, Mattoon, Illinois Central National Bank of Mattoon, Mattoon, Illinois	Chicago	March 7, 1997
First Citizens Corporation, Newnan, Georgia	Tara Bankshares Corporation, Riverdale, Georgia Tara State Bank, Riverdale, Georgia	Atlanta	March 25, 1997
First Equity Corp., Skokie, Illinois	1st Equity Bank, Skokie, Illinois	Chicago	March 20, 1997
First Financial Bancorporation, Iowa City, Iowa	West Branch Bancorp, Inc., West Branch, Iowa West Branch State Bank, West Branch, Iowa	Chicago	February 20, 1997
First Union Corporation, Charlotte, North Carolina	Boca Raton First National Bank, Boca Raton, Florida	Richmond	March 27, 1997
F.N.B. Corporation, Hermitage, Pennsylvania	West Coast Bancorp, Inc., Cape Coral, Florida	Cleveland	March 21, 1997

Section 3—Continued

Applicant(s)	Bank(s)	Reserve Bank	Effective Date
Fremont Bank Corporation, Canon City, Colorado	Fremont of Albuquerque, Inc., Canon City, Colorado	Kansas City	March 17, 1997
Fremont of Albuquerque, Inc., Canon City, Colorado	Interamerica Bank, Albuquerque, New Mexico	Kansas City	March 17, 1997
Marshfield Investment Company, Springfield, Missouri	Metropolitan Bancshares, Inc., Springfield, Missouri Metropolitan National Bank, Springfield, Missouri	St. Louis	March 4, 1997
Mid-America Bankshares, Inc., Baldwin City, Kansas	State Bank of Esbon, Esbon, Kansas	Kansas City	March 21, 1997
New London Bancshares, Inc., New London, Missouri	Behrens Bancshares, Inc., New London, Missouri Ralls County State Bank, New London, Missouri	St. Louis	February 25, 1997
NewSouth Bancorp, Inc., Washington, North Carolina	NewSouth Bank, Washington, North Carolina	Richmond	March 10, 1997
Norwest Corporation, Minneapolis, Minnesota	Farmers National Bancorp, Inc., Geneseo, Illinois Farmers National Bank of Geneseo, Geneseo, Illinois	Minneapolis	March 5, 1997
Peoples Bancorp, Inc., Chestertown, Maryland	Peoples Bank of Kent County, Maryland, Chestertown, Maryland	Richmond	March 5, 1997
Pioneer Bancorp, Inc., Auburndale, Wisconsin	Pioneer Bank, Auburndale, Wisconsin	Chicago	March 4, 1997
Regions Financial Corporation, Birmingham, Alabama	Gulf South Bancshares, Inc., Gretna, Louisiana Gulf South Bank, Gretna, Louisiana	Atlanta	March 24, 1997
Regions Financial Corporation, Birmingham, Alabama	West Carroll Bancshares, Inc., Oak Grove, Louisiana West Carroll National Bank of Oak Grove, Oak Grove, Louisiana	Atlanta	February 26, 1997
Santa Barbara Bancorp, Santa Barbara, California	First Valley Bank, Lompoc, California	San Francisco	February 26, 1997
Security Bancorp of Tennessee, Inc., Halls, Tennessee	The Bank of Jackson, Jackson, Tennessee	St. Louis	March 18, 1997
TCF Colorado Corporation, Englewood, Colorado	TCF National Bank Colorado, Englewood, Colorado	Minneapolis	March 21, 1997
TCF Financial Corporation, Minneapolis, Minnesota	TCF National Bank Minnesota, Minneapolis, Minnesota TCF National Bank Illinois, Chicago, Illinois TCF National Bank Wisconsin, Milwaukee, Wisconsin Great Lakes National Bank Michigan, Ann Arbor, Michigan Great Lakes National Bank Ohio, Hamilton, Ohio TCF Colorado Corporation, Englewood, Colorado TCF National Bank Colorado, Englewood, Colorado	Minneapolis	March 21, 1997

Section 3—Continued

Applicant(s)	Bank(s)	Reserve Bank	Effective Date
Tri-County Financial Corporation, Waldorf, Maryland	Community Bank of Tri-County, Waldorf, Maryland	Richmond	March 7, 1997
Trimont Bancorporation, Inc., Trimont, Minnesota	Financial Services of Winger, Inc., Winger, Minnesota	Minneapolis	March 11, 1997
U.S. Trust Corporation, New York, New York	U.S. Trust Bank of Connecticut, Inc., Greenwich, Connecticut	New York	March 10, 1997
Vanderbilt Holding Company, Inc., Fairfax, Iowa	Fairfax State Savings Bank, Fairfax, Iowa	Chicago	March 5, 1997

Section 4

Applicant(s)	Nonbanking Activity/Company	Reserve Bank	Effective Date
Barnett Banks, Inc., Jacksonville, Florida	Oxford Resources Corp., Melville, New York	Atlanta	March 4, 1997
Community First Bankshares, Inc., Fargo, North Dakota	To engage *de novo* in the nonbank activities of making and servicing loans and leasing personal property and acting as agent, broker, or adviser in leasing personal property	Minneapolis	March 24, 1997
Creditanstalt-Bankverein, Vienna, Austria	To engage in making equity investments in corporations or projects designed primarily to promote community welfare	New York	March 3, 1997
Farmers State Financial Corp., Victor, Montana	Farmers State Bank, fsb, Stevensville, Montana	Minneapolis	February 28, 1997
HPK Financial Corporation, Chicago, Illinois	Mortgage Service America, Inc., Lombard, Illinois	Chicago	March 12, 1997
Norwest Corporation, Minneapolis, Minnesota	UDC Mortgage, Tempe, Arizona	Minneapolis	March 6, 1997
Otto Bremer Foundation and Bremer Financial Corporation, St. Paul, Minnesota	Paul E. Hedlund Insurance Agency, Boyceville, Wisconsin	Minneapolis	February 25, 1997
Pioneer Bankcorp, Inc., Clewiston, Florida	Development Investments, Inc., Clewiston, Florida	Atlanta	March 7, 1997
Regency Bancorp, Fresno, California	Regency Investment Advisors, Inc., Fresno, California	San Francisco	February 25, 1997
Republic Bancshares, Inc., St. Petersburg, Florida	Firstate Financial, F.A., Orlando, Florida	Atlanta	March 7, 1997
TCF Financial Corporation, Minneapolis, Minnesota	TCF Securities, Inc., St. Paul, Minnesota TCF Minnesota Financial Services, Inc., Minneapolis, Minnesota	Minneapolis	March 21, 1997

Sections 3 and 4

Applicant(s)	Nonbanking Activity/Company	Reserve Bank	Effective Date
Keystone Financial, Inc., Harrisburg, Pennsylvania	Financial Trust Corp, Carlisle, Pennsylvania	Philadelphia	March 19, 1997
Vermilion Bancorp, Inc., Danville, Illinois	American Savings Bank of Danville, Danville, Illinois	Chicago	February 27, 1997
Zions Bancorporation, Salt Lake City, Utah	Aspen Bancshares, Inc., Aspen, Colorado Pitkin County Bank & Trust Company, Aspen, Colorado Valley National Bank of Cortez, Cortez, Colorado Centennial Savings Bank, F.S.B., Durango, Colorado	San Francisco	February 26, 1997

Applications Approved Under Bank Merger 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.

Applicant(s)	Bank(s)	Effective Date
1st United Bank, Boca Raton, Florida	Island National Bank and Trust Company, Palm Beach, Florida	March 19, 1997

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
Blue Ridge Bank, Sparta, North Carolina	Blue Ridge Acquisition Bank, Inc., Sparta, North Carolina	Richmond	March 12, 1997
Community Bank & Trust Company, Neosho, Missouri	Diamond Bank, Diamond, Missouri	Kansas City	March 14, 1997
First Bank of Arkansas, Jonesboro, Arkansas	First Bank of Arkansas, Wynne, Arkansas	St. Louis	March 27, 1997
Santa Barbara Bank & Trust, Santa Barbara, California	First Valley Bank, Lompoc, California	San Francisco	February 26, 1997

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.

Pharaon v. Board of Governors, No. 97–1114 (D.C. Cir., filed February 28, 1997). Petition for review of a Board order dated January 31, 1997, imposing civil money penalties and an order of prohibition for violations of the Bank Holding Company Act.

Research Triangle Institute v. Board of Governors, No. 97–1282 (4th Cir., filed February 24, 1997). Appeal of district court's dismissal of contract claim.

The New Mexico Alliance v. Board of Governors, No. 96–9552 (10th Cir., filed December 24, 1996). Petition for review of a Board order dated December 16, 1996, approving the acquisition by NationsBank Corporation and NB Holdings

Corporation, both of Charlotte, North Carolina, of Boatmen's Bancshares, Inc., St. Louis, Missouri. Also on December 24, 1996, petitioners moved for an emergency stay of the Board's order. The motion for a stay was denied by the 10th Circuit on January 3, 1997; on January 6, 1997, petitioners' application for emergency stay was denied by the Supreme Court.

Artis v. Greenspan, No. 1:96CV02619 (D.D.C., filed November 19, 1996). Employment discrimination action. On December 20, 1996, the Board moved to dismiss the action.

Snyder v. Board of Governors, No. 96–1403 (D.C. Cir., filed October 23, 1996). Petition for review of Board order dated September 11, 1996, prohibiting John K. Snyder and Donald E. Hedrick from further participation in the banking industry. On November 21, 1996, the Board moved to dismiss the petition.

American Bankers Insurance Group, Inc. v. Board of Governors, No. 96-CV-2383-EGS (D.D.C., filed October 16, 1996). Action seeking declaratory and injunctive relief invalidating a new regulation issued by the Board under the Truth in Lending Act relating to treatment of fees for debt cancellation agreements. On October 18, 1996, the district court denied plaintiffs' motion for a temporary restraining order. On January 17, 1997, the parties filed cross-motions for summary judgment.

Clifford v. Board of Governors, No. 96–1342 (D.C. Cir., filed September 17, 1996). Petition for review of Board order dated August 21, 1996, denying petitioners' motion to dismiss enforcement action against them. On November 4, 1996, the Board filed a motion to dismiss the petition.

Artis v. Greenspan, No. 96-CV-02105 (D. D.C., filed September 11, 1996). Class complaint alleging race discrimination in employment. On December 20, 1996, the Board moved to dismiss the action.

Leuthe v. Board of Governors, No. 96–5725 (E.D. Pa., filed August 16, 1996). Action against the Board and other Federal banking agencies challenging the constitutionality of the Office of Financial Institution Adjudication. On January 24, 1997, the agencies filed a motion to dismiss the action.

Long v. Board of Governors, No. 96–9526 (10th Cir., filed July 31, 1996). Petition for review of Board order dated July 2, 1996, assessing a civil money penalty and cease and desist order for violations of the Bank Holding Company Act. Oral argument is scheduled for May 12, 1997.

Interamericas Investments, Ltd. v. Board of Governors, No. 96–60326 (5th Cir., filed May 8, 1996). Petition for review of order imposing civil money penalties and cease and desist order in enforcement case. Petitioners' brief was filed on July 26, 1996, and the Board's brief was filed on September 27, 1996. On August 20, petitioners' motion for a stay of the Board's orders pending judicial review was denied by the Court of Appeals. Oral argument was held on February 4, 1997.

Kuntz v. Board of Governors, No. 96–1079 (D.C. Cir., filed March 7, 1996). Petition for review of a Board order dated February 7, 1996, approving applications by The Fifth Third Bank, Cincinnati, Ohio, and The Firth Third Bank of Columbus, Columbus, Ohio, to acquire certain assets and assume certain liabilities of 25 branches of NBD Bank, Columbus, Ohio. On February 13, 1997, the court granted the Board's motion to dismiss the action.

Inner City Press/Community on the Move v. Board of Governors, No. 96–4008 (2nd Cir., filed January 19, 1996). Petition for review of a Board order dated January 5, 1996, approving the applications and notices by Chemical Banking Corporation to merge with The Chase Manhattan Corporation, both of New York, New York, and by Chemical Bank to merge with The Chase Manhattan Bank, N.A., both of New York, New York. Petitioners' motion for an emergency stay of the transaction was denied following oral argument on March 26, 1996. The Board's brief on the merits was filed July 8, 1996. The case was consolidated for oral argument and decision with *Lee v. Board of Governors*, No. 95–4134 (2d Cir.); oral argument was held on January 13, 1997.

Kuntz v. Board of Governors, No. 95–1485 (D.C. Cir., filed September 21, 1995). Petition for review of Board order dated August 23, 1995, approving the applications of The Fifth Third Bank, Cincinnati, Ohio, to acquire certain assets and assume certain liabilities of 12 branches of PNC Bank, Ohio, N.A., Cincinnati, Ohio, and to establish certain branches. On February 13, 1997, the court granted the Board's motion to dismiss the action.

Lee v. Board of Governors, No. 95–4134 (2nd Cir., filed August 22, 1995). Petition for review of Board orders dated July 24, 1995, approving certain steps of a corporate reorganization of U.S. Trust Corporation, New York, New York, and the acquisition of U.S. Trust by Chase Manhattan Corporation, New York, New York. On September 12, 1995, the court denied petitioners' motion for an emergency stay of the Board's orders. The Board's brief was filed on April 16, 1996. Oral argument, consolidated with *Inner City Press/Community on the Move v. Board of Governors*, took place on January 13, 1997.

Beckman v. Greenspan, No. 95–35473 (9th Cir., filed May 4, 1995). Appeal of dismissal of action against Board and others seeking damages for alleged violations of constitutional and common law rights. The appellants' brief was filed on June 23, 1995; the Board's brief was filed on July 12, 1995.

In re Subpoena Duces Tecum, Misc. No. 95–06 (D.D.C., filed January 6, 1995). Action to enforce subpoena seeking predecisional supervisory documents sought in connection with an action by Bank of New England Corporation's trustee in bankruptcy against the Federal Deposit Insurance Corporation. The Board filed its opposition on January 20, 1995. Oral argument on the motion was held July 14, 1995.

Board of Governors v. Pharaon, No. 91-CIV-6250 (S.D. New York, filed September 17, 1991). Action to freeze assets of individual pending administrative adjudication of civil money penalty assessment by the Board. On September 17, 1991, the court issued an order temporarily restraining the transfer or disposition of the individual's assets.

Final Enforcement Orders Issued by the Board of Governors

Damian Cope
London, England

The Federal Reserve Board announced on March 3, 1997, the issuance of an Order of Prohibition against Damian Cope, a former trader and institution-affiliated party of the New York Branch of the Midland Bank, plc, London, England.

John Gillogly
Corning, Ohio

The Federal Reserve Board announced on March 7, 1997, the issuance of a combined Order to Cease and Desist, Order of Restitution, and Order of Assessment of a Civil Money Penalty against John Gillogly, a former officer and institution-affiliated party of The Bank of Corning, Corning, Ohio.

The International Commercial Bank of China
Taipei, Taiwan

The Federal Reserve Board announced on March 28, 1997, the issuance of an Order against The International Commercial Bank of China, Taipei, Taiwan.

Oliver Lu
Tokyo, Japan

The Federal Reserve Board announced on March 7, 1997, the issuance of a combined Order to Cease and Desist and Order of Assessment of a Civil Money Penalty against Oliver Lu, a former employee of BT Co., Tokyo, Japan, a subsidiary of Bankers Trust New York Corporation, New York.

Termination of Enforcement Actions

The Federal Reserve Board announced on March 14, 1997, the termination of the following enforcement actions:

Perry County Bancorp, Inc. and
DuQuoin State Bank
DuQuoin, Illinois

Written Agreement dated April 12, 1993—terminated February 7, 1997.

First Independence Bank of Florida
Ft. Myers, Florida

Written Agreement dated May 1, 1992—terminated February 25, 1997.

Garfield Bank
Montebello, California

Written Agreement dated April 26, 1994—terminated March 5, 1997.

Bank of New York
New York, New York

Order dated January 16, 1992—terminated March 5, 1997.

Crestar Bank
Richmond, Virginia

Order dated January 16, 1992—terminated March 3, 1997.

Trust Company Bank
Atlanta, Georgia

Order dated January 16, 1992—terminated March 14, 1997.

Central Bank of the South
Birmingham, Alabama

Order dated January 16, 1992—terminated March 5, 1997.

American Bank and Trust of Polk County
Lake Wales, Florida

Written Agreement dated June 10, 1992—terminated March 7, 1997.

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

Jane C. Walsh	President, Northmark Bank, North Andover, Massachusetts	1997
Marshall N. Carter	Chairman and Chief Executive Officer, State Street Bank and Trust Company, Boston, Massachusetts	1998
G. Kenneth Perine	President and Chief Executive Officer, National Bank of Middlebury, Middlebury, Vermont	1999

Class B

Edward Dugger III	President and Chief Executive Officer, UNC Ventures, Inc., Boston, Massachusetts	1997
Robert R. Glauber	Adjunct Lecturer, John F. Kennedy School of Government, Harvard University, Cambridge, Massachusetts	1998
Stephen L. Brown	Chairman and Chief Executive Officer, John Hancock Mutual Life Insurance Company, Boston, Massachusetts	1999

Class C

Frederick J. Mancheski	Chairman Emeritus, Echlin Inc., Branford, Connecticut	1997
William C. Brainard	Chairman, Department of Economics, Yale University, New Haven, Connecticut	1998
William O. Taylor	Chairman and Chief Executive Office, The Boston Globe, Boston, Massachusetts	1999

DISTRICT 2—NEW YORK

		Term expires December 31
Class A		
J. Carter Bacot	Chairman and Chief Executive Officer, The Bank of New York, New York, New York	1997
Robert G. Wilmers	Chairman, President, and Chief Executive Officer, Manufacturers and Traders Trust Company, Buffalo, New York	1998
George W. Hamlin IV	President and Chief Executive Officer, The Canandaigua National Bank and Trust Company, Canandaigua, New York	1999
Class B		
Eugene R. McGrath	Chief Executive Officer, Consolidated Edison Company of New York, Inc., New York, New York	1997
William C. Steere, Jr.	Chairman and Chief Executive Officer, Pfizer Inc., New York, New York	1998
Ann Marie Fudge	President, Maxwell House Coffee Co., White Plains, New York	1999
Class C		
Thomas W. Jones	Vice Chairman, President, and Chief Operating Officer, Teachers Insurance and Annuity Association–College Retirement Equities Fund, New York, New York	1997
Peter G. Peterson	Chairman, The Blackstone Group, New York, New York	1998
John C. Whitehead	Chairman, AEA Investors Inc., New York, New York	1999

BUFFALO BRANCH

Appointed by the Federal Reserve Bank		
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
Kathleen R. Whelehan	Regional President, Marine Midland Bank, Rochester, New York	1998
Louise C. Woerner	Chairman and Chief Executive Officer, HCR, Rochester, New York	1999
Appointed by the Board of Governors		
Louis J. Thomas	Director, District 4, United Steelworkers of America, Buffalo, New York	1997
Bal Dixit	President and Chief Executive Officer, Newtex Industries, Inc., Victor, New York	1998
Patrick P. Lee	Chairman and Chief Executive Officer, International Motion Control, Inc., Orchard Park, New York	1999

DISTRICT 3—PHILADELPHIA

Class A		
Dennis W. DiLazzero	President and Chief Executive Officer, Minotola National Bank, Vineland, New Jersey	1997
Albert B. Murry	President and Chief Executive Officer, Lebanon Valley National Bank, Lebanon, Pennsylvania	1998
David B. Lee	President and Chief Executive Officer, Omega Bank, N.A., State College, Pennsylvania	1999
Class B		
Robert D. Burris	President and Chief Executive Officer, Burris Foods, Inc., Milford, Delaware	1997
Howard E. Cosgrove	Chairman, President, and Chief Executive Officer, Delmarva Power and Light Company, Wilmington, Delaware	1998
J. Richard Jones	President and Chief Executive Officer, Jackson–Cross Company, Philadelphia, Pennsylvania	1999

DISTRICT 3—PHILADELPHIA—Continued

		Term expires December 31
Class C		
Donald J. Kennedy	Business Manager, International Brotherhood of Electrical Workers, Local Union No. 269, Trenton, New Jersey	1997
Charisse R. Lillie	Partner, Ballard Spahr Andrews & Ingersoll, Philadelphia, Pennsylvania	1998
Joan Carter	President and Chief Operating Officer, UM Holdings Ltd., Haddonfield, New Jersey	1999

DISTRICT 4—CLEVELAND

Class A		
David S. Dahlmann	President and Chief Executive Officer, Southwest National Corporation, Greensburg, Pennsylvania	1997
David A. Daberko	Chairman and Chief Executive Officer, National City Corporation, Cleveland, Ohio	1998
Tiney M. McComb	Chairman and President, Heartland BancCorp, Gahanna, Ohio	1999
Class B		
Michele Tolela Myers	President, Denison University, Granville, Ohio	1997
I.N. Rendall Harper, Jr.	President and Chief Executive Officer, American Micrographics Company, Inc., Monroeville, Pennsylvania	1998
David L. Nichols	Chief Executive Officer and Chairman, Mercantile Stores Inc., Fairfield, Ohio	1999
Class C		
G. Watts Humphrey, Jr.	President, GWH Holdings, Inc., Pittsburgh, Pennsylvania	1997
David H. Hoag	Chairman and Chief Executive Officer, The LTV Corporation, Cleveland, Ohio	1998
Robert Y. Farrington	Executive Secretary–Treasurer, Ohio State Building and Construction Trades Council, Columbus, Ohio	1999

CINCINNATI BRANCH

Appointed by the Federal Reserve Bank		
Jerry A. Grundhofer	Chairman, President, and Chief Executive Officer, Star Banc Corporation, Cincinnati, Ohio	1997
Jean R. Hale	President and Chief Executive Officer, Community Trust Bank, N.A., Pikeville, Kentucky	1998
Judith G. Clabes	President and Chief Executive Officer, Scripps Howard, Cincinnati, Ohio	1999
Phillip R. Cox	President, Cox Financial Corporation, Cincinnati, Ohio	1999
Appointed by the Board of Governors		
C. Wayne Shumate	Chairman and Chief Executive Officer, Kentucky Textiles, Inc., Paris, Kentucky	1997
Thomas Revely III	President and Chief Executive Officer, Cincinnati Bell Supply Co., Cincinnati, Ohio	1998
George C. Juilfs	President and Chief Executive Officer, SENCORP, Newport, Kentucky	1999

PITTSBURGH BRANCH

Appointed by the Federal Reserve Bank		
Thomas J. O'Shane	Chairman, President, and Chief Executive Officer, First Western Bancorp, Inc., New Castle, Pennsylvania	1997
Edward V. Randall, Jr.	President and CEO/Pittsburgh, PNC Bank, N.A., Pittsburgh, Pennsylvania	1998
Christine J. Toretti	President, S.W. Jack Drilling Co., Indiana, Pennsylvania	1999
Peter N. Stephans	President, Dynamet Incorporated, Washington, Pennsylvania	1999

DISTRICT 4—CLEVELAND—Continued — *Term expires December 31*

PITTSBURGH BRANCH—Continued

Appointed by the Board of Governors

John T. Ryan III	Chairman, President, and Chief Executive Officer, Mine Safety Appliances Company, Pittsburgh, Pennsylvania	1997
Gretchen R. Haggerty	Vice President and Treasurer, USX Corporation, Pittsburgh, Pennsylvania	1998
Charles E. Bunch	Vice President, Fiber Glass, PPG Industries, Inc., Pittsburgh, Pennsylvania	1999

DISTRICT 5—RICHMOND

Class A

Philip L. McLaughlin	President, Horizon Bancorp, Inc., Greenbrier Valley National Bank, Lewisburg, West Virginia	1997
George A. Didden III	Chairman and Chief Executive Officer, The National Capital Bank of Washington, Washington, D.C.	1998
J. Walter McDowell	President, Wachovia Bank of North Carolina, N.A., Winston-Salem, North Carolina	1999

Class B

L. Newton Thomas, Jr.	Senior Vice President (Retired), ITT/Carbon Industries, Inc., Charleston, West Virginia	1997
Craig A. Ruppert	President and Owner, The Ruppert Companies, Ashton, Maryland	1998
Wesley S. Williams, Jr.	Partner, Covington & Burling, Washington, D.C.	1999

Class C

Claudine B. Malone	President, Financial & Management Consulting, Inc., McLean, Virginia	1997
Robert L. Strickland	Chairman, Lowe's Companies, Inc., Winston-Salem, North Carolina	1998
Jeremiah J. Sheehan	Chairman and Chief Executive Officer, Reynolds Metals Company, Richmond, Virginia	1999

BALTIMORE BRANCH

Appointed by the Federal Reserve Bank

Thomas J. Hughes	Second Vice Chairman, Navy Federal Credit Union, Merrifield, Virginia	1997
F. Levi Ruark	Chairman, President, and Chief Executive Officer, The National Bank of Cambridge, Cambridge, Maryland	1997
Jeremiah E. Casey	Chairman, First Maryland Bancorp, Baltimore, Maryland	1998
Morton I. Rapoport	President and Chief Executive Officer, University of Maryland Medical System, Baltimore, Maryland	1999

Appointed by the Board of Governors

Rebecca Hahn Windsor	Chairman and Chief Executive Officer, Hahn Transportation, Inc., New Market, Maryland	1997
Daniel R. Baker	President and Chief Executive Officer, Tate Access Floors, Inc., Jessup, Maryland	1998
George L. Russell, Jr.	Partner, Piper & Marbury L.L.P., Baltimore, Maryland	1999

CHARLOTTE BRANCH

Appointed by the Federal Reserve Bank

Dorothy H. Aranda	President, Dohara Associates, Inc., Hilton Head Island, South Carolina	1997
Cecil W. Sewell, Jr.	Chairman and Chief Executive Officer, Centura Banks, Inc., Rocky Mount, North Carolina	1997
William G. Stevens	President and Chief Executive Officer, Greenwood Bank & Trust, Greenwood, South Carolina	1998
Laura M. Fleming	President and Chief Executive Officer, Founders Federal Credit Union, Lancaster, South Carolina	1999

DISTRICT 5—RICHMOND—Continued		*Term expires December 31*
CHARLOTTE BRANCH—Continued		
Appointed by the Board of Governors		
Joan H. Zimmerman	President, Southern Shows, Inc., Charlotte, North Carolina	1997
James O. Roberson	President, Research Triangle Foundation of North Carolina, Research Triangle Park, North Carolina	1998
Dennis D. Lowery	Chief Executive Officer and Chairman, Continental Industrial Chemicals, Inc., Charlotte, North Carolina	1999

DISTRICT 6—ATLANTA

Class A

D. Paul Jones, Jr.	Chairman and Chief Executive Officer, Compass Bancshares, Inc., Birmingham, Alabama	1997
Waymon L. Hickman	Chairman and Chief Executive Officer, First Farmers and Merchants National Bank, Columbia, Tennessee	1998
Howard L. McMillan, Jr.	President and Chief Operating Officer, Deposit Guaranty National Bank, Jackson, Mississippi	1999

Class B

Maria Camila Leiva	Executive Vice President, Miami Free Zone Corporation, Miami, Florida	1997
Vacancy		1998
Juanita P. Baranco	Executive Vice President, Baranco Automotive Group, Atlanta, Georgia	1999

Class C

Hugh M. Brown	President and Chief Executive Officer, BAMSI, Inc., Titusville, Florida	1997
David R. Jones	President and Chief Executive Officer, AGL Resources Inc., Atlanta, Georgia	1998
John Wieland	President, John Wieland Homes, Inc., Atlanta, Georgia	1999

BIRMINGHAM BRANCH

Appointed by the Federal Reserve Bank

Marlin D. Moore, Jr.	Chairman, Pritchett-Moore, Inc., Tuscaloosa, Alabama	1997
Columbus Sanders	President, Consolidated Industries, Inc., Huntsville, Alabama	1997
J. Stephen Nelson	Chairman and Chief Executive Officer, First National Bank of Brewton, Brewton, Alabama	1998
W. Charles Mayer III	Senior Executive Vice President, Alabama Banking Group Head, AmSouth Bank of Alabama, Birmingham, Alabama	1999

Appointed by the Board of Governors

D. Bruce Carr	International Representative, Laborers' International Union of North America, Gadsden, Alabama	1997
Patricia B. Compton	President, Patco, Inc., Georgiana, Alabama	1998
V. Larkin Martin	Managing Partner, Martin Farm, Courtland, Alabama	1999

JACKSONVILLE BRANCH

Appointed by the Federal Reserve Bank

Terry R. West	President and Chief Executive Officer, Jax Navy Federal Credit Union, Jacksonville, Florida	1997
Arnold A. Heggestad	Professor of Finance and Associate Vice President of Research and Technology, College of Business Administration, University of Florida, Gainesville, Florida,	1997
Royce B. Walden	Vice President, SouthTrust Securities, Orlando, Florida	1998
William G. Smith, Jr.	President and Chief Executive Officer, Capital City Bank Group, Tallahassee, Florida	1999

DISTRICT 6—ATLANTA—Continued — *Term expires December 31*

JACKSONVILLE BRANCH—Continued

Appointed by the Board of Governors

Patrick C. Kelly	Chairman and Chief Executive Officer, Physician Sales & Service, Inc., Jacksonville, Florida	1997
Judy Jones	President, J.R. Jones and Associates, Tallahassee, Florida	1998
Marsha G. Rydberg	President, Rydberg & Goldstein, P.A., Tampa, Florida	1999

MIAMI BRANCH

Appointed by the Federal Reserve Bank

Carlos A. Migoya	President, Dade/Monroe Counties, First Union National Bank of Florida, Miami, Florida	1997
E. Anthony Newton	President and Chief Executive Officer, Island National Bank and Trust Company, Palm Beach, Florida	1998
D. Keith Cobb	Vice Chairman and Chief Executive Officer, Alamo Rent-A-Car, Inc., Ft. Lauderdale, Florida	1999
James W. Moore	President, Gulf Utility Company, Fort Myers, Florida	1999

Appointed by the Board of Governors

Kaaren Johnson-Street	Vice President of Minority Business Development, Enterprise Florida, Miami, Florida	1997
R. Kirk Landon	Chairman, American Bankers Insurance Group, Miami, Florida	1998
Mark T. Sodders	President, Lakeview Farms, Inc., Pahokee, Florida	1999

NASHVILLE BRANCH

Appointed by the Federal Reserve Bank

Jack J. Vaughn	President, Hospitality & Attractions Group, Gaylord Entertainment Company, Nashville, Tennessee	1997
John E. Seward, Jr.	President and Chief Executive Officer, Paty Lumber Company, Inc., Piney Flats, Tennessee	1997
Dale W. Polley	President, First American National Bank, Nashville, Tennessee	1998
L.A. Walker, Jr.	Chairman and Chief Executive Officer, First National Bank and Trust Company, Athens, Tennessee	1999

Appointed by the Board of Governors

James E. Dalton, Jr.	President and Chief Executive Officer, Quorum Health Group, Inc., Brentwood, Tennessee	1997
Frances F. Marcum	Chairman and Chief Executive Officer, Micro Craft, Inc., Tullahoma, Tennessee	1998
Paula Lovell	President, Lovell Communications, Inc., Nashville, Tennessee	1999

NEW ORLEANS BRANCH

Appointed by the Federal Reserve Bank

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
Howell N. Gage	Chairman and Chief Executive Officer, Merchants Bank, Vicksburg, Mississippi	1998
Howard C. Gaines	Chairman, First National Bank of Commerce, New Orleans, Louisiana	1999

Appointed by the Board of Governors

Jo Ann Slaydon	President, Slaydon Consultants and Insight Productions and Advertising, Baton Rouge, Louisiana	1997
Lucimarian Roberts	President, Mississippi Coast Coliseum Commission, Biloxi, Mississippi	1998
Glenn Pumpelly	President and Chief Executive Officer, Pumpelly Oil Inc., Westlake, Louisiana	1999

DISTRICT 7—CHICAGO — *Term expires December 31*

Class A

Stefan S. Anderson	Chairman, President, and Chief Executive Officer, First Merchants Corporation, Muncie, Indiana	1997
Arnold C. Schultz	Chairman, President, and Chief Executive Officer, Grundy National Bank, Grundy Center, Iowa	1998
Verne G. Istock	Chairman, President, and Chief Executive Officer, First Chicago NBD Corporation, Chicago, Illinois	1999

Class B

Thomas C. Dorr	President and Chief Executive Officer, Dorr's Pine Grove Farm Co., Marcus, Iowa	1997
Donald J. Schneider	President, Schneider National, Inc., Green Bay, Wisconsin	1998
Migdalia Rivera	Executive Director, Latino Institute, Chicago, Illinois	1999

Class C

Lester H. McKeever, Jr.	Managing Partner, Washington, Pittman & McKeever, Chicago, Illinois	1997
Arthur C. Martinez	Chairman and Chief Executive Officer, Sears, Roebuck & Co., Hoffman Estates, Illinois	1998
Robert J. Darnall	Chairman, President, and Chief Executive Officer, Inland Steel Industries, Inc., Chicago, Illinois	1999

DETROIT BRANCH

Appointed by the Federal Reserve Bank

Charles R. Weeks	Chairman and Chief Executive Officer, Citizens Banking Corporation, Flint, Michigan	1997
Richard M. Bell	President and Chief Executive Officer, The First National Bank of Three Rivers, Three Rivers, Michigan	1998
Denise Ilitch Lites	President, Olympia Development, Inc., Detroit, Michigan	1999
Irma B. Elder	President, Troy Ford, Troy, Michigan	1999

Appointed by the Board of Governors

Timothy D. Leuliette	President and Chief Operating Officer, Penske Corporation, Detroit, Michigan	1997
Stephen R. Polk	Chairman and Chief Executive Officer, R.L. Polk & Co., Detroit, Michigan	1998
Florine Mark	President and Chief Executive Officer, The WW Group, Inc., Farmington Hills, Michigan	1999

DISTRICT 8—ST. LOUIS

Class A

Michael A. Alexander	Chairman and President, The First National Bank of Mount Vernon, Mount Vernon, Illinois	1997
Douglas M. Lester	Chairman and Chief Executive Officer, Sea Change Corp., N.A., Bowling Green, Kentucky	1998
W.D. Glover	Chairman, Chief Executive Officer, and Director, First National Bank of Eastern Arkansas, Forrest City, Arkansas	1999

Class B

Sandra B. Sanderson	President and Chief Executive Officer, Sanderson Plumbing Products, Inc., Columbus, Mississippi	1997
Richard E. Bell	President and Chief Executive Officer, Riceland Foods, Inc., Stuttgart, Arkansas	1998
Joe Gliessner	Executive Director, New Directions Housing Corp., Louisville, Kentucky	1999

DISTRICT 8—ST. LOUIS—Continued

		Term expires December 31
Class C		
Susan S. Elliott	President and Chief Executive Officer, Systems Service Enterprises, Inc., St. Louis, Missouri	1997
John F. McDonnell	Chairman, McDonnell Douglas Corporation, St. Louis, Missouri	1998
Veo Peoples, Jr.	Partner, Peoples & Hale, St. Louis, Missouri	1999

LITTLE ROCK BRANCH

Appointed by the Federal Reserve Bank		
Lunsford W. Bridges	President and Chief Executive Officer, Metropolitan National Bank, Little Rock, Arkansas	1997
Mark A. Shelton III	President, M.A. Shelton Farming Company, Wabbaseka, Arkansas	1998
Lee Frazier	President, Trinity Healthcare, Little Rock, Arkansas	1999
Ross M. Whipple	Chairman and Chief Executive Officer, Horizon Bancorp, Inc., Arkadelphia, Arkansas	1999
Appointed by the Board of Governors		
Robert D. Nabholz, Jr..	Chief Executive Officer, Nabholz Construction Corporation, Conway, Arkansas	1997
Betta M. Carney	Chief Executive Officer and Chairman, World Wide Travel Service, Inc., Little Rock, Arkansas	1998
Janet M. Jones	President, The Janet Jones Company, Little Rock, Arkansas	1999

LOUISVILLE BRANCH

Appointed by the Federal Reserve Bank		
Thomas E. Spragens, Jr.	President, Farmers National Bank, Lebanon, Kentucky	1997
Orson Oliver	President, Mid-America Bank of Louisville, Louisville, Kentucky	1998
Larry E. Dunigan	Chief Executive Officer, Holiday Management Corp., Evansville, Indiana	1999
Ronald R. Cyrus	Executive Secretary and Treasurer, Kentucky State AFL–CIO, Frankfort, Kentucky	1999
Appointed by the Board of Governors		
Debbie Scoppechio	Chairman and Chief Executive Officer, Creative Alliance, Inc., Louisville, Kentucky	1997
Roger Reynolds	President and Chief Executive Officer, Material Resource Planners, Inc. and Interlink Inc., Louisville, Kentucky	1998
John A. Williams	Chairman and Chief Executive Officer, Computer Services, Inc., Paducah, Kentucky	1999

MEMPHIS BRANCH

Appointed by the Federal Reserve Bank		
Lewis F. Mallory, Jr.	Chairman and Chief Executive Officer, National Bank of Commerce of Mississippi, Starkville, Mississippi	1997
Anthony M. Rampley	President and Chief Executive Officer, Arkansas Glass Container Corporation, Jonesboro, Arkansas	1998
Katie S. Winchester	President and Chief Executive Office, First Citizens National Bank, Dyersburg, Tennessee	1999
John C. Kelley, Jr.	President, Memphis Banking Group, First Tennessee Bank, Memphis, Tennessee	1999
Appointed by the Board of Governors		
Carol G. Crawley	President, Mid-South Minority Business Council, Memphis, Tennessee	1997
John V. Myers	President, Better Business Bureau, Memphis, Tennessee	1998
Mike P. Sturdivant, Jr.	Partner, Due West, Glendora, Mississippi	1999

DISTRICT 9—MINNEAPOLIS		*Term expires December 31*
Class A		
William S. Pickerign	President, The Northwestern Bank of Chippewa Falls, Chippewa Falls, Wisconsin	1997
Dale J. Emmel	President, First National Bank of Sauk Centre, Sauk Centre, Minnesota	1998
Lynn M. Hoghaug	President, Ramsey National Bank and Trust Co., Devils Lake, North Dakota	1999
Class B		
Kathryn L. Ogren	Owner, Bitterroot Motors, Missoula, Montana	1997
Dennis W. Johnson	President, TMI Systems Design Corporation, Dickinson, North Dakota	1998
Rob L. Wheeler	Vice President, Wheeler Mfg. Co., Inc., Lemmon, South Dakota	1999
Class C		
Jean D. Kinsey	Professor, Consumption Economics, and Director, Retail Food Industry Center, University of Minnesota, St. Paul, Minnesota	1997
James J. Howard	Chairman, President, and Chief Executive Officer, Northern States Power Company, Minneapolis, Minnesota	1998
David A. Koch	Chairman, Graco, Inc., Golden Valley, Minnesota	1999

HELENA BRANCH

Appointed by the Federal Reserve Bank		
Ronald D. Scott	President and Chief Executive Officer, The First State Bank of Malta, Malta, Montana	1997
Emil W. Erhardt	Chairman and President, Citizens State Bank, Hamilton, Montana	1998
Sandra M. Stash	Manager, Montana Facilities, Atlantic Richfield Company (ARCO), Anaconda, Montana	1998
Appointed by the Board of Governors		
Matthew J. Quinn	President, Carroll College, Helena, Montana	1997
William P. Underriner	General Manager, Selover Buick Inc., Billings, Montana	1998

DISTRICT 10—KANSAS CITY

Class A		
Samuel P. Baird	President, Farmers State Bank & Trust Co., Superior, Nebraska	1997
William L. McQuillan	President, Chief Executive Officer, and Director, City National Bank, Greeley, Nebraska	1998
Dennis E. Barrett	President, FirstBank Holding Company of Colorado, Lakewood, Colorado	1999
Class B		
Hans Helmerich	President and Chief Executive Officer, Helmerich & Payne, Inc., Tulsa, Oklahoma	1997
Frank A. Potenziani	M & T Trust, Albuquerque, New Mexico	1998
Charles W. Nichols	Managing Partner, Davison & Sons Cattle Company, Arnett, Oklahoma	1999
Class C		
A. Drue Jennings	Chairman, President, and Chief Executive Officer, Kansas City Power & Light Company, Kansas City, Missouri	1997
Jo Marie Dancik	Office Managing Partner, Ernst & Young LLP, Denver, Colorado	1998
Colleen D. Hernandez	Executive Director, Kansas City Neighborhood Alliance, Kansas City, Missouri	1999

DISTRICT 10—KANSAS CITY—Continued

DENVER BRANCH

Appointed by the Federal Reserve Bank

		Term expires December 31
Richard I. Ledbetter	President and Chief Executive Officer, 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
Albert C. Yates	President, Colorado State University, Ft. Collins, Colorado	1998
C.G. Mammel	President and Chief Executive Officer, The Bank of Cherry Creek, N.A., Denver, Colorado	1999

Appointed by the Board of Governors

Kathryn A. Paul	President, Kaiser Permanente, Denver, Colorado	1997
Peter I. Wold	Partner, Wold Oil & Gas Company, Casper, Wyoming	1998
Teresa N. McBride	President and Chief Executive Officer, McBride and Associates, Inc., Albuquerque, New Mexico	1999

OKLAHOMA CITY BRANCH

Appointed by the Federal Reserve Bank

Michael S. Samis	President and Chief Executive Officer, Macklanburg–Duncan Co., Oklahoma City, Oklahoma	1997
Betty Bryant Shaull	President-Elect and Director, Bank of Cushing and Trust Company, Cushing, Oklahoma	1998
Dennis M. Mitchell	President, Citizens Bank of Ardmore, Ardmore, Oklahoma	1998
William H. Braum	President, Braum Ice Cream Co., Oklahoma City, Oklahoma	1999

Appointed by the Board of Governors

Victor R. Schock	President and Chief Executive Officer, Credit Counseling Centers, Tulsa, Oklahoma	1997
Barry L. Eller	Senior Vice President and General Manager, MerCruiser, Stillwater, Oklahoma	1998
Larry W. Brummett	Chairman, President, and Chief Executive Officer, ONEOK, Inc., Tulsa, Oklahoma	1999

OMAHA BRANCH

Appointed by the Federal Reserve Bank

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
Robert L. Peterson	Chairman, President, and Chief Executive Officer, IBP, Inc., Dakota City, Nebraska	1998
Bruce R. Lauritzen	President, First National Bank of Omaha, Omaha, Nebraska	1999

Appointed by the Board of Governors

Arthur L. Shoener	Executive Vice President–Operations, Union Pacific Railroad, Omaha, Nebraska	1997
Gladys Styles Johnston	Chancellor, University of Nebraska at Kearney, Kearney, Nebraska	1998
Bob L. Gottsch	Vice President, Gottsch Feeding Corporation, Hastings, Nebraska	1999

DISTRICT 11—DALLAS

		Term expires December 31
Class A		
Kirk A. McLaughlin	President and Chief Executive Officer, Security Bank, Ralls, Texas	1997
Dudley K. Montgomery	President and Chief Executive Officer, The Security State Bank of Pecos, Pecos, Texas	1998
Gayle M. Earls	President and Chief Executive Officer, Texas Independent Bank, Dallas, Texas	1999
Class B		
Robert C. McNair	Chairman and Chief Executive Officer, Cogen Technologies Energy Group, Houston, Texas	1997
Milton Carroll	Chairman and Chief Executive Officer, Instrument Products, Inc., Houston, Texas	1998
Dan Angel	President, Stephen F. Austin State University, Nacogdoches, Texas	1999
Class C		
Cece Smith	General Partner, Phillips-Smith Specialty Retail Group, Dallas, Texas	1997
Roger R. Hemminghaus	Chairman and Chief Executive Officer, Ultramar Diamond Shamrock Corp., San Antonio, Texas	1998
James A. Martin	Second General Vice President, International Association of Bridge, Structural & Ornamental Iron Workers, Horseshoe Bay, Texas	1999

EL PASO BRANCH

Appointed by the Federal Reserve Bank		
Hugo Bustamante, Jr.	Owner and Chief Executive Officer, CarLube, Inc., ProntoLube, Inc., El Paso, Texas	1997
Lester L. Parker	President and Chief Operating Officer, Bank of the West, El Paso, Texas	1998
James D. Renfrow	President and Chief Executive Officer, The Carlsbad National Bank, Carlsbad, New Mexico	1999
Melissa W. O'Rourke	President, Charlotte's Inc. & Ethan Allen, El Paso, El Paso, Texas	1999
Appointed by the Board of Governors		
Alvin T. Johnson	President, Management Assistance Corporation of America, El Paso, Texas	1997
Beauregard Brite White	Rancher, J.E. White, Jr. & Sons, Marfa, Texas	1998
Patricia Z. Holland-Branch	President and Chief Executive Officer, PZH Contract Design, Inc., El Paso, Texas	1999

HOUSTON BRANCH

Appointed by the Federal Reserve Bank		
Tieman H. Dippel, Jr.	Chairman and President, Brenham Bancshares, Inc., Brenham, Texas	1997
J. Michael Solar	Principal Attorney, Solar & Fernandes L.L.P. Houston, Texas	1998
Judith B. Craven	President, United Way of the Texas Gulf Coast, Houston, Texas	1999
Ray Nesbitt	President, Exxon Chemical Company, Houston, Texas	1999
Appointed by the Board of Governors		
Isaac H. Kempner III	Chairman, Imperial Holly Corporation, Sugar Land, Texas	1997
Edward O. Gaylord	Chairman, EOTT Energy Corp. and General Partner, EOTT Energy Partners L.P., Houston, Texas	1998
Peggy Pearce Caskey	Chief Executive Officer, Laboratories for Genetic Services, Inc., Houston, Texas	1999

DISTRICT 11—DALLAS—Continued

Term expires December 31

SAN ANTONIO BRANCH

Appointed by the Federal Reserve Bank

Calvin R. Weinheimer	President and Chief Operating Officer, Kerrville Communications Corporation, Kerrville, Texas	1997
Richard W. Evans, Jr.	Chairman and Chief Executive Officer, Frost National Bank, San Antonio, Texas	1998
Juliet V. Garcia	President, The University of Texas at Brownsville, Brownsville, Texas	1999
Douglas G. Macdonald	President, South Texas National Bank, Laredo, Texas	1999

Appointed by the Board of Governors

H.B. Zachry, Jr.	Chairman and Chief Executive Officer, H.B. Zachry Company, San Antonio, Texas	1997
Carol L. Thompson	President, The Thompson Group, Austin, Texas	1998
Patty Puig Mueller	Vice President/Finance, Mueller Engineering Corp., Corpus Christi, Texas	1999

DISTRICT 12—SAN FRANCISCO

Class A

Gerry B. Cameron	Chairman and Chief Executive Officer, U.S. Bancorp, Portland, Oregon	1997
Warren K.K. Luke	Vice Chairman, President, and Chief Executive Officer, Hawaii National Bank, Honolulu, Hawaii	1998
E. Lynn Caswell	Vice Chairman, Monarch Bancorp, Laguna Hills, California	1999

Class B

Krestine Corbin	President and Chief Executive Officer, Sierra Machinery, Inc., Sparks, Nevada	1997
Stanley T. Skinner	Chairman and Chief Executive Officer, Pacific Gas and Electric Co., San Francisco, California	1998
Robert S. Attiyeh	Senior Vice President and Chief Financial Officer, Amgen, Inc., Thousand Oaks, California	1999

Class C

Judith M. Runstad	Partner, Foster Pepper & Shefelman, Seattle, Washington	1997
Cynthia A. Parker	Executive Director, Anchorage Neighborhood Housing Services, Inc., Anchorage, Alaska	1998
Gary G. Michael	Chairman and Chief Executive Officer, Albertson's, Inc., Boise, Idaho	1999

LOS ANGELES BRANCH

Appointed by the Federal Reserve Bank

Liam E. McGee	Group Executive Vice President, Bank of America, Los Angeles, California	1997
Antonia Hernandez	President and General Counsel, Mexican American Legal Defense and Educational Fund (MALDEF), Los Angeles, California	1997
Stephen G. Carpenter	Chairman and Chief Executive Officer, California United Bank, Encino, California	1998
John H. Gleason	Senior Vice President, Project Planning & Development, Del Webb Corporation, Phoenix, Arizona	1999

Appointed by the Board of Governors

David L. Moore	President, Western Growers Association, Irvine, California	1997
Anne L. Evans	Chairman, Evans Hotels, San Diego, California	1998
Lori R. Gay	President, Los Angeles Neighborhood Housing, Los Angeles, California	1999

DISTRICT 12—SAN FRANCISCO—Continued

PORTLAND BRANCH

		Term expires December 31
Appointed by the Federal Reserve Bank		
Thomas C. Young	President, Chairman, and Chief Executive Officer, Northwest National Bank, Vancouver, Washington	1997
John D. Eskildsen	President and Chief Executive Officer, U.S. Bank of Oregon, Portland, Oregon	1998
Phyllis A. Bell	President, Oregon Coast Aquarium, Newport, Oregon	1999
Martin Brantley	President and General Manager, KPTV-12, Oregon Television, Inc., Portland, Oregon	1999
Appointed by the Board of Governors		
Patrick Borunda	Executive Director, Oregon Native American Business Network, Portland, Oregon	1997
Carol A. Whipple	Proprietor, Rocking C Ranch, Elkton, Oregon	1998
Nancy Wilgenbusch	President, Marylhurst College, Marylhurst, Oregon	1999

SALT LAKE CITY BRANCH

Appointed by the Federal Reserve Bank		
R.D. Cash	Chairman, President, and Chief Executive Officer, Questar Corporation, Salt Lake City, Utah	1997
Roy C. Nelson	President, Bank of Utah, Ogden, Utah	1998
Maria Garciaz	Executive Director, SL Neighborhood Housing Services, Salt Lake City, Utah	1999
J. Pat McMurray	President, First Security Bank of Idaho, Boise, Idaho	1999
Appointed by the Board of Governors		
Gerald R. Sherratt	President, Southern Utah University, Cedar City, Utah	1997
Richard E. Davis	President and Chief Executive Officer, Salt Lake Convention & Visitors Bureau, Salt Lake City, Utah	1998
Nancy S. Mortensen	Vice President–Marketing Services, ZCMI, Salt Lake City, Utah	1999

SEATTLE BRANCH

Appointed by the Federal Reserve Bank		
Betsy Lawer	Vice Chair and Chief Operating Officer, First National Bank of Anchorage, Anchorage, Alaska	1997
Constance L. Proctor	Partner, Alston, Courtnage, MacAulay & Proctor, Seattle, Washington	1998
Tomio Moriguchi	Chairman and Chief Executive Officer, Uwajimaya, Inc., Seattle, Washington	1999
John V. Rindlaub	Chairman, Seafirst Bank, Seattle, Washington	1999
Appointed by the Board of Governors		
Richard R. Sonstelie	Chairman, Puget Sound Energy, Inc., Bellevue, Washington	1997
Helen M. Rockey	President and Chief Executive Officer, Brooks Sports, Inc., Bothell, Washington	1998
Boyd E. Givan	Senior Vice President and Chief Financial Officer, The Boeing Company, Seattle, Washington	1999

Financial and Business Statistics

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	1996				1996			1997	
	Q1	Q2	Q3	Q4[r]	Oct.[r]	Nov.	Dec.	Jan.	Feb.
Reserves of depository institutions[2]									
1 Total	−7.9	−6.4	−16.4	−16.9	−28.4	−6.2	7.0	−18.3	−8.1
2 Required	−8.5	−5.7	−16.6	−18.3	−27.9	−7.4	−2.4	−13.9	−3.6
3 Nonborrowed	−6.5	−7.6	−17.6	−16.0	−26.7	−4.5	8.5	−15.7	−8.1
4 Monetary base[3]	1.5	3.0	5.4	5.1	3.1	6.3	9.2	3.0	5.9
Concepts of money, liquid assets, and debt[4]									
5 M1	−3.5	−1.4	−6.5	−7.3	−14.3	−.2	1.1	−1.4	.8
6 M2	5.3	4.5	3.4	5.0	4.0	6.8	7.5	5.2	5.1
7 M3	6.6	6.4[r]	5.4	7.8	8.7	6.5[r]	10.1[r]	6.7[r]	10.4
8 L	4.9[r]	6.3	5.5[r]	6.5	4.5	7.4[r]	7.0[r]	4.5	n.a.
9 Debt	5.0	5.8[r]	5.3	5.0	5.3	5.6[r]	4.0[r]	3.3	n.a.
Nontransaction components									
10 In M2[5]	9.3	7.0	7.7	10.2	11.4	9.6	10.0	7.9[r]	6.8
11 In M3 only[6]	11.6[r]	13.9[r]	12.7[r]	18.0	25.7	5.6[r]	19.7[r]	11.8[r]	29.3
Time and savings deposits									
Commercial banks									
12 Savings, including MMDAs	21.6	12.1	12.0	17.0	18.9	18.2	15.2[r]	13.4[r]	8.9
13 Small time[7]	3.3	−1.0	3.8	4.8	4.1	5.3	3.9[r]	1.4[r]	2.0
14 Large time[8,9]	10.3	18.6	18.0	22.3	37.1	5.7[r]	24.5[r]	17.5[r]	34.6
Thrift institutions									
15 Savings, including MMDAs	−2.5	6.5	.2	.8	4.3	−2.6	2.6	4.9[r]	2.9
16 Small time[7]	−2.4	−3.0	−.3	2.1	4.4	−.7	−2.7	.3[r]	1.7
17 Large time[8]	7.8	−3.0	9.0	9.1	6.1	9.1	−3.0[r]	28.8[r]	11.8
Money market mutual funds									
18 Retail	14.6	16.3	16.3	17.2	17.1	15.2	21.6	13.0	13.9
19 Institution-only	21.4	12.0	20.7	19.8	12.2	16.2	30.0	−12.0	36.9
Repurchase agreements and Eurodollars									
20 Repurchase agreements[10]	2.8[r]	16.2[r]	−4.7[r]	2.0	10.5	−5.5[r]	−13.6[r]	16.8[r]	21.5
21 Eurodollars[10]	11.9	10.9	8.5[r]	35.0	64.0	−3.4[r]	48.5[r]	34.7[r]	14.8
Debt components[4]									
22 Federal	3.0	4.7	3.8	3.2	3.8	4.2	2.9	−.6	n.a.
23 Nonfederal	5.7	6.2[r]	5.8	5.6	5.9	6.1[r]	4.5[r]	4.6	n.a.

1. Unless otherwise noted, rates of change are calculated from average amounts outstanding during preceding month or quarter.

2. Figures incorporate adjustments for discontinuities, or "breaks," associated with regulatory changes in reserve requirements. (See also table 1.20.)

3. The seasonally adjusted, break-adjusted monetary base consists of (1) seasonally adjusted, break-adjusted total reserves (line 1), plus (2) the seasonally adjusted currency component of the money stock, plus (3) (for all quarterly reporters on the "Report of Transaction Accounts, Other Deposits and Vault Cash" and for all weekly reporters whose vault cash exceeds their required reserves) the seasonally adjusted, break-adjusted difference between current vault cash and the amount applied to satisfy current reserve requirements.

4. Composition of the money stock measures and debt is as follows.

M1: (1) currency outside the U.S. Treasury, Federal Reserve Banks, and the vaults of depository institutions, (2) travelers checks of nonbank issuers, (3) demand deposits at all commercial banks other than those owed to depository institutions, the U.S. government, and foreign banks and official institutions, less cash items in the process of collection and Federal Reserve float, and (4) other checkable deposits (OCDs), consisting of negotiable order of withdrawal (NOW) and automatic transfer service (ATS) accounts at depository institutions, credit union share draft accounts, and demand deposits at thrift institutions. Seasonally adjusted M1 is computed by summing currency, travelers checks, demand deposits, and OCDs, each seasonally adjusted separately.

M2: M1 plus (1) savings (including MMDAs), (2) small-denomination time deposits (time deposits—including retail RPs—in amounts of less than $100,000), and (3) balances in retail money market mutual funds (money funds with minimum initial investments of less than $50,000). Excludes individual retirement accounts (IRAs) and Keogh balances at depository institutions and money market funds. Seasonally adjusted M2 is calculated by summing savings deposits, small-denomination time deposits, and retail money fund balances, each seasonally adjusted separately, and adding this result to seasonally adjusted M1.

M3: M2 plus (1) large-denomination time deposits (in amounts of $100,000 or more), (2) balances in institutional money funds (money funds with minimum initial investments of $50,000 or more), (3) RP liabilities (overnight and term) issued by all depository institutions, and (4) Eurodollars (overnight and term) held by U.S. residents at foreign branches of U.S. banks worldwide and at all banking offices in the United Kingdom and Canada. Excludes amounts held by depository institutions, the U.S. government, money market funds, and foreign banks and official institutions. Seasonally adjusted M3 is calculated by summing large time deposits, institutional money fund balances, RP liabilities, and Eurodollars, each seasonally adjusted separately, and adding this result to seasonally adjusted M2.

L: M3 plus the nonbank public holdings of U.S. savings bonds, short-term Treasury securities, commercial paper, and bankers acceptances, net of money market fund holdings of these assets. Seasonally adjusted L is computed by summing U.S. savings bonds, short-term Treasury securities, commercial paper, and bankers acceptances, each seasonally adjusted separately, and then adding this result to M3.

Debt: The debt aggregate is the outstanding credit market debt of the domestic nonfinancial sectors—the federal sector (U.S government, not including government-sponsored enterprises or federally related mortgage pools) and the nonfederal sectors (state and local governments, households and nonprofit organizations, nonfinancial corporate and nonfarm noncorporate businesses, and farms). Nonfederal debt consists of mortgages, tax-exempt and corporate bonds, consumer credit, bank loans, commercial paper, and other loans. The data, which are derived from the Federal Reserve Board's flow of funds accounts, are break-adjusted (that is, discontinuities in the data have been smoothed into the series) and month-averaged (that is, the data have been derived by averaging adjacent month-end levels).

5. Sum of (1) savings deposits (including MMDAs), (2) small time deposits, and (3) retail money fund balances, each seasonally adjusted separately.

6. Sum of (1) large time deposits, (2) institutional money fund balances, (3) RP liabilities (overnight and term) issued by depository institutions, and (4) Eurodollars (overnight and term) of U.S. addressees, each seasonally adjusted separately.

7. Small time deposits—including retail RPs—are those issued in amounts of less than $100,000. All IRA and Keogh account balances at commercial banks and thrift institutions are subtracted from small time deposits.

8. Large time deposits are those issued in amounts of $100,000 or more, excluding those booked at international banking facilities.

9. Large time deposits at commercial banks less those held by money market funds, depository institutions, the U.S. government, and foreign banks and official institutions.

10. Includes both overnight and term.

1.11 RESERVES OF DEPOSITORY INSTITUTIONS AND RESERVE BANK CREDIT[1]

Millions of dollars

Factor	Average of daily figures			Average of daily figures for week ending on date indicated						
	1996	1997		1997						
	Dec.	Jan.	Feb.	Jan. 15	Jan. 22	Jan. 29	Feb. 5	Feb. 12	Feb. 19	Feb. 26
SUPPLYING RESERVE FUNDS										
1 Reserve Bank credit outstanding	440,343	437,954[r]	433,962	439,565	434,119[r]	436,183[r]	432,346	432,529	434,441	436,003
U.S. government securities[2]										
2 Bought outright—System account	392,674	391,762	392,105	391,642	391,658	391,955	391,869	391,666	391,882	392,966
3 Held under repurchase agreements	11,332	9,214	6,772	10,447	5,660	7,421	5,482	4,677	7,011	9,431
Federal agency obligations										
4 Bought outright	2,228	2,098	2,034	2,079	2,050	2,038	2,038	2,038	2,038	2,030
5 Held under repurchase agreements	1,031	1,785	1,726	2,342	1,808	1,680	1,248	2,570	1,787	1,153
6 Acceptances	0	0	0	0	0	0	0	0	0	0
Loans to depository institutions										
7 Adjustment credit	114	25	23	26	15	15	13	19	17	36
8 Seasonal credit	67	18	21	17	17	18	17	18	22	24
9 Extended credit	0	0	0	0	0	0	0	0	0	0
10 Float	1,238	1,149[r]	527	845	1,367[r]	803[r]	506	285	455	490
11 Other Federal Reserve assets	31,659	31,903	30,753	32,166	31,545	32,252	31,173	31,255	31,229	29,872
12 Gold stock	11,048	11,048	11,050	11,048	11,048	11,048	11,048	11,049	11,051	11,051
13 Special drawing rights certificate account	9,718	9,636	9,400	9,718	9,718	9,445	9,400	9,400	9,400	9,400
14 Treasury currency outstanding	24,957	25,017	25,076	25,009	25,023	25,037	25,051	25,065	25,079	25,093
ABSORBING RESERVE FUNDS										
15 Currency in circulation	444,554	443,340	441,045	443,904	441,700	439,732	439,056	440,142	442,177	441,907
16 Treasury cash holdings	257	248	262	247	247	249	250	261	262	266
Deposits, other than reserve balances, with Federal Reserve Banks										
17 Treasury	5,749	6,186	4,998	5,512	6,524	7,896	6,207	4,829	5,002	4,425
18 Foreign	178	185	182	182	214	177	166	167	165	210
19 Service-related balances and adjustments	6,975	7,173	7,138	7,205	7,571	7,080	7,172	7,272	7,040	7,078
20 Other	335	331	360	316	349	331	367	391	357	329
21 Other Federal Reserve liabilities and capital	14,412	14,318	14,069	14,495	14,449	14,524	13,521	13,973	14,273	14,393
22 Reserve balances with Federal Reserve Banks[3]	13,607	11,875[r]	11,434	13,480	8,855[r]	11,725[r]	11,106	11,009	10,695	12,941
	End-of-month figures			Wednesday figures						
	Dec.	Jan.	Feb.	Jan. 15	Jan. 22	Jan. 29	Feb. 5	Feb. 12	Feb. 19	Feb. 26
SUPPLYING RESERVE FUNDS										
1 Reserve Bank credit outstanding	451,339	433,767[r]	435,303	441,705	434,666[r]	444,553[r]	430,030	437,112	435,324	443,389
U.S. government securities[2]										
2 Bought outright—System account	390,907	391,728	390,797	389,379	391,872	391,933	391,928	392,223	393,208	393,415
3 Held under repurchase agreements	19,971	7,720	10,778	14,648	4,246	13,926	2,364	8,365	8,390	14,816
Federal agency obligations										
4 Bought outright	2,225	2,038	2,011	2,055	2,038	2,038	2,038	2,038	2,038	2,011
5 Held under repurchase agreements	1,612	1,285	1,626	2,910	1,550	2,530	1,749	3,099	564	2,328
6 Acceptances	0	0	0	0	0	0	0	0	0	0
Loans to depository institutions										
7 Adjustment credit	57	16	8	131	7	65	3	13	8	6
8 Seasonal credit	29	14	29	14	17	15	17	18	23	23
9 Extended credit	0	0	0	0	0	0	0	0	0	0
10 Float	4,296	29[r]	716	401	3,378[r]	784[r]	951	−278	1,525	125
11 Other Federal Reserve assets	32,243	30,937	29,339	32,168	31,558	33,262	30,979	31,635	29,569	30,665
12 Gold stock	11,048	11,048	11,051	11,048	11,048	11,048	11,048	11,050	11,051	11,051
13 Special drawing rights certificate account	9,718	9,400	9,400	9,718	9,718	9,400	9,400	9,400	9,400	9,400
14 Treasury currency outstanding	24,981	25,051	25,107	25,009	25,023	25,037	25,051	25,065	25,079	25,093
ABSORBING RESERVE FUNDS										
15 Currency in circulation	450,663	438,399	441,651	443,070	441,497	439,735	440,090	441,627	442,721	442,666
16 Treasury cash holdings	249	249	280	247	249	249	260	262	264	275
Deposits, other than reserve balances, with Federal Reserve Banks										
17 Treasury	7,742	6,770	5,258	7,521	8,578	9,874	5,350	5,135	5,571	5,229
18 Foreign	167	167	229	171	169	199	162	181	164	188
19 Service-related balances and adjustments	6,887	7,172	7,134	7,205	7,571	7,080	7,172	7,272	7,040	7,078
20 Other	892	359	345	352	339	341	378	383	329	336
21 Other Federal Reserve liabilities and capital	13,829	13,384	14,135	14,432	14,310	14,373	13,347	14,128	14,171	14,263
22 Reserve balances with Federal Reserve Banks[3]	16,656	12,767[r]	11,830	14,481	7,742[r]	18,189[r]	8,768	13,639	10,595	18,898

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									
	1994	1995	1996	1996					1997	
	Dec.	Dec.	Dec.	Aug.	Sept	Oct.	Nov.	Dec.	Jan.[r]	Feb.
1 Reserve balances with Reserve Banks[2]	24,658	20,440	13,395	14,761	13,688	12,800	12,895	13,395	11,710	11,459
2 Total vault cash[3]	40,378	42,094	44,426	42,511	43,652	42,925	42,745	44,426	47,172	43,375
3 Applied vault cash[4]	36,682	37,460	37,848	36,880	37,309	36,749	36,862	37,848	38,932	36,590
4 Surplus vault cash[5]	3,696	4,634	6,578	5,631	6,343	6,175	5,883	6,578	8,240	6,785
5 Total reserves[6]	61,340	57,900	51,243	51,642	50,997	49,550	49,756	51,243	50,642	48,049
6 Required reserves	60,172	56,622	49,819	50,681	49,959	48,556	48,721	49,819	49,419	47,016
7 Excess reserve balances at Reserve Banks[7]	1,168	1,278	1,424	961	1,038	994	1,035	1,424	1,223	1,033
8 Total borrowings at Reserve Banks[8]	209	257	155	334	368	287	214	155	45	42
9 Seasonal borrowings	100	40	68	309	306	212	109	68	19	21
10 Extended credit[9]	0	0	0	0	0	0	0	0	0	0

Reserve classification	Biweekly averages of daily figures for two week periods ending on dates indicated									
	1996				1997					
	Nov. 6	Nov. 20	Dec. 4	Dec. 18	Jan. 1	Jan. 15	Jan. 29[r]	Feb. 12[r]	Feb. 26	Mar. 12
1 Reserve balances with Reserve Banks[2]	12,371	12,914	13,182	12,837	14,063	13,060	10,285	11,052	11,820	11,378
2 Total vault cash[3]	43,032	42,506	42,908	44,684	44,615	46,140	48,679	45,130	41,948	42,836
3 Applied vault cash[4]	37,021	36,768	36,898	37,913	38,070	39,029	39,078	37,673	35,676	36,492
4 Surplus vault cash[5]	6,011	5,738	6,010	6,771	6,545	7,112	9,601	7,458	6,272	6,344
5 Total reserves[6]	49,392	49,682	50,080	50,750	52,132	52,089	49,363	48,724	47,496	47,870
6 Required reserves	48,388	48,678	48,983	49,338	50,595	50,859	48,142	47,688	46,497	46,618
7 Excess reserve balances at Reserve Banks[7]	1,004	1,004	1,097	1,411	1,537	1,230	1,221	1,036	999	1,252
8 Total borrowings at Reserve Banks[8]	161	143	346	112	143	53	32	34	50	35
9 Seasonal borrowings	154	108	86	67	64	18	18	18	23	27
10 Extended credit[9]	0	0	0	0	0	0	0	0	0	0

1. Data in this table also appear in the Board's H.3 (502) weekly statistical release. For ordering address, see inside front cover. Data are not break-adjusted or seasonally adjusted.
2. Excludes required clearing balances and adjustments to compensate for float and includes other off-balance-sheet "as-of" adjustments.
3. Total "lagged" vault cash held by depository institutions subject to reserve requirements. Dates refer to the maintenance periods during which the vault cash may be used to satisfy reserve requirements. The maintenance period for weekly reporters ends sixteen days after the lagged computation period during which the vault cash is held. Before Nov. 25, 1992, the maintenance period ended thirty days after the lagged computation period.
4. All vault cash held during the lagged computation period by "bound" institutions (that is, those whose required reserves exceed their vault cash) plus the amount of vault cash applied during the maintenance period by "nonbound" institutions (that is, those whose vault cash exceeds their required reserves) to satisfy current reserve requirements.
5. Total vault cash (line 2) less applied vault cash (line 3).
6. Reserve balances with Federal Reserve Banks (line 1) plus applied vault cash (line 3).
7. Total reserves (line 5) less required reserves (line 6).
8. Also includes adjustment credit.
9. Consists of borrowing at the discount window under the terms and conditions established for the extended credit program to help depository institutions deal with sustained liquidity pressures. Because there is not the same need to repay such borrowing promptly as with traditional short-term adjustment credit, the money market effect of extended credit is similar to that of nonborrowed reserves.

1.13 SELECTED BORROWINGS IN IMMEDIATELY AVAILABLE FUNDS Large Banks[1]

Millions of dollars, averages of daily figures

Source and maturity	1996	1997							
	Dec. 30	Jan. 6[r]	Jan. 13	Jan. 20	Jan. 27	Feb. 3	Feb. 10	Feb. 17	Feb. 24
Federal funds purchased, repurchase agreements, and other selected borrowings									
From commercial banks in the United States									
1 For one day or under continuing contract	79,414	81,371	77,086	74,812	76,367	78,507	79,164	77,348	77,260
2 For all other maturities	14,794	13,228	14,492	15,048	13,680	13,731	13,701	14,982	14,220
From other depository institutions, foreign banks and official institutions, and U.S. government agencies									
3 For one day or under continuing contract	17,621	20,231	22,186	19,394	18,971	19,884	20,217	18,013	20,629
4 For all other maturities	17,396	15,807	16,252	16,446	17,374	20,299	19,010	18,861	18,902
Repurchase agreements on U.S. government and federal agency securities									
Brokers and nonbank dealers in securities									
5 For one day or under continuing contract	11,918	14,304	11,905	9,531	11,512	12,326	11,504	11,148	11,569
6 For all other maturities	33,095	31,265	36,294	38,712	39,099	41,008	43,389	43,426	36,813
All other customers									
7 For one day or under continuing contract	40,870	42,718	44,455	44,339	43,943	44,386	42,938	42,126	42,181
8 For all other maturities	14,510	13,404	13,421	13,687	14,260	13,601	13,673	13,914	14,237
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	69,786	79,359	71,093	67,421	74,581	71,516	70,211	69,859	69,893
10 To all other specified customers[2]	22,237	23,412	24,138	21,634	20,929	21,777	21,884	20,069	23,489

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 4/4/97	Effective date	Previous rate	On 4/4/97	Effective date	Previous rate	On 4/4/97	Effective date	Previous rate
Boston	5.00	2/1/96	5.25	5.45	3/27/97	5.35	5.95	3/27/97	5.85
New York		1/31/96							
Philadelphia		1/31/96							
Cleveland		1/31/96							
Richmond		2/1/96							
Atlanta		1/31/96							
Chicago		2/1/96							
St. Louis		2/5/96							
Minneapolis		1/31/96							
Kansas City		2/1/96							
Dallas		1/31/96							
San Francisco	5.00	1/31/96	5.25	5.45	3/27/97	5.35	5.95	3/27/97	5.85

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

Effective date	Range (or level)—All F.R. Banks	F.R. Bank of N.Y.
In effect Dec. 31, 1977	6	6
1978—Jan 9	6–6.5	6.5
20	6.5	6.5
May 11	6.5–7	7
12	7	7
July 3	7–7.25	7.25
10	7.25	7.25
Aug. 21	7.75	7.75
Sept. 22	8	8
Oct. 16	8–8.5	8.5
20	8.5	8.5
Nov. 1	8.5–9.5	9.5
3	9.5	9.5
1979—July 20	10	10
Aug 17	10–10.5	10.5
20	10.5	10.5
Sept. 19	10.5–11	11
21	11	11
Oct 8	11–12	12
10	12	12
1980—Feb. 15	12–13	13
19	13	13
May 29	12–13	13
30	12	12
June 13	11–12	11
16	11	11
July 28	10–11	10
29	10	10
Sept. 26	11	11
Nov. 17	12	12
Dec. 5	12–13	13
8	13	13
1981—May 5	13–14	14
8	14	14

Effective date	Range (or level)—All F.R. Banks	F.R. Bank of N.Y.
1981—Nov 2	13–14	13
6	13	13
Dec. 4	12	12
1982—July 20	11.5–12	11.5
23	11.5	11.5
Aug. 2	11–11.5	11
3	11	11
16	10.5	10.5
27	10–10.5	10
30	10	10
Oct. 12	9.5–10	9.5
13	9.5	9.5
Nov. 22	9–9.5	9
26	9	9
Dec. 14	8.5–9	9
15	8.5–9	8.5
17	8.5	8.5
1984—Apr 9	8.5–9	9
13	9	9
Nov 21	8.5–9	8.5
26	8.5	8.5
Dec. 24	8	8
1985—May 20	7.5–8	7.5
24	7.5	7.5
1986—Mar 7	7–7.5	7
10	7	7
Apr. 21	6.5–7	6.5
23	6.5	6.5
July 11	6	6
Aug 21	5.5–6	5.5
22	5.5	5.5
1987—Sept. 4	5.5–6	6
11	6	6

Effective date	Range (or level)—All F.R. Banks	F.R. Bank of N.Y.
1988—Aug. 9	6–6.5	6.5
11	6.5	6.5
1989—Feb. 24	6.5–7	7
27	7	7
1990—Dec. 19	6.5	6.5
1991—Feb. 1	6–6.5	6
4	6	6
Apr 30	5.5–6	5.5
May 2	5.5	5.5
Sept. 13	5–5.5	5
17	5	5
Nov. 6	4.5–5	4.5
7	4.5	4.5
Dec. 20	3.5–4.5	3.5
24	3.5	3.5
1992—July 2	3–3.5	3
7	3	3
1994—May 17	3–3.5	3.5
18	3.5	3.5
Aug 16	3.5–4	4
18	4	4
Nov 15	4–4.75	4.75
17	4.75	4.75
1995—Feb 1	4.75–5.25	5.25
9	5.25	5.25
1996—Jan. 31	5.00–5.25	5.00
Feb 5	5.00	5.00
In effect Apr 4, 1997	5.00	5.00

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

2. Available to help relatively small depository institutions meet regular seasonal needs for funds that arise from a clear pattern of intrayearly movements in their deposits and loans and that cannot be met through special industry lenders. The discount rate on seasonal credit takes into account rates charged by market sources of funds and ordinarily is reestablished on the first business day of each two-week reserve maintenance period; however, it is never less than the discount rate applicable to adjustment credit.

3. May be made available to depository institutions when similar assistance is not reasonably available from other sources, including special industry lenders. Such credit may be provided when exceptional circumstances (including sustained deposit drains, impaired access to money market funds, or sudden deterioration in loan repayment performance) or practices involve only a particular institution, or to meet the needs of institutions experiencing difficulties adjusting to changing market conditions over a longer period (particularly at times of deposit disintermediation). The discount rate applicable to adjustment credit ordinarily is charged on extended-credit loans outstanding less than thirty days; however, at the discretion of the Federal Reserve Bank, this time period may be shortened. Beyond this initial period, a flexible rate somewhat above rates charged on market sources of funds is charged. The rate ordinarily is reestablished on the first business day of each two-week reserve maintenance period, but it is never less than the discount rate applicable to adjustment credit plus 50 basis points.

4. For earlier data, see the following publications of the Board of Governors: *Banking and Monetary Statistics, 1914–1941*, and *1941–1970*; and the *Annual Statistical Digest, 1970–1979*

In 1980 and 1981, the Federal Reserve applied a surcharge to short-term adjustment-credit borrowings by institutions with deposits of $500 million or more that had borrowed in successive weeks or in more than four weeks in a calendar quarter. A 3 percent surcharge was in effect from Mar. 17, 1980, through May 7, 1980. A surcharge of 2 percent was reimposed on Nov 17, 1980; the surcharge was subsequently raised to 3 percent on Dec. 5, 1980, and to 4 percent on May 5, 1981. The surcharge was reduced to 3 percent effective Sept. 22, 1981, and to 2 percent effective Oct. 12, 1981. As of Oct. 1, 1981, the formula for applying the surcharge was changed from a calendar quarter to a moving thirteen-week period The surcharge was eliminated on Nov 17, 1981.

1.15 RESERVE REQUIREMENTS OF DEPOSITORY INSTITUTIONS[1]

Type of deposit	Requirement	
	Percentage of deposits	Effective date
Net transaction accounts[2]		
1 $0 million–$49.3 million[3]	3	1/2/97
2 More than $49.3 million[4]	10	1/2/97
3 Nonpersonal time deposits[5]	0	12/27/90
4 Eurocurrency liabilities[6]	0	12/27/90

1. Required reserves must be held in the form of deposits with Federal Reserve Banks or vault cash. Nonmember institutions may maintain reserve balances with a Federal Reserve Bank indirectly, on a pass-through basis, with certain approved institutions. For previous reserve requirements, see earlier editions of the *Annual Report* or the *Federal Reserve Bulletin* Under the Monetary Control Act of 1980, depository institutions include commercial banks, mutual savings banks, savings and loan associations, credit unions, agencies and branches of foreign banks, and Edge Act corporations.

2. Transaction accounts include all deposits against which the account holder is permitted to make withdrawals by negotiable or transferable instruments, payment orders of withdrawal, or telephone or preauthorized transfers for the purpose of making payments to third persons or others. However, accounts subject to the rules that permit no more than six preauthorized, automatic, or other transfers per month (of which no more than three may be by check, draft, debit card, or similar order payable directly to third parties) are savings deposits, not transaction accounts.

3. The Monetary Control Act of 1980 requires that the amount of transaction accounts against which the 3 percent reserve requirement applies be modified annually by 80 percent of the percentage change in transaction accounts held by all depository institutions, determined as of June 30 of each year. Effective with the reserve maintenance period beginning January 2, 1997, for depository institutions that report weekly, and with the period beginning January 16, 1997, for institutions that report quarterly, the amount was decreased from $52.0 million to $49.3 million.

Under the Garn–St Germain Depository Institutions Act of 1982, the Board adjusts the amount of reservable liabilities subject to a zero percent reserve requirement each year for the succeeding calendar year by 80 percent of the percentage increase in the total reservable liabilities of all depository institutions, measured on an annual basis as of June 30. No corresponding adjustment is made in the event of a decrease. The exemption applies only to accounts that would be subject to a 3 percent reserve requirement. Effective with the reserve maintenance period beginning January 2, 1997, for depository institutions that report weekly, and with the period beginning January 16, 1997, for institutions that report quarterly, the exemption was raised from $4.3 million to $4.4 million.

4. The reserve requirement was reduced from 12 percent to 10 percent on Apr. 2, 1992, for institutions that report weekly, and on Apr. 16, 1992, for institutions that report quarterly.

5. For institutions that report weekly, the reserve requirement on nonpersonal time deposits with an original maturity of less than 1½ years was reduced from 3 percent to 1½ percent for the maintenance period that began Dec 13, 1990, and to zero for the maintenance period that began Dec. 27, 1990. For institutions that report quarterly, the reserve requirement on nonpersonal time deposits with an original maturity of less than 1½ years was reduced from 3 percent to zero on Jan 17, 1991

The reserve requirement on nonpersonal time deposits with an original maturity of 1½ years or more has been zero since Oct. 6, 1983.

6. The reserve requirement on Eurocurrency liabilities was reduced from 3 percent to zero in the same manner and on the same dates as the reserve requirement on nonpersonal time deposits with an original maturity of less than 1½ years (see note 5).

1.17 FEDERAL RESERVE OPEN MARKET TRANSACTIONS[1]

Millions of dollars

Type of transaction and maturity	1994	1995	1996	1996 July	1996 Aug.	1996 Sept.	1996 Oct.	1996 Nov.	1996 Dec.	1997 Jan.
U.S. TREASURY SECURITIES										
Outright transactions (excluding matched transactions)										
Treasury bills										
1 Gross purchases	17,484	10,932	9,901	0	0	0	0	6,502	0	0
2 Gross sales	0	0	0	0	0	0	0	0	0	0
3 Exchanges	376,277	398,487	400,152	32,368	34,271	32,791	38,661	29,037	27,247	40,346
4 Redemptions	0	900	0	0	0	0	0	0	0	0
Others within one year										
5 Gross purchases	1,238	390	1,275	0	1,240	0	0	0	0	0
6 Gross sales	0	0	0	0	0	0	0	0	0	0
7 Maturity shifts	0	0	29,070	2,807	2,780	2,371	1,623	3,818	2,259	2,481
8 Exchanges	−21,444	0	−41,394	−4,415	−3,580	−2,890	−1,770	−5,655	−1,950	−550
9 Redemptions	0	0	2,015	0	0	0	0	0	0	607
One to five years										
10 Gross purchases	9,168	4,966	3,177	0	1,279	0	0	0	0	0
11 Gross sales	0	0	0	0	0	0	0	0	0	0
12 Maturity shifts	−6,004	0	−24,087	−2,807	−1,409	−2,371	−1,623	−2,102	−2,259	−2,481
13 Exchanges	17,801	0	31,458	3,694	1,780	2,890	1,395	2,715	1,950	550
Five to ten years										
14 Gross purchases	3,818	1,239	776	0	297	0	0	0	0	0
15 Gross sales	0	0	0	0	0	0	0	0	0	0
16 Maturity shifts	−3,145	0	−1,531	0	−1,371	0	0	1,716	0	0
17 Exchanges	2,903	0	6,666	721	900	0	375	1,470	0	0
More than ten years										
18 Gross purchases	3,606	3,122	1,965	0	900	0	0	0	0	0
19 Gross sales	0	0	0	0	0	0	0	0	0	0
20 Maturity shifts	−918	0	−20	0	0	0	0	0	0	0
21 Exchanges	775	0	3,270	0	900	0	0	1,470	0	0
All maturities										
22 Gross purchases	35,314	20,649	17,094	0	3,716	0	0	6,502	0	0
23 Gross sales	0	0	0	0	0	0	0	0	0	0
24 Redemptions	2,337	2,376	787	0	0	0	0	0	0	607
Matched transactions										
25 Gross purchases	1,700,836	2,197,736	3,083,315	267,438	265,397	234,992	268,304	227,577	272,117	285,667
26 Gross sales	1,701,309	2,202,030	3,085,685	268,975	264,536	238,036	267,128	226,505	273,872	283,240
Repurchase agreements										
27 Gross purchases	309,276	331,694	457,568	46,151	45,202	36,014	33,836	36,383	85,924	74,422
28 Gross sales	311,898	328,497	450,359	37,779	56,286	33,374	33,020	36,665	73,501	86,673
29 Net change in U.S. Treasury securities	29,882	17,175	21,147	6,836	−6,508	−404	1,993	7,293	10,669	−10,430
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	1,002	1,303	1,637	52	0	27	63	10	12	187
Repurchase agreements										
33 Gross purchases	52,696	36,851	75,354	3,145	8,500	4,536	12,683	9,264	7,796	17,668
34 Gross sales	52,696	36,776	74,842	2,863	7,544	4,436	11,051	9,471	8,947	17,995
35 Net change in federal agency obligations	−1,002	−1,228	−1,125	231	956	73	1,569	−217	−1,163	−514
36 Total net change in System Open Market Account	**28,880**	**15,948**	**20,021**	**7,066**	**−5,552**	**−331**	**3,562**	**7,076**	**9,506**	**−10,944**

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		
	1997					1996	1997	
	Jan 29	Feb. 5	Feb. 12	Feb. 19	Feb. 26	Dec. 31	Jan. 31	Feb. 28
	Consolidated condition statement							
ASSETS								
1 Gold certificate account	11,048	11,048	11,050	11,051	11,051	11,048	11,048	11,051
2 Special drawing rights certificate account	9,400	9,400	9,400	9,400	9,400	9,718	9,400	9,400
3 Coin	676	704	723	730	720	591	703	740
Loans								
4 To depository institutions	80	20	30	31	30	85	30	36
5 Other	0	0	0	0	0	0	0	0
6 Acceptances held under repurchase agreements	0	0	0	0	0	0	0	0
Federal agency obligations								
7 Bought outright	2,038	2,038	2,038	2,038	2,011	2,225	2,038	2,011
8 Held under repurchase agreements	2,530	1,749	3,099	564	2,328	1,612	1,285	1,626
9 **Total U.S. Treasury securities**	**405,859**	**394,292**	**400,588**	**401,598**	**408,231**	**410,878**	**399,448**	**401,575**
10 Bought outright[2]	391,933	391,928	392,223	393,208	393,415	390,907	391,728	390,797
11 Bills	192,279	192,274	192,218	192,079	191,468	190,647	192,074	188,850
12 Notes	150,315	150,315	150,665	151,340	151,665	150,922	150,315	151,665
13 Bonds	49,339	49,339	49,339	49,789	50,282	49,339	49,339	50,282
14 Held under repurchase agreements	13,926	2,364	8,365	8,390	14,816	19,971	7,720	10,778
15 **Total loans and securities**	**410,507**	**398,099**	**405,755**	**404,230**	**412,600**	**414,800**	**402,801**	**405,249**
16 Items in process of collection	6,276	7,737	6,112	10,970	6,272	12,761	4,343	4,404
17 Bank premises	1,236	1,235	1,243	1,243	1,245	1,233	1,235	1,244
Other assets								
18 Denominated in foreign currencies[3]	19,294	18,246	18,253	18,260	18,266	19,264	18,241	17,917
19 All other[4]	12,801	11,587	12,195	10,109	11,187	11,725	11,494	10,203
20 **Total assets**	**471,238**	**458,057**	**464,729**	**465,993**	**470,742**	**481,140**	**459,267**	**460,209**
LIABILITIES								
21 Federal Reserve notes	415,621	416,004	417,546	418,636	418,569	426,522	414,299	417,564
22 **Total deposits**	**35,702**	**22,130**	**27,489**	**24,199**	**32,428**	**33,325**	**27,603**	**24,707**
23 Depository institutions	25,288	16,239	21,790	18,135	26,675	24,524	20,307	18,876
24 U.S. Treasury—General account	9,874	5,350	5,135	5,571	5,229	7,742	6,770	5,258
25 Foreign—Official accounts	199	162	181	164	188	167	167	229
26 Other	341	378	383	329	336	892	359	345
27 Deferred credit items	5,542	6,576	5,566	8,987	5,483	7,464	3,981	3,803
28 Other liabilities and accrued dividends[5]	4,654	4,393	4,722	4,601	4,576	4,732	4,618	4,691
29 **Total liabilities**	**461,519**	**449,103**	**455,323**	**456,423**	**461,055**	**472,043**	**450,501**	**450,765**
CAPITAL ACCOUNTS								
30 Capital paid in	4,692	4,696	4,702	4,704	4,721	4,602	4,676	4,725
31 Surplus	4,496	4,223	4,373	4,445	4,474	4,496	4,083	4,414
32 Other capital accounts	531	35	331	421	492	0	8	305
33 **Total liabilities and capital accounts**	**471,238**	**458,057**	**464,729**	**465,993**	**470,742**	**481,140**	**459,267**	**460,209**
MEMO								
34 Marketable U.S. Treasury securities held in custody for foreign and international accounts	619,362	626,392	625,850	630,961	632,992	618,074	625,260	644,307
	Federal Reserve note statement							
35 Federal Reserve notes outstanding (issued to Banks)	523,096	523,178	523,699	523,596	524,600	526,826	523,455	525,220
36 LESS: Held by Federal Reserve Banks	107,475	107,174	106,153	104,961	106,032	100,304	109,156	107,657
37 Federal Reserve notes, net	415,621	416,004	417,546	418,636	418,569	426,522	414,299	417,564
Collateral held against notes, net								
38 Gold certificate account	11,048	11,048	11,050	11,051	11,051	11,048	11,048	11,051
39 Special drawing rights certificate account	9,400	9,400	9,400	9,400	9,400	9,718	9,400	9,400
40 Other eligible assets	0	0	0	0	0	0	0	0
41 U.S. Treasury and agency securities	395,174	395,556	397,096	398,185	398,118	405,756	393,851	397,112
42 **Total collateral**	**415,621**	**416,004**	**417,546**	**418,636**	**418,569**	**426,522**	**414,299**	**417,564**

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		
	1997					1996	1997	
	Jan. 29	Feb. 5	Feb. 12	Feb. 19	Feb. 26	Dec. 31	Jan. 31	Feb. 28
1 **Total loans**	**80**	**20**	**31**	**31**	**30**	**85**	**30**	**36**
2 Within fifteen days[1]	80	10	18	31	29	75	25	25
3. Sixteen days to ninety days	0	10	13	0	1	11	5	11
4 **Total U.S. Treasury securities**	**405,859**	**394,292**	**400,588**	**401,598**	**408,231**	**410,878**	**399,448**	**390,797**
5 Within fifteen days[1]	28,394	17,943	18,165	22,495	28,428	27,846	16,270	5,442
6 Sixteen days to ninety days	84,017	89,962	90,630	88,839	88,836	89,036	96,790	98,725
7 Ninety-one days to one year	123,110	117,103	122,158	122,057	121,942	122,780	117,103	117,893
8 One year to five years	94,730	93,677	93,677	91,419	91,419	95,607	93,677	91,130
9 Five years to ten years	33,782	33,782	34,132	35,909	36,607	3,782	33,782	36,607
10 More than ten years	41,826	41,826	41,826	40,880	41,000	41,826	41,826	41,000
11 **Total federal agency obligations**	**4,568**	**3,787**	**5,137**	**2,602**	**4,339**	**3,837**	**3,323**	**2,011**
12 Within fifteen days[1]	2,691	1,749	3,126	911	2,648	2,062	1,446	320
13 Sixteen days to ninety days	650	802	775	455	455	541	679	455
14 Ninety-one days to one year	226	235	245	245	245	232	197	245
15 One year to five years	520	520	510	510	510	520	520	510
16 Five years to ten years	457	457	457	457	457	457	457	457
17 More than ten years	25	25	25	25	25	25	25	25

1. Holdings under repurchase agreements are classified as maturing within fifteen days in accordance with maximum maturity of the agreements.

NOTE. Total acceptances data have been deleted from this table because data are no longer available.

1.20 AGGREGATE RESERVES OF DEPOSITORY INSTITUTIONS AND MONETARY BASE[1]

Billions of dollars, averages of daily figures

Item	1993 Dec.	1994 Dec.	1995 Dec.	1996 Dec.	1996 July	1996 Aug.	1996 Sept.	1996 Oct.	1996 Nov.	1996 Dec.	1997 Jan.	1997 Feb.
ADJUSTED FOR CHANGES IN RESERVE REQUIREMENTS[2]	Seasonally adjusted											
1 Total reserves[3]	60.52	59.36	56.36	50.17	53.20	52.27	51.35	50.14	49.88	50.17	49.40	49.07
2 Nonborrowed reserves[4]	60.44	59.16	56.11	50.01	52.83	51.94	50.98	49.85	49.66	50.01	49.36	49.03
3 Nonborrowed reserves plus extended credit[5]	60.44	59.16	56.11	50.01	52.83	51.94	50.98	49.85	49.66	50.01	49.36	49.03
4 Required reserves	59.46	58.20	55.09	48.74	52.13	51.31	50.31	49.14	48.84	48.74	48.18	48.04
5 Monetary base[6]	386.93	418.53	434.61	452.92	442.24	444.16	445.99	447 12	449 47	452.92	454.05	456.28
	Not seasonally adjusted											
6 Total reserves[7]	62.37	61.13	58.02	51.61	53.05	51.88	51.27	49.85	50.08	51.61	50.67	48.14
7 Nonborrowed reserves	62.29	60.92	57.76	51.45	52.69	51.55	50.90	49.56	49.87	51 45	50.63	48.10
8 Nonborrowed reserves plus extended credit[5]	62.29	60.92	57.76	51.45	52.69	51.55	50.90	49.56	49.87	51.45	50.63	48.10
9 Required reserves[8]	61.31	59.96	56.74	50.18	51.99	50.92	50.23	48.85	49.05	50.18	49.45	47.11
10 Monetary base[9]	390.59	422.51	439.03	456.80	443.22	444.58	445.55	445.44	449.27	456.80	455.56[r]	452.58
NOT ADJUSTED FOR CHANGES IN RESERVE REQUIREMENTS[10]												
11 Total reserves[11]	62.86	61.34	57.90	51.24	52.84	51.64	51.00	49.55	49.76	51.24	50.64	48.05
12 Nonborrowed reserves	62.78	61 13	57.64	51.09	52.48	51.31	50.63	49.26	49.54	51.09	50.60	48.01
13 Nonborrowed reserves plus extended credit[5]	62.78	61.13	57.64	51.09	52.48	51.31	50.63	49.26	49.54	51.09	50.60	48.01
14 Required reserves	61.80	60.17	56.62	49.82	51.78	50.68	49.96	48.56	48.72	49.82	49 42	47.02
15 Monetary base[12]	397.62	427.25	444.45	463 49	449.29	450.77	451.72	451.91	455.90	463 49	462.71[r]	459.65
16 Excess reserves[13]	1.06	1 17	1.28	1 42	1.07	.96	1.04	.99	1.04	1.42	1.22[r]	1.03
17 Borrowings from the Federal Reserve	.08	.21	.26	.16	.37	.33	.37	.29	.21	.16	.05	.04

1. Latest monthly and biweekly figures are available from the Board's H.3 (502) weekly statistical release. Historical data starting in 1959 and estimates of the effect on required reserves of changes in reserve requirements are available from the Money and Reserves Projections Section, Division of Monetary Affairs, Board of Governors of the Federal Reserve System, Washington, DC 20551.

2. Figures reflect adjustments for discontinuities, or "breaks," associated with regulatory changes in reserve requirements. (See also table 1.10.)

3. Seasonally adjusted, break-adjusted total reserves equal seasonally adjusted, break-adjusted required reserves (line 4) plus excess reserves (line 16).

4. Seasonally adjusted, break-adjusted nonborrowed reserves equal seasonally adjusted, break-adjusted total reserves (line 1) less total borrowings of depository institutions from the Federal Reserve (line 17).

5. Extended credit consists of borrowing at the discount window under the terms and conditions established for the extended credit program to help depository institutions deal with sustained liquidity pressures. Because there is not the same need to repay such borrowing promptly as with traditional short-term adjustment credit, the money market effect of extended credit is similar to that of nonborrowed reserves.

6. The seasonally adjusted, break-adjusted monetary base consists of (1) seasonally adjusted, break-adjusted total reserves (line 1), plus (2) the seasonally adjusted currency component of the money stock, plus (3) (for all quarterly reporters on the "Report of Transaction Accounts, Other Deposits and Vault Cash" and for all those weekly reporters whose vault cash exceeds their required reserves) the seasonally adjusted, break-adjusted difference between current vault cash and the amount applied to satisfy current reserve requirements.

7. Break-adjusted total reserves equal break-adjusted required reserves (line 9) plus excess reserves (line 16).

8. To adjust required reserves for discontinuities that are due to regulatory changes in reserve requirements, a multiplicative procedure is used to estimate what required reserves would have been in past periods had current reserve requirements been in effect. Break-adjusted required reserves include required reserves against transactions deposits and nonpersonal time and savings deposits (but not reservable nondeposit liabilities).

9. The break-adjusted monetary base equals (1) break-adjusted total reserves (line 6), plus (2) the (unadjusted) currency component of the money stock, plus (3) (for all quarterly reporters on the "Report of Transaction Accounts, Other Deposits and Vault Cash" and for all those weekly reporters whose vault cash exceeds their required reserves) the break-adjusted difference between current vault cash and the amount applied to satisfy current reserve requirements.

10. Reflects actual reserve requirements, including those on nondeposit liabilities, with no adjustments to eliminate the effects of discontinuities associated with regulatory changes in reserve requirements.

11. Reserve balances with Federal Reserve Banks plus vault cash used to satisfy reserve requirements

12. The monetary base, not break-adjusted and not seasonally adjusted, consists of (1) total reserves (line 11), plus (2) required clearing balances and adjustments to compensate for float at Federal Reserve Banks, plus (3) the currency component of the money stock, plus (4) (for all quarterly reporters on the "Report of Transaction Accounts, Other Deposits and Vault Cash" and for all those weekly reporters whose vault cash exceeds their required reserves) the difference between current vault cash and the amount applied to satisfy current reserve requirements. Since the introduction of contemporaneous reserve requirements in February 1984, currency and vault cash figures have been measured over the computation periods ending on Mondays.

13. Unadjusted total reserves (line 11) less unadjusted required reserves (line 14).

1.21 MONEY STOCK, LIQUID ASSETS, AND DEBT MEASURES[1]

Billions of dollars, averages of daily figures

Item	1993 Dec.	1994 Dec.	1995 Dec.	1996 Dec.[r]	1996[r] Nov.	1996[r] Dec.	1997 Jan.[r]	1997 Feb.
	Seasonally adjusted							
Measures[2]								
1 M1	1,129.8	1,150.7	1,129.0	1,081.0	1,080.0	1,081.0	1,079.7	1,080.4
2 M2	3,486.6	3,502.1	3,655.0	3,833.1	3,809.4	3,833.1	3,849.8	3,866.1
3 M3	4,254.4	4,328.7	4,594.8	4,925.2	4,883.9	4,925.2	4,952.7	4,995.8
4 L	5,167.8[r]	5,309.8[r]	5,700.3[r]	6,055.1	6,020.0	6,055.1	6,078.0	n.a.
5 Debt	12,514.6[r]	13,156.4[r]	13,875.3[r]	14,626.3	14,577.3	14,626.3	14,666.4	n.a.
M1 components								
6 Currency[3]	322.2	354.4	372.6	395.2	392.5	395.2	397.0	400.5
7 Travelers checks[4]	7.9	8.5	8.9	8.6	8.6	8.6	8.6	8.6
8 Demand deposits[5]	385.2	384.1	391.1	402.5	402.1	402.5	401.7	404.3
9 Other checkable deposits[6]	414.5	403.8	356.5	274.8	276.8	274.8	272.4	267.0
Nontransaction components								
10 In M2[7]	2,356.8	2,351.4	2,526.0	2,752.1	2,729.4	2,752.1	2,770.2	2,785.8
11 In M3 only[8]	767.8	826.6	939.8	1,092.1	1,074.5	1,092.1	1,102.8	1,129.7
Commercial banks								
12 Savings deposits, including MMDAs	785.2	752.4	776.0	903.9	892.6	903.9	914.0	920.8
13 Small time deposits[9]	468.3	503.2	576.0	592.0	590.1	592.0	592.7	593.7
14 Large time deposits[10, 11]	271.9	298.4	344.7	410.5	402.3	410.5	416.5	428.5
Thrift institutions								
15 Savings deposits, including MMDAs	434.0	397.2	361.1	367.1	366.3	367.1	368.6	369.5
16 Small time deposits[9]	314.3	314.3	357.7	352.4	353.2	352.4	352.5	353.0
17 Large time deposits[10]	61.5	64.7	75.1	79.2	79.4	79.2	81.1	81.9
Money market mutual funds								
18 Retail	354.9	384.3	455.2	536.6	527.1	536.6	542.4	548.7
19 Institution-only	209.5	198.5	246.9	299.3	292.0	299.3	296.3	305.4
Repurchase agreements and Eurodollars								
20 Repurchase agreements[12]	158.6	182.9	182.1	192.5	194.7	192.5	195.2	198.7
21 Eurodollars[12]	66.4	82.1	91.0	110.6	106.3	110.6	113.8	115.2
Debt components								
22 Federal debt	3,323.3	3,492.2	3,638.8	3,780.4	3,771.4	3,780.4	3,778.6	n.a.
23 Nonfederal debt	9,191.2[r]	9,664.2[r]	10,236.6[r]	10,846.0	10,805.9	10,846.0	10,887.8	n.a.
	Not seasonally adjusted							
Measures[2]								
24 M1	1,153.7	1,174.4	1,152.8	1,103.0	1,085.2	1,103.0	1,085.9	1,066.2
25 M2	3,506.6	3,522.5	3,675.3	3,851.5	3,812.3	3,851.5	3,851.5	3,850.4
26 M3	4,274.8	4,348.8	4,614.3	4,942.2	4,892.0	4,942.2	4,958.3	4,986.9
27 L	5,197.7	5,340.2	5,732.2	6,083.4	6,030.2	6,083.4	6,090.7	n.a.
28 Debt	12,516.6[r]	13,158.0[r]	13,875.8[r]	14,625.7	14,558.9	14,625.7	14,646.4	n.a.
M1 components								
29 Currency[3]	324.8	357.5	376.2	397.9	392.9	397.9	395.6	397.7
30 Travelers checks[4]	7.6	8.1	8.5	8.3	8.4	8.3	8.2	8.3
31 Demand deposits[5]	401.8	400.3	407.3	418.8	407.6	418.8	405.6	394.7
32 Other checkable deposits[6]	419.4	408.6	360.8	278.0	276.3	278.0	276.4	265.5
Nontransaction components								
33 In M2[7]	2,352.9	2,348.1	2,522.6	2,748.5	2,727.1	2,748.5	2,765.6	2,784.2
34 In M3 only[8]	768.2	826.3	939.0	1,090.7	1,079.7	1,090.7	1,106.7	1,136.5
Commercial banks								
35 Savings deposits, including MMDAs	784.3	751.7	775.3	902.9	894.5	902.9	908.9	915.1
36 Small time deposits[9]	466.8	501.5	573.8	589.8	588.6	589.8	592.0	594.2
37 Large time deposits[10, 11]	272.0	298.9	345.7	412.0	406.9	412.0	412.9	426.8
Thrift institutions								
38 Savings deposits, including MMDAs	433.4	396.8	360.8	366.7	367.1	366.7	366.5	367.2
39 Small time deposits[9]	313.3	313.2	356.3	351.1	352.3	351.1	352.1	353.2
40 Large time deposits[10]	61.5	64.8	75.4	79.5	80.3	79.5	80.4	81.6
Money market mutual funds								
41 Retail	355.0	385.0	456.3	538.1	524.6	538.1	546.2	554.6
42 Institution-only	210.6	199.8	248.2	300.5	292.6	300.5	304.8	315.5
Repurchase agreements and Eurodollars								
43 Repurchase agreements[12]	156.6	179.6	178.0	187.4	193.5	187.4	193.2	196.1
44 Eurodollars[12]	67.6	83.2	91.8	111.4	106.5	111.4	115.5	116.5
Debt components								
45 Federal debt	3,329.5	3,499.0	3,645.9	3,787.9	3,771.4	3,787.9	3,773.4	n.a.
46 Nonfederal debt	9,187.1[r]	9,659.0[r]	10,229.8[r]	10,837.8	10,787.6	10,837.8	10,873.1	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) savings deposits (including MMDAs), (2) small-denomination time deposits (time deposits—including retail RPs—in amounts of less than $100,000), and (3) balances in retail money market mutual funds (money funds with minimum initial investments of less than $50,000). Excludes individual retirement accounts (IRAs) and Keogh balances at depository institutions and money market funds. Seasonally adjusted M2 is calculated by summing savings deposits, small-denomination time deposits, and retail money fund balances, each seasonally adjusted separately, and adding this result to seasonally adjusted M1.

M3: M2 plus (1) large-denomination time deposits (in amounts of $100,000 or more) issued by all depository institutions, (2) balances in institutional money funds (money funds with minimum initial investments of $50,000 or more), (3) RP liabilities (overnight and term) issued by all depository institutions, and (4) Eurodollars (overnight and term) held by U.S. residents at foreign branches of U.S. banks worldwide and at all banking offices in the United Kingdom and Canada. Excludes amounts held by depository institutions, the U.S. government, money market funds, and foreign banks and official institutions. Seasonally adjusted M3 is calculated by summing large time deposits, institutional money fund balances, RP liabilities, and Eurodollars, each seasonally adjusted separately, and adding this result to seasonally adjusted M2.

L: M3 plus the nonbank public holdings of U.S. savings bonds, short-term Treasury securities, commercial paper, and bankers acceptances, net of money market fund holdings of these assets. Seasonally adjusted L is computed by summing U.S. savings bonds, short-term Treasury securities, commercial paper, and bankers acceptances, each seasonally adjusted separately, and then adding this result to M3.

Debt: The debt aggregate is the outstanding credit market debt of the domestic nonfinancial sectors—the federal sector (U.S. government, not including government-sponsored enterprises or federally related mortgage pools) and the nonfederal sectors (state and local governments, households and nonprofit organizations, nonfinancial corporate and nonfarm noncorporate businesses, and farms). Nonfederal debt consists of mortgages, tax-exempt and corporate bonds, consumer credit, bank loans, commercial paper, and other loans. The data, which are derived from the Federal Reserve Board's flow of funds accounts, are break-adjusted (that is, discontinuities in the data have been smoothed into the series) and month-averaged (that is, the data have been derived by averaging adjacent month-end levels).

3. Currency outside the U.S. Treasury, Federal Reserve Banks, and vaults of depository institutions.

4. Outstanding amount of U.S. dollar-denominated travelers checks of nonbank issuers. Travelers checks issued by depository institutions are included in demand deposits.

5. Demand deposits at commercial banks and foreign-related institutions other than those owed to depository institutions, the U.S. government, and foreign banks and official institutions, less cash items in the process of collection and Federal Reserve float.

6. Consists of NOW and ATS account balances at all depository institutions, credit union share draft account balances, and demand deposits at thrift institutions.

7. Sum of (1) savings deposits (including MMDAs), (2) small time deposits, and (3) retail money fund balances.

8. Sum of (1) large time deposits, (2) institutional money fund balances, (3) RP liabilities (overnight and term) issued by depository institutions, and (4) Eurodollars (overnight and term) of U.S. addressees.

9. Small time deposits—including retail RPs—are those issued in amounts of less than $100,000. All IRAs and Keogh accounts at commercial banks and thrift institutions are subtracted from small time deposits.

10. Large time deposits are those issued in amounts of $100,000 or more, excluding those booked at international banking facilities.

11. Large time deposits at commercial banks less those held by money market funds, depository institutions, the U.S. government, and foreign banks and official institutions.

12. Includes both overnight and term.

1.22 DEPOSIT INTEREST RATES AND AMOUNTS OUTSTANDING Commercial and BIF-insured saving banks[1]

Item	1995 Dec	1996 Dec	1996 June	July	Aug.	Sept	Oct	Nov.	Dec.	1997 Jan.[r]	Feb.
	Interest rates (annual effective yields)										
INSURED COMMERCIAL BANKS											
1 Negotiable order of withdrawal accounts[2]	1.91	n.a.	1.89	1.90	1.91	1.90	1.91	1.98	n.a.	n.a.	n.a.
2 Savings deposits[2,3]	3.10	n.a.	2.87	2.88	2.86	2.84	2.85	2.85	n.a.	n.a.	n.a.
Interest-bearing time deposits with balances of less than $100,000, by maturity											
3 7 to 91 days	4.10	4.03	4.08	4.13	4.17	4.11	4.11	4.08	4.03	4.03	4.04
4 92 to 182 days	4.68	4.63	4.55	4.59	4.60	4.61	4.60	4.60	4.63	4.63	4.62
5 183 days to 1 year	5.02	5.00	4.95	5.00	5.00	5.04	5.02	4.99	5.00	5.01	5.02
6 More than 1 year to 2½ years	5.17	5.22	5.18	5.25	5.25	5.29	5.27	5.23	5.22	5.25	5.27
7 More than 2½ years	5.40	5.46	5.46	5.50	5.50	5.54	5.52	5.48	5.46	5.49	5.51
BIF-INSURED SAVINGS BANKS[4]											
8 Negotiable order of withdrawal accounts[2]	1.91	n.a.	1.80	1.81	1.81	1.84	1.90	1.92	n.a.	n.a.	n.a.
9 Savings deposits[2,3]	2.98	n.a.	2.86	2.88	2.86	2.84	2.80	2.82	n.a.	n.a	n.a.
Interest-bearing time deposits with balances of less than $100,000, by maturity											
10 7 to 91 days	4.43	4.66	4.54	4.64	4.64	4.59	4.64	4.67	4.66	4.75	4.73
11 92 to 182 days	4.95	5.02	4.91	5.01	5.06	5.11	5.08	5.03	5.02	5.05	5.04
12 183 days to 1 year	5.18	5.28	5.02	5.09	5.26	5.33	5.32	5.29	5.28	5.31	5.31
13 More than 1 year to 2½ years	5.33	5.53	5.35	5.41	5.59	5.61	5.60	5.56	5.53	5.58	5.59
14 More than 2½ years	5.46	5.72	5.51	5.60	5.80	5.82	5.79	5.76	5.72	5.77	5.78
	Amounts outstanding (millions of dollars)										
INSURED COMMERCIAL BANKS											
15 Negotiable order of withdrawal accounts[2]	248,417	n.a.	201,037	204,980	190,696	190,033	188,803	167,503	n.a.	n.a.	n.a.
16 Savings deposits[2,3]	776,466	n.a.	838,385	835,033	860,719	852,336	859,524	896,820	n.a.	n.a.	n.a.
17 Personal	615,113	n.a.	667,802	662,465	683,081	675,576	680,596	713,672	n.a.	n.a.	n.a.
18 Nonpersonal	161,353	n.a.	170,583	172,568	177,638	176,759	178,928	183,148	n.a.	n.a.	n.a.
Interest-bearing time deposits with balances of less than $100,000, by maturity											
19 7 to 91 days	32,170	32,929	31,483	31,690	32,907	32,695	32,428	32,044	32,929	32,776	32,904
20 92 to 182 days	93,941	92,296	94,654	93,941	91,235	91,167	91,195	92,503	92,296	94,915	95,201
21 183 days to 1 year	183,834	201,441	194,900	197,108	200,038	200,008	199,397	201,281	201,441	201,398	202,185
22 More than 1 year to 2½ years	208,601	213,198	209,390	208,906	209,618	211,234	213,012	214,405	213,198	213,771	213,128
23 More than 2½ years	199,002	199,911	198,935	198,224	199,755	198,324	199,126	198,539	199,911	197,998	197,736
24 IRA and Keogh plan deposits	150,067	151,364	151,690	150,873	151,048	151,309	151,276	151,389	151,364	150,717	150,819
BIF-INSURED SAVINGS BANKS[4]											
25 Negotiable order of withdrawal accounts[2]	11,918	n.a.	11,255	10,889	10,682	9,838	9,938	9,710	n.a.	n.a	n.a.
26 Savings deposits[2,3]	68,643	n.a.	66,938	66,854	67,431	67,980	67,975	68,102	n.a.	n.a.	n.a.
27 Personal	65,366	n.a.	63,642	63,557	63,927	64,425	64,326	64,369	n.a.	n.a.	n.a.
28 Nonpersonal	3,277	n.a.	3,296	3,296	3,504	3,555	3,649	3,733	n.a.	n.a.	n.a.
Interest-bearing time deposits with balances of less than $100,000, by maturity											
29 7 to 91 days	2,001	2,426	2,229	2,368	2,316	2,540	2,503	2,405	2,426	2,539	2,532
30 92 to 182 days	12,140	13,008	13,725	13,587	13,440	13,474	13,300	13,074	13,008	13,100	13,073
31 183 days to 1 year	25,686	28,800	27,950	28,506	29,339	29,383	29,659	29,329	28,800	29,479	29,446
32 More than 1 year to 2½ years	27,482	29,098	25,513	26,132	26,199	27,192	28,063	28,573	29,098	29,151	29,688
33 More than 2½ years	22,866	22,253	22,593	22,563	22,477	22,348	22,156	21,823	22,253	21,814	21,855
34 IRA and Keogh plan accounts	21,408	20,469	21,116	21,051	21,052	21,002	20,983	20,627	20,469	20,223	20,242

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. Owing to statistical difficulties associated in part with the implementation of sweep accounts, estimates for NOW and savings accounts are not available beginning December 1996.

3. Includes personal and nonpersonal money market deposits.

4. Includes both mutual and federal savings banks.

1.26 COMMERCIAL BANKS IN THE UNITED STATES Assets and Liabilities[1]

A. All commercial banks

Billions of dollars

Account	Monthly averages								Wednesday figures			
	1996	1996[r]					1997		1997			
	Feb.	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.[r]	Feb.	Feb. 5	Feb. 12	Feb. 19	Feb. 26
	Seasonally adjusted											
Assets												
1 Bank credit	3,645.6	3,674.4	3,693.0	3,718.9	3,743.3	3,770.6	3,806.1	3,845.7	3,834.1	3,841.8	3,852.1	3,849.5
2 Securities in bank credit	1,000.1	972.1	968.9	970.3	982.2	992.4	1,005.8	1,022.5	1,019.8	1,024.3	1,027.7	1,019.9
3 U.S. government securities	710.9	702.2	703.3	703.8	707.8	707.3	706.1	703.2	705.6	705.2	700.7	702.2
4 Other securities	289.2	269.9	265.5	266.5	274.3	285.1	299.7	319.3	314.2	319.1	327.0	317.8
5 Loans and leases in bank credit[2]	2,645.5	2,702.3	2,724.1	2,748.5	2,761.2	2,778.2	2,800.3	2,823.2	2,814.4	2,817.5	2,824.4	2,829.6
6 Commercial and industrial	724.2	746.8	761.0	770.8	776.4	787.2	791.1	800.8	795.1	797.3	803.2	804.9
7 Real estate	1,090.9	1,109.4	1,112.2	1,116.1	1,120.7	1,125.8	1,131.7	1,137.5	1,135.6	1,137.6	1,136.8	1,137.5
8 Revolving home equity	79.7	80.5	81.2	83.2	84.1	85.3	85.8	86.4	86.2	86.2	86.4	86.6
9 Other	1,011.2	1,028.9	1,031.0	1,032.8	1,036.6	1,040.6	1,045.9	1,051.1	1,049.4	1,051.4	1,050.5	1,050.9
10 Consumer	497.4	512.8	515.7	518.2	518.8	519.0	521.2	520.7	520.1	520.1	521.6	521.7
11 Security[3]	87.6	72.3	73.8	76.6	77.4	79.0	82.5	83.8	86.4	84.3	81.3	82.9
12 Other loans and leases	245.4	261.0	261.4	266.9	267.8	267.1	273.8	280.4	277.2	278.2	281.5	282.6
13 Interbank loans	191.9	197.6	205.3	203.9	212.4	204.6	198.1	204.1	204.9	201.8	201.8	206.0
14 Cash assets[4]	219.2	223.3	224.2	226.2	232.9	232.3	232.0	231.6	226.8	228.9	239.0	229.3
15 Other assets[5]	233.7	257.8	260.0	254.2	261.9	271.4	266.3	278.6	268.6	275.1	280.9	283.7
16 **Total assets**[6]	**4,233.8**	**4,295.7**	**4,323.7**	**4,338.2**	**4,385.7**	**4,414.4**	**4,438.6**	**4,498.6**	**4,470.7**	**4,484.0**	**4,509.5**	**4,512.3**
Liabilities												
17 Deposits	2,678.6	2,751.0	2,772.3	2,782.4	2,822.9	2,859.2	2,876.4	2,901.5	2,901.5	2,885.5	2,920.9	2,886.5
18 Transaction	764.7	733.3	725.4	715.3	719.8	719.1	715.2	706.3	711.8	696.3	725.4	693.9
19 Nontransaction	1,913.9	2,017.6	2,046.9	2,067.0	2,103.1	2,140.1	2,161.2	2,195.2	2,189.7	2,189.2	2,195.5	2,192.6
20 Large time	427.3	458.8	471.8	480.1	490.6	509.4	520.1	535.6	531.4	532.9	537.6	537.4
21 Other	1,486.7	1,558.8	1,575.1	1,586.9	1,612.6	1,630.6	1,641.1	1,659.5	1,658.3	1,656.3	1,657.9	1,655.2
22 Borrowings	694.3	701.5	706.4	688.3	708.6	707.3	728.0	744.3	742.5	756.1	740.1	736.7
23 From banks in the U.S.	295.2	290.1	295.4	290.3	303.1	308.3	305.1	311.4	315.1	325.2	306.5	295.6
24 From others	399.1	411.4	411.0	398.0	405.5	399.1	422.8	432.9	427.3	430.8	433.6	441.1
25 Net due to related foreign offices	270.6	247.7	251.0	244.3	238.1	231.2	222.1	218.0	221.3	226.0	211.2	217.6
26 Other liabilities	233.4	222.2	221.8	243.8	253.2	260.7	269.3	287.7	280.1	290.0	294.3	283.7
27 **Total liabilities**	**3,876.9**	**3,922.4**	**3,951.5**	**3,958.7**	**4,022.8**	**4,058.5**	**4,095.7**	**4,151.6**	**4,145.3**	**4,157.5**	**4,166.5**	**4,124.5**
28 Residual (assets less liabilities)[7]	356.8	373.3	372.3	379.5	362.9	355.9	342.9	347.0	325.4	326.5	343.0	387.8
	Not seasonally adjusted											
Assets												
29 Bank credit	3,638.5	3,675.6	3,695.4	3,720.6	3,747.6	3,769.4	3,804.4	3,838.5	3,833.1	3,839.9	3,840.6	3,834.9
30 Securities in bank credit	996.3	976.5	969.5	970.2	980.8	978.4	997.0	1,019.1	1,016.1	1,023.2	1,022.0	1,013.9
31 U.S. government securities	708.7	704.5	704.4	704.4	708.3	703.1	700.1	701.9	702.7	704.5	699.5	700.4
32 Other securities	287.6	271.9	265.1	265.8	272.6	275.2	296.9	317.2	313.4	318.8	322.5	313.6
33 Loans and leases in bank credit[2]	2,642.2	2,699.1	2,725.8	2,750.4	2,766.8	2,791.0	2,807.5	2,819.4	2,817.0	2,816.7	2,818.5	2,820.9
34 Commercial and industrial	723.8	743.0	755.9	767.1	774.5	784.2	788.8	800.4	794.9	796.9	801.9	804.8
35 Real estate	1,087.8	1,110.9	1,115.2	1,119.2	1,125.0	1,130.7	1,133.7	1,134.4	1,135.1	1,136.7	1,132.6	1,132.1
36 Revolving home equity	79.3	80.8	81.8	83.7	84.6	85.4	85.8	86.0	85.9	86.0	86.0	86.1
37 Other	1,008.6	1,030.1	1,033.4	1,035.4	1,040.4	1,045.3	1,047.9	1,048.4	1,049.2	1,050.8	1,046.7	1,046.1
38 Consumer	498.1	513.1	517.9	518.4	519.2	523.8	526.8	521.4	523.0	521.9	522.3	520.8
39 Security[3]	88.9	70.8	73.0	76.5	78.8	80.3	81.7	84.9	86.5	85.1	82.7	84.4
40 Other loans and leases	243.6	261.3	263.8	269.2	269.2	272.1	276.4	278.3	277.6	276.0	279.0	278.8
41 Interbank loans	196.1	192.9	199.6	198.6	216.7	213.9	207.9	208.5	215.4	208.9	205.4	203.7
42 Cash assets[4]	220.1	212.3	221.5	227.1	239.9	248.6	242.4	232.8	223.5	220.7	252.1	232.9
43 Other assets[5]	234.1	260.8	262.5	251.7	260.6	271.3	266.9	278.4	272.6	274.8	279.0	282.2
44 **Total assets**[6]	**4,232.2**	**4,284.1**	**4,319.9**	**4,333.1**	**4,399.8**	**4,438.4**	**4,457.7**	**4,496.7**	**4,480.9**	**4,480.6**	**4,512.6**	**4,497.6**
Liabilities												
45 Deposits	2,664.3	2,740.4	2,772.8	2,787.1	2,840.0	2,891.4	2,880.2	2,886.4	2,890.6	2,866.0	2,909.1	2,865.9
46 Transaction	757.0	720.4	723.9	713.0	730.0	752.2	726.6	699.3	708.2	684.1	723.8	682.9
47 Nontransaction	1,907.3	2,020.0	2,048.9	2,074.1	2,110.0	2,139.2	2,153.6	2,187.1	2,182.4	2,181.9	2,185.3	2,183.0
48 Large time	426.4	459.1	469.8	485.6	495.1	509.6	516.8	533.5	528.0	531.2	533.9	537.0
49 Other	1,480.9	1,560.9	1,579.2	1,588.5	1,615.0	1,629.6	1,636.9	1,653.6	1,654.4	1,650.7	1,651.4	1,646.0
50 Borrowings	684.4	707.2	710.7	680.6	698.4	699.7	722.2	728.0	729.1	726.1	727.8	729.5
51 From banks in the U.S.	289.6	295.4	297.9	283.7	296.8	303.0	299.3	299.0	301.2	298.9	297.6	296.4
52 From others	394.7	411.8	412.8	397.0	401.5	396.7	422.8	429.0	427.9	427.2	430.3	433.0
53 Net due to related foreign offices	278.1	243.4	245.2	245.9	235.3	230.1	232.5	228.8	223.8	232.2	225.2	238.7
54 Other liabilities	235.0	221.6	222.3	242.9	257.0	256.7	266.5	289.6	281.3	293.2	294.7	286.0
55 **Total liabilities**	**3,861.8**	**3,912.6**	**3,951.0**	**3,956.5**	**4,030.6**	**4,077.8**	**4,101.4**	**4,132.8**	**4,124.8**	**4,117.4**	**4,156.9**	**4,120.0**
56 Residual (assets less liabilities)[7]	370.5	371.5	368.9	376.6	369.2	360.6	356.3	363.9	356.0	363.1	355.8	377.6
MEMO												
57 Revaluation gains on off-balance-sheet items[8]	n.a.	n.a	n.a.	62.3	65.5	69.5	88.5	103.0	99.0	104.7	107.6	100.2
58 Revaluation losses on off-balance-sheet items[8]	n.a.	n.a.	n.a.	58.3	60.5	64.3	84.2	98.3	93.8	100.7	102.9	94.8

Footnotes appear on page A21.

1.26 COMMERCIAL BANKS IN THE UNITED STATES Assets and Liabilities[1]—Continued

B. Domestically chartered commercial banks

Billions of dollars

Account	Monthly averages								Wednesday figures			
	1996	1996r					1997		1997			
	Feb.	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.r	Feb.	Feb. 5	Feb. 12	Feb. 19	Feb. 26
	Seasonally adjusted											
Assets												
1 Bank credit	3,194.2	3,210.0	3,225.4	3,237.0	3,246.2	3,260.3	3,283.9	3,306.5	3,300.8	3,301.9	3,310.8	3,308.6
2 Securities in bank credit	853.4	824.6	822.4	820.9	822.5	825.1	834.1	843.1	843.0	842.9	846.4	841.1
3 U.S. government securities	640.0	621.3	620.4	620.7	619.8	618.1	623.1	616.7	621.3	618.5	614.0	614.4
4 Other securities	213.5	203.3	201.9	200.2	202.7	207.0	211.0	226.4	221.8	224.4	232.4	226.7
5 Loans and leases in bank credit[2]	2,340.7	2,385.5r	2,403.1	2,416.0	2,423.7	2,435.2	2,449.9	2,463.4	2,457.8	2,459.0	2,464.4	2,467.5
6 Commercial and industrial	540.1	552.6	560.3	563.6	565.4	569.7	571.1	577.4	574.3	575.2	578.3	580.2
7 Real estate	1,056.5	1,076.4	1,079.4	1,083.2	1,088.0	1,093.3	1,099.1	1,104.5	1,102.7	1,104.6	1,103.9	1,104.5
8 Revolving home equity	79.7	80.5	81.2	83.2	84.1	85.3	85.8	86.4	86.2	86.2	86.4	86.6
9 Other	976.8	995.8	998.2	1,000.0	1,003.8	1,008.1	1,013.4	1,018.1	1,016.5	1,018.5	1,017.5	1,017.9
10 Consumer	497.4	512.8	515.7	518.2	518.8	519.0	521.2	520.7	520.1	520.1	521.6	521.7
11 Security[3]	52.1	42.5	44.7	44.0	42.9	43.6	45.4	45.2	46.6	45.1	44.2	44.8
12 Other loans and leases	194.6	201.3	203.0	207.1	208.6	209.5	213.0	215.5	214.0	214.1	216.5	216.3
13 Interbank loans	173.0	181.2	185.0	182.9	191.5	181.8	174.3	181.5	182.8	179.4	180.0	181.0
14 Cash assets[4]	190.1	194.8	194.7	196.3	201.8	200.9	200.1	197.7	194.2	195.3	204.8	195.1
15 Other assets[5]	184.7	214.1	219.0	220.4	225.3	234.0	227.0	235.8	226.6	232.6	238.1	241.2
16 **Total assets[6]**	**3,685.4**	**3,742.8**	**3,765.4**	**3,771.8**	**3,800.2**	**3,812.6**	**3,821.6**	**3,860.3**	**3,840.9**	**3,845.8**	**3,869.6**	**3,869.8**
Liabilities												
17 Deposits	2,510.2	2,570.7	2,586.3	2,584.5	2,617.9	2,638.1	2,645.9	2,656.9	2,663.0	2,643.3	2,673.8	2,640.7
18 Transaction	754.3	722.9	715.7	704.8	709.2	708.4	704.3	695.9	701.7	686.3	714.0	684.0
19 Nontransaction	1,756.0	1,847.9	1,870.6	1,879.7	1,908.7	1,929.7	1,941.6	1,961.0	1,961.3	1,957.0	1,959.7	1,956.7
20 Large time	273.1	292.2	298.9	295.4	299.7	303.0	303.0	307.1	306.1	306.4	308.1	307.1
21 Other	1,482.8	1,555.7	1,571.7	1,584.3	1,609.0	1,626.7	1,638.6	1,653.9	1,655.1	1,650.6	1,651.7	1,649.6
22 Borrowings	575.7	572.9	583.6	569.6	580.4	581.7	594.5	596.9	597.1	612.2	589.8	587.8
23 From banks in the U.S.	265.0	255.6	261.4	256.9	267.6	272.0	273.3	272.9	275.8	289.6	267.0	257.6
24 From others	310.7	317.3	322.1	312.7	312.8	309.6	321.1	324.0	321.3	322.6	322.8	330.3
25 Net due to related foreign offices	90.5	74.5	74.7	76.6	70.9	68.9	72.0	78.4	76.4	85.0	76.4	77.8
26 Other liabilities	155.7	152.8	153.1	169.1	173.0	177.7	179.8	187.8	183.9	185.0	192.6	187.8
27 **Total liabilities**	**3,332.1**	**3,370.9**	**3,397.7**	**3,399.7**	**3,442.2**	**3,466.3**	**3,492.2**	**3,520.1**	**3,520.4**	**3,525.6**	**3,532.6**	**3,494.1**
28 Residual (assets less liabilities)[7]	353.3	371.9	367.8	372.2	358.1	346.3	329.4	340.2	320.5	320.2	337.1	375.7
	Not seasonally adjusted											
Assets												
29 Bank credit	3,187.2	3,207.8	3,229.2	3,240.0	3,250.9	3,263.3	3,285.2	3,298.7	3,298.9	3,297.0	3,300.2	3,295.5
30 Securities in bank credit	849.5	825.8	824.1	820.9	821.5	817.6	829.4	838.8	839.4	839.6	840.1	835.6
31 U.S. government securities	637.0	622.1	622.5	621.8	620.3	616.4	616.2	613.7	616.4	615.6	611.0	611.8
32 Other securities	212.5	203.6	201.6	199.1	201.2	201.2	213.2	225.1	223.0	224.0	229.1	223.8
33 Loans and leases in bank credit[2]	2,337.7	2,382.0	2,405.0	2,419.0	2,429.5	2,445.7	2,455.9	2,460.0	2,459.5	2,457.4	2,460.1	2,460.0
34 Commercial and industrial	539.8	548.6	556.5	561.2	563.7	566.3	568.9	577.1	574.0	574.1	577.7	580.3
35 Real estate	1,053.4	1,077.8	1,082.3	1,086.1	1,091.8	1,098.0	1,101.1	1,101.4	1,102.1	1,103.7	1,099.8	1,099.2
36 Revolving home equity	79.3	80.8	81.8	83.7	84.6	85.4	85.8	86.0	85.9	86.0	86.0	86.1
37 Other	974.1	997.0	1,000.5	1,002.4	1,007.2	1,012.6	1,015.4	1,015.4	1,016.2	1,017.7	1,013.8	1,013.1
38 Consumer	498.1	513.1	517.9	518.4	519.2	523.8	526.8	521.4	523.0	521.9	522.3	520.8
39 Security[3]	53.3	41.0	43.9	43.8	44.3	44.9	44.7	46.3	46.8	45.8	45.5	46.3
40 Other loans and leases	193.0	201.5	204.4	209.5	210.4	212.7	214.3	213.7	213.7	211.9	214.8	213.4
41 Interbank loans	177.2	176.6	179.3	177.7	195.8	191.0	184.1	185.9	193.3	186.4	183.5	178.7
42 Cash assets[4]	191.6	183.8	192.6	196.9	208.6	216.1	210.1	199.7	191.1	187.8	219.1	199.6
43 Other assets[5]	184.2	216.3	221.0	218.1	223.8	233.1	228.3	234.7	229.9	230.9	235.9	238.8
44 **Total assets[6]**	**3,683.8**	**3,726.9**	**3,763.2**	**3,768.0**	**3,814.3**	**3,838.9**	**3,844.1**	**3,857.8**	**3,849.6**	**3,838.6**	**3,874.6**	**3,856.7**
Liabilities												
45 Deposits	2,497.7	2,561.6	2,587.3	2,583.9	2,632.4	2,667.5	2,649.7	2,645.1	2,654.2	2,626.8	2,667.4	2,622.3
46 Transaction	746.3	710.2	713.7	702.4	719.4	740.8	715.7	688.7	697.8	673.9	712.1	672.9
47 Nontransaction	1,751.4	1,851.5	1,873.5	1,881.5	1,913.0	1,926.7	1,934.0	1,956.3	1,956.4	1,952.9	1,955.3	1,949.5
48 Large time	275.3	292.9	296.6	295.2	300.3	299.7	301.7	309.9	308.0	309.8	311.2	309.8
49 Other	1,476.1	1,558.6	1,576.9	1,586.3	1,612.7	1,627.0	1,632.3	1,646.5	1,648.4	1,643.1	1,644.1	1,639.7
50 Borrowings	571.1	573.6	586.7	565.3	573.5	575.0	591.7	587.3	586.4	586.4	587.5	590.7
51 From banks in the U.S.	261.2	260.3	264.6	252.8	261.3	266.0	266.3	262.9	262.0	264.3	262.1	262.4
52 From others	309.9	313.3	322.2	312.5	312.2	309.1	325.4	324.4	324.4	322.1	325.4	328.3
53 Net due to related foreign offices	92.4	72.2	70.9	78.2	68.4	66.2	73.6	80.1	74.7	83.4	78.3	84.9
54 Other liabilities	155.4	151.8	153.7	169.8	176.2	175.0	177.9	187.2	183.1	184.9	191.7	187.0
55 **Total liabilities**	**3,316.6**	**3,359.3r**	**3,398.6**	**3,397.1**	**3,450.5**	**3,483.7**	**3,492.9**	**3,499.7**	**3,498.4**	**3,481.5**	**3,524.9**	**3,484.9**
56 Residual (assets less liabilities)[7]	367.1	367.7	364.6	370.9	363.7	355.3	351.2	358.1	351.2	357.1	349.7	371.8
MEMO												
57 Revaluation gains on off-balance-sheet items[8]	n.a.	n.a.	n.a.	32.4	33.1	36.2	47.5	55.8	54.0	55.5	58.8	54.7
58 Revaluation losses on off-balance-sheet items[8]	n.a.	n.a.	n.a.	28.9	28.9	31.8	44.0	50.9	48.6	51.0	53.9	49.3
59 Mortgage-backed securities[9]	n.a.	n.a.	n.a.	236.8	238.8	242.3	245.7	244.4	245.8	245.9	242.1	244.4

Footnotes appear on page A21.

1.26 COMMERCIAL BANKS IN THE UNITED STATES Assets and Liabilities[1]—Continued

C. Large domestically chartered commercial banks

Billions of dollars

Account	Monthly averages 1996 Feb.	1996 Aug.	1996 Sept.	1996 Oct.	1996 Nov.	1996 Dec	1997 Jan.[r]	1997 Feb.	Wednesday figures 1997 Feb 5	Feb. 12	Feb. 19	Feb. 26
	Seasonally adjusted											
Assets												
1 Bank credit	1,825.5[r]	1,788.5[r]	1,797.4[r]	1,806.5[r]	1,809.8[r]	1,817.8[r]	1,831.6	1,850.4	1,847.0	1,847.7	1,854.0	1,850.0
2 Securities in bank credit	445.7[r]	407.1[r]	405.5[r]	405.9[r]	408.8[r]	411.3[r]	416.6	427.1	426.1	426.8	430.2	425.9
3 U.S government securities	311.3[r]	284.0[r]	283.7[r]	286.0	286.6[r]	284.9	287.5	281.9	285.8	283.6	279.0	280.4
4 Trading account	22.1	20.2	20.9	21.2	21.5	19.4	17.2	16.1	16.6	17.2	15.7	15.1
5 Investment account	289.1[r]	263.8[r]	262.8[r]	264.8[r]	265.1[r]	265.5[r]	270.3	265.8	269.1	266.4	263.3	265.3
6 Other securities	134.4	123.2	121.8[r]	119.9	122.2	126.4	129.2	145.2	140.4	143.2	151.2	145.5
7 Trading account	63.4	56.9	56.4	55.1	57.8	60.9	64.6	79.9	75.6	78.1	85.5	80.3
8 Investment account	71.0	66.2	65.5	64.8	64.4	65.5	64.5	65.3	64.8	65.1	65.7	65.2
9 State and local government	21.5	20.5	20.3	20.2	20.2	20.3	20.5	21.0	21.1	21.1	21.0	20.9
10 Other	49.6	45.8	45.1	44.5	44.2	45.2	44.1	44.3	43.7	44.0	44.7	44.3
11 Loans and leases in bank credit[2]	1,379.8	1,381.4	1,391.9[r]	1,400.7[r]	1,401.0[r]	1,406.6[r]	1,415.0	1,423.4	1,420.8	1,420.9	1,423.8	1,424.1
12 Commercial and industrial	367.9	372.7	378.9	381.6[r]	381.9[r]	384.5	385.2	389.4	387.2	387.5	390.1	391.5
13 Real estate	563.0	556.6	556.1	558.4	559.2	561.1	561.2	562.0	562.4	563.2	561.1	560.2
14 Revolving home equity	53.1	53.2	53.5	53.7	54.2	54.9	55.0	55.3	55.1	55.2	55.4	55.4
15 Other	509.9	503.4[r]	502.6	504.7	505.0	506.2	506.3	506.7	507.3	508.0	505.7	504.9
16 Consumer	271.4	277.9	279.4	279.2	278.8[r]	279.1	282.1	284.0	283.8	284.1	284.8	283.6
17 Security[3]	46.4	37.3	39.5	39.0	37.8	38.5	40.3	39.9	41.3	39.9	38.8	39.5
18 State and local government	11.3	11.1	10.8	10.9	11.1	11.3	11.1	11.0	11.0	11.0	11.1	11.0
19 All other	119.8	125.7	127.1[r]	131.6[r]	132.1[r]	132.1[r]	135.0	137.0	135.1	135.2	137.9	138.3
20 Interbank loans	112.4	131.9	133.8	132.0	137.9	126.8	119.9	123.9	125.8	123.1	121.8	123.5
21 Cash assets[4]	125.9	129.4	128.1[r]	128.2	132.5[r]	130.5	130.5	127.6	124.8	126.1	131.0	127.1
22 Other assets[5]	134.4	158.0	161.6	163.5	167.6[r]	175.5[r]	168.6	175.2	168.3	172.5	178.1	179.8
23 **Total assets**[6]	**2,161.7**[r]	**2,171.2**[r]	**2,183.1**[r]	**2,186.2**[r]	**2,204.1**[r]	**2,207.3**[r]	**2,207.9**	**2,236.9**	**2,223.6**	**2,227.2**	**2,241.9**	**2,245.4**
Liabilities												
24 Deposits	1,311.3	1,339.1	1,345.6	1,355.1	1,366.5[r]	1,373.6	1,366.0	1,364.2	1,371.8	1,355.7	1,373.2	1,355.0
25 Transaction	420.0	400.3	392.7	387.0	387.3	385.6[r]	382.4	373.3	379.6	367.1	386.1	363.5
26 Nontransaction	891.3	938.8	952.9	968.1	979.1	987.9	983.6	991.0	992.2	988.5	987.1	991.5
27 Large time	125.7	139.8	146.5	151.8	153.4	155.1	153.4	156.2	155.6	156.0	157.1	156.0
28 Other	765.6	799.0	806.4	816.3	825.7	832.8	830.2	834.7	836.6	832.6	830.0	835.5
29 Borrowings	436.4	411.9	420.5	404.3	414.4	415.8[r]	426.1	427.1	427.0	439.2	419.4	422.7
30 From banks in the U.S.	188.7	172.9	177.7	170.6[r]	181.4[r]	188.2[r]	187.1	186.3	188.5	199.6	180.1	175.8
31 From others	247.7	239.0	242.8[r]	233.7[r]	233.0[r]	227.6[r]	239.0	240.7	238.4	239.5	239.3	246.9
32 Net due to related foreign offices	84.3	70.1	68.9	73.2	68.7	66.1	68.0	74.4	72.2	80.9	72.8	73.7
33 Other liabilities	123.7	125.7	126.3	141.2	146.2	151.9	155.5	163.6	160.1	160.5	169.0	162.5
34 **Total liabilities**	**1,955.8**	**1,946.8**	**1,961.2**[r]	**1,973.8**	**1,995.8**[r]	**2,007.5**	**2,015.7**	**2,029.3**	**2,031.0**	**2,036.3**	**2,034.4**	**2,013.9**
35 Residual (assets less liabilities)[7]	205.9[r]	224.3[r]	221.9[r]	212.4[r]	208.3[r]	199.7[r]	192.2	207.6	192.5	190.8	207.5	231.5
	Not seasonally adjusted											
Assets												
36 Bank credit	1,824.2[r]	1,786.7[r]	1,797.1[r]	1,807.0[r]	1,812.9[r]	1,818.1[r]	1,834.8	1,848.2	1,849.7	1,847.4	1,849.8	1,842.8
37 Securities in bank credit	443.4[r]	410.2[r]	406.9[r]	406.9	409.4[r]	404.2[r]	413.3	424.4	424.8	424.6	426.0	421.6
38 U.S. government securities	309.7[r]	286.5[r]	285.3[r]	288.2[r]	288.8[r]	283.6	281.8	280.2	282.8	281.5	277.7	278.9
39 Trading account	22.5	20.9	21.0	22.0	22.7	18.1	16.3	16.3	16.1	17.3	16.4	15.0
40 Investment account	287.2[r]	265.6[r]	264.3[r]	266.2[r]	266.0	265.5	265.5	263.9	266.7	264.2	261.3	263.9
41 Other securities	133.7	123.7	121.6[r]	118.8	120.6	120.5	131.6	144.2	141.9	143.2	148.3	142.8
42 Trading account	62.6	57.8	56.1[r]	53.5	55.4	54.4	66.5	78.8	76.8	77.9	82.6	77.5
43 Investment account	71.1	65.9	65.5	65.3	65.3	66.1	65.0	65.4	65.2	65.3	65.7	65.2
44 State and local government	21.4	20.3	20.3	20.2	20.3	20.4	20.5	21.0	21.0	21.1	21.0	20.9
45 Other	49.7	45.6	45.2	45.0	44.9	45.7	44.6	44.4	44.1	44.2	44.7	44.3
46 Loans and leases in bank credit[2]	1,380.8	1,376.5[r]	1,390.2[r]	1,400.1[r]	1,403.5[r]	1,413.9[r]	1,421.5	1,423.8	1,425.0	1,422.8	1,423.8	1,421.2
47 Commercial and industrial	367.9	369.9	376.0	379.8[r]	380.9[r]	381.6	383.0	389.4	387.1	386.9	389.9	391.7
48 Real estate	562.6[r]	556.9	556.9	559.1	560.8	563.9	563.6	561.5	563.8	564.6	559.9	557.6
49 Revolving home equity	53.0	53.4	53.7	54.0	54.5	54.9	55.1	55.1	55.1	55.1	55.2	55.1
50 Other	509.6	503.5	503.1	505.0[r]	506.3	508.9	508.6	506.4	508.7	509.5	504.7	502.5
51 Consumer	271.4	278.3	280.6	278.7	278.6	283.0	286.8	283.9	285.3	284.4	284.6	282.4
52 Security[3]	47.5	35.9	38.9	38.9	39.0	39.5	39.4	40.9	41.3	40.4	40.1	41.1
53 State and local government	11.2	11.2	10.9	10.9	11.2	11.2	11.0	11.0	10.9	10.9	11.1	11.0
54 All other	120.2	124.3	126.9[r]	132.6[r]	133.1[r]	134.8[r]	137.7	137.2	136.7	135.6	138.3	137.4
55 Interbank loans	114.3	128.2	129.8	126.4	137.4	133.0	128.3	126.2	132.0	127.0	124.5	121.6
56 Cash assets[4]	128.1	120.8	127.5	127.7[r]	136.5[r]	141.8	138.3	130.3	122.9	121.9	143.9	131.5
57 Other assets[5]	132.6	160.0	163.1	161.4[r]	165.5[r]	174.1	169.0	172.7	168.7	170.3	174.2	176.5
58 **Total assets**[6]	**2,162.7**[r]	**2,158.9**[r]	**2,179.5**[r]	**2,178.7**[r]	**2,208.5**[r]	**2,223.4**[r]	**2,227.9**	**2,237.2**	**2,230.7**	**2,224.2**	**2,249.3**	**2,237.4**
Liabilities												
59 Deposits	1,308.7	1,332.9	1,344.5	1,352.2	1,373.3	1,389.6[r]	1,372.3	1,362.2	1,368.9	1,352.2	1,376.8	1,348.1
60 Transaction	416.4	391.1	391.5	384.1	393.9[r]	406.9	390.1	369.9	375.3	360.3	388.2	358.5
61 Nontransaction	892.3	941.8	953.0	968.1	979.5	982.8	982.2	992.3	993.6	991.9	988.6	989.5
62 Large time	127.3	140.7	144.5	151.2	153.7	152.7	153.4	158.4	157.4	158.8	159.6	157.6
63 Other	765.0	801.1	808.5	816.9	825.7[r]	830.0	828.8	833.9	836.2	833.2	829.0	832.0
64 Borrowings	432.2	414.5	424.0	399.9	409.0	409.6[r]	421.7	418.7	419.4	418.7	416.2	421.9
65 From banks in the U.S.	185.6	177.8	180.1	167.0[r]	176.8[r]	182.6[r]	180.3	178.2	178.0	180.0	175.7	177.8
66 From nonbanks in the U.S.	246.6	236.7	244.0[r]	232.8	232.2	227.0[r]	241.4	240.5	241.4	238.7	240.5	244.1
67 Net due to related foreign offices	86.2	67.8	65.0	74.8	66.2	63.4	69.7	76.1	70.5	79.3	74.7	80.8
68 Other liabilities	122.8	124.6	127.2	141.9	149.5	149.7[r]	153.3	162.6	158.8	159.8	167.9	161.5
69 **Total liabilities**	**1,950.0**[r]	**1,939.8**	**1,960.7**	**1,968.8**	**1,998.1**[r]	**2,012.4**	**2,016.9**	**2,019.7**	**2,017.6**	**2,010.0**	**2,035.6**	**2,012.3**
70 Residual (assets less liabilities)[7]	212.8[r]	219.1[r]	218.8[r]	209.9[r]	210.3[r]	211.1[r]	211.0	217.5	213.1	214.2	213.7	225.1
MEMO												
71 Revaluation gains on off-balance-sheet items[8]	n.a.	n.a	n.a.	32.4	33.1	36.2	47.5	55.8	54.0	55.5	58.8	54.7
72 Revaluation losses on off-balance-sheet items[8]	n.a.	n.a.	n.a.	28.9	28.9	31.8	44.0	50.9	48.6	51.0	53.9	49.3
73 Mortgage-backed securities[9]	n.a.	n.a.	n.a.	187.1[r]	188.5[r]	190.9	192.7	191.9	193.3	193.2	189.4	192.3

1.26 COMMERCIAL BANKS IN THE UNITED STATES Assets and Liabilities[1]—Continued

D. Small domestically chartered commercial banks

Billions of dollars

Account	Monthly averages								Wednesday figures			
	1996	1996[r]					1997		1997			
	Feb.	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.[r]	Feb.	Feb. 5	Feb. 12	Feb. 19	Feb. 26
	Seasonally adjusted											
Assets												
1 Bank credit	1,368.7[r]	1,421.5	1,428.1	1,430.4	1,436.4	1,442.5	1,452.3	1,456.0	1,453.9	1,454.2	1,456.8	1,458.5
2 Securities in bank credit	407.8[r]	417.4	416.9	415.1	413.7	413.9	417.5	416.0	416.9	416.1	416.2	415.1
3 U.S. government securities	328.7[r]	337.3	336.8	334.7	333.2	333.2	335.7	334.8	335.5	334.9	335.1	334.0
4 Other securities	79.1	80.1	80.1	80.3	80.5	80.6	81.8	81.2	81.4	81.2	81.2	81.2
5 Loans and leases in bank credit[2]	960.9	1,004.1	1,011.2	1,015.4	1,022.7	1,028.6	1,034.9	1,040.0	1,036.9	1,038.1	1,040.6	1,043.4
6 Commercial and industrial	172.2	179.9	181.4	182.0	183.5	185.2	185.9	188.0	187.2	187.7	188.2	188.7
7 Real estate	493.4	519.8	523.3	524.8	528.8	532.2	537.9	542.5	540.3	541.4	542.9	544.2
8 Revolving home equity	26.5	27.3	27.8	29.5	29.9	30.4	30.8	31.1	31.1	31.0	31.0	31.3
9 Other	466.9	492.5	495.5	495.3	498.8	501.9	507.1	511.4	509.2	510.5	511.8	513.0
10 Consumer	226.1	234.8	236.3	239.0	239.9	239.9	239.1	236.7	236.4	236.0	236.8	238.2
11 Security[3]	5.7	5.1	5.2	5.0	5.1	5.2	5.1	5.3	5.3	5.2	5.3	5.3
12 Other loans and leases	63.5	64.5	65.0	64.6	65.4	66.1	66.9	67.5	67.8	67.8	67.4	67.0
13 Interbank loans	60.6	49.4	51.2	51.0	53.5	55.0	54.5	57.7	56.9	56.3	58.2	57.6
14 Cash assets[4]	64.2	65.4	66.6	68.1	69.4	70.4	69.6	70.1	69.3	69.2	73.8	68.1
15 Other assets[5]	50.3	56.2	57.4	56.9	57.7	58.5	58.4	60.6	58.3	60.1	60.1	61.3
16 **Total assets**[6]	**1,523.8**[r]	**1,571.6**	**1,582.3**	**1,585.6**	**1,596.1**	**1,605.3**	**1,613.7**	**1,623.4**	**1,617.3**	**1,618.6**	**1,627.8**	**1,624.4**
Liabilities												
17 Deposits	1,198.9	1,231.6	1,240.6	1,229.4	1,251.4	1,264.5	1,279.9	1,292.7	1,291.2	1,287.7	1,300.6	1,285.7
18 Transaction	334.2	322.5	322.9	317.7	321.9	322.7	321.9	322.7	322.1	319.2	327.9	320.6
19 Nontransaction	864.7	909.1	917.7	911.6	929.6	941.8	958.0	970.0	969.1	968.5	972.6	965.2
20 Large time	147.4	152.4	152.3	143.6	146.2	147.9	149.6	150.9	150.5	150.4	151.0	151.1
21 Other	717.3	756.7	765.4	768.1	783.4	793.9	808.4	819.2	818.6	818.1	821.7	814.0
22 Borrowings	139.3	161.0	163.1	165.2	165.9	165.8	168.3	169.9	170.1	173.0	170.5	165.1
23 From banks in the U.S.	76.3	82.7	83.7	86.2	86.2	83.8	86.2	86.6	87.2	90.0	86.9	81.8
24 From others	63.0	78.3	79.4	79.0	79.8	82.0	82.1	83.3	82.9	83.1	83.6	83.4
25 Net due to related foreign offices	6.1	4.4	5.9	3.4	2.2	2.7	4.0	4.0	4.3	4.1	3.6	4.1
26 Other liabilities	32.0	27.1	26.8	27.9	26.8	25.8	24.3	24.2	23.7	24.4	23.6	25.3
27 **Total liabilities**	**1,376.3**	**1,424.1**	**1,436.4**	**1,425.9**	**1,446.4**	**1,458.8**	**1,476.5**	**1,490.8**	**1,489.3**	**1,489.2**	**1,498.2**	**1,480.2**
28 Residual (assets less liabilities)[7]	147.5[r]	147.5	145.9	159.8	149.7	146.5	137.2	132.6	128.0	129.4	129.5	144.2
	Not seasonally adjusted											
Assets												
29 Bank credit	1,363.0[r]	1,421.1	1,432.1	1,433.0	1,438.0	1,445.2	1,450.4	1,450.5	1,449.1	1,449.5	1,450.4	1,452.8
30 Securities in bank credit	406.1[r]	415.6	417.2	414.0	412.1	413.4	416.0	414.4	414.6	414.9	414.1	414.0
31 U.S. government securities	327.3[r]	335.6	337.3	333.6	331.5	332.8	334.4	333.4	333.6	334.1	333.3	332.9
32 Other securities	78.8	79.9	80.0	80.3	80.6	80.7	81.6	80.9	81.0	80.8	80.9	81.0
33 Loans and leases in bank credit[2]	956.9	1,005.6	1,014.9	1,019.0	1,025.9	1,031.8	1,034.4	1,036.1	1,034.5	1,034.6	1,036.3	1,038.8
34 Commercial and industrial	171.9	178.6	180.4	181.4	182.8	184.7	185.9	187.7	186.9	187.2	187.8	188.6
35 Real estate	490.8	520.9	525.5	527.1	531.0	534.1	537.5	540.0	538.3	539.1	539.9	541.6
36 Revolving home equity	26.3	27.4	28.1	29.7	30.1	30.4	30.7	30.9	30.8	30.8	30.8	31.0
37 Other	464.5	493.5	497.4	497.3	500.9	503.7	506.8	509.1	507.5	508.3	509.1	510.6
38 Consumer	226.8	234.9	237.3	239.6	240.7	240.8	240.1	237.5	237.7	237.5	237.7	238.4
39 Security[3]	5.8	5.1	5.1	4.9	5.3	5.4	5.2	5.4	5.5	5.4	5.4	5.3
40 Other loans and leases	61.6	66.0	66.6	66.0	66.2	66.7	65.7	65.6	66.1	65.4	65.5	65.0
41 Interbank loans	62.9	48.4	49.5	51.3	58.3	58.0	55.8	59.8	61.4	59.4	59.0	57.2
42 Cash assets[4]	63.5	63.1	65.1	69.2	72.1	74.3	71.8	69.4	68.2	65.9	75.2	68.1
43 Other assets[5]	51.6	56.3	57.9	56.7	58.3	59.0	59.3	62.0	61.2	60.7	61.7	62.3
44 **Total assets**[6]	**1,521.0**[r]	**1,568.1**	**1,583.7**	**1,589.3**	**1,605.8**	**1,615.5**	**1,616.2**	**1,620.7**	**1,618.9**	**1,614.5**	**1,625.3**	**1,619.3**
Liabilities												
45 Deposits	1,189.0	1,228.8	1,242.8	1,231.7	1,259.1	1,277.9	1,277.4	1,282.9	1,285.3	1,274.6	1,290.6	1,274.2
46 Transaction	329.9	319.1	322.2	318.3	325.5	333.9	325.6	318.8	322.5	313.7	323.9	314.3
47 Nontransaction	859.1	909.6	920.6	913.4	933.6	944.0	951.8	964.1	962.8	960.9	966.7	959.9
48 Large time	148.0	152.2	152.1	144.0	146.6	147.0	148.3	151.5	150.6	151.0	151.6	152.2
49 Other	711.1	757.5	768.5	769.4	787.0	797.0	803.4	812.6	812.2	809.9	815.0	807.7
50 Borrowings	138.9	159.1	162.7	165.4	164.5	165.4	170.0	168.6	167.0	167.7	171.3	168.8
51 From banks in the U.S.	75.6	82.5	84.5	85.7	84.5	83.3	86.0	84.7	84.0	84.3	86.4	84.6
52 From others	63.3	76.6	78.2	79.7	80.0	82.1	84.0	83.9	83.1	83.4	84.9	84.1
53 Net due to related foreign offices	6.1	4.4	5.9	3.4	2.2	2.7	4.0	4.0	4.3	4.1	3.6	4.1
54 Other liabilities	32.6	27.2	26.5	27.9	26.7	25.3	24.5	24.6	24.2	25.0	23.8	25.6
55 **Total liabilities**	**1,366.7**	**1,419.5**	**1,437.9**	**1,428.3**	**1,452.4**	**1,471.3**	**1,476.0**	**1,480.0**	**1,480.8**	**1,471.5**	**1,489.3**	**1,472.6**
56 Residual (assets less liabilities)[7]	154.4[r]	148.6	145.8	161.0	153.4	144.2	140.3	140.6	138.1	143.0	136.0	146.7
MEMO												
57 Mortgage-backed securities[9]	n.a.	n.a.	n.a.	49.7	50.3	51.4	53.0	52.5	52.5	52.7	52.7	52.1

Footnotes appear on page A21.

1.26 COMMERCIAL BANKS IN THE UNITED STATES Assets and Liabilities[1]—Continued

E. Foreign-related institutions

Billions of dollars

Account	Monthly averages								Wednesday figures			
	1996	1996					1997		1997			
	Feb.	Aug.	Sept.	Oct.	Nov.	Dec.[r]	Jan.[r]	Feb.	Feb. 5	Feb. 12	Feb. 19	Feb. 26
	Seasonally adjusted											
Assets												
1 Bank credit	451.4	464.4	467.5[r]	481.9	497.1	510.3	522.2	539.2	533.3	539.9	541.3	541.0
2 Securities in bank credit	146.7	147.5	146.5	149.4	159.7	167.3	171.7	179.4	176.7	181.4	181.3	178.9
3 U.S. government securities	70.9	80.9	82.9	83.1	88.0	89.2	82.9	86.5	84.3	86.8	86.7	87.8
4 Other securities	75.8	66.6	63.6	66.3	71.7	78.1	88.8	92.9	92.4	94.6	94.6	91.1
5 Loans and leases in bank credit[2]	304.8	316.8[r]	321.0	332.5[r]	337.4	343.0	350.5	359.8	356.6	358.5	360.0	362.1
6 Commercial and industrial	184.0	194.2[r]	200.7	207.1	211.0	217.5	220.0	223.4	220.8	222.2	224.9	224.7
7 Real estate	34.4	33.1	32.8	32.9	32.8	32.5	32.6	32.9	32.9	32.9	32.9	33.0
8 Security[3]	35.6	29.8	29.1	32.7	34.5	35.4	37.1	38.6	39.7	39.3	37.1	38.0
9 Other loans and leases	50.8	59.7	58.4	59.8	59.2	57.6	60.9	64.8	63.3	64.2	65.1	66.3
10 Interbank loans	18.9	16.4	20.3	20.9	20.9	22.9	23.8	22.6	22.1	22.4	21.8	25.0
11 Cash assets[4]	29.1	28.5	29.5	29.8	31.1	31.4	31.9	33.9	32.6	33.6	34.2	34.1
12 Other assets[5]	49.0	43.7	41.1	33.9	36.5	37.4	39.3	42.8	42.0	42.5	42.7	42.5
13 **Total assets[6]**	**548.3**	**552.9[r]**	**558.3**	**566.3**	**585.4**	**601.8**	**617.0**	**638.2**	**629.8**	**638.2**	**639.8**	**642.4**
Liabilities												
14 Deposits	168.4	180.3	186.0	197.9[r]	205.0	221.1	230.4	244.5	238.5	242.1	247.1	245.8
15 Transaction	10.4	10.5	9.7	10.5	10.6	10.8	10.9	10.4	10.1	9.9	11.3	9.9
16 Nontransaction	158.0	169.8	176.2	187.3	194.4	210.4	219.6	234.2	228.4	232.2	235.8	235.9
17 Large time	154.1	166.7	172.9	184.7	190.9	206.4	217.1	228.6	225.2	226.6	229.5	230.3
18 Other	3.8	3.1	3.4	2.6	3.5[r]	4.0	2.5	5.6	3.2	5.6	6.2	5.7
19 Borrowings	118.7	128.6	122.8	118.7	128.2[r]	125.7	133.5	147.4	145.3	143.8	150.3	148.8
20 From banks in the U.S.	30.2	34.6	34.0	33.4	35.5	36.2	31.8	38.5	39.4	35.6	39.5	38.0
21 From others	88.4	94.1	88.8	85.3	92.8	89.4	101.7	108.9	106.0	108.2	110.8	110.8
22 Net due to related foreign offices	180.2	173.2	176.3	167.7[r]	167.2[r]	162.3	150.1	139.6	144.9	141.0	134.8	139.8
23 Other liabilities	77.7	69.4	68.7	74.7[r]	80.1	83.0	89.5	99.9	96.2	105.0	101.7	95.9
24 **Total liabilities**	**544.8**	**551.5**	**553.8**	**559.0[r]**	**580.6[r]**	**592.2**	**603.5**	**631.5**	**624.9**	**631.9**	**633.9**	**630.4**
25 Residual (assets less liabilities)[7]	3.5	1.4[r]	4.5[r]	7.3[r]	4.8[r]	9.7	13.5	6.8	4.9	6.3	5.9	12.1
	Not seasonally adjusted											
Assets												
26 Bank credit	451.3	467.8[r]	466.2	480.6[r]	496.7	506.1	519.2	539.8	534.3	542.9	540.3	539.3
27 Securities in bank credit	146.8	150.7	145.4	149.3	159.4	160.8	167.6	180.3	176.7	183.7	181.9	178.4
28 U.S. government securities	71.7	82.4	81.9	82.6	88.0	86.7	83.9	88.2	86.3	88.9	88.5	88.6
29 Trading account	5.9	6.3	8.4	18.8	22.0	20.2	16.9	21.3	19.7	21.8	21.3	21.8
30 Investment account	65.8	76.1	73.5	63.7	66.0	66.5	67.0	67.0	66.6	67.1	67.2	66.7
31 Other securities	75.1	68.3	63.5	66.7	71.4	74.1	83.7	92.1	90.5	94.8	93.4	89.8
32 Trading account	39.8	38.8	37.6	48.2	52.3	54.9	61.4	69.1	67.7	71.4	70.5	66.9
33 Investment account	35.3	29.5	25.9	18.5	19.1	19.2	22.3	23.0	22.8	23.3	22.9	23.0
34 Loans and leases in bank credit[2]	304.5	317.1[r]	320.8	331.3	337.3	345.3	351.6	359.5	357.5	359.3	358.4	360.9
35 Commercial and industrial	184.0	194.4	199.4[r]	205.9	210.8	217.9	219.9	223.3	220.9	222.8	224.2	224.6
36 Real estate	34.5	33.1	32.9	33.1	33.2	32.7	32.5	33.0	33.0	33.0	32.9	32.9
37 Security[3]	35.6	29.8	29.1	32.7	34.5	35.4	37.1	38.6	39.7	39.3	37.1	38.0
38 Other loans and leases	50.5	59.8	59.3	59.7	58.8	59.3	62.1	64.5	63.9	64.1	64.2	65.4
39 Interbank loans	18.9	16.4	20.3	20.9	20.9	22.9	23.8	22.6	22.1	22.4	21.8	25.0
40 Cash assets[4]	28.4	28.5	28.8	30.1	31.3	32.5	32.3	33.1	32.5	32.9	32.9	33.3
41 Other assets[5]	49.9	44.5	41.5	33.6	36.8	38.2	38.5	43.6	42.7	43.9	43.1	43.4
42 **Total assets[6]**	**548.5**	**557.2[r]**	**556.8**	**565.1[r]**	**585.5**	**599.5**	**613.6**	**638.9**	**631.2**	**641.9**	**638.0**	**640.9**
Liabilities												
43 Deposits	166.5	178.8	185.6	203.2	207.6	223.9	230.5	241.3	236.5	239.2	241.7	243.6
44 Transaction	10.6	10.3	10.1	10.6	10.6	11.4	10.9	10.6	10.5	10.2	11.7	10.0
45 Nontransaction	155.9	168.5	175.4	192.6	197.0	212.4	219.7	230.7	226.0	229.1	230.0	233.6
46 Large time	151.1	166.2	173.2	190.4	194.8	209.9	215.1	223.6	220.0	221.4	222.7	227.3
47 Other	4.8	2.3	2.3	2.2	2.3	2.5	4.6	7.1	6.0	7.7	7.3	6.3
48 Borrowings	113.3	133.6	123.9	115.4[r]	124.9	124.7	130.4	140.6	142.6	139.6	140.3	138.8
49 From banks in the U.S.	28.4	35.1	33.3	30.9	35.6	37.0	33.1	36.1	39.1	34.6	35.5	34.1
50 From others	84.8	98.5	90.6	84.5[r]	89.3	87.6	97.4	104.5	103.5	105.0	104.9	104.8
51 Net due to related foreign offices	185.8	171.2	174.3	167.7[r]	166.9[r]	163.9	158.9	148.7	149.0	148.8	146.9	153.7
52 Other liabilities	79.6	69.8	68.6	73.1[r]	80.8	81.7	88.6	102.4	98.3	108.3	103.0	98.9
53 **Total liabilities**	**545.1**	**553.3**	**552.4**	**559.4[r]**	**580.1[r]**	**594.1**	**608.5**	**633.1**	**626.4**	**635.9**	**631.9**	**635.1**
54 Residual (assets less liabilities)[7]	3.3	3.8[r]	4.3[r]	5.7[r]	5.4[r]	5.3	5.1	5.8	4.8	6.0	6.0	5.8
MEMO												
55 Revaluation gains on off-balance-sheet items[8]	n.a.	n.a.	n.a.	29.9	32.4	33.3	41.0	47.2	45.0	49.2	48.8	45.5
56 Revaluation losses on off-balance-sheet items[8]	n.a.	n.a.	n.a.	29.4	31.6	32.5	40.2	47.4	45.2	49.7	49.0	45.5

Footnotes appear on page A21.

NOTES TO TABLE 1.26

NOTE. Tables 1.26, 1.27, and 1.28 have been revised to reflect changes in the Board's H.8 statistical release, "Assets and Liabilities of Commercial Banks in the United States." Table 1.27, "Assets and Liabilities of Large Weekly Reporting Commercial Banks," and table 1.28, "Large Weekly Reporting U.S. Branches and Agencies of Foreign Banks," are no longer being published in the *Bulletin*. Instead, abbreviated balance sheets for both large and small domestically chartered banks have been included in table 1.26, parts C and D. Data are both merger-adjusted and break-adjusted. In addition, data from large weekly reporting U.S. branches and agencies of foreign banks have been replaced by balance sheet estimates of all foreign-related institutions and are included in table 1.26, part E. These data are break-adjusted.

The not-seasonally-adjusted data for all tables now contain additional balance sheet items, which were available as of October 2, 1996.

1. Covers the following types of institutions in the fifty states and the District of Columbia: domestically chartered commercial banks that submit a weekly report of condition (large domestic); other domestically chartered commercial banks (small domestic); branches and agencies of foreign banks, and Edge Act and agreement corporations (foreign-related institutions). Excludes International Banking Facilities. Data are Wednesday values or *pro rata* averages of Wednesday values. Large domestic banks constitute a universe; data for small domestic banks and foreign-related institutions are estimates based on weekly samples and on quarter-end condition reports. Data are adjusted for breaks caused by reclassifications of assets and liabilities.

The data for large and small domestic banks presented on pp. A18 and A19 are adjusted to remove the estimated effects of mergers between these two groups. The adjustment for mergers changes past levels to make them comparable with current levels. Estimated quantities of balance sheet items acquired in mergers are removed from past data for the bank group that contained the acquired bank and put into past data for the group containing the acquiring bank. Balance sheet data for acquired banks are obtained from Call Reports, and a ratio procedure is used to adjust past levels.

2. Excludes federal funds sold to, reverse RPs with, and loans made to commercial banks in the United States, all of which are included in "Interbank loans."

3. Consists of reverse RPs with brokers and dealers and loans to purchase and carry securities.

4. Includes vault cash, cash items in process of collection, balances due from depository institutions, and balances due from Federal Reserve Banks.

5. Excludes the due-from position with related foreign offices, which is included in "Net due to related foreign offices."

6. Excludes unearned income, reserves for losses on loans and leases, and reserves for transfer risk. Loans are reported gross of these items.

7. This balancing item is not intended as a measure of equity capital for use in capital adequacy analysis. On a seasonally adjusted basis this item reflects any differences in the seasonal patterns estimated for total assets and total liabilities.

8. Fair value of derivative contracts (interest rate, foreign exchange rate, other commodity and equity contracts) in a gain/loss position, as determined under FASB Interpretation No. 39.

9. Includes mortgage-backed securities issued by U.S. government agencies, U.S government-sponsored enterprises, and private entities

1.32 COMMERCIAL PAPER AND BANKERS DOLLAR ACCEPTANCES OUTSTANDING

Millions of dollars, end of period

Item	Year ending December					1996					1997
	1992 Dec.	1993 Dec.	1994 Dec.	1995 Dec.	1996 Dec.	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.
	Commercial paper (seasonally adjusted unless noted otherwise)										
1 **All issuers**	**545,619**	**555,075**	**595,382**	**674,904**	**775,371**	**753,276**	**757,155**	**757,718**	**766,556**	**775,371**	**804,644**
Financial companies[1]											
2 Dealer-placed paper[2], total	226,456	218,947	223,038	275,815	361,147	329,026	336,833	349,288	354,400	361,147	376,908
3 Directly placed paper[3], total	171,605	180,389	207,701	210,829	229,662	230,318	226,599	225,977	228,553	229,662	238,133
4 Nonfinancial companies[4]	147,558	155,739	164,643	188,260	184,563	193,932	193,724	182,454	183,603	184,563	189,602
	Bankers dollar acceptances (not seasonally adjusted)[5]										
5 **Total**	**38,194**	**32,348**	**29,835**	**29,242**	**25,754**	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
By holder											
6 Accepting banks	10,555	12,421	11,783	n.a.	n.a.						
7 Own bills	9,097	10,707	10,462								
8 Bills bought from other banks	1,458	1,714	1,321								
Federal Reserve Banks[6]											
9 Foreign correspondents	1,276	725	410								
10 Others	26,364	19,202	17,642								
By basis											
11 Imports into United States	12,209	10,217	10,062								
12 Exports from United States	8,096	7,293	6,355								
13 All other	17,890	14,838	13,417								

1. Institutions engaged primarily in commercial, savings, and mortgage banking; sales, personal, and mortgage financing; factoring, finance leasing, and other business lending; insurance underwriting; and other investment activities.
2. Includes all financial-company paper sold by dealers in the open market.
3. As reported by financial companies that place their paper directly with investors.
4. Includes public utilities and firms engaged primarily in such activities as communications, construction, manufacturing, mining, wholesale and retail trade, transportation, and services.
5. Data on bankers dollar acceptances are gathered from approximately 100 institutions. The reporting group is revised every January. Beginning January 1995, data for Bankers dollar acceptances are reported annually in September.
6. In 1977 the Federal Reserve discontinued operations in bankers dollar acceptances for its own account.

1.33 PRIME RATE CHARGED BY BANKS Short-Term Business Loans[1]

Percent per year

Date of change	Rate	Period	Average rate	Period	Average rate	Period	Average rate
1994—Mar. 24	6.25	1994	7.15	1995—Jan.	8.50	1996—Jan	8.50
Apr. 19	6.75	1995	8.83	Feb.	9.00	Feb.	8.25
May 17	7.25	1996	8.27	Mar.	9.00	Mar.	8.25
Aug. 16	7.75			Apr.	9.00	Apr.	8.25
Nov. 15	8.50	1994—Jan.	6.00	May	9.00	May	8.25
		Feb.	6.00	June	9.00	June	8.25
1995—Feb. 1	9.00	Mar.	6.06	July	8.80	July	8.25
July 7	8.75	Apr.	6.45	Aug.	8.75	Aug.	8.25
Dec. 20	8.50	May	6.99	Sept.	8.75	Sept.	8.25
		June	7.25	Oct.	8.75	Oct.	8.25
1996—Feb. 1	8.25	July	7.25	Nov.	8.75	Nov.	8.25
1997—Mar. 26	8.50	Aug.	7.51	Dec.	8.65	Dec.	8.25
		Sept.	7.75				
		Oct.	7.75			1997—Jan.	8.25
		Nov.	8.15			Feb.	8.25
		Dec.	8.50			Mar.	8.30

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	1994	1995	1996	1996		1997		1997, week ending				
				Nov.	Dec.	Jan.	Feb.	Jan. 31	Feb. 7	Feb. 14	Feb. 21	Feb. 28
MONEY MARKET INSTRUMENTS												
1 Federal funds[1,2,3]	4.21	5.83	5.30	5.31	5.29	5.25	5.19	5.18	5.30	5.05	5.22	5.16
2 Discount window borrowing[2,4]	3.60	5.21	5.02	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00
Commercial paper[3,5,6]												
3 1-month	4.43	5.93	5.43	5.39	5.70	5.43	5.39	5.44	5.42	5.38	5.37	5.38
4 3-month	4.66	5.93	5.41	5.41	5.51	5.45	5.40	5.45	5.43	5.39	5.38	5.40
5 6-month	4.93	5.93	5.42	5.40	5.44	5.48	5.42	5.48	5.44	5.41	5.39	5.43
Finance paper, directly placed[3,5,7]												
6 1-month	4.33	5.81	5.31	5.25	5.41	5.31	5.27	5.30	5.30	5.26	5.25	5.25
7 3-month	4.53	5.78	5.29	5.29	5.33	5.32	5.28	5.32	5.31	5.28	5.26	5.28
8 6-month	4.56	5.68	5.21	5.23	5.25	5.30	5.27	5.31	5.29	5.26	5.24	5.26
Bankers acceptances[3,5,8]												
9 3-month	4.56	5.81	5.31	5.29	5.35	5.34	5.29	5.33	5.32	5.29	5.27	5.28
10 6-month	4.83	5.80	5.31	5.29	5.33	5.35	5.30	5.36	5.32	5.29	5.28	5.30
Certificates of deposit, secondary market[3,9]												
11 1-month	4.38	5.87	5.35	5.30	5.50	5.35	5.31	5.34	5.32	5.31	5.29	5.31
12 3-month	4.63	5.92	5.39	5.38	5.44	5.43	5.37	5.42	5.40	5.36	5.34	5.37
13 6-month	4.96	5.98	5.47	5.43	5.47	5.54	5.47	5.53	5.50	5.46	5.42	5.49
14 Eurodollar deposits, 3-month[3,10]	4.63	5.93	5.38	5.38	5.43	5.44	5.36	5.44	5.41	5.38	5.32	5.34
U.S. Treasury bills												
Secondary market[3,5]												
15 3-month	4.25	5.49	5.01	5.03	4.91	5.03	5.01	5.04	4.99	5.00	4.97	5.05
16 6-month	4.64	5.56	5.08	5.07	5.04	5.10	5.06	5.10	5.07	5.04	5.02	5.10
17 1-year	5.02	5.60	5.22	5.14	5.18	5.30	5.23	5.30	5.24	5.20	5.18	5.29
Auction average[3,5,11]												
18 3-month	4.29	5.51	5.02	5.03	4.87	5.05	5.00	5.06	5.00	5.02	4.98	5.01
19 6-month	4.66	5.59	5.09	5.07	5.02	5.11	5.05	5.12	5.08	5.07	5.03	5.03
20 1-year	5.02	5.69	5.23	5.20	5.16	5.31	5.34	n.a.	5.34	n.a.	n.a.	n.a.
U.S. TREASURY NOTES AND BONDS												
Constant maturities[12]												
21 1-year	5.32	5.94	5.52	5.42	5.47	5.61	5.53	5.62	5.53	5.49	5.47	5.60
22 2-year	5.94	6.15	5.84	5.70	5.78	6.01	5.90	6.03	5.89	5.85	5.83	6.01
23 3-year	6.27	6.25	5.99	5.82	5.91	6.16	6.03	6.17	6.03	5.99	5.96	6.15
24 5-year	6.69	6.38	6.18	5.97	6.07	6.33	6.20	6.36	6.20	6.14	6.13	6.31
25 7-year	6.91	6.50	6.34	6.10	6.20	6.47	6.32	6.50	6.34	6.26	6.24	6.42
26 10-year	7.09	6.57	6.44	6.20	6.30	6.58	6.42	6.62	6.46	6.37	6.33	6.50
27 20-year	7.49	6.95	6.83	6.58	6.65	6.91	6.77	6.95	6.80	6.73	6.70	6.85
28 30-year	7.37	6.88	6.71	6.48	6.55	6.83	6.69	6.89	6.74	6.65	6.60	6.75
Composite												
29 More than 10 years (long-term)	7.41	6.93	6.80	6.55	6.63	6.89	6.76	6.93	6.79	6.72	6.69	6.84
STATE AND LOCAL NOTES AND BONDS												
Moody's series[13]												
30 Aaa	5.77	5.80	5.52	5.43	5.38	5.40	5.36	5.37	5.34	5.40	5.29	5.40
31 Baa	6.17	6.10	5.79	5.69	5.63	5.71	5.60	5.66	5.63	5.60	5.52	5.63
32 *Bond Buyer* series[14]	6.18	5.95	5.76	5.59	5.64	5.72	5.63	5.73	5.70	5.62	5.56	5.65
CORPORATE BONDS												
33 Seasoned issues, all industries[15]	8.26	7.83	7.66	7.41	7.50	7.71	7.59	7.76	7.62	7.55	7.52	7.66
Rating group												
34 Aaa	7.97	7.59	7.37	7.10	7.20	7.42	7.31	7.48	7.34	7.26	7.23	7.38
35 Aa	8.15	7.72	7.55	7.31	7.41	7.63	7.54	7.69	7.56	7.50	7.46	7.61
36 A	8.28	7.83	7.69	7.41	7.51	7.71	7.59	7.75	7.61	7.55	7.51	7.65
37 Baa	8.63	8.20	8.05	7.79	7.89	8.09	7.94	8.12	7.98	7.89	7.87	8.01
38 A-rated, recently offered utility bonds[16]	8.29	7.86	7.77	7.54	7.63	7.93	7.81	7.92	7.86	7.69	7.77	7.94
MEMO												
Dividend–price ratio[17]												
39 Common stocks	2.82	2.56	2.19	2.01	2.01	1.95	1.91	1.95	1.93	1.88	1.86	1.88

1. The daily effective federal funds rate is a weighted average of rates on trades through New York brokers.
2. Weekly figures are averages of seven calendar days ending on Wednesday of the current week; monthly figures include each calendar day in the month.
3. Annualized using a 360-day year for bank interest.
4. Rate for the Federal Reserve Bank of New York.
5. Quoted on a discount basis.
6. An average of offering rates on commercial paper placed by several leading dealers for firms whose bond rating is AA or the equivalent.
7. An average of offering rates on paper directly placed by finance companies.
8. Representative closing yields for acceptances of the highest-rated money center banks.
9. An average of dealer offering rates on nationally traded certificates of deposit.
10. Bid rates for Eurodollar deposits at approximately 11:00 a.m. London time. Data are for indication purposes only.
11. Auction date for daily data; weekly and monthly averages computed on an issue-date basis.
12. Yields on actively traded issues adjusted to constant maturities. Source: U.S. Department of the Treasury.
13. General obligation bonds based on Thursday figures; Moody's Investors Service.
14. State and local government general obligation bonds maturing in twenty years are used in compiling this index. The twenty-bond index has a rating roughly equivalent to Moodys' A1 rating. Based on Thursday figures.
15. Daily figures from Moody's Investors Service. Based on yields to maturity on selected long-term bonds.
16. Compilation of the Federal Reserve. This series is an estimate of the yield on recently offered, A-rated utility bonds with a thirty-year maturity and five years of call protection. Weekly data are based on Friday quotations.
17. Standard & Poor's corporate series. Common stock ratio is based on the 500 stocks in the price index.

NOTE. Some of the data in this table also appear in the Board's H.15 (519) weekly and G.13 (415) monthly statistical releases. For ordering address, see inside front cover.

1.36 STOCK MARKET Selected Statistics

Indicator	1994	1995	1996	1996							1997	
				June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.
	Prices and trading volume (averages of daily figures)[1]											
Common stock prices (indexes)												
1 New York Stock Exchange (Dec. 31, 1965 = 50)	254.16	291.18	357.98	358.32	345.06	354.59	360.96	373.54	388.75	391.61	403.58	418.57
2 Industrial	315.32	367.40	453.57	458.30	438.58	444.91	459.69	473.98	490.60	494.38	509.18	524.30
3 Transportation	247.17	270.14	327.30	331.57	316.57	321.61	323.12	332.80	348.32	352.28	359.40	364.15
4 Utility	104.96	110.64	126.36	123.60	122.66	122.37	121.12	130.04	135.88	128.55	131.95	142.88
5 Finance	209.75	238.48	303.94	294.42	287.89	302.95	308.16	324.42	345.30	350.01	361.45	388.75
6 Standard & Poor's Corporation (1941–43 = 10)[2]	460.42	541.72	670.49	668.50	644.06	662.68	674.88	701.46	735.67	743.25	766.22	798.39
7 American Stock Exchange (Aug 31, 1973 = 50)[3]	449.49	498.13	570.86	591.99	550.16	554.88	564.87	574.46	583.21	582.96	585.09	593.29
Volume of trading (thousands of shares)												
8 New York Stock Exchange	290,652	345,729	409,740	392,413	398,245	333,343	400,951	420,835	443,521	431,538	526,631	508,199
9 American Stock Exchange	17,951	20,387	22,567	23,903	21,281	17,916	19,449	18,780	22,151	23,648	24,019	21,250
	Customer financing (millions of dollars, end-of-period balances)											
10 **Margin credit at broker–dealers**[4]	**61,160**	**76,680**	**97,400**	**87,160**	**79,860**	**82,980**	**89,300**	**88,740**	**91,680**	**97,400**	**99,460**	**100,000**
Free credit balances at brokers[5]												
11 Margin accounts[6]	14,095	16,250	22,540	16,800	17,700	17,520	17,940	19,890	20,020	22,540	22,870	22,200
12 Cash accounts	28,870	34,340	40,430	33,775	32,935	32,680	35,360	36,610	36,650	40,430	41,280	40,090

	Margin requirements (percent of market value and effective date)[7]					
	Mar. 11, 1968	June 8, 1968	May 6, 1970	Dec 6, 1971	Nov. 24, 1972	Jan. 3, 1974
13 Margin stocks	70	80	65	55	65	50
14 Convertible bonds	50	60	50	50	50	50
15 Short sales	70	80	65	55	65	50

1. Daily data on prices are available upon request to the Board of Governors. For ordering address, see inside front cover.
2. In July 1976 a financial group, composed of banks and insurance companies, was added to the group of stocks on which the index is based. The index is now based on 400 industrial stocks (formerly 425), 20 transportation (formerly 15 rail), 40 public utility (formerly 60), and 40 financial.
3. On July 5, 1983, the American Stock Exchange rebased its index, effectively cutting previous readings in half.
4. Since July 1983, under the revised Regulation T, margin credit at broker–dealers has included credit extended against stocks, convertible bonds, stocks acquired through the exercise of subscription rights, corporate bonds, and government securities. Separate reporting of data for margin stocks, convertible bonds, and subscription issues was discontinued in April 1984.
5. Free credit balances are amounts in accounts with no unfulfilled commitments to brokers and are subject to withdrawal by customers on demand.
6. Series initiated in June 1984.
7. Margin requirements, stated in regulations adopted by the Board of Governors pursuant to the Securities Exchange Act of 1934, limit the amount of credit that can be used to purchase and carry "margin securities" (as defined in the regulations) when such credit is collateralized by securities. Margin requirements on securities are the difference between the market value (100 percent) and the maximum loan value of collateral as prescribed by the Board. Regulation T was adopted effective Oct. 15, 1934; Regulation U, effective May 1, 1936; Regulation G, effective Mar. 11, 1968; and Regulation X, effective Nov. 1, 1971.

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

1.38 FEDERAL FISCAL AND FINANCING OPERATIONS

Millions of dollars

Type of account or operation	Fiscal year			Calendar year					
				1996			1997		
	1994	1995	1996	Oct.	Nov.	Dec.	Jan.	Feb.	Mar
U.S. budget[1]									
1 Receipts, total	1,258,627	1,351,830	1,453,062	99,656	97,849	148,489	150,718	90,293	108,099
2 On-budget	923,601	1,000,751	1,085,570	73,644	70,018	119,528	113,841	59,673	73,869
3 Off-budget	335,026	351,079	367,492	26,012	27,831	28,961	36,877	30,620	34,230
4 Outlays, total	1,461,731	1,515,729	1,560,330	139,915	135,727	129,666	137,354	134,304	129,422
5 On-budget	1,181,469	1,227,065	1,259,872	113,290	106,327	120,429	110,552	104,964	100,427
6 Off-budget	279,372	288,664	300,458	26,625	29,400	9,237	26,802	29,339	28,996
7 Surplus or deficit (−), total	−203,104	−163,899	−107,268	−40,259	−37,878	18,823	13,364	−44,010	−21,323
8 On-budget	−258,758	−226,314	−174,302	−39,646	−36,309	−901	3,289	−45,291	−26,558
9 Off-budget	55,654	62,415	67,034	−613	−1,569	19,724	10,075	1,281	5,234
Source of financing (total)									
10 Borrowing from the public	185,344	171,288	129,712	15,588	45,459	−12,321	−16,776	35,968	28,833
11 Operating cash (decrease, or increase (−))	16,564	−2,007	−6,276	18,592	−673	−6,488	−3,785	21,357	−18,274
12 Other[2]	1,196	−5,382	−16,168	6,079	−6,908	−14	7,197	−13,315	10,764
MEMO									
13 Treasury operating balance (level, end of period)	35,942	37,949	44,225	25,633	26,306	32,794	36,579	15,222	33,496
14 Federal Reserve Banks	6,848	8,620	7,700	5,897	4,857	7,742	6,770	5,258	5,945
15 Tax and loan accounts	29,094	29,329	36,525	19,736	21,449	25,052	29,809	9,965	27,551

1. Since 1990, off-budget items have been the social security trust funds (federal old-age survivors insurance and federal disability insurance) and the U.S. Postal Service.

2. Includes special drawing rights (SDRs), reserve position on the U.S. quota in the International Monetary Fund (IMF); loans to the IMF; other cash and monetary assets, accrued interest payable to the public; allocations of SDRs; deposit funds; miscellaneous liability (including checks outstanding) and asset accounts; seigniorage; increment on gold; net gain or loss for U.S. currency valuation adjustment; net gain or loss for IMF loan-valuation adjustment; and profit on sale of gold.

SOURCE. Monthly totals: U.S. Department of the Treasury, *Monthly Treasury Statement of Receipts and Outlays of the U.S. Government*; fiscal year totals: U.S. Office of Management and Budget, *Budget of the U.S. Government*.

1.39 U.S. BUDGET RECEIPTS AND OUTLAYS[1]

Millions of dollars

Source or type	Fiscal year 1995	Fiscal year 1996	Calendar year 1995 H1	Calendar year 1995 H2	Calendar year 1996 H1	Calendar year 1996 H2	Calendar year 1996 Dec.	Calendar year 1997 Jan.	Calendar year 1997 Feb.
RECEIPTS									
1 **All sources**	**1,351,830**	**1,453,062**	**711,003**	**656,865**	**767,099**	**707,551**	**148,489**	**150,718**	**90,293**
2 Individual income taxes, net	590,244	656,417	307,498	292,393	347,285	323,884	59,423	87,239	37,400
3 Withheld	499,927	533,080	251,398	256,916	264,177	279,988	52,690	55,426	48,351
4 Nonwithheld	175,855	212,168	132,001	45,521	162,782	53,491	7,582	33,576	2,948
5 Refunds	85,538	88,897	75,959	10,058	79,735	9,604	850	1,763	13,906
Corporation income taxes									
6 Gross receipts	174,422	189,055	92,132	88,302	96,480	95,364	40,436	6,285	4,014
7 Refunds	17,418	17,231	10,399	7,518	9,704	10,053	1,479	1,477	1,777
8 Social insurance taxes and contributions, net	484,473	509,414	261,837	224,269	277,767	240,326	40,687	48,794	41,784
9 Employment taxes and contributions[2]	451,045	476,361	241,557	211,323	257,446	227,777	40,057	47,302	38,969
10 Unemployment insurance	28,878	28,584	18,001	10,702	18,068	10,302	259	1,137	2,423
11 Other net receipts[3]	4,550	4,469	2,279	2,247	2,254	2,245	371	355	391
12 Excise taxes	57,484	54,014	27,452	30,014	25,682	27,016	4,559	4,219	5,106
13 Customs deposits	19,301	18,670	8,848	9,849	8,731	9,294	1,520	1,468	1,379
14 Estate and gift taxes	14,763	17,189	7,425	7,718	8,775	8,835	1,371	1,615	1,180
15 Miscellaneous receipts[4]	28,561	25,534	16,211	11,839	12,087	12,888[r]	1,973	2,574	1,208
OUTLAYS									
16 **All types**	**1,515,729**	**1,560,330**	**761,289**	**752,856**	**785,368**	**799,851[r]**	**129,666**	**137,354**	**134,304**
17 National defense	272,066	265,748	135,648	132,887	132,598[r]	138,350	23,085	22,137	20,897
18 International affairs	16,434	13,496	4,797	6,908	8,074	8,895[r]	1,371	1,405	898
19 General science, space, and technology	16,724	16,709	8,611	7,970[r]	8,897[r]	9,498	1,590	1,429	1,417
20 Energy	4,936	2,836	2,358	1,992	1,356[r]	806[r]	201	−52	211
21 Natural resources and environment	22,078	21,614	10,273	11,392[r]	10,254[r]	11,642	2,152[r]	1,884[r]	1,508
22 Agriculture	9,778	9,159	4,039	3,065[r]	72[r]	10,699[r]	2,240	2,169	−96
23 Commerce and housing credit	−17,808	−10,646	−13,471	−3,947[r]	−6,885[r]	−6,198[r]	−840[r]	−1,532[r]	−1,460
24 Transportation	39,350	39,565	18,193	20,725	18,290	21,205[r]	3,209	2,895	2,842
25 Community and regional development	10,641	10,685	5,073	5,569	5,245	6,192[r]	758[r]	1,014[r]	608
26 Education, training, employment, and social services	54,263	52,001	25,893	26,212[r]	25,979[r]	26,032[r]	3,773[r]	4,660[r]	5,100
27 Health	115,418	119,378	59,057	57,128[r]	59,989[r]	61,466	10,567[r]	10,753[r]	9,169
28 Social security and Medicare	495,701	523,901	251,975	251,385[r]	264,649	269,409	44,779	46,641	44,973
29 Income security	220,493	225,989	117,190	104,847[r]	121,187[r]	107,181[r]	17,299[r]	19,610[r]	26,346
30 Veterans benefits and services	37,890	36,985	19,269	18,678[r]	18,140[r]	21,107[r]	3,083[r]	3,283[r]	3,384
31 Administration of justice	16,216	17,548	8,051	8,091[r]	9,015[r]	9,595[r]	1,563	1,745	2,074
32 General government	13,835	11,892	5,796	7,601[r]	4,641	6,544[r]	1,677[r]	1,108[r]	119
33 Net interest[5]	232,169	241,090	116,169	119,348	120,576[r]	122,568[r]	19,997	21,092	19,362
34 Undistributed offsetting receipts[6]	−44,455	−37,620	−17,631	−26,995	−16,716	−25,140[r]	−6,839	−2,888	−3,049

1. Functional details do not sum to total outlays for calendar year data because revisions to monthly totals have not been distributed among functions. Fiscal year total for receipts and outlays do not correspond to calendar year data because revisions from the *Budget* have not been fully distributed across months.
2. Old-age, disability, and hospital insurance, and railroad retirement accounts.
3. Federal employee retirement contributions and civil service retirement and disability fund.
4. Deposits of earnings by Federal Reserve Banks and other miscellaneous receipts.
5. Includes interest received by trust funds.
6. Rents and royalties for the outer continental shelf, U.S. government contributions for employee retirement, and certain asset sales.

SOURCE. Fiscal year totals: U.S. Office of Management and Budget, *Budget of the U.S. Government, Fiscal Year 1998*; monthly and half-year totals: U.S. Department of the Treasury, *Monthly Treasury Statement of Receipts and Outlays of the U.S. Government*.

1.40 FEDERAL DEBT SUBJECT TO STATUTORY LIMITATION

Billions of dollars, end of month

Item	1994	1995				1996			
	Dec. 31	Mar. 31	June 30	Sept. 30	Dec. 31	Mar. 31	June 30	Sept. 30	Dec. 31
1 **Federal debt outstanding**	**4,827**	**4,891**	**4,978**	**5,001**	**5,017**	**5,153**	**5,197**	**5,260**	**5,357**
2 Public debt securities	4,800	4,864	4,951	4,974	4,989	5,118	5,161	5,225	5,323
3 Held by public	3,543	3,610	3,635	3,653	3,684	3,764	3,739	3,778	3,826
4 Held by agencies	1,257	1,255	1,317	1,321	1,305	1,354	1,422	1,447	1,497
5 Agency securities	27	27	27	27	28	36	36	35	34
6 Held by public	27	26	27	27	28	28	28	27	27
7 Held by agencies	0	0	0	0	0	8	8	8	8
8 **Debt subject to statutory limit**	**4,711**	**4,775**	**4,861**	**4,885**	**4,900**	**5,030**	**5,073**	**5,137**	**5,237**
9 Public debt securities	4,711	4,774	4,861	4,885	4,900	5,030	5,073	5,137	5,237
10 Other debt[1]	0	0	0	0	0	0	0	0	0
MEMO									
11 Statutory debt limit	4,900	4,900	4,900	4,900	4,900	5,500	5,500	5,500	5,500

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

SOURCE. U.S. Department of the Treasury, *Monthly Statement of the Public Debt of the United States* and *Treasury Bulletin*.

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

Billions of dollars, end of period

Type and holder	1993	1994	1995	1996	1996			
					Q1	Q2	Q3	Q4
1 **Total gross public debt**	**4,535.7**	**4,800.2**	**4,988.7**	**5,323.2**	**5,117.8**	**5,161.1**	**5,224.8**	**5,323.2**
By type								
2 Interest-bearing	4,532.3	4,769.2	4,964.4	5,317.2	5,083.0	5,126.8	5,220.8	5,317.2
3 Marketable	2,989.5	3,126.0	3,307.2	3,459.7	3,375.1	3,348.4	3,418.4	3,459.7
4 Bills	714.6	733.8	760.7	777.4	811.9	773.6	761.2	777.4
5 Notes	1,764.0	1,867.0	2,010.3	2,112.3	2,014.1	2,025.8	2,098.7	2,112.3
6 Bonds	495.9	510.3	521.2	555.0	534.1	534.1	543.5	555.0
7 Nonmarketable[1]	1,542.9	1,643.1	1,657.2	1,857.5	1,707.9	1,778.3	1,802.4	1,857.5
8 State and local government series	149.5	132.6	104.5	101.3	96.5	97.8	95.7	101.3
9 Foreign issues[2]	43.5	42.5	40.8	37.4	40.4	37.8	37.5	37.4
10 Government	43.5	42.5	40.8	47.4	40.4	37.8	37.5	47.4
11 Public	.0	.0	.0	.0	.0	.0	.0	.0
12 Savings bonds and notes	169.4	177.8	181.9	182.4	183.0	183.8	184.2	182.4
13 Government account series[3]	1,150.0	1,259.8	1,299.6	1,505.9	1,357.7	1,428.5	1,454.7	1,505.9
14 Non-interest-bearing	3.4	31.0	24.3	6.0	34.8	34.3	4.0	6.0
By holder[4]								
15 U.S. Treasury and other federal agencies and trust funds	1,153.5	1,257.1	1,304.5	1,497.2	1,353.8	1,422.4	1,447.0	1,497.2
16 Federal Reserve Banks	334.2	374.1	391.0	410.9	381.0	391.0	390.9	410.9
17 Private investors	3,047.4	3,168.0	3,294.9	3,411.2	3,382.8	3,347.3	3,386.2r	3,411.2
18 Commercial banks	322.2	290.4r	278.7r	272.0	284.0r	280.2r	274.8r	272.0
19 Money market funds	80.8	67.6	71.3	92.1	85.7r	82.1r	85.2r	92.1
20 Insurance companies	234.5	240.1	241.5r	234.0	239.4r	234.4r	234.5r	234.0
21 Other companies	213.0	226.5	228.8	258.5	229.0	230.9	249.1	258.5
22 State and local treasuries[5,6]	590.8r	468.3r	344.1r	290.0	325.4r	316.8r	298.5r	290.0
Individuals								
23 Savings bonds	171.9	180.5	185.0	187.0	185.8	186.5	186.8	187.0
24 Other securities	137.9	150.7	162.7	169.6	161.4	161.1	167.0r	169.6
25 Foreign and international[7]	623.0	688.6	862.2r	1,131.5	931.5r	959.8r	1,030.9r	1,131.5
26 Other miscellaneous investors[6,8]	673.3r	855.3r	920.6r	776.5	940.6r	895.5r	859.4r	776.5

1. Includes (not shown separately) securities issued to the Rural Electrification Administration, depository bonds, retirement plan bonds, and individual retirement bonds.
2. Nonmarketable series denominated in dollars, and series denominated in foreign currency held by foreigners.
3. Held almost entirely by U.S. Treasury and other federal agencies and trust funds.
4. Data for Federal Reserve Banks and U.S. government agencies and trust funds are actual holdings; data for other groups are Treasury estimates.
5. Includes state and local pension funds.
6. In March 1996, in a redefinition of series, fully defeased debt backed by nonmarketable federal securities was removed from "Other miscellaneous investors" and added to "State and local treasuries." The data shown here have been revised accordingly.
7. Consists of investments of foreign balances and international accounts in the United States.
8. Includes savings and loan associations, nonprofit institutions, credit unions, mutual savings banks, corporate pension trust funds, dealers and brokers, certain U.S. Treasury deposit accounts, and federally sponsored agencies.

SOURCE. U.S. Treasury Department, data by type of security, *Monthly Statement of the Public Debt of the United States;* data by holder, *Treasury Bulletin*.

1.42 U.S. GOVERNMENT SECURITIES DEALERS Transactions[1]

Millions of dollars, daily averages

Item	1996 Nov.	1996 Dec.	1997 Jan.	1997, week ending Jan. 1	Jan. 8	Jan. 15	Jan. 22	Jan. 29	Feb. 5	Feb. 12	Feb. 19	Feb. 26
OUTRIGHT TRANSACTIONS[2]												
By type of security												
1 U.S. Treasury bills	48,828	48,957	45,941	37,030	51,775	47,443	41,017	41,075	49,615	35,699	39,097	43,780
Coupon securities, by maturity												
2 Five years or less	101,712	89,775	110,875	43,851	92,580	120,490	121,511	113,315	105,201	91,500	98,004	128,324
3 More than five years	62,469	50,436	55,797	21,031	51,136	57,872	47,757	58,845	70,722	66,001	70,685	62,384
4 Federal agency	33,010	34,571	35,624	33,046	37,737	35,055	34,683	34,473	36,519	33,237	41,200	34,222
5 Mortgage-backed	44,279	33,754	45,018	7,422	62,491	50,999	30,001	33,766	44,544	59,466	39,497	36,767
By type of counterparty												
With interdealer broker												
6 U.S. Treasury	120,115	104,432	122,621	54,113	112,516	127,881	122,617	124,947	128,922	108,018	114,938	133,367
7 Federal agency	823	584	1,141	447	1,029	1,192	1,146	1,147	1,266	1,037	2,049	1,136
8 Mortgage-backed	16,511	11,606	14,419	2,784	19,219	15,616	11,648	10,394	15,036	21,133	14,718	11,695
With other												
9 U.S. Treasury	92,894	84,737	89,993	47,799	82,975	97,924	87,668	88,289	96,616	85,182	92,848	101,121
10 Federal agency	32,187	33,987	34,483	32,599	36,709	33,863	33,536	33,325	35,252	32,200	39,151	33,086
11 Mortgage-backed	27,767	22,148	30,598	4,638	43,272	35,383	18,353	23,371	29,508	38,332	24,779	25,072
FUTURES TRANSACTIONS[3]												
By type of deliverable security												
12 U.S. Treasury bills	180	300	206	0	289	221	106	176	237	165	513	297
Coupon securities, by maturity												
13 Five years or less	1,423	1,814[r]	1,489[r]	626	1,394	1,500	1,267	1,408[r]	1,359[r]	1,035[r]	1,338[r]	2,583
14 More than five years	14,514	13,178[r]	14,518[r]	5,237	13,066	14,732	12,630	14,992[r]	13,645[r]	11,887[r]	13,216[r]	14,086
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	n.a.	0	0	0
Coupon securities, by maturity												
18 Five years or less	2,345	1,626	3,288	1,153	4,475	2,435	3,224	2,767	3,879	2,913	2,756	5,084
19 More than five years	4,881	3,559	5,045	1,803	4,135	5,036	4,849	6,008	5,332	4,334	5,920	5,444
20 Federal agency	0	0	0	0	0	0	0	0	0	0	0	0
21 Mortgage-backed	874	494	455	484	624	463	316	316	640	1,074	527	799

1. Transactions are market purchases and sales of securities as reported to the Federal Reserve Bank of New York by the U.S. government securities dealers on its published list of primary dealers. Monthly averages are based on the number of trading days in the month. Transactions are assumed evenly distributed among the trading days of the report week. Immediate, forward, and futures transactions are reported at principal value, which does not include accrued interest; options transactions are reported at the face value of the underlying securities.

Dealers report cumulative transactions for each week ending Wednesday.

2. Outright transactions include immediate and forward transactions. Immediate delivery refers to purchases or sales of securities (other than mortgage-backed federal agency securities) for which delivery is scheduled in five business days or less and "when-issued" securities that settle on the issue date of offering. Transactions for immediate delivery of mortgage-backed agency securities include purchases and sales for which delivery is scheduled in thirty business days or less. Stripped securities are reported at market value by maturity of coupon or corpus.

Forward transactions are agreements made in the over-the-counter market that specify delayed delivery. Forward contracts for U.S. Treasury securities and federal agency debt securities are included when the time to delivery is more than five business days. Forward contracts for mortgage-backed agency securities are included when the time to delivery is more than thirty business days.

3. Futures transactions are standardized agreements arranged on an exchange. All futures transactions are included regardless of time to delivery.

4. Options transactions are purchases or sales of put and call options, whether arranged on an organized exchange or in the over-the-counter market, and include options on futures contracts on U.S. Treasury and federal agency securities.

NOTE. "n.a." indicates that data are not published because of insufficient activity.

Major changes in the report form filed by primary dealers induced a break in the dealer data series as of the week ending July 6, 1994.

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

Millions of dollars

Item	1996 Nov.	1996 Dec.	1997 Jan.	1997, week ending Jan. 1	Jan. 8	Jan. 15	Jan. 22	Jan. 29	Feb. 5	Feb. 12	Feb. 19
	Positions[2]										
NET OUTRIGHT POSITIONS[3]											
By type of security											
1 U.S. Treasury bills	8,847	14,525	5,582	3,871	10,493	5,963	5,555	826	4,658	6,689	7,306
Coupon securities, by maturity											
2 Five years or less	5,631	−7,743	−8,518	−12,607	−6,697	−7,078	−6,300	−12,981	−10,030	−2,756	−9,091
3 More than five years	−17,797	−22,372	−24,851	−24,641	−23,761	−25,389	−23,626	−26,379	−25,827	−21,064	−17,434
4 Federal agency	25,228	23,348	25,134	17,424	27,151	25,797	24,014	25,057	23,794	23,320	21,075
5 Mortgage-backed	42,015	43,300	37,786	42,201	37,959	39,337	35,474	37,389	39,019	38,710	40,043
NET FUTURES POSITIONS[4]											
By type of deliverable security											
6 U.S. Treasury bills	−1,872	−2,418	−2,074	−2,825	−1,963	−1,702	−2,116	−2,207	−2,772	−3,318	−3,767
Coupon securities, by maturity											
7 Five years or less	−1,285	−75	388	−305	−356	569	597	866	301	18	848
8 More than five years	−15,889	−13,806	−7,784	−12,705	−8,197	−6,231	−9,072	−7,179	−6,917	−11,766	−15,501
9 Federal agency	0	0	0	0	0	0	0	0	0	0	0
10 Mortgage-backed	0	0	0	0	0	0	0	0	0	0	0
NET OPTIONS POSITIONS											
By type of deliverable security											
11 U.S. Treasury bills	0	0	0	0	0	0	0	0	0	0	0
Coupon securities, by maturity											
12 Five years or less	−1,779	−3,036	−3,148	−3,535	−3,807	−3,735	−2,743	−2,483	−2,338	−3,262	−3,309
13 More than five years	423	1,526	−5	1,368	523	529	−172	−1,098	2	1,245	1,204
14 Federal agency	0	0	0	0	0	0	0	0	0	0	0
15 Mortgage-backed	1,585	1,054	1,123	1,244	1,264	967	984	1,110	1,652	1,447	1,433
	Financing[5]										
Reverse repurchase agreements											
16 Overnight and continuing	264,568	255,137	276,107	258,011	269,405	292,423	273,371	267,689	290,542	297,347	315,435
17 Term	487,521	437,241	486,628	383,490	450,694	484,735	499,494	519,291	511,244	540,915	436,436
Securities borrowed											
18 Overnight and continuing	190,478	194,674	199,784	196,807	199,817	200,979	196,784	200,137	206,242	203,285	209,732
19 Term	69,309	73,195	80,149	70,637	74,331	78,666	82,326	85,576	83,844	86,297	82,724
Securities received as pledge											
20 Overnight and continuing	3,617	5,484	5,298	6,412	6,453	6,897	5,137	3,145	3,206	3,139	3,224
21 Term	40	5	45	0	8	24	23	112	95	5	n.a.
Repurchase agreements											
22 Overnight and continuing	577,005	564,075	578,791	520,796	576,187	600,211	585,752	558,786	587,584	602,531	632,316
23 Term	447,089	393,364	443,233	349,274	409,830	445,471	446,183	479,169	463,182	496,351	408,317
Securities loaned											
24 Overnight and continuing	3,646	3,419	4,481	3,937	3,712	3,843	3,443	6,482	6,301	7,083	7,058
25 Term	3,613	4,117	4,864	4,117	0	3,832	3,844	6,570	6,444	6,826	6,792
Securities pledged											
26 Overnight and continuing	49,960	58,532	58,140	69,883	58,433	57,317	57,355	58,592	55,285	55,325	60,841
27 Term	4,294	1,682	2,391	2,148	1,894	2,387	2,548	2,675	2,729	2,771	1,832
Collateralized loans											
28 Overnight and continuing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
29 Term	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
30 Total	14,254	10,025	9,386	8,645	8,353	8,696	10,806	9,038	12,037	16,808	12,611
MEMO: Matched book[6]											
Securities in											
31 Overnight and continuing	264,391	254,678	279,556	247,872	277,020	291,332	279,622	270,867	293,236	301,239	304,851
32 Term	479,031	434,522	485,466	379,829	454,385	486,331	496,235	513,311	508,892	542,375	444,381
Securities out											
33 Overnight and continuing	357,386	334,841	351,842	321,596	343,682	368,703	356,229	337,780	370,367	383,443	376,680
34 Term	394,147	341,796	392,408	295,911	355,706	395,492	397,689	428,627	413,073	447,702	359,655

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	1993	1994	1995	1996	1996 Aug.	Sept.	Oct.	Nov.	Dec.
1 **Federal and federally sponsored agencies**	**570,711**	**738,928**	**844,611**	**925,823**	**892,294**	**896,670**	**901,09**	**912,100**	**925,823**
2 Federal agencies	45,193	39,186	37,347	29,380	30,730	30,599	30,800	29,909	29,380
3 Defense Department[1]	6	6	6	6	6	6	6	6	6
4 Export-Import Bank[2,3]	5,315	3,455	2,050	1,447	1,853	1,828	1,828	1,828	1,447
5 Federal Housing Administration[4]	255	116	97	84	78	82	82	84	84
6 Government National Mortgage Association certificates of participation[5]	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
7 Postal Service[6]	9,732	8,073	5,765	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
8 Tennessee Valley Authority	29,885	27,536	29,429	27,853	28,793	28,683	28,884	27,991	27,853
9 United States Railway Association[6]	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
10 Federally sponsored agencies[7]	523,452	699,742	807,264	896,443	861,564	866,071	870,289	882,191	896,443
11 Federal Home Loan Banks	139,512	205,817	243,194	263,404	253,847	254,920	253,836	252,868	263,404
12 Federal Home Loan Mortgage Corporation	49,993	93,279	119,961	156,980	148,729	146,954	148,435	158,158	156,980
13 Federal National Mortgage Association	201,112	257,230	299,174	331,270	312,374	319,153	321,110	324,378	331,270
14 Farm Credit Banks[8]	53,123	53,175	57,379	60,053	60,219	60,126	59,712	59,797	60,053
15 Student Loan Marketing Association[9]	39,784	50,335	47,529	44,763	46,459	44,962	47,225	46,991	44,763
16 Financing Corporation[10]	8,170	8,170	8,170	8,170	8,170	8,170	8,170	8,170	8,170
17 Farm Credit Financial Assistance Corporation[11]	1,261	1,261	1,261	1,261	1,261	1,261	1,261	1,261	1,261
18 Resolution Funding Corporation[12]	29,996	29,996	29,996	29,996	29,996	29,996	29,996	29,996	29,996
MEMO									
19 **Federal Financing Bank debt**[13]	**128,187**	**103,817**	**78,681**	**58,172**	**61,971**	**62,846**	**61,051**	**58,921**	**58,172**
Lending to federal and federally sponsored agencies									
20 Export-Import Bank[3]	5,309	3,449	2,044	1,431	1,847	1,822	1,822	1,822	1,431
21 Postal Service[6]	9,732	8,073	5,765	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
22 Student Loan Marketing Association	4,760	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
23 Tennessee Valley Authority	6,325	3,200	3,200	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
24 United States Railway Association[6]	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Other lending[14]									
25 Farmers Home Administration	38,619	33,719	21,015	18,325	19,757	18,700	18,700	18,325	18,325
26 Rural Electrification Administration	17,578	17,392	17,144	16,702	16,847	16,751	16,753	16,772	16,702
27 Other	45,864	37,984	29,513	21,714	23,520	25,573	23,776	22,002	21,714

1. Consists of mortgages assumed by the Defense Department between 1957 and 1963 under family housing and homeowners assistance programs.
2. Includes participation certificates reclassified as debt beginning Oct. 1, 1976.
3. On-budget since Sept. 30, 1976.
4. Consists of debentures issued in payment of Federal Housing Administration insurance claims. Once issued, these securities may be sold privately on the securities market.
5. Certificates of participation issued before fiscal year 1969 by the Government National Mortgage Association acting as trustee for the Farmers Home Administration, the Department of Health, Education, and Welfare, the Department of Housing and Urban Development, the Small Business Administration, and the Veterans Administration.
6. Off-budget.
7. Includes outstanding noncontingent liabilities: notes, bonds, and debentures. Includes Federal Agricultural Mortgage Corporation: therefore details do not sum to total. Some data are estimated.
8. Excludes borrowing by the Farm Credit Financial Assistance Corporation, which is shown on line 17.
9. Before late 1982, the association obtained financing through the Federal Financing Bank (FFB). Borrowing excludes that obtained from the FFB, which is shown on line 22.
10. The Financing Corporation, established in August 1987 to recapitalize the Federal Savings and Loan Insurance Corporation, undertook its first borrowing in October 1987.
11. The Farm Credit Financial Assistance Corporation, established in January 1988 to provide assistance to the Farm Credit System, undertook its first borrowing in July 1988.
12. The Resolution Funding Corporation, established by the Financial Institutions Reform, Recovery, and Enforcement Act of 1989, undertook its first borrowing in October 1989.
13. The FFB, which began operations in 1974, is authorized to purchase or sell obligations issued, sold, or guaranteed by other federal agencies. Because FFB incurs debt solely for the purpose of lending to other agencies, its debt is not included in the main portion of the table to avoid double counting.
14. Includes FFB purchases of agency assets and guaranteed loans; the latter are loans guaranteed by numerous agencies, with the amounts guaranteed by any one agency generally being small. The Farmers Home Administration entry consists exclusively of agency assets, whereas the Rural Electrification Administration entry consists of both agency assets and guaranteed loans.

1.45 NEW SECURITY ISSUES Tax-Exempt State and Local Governments

Millions of dollars

Type of issue or issuer, or use	1994	1995	1996	1996						1997	
				July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.[r]	Feb.
1 **All issues, new and refunding**[1]	**153,950**	**145,657**	**171,222**	**11,643**	**12,493**	**11,693**	**16,750**	**14,520**	**17,431**	**10,361**	**10,925**
By type of issue											
2 General obligation	54,404	56,980	60,409	4,345	4,074	3,024	5,467	5,134	4,755	4,157	3,774
3 Revenue	99,546	88,677	110,813	7,298	8,419	8,669	11,283	9,386	12,676	6,204	7,151
By type of issuer											
4 State	19,186	14,665	13,651	671	376	874	1,769	1,351	663	728	562
5 Special district or statutory authority[2]	95,896	93,500	113,228	7,241	8,433	8,137	10,923	9,091	12,315	6,347	7,698
6 Municipality, county, or township	38,868	37,492	44,343	3,731	3,684	2,682	4,058	4,078	4,453	3,286	2,665
7 **Issues for new capital**	**105,972**	**102,390**	**112,298**	**8,602**	**7,093**	**7,837**	**12,113**	**8,656**	**12,311**	**6,261**	**7,470**
By use of proceeds											
8 Education	21,267	23,964	26,851	2,206	2,337	1,522	2,693	1,530	2,306	1,992	1,813
9 Transportation	10,836	11,890	12,324	580	622	850	2,907	1,164	736	808	628
10 Utilities and conservation	10,192	9,618	9,791	716	417	720	1,441	1,102	1,006	756	883
11 Social welfare	20,289	19,566	24,583	2,222	2,348	2,100	1,573	1,974	3,294	578	1,129
12 Industrial aid	8,161	6,581	6,287	396	274	439	556	460	1,081	229	465
13 Other purposes	35,227	30,771	32,462	2,482	1,095	2,206	2,943	2,426	3,888	1,898	2,552

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

SOURCE. Securities Data Company beginning January 1990; *Investment Dealer's Digest* before then.

1.46 NEW SECURITY ISSUES U.S. Corporations

Millions of dollars

Type of issue, offering, or issuer	1994	1995	1996	1996							1997
				June	July	Aug.	Sept.	Oct.	Nov.[r]	Dec.[r]	Jan.
1 **All issues**[1]	**583,240**	n.a.	n.a.	**66,418**[r]	**41,007**[r]	**44,447**[r]	**60,542**[r]	**60,302**[r]	**57,623**	**51,297**	**55,353**
2 **Bonds**[2]	**498,039**	**573,206**	n.a.	**53,378**[r]	**33,255**[r]	**38,685**[r]	**53,875**[r]	**47,437**[r]	**44,282**	**39,550**	**43,199**
By type of offering											
3 Public, domestic	365,222	408,804	386,280	44,746[r]	27,368[r]	32,605[r]	44,658[r]	39,843[r]	38,750	37,073	35,192
4 Private placement, domestic[3]	76,065	87,492	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
5 Sold abroad	56,755	76,910	74,793	8,632[r]	5,887[r]	6,081	9,218	7,594[r]	5,531	2,477	8,007
By industry group											
6 Manufacturing	43,423	61,070	41,959	6,009	4,166[r]	3,092[r]	4,045[r]	5,969[r]	2,720	5,096	4,337
7 Commercial and miscellaneous	40,735	50,689	34,076	4,317[r]	2,712[r]	2,661[r]	3,195[r]	5,010[r]	4,282	1,727	4,275
8 Transportation	6,867	8,430	5,111	906	535	293	620	436	270	341	316
9 Public utility	13,322	13,751	8,161	944[r]	1,046	174[r]	279[r]	1,067[r]	698	755	849
10 Communication	13,340	22,999	13,320	2,231	647	1,450	829	802[r]	475	628	1,210
11 Real estate and financial	380,352	416,269	358,446	38,973[r]	24,149[r]	31,016[r]	44,908[r]	34,154[r]	35,836	31,003	32,211
12 **Stocks**[2]	**85,155**	n.a.	n.a.	**13,040**	**7,752**	**5,762**	**6,668**[r]	**12,865**	**13,342**	**11,747**	**12,153**
By type of offering											
13 Public preferred	12,570	10,964	35,884[r]	3,310[r]	1,794	1,168	1,890	3,855	5,656	8,128	7,812
14 Common	47,828	57,809	82,860[r]	9,730[r]	5,958	4,594	4,778[r]	9,010	7,686	3,619	4,341
15 Private placement[3]	24,800	↑	↑	n.a	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
By industry group											
16 Manufacturing	17,798			2,670	1,759	1,023	787	1,570	1,530	883	592
17 Commercial and miscellaneous	15,713	n.a.	n.a.	6,708	2,628	2,143	3,080	5,700	3,974	2,848	1,864
18 Transportation	2,203			197	104	143	0	42	367	54	250
19 Public utility	2,214			569	300	306	212	100	210	203	1,847
20 Communication	494			837	1,097	51	0	480	42	20	0
21 Real estate and financial	46,733	↓	↓	2,102[r]	1,863	2,098	2,589	4,974	7,219	7,738	7,601

1. Figures represent gross proceeds of issues maturing in more than one year; they are the principal amount or number of units calculated by multiplying by the offering price. Figures exclude secondary offerings, employee stock plans, investment companies other than closed-end, intracorporate transactions, equities sold abroad, and Yankee bonds. Stock data include ownership securities issued by limited partnerships.
2. Monthly data cover only public offerings.
3. Monthly data are not available.

SOURCE. Beginning July 1993, Securities Data Company and the Board of Governors of the Federal Reserve System.

1.47 OPEN–END INVESTMENT COMPANIES Net Sales and Assets[1]

Millions of dollars

Item	1994	1995	1996 June	1996 July	1996 Aug.	1996 Sept.	1996 Oct.	1996 Nov.	1996 Dec.	1997 Jan.
1 **Sales of own shares**[2]	**841,286**	**871,415**	**88,115**	**93,053**	**86,225**	**84,171**	**92,730**	**87,958**	**122,792**	**134,460**
2 Redemptions of own shares	699,823	699,497	69,072	76,485	64,993	65,601	72,537	65,949	87,949	96,243
3 Net sales[3]	141,463	171,918	19,044	16,568	21,232	18,570	20,193	22,009	34,843	38,218
4 **Assets**[4]	**1,550,490**	**2,067,337**	**2,363,024**	**2,297,216**	**2,366,030**	**2,474,339**	**2,517,049**	**2,652,884**	**2,637,398**	**2,752,273**
5 Cash[5]	121,296	142,572	144,275	148,647	155,129	156,689	149,937	146,044	137,973	152,297
6 Other	1,429,195	1,924,765	2,218,749	2,147,337	2,210,901	2,317,651	2,367,112	2,506,840	2,499,425	2,599,976

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	1994	1995	1996	1995 Q1	1995 Q2	1995 Q3	1995 Q4	1996 Q1	1996 Q2	1996 Q3	1996 Q4
1 Profits with inventory valuation and capital consumption adjustment	529.5	586.6	n.a.	560.0	562.3	612.5	611.8	645.1	655.8	661.2	n.a.
2 Profits before taxes	531.2	598.9	n.a.	594.5	589.6	607.2	604.2	642.2	644.6	635.6	n.a.
3 Profits-tax liability	195.3	218.7	n.a	217.3	214.2	224.5	218.7	233.4	236.4	233.4	n.a.
4 Profits after taxes	335.9	380.2	n.a.	377.2	375.3	382.8	385.5	408.8	408.1	402.2	n.a.
5 Dividends	211.0	227.4	244.2	221.7	224.6	228.5	234.7	239.9	243.1	245.2	248.7
6 Undistributed profits	124.8	152.8	n.a.	155.5	150.8	154.3	150.8	168.9	165.1	156.9	n.a.
7 Inventory valuation	−13.3	−28.1	−8.6[r]	−51.9	−42.3	−9.3	−8.8	−17.4	−11.0	2.0	−8.1[r]
8 Capital consumption adjustment	11.6	15.9	23.1[r]	17.4	15.0	14.6	16.5	20.4	22.3	23.6	26.4[r]

SOURCE. U.S. Department of Commerce, *Survey of Current Business*.

1.51 DOMESTIC FINANCE COMPANIES Assets and Liabilities[1]

Billions of dollars, end of period; not seasonally adjusted

Account	1993	1994	1995	1995 Q1	1995 Q2	1995 Q3	1995 Q4	1996 Q1	1996 Q2	1996 Q3
ASSETS										
1 Accounts receivable, gross[2]	482.8	551.0	614.6	568.5	586.9	594.7	614.6	621.8	631.4	642.0
2 Consumer	116.5	134.8	152.0	135.8	141.7	146.2	152.0	151.9	154.6	154.8
3 Business	294.6	337.6	375.9	351.9	361.8	362.4	375.9	380.9	383.7	387.0
4 Real estate	71.7	78.5	86.6	80.8	83.4	86.1	86.6	89.1	93.1	100.2
5 LESS: Reserves for unearned income	50.7	55.0	63.2	58.9	62.1	61.2	63.2	61.5	59.6	58.9
6 Reserves for losses	11.2	12.4	14.1	12.9	13.7	13.8	14.1	14.2	14.1	14.7
7 Accounts receivable, net	420.9	483.5	537.3	496.7	511.1	519.7	537.3	546.1	557.7	568.4
8 All other	170.9	183.4	210.7	194.6	198.1	198.1	210.7	212.8	216.1	226.8
9 **Total assets**	**591.8**	**666.9**	**748.0**	**691.4**	**709.2**	**717.8**	**748.0**	**758.9**	**773.8**	**795.2**
LIABILITIES AND CAPITAL										
10 Bank loans	25.3	21.2	23.1	21.0	21.5	21.8	23.1	23.5	26.2	27.5
11 Commercial paper	159.2	184.6	184.5	181.3	181.3	178.0	184.5	184.8	186.9	189.4
Debt										
12 Owed to parent	42.7	51.0	62.3	52.5	57.5	59.0	62.3	62.3	68.4	71.9
13 Not elsewhere classified	206.0	235.0	284.7	254.4	264.4	272.1	284.7	291.4	301.3	311.5
14 All other liabilities	87.1	99.5	106.2	102.5	102.1	102.4	106.2	105.7	100.1	102.8
15 Capital, surplus, and undivided profits	71.4	75.7	87.2	79.7	82.5	84.4	87.2	91.1	90.9	92.1
16 **Total liabilities and capital**	**591.8**	**666.9**	**748.0**	**691.4**	**709.2**	**717.8**	**748.0**	**758.9**	**773.8**	**795.2**

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	1994	1995	1996[r]	1996 Aug.	1996 Sept.	1996 Oct.	1996 Nov.	1996 Dec.[r]	1997 Jan.
	Seasonally adjusted								
1 **Total**	**615,618**	**691,616**	**753,682**	**738,487**	**739,183**	**749,165**	**758,266**	**753,682**	**758,612**
2 Consumer	176,085	198,861	211,488	212,105	212,979	212,511	212,775	211,488	211,688
3 Real estate[2]	78,910	87,077	106,300	99,806	100,317	102,933	104,776	106,300	108,406
4 Business	360,624	405,678	435,894	426,576	425,887	433,720	440,715	435,894	438,518
	Not seasonally adjusted								
5 **Total**	**620,975**	**697,340**	**759,578**	**732,117**	**735,269**	**747,970**	**758,276**	**759,578**	**760,010**
6 Consumer	178,999	202,101	214,829	211,342	213,827	213,026	214,227	214,829	213,292
7 Motor vehicles	61,609	70,061	73,192	74,433	76,333	75,917	75,304	73,192	73,599
8 Other consumer[3]	73,221	81,988	80,984	78,928	78,451	77,527	77,868	80,984	80,927
9 Securitized motor vehicles[4]	31,897	33,633	35,644	35,830	34,846	34,603	34,177	35,644	33,976
10 Securitized other consumer[4]	12,272	16,419	25,009	22,151	24,197	24,979	26,878	25,009	24,790
11 Real estate[2]	78,479	86,606	105,728	100,295	100,182	103,184	104,943	105,728	108,910
12 Business	363,497	408,633	439,021	420,480	421,260	431,760	439,106	439,021	437,808
13 Motor vehicles	118,197	133,277	141,888	135,063	138,615	139,966	142,210	141,888	143,934
14 Retail loans[5]	21,514	25,304	27,747	28,404	28,875	29,088	28,825	27,747	27,656
15 Wholesale loans[6]	35,037	36,427	32,337	28,188	30,294	30,515	32,262	32,337	33,764
16 Leases	61,646	71,546	81,804	78,471	79,446	80,363	81,123	81,804	82,514
17 Equipment	157,953	177,297	184,942	182,816	181,111	179,997	182,080	184,942	182,915
18 Loans[7]	49,358	59,109	60,991	55,528	56,132	58,735	60,181	60,991	58,276
19 Leases	108,595	118,188	123,951	127,288	124,979	121,262	121,899	123,951	124,639
20 Other business[8]	61,495	65,363	71,110	68,367	67,290	74,055	75,345	71,110	70,944
21 Securitized business assets[4]	25,852	32,696	41,081	34,234	34,244	37,742	39,471	41,081	40,015
22 Retail loans	4,494	4,723	5,250	4,700	4,600	4,650	5,402	5,250	5,086
23 Wholesale loans	14,826	21,327	24,732	23,151	23,170	23,183	23,391	24,732	24,143
24 Leases	6,532	6,646	11,099	6,383	6,474	9,909	10,678	11,099	10,786

1. Includes finance company subsidiaries of bank holding companies but not of retailers and banks. Data are before deductions for unearned income and losses. Data in this table also appear in the Board's G.20 (422) monthly statistical release. For ordering address, see inside front cover.

2. Includes all loans secured by liens on any type of real estate, for example, first and junior mortgages and home equity loans.

3. Includes personal cash loans, mobile home loans, and loans to purchase other types of consumer goods such as appliances, apparel, general merchandise, and recreation vehicles.

4. Outstanding balances of pools upon which securities have been issued; these balances are no longer carried on the balance sheets of the loan originator.

5. Passenger car fleets and commercial land vehicles for which licenses are required.

6. Credit arising from transactions between manufacturers and dealers, that is, floor plan financing.

7. Beginning with the June 1996 data, retail and wholesale business equipment loans have been combined and are no longer separately available.

8. Includes loans on commercial accounts receivable, factored commercial accounts, and receivable dealer capital; small loans used primarily for business or farm purposes; and wholesale and lease paper for mobile homes, campers, and travel trailers.

1.53 MORTGAGE MARKETS Mortgages on New Homes

Millions of dollars except as noted

Item	1994	1995	1996	1996 Aug.	1996 Sept.	1996 Oct.	1996 Nov.	1996 Dec.	1997 Jan.	1997 Feb.
	Terms and yields in primary and secondary markets									
PRIMARY MARKETS										
Terms[1]										
1 Purchase price (thousands of dollars)	170.4	175.8	182.4	184.8	187.1	183.9	188.1	170.8	172.4	166.6
2 Amount of loan (thousands of dollars)	130.8	134.5	139.2	141.1	141.7	139.0	143.3	129.9	133.6	130.9
3 Loan-to-price ratio (percent)	78.8	78.6	78.2	77.7	77.2	77.7	78.0	79.3	79.7	80.9
4 Maturity (years)	27.5	27.7	27.2	27.2	27.7	27.4	27.4	27.5	27.9	28.2
5 Fees and charges (percent of loan amount)[2]	1.29	1.21	1.21	1.38	1.28	1.11	1.19	1.01	1.02	1.03
Yield (percent per year)										
6 Contract rate[1]	7.26	7.65	7.56	7.85	7.77	7.76	7.60	7.63	7.65	7.61
7 Effective rate[1,3]	7.47	7.85	7.77	8.08	7.98	7.95	7.80	7.79	7.81	7.78
8 Contract rate (HUD series)[4]	8.58	8.05	8.03	8.45	8.23	8.01	7.73	7.91	7.94	7.94
SECONDARY MARKETS										
Yield (percent per year)										
9 FHA mortgages (Section 203)[5]	8.68	8.18	8.19	8.58	8.56	8.00	8.14	8.06	8.06	8.08
10 GNMA securities[6]	7.96	7.57	7.48	7.68	7.85	7.53	7.19	7.33	7.51	7.37
	Activity in secondary markets									
FEDERAL NATIONAL MORTGAGE ASSOCIATION										
Mortgage holdings (end of period)										
11 Total	222,057	253,511	287,052	275,133	278,003	279,544	283,835	287,052	288,504	288,951
12 FHA/VA insured	27,558	28,762	30,592	30,803	30,840	30,815	30,744	30,592	30,352	30,119
13 Conventional	194,499	224,749	256,460	244,330	247,163	248,729	253,091	256,460	258,152	258,832
14 Mortgage transactions purchased (during period)	62,389	56,598	68,618	5,360	5,353	4,235	6,805	6,178	4,128	3,029
Mortgage commitments (during period)										
15 Issued[7]	54,038	56,092	65,859	5,673	4,264	5,199	6,533	3,991	4,384	4,407
16 To sell[8]	1,820	360	130	0	53	0	4	28	71	0
FEDERAL HOME LOAN MORTGAGE CORPORATION										
Mortgage holdings (end of period)[8]										
17 Total	72,693	107,424	137,755	127,345	129,426	132,259	135,270	137,755	138,935	139,925
18 FHA/VA insured	276	267	220	201	197	227	223	220	216[r]	215
19 Conventional	72,416	107,157	137,535	127,144	129,229	132,032	135,047	137,535	138,719[r]	139,710
Mortgage transactions (during period)										
20 Purchases	124,697	98,470	128,566	9,643	8,687	9,538	9,198	9,943	9,507	8,204
21 Sales	117,110	85,877	119,702	8,994	8,167	8,797	8,456	9,220	9,204	10,271
22 Mortgage commitments contracted (during period)[9]	136,067	118,659	128,995	8,992	9,315	8,214	9,032	9,905	9,021[r]	7,537

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	1993	1994	1995	1995 Q4	1996 Q1	1996 Q2	1996 Q3	1996 Q4[p]
1 **All holders**	**4,275,217[r]**	**4,481,075[r]**	**4,714,346**	**4,714,346[r]**	**4,792,478[r]**	**4,889,980[r]**	**4,975,730**	**5,054,447**
By type of property								
2 One- to four-family residences	3,233,830[r]	3,437,781[r]	3,634,060	3,634,060[r]	3,699,671[r]	3,778,471[r]	3,853,772	3,912,079
3 Multifamily residences	270,824	275,705	287,993	287,993[r]	291,893	297,223[r]	301,635	309,266
4 Nonfarm, nonresidential	689,365	684,618	707,673	707,673	715,696	727,743[r]	732,905	744,994
5 Farm	81,198	82,971	84,620	84,620	85,217	86,544[r]	87,418	88,108
By type of holder								
6 Major financial institutions	1,768,093	1,815,845	1,888,970	1,888,970	1,901,524	1,925,056[r]	1,953,214	1,977,208
7 Commercial banks[2]	940,595	1,004,322	1,080,366	1,080,366	1,087,207	1,099,643[r]	1,112,961	1,136,139
8 One- to four-family	556,660	611,391	663,614	663,614	665,935	670,756[r]	679,254	696,340
9 Multifamily	38,657	39,360	43,842	43,842	44,700	45,368[r]	46,530	47,026
10 Nonfarm, nonresidential	324,413	331,004	349,081	349,081	352,641	358,956[r]	362,362	367,893
11 Farm	20,866	22,567	23,829	23,829	23,931	24,563[r]	24,815	24,880
12 Savings institutions[3]	598,437	596,191	596,789	596,789	602,631	612,849[r]	628,037	628,719
13 One- to four-family	470,000	477,626	482,351	482,351	489,634	499,021	513,291	513,644
14 Multifamily	67,367	64,343	61,988	61,988	60,540	60,820[r]	61,434	61,670
15 Nonfarm, nonresidential	60,765	53,933	52,162	52,162	52,155	52,688[r]	52,991	53,073
16 Farm	305	289	288	288	302	320	320	331
17 Life insurance companies	229,061	215,332	211,815	211,815	211,686	212,565	212,216	212,351
18 One- to four-family	9,458	7,910	7,476	7,476	7,472	7,503	7,488	7,493
19 Multifamily	25,814	24,306	23,920	23,920	23,906	24,007	23,959	23,972
20 Nonfarm, nonresidential	184,305	173,539	170,783	170,783	170,681	171,402	171,059	171,152
21 Farm	9,484	9,577	9,636	9,636	9,627	9,653	9,710	9,735
22 Federal and related agencies	327,014	319,327	313,760	313,760	312,950	314,694	311,697	308,708
23 Government National Mortgage Association	22	6	2	2	2	2	2	2
24 One- to four-family	15	6	2	2	2	2	2	2
25 Multifamily	7	0	0	0	0	0	0	0
26 Farmers Home Administration[4]	41,386	41,781	41,791	41,791	41,594	41,547	41,575	41,596
27 One- to four-family	15,303	13,826	12,643	12,643	12,327	11,982	11,630	11,319
28 Multifamily	10,940	11,319	11,617	11,617	11,636	11,645	11,652	11,685
29 Nonfarm, nonresidential	5,406	5,670	6,248	6,248	6,365	6,552	6,681	6,841
30 Farm	9,739	10,966	11,282	11,282	11,266	11,369	11,613	11,752
31 Federal Housing and Veterans' Administrations	12,215	10,964	9,809	9,809	8,439	8,052	6,627	5,977
32 One- to four-family	5,364	4,753	5,180	5,180	4,228	3,861	3,190	3,258
33 Multifamily	6,851	6,211	4,629	4,629	4,211	4,191	3,438	2,719
34 Resolution Trust Corporation	17,284	10,428	1,864	1,864	0	0	0	0
35 One- to four-family	7,203	5,200	691	691	0	0	0	0
36 Multifamily	5,327	2,859	647	647	0	0	0	0
37 Nonfarm, nonresidential	4,754	2,369	525	525	0	0	0	0
38 Farm	0	0	0	0	0	0	0	0
39 Federal Deposit Insurance Corporation	14,112	7,821	4,303	4,303	5,553	5,016	4,025	1,277
40 One- to four-family	2,367	1,049	492	492	839	840	675	231
41 Multifamily	1,426	1,595	428	428	1,099	955	766	194
42 Nonfarm, nonresidential	10,319	5,177	3,383	3,383	3,616	3,221	2,584	853
43 Farm	0	0	0	0	0	0	0	0
44 Federal National Mortgage Association	166,642	178,059	183,782	183,782	183,531	186,041	185,221	184,445
45 One- to four-family	151,310	162,160	168,122	168,122	167,895	170,572	170,083	169,765
46 Multifamily	15,332	15,899	15,660	15,660	15,636	15,469	15,138	14,680
47 Federal Land Banks	28,460	28,555	28,428	28,428	28,891	29,362	29,579	29,973
48 One- to four-family	1,675	1,671	1,673	1,673	1,700	1,728	1,740	1,764
49 Farm	26,785	26,885	26,755	26,755	27,191	27,634	27,839	28,210
50 Federal Home Loan Mortgage Corporation	46,892	41,712	43,781	43,781	44,939	44,674	44,668	45,437
51 One- to four-family	44,345	38,882	39,929	39,929	40,877	40,477	40,304	40,691
52 Multifamily	2,547	2,830	3,852	3,852	4,062	4,197	4,364	4,746
53 Mortgage pools or trusts[5]	1,570,666[r]	1,726,833[r]	1,861,864	1,861,864[r]	1,905,515[r]	1,963,909[r]	2,008,229	2,055,077
54 Government National Mortgage Association	414,066	450,934	472,292	472,292	475,829	485,441	497,248	505,977
55 One- to four-family	404,864	441,198	461,447	461,447	464,650	473,950	485,303	493,795
56 Multifamily	9,202	9,736	10,845	10,845	11,179	11,491	11,945	12,182
57 Federal Home Loan Mortgage Corporation	447,147	490,851	515,051	515,051	524,327	536,671	545,608	554,260
58 One- to four-family	442,612	487,725	512,238	512,238	521,722	534,238	543,341	551,513
59 Multifamily	4,535	3,126	2,813	2,813	2,605	2,433	2,267	2,747
60 Federal National Mortgage Association	495,525	530,343	582,959	582,959	599,546	621,285	636,362	650,780
61 One- to four-family	486,804	520,763	569,724	569,724	585,527	606,271	619,869	633,210
62 Multifamily	8,721	9,580	13,235	13,235	14,019	15,014	16,493	17,570
63 Farmers Home Administration[4]	28	19	11	11	10	9	7	3
64 One- to four-family	5	3	2	2	1	1	0	0
65 Multifamily	0	0	0	0	0	0	0	0
66 Nonfarm, nonresidential	13	9	5	5	5	4	4	0
67 Farm	10	7	4	4	4	4	3	3
68 Private mortgage conduits	213,901[r]	254,686[r]	291,551	291,551[r]	305,803[r]	320,502[r]	329,003	344,057
69 One- to four-family[6]	179,730[r]	202,987[r]	222,892	222,892[r]	230,221[r]	239,153[r]	244,527	246,904
70 Multifamily	8,701	14,925	21,279	21,279	24,477	26,809	28,141	33,689
71 Nonfarm, nonresidential	25,469	36,774	47,380	47,380	51,104	54,541	56,336	63,464
72 Farm	0	0	0	0	0	0	0	0
73 Individuals and others[7]	609,444[r]	619,069[r]	649,752	649,752[r]	672,488[r]	686,321[r]	702,590	713,454
74 One- to four-family	456,115[r]	460,632[r]	485,584	485,584[r]	506,641[r]	518,116[r]	533,074	542,151
75 Multifamily	65,398	69,615	73,239	73,239	73,823	74,824[r]	75,510	76,387
76 Nonfarm, nonresidential	73,922	76,142	78,105	78,105	79,129	80,379[r]	80,888	81,718
77 Farm	14,009	12,681	12,824	12,824	12,896	13,002	13,118	13,198

1. Multifamily debt refers to loans on structures of five or more units.
2. Includes loans held by nondeposit trust companies but not loans held by bank trust departments.
3. Includes savings banks and savings and loan associations.
4. FmHA-guaranteed securities sold to the Federal Financing Bank were reallocated from FmHA mortgage pools to FmHA mortgage holdings in 1986:Q4 because of accounting changes by the Farmers Home Administration.
5. Outstanding principal balances of mortgage-backed securities insured or guaranteed by the agency indicated.
6. Includes securitized home equity loans.
7. Other holders include mortgage companies, real estate investment trusts, state and local credit agencies, state and local retirement funds, noninsured pension funds, credit unions, and finance companies.

SOURCE. Based on data from various institutional and government sources. Separation of nonfarm mortgage debt by type of property, if not reported directly, and interpolations and extrapolations, when required for some quarters, are estimated in part by the Federal Reserve. Line 69 from Inside Mortgage Securities and other sources.

1.55 CONSUMER CREDIT[1]

Millions of dollars, amounts outstanding, end of period

Holder and type of credit	1994	1995	1996r	1996 Aug.	1996 Sept.	1996 Oct.	1996 Nov.r	1996 Dec.r	1997 Jan.
	Seasonally adjusted								
1 **Total**	**966,457**	**1,103,296**	**1,194,577**	**1,177,482**	**1,178,600**	**1,185,910r**	**1,190,754**	**1,194,577**	**1,202,972**
2 Automobile	317,182	350,848	377,350	373,525	374,476	376,769r	376,652	377,350	378,555
3 Revolving	339,337	413,894	462,380	454,252	453,722	456,366	460,395	462,380	470,333
4 Other[2]	309,939	338,554	354,847	349,705	350,402	352,775r	353,707	354,847	354,084
	Not seasonally adjusted								
5 **Total**	**990,247**	**1,131,881**	**1,226,257**	**1,174,309**	**1,182,632**	**1,187,665r**	**1,198,634**	**1,226,257**	**1,214,104**
By major holder									
6 Commercial banks	462,923	507,753	528,206	516,719	517,145	519,468r	519,796	528,206	524,609
7 Finance companies	134,830	152,624	154,176	153,361	154,784	153,444r	153,172	154,176	154,526
8 Credit unions	119,594	131,939	146,314	140,635	141,968	144,423	145,055	146,314	146,393
9 Savings institutions	38,468	40,106	47,780	43,986	44,934	45,883	46,831	47,780	47,000
10 Nonfinancial business[3]	86,621	85,061	79,598	70,996	68,513	67,900	69,708	79,598	75,513
11 Pools of securitized assets[4]	147,811	214,398	270,183	248,612	255,288	256,547	264,072	270,183	266,063
By major type of credit[5]									
12 Automobile	319,715	354,055	380,980	374,974	377,898	381,070r	380,827	380,980	378,144
13 Commercial banks	141,895	149,094	153,158	154,451	153,143	154,566	154,287	153,158	152,741
14 Finance companies	61,609	70,626	73,192	74,433	76,333	75,917r	75,304	73,192	73,599
15 Pools of securitized assets[4]	36,376	44,411	51,171	47,465	48,135	48,020	48,242	51,171	48,152
16 Revolving	357,307	435,674	486,606	451,294	453,656	455,854	464,055	486,606	477,942
17 Commercial banks	182,021	210,298	223,079	209,757	211,185	213,150	214,233	223,079	219,061
18 Nonfinancial business[3]	56,790	53,525	46,901	41,258	38,816	38,105	39,275	46,901	43,935
19 Pools of securitized assets[4]	96,130	147,934	188,712	174,640	177,958	178,590	183,987	188,712	187,865
20 Other	313,225	342,152	358,671	348,041	351,078	350,741r	353,752	358,671	358,018
21 Commercial banks	139,007	148,361	151,969	152,511	152,817	151,752r	151,276	151,969	152,807
22 Finance companies	73,221	81,998	80,984	78,928	78,451	77,527	77,868	80,984	80,927
23 Nonfinancial business[3]	29,831	31,536	32,697	29,738	29,697	29,795	30,433	32,697	31,578
24 Pools of securitized assets[4]	15,305	22,053	30,300	26,507	29,195	29,937	31,843	30,300	30,046

1. The Board's series on amounts of credit covers most short- and intermediate-term credit extended to individuals. Data in this table also appear in the Board's G.19 (421) monthly statistical release. For ordering address, see inside front cover.
2. Comprises mobile home loans and all other loans that are not included in automobile or revolving credit, such as loans for education, boats, trailers, or vacations. These loans may be secured or unsecured.
3. Includes retailers and gasoline companies.
4. Outstanding balances of pools upon which securities have been issued; these balances are no longer carried on the balance sheets of the loan originator.
5. Totals include estimates for certain holders for which only consumer credit totals are available.

1.56 TERMS OF CONSUMER CREDIT[1]

Percent per year except as noted

Item	1994	1995	1996	1996 July	1996 Aug.	1996 Sept.	1996 Oct.	1996 Nov.	1996 Dec.	1997 Jan.
INTEREST RATES										
Commercial banks[2]										
1 48-month new car	8.12	9.57	9.05	n.a.	9.11	n.a	n.a.	9.03	n.a.	n.a.
2 24-month personal	13.19	13.94	13.54	n.a.	13.37	n.a	n.a.	13.62	n.a.	n.a.
Credit card plan										
3 All accounts	15.69	16.02	15.63	n.a.	15.65	n.a.	n.a.	15.62	n.a.	n.a
4 Accounts assessed interest	15.77	15.79	15.50	n.a.	15.64	n.a.	n.a.	15.52	n.a.	n.a.
Auto finance companies										
5 New car	9.79	11.19	9.89	9.81	10.49	10.52	10.40	10.31	9.25	7.17
6 Used car	13.49	14.48	13.53	13.77	13.92	13.87	13.75	13.56	13.42	12.93
OTHER TERMS[3]										
Maturity (months)										
7 New car	54.0	54.1	51.6	50.5	51.4	51.9	52.5	52.3	52.3	55.1
8 Used car	50.2	52.2	51.4	51.7	51.3	51.0	51.1	50.3	49.9	51.5
Loan-to-value ratio										
9 New car	92	92	91	91	92	91	89	90	90	92
10 Used car	99	99	100	100	100	100	101	102	100	99
Amount financed (dollars)										
11 New car	15,375	16,210	16,987	16,926	16,927	17,182	17,435	17,719	17,670	17,090
12 Used car	10,709	11,590	11,711	12,242	12,132	12,108	12,326	12,393	6,847	12,362

1. The Board's series on amounts of credit covers most short- and intermediate-term credit extended to individuals. Data in this table also appear in the Board's G.19 (421) monthly statistical release. For ordering address, see inside front cover.
2. Data are available for only the second month of each quarter.
3. At auto finance companies

1.57 FUNDS RAISED IN U.S. CREDIT MARKETS[1]

Billions of dollars; quarterly data at seasonally adjusted annual rates

Transaction category or sector	1992	1993	1994	1995	1996	1995 Q2	1995 Q3	1995 Q4	1996[r] Q1	1996[r] Q2	1996[r] Q3	1996[r] Q4
	Nonfinancial sectors											
1 **Total net borrowing by domestic nonfinancial sectors**	**544.5[r]**	**629.5[r]**	**621.3[r]**	**719.8[r]**	**747.4**	**868.6[r]**	**570.0[r]**	**591.3[r]**	**883.3**	**734.3**	**725.0**	**647.0**
By sector and instrument												
2 Federal government	304.0	256.1	155.9	144.4	145.0	184.7	86.0	59.3	239.9	62.4	161.3	116.5
3 Treasury securities	303.8	248.3	155.7	142.9	146.6	183.1	85.6	54.1	242.2	60.2	164.4	119.8
4 Budget agency securities and mortgages	.2	7.8	.2	1.5	−1.6	1.6	.4	5.1	−2.3	2.2	−3.1	−3.3
5 Nonfederal	240.5[r]	373.4[r]	465.4	575.4[r]6	602.4	683.9[r]	484.0[r]	532.0[r]	643.4	671.9	563.7	530.6
By instrument												
6 Commercial paper	8.6	10.0	21.4	18.1	−.9	34.3	18.1	14.1	30.3	11.0	−16.1	−29.0
7 Municipal securities	30.5	74.8	−29.3	−44.2	1.9	−2.2	−107.2	−12.6	−18.9	37.7	−76.2	65.2
8 Corporate bonds	67.6	75.2	23.3	73.3	72.5	98.4	59.8	82.0	60.9	71.5	67.8	89.9
9 Bank loans n.e.c.	−13.7	3.6	73.2	99.6	65.5	99.1	75.3	78.5	41.2	74.9	118.6	27.3
10 Other loans and advances	10.1	−9.4	54.4	59.0	34.7	57.3	35.2	61.0	32.9	26.8	79.4	−.4
11 Mortgages	132.4[r]	157.7[r]	196.1[r]	228.0[r]	334.3	242.1[r]	246.4[r]	191.5[r]	374.6	359.1	292.3	311.3
12 Home mortgages	189.4[r]	187.2[r]	204.0[r]	196.3[r]	278.0	193.5[r]	219.2[r]	159.0[r]	330.1	290.0	256.3	235.7
13 Multifamily residential	−10.4	−6.0	1.7	10.5	19.4	10.9	11.3	13.3	13.8	19.4	15.7	28.6
14 Commercial	−48.1[r]	−24.0[r]	−11.3	19.5	33.5	36.1	13.7	18.2	28.4	44.3	16.8	44.3
15 Farm	1.4	.5	1.8	1.6	3.5	1.7	2.2	1.1	2.4	5.3	3.5	2.7
16 Consumer credit	5.0	61.5	126.3	141.6	94.4	155.0	156.4	117.5	122.4	90.9	98.0	66.2
By borrowing sector												
17 Household	200.2[r]	257.3[r]	372.4	381.1[r]	395.3	391.5[r]	414.0[r]	332.5[r]	470.2	434.0	375.7	301.1
18 Nonfinancial business	19.2[r]	53.7[r]	132.8[r]	233.8[r]	193.9	292.4[r]	171.4[r]	211.4[r]	176.8	193.5	249.5	155.5
19 Corporate	33.9[r]	47.6[r]	118.1[r]	197.5[r]	147.3	260.3[r]	133.5[r]	175.3[r]	130.5	149.2	214.5	95.2
20 Nonfarm noncorporate	−16.0	4.2	11.9	34.8	43.4	29.1	34.4	37.1	46.3	37.2	36.2	54.0
21 Farm	1.3	2.0	2.8	1.6	3.1	3.0	3.5	−1.0	.1	7.2	−1.2	6.3
22 State and local government	21.1	62.3	−39.8[r]	−39.6[r]	13.3	.0[r]	−101.3[r]	−11.9[r]	−3.6	44.4	−61.6	73.9
23 Foreign net borrowing in United States	23.7	70.4	−15.3	69.5	67.4	45.5	88.3	76.9	49.1	36.6	106.0	77.8
24 Open market paper	5.2	−9.0	−27.3	13.6	10.9	−8.7	23.7	−3.9	−8.5	9.5	38.6	3.8
25 Bonds	16.8	82.9	12.2	48.3	46.8	51.2	55.2	72.7	47.9	11.1	59.7	68.4
26 Bank loans n.e.c.	2.3	.7	1.4	8.5	9.1	5.6	8.2	11.9	8.7	15.1	4.7	7.8
27 Other loans and advances	−.6	−4.2	−1.6	−.8	.7	−2.6	1.3	−3.9	1.1	.7	3.1	−2.2
28 **Total domestic plus foreign**	**568.2[r]**	**699.9[r]**	**606.0**	**789.3[r]**	**814.8**	**914.1[r]**	**658.4[r]**	**668.2[r]**	**932.4**	**770.9**	**831.0**	**724.9**
	Financial sectors											
29 **Total net borrowing by financial sectors**	**240.0**	**291.3[r]**	**467.7[r]**	**446.6[r]**	**531.0**	**440.0[r]**	**507.0**	**572.0**	**328.6**	**687.2**	**503.1**	**605.0**
By instrument												
30 U.S. government-related	155.8	165.3	287.5	204.1[r]	231.1	196.5	227.7	305.5[r]	137.8	296.0	240.4	250.0
31 Government-sponsored enterprise securities	40.3	80.6	176.9	105.9[r]	90.4	127.2	101.5	132.1[r]	31.4	126.9	80.0	123.3
32 Mortgage pool securities	115.6	84.7	115.4	98.2	140.7	69.3	126.2	173.4	106.5	169.1	160.4	126.8
33 Loans from U.S. government	.0	.0	−4.8	.0	.0	.0	.0	.0	0	.0	.0	.0
34 Private	84.2	126.0[r]	180.2[r]	242.5[r]	299.9	243.5[r]	279.3	266.5[r]	190.8	391.2	262.6	354.9
35 Open market paper	−.7	−6.2	41.6	42.6	92.7	33.9	43.7	55.1	17.8	105.7	85.2	162.0
36 Corporate bonds	82.7	119.2[r]	118.4[r]	185.7[r]	153.2	182.3	217.6	175.6[r]	148.1	207.5	118.1	138.9
37 Bank loans n.e.c.	2.2	−13.0	−12.3	5.5	21.1	20.7	7.9	−1.8	24.9	23.6	19.6	16.4
38 Other loans and advances	−.6	22.4	22.6	3.4	27.2	1.3	4.9	32.0	−5.5	48.6	33.9	31.8
39 Mortgages	.6	3.6	9.8	5.3	5.8	5.2	5.2	5.6	5.5	5.8	5.8	6.0
By borrowing sector												
40 Commercial banking	10.0	13.4	20.1	22.5	11.6	39.0	38.9	−9.7	−32.5	40.1	15.7	23.3
41 Savings institutions	−7.0	11.3	12.8	2.6	26.0	−7.2	5.1	31.5	11.0	42.1	26.4	24.6
42 Credit unions	.0	.2	.2	−.1	.1	−.1	.1	.0	−.1	−.2	.3	.3
43 Life insurance companies	.0	.2	.3	−.1	1.1	.1	−.1	−.4	2.5	.3	−.4	2.0
44 Government-sponsored enterprises	40.2	80.6	172.1	105.9[r]	90.4	127.2	101.5	132.1[r]	31.4	126.9	80.0	123.3
45 Federally related mortgage pools	115.6	84.7	115.4	98.2	140.7	69.3	126.2	173.4	106.5	169.1	160.4	126.8
46 Issuers of asset-backed securities (ABSs)	58.5	82.4[r]	69.5[r]	133.2[r]	129.3	113.3[r]	164.8	187.5[r]	137.1	133.9	99.7	146.6
47 Finance companies	−1.6	.2	50.2	51.6	48.0	52.0	19.8	54.3	47.1	68.4	56.9	19.5
48 Mortgage companies	8.0	.0	−11.5	.4	17.1	14.8	4.0	−10.0	20.0	16.0	16.6	15.8
49 Real estate investment trusts (REITs)	.3	3.4	13.7	5.4	6.6	5.2	5.2	6.0	5.9	6.5	6.7	7.1
50 Brokers and dealers	2.7	12.0	.5	−5.0	−2.0	−.1	2.1	7.7	−31.8	13.2	5.7	4.8
51 Funding corporations	13.2	2.9	24.2	32.0	62.1	26.4	39.4	−.4	31.6	70.9	35.0	110.9

1.57 FUNDS RAISED IN U.S. CREDIT MARKETS[1]—Continued

Transaction category or sector	1992	1993	1994	1995	1996	1995			1996[r]			
						Q2	Q3	Q4	Q1	Q2	Q3	Q4
	All sectors											
52 **Total net borrowing, all sectors**	**808.2[r]**	**991.2[r]**	**1,073.7[r]**	**1,235.9[r]**	**1,345.8**	**1,354.1[r]**	**1,165.4[r]**	**1,240.2[r]**	**1,261.0**	**1,458.1**	**1,33.1**	**1,329.9**
53 Open market paper	13.1	−5.1	35.7	74.3	102.6	59.5	85.5	65.3	39.6	126.3	107.6	136.8
54 U.S. government securities	459.8	421.4	448.1	348.5[r]	376.1	381.1	313.7	364.8[r]	377.7	358.4	401.7	366.5
55 Municipal securities	30.5	74.8	−29.3	−44.2	1.9	−2.2	−107.2	−12.6	−18.9	37.7	−76.2	65.2
56 Corporate and foreign bonds	167.1	277.3[r]	153.9[r]	307.3[r]	272.5	332.0[r]	332.5	330.3[r]	256.9	290.2	245.6	297.2
57 Bank loans n.e.c.	−9.3	−8.6	62.3	113.5	95.6	125.4	91.4	88.6	74.7	113 6	142.8	51.4
58 Other loans and advances	8.9	8.7	70.7	61.6	62.6	56.0	41.3	89.1[r]	28.6	76.1	116.5	29.2
59 Mortgages	133.0[r]	161.3[r]	205.9[r]	233.3[r]	340.1	247.3[r]	251.6[r]	197.1[r]	380.2	364.8	298.1	317.3
60 Consumer credit	5.0	61.5	126.3	141.6	94.4	155.0	156.4	117.5	122.4	90.9	98.0	66.2
	Funds raised through mutual funds and corporate equities											
61 **Total net issues**	**312.5**	**453.6**	**152.2**	**154.9[r]**	**253.6**	**147.2[r]**	**196.3[r]**	**226.1[r]**	**289.1**	**402.8**	**85.0**	**237.6**
62 Corporate equities	103.4	129.9	23.3	−19.0[r]	−21.6	−5.7[r]	−18.4[r]	1.4	51.6	−108.1	−31.2	−31.2
63 Nonfinancial corporations	27.0	21.3	−44.9	−74.2[r]	−82.6	−71.3	−92.8	−72.8[r]	−92.4	−27.2	−138.8	−72.0
64 Financial corporations	44.0	45.2	20.1	4.5	3.3	12.6[r]	−1.1[r]	−3.1[r]	4.0	9.1	−1.4	1.3
65 Foreign shares purchased by U.S. residents	32.4	63.4	48.1	50.7	57.8	40.8	88.2	57.4	89.8	69.7	32.1	39.5
66 Mutual funds	209.1	323.7	128.9	173.9	275.2	165.0	202.0	244.5	287.6	351.2	193.1	268.7

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	1992	1993	1994	1995	1996	1995			1996			
						Q2	Q3	Q4	Q1	Q2	Q3[r]	Q4
NET LENDING IN CREDIT MARKETS[2]												
1 **Total net lending in credit markets**	**808.2[r]**	**991.2[r]**	**1,073.7[r]**	**1,235.9[r]**	**1,345.8**	**1,354.1[r]**	**1,165.4[r]**	**1,240.2[r]**	**1,261.0[r]**	**1,458.1[r]**	**1,33.1**	**1,329.9**
2 Domestic nonfederal nonfinancial sectors	112.0[r]	83.3[r]	254.1[r]	−97.0[r]	.4	−149.2[r]	−70.6[r]	−187.3[r]	−64.5[r]	308.1[r]	−175.7	−65.7
3 Households	82.6[r]	42.7[r]	259.4[r]	−13.9[r]	28.2	−128.3[r]	110.7[r]	−136.9[r]	−65.2[r]	270.7[r]	−55.4	−36.8
4 Nonfinancial corporate business	27.8	9.1	49.6	−6.0	25.5	37.7	−53.1	33.0	−2.1[r]	57.8[r]	11.6	34.7
5 Nonfarm noncorporate business	−.1	−1.1	.2	.3	.4	.3	.3	.3	.4	.4	.4	.4
6 State and local governments	1.7	32.6	−55.0[r]	−77.4	−53.7	−58.8	−128.5	−83.7	2.4	−20.8	−132.4	−64.1
7 Federal government	−11.9	−18.4	−24.2	−21.5	−23.3	−24.2	−24.3	−24.4	−20.7	−15.2	−26.4	−30.8
8 Rest of the world	98.4	129.3	132.3	272.7	404.8	322.2	361.0	157.6	341.1	268.2	484.4	525.6
9 Financial sectors	609.7[r]	797.0[r]	711.5[r]	1,081.7[r]	963.8	1,205.2[r]	899.3[r]	1,294.2[r]	1,005.1[r]	896.9[r]	1,051.9	900.8
10 Monetary authority	27.9	36.2	31.5	12.7	12.3	16.7	−4.1	19.7	16.9	9.4	19.3	3.6
11 Commercial banking	95.3	142.2	163.4	265.9	187.9	319.4	244.8	166.2	121.7	190.2[r]	202.0	237.8
12 U.S. chartered banks	69.5	149.6	148.1	186.5	119.7	222.4	227.0	118.1	80.5	125.5	123.6	149.3
13 Foreign banking offices in United States	16.5	−9.8	11.2	75.4	63.3	86.6	25.6	36.1	44.2	57.5	72.9	78.5
14 Bank holding companies	5.6	.0	.9	−.3	3.9	5.3	−9.6	4.6	−5.1	5.4[r]	4.8	10.5
15 Banks in U.S. affiliated areas	3.7	2.4	3.3	4.2	1.0	5.2	1.8	7.4	2.1	1.7	.7	−.6
16 Savings institutions	−79.0	−23.3	6.7	−7.5	23.3	−11.7	32.2	−68.4	34.1	45.0[r]	49.1	−34.8
17 Credit unions	17.7	21.7	28.1	16.2	22.1	22.8	11.0	19.5	22.1	34.8	14.2	17.5
18 Bank personal trusts and estates	8.0	9.5	7.1	−18.8	−13.6	−20.6	−23.7	−20.2	−18.1	−12.3	−12.5	−11.6
19 Life insurance companies	78.5	100.9	66.4	99.1	55.2	135.5	72.9	53.2	48.7	2.4	135.1	34.5
20 Other insurance companies	6.7	27.7	24.9	21.5	24.4	20.9	21.9	22.3	23.6	23.7	24.9	25.3
21 Private pension funds	41.1	45.9	46.8[r]	61.3	62.9	57.2	50.5	78.5	82.6	94.0[r]	46.8	28.1
22 State and local government retirement funds	5.9	21.1	30.7	22.7	34.2	4.9	2.6	20.2	58.7	50.0	22.0	6.0
23 Money market mutual funds	4.7	20.4	30.0	86.5	88.8	134.4	30.0	125.1	175.0	18.4	88.5	73.4
24 Mutual funds	126.2	159.5	−7.1	52.5	57.9	23.4	58.0	141.9	67.5	63.7	35.6	64.9
25 Closed-end funds	18.2	14.4	−3.3	13.3	9.3	15.1	16.7	13.2	10.9	9.8	9.0	7.5
26 Government sponsored enterprises	68.8	88.6	120.6	87.9[r]	89.3	93.0	50.0	186.5[r]	33.4[r]	121.8[r]	81.9	119.6
27 Federally related mortgage pools	115.6	84.7	115.4	98.2	140.7	69.3	126.2	173.4	106.5	169.1	160.4	126.8
28 Asset-backed securities issuers (ABSs)	53.7	79.9[r]	62.8[r]	113.0[r]	104.4	101.0[r]	154.4	141.4[r]	117.3[r]	123.8[r]	73.0	103.3
29 Finance companies	7.5	−9.0	68.2	64.2	38.7	67.2	50.8	53.7	40.9	41.3[r]	55.9	16.6
30 Mortgage companies	.1	.0	−24.0[r]	−3.4	14.7	29.9	7.3	−36.4	47.9	−17.3	16.6	11.6
31 Real estate investment trusts (REITs)	1.1	.6	4.7	1.8	2.0	1.8	1.8	1.9	1.9	1.7	2.4	2.1
32 Brokers and dealers	−1.3	14.8	−44.2	90.1	−17.3	145.2[r]	−5.2[r]	189.3[r]	−109.0	−72.0	35.5	76.3
33 Funding corporations	13.0[r]	−38.7[r]	−17.2[r]	4.6[r]	26.5	−20.2[r]	1.1[r]	13.2[r]	122.4[r]	−.7[r]	−7.8	−7.8
RELATION OF LIABILITIES TO FINANCIAL ASSETS												
34 **Net flows through credit markets**	**808.2[r]**	**991.2[r]**	**1,073.7[r]**	**1,235.9[r]**	**1,345.8**	**1,354.1[r]**	**1,165.4[r]**	**1,240.2[r]**	**1,261.0[r]**	**1,458.1[r]**	**1,334.1**	**1,329.9**
Other financial sources												
35 Official foreign exchange	−1.6	.8	−5.8	8.8	−6.3	10.3	9.0	−1.9	−.9	1.6	−26.6	.7
36 Special drawing rights certificates	−2.0	.0	.0	2.2	−.5	.0	8.6	.0	.0	.0	−1.8	.0
37 Treasury currency	.2	.4	.7	.6	−.0	.7	.8	.0	.0	.0	2.3	−2.3
38 Foreign deposits	−3.5	−18.5	54.0	33.5	47.7	110.8	−29.5	18.2	85.0	.9	113.2	−8.5
39 Net interbank transactions	49.4	50.5	89.8[r]	9.8[r]	−53.8	−4.9[r]	−13.1[r]	80.3[r]	−88.5[r]	−51.5[r]	−118.6	43.5
40 Checkable deposits and currency	113.5	117.3	−9.7	−12.8	19.2	100.2	−113.1	−69.3	43.3	4.5	110.9	−82.1
41 Small time and savings deposits	−57.2	−70.3	−40.0	96.5	91.6	95.6	145.6	114.9	212.5	−4.6	76.7	81.8
42 Large time deposits	−73.2	−23.5	19.6	65.6	113.5	74.4	80.2	−.9	55.1	83.5	181.0	134.4
43 Money market fund shares	4.5	20.2	43.3	142.3	145.8	221.1	122.9	151.1	244.0	4.1	147.4	187.7
44 Security repurchase agreements	43.1	71.2	78.3	110.7	37.6	115.4[r]	92.8[r]	62.3[r]	−19.1	117.7	−29.8	81.5
45 Corporate equities	103.4	129.9	23.3	−19.0[r]	−21.6	−17.9[r]	−5.7[r]	−18.4[r]	1.4[r]	51.6[r]	−108.1	−31.2
46 Mutual fund shares	209.1	323.7	128.9	173.9	275.2	165.0	202.0	244.5	287.6	351.2	193.1	268.7
47 Trade payables	46.6	52.4	114.0	96.3	76.3	80.6[r]	129.3	90.1	62.7	126.8	55.6	60.3
48 Security credit	4.6	61.4	−.1	26.7	46.4	25.9[r]	32.1[r]	50.1[r]	120.6	−37.7	−4.3	107.2
49 Life insurance reserves	28.0	36.0	34.5	44.9	35.0	57.6	33.1	38.3	19.0[r]	32.2[r]	56.8	31.9
50 Pension fund reserves	241.9	250.5	251.8[r]	240.3	252.1	290.4	211.2	187.8	256.1[r]	236.3[r]	269.8	246.1
51 Taxes payable	9.7	5.2	3.2	1.3	2.6	.8[r]	3.4[r]	−10.2	5.6	6.6	−1.2	−7
52 Investment in bank personal trusts	−7.1	.9	17.8	−49.7	−25.0	−47.6	−65.8	−39.2	−49.2	−22.1	−15.3	−13.3
53 Noncorporate proprietors' equity	16.7	19.7	25.9	41.3	35.8	39.9	45.3	38.4[r]	37.9[r]	24.1[r]	52.5	28.9
54 Miscellaneous	260.1[r]	348.6[r]	266.3[r]	504.6[r]	480.0	421.3[r]	430.4[r]	842.6[r]	584.3[r]	268.7[r]	487.3	580.4
55 **Total financial sources**	**1,794.2[r]**	**2,367.6[r]**	**2,169.6[r]**	**2,753.7**	**2,897.4**	**3,093.8[r]**	**2,484.8[r]**	**3,018.9[r]**	**3,118.6[r]**	**2,651.7[r]**	**2,774.9**	**3,044.9**
Liabilities not identified as assets (−)												
56 Treasury currency	−.2	−.2	−.2	−.5	−1.0	−.4	−.3	−1.0	−1.1	−1.0	1.3	−3.1
57 Foreign deposits	−2.8	−7.0	44.9	27.2	38.1	101.5	−55.7	21.5	61.4	23.6	122.5	−55.1
58 Net interbank liabilities	−4.9	4.2	−2.7	−3.1	−3.5	−.9	12.3	−23.6	10.9	−26.9	−9.2	11.2
59 Security repurchase agreements	4.4[r]	40.2[r]	59.4[r]	55.4[r]	14.2	−2.4[r]	73.2[r]	31.1[r]	21.7[r]	112.5[r]	−100.8	23.3
60 Taxes payable	11.9	11.1	8.6	8.7	3.0	30.8[r]	10.3[r]	2.2	−23.2	24.9	9.9	3
61 Miscellaneous	−40.6[r]	−149.9[r]	−107.7[r]	−4.7[r]	−86.6	18.4[r]	−30.8[r]	244.1[r]	−185.5[r]	−243.6[r]	−59.0	141.6
Floats not included in assets (−)												
62 Federal government checkable deposits	.7	−1.5	−4.8	−6.0	.5	−18.6	3.8	−13.8	8.6	−10.5	28.0	−24.2
63 Other checkable deposits	1.6	−1.3	−2.8	−3.8	−4.0	−3.8	−3.2	−4.7	−3.8	−4.2	−4.0	−4.0
64 Trade credit	11.3	−4.0	−3.1	−23.3	−7.9	29.9[r]	−46.7	−125.5	45.4[r]	29.5[r]	−64.1	−42.4
65 **Total identified to sectors as assets**	**1,812.9[r]**	**2,476.0[r]**	**2,178.1[r]**	**2,703.8[r]**	**2,944.6**	**2,939.2[r]**	**2,521.9[r]**	**2,888.6[r]**	**3,184.1[r]**	**2,747.5[r]**	**2,850.3**	**2,997.3**

1. Data in this table also appear in the Board's Z.1 (780) quarterly statistical release, tables F.6 and F.7. For ordering address, see inside front cover.

2. Excludes corporate equities and mutual fund shares.

1.59 SUMMARY OF CREDIT MARKET DEBT OUTSTANDING[1]

Billions of dollars, end of period

Transaction category or sector	1993	1994	1995	1996	1995 Q2	1995 Q3	1995 Q4	1996 Q1	1996 Q2	1996 Q3[r]	1996 Q4
					Nonfinancial sectors						
1 **Total credit market debt owed by domestic nonfinancial sectors**	**12,544.7[r]**	**13,172.2[r]**	**13,892.0[r]**	**14,639.4**	**13,557.6[r]**	**13,708.3[r]**	**13,892.0[r]**	**14,089.7[r]**	**14,247.2[r]**	**14,437.5**	**14,639.4**
By sector and instrument											
2 Federal government	3,336.5	3,492.3	3,636.7	3,781.8	3,583.5	3,603.4	3,636.7	3,717.2	3,693.8	3,733.1	3,781.8
3 Treasury securities	3,309.9	3,465.6	3,608.5	3,755.1	3,556.7	3,576.5	3,608.5	3,689.6	3,665.5	3,705.7	3,755.1
4 Budget agency securities and mortgages	26.6	26.7	28.2	26.6	26.8	26.9	28.2	27.6	28.2	27.4	26.6
5 Nonfederal	9,208.2[r]	9,679.9[r]	10,255.2[r]	10,857.6	9,974.1[r]	10,104.8[r]	10,255.2[r]	10,372.5[r]	10,553.4[r]	10,704.4	10,857.6
By instrument											
6 Commercial paper	117.8	139.2	157.4	156.4	162.9	163.3	157.4	174.2	181.7	173.0	156.4
7 Municipal securities and loans	1,377.5	1,348.2	1,304.0	1,306.0	1,331.7	1,308.2	1,304.0	1,300.8[r]	1,306.8[r]	1,290.6	1,306.0
8 Corporate bonds	1,229.7	1,253.0	1,326.3	1,398.8	1,290.9	1,305.8	1,326.3	1,341.5	1,359.4	1,376.4	1,398.8
9 Bank loans n.e.c.	675.9	749.0	848.6	914.0	810.7	824.3	848.6	856.7[r]	878.7[r]	902.6	914.0
10 Other loans and advances	677.1	737.8	796.8	831.5	776.9	782.1	796.8	809.3	815.7	831.8	831.5
11 Mortgages	4,266.3[r]	4,462.3[r]	4,690.3[r]	5,024.6	4,570.2[r]	4,643.0[r]	4,690.3[r]	4,767.1[r]	4,863.1[r]	4,947.4	5,024.6
12 Home mortgages	3,233.8[r]	3,437.8[r]	3,634.1[r]	3,912.1	3,528.9[r]	3,594.9[r]	3,634.1[r]	3,699.7[r]	3,778.5[r]	3,853.7	3,912.1
13 Multifamily residential	267.9	269.5	280.1	299.4	273.9	276.7	280.1	283.5	288.4[r]	292.3	299.4
14 Commercial	683.4	672.1	691.6	725.0	683.6	687.0	691.6	698.7	709.8[r]	713.9	725.0
15 Farm	81.2	83.0	84.6	88.1	83.8	84.4	84.6	85.2	86.5	87.4	88.1
16 Consumer credit	863.9	990.2	1,131.9	1,226.3	1,030.8	1,078.2	1,131.9	1,123.0[r]	1,147.9[r]	1,182.6	1,226.3
By borrowing sector											
17 Households	4,288.0[r]	4,660.1[r]	5,041.2[r]	5,436.5	4,811.2[r]	4,933.0[r]	5,041.2[r]	5,102.9[r]	5,219.3[r]	5,333.2	5,436.5
18 Nonfinancial business	3,761.9	3,901.3[r]	4,135.2[r]	4,329.0	4,058.0[r]	4,089.1[r]	4,135.2[r]	4,190.2[r]	4,247.0[r]	4,296.8	4,329.0
19 Corporate	2,496.5	2,621.2[r]	2,818.7[r]	2,966.0	2,759.3[r]	2,780.2[r]	2,818.7[r]	2,864.7[r]	2,907.0[r]	2,947.4	2,966.0
20 Nonfarm noncorporate	1,127.1	1,139.0	1,173.8	1,217.2	1,155.9	1,164.0	1,173.8	1,185.2	1,194.7	1,203.1	1,217.2
21 Farm	138.3	141.2	142.7	145.8	142.8	144.8	142.7	140.3	145.3	146.2	145.8
22 State and local government	1,158.2	1,118.4[r]	1,078.8[r]	1,092.1	1,104.9[r]	1,082.7[r]	1,078.8[r]	1,079.4[r]	1,087.1[r]	1,074.5	1,092.1
23 **Foreign credit market debt held in United States**	**385.6**	**370.4**	**439.9**	**507.2**	**396.8**	**419.8**	**439.9**	**450.8**	**459.6**	**487.1**	**507.2**
24 Commercial paper	68.7	41.4	55.0	65.8	48.1	55.8	55.0	51.5	53.4	64.8	65.8
25 Bonds	230.1	242.3	290.6	337.3	258.6	272.4	290.6	302.5	305.3	320.2	337.3
26 Bank loans n.e.c.	24.6	26.1	34.6	43.7	29.6	31.6	34.6	36.8	40.5	41.7	43.7
27 Other loans and advances	62.1	60.6	59.7	60.4	60.5	60.0	59.7	60.0	60.4	60.4	60.4
28 **Total credit market debt owed by nonfinancial sectors, domestic and foreign**	**12,930.2[r]**	**13,542.6[r]**	**14,331.8[r]**	**15,146.6**	**13,954.4[r]**	**14,128.1[r]**	**14,331.8[r]**	**14,540.5[r]**	**14,706.8[r]**	**14,924.6**	**15,146.6**
					Financial sectors						
29 **Total credit market debt owed by financial sectors**	**3,321.7[r]**	**3,794.6**	**4,243.9**	**4,774.8**	**3,971.9**	**4,096.3**	**4,243.9**	**4,324.3[r]**	**4,496.1[r]**	**4,619.5**	**4,774.8**
By instrument											
30 Federal government-related	1,885.2	2,172.7	2,376.8[r]	2,607.9	2,247.1	2,300.1	2,376.8[r]	2,414.1[r]	2,489.5[r]	2,545.3	2,607.9
31 Government-sponsored enterprises securities	523.7	700.6	806.5[r]	896.9	748.1	773.5	806.5[r]	814.4[r]	846.1[r]	866.1	896.9
32 Mortgage pool securities	1,356.8	1,472.1	1,570.3	1,711.9	1,499.0	1,526.6	1,570.3	1,599.7	1,643.4	1,679.2	1,711.0
33 Loans from U.S. government	4.8	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
34 Private	1,436.4[r]	1,621.9	1,867.0[r]	2,166.9	1,724.8	1,796.2	1,867.0[r]	1,910.2[r]	2,006.6[r]	2,074.2	2,166.9
35 Open market paper	393.5	442.8	488.0	580.7	462.8	473.6	488.0	491.9	518.5	539.6	580.7
36 Corporate bonds	857.6[r]	973.5	1,159.2[r]	1,312.4	1,056.4	1,112.6	1,159.2[r]	1,192.9[r]	1,243.4[r]	1,275.1	1,312.4
37 Bank loans n.e.c.	67.6	55.3	60.8	81.8	58.4	60.3	60.8	66.4	72.2	76.9	81.8
38 Other loans and advances	108.9	131.6	135.0	162.2	125.7	127.0	135.0	133.6	145.8	154.2	162.2
39 Mortgages	8.9	18.7	24.0	29.8	21.3	22.6	24.0	25.4	26.9	28.3	29.8
By borrowing sector											
40 Commercial banks	84.6	94.5	102.6	112.2	99.9	102.0	102.6	100.5	103.6	106.7	112.2
41 Bank holding companies	123.4	133.6	148.0	150.0	142.9	150.3	148.0	141.4[r]	148.4	149.1	150.0
42 Savings institutions	99.6	112.4	115.0	141.1	105.9	107.2	115.0	117.8	128.3	134.9	141.1
43 Credit unions	.2	.5	.4	.4	.3	.4	.4	.4	.3	.4	.4
44 Life insurance companies	.2	.6	.5	1.6	.6	.6	.5	1.1	1.2	1.1	1.6
45 Government-sponsored enterprises	528.5	700.6	806.5[r]	896.9	748.1	773.5	806.5[r]	814.4[r]	846.1[r]	866.1	896.9
46 Federally related mortgage pools	1,356.8	1,472.1	1,570.3	1,711.0	1,499.0	1,526.6	1,570.3	1,599.7	1,643.4	1,679.2	1,711.0
47 Issuers of asset-backed securities (ABSs)	486.7[r]	556.2[r]	689.4[r]	818.8	596.8	639.8	689.4[r]	720.3[r]	752.4[r]	779.5	818.8
48 Brokers and dealers	33.7	34.3	29.3	27.3	26.8	27.4	29.3	21.4	24.6	26.1	27.3
49 Finance companies	390.5	440.7	492.3	540.3	467.2	471.9	492.3	499.8	514.4	528.4	540.3
50 Mortgage companies	30.2	18.7	19.1	36.2	20.6	21.6	19.1	24.1	28.1	32.3	36.2
51 Real estate investment trusts (REITs)	17.4	31.1	36.5	43.1	33.7	35.0	36.5	38.0	39.6	41.3	43.1
52 Funding corporations	169.9	199.3	233.9	296.0	230.0	239.9	233.9	245.6	265.6	274.5	296.0
					All sectors						
53 **Total credit market debt, domestic and foreign**	**16,251.9[r]**	**17,337.2[r]**	**18,575.7[r]**	**19,921.5**	**17,926.3[r]**	**18,224.4[r]**	**18,575.7[r]**	**18,864.8[r]**	**19,202.9[r]**	**19,544.1**	**19,921.5**
54 Open market paper	580.0	623.5	700.4	803.0	673.8	692.7	700.4	717.6	753.6	777.4	803.0
55 U.S. government securities	5,216.9	5,665.0	6,013.6[r]	6,389.7	5,830.6	5,903.5	6,013.6[r]	6,131.3[r]	6,183.2[r]	6,278.4	6,389.7
56 Municipal securities	1,377.5	1,348.2	1,304.0	1,306.0	1,331.7	1,308.2	1,304.0	1,300.8[r]	1,306.8[r]	1,290.6	1,306.0
57 Corporate and foreign bonds	2,317.4[r]	2,468.8	2,776.1[r]	3,048.6	2,605.9	2,690.8	2,776.1[r]	2,837.0[r]	2,908.1[r]	2,971.7	3,048.6
58 Bank loans n.e.c.	768.0	830.4	943.9	1,039.5	898.7	916.2	943.9	959.9[r]	991.4[r]	1,021.3	1,039.5
59 Other loans and advances	852.9	929.9	991.5	1,054.1	963.2	969.1	991.5	1,002.9	1,021.8	1,046.5	1054.1
60 Mortgages	4,275.2[r]	4,481.1[r]	4,714.3[r]	5,054.4	4,591.6[r]	4,665.7[r]	4,714.3[r]	4,792.5[r]	4,890.0[r]	4,975.7	5,054.4
61 Consumer credit	863.9	990.2	1,131.9	1,226.3	1,030.8	1,078.2	1,131.9	1,123.0[r]	1,147.9[r]	1,182.6	1,226.3

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	1993	1994	1995	1996	1995			1996			
					Q2	Q3	Q4	Q1	Q2	Q3[r]	Q4
CREDIT MARKET DEBT OUTSTANDING[2]											
1 **Total credit market assets**	**16,251.9[r]**	**17,337.2[r]**	**18,575.7[r]**	**19,921.5**	**17,926.3[r]**	**18,224.4[r]**	**18,575.7[r]**	**18,864.8[r]**	**19,202.9[r]**	**19,544.1**	**19,921.5**
2 Domestic nonfederal nonfinancial sectors	2,784.9[r]	3,069.3[r]	2,937.1[r]	2,938.0	2,988.3[r]	2,990.2[r]	2,937.1[r]	2,895.7[r]	2,945.4[r]	2,923.2	2,938.0
3 Households	1,691.4[r]	1,981.1[r]	1,932.0[r]	1,960.7	1,940.8[r]	1,989.3[r]	1,932.0[r]	1,915.1[r]	1,950.6[r]	1,957.9	1,960.7
4 Nonfinancial corporate business	271.5	321.1	315.1	340.6	303.5	290.6	315.1	291.3	307.9	313.1	340.6
5 Nonfarm noncorporate business	37.0	37.2	37.5	37.9	37.3	37.4	37.5	37.6	37.7	37.8	37.9
6 State and local governments	784.9	729.9	652.5	598.8	706.7	672.9	652.5	651.8	649.1	614.4	598.8
7 Federal government	231.7	207.5	186.1	162.8	198.2	192.2	186.1	180.8	177.0	170.5	162.8
8 Rest of the world	1,147.8	1,254.7	1,561.8	1,966.6	1,402.1	1,493.4	1,561.8	1,653.6	1,718.2	1,840.6	1,966.6
9 Financial sectors	12,087.5[r]	12,805.6[r]	13,890.7[r]	14,854.0	13,337.7[r]	13,548.6[r]	13,890.7[r]	14,134.7[r]	14,362.2[r]	14,609.8	14,854.0
10 Monetary authority	336.7	368.2	380.8	393.1	375.7	370.6	380.8	379.6	386.3	386.2	393.1
11 Commercial banking	3,090.8	3,254.3	3,520.1	3,708.0	3,410.1	3,473.2	3,520.1	3,541.6	3,590.8	3,643.3	3,708.0
12 U.S. chartered banks	2,721.5	2,869.6	3,056.1	3,175.9	2,963.7	3,023.7	3,056.1	3,068.8	3,101.3	3,135.3	3,175.9
13 Foreign banking offices in United States	326.0	337.1	412.6	475.8	396.0	401.1	412.6	422.2	437.1	454.2	475.8
14 Bank holding companies	17.5	18.4	18.0	22.0	19.3	16.9	18.0	16.8	18.1	19.3	22.0
15 Banks in U.S. affiliated areas	25.8	29.2	33.4	34.4	31.1	31.5	33.4	33.9	34.3	34.5	34.4
16 Savings institutions	914.1	920.8	913.3	936.6	922.4	930.4	913.3	921.8	933.1	945.3	936.6
17 Credit unions	218.7	246.8	263.0	285.1	255.0	258.5	263.0	267.0	276.9	281.0	285.1
18 Bank personal trusts and estates	240.9	248.0	229.2	215.6	240.2	234.2	229.2	224.7	221.6	218.5	215.6
19 Life insurance companies	1,420.6	1,487.1	1,586.2	1,641.4	1,557.1	1,575.5	1,586.2	1,600.5	1,601.0	1,635.1	1,641.4
20 Other insurance companies	422.7	446.4	468.7	492.8	457.3	463.0	468.7	474.5	480.2	486.4	492.8
21 Private pension funds	617.6	664.3[r]	725.6[r]	788.5	693.4[r]	706.0[r]	725.6[r]	746.3[r]	769.8[r]	781.5	788.5
22 State and local government retirement funds	423.4	454.1	476.8	511.0	470.9	470.6	476.8	491.1	504.0	508.8	511.0
23 Money market mutual funds	429.0	459.0	545.5	634.3	508.0	505.7	545.5	595.6	594.7	606.6	634.3
24 Mutual funds	725.9	718.8	771.3	829.2	724.8	739.2	771.3	792.4	807.9	816.5	829.2
25 Closed-end funds	82.0	78.7	92.0	101.3	84.6	88.7	92.0	94.8	97.2	99.5	101.3
26 Government-sponsored enterprises	546.4	667.0	755.0[r]	844.1	695.9	708.4	755.0[r]	762.7[r]	793.8[r]	814.3	844.1
27 Federally related mortgage pools	1,356.8	1,472.1	1,570.3	1,711.0	1,499.0	1,526.6	1,570.3	1,599.7	1,643.4	1,679.2	1,711.0
28 Asset-backed securities issuers (ABSs)	457.9[r]	520.7	633.7[r]	738.1	555.2	595.7	633.7[r]	659.7[r]	689.2[r]	709.7	738.1
29 Finance companies	482.8	551.0	615.2	653.9	586.9	594.7	615.2	621.7	633.2[r]	642.0	653.9
30 Mortgage companies	60.4	36.5[r]	33.0[r]	47.8	40.3[r]	42.2[r]	33.0[r]	45.0[r]	40.7[r]	44.9	47.8
31 Real estate investment trusts (REITs)	8.6	13.3	15.1	17.2	14.2	14.7	15.1	15.6	16.1	16.6	17.2
32 Brokers and dealers	137.5	93.3	183.4	166.1	137.4[r]	136.1[r]	183.4	156.2	138.2	147.1	166.1
33 Funding corporations	114.6[r]	105.2[r]	112.4[r]	138.9	109.3[r]	114.6[r]	112.4[r]	144.4[r]	144.1[r]	147.4	138.9
RELATION OF LIABILITIES TO FINANCIAL ASSETS											
34 **Total credit market debt**	**16,251.9[r]**	**17,337.2[r]**	**18,575.7[r]**	**19,921.5**	**17,926.3[r]**	**18,224.4[r]**	**18,575.7[r]**	**18,864.8[r]**	**19,202.9[r]**	**19,544.1**	**19,921.5**
Other liabilities											
35 Official foreign exchange	53.4	53.2	63.7	53.7	67.1	65.1	63.7	62.1	61.4	54.3	53.7
36 Special drawing rights certificates	8.0	8.0	10.2	9.7	8.0	10.2	10.2	10.2	10.2	9.7	9.7
37 Treasury currency	17.0	17.6	18.2	18.2	18.0	18.2	18.2	18.2	18.2	18.8	18.2
38 Foreign deposits	271.8	324.6	361.4	409.1	361.0	353.6	361.4	382.7	382.9	411.2	409.1
39 Net interbank liabilities	189.3	280.1[r]	290.6[r]	238.4	265.8[r]	267.2	290.6[r]	266.3	250.1[r]	223.3	238.4
40 Checkable deposits and currency	1,251.7	1,242.0	1,229.3	1,248.4	1,246.2	1,200.3	1,229.3	1,183.3	1,212.3	1,221.8	1,248.4
41 Small time and savings deposits	2,223.2	2,183.3	2,279.7	2,371.3	2,222.6	2,255.8	2,279.7	2,342.3	2,340.1	2,355.5	2,371.3
42 Large time deposits	391.7	411.2	476.9	590.3	456.3	477.5	476.9	493.6	511.1	557.2	590.3
43 Money market fund shares	559.6	602.9	745.3	891.1	678.5	702.7	745.3	816.9	809.5	838.1	891.1
44 Security repurchase agreements	471.1	549.4	660.1	697.7	629.3	654.8[r]	660.1	666.2	692.1	687.6	697.7
45 Mutual fund shares	1,375.4	1,477.3	1,852.8	2,348.8	1,661.0	1,782.0	1,852.8	1,994.3	2,130.6	2,212.7	2,348.8
46 Security credit	279.0	279.0	305.7[r]	352.1	277.8[r]	286.1[r]	305.7[r]	326.9	318.6	317.8	352.1
47 Life insurance reserves	470.8	505.3	550.2	585.2	532.4	540.6	550.2	555.0[r]	563.0[r]	577.2	585.2
48 Pension fund reserves	4,638.8[r]	4,846.8[r]	5,567.7[r]	6,318.5	5,224.1[r]	5,440.1[r]	5,567.7[r]	5,751.6[r]	5,899.9[r]	6,046.1	6,318.5
49 Trade payables	1,048.2	1,162.2	1,258.5	1,334.8	1,177.5	1,211.1	1,258.5	1,246.0	1,278.6	1,293.9	1,334.8
50 Taxes payable	84.9	88.0	89.3	91.9	88.9[r]	91.9	89.3	94.3	90.3	92.1	91.9
51 Investment in bank personal trusts	691.3	699.4	767.4	833.7	739.7	758.6	767.4	781.6	790.9	799.5	833.7
52 Miscellaneous	5,155.1[r]	5,417.3[r]	5,823.2[r]	6,146.7	5,555.1[r]	5,666.4[r]	5,823.2[r]	5,959.8[r]	5,966.7[r]	6,089.6	6,146.7
53 **Total liabilities**	**35,432.1[r]**	**37,485.1[r]**	**40,925.7[r]**	**44,461.1**	**39,135.6[r]**	**40,006.7[r]**	**40,925.7[r]**	**41,816.0[r]**	**42,529.6[r]**	**43,350.3**	**44,461.1**
Financial assets not included in liabilities (+)											
54 Gold and special drawing rights	20.1	21.1	22.1	21.4	22.9	22.1	22.1	22.1	22.0	21.2	21.4
55 Corporate equities	6,280.0	6,263.3	8,389.9	10,090.0	7,348.4	7,972.4	8,389.9	8,875.8	9,170.9	9,387.4	10,090.0
56 Household equity in noncorporate business	2,495.5	2,587.5	2,699.6	2,733.6	2,641.1	2,655.0	2,699.6	2,736.6[r]	2,759.1[r]	2,782.8	2,733.6
Liabilities not identified as assets (−)											
57 Treasury currency	−5.1	−5.4	−5.8	−6.8	−5.5	−5.6	−5.8	−6.1	−6.3	−6.0	−6.8
58 Foreign deposits	232.6	278.7	309.0	347.1	314.5	300.6	309.0	324.4	330.3	360.9	347.1
59 Net interbank transactions	−4.7	−6.5	−9.0	−10.9	−2.9	1	−9.0	−2.6	−8.0	−11.6	−10.9
60 Security repurchase agreements	−7.7[r]	51.8[r]	107.2[r]	121.4	78.8[r]	111.4[r]	107.2[r]	116.7[r]	135.7[r]	126.7	121.4
61 Taxes payable	26.8	35.4	44.1	45.1	35.6[r]	39.1	44.1	23.9	38.0	41.9	45.1
62 Miscellaneous	−855.0[r]	−916.1[r]	−949.4[r]	−1,202.4	−869.7[r]	−832.3[r]	−949.4[r]	−1,016.8[r]	−1,094.0[r]	−1,100.7	−1,202.4
Floats not included in assets (−)											
63 Federal government checkable deposits	5.6	3.4	3.1	−1.6	2.0	.6	3.1	.0	−3.4	−1.7	−1.6
64 Other checkable deposits	40.7	38.0	34.2	30.1	35.7	27.3	34.2	29.6	31.8	23.1	30.1
65 Trade credit	−248.0	−252.0	−275.4	−283.3	−306.2	−330.0	−275.4	−326.5	−336.2	−363.3	−283.3
66 **Total identified to sectors as assets**	**45,042.5[r]**	**47,129.6[r]**	**52,779.3[r]**	**58,267.3**	**49,865.7[r]**	**51,345.1[r]**	**52,779.3[r]**	**54,308.0[r]**	**55,393.8[r]**	**56,472.4**	**58,267.3**

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 1992=100, except as noted

Measure	1994	1995	1996	1996							1997	
				June	July	Aug.	Sept.	Oct.	Nov.	Dec.[r]	Jan.[r]	Feb.
1 **Industrial production**[1]	**108.6**	**112.1**	**115.2**	**115.5**	**115.5**	**115.8**	**116.0**	**116.2**	**117.2**[r]	**117.7**	**117.6**	**118.1**
Market groupings												
2 Products, total	106.8	109.3	112.0[r]	112.3	112.3	112.2	112.7	112.8	114.1[r]	114.3	114.3	114.8
3 Final, total	107.1	109.9	112.8	113.1	113.4	113.0	113.3	113.6	114.8[r]	115.3	115.3	115.8
4 Consumer goods	107.4	108.9	110.5[r]	110.8	110.7	110.1	110.5	110.8	112.3[r]	112.7	112.1	112.1
5 Equipment	106.6	111.6	116.8	117.1	118.1	117.9	118.1	118.4	119.0[r]	119.5	120.7	122.2
6 Intermediate	106.1	107.5	109.4[r]	109.7	108.9	110.0	110.6	110.2	111.9[r]	111.4	111.3	111.8
7 Materials	111.3	116.6	120.3	120.5	120.5	121.5	121.2	121.7	122.2	123.1	122.7	123.3
Industry groupings												
8 Manufacturing	109.4	113.2	116.3[r]	116.4	117.0	117.2	117.4	117.6	118.5	119.2	118.9	119.8
9 Capacity utilization, manufacturing (percent)[2]	83.1	83.1	82.1	82.3	82.4	82.3	82.1	82.0	82.4	82.5	82.1	82.5
10 Construction contracts[3]	106.6[r]	116.8[r]	119.8[r]	120.0[r]	118.0[r]	111.0[r]	122.0[r]	125.0[r]	124.0[r]	125.0	123.0	n.a.
11 Nonagricultural employment, total[4]	112.0	115.0	117.3	117.2	117.5	117.8	117.8	118.0	118.2	118.4	118.7	119.0
12 Goods-producing, total	96.9	98.1	98.3	98.4	98.3	98.5	98.3	98.4	98.6	98.7	98.8	99.3
13 Manufacturing, total	96.4	97.2	96.2	96.3	96.2	96.3	96.0	96.1	96.1	96.2	96.3	96.2
14 Manufacturing, production workers	97.5	98.7	97.5	97.5	97.4	97.5	97.2	97.3	97.4	97.4	97.5	97.5
15 Service-producing	116.8	120.3	123.3	123.3	123.6	123.9	124.0	124.3	124.4	124.7	125.0	125.3
16 Personal income, total	148.4	157.7	166.4	166.6	166.7	167.7	168.6	168.8	169.8	171.1	171.6	n.a.
17 Wages and salary disbursements	142.6	150.9	159.7	160.3	159.8	161.1	162.2	162.0	163.4[r]	165.2	165.1	n.a.
18 Manufacturing	124.9	130.4	135.3	135.8	135.8	136.9	136.7	136.7	137.4[r]	139.4	138.8	n.a.
19 Disposable personal income[5]	149.3	158.2	166.2	166.4	166.5	167.4	168.2	168.4	169.4	170.6	171.7	n.a.
20 Retail sales[5]	144.8	152.3	159.8	159.4	159.6	159.6	160.7	161.8	161.7	162.5	164.9	166.2
Prices[6]												
21 Consumer (1982–84=100)	148.2	152.4	156.9	156.7	157.0	157.3	157.8	158.3	158.6	158.6	159.1	159.6
22 Producer finished goods (1982=100)	125.5	127.9	131.3	131.7	131.5	131.9	131.8	132.7[r]	132.5	132.7	132.6	132.2

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 January 1997. See "Industrial Production and Capacity Utilization: Historical Revision and Recent Developments," *Federal Reserve Bulletin*, vol. 83 (February 1997), pp. 67–92. The article contains a description of the new aggregation system for industrial production and capacity utilization. For a detailed description of the industrial production index, see "Industrial Production: 1989 Developments and Historical Revision," *Federal Reserve Bulletin*, vol. 76 (April 1990), pp. 187–204.
2. Ratio of index of production to index of capacity. Based on data from the Federal Reserve, DRI McGraw-Hill, U.S. Department of Commerce, and other sources.
3. Index of dollar value of total construction contracts, including residential, nonresidential, and heavy engineering, from McGraw-Hill Information Systems Company, F.W. Dodge Division.
4. Based on data from U.S. Department of Labor, *Employment and Earnings*. Series covers employees only, excluding personnel in the armed forces.
5. Based on data from U.S. Department of Commerce, *Survey of Current Business*.
6. Based on data not seasonally adjusted. Seasonally adjusted data for changes in the price indexes can be obtained from the U.S. Department of Labor, Bureau of Labor Statistics, *Monthly Labor Review*.

NOTE. Basic data (not indexes) for series mentioned in notes 4 and 5, and indexes for series mentioned in notes 3 and 6, can also be found in the *Survey of Current Business*.

Figures for industrial production for the latest month are preliminary, and many figures for the three months preceding the latest month have been revised. See "Recent Developments in Industrial Capacity and Utilization," *Federal Reserve Bulletin*, vol. 76 (June 1990), pp. 411–35. See also "Industrial Production Capacity and Capacity Utilization since 1987," *Federal Reserve Bulletin*, vol. 79 (June 1993), pp. 590–605.

2.11 LABOR FORCE, EMPLOYMENT, AND UNEMPLOYMENT

Thousands of persons; monthly data seasonally adjusted

Category	1994	1995	1996	1996						1997	
				July	Aug.	Sept.	Oct.	Nov.	Dec.[r]	Jan.[r]	Feb.
HOUSEHOLD SURVEY DATA[1]											
1 Civilian labor force[2]	131,056	132,304	133,943	134,165	133,898	134,291	134,636	134,831	135,022	135,848	135,634
Employment											
2 Nonagricultural industries[3]	119,651	121,460	123,264	123,419	123,570	123,768	124,167	124,290	124,429	125,112	125,138
3 Agriculture	3,409	3,440	3,443	3,470	3,418	3,480	3,450	3,354	3,426	3,468	3,292
Unemployment											
4 Number	7,996	7,404	7,236	7,276	6,910	7,043	7,019	7,187	7,167	7,268	7,205
5 Rate (percent of civilian labor force)	6.1	5.6	5.4	5.4	5.2	5.2	5.2	5.3	5.3	5.4	5.3
ESTABLISHMENT SURVEY DATA											
6 **Nonagricultural payroll employment**[4]	**114,172**	**117,203**	**119,549**	**119,772**	**120,052**	**120,050**	**120,311**	**120,492**	**120,723**	**120,970**	**121,309**
7 Manufacturing	18,321	18,468	18,282	18,267	18,291	18,241	18,254	18,262	18,270	18,286	18,284
8 Mining	601	580	570	570	570	567	566	566	566	568	570
9 Contract construction	4,986	5,158	5,405	5,427	5,437	5,449	5,464	5,491	5,520	5,535	5,644
10 Transportation and public utilities	5,993	6,165	6,318	6,333	6,342	6,337	6,338	6,350	6,340	6,374	6,395
11 Trade	26,670	27,585	28,178	28,256	28,275	28,321	28,446	28,508	28,586	28,591	28,661
12 Finance	6,896	6,830	6,977	6,987	6,999	7,009	7,026	7,038	7,052	7,065	7,078
13 Service	31,579	33,107	34,360	34,448	34,532	34,607	34,709	34,780	34,865	35,001	35,081
14 Government	19,128	19,310	19,459	19,484	19,606	19,519	19,508	19,497	19,524	19,550	19,596

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	1996				1996				1996			
	Q1	Q2	Q3	Q4[r]	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4[r]
	Output (1992=100)				Capacity (percent of 1992 output)				Capacity utilization rate (percent)[2]			
1 **Total industry**	**113.1**	**114.8**	**115.8**	**117.1**	**136.7**	**137.9**	**139.2**	**140.5**	**82.8**	**83.3**	**83.2**	**83.3**
2 Manufacturing	114.0	115.8	117.2	118.4	139.6	141.0	142.5	143.9	81.7	82.1	82.3	82.3
3 Primary processing[3]	110.1	111.7	113.2	113.9	129.1	129.9	130.7	131.5	85.3	86.0	86.6	86.6
4 Advanced processing[4]	115.9	117.8	119.1	120.6	144.7	146.5	148.2	150.0	80.1	80.4	80.4	80.4
5 Durable goods	122.3	125.4	127.2	128.1	150.0	152.2	154.5	156.9	81.6	82.4	82.3	81.7
6 Lumber and products	107.1	111.0	110.5	110.5	127.3	128.2	129.1	130.0	84.1	86.6	85.6	85.0
7 Primary metals	114.0	116.5	118.6	119.9	127.6	128.7	129.8	131.0	89.3	90.5	91.4	91.6
8 Iron and steel	113.3	115.8	117.9	118.6	128.8	130.3	131.9	133.5	88.0	88.8	89.4	88.9
9 Nonferrous	114.6	117.2	119.4	121.3	125.9	126.5	127.1	127.8	91.0	92.7	93.9	95.0
10 Industrial machinery and equipment	150.7	154.6	158.9	161.4	166.9	171.6	176.3	181.3	90.3	90.1	90.1	89.0
11 Electrical machinery	159.0	162.3	164.5	167.2	186.0	193.2	200.6	208.5	85.5	84.0	82.0	80.2
12 Motor vehicles and parts	120.6	130.4	131.3	126.0	173.6	174.9	176.1	177.3	69.5	74.6	74.5	71.0
13 Aerospace and miscellaneous transportation equipment	81.5	83.8	86.7	90.4	121.0	120.6	120.2	119.8	67.4	69.5	72.2	75.5
14 Nondurable goods	105.1	105.5	106.5	108.1	128.5	129.0	129.6	130.1	81.8	81.8	82.2	83.0
15 Textile mill products	104.5	106.5	107.9	107.4	128.7	129.4	130.1	130.8	81.2	82.3	82.9	82.1
16 Paper and products	105.2	107.9	109.0	109.8	121.9	122.4	122.9	123.3	86.3	88.2	88.7	89.1
17 Chemicals and products	106.8	107.3	109.2	112.2	136.7	137.9	139.2	140.3	78.1	77.8	78.4	80.0
18 Plastics materials	117.3	122.1	125.3	125.3	127.3	129.5	131.8	134.0	92.1	94.3	95.1	93.5
19 Petroleum products	105.6	106.0	106.7	107.7	113.4	113.5	113.7	113.8	93.1	93.4	93.9	94.7
20 Mining	100.8	103.5	103.7	104.0	113.9	113.7	113.7	113.7	88.5	91.0	91.2	91.5
21 Utilities	113.4	114.0	110.5	113.0	123.9	124.5	125.2	125.9	91.6	91.6	88.2	89.8
22 Electric	113.4	114.0	110.8	112.4	122.1	122.8	123.6	124.4	92.9	92.8	89.6	90.4

Series	1973	1975	Previous cycle[5]		Latest cycle[6]		1996	1996				1997	
	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**	**71.1**	**85.3**	**78.1**	**83.2**	**83.1**	**83.0**	**83.4**	**83.5**	**83.2**	**83.3**
2 Manufacturing	88.5	70.5	86.9	69.0	85.7	76.6	82.2	82.1	82.0	82.4	82.5	82.1	82.5
3 Primary processing[3]	91.2	68.2	88.1	66.2	88.9	77.8	85.3	86.6	86.7	86.5	86.6	86.0	86.6
4 Advanced processing[4]	87.2	71.8	86.7	70.4	84.2	76.1	80.9	80.2	79.9	80.5	80.7	80.3	80.6
5 Durable goods	89.2	68.9	87.7	63.9	84.5	73.2	82.4	81.9	81.5	81.9	81.7	81.4	82.0
6 Lumber and products	88.7	61.2	87.9	60.8	93.6	75.5	83.5	85.5	84.2	87.0	83.7	83.7	84.8
7 Primary metals	100.2	65.9	94.2	45.1	92.7	73.7	89.8	91.8	93.5	90.5	90.7	89.4	91.2
8 Iron and steel	105.8	66.6	95.8	37.0	95.2	71.8	88.4	88.7	92.6	86.8	87.1	85.3	88.3
9 Nonferrous	90.8	59.8	91.1	60.1	89.3	74.2	91.5	95.7	94.7	95.1	95.2	94.6	95.0
10 Industrial machinery and equipment	96.0	74.3	93.2	64.0	85.4	72.4	90.7	89.6	89.1	89.2	88.9	88.8	88.9
11 Electrical machinery	89.2	64.7	89.4	71.6	84.0	75.1	86.5	81.3	80.5	80.2	80.0	78.4	78.9
12 Motor vehicles and parts	93.4	51.3	95.0	45.5	89.1	55.9	73.4	71.9	68.5	72.7	72.0	73.3	73.7
13 Aerospace and miscellaneous transportation equipment	78.4	67.6	81.9	66.6	87.3	79.2	67.7	73.3	74.6	75.4	76.4	77.0	77.9
14 Nondurable goods	87.8	71.7	87.5	76.4	87.3	80.7	82.0	82.4	82.7	82.9	83.5	82.9	83.1
15 Textile mill products	91.4	60.0	91.2	72.3	90.4	77.7	80.8	82.2	82.4	82.7	81.2	81.0	80.8
16 Paper and products	97.1	69.2	96.1	80.6	93.5	85.0	85.8	88.4	87.4	89.3	90.5	89.4	89.5
17 Chemicals and products	87.6	69.7	84.6	69.9	86.2	79.3	78.3	78.6	79.5	79.6	80.7	80.3	80.1
18 Plastics materials	102.0	50.6	90.9	63.4	97.0	74.8	91.9	95.4	94.0	92.4	94.1	...	..
19 Petroleum products	96.7	81.1	90.0	66.8	88.5	85.1	93.5	94.0	95.3	94.4	94.3	93.7	94.3
20 Mining	94.3	88.2	96.0	80.3	86.8	86.1	88.5	91.0	91.0	91.1	92.4	91.7	92.9
21 Utilities	96.2	82.9	89.1	75.9	92.6	83.4	91.5	88.6	89.0	91.0	89.3	90.4	87.1
22 Electric	99.0	82.7	88.2	78.9	95.0	87.1	93.1	89.6	90.2	90.6	90.3	91.2	88.4

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 January 1997. See "Industrial Production and Capacity Utilization: Historical Revision and Recent Developments," *Federal Reserve Bulletin*, vol. 83 (February 1997), pp. 67–92. The article contains a description of the new aggregation system for industrial production and capacity utilization. For a detailed description of the industrial production index, see "Industrial Production: 1989 Developments and Historical Revision," *Federal Reserve Bulletin*, vol. 76 (April 1990), pp. 187–204.

2. Capacity utilization is calculated as the ratio of the Federal Reserve's seasonally adjusted index of industrial production to the corresponding index of capacity.

3. Primary processing includes textiles; lumber; paper; industrial chemicals; synthetic materials; fertilizer materials; petroleum products; rubber and plastics; stone, clay, and glass; primary metals; and fabricated metals.

4. Advanced processing includes foods; tobacco; apparel; furniture and fixtures; printing and publishing; chemical products such as drugs and toiletries; agricultural chemicals; leather and products; machinery; transportation equipment; instruments; and miscellaneous manufactures.

5. Monthly highs, 1978–80; monthly lows, 1982.

6. Monthly highs, 1988–89; monthly lows, 1990–91.

2.13 INDUSTRIAL PRODUCTION Indexes and Gross Value[1]

Monthly data seasonally adjusted

Group	1992 proportion	1996 avg.	1996 Feb.	Mar.	Apr	May	June	July	Aug.	Sept.	Oct.	Nov.[r]	Dec.[r]	1997 Jan.	Feb.[p]
			Index (1992 = 100)												
MAJOR MARKETS															
1 **Total index**	**100.0**	**115.2**	**113.8**	**113.2**	**114.3**	**114.8**	**115.5**	**115.5**	**115.8**	**116.0**	**116.2**	**117.2**	**117.7**	**117.6**	**118.1**
2 Products	60.5	112.0	110.8	110.4	111.0	111.4	112.3	112.3	112.2	112.7	112.8	114.1	114.3	114.3	114.8
3 Final products	46.3	112.8	111.7	111.1	112.1	112.2	113.1	113.4	113.0	113.3	113.6	114.8	115.3	115.3	115.8
4 Consumer goods, total	29.1	110.5	109.9	109.4	109.8	110.0	110.8	110.7	110.1	110.5	110.8	112.3	112.7	112.1	112.1
5 Durable consumer goods	6.1	126.2	124.7	120.8	125.7	126.9	129.9	129.7	128.0	127.1	124.5	127.1	128.5	127.2	128.8
6 Automotive products	2.6	125.8	125.6	115.1	126.0	126.9	130.0	132.1	128.7	127.7	122.0	127.4	127.3	130.0	130.7
7 Autos and trucks	1.7	132.6	133.0	111.2	135.0	135.0	137.7	145.7	138.7	134.6	125.7	133.8	135.7	138.8	139.4
8 Autos, consumer	.9	120.3	121.6	93.5	126.1	129.0	133.3	137.8	132.5	129.9	112.3	123.5	116.2	120.4	123.2
9 Trucks, consumer	7	147.2	150.3	135.4	150.3	147.3	148.7	161.3	152.3	146.6	147.4	152.4	164.9	167 0	165 0
10 Auto parts and allied goods	.9	114.5	113.7	117.7	111.9	114.0	117.4	112.4	113.5	116.2	114.4	116.4	113.9	116.2	117.1
11 Other	3.5	126.3	123.9	124.7	125.3	126.7	129.7	128.0	127.5	126.6	126.2	126.8	129.2	125.2	127.4
12 Appliances, televisions, and air conditioners	1.0	173.0	164.4	165.8	170.2	172.0	180.1	181.1	175.9	174.2	176.5	176.9	181.5	171.1	177.9
13 Carpeting and furniture	.8	109.9	108.0	110.8	109.1	112.4	114.6	107.0	111.1	110.5	108.6	110.7	109.5	105.4	106.9
14 Miscellaneous home goods	1.6	107.9	108.6	108.0	108.0	108.1	108.7	108.5	108.0	107.6	106.5	106.4	109.6	108.9	109.1
15 Nondurable consumer goods	23.0	106.5	106.2	106.6	105.9	105.8	106.0	106.0	105.6	106.3	107.3	108.5	108.8	108.3	108.0
16 Foods and tobacco	10.3	106.1	105.8	106.8	105.7	105.3	105.8	105.9	105.4	106.1	106.6	107.2	108.5	107.9	108.5
17 Clothing	2.4	95.5	96.5	95.8	96.1	95.9	95.6	95.4	95.4	95.1	95.5	95.0	94.9	94.0	93.1
18 Chemical products	4.5	112.7	111.3	110.5	110.0	110.5	110.6	112.6	111.3	113.5	115.5	117.3	118.4	117.3	117.4
19 Paper products	2.9	101.1	99.8	99.7	100.0	100.7	100.2	101.4	101.8	101.9	102.9	102.9	103.0	101.8	102.3
20 Energy	2.9	112.1	112.8	114.1	112.8	112.8	113.2	109.1	109.4	109.4	110.7	115.3	111.9	113.3	109.3
21 Fuels	.8	106.6	106.7	106.9	106.4	106.8	106.7	106.7	107.7	105.4	108.1	107.8	106.0	105.5	106.5
22 Residential utilities	2.1	114.3	115.4	117.1	115.5	115.4	116.0	109.9	110.0	110.9	111 7	118.5	114.4	116.6	110.3
23 Equipment	17.2	116.8	114.8	113.9	115.9	116.0	117.1	118.1	117.9	118.1	118.4	119.0	119.5	120.7	122.2
24 Business equipment	13.2	126.6	124.6	122.6	125.1	125.0	126.6	128.1	127.7	128.3	128.8	129.8	130.5	131.8	133.3
25 Information processing and related	5.4	143.2	139.4	139.8	140.5	140.8	143.9	144.1	144.6	146.3	147.4	147.1	148.1	149.1	151.1
26 Computer and office equipment	1.1	292.0	258.0	265.4	272.2	279.7	289.4	301.7	306.2	314.3	318.8	323.5	327.1	332.0	337.6
27 Industrial	4.0	126.9	127.7	127.1	127.5	126.5	126.3	127.2	126.7	126.3	127.0	127.1	127.4	127.9	128.7
28 Transit	2.5	99.9	96.7	87.4	97.5	97.5	100.6	104.1	103.0	103.8	101 9	106.6	106.9	109.4	111.5
29 Autos and trucks	1.2	115.3	115.6	95.2	118.5	118.0	120.8	126.5	120.9	117 7	109 4	115.9	113.9	117.2	118.9
30 Other	1.3	116.4	114.9	114.7	114.7	115.3	114.3	118.0	116.1	115.5	118.7	119.9	121.0	123.1	123.7
31 Defense and space equipment	3.3	77.0	76.4	77.6	77.4	77.9	77.0	77.7	77.9	77.7	77.0	76.1	76.3	75.4	75.8
32 Oil and gas well drilling	.6	120.5	113.2	119.8	123.7	127.0	127.8	122.1	122.6	117.5	120.2	120.7	123.6	130.8	140.7
33 Manufactured homes	.2	162.0	156.4	162.5	164.8	165.7	167.9	163.0	167.4	165.6	165.3	159.8	.	156.3	.
34 Intermediate products, total	14.2	109.4	108.1	108.4	107.7	108.9	109.7	108.9	110.0	110.6	110.2	111.9	111.4	111.3	111.8
35 Construction supplies	5.3	116.8	113.3	115.5	114.2	116.1	118.3	117.5	119.2	119.8	117.7	120.7	118.1	118.1	119.7
36 Business supplies	8.9	105.1	105.0	104.3	103.9	104.6	104.6	103.9	104.6	105.3	105.8	106.8	107.4	107.3	107.1
37 Materials	39.5	120.3	118.5	117.7	119.5	120.1	120.5	120.5	121.5	121.2	121.7	122.2	123.1	122.7	123.3
38 Durable goods materials	20.8	134.0	131.5	129.5	132.6	133.5	134.0	134.5	136.2	135.5	135.8	136.5	137.8	137.2	139.0
39 Durable consumer parts	4.0	128.8	128.3	117.0	130.1	130.6	130.4	131.1	133.9	128.3	126.6	129.7	129.9	129.1	129.9
40 Equipment parts	7.6	159.2	154.0	154.6	155.7	157.2	158.9	159.6	161.7	162.6	163.4	165.3	167.8	168.2	170.7
41 Other	9.2	118.2	116.8	116.8	117.2	117.8	117.9	118.2	119.2	119.2	120.0	119.1	120.1	118.9	120.7
42 Basic metal materials	3.1	113.2	111.3	112.0	112.1	112.2	112.6	112.9	113.6	114.7	117.2	114.4	116.1	115.0	117.5
43 Nondurable goods materials	8.9	106.4	104.5	104.4	105.5	105.9	106.2	107.4	106.5	106.9	108.0	108.4	109.3	109.1	108.8
44 Textile materials	1.1	106.4	103.6	104.6	105.6	106.1	106.3	109.9	107.4	107.1	108.4	108.5	106.1	106.7	106.1
45 Paper materials	1.8	107.3	104.9	104.4	106.9	106.4	105.2	109.1	108.2	107.0	108.0	110.9	111.7	110.7	111.1
46 Chemical materials	3.9	105.9	103.5	103.5	104.1	104.7	105.3	106.1	106.2	106.8	109.3	107 7	109.8	110.0	109.6
47 Other	2.1	106.1	105.9	105.4	106.5	107.1	108.0	107.1	104.7	106.2	103.9	106.8	107.0	106.2	105.4
48 Energy materials	9.7	103.9	103.5	104.5	104.2	104.6	104.8	102.4	104.0	103.9	103.9	104.0	104.2	104.1	102.9
49 Primary energy	6.3	102.7	102.6	103.9	104.0	103.5	103.5	101.7	103.2	102.2	102.0	101.6	103.1	102.1	101.2
50 Converted fuel materials	3.3	106.2	105.3	105.7	104.6	106.7	107.2	103.9	105.4	107.0	107.5	108.5	106.5	107.9	106.2
SPECIAL AGGREGATES															
51 Total excluding autos and trucks	97.1	114.9	113.4	113.4	113 9	114.4	115.0	114.9	115.4	115.7	116.1	116.9	117.5	117.2	117.8
52 Total excluding motor vehicles and parts	95.1	114.6	113.1	113.5	113.5	114.0	114.7	114.6	115.0	115 4	115.9	116.6	117.2	116.9	117.5
53 Total excluding computer and office equipment	98.2	112.9	111.9	111.2	112.2	112.6	113.2	113.1	113.4	113.5	113.7	114.6	115.1	114.9	115.4
54 Consumer goods excluding autos and trucks	27.4	109.2	108.6	109.2	108.4	108.7	109.3	108.9	108.6	109.2	109.9	111.0	111.5	110.7	110.7
55 Consumer goods excluding energy	26.2	110.2	109.5	108.8	109.4	109.6	110.4	110.9	110.2	110.6	110.8	111.8	112.8	111.9	112.5
56 Business equipment excluding autos and trucks	12.0	127.7	125.5	125.3	125 8	125.7	127.2	128.2	128.3	129.3	130.7	131.2	132.2	133.2	134.7
57 Business equipment excluding computer and office equipment	12.1	115.8	115.6	113.1	115.3	114.7	115.8	116.8	116.1	116.3	116.6	117.5	118.0	119.0	120.3
58 Materials excluding energy	29.8	125.4	123.1	121.7	124.2	124.9	125.4	126.1	127.0	126.6	127 1	127.8	129.0	128.5	129.6

2.13 INDUSTRIAL PRODUCTION Indexes and Gross Value[1]—Continued

Group	SIC[2] code	1992 proportion	1996 avg.	1996 Feb.	Mar.	Apr.	May	June	July	Aug	Sept.	Oct.	Nov.[r]	Dec.[r]	1997 Jan.	Feb.[p]
				Index (1992 = 100)												
MAJOR INDUSTRIES																
59 **Total index**	..	**100.0**	**115.2**	**113.8**	**113.2**	**114.3**	**114.8**	**115.5**	**115.5**	**115.8**	**116.0**	**116.2**	**117.2**	**117.7**	**117.6**	**118.1**
60 Manufacturing	.	85.4	116.3	114.8	113.9	115.2	115.7	116.4	117.0	117.2	117.4	117.6	118.5	119.2	118.9	119.8
61 Primary processing	.	26.5	112.2	110.1	110.8	111.0	111.7	112.6	113.0	113.1	113.5	113.8	113.8	114.1	113.5	114.5
62 Advanced processing	..	58.9	118.4	117.1	115.4	117.3	117.6	118.3	118.9	119.2	119.3	119.5	120.8	121.6	121.5	122.5
63 Durable goods	.	45.0	125.7	123.6	121.8	124.6	125.2	126.3	126.9	127.5	127.2	127.1	128.4	128.9	128.9	130.5
64 Lumber and products	24	2.0	109.8	106.3	109.7	110.3	110.4	112.4	109.3	111.4	110.7	109.2	113.1	109.2	109.4	111.0
65 Furniture and fixtures	25	1.4	108.8	107.9	105.8	108.1	110.3	109.5	108.1	108.8	108.8	110.4	110.5	110.4	109.0	109.4
66 Stone, clay, and glass products	32	2.1	111.0	109.1	108.7	108.5	109.8	111.3	114.1	111.8	113.1	111 7	111.8	111.4	111.8	112.5
67 Primary metals	33	3.1	117.2	114.6	115.6	116.1	116.3	117.0	118.0	118.3	119.5	122.1	118.5	119.2	117.8	120.5
68 Iron and steel	331,2	1.7	116.4	113.9	113.8	114.6	115.7	117.1	118.0	118.2	117.4	123.2	115.9	116.8	114.7	119.1
69 Raw steel	331PT	.1	112.2	111.2	112.7	112.1	112.9	114.9	113.3	113.6	112.6	111.5	108.7	112.5	111.7	116.0
70 Nonferrous	333–6,9	1.4	118.1	115.3	117.6	117 9	116.9	116.8	117.9	118.5	121.8	120.7	121.4	121.8	121.4	122.1
71 Fabricated metal products	34	5.0	118.6	117.9	117.6	117.8	118.4	118.9	119.1	119 4	119.3	119.3	119.1	119.6	118.8	120.3
72 Industrial machinery and equipment	35	8.0	156.4	151.4	152.5	153.3	154.3	156.1	157.7	159.6	159.4	159.9	161.7	162.6	164.1	165.8
73 Computer and office equipment	357	1.8	296.9	263.6	270.8	277.3	284.7	294.3	306.5	310.8	319.0	323.6	328.3	331.9	336.8	342.6
74 Electrical machinery	36	7.3	163.3	161.0	160.3	161 1	161.8	164.0	163.8	164.6	165.2	165.6	167.2	168.9	167.7	170.7
75 Transportation equipment	37	9.5	106.1	104.4	94.9	106.4	106.8	107.1	109.5	109.3	107.3	105.3	109.5	109.6	111.1	112.2
76 Motor vehicles and parts	371	4.9	126.9	127.4	106.8	130.3	130.5	130.4	134.1	132.8	127.0	121.2	128.9	127.9	130.4	131.4
77 Autos and light trucks	371PT	2.6	124.6	124.8	103.0	127 1	127.6	130.4	137.3	131.0	127.4	117.3	125.7	125.7	128.9	129.9
78 Aerospace and miscellaneous transportation equipment	372–6,9	4.6	85.6	81.9	82.8	83.2	83.8	84.3	85.7	86.5	87.9	89.4	90.3	91.4	92.0	93.2
79 Instruments	38	5.4	102.8	102.9	102.9	102.3	102.4	103.3	102.3	103.0	103.0	103.4	103.0	103.8	103.1	103.7
80 Miscellaneous	39	1.3	112.9	112.4	112.5	112.0	112.2	113.1	113.0	112.9	113.0	113.0	114.1	116.6	116.6	117.4
81 Nondurable goods	.	40.4	106.3	105.3	105.4	105.2	105.5	105.9	106.4	106.2	106.9	107.4	107.9	108.8	108.1	108.5
82 Foods	20	9.4	106.3	105.7	106.2	105.9	105.6	106.1	106.5	105.5	106.2	107.1	107.6	108.6	108.5	109 0
83 Tobacco products	21	1.6	105.6	107.4	111.3	106.3	103.7	105.1	102.5	104.1	104.9	104.0	105.4	107.9	104.7	104.1
84 Textile mill products	22	1.8	106.6	104.0	107.0	105.3	106.1	108.0	108.7	107 7	107.2	107.6	108.2	106.5	106.2	106.0
85 Apparel products	23	2.2	98.2	99.2	98.1	99.0	99.0	99.0	98.3	98.5	98.2	97.8	97.3	97.2	95.9	95.4
86 Paper and products	26	3.6	108.0	104.6	105.8	107.5	107.8	108.5	110.2	108.1	108.8	107.6	110.1	111 7	110.5	110.6
87 Printing and publishing	27	6.7	98.4	99.2	97.6	96.9	97.9	97.1	97.6	97.9	99.1	99.7	100.0	99 8	99.1	99.6
88 Chemicals and products	28	9.9	108.9	107.0	106.6	106 9	107.2	107.9	109.0	108.7	109.7	111.3	111.8	113.6	113.3	113.3
89 Petroleum products	29	1.4	106.5	106.0	105.7	105.5	106.2	106.3	105.3	107.8	106.9	108.4	107.4	107.3	106.7	107.4
90 Rubber and plastic products	30	3.5	120.5	118.6	119.3	118.0	119.8	120.9	120.7	122.0	122.8	121.4	121.7	122.5	120.9	122.6
91 Leather and products	31	.3	80.0	81.7	81.2	81.1	80.7	81.0	80.0	79.5	79.4	78.4	77.3	80.1	78.2	77.8
92 Mining	.	6.9	103.0	100.8	102.8	102.9	103.2	104 4	103.1	104.5	103.4	103.4	103.5	105.0	104.3	105.6
93 Metal	10	.5	102.0	97.1	101.7	99.4	100.9	101 7	103.1	104.0	105.3	105.6	102.5	106.2	105.9	108.0
94 Coal	12	1.0	105.9	101.2	105.9	105.3	108.0	108.9	102.7	109.6	106.2	107.5	108.8	109.6	104.0	107.1
95 Oil and gas extraction	13	4.8	100 3	98.9	100.2	100.9	100.5	101.5	100.9	101.1	100.5	100.0	100.2	101.3	102.0	102.7
96 Stone and earth minerals	14	6	118.8	117.4	117.9	116.3	117.4	120.6	120.6	121.7	118.5	120.0	120.2	123.4	120.7	123.0
97 Utilities	...	7 7	112.8	113.3	114.4	113.5	114.6	114.0	109.4	110.8	111.1	111 9	114.5	112.7	114.1	110.1
98 Electric	491,493PT	6.2	112.7	113.6	114.0	113.1	114.8	114.2	110.1	111.5	110.9	112.0	112.7	112.6	113.9	110.6
99 Gas	492,493PT	1.6	113.2	112.2	115.8	115.0	113.6	113.6	107.1	108.5	111.8	111.3	120.9	112.8	114.8	108.4
SPECIAL AGGREGATES																
100 Manufacturing excluding motor vehicles and parts	.	80.5	115.7	114.1	114.3	114.3	114.8	115.6	116.0	116.3	116.8	117.3	117.9	118.6	118.2	119.1
101 Manufacturing excluding office and computing machines	..	83.6	113.7	112.6	111.6	112.8	113.2	113.8	114.3	114.4	114.5	114.7	115.5	116.1	115.8	116.7
		Gross value (billions of 1992 dollars, annual rates)														
MAJOR MARKETS																
102 **Products, total**		**2,001.9**	**2,258.8**	**2,240.3**	**2,220.1**	**2,249.1**	**2,255.7**	**2,274.2**	**2,276.1**	**2,272.9**	**2,273.4**	**2,270.7**	**2,303.5**	**2,302.2**	**2,305.4**	**2,318.7**
103 Final	.	1,552.1	1,760.9	1,752.5	1,727.8	1,760 0	1,761.9	1,775.7	1,782.8	1,773.6	1,771.6	1,771.8	1,795.1	1,797.2	1,801.7	1,812.5
104 Consumer goods	.	1,049.6	1,162.2	1,163.2	1,150.9	1,164.3	1,165.5	1,172.5	1,171.6	1,165.5	1,163.0	1,164.7	1,182.2	1,183.1	1,180.3	1,183.1
105 Equipment	.	502.5	598.0	588.7	576.3	595.0	595.7	602.4	610.5	607.4	607.8	606.3	612.1	613.3	620.7	628.6
106 Intermediate	.	449.9	498.3	488.5	492.3	489.9	494.4	499.0	494.3	499.7	502.1	499.3	508.6	505.5	504.4	506.9

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 January 1997. See "Industrial Production and Capacity Utilization: Historical Revision and Recent Developments," *Federal Reserve Bulletin*, vol. 83 (February 1997), pp. 67–92. 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	1994	1995	1996[r]	1996									1997
				Apr.	May	June	July	Aug.	Sept.	Oct.[r]	Nov.[r]	Dec.[r]	Jan.
	Private residential real estate activity (thousands of units except as noted)												
NEW UNITS													
1 Permits authorized	1,372	1,333	1,434	1,459	1,452	1,415	1,457	1,423	1,399	1,362	1,418	1,422	1,400
2 One-family	1,069	997	1,073	1,115	1,098	1,085	1,073	1,078	1,040	1,011	1,025	1,015	1,051
3 Two-family or more	303	335	360	344	354	330	384	345	359	351	393	407	349
4 Started	1,457	1,354	1,477	1,522	1,476	1,488	1,492	1,515	1,470	1,407	1,486	1,353	1,362
5 One-family	1,198	1,076	1,161	1,215	1,142	1,214	1,164	1,222	1,148	1,104	1,133	1,024	1,117
6 Two-family or more	259	278	316	307	334	274	328	293	322	303	353	329	245
7 Under construction at end of period[1]	762	776	792	825[r]	826	826[r]	825[r]	820	825[r]	825[r]	828	815	818
8 One-family	558	547	550	590[r]	590	594[r]	593[r]	593	592	588[r]	584	571	573
9 Two-family or more	204	229	242	235	236	232[r]	232[r]	227	233[r]	237	244	244	245
10 Completed	1,347	1,313	1,413	1,351[r]	1,409[r]	1,426[r]	1,463[r]	1,449[r]	1,356[r]	1,375[r]	1,431	1,484	1,358
11 One-family	1,160	1,066	1,129	1,074[r]	1,124[r]	1,137[r]	1,161[r]	1,153[r]	1,097[r]	1,129[r]	1,151	1,177	1,106
12 Two-family or more	187	247	284	277	285[r]	289[r]	302	296[r]	259	246[r]	280	307	252
13 Mobile homes shipped	304	340	363	373	366	372	366	369	372	364	354	338	339
Merchant builder activity in one-family units													
14 Number sold	670	667	757	741[r]	732[r]	732[r]	782[r]	814[r]	768[r]	706[r]	788	789	817
15 Number for sale at end of period[1]	340	374	326	368[r]	362	355[r]	352[r]	343	331[r]	330[r]	327	322	316
Price of units sold (thousands of dollars)[2]													
16 Median	130.4	133.4	139.6	140.0	136.4	140.0	144.2	137.0	139.0	143.8[r]	143.5	142.9	143.8
17 Average	153.7	157.6	165.7	170.0	163.3	166.5	168.4	159.7	167.4	168.4[r]	172.0	171.5	170.2
EXISTING UNITS (one-family)													
18 Number sold	3,946	3,801	4,087	4,230[r]	4,280	4,160	4,150	4,100[r]	4,020[r]	4,000	4,060	3,950	3,910
Price of units sold (thousands of dollars)[2]													
19 Median	109.9	113.1	118.2	116.6[r]	117.6	122.9	121.5	122.3	117.8	116.6	117.4	118.8	120.6
20 Average	136.8	139.1	145.5	142.6[r]	144.4	150.2	149.6	149.9	144.7	143.6	144.1	147.1	149.6
	Value of new construction (millions of dollars)[3]												
CONSTRUCTION													
21 Total put in place	**527,063**	**547,079**	**568,910**	**564,623**	**558,481**	**563,122**	**559,312**	**564,715**	**572,262**	**582,537**	**594,043**	**588,146**	**590,126**
22 Private	400,007	410,197	427,775	424,233	418,120	423,106	419,293	426,703	428,361	437,034	446,059	445,439	447,976
23 Residential	238,873	236,598	246,899	248,013	247,486	246,909	244,931	246,019	246,407	246,935	249,167	250,297	250,636
24 Nonresidential	161,134	173,599	180,876	176,220	170,634	176,197	174,362	180,684	181,954	190,099	196,892	195,142	197,340
25 Industrial buildings	28,947	32,301	30,070	30,285	27,310	28,755	28,770	27,082	29,656	33,043	31,583	29,413	30,700
26 Commercial buildings	59,728	67,528	70,157	67,565	65,834	69,280	68,262	72,146	70,672	74,530	77,669	75,735	78,051
27 Other buildings	26,961	26,923	29,322	27,457	27,723	28,533	28,514	29,764	29,812	30,469	32,636	32,452	33,329
28 Public utilities and other	45,498	46,847	51,327	50,913	49,767	49,629	48,816	51,692	51,814	52,057	55,004	57,542	55,260
29 Public	127,056	136,884	141,131	140,390	140,361	140,016	140,020	138,012	143,901	145,503	147,983	142,707	142,149
30 Military	2,319	3,005	2,878	3,168	3,020	3,140	2,439	2,307	2,583	2,774	2,350	2,423	2,588
31 Highway	37,673	38,161	39,406	39,454	37,715	38,308	39,194	36,507	40,485	39,326	40,160	41,711	41,241
32 Conservation and development	6,370	6,389	5,752	5,956	5,756	6,004	5,793	5,660	5,473	6,095	5,974	5,708	5,839
33 Other	80,694	89,329	93,095	91,812	93,870	92,564	92,594	93,538	95,360	97,308	99,499	92,865	92,481

1. Not at annual rates.
2. Not seasonally adjusted.
3. Recent data on value of new construction may not be strictly comparable with data for previous periods because of changes by the Bureau of the Census in its estimating techniques. For a description of these changes, see *Construction Reports* (C-30-76-5), issued by the Census Bureau in July 1976.

SOURCE. Bureau of the Census estimates for all series except (1) mobile homes, which are private, domestic shipments as reported by the Manufactured Housing Institute and seasonally adjusted by the Census Bureau, and (2) sales and prices of existing units, which are published by the National Association of Realtors. All back and current figures are available from the originating agency. Permit authorizations are those reported to the Census Bureau from 19,000 jurisdictions beginning in 1994.

2.15 CONSUMER AND PRODUCER PRICES

Percentage changes based on seasonally adjusted data except as noted

Item	Change from 12 months earlier		Change from 3 months earlier (annual rate)				Change from 1 month earlier					Index level, Feb. 1997[1]
	1996 Feb.	1997 Feb.	1996 Mar.	1996 June	1996 Sept.	1996 Dec.	1996 Oct.	1996 Nov.	1996 Dec.	1997 Jan.	1997 Feb.	
CONSUMER PRICES[2] (1982–84=100)												
1 **All items**	**2.7**	**3.0**	**4.0**	**2.9**	**3.1**	**3.3**	**.3**	**.3**	**.3**	**.1**	**.3**	**159.6**
2 Food	2.3	3.8	3.8	4.3	5.3	3.4	.5	.4	.0	−.3	.3	156.5
3 Energy items	1.2	7.8	13.7	4.9	1.1	16.2	1.1	1.2	1.5	.8	.3	113.1
4 All items less food and energy	2.9	2.5	3.0	2.5	2.7	2.4	.2	.2	.2	.1	.2	168.3
5 Commodities	1.7	1.0	2.3	.0	1.1	.9	.1	.1	.1	.1	.1	142.2
6 Services	3.4	3.1	3.4	3.4	3.4	3.1	.2	.3	.3	.1	.3	183.1
PRODUCER PRICES (1982=100)												
7 Finished goods	2.0	2.2	2.5	2.5	2.5	4.3	.4[r]	.1[r]	.6	−.3	−.4	132.2
8 Consumer foods	1.8	2.4	1.5	5.3	4.6	2.4	.8[r]	−.1[r]	−.1	−1.0	−.3	133.8
9 Consumer energy	1.6	9.8	13.8	2.5	7.0	27.3	1.7[r]	1.1[r]	3.4	−.2	−1.2	85.4
10 Other consumer goods	2.3	.6	.0	2.2	.6	.3	.0[r]	−.1[r]	.1	.0	−.1	144.9
11 Capital equipment	1.7	.3	.3	.6	1.2	−.3	−.1[r]	−.1[r]	.1	.0	−.1	138.8
Intermediate materials												
12 Excluding foods and feeds	6	1.2	−1.0	.6	1.0	2.2	.0	.2	.4	2	−.1	126.3
13 Excluding energy	.4	−.1	−3.5	.0	.0	.0	−.2	.1	.1	.1	.0	134.2
Crude materials												
14 Foods	10.5	−3.7	1.7	47.4	−9.4	−28.2	−3.1[r]	−2.4[r]	−2.7	−1.0	−1.9	110.7
15 Energy	18.8	24.2	52.8	−14.1	18.7	169.7	2.1	7.7	16.5	12.9	−12.4	102.7
16 Other	−8.3	−2.5	−8.6	−9.3	−2.6	−1.6	−.1[r]	−.3[r]	.0	2.0	1.0	158.3

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	1994	1995	1996[r]	1995	1996			
				Q4	Q1	Q2	Q3	Q4[r]
GROSS DOMESTIC PRODUCT								
1 **Total**	**6,935.7**	**7,253.8**	**7,575.9**	**7,350.6**	**7,426.8**	**7,545.1**	**7,616.3**	**7,715.4**
By source								
2 Personal consumption expenditures	4,700.9	4,924.9	5,152.0	4,990.5	5,060.5	5,139.4	5,165.4	5,242.7
3 Durable goods	580.9	606.4	631.8	612.8	625.2	637.6	630.5	633.8
4 Nondurable goods	1,429.7	1,485.9	1,544.7	1,494.2	1,522.1	1,544.7	1,546.5	1,565.5
5 Services	2,690.3	2,832.6	2,975.5	2,883.5	2,913.2	2,957.1	2,988.5	3,043.4
6 Gross private domestic investment	1,014.4	1,065.3	1,116.4	1,064.0	1,068.9	1,096.0	1,156.2	1,144.3
7 Fixed investment	954.9	1,028.2	1,101.3	1,046.2	1,070.7	1,088.0	1,119.6	1,127.1
8 Nonresidential	667.2	738.5	790.9	749.7	769.0	773.8	807.0	813.9
9 Structures	180.2	199.7	214.1	204.0	208.4	207.4	213.5	227.0
10 Producers' durable equipment	487.0	538.8	576.8	545.7	560.6	566.3	593.5	586.9
11 Residential structures	287.7	289.8	310.4	296.5	301.7	314.2	312.6	313.2
12 Change in business inventories	59.5	37.0	15.0	17.8	−1.7	8.0	36.6	17.2
13 Nonfarm	48.0	39.6	16.9	19.9	2.7	11.3	35.4	18.2
14 Net exports of goods and services	−94.4	−94.7	−99.1	−67.2	−86.3	−99.2	−120.2	−90.8
15 Exports	719.1	807.4	855.1	837.0	839.5	850.0	844.3	886.7
16 Imports	813.5	902.0	954.3	904.2	925.8	949.2	964.5	977.5
17 Government consumption expenditures and gross investment	1,314.7	1,358.3	1,406.6	1,363.4	1,383.7	1,408.8	1,414.8	1,419.3
18 Federal	516.4	516.6	523.0	507.7	518.6	529.6	525.5	518.2
19 State and local	798.4	841.7	883.7	855.7	865.1	879.2	889.3	901.0
By major type of product								
20 Final sales, total	6,876.2	7,216.7	7,560.9	7,332.8	7,428.6	7,537.1	7,579.6	7,698.2
21 Goods	2,534.4	2,662.2	2,784.0	2,698.0	2,749.3	2,782.0	2,785.0	2,819.5
22 Durable	1,086.2	1,147.3	1,219.7	1,166.4	1,192.1	1,219.1	1,225.5	1,242.2
23 Nondurable	1,448.3	1,515.0	1,564.2	1,531.7	1,557.1	1,562.9	1,559.5	1,577.2
24 Services	3,746.5	3,926.9	4,105.8	3,992.4	4,027.9	4,087.0	4,122.0	4,186.3
25 Structures	595.3	627.6	671.1	642.3	651.4	668.0	672.6	692.4
26 Change in business inventories	59.5	37.0	15.0	17.8	−1.7	8.0	36.6	17.2
27 Durable goods	31.9	34.9	13.2	27.3	12.3	9.9	34.7	−4.2
28 Nondurable goods	27.7	2.2	1.9	−9.4	−14.0	−1.9	2.0	21.4
MEMO								
29 **Total GDP in chained 1992 dollars**	**6,608.7**	**6,742.9**	**6,907.4**	**6,780.7**	**6,814.3**	**6,892.6**	**6,928.4**	**6,994.4**
NATIONAL INCOME								
30 **Total**	**5,501.6**	**5,813.5**	n.a.	**5,927.4**	**6,015.3**	**6,118.7**	**6,203.0**	n.a.
31 Compensation of employees	4,009.8	4,222.7	4,448.8	4,301.1	4,344.3	4,420.9	4,482.9	4,547.0
32 Wages and salaries	3,257.3	3,433.2	3,630.4	3,501.1	3,540.2	3,606.5	3,659.6	3,715.1
33 Government and government enterprises	602.5	621.7	641.2	626.9	634.0	638.9	644.6	647.3
34 Other	2,654.8	2,811.5	2,989.1	2,874.2	2,906.1	2,967.5	3,015.1	3,067.8
35 Supplement to wages and salaries	752.4	789.5	818.4	800.1	804.1	814.4	823.3	831.8
36 Employer contributions for social insurance	350.2	365.5	382.2	369.8	375.0	380.4	384.6	388.9
37 Other labor income	402.2	424.0	436.2	430.2	429.1	434.0	438.6	442.9
38 Proprietors' income[1]	450.9	478.3	518.3	486.7	499.5	515.2	526.3	532.0
39 Business and professional[1]	415.9	449.3	471.9	454.9	461.1	469.4	474.6	482.4
40 Farm[1]	35.0	29.0	46.4	31.8	38.4	45.8	51.8	49.6
41 Rental income of persons[2]	116.6	122.2	126.8	125.8	126.9	124.5	127.0	128.6
42 Corporate profits[1]	529.5	586.6	n.a.	611.8	645.1	655.8	661.2	n.a.
43 Profits before tax[3]	531.2	598.9	n.a.	604.2	642.2	644.6	635.6	n.a.
44 Inventory valuation adjustment	−13.3	−28.1	−8.6	−8.8	−17.4	−11.0	2.0	−8.1
45 Capital consumption adjustment	11.6	15.9	23.1	16.5	20.4	22.3	23.6	26.4
46 Net interest	394.9	403.6	n.a.	401.9	399.5	402.3	405.6	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	1994	1995	1996[r]	1995 Q4	1996 Q1	1996 Q2	1996 Q3	1996 Q4[r]
PERSONAL INCOME AND SAVING								
1 **Total personal income**	**5,753.1**	**6,115.1**	**6,452.4**	**6,234.5**	**6,308.5**	**6,412.4**	**6,501.4**	**6,587.3**
2 Wage and salary disbursements	3,241.8	3,430.6	3,630.4	3,500.2	3,538.2	3,606.5	3,659.6	3,717.1
3 Commodity-producing industries	824.9	863.5	902.8	873.9	878.7	900.3	911.0	921.2
4 Manufacturing	621.1	648.4	672.6	654.7	654.8	671.8	678.5	685.2
5 Distributive industries	739.2	783.7	828.0	800.7	810.5	822.3	832.4	846.6
6 Service industries	1,075.2	1,161.6	1,258.4	1,198.6	1,215.1	1,244.9	1,271.6	1,301.9
7 Government and government enterprises	602.5	621.7	641.2	626.9	634.0	638.9	644.6	647.3
8 Other labor income	402.2	424.0	436.2	430.2	429.1	434.0	438.6	442.9
9 Proprietors' income[1]	450.9	478.3	518.3	486.7	499.5	515.2	526.3	532.0
10 Business and professional[1]	415.9	449.3	471.9	454.9	461.1	469.4	474.6	482.4
11 Farm[1]	35.0	29.0	46.4	31.8	38.4	45.8	51.8	49.6
12 Rental income of persons[2]	116.6	122.2	126.8	125.8	126.9	124.5	127.0	128.6
13 Dividends	199.6	214.8	230.6	221.7	226.6	229.3	231.5	234.8
14 Personal interest income	663.7	717.1	738.0	727.2	726.1	733.1	742.9	749.9
15 Transfer payments	956.3	1,022.6	1,079.8	1,041.4	1,063.0	1,075.6	1,085.1	1,095.3
16 Old–age survivors, disability, and health insurance benefits	472.9	507 4	539.1	516.1	529.9	536.3	541.7	548.2
17 LESS: Personal contributions for social insurance	278.1	294.5	307.5	298.8	301.0	305.8	309.7	313.4
18 EQUALS: Personal income	5,753.1	6,115.1	6,452.4	6,234.5	6,308.5	6,412.4	6,501.4	6,587.3
19 LESS: Personal tax and nontax payments	731.4	794.3	863.9	807.2	824.9	870.6	872.5	887.6
20 EQUALS: Disposable personal income	5,021 7	5,320.8	5,588.5	5,427.3	5,483.5	5,541.8	5,628.9	5,699.7
21 LESS: Personal outlays	4,832.3	5,071 5	5,314.5	5,144.7	5,218.1	5,300.7	5,329.8	5,409.5
22 EQUALS: Personal saving	189.4	249.3	273.9	282.6	265.4	241.1	299.1	290.2
MEMO								
Per capita (chained 1992 dollars)								
23 Gross domestic product	25,349.8	25,628.8	26,016.6	25,684.5	25,753.3	25,990.0	26,066.2	26,255.3
24 Personal consumption expenditures	17,158.2	17,399.6	17,668.0	17,459.9	17,570.2	17,675.7	17,657.9	17,767.5
25 Disposable personal income	18,330.0	18,799.0	19,166.0	18,986.0	19,041.0	19,063.0	19,242.0	19,316.0
26 Saving rate (percent)	3.8	4 7	4.9	5.2	4.8	4.3	5.3	5.1
GROSS SAVING								
27 **Gross saving**	**1,056.3**	**1,151.8**	n.a.	**1,220.6**	**1,217.9**	**1,244.5**	**1,314.0**	n.a.
28 Gross private saving	1,006.7	1,071.8	n.a.	1,138.9	1,133.8	1,121.6	1,196.1	n.a.
29 Personal saving	189.4	249.3	273.9	282.6	265.4	241.1	299.1	290.2
30 Undistributed corporate profits[1]	123.2	140.6	n.a.	158.4	171.8	176.3	182.5	n.a.
31 Corporate inventory valuation adjustment	−13.3	−28.1	−8.6	−8.8	−17.4	−11.0	2.0	−8.1
Capital consumption allowances								
32 Corporate	441.0	454.0	473.9	463.6	465.6	471.0	477.2	481.9
33 Noncorporate	237.7	225.2	235.1	233.4	229.1	233.2	237.4	240.6
34 Gross government saving	49.6	80.0	n.a.	81.7	84.1	122.9	117.8	n.a.
35 Federal	−119.6	−87.9	n.a.	−80.7	−82.0	−54.1	−48.4	n.a.
36 Consumption of fixed capital	70.6	73.8	72.5	73.8	73.2	72.6	72.3	71.9
37 Current surplus or deficit (−), national accounts	−190.2	−161.7	n.a.	−154.5	−155.2	−126.7	−120.8	n.a.
38 State and local	169.2	167.9	n.a.	162.4	166.1	177.0	166.3	n.a.
39 Consumption of fixed capital	69.4	72.9	76.6	74.3	75.1	76.0	77.1	78.0
40 Current surplus or deficit (−), national accounts	99.7	95.0	n.a	88.1	91.0	101.0	89.2	n.a.
41 **Gross investment**	**1,090.4**	**1,150.9**	n.a.	**1,173.9**	**1,167.9**	**1,187.0**	**1,215.9**	n.a.
42 Gross private domestic investment	1,014.4	1,065.3	1,116.4	1,064.0	1,068.9	1,096.0	1,156.2	1,144.3
43 Gross government investment	212.3	221.9	233.7	220.1	228.8	235.1	234.2	236.7
44 Net foreign investment	−136.4	−136.3	n.a.	−110.2	−129.9	−144.2	−174.6	n.a.
45 **Statistical discrepancy**	**34.1**	**−.9**	n.a.	**−46.7**	**−50.0**	**−57.5**	**−98.1**	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	1994	1995	1996	1995	1996			
				Q4	Q1	Q2	Q3	Q4p
1 Balance on current account	−148,405	−148,154	−165,095	−30,435	−35,274r	−40,593r	−47,853	−41,380
2 Merchandise trade balance[2]	−166,121	−173,424	−187,674	−38,026	−43,127r	−47,370r	−51,869	−45,308
3 Merchandise exports	502,463	575,940	611,669	149,422	150,032r	153,120r	150,144	158,373
4 Merchandise imports	−668,584	−749,364	−799,343	−187,448	−193,159r	−200,490r	−202,013	−203,681
5 Military transactions, net	1,963	3,585	2,809	978	489	725	515	1,080
6 Other service transactions, net	59,779	64,776	70,658	17,657	18,008r	17,687r	17,075	17,883
7 Investment income, net	−4,159	−8,016	−8,416	−1,890	311r	−2,215r	−4,098	−2,414
8 U.S. government grants	−15,816	−10,959	−14,634	−2,799	−4,259	−2,364	−2,580	−5,431
9 U.S. government pensions and other transfers	−4,544	−3,420	−4,233	−731	−1,012r	−1,081r	−1,064	−1,076
10 Private remittances and other transfers	−19,506	−20,696	−23,605	−5,624	−5,684r	−5,975r	−5,832	−6,114
11 Change in U.S. government assets other than official reserve assets, net (increase, −)	−341	−280	−665	−199	−152	−353	166	−326
12 Change in U.S. official reserve assets (increase, −)	5,346	−9,742	6,668	191	17	−523	7,489	−315
13 Gold	0	0	0	0	0	0	0	0
14 Special drawing rights (SDRs)	−441	−808	370	−147	−199	−133	848	−146
15 Reserve position in International Monetary Fund	494	−2,466	−1,280	−163	−849	−220	−183	−28
16 Foreign currencies	5,293	−6,468	7,578	501	1,065	−170	6,824	−141
17 Change in U.S. private assets abroad (increase, −)	−155,700	−297,834	−312,833	−98,206	−68,588r	−49,823r	−80,968	−113,454
18 Bank-reported claims[3]	−8,161	−69,146	−88,219	−7,272	1,714	−74	−33,196	−56,663
19 Nonbank-reported claims	−32,804	−34,219	...	−14,278	−12,707	−3,374	−15,696	...
20 U.S. purchases of foreign securities, net	−60,270	−98,960	−104,533	−32,539	−34,420	−20,200	−22,933	−26,980
21 U.S. direct investments abroad, net	−54,465	−95,509	−88,304	−44,117	−23,175r	−26,175r	−9,143	−29,811
22 Change in foreign official assets in United States (increase, +)	40,253	109,757	122,778	11,369	52,021	13,566	24,235	32,956
23 U.S. Treasury securities	30,745	68,813	111,151	12,984	55,600	−3,384	25,472	33,463
24 Other U.S. government obligations	6,077	3,734	4,331	764	52	1,258	1,217	1,804
25 Other U.S. government liabilities[4]	2,344	1,082	1,404	1,249	−156	220	1,061	279
26 Other U.S. liabilities reported by U.S. banks[3]	3,560	32,862	4,614	−3,908	−3,264	14,187	−1,930	−4,379
27 Other foreign official assets[5]	−2,473	3,266	1,278	280	−211	1,285	−1,585	1,789
28 Change in foreign private assets in United States (increase, +)	245,123	314,705	402,268	87,860	47,454r	86,987r	118,735	149,092
29 U.S. bank-reported liabilities[3]	111,842	25,283	−1,558	32,765	−35,571	1,925	−1,151	33,239
30 U.S. nonbank-reported liabilities	−7,710	34,578	...	11,272	6,506	7,296	20,608	...
31 Foreign private purchases of U.S. Treasury securities, net	34,225	99,340	153,784	1,734	11,832	31,212	43,402	67,338
32 Foreign purchases of other U.S. securities, net	57,006	95,268	131,682	27,321	35,993	29,122	34,820	31,747
33 Foreign direct investments in United States, net	49,760	60,236	83,950	14,768	28,694r	17,432r	21,056	16,768
34 Allocation of special drawing rights	0	0	0	0	0	0	0	0
35 Discrepancy	13,724	31,548	−53,122	29,420	4,522r	−9,261r	−21,804	−26,573
36 Due to seasonal adjustment	..	..	.	1,153	6,653r	−449r	−8,318	2,119
37 Before seasonal adjustment	13,724	31,548	−53,121	28,267	−2,131	−8,812	−13,486	−28,692
MEMO								
Changes in official assets								
38 U.S. official reserve assets (increase, −)	5,346	−9,742	6,668	191	17	−523	7,489	−315
39 Foreign official assets in United States, excluding line 25 (increase, +)	37,909	108,675	121,374	10,120	52,177	13,346	23,174	32,677
40 Change in Organization of Petroleum Exporting Countries official assets in United States (part of line 22)	−1,529	3,959	13,573	−1,435	−992	5,555	5,479	3,531

1. Seasonal factors are not calculated for lines 12–16, 18–20, 22–34, and 38–40.
2. Data are on an international accounts basis. The data differ from the Census basis data, shown in table 3.11, for reasons of coverage and timing. Military exports are excluded from merchandise trade data and are included in line 5.
3. Reporting banks include all types of depository institutions as well as some brokers and dealers.
4. Associated primarily with military sales contracts and other transactions arranged with or through foreign official agencies.
5. Consists of investments in U.S. corporate stocks and in debt securities of private corporations and state and local governments.

SOURCE. U.S. Department of Commerce, Bureau of Economic Analysis, *Survey of Current Business*.

3.11 U.S. FOREIGN TRADE[1]

Millions of dollars; monthly data seasonally adjusted

Item	1994	1995	1996[r]	1996[r] July	Aug.	Sept.	Oct.	Nov	Dec.	1997 Jan.[p]
1 Goods and services, balance	−104,381	−105,064	−114,299	−11,964	−10,628	−11,616	−8,066	−7,968	−10,489	−12,707
2 Merchandise	−166,123	−173,424	−187,766	−17,614	−16,546	−17,639	−14,211	−14,404	−16,871	−19,019
3 Services	61,742	68,360	73,467	5,650	5,918	6,023	6,145	6,436	6,382	6,312
4 Goods and services, exports	698,301	786,529	835,414	67,262	69,705	68,816	71,758	72,566	71,210	70,777
5 Merchandise	502,462	575,939	611,507	48,792	51,106	50,317	52,893	53,302	51,924	51,474
6 Services	195,839	210,590	223,907	18,470	18,599	18,499	18,865	19,264	19,286	19,303
7 Goods and services, imports	−802,682	−891,593	−949,714	−79,226	−80,333	−80,432	−79,824	−80,534	−81,699	−83,484
8 Merchandise	−668,585	−749,363	−799,274	−66,406	−67,652	−67,956	−67,104	−67,706	−68,795	−70,493
9 Services	−134,097	−142,230	−150,440	−12,820	−12,681	−12,476	−12,720	−12,828	−12,904	−12,991

1. Data show monthly values consistent with quarterly figures in the U.S. balance of payments accounts.

SOURCE. *FT900*, U.S. Department of Commerce, Bureau of the Census and Bureau of Economic Analysis.

3.12 U.S. RESERVE ASSETS

Millions of dollars, end of period

Asset	1993	1994	1995	1996 July	Aug.	Sept.	Oct.	Nov	Dec.	1997 Jan.	Feb.[p]
1 **Total**	**73,442**	**74,335**	**85,832**	**85,099**	**76,781**	**75,509**	**75,558**	**75,444**	**75,090**	**68,200**	**67,479**
2 Gold stock, including Exchange Stabilization Fund[1]	11,053	11,051	11,050	11,050	11,050	11,050	11,049	11,049	11,049	11,048	11,048
3 Special drawing rights[2,3]	9,039	10,039	11,037	11,216	10,307	10,177	10,226	10,386	10,312	9,793	9,866
4 Reserve position in International Monetary Fund[2]	11,818	12,030	14,649	15,665	15,597	15,421	15,517	15,516	15,435	14,372	14,037
5 Foreign currencies[4]	41,532	41,215	49,096	47,168	39,827	38,861	38,765	38,493	38,294	32,987	32,528

1. Gold held "under earmark" at Federal Reserve Banks for foreign and international accounts is not included in the gold stock of the United States; see table 3.13, line 3. Gold stock is valued at $42.22 per fine troy ounce.

2. Special drawing rights (SDRs) are valued according to a technique adopted by the International Monetary Fund (IMF) in July 1974. Values are based on a weighted average of exchange rates for the currencies of member countries. From July 1974 through December 1980, sixteen currencies were used; since January 1981, five currencies have been used. U.S. SDR holdings and reserve positions in the IMF also have been valued on this basis since July 1974.

3. Includes allocations of SDRs by the International Monetary Fund on Jan. 1 of the year indicated, as follows: 1970—$867 million; 1971—$717 million; 1972—$710 million; 1979—$1,139 million; 1980—$1,152 million; 1981—$1,093 million; plus net transactions in SDRs.

4. Valued at current market exchange rates.

3.13 FOREIGN OFFICIAL ASSETS HELD AT FEDERAL RESERVE BANKS[1]

Millions of dollars, end of period

Asset	1993	1994	1995	1996 July	Aug.	Sept.	Oct.	Nov.	Dec.	1997 Jan.	Feb.
1 **Deposits**	**386**	**250**	**386**	**166**	**171**	**265**	**176**	**170**	**167**	**167**	**915**
Held in custody											
2 U.S. Treasury securities[2]	379,394	441,866	522,170	580,277	590,367	609,801	619,987	634,165	638,049	646,130	672,059
3 Earmarked gold[3]	12,327	12,033	11,702	11,273	11,217	11,210	11,204	11,198	11,197	11,197[r]	11,034

1. Excludes deposits and U.S. Treasury securities held for international and regional organizations

2. Marketable U.S. Treasury bills, notes, and bonds and nonmarketable U.S. Treasury securities, in each case measured at face (not market) value.

3. Held in foreign and international accounts and valued at $42.22 per fine troy ounce; not included in the gold stock of the United States.

3.15 SELECTED U.S. LIABILITIES TO FOREIGN OFFICIAL INSTITUTIONS

Millions of dollars, end of period

Item	1994	1995	1996						1997
			July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.[p]
1 **Total**[1]	**520,934**	**630,867**	**699,525**	**703,875**	**719,557**	**722,701**	**737,466**	**752,489**	**763,404**
By type									
2 Liabilities reported by banks in the United States[2]	73,386	107,343	113,445	111,034	116,328	109,937	107,014	112,054	119,669
3 U.S. Treasury bills and certificates[3]	139,571	168,534	186,061	189,726	182,122	186,180	197,692	193,435	188,076
U.S. Treasury bonds and notes									
4 Marketable	254,059	293,690	337,450	341,037	358,225	363,063	366,903	380,565	388,935
5 Nonmarketable[4]	6,109	6,491	5,980	6,018	6,057	5,890	5,928	5,967	6,007
6 U.S. securities other than U.S. Treasury securities[5]	47,809	54,809	56,589	56,060	56,825	57,631	59,929	60,468	60,717
By area									
7 Europe[1]	215,374	222,406	245,405	246,760	246,342	246,542	250,873	253,100	262,424
8 Canada	17,235	19,473	20,153	21,662	21,351	21,764	21,360	21,343	21,151
9 Latin America and Caribbean	41,492	66,720	68,020	69,076	69,338	70,479	76,976	81,739	77,542
10 Asia	236,824	310,966	350,747	354,266	369,471	371,210	375,253	382,998	390,751
11 Africa	4,180	6,296	6,910	6,722	6,944	6,587	7,034	7,379	6,717
12 Other countries	5,827	5,004	8,288	5,387	6,109	6,117	5,968	5,928	4,817

1. Includes the Bank for International Settlements.
2. Principally demand deposits, time deposits, bankers acceptances, commercial paper, negotiable time certificates of deposit, and borrowings under repurchase agreements.
3. Includes nonmarketable certificates of indebtedness and Treasury bills issued to official institutions of foreign countries.
4. Excludes notes issued to foreign official nonreserve agencies. Includes current value of zero-coupon Treasury bond issues to foreign governments as follows: Mexico, beginning March 1988, 20-year maturity issue and beginning March 1990, 30-year maturity issue; Venezuela, beginning December 1990, 30-year maturity issue; Argentina, beginning April 1993, 30-year maturity issue.
5. Debt securities of U.S. government corporations and federally sponsored agencies, and U.S. corporate stocks and bonds.

SOURCE. Based on U.S. Department of the Treasury data and on data reported to the department by banks (including Federal Reserve Banks) and securities dealers in the United States, and on the 1989 benchmark survey of foreign portfolio investment in the United States.

3.16 LIABILITIES TO, AND CLAIMS ON, FOREIGNERS Reported by Banks in the United States[1] Payable in Foreign Currencies

Millions of dollars, end of period

Item	1993	1994	1995	1996			
				Mar.	June	Sept.	Dec.
1 Banks' liabilities	78,259	89,308	109,763	107,514	111,651	111,140	103,820
2 Banks' claims	62,017	60,711	74,016	69,159	65,864	68,195	66,451
3 Deposits	20,993	19,661	22,696	22,208	20,876	23,931	22,900
4 Other claims	41,024	41,050	51,320	46,951	44,988	44,264	43,551
5 Claims of banks' domestic customers[2]	12,854	10,878	6,145	6,353	7,464	7,130	10,735

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	1994	1995	1996[r]	1996 July	1996 Aug.	1996 Sept.	1996 Oct.	1996 Nov.	1996 Dec.	1997 Jan.[p]
BY HOLDER AND TYPE OF LIABILITY										
1 **Total, all foreigners**	**1,014,996**	**1,099,548**	**1,135,821**	**1,088,244**	**1,074,289**	**1,089,888**	**1,120,227**	**1,114,840[r]**	**1,135,821**	**1,130,731**
2 Banks' own liabilities	718,591	753,460	757,099	718,715	701,959	722,802	753,557	739,063[r]	757,099	760,219
3 Demand deposits	23,386	24,448	27,087	24,992	23,147	25,504	23,867	27,638[r]	27,087	26,078
4 Time deposits[2]	186,512	192,556	188,743	193,491	196,561	192,463	197,386	193,058[r]	188,743	186,101
5 Other[3]	113,215	140,115	139,694	144,309	129,039	148,499	146,556	141,344[r]	139,694	154,667
6 Own foreign offices[4]	395,478	396,341	401,575	355,923	353,212	356,336	385,748	377,023[r]	401,575	393,373
7 Banks' custodial liabilities[5]	296,405	346,088	378,722	369,529	372,330	367,086	366,670	375,777	378,722	370,512
8 U.S. Treasury bills and certificates[6]	162,938	197,355	220,574	217,548	219,949	212,478	214,609	225,046	220,574	214,727
9 Other negotiable and readily transferable instruments[7]	42,539	52,200	64,036	56,345	55,552	57,702	54,045	54,568	64,036	62,971
10 Other	90,928	96,533	94,112	95,636	96,829	96,906	98,016	96,163	94,112	92,814
11 Nonmonetary international and regional organizations[8]	8,606	11,039	13,864	11,742	12,675	14,443	16,115	14,570	13,864	13,739
12 Banks' own liabilities	8,176	10,347	13,355	10,545	12,084	13,843	15,284	13,232	13,355	13,060
13 Demand deposits	29	21	29	22	49	26	67	46	29	55
14 Time deposits[2]	3,298	4,656	5,785	3,747	4,738	5,441	6,005	4,906	5,785	5,592
15 Other[3]	4,849	5,670	7,541	6,776	7,297	8,376	9,212	8,280	7,541	7,413
16 Banks' custodial liabilities[5]	430	692	509	1,197	591	600	831	1,338	509	679
17 U.S. Treasury bills and certificates[6]	281	350	244	865	345	399	600	1,088	244	494
18 Other negotiable and readily transferable instruments[7]	149	341	265	330	246	201	231	226	265	185
19 Other	0	1	0	2	0	0	0	24	0	0
20 Official institutions[9]	212,957	275,877	305,489	299,506	300,760	298,450	296,117	304,706	305,489	307,745
21 Banks' own liabilities	59,935	83,396	79,281	83,812	81,462	85,969	83,648	82,657	79,281	88,218
22 Demand deposits	1,564	2,098	1,509	2,211	1,459	2,049	1,316	2,181	1,509	1,288
23 Time deposits[2]	23,511	30,716	33,660	37,137	37,708	34,902	35,551	35,292	33,660	32,890
24 Other[3]	34,860	50,582	44,112	44,464	42,295	49,018	46,781	45,184	44,112	54,040
25 Banks' custodial liabilities[5]	153,022	192,481	226,208	215,694	219,298	212,481	212,469	222,049	226,208	219,527
26 U.S. Treasury bills and certificates[6]	139,571	168,534	193,435	186,061	189,726	182,122	186,180	197,692	193,435	188,076
27 Other negotiable and readily transferable instruments[7]	13,245	23,603	32,345	29,262	29,281	30,051	25,085	24,000	32,345	31,291
28 Other	206	344	428	371	291	308	1,204	357	428	160
29 Banks[10]	678,532	691,464	681,361	646,031	635,007	649,430	678,641	667,985[r]	681,361	669,556
30 Banks' own liabilities	563,617	567,886	562,966	523,939	510,274	524,645	554,225	547,001[r]	562,966	553,618
31 Unaffiliated foreign banks	168,139	171,545	161,391	168,016	157,062	168,309	168,477	169,978[r]	161,391	160,245
32 Demand deposits	10,633	11,758	13,693	11,809	11,116	12,764	11,156	13,304	13,693	12,845
33 Time deposits[2]	111,171	103,472	91,197	95,128	94,867	91,906	96,223	94,345	91,197	89,563
34 Other[3]	46,335	56,315	56,501	61,079	51,079	63,639	61,098	62,329[r]	56,501	57,837
35 Own foreign offices[4]	395,478	396,341	401,575	355,923	353,212	356,336	385,748	377,023[r]	401,575	393,373
36 Banks' custodial liabilities[5]	114,915	123,578	118,395	122,092	124,733	124,785	124,416	120,984	118,395	115,938
37 U.S. Treasury bills and certificates[6]	11,264	15,872	13,886	18,091	18,670	18,556	16,865	14,227	13,886	13,969
38 Other negotiable and readily transferable instruments[7]	14,506	13,035	12,322	10,359	10,864	11,298	12,455	13,295	12,322	11,142
39 Other	89,145	94,671	92,187	93,642	95,199	94,931	95,096	93,462	92,187	90,827
40 Other foreigners	114,901	121,168	135,107	130,965	125,847	127,565	129,354	127,579[r]	135,107	139,691
41 Banks' own liabilities	86,863	91,831	101,497	100,419	98,139	98,345	100,400	96,173[r]	101,497	105,323
42 Demand deposits	11,160	10,571	11,856	10,950	10,523	10,665	11,328	12,107[r]	11,856	11,890
43 Time deposits[2]	48,532	53,712	58,101	57,479	59,248	60,214	59,607	58,515[r]	58,101	58,056
44 Other[3]	27,171	27,548	31,540	31,990	28,368	27,466	29,465	25,551	31,540	35,377
45 Banks' custodial liabilities[5]	28,038	29,337	33,610	30,546	27,708	29,220	28,954	31,406	33,610	34,368
46 U.S. Treasury bills and certificates[6]	11,822	12,599	13,009	12,531	11,208	11,401	10,964	12,039	13,009	12,188
47 Other negotiable and readily transferable instruments[7]	14,639	15,221	19,104	16,394	15,161	16,152	16,274	17,047	19,104	20,353
48 Other	1,577	1,517	1,497	1,621	1,339	1,667	1,716	2,320	1,497	1,827
MEMO										
49 Negotiable time certificates of deposit in custody for foreigners	17,895	9,103	9,934	7,922	8,276	10,466	11,657	10,540	9,934	9,035

1. Reporting banks include all types of depository institutions as well as some brokers and dealers. Excludes bonds and notes of maturities longer than one year.
2. Excludes negotiable time certificates of deposit, which are included in "Other negotiable and readily transferable instruments."
3. Includes borrowing under repurchase agreements.
4. For U.S. banks, includes amounts owed to own foreign branches and foreign subsidiaries consolidated in quarterly Consolidated Reports of Condition filed with bank regulatory agencies. For agencies, branches, and majority-owned subsidiaries of foreign banks, consists principally of amounts owed to the head office or parent foreign bank, and to foreign branches, agencies, or wholly owned subsidiaries of the head office or parent foreign bank.
5. Financial claims on residents of the United States, other than long-term securities, held by or through reporting banks for foreign customers.
6. Includes nonmarketable certificates of indebtedness and Treasury bills issued to official institutions of foreign countries.
7. Principally bankers acceptances, commercial paper, and negotiable time certificates of deposit.
8. Principally the International Bank for Reconstruction and Development, the Inter-American Development Bank, and the Asian Development Bank. Excludes "holdings of dollars" of the International Monetary Fund.
9. Foreign central banks, foreign central governments, and the Bank for International Settlements.
10. Excludes central banks, which are included in "Official institutions."

3.17 LIABILITIES TO FOREIGNERS Reported by Banks in the United States[1]—Continued

Item	1994	1995	1996	1996						1997
				July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.[p]
AREA										
50 **Total, all foreigners**	**1,014,996**	**1,099,548**	**1,135,821r**	**1,088,244**	**1,074,289**	**1,089,888**	**1,120,227**	**1,114,840r**	**1,135,821**	**1,130,731**
51 **Foreign countries**	**1,006,390**	**1,088,509**	**1,121,957r**	**1,076,502**	**1,061,614**	**1,075,445**	**1,104,112**	**1,100,270r**	**1,121,957**	**1,116,992**
52 Europe	390,869	362,819	366,412r	355,894	355,380	350,316	371,282	379,554r	366,412	376,461
53 Austria	3,588	3,537	5,101	3,002	4,683	6,017	6,816	6,250	5,101	4,832
54 Belgium and Luxembourg	21,877	24,792	23,576r	22,093	25,155	22,482	23,232	21,105r	23,576	22,802
55 Denmark	2,884	2,921	2,450	2,871	2,501	2,652	1,802	2,790	2,450	2,212
56 Finland	1,436	2,831	1,463	1,200	1,113	812	1,509	1,557	1,463	1,746
57 France	44,365	39,218	33,504r	36,342	37,363	37,094	41,069	39,034r	33,504	33,087
58 Germany	27,109	24,035	24,554	24,375	23,128	23,599	23,522	21,672r	24,554	24,853
59 Greece	1,400	2,014	1,810r	1,811	1,722	1,854	1,666	2,222	1,810	2,079
60 Italy	10,885	10,868	10,701	12,785	12,552	12,509	12,793	10,274r	10,701	10,362
61 Netherlands	16,033	13,745	10,995	11,863	11,460	9,626	12,017	11,183r	10,995	9,753
62 Norway	2,338	1,394	1,288	1,435	1,556	1,622	1,552	1,882	1,288	1,860
63 Portugal	2,846	2,761	1,865	1,784	1,328	1,473	1,388	1,723	1,865	1,740
64 Russia	2,726	7,948	7,571	6,047	4,988	4,761	5,602	8,215	7,571	7,158
65 Spain	14,675	10,011	16,921	19,366	17,505	20,359	17,665	18,228	16,921	20,399
66 Sweden	3,094	3,246	1,291r	2,738	1,591	1,814	1,424	1,656r	1,291	2,268
67 Switzerland	40,724	43,625	44,215	39,626	39,074	42,226	32,541	37,981r	44,215	43,268
68 Turkey	3,341	4,124	6,723r	5,619	7,272	7,992	8,019	7,311	6,723	7,051
69 United Kingdom	163,733	139,183	150,308r	137,668	136,242	132,424	158,018	164,967r	150,308	155,543
70 Yugoslavia[11]	245	177	206	208	207	214	216	232	206	212
71 Other Europe and other former U.S.S.R.[12]	27,770	26,389	21,870r	25,061	25,940	20,786	20,431	21,272	21,870	25,236
72 Canada	24,768	30,468	38,014r	28,811	30,727	33,199	35,153	33,035r	38,014	34,696
73 Latin America and Caribbean	423,847	440,212	465,701r	438,641	424,120	433,522	444,440	438,443r	465,701	454,938
74 Argentina	17,203	12,235	13,794	12,501	13,320	11,989	11,701	13,860	13,794	16,402
75 Bahamas	104,014	94,991	87,915	93,362	87,994	86,625	101,007	91,184	87,915	91,116
76 Bermuda	8,424	4,897	5,683r	4,205	4,150	4,880	4,910	6,443	5,683	5,103
77 Brazil	9,145	23,797	27,663	23,183	24,518	23,817	24,083	26,952r	27,663	22,418
78 British West Indies	229,599	239,083	250,755r	234,205	227,024	233,782	229,493	226,649r	250,755	243,901
79 Chile	3,127	2,826	2,915	2,833	2,462	3,205	2,767	2,728	2,915	2,972
80 Colombia	4,615	3,659	3,256	3,329	3,263	2,889	2,968	2,838	3,256	2,747
81 Cuba	13	8	21	10	14	33	17	18	21	19
82 Ecuador	875	1,314	1,767	1,405	1,433	1,449	1,383	1,574	1,767	1,611
83 Guatemala	1,121	1,275	1,282	1,092	1,176	1,181	1,207	1,235	1,282	1,338
84 Jamaica	529	481	628	562	625	623	580	564	628	576
85 Mexico	12,227	24,560	31,230r	26,312	24,399	26,808	27,673	27,981r	31,230	27,087
86 Netherlands Antilles	5,217	4,673	5,977r	5,532	3,615	5,290	5,076	4,437	5,977	6,397
87 Panama	4,551	4,265	4,077	3,852	3,994	3,950	4,056	4,002	4,077	3,827
88 Peru	900	974	834	1,029	1,077	936	1,024	942	834	965
89 Uruguay	1,597	1,836	1,888	1,836	1,799	1,751	1,841	1,753	1,888	1,894
90 Venezuela	13,986	11,808	17,361	15,261	15,029	15,596	16,369	17,377	17,361	18,016
91 Other	6,704	7,530	8,655r	8,132	8,228	8,718	8,285	7,906	8,655	8,549
92 Asia	154,346	240,595	236,714r	236,006	237,624	243,208	239,416	233,852r	236,714	236,356
China										
93 Mainland	10,066	33,750	30,441	28,587	34,224	32,068	26,998	29,411	30,441	27,924
94 Taiwan	9,844	11,714	15,990r	16,125	14,775	15,721	15,450	16,613r	15,990	16,666
95 Hong Kong	17,104	20,197	18,742r	17,058	18,609	17,485	17,053	18,762r	18,742	19,870
96 India	2,338	3,373	3,936	3,954	4,012	3,793	3,709	3,832	3,936	4,329
97 Indonesia	1,587	2,708	2,297r	2,561	2,161	2,204	2,436	2,401	2,297	2,159
98 Israel	5,157	4,041	6,042	4,444	4,364	4,134	7,162	5,723	6,042	6,583
99 Japan	62,981	109,193	107,014r	112,737	109,262	112,537	112,600	103,678	107,014	106,407
100 Korea (South)	5,124	5,749	5,973r	5,622	5,406	5,908	5,545	5,897	5,973	6,047
101 Philippines	2,714	3,092	3,378r	3,041	2,539	3,429	3,191	3,264	3,378	2,338
102 Thailand	6,466	12,279	10,912	11,713	10,691	11,759	11,972	12,729	10,912	9,857
103 Middle Eastern oil-exporting countries[13]	15,494	15,582	14,303	12,947	13,891	14,715	13,032	13,145	14,303	12,936
104 Other	15,471	18,917	17,686	17,217	17,690	19,455	20,268	18,397	17,686	21,240
105 Africa	6,524	7,641	8,069r	7,558	7,259	7,440	7,058	7,671	8,069	8,443
106 Egypt	1,879	2,136	2,012	2,114	1,920	1,894	1,904	1,901	2,012	1,933
107 Morocco	97	104	112	133	121	78	74	66	112	111
108 South Africa	433	739	458	648	632	482	435	641	458	610
109 Zaire	9	10	10	13	6	6	11	10	10	5
110 Oil-exporting countries[14]	1,343	1,797	2,608	1,928	2,075	2,051	1,940	2,384	2,608	3,095
111 Other	2,763	2,855	2,869r	2,722	2,505	2,929	2,694	2,669	2,869	2,689
112 Other	6,036	6,774	7,047r	9,592	6,504	7,760	6,763	7,715	7,047	6,098
113 Australia	5,142	5,647	5,468	8,387	5,465	5,522	4,786	6,196	5,468	4,864
114 Other	894	1,127	1,579r	1,205	1,039	2,238	1,977	1,519	1,579	1,234
115 Nonmonetary international and regional organizations	8,606	11,039	13,864r	11,742	12,675	14,443	16,115	14,570	13,864	13,739
116 International[15]	7,537	9,300	11,991r	10,303	10,988	12,761	14,336	12,772	11,991	12,120
117 Latin American regional[16]	613	893	1,339	831	1,024	1,193	1,304	1,172	1,339	1,103
118 Other regional[17]	456	846	534	608	663	489	475	626	534	516

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	1994	1995	1996	1996 July	1996 Aug.	1996 Sept.	1996 Oct.	1996 Nov.	1996 Dec.	1997 Jan.[p]
1 **Total, all foreigners**	**483,220**	**532,539**	**600,689[r]**	**544,126**	**546,607**	**544,717**	**563,488**	**574,920[r]**	**600,689**	**608,704**
2 **Foreign countries**	**478,629**	**530,608**	**598,085[r]**	**542,012**	**544,575**	**543,019**	**560,410**	**573,447[r]**	**598,085**	**606,932**
3 Europe	123,358	132,150	166,523[r]	143,424	150,054	155,277	165,634	168,794	166,523	179,472
4 Austria	692	565	1,662	1,128	849	988	1,197	1,097	1,662	1,643
5 Belgium and Luxembourg	6,738	7,624	6,727	7,021	7,018	6,903	6,828	6,403	6,727	7,611
6 Denmark	1,129	403	492	319	230	408	480	651	492	678
7 Finland	512	1,055	971	1,629	1,296	1,350	1,068	1,228	971	1,150
8 France	12,146	15,033	15,246[r]	10,570	11,570	12,078	12,792	12,198	15,246	18,105
9 Germany	7,608	9,263	8,475	9,497	7,559	8,670	8,546	7,195	8,475	9,657
10 Greece	604	469	568	527	433	397	426	571	568	636
11 Italy	6,043	5,370	6,457[r]	6,023	6,625	5,870	5,007	5,957[r]	6,457	5,410
12 Netherlands	2,959	5,346	7,080	6,360	6,565	6,956	7,386	7,350	7,080	8,119
13 Norway	504	665	808	1,397	1,342	1,199	1,617	1,894	808	1,058
14 Portugal	938	888	418	667	548	484	517	341	418	420
15 Russia	973	660	1,669	514	794	1,135	1,413	1,533	1,669	1,673
16 Spain	3,530	2,166	3,211	3,341	3,073	4,152	3,885	4,181	3,211	6,500
17 Sweden	4,098	2,080	2,673	2,802	2,726	2,976	2,919	2,882	2,673	3,028
18 Switzerland	5,746	7,474	19,798	9,520	9,266	10,930	16,110	18,071	19,798	21,455
19 Turkey	878	803	1,109	1,018	1,044	1,083	962	1,131	1,109	1,029
20 United Kingdom	66,824	67,784	85,057	77,775	85,355	85,732	89,961	92,143[r]	85,057	86,709
21 Yugoslavia[2]	265	147	115	159	87	87	118	112	115	108
22 Other Europe and other former U.S.S.R.[3]	1,171	4,355	3,987	3,157	3,674	3,879	4,402	3,856	3,987	4,483
23 Canada	18,490	20,874	26,436	23,981	25,132	25,343	23,066	22,013	26,436	26,318
24 Latin America and Caribbean	223,523	256,944	274,116[r]	253,177	249,693	240,634	243,634	253,761	274,116	272,032
25 Argentina	5,844	6,439	7,400[r]	6,592	7,062	7,101	7,057	7,212	7,400	6,986
26 Bahamas	66,410	58,818	71,871[r]	59,300	62,297	61,830	61,991	64,911	71,871	62,662
27 Bermuda	8,481	5,741	4,103	3,579	3,052	3,640	4,438	5,019	4,103	4,444
28 Brazil	9,583	13,297	17,259[r]	15,197	15,155	15,261	15,417	16,141	17,259	17,618
29 British West Indies	95,741	124,037	105,502[r]	101,043	99,363	102,157	105,891	105,234	105,502	109,061
30 Chile	3,820	4,864	5,136[r]	4,321	4,174	4,388	4,288	4,554	5,136	5,508
31 Colombia	4,004	4,550	6,247[r]	4,512	4,725	4,723	4,811	4,960	6,247	6,167
32 Cuba	0	0	0	0	0	0	0	0	0	0
33 Ecuador	682	825	1,031	897	932	965	957	952	1,031	1,076
34 Guatemala	366	457	620	463	476	507	546	568	620	612
35 Jamaica	258	323	345	346	335	339	362	365	345	336
36 Mexico	17,749	18,024	18,425[r]	16,971	17,540	17,715	17,742	17,993	18,425	18,309
37 Netherlands Antilles	1,396	9,229	25,209	29,224	23,713	11,207	9,406	15,074	25,209	27,674
38 Panama	2,198	3,008	2,786	2,211	2,211	2,257	2,354	2,621	2,786	2,799
39 Peru	997	1,829	2,720[r]	2,568	2,463	2,541	2,563	2,629	2,720	2,866
40 Uruguay	503	466	589	589	562	530	547	551	589	623
41 Venezuela	1,831	1,661	1,702[r]	1,402	1,728	1,513	1,636	1,626	1,702	1,597
42 Other	3,660	3,376	3,171[r]	3,962	3,905	3,960	3,628	3,351	3,171	3,694
43 Asia	107,079	115,431	122,544[r]	114,986	113,912	113,702	120,092	120,285[r]	122,544	121,238
China										
44 Mainland	836	1,023	1,401	1,349	2,033	1,700	1,420	1,292	1,401	2,016
45 Taiwan	1,448	1,713	1,894	1,312	1,023	1,700	1,305	1,413	1,894	1,249
46 Hong Kong	9,161	12,821	12,802	13,412	12,464	13,882	12,975	13,550	12,802	11,764
47 India	994	1,846	1,946	1,785	2,118	1,975	2,190	2,027	1,946	1,824
48 Indonesia	1,470	1,696	1,767[r]	1,744	1,572	1,653	1,577	1,636	1,767	1,745
49 Israel	688	739	633	659	667	576	1,017	624	633	691
50 Japan	59,151	61,468	59,967[r]	53,441	54,583	52,326	59,343	59,886	59,967	59,751
51 Korea (South)	10,286	14,070	18,961[r]	18,624	17,644	17,608	17,032	18,080	18,961	20,198
52 Philippines	662	1,318	1,697	1,265	1,205	1,255	1,335	1,519	1,697	1,492
53 Thailand	2,902	2,612	2,680[r]	2,824	2,864	2,705	2,699	2,820	2,680	3,003
54 Middle Eastern oil-exporting countries[4]	13,748	9,639	10,424	9,478	9,489	10,111	11,372	10,311	10,424	8,590
55 Other	5,733	6,486	8,372	9,093	8,250	8,211	7,827	7,127[r]	8,372	8,915
56 Africa	3,050	2,742	2,776	2,605	2,735	2,757	2,638	2,557	2,776	2,730
57 Egypt	225	210	247	216	221	241	204	212	247	246
58 Morocco	429	514	524	602	577	565	543	587	524	489
59 South Africa	671	465	584	441	512	572	614	551	584	571
60 Zaire	2	1	0	1	11	1	1	0	0	0
61 Oil-exporting countries[5]	856	552	420[r]	470	462	429	414	427	420	408
62 Other	867	1,000	1,001[r]	875	952	949	862	780	1,001	1,016
63 Other	3,129	2,467	5,690	3,839	3,049	5,306	5,346	6,037	5,690	5,142
64 Australia	2,186	1,622	4,577	3,020	2,439	3,641	3,798	4,336	4,577	3,741
65 Other	943	845	1,113	819	610	1,665	1,548	1,701	1,113	1,401
66 Nonmonetary international and regional organizations[6]	4,591	1,931	2,604	2,114	2,032	1,698	3,078	1,473	2,604	1,772

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	1994	1995	1996[r]	1996						1997
				July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.[p]
1 **Total**	**599,499**	**655,306**	**744,133**	.	.	**688,310**	.	.	**744,133**	.
2 Banks' claims	483,220	532,539	600,689	544,126	546,607	544,717	563,488	574,920[r]	600,689	608,704
3 Foreign public borrowers	23,416	22,518	21,963	20,234	18,875	22,719	24,929	20,106	21,963	26,016
4 Own foreign offices[2]	283,015	307,427	342,508	297,799	299,828	311,588	330,377	335,089	342,508	331,672
5 Unaffiliated foreign banks	109,346	101,595	113,582	108,921	111,881	109,616	108,778	108,009[r]	113,582	121,089
6 Deposits	59,368	37,658	33,943	36,145	39,338	35,286	36,239	32,407[r]	33,943	39,612
7 Other	49,978	63,937	79,639	72,776	72,543	74,330	72,539	75,602	79,639	81,477
8 All other foreigners	67,443	100,999	122,636	117,172	116,023	100,794	99,404	111,716	122,636	129,927
9 Claims of banks' domestic customers[3]	116,279	122,767	143,444	.		143,593	.	.	143,444	.
10 Deposits	64,829	58,519	78,543	.	.	80,695	.		78,543	.
11 Negotiable and readily transferable instruments[4]	36,008	44,161	49,677	.	.	46,491	.	.	49,677	.
12 Outstanding collections and other claims	15,442	20,087	15,224	.	.	16,407	.	.	15,224	.
MEMO										
13 Customer liability on acceptances	8,427	8,410	9,625	.	.	9,396	.	.	9,625	.
14 Dollar deposits in banks abroad, reported by nonbanking business enterprises in the United States[5]	32,796	30,717	42,679	32,270	33,527	34,125	40,326	41,581	42,679	43,452

1. For banks' claims, data are monthly; for claims of banks' domestic customers, data are for quarter ending with month indicated.
Reporting banks include all types of depository institution as well as some brokers and dealers.
2. For U.S. banks, includes amounts due from own foreign branches and foreign subsidiaries consolidated in quarterly Consolidated Reports of Condition filed with bank regulatory agencies For agencies, branches, and majority-owned subsidiaries of foreign banks, consists principally of amounts due from the head office or parent foreign bank, and from foreign branches, agencies, or wholly owned subsidiaries of the head office or parent foreign bank.
3. Assets held by reporting banks in the accounts of their domestic customers.
4 Principally negotiable time certificates of deposit, bankers acceptances, and commercial paper.
5. Includes demand and time deposits and negotiable and nonnegotiable certificates of deposit denominated in U.S dollars issued by banks abroad.

3.20 BANKS' OWN CLAIMS ON UNAFFILIATED FOREIGNERS Reported by Banks in the United States[1] Payable in U.S. Dollars

Millions of dollars, end of period

Maturity, by borrower and area[2]	1993	1994	1995	1996			
				Mar.	June	Sept	Dec.[p]
1 **Total**	**202,566**	**200,070**	**225,027**	**233,482**	**228,571**	**231,389**	**256,315**
By borrower							
2 Maturity of one year or less	172,662	168,359	178,857	193,870	185,881	187,302	210,073
3 Foreign public borrowers	17,828	15,435	14,995	19,544	14,847	15,523	14,897
4 All other foreigners	154,834	152,924	163,862	174,326	171,034	171,779	195,176
5 Maturity of more than one year	29,904	31,711	46,170	39,612	42,690	44,087	46,242
6 Foreign public borrowers	10,874	7,838	7,522	8,131	8,126	6,922	6,815
7 All other foreigners	19,030	23,873	38,648	31,481	34,564	37,165	39,427
By area							
Maturity of one year or less							
8 Europe	57,413	55,770	55,622	57,979	57,138	57,075	54,131
9 Canada	7,727	6,690	6,751	5,470	6,806	8,811	8,339
10 Latin America and Caribbean	60,490	58,877	72,504	84,385	78,622	79,622	103,229
11 Asia	41,418	39,851	40,296	40,312	38,078	37,199	38,131
12 Africa	1,820	1,376	1,295	1,326	1,279	1,320	1,316
13 All other[3]	3,794	5,795	2,389	4,398	3,958	3,275	4,927
Maturity of more than one year							
14 Europe	5,310	4,203	4,995	6,835	8,193	7,134	6,963
15 Canada	2,581	3,505	2,751	2,563	3,689	3,533	2,645
16 Latin America and Caribbean	14,025	15,717	27,681	19,368	19,511	21,382	24,941
17 Asia	5,606	5,318	8,036	8,466	9,291	9,928	9,391
18 Africa	1,935	1,583	1,421	1,449	1,410	1,349	1,361
19 All other[3]	447	1,385	1,286	931	596	761	941

1 Reporting banks include all types of depository institutions as well as some brokers and dealers.
2. Maturity is time remaining until maturity.
3. Includes nonmonetary international and regional organizations.

3.21 CLAIMS ON FOREIGN COUNTRIES Held by U.S. and Foreign Offices of U.S. Banks[1]

Billions of dollars, end of period

Area or country	1992	1993	1994	1995				1996			
			Dec.	Mar.	June	Sept.	Dec.	Mar.	June	Sept.	Dec.
1 **Total**	**344.7**	**407.7**	**497.3**	**543.1**	**528.8**	**531.2**	**551.9**	**574.6**	**609.2**	**586.0[r]**	**641.1**
2 G-10 countries and Switzerland	131.3	161.8	190.6	211.5	204.4	200.0	206.0	203.4	223.3	220.0[r]	228.1
3 Belgium and Luxembourg	.0	7.4	7.0	10.2	9.4	10.7	13.6	11.0	7.9	11.3[r]	11.7
4 France	15.3	12.0	19.1	19.9	19.9	18.0	19.4	17.9	18.0	17.4[r]	16.6
5 Germany	9.1	12.6	24.7	31.2	30.0	27.5	27.3	31.5	31.4	33.9[r]	29.8
6 Italy	6.5	7.7	11.8	10.6	10.7	12.6	11.5	13.2	14.9	15.2[r]	16.0
7 Netherlands	.0	4.7	3.6	3.5	4.3	4.4	3.7	3.0	4.7	5.9[r]	3.9
8 Sweden	2.3	2.7	2.7	3.1	3.1	2.9	2.7	3.3	2.7	3.0	2.6
9 Switzerland	4.8	5.9	5.1	5.7	6.2	6.6	6.7	5.2	6.3	6.2[r]	5.3
10 United Kingdom	59.7	84.3	85.7	90.1	87.1	80.3	82.4	84.7	101.6	90.5[r]	104.6
11 Canada	6.3	6.9	10.0	10.8	11.3	13.0	10.3	10.8	12.2	14.8[r]	14.0
12 Japan	18.8	17.6	20.7	26.2	22.7	24.0	28.5	22.7	23.6	21.7[r]	23.6
13 Other industrialized countries	24.0	25.6	45.2	44.1	43.3	50.2	50.2	61.3	55.5	62.1[r]	64.1
14 Austria	1.2	.4	1.1	.9	.7	1.2	.9	1.3	1.2	1.0	1.1
15 Denmark	.9	1.0	1.3	1.7	1.1	1.8	2.6	3.4	3.3	1.7[r]	1.5
16 Finland	.7	.4	.9	1.1	.5	.7	.8	.7	.6	.6	.8
17 Greece	3.0	3.2	4.5	4.9	5.0	5.1	5.7	5.6	5.6	6.1	6.7
18 Norway	1.2	1.7	2.0	2.4	1.8	2.3	3.2	2.1	2.3	3.0	8.0
19 Portugal	.4	.8	1.2	1.0	1.2	1.9	1.3	1.6	1.6	1.4	.9
20 Spain	8.9	9.9	13.6	14.1	13.3	13.3	11.6	17.5	13.6	16.1[r]	13.2
21 Turkey	1.3	2.1	1.6	1.4	1.4	2.0	1.9	2.0	2.3	2.8	2.7
22 Other Western Europe	1.7	2.6	2.7	2.5	2.6	3.0	4.7	3.8	3.4	4.8	4.7
23 South Africa	1.7	1.1	1.0	1.5	1.4	1.3	1.2	1.7	2.0	1.7[r]	2.0
24 Australia	2.9	2.3	15.4	12.6	14.3	17.4	16.4	21.7	19.6	22.8	22.4
25 OPEC[2]	15.8	17.4	23.9	19.5	20.3	22.4	22.1	21.2	20.1	19.2[r]	19.9
26 Ecuador	.6	.5	.5	.5	.7	.7	.7	.8	.9	.9[r]	1.1
27 Venezuela	5.2	5.1	3.7	3.5	3.5	3.0	2.7	2.9	2.3	2.3	2.4
28 Indonesia	2.7	3.3	3.8	4.0	4.1	4.4	4.8	4.7	4.9	5.4[r]	5.2
29 Middle East countries	6.2	7.4	15.0	10.7	11.4	13.6	13.3	12.3	11.5	10.1	10.8
30 African countries	1.1	1.2	.9	.7	.6	.6	.6	.6	.5	.4	.4
31 Non-OPEC developing countries	72.6	83.1	96.0	98.5	103.6	104.0	112.6	118.6	126.4	124.1[r]	130.1
Latin America											
32 Argentina	6.6	7.7	11.2	11.4	12.3	10.9	12.9	12.7	14.1	15.0[r]	14.3
33 Brazil	10.8	12.0	8.4	9.2	10.0	13.6	13.7	18.3	21.7	17.8[r]	20.7
34 Chile	4.4	4.7	6.1	6.4	7.1	6.4	6.8	6.4	6.7	6.6[r]	7.0
35 Colombia	1.8	2.1	2.6	2.6	2.6	2.9	2.9	2.9	2.8	3.1	4.1
36 Mexico	16.0	17.8	18.4	17.9	17.6	16.3	17.3	16.1	15.4	16.1[r]	16.2
37 Peru	.5	.4	.5	.6	.8	.7	.8	.9	1.2	1.3[r]	1.6
38 Other	2.6	3.1	2.7	2.4	2.6	2.6	2.8	3.1	3.0	3.0	3.3
Asia											
China											
39 Mainland	.7	2.0	1.1	1.1	1.4	1.7	1.8	3.3	2.9	2.6	2.5
40 Taiwan	5.2	7.3	9.2	8.5	9.0	9.0	9.4	9.7	9.8	10.3	10.2
41 India	3.2	3.2	4.2	3.8	4.0	4.4	4.4	4.7	4.2	3.8	4.3
42 Israel	.4	.5	.4	.6	.7	.5	.5	.5	.6	.5	.5
43 Korea (South)	6.6	6.7	16.2	16.9	18.7	18.0	19.1	19.3	21.7	21.9	21.5
44 Malaysia	3.1	4.4	3.1	3.9	4.1	4.3	4.4	5.2	5.3	5.5	5.9
45 Philippines	3.6	3.1	3.3	3.0	3.6	3.3	4.1	3.9	4.7	5.4	5.8
46 Thailand	2.2	3.1	2.1	3.3	3.8	3.9	4.9	5.2	5.4	4.8	5.7
47 Other Asia	3.1	3.1	4.7	4.9	3.5	3.7	4.5	4.3	4.8	4.1	4.1
Africa											
48 Egypt	.2	.4	.3	.4	.4	.4	.4	.5	.5	.6	.6
49 Morocco	.6	.7	.6	.6	.9	.9	.7	.7	.8	.7	.7
50 Zaire	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.1
51 Other Africa[3]	1.0	.8	.8	.7	.6	.8	.9	.8	.8	1.0	.9
52 Eastern Europe	3.1	3.2	2.7	2.3	1.8	3.4	4.2	6.2	5.0	5.2[r]	6.7
53 Russia[4]	1.9	1.6	.8	.7	.4	.6	1.0	1.4	1.0	1.8	3.7
54 Yugoslavia[5]	.6	.6	.5	.4	.3	.4	.3	.3	.3	.3	.2
55 Other	.6	.9	1.4	1.2	1.0	2.3	2.8	4.5	3.7	3.1[r]	2.8
56 Offshore banking centers	58.1	73.0	72.2	84.8	82.8	86.9	99.2	101.3	106.2	105.3[r]	133.0
57 Bahamas	6.9	10.9	10.2	12.5	8.4	12.6	11.0	13.9	17.3	14.2[r]	20.3
58 Bermuda	6.2	8.9	8.4	8.7	8.4	6.1	6.3	5.3	4.1	4.0	4.5
59 Cayman Islands and other British West Indies	21.5	18.0	20.8	19.8	24.3	24.4	32.4	28.8	26.1	32.0[r]	35.3
60 Netherlands Antilles	1.1	2.6	1.3	.9	2.4	5.5	9.9	10.7	13.0	11.5	25.9
61 Panama[6]	1.9	2.4	1.3	1.1	1.3	1.3	1.4	1.6	1.7	1.7	2.0
62 Lebanon	.1	.1	.1	.1	.1	.1	.1	.1	.1	.1	.1
63 Hong Kong	13.9	18.7	19.9	22.5	23.1	23.6	25.0	25.3	27.8	26.2[r]	28.0
64 Singapore	6.5	11.2	10.1	19.2	14.8	13.3	13.1	15.4	15.9	15.4	16.7
65 Other[7]	.0	.1	.1	.0	.0	.1	.1	.1	.1	.1	.1
66 Miscellaneous and unallocated[8]	39.7	43.4	66.7	82.2	72.3	64.0	57.3	62.2	72.3	49.6[r]	58.8

1. The banking offices covered by these data include U.S. offices and foreign branches of U.S. banks, including U.S. banks that are subsidiaries of foreign banks. Offices not covered include U.S. agencies and branches of foreign banks. Beginning March 1994, the data include large foreign subsidiaries of U.S. banks. The data also include other types of U.S. depository institutions as well as some types of brokers and dealers. To eliminate duplication, the data are adjusted to exclude the claims on foreign branches held by a U.S. office or another foreign branch of the same banking institution.

These data are on a gross claims basis and do not necessarily reflect the ultimate country risk or exposure of U.S. banks. More complete data on the country risk exposure of U.S. banks are available in the quarterly Country Exposure Lending Survey published by the Federal Financial Institutions Examination Council.

2. Organization of Petroleum Exporting Countries, shown individually; other members of OPEC (Algeria, Gabon, Iran, Iraq, Kuwait, Libya, Nigeria, Qatar, Saudi Arabia, and United Arab Emirates); and Bahrain and Oman (not formally members of OPEC).
3. Excludes Liberia. Beginning March 1994 includes Namibia.
4. As of December 1992, excludes other republics of the former Soviet Union.
5. As of December 1992, excludes Croatia, Bosnia and Hercegovinia, and Slovenia.
6. Includes Canal Zone.
7. Foreign branch claims only.
8. Includes New Zealand, Liberia, and international and regional organizations.

3.22 LIABILITIES TO UNAFFILIATED FOREIGNERS Reported by Nonbanking Business Enterprises in the United States

Millions of dollars, end of period

Type of liability, and area or country	1992	1993	1994	1995			1996		
				June	Sept.	Dec.	Mar.	June	Sept.
1 **Total**	**45,511**	**50,597**	**54,309**	**49,973**	**47,673**	**46,448**	**49,907**	**48,990**	**51,105**
2 Payable in dollars	37,456	38,728	38,298	34,281	33,908	33,903	36,273	35,385	36,402
3 Payable in foreign currencies	8,055	11,869	16,011	15,692	13,765	12,545	13,634	13,605	14,703
By type									
4 Financial liabilities	23,841	29,226	32,954	29,282	26,237	24,241	26,570	24,844	25,107
5 Payable in dollars	16,960	18,545	18,818	15,028	13,872	12,903	13,831	12,212	11,256
6 Payable in foreign currencies	6,881	10,681	14,136	14,254	12,365	11,338	12,739	12,632	13,851
7 Commercial liabilities	21,670	21,371	21,355	20,691	21,436	22,207	23,337	24,146	25,998
8 Trade payables	9,566	8,802	10,005	10,527	10,061	11,013	10,815	11,081	11,605
9 Advance receipts and other liabilities	12,104	12,569	11,350	10,164	11,375	11,194	12,522	13,065	14,393
10 Payable in dollars	20,496	20,183	19,480	19,253	20,036	21,000	22,442	23,173	25,146
11 Payable in foreign currencies	1,174	1,188	1,875	1,438	1,400	1,207	895	973	852
By area or country									
Financial liabilities									
12 Europe	13,387	18,810	21,703	18,223	16,401	15,622	16,950	16,434	16,054
13 Belgium and Luxembourg	414	175	495	778	347	369	483	498	547
14 France	1,623	2,539	1,727	1,101	1,365	999	1,679	1,011	1,220
15 Germany	889	975	1,961	1,589	1,670	1,974	2,161	1,850	2,276
16 Netherlands	606	534	552	530	474	466	479	444	519
17 Switzerland	569	634	688	1,056	948	895	1,260	1,156	830
18 United Kingdom	8,610	13,332	15,543	12,138	10,518	10,138	10,246	10,790	9,821
19 Canada	544	859	629	893	797	632	1,166	951	881
20 Latin America and Caribbean	4,053	3,359	2,034	1,950	1,904	1,783	1,876	969	1,018
21 Bahamas	379	1,148	101	81	79	59	78	31	50
22 Bermuda	114	0	80	138	144	147	126	28	25
23 Brazil	19	18	207	58	111	57	57	8	9
24 British West Indies	2,850	1,533	998	1,030	930	866	946	826	764
25 Mexico	12	17	0	3	3	12	16	11	4
26 Venezuela	6	5	5	4	3	2	2	1	0
27 Asia	5,818	5,956	8,403	8,023	6,947	5,988	6,390	6,351	6,927
28 Japan	4,750	4,887	7,314	7,141	6,308	5,436	5,980	6,051	6,602
29 Middle Eastern oil-exporting countries[1]	19	23	35	25	25	27	26	26	25
30 Africa	6	133	135	151	149	150	131	72	132
31 Oil-exporting countries[2]	0	123	123	122	122	122	122	61	121
32 All other[3]	33	109	50	42	39	66	57	67	95
Commercial liabilities									
33 Europe	7,398	6,827	6,773	6,776	7,263	7,700	8,425	7,916	8,654
34 Belgium and Luxembourg	298	239	241	311	349	331	370	326	427
35 France	700	655	728	504	528	481	648	678	657
36 Germany	729	684	604	556	660	767	867	839	959
37 Netherlands	535	688	722	448	566	500	659	617	668
38 Switzerland	350	375	327	432	255	413	428	516	409
39 United Kingdom	2,505	2,039	2,444	2,902	3,351	3,568	3,525	3,266	3,664
40 Canada	1,002	879	1,037	1,146	1,219	1,040	959	998	1,094
41 Latin America and Caribbean	1,533	1,658	1,857	1,836	1,607	1,740	2,110	2,301	2,306
42 Bahamas	3	21	19	3	1	1	28	35	33
43 Bermuda	307	350	345	397	219	205	570	509	355
44 Brazil	209	214	161	107	143	98	128	119	159
45 British West Indies	33	27	23	12	5	56	10	10	15
46 Mexico	457	481	574	420	357	416	468	475	441
47 Venezuela	142	123	276	204	175	221	243	283	332
48 Asia	10,594	10,980	10,741	9,978	10,275	10,421	10,474	11,389	12,229
49 Japan	3,612	4,314	4,555	3,531	3,475	3,315	3,725	3,943	4,150
50 Middle Eastern oil-exporting countries[1]	1,889	1,534	1,576	1,790	1,647	1,912	1,747	1,784	1,951
51 Africa	568	453	428	481	589	619	708	924	1,013
52 Oil-exporting countries[2]	309	167	256	252	241	254	254	462[r]	490
53 Other[3]	575	574	519	474	483	687	661	618	702

1. Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).
2. Comprises Algeria, Gabon, Libya, and Nigeria.
3. Includes nonmonetary international and regional organizations.

3.23 CLAIMS ON UNAFFILIATED FOREIGNERS Reported by Nonbanking Business Enterprises in the United States

Millions of dollars, end of period

	Type of claim, and area or country	1992	1993	1994	1995			1996		
					June	Sept.	Dec.	Mar.	June	Sept.
1	**Total**	**45,073**	**49,159**	**57,888**	**58,051**	**53,424**	**52,509**	**55,406**	**58,845**	**57,230**
2	Payable in dollars	42,281	45,161	53,805	54,138	49,696	48,711	51,007	54,000	52,555
3	Payable in foreign currencies	2,792	3,998	4,083	3,913	3,728	3,798	4,399	4,845	4,675
	By type									
4	Financial claims	26,509	27,771	33,897	34,574	29,891	27,398	30,772	33,994	32,857
5	Deposits	17,695	15,717	18,507	22,046	17,974	15,133	17,595	18,364	18,941
6	Payable in dollars	16,872	15,182	18,026	21,351	17,393	14,654	17,044	17,926	18,317
7	Payable in foreign currencies	823	535	481	695	581	479	551	438	624
8	Other financial claims	8,814	12,054	15,390	12,528	11,917	12,265	13,177	15,630	13,916
9	Payable in dollars	7,890	10,862	14,306	11,370	10,689	10,976	11,290	13,233	11,827
10	Payable in foreign currencies	924	1,192	1,084	1,158	1,228	1,289	1,887	2,397	2,089
11	Commercial claims	18,564	21,388	23,991	23,477	23,533	25,111	24,634	24,851	24,373
12	Trade receivables	16,007	18,425	21,158	21,326	21,409	22,998	22,123	22,276	22,010
13	Advance payments and other claims	2,557	2,963	2,833	2,151	2,124	2,113	2,511	2,575	2,363
14	Payable in dollars	17,519	19,117	21,473	21,417	21,614	23,081	22,673	22,841	22,411
15	Payable in foreign currencies	1,045	2,271	2,518	2,060	1,919	2,030	1,961	2,010	1,962
	By area or country									
	Financial claims									
16	Europe	9,331	7,299	7,936	7,927	7,840	7,609	8,929	9,241	8,500
17	Belgium and Luxembourg	8	134	86	155	160	193	159	151	126
18	France	764	826	800	730	753	803	1,015	679	733
19	Germany	326	526	540	356	301	436	320	296	272
20	Netherlands	515	502	429	601	522	517	486	488	520
21	Switzerland	490	530	523	514	530	498	470	461	431
22	United Kingdom	6,252	3,585	4,649	4,790	4,924	4,303	5,568	6,169	5,333
23	Canada	1,833	2,032	3,581	3,705	3,526	2,851	5,269	4,773	4,502
24	Latin America and Caribbean	13,893	16,224	19,536	21,159	15,345	14,500	13,827	17,644	17,184
25	Bahamas	778	1,336	2,424	2,355	1,552	1,965	1,538	2,168	1,746
26	Bermuda	40	125	27	85	35	81	77	84	113
27	Brazil	686	654	520	502	851	830	1,019	1,242	1,417
28	British West Indies	11,747	12,699	15,228	17,013	11,816	10,393	10,100	13,024	12,809
29	Mexico	445	872	723	635	487	554	461	392	411
30	Venezuela	29	161	35	27	50	32	40	23	17
31	Asia	864	1,657	1,871	1,235	2,160	1,579	1,890	1,571	1,826
32	Japan	668	892	953	471	1,404	871	1,171	852	1,001
33	Middle Eastern oil-exporting countries[1]	3	3	141	3	4	3	13	9	13
34	Africa	83	99	373	138	188	276	277	197	176
35	Oil-exporting countries[2]	9	1	0	9	6	5	5	5	13
36	All other[3]	505	460	600	410	832	583	580	568	669
	Commercial claims									
37	Europe	8,451	9,105	9,540	9,200	8,862	9,824	9,776	9,812	9,162
38	Belgium and Luxembourg	189	184	213	218	224	231	247	239	213
39	France	1,537	1,947	1,881	1,669	1,706	1,830	1,803	1,658	1,525
40	Germany	933	1,018	1,027	1,023	997	1,070	1,410	1,335	1,239
41	Netherlands	552	423	311	341	338	452	442	481	420
42	Switzerland	362	432	557	612	438	520	579	602	588
43	United Kingdom	2,094	2,377	2,556	2,469	2,479	2,656	2,607	2,651	2,514
44	Canada	1,286	1,781	1,988	2,003	1,971	1,951	2,045	2,074	2,032
45	Latin America and Caribbean	3,043	3,274	4,117	4,370	4,359	4,364	4,151	4,340	4,156
46	Bahamas	28	11	9	21	26	30	30	28	14
47	Bermuda	255	182	234	210	245	272	273	264	290
48	Brazil	357	460	612	777	745	898	809	837	857
49	British West Indies	40	71	83	83	66	79	106	103	119
50	Mexico	924	990	1,243	1,109	1,026	993	870	1,021	901
51	Venezuela	345	293	348	319	325	285	308	313	302
52	Asia	4,866	6,014	6,982	6,516	6,826	7,312	7,100	6,883	7,216
53	Japan	1,903	2,275	2,655	2,011	1,998	1,870	2,010	1,877	1,918
54	Middle Eastern oil-exporting countries[1]	693	704	708	707	775	974	1,024	879	930
55	Africa	554	493	454	478	544	654	667	688	716
56	Oil-exporting countries[2]	78	72	67	60	74	87	107	83	142
57	Other[3]	364	721	910	910	971	1,006	895	1,054	1,091

1. Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).

2. Comprises Algeria, Gabon, Libya, and Nigeria.

3. Includes nonmonetary international and regional organizations.

3.24 FOREIGN TRANSACTIONS IN SECURITIES

Millions of dollars

Transaction, and area or country	1995	1996[r]	1997 Jan.– Jan.	1996 July	1996 Aug.	1996 Sept.	1996 Oct.	1996 Nov.	1996 Dec.	1997 Jan.[p]
	U.S. corporate securities									
STOCKS										
1 Foreign purchases	462,950	625,595	72,993	49,557	46,136	42,599	57,758	67,406	57,051	72,993
2 Foreign sales	451,710	612,366	70,119	52,211	44,071	42,550	56,751	65,470	56,629	70,119
3 Net purchases, or sales (–)	**11,240**	**13,229**	**2,874**	**–2,654**	**2,065**	**49**	**1,007**	**1,936**	**422**	**2,874**
4 Foreign countries	**11,445**	**13,303**	**2,875**	**–2,653**	**2,051**	**75**	**1,013**	**1,939**	**451**	**2,875**
5 Europe	4,912	6,329	3,232	–386	3,310	200	447	53	–229	3,232
6 France	–1,099	–2,343	532	–188	–209	–109	–219	–237	–1,064	532
7 Germany	–1,837	1,101	959	363	83	–85	116	–8	–18	959
8 Netherlands	3,507	1,365	322	124	219	–13	–132	139	–160	322
9 Switzerland	–2,283	2,706	294	615	538	–123	144	682	–470	294
10 United Kingdom	8,066	3,925	–167	–1,490	2,551	475	909	464	1,487	–167
11 Canada	–1,517	2,253	422	31	–250	191	742	736	–9	422
12 Latin America and Caribbean	5,814	5,558	1,374	–1,077	1,046	252	–653	959	994	1,374
13 Middle East[1]	–337	–1,602	–1	–15	–179	–153	15	–57	–7	–1
14 Other Asia	2,503	898	–2,176	–1,347	–1,642	–575	511	259	–232	–2,176
15 Japan	–2,725	–318	–1,559	–611	–791	104	313	–525	–343	–1,559
16 Africa	2	–81	–8	33	–33	–6	5	–23	10	–8
17 Other countries	68	–52	32	108	–201	166	–54	12	–76	32
18 Nonmonetary international and regional organizations	**–205**	**–74**	**–1**	**–1**	**14**	**–26**	**–6**	**–3**	**–29**	**–1**
BONDS[2]										
19 Foreign purchases	293,533	422,276	48,777	27,962	32,333	37,407	40,668	47,406	42,907	48,777
20 Foreign sales	206,951	294,958	36,603	17,458	20,901	23,858	30,277	34,667	32,825	36,603
21 Net purchases, or sales (–)	**86,582**	**127,318**	**12,174**	**10,504**	**11,432**	**13,549**	**10,391**	**12,739**	**10,082**	**12,174**
22 Foreign countries	**87,036**	**127,147**	**12,178**	**10,387**	**11,453**	**13,551**	**10,406**	**12,749**	**10,082**	**12,178**
23 Europe	70,318	74,975	6,442	6,502	6,184	8,350	6,279	5,710	4,623	6,442
24 France	1,143	5,200	73	345	169	565	713	98	252	73
25 Germany	5,938	5,136	–274	255	626	381	–260	209	–27	–274
26 Netherlands	1,463	2,440	337	442	146	244	93	533	148	337
27 Switzerland	494	882	–58	258	125	403	59	–132	–30	–58
28 United Kingdom	57,591	54,615	6,265	4,790	4,305	6,231	5,316	4,357	4,351	6,265
29 Canada	2,569	4,230	379	514	474	122	181	435	391	379
30 Latin America and Caribbean	6,141	22,922	3,189	1,811	1,272	1,144	2,954	2,222	2,940	3,189
31 Middle East[1]	1,869	1,637	480	205	201	65	211	513	412	480
32 Other Asia	5,659	23,108	1,661	1,186	3,243	3,681	787	3,727	1,644	1,661
33 Japan	2,250	13,694	1,597	905	2,583	1,963	1,037	2,245	1,395	1,597
34 Africa	234	600	89	31	17	109	45	132	79	89
35 Other countries	246	–325	–62	138	62	80	–51	10	–7	–62
36 Nonmonetary international and regional organizations	**–454**	**171**	**–4**	**117**	**–21**	**–2**	**–15**	**–10**	**0**	**–4**
	Foreign securities									
37 Stocks, net purchases, or sales (–)	–50,291	–58,111	–1,042	–5,139	–1,197	–1,733	–2,329	–1,928[r]	–5,902	–1,042
38 Foreign purchases	345,540	457,442	52,225	37,643	34,016	31,195	40,117	47,554[r]	41,850	52,225
39 Foreign sales	395,831	515,553	53,267	42,782	35,213	32,928	42,446	49,482[r]	47,752	53,267
40 Bonds, net purchases, or sales (–)	–48,405	–46,271	3,436	–3,418	–5,189	–4,430	–5,771	–1,972[r]	–10,742	3,436
41 Foreign purchases	889,541	1,118,725	109,527	80,692	84,461	113,087	116,354	105,614[r]	98,795	109,527
42 Foreign sales	937,946	1,164,996	106,091	84,110	89,650	117,517	122,125	107,586[r]	109,537	106,091
43 Net purchases, or sales (–), of stocks and bonds	**–98,696**	**–104,382**	**2,394**	**–8,557**	**–6,386**	**–6,163**	**–8,100**	**–3,900[r]**	**–16,644**	**2,394**
44 Foreign countries	**–97,891**	**–103,511**	**2,346**	**–8,620**	**–6,244**	**–5,637**	**–8,122**	**–3,932[r]**	**–16,633**	**2,346**
45 Europe	–48,125	–57,209	3,301	–5,960	–5,298	–5,505	–6,093	–2,805[r]	–11,150	3,301
46 Canada	–7,812	–6,017	919	807	882	222	–574	–577[r]	–2,177	919
47 Latin America and Caribbean	–7,634	–7,420	380	–2,181	–1,470	–1,277	937	3,943	–1,497	380
48 Asia	–34,056	–27,684	–1,685	–1,174	–1,016	971	–819	–4,120[r]	–773	–1,685
49 Japan	–25,072	–5,928	–333	231	486	2,456	656	–632[r]	2,218	–333
50 Africa	–327	–1,529	34	–53	–25	–49	–468	–115	36	34
51 Other countries	63	–3,652	–603	–59	683	1	–1,105	–258	–1,072	–603
52 Nonmonetary international and regional organizations	**–805**	**–871**	**48**	**63**	**–142**	**–526**	**22**	**32**	**–11**	**48**

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	1995	1996	1997 Jan. – Jan.	1996 July	1996 Aug.	1996 Sept.	1996 Oct.	1996 Nov.	1996 Dec.	1997 Jan.[p]
1 **Total estimated**	**134,115**	**244,273[r]**	**22,225**	**47,960**	**12,340**	**14,738**	**24,321**	**20,831**	**47,662**	**22,225**
2 Foreign countries	133,676	246,115[r]	22,691	48,396	12,304	14,895	23,784	22,023	46,519	22,691
3 Europe	49,976	117,511[r]	4,410	18,471	7,103	13,104	12,992	8,478	14,778	4,410
4 Belgium and Luxembourg	591	1,481	38	−39	73	489	−320	330	370	38
5 Germany	6,136	18,072	556	1,233	467	−264	2,813	3,449	1,499	556
6 Netherlands	1,891	−529	−671	694	−237	116	−423	729	855	−671
7 Sweden	358	2,350	−255	322	−282	431	169	−45	26	−255
8 Switzerland	−472	480	241	395	−730	718	−599	−54	−517	241
9 United Kingdom	34,754	64,428	2,914	11,245	7,623	7,977	10,121	−152	7,265	2,914
10 Other Europe and former U.S.S.R.	6,718	31,229[r]	1,587	4,621	189	3,637	1,231	4,221	5,280[r]	1,587
11 Canada	252	2,725	667	1,734	−988	−215	−1,744	313	−780	667
12 Latin America and Caribbean	48,609	25,540	10,243	23,991	−491	−19,359	1,479	12,906	15,228	10,243
13 Venezuela	−2	−69	−3	16	146	−45	−29	−68	212	−3
14 Other Latin America and Caribbean	25,152	13,233	6,461	986	3,088	−1,547	926	2,922	5,292	6,461
15 Netherlands Antilles	23,459	12,376	3,785	22,989	−3,725	−17,767	582	10,052	9,724	3,785
16 Asia	32,467	97,962	8,540	3,964	6,327	20,713	9,889	1,298	16,744	8,540
17 Japan	16,979	41,508	4,264	2,384	2,924	4,875	6,629	1,337	7,593	4,264
18 Africa	1,464	1,085	29	−31	163	30	−13	−12	−2	29
19 Other	908	1,292	−1,198	267	190	622	1,181	−960	551	−1,198
20 Nonmonetary international and regional organizations	439	−1,842	−466	−436	36	−157	537	−1,192	1,143	−466
21 International	9	−1,390	−484	−395	−287	−52	338	−1,146	773	−484
22 Latin American regional	261	−779	−1	−3	347	−90	−4	−2	252	−1
MEMO										
23 Foreign countries	133,676	246,115[r]	22,691	48,396	12,304	14,895	23,784	22,023	46,519	22,691
24 Official institutions	39,631	86,875[r]	8,370	9,629	3,587	17,188	4,838	3,840	13,662	8,370
25 Other foreign	94,045	159,240[r]	14,321	38,767	8,717	−2,293	18,946	18,183	32,857	14,321
Oil-exporting countries										
26 Middle East[2]	3,075	10,232	1,242	−219	323	4,969	−1,876	337	2,279	1,242
27 Africa[3]	2	1	0	0	−1	1	0	0	0	0

1. Official and private transactions in marketable U.S. Treasury securities having an original maturity of more than one year. Data are based on monthly transactions reports. Excludes nonmarketable U.S. Treasury bonds and notes held by official institutions of foreign countries.

2. Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States)

3. Comprises Algeria, Gabon, Libya, and Nigeria.

3.26 DISCOUNT RATES OF FOREIGN CENTRAL BANKS[1]

Percent per year, averages of daily figures

Country	Rate on Mar. 31, 1997 Percent	Rate on Mar. 31, 1997 Month effective	Country	Rate on Mar. 31, 1997 Percent	Rate on Mar. 31, 1997 Month effective
Austria	2.5	Apr. 1996	Germany	2.5	Apr. 1996
Belgium	2.5	Apr. 1995	Italy	6.75	Jan. 1997
Canada	3.25	Nov. 1996	Japan	.5	Sept. 1995
Denmark	3.25	Nov. 1996	Netherlands	2.5	Apr. 1996
France[2]	3.10	Jan 1997	Switzerland	1.0	Sept. 1996

1. Rates shown are mainly those at which the central bank either discounts or makes advances against eligible commercial paper or government securities for commercial banks or brokers. For countries with more than one rate applicable to such discounts or advances, the rate shown is the one at which it is understood that the central bank transacts the largest proportion of its credit operations.

2. Since February 1981, the rate has been that at which the Bank of France discounts Treasury bills for seven to ten days.

3.27 FOREIGN SHORT-TERM INTEREST RATES[1]

Percent per year, averages of daily figures

Type or country	1994	1995	1996	1996 Sept.	1996 Oct.	1996 Nov.	1996 Dec.	1997 Jan.	1997 Feb.	1997 Mar.
1 Eurodollars	4.63	5.93	5.38	5.49	5.41	5.38	5.43	5.44	5.36	5.50
2 United Kingdom	5.45	6.63	5.99	5.75	5.93	6.27	6.31	6.28	6.16	6.17
3 Canada	5.57	7.14	4.49	4.10	3.54	3.05	3.16	3.18	3.16	3.25
4 Germany	5.25	4.43	3.21	3.02	3.04	3.09	3.13	3.03	3.08	3.16
5 Switzerland	4.03	2.94	1.92	1.82	1.56	1.80	1.99	1.72	1.61	1.77
6 Netherlands	5.09	4.30	2.91	2.70	2.82	2.92	2.99	2.94	2.95	3.12
7 France	5.72	6.43	3.81	3.63	3.39	3.35	3.33	3.23	3.22	3.26
8 Italy	8.45	10.43	8.79	8.42	7.99	7.40	7.22	7.21	7.33	7.40
9 Belgium	5.65	4.73	3.19	3.04	3.02	3.03	3.01	3.00	3.10	3.40
10 Japan	2.24	1.20	.58	.53	.52	.51	.51	.53	.54	.55

1. Rates are for three-month interbank loans, with the following exceptions: Canada, finance company paper; Belgium, three-month Treasury bills; and Japan, CD rate.

3.28 FOREIGN EXCHANGE RATES[1]

Currency units per dollar except as noted

Country/currency unit	1994	1995	1996	1996			1997		
				Oct.	Nov	Dec.	Jan.	Feb.	Mar.
1 Australia/dollar[2]	73.161	74.073	78.283	79.179	79.684	79.661	77.756	76.768	78.747
2 Austria/schilling	11.409	10.076	10.589	10.748	10.640	10.923	11.289	11.785	11.932
3 Belgium/franc	33.426	29.472	30.970	31.471	31.153	31.992	33.087	34.556	34.961
4 Canada/dollar	1.3664	1.3725	1.3638	1.3508	1.3381	1.3622	1.3494	1.3556	1.3725
5 China, P.R./yuan	8.6397	8.3700	8.3389	8.3299	8.3294	8.3290	8.3260	8.3227	8.3258
6 Denmark/krone	6.3561	5.5999	5.8003	5.8576	5.8053	5.9428	6.1199	6.3867	6.4628
7 Finland/markka	5.2340	4.3763	4.5948	4.5694	4.5512	4.6388	4.7766	4.9792	5.0632
8 France/franc	5.5459	4.9864	5.1158	5.1652	5.1156	5.2427	5.4145	5.6536	5.7154
9 Germany/deutsche mark	1.6216	1.4321	1.5049	1.5277	1.5118	1.5525	1.6047	1.6747	1.6946
10 Greece/drachma	242.50	231.68	240.82	239.76	238.38	245.70	251.54	262.42	266.86
11 Hong Kong/dollar	7.7290	7.7357	7.7345	7.7322	7.7323	7.7355	7.7397	7.7474	7.7460
12 India/rupee	31.394	32.418	35.506	35.804	35.839	35.882	35.904	35.891	35.885
13 Ireland/pound[2]	149.69	160.35	159.95	160.83	166.45	165.93	163.11	158.60	156.57
14 Italy/lira	1,611.49	1,629.45	1,542.76	1,523.82	1,513.66	1,528.44	1,567.91	1,655.00	1,691.21
15 Japan/yen	102.18	93.96	108.78	112.41	112.30	113.98	117.91	122.96	122.77
16 Malaysia/ringgit	2.6237	2.5073	2.5154	2.5074	2.5234	2.5251	2.4900	2.4866	2.4773
17 Netherlands/guilder	1.8190	1.6044	1.6863	1.7141	1.6958	1.7420	1.8023	1.8812	1.9071
18 New Zealand/dollar[2]	59.358	65.625	68.765	70.071	70.975	70.501	70.088	69.084	69.789
19 Norway/krone	7.0553	6.3355	6.4594	6.4810	6.3554	6.4716	6.4589	6.6323	6.7915
20 Portugal/escudo	165.93	149.88	154.28	154.28	152.83	156.54	160.53	168.24	170.35
21 Singapore/dollar	1.5275	1.4171	1.4100	1.4124	1.4025	1.3999	1.4061	1.4193	1.4378
22 South Africa/rand	3.5526	3.6284	4.3011	4.5799	4.6577	4.6873	4.6402	4.4557	4.4319
23 South Korea/won	806.93	772.69	805.00	828.24	830.56	841.92	854.07	868.39	882.62
24 Spain/peseta	133.88	124.64	126.68	128.60	127.28	130.69	134.79	141.85	143.72
25 Sri Lanka/rupee	49.170	51.047	55.289	57.016	56.987	56.730	57.278	57.772	57.873
26 Sweden/krona	7.7161	7.1406	6.7082	6.6006	6.6269	6.8283	7.0692	7.4069	7.6502
27 Switzerland/franc	1.3667	1.1812	1.2361	1.2586	1.2752	1.3290	1.3913	1.4541	1.4634
28 Taiwan/dollar	26.465	26.495	27.468	27.532	27.522	27.516	27.477	27.554	27.551
29 Thailand/baht	25.161	24.921	25.359	25.474	25.459	25.600	25.726	25.957	25.959
30 United Kingdom/pound[2]	153.19	157.85	156.07	158.63	166.23	166.39	165.85	162.56	160.96
MEMO									
31 United States/dollar[3]	91.32	84.25	87.34	87.99	86.97	88.71	91.01	94.52	95.60

1. Averages of certified noon buying rates in New York for cable transfers. Data in this table also appear in the Board's G.5 (405) monthly statistical release. For ordering address, see inside front cover.

2. Value in U.S. cents.

3. Index of weighted-average exchange value of U.S dollar against the currencies of ten industrial countries. The weight for each of the ten countries is the 1972–76 average world trade of that country divided by the average world trade of all ten countries combined. Series revised as of August 1978 (see *Federal Reserve Bulletin*, vol. 64 (August 1978), p. 700).

Guide to Statistical Releases and Special Tables

STATISTICAL RELEASES—List Published Semiannually, with Latest Bulletin *Reference*

SPECIAL TABLES—Data Published Irregularly, with Latest Bulletin *Reference*

4.20 DOMESTIC AND FOREIGN OFFICES Insured Commercial Bank Assets and Liabilities
Consolidated Report of Condition, December 31, 1996

Millions of dollars except as noted

Item	Total	Banks with foreign offices[1]			Banks with domestic offices only[2]	
		Total	Foreign	Domestic	Over 100	Under 100
1 **Total assets**[3]	**4,551,336**	**2,795,769**	**735,165**	**2,164,928**	**1,436,850**	**318,716**
2 Cash and balances due from depository institutions	334,890	238,795	81,501	157,294	79,275	16,820
3 Cash items in process of collection, unposted debits, and currency and coin		115,031	2,536	112,496	44,838	
4 Cash items in process of collection and unposted debits		n.a.	n.a.	84,414	29,822	
5 Currency and coin		n.a.	n.a.	28,082	15,016	
6 Balances due from depository institutions in the United States		37,612	14,908	22,704	20,750	n.a.
7 Balances due from banks in foreign countries and foreign central banks	n.a.	70,135	63,916	6,219	3,617	
8 Balances due from Federal Reserve Banks		16,017	141	15,876	10,070	
MEMO						
9 Non-interest-bearing balances due from commercial banks in the United States (included in balances due from depository institutions in the United States)		n.a.	n.a.	13,791	17,290	6,842
10 Total securities, held-to-maturity (amortized cost) and available-for-sale (fair value)	792,208	368,346	47,562	320,785	331,411	92,451
11 U.S. Treasury securities	165,291	69,266	1,778	67,488	72,264	23,761
12 U.S. government agency and corporation obligations (excludes mortgage-backed securities)	128,756	26,794	96	26,698	69,746	32,216
13 Issued by U.S. government agencies	6,022	2,667	n.a.	n.a.	2,274	1,081
14 Issued by U.S. government-sponsored agencies	122,734	24,127	n.a.	n.a.	67,472	31,135
15 Securities issued by states and political subdivisions in the United States	74,583	20,733	219	20,514	38,950	14,900
16 General obligations	56,035	14,869	n.a.	n.a.	30,221	10,945
17 Revenue obligations	18,054	5,699	n.a.	n.a.	8,465	3,890
18 Industrial development and similar obligations	494	165	n.a	n.a	264	66
19 Mortgage-backed securities (MBS)	333,390	181,574	4,302	177,273	133,261	18,555
20 Pass-through securities	222,798	125,175	4,283	120,892	86,002	11,621
21 Guaranteed by GNMA	76,534	49,864	n.a.	n.a.	23,160	3,510
22 Issued by FNMA and FHLMC	143,674	73,556	n.a.	n.a.	62,062	8,056
23 Privately issued	2,590	1,755	0	1,755	780	55
24 Other mortgage-backed securities (includes CMOs, REMICs, and stripped MBS)	110,592	56,399	19	56,381	47,259	6,934
25 Issued or guaranteed by FNMA, FHLMC or GNMA	88,768	42,655	0	42,655	39,596	6,517
26 Collateralized by MBS issued or guaranteed by FNMA, FHLMC, or GNMA	2,724	1,058	n.a.	n.a.	1,405	260
27 All other mortgage-backed securities	19,100	12,687	n.a.	n.a.	6,257	156
28 Other debt securities	68,437	57,378	39,906	17,472	9,456	1,603
29 Other domestic debt securities	n.a.	14,966	539	14,427	8,891	n.a.
30 Foreign debt securities	n.a.	42,412	39,366	3,045	566	n.a.
31 Equity securities	21,752	12,601	1,262	11,339	7,734	1,416
32 Investments in mutual funds	2,650	1,149	63	1,086	1,117	384
33 Other equity securities with readily determinable fair value	5,175	3,743	531	3,212	1,332	100
34 All other equity securities	13,927	7,709	668	7,042	5,285	933
35 Federal funds sold and securities purchased under agreements to resell	163,475	107,064	595	106,470	41,461	14,950
36 Federal funds sold	145,373	92,273	n.a.	n.a.	38,373	14,727
37 Securities purchased under agreements to resell	18,102	14,791	n.a.	n.a.	3,088	223
38 Total loans- and lease-financing receivables, gross	2,800,446	1,679,814	322,110	1,357,704	935,166	185,466
39 LESS: Unearned income on loans	4,754	2,031	1,028	1,003	1,942	781
40 Total loans and leases (net of unearned income)	2,795,693	1,677,783	321,083	1,356,701	933,224	184,685
41 LESS: Allowance for loan and lease losses	53,425	33,460	n.a.	n.a.	17,241	2,724
42 LESS: Allocated transfer risk reserves	39	39	n.a.	n.a.	0	0
43 EQUALS: Total loans and leases, net	2,742,228	1,644,285	n.a.	n.a.	915,982	181,961
Total loans and leases, gross, by category						
44 Loans secured by real estate	1,131,946	563,018	28,046	534,972	463,954	104,975
45 Construction and land development				29,672	38,152	8,032
46 Farmland				2,643	10,853	11,383
47 One- to four-family residential properties				346,591	250,292	54,298
48 Revolving, open-end loans, extended under lines of credit	n.a.	n.a.	n.a.	51,667	30,792	2,792
49 All other loans				294,924	219,500	51,506
50 Multifamily (five or more) residential properties				18,632	17,127	2,303
51 Nonfarm nonresidential properties				137,435	147,530	28,959
52 Loans to depository institutions	114,079	106,303	43,600	62,704	7,581	195
53 Commercial banks in the United States	n.a.	53,949	3,412	50,538	7,000	n.a.
54 Other depository institutions in the United States	n.a.	7,486	174	7,312	387	n.a.
55 Banks in foreign countries	n.a	44,868	40,014	4,854	194	n.a.
56 Loans to finance agricultural production and other loans to farmers	41,131	7,510	30	6,727	15,122	18,499
57 Commercial and industrial loans	705,889	523,612	140,301	383,311	151,288	30,989
58 U.S. addressees (domicile)	n.a.	407,888	29,084	378,804	150,734	n.a.
59 Non-U.S. addressees (domicile)	n.a.	115,724	111,217	4,507	553	n.a.
60 Acceptances of other banks	1,542	1,267	776	491	203	72
61 U.S. banks	n.a.	237	0	237	n.a.	n.a.
62 Foreign banks	n.a.	1,030	776	253	n.a.	n.a.
63 Loans to individuals for household, family, and other personal expenditures (includes purchased paper)	558,476	263,259	33,146	230,113	267,003	28,215
64 Credit cards and related plans	234,291	97,531	n.a.	n.a.	134,990	1,770
65 Other (includes single payment and installment)	324,185	165,729	n.a.	n.a.	132,012	26,444
66 Obligations (other than securities) of states and political subdivisions in the United States (includes nonrated industrial development obligations)	18,353	9,895	30	9,865	7,530	928
67 All other loans	151,284	140,193	70,443	69,751	10,178	913
68 Loans to foreign governments and official institutions	n.a.	10,732	9,751	981	35	n.a.
69 Other loans	n.a.	129,461	60,691	68,769	10,144	n.a.
70 Loans for purchasing and carrying securities	n.a.	n.a.	n.a.	17,179	1,861	n.a.
71 All other loans (excludes consumer loans)	n.a.	n.a.	n.a.	51,590	8,283	n.a.
72 Lease-financing receivables	77,746	64,756	4,986	59,770	12,307	682
73 Assets held in trading accounts	240,815	239,783			956	1
74 Premises and fixed assets (including capitalized leases)	64,056	37,131			21,235	5,690
75 Other real estate owned	5,413	3,181		n.a.	1,743	489
76 Investments in unconsolidated subsidiaries and associated companies	6,153	5,712			416	26
77 Customers' liability on acceptances outstanding	18,247	17,920	n.a.		312	16
78 Net due from own foreign offices, Edge Act and agreement subsidiaries, and IBFs	n.a.	n.a.		40,745	n.a.	n.a.
79 Intangible assets	44,510	31,992		n.a.	11,741	776
80 Other assets	139,340	101,559		n.a.	32,318	5,463

4.20 DOMESTIC AND FOREIGN OFFICES Insured Commercial Bank Assets and Liabilities—Continued
Consolidated Report of Condition, December 31, 1996

Millions of dollars except as noted

Item	Total	Banks with foreign offices[1]			Banks with domestic offices only[2]	
		Total	Foreign	Domestic	Over 100	Under 100
81 **Total liabilities, limited-life preferred stock, and equity capital**	**4,551,336**	**2,795,769**	n.a.	n.a.	**1,436,850**	**318,716**
82 **Total liabilities**	**4,177,507**	**2,584,890**	**735,165**	**1,954,048**	**1,306,951**	**285,667**
83 Total deposits	3,175,019	1,825,641	473,319	1,352,322	1,073,520	275,858
84 Individuals, partnerships, and corporations	2,808,190	1,563,098	307,017	1,256,081	994,745	250,346
85 U.S. government	n.a.	n.a.	n.a.	6,053	2,687	486
86 States and political subdivisions in the United States	n.a.	n.a.	n.a.	40,357	54,226	20,864
87 Commercial banks in the United States	63,017	53,332	30,262	23,070	8,728	958
88 Other depository institutions in the United States	n.a.	n.a.	n.a.	3,116	3,103	1,215
89 Banks in foreign countries	n.a.	98,999	92,098	6,901	234	n.a.
90 Foreign governments and official institutions	n.a.	36,467	34,906	1,561	33	n.a.
91 Certified and official checks	18,422	9,113	855	8,258	7,340	1,969
92 Residual[4]	285,390	64,631	8,182	n.a	n.a	21
93 Total transaction accounts				422,026	289,298	82,018
94 Individuals, partnerships, and corporations				361,311	251,902	71,434
95 U.S. government				4,079	2,388	383
96 States and political subdivisions in the United States				15,065	17,848	7,705
97 Commercial banks in the United States				23,070	8,728	404
98 Other depository institutions in the United States				2,386	855	106
99 Banks in foreign countries				6,901	234	n.a.
100 Foreign governments and official institutions				956	5	n.a.
101 Certified and official checks				8,258	7,340	1,969
102 Residual[4]				n.a.	n.a.	17
103 Demand deposits (included in total transaction accounts)				362,799	194,101	42,485
104 Individuals, partnerships, and corporations				307,242	168,552	37,994
105 U.S. government				4,041	2,342	372
106 States and political subdivisions in the United States				9,950	6,052	1,628
107 Commercial banks in the United States				23,070	8,726	403
108 Other depository institutions in the United States				2,385	850	103
109 Banks in foreign countries	n.a.	n.a.	n.a.	6,901	234	n.a.
110 Foreign governments and official institutions				952	5	n.a.
111 Certified and official checks				8,258	7,340	1,969
112 Residual[4]				n.a.	n.a.	17
113 Total nontransaction accounts				930,295	784,222	193,840
114 Individuals, partnerships, and corporations				894,770	742,844	178,912
115 U.S. government				1,974	299	103
116 States and political subdivisions in the United States				25,292	36,378	13,159
117 Commercial banks in the United States				6,655	2,156	554
118 U.S. branches and agencies of foreign banks				0	0	n.a.
119 Other commercial banks in the United States				0	0	n.a.
120 Other depository institutions in the United States				730	2,248	1,108
121 Banks in foreign countries				269	268	n.a.
122 Foreign branches of other U.S. banks				0	0	n.a
123 Other banks in foreign countries				0	0	n.a.
124 Foreign governments and official institutions				605	28	n.a.
125 Residual[4]				n.a.	n.a.	4
126 Federal funds purchased and securities sold under agreements to repurchase	315,652	225,163	2,485	222,678	87,187	3,303
127 Federal funds purchased	238,029	177,636	n.a.	n.a.	58,791	1,602
128 Securities sold under agreements to repurchase	77,623	47,527	n.a.	n.a.	28,396	1,700
129 Demand notes issued to the U.S. Treasury	21,833	18,393	0	18,393	3,262	178
130 Trading liabilities	150,480	150,374	n.a.	n.a.	106	0
131 Other borrowed money	336,604	217,317	81,620	135,697	115,934	3,353
132 Banks' liability on acceptances executed and outstanding	18,265	17,937	4,317	13,620	312	16
133 Notes and debentures subordinated to deposits	50,948	46,230	n.a.	n.a	4,696	21
134 Net due to own foreign offices, Edge Act and agreement subsidiaries, and IBFs	n.a.	n.a.	n.a.	63,579	n.a	n.a.
135 All other liabilities	108,706	83,835	n.a.	n.a.	21,933	2,937
136 **Total equity capital**	**373,274**	**210,329**	n.a.	n.a.	**129,896**	**33,049**
MEMO						
137 Holdings of commercial paper included in total loans, gross		300	52	248	1,111	n.a.
138 Total individual retirement (IRA) and Keogh plan accounts				70,033	66,051	15,150
139 Total brokered deposits				24,422	20,801	1,119
140 Fully insured brokered deposits				19,808	17,892	1,058
141 Issued in denominations of less than $100,000				2,247	2,882	822
142 Issued in denominations of $100,000, or in denominations greater than $100,000 and participated out by the broker in shares of $100,000 or less	n.a.	n.a.	n.a.	17,560	15,010	236
143 Money market deposit accounts (MMDAs)				347,214	184,771	28,176
144 Other savings deposits (excluding MMDAs)				157,385	134,886	28,910
145 Total time deposits of less than $100,000				268,986	338,157	104,420
146 Time certificates of deposit of $100,000 or more				136,809	123,769	31,486
147 Open-account time deposits of $100,000 or more				19,901	2,638	847
148 All negotiable order of withdrawal (NOW) accounts				58,788	93,480	38,521
149 Number of banks	9,509	182	n.a.	n.a	2,814	6,513

Footnotes appear at the end of table 4.22

4.22 DOMESTIC OFFICES Insured Commercial Bank Assets and Liabilities Consolidated Report of Condition, December 31, 1996

Millions of dollars except as noted

Item	Total	Members			Nonmembers
		Total	National	State	
1 **Total assets**	**3,920,494**	**3,020,759**	**2,233,021**	**787,738**	**899,736**
2 Cash and balances due from depository institutions	253,389	208,068	161,091	46,977	45,321
3 Total securities, held-to-maturity (amortized cost) and available-for-sale (fair value)	423,862	230,557	174,947	55,610	193,305
4 U.S. Treasury securities	96,025	49,841	36,121	13,720	46,184
5 U.S. government agency and corporation obligations (excludes mortgage-backed securities)	101,962	49,685	37,782	11,903	52,276
6 Securities issued by states and political subdivisions in the United States	53,850	28,046	20,299	7,748	25,803
7 Mortgage-backed securities (MBS)	151,815	91,389	71,289	20,101	60,426
8 Pass-through securities	97,623	59,953	47,004	12,949	37,670
9 Issued or guaranteed by FNMA, FHLMC, or GNMA	96,788	59,420	46,657	12,764	37,367
10 Other pass-through securities	835	533	347	186	303
11 Other mortgage-backed securities (includes CMOs, REMICs, and stripped MBS)	54,192	31,436	24,285	7,151	22,756
12 Issued or guaranteed by FNMA, FHLMC, or GNMA	46,114	26,967	21,210	5,756	19,147
13 All other mortgage-backed securities	8,079	4,470	3,075	1,395	3,609
14 Other debt securities	11,059	6,065	5,075	990	4,995
15 Equity securities	9,151	5,530	4,382	1,148	3,620
16 Investments in mutual funds	1,501	752	620	132	748
17 Other equity securities with readily determinable fair values	1,432	655	529	126	778
18 All other equity securities	6,218	4,124	3,233	890	2,094
19 Federal funds sold and securities purchased under agreements to resell	162,880	134,229	91,737	42,492	28,652
20 Total loans- and lease-financing receivables, gross	2,478,336	1,901,763	1,471,821	429,942	576,573
21 LESS: Unearned income on loans	3,726	2,040	1,557	484	1,686
22 Total loans and leases (net of unearned income)	2,474,610	1,899,723	1,470,265	429,458	574,887
Total loans and leases, gross, by category					
23 Loans secured by real estate	1,103,901	801,034	622,760	178,273	302,867
24 Construction and land development	75,856	50,364	38,851	11,513	25,492
25 Farmland	24,878	11,722	9,046	2,677	13,156
26 One- to four-family residential properties	651,181	494,357	384,043	110,314	156,824
27 Revolving, open-end loans, extended under lines of credit	85,251	68,450	55,019	13,431	16,801
28 All other loans	565,929	425,906	329,024	96,883	140,023
29 Multifamily (five or more) residential properties	38,062	26,709	20,480	6,229	11,353
30 Nonfarm nonresidential properties	313,923	217,882	170,341	47,541	96,041
31 Loans to depository institutions	70,480	65,968	60,566	5,402	4,512
32 Loans to finance agricultural production and other loans to farmers	40,348	20,844	16,635	4,210	19,504
33 Commercial and industrial loans	565,588	463,196	340,044	123,152	102,392
34 Acceptances of other banks	766	499	225	274	267
35 Loans to individuals for household, family, and other personal expenditures (includes purchased paper)	525,330	396,214	329,800	66,415	129,116
36 Obligations (other than securities) of states and political subdivisions in the United States	18,323	14,849	11,286	3,562	3,474
37 All other loans	80,841	75,208	44,657	30,551	5,634
38 Lease-financing receivables	72,759	63,952	45,849	18,103	8,808
39 Net due from own foreign offices, Edge Act and agreement subsidiaries, and IBFs	40,745	38,250	13,216	25,034	2,495
40 Remaining assets	565,008	509,932	321,765	188,167	55,076
41 **Total liabilities**	**3,546,666**	**2,734,266**	**2,025,495**	**708,771**	**812,400**
42 Total deposits	2,701,700	2,013,824	1,525,675	488,149	687,876
43 Individuals, partnerships, and corporations	2,501,173	1,866,379	1,415,177	451,202	634,794
44 U.S. government	9,227	7,754	6,621	1,133	1,473
45 States and political subdivisions in the United States	115,447	75,589	54,221	21,368	39,858
46 Commercial banks in the United States	32,756	30,513	24,771	5,743	2,242
47 Other depository institutions in the United States	7,433	4,810	4,001	809	2,623
48 Certified and official checks	17,567	12,770	9,603	3,167	4,797
49 Banks in foreign countries, foreign governments, and foreign official institutions	8,750	8,219	3,930	4,288	531
50 Total transaction accounts	793,343	604,043	457,040	147,003	189,300
51 Individuals, partnerships, and corporations	684,647	517,758	392,694	125,064	166,888
52 U.S. government	6,851	5,629	4,559	1,070	1,222
53 States and political subdivisions in the United States	40,617	27,160	19,934	7,226	13,458
54 Commercial banks in the United States	32,202	30,301	24,616	5,685	1,901
55 Other depository institutions in the United States	3,347	2,816	2,262	555	530
56 Certified and official checks	17,567	12,770	9,603	3,167	4,797
57 Banks in foreign countries, foreign governments, and foreign official institutions	8,113	7,609	3,373	4,236	504
58 Demand deposits (included in total transaction accounts)	599,385	482,741	364,575	118,166	116,644
59 Individuals, partnerships, and corporations	513,788	409,970	310,126	99,844	103,818
60 U.S. government	6,755	5,571	4,510	1,061	1,184
61 States and political subdivisions in the United States	17,630	13,712	10,092	3,620	3,918
62 Commercial banks in the United States	32,199	30,299	24,614	5,685	1,900
63 Other depository institutions in the United States	3,339	2,815	2,260	554	524
64 Certified and official checks	17,567	12,770	9,603	3,167	4,797
65 Banks in foreign countries, foreign governments, and foreign official institutions	8,108	7,605	3,369	4,236	503
66 Total nontransaction accounts	1,908,357	1,409,780	1,068,634	341,146	498,577
67 Individuals, partnerships, and corporations	1,816,526	1,348,621	1,022,483	326,138	467,905
68 U.S. government	2,376	2,125	2,062	63	251
69 States and political subdivisions in the United States	74,829	48,429	34,288	14,142	26,400
70 Commercial banks in the United States	9,364	7,584	7,235	349	1,780
71 Other depository institutions in the United States	4,087	1,994	1,739	255	2,093
72 Banks in foreign countries, foreign governments, and foreign official institutions	637	610	557	52	28

4.22 DOMESTIC OFFICES Insured Commercial Bank Assets and Liabilities—Continued
Consolidated Report of Condition, December 31, 1996

Millions of dollars except as noted

Item	Total	Members			Nonmembers
		Total	National	State	
73 Federal funds purchased and securities sold under agreements to repurchase	313,167	269,063	182,817	86,246	44,105
74 Demand notes issued to the U.S. Treasury	21,833	20,360	10,456	9,904	1,473
75 Other borrowed money	254,984	200,879	157,613	43,266	54,105
76 Banks liability on acceptances executed and outstanding	13,948	13,625	9,428	4,197	323
77 Net due to own foreign offices, Edge Act and agreement subsidiaries, and IBFs	63,579	54,683	40,565	14,118	8,896
78 Remaining liabilities	177,456	161,833	98,941	62,892	15,623
MEMO					
79 Trading assets at large banks[5]	65,170	64,785	29,578	35,207	385
80 U.S. Treasury securities (domestic offices)	9,184	9,119	4,262	4,857	65
81 U.S. government agency corporation obligations	2,527	2,482	2,342	140	45
82 Securities issued by states and political subdivisions in the United States	937	922	584	338	14
83 Mortgage-backed securities	3,140	3,106	613	2,493	34
84 Other debt securities	4,493	4,493	2,651	1,841	0
85 Certificates of deposit	1,063	1,063	523	540	0
86 Commercial paper	343	213	213	0	130
87 Bankers acceptances	1,743	1,720	1,014	706	22
88 Other trading assets	4,977	4,919	1,486	3,432	58
89 Revaluation gains on interest rate, foreign exchange rate, and other commodity and equity contracts	36,762	36,746	15,889	20,857	17
90 Total individual retirement (IRA) and Keogh plan accounts	151,234	111,249	86,331	24,918	39,985
91 Total brokered deposits	46,342	31,827	24,214	7,614	14,515
92 Fully insured brokered deposits	38,758	26,999	20,463	6,535	11,759
93 Issued in denominations of less than $100,000	5,952	3,717	2,984	733	2,234
94 Issued in denominations of $100,000, or in denominations greater than $100,000 and participated out by the broker in shares of $100,000 or less	32,806	23,281	17,479	5,802	9,525
95 Money market deposit accounts (MMDAs)	560,162	457,308	352,667	104,641	102,853
96 Other savings deposits	321,182	244,493	178,829	65,664	76,688
97 Total time deposits of less than $100,000	711,563	486,008	378,764	107,244	225,555
98 Time certificates of deposit of $100,000 or more	292,065	201,471	152,932	48,539	90,594
99 Open-account time deposits of $100,000 or more	23,386	20,500	5,442	15,058	2,887
100 All negotiable order of withdrawal (NOW) accounts	190,789	119,697	91,134	28,562	71,092
101 Number of banks	9,509	3,744	2,729	1,015	5,765

NOTE. The notation "n.a." indicates the lesser detail available from banks that don't have foreign offices, the inapplicability of certain items to banks that have only domestic offices or the absence of detail on a fully consolidated basis for banks that have foreign offices.

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

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

2. "Over 100" refers to banks whose assets, on June 30 of the preceding calendar year, were $100 million or more. (These banks file the FFIEC 032 or FFIEC 033 Call Report.) "Under 100" refers to banks whose assets, on June 30 of the preceding calendar year, were less than $100 million. (These banks file the FFIEC 034 Call Report.)

3. Because the domestic portion of allowances for loan and lease losses and allocated transfer risk reserves are not reported for banks with foreign offices, the components of total assets (domestic) do not sum to the actual total (domestic).

4. "Residual" equals the sum of the "n.a." categories listed above it.

5. Components of "Trading assets at large banks" are reported only by banks with either total assets of $1 billion or more or with $2 billion or more in the par/notional amount of their off-balance-sheet derivative contracts.

4.23 TERMS OF LENDING AT COMMERCIAL BANKS Survey of Loans Made, February 3–7, 1997[1]

Commercial and industrial loans

Type and maturity of loan	Amount of loans (thousands of dollars)	Average size (thousands of dollars)	Weighted average maturity[2]	Loan rate (percent)		Loans secured by collateral (percent)	Loans made under commitment (percent)	Participation loans (percent)	Most common base pricing rate[5]
			Days	Weighted average effective[3]	Standard error[4]				
ALL BANKS									
1 Overnight[6]	14,059,455	9,795	*	5.94	.22	10.3	56.0	1.5	Other
2 One month or less (excluding overnight)	12,507,927	1,433	18	6.58	.16	25.7	80.5	5.3	Other
3 Fixed rate	9,735,318	2,423	17	6.56	.16	25.6	86.1	6.2	Other
4 Floating rate	2,772,609	589	19	6.65	.26	25.9	60.7	1.8	Domestic
5 More than one month and less than one year	13,897,547	202	161	7.51	.15	46.5	88.5	9.1	Prime
6 Fixed rate	5,249,575	300	148	6.68	.22	38.4	86.1	5.9	Foreign
7 Floating rate	8,647,972	169	168	8.01	.20	51.5	90.0	11.0	Prime
8 Demand[7]	15,579,044	341	*	7.15	.19	49.5	48.8	4.6	Prime
9 Fixed rate	5,149,169	1,318	*	6.22	.30	15.1	30.1	11.0	Domestic
10 Floating rate	10,429,875	250	*	7.61	.19	66.4	58.1	1.5	Prime
11 **Total short-term**	**56,043,973**	**450**	**61**	**6.81**	**.15**	**33.6**	**67.5**	**5.1**	**Other**
12 Fixed rate (thousands of dollars)	33,960,193	1,267	34	6.28	.21	19.8	65.1	5.0	Other
13 1–99	308,494	16	158	9.63	.08	81.5	41.9	.9	Other
14 100–499	512,871	220	112	7.83	.14	70.6	74.8	13.2	Other
15 500–999	631,138	683	67	7.20	.09	51.1	90.2	12.2	Foreign
16 1,000–4,999	5,135,464	2,350	45	6.69	.14	38.0	82.9	6.1	Foreign
17 5,000–9,999	4,850,149	6,802	35	6.51	.06	24.6	77.4	8.0	Other
18 10,000 or more	22,522,079	21,450	26	6.02	.05	11.8	57.7	3.8	Other
19 Floating rate (thousands of dollars)	22,083,779	226	129	7.62	.19	54.8	71.4	5.3	Prime
20 1–99	1,903,568	26	161	9.57	.05	77.1	88.2	1.0	Prime
21 100–499	3,542,919	196	151	9.08	.06	75.0	90.6	4.8	Prime
22 500–999	1,715,339	677	159	8.63	.08	67.2	91.1	5.7	Prime
23 1,000–4,999	4,479,098	1,995	162	8.13	.19	62.8	84.5	10.9	Prime
24 5,000–9,999	2,165,760	6,513	86	6.85	.32	44.3	73.4	3.1	Other
25 10,000 or more	8,277,095	21,767	98	6.28	.27	36.8	47.5	3.9	Domestic
			Months						
26 **Total long-term**	**10,413,252**	**323**	**46**	**7.95**	**.14**	**58.5**	**87.5**	**8.0**	**Prime**
27 Fixed rate (thousands of dollars)	2,295,540	183	45	7.58	.24	56.3	79.3	5.0	Other
28 1–99	205,530	21	47	9.58	.14	94.1	31.7	2.3	Other
29 100–499	459,102	230	57	8.79	.15	89.4	50.8	2.2	Other
30 500–999	135,786	701	41	8.07	.31	61.2	80.3	9.5	Other
31 1,000 or more	1,495,121	3,944	42	6.88	.20	40.5	94.5	5.8	Domestic
32 Floating rate (thousands of dollars)	8,117,712	413	47	8.05	.14	59.1	89.8	8.8	Prime
33 1–99	336,204	29	47	9.58	.06	85.7	76.8	3.5	Prime
34 100–499	1,262,346	234	46	8.99	.07	75.8	83.5	9.0	Prime
35 500–999	812,436	679	39	8.48	.08	64.6	90.8	8.5	Prime
36 1,000 or more	5,706,726	3,809	48	7.69	.26	53.1	91.7	9.2	Prime
			Days	Loan rate (percent)					Prime rate[9]
				Effective[3]	Nominal[8]				
LOANS MADE BELOW PRIME[10]									
37 Overnight[6]	13,952,324	11,170	*	5.91	5.75	9.7	55.7	1.5	8.25
38 One month or less (excluding overnight)	11,659,552	3,214	17	6.37	6.18	23.8	79.9	5.2	8.25
39 More than one month and less than one year	8,662,760	837	154	6.40	6.23	31.3	89.4	8.3	8.29
40 Demand[7]	10,543,049	2,217	*	6.18	6.06	34.5	33.5	5.6	8.25
41 **Total short-term**	**44,817,684**	**2,243**	**45**	**6.19**	**6.02**	**23.4**	**63.3**	**4.7**	**8.26**
42 Fixed rate	32,649,184	3,388	31	6.15	5.99	18.1	64.4	5.0	8.25
43 Floating rate	12,168,500	1,176	105	6.28	6.10	37.7	60.2	4.0	8.27
			Months						
44 **Total long-term**	**4,877,869**	**765**	**46**	**6.64**	**6.46**	**44.1**	**89.0**	**6.4**	**8.27**
45 Fixed rate	1,502,996	466	43	6.63	6.48	41.0	89.8	3.2	8.29
46 Floating rate	3,374,873	1,072	47	6.64	6.45	45.5	88.7	7.7	8.27

Footnotes appear at the end of the table.

4.23 TERMS OF LENDING AT COMMERCIAL BANKS Survey of Loans Made, February 3–7, 1997[1]—Continued

Commercial and industrial loans—Continued

Type and maturity of loan	Amount of loans (thousands of dollars)	Average size (thousands of dollars)	Weighted average maturity[2]	Loan rate (percent)		Loans secured by collateral (percent)	Loans made under commitment (percent)	Partici-pation loans (percent)	Most common base pricing rate[5]
			Days	Weighted average effective[3]	Standard error[4]				
LARGE BANKS									
1 Overnight[6]	11,580,487	10,154	*	5.99	.20	10.8	57.3	1.8	Other
2 One month or less (excluding overnight)	10,951,112	3,224	17	6.53	.14	22.6	80.7	4.7	Other
3 Fixed rate	8,716,397	4,516	17	6.58	.08	23.9	87.3	5.7	Other
4 Floating rate	2,234,715	1,524	18	6.34	.26	17.2	54.7	1.2	Domestic
5 More than one month and less than one year	8,847,833	560	146	6.97	.13	32.8	91.2	8.1	Foreign
6 Fixed rate	3,995,198	2,333	132	6.45	.14	30.3	90.6	5.7	Foreign
7 Floating rate	4,852,634	345	158	7.40	.19	34.9	91.7	10.0	Prime
8 Demand[7]	13,398,289	565	*	6.94	.16	46.0	42.2	5.1	Domestic
9 Fixed rate	4,821,836	3,920	*	6.17	.20	11.2	26.5	11.8	Domestic
10 Floating rate	8,576,453	381	*	7.37	.19	65.5	51.0	1.3	Prime
11 **Total short-term**	**44,777,721**	**1,016**	**48**	**6.60**	**.13**	**28.6**	**65.2**	**4.7**	**Other**
12 Fixed rate (thousands of dollars)	28,880,594	4,820	29	6.26	.13	17.6	65.5	5.2	Other
13 1–99	37,409	35	148	8.37	.10	79.4	88.7	1.3	Other
14 100–499	232,145	247	62	7.36	.04	58.2	91.4	5.7	Other
15 500–999	427,604	695	54	7.08	.09	38.4	92.1	8.4	Other
16 1,000–4,999	4,249,626	2,361	45	6.76	.15	37.6	85.9	6.1	Foreign
17 5,000–9,999	4,350,022	6,855	33	6.53	.04	21.9	77.6	7.9	Other
18 10,000 or more	19,583,788	21,345	23	6.06	.05	11.3	57.5	4.3	Other
19 Floating rate (thousands of dollars)	15,897,126	418	110	7.21	.18	48.4	64.7	3.9	Prime
20 1–99	769,567	31	159	9.37	.10	72.5	91.9	1.5	Prime
21 100–499	1,937,808	205	154	8.95	.07	69.6	92.4	3.3	Prime
22 500–999	1,023,267	677	154	8.54	.10	61.0	92.8	5.6	Prime
23 1,000–4,999	2,883,909	2,042	141	7.80	.13	55.2	84.5	6.2	Prime
24 5,000–9,999	1,727,852	6,519	90	6.83	35	46.0	68.4	2.4	Other
25 10,000 or more	7,554,724	22,533	85	6.22	.29	36.8	42.5	3.6	Fed funds

Type and maturity of loan	Amount of loans (thousands of dollars)	Average size (thousands of dollars)	Months	Weighted average effective[3]	Standard error[4]	Loans secured by collateral (percent)	Loans made under commitment (percent)	Partici-pation loans (percent)	Most common base pricing rate[5]
26 **Total long-term**	**7,508,208**	**801**	**45**	**7.73**	**.13**	**52.3**	**92.2**	**6.9**	**Prime**
27 Fixed rate (thousands of dollars)	1,331,739	838	41	7.02	.22	43.2	92.7	7.0	Domestic
28 1–99	25,415	32	43	9.26	.30	79.8	63.4	2.9	Other
29 100–499	97,028	227	47	8.29	.21	67.2	71.4	6.1	Other
30 500–999	79,091	688	41	8.05	.28	58.1	88.2	9.5	Other
31 1,000 or more	1,130,205	4,299	41	6.79	.21	39.3	95.5	7.0	Domestic
32 Floating rate (thousands of dollars)	6,176,469	793	46	7.89	.11	54.3	92.1	6.8	Prime
33 1–99	111,202	39	36	9.19	.05	74.3	89.3	3.2	Prime
34 100–499	719,379	242	37	8.83	.09	66.1	96.2	7.8	Prime
35 500–999	549,679	682	38	8.42	.11	57.2	93.3	7.4	Prime
36 1,000 or more	4,796,210	4,106	49	7.65	.27	51.7	91.4	6.7	Prime

Type and maturity of loan	Amount of loans (thousands of dollars)	Average size (thousands of dollars)	Days	Loan rate (percent)		Loans secured by collateral (percent)	Loans made under commitment (percent)	Partici-pation loans (percent)	Prime rate[9]
				Effective[3]	Nominal[8]				
LOANS MADE BELOW PRIME[10]									
37 Overnight[6]	11,483,048	11,343	*	5.96	5.79	10.1	56.9	1.8	8.25
38 One month or less (excluding overnight)	10,380,634	4,830	17	6.37	6.18	21.6	79.8	4.6	8.25
39 More than one month and less than one year	6,609,517	2,599	140	6.26	6.10	24.3	89.7	7.6	8.25
40 Demand[7]	9,799,241	3,252	*	6.14	6.02	33.6	29.0	5.8	8.25
41 **Total short-term**	**38,272,440**	**4,390**	**39**	**6.17**	**6.01**	**21.7**	**61.6**	**4.6**	**8.25**
42 Fixed rate	27,992,121	5,987	28	6.17	6.02	16.4	64.5	5.1	8.25
43 Floating rate	10,280,318	2,543	90	6.16	5.99	36.1	53.9	3.2	8.25
			Months						
44 **Total long-term**	**3,820,651**	**1,968**	**47**	**6.54**	**6.36**	**41.6**	**90.3**	**2.7**	**8.25**
45 Fixed rate	1,025,482	1,809	40	6.39	6.27	34.6	95.7	3.0	8.25
46 Floating rate	2,795,169	2,033	49	6.59	6.40	44.2	88.3	2.6	8.25

Footnotes appear at the end of the table.

4.23 TERMS OF LENDING AT COMMERCIAL BANKS Survey of Loans Made, February 3–7, 1997[1]—Continued

Commercial and industrial loans—Continued

Type and maturity of loan	Amount of loans (thousands of dollars)	Average size (thousands of dollars)	Weighted average maturity[2]	Loan rate (percent)		Loans secured by collateral (percent)	Loans made under commitment (percent)	Participation loans (percent)	Most common base pricing rate[5]
			Days	Weighted average effective[3]	Standard error[4]				
OTHER BANKS									
1 Overnight[6]	2,478,968	8,405	*	5.70	.38	8.0	50.0	.0	Fed funds
2 One month or less (excluding overnight)	1,556,815	292	21	6.91	.20	47.7	79.0	8.9	Foreign
3 Fixed rate	1,018,921	488	19	6.36	.25	40.1	75.6	11.3	Fed funds
4 Floating rate	537,894	166	24	7.95	.31	62.2	85.4	4.4	Prime
5 More than one month and less than one year	5,049,714	96	186	8.45	.18	70.5	83.8	10.9	Prime
6 Fixed rate	1,254,377	80	199	7.40	.25	64.0	71.6	6.7	Other
7 Floating rate	3,795,338	102	181	8.80	.23	72.7	87.8	12.3	Prime
8 Demand[7]	2,180,754	99	*	8.45	.23	70.7	89.7	2.1	Prime
9 Fixed rate	327,333	122	*	6.97	.46	71.6	82.3	.0	Other
10 Floating rate	1,853,421	96	*	8.71	.23	70.6	91.1	2.5	Prime
11 **Total short-term**	**11,266,252**	**140**	**107**	**7.63**	**.17**	**53.7**	**76.9**	**6.5**	**Prime**
12 Fixed rate (thousands of dollars)	5,079,599	244	57	6.33	.24	32.4	62.6	3.9	Fed funds
13 1–99	271,084	15	159	9.80	.11	81.8	35.4	.8	Other
14 100–499	280,726	202	144	8.21	.25	80.9	61.1	19.5	Other
15 500–999	203,534	659	96	7.46	.26	77.8	86.3	20.3	Foreign
16 1,000–4,999	885,837	2,300	44	6.32	.18	39.9	68.7	6.4	Fed funds
17 5,000–9,999	500,127	6,371	60	6.40	.22	48.4	75.2	8.7	Fed funds
18 10,000 or more	2,938,291	22,172	42	5.75	.47	15.1	59.5	.0	Fed funds
19 Floating rate (thousands of dollars)	6,186,653	104	162	8.70	.22	71.1	88.6	8.7	Prime
20 1–99	1,134,001	23	161	9.71	.02	80.3	85.7	.7	Prime
21 100–499	1,605,111	187	149	9.25	.09	81.5	88.3	6.5	Prime
22 500–999	692,072	678	166	8.75	.11	76.4	88.6	5.7	Prime
23 1,000–4,999	1,595,189	1,914	181	8.72	.32	76.4	84.6	19.4	Prime
24 5,000–9,999	437,908	6,491	67	6.96	.52	37.8	92.8	5.6	Prime
25 10,000 or more	722,371	16,061	175	6.85	.45	37.1	100.0	7.1	Foreign
			Months						
26 **Total long-term**	**2,905,043**	**127**	**49**	**8.50**	**.14**	**74.6**	**75.2**	**10.9**	**Prime**
27 Fixed rate (thousands of dollars)	963,800	88	51	8.35	.23	74.3	60.8	2.3	Other
28 1–99	180,115	20	48	9.63	.16	96.1	27.3	2.2	Other
29 100–499	362,074	231	60	8.93	.13	95.3	45.3	1.1	Other
30 500–999	56,695	720	42	8.11	.40	65.5	69.2	9.6	Other
31 1,000 or more	364,915	3,139	44	7.19	.15	44.0	91.4	2.3	Domestic
32 Floating rate (thousands of dollars)	1,941,243	164	48	8.58	.15	74.7	82.4	15.2	Prime
33 1–99	225,003	26	52	9.77	.09	91.4	70.6	3.7	Prime
34 100–499	542,967	226	59	9.21	.08	88.6	66.7	10.6	Prime
35 500–999	262,758	673	43	8.59	.15	80.1	85.7	10.9	Prime
36 1,000 or more	910,516	2,758	42	7.90	.31	60.8	93.6	22.0	Prime
			Days	Loan rate (percent)					Prime rate[9]
				Effective[3]	Nominal[8]				
LOANS MADE BELOW PRIME[10]									
37 Overnight[6]	2,469,276	10,433	*	5.68	5.53	7.9	49.9	.0	8.25
38 One month or less (excluding overnight)	1,278,917	865	20	6.30	6.11	41.4	80.0	10.2	8.26
39 More than one month and less than one year	2,053,243	263	199	6.85	6.65	53.9	88.5	10.3	8.41
40 Demand[7]	743,808	427	*	6.70	6.53	46.4	93.5	2.2	8.31
41 **Total short-term**	**6,545,245**	**581**	**76**	**6.29**	**6.11**	**33.2**	**72.8**	**5.5**	**8.31**
42 Fixed rate	4,657,063	939	48	6.02	5.86	28.1	64.1	4.3	8.27
43 Floating rate	1,888,182	300	158	6.94	6.73	46.0	94.4	8.5	8.39
			Months						
44 **Total long-term**	**1,057,218**	**238**	**42**	**7.00**	**6.81**	**53.3**	**84.3**	**19.6**	**8.36**
45 Fixed rate	477,514	180	52	7.13	6.93	54.8	77.0	3.9	8.37
46 Floating rate	579,704	327	34	6.89	6.70	52.0	90.3	32.5	8.35

Footnotes appear at the end of the table.

4.23 TERMS OF LENDING AT COMMERCIAL BANKS Survey of Loans Made, February 3–7, 1997[1]—Continued

NOTES

1. The survey of terms of bank lending to business collects data on gross loan extensions made during the first full business week in the mid-month of each quarter by a sample of 340 commercial banks of all sizes. A sample of 250 banks reports loans to farmers. The sample data are blown up to estimate the lending terms at all insured commercial banks during that week. The estimated terms of bank lending are not intended for use in collecting the terms of loans extended over the entire quarter or residing in the portfolios of those banks. Construction and land development loans include both unsecured loans and loans secured by real estate. Thus, some of the construction and land development loans would be reported on the statement of condition as real estate loans and the remainder as business loans. Mortgage loans, purchased loans, foreign loans, and loans of less that $1,000 are excluded from the survey. As of December 31, 1995, assets of most of the large banks were at least $7.0 billion. Median total assets for all insured banks were roughly $62.0 million.

2. Average maturities are weighted by loan size; excludes demand loans.

3. Effective (compounded) annual interest rate calculated from the stated rate and other terms of the loans and weighted by loan size.

4. The chances are about two out of three that the average rate shown would differ by less than the amount of the standard error from the average rate that would be found by a complete survey of lending at all banks.

5. The rate used to price the largest dollar volume of loans. Base pricing rates include the *prime* rate (sometimes referred to as a bank's "basic" or "reference" rate); the *federal funds* rate; *domestic* money market rates other than the *federal funds* rate; *foreign* money market rates; and *other* base rates not included in the foregoing classifications.

6. Overnight loans mature on the following business day.

7. Demand loans have no stated date of maturity.

8. Nominal (not compounded) annual interest rate calculated from the stated rate and other terms of the loans and weighted by loan size.

9. Calculated by weighting the prime rate reported by each bank by the volume of loans reported by that bank, summing the results, and then averaging over all reporting banks.

10. The proportion of loans made at rates below the prime may vary substantially from the proportion of such loans outstanding in banks' portfolios.

4.30 ASSETS AND LIABILITIES of U.S. Branches and Agencies of Foreign Banks, December 31, 1996

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]	**820,838**	**280,627**	**637,692**	**230,821**	**68,109**	**24,121**	**67,418**	**15,376**
2 Claims on nonrelated parties	725,194	135,246	559,935	110,476	63,048	9,368	61,235	9,059
3 Cash and balances due from depository institutions	109,440	77,814	96,345	67,036	2,897	2,322	8,323	7,359
4 Cash items in process of collection and unposted debits	2,656	0	2,541	0	15	0	60	0
5 Currency and coin (U.S. and foreign)	21	n.a.	14	n.a	2	n.a	1	n.a.
6 Balances with depository institutions in United States	63,138	40,011	56,336	35,043	2,195	1,688	3,819	3,004
7 U.S. branches and agencies of other foreign banks (including IBFs)	58,794	38,899	52,572	33,963	2,001	1,688	3,668	2,978
8 Other depository institutions in United States (including IBFs)	4,344	1,111	3,765	1,080	194	0	150	26
9 Balances with banks in foreign countries and with foreign central banks	42,660	37,803	36,624	31,993	637	634	4,426	4,355
10 Foreign branches of U.S. banks	1,136	918	812	609	0	0	301	301
11 Other banks in foreign countries and foreign central banks	41,524	36,885	35,812	31,384	637	634	4,125	4,054
12 Balances with Federal Reserve Banks	964	n.a.	830	n.a.	48	n.a.	18	n.a.
13 **Total securities and loans**	**462,759**	**48,257**	**327,963**	**36,043**	**55,054**	**6,144**	**42,521**	**1,409**
14 Total securities, book value	110,670	8,945	101,641	7,828	3,438	692	4,901	398
15 U.S. Treasury	31,901	n.a	30,432	n.a.	588	n.a.	751	n.a.
16 Obligations of U.S. government agencies and corporations	33,634	n.a.	32,733	n.a.	362	n.a.	403	n.a.
17 Other bonds, notes, debentures, and corporate stock (including state and local securities)	45,135	8,945	38,476	7,828	2,489	692	3,748	398
18 Securities of foreign governmental units	13,127	4,360	11,860	3,886	647	229	494	217
19 All Other	32,008	4,585	26,616	3,942	1,841	463	3,254	181
20 Federal funds sold and securities purchased under agreements to resell	53,867	6,475	48,299	5,186	1,226	636	3,269	138
21 U.S. branches and agencies of other foreign banks	11,392	4,326	10,293	3,986	612	257	202	76
22 Commercial banks in United States	11,943	277	10,862	269	145	0	686	8
23 Other	30,532	1,872	27,144	931	469	379	2,381	55
24 Total loans, gross	352,287	39,330	226,451	28,229	51,666	5,454	37,627	1,011
25 LESS: Unearned income on loans	199	18	130	14	51	2	7	0
26 EQUALS: Loans, net	352,089	39,312	226,322	28,215	51,616	5,452	37,620	1,011
Total loans, gross, by category								
27 Real estate loans	31,529	211	20,104	65	8,268	145	1,556	0
28 Loans to depository institutions	36,021	22,374	23,302	14,234	5,644	3,967	993	622
29 Commercial banks in United States (including IBFs)	12,379	6,927	7,350	4,203	4,035	2,550	399	112
30 U.S. branches and agencies of other foreign banks	11,138	6,706	6,406	3,992	3,979	2,540	171	112
31 Other commercial banks in United States	1,241	221	943	211	56	10	228	0
32 Other depository institutions in United States (including IBFs)	153	138	152	138	0	0	0	0
33 Banks in foreign countries	23,490	15,309	15,800	9,893	1,609	1,416	594	510
34 Foreign branches of U.S. banks	584	395	430	337	0	0	0	0
35 Other banks in foreign countries	22,906	14,915	15,369	9,557	1,609	1,416	594	510
36 Loans to other financial institutions	40,954	874	33,911	622	2,542	59	3,617	65
37 Commercial and industrial loans	221,482	13,529	129,669	11,128	34,424	1,244	30,408	319
38 U.S. addressees (domicile)	190,173	209	106,774	163	31,522	46	29,032	0
39 Non-U.S. addressees (domicile)	31,309	13,320	22,895	10,965	2,903	1,198	1,376	319
40 Acceptances of other banks	657	64	313	63	117	0	204	0
41 U.S. banks	49	0	27	0	5	0	6	0
42 Foreign banks	608	64	286	63	112	0	198	0
43 Loans to foreign governments and official institutions (including foreign central banks)	3,879	2,027	3,293	1,880	263	39	18	5
44 Loans for purchasing or carrying securities (secured and unsecured)	11,963	66	11,528	66	58	0	57	0
45 All other loans	5,484	186	4,029	171	349	0	760	0
46 Lease financing receivables (net of unearned income)	318	0	303	0	0	0	15	0
47 U.S. addressees (domicile)	312	0	297	0	0	0	15	0
48 Non-U.S. addressees (domicile)	5	0	5	0	0	0	0	0
49 Trading assets	64,266	246	58,870	235	213	7	5,176	5
50 All other assets	34,862	2,454	28,458	1,977	3,658	260	1,945	148
51 Customers' liabilities on acceptances outstanding	9,023	n.a	6,114	n.a.	2,180	n.a.	461	n.a.
52 U.S. addressees (domicile)	6,604	n.a.	4,173	n.a.	1,942	n.a.	361	n.a.
53 Non-U.S. addressees (domicile)	2,419	n.a.	1,941	n.a.	239	n.a.	100	n.a.
54 Other assets including other claims on nonrelated parties	25,839	2,454	22,344	1,977	1,478	260	1,484	148
55 Net due from related depository institutions[5]	95,645	145,381	77,757	120,345	5,061	14,753	6,183	6,317
56 Net due from head office and other related depository institutions[5]	95,645	n.a.	77,757	n.a.	5,061	n.a.	6,183	n.a.
57 Net due from establishing entity, head offices, and other related depository institutions[5]	n.a.	145,381	n.a.	120,345	n.a.	14,753	n.a.	6,317
58 **Total liabilities**[4]	**820,838**	**280,627**	**637,692**	**230,821**	**68,109**	**24,121**	**67,418**	**15,376**
59 Liabilities to nonrelated parties	678,757	260,779	575,385	217,386	42,359	23,053	40,921	11,613

4.30 ASSETS AND LIABILITIES of U.S. Branches and Agencies of Foreign Banks, December 31, 1996[1]—Continued

Millions of dollars except as noted

Item	All states[2]		New York		California		Illinois	
	Total excluding IBFs[3]	IBFs only[3]	Total excluding IBFs	IBFs only	Total excluding IBFs	IBFs only	Total excluding IBFs	IBFs only
60 Total deposits and credit balances	216,970	197,507	184,825	180,926	6,657	3,912	16,847	5,953
61 Individuals, partnerships, and corporations	158,416	13,908	130,953	9,187	4,761	633	14,582	73
62 U.S. addressees (domicile)	144,757	475	123,719	469	3,079	0	13,855	0
63 Non-U.S. addressees (domicile)	13,659	13,432	7,234	8,717	1,682	633	727	73
64 Commercial banks in United States (including IBFs)	27,274	41,687	25,236	39,550	528	735	1,353	1,290
65 U.S. branches and agencies of other foreign banks	16,730	36,786	15,631	35,264	173	630	836	811
66 Other commercial banks in United States	10,544	4,901	9,605	4,286	355	105	517	479
67 Banks in foreign countries	12,729	108,496	10,947	101,222	1,135	1,828	468	3,541
68 Foreign branches of U.S. banks	5,229	4,824	4,000	4,252	1,004	104	225	468
69 Other banks in foreign countries	7,500	103,673	6,948	96,970	131	1,723	243	3,073
70 Foreign governments and official institutions (including foreign central banks)	5,420	33,298	4,672	30,851	209	716	395	1,048
71 All other deposits and credit balances	12,754	118	12,682	117	4	0	42	1
72 Certified and official checks	377	↑	335	↑	19	↑	8	↑
73 Transaction accounts and credit balances (excluding IBFs)	8,406		6,778		364		311	
74 Individuals, partnerships, and corporations	6,560		5,206		305		294	
75 U.S addressees (domicile)	4,518		3,915		218		287	
76 Non-U.S. addressees (domicile)	2,042		1,291		87		7	
77 Commercial banks in United States (including IBFs)	39		34		1		0	
78 U.S. branches and agencies of other foreign banks	24		23		0		0	
79 Other commercial banks in United States	14		11		1		0	
80 Banks in foreign countries	860		694		30		6	
81 Foreign branches of U.S. banks	8		8		0		0	
82 Other banks in foreign countries	851		687		30		6	
83 Foreign governments and official institutions (including foreign central banks)	432		395		4		2	
84 All other deposits and credit balances	139		113		4		1	
85 Certified and official checks	377		335		19		8	
86 Demand deposits (included in transaction accounts and credit balances)	7,956		6,591		299		298	
87 Individuals, partnerships, and corporations	6,182		5,081		244		281	
88 U.S. addressees (domicile)	4,374		3,852		171		275	
89 Non-U.S. addressees (domicile)	1,808		1,229		73		6	
90 Commercial banks in United States (including IBFs)	36		33		0		0	
91 U.S. branches and agencies of other foreign banks	24	n.a.	23	n.a.	0	n.a.	0	n.a.
92 Other commercial banks in United States	2		10		0		0	
93 Banks in foreign countries	834		671		28		6	
94 Foreign branches of U.S. banks	8		8		0		0	
95 Other banks in foreign countries	826		664		28		6	
96 Foreign governments and official institutions (including foreign central banks)	423		391		4		2	
97 All other deposits and credit balances	103		80		3		1	
98 Certified and official checks	377		335		19		8	
99 Nontransaction accounts (including MMDAs, excluding IBFs)	208,564		178,047		6,293		16,535	
100 Individuals, partnerships, and corporations	151,856		125,747		4,456		14,288	
101 U.S. addressees (domicile)	140,239		119,804		2,861		13,567	
102 Non-U.S. addressees (domicile)	11,617		5,943		1,595		720	
103 Commercial banks in United States (including IBFs)	27,235		25,202		527		1,352	
104 U.S. branches and agencies of other foreign banks	16,706		15,608		173		836	
105 Other commercial banks in United States	10,529		9,594		354		517	
106 Banks in foreign countries	11,870		10,253		1,106		462	
107 Foreign branches of U.S. banks	5,221		3,992		1,004		225	
108 Other banks in foreign countries	6,649		6,261		102		237	
109 Foreign governments and official institutions (including foreign central banks)	4,988		4,276		204		393	
110 All other deposits and credit balances	12,615	↓	12,568	↓	0	↓	41	↓
111 IBF deposit liabilities	↑	197,507	↑	180,926	↑	3,912	↑	5,953
112 Individuals, partnerships, and corporations		13,908		9,187		633		73
113 U.S. addressees (domicile)		475		469		0		0
114 Non-U.S. addressees (domicile)		13,432		8,717		633		73
115 Commercial banks in United States (including IBFs)		41,687		39,550		735		1,290
116 U.S. branches and agencies of other foreign banks		36,786		35,264		630		811
117 Other commercial banks in United States	n.a.	4,901	n.a.	4,286	n.a.	105	n.a.	479
118 Banks in foreign countries		108,496		101,222		1,828		3,541
119 Foreign branches of U.S. banks		4,824		4,252		104		468
120 Other banks in foreign countries		103,673		96,970		1,723		3,073
121 Foreign governments and official institutions (including foreign central banks)		33,298		30,851		716		1,048
122 All other deposits and credit balances	↓	118	↓	117	↓	0	↓	1

Footnotes appear at end of table.

4.30 ASSETS AND LIABILITIES of U.S. Branches and Agencies of Foreign Banks, December 31, 1996[1]—Continued

Millions of dollars except as noted

Item	All states[2]		New York		California		Illinois	
	Total including IBFs[3]	IBFs only[3]	Total including IBFs	IBFs only	Total including IBFs	IBFs only	Total including IBFs	IBFs only
123 Federal funds purchased and securities sold under agreements to repurchase	92,091	19,259	78,072	12,138	8,013	4,455	5,420	2,502
124 U.S. branches and agencies of other foreign banks	14,999	5,771	9,400	2,220	4,138	2,786	1,147	691
125 Other commercial banks in United States	9,753	1,277	5,909	208	2,055	120	1,711	949
126 Other	67,339	12,211	62,764	9,710	1,820	1,549	2,563	862
127 Other borrowed money	89,617	41,123	57,393	21,800	20,537	14,470	8,171	3,064
128 Owed to nonrelated commercial banks in United States (including IBFs)	25,855	11,326	13,601	4,718	9,324	5,401	1,508	664
129 Owed to U.S. offices of nonrelated U.S. banks	9,815	1,859	5,641	400	3,300	1,279	396	62
130 Owed to U.S. branches and agencies of nonrelated foreign banks	16,040	9,467	7,960	4,318	6,024	4,122	1,111	601
131 Owed to nonrelated banks in foreign countries	31,891	27,122	19,415	14,862	8,941	8,848	2,297	2,286
132 Owed to foreign branches of nonrelated U.S banks	1,927	1,766	768	623	1,000	1,000	108	108
133 Owed to foreign offices of nonrelated foreign banks	29,964	25,357	18,647	14,239	7,941	7,848	2,189	2,178
134 Owed to others	31,872	2,674	24,377	2,220	2,271	221	4,367	115
135 All other liabilities	82,572	2,890	74,169	2,521	3,240	216	4,529	94
136 Branch or agency liability on acceptances executed and outstanding	9,273	n.a.	6,319	n.a.	2,189	n.a.	465	n.a
137 Trading liabilities	51,188	113	47,884	112	167	0	3,127	1
138 Other liabilities to nonrelated parties	22,110	2,777	19,966	2,409	884	216	937	92
139 Net due to related depository institutions[5]	142,081	19,848	62,308	13,436	25,750	1,068	26,497	3,763
140 Net owed to head office and other related depository institutions[5]	142,081	n.a.	62,308	n.a.	25,750	n.a.	26,497	n.a.
141 Net owed to establishing entity, head office, and other related depository institutions[5]	n.a.	19,848	n.a.	13,436	n.a.	1,068	n.a	3,763
MEMO								
142 Non-interest-bearing balances with commercial banks in United States	765	0	534	0	80	0	52	0
143 Holding of commercial paper included in total loans	1,660		1,474		21		150	
144 Holding of own acceptances included in commercial and industrial loans	5,031		3,671		1,099		162	
145 Commercial and industrial loans with remaining maturity of one year or less	127,630		74,165		19,639		19,660	
146 Predetermined interest rates	76,488	n.a.	46,411	n.a.	11,041	n.a.	13,563	n.a.
147 Floating interest rates	51,142		27,755		8,598		6,097	
148 Commercial and industrial loans with remaining maturity of more than one year	92,854		54,833		14,536		10,707	
149 Predetermined interest rates	20,356		12,906		2,448		3,352	
150 Floating interest rates	72,499		41,927		12,088		7,354	

4.30 ASSETS AND LIABILITIES of U.S. Branches and Agencies of Foreign Banks, December 31, 1996[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
151 Components of total nontransaction accounts, included in total deposits and credit balances of nontransaction accounts, including IBFs	210,094	n.a.	181,009	n.a.	5,962	n.a.	16,477	n.a.
152 Time CDs in denominations of $100,000 or more	170,214	n.a.	146,656	n.a.	4,411	n.a.	13,032	n.a.
153 Other time deposits in denominations of $100,000 or more	33,406	n.a.	28,259	n.a.	1,449	n.a.	3,244	n.a.
154 Time CDs in denominations of $100,000 or more with remaining maturity of more than 12 months	6,474	n.a.	6,094	n.a.	102	n.a.	201	n.a.
	All states[2] Total including IBFs	**All states[2] IBFs only**	**New York Total including IBFs**	**New York IBFs only**	**California Total including IBFs**	**California IBFs only**	**Illinois Total including IBFs**	**Illinois IBFs only**
155 Immediately available funds with a maturity greater than one day included in other borrowed money	46,802	n.a.	25,947	n.a.	15,396	n.a.	3,301	n.a.
156 Number of reports filed[6]	485	0	242	0	106	0	40	0

1. Data are aggregates of categories reported on the quarterly form FFIEC 002, "Report of Assets and Liabilities of U.S. Branches and Agencies of Foreign Banks." The form was first used for reporting data as of June 30, 1980, and was revised as of December 31, 1985. From November 1972 through May 1980, U.S. branches and agencies of foreign banks had filed a monthly FR 886a report. Aggregate data from that report were available through the Federal Reserve monthly statistical release G.11, last issued on July 10, 1980. Data in this table and in the G.11 tables are not strictly comparable because of differences in reporting panels and in definitions of balance sheet items.

2. Includes the District of Columbia.

3. Effective December 1981, the Federal Reserve Board amended Regulations D and Q to permit banking offices located in the United States to operate international banking facilities (IBFs). Since December 31, 1985, data for IBFs have been reported in a separate column. These data are either included in or excluded from the total columns as indicated in the headings. The notation "n.a." indicates that no IBF data have been reported for that item, either because the item is not an eligible IBF asset or liability or because that level of detail is not reported for IBFs. From December 1981 through September 1985, IBF data were included in all applicable items reported.

4. Total assets and total liabilities include *net* balances, if any, due from or owed to related banking institutions in the United States and in foreign countries (see note 5). On the former monthly branch and agency report, available through the G.11 monthly statistical release, *gross* balances were included in total assets and total liabilities. Therefore, total asset and total liability figures in this table are not comparable to those in the G.11 tables.

5. Related depository institutions includes the foreign head office and other U.S. and foreign branches and agencies of a bank, a bank's parent holding company, and majority-owned banking subsidiaries of the bank and of its parent holding company (including subsidiaries owned both directly and indirectly).

6. In some cases two or more offices of a foreign bank within the same metropolitan area file a consolidated report.

Index to Statistical Tables

References are to pages A3–A75 although the prefix "A" is omitted in this index

Federal Reserve Board of Governors and Official Staff

ALAN GREENSPAN, *Chairman*
ALICE M. RIVLIN, *Vice Chair*

EDWARD W. KELLEY, JR.
SUSAN M. PHILLIPS

OFFICE OF BOARD MEMBERS

JOSEPH R. COYNE, *Assistant to the Board*
DONALD J. WINN, *Assistant to the Board*
THEODORE E. ALLISON, *Assistant to the Board for Federal Reserve System Affairs*
LYNN S. FOX, *Deputy Congressional Liaison*
WINTHROP P. HAMBLEY, *Special Assistant to the Board*
BOB STAHLY MOORE, *Special Assistant to the Board*
DIANE E. WERNEKE, *Special Assistant to the Board*
PORTIA W. THOMPSON, *Equal Employment Opportunity Programs Adviser*

LEGAL DIVISION

J. VIRGIL MATTINGLY, JR., *General Counsel*
SCOTT G. ALVAREZ, *Associate General Counsel*
RICHARD M. ASHTON, *Associate General Counsel*
OLIVER IRELAND, *Associate General Counsel*
KATHLEEN M. O'DAY, *Associate General Counsel*
ROBERT DEV. FRIERSON, *Assistant General Counsel*
KATHERINE H. WHEATLEY, *Assistant General Counsel*

OFFICE OF THE SECRETARY

WILLIAM W. WILES, *Secretary*
JENNIFER J. JOHNSON, *Deputy Secretary*
BARBARA R. LOWREY, *Associate Secretary and Ombudsman*

DIVISION OF BANKING SUPERVISION AND REGULATION

RICHARD SPILLENKOTHEN, *Director*
STEPHEN C. SCHEMERING, *Deputy Director*
WILLIAM A. RYBACK, *Associate Director*
HERBERT A. BIERN, *Deputy Associate Director*
ROGER T. COLE, *Deputy Associate Director*
JAMES I. GARNER, *Deputy Associate Director*
HOWARD A. AMER, *Assistant Director*
GERALD A. EDWARDS, JR., *Assistant Director*
STEPHEN M. HOFFMAN, JR., *Assistant Director*
JAMES V. HOUPT, *Assistant Director*
JACK P. JENNINGS, *Assistant Director*
MICHAEL G. MARTINSON, *Assistant Director*
RHOGER H PUGH, *Assistant Director*
SIDNEY M. SUSSAN, *Assistant Director*
MOLLY S. WASSOM, *Assistant Director*
WILLIAM SCHNEIDER, *Project Director, National Information Center*

DIVISION OF INTERNATIONAL FINANCE

EDWIN M. TRUMAN, *Staff Director*
LARRY J. PROMISEL, *Senior Associate Director*
CHARLES J. SIEGMAN, *Senior Associate Director*
DALE W. HENDERSON, *Associate Director*
DAVID H. HOWARD, *Senior Adviser*
DONALD B. ADAMS, *Assistant Director*
THOMAS A. CONNORS, *Assistant Director*
PETER HOOPER III, *Assistant Director*
KAREN H. JOHNSON, *Assistant Director*
CATHERINE L. MANN, *Assistant Director*
RALPH W. SMITH, JR., *Assistant Director*

DIVISION OF RESEARCH AND STATISTICS

MICHAEL J. PRELL, *Director*
EDWARD C. ETTIN, *Deputy Director*
DAVID J. STOCKTON, *Deputy Director*
MARTHA BETHEA, *Associate Director*
WILLIAM R. JONES, *Associate Director*
MYRON L. KWAST, *Associate Director*
PATRICK M. PARKINSON, *Associate Director*
THOMAS D. SIMPSON, *Associate Director*
LAWRENCE SLIFMAN, *Associate Director*
MARTHA S. SCANLON, *Deputy Associate Director*
PETER A. TINSLEY, *Deputy Associate Director*
DAVID S. JONES, *Assistant Director*
STEPHEN A. RHOADES, *Assistant Director*
CHARLES S. STRUCKMEYER, *Assistant Director*
ALICE PATRICIA WHITE, *Assistant Director*
JOYCE K. ZICKLER, *Assistant Director*
GLENN B. CANNER, *Senior Adviser*
JOHN J. MINGO, *Senior Adviser*

DIVISION OF MONETARY AFFAIRS

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

DIVISION OF CONSUMER AND COMMUNITY AFFAIRS

GRIFFITH L. GARWOOD, *Director*
GLENN E. LONEY, *Associate Director*
DOLORES S. SMITH, *Associate Director*
MAUREEN P. ENGLISH, *Assistant Director*
IRENE SHAWN MCNULTY, *Assistant Director*

LAURENCE H. MEYER

OFFICE OF STAFF DIRECTOR FOR MANAGEMENT

S. DAVID FROST, *Staff Director*
SHEILA CLARK, *EEO Programs Director*

DIVISION OF HUMAN RESOURCES MANAGEMENT

DAVID L. SHANNON, *Director*
JOHN R. WEIS, *Associate Director*
JOSEPH H. HAYES, JR., *Assistant Director*
FRED HOROWITZ, *Assistant Director*

OFFICE OF THE CONTROLLER

GEORGE E. LIVINGSTON, *Controller*
STEPHEN J. CLARK, *Assistant Controller (Programs and Budgets)*
DARRELL R. PAULEY, *Assistant Controller (Finance)*

DIVISION OF SUPPORT SERVICES

ROBERT E. FRAZIER, *Director*
GEORGE M. LOPEZ, *Assistant Director*
DAVID L. WILLIAMS, *Assistant Director*

DIVISION OF INFORMATION RESOURCES MANAGEMENT

STEPHEN R. MALPHRUS, *Director*
MARIANNE M. EMERSON, *Assistant Director*
PO KYUNG KIM, *Assistant Director*
RAYMOND H. MASSEY, *Assistant Director*
EDWARD T. MULRENIN, *Assistant Director*
DAY W. RADEBAUGH, JR., *Assistant Director*
ELIZABETH B. RIGGS, *Assistant Director*
RICHARD C. STEVENS, *Assistant Director*

DIVISION OF RESERVE BANK OPERATIONS AND PAYMENT SYSTEMS

CLYDE H. FARNSWORTH, JR., *Director*
DAVID L. ROBINSON, *Deputy Director (Finance and Control)*
LOUISE L. ROSEMAN, *Associate Director*
JACK DENNIS, JR., *Assistant Director*
EARL G. HAMILTON, *Assistant Director*
JEFFREY C. MARQUARDT, *Assistant Director*
FLORENCE M. YOUNG, *Assistant Director*

OFFICE OF THE INSPECTOR GENERAL

BRENT L. BOWEN, *Inspector General*
DONALD L. ROBINSON, *Assistant Inspector General*
BARRY R. SNYDER, *Assistant Inspector General*

Federal Open Market Committee and Advisory Councils

FEDERAL OPEN MARKET COMMITTEE

MEMBERS

ALAN GREENSPAN, *Chairman*

WILLIAM J. McDONOUGH, *Vice Chairman*

J. ALFRED BROADDUS, JR.
JACK GUYNN
EDWARD W. KELLEY, JR.
LAURENCE H. MEYER
MICHAEL H. MOSKOW
ROBERT T. PARRY
SUSAN M. PHILLIPS
ALICE M. RIVLIN

ALTERNATE MEMBERS

THOMAS M. HOENIG
JERRY L. JORDAN
THOMAS C. MELZER
CATHY E. MINEHAN
ERNEST T. PATRIKIS

STAFF

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*
THOMAS C. BAXTER, JR., *Deputy General Counsel*
MICHAEL J. PRELL, *Economist*
EDWIN M. TRUMAN, *Economist*
JACK BEEBE, *Associate Economist*
ROBERT A. EISENBEIS, *Associate Economist*
MARVIN S. GOODFRIEND, *Associate Economist*
WILLIAM C. HUNTER, *Associate Economist*
DAVID E. LINDSEY, *Associate Economist*
FREDERIC S. MISHKIN, *Associate Economist*
LARRY J. PROMISEL, *Associate Economist*
CHARLES J. SIEGMAN, *Associate Economist*
LAWRENCE SLIFMAN, *Associate Economist*
DAVID J. STOCKTON, *Associate Economist*

PETER R. FISHER, *Manager, System Open Market Account*

FEDERAL ADVISORY COUNCIL

WALTER V. SHIPLEY, *President*
CHARLES E. NELSON, *Vice President*

WILLIAM M. CROZIER, JR., First District
WALTER V. SHIPLEY, Second District
WALTER E. DALLER, JR., Third District
ROBERT W. GILLESPIE, Fourth District
KENNETH D. LEWIS, Fifth District
STEPHEN A. HANSEL, Sixth District
ROGER L. FITZSIMONDS, Seventh District
THOMAS H. JACOBSEN, Eighth District
RICHARD M. KOVACEVICH, Ninth District
CHARLES E. NELSON, Tenth District
CHARLES T. DOYLE, Eleventh District
WILLIAM F. ZUENDT, Twelfth District

HERBERT V. PROCHNOW, *Secretary Emeritus*
JAMES ANNABLE, *Co-Secretary*
WILLIAM J. KORSVIK, *Co-Secretary*

CONSUMER ADVISORY COUNCIL

JULIA W. SEWARD, *Richmond, Virginia*
WILLIAM N. LUND, *Augusta, Maine*

RICHARD S. AMADOR, Los Angeles, California
WAYNE-KENT A. BRADSHAW, Los Angeles, California
THOMAS R. BUTLER, Riverwoods, Illinois
ROBERT A. COOK, Crofton, Maryland
HERIBERTO FLORES, Springfield, Massachusetts
EMANUEL FREEMAN, Philadelphia, Pennsylvania
DAVID C. FYNN, Cleveland, Ohio
ROBERT G. GREER, Houston, Texas
KENNETH R. HARNEY, Chevy Chase, Maryland
GAIL K. HILLEBRAND, San Francisco, California
TERRY JORDE, Cando, North Dakota
FRANCINE C. JUSTA, New York, New York
JANET C. KOEHLER, Jacksonville, Florida
EUGENF I. LEHRMANN, Madison, Wisconsin
ERROL T. LOUIS, Brooklyn, New York
PAUL E. MULLINGS, McLean, Virginia
CAROL PARRY, New York, New York
PHILIP PRICE, JR., Philadelphia, Pennsylvania
RONALD A. PRILL, Minneapolis, Minnesota
LISA RICE, Toledo, Ohio
JOHN R. RINES, Detroit, Michigan
SISTER MARILYN ROSS, Omaha, Nebraska
MARGOT SAUNDERS, Washington, D.C.
GAIL SMALL, Lame Deer, Montana
YVONNE S. SPARKS, St. Louis, Missouri
GREGORY D. SQUIRES, Milwaukee, Wisconsin
GEORGE P. SURGEON, Chicago, Illinois
THEODORE J. WYSOCKI, JR., Chicago, Illinois

THRIFT INSTITUTIONS ADVISORY COUNCIL

DAVID F. HOLLAND, Burlington, Massachusetts, *President*
CHARLES R. RINEHART, Irwindale, California, *Vice President*

BARRY C. BURKHOLDER, Houston, Texas
DAVID E. A. CARSON, Bridgeport, Connecticut
MICHAEL T. CROWLEY, JR., Milwaukee, Wisconsin
DOUGLAS A. FERRARO, Englewood, Colorado
WILLIAM A. FITZGERALD, Omaha, Nebraska
STEPHEN D. HAILER, Akron, Ohio
EDWARD J. MOLNAR, Harleysville, Pennsylvania
GUY C. PINKERTON, Seattle, Washington
TERRY R. WEST, Jacksonville, Florida
FREDERICK WILLETTS, III, Wilmington, North Carolina

Federal Reserve Board Publications

For ordering assistance, write PUBLICATIONS SERVICES, MS-127, Board of Governors of the Federal Reserve System, Washington, DC 20551 or telephone (202) 452-3244 or FAX (202) 728-5886. *You may also use the publications order form available on the Board's World Wide Web site* (http://www.bog.frb.fed.us). *When a charge is indicated, payment should accompany request and be made payable to the Board of Governors of the Federal Reserve System or may be ordered via Mastercard or Visa. Payment from foreign residents should be drawn on a U.S. bank.*

BOOKS AND MISCELLANEOUS PUBLICATIONS

THE FEDERAL RESERVE SYSTEM—PURPOSES AND FUNCTIONS. 1994. 157 pp.

ANNUAL REPORT.

ANNUAL REPORT: BUDGET REVIEW, 1995–96.

FEDERAL RESERVE BULLETIN. Monthly. $25.00 per year or $2.50 each in the United States, its possessions, Canada, and Mexico. Elsewhere, $35.00 per year or $3.00 each.

ANNUAL STATISTICAL DIGEST: period covered, release date, number of pages, and price.

1981	October 1982	239 pp.	$ 6.50
1982	December 1983	266 pp.	$ 7.50
1983	October 1984	264 pp.	$11.50
1984	October 1985	254 pp.	$12.50
1985	October 1986	231 pp.	$15.00
1986	November 1987	288 pp.	$15.00
1987	October 1988	272 pp.	$15.00
1988	November 1989	256 pp.	$25.00
1980–89	March 1991	712 pp.	$25.00
1990	November 1991	185 pp.	$25.00
1991	November 1992	215 pp.	$25.00
1992	December 1993	215 pp.	$25.00
1993	December 1994	281 pp.	$25.00
1994	December 1995	190 pp.	$25.00
1990–95	November 1996	404 pp.	$25.00

SELECTED INTEREST AND EXCHANGE RATES—WEEKLY SERIES OF CHARTS. Weekly. $30.00 per year or $.70 each in the United States, its possessions, Canada, and Mexico. Elsewhere, $35.00 per year or $.80 each.

REGULATIONS OF THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM.

ANNUAL PERCENTAGE RATE TABLES (Truth in Lending—Regulation Z) *Vol. I* (Regular Transactions). 1969. 100 pp. *Vol. II* (Irregular Transactions). 1969. 116 pp. Each volume $5.00.

GUIDE TO THE FLOW OF FUNDS ACCOUNTS. 672 pp. $8.50 each.

FEDERAL RESERVE REGULATORY SERVICE. Loose-leaf; updated monthly. (Requests must be prepaid.)
- Consumer and Community Affairs Handbook. $75.00 per year.
- Monetary Policy and Reserve Requirements Handbook. $75.00 per year.
- Securities Credit Transactions Handbook. $75.00 per year.
- The Payment System Handbook. $75.00 per year.
- Federal Reserve Regulatory Service. Four vols. (Contains all four Handbooks plus substantial additional material.) $200.00 per year.
- *Rates for subscribers outside the United States are as follows and include additional air mail costs:*
- Federal Reserve Regulatory Service, $250.00 per year.
- Each Handbook, $90.00 per year.

FEDERAL RESERVE REGULATORY SERVICE FOR PERSONAL COMPUTERS. Diskettes; updated monthly.
- Standalone PC. $300 per year.
- Network, maximum 1 concurrent user. $300 per year.
- Network, maximum 10 concurrent users. $750 per year.
- Network, maximum 50 concurrent users. $2,000 per year.
- Network, maximum 100 concurrent users. $3,000 per year.
- *Subscribers outside the United States should add $50 to cover additional airmail costs.*

THE U.S. ECONOMY IN AN INTERDEPENDENT WORLD: A MULTICOUNTRY MODEL, May 1984. 590 pp. $14.50 each.

INDUSTRIAL PRODUCTION—1986 EDITION. December 1986. 440 pp. $9.00 each.

FINANCIAL FUTURES AND OPTIONS IN THE U.S. ECONOMY. December 1986. 264 pp. $10.00 each.

FINANCIAL SECTORS IN OPEN ECONOMIES: EMPIRICAL ANALYSIS AND POLICY ISSUES. August 1990. 608 pp. $25.00 each.

RISK MEASUREMENT AND SYSTEMIC RISK: PROCEEDINGS OF A JOINT CENTRAL BANK RESEARCH CONFERENCE. 1996. 578 pp. $25.00 each.

EDUCATION PAMPHLETS

Short pamphlets suitable for classroom use. Multiple copies are available without charge.

Consumer Handbook on Adjustable Rate Mortgages
Consumer Handbook to Credit Protection Laws
A Guide to Business Credit for Women, Minorities, and Small Businesses
Series on the Structure of the Federal Reserve System
- The Board of Governors of the Federal Reserve System
- The Federal Open Market Committee
- Federal Reserve Bank Board of Directors
- Federal Reserve Banks
- Organization and Advisory Committees

A Consumer's Guide to Mortgage Lock-Ins
A Consumer's Guide to Mortgage Settlement Costs
A Consumer's Guide to Mortgage Refinancings
Home Mortgages: Understanding the Process and Your Right to Fair Lending
How to File a Consumer Complaint
Making Deposits: When Will Your Money Be Available?
Making Sense of Savings
SHOP: The Card You Pick Can Save You Money
Welcome to the Federal Reserve
When Your Home is on the Line: What You Should Know About Home Equity Lines of Credit

STAFF STUDIES: Only Summaries Printed in the BULLETIN

Studies and papers on economic and financial subjects that are of general interest. Requests to obtain single copies of the full text or to be added to the mailing list for the series may be sent to Publications Services.

Staff Studies 1–157 are out of print.

158. THE ADEQUACY AND CONSISTENCY OF MARGIN REQUIREMENTS IN THE MARKETS FOR STOCKS AND DERIVATIVE PRODUCTS, by Mark J. Warshawsky with the assistance of Dietrich Earnhart. September 1989. 23 pp.
159. NEW DATA ON THE PERFORMANCE OF NONBANK SUBSIDIARIES OF BANK HOLDING COMPANIES, by Nellie Liang and Donald Savage. February 1990. 12 pp.
160. BANKING MARKETS AND THE USE OF FINANCIAL SERVICES BY SMALL AND MEDIUM-SIZED BUSINESSES, by Gregory E. Elliehausen and John D. Wolken. September 1990. 35 pp.
161. A REVIEW OF CORPORATE RESTRUCTURING ACTIVITY, 1980–90, by Margaret Hastings Pickering. May 1991. 21 pp.
162. EVIDENCE ON THE SIZE OF BANKING MARKETS FROM MORTGAGE LOAN RATES IN TWENTY CITIES, by Stephen A. Rhoades. February 1992. 11 pp.
163. CLEARANCE AND SETTLEMENT IN U.S. SECURITIES MARKETS, by Patrick Parkinson, Adam Gilbert, Emily Gollob, Lauren Hargraves, Richard Mead, Jeff Stehm, and Mary Ann Taylor. March 1992. 37 pp.
164. THE 1989–92 CREDIT CRUNCH FOR REAL ESTATE, by James T. Fergus and John L. Goodman, Jr. July 1993. 20 pp.
165. THE DEMAND FOR TRADE CREDIT: AN INVESTIGATION OF MOTIVES FOR TRADE CREDIT USE BY SMALL BUSINESSES, by Gregory E. Elliehausen and John D. Wolken. September 1993. 18 pp.
166. THE ECONOMICS OF THE PRIVATE PLACEMENT MARKET, by Mark Carey, Stephen Prowse, John Rea, and Gregory Udell. January 1994. 111 pp.
167. A SUMMARY OF MERGER PERFORMANCE STUDIES IN BANKING, 1980–93, AND AN ASSESSMENT OF THE "OPERATING PERFORMANCE" AND "EVENT STUDY" METHODOLOGIES, by Stephen A. Rhoades. July 1994. 37 pp.
168. THE ECONOMICS OF THE PRIVATE EQUITY MARKET, by George W. Fenn, Nellie Liang, and Stephen Prowse. November 1995. 69 pp.
169. BANK MERGERS AND INDUSTRYWIDE STRUCTURE, 1980–94, by Stephen A. Rhoades. February 1996. 32 pp.

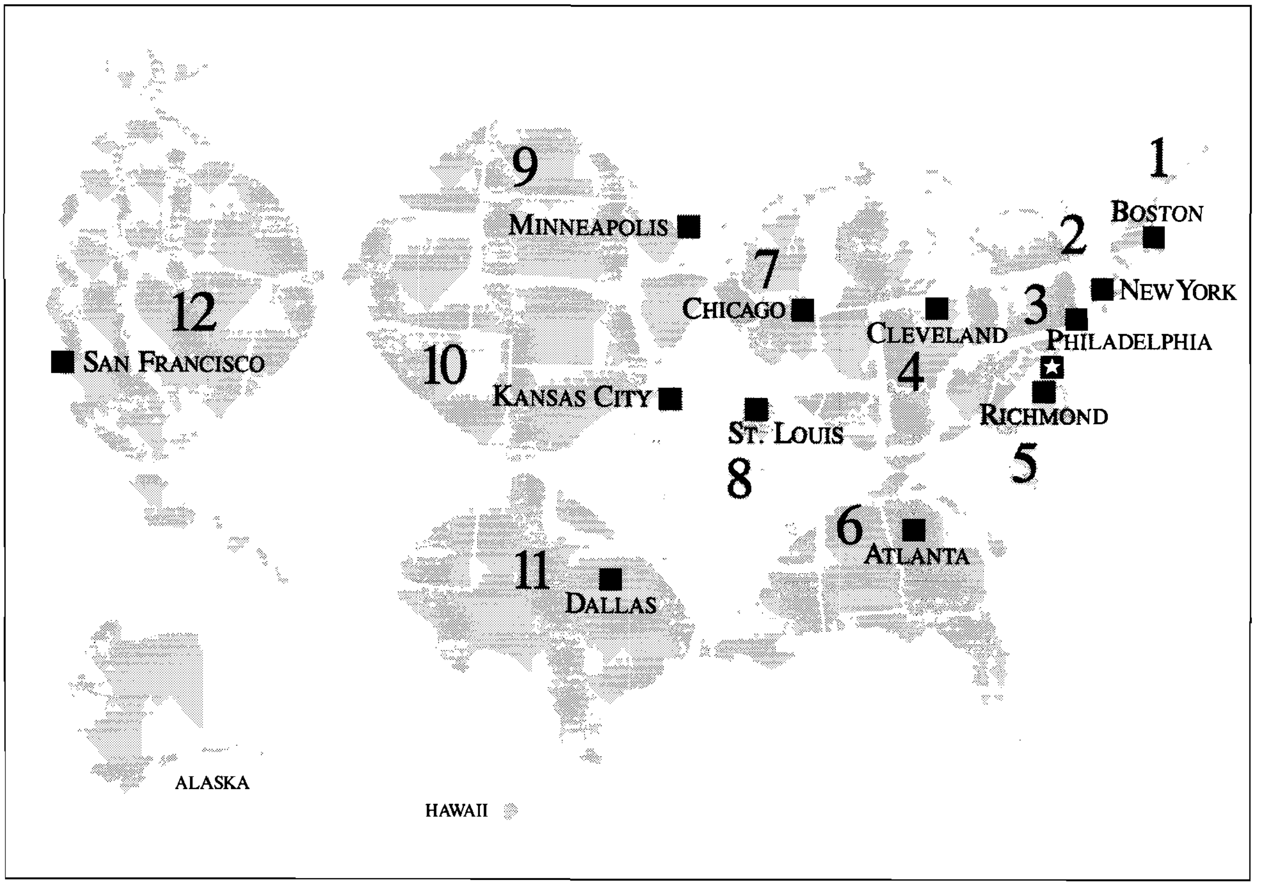
REPRINTS OF SELECTED Bulletin *ARTICLES*

Some Bulletin *articles are reprinted. The articles listed below are those for which reprints are available.*

Limit of ten copies

FAMILY FINANCES IN THE U.S.: RECENT EVIDENCE FROM THE SURVEY OF CONSUMER FINANCES. January 1996

Maps of the Federal Reserve System



LEGEND

Both pages

■ Federal Reserve Bank city

◘ Board of Governors of the Federal Reserve System, Washington, D.C.

Facing page

• Federal Reserve Branch city

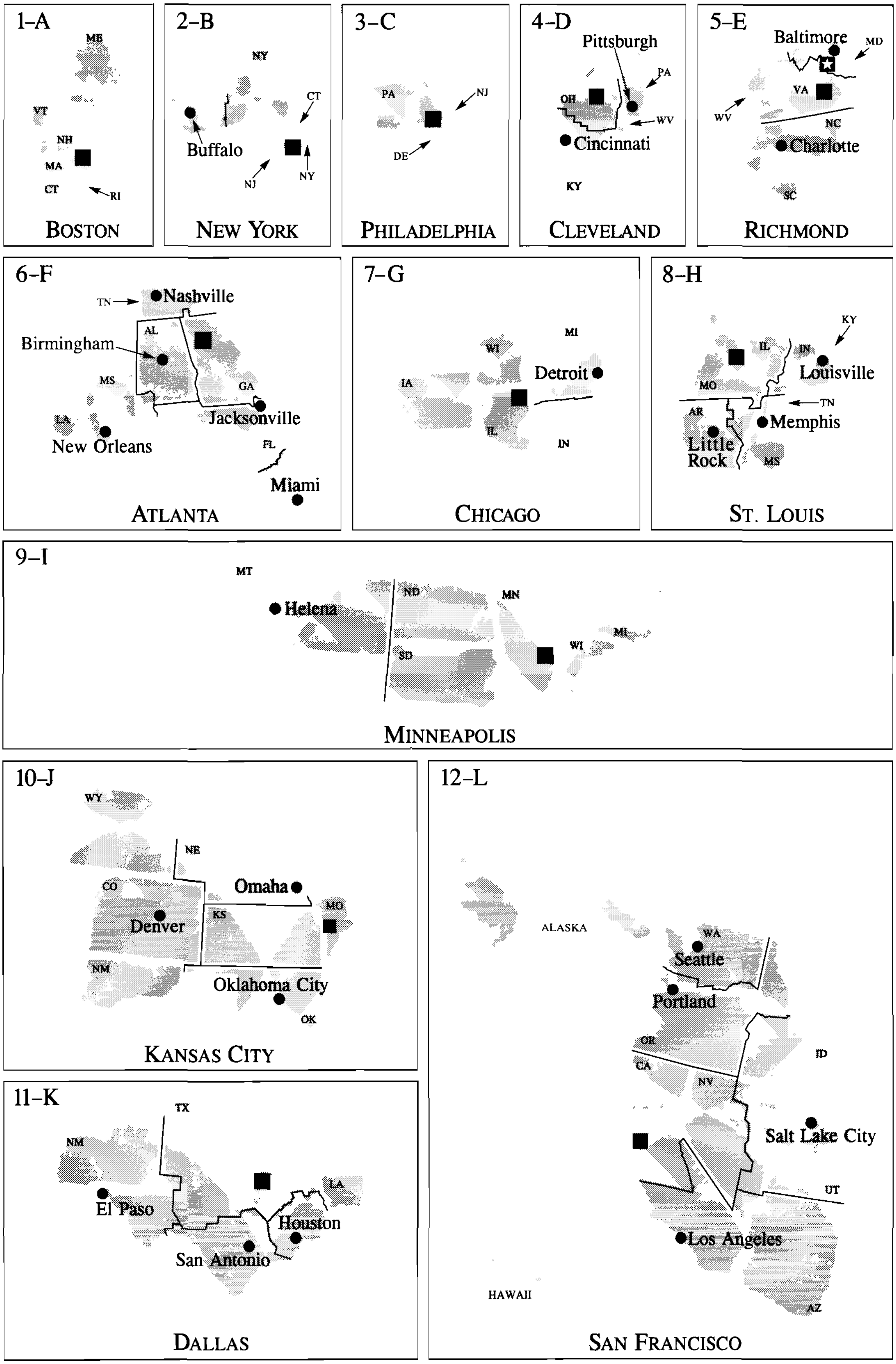
— Branch boundary

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 February 1996.


1–A
ME
VT
NH
MA
CT
RI
BOSTON
2–B
NY
CT
Buffalo
NJ
NY
NEW YORK
3–C
PA
NJ
DE
PHILADELPHIA
4–D
Pittsburgh
PA
OH
WV
Cincinnati
KY
CLEVELAND
5–E
Baltimore
MD
VA
WV
NC
Charlotte
SC
RICHMOND
6–F
TN
Nashville
AL
Birmingham
MS
GA
LA
Jacksonville
New Orleans
FL
Miami
ATLANTA
7–G
MI
WI
Detroit
IA
IL
IN
CHICAGO
8–H
KY
IL
IN
Louisville
MO
TN
AR
Memphis
Little Rock
MS
ST. LOUIS
9–I
MT
Helena
ND
MN
MI
WI
SD
MINNEAPOLIS
10–J
WY
NE
CO
Omaha
MO
KS
Denver
NM
Oklahoma City
OK
KANSAS CITY
11–K
TX
NM
LA
El Paso
Houston
San Antonio
DALLAS
12–L
ALASKA
WA
Seattle
Portland
OR
ID
CA
NV
Salt Lake City
UT
Los Angeles
HAWAII
AZ
SAN FRANCISCO

Federal Reserve Banks, Branches, and Offices

FEDERAL RESERVE BANK branch, or *facility*	Zip	Chairman / Deputy Chairman	President / First Vice President	Vice President in charge of branch
BOSTON*	02106	William C. Brainard Frederick J. Mancheski	Cathy E. Minehan Paul M. Connolly	
NEW YORK*	10045	John C. Whitehead Thomas W. Jones	William J. McDonough Ernest T. Patrikis	
Buffalo	14240	Bal Dixit		Carl W. Turnipseed[1]
PHILADELPHIA	19105	Donald J. Kennedy Joan Carter	Edward G. Boehne William H. Stone, Jr.	
CLEVELAND*	44101	G. Watts Humphrey, Jr. David H. Hoag	Jerry L. Jordan Sandra Pianalto	
Cincinnati	45201	George C. Juilfs		Charles A. Cerino[1]
Pittsburgh	15230	John T. Ryan, III		Harold J. Swart[1]
RICHMOND*	23219	Claudine B. Malone Robert L. Strickland	J. Alfred Broaddus, Jr. Walter A. Varvel	
Baltimore	21203	Rebecca Hahn Windsor		William J. Tignanelli[1]
Charlotte	28230	Dennis D. Lowery		Dan M. Bechter[1]
ATLANTA	30303	Hugh M. Brown David R. Jones	Jack Guynn Patrick K. Barron	James M. Mckee
Birmingham	35283	D. Bruce Carr		Fred R. Herr[1]
Jacksonville	32231	Patrick C. Kelly		James D. Hawkins[1]
Miami	33152	Kaaren Johnson-Street		James T. Curry III
Nashville	37203	James E. Dalton, Jr.		Melvyn K. Purcell
New Orleans	70161	Jo Ann Slaydon		Robert J. Musso
CHICAGO*	60690	Lester H. McKeever, Jr. Arthur C. Martinez	Michael H. Moskow William C. Conrad	
Detroit	48231	Florine Mark		David R. Allardice[1]
ST. LOUIS	63166	John F. McDonnell Susan S. Elliott	Thomas C. Melzer W. LeGrande Rives	
Little Rock	72203	Robert D. Nabholz, Jr.		Robert A. Hopkins
Louisville	40232	John A. Williams		Thomas A. Boone
Memphis	38101	John V. Myers		Martha L. Perine
MINNEAPOLIS	55480	Jean D. Kinsey David A. Koch	Gary H. Stern Colleen K. Strand	
Helena	59601	Matthew J. Quinn		John D. Johnson
KANSAS CITY	64198	A. Drue Jennings Jo Marie Dancik	Thomas M. Hoenig Richard K. Rasdall	
Denver	80217	Peter I. Wold		Carl M. Gambs[1]
Oklahoma City	73125	Barry L. Eller		Kelly J. Dubbert
Omaha	68102	Arthur L. Shoener		Bradley C. Cloverdyke
DALLAS	75201	Roger R. Hemminghaus Cece Smith	Robert D. McTeer, Jr. Helen E. Holcomb	
El Paso	79999	Alvin T. Johnson		Sammie C. Clay
Houston	77252	I. H. Kempner, III		Robert Smith, III[1]
San Antonio	78295	H. B. Zachry, Jr.		James L. Stull[1]
SAN FRANCISCO	94120	Judith M. Runstad Gary G. Michael	Robert T. Parry John F. Moore	
Los Angeles	90051	Anne L. Evans		Mark L. Mullinix[1]
Portland	97208	Carol A. Whipple		Raymond H. Laurence[1]
Salt Lake City	84125	Gerald R. Sherratt		Andrea P. Wolcott
Seattle	98124	Richard R. Sonstelie		Gordon R. G. Werkema[2]

*Additional offices of these Banks are located at Lewiston, Maine 04240; Windsor Locks, Connecticut 06096; East Rutherford, New Jersey 07016; Utica at Oriskany, New York 13424; Columbus, Ohio 43216; Columbia, South Carolina 29210; Charleston, West Virginia 25311; Des Moines, Iowa 50306; Indianapolis, Indiana 46204; Milwaukee, Wisconsin 53202; and Peoria, Illinois 61607.

1. Senior Vice President.
2. Executive Vice President