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Daylight Overdrafts and Payments System Risk

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In March 1986, the Federal Reserve implemented a policy designed to reduce the risk associated with daylight overdrafts on large-dollar payments systems. Since then, the growth in daylight overdraft volume has slowed, and the ability of Federal Reserve Banks and depository institutions to monitor and control risk in the payments system has improved. This article reviews the operation of large-dollar payments systems and the public policy concerns associated with daylight overdrafts, summarizes the main components of the Federal Reserve's policy on payments system risk, and describes the initial experience with that policy. In addition, the article briefly surveys methods for further reducing the risk associated with daylight overdrafts.

THE OPERATION OF LARGE-DOLLAR PAYMENTS SYSTEMS

Two systems for the electronic transfer of large-dollar payments operate in the United States today: the Fedwire funds transfer system and the Clearing House Interbank Payments System (CHIPS). In addition a "book-entry securities system" for the electronic transfer of U.S. government, agency, and other securities operates on Fedwire.

The Federal Reserve Banks operate the Fedwire funds transfer system. Participants in this system send to and receive from each other payment messages or "wire transfers" via computer and other communications links with their Reserve Banks. However, only institutions with reserve or clearing accounts have direct links to Reserve Banks. A Fedwire funds payment is final when the destination Reserve Bank notifies the receiving depository institution of the transfer; at this time funds are credited to the clearing or reserve account of the receiving institution. Meanwhile, the institution initiating the payment is responsible for covering the amount of this payment when it sends the wire transfer to its Reserve Bank. Daylight overdrafts will occur whenever the funds in the reserve or clearing account of the sending institution are insufficient to cover a payment at the time of the transfer.

CHIPS is owned and operated by the New York Clearing House, a private-sector institution. On this system, participants send and receive electronic payment messages during the day through a central computer. Unlike the case of Fedwire, however, no funds are transferred nor are funds accounts debited or credited at the time CHIPS payment messages are exchanged. Instead, net obligations are settled at the end of the day using a special account at the New York Reserve Bank under procedures established by the New York Clearing House and the Federal Reserve. The procedures are complex; in essence, participants that have sent and received payment messages resulting in net debit positions at the end of the day transfer funds for these net amounts to institutions in net credit positions.

In CHIPS, potential credit exposures vis-à-vis all other CHIPS participants occur whenever a participant initiates payments whose total value exceeds the value of payments received up to that time. In this end-of-day settlement system, all

participants begin daily operations with zero credit and debit positions. Payment messages are sent and received throughout the day; however, because messages sent and received by individual participants typically are unequal in value, intraday net debit and credit positions are necessarily a part of normal operations. Although net debit positions on CHIPS are often called daylight overdrafts, technically no overdrafting of any funds account occurs.

Practices Leading to Daylight Overdrafts

On a typical day, about 1,100 depository institutions in the United States incur daylight overdrafts totaling more than \$80 billion on the two large-value funds transfer systems. These overdrafts last anywhere from several minutes to nearly all day. On an average day, another \$60 billion of overdrafts result from transfers over the Federal Reserve's book-entry securities transfer system.

Daylight overdrafts exist, in part, because of market conventions for particular types of financial transactions. For example, in the markets for federal funds, Eurodollars, commercial paper, and large certificates of deposit, borrowers commonly repay funds in the morning but do not receive newly borrowed funds until later the same day. Repayments frequently occur even if a borrower renews, or "rolls over," a maturing money market obligation with the same lender for an identical amount. Because the sum of such repayments can exceed an institution's reserve account balance, this institutional practice often creates a daylight overdraft that might last for three hours or more. A similar pattern—payments made in anticipation of funds to be received later the same day—is associated with certain types of third party payments. This pattern has evolved, in part, because depository institutions in the United States are not required, and many institutions have little incentive, to maintain positive reserve account balances during the day.

Another convention leading to daylight overdrafts exists in the government securities market. A buyer of government securities receives the accrued interest as of the originally scheduled

settlement date. However, the buyer is not required to take delivery and make payment until the full amount of the securities involved in a transaction is actually delivered. When a seller fails to make timely and proper delivery of all securities in a transaction, the seller or its clearing bank typically incurs the cost of financing the securities overnight but must pass on all of the accrued interest to the buyer. Hence, a failed delivery causes the seller to lose interest for one day. Because this interest cost increases with the size of the transaction, sellers have an incentive to build intraday securities positions so they will be able to complete delivery of their largest orders first. In building such positions, clearing banks make payments for securities they receive on behalf of themselves and dealer customers. These payments result in substantial amounts of daylight overdrafts on the reserve accounts of the clearing banks; the overdrafts remain until securities held in position are delivered against payment in the late morning or afternoon.

Payments Systems in Other Countries

The experience in other industrial countries has been somewhat different from that of the United States. Within the past five years, the United Kingdom, France, Germany, Switzerland, the Netherlands, and Sweden have installed electronic systems for the interbank transfer of payments in their respective currencies. Japan is actively planning a wire transfer system. Moreover, a group of commercial banks from countries in the European Community have implemented a fully automated system for the interbank transfer of private ECU (European Currency Unit) payments, for which the Bank for International Settlements provides settlement. All but the sterling and ECU systems are similar to Fedwire in that payments are made through reserve or clearing accounts at the country's central bank during the business day. Almost all central banks involved in operating these systems prohibit uncollateralized daylight overdrafts. However, most central banks do make collateralized lines of credit available to system participants, often in connection with overnight and short-term financing that is provided at rates and on conditions set by the central bank. This

credit can be drawn upon during the day to avoid daylight overdrafts.

Like CHIPS, the sterling and ECU electronic transfer systems operate on the principle of end-of-day net settlement. These systems cannot produce daylight overdrafts in reserve or clearing accounts because no intraday debiting or crediting of such accounts is used to complete payments. However, intraday net debit and credit "positions" indicating final settlement obligations are generated by participants as they make and receive payments. Therefore, as with CHIPS, daylight exposures are created as part of normal operations.

POLICY CONCERNS

The Federal Reserve's concern with daylight overdrafts stems from its roles as a provider of payment services, as a banking supervisor, and as a lender of last resort.

Payments made on Fedwire are final in the sense that a Federal Reserve Bank irrevocably credits the account of an institution receiving a payment once the Reserve Bank has notified the receiver of the sender's payment message. As a result, if the sending institution with a daylight overdraft were unable to cover the overdraft by the end of the day, the Federal Reserve Bank would absorb any resulting loss. Fedwire finality has the benefit of insulating the banking system as a whole from the potential consequences of the settlement failure of the sending institution. It has the disadvantage, however, of removing the incentive for receiving banks to monitor the creditworthiness of sending banks that incur daylight overdrafts. This lack of incentive for private institutions likely contributes to the magnitude of their daylight overdrafts on Fedwire.

The Federal Reserve also has been concerned about "systemic risk" on private wire transfer systems, the possibility that one institution's inability to settle could cause other institutions to fail to settle. If an institution with a net debit position on CHIPS were unable to settle at the end of the day, CHIPS rules currently allow for deleting from the end-of-day settlement all payment messages involving that institution during the day. However, deletion of payment messages

has the potential to create large unanticipated changes in the net settlement positions of other participants, who in turn might be unable to cover their (recalculated) settlement obligations.

The potential magnitude of systemic risk on private wire transfer networks is illustrated in a simulation study of an unexpected settlement failure on CHIPS.¹ Based on transaction data for a randomly selected day in January 1983, the analysis demonstrates that the unexpected settlement failure of one large CHIPS participant on that day could have resulted in an increase in the net debit positions of each of 49 other CHIPS participants by an amount greater than each of their total capital. These institutions represented almost one-half of all CHIPS participants, and their payments constituted one-third of the dollar value of all CHIPS payments sent that day. Similar results were obtained when the simulation used data for other days and different institutions to investigate the effects of hypothetical settlement failures.

The direct financial risk incurred by the Federal Reserve on Fedwire and the systemic risk on private wire networks have been two major public policy concerns associated with daylight overdrafts. A related concern of the Federal Reserve has been to ensure the effective functioning of the payments system. After several years of study by the Federal Reserve and banking industry groups, the Federal Reserve Board adopted a policy in May 1985 aimed at addressing these concerns. All features of that policy were put into effect by March 1986. The Federal Deposit Insurance Corporation, the Office of the Comptroller of the Currency, the Federal Home Loan Bank Board, and the National Credit Union Administration have all supported the Federal Reserve's payments risk policy and, along with state banking supervisors, cooperate with the Federal Reserve in administering it.

THE FEDERAL RESERVE'S POLICY ON PAYMENTS SYSTEM RISK

The Federal Reserve's current policy to limit risk in the payments system has three major components.²

(1) All private, large-dollar transfer networks obtaining Federal Reserve net settlement ser-

vices must require each participant to establish a limit on its net daylight exposure to each other participant ("bilateral net credit limits"). These networks also must adopt limits on the intraday net debit positions of each participant vis-à-vis all other participants as a group ("network sender net debit caps").

(2) Each depository institution participating in a private large-dollar transfer network or incurring daylight overdrafts on Fedwire must establish a limit on its combined overdrafts on all large dollar networks ("cross-system sender net debit caps").

(3) Daylight overdrafts resulting from transfers of U.S. government and agency securities through the Federal Reserve book-entry system are exempt from sender net debit caps. However, effective January 14, 1988, the Federal Reserve has established a \$50 million limit for each transfer of securities processed on its book-entry system.

The Federal Reserve monitors on an ex post basis the level of overdrafts of all participants in all wire systems subject to its policy and counsels those institutions whose overdrafts exceed their cross-system limits. However, the Federal Reserve imposes real-time controls on reserve account overdrafts of troubled institutions. Reserve Banks may ask such institutions to post collateral for daylight overdrafts and may delay Fedwire payments that would lead to overdrafts in excess of collateral values.

Private Networks

The bilateral net credit limits required of each participant on a private network establish a ceiling on the net value of payments that a given participant is willing to receive from each other participant on the network at any time of the day. CHIPS, which is currently the only private, large-dollar wire transfer network that receives net settlement from the Federal Reserve, established such bilateral credit limits in October 1984. Participants can set their limits for any dollar amount and may change these limits at any time during the business day. If a participant attempts to make a payment that would cause it to exceed a receiver's net bilateral credit limit, the CHIPS

operating system automatically rejects the payment.

In setting individual bilateral credit limits, CHIPS participants currently have some incentive to monitor the creditworthiness of other participants because of costs they might incur in a settlement failure. These costs presumably would be related to their bilateral exposures to the participant that failed to meet its settlement obligations. However, the presence of systemic risk—the chance that one participant's settlement failure could trigger such failures by other participants—implies that bilateral caps may not fully reflect all the costs of a settlement failure.

In accordance with the Board's policy, CHIPS also implemented network sender net debit caps in October 1985. Although the Board's policy does not stipulate a specific method for setting these caps, their purpose is to limit the aggregate amount of daylight overdrafts that any one participant can incur on an individual private network. On CHIPS, the cap is defined for each participant as 5 percent of the sum of all bilateral credit limits set for that participant by all other CHIPS participants. For purposes of this sum only, the individual bilateral credit limits are confined to a maximum of \$1 billion each. The 5 percent figure was established using historical data on the average amount by which all participants in CHIPS used their bilateral credit limits during a test period in 1985. The sum of all bilateral credit limits measures the extent to which, in the aggregate, other institutions in the network are willing to extend daylight credit to the participant whose cap is being established. However, because they are based on individually determined bilateral credit limits, the network sender net debit caps themselves may not completely reflect the costs due to systemic risk.

As with payments that exceed bilateral net credit limits, the CHIPS system will reject any payment that would cause a participant to breach its network sender net debit cap. For each participant, this cap on any day is based on the total of bilateral limits existing for that participant at the end of the preceding day. Thus, unlike bilateral limits, this cap cannot be changed during a given day; but a participant's sender net debit cap can change from one day to another if, on balance, other participants changed the total of

the bilateral credit limits they set for the participant in question.

Cross-System Caps

In addition to private network caps, the Federal Reserve's policy calls for each depository institution to adopt a cross-system sender net debit cap to limit the net volume of daylight funds overdrafts it may incur across all wire transfer systems combined, including Fedwire. The selection of a cap level is based on Federal Reserve guidelines and involves an institution's self-assessment of its creditworthiness, credit policies, and operational controls and procedures. Five different ratings are possible under the Federal Reserve's self-assessment procedure. A pair of cap levels expressed as multiples of the institution's adjusted primary capital corresponds to each rating:³ a daily cap and a cap on average daily overdrafts over any two-week reserve maintenance period. For example, if an institution rated itself as average under the Federal Reserve's guidelines, the cross-system sender net debit cap currently would require that daylight overdrafts not exceed 1.5 times that institution's adjusted primary capital on any single day and that the average daily overdraft not exceed 1.0 times its capital on average over any two-week reserve maintenance period (table 1).

The Federal Reserve set initial cross-system sender net debit caps with the intention of minimizing possible disruptions to the payments sys-

tem and providing depository institutions an opportunity to gain experience with the daylight overdraft program. In July 1987, the Federal Reserve adopted a 25 percent reduction in cap levels, to be phased in with a 15 percent reduction on January 14, 1988, and the balance of the reduction on May 19, 1988 (table 1).

About 3,000 depository institutions have conducted a self-assessment and established positive cap levels (table 2). An additional 3,000 institutions have zero caps either as a result of self-assessments or because their supervisors or Reserve Banks assigned such caps. About 700 institutions have no cap on file, yet incurred overdrafts in the period considered. In all, 370 institutions, or approximately 6 percent, have rated themselves in the highest cap category under the Federal Reserve's guidelines. However, large institutions exhibit a greater tendency to place themselves in the highest category, and they account for a significant share of daylight overdraft volume. Thus, the highest cap institutions account for nearly 55 percent of the aggregate volume of daylight overdrafts due to funds transfers, called "funds overdrafts."

Of those institutions with daylight overdrafts, a relatively large number are small depository institutions that incur minor amounts of overdrafts on an infrequent basis. These institutions present little credit risk to Reserve Banks and are unlikely to create systemic risk. To reduce costs both to the Federal Reserve and to these institutions, the Federal Reserve decided in the sum-

1. Cross-system sender net debit cap
Multiple of adjusted primary capital

Self-assessment category	Current policy		Policy effective January 14, 1988		Policy effective May 19, 1988	
	Two-week average	Single day	Two-week average	Single day	Two-week average	Single day
High.....	2.0	3.0	1.70	2.55	1.50	2.25
Above average.....	1.5	2.5	1.275	2.125	1.125	1.875
Average.....	1.0	1.5	.85	1.275	.75	1.125
Limited ¹.....	.5	.5	.425	.425	.375	.375
No cap ².....	.0	.0	.0	.0	.0	.0
MEMO: De minimis ³.....	.2	.2	.2	.2	.2	.2

1. Institutions with negative adjusted primary capital. Caps shown for these institutions are expressed as multiples of unadjusted primary capital. Effective January 1, 1989, the special cap category for these institutions will be dropped.

2. Institutions with zero cap or no cap on file.

3. The cap shown cannot exceed \$500,000, regardless of an institution's level of adjusted primary capital. Incorporated into the Federal Reserve's policy in the summer of 1987 and available for use at all Reserve Banks no later than December 4, 1987.

2. Frequency distribution of self-assessment categories¹

Self-assessment category	All institutions		Institutions with assets in excess of \$1 billion		MEMO: Percent of overdraft volume
	Number	Percent	Number	Percent	
High	370	5.5	122	19.8	54.5
Above average	1,126	16.7	209	34.0	29.4
Average	1,513	22.5	155	25.2	15.8
Limited	19	.3	8	1.3	.0
Zero cap	3,001	44.6	107	17.4	.1
No cap on file	702	10.4	14	2.3	.1
Total	6,731	100	615	100	100

1. Institutions with cap on file and those institutions with no cap on file but which incur overdrafts, as of July 1, 1987.

mer of 1987 to allow institutions that meet reasonable performance standards to incur "de minimis" amounts of daylight overdrafts. The de minimis cap allows depository institutions to incur occasional daylight overdrafts on Fedwire up to the lesser of 20 percent of adjusted primary capital or \$500,000 without conducting a self-assessment.

Book-Entry Securities Transfers

The Federal Reserve is especially concerned that its payments risk policy avoid disrupting the market for U.S. government securities, which include issues of the U.S. Treasury and of federal and federally sponsored agencies and certain other securities. Its policy therefore currently imposes no quantitative restrictions on those overdrafts resulting from book-entry transfers of such securities. The Federal Reserve hopes to avoid disrupting the government securities market for two major reasons.

First, the Federal Reserve Bank of New York implements monetary policy through transactions with primary dealers in government securities. Restrictions on book-entry overdrafts could limit the amount of trading that primary dealers would be able to conduct at a given moment and thus could hinder the timely execution of open market operations.

Second, in operating the securities portion of the transfer system, the Federal Reserve Banks act on behalf of the U.S. Treasury. In this capacity, the Federal Reserve seeks to minimize the Treasury's borrowing costs by keeping transactions costs for market trading of book-entry securities as low as possible, subject to meeting

objectives for monetary policy and the soundness of the financial system.

It has been difficult to develop methods for reducing risk from book-entry overdrafts that would avoid disrupting the execution of monetary policy while maintaining low trading costs for market participants. The Federal Reserve therefore decided in July 1987 to continue the exemption of book-entry related overdrafts from direct quantitative limits and to examine alternatives for reducing risk due to these overdrafts. At that time, however, the Federal Reserve also amended its original policy on payments system risk to address more immediately the risks in book-entry operations. Effective January 14, 1988, all Reserve Banks will impose a \$50 million par-value limit on the size of individual transfers of book-entry government securities other than those resulting from allocations of new issues to dealers or from redemptions of maturing issues. This limit should reduce incentives for position building and could induce dealers to deliver securities earlier in the day and to operate with lower levels of book-entry overdrafts.

Under the amended policy, the Federal Reserve Bank of New York will monitor primary dealers, while all Reserve Banks are to monitor depository institutions in their own districts that are major users of the book-entry system. The purpose of this monitoring is to ensure that participants establish policies and follow procedures for controlling risk associated with book-entry overdrafts. If a Reserve Bank finds such actions to be inadequate in controlling risk, the Reserve Bank may take steps such as requiring collateral or monitoring overdrafts in real time to limit its own risk exposure. By the first quarter of

1989, all Reserve Banks are to implement real-time monitoring of book-entry overdrafts—in which overdrafts are measured as they are created—to replace the current system in which overdrafts are measured at a later time. Real-time monitoring will increase the flexibility of the Federal Reserve Banks in dealing with the small number of institutions whose levels of book-entry overdrafts warrant attention.

EXPERIENCE WITH THE POLICY ON PAYMENTS RISK

In response to the introduction of bilateral net credit limits and sender net debit caps, depository institutions have instituted a variety of measures to control their own overdrafts. These measures have noticeably slowed the growth of aggregate overdraft levels, apparently without limiting the growth of underlying payments.

Aggregate Overdrafts and Payments Activity

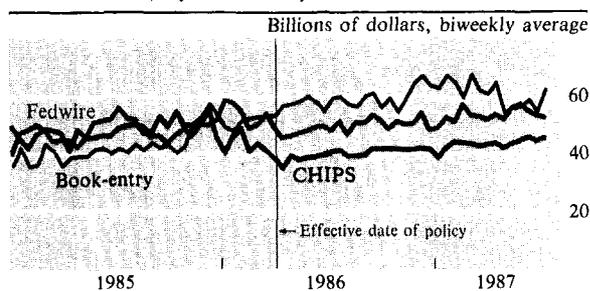
The Federal Reserve measures the daily aggregate overdraft level on each wire transfer system by summing the maximum overdraft position for each depository institution on that day, regardless of the time of day that the maximum position occurs or its duration. The biweekly average overdraft for each institution is the average of daily maximum overdrafts for the institution for all business days in the two-week period, again regardless of the time of day each maximum occurs or its duration. Aggregate biweekly overdrafts, which are the sum of these individual biweekly averages, provide summary measures of maximum overdraft levels of individual institutions, which are a principal focus of the Federal Reserve's policy.

The Federal Reserve System has collected data on overdrafts by individual institutions on all large-dollar payment systems since December 1984. Overdrafts due to Fedwire funds transfers—and other debits to reserve and clearing accounts for check, automated clearinghouse (ACH), and other settlements—have been subject to cross-system sender net debit caps since March 1986. During the period March 1986 to

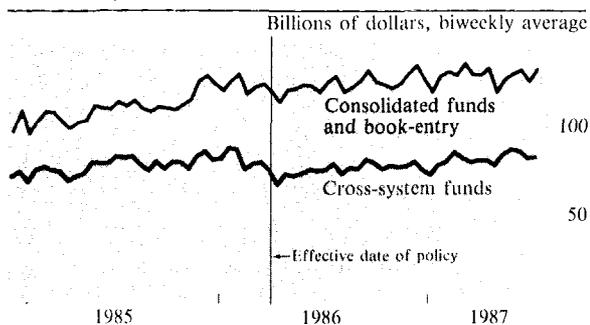
June 1987, these overdrafts in the aggregate averaged \$50 billion per day and were on a moderate upward trend (chart 1). In this period, CHIPS overdrafts initially fell considerably below their levels preceding the introduction of cross-system caps but have been on a slight upward trend since that time. Meanwhile, book-entry overdrafts, which remain exempt from quantitative limits, have increased steadily from a low of about \$35 billion per day in early 1985 to a peak of \$67 billion in February 1987.

Cross-system funds overdrafts for an individual depository institution are the combined funds overdrafts on Fedwire and private wire systems for the institution at a given time of day. For the purposes of this measure, a net credit on one system at a particular time is treated as a credit against any overdraft that occurs at the same time on another system. Therefore, an institution's maximum cross-system overdraft generally will be smaller than the sum of its separate maximum Fedwire and CHIPS overdrafts, which may occur at different times. Similarly, the aggregate cross-system funds overdraft, which is the sum of individual maximums, generally is smaller than the sum of separate Fedwire and CHIPS aggregate net debits. Aggregate maximum cross-system funds overdrafts averaged about \$79 billion per day during the period March 1986 to June 1987, compared with an average of \$77 billion per day during the five quarters preceding implementation of the policy (chart 2). The sum of cross-system funds overdrafts and book-entry overdrafts for individual institutions is calculated in a manner similar to that of cross-system funds overdrafts alone. In the aggregate, this sum averaged \$125 billion per day in the last year. The level has increased considerably over time, reflecting the increases in book-

1. Overdrafts, by transfer system



2. Cross-system overdrafts



entry overdrafts, which have not been constrained by the Federal Reserve's policy.

The aggregate value of wire transfer payments has also grown considerably. The value of funds transactions on Fedwire averaged \$460 billion per day in 1985 and 1986 and reached a peak of \$602 billion per day in the second quarter of 1987 (chart 3). The dollar value of transfers on CHIPS, historically smaller than those on Fedwire, has grown relatively fast, and the volumes of activity on the two systems are now comparable. Payments resulting from book-entry securities transfers also grew during this period to about \$300 billion per day in 1987. However, they remain significantly smaller in aggregate value than funds transfers. Smaller still is the value of transactions using checks and other minor components of the payments system; although comprehensive data are unavailable, various estimates suggest that the value of these transactions totaled about \$200 billion on an average business day in 1986 (not shown).

Comparing overdrafts to the value of the underlying transfers places these trends in a more

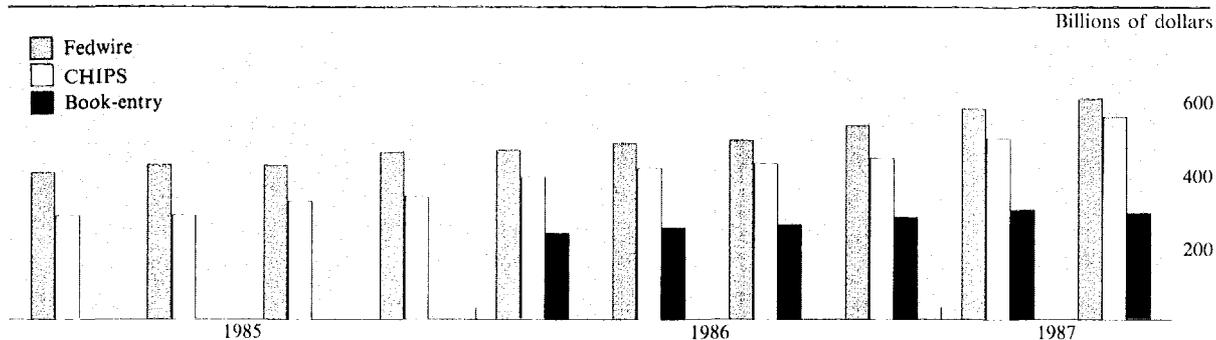
meaningful context (chart 4). Since caps on CHIPS and Fedwire funds overdrafts have been in effect, overdrafts as a share of the value of payments transferred have declined. For Fedwire, the reduction in this ratio was from 11 percent on average before daylight overdraft limits went into effect, to 9 percent on average during the following year, a reduction of nearly one-fifth. For CHIPS, the reduction between these same periods was from 17 percent to 8 percent, a fall of more than half. Book-entry overdrafts have been exempt from quantitative limits. Nevertheless, overdrafts as a share of book-entry securities transfers have fallen somewhat, from nearly 23 percent in the second quarter of 1986 to about 19 percent a year later, a reduction of about one-sixth.

Data on the intraday time of payment originations provides additional information on the effect of the payments risk policy (chart 5). One concern is that institutions might slow their outgoing payments in order to remain within caps, possibly causing other receiving institutions to experience higher overdraft levels. The dollar share of a day's total transactions originated by a certain hour of the day has fluctuated at times. However, since the implementation of caps, neither Fedwire nor CHIPS has experienced an overall shift of traffic to a later time.

Overdrafts by Individual Depository Institutions

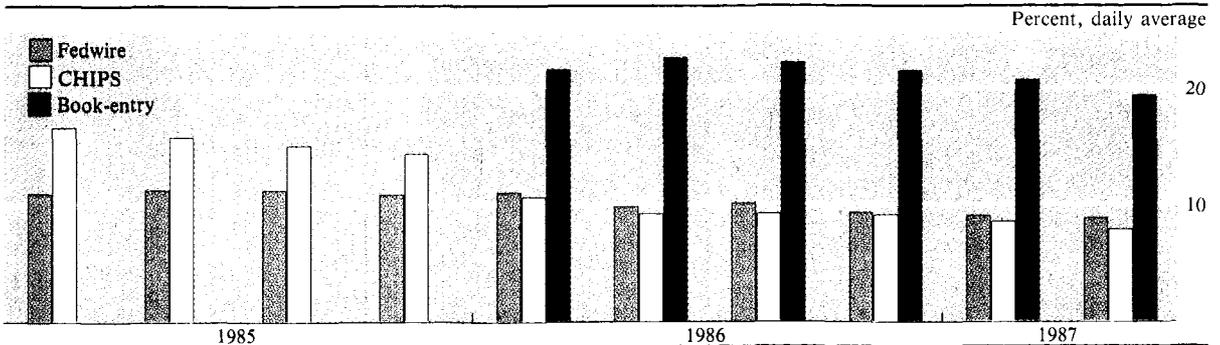
Small institutions as a group incur a minor portion of total overdrafts (chart 6). Larger U.S. commercial banks (defined here as those with

3. Average daily payments volume¹



1. Book-entry data are not available for 1985 and exclude original issues and redemptions.

4. Overdrafts as share of payments¹



1. Book-entry data are not available for 1985 and exclude original issues and redemptions.

more than \$10 billion in assets) and U.S. offices of foreign banks, although relatively few in number, generally account for about 80 percent of all cross-system funds overdrafts. Book-entry overdrafts are more highly concentrated; indeed the four major clearing banks, which clear securities for dealers and others, account for more than 75 percent of all book-entry overdrafts (chart 7).

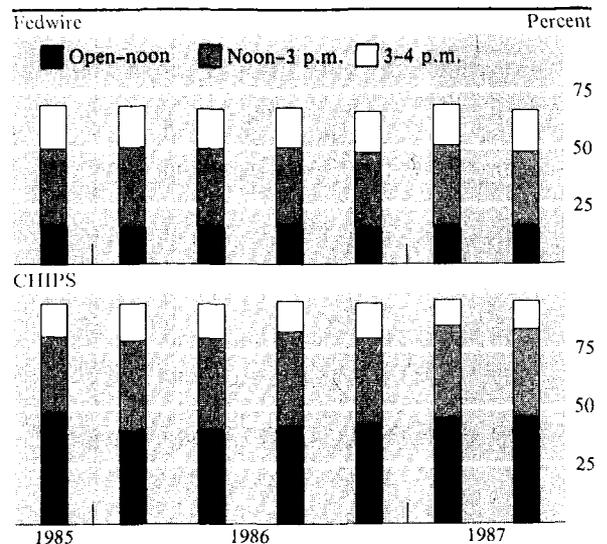
A comparison of daylight funds overdrafts with cross-system caps illustrates the possible constraining influence of policy guidelines. Aggregate funds overdrafts have equaled only 16 percent of cross-system overdraft caps even during the two-week period when funds overdrafts were at their greatest since measurement of overdrafts began (table 3). Among larger U.S. commercial banks, this "cap usage rate," or the portion of caps actually used, averaged less than 40 percent. Of course, as caps are reduced in two steps during the first half of 1988 by a total of one-fourth of their current levels, cap usage rates likely will rise. Nevertheless, the aggregate cap usage rate may be expected to remain moderate. If overdrafts remain unchanged, the aggregate cap usage rate would rise from about 16 percent to 22 percent and, for larger U.S. banks, from 40 to 50 percent when the full reductions of caps are implemented.

However, some institutions that use their overdraft caps more intensively will have to reduce their overdrafts as caps are lowered in 1988. In a limited number of cases, these reductions could be substantial. Possible methods for accomplishing this task are discussed below. But, as data on the distribution of individual cap

usage rates show (table 4), a majority of institutions use less than 50 percent of their current caps, while on average about 70 percent of all overdrafts are incurred by institutions with cap usage ratios at or below this level. This pattern suggests that a significant number of major institutions will continue to have low individual usage rates after the 1988 cap reductions.

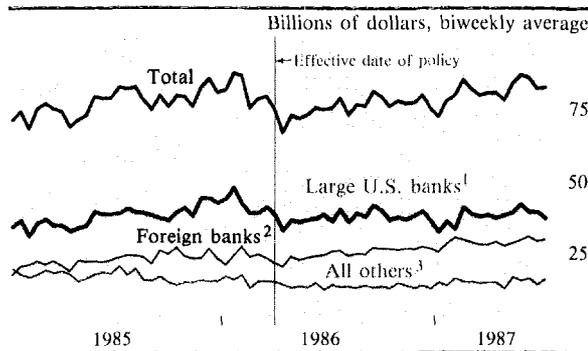
The duration of daylight overdrafts, or the average number of hours during the day that institutions remain in overdraft, is another di-

5. Dollar share of originations, by time of day for selected weeks¹



1. Data available for weeks ended Oct. 11, 1985; Jan. 10, Mar. 14, Apr. 18, May 16, June 20, Sept. 19, and Dec. 19, 1986; and Feb. 27, Mar. 20, and June 19, 1987.

6. Funds overdrafts, by type of institution

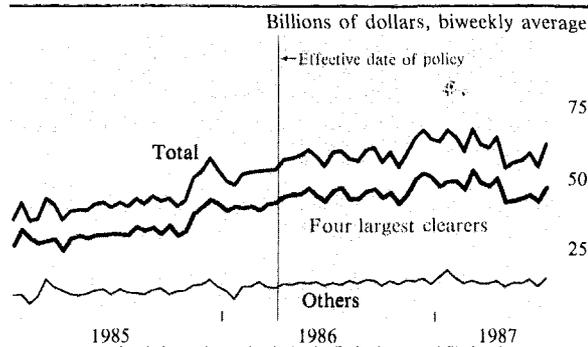


1. Banks with more than \$10 billion in assets.
2. U.S. agencies and branches of foreign banks.
3. Domestic banks with less than \$10 billion in assets, all thrift institutions, and other types of institutions.

mension of risk in the payment system. The level of risk an institution creates because of overdrafts is related to the size of the overdraft and to the length of time the institution incurs a given level of overdraft. Thus, the amount of risk created might change little if institutions reduced their peak overdrafts but remained near those peaks for longer periods of time as they redistributed their payment flows. In addition, fluctuations in overdraft duration over time could serve as an indicator of possible disruptive effects of daylight credit restrictions on the orderly flow of payments.

Chart 8 shows the duration of funds overdrafts has varied by less than an hour out of an average of 6 hours per day, even with the introduction of caps in early 1986. The "peak duration," defined here as the period during which individual overdrafts remain above 90 percent of their peak

7. Book-entry overdrafts by largest clearers

3. Aggregate funds overdraft capacity and usage rates¹

Type of institution	Percent of cross-system capacity	Percent of total funds overdrafts	Number of institutions	Aggregate cap usage rate (percent) ²
Domestic, by asset size (billions of dollars)				
Less than 1	5.3	2.0	1,432	6.2
1-5	7.0	6.5	186	15.1
5-10	5.9	8.8	48	24.3
More than 10	20.8	49.6	36	38.5
Foreign ³	61.0	33.0	88	8.7
All	100	100	1,790	16.2

1. For the two weeks ending May 20, 1987, total funds overdraft capacity was \$552 billion and actual funds overdrafts were \$88 billion. The table excludes institutions with negative adjusted primary capital or zero or no caps on file. Such institutions accounted for about 0.3 percent of cross-system overdrafts.

2. Total cross-system funds overdrafts for size class as percent of total cross-system caps for size class.

3. U.S. agencies and branches of foreign banks. The cross-system overdraft capacity of these institutions is based on worldwide capital. However, their uncollateralized Fedwire capacity is based on the smaller measure of 5 percent of their U.S. third party liabilities (\$28 billion). In addition, 17 foreign institutions have established a small amount of collateralized lines of credit for using Fedwire (\$3 billion). In general, CHIPS caps are much smaller than cross-system caps.

amounts, has also remained steady. This stability is also exhibited by larger U.S. commercial banks with more than \$10 billion in assets and by foreign banks, the two groups responsible for most funds overdrafts.

Responses to the Payments Risk Policy

The Federal Reserve's payments system risk policy provides depository institutions with

4. Distribution of biweekly cross-system funds overdrafts by cap usage rates¹

Cap usage rate ²	Number of institutions	Distribution of cross-system funds overdrafts (percent)
Greater than 100	4	.4
90-100	5	2.6
80-90	8	4.2
70-80	5	7.5
60-70	9	8.5
50-60	15	7.1
Less than 50	1,741	69.4
No cap ³	1,316	.3
All	3,103	100

1. Average for second quarter 1987. Cross-system funds overdrafts averaged \$85.5 billion per business day over this period.

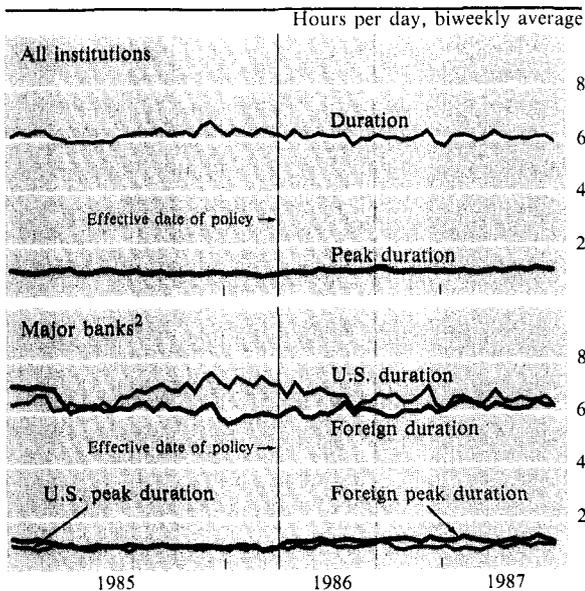
2. Cross-system funds overdrafts of an individual institution as a percent of its cap.

3. Institutions with negative adjusted primary capital or zero cap or no cap on file.

guidelines for conducting self-assessment ratings and establishing cross-system overdraft caps. To obtain the better ratings, institutions should have well-structured credit management policies, have up-to-date operational procedures, and be in sound financial condition. To obtain such ratings, most depository institutions with large overdrafts have implemented new internal credit policies for extending daylight overdraft facilities to customers and other banks and have improved their operating procedures to track customer and interbank daylight exposures.

The largest institutions typically have installed automated monitoring and control systems. Such systems can track an institution's own interbank overdraft position in real time during the day and can automatically slow the processing of outgoing payments when overdrafts approach a specified limit, usually some portion of its cap. Normal payments operations can be resumed when overdrafts decline as a result of incoming payments or at the discretion of the operations manager or a more senior credit officer. More sophisticated systems can also perform similar tasks in real time on individual customer accounts.

8. Duration of cross-system funds overdrafts¹



1. Duration is number of hours per day in overdraft. Peak duration is hours per day within 90 percent of peak overdraft.

2. Major U.S. banks are those with more than \$10 billion in assets. Major foreign banks are U.S. agencies and branches of foreign banks.

In addition to changing their internal policies and procedures, some depository institutions have altered the payment services they provide and their prices. In rare cases, institutions have announced a special fee for customers' priority payments, which must be transferred by a certain time of the day. Meanwhile, an institution may release nonpriority payments any time during the day at its own discretion, typically at times when overdrafts are relatively low.

In isolated cases, institutions with excess intraday funds—or with no excess funds but with excess overdraft capacity—have offered intraday credit to other depository institutions that might be approaching their overdraft caps. However, no borrowers have been known to accept this type of intraday credit. Although intraday lending might not reduce the aggregate level of overdrafts at a given time of day, it would redistribute overdrafts toward institutions that have a greater capacity for managing such exposures. This greater capacity exists for some institutions either because their payments activities lead to small amounts of overdrafts relative to their capital or because these institutions were able to establish self-assessment ratings that are higher than for other, similarly positioned institutions.

A redistribution of overdrafts toward institutions with greater capacity could occur by means other than explicit intraday lending. A small number of commercial banks have explored the feasibility of pricing customers' overdrafts on their own books. If pricing of customer daylight overdrafts were instituted, then customers would have some incentive to use those service providers that supplied intraday credit at the lowest prices, other things equal. Institutions with the lowest prices likely would be those with the most excess overdraft capacity. A redistribution of payments volume toward these institutions could result.

Even in the absence of explicit pricing, customers may have an incentive to shift some business away from their primary banking institution to other institutions in the event that the primary provider was constrained and unable to guarantee processing of a time-critical payment. Some institutions have marketed payments services as "backup" providers.

OTHER METHODS FOR REDUCING PAYMENTS SYSTEM RISK

The Federal Reserve is currently reviewing its risk reduction program in order to evaluate longer-term policy goals and strategies. The review will include a consideration of several policy options, including further reducing caps, requiring clearing balances or collateral to cover daylight overdrafts, and pricing overdrafts; and of institutional changes such as the adoption of settlement finality on private networks and the use of new funding and netting techniques. The review will draw on an analysis by staff members of the Federal Reserve System as well as that of the Board's Large Dollar Payments System Advisory Group, a committee of senior executives of foreign and domestic commercial banks and thrift institutions.

Settlement Finality on Private Networks

Reserve Banks provide net settlement services to depository institutions participating in a number of private-sector clearing arrangements. These arrangements include wire transfer networks; check clearing; automated clearinghouses (ACH); and automated teller machine (ATM), credit card, and point-of-sale (POS) networks. Wire transfers are estimated to account for up to 85 percent of the value of all payments other than those involving currency or those associated with securities transfers, and check payments account for almost all of the balance. The value of ACH, ATM, POS, and credit card payments together account for perhaps 2 percent of the total value. Because systemic risk is closely related to the value of overdrafts on a network, which in turn appears to be related to the dollar volume of payments on the network, wire transfer payments currently entail the most significant amount of risk.

The Federal Reserve's risk reduction program now calls for limits on the daylight overdrafts of each participant in a private wire system that uses a Reserve Bank to effect net settlements. As long as daylight overdrafts exist, some level of systemic risk remains because some participants could fail to meet their settlement obligations and cause others to fail to settle. The risk of settle-

ment failure on privately operated wire transfer networks could be reduced further if procedures were developed to assure the finality of settlements. Finality would protect participants on private payments networks, and perhaps their customers, from the disruptive effects of a reversal of payments in the event that one or more participants failed to settle.

To achieve settlement finality, some or all participants would need to stand ready to provide the funds necessary to assure settlement in the event of one participant's settlement failure. In one such arrangement, all network participants, as a group, would be prepared to provide extra funds to cover the total net debit position of a participant that failed to settle. A formula for calculating such contributions could involve equal shares, proportionate shares based on the value of the net credit exposures each institution had with the failed party, or shares devised in some other manner. In addition, these contributions by participants could be reduced, for example, if each participant had previously posted collateral in proportion to the size of the net debits it typically incurred on the system. A failing institution's collateral then could be used to reimburse other participants that provided the funds necessary to assure settlement finality. The New York Clearing House, which operates CHIPS, has decided to adopt some form of settlement finality as soon as certain operational and legal issues can be resolved.

The adoption of settlement finality need not imply that customers could obtain irrevocable credits to their deposit accounts for payments received before end-of-day settlements. Indeed, in the event of a settlement failure, settlement finality could be obtained by requiring customers receiving payments from a failed sending institution and obtaining provisional credits to their accounts during a given day to reimburse their depository institutions for losses related to these payments. The uncertainties with respect to the consequences of a settlement failure thus have led to proposals that private networks adopt receiver finality, which would give customers irrevocable credit for payments received.

In one version of receiver finality, only payments credited to customer accounts and made available for their use before end-of-day settle-

ment would be treated as irrevocable credits. In another version, all payments to customers of network participants would become irrevocable credits when received by the participant, regardless of when participants irrevocably credit customer accounts. Such proposals may be more risky for network participants but safer for customers than settlement finality. A major rationale in support of receiver finality, however, is that reallocating more of the total risk to network participants gives them a greater incentive to monitor and control this risk and thereby lower systemic risk.

Netting and Other Institutional Changes

As already noted, overnight federal funds purchases (and purchases of other money market instruments) often are negotiated in the morning, with the funds actually being sent in the early afternoon. This practice leaves a midday gap of three or more hours between the morning repayment of previously borrowed funds and the receipt of that same day's new borrowing, often from the same lender and for the same amount. It is during this gap that borrowers often incur daylight overdrafts. Arrangements for the intraday netting of payments and receipts could be used to reduce payment time gaps and daylight overdrafts.

Depository institutions could use numerous funding techniques to reduce daylight overdrafts. First, they could borrow term or multiday funds instead of overnight funds. Since repayments of the borrowed term funds occur at the end of the term periods, which are longer than one day, no funds transfers are necessary in the intervening days. Therefore, measured daylight overdrafts would fall. Second, institutions could cover daylight overdrafts through intraday funding, for example by borrowing overnight funds for delivery in the morning and reselling these funds in the afternoon of the same day. However, depository institutions may prefer generally less expensive alternatives to term funds and intraday funding. Examples of these techniques are rollovers and continuing contracts.

In a rollover, the same amount of overnight (or longer-term) funds borrowing is renegotiated each day with the same seller. As in the case of term

funds, no funds are transferred except the initial borrowing, the final repayment, and the accrued interest, which might be paid each day. Thus, rollovers also can eliminate a number of daily funds transfers and the associated daylight overdrafts. A similar technique is a continuing contract, in which differing amounts of daily funds borrowings are renegotiated with the same seller from day to day. Only net borrowings or repayments, and perhaps interest, are transferred each day. Because net changes in borrowings are less than the gross amounts borrowed, the size of overdrafts should fall compared to their size when gross amounts are returned and reborrowed each day.

Another technique is netting by novation, in which gross bilateral payment obligations between two institutions are replaced by a new contractual obligation for the net amount due. This net obligation may change continuously as payment messages are sent and received during the day. For example, agreements providing for netting by novation in the London forward foreign exchange market are now being used by some banks. This adjustment of contractual obligations allows two parties to transfer only net amounts due, thus reducing both the risk that each party imposes on the other and daylight overdrafts.

The potential for reducing daylight overdrafts using these and other netting arrangements may be significant. Earlier Federal Reserve staff analyses suggest that if large banks shifted a portion of their interbank overnight borrowing to rollovers, continuing contracts, or term funds, then virtually all their daylight overdrafts in reserve or clearing accounts could be eliminated. The size of the necessary shift was estimated to range from 13 to 50 percent, depending on the pattern of the bank's payments and funding.⁴

Pricing Fedwire Daylight Overdrafts

Pricing of Fedwire overdrafts could provide depository institutions with additional incentives to reduce daylight overdrafts by placing the cost of overdrafts on the banks and payment system users that create and benefit from overdrafts. Pricing could be implemented within the existing policy framework of cross-system and network sender net debit caps. Sender net debit caps seek

to limit maximum daylight overdrafts and therefore impose an "implicit price" on overdrafts that would otherwise be above this limit. Explicit pricing would discourage overdrafts that occur within these caps. Operational problems at the Reserve Banks would be an important practical difficulty to overcome if pricing were adopted. For example, Reserve Bank computer problems can delay the receipt of incoming payments and hence increase measured overdrafts at some depository institutions through no fault of their own.

Establishment of Liquidity Reserves

The establishment of liquidity reserves to cover daylight overdrafts on Fedwire, or even on private systems like CHIPS, is another possible method for reducing payment system risk. Cash or very close substitutes could be held in special accounts at Reserve Banks or at a special-purpose institution to cover some or all overdrafts. Liquidity reserves might also earn interest at rates approaching those for overnight or other short-term funds available in the market. In essence such liquidity reserves would ensure that payment or settlement defaults would not occur, in much the same way as the posting of collateral provides security against defaults.

One potential advantage of cash or near-cash reserves over less liquid forms of collateral would be that settlement could be assured in the event of defaults with little or no disruption of financial markets. By contrast, if less liquid forms of collateral were held, disruptive large-scale sales might be required to raise the funds needed to assure settlements. On the other hand, liquidity reserves would likely be financed in large part by increased deposits or by sales of some of a depository institution's assets, which are already financed largely by deposits. In effect, payments system risk borne by the federal safety net would be shifted more explicitly

to depositors, creditors, and shareholders of depository institutions. But, to the extent that deposits are federally backed, the risk borne by the federal safety net might be substantially unaltered.

CONCLUSION

The Federal Reserve System's initial policy for reducing payments system risk has slowed the growth of daylight overdrafts, especially considering the more rapid growth of the dollar volume of payments. The policy has focused the attention of the financial industry and its customers on the risks inherent in the use of daylight overdrafts and has led institutions to exercise better control of daylight exposures to financial risk. Nevertheless, the magnitude of daylight overdrafts remains sizable. The Federal Reserve is currently analyzing longer-term policies for the management of the risk associated with these overdrafts.

NOTES

1. See David B. Humphrey, "Payments Finality and Risk of Settlement Failure," in Anthony Saunders and Lawrence White, eds., *Technology and the Regulation of Financial Markets* (Lexington Books, 1986).

2. The policy is described in 50 Fed. Reg. 21,120 (May 22, 1985) and 52 Fed. Reg. 29,255 (August 6, 1987).

3. Adjusted primary capital for U.S. chartered banks is the sum of primary capital (including common stock, perpetual-preferred stock, surplus, undivided profits, contingency and other capital reserves, qualifying mandatory convertible instruments, allowances for possible loan and lease losses, and minority interests in equity accounts of consolidated subsidiaries) less all intangible assets and deferred net losses on loans and other assets sold. Comparable definitions apply for thrift institutions, Edge and agreement corporations, and other types of depository institutions.

4. See David B. Humphrey, David Mengle, Oliver Ireland, and Alisa Morgenthaler, "Pricing Fedwire Daylight Overdrafts" (Board of Governors of the Federal Reserve System, January 13, 1986), p. 17.

Staff Studies

The staffs of the Board of Governors of the Federal Reserve System and of the Federal Reserve Banks undertake studies that cover a wide range of economic and financial subjects. From time to time the results of studies that are of general interest to the professions and to others are summarized in the FEDERAL RESERVE BULLETIN.

The analyses and conclusions set forth are those of the authors and do not necessarily

indicate concurrence by the Board of Governors, by the Federal Reserve Banks, or by the members of their staffs.

Single copies of the full text of each of the studies or papers summarized in the BULLETIN are available without charge. The list of Federal Reserve Board publications at the back of each BULLETIN includes a separate section entitled "Staff Studies" that lists the studies that are currently available.

STUDY SUMMARY

THE FUNDING OF PRIVATE PENSION PLANS

Mark J. Warshawsky—Staff, Board of Governors

Prepared as a staff study in the winter of 1986

The ability of private pension plans to pay promised retirement benefits to employees has been the focus of considerable interest in the arenas of public policy and financial accounting standards. The Employee Retirement Income Security Act of 1974 mandates minimum funding standards for most privately sponsored pension plans. The act requires the reporting of extensive information about plan assets, liabilities, and fund management to give regulatory authorities and plan participants the ability to judge the financial security of a pension plan. The act also established the Pension Benefit Guaranty Corporation, financed by premium payments from pension plans, to ensure that a minimum level of retirement benefits would be paid even if a plan sponsor were to go bankrupt and assets were insufficient to fund obligations. More recently, the Financial Accounting Standards Board has set uniform standards for reporting pension expenses, liabilities, and assets in financial statements. The users of financial statements, in particular the investor community, will thereby

be given more accurate and comparable information about the obligations of plan sponsors and the assets set aside to discharge those obligations.

Concerns about the security of pension plans have increased recently. Responding to excellent investment performance in the stock and bond markets, many pension sponsors have reduced funding contributions and some have even terminated their plans to recapture assets in excess of liabilities. On the other hand, some sponsors in troubled industries have had their badly underfunded plans terminated, burdening the Pension Benefit Guaranty Corporation (PBGC) with large liabilities. The exit of healthy overfunded plans and the continued existence of financially weak underfunded plans has increased the risk exposure of the PBGC.

Any analysis of the financial health of pension plans and of appropriate regulatory responses depends critically on accurate information about the nature and amount of plan liabilities. This study briefly reviews the regulatory, institution-

al, and economic factors relevant to pension plan obligations. It surveys the literature on the appropriate conceptual framework for measuring pension obligations and summarizes financial accounting standards for calculating and reporting the liability of a pension plan. The study describes, on reported and adjusted bases, the recent funded status (measured by the ratio of assets to liabilities) of a large sample of private pension plans. And it explains how minimum and maximum funding standards are calculated under rules set forth by the Employee Retirement Income Security Act (ERISA), how these standards determine funded ratios, and how some recent proposals could change funding standards. The study focuses on defined benefit plans—pensions under which the benefit level is predetermined and employer contributions are adjusted to meet anticipated liabilities. Defined contribution plans—pensions under which the contribution rate is predetermined and benefits depend on investment performance—by definition have a matched asset–liability status and pose no risk either to their sponsor or to the PBGC.

A major finding of the study is that the general perception of an ongoing and robust improvement in the financial health of private pension plans is incorrect. True, the ratios of fund assets to plan liabilities (funded ratios) reported in financial statements indicate that pension plans were fully funded in 1981 and overfunded by 1985. However, the financial accounting methods used before 1987 to calculate pension liabilities mismeasured, and generally understated, the ongoing obligation of plan sponsors. The accounting standards gave no consideration to future increases in the level of compensation on which retirement benefits are based; they al-

lowed arbitrary interest rates to be used in the valuation process; and they did not include in any liability calculation partial cost-of-living adjustments to future benefits paid to retired employees, a reasonable expectation under many plans. When reported liabilities are adjusted for these considerations, the resulting funded ratios indicate that pension plans are, on average, underfunded and that their financial health has improved only slightly over the 1981–85 period, despite the strong rally in security prices.

A detailed examination of the distribution of adjusted funded ratios of pension plans reveals a wide range in their financial health. Some plans have funded ratios under 50 percent, while others have ratios higher than 200 percent. In general, large plans and steel industry plans are poorly funded. Despite the minimum funding standards imposed by ERISA, plan sponsors still have considerable discretion in funding contributions. Sponsors may choose among many allowable actuarial cost methods and assumptions; they are allowed to create large supplemental liabilities with long amortization schedules; and they may obtain waivers of minimum funding requirements. Furthermore, sudden and adverse shifts in business conditions in an industry that cause massive layoffs can quickly increase the pension liability per active plan participant. Required contributions increase only slowly, however. As a result, many plans are poorly funded even while remaining within ERISA guidelines, and underfunded plans pose considerable risk to the PBGC. The accumulated large pools of assets in other plans have a negative side too: because the earnings on assets held in a pension fund are largely exempt from corporate taxes, overfunded plans represent a loss of tax revenues to the government.

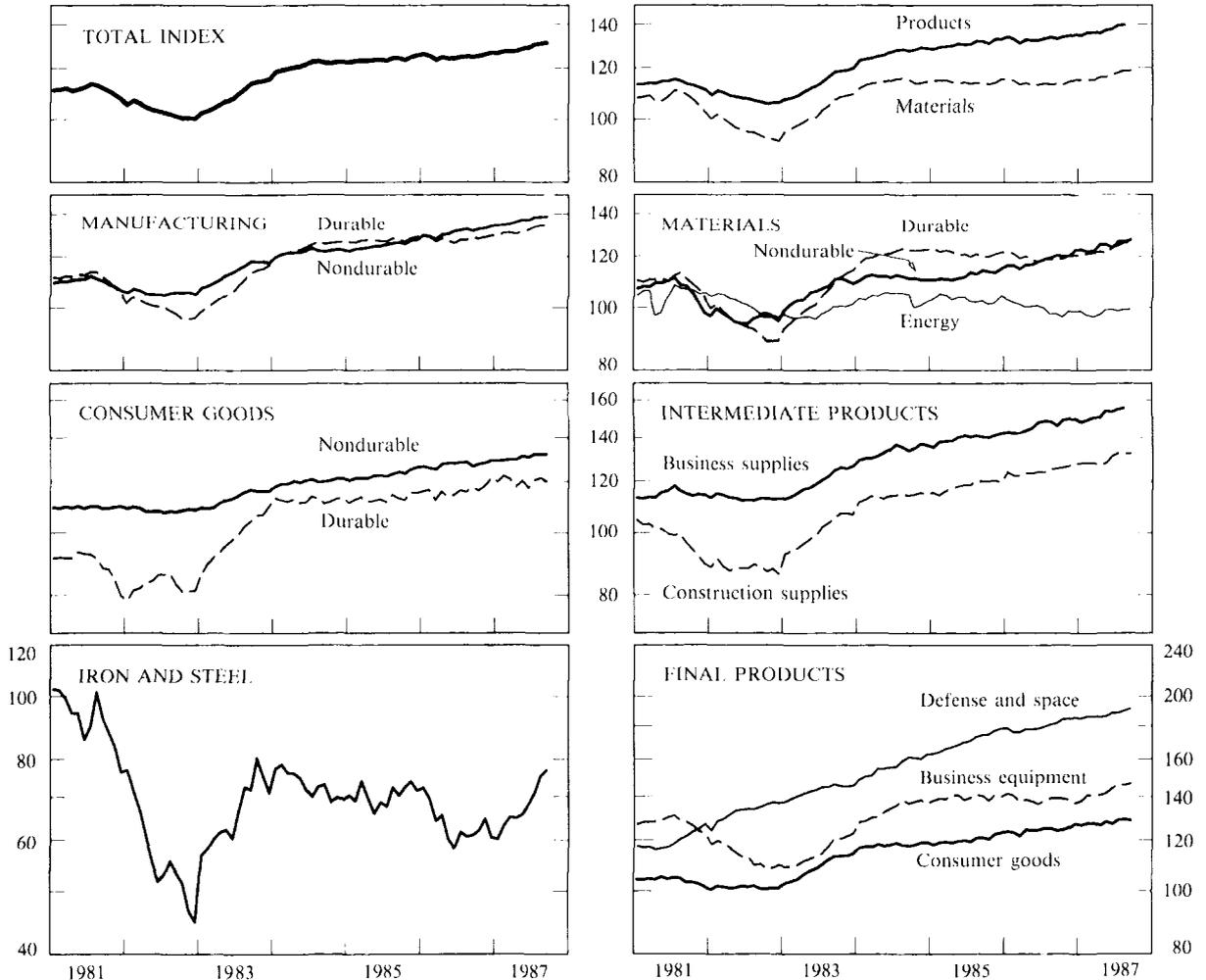
Industrial Production

Released for publication September 16

Industrial production increased an estimated 0.3 percent in August, after gains of 0.8 percent in July and 0.7 percent in both June and May. The business equipment sector posted the largest increases in August, while output of materials and consumer goods edged up further. At 130.7 percent of the 1977 average, the total index in August was 4.5 percent higher than it was a year earlier.

In market groups, output of consumer goods was up about one-quarter of a percent despite a sharp reduction in auto assemblies from an annual rate of 6.7 million units in July to a rate of 5.9 million in August. A further surge in light truck production, of which a large proportion is for consumer use, more than offset the decline in auto assemblies. The cutback in autos reflected an attempt to reduce inventory levels as well as reported parts shortages. Output of goods for the

Ratio scale, 1977 = 100



All series are seasonally adjusted. Latest figures: August.

Group	1977 = 100		Percentage change from preceding month					Percentage change, Aug. 1986 to Aug. 1987
	1987		1987					
	July	Aug.	Apr.	May	June	July	Aug.	
Major market groups								
Total industrial production	130.3	130.7	.1	.7	.7	.8	.3	4.5
Products, total	138.9	139.4	-.4	1.1	.6	.6	.4	4.2
Final products	137.3	138.0	-.4	1.0	.6	.5	.5	4.1
Consumer goods	129.3	129.5	-.7	1.2	.4	.5	.2	3.5
Durable	120.1	120.5	-2.6	1.8	-.5	.4	.3	4.1
Nondurable	132.8	132.9	.0	1.0	.6	.6	.1	3.4
Business equipment	143.8	145.2	.0	.7	1.3	.1	1.0	4.2
Defense and space	186.3	186.8	-.3	.2	-.4	.3	.3	3.2
Intermediate products	144.2	144.1	-.4	1.6	.5	1.0	-.1	4.5
Construction supplies	130.8	130.9	-.9	.8	.9	1.1	.1	4.4
Materials	118.6	118.9	.8	.1	.8	1.1	.2	5.0
Major industry groups								
Manufacturing	135.0	135.4	.1	.6	.4	.9	.3	4.6
Durable	132.1	132.7	-.4	.6	.3	.8	.5	4.1
Nondurable	139.0	139.2	.7	.7	.7	1.0	.1	5.3
Mining	98.6	98.6	.5	1.0	.8	.2	.0	2.3
Utilities	113.9	114.3	-.5	2.2	1.7	.5	.4	5.5

NOTE: Indexes are seasonally adjusted.

home increased slightly, but, on balance, has been sluggish throughout this year. Production of nondurable consumer goods changed little in August. Output of business equipment, which has grown rapidly this year, rose sharply further in August with increases in all major components; the most significant gains so far this year have occurred in manufacturing and commercial equipment, apparently reflecting improvement in both domestic and foreign demand. Output of intermediate products—supplies for both construction and business—was about unchanged in August following several months of solid gains. Recent strength in construction supplies, particularly lumber, may reflect, in part, the improved trade situation.

Total industrial production—Revisions

Estimates as shown last month and current estimates

Month	Index (1977=100)		Percentage change from previous months	
	Previous	Current	Previous	Current
May	128.3	128.4	.7	.7
June	128.8	129.2	.4	.7
July	129.8	130.3	.8	.8
August .....	...	130.7	...	.3

Materials output rose 0.2 percent after having risen on average about 1 percent in the preceding two months. Production of durable materials—in particular, equipment parts and metals—increased in August. Output of nondurable materials was up fractionally to a level more than 7 percent higher than it was a year earlier. Energy materials were unchanged during the month.

In industry groups, manufacturing production increased 0.3 percent in August, with durable goods up 0.5 percent and total nondurables about unchanged. Mining output was unchanged overall, but oil and gas extraction increased moderately. Production by utilities rose an estimated 0.4 percent.

In October revised indexes of industrial production will be issued for the period from January 1985 through mid-1987. The revision is based on data unavailable at the time the original estimates were made and also incorporates updated seasonal adjustment factors developed from data through 1986. "Industrial Production," the October Federal Reserve statistical release, G.12.3 will contain the revised indexes both in seasonally adjusted and not seasonally adjusted form.

Statement to Congress

Statement by Wayne D. Angell, Member, Board of Governors of the Federal Reserve System, before the Committee on Banking, Finance and Urban Affairs, U.S. House of Representatives, September 30, 1987.

I am pleased to appear before the House Committee on Banking, Finance and Urban Affairs in response to your request that the Board of Governors of the Federal Reserve System provide comments on proposals to establish, for farm mortgage loans, a secondary market backed by a government guarantee.

Secondary markets for private debt instruments, broadly defined as mechanisms whereby loans are resold in the national financial market, perform a function of growing importance in our economy. Because of inherent factors such as their remote geographic location or the small size of their individual credit needs, borrowers in some sectors lack direct access to the national credit market. When their loans are securitized or repackaged for that market, borrowers in such a sector are more likely to obtain credit in amounts and at interest rates that truly reflect the relative creditworthiness of that sector, as determined in the national marketplace. Consequently, the nation's capital resources are more likely to be allocated to the more productive uses, promoting economic progress as well as equity.

Besides improving the credit-market access of farm borrowers, substantial benefits could flow to farm lenders from the establishment of a secondary market for their mortgage loans. Rural commercial banks, for example, would be enabled to become truly "full service" farm lenders, making long-term farm real estate loans as well as the operating, machinery, and livestock loans that constitute the major part of their current farm loan business. It is relatively risky for a small bank to hold a large amount of fixed-rate, long-term loans in its own portfolio. Hence, many rural banks have had to restrict such lending, relying instead on greater amounts of

adjustable-rate mortgages. The ability to transfer fixed-rate loans to investors via a secondary market will allow banks to serve long-term credit needs without undue exposure to the associated risks posed by unexpected changes in either interest rates or the profitability of farming.

A private secondary market, therefore, would be a very positive development for both farm borrowers and lenders. Before discussing how current legislation could usefully facilitate the development of such a private market, however, I want to address the adverse effects of establishing the market via the easy route of providing a guarantee on its offerings.

The introduction of a government guarantee on the debt of a particular sector, whether placed directly on the individual loans or on secondary-market securities representing such loans, is a very serious step. In taking such action, the Congress, in effect, overrides the judgment of the market and moves the credit rating of that sector to the top rank, above that of all the other sectors to which government backing has not been granted. The sector awarded such government backing is virtually assured of ample funds at relatively favorable interest rates. The problems of the Farm Credit System in this decade provide a compelling demonstration of the grave consequences that can follow excessive lending and investment stimulated by artificially low interest rates.

To be certain, in the past the nation deemed the market's allocation of funds to be inappropriate. In these rare instances, legislation deliberately altering the decision of the market was justified by an overwhelming public interest to encourage additional borrowing for a specified purpose or by a particular group. Government backing increased borrowing for the construction and purchase of homes. Similarly, government guarantees helped college students to finance their higher education. For both of these purposes, the Congress found increased debt-financed investment to be so much in the national

interest that it substituted the creditworthiness of the nation for the original creditworthiness of the targeted borrowers.

In the case of housing, the goal was to increase homeownership; for student loans, to increase the number of college-educated citizens. And now, in turn, farm mortgage loan subsidies would stimulate investment in farm productive capacity. Capital improvements, machinery, and operating expenses would tend to be funded from the lower-cost mortgage funds, increasing the amounts of these items. The resulting expansion in agricultural production would be contrary to the aim of existing farm programs, which attempt to curtail production. Should greater productive potential be stimulated at this time by a public already shouldering much of the financial burden of present farm productive capacity? And in what other sectors would credit use and investment be curtailed? Only a limited volume of savings is available to be channeled into investment and to the extent that funds are diverted to agriculture, some other potential investment is denied—perhaps the sort of productivity-enhancing investment our business sector needs so badly to compete effectively in the international arena.

In addition, the investment stimulus of subsidized, lower-priced mortgage credit could well be manifested by driving up land prices; that is, the cost advantage secured by farm borrowers will tend to be capitalized in the price of land. Ironically, because about two-fifths of farmland is owned by nonfarmers, only three-fifths of this capital gain will accrue to farmers. Furthermore, to the extent that the interest rate advantage is capitalized, only current landowners benefit. For the next generation of farmers, the higher price of the land will offset the lower interest rate.

For a land buyer to capture the benefit of the relatively lower, subsidized mortgage interest rate, he must be a borrower. Thus the availability of government-backed credit will tend to increase the degree of leverage employed by farmers as well as by nonfarm investors in farmland; indeed, as we have seen, the thought behind providing government-backed credit is to increase the use of debt for specified purposes. But in an industry such as agriculture, which is subject to sharp financial swings arising from both natural and economic causes, high debt

leverage can be extremely dangerous—as has been painfully demonstrated during the past 10 years.

Despite these problems, within certain limits, agriculture already is among the sectors for which government-backed credit traditionally has been legislated. Programs of the Farmers Home Administration promote borrowing by farmers with limited means, and in the past have promoted borrowing by farmers that encountered natural disasters or economic emergencies. In addition, credit markets have long regarded the Farm Credit System, which represents one type of secondary-market mechanism, as having the implied standby backing of the government. Implicit guarantees are called on to be made explicit from time to time, as illustrated by the assistance being requested by the Farm Credit System. Over the long term, it would be in the public interest to phase out these implicit and other guarantees provided for farm lending. Instead, it is now proposed that the government extend explicit backing, via a guarantee for mortgage-backed securities, to the farm mortgage loans of all lenders.

Indeed, concern for financially distressed farm borrowers and lenders other than those in the Farm Credit System appears to have been part of the motivation behind proposals for the government-backed secondary market. Initially, some lenders may have envisioned the government purchasing their weak loans at face value, just as they proposed that the government purchase and “warehouse” the farmland they had already acquired through foreclosure. Similarly, some troubled borrowers may have hoped that the government would acquire their loans and then exercise forbearance in the fashion of the Farmers Home Administration. It is clear that the secondary market now being proposed accommodates neither of these ends. It will serve only borrowers who are financially strong when the loans are made, because the originating lender will retain exposure to the first portion of any eventual loss.

If, by introducing and maintaining high quality standards, credit markets can be assured that the loans are strong, a secondary market could exist without a government guarantee. Its development, however, is considerably more difficult, because a securitizing or pooling agency must be

established, credit quality standards promulgated, implemented, and enforced, and so forth. Legislation could establish an agency that would develop such a market, probably as an entity of the Farm Credit System. Government assistance to this venture that stops short of a guarantee could be very helpful in the developmental phase of a secondary market, particularly in view of the technical challenge presented by the diversity of farming. But, we should be very careful that

government sponsorship is not seen as an implicit government guarantee. Past experience suggests that a guarantee intended just to help get the market started would be almost impossible to withdraw because borrowers would loathe to give up the considerable interest rate advantage. It would seem best to face forthrightly the establishment of a private market at the very beginning. □

Announcements

MEETING OF CONSUMER ADVISORY COUNCIL

The Federal Reserve Board announced that its Consumer Advisory Council met on October 22 and 23, in sessions open to the public.

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

REGULATION U: AMENDMENT

The Federal Reserve Board on September 16, 1987, adopted an amendment to Regulation U (Credit by Banks for the Purpose of Purchasing or Carrying Margin Stock) that will reduce the paperwork burden for banks that take margin stocks as collateral for loans. The amendment is effective September 23.

The action no longer requires banks to use Form FR U-1 for loans of \$100,000 or less that are secured directly or indirectly by margin stock.

CHANGES IN BOARD STAFF

The Board announced on October 1, 1987, the establishment of a new organizational unit, the Division of Monetary Affairs, and named Donald L. Kohn Director. At the same time, the Board appointed Michael J. Prell Director of the Division of Research and Statistics.

Mr. Kohn was previously Deputy Director (Monetary Policy and Financial Markets) in the Division of Research and Statistics and, before that, Deputy Director for Monetary and Financial Policy. Mr. Prell most recently served as Deputy Director of Research and Statistics.

The new division will have responsibility for the analysis of monetary policy issues and for liaison with the Open Market Desk of the Federal Reserve Bank of New York and with other government agencies on matters pertaining to monetary policy operations and the government securities market. It will be composed primarily of staff drawn from the Division of Research and Statistics, including the banking section and members of the government finance and of the econometrics and computer applications sections.

Also assigned to the new division are the following: David E. Lindsey, Deputy Director, formerly Associate Director in the Division of Research and Statistics; Richard D. Porter, Assistant Director, formerly Assistant Director in the Division of Research and Statistics; and Normand R.V. Bernard, Special Assistant to the Board, who transferred from the Office of Board Members.

PROPOSED ACTIONS

The Federal Reserve Board requested comment on a proposed amendment to Regulation Z (Truth in Lending) to implement a provision of the Competitive Equality Banking Act of 1987 regarding adjustable-rate mortgage caps. The provision would require creditors to include a limit on the maximum interest rate that may be charged on certain adjustable-rate transactions. Comments should be received by the Board on this matter by October 14, 1987.

The Federal Reserve Board also requested comment on whether it should permit bank holding companies to acquire healthy thrift institutions and the terms and conditions under which such acquisitions might be permitted. Comment is requested by November 20, 1987.

SYSTEM MEMBERSHIP:
ADMISSION OF STATE BANKS

The following state banks were admitted to membership in the Federal Reserve System during the period August 1 through August 31, 1987:

Florida

Tampa Terrance Bank of Florida

Maryland

Upper Marlboro United Bank & Trust
Company of Maryland

Oklahoma

Oklahoma City Central Bank of
Oklahoma City

Texas

Sanger Sanger Bank

Virginia

Richmond United Virginia Bank

Record of Policy Actions of the Federal Open Market Committee

MEETING HELD ON AUGUST 18, 1987

1. Domestic Policy Directive

The information reviewed at this meeting suggested that economic activity has continued to expand at a moderate pace in the current quarter. Labor demand has been strong and the unemployment rate has declined further. The industrial sector apparently has benefited from increased international competitiveness. In addition, spending by domestic sectors has continued to advance with spending on business equipment remaining strong and retail sales picking up in recent months. Price increases, although still appreciable, have been somewhat smaller than in the early part of the year, and wage inflation has held at about the same slow pace as in 1986.

Household employment surged in July, and the civilian unemployment rate edged down 0.1 percentage point to 6.0 percent, bringing the cumulative decline so far this year to 0.7 percentage point. Payroll employment registered a sizable increase in July, after two months of slower growth. Hiring remained strong in services, but manufacturing employment recorded its largest monthly gain in three years, and construction employment was essentially unchanged in July following earlier declines.

Gains in employment were associated with a strong increase in industrial production in July. The industrial production index rose 0.8 percent and was revised upward for the previous two months. Advances in July were widespread among products and materials. Output of consumer goods rose noticeably with large increases in production of light trucks and consumer non-durables. Output of business equipment also registered a strong increase as a result of continued sharp advances for construction and mining, manufacturing, and commercial equipment.

Retail sales posted large increases in June and July, after a period of relatively sluggish growth earlier in the year. Automotive dealers and gasoline stations recorded sizable sales gains in July, although spending also increased at most other types of stores. Upward revisions to data for earlier months suggested that nominal spending had been well maintained recently at stores specializing in general merchandise, apparel, and certain durable goods.

Housing activity has leveled off in recent months after declining earlier. Total starts were at an annual rate of 1.61 million units in July, essentially unchanged from the pace in May and June. During the month an increase in single-family starts offset a decline in multifamily units. Despite the rise in July, single-family homebuilding remained significantly below the robust pace recorded during the early months of the year when mortgage rates were at a nine-year low. The decline in multifamily starts reflected the continuing influence of high vacancy rates and tax law changes.

Capital spending appeared to be strengthening, especially for equipment. Real outlays for producers' durable goods rebounded in the second quarter, after a steep tax-related decline in the first quarter. In addition, recent data on new orders suggested further gains in spending on equipment in the period ahead. Outlays for non-residential construction were little changed in the second quarter after sharp declines over most of the preceding two years; office building continued to decline in the second quarter, but spending was firm in most other sectors, especially in petroleum drilling, which rose for a third consecutive quarter.

Nonfarm inventory investment apparently slowed in the second quarter as auto dealers' inventories leveled off after a rapid first-quarter accumulation. Stockbuilding at nonauto trade

establishments picked up fairly sharply in April and May, although serious inventory imbalances were not evident. In manufacturing, inventories increased slightly in the second quarter, but the inventory-sales ratio at the end of June fell to the lowest level of the current expansion.

The U.S. merchandise trade deficit in current dollars was higher in June than in any previous month of 1987, but it appeared to have changed little on average between the first and second quarters in nominal terms on a balance of payments basis. In real terms, the deficit recorded a further improvement in the second quarter despite an increase in the quantity of imports of petroleum and petroleum products. Available data indicated some improvement in economic activity in foreign industrial countries in the second quarter, compared with the generally weak first-quarter results. Indicators of economic activity in the United Kingdom suggested broad-based strength. German construction activity rebounded from its first-quarter drop, although other indicators of German economic activity showed less strength. In Japan, signs were mixed, but growth in the consumer and housing sectors seemed more robust in the latter part of the quarter.

Inflation rates have slowed in recent months but have continued to run above the pace in 1986. The recent slowdown has been concentrated among items other than food and energy; after increasing rapidly in the first four months of the year, the CPI excluding food and energy rose 0.3 percent in May and 0.2 percent in June. Consumer food prices rose sharply in May and June; however, farm commodity prices have fallen recently. Upward pressures on energy prices have persisted, partly reflecting heightened tensions in the Persian Gulf, which pushed crude oil prices up further in July. Prices of imports other than oil rose sharply in the second quarter for a fairly wide range of intermediate materials and products. In addition, domestic producers have raised prices for materials. Wage inflation remained comparatively moderate in the first half of 1987.

At its meeting on July 7, the Committee adopted a directive that called for maintaining the existing degree of pressure on reserve positions. The members decided that somewhat greater or

lesser reserve restraint would be acceptable depending on indications of inflationary pressures and on developments in foreign exchange markets, as well as on the behavior of the monetary aggregates and the strength of the business expansion. M2 and M3 were expected to grow at annual rates of 5 and 7½ percent respectively, from June through September, while growth in M1 was expected to remain below its pace in 1986 but to pick up from recent levels. The intermeeting range for federal funds was left unchanged at 4 to 8 percent.

Growth in M2 picked up a little in July but remained sluggish; for the year through July cumulative M2 growth fell further below the 5½ percent lower bound of the range established by the Committee for 1987. The slightly faster growth of M2 reflected a turnaround in M1, which edged up in July; demand deposits contracted, albeit less than in June, while other checkable deposits rose moderately. M3 expanded at only a 2 percent rate in July as banks, experiencing low loan demand, ran off large CDs; in July this aggregate was somewhat below the growth cone associated with the Committee's 5½ to 8½ percent range for this year. Total reserves continued to decline in July, but at a reduced rate; the decline largely reflected weakness in transactions deposits and decreases in excess reserves. Adjustment plus seasonal borrowing at the discount window averaged \$466 million for the three reserve maintenance periods that ended since the meeting of the Committee on July 7.

Federal funds traded generally at 6½ to 6¾ percent during the intermeeting period. Most other private, short-term rates were essentially unchanged, but rates on Treasury bills backed up considerably, particularly after legislative action to raise the debt ceiling permitted a resumption of auctions. At the same time, paydowns of bills in weekly auctions slowed from the pace earlier in the year. In the longer-term markets, yields on Treasury and corporate bonds rose 25 to 35 basis points since the July meeting. The pressures on prices of petroleum coupled with relatively strong economic data appeared to increase concerns about inflation and credit demands in the future. Even so, stock prices increased appreciably over the intermeeting period.

The dollar was about unchanged on balance since the July meeting of the Committee in terms of a weighted average of other G-10 currencies. It rose substantially through much of the period, primarily in response to the tensions in the Middle East and the relative strength of the U.S. economy, but it subsequently fell back after the publication of the June trade figures in mid August. The dollar was stronger against the mark than against the yen, perhaps reflecting a relatively sluggish outlook for the German economy. Money market conditions tightened somewhat in Germany and more in the United Kingdom and remained unchanged in Japan. Long-term rates rose significantly in all these countries, with the largest rise occurring in Japan. The increase in Japanese rates was attributed to signs of stronger economic activity and concerns about the inflation implications of Mideast tensions.

The staff projections suggested that real GNP would grow at a moderate rate through the end of 1988. Improvement in the external sector was expected to provide substantial impetus for real growth, as changes in the foreign exchange value of the dollar helped to boost U.S. exports and damp import growth. In contrast, growth in domestic spending was anticipated to be relatively subdued. Rising import prices associated with the fall in the value of the dollar were likely to limit increases in real income and consumer spending; budgetary pressures would constrain government purchases; and the rise in mortgage interest rates and high vacancy rates were expected to curtail construction activity. Business equipment spending, however, should rise at a moderate pace in coming quarters. After slowing in the second half of the year, inflation was expected to move back up in 1988 reflecting pressures from non-oil import prices. Moreover, with the civilian unemployment rate projected to remain around 6 percent, slack in the labor market would not have much of a damping influence on wages. As a result, compensation increases were expected to rise noticeably next year.

In the Committee's discussion of the economic situation and outlook, members commented that recent indicators of business activity had a relatively strong tone and tended to reinforce earlier expectations that a moderate rate of economic

expansion would be sustained. Indeed, in the view of several members, the chances of any deviation from such expectations were on the side of faster economic growth with attendant risks of intensifying inflationary pressures. Others, stressing the uncertainties that continued to cloud the outlook for economic activity, viewed the likelihood of a deviation from a moderate growth scenario as more evenly balanced and the risks of inflation as less worrisome.

During the Committee's discussion several members reported that local business conditions appeared to have strengthened, including evidence that some previously depressed manufacturing industries and also oil drilling and agriculture had tended to stabilize or were showing increased signs of recovery. Business optimism also was reported to have improved recently in many areas. With regard to the outlook for investment, it was noted that a number of recent statistical indicators pointed on balance to stronger business capital spending. Other favorable developments cited in this connection included the surge in stock prices, indications of potentially sizable profit gains in some sectors of the economy, and the prospect that with the depreciation of the dollar a larger share of the demand for business equipment was likely to be met by domestic producers. Some members commented that consumer spending probably would be reasonably well maintained, if not robust, in light of the impact of income tax changes on disposable incomes, the strength of the stock market, and other factors. On the negative side, it was suggested that the growth in consumer expenditures might be relatively restrained, in part because sales of automobiles were likely in this view to remain weak on balance despite the temporary fillip from sales incentive programs. Some members also referred to the emergence of unusually conservative attitudes among business borrowers and farmers, at least in some parts of the country.

The members continued to view an improvement in the trade balance as a key factor but also as a major uncertainty in the outlook for economic expansion; in particular, a number of members again questioned whether such improvement would be substantial enough to provide more than very modest support to the expansion. In

this view relatively sluggish growth in the economies of major trading partners and the persistence of numerous trade barriers pointed to relatively limited gains in net exports, at least over the quarters immediately ahead. Other members were somewhat more optimistic about the outlook for trade despite recently disappointing trade data. They felt that the depreciation of the dollar and ongoing increases in the prices of many imports had strengthened the competitive position of U.S. firms in both domestic and foreign markets. Such competitive gains were already reflected in the stronger performance of many domestic manufacturing industries and reports of increasing export opportunities were multiplying.

The members expressed some divergence of views with regard to the outlook for inflation, but they generally agreed that domestic pressures on prices did not appear to be intensifying currently and that wage increases had remained moderate despite the faster rise in prices experienced earlier in the year. Nonetheless, several members stressed the risks of greater inflation over the next several quarters, particularly if the expansion in economic activity proved to be on the high side of their current expectations. These members were concerned that the economy might be at or near the point where relatively rapid growth would result in more inflation, given the substantial drop in unemployment to a relatively low level this year; long-term debt markets already reflected heightened inflationary expectations. Another substantial increase in energy prices clearly would exacerbate the inflationary pressures, but the outlook for energy was highly uncertain.

Other members agreed that inflation was a potentially serious problem, but they saw a lesser risk of intensifying inflationary pressures. These members tended to emphasize the possibility that economic growth would remain relatively moderate or that gains would tend to be concentrated in previously depressed industries that had greater margins of available labor and production capacity. Moreover, business managers were likely to persist in their efforts to cut costs and improve operating efficiencies, as evidenced by recent labor negotiations. Reference also was made to broadly deflationary factors

including the moderate growth in the monetary aggregates this year and an ample availability of labor and productive capacity, especially for basic commodities, in world markets. All of the members agreed that a critical element in the inflation outlook was the potential for rising prices to be reflected at some point in rising wages. Such a development would represent a dangerous setback in the fight against inflation and would greatly increase the costs of bringing inflation under control.

At its meeting in July, the Committee had reviewed the basic policy objectives established in February for growth of the monetary and debt aggregates in 1987 and had set tentative objectives for growth in 1988. For the period from the fourth quarter of 1986 to the fourth quarter of 1987, the Committee had reaffirmed the ranges established in February for growth of 5½ to 8½ percent for both M2 and M3. The Committee agreed that growth in these aggregates around the lower ends of their ranges might be appropriate, depending on the circumstances. The monitoring range for expansion in total domestic nonfinancial debt also was left unchanged at 8 to 11 percent for 1987. For 1988 the Committee had agreed on tentative objectives for monetary growth that included reductions of ½ percentage point to ranges of 5 to 8 percent for both M2 and M3. The Committee had also reduced the associated range for growth in total domestic nonfinancial debt by ½ percentage point to 7½ to 10½ percent for 1988. With respect to M1, the Committee had decided at the July meeting not to set a specific target for growth over the remainder of 1987 or to establish a tentative range for 1988. It was understood that all the ranges for 1988 were provisional and that they would be reviewed early next year in the light of intervening developments. The issues involved with establishing a target for M1 would be carefully reappraised at the beginning of 1988.

In the Committee's discussion of policy implementation for the weeks immediately ahead, a majority of the members favored unchanged conditions of reserve availability, at least initially during the intermeeting period, but some indicated a preference for a modest firming. The members recognized that monetary policy exerted its effects with a lag and that inflationary forces

should not be allowed to gather momentum. However, several stressed the uncertainties that surrounded the outlook for prices and wages, and in the view of a majority, more evidence of sustained strength in the economy or of intensifying inflation was needed before action toward firmer reserve conditions should be taken, particularly in the context of relatively slow monetary expansion. Some of these members also commented that the Committee would have an opportunity to review its decision within a few weeks, given the relatively short interval until the next scheduled meeting. Other members gave somewhat greater emphasis to the potential for more inflation. In this view some slight firming at this point would have a favorable effect on inflationary expectations and would incur very little recessionary risk. Moreover, such a move could be readily reversed if changing conditions seemed to warrant such a step later.

In their review of the outlook for monetary growth, the members took account of a staff analysis that suggested that monetary expansion was likely to accelerate from its sluggish pace in recent months, assuming that interest rates remained around their current levels. The analysis contemplated that growth in the broader aggregates would return to a pace closer to that in nominal GNP as the interactive effects of earlier increases in interest rates and the lagged adjustments in offering rates on various types of interest-bearing deposits abated. Recent monetary data tended to support that expectation. It was noted, however, that such faster monetary growth was still likely to leave cumulative expansion in the broad aggregates through September below the Committee's ranges for the year, especially in the case of M2. Some members commented that relatively slow monetary growth appeared appropriate in light of the higher inflation and the increase in inflationary expectations experienced this year. The latter had contributed to higher market interest rates, which had curbed demand for assets in the monetary aggregates and had raised velocity. The possibility of some further rise in velocity implied that limited monetary expansion might remain consistent with satisfactory economic performance. However, given the shortfall in the growth of the broader

aggregates from their 1987 ranges, a number of members indicated that they would find acceptable somewhat faster growth in these aggregates than was currently projected, provided that price pressures did not appear to be worsening and the dollar was not subject to substantial weakness.

The members differed to some extent in their views regarding the emphasis that should be given to various factors that might trigger intermeeting adjustments, if any, in the degree of pressure on reserve positions. Most felt that policy implementation should be especially alert to developments that might call for somewhat firmer reserve conditions, particularly if the Committee decided against any initial firming in those conditions. Other members believed that there should be no presumptions about the likely direction of any intermeeting adjustments, but they could accept a directive that looked to firming action as the more likely direction of any adjustment. The members generally agreed that developments relating to the outlook for inflation should continue to receive important weight in judging the need for any policy changes during the intermeeting period. There was also considerable sentiment in favor of giving increased attention to the overall performance of the economy in this period, given the recent signs of strength. In addition, several members commented that a possible weakening of the dollar in the foreign exchange markets might call for a policy response in the period ahead, but some other members cautioned that dollar developments would need to be interpreted with particular care. It was noted in this regard that the dollar was still appreciably above the lows it had reached in the spring, and in this view a judgment would need to be made as to whether any weakness in the dollar related more to uncertainties about oil market developments than to fundamental concerns about underlying inflationary pressures in the economy. Nevertheless, Committee members generally remained sensitive to developments relating to the dollar.

At the conclusion of the Committee's discussion, all of the members indicated that they favored or could accept a directive that called for no change, at least initially, in the degree of pressure on reserve positions. With regard to possible adjustments during the intermeeting pe-

riod, the members indicated that somewhat greater reserve restraint would be acceptable, while slightly lesser reserve restraint might be acceptable, depending on developments relating to inflation, the strength of the business expansion, the performance of the dollar in foreign exchange markets, while also taking account of the behavior of the monetary aggregates. Unchanged conditions of reserve availability were expected to be consistent with growth in M2 and M3 at annual rates of around 5 percent for the three-month period from June to September; given its performance in July, expansion in M3 was expected to be somewhat less than had been anticipated at the time of the July meeting. Over the same period growth in M1 was expected to pick up from its average pace over the past several months but to remain well below its rate of expansion in 1986. Because the behavior of M1 was still subject to unusual uncertainty and in keeping with the decision not to set a longer-run target for M1, the Committee decided to continue the practice of not specifying a numerical expectation for its short-run growth. The members agreed that the intermeeting range for the federal funds rate, which provides a mechanism for initiating consultation of the Committee when its boundaries are persistently exceeded, should be left unchanged at 4 to 8 percent.

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

The information reviewed at this meeting suggests on balance that economic activity is expanding at a moderate pace in the current quarter. In July, total nonfarm payroll employment rose considerably further; the increase included continuing large gains in the service-producing sector and a sizable advance in manufacturing. The civilian unemployment rate fell slightly further to 6.0 percent. Industrial production increased strongly in July after rising moderately on balance in the first half of the year. Consumer spending grew at a reduced pace earlier in the year but retail sales posted large increases in June and July. Housing starts were unchanged in July and remained at their reduced second-quarter level. Recent indicators of business capital spending point to some strength, particularly in equipment outlays. The rise in consumer and producer prices has been moderate in recent months, but for the year to date prices generally have risen more rapidly than in 1986, primarily reflecting sizable increases in prices of energy and non-oil im-

ports. Wage increases have remained relatively moderate in recent months.

In foreign exchange markets, the trade-weighted value of the dollar in terms of the other G-10 currencies was unchanged on balance since the meeting of the Committee on July 7. In the second quarter the merchandise trade deficit in current dollars was about the same as in the first quarter.

The monetary aggregates grew slowly in July. For 1987 through July, expansion of both M2 and M3 has been below the lower ends of the ranges established by the Committee for the year, while growth in M1 has been well below its pace in 1986. Expansion in total domestic nonfinancial debt has moderated this year. Most long-term interest rates have risen somewhat since the July meeting; in short-term markets, Treasury bill rates also have increased somewhat while private rates are little changed. Stock prices have risen substantially since the latest meeting.

The Federal Open Market Committee seeks monetary and financial conditions that will foster reasonable price stability over time, promote growth in output on a sustainable basis, and contribute to an improved pattern of international transactions. In furtherance of these objectives the Committee agreed at its meeting in July to reaffirm the ranges established in February for growth of 5½ to 8½ percent for both M2 and M3, measured from the fourth quarter of 1986 to the fourth quarter of 1987. The Committee agreed that growth in these aggregates around the lower ends of their ranges may be appropriate in light of developments with respect to velocity and signs of the potential for some strengthening in underlying inflationary pressures, provided that economic activity is expanding at an acceptable pace. The monitoring range for growth in total domestic nonfinancial debt set in February for the year was left unchanged at 8 to 11 percent.

For 1988, the Committee agreed on tentative ranges of monetary growth, measured from the fourth quarter of 1987 to the fourth quarter of 1988, of 5 to 8 percent for both M2 and M3. The Committee provisionally set the associated range for growth in total domestic nonfinancial debt at 7½ to 10½ percent.

With respect to M1, the Committee recognized that, based on experience, the behavior of that aggregate must be judged in the light of other evidence relating to economic activity and prices; fluctuations in M1 have become much more sensitive in recent years to changes in interest rates, among other factors. Because of this sensitivity, which has been reflected in a sharp slowing of the decline in M1 velocity over the first half of the year, the Committee again decided at the July meeting not to establish a specific target for growth in M1 over the remainder of 1987 and no tentative range was set for 1988. The appropriateness of changes in M1 this year will continue to be evaluated in the light of the behavior of its velocity, developments in the economy and financial markets, and the nature of emerging price pressures. The Committee welcomes substantially slower growth of M1 in 1987

than in 1986 in the context of continuing economic expansion and some evidence of greater inflationary pressures. The Committee in reaching operational decisions over the balance of the year will take account of growth in M1 in the light of circumstances then prevailing. The issues involved with establishing a target for M1 will be carefully reappraised at the beginning of 1988.

In the implementation of policy for the immediate future, the Committee seeks to maintain the existing degree of pressure on reserve positions. Somewhat greater reserve restraint would, or slightly lesser reserve restraint might, be acceptable depending on indications of inflationary pressures, the strength of the business expansion, developments in foreign exchange markets, as well as the behavior of the aggregates. This approach is expected to be consistent with growth in M2 and M3 over the period from June through September at annual rates of around 5 percent. Growth in M1, while picking up from recent levels, is expected to remain well below its pace during 1986. The Chairman may call for Committee consultation if it appears to the Manager for Domestic Operations that reserve conditions during the period before the next meeting are likely to be associated with a federal funds rate persistently outside a range of 4 to 8 percent.

Votes for this action: Messrs. Greenspan, Corrigan, Angell, Boehne, Boykin, Heller, Johnson, Kechn, Kelley, Ms. Seger, and Mr. Stern. Votes against this action: None.

2. *Authorization for Domestic Open Market Operations*

Effective August 19, 1987, the Committee approved a temporary increase of \$6 billion, to \$12 billion, in the limit between Committee meetings on changes in System Account holdings of U.S. government and federal agency securities specified in paragraph 1(a) of the Authorization for Domestic Operations. The increase was effective for the intermeeting period ending with the close of business on September 22, 1987.

Votes for this action: Messrs. Greenspan, Corrigan, Angell, Boehne, Boykin, Heller, Johnson, Kechn, Kelley, Ms. Seger, and Mr. Stern. Votes against this action: None.

This action was taken on the recommendation of the Manager for Domestic Operations. The Manager had advised that the normal leeway of \$6 billion for changes in the System's account would not be sufficient over the intermeeting period because a large buildup in the Treasury cash balance at Federal Reserve Banks was expected after the September tax date.

Legal Developments

AMENDMENT TO REGULATION U

The Board of Governors is amending 12 C.F.R. Part 221, its Regulation U, by issuing a final rule that exempts banks, when making loans of \$100,000 or less, from the requirement of executing Federal Reserve Form U-1.

Effective September 23, 1987, 12 C.F.R. Part 221 is amended as follows:

Part 221—Credit by Banks for the Purpose of Purchasing or Carrying Margin Stock

1. The authority citation for 12 C.F.R. Part 221 continues to read as follows:

Authority: 15 U.S.C. §§ 78c, 78g, 78h and 78w.

2. Part 221 is amended by revising paragraph 221.3(b), redesignating (c)(i) and (c)(ii) as (c)(1) and (c)(2), and revising (c)(1) as follows:

Section 221.3—General Requirements

* * * * *

(b) *Purpose statement.* Except for credit extended under paragraph (c) of this section, whenever a bank extends credit secured directly or indirectly by any margin stock, in an amount exceeding \$100,000, the bank shall require its customer to execute Form FR U-1 (OMB No. 7100-0115), which shall be signed and accepted by a duly authorized officer of the bank acting in good faith.

(c) *Purpose statement for revolving-credit or multiple-draw agreements.*

(1) If a bank extends credit, secured directly or indirectly by any margin stock, in an amount exceeding \$100,000, under a revolving-credit or other multiple-draw agreement, Form FR U-1 can either be executed each time a disbursement is made under the agreement, or at the time the credit arrangement is originally established.

* * * * *

PREEMPTION DETERMINATION UNDER REGULATION B

The Board of Governors has determined that certain provisions of the Family Code of Wisconsin are not inconsistent with the Equal Credit Opportunity Act or Regulation B. This determination is made under authority delegated to the Director of the Division of Consumer and Community Affairs.

Effective November 1, 1987, the Board has determined that the provisions in the Family Code of Wisconsin specified below are not preempted by 12 C.F.R. Part 202.

Part 202—Equal Credit Opportunity

1. The authority citation for 12 C.F.R. Part 202 continues to read as follows:

Authority: 15 U.S.C. 1691 *et seq.*

2. The Board examined Wisconsin Statutes sections 766.56(2)(d), 766.56(3)(b), and 766.565(5) to determine whether requirements imposed by these sections are inconsistent with the Equal Credit Opportunity Act or Regulation B, which implements that Act. As to sections 766.56(2)(d) and 766.56(3)(b), dealing with marital status and other inquiries, no inconsistency was found with federal law. As to section 766.565(5), an inconsistency was found with federal law; however, the Board has determined not to preempt that section based on section 705(b) of the Equal Credit Opportunity Act implementing section 202.6(c) of Regulation B, which allows creditors to take into account state property laws that directly or indirectly affect credit-worthiness.

POLICY STATEMENT REGARDING FEDERAL RESERVE BANK SERVICES

Effective September 18, 1987, the Board of Governors adopts the following factors that it will consider when reviewing proposals to consolidate Federal Reserve Bank priced services across District lines.

a. Maintenance or improvement of cost recovery in a service.

- b. Improvement of the efficiency of Federal Reserve Bank operations.
- c. Maintenance of improvement of the level or quality of service.
- d. Responsiveness to changes in the financial services industry.
- e. Effect on private sector providers of the service.
- f. Effect on users of the service.

The Board will use the following procedures when implementing consolidation of Federal Reserve Bank priced services across District lines:

1. Public comment will be solicited when changes in fees and service arrangements are proposed that would have significant longer-run effects on the nation's payments mechanism. Public comment will also be solicited the first time any Reserve Bank priced service is proposed for consolidation across District lines.
2. Advance notice prior to implementing an inter-district consolidation will be at least 60 days and may be longer to enable private-sector users and providers of the service a reasonable amount of time to adjust to the change.

ORDERS ISSUED UNDER BANK HOLDING COMPANY ACT, BANK MERGER ACT, BANK SERVICE CORPORATION ACT, AND FEDERAL RESERVE ACT

Orders Issued Under Section 3 of the Bank Holding Company Act

Houghton Financial, Inc.
Houghton, Michigan

Order Approving Acquisition of a Bank

Houghton Financial, Inc., Houghton, Michigan, a bank holding company within the meaning of the Bank Holding Company Act (12 U.S.C. § 1841 *et seq.* (the "Act")), has applied for the Board's approval under section 3 of the Act (12 U.S.C. § 1842) to acquire Commercial National Bank, L'Anse, Michigan ("Bank").

Notice of the application, affording interested parties an opportunity to submit comments, has been given in accordance with section 3(b) of the Act (52 *Federal Register* 26,083 (1987)). The time for filing comments has expired, and the Board has considered the application and all comments received in light of the factors set forth in section 3(c) of the Act.

Applicant, the 96th largest commercial banking organization in Michigan, controls one subsidiary bank with \$43.3 million in total deposits, representing less than 0.1 percent of total deposits in commercial banks

in the state.¹ Bank is the 118th largest banking organization in Michigan and controls total deposits of \$34.0 million, representing less than 0.1 percent of the total deposits in commercial banks in the state. Upon consummation of the proposed transaction, Applicant will become the 62nd largest banking organization in Michigan, with total deposits of \$77.3 million, representing approximately 0.1 percent of total deposits in the state. Consummation of this proposal would not have any significant adverse effect on the concentration of banking resources in Michigan.

Applicant and Bank compete directly in the Calumet banking market.² Applicant is the third largest of six commercial banking organizations in the market, with total deposits of \$43.3 million, representing 18.5 percent of the deposits in commercial banks in the market. Bank is the fourth largest commercial banking organization in the market, with deposits of \$34.0 million, representing 14.5 percent of the deposits in commercial banks in the market. After consummation of the proposal, Applicant's share of the deposits in commercial banks in the market would be 33.0 percent. The Calumet banking market is considered highly concentrated with a four-firm concentration ratio of 83.6 percent which, upon consummation, would increase to 92.1 percent. The Herfindahl-Hirschman Index ("HHI") would increase by 538 points to 2505.³

Although consummation of the proposal would eliminate some existing competition between Applicant and Bank in the Calumet banking market, numerous other depository institutions would remain as competitors in the market. In addition, the Board has considered the presence and competition provided by thrift institutions in the market.⁴ The largest depository institution in the market is a thrift institution that controls 52.8 percent of the market's total deposits. The thrift institution exerts a considerable competitive influence in the market as a provider of NOW accounts and consumer loans, holding nearly one-fourth

1. Banking data are as of December 31, 1986.

2. The Calumet banking market is approximated by Baraga, Houghton, and Keweenaw Counties, Michigan.

3. Under the revised Department of Justice Merger Guidelines, 49 *Federal Register* 26,823 (June 29, 1984), any market in which the post-merger HHI is above 1800 is considered highly concentrated. The 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 at least 200 points. The Justice Department has stated that the higher than normal HHI thresholds for screening bank mergers for anticompetitive effects implicitly recognizes the competitive effect of limited-purpose lenders and other nondepository financial entities.

4. The Board has previously indicated that thrift institutions have become, or have the potential to become, major competitors of commercial banks. *National City Corporation*, 70 *FEDERAL RESERVE BULLETIN* 743 (1984); *NCNB Bancorporation*, 70 *FEDERAL RESERVE BULLETIN* 225 (1984); *General Bancshares Corporation*, 69 *FEDERAL RESERVE BULLETIN* 802 (1983); and *First Tennessee National Corporation*, 69 *FEDERAL RESERVE BULLETIN* 298 (1983).

of the consumer loans and 14 percent of the transaction accounts in the market. Based upon the above considerations, the Board concludes that consummation of the proposal is not likely to substantially lessen competition in the Calumet banking market.⁵

The financial and managerial resources of Applicant, its subsidiary bank, and Bank are consistent with approval. Considerations relating to the convenience and needs of the communities to be served are also consistent with approval. Based on the foregoing and other facts of record, the Board has determined that consummation of the proposed transaction would be in the public interest and that the application should be, and hereby is approved.

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

By order of the Board of Governors, effective September 25, 1987.

Voting for this action: Chairman Greenspan and Governors Johnson, Seger, Angell, Heller, and Kelley.

JAMES MCAFEE
[SEAL] Associate Secretary of the Board

Mitsui Trust & Banking Company, Limited Tokyo, Japan

Order Approving Formation of a Bank Holding Company

Mitsui Trust & Banking Company, Limited, Tokyo, Japan, has applied for the Board's approval under section 3(a)(1) of the Bank Holding Company Act (the "Act") (12 U.S.C. § 1842(a)(1)) to become a bank holding company by acquiring 100 percent of the voting shares of Mitsui Trust Bank (U.S.A.), New York, New York ("Bank"), a *de novo* bank.

Notice of the application, affording opportunity for interested persons to submit comments, has been given in accordance with section 3(b) of the Act. The time for filing comments has expired, and the Board

5. If 50 percent of deposits held by thrift institutions in the Calumet banking market were included in the calculation of market concentration, the share of total deposits held by the four largest organizations in the market would be 52.4 percent. Applicant would control 11.6 percent of the market's deposits and Bank would control 9.1 percent of the market's deposits. The HHI would increase by 212 points to 2220.

has considered the application and all comments received in light of the factors set forth in section 3(c) of the Act (12 U.S.C. § 1842(c)).

Applicant, with total unconsolidated assets equivalent to approximately \$100.2 billion, ranks as the third largest of eight trust banks in Japan.¹ Worldwide, Applicant ranks as the 19th largest bank. Applicant operates 55 branches in Japan as well as four foreign branches and agencies and six representative offices. In addition, Applicant engages worldwide in banking and nonbanking financial activities through six wholly owned subsidiaries located outside Japan.²

In the United States, Applicant operates a branch in New York, New York, with total assets of \$4.7 billion³ and an agency in Los Angeles, California, with total assets of \$1.9 billion.⁴ Applicant has selected New York as its home state under the Board's Regulation K (12 C.F.R. 211.22(b)). Bank will be located in Applicant's home state. Accordingly, the Board concludes that the acquisition of Bank by Applicant is consistent with Section 5 of the International Banking Act of 1978 (12 U.S.C. § 3103).

Bank, a *de novo* institution, is being organized as a state-chartered nonmember bank. It will serve the Metropolitan New York—New Jersey banking market⁵ and will place primary emphasis on providing trust-related services to Applicant's customers not currently available through Applicant's existing U.S. branch and agency. In view of the *de novo* status of Bank and based upon the facts of record, the Board concludes that the proposed transaction will have no

1. Banking data are as of March 31, 1987, and reflect the yen/dollar exchange rate as of that date. Rankings are as of December 31, 1986.

2. Mitsui Trust Finance (Hong Kong) Ltd., Hong Kong (merchant banking); Mitsui Trust Bank (Europe) S.A., Brussels, Belgium (merchant banking); Mitsui Trust Finance (Switzerland) Ltd., Zurich, Switzerland (merchant banking); Mitsui Trust Finance (Australia) Ltd., Sydney, Australia (commercial banking); Mitsui Trust International Ltd., London, England (underwriting and dealing in securities); and Mitsui Trust do Brasil S/C Ltda., Sao Paulo, Brazil (characterized under Brazilian law as a representative office).

3. Banking data for branch and agency are as of March 31, 1987.

4. Applicant owns a minority interest in two companies that in turn have wholly owned subsidiaries engaged in business in the United States. Mitsui Soko Co., Ltd., a warehousing and leasing company, owns 100 percent of Mitsui-Soko (U.S.A.), which engages in shipping, trucking, and warehousing. Mitsui Leasing & Development, Ltd., engages in industrial and commercial leasing and installment sales and financing. Its wholly owned subsidiary, Mitsui Leasing (U.S.A.) Inc., holds a 70 percent interest in Mitsui Leasing of America Inc. Both are engaged in the same line of business as their parent companies and account for substantially less than 50 percent of the parent companies' total assets and revenues. These investments meet the criteria for an exemption under sections 211.23(f)(5)(i) and (ii) of Regulation K (12 C.F.R. 211 *et seq.*). In addition, Japan's Anti-Trust Law will require Applicant to reduce its holdings in the two companies to 5 percent or less by December 31, 1987.

5. The Metropolitan New York—New Jersey market is defined to include New York City and Long Island, New York; Putnam, Sullivan, Westchester, Rockland, and Orange Counties in New York; Bergen, Essex, Hudson, Hunterdon, Middlesex, Monmouth, Morris, Ocean, Passaic, Somerset, Sussex, Union, and Warren Counties in New Jersey; and portions of Fairfield County in Connecticut.

significant adverse effects on existing or probable future competition, and will not significantly increase the concentration of resources in any relevant market. Thus, competitive considerations are consistent with approval of the application.

Section 3(c) of the Act requires the Board in every case to consider the financial resources of an applicant organization and the bank or bank holding company to be acquired. The Board previously has stated that it believes that the principles of national treatment and competitive equity require, in general, that foreign banks seeking to establish or acquire banking organizations in the United States meet the same general standards of strength, experience, and reputation as are required of domestic banking organizations and that foreign banks be able to serve on a continuing basis as a source of strength to their banking operations in the United States.⁶ The Board is also aware that foreign banks operate outside the United States in accordance with different regulatory and supervisory requirements, accounting principles, asset quality standards, and banking practices and traditions, and that these differences make it difficult to compare the capital positions of domestic and foreign banks.

The appropriate balancing of these concerns raises a number of complex issues which the Board believes require careful consideration and that the Board continues to have under review. In this regard, the Board recently has announced a proposal to supplement its consideration of capital adequacy with a risk-based system that is simultaneously being proposed by the Bank of England and the other domestic federal banking agencies. 52 *Federal Register* 9,304 (1987). The Board considers this proposal an important step toward a more consistent and equitable international norm for assessing capital adequacy. While the Board will continue to apply a case-by-case approach during the pendency of discussions regarding this proposal, once such a system is adopted, applications by foreign banks seeking to make acquisitions in the United States would be judged in the context of such guidelines.

In the present instance, the primary capital ratio of Applicant, as publicly reported, is well below the Board's capital adequacy guidelines.⁷ In similar cases, the Board has considered mitigating factors, including adjustments to an applicant's capital to reflect differ-

ences in accounting and regulatory practices. After certain adjustments to account for Japanese banking and accounting practices, including consideration of a modest portion of the unrealized appreciation in Applicant's portfolio of equity securities (after taking into account possible fluctuations in valuation and the effects of taxation), Applicant's capital ratio more nearly approximates U.S. standards. The Board also has considered additional factors that mitigate its concern. The Board has placed considerable emphasis on the fact that Applicant will establish Bank *de novo*, and that Bank will be strongly capitalized and small in relation to Applicant. The Board notes further that Applicant is in compliance with the capital and other financial requirements of Japanese banking organizations, and that Applicant has given the Board certain assurances regarding its capital.

The Board expects that Applicant will maintain Bank as among the more strongly capitalized banking organizations of comparable size in the United States. Based on these and other facts of record, including certain commitments made by Applicant, the Board concludes that financial and managerial factors are consistent with approval of this application to acquire Bank. Considerations relating to the convenience and needs of the communities to be served are also consistent with approval.

Based upon the foregoing and other facts of record, the Board has determined that consummation of the transaction would be in the public interest and that the application should be, and hereby is, approved. The transaction shall not be consummated before the thirtieth calendar day following the effective date of this Order, or later than three months after the effective date of this Order, and Bank must open for business not later than six months after the effective date of this Order. The latter two periods may be extended for good cause by the Board or the Federal Reserve Bank of New York, pursuant to delegated authority.

By order of the Board of Governors, effective September 2, 1987.

Voting for this action: Chairman Greenspan and Governors Johnson, Angell, and Kelley. Absent and not voting: Governors Seger and Heller.

[SEAL] JAMES McAfee
Associate Secretary of the Board

NewMil Bancorp, Inc.
New Milford, Connecticut

Order Approving Formation of a Bank Holding Company

NewMil Bancorp, Inc., New Milford, Connecticut, has applied for the Board's approval under section

6. See *Ljubljanska Banka-Associated Bank*, 72 FEDERAL RESERVE BULLETIN 489 (1986); *The Mitsubishi Trust and Banking Corporation*, 72 FEDERAL RESERVE BULLETIN 256 (1986); *The Industrial Bank of Japan, Ltd.*, 72 FEDERAL RESERVE BULLETIN 71 (1986); *The Mitsubishi Bank, Limited*, 70 FEDERAL RESERVE BULLETIN 518 (1984). See also Policy Statement on Supervision and Regulation of Foreign-Based Bank Holding Companies, Federal Reserve Regulatory Service ¶ 4-835 (1979).

7. Capital Adequacy Guidelines, 50 *Federal Register* 16,057 (1985), 71 FEDERAL RESERVE BULLETIN 445 (1985).

3(a)(1) of the Bank Holding Company Act ("BHC Act" or "Act") (12 U.S.C. § 1842(a)(1)), to become a bank holding company by acquiring New Milford Savings Bank, New Milford, Connecticut ("Bank").¹

Notice of the application, affording opportunity for interested persons to submit comments, has been given in accordance with section 3(b) of the Act (52 *Federal Register* 23,891 (1987)). The time for filing comments has expired, and the Board has considered the application and all comments received in light of the factors set forth in section 3(c) of the Act (12 U.S.C. § 1842(c)).²

Applicant is a nonoperating corporation formed for the purpose of acquiring Bank. Upon consummation of the proposal, Applicant will control total deposits of approximately \$240.3 million, representing less than one percent of total deposits in commercial banking organizations in the state, and would become the 42nd largest commercial banking organization in the state.³ Based on all the facts of record, the Board believes that consummation of the proposal would have no significantly adverse effect on the concentration of banking resources in Connecticut.

Further, because this proposal represents the restructuring of Bank's ownership into corporate form, consummation of this proposal would not result in any significantly adverse effect on existing or potential competition, nor would it increase the concentration of banking resources in any relevant banking market. Thus, competitive factors are consistent with approval.

1. Applicant also would indirectly acquire Bank's noncontrolling interests in 10 other depository organizations: 9.96 percent of Branford Savings Bank, Branford, Connecticut; 6.93 percent of Brooklyn Savings Bank, Danielson, Connecticut; 5.29 percent of Central Bank for Savings, Meriden, Connecticut; 9.99 percent of City Savings Bank, Meriden, Connecticut; 6.3 percent of Derby Savings Bank, Derby, Connecticut; 9.38 percent of Great Country Bank, Ansonia, Connecticut; 9.98 percent of Peoples Savings Bank of New Britain, New Britain, Connecticut; 9.52 percent of West Newton Savings Bank, West Newton, Massachusetts; 9.99 percent of MidConn Bank, Kensington, Connecticut; and 7.2 percent of West Mass Bankshares, Greenfield, Massachusetts.

2. Comments were submitted by The Independent Insurance Agents of America, The National Association of Casualty and Surety Agents, National Association of Life Underwriters, National Association of Professional Insurance Agents, and National Association of Surety Bond Producers (collectively, "Protestants"). Protestants claim that the savings bank life insurance ("SBLI") activities conducted by bank are prohibited under section 4 of the Act. The Board has considered these comments in conjunction with all the facts of record, including the recently enacted Competitive Equality Banking Act of 1987. Pub. L. No. 100-86 (enacted August 10, 1987) ("CEBA"). Section 101(d) of CEBA specifically authorizes the conduct of SBLI activities by a qualified savings bank subsidiary of a savings bank holding company under the limitations set forth in CEBA. The Board has determined that Bank is a qualified savings bank under CEBA, and Applicant has committed to conduct Bank's SBLI activities in accord with the limitations set forth in that act. Accordingly, Bank may continue to engage in SBLI activities upon consummation of the proposal.

3. Banking data are as of March 31, 1987.

The financial and managerial resources of Applicant and Bank are consistent with approval. Considerations relating to the convenience and needs of the communities to be served are also 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 transaction shall not be consummated before the thirtieth calendar day following the effective date of this Order, or later than three months after the effective date of this Order, unless such period is extended for good cause by the Board or by the Federal Reserve Bank of Boston pursuant to delegated authority.

By order of the Board of Governors, effective September 17, 1987.

Voting for this action: Chairman Greenspan and Governors Johnson, Seger, Angell, Heller, and Kelley.

JAMES MCAFEE
[SEAL] Associate Secretary of the Board

Yasuda Trust & Banking Company, Limited
Tokyo, Japan

Order Approving Formation of a Bank Holding Company

Yasuda Trust & Banking Company, Limited, Tokyo, Japan, has applied for the Board's approval under section 3(a)(1) of the Bank Holding Company Act (the "Act") (12 U.S.C. § 1842(a)(1)) to become a bank holding company by acquiring 100 percent of the voting shares of Yasuda Bank & Trust Company, New York, New York ("Bank"), a *de novo* bank.

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

Applicant, with total unconsolidated assets equivalent to approximately \$89.3 billion, ranks as the fifth largest of eight trust banks in Japan.¹ Worldwide, Applicant ranks as the 25th largest bank. Applicant operates 54 branches in Japan as well as seven foreign branches and agencies and five foreign representative offices. In addition, Applicant engages worldwide in banking and nonbanking financial activities through

1. Banking data are as of March 31, 1987, and reflect the yen/dollar exchange rate as of that date. Rankings are as of December 31, 1986.

four wholly owned subsidiaries located outside Japan.²

In the United States, Applicant operates a branch in New York, New York, with total assets of \$4.0 billion³ and an agency in Los Angeles, California, with total assets of \$2.0 billion. Applicant has selected New York as its home state under the Board's Regulation K (12 C.F.R. 211.22(b)). Bank will be located in Applicant's home state. Accordingly, the Board concludes that the acquisition of Bank by Applicant is consistent with Section 5 of the International Banking Act of 1978 (12 U.S.C. § 3103).

Bank, a *de novo* institution, is being organized as a state-chartered nonmember bank. It will place primary emphasis on providing trust-related services, and will also provide a full range of commercial banking services in the Metropolitan New York—New Jersey banking market.⁴ In view of the *de novo* status of Bank and based upon the facts of record, the Board concludes that the proposed transaction will have no significant adverse effects on existing or probable future competition, and will not significantly increase the concentration of resources in any relevant market. Thus, competitive considerations are consistent with approval of the application.

Section 3(c) of the Act requires the Board in every case to consider the financial resources of the applicant organization and the bank or bank holding company to be acquired. The Board has previously stated that it believes that the principles of national treatment and competitive equity require, in general, that foreign banks seeking to establish or acquire banking organizations in the United States should meet the same general standards of strength, experience, and reputation as are required of domestic banking organizations and that foreign banks be able to serve on a continuing basis as a source of strength to their banking operations in the United States.⁵ The Board is also aware that foreign banks operate outside the United States in accordance with different regulatory and supervisory requirements, accounting principles, asset quality

standards, and banking practices and traditions, and that these differences make it difficult to compare the capital positions of domestic and foreign banks.

The appropriate balancing of these concerns raises a number of complex issues that the Board believes require careful consideration and that the Board continues to have under review. In this regard, the Board recently has announced a proposal to supplement its consideration of capital adequacy with a risk-based system that is simultaneously being proposed by the Bank of England and the other domestic federal banking agencies. 52 *Federal Register* 9,304 (1987). The Board considers this proposal an important step toward a more consistent and equitable international norm for assessing capital adequacy. While the Board will continue to apply a case-by-case approach during the pendency of discussions regarding this proposal, once such a system is adopted, applications by foreign banks seeking to make acquisitions in the United States would be judged in the context of such guidelines.

In the present instance, the primary capital ratio of Applicant, as publicly reported, is well below the Board's capital adequacy guidelines.⁶ In similar cases, the Board has considered mitigating factors, including adjustments to an applicant's capital to reflect differences in accounting and regulatory practices. After certain adjustments to account for Japanese banking and accounting practices, including consideration of a modest portion of the unrealized appreciation in Applicant's portfolio of equity securities (after taking into account possible fluctuations in valuation and the effects of taxation), the capital ratio of Applicant more nearly approximates U.S. standards. The Board has also considered additional factors that mitigate its concern. The Board has placed considerable emphasis on the fact that Applicant will establish Bank *de novo*, and that Bank will be strongly capitalized and small in relation to Applicant. The Board notes further that Applicant is in compliance with the capital and other financial requirements of Japanese banking organizations, and that Applicant has given the Board certain assurances regarding its capital.

The Board expects that Applicant will maintain Bank as among the more strongly capitalized banking organizations of comparable size in the United States. Based on these and other facts of record, including certain commitments made by Applicant, the Board concludes that the financial and managerial factors are consistent with approval of this application. Considerations relating to the convenience and needs of the community to be served also are consistent with approval.

6. *Capital Adequacy Guidelines*, 50 *Federal Register* 16,057 (1985), 71 *FEDERAL RESERVE BULLETIN* 445 (1985).

2. Yasuda Trust and Finance (Hong Kong) Limited (financial services), Yasuda Trust Europe Limited (securities underwriting), Yasuda Trust Finance (Switzerland) Ltd. (merchant banking), and Yasuda Trust Australia Ltd. (banking).

3. Banking data for branch and agency are as of March 31, 1987.

4. The Metropolitan New York—New Jersey market is defined to include New York City and Long Island, New York; Putnam, Sullivan, Westchester, Rockland, and Orange Counties in New York; Bergen, Essex, Hudson, Hunterdon, Middlesex, Monmouth, Morris, Ocean, Passaic, Somerset, Sussex, Union, and Warren Counties in New Jersey; and portions of Fairfield County in Connecticut.

5. See *Ijubljanska Banka-Associated Bank*, 72 *FEDERAL RESERVE BULLETIN* 489 (1986); *The Mitsubishi Trust and Banking Corporation*, 72 *FEDERAL RESERVE BULLETIN* 256 (1986); *The Industrial Bank of Japan, Ltd.*, 72 *FEDERAL RESERVE BULLETIN* 71 (1986); *The Mitsubishi Bank, Limited*, 70 *FEDERAL RESERVE BULLETIN* 518 (1984). See also Policy Statement on Supervision and Regulation of Foreign-Based Holding Companies, Federal Reserve Regulatory Service ¶ 4-835 (1979).

Based upon the foregoing and other facts of record, the Board has determined that consummation of the transaction would be in the public interest and that the application should be, and hereby is, approved. The transaction shall not be consummated before the thirtieth calendar day following the effective date of this Order, or later than three months after the effective date of this Order, and Bank shall be open for business not later than six months after the effective date of this Order. The latter two periods may be extended for good cause by the Board or the Federal Reserve Bank of New York, pursuant to delegated authority.

By order of the Board of Governors, effective September 2, 1987.

Voting for this action: Chairman Greenspan and Governors Johnson, Angell, and Kelley. Absent and not voting: Governors Seger and Heller.

JAMES MCAFEE

[SEAL]

Associate Secretary of the Board

Orders Issued Under Section 4 of the Bank Holding Company Act

J.P. Morgan & Co. Incorporated
New York, New York

Order Approving Application to Engage in Limited Underwriting and Dealing in Consumer-Related Securities

J.P. Morgan & Co. Incorporated ("Morgan"), New York, New York, a bank holding company within the meaning of the Bank Holding Company Act ("BHC Act"), has applied for the Board's approval under section 4(c)(8) of the BHC Act (12 U.S.C. § 1843(c)(8)) and section 225.23 of the Board's Regulation Y (12 C.F.R. § 225.23) to engage *de novo* through J.P. Morgan Securities Inc. ("Company") in underwriting and dealing in, on a limited basis, consumer-receivable-related securities ("CRRs").

Company currently underwrites and deals in securities that state member banks are permitted to underwrite and deal in under the Glass-Steagall Act (hereinafter "bank-eligible securities"), as permitted by section 225.25(b)(16) of Regulation Y (12 C.F.R. § 225.25(b)(16)). Company has also previously received Board approval under section 4(c)(8) of the BHC Act to underwrite and deal in commercial paper, 1-4 family mortgage-related securities and certain municipal revenue bonds (including "public ownership" industrial development bonds) (hereinafter "bank-ineligible securities"). *Citicorp, J.P. Morgan & Co.*

Incorporated and Bankers Trust New York Corporation, 73 FEDERAL RESERVE BULLETIN 473 (1987) ("*Citicorp/Morgan/Bankers Trust*"). The proposed new underwriting and dealing activities would be provided in addition to the above activities.

Morgan, with consolidated assets of \$74.7 billion, is the fifth largest banking organization in the nation. It operates two subsidiary banks and engages directly and through subsidiaries in a broad range of permissible nonbanking activities.¹

Notice of the application, affording interested persons an opportunity to submit comments on the proposal, has been published (52 *Federal Register* 27,583 (1987)). The time for filing comments has expired, and the Board has considered the application and all comments received in light of the factors set forth in section 3(c) of the Act (12 U.S.C. § 1842(c)).

On July 14, the Board approved applications by several bank holding companies to underwrite and deal in CRRs through their bank-eligible securities underwriting subsidiaries, limited to securities representing an interest in or backed by a diversified pool of loans to or receivables from individuals, for the purpose of financing the purchase of consumer goods and services (such as auto loans or personal credit card accounts). *Chemical New York Corporation, et al.*, 73 FEDERAL RESERVE BULLETIN 731 (1987). The Board concluded that the underwriting subsidiaries would not be "engaged principally" in underwriting and dealing in securities within the meaning of section 20 of the Glass-Steagall Act² provided they derived no more than 5 percent of their total gross revenues from underwriting and dealing in approved bank-ineligible securities, including CRRs, over any two-year period and their underwriting and dealing activities did not exceed 5 percent of the market during the previous calendar year for each particular type of security involved.³ The Board further found that, subject to the prudential framework of limitations established in the *Citicorp/Morgan/Bankers Trust* and *Chemical Orders* to address the potential for conflicts of interest, unsound banking practices or other adverse effects, the proposed underwriting and dealing activities were so closely related to banking as to be a proper incident

1. Banking data are as of June 30, 1987.

2. Section 20 of the Glass-Steagall Act (12 U.S.C. § 377) prohibits the affiliation of a member bank with "any corporation . . . engaged principally in the issue, flotation, underwriting, public sale, or distribution at wholesale or retail or through syndicate participation of stocks, bonds, debentures, notes, or other securities . . ."

3. As noted in the Board's *Chemical Order*, the Board believes it is appropriate to treat CRRs and 1-4 family mortgage-related securities as a single category for the time being, in view of the similarity between CRRs and these mortgage-related securities. 73 FEDERAL RESERVE BULLETIN at 734 n.5.

thereto within the meaning of section 4(c)(8) of the BHC Act.

For the reasons set forth in the Board's *Citicorp/Morgan/Bankers Trust* and *Chemical Orders*, the Board concludes that Applicant's proposal to engage through Company in underwriting and dealing in CRRs will not result in a violation of section 20 of the Glass-Steagall Act and is closely related and a proper incident to banking within the meaning of section 4(c)(8) of the BHC Act, provided Company's activities are conducted in accordance with the limitations established in those Orders. Accordingly, the Board has determined to approve the application subject to all of the terms and conditions established in the *Citicorp/Morgan/Bankers Trust* and *Chemical Orders*. The Board hereby adopts and incorporates herein by reference the reasoning and analysis contained in those Orders.

The Board's approval of this application extends only to activities conducted by Company within the limitations of the *Citicorp/Morgan/Bankers Trust* and *Chemical Orders*, including the Board's reservation of authority to establish additional limitations to ensure that the subsidiary's activities are consistent with safety and soundness, conflict of interest and other relevant considerations under the BHC Act. Underwriting or dealing in CRRs in any manner other than as approved in those Orders is not within the scope of the Board's approval and is not authorized for Company.

The Board's determination is subject to all of the conditions set forth in the Board's Regulation Y, including those in sections 225.4(d) and 225.23(b), and to the Board's authority to require modification or termination of the activities of a bank holding company or any of its subsidiaries as the Board finds necessary to assure compliance with, and to prevent evasion of, the provisions of the BHC Act and the Board's regulations and orders issued thereunder.

The Board notes that Title II of the Competitive Equality Banking Act of 1987, enacted on August 10, 1987, prohibits the Board from authorizing a bank holding company to engage in underwriting or dealing in securities under the "engaged principally" provision of the Glass-Steagall Act, unless the effective date of the Order is delayed until the expiration of a moratorium time period established under the Act.⁴ Accordingly, the Board has determined to delay the effective date of this Order until the moratorium ends on March 1, 1988.

In addition, the Board notes that the SIA has sought judicial review in the U.S. Court of Appeals for the Second Circuit of the *Citicorp/Morgan/Bankers Trust* and the *Chemical Orders* to which this Order pertains.

The Board notes that the court has stayed the effectiveness of these Board Orders pending judicial review. In light of the pendency of this litigation, the Board has determined that this Order should be stayed for such time as the stay of the prior decisions is effective.

By order of the Board of Governors, effective September 8, 1987.

Voting for this action: Vice Chairman Johnson and Governors Seger, and Heller. Voting against this action: Governor Angell. Absent and not voting: Chairman Greenspan and Governor Kelley.

JAMES MCAFEE
[SEAL] Associate Secretary of the Board

Dissenting Statement of Governor Angell

For the reasons set forth in my dissenting statement in the *Chemical Order*, I regret I am unable to join the majority in approving this application.

September 8, 1987

Merchants National Corporation Indianapolis, Indiana

Order Regarding Insurance Agency Activities Conducted By Banking Subsidiaries

Merchants National Corporation, Indianapolis, Indiana ("Merchants"), a bank holding company within the meaning of the Bank Holding Company Act ("BHC Act") (12 U.S.C. § 1841 *et seq.*), has applied under section 4(c)(8)(D) of the BHC Act (12 U.S.C. § 1843(c)(8)(D)) and section 225.25(b)(8)(iv) of Regulation Y (12 C.F.R. § 225.25(b)(8)(iv)), for permission for its wholly owned subsidiary, the Anderson Banking Company, Anderson, Indiana ("Anderson Bank"), to resume the conduct of certain insurance agency activities authorized for state banks under Indiana law.¹ Alternatively, Merchants seeks a Board determination that the nonbanking prohibitions of section 4 of the BHC Act do not apply to activities conducted directly by banking subsidiaries of a bank holding company, thereby permitting Anderson Bank and another of Merchants's state bank subsidiaries, Mid State Bank of Hendricks County, Danville, Indiana ("Mid State Bank"), to resume insurance agency

1. Ind. Code § 28-1-11-2 provides that "any bank or trust company shall have power . . . to solicit and write insurance as agent or broker for any insurance company authorized to do business in this state, other than a life insurance company."

4. Pub. L. No. 100-86, §§ 201-02 (1987).

activities. In both cases the insurance agency activities would be conducted directly by the banks and not through subsidiaries of the banks.²

On October 29, 1986, the Board approved applications by Merchants under section 3 of the BHC Act to acquire Anderson Bank and Mid State Bank. 72 FEDERAL RESERVE BULLETIN 838 (1986). The applications had been protested by various insurance industry trade groups on the ground that, as subsidiaries of a bank holding company, the insurance agency activities then being conducted by the banks pursuant to Indiana law would be prohibited under section 4 of the BHC Act, as amended by Title VI of the Garn-St Germain Depository Institutions Act of 1982.³ As discussed below, the Garn-St Germain Act amended section 4(c)(8) of the BHC Act to provide that, with seven specific exceptions, insurance activities are not closely related to banking, thereby removing the Board's discretion to authorize insurance activities as a permissible nonbanking activity for bank holding companies under the closely related to banking standard of section 4(c)(8) of the BHC Act.

In response to the protests, Merchants committed that, unless it received Board approval in the meantime for the banks to retain their insurance activities, it would cause the banks to divest the insurance agency activities within two years and, in the interim, to refrain from the sale of any new insurance policies except for the renewal of existing policies. Merchants has now sought the Board's approval for these banks to resume their insurance activities.

Notice of the application, affording interested persons an opportunity to submit comments on the proposal, has been published (52 *Federal Register* 8,966 (1987)). The time for filing comments has expired, and the Board has considered the application and all comments received, including those of various insurance trade associations ("protestants").⁴

Protestants contend that the banks do not qualify under any of the seven exemptions to the insurance provisions in the Garn-St Germain Act and that, therefore, they may not resume their insurance agency activities. With respect to Merchants' alternative argu-

ment, protestants contend that the terms and legislative history of the BHC Act, especially the legislative history of Title VI of the Garn-St Germain Act, indicate that the nonbanking and insurance provisions of section 4 of the BHC Act apply to all bank holding company activities, including activities conducted by a subsidiary bank of the holding company. In protestants' view, a bank holding company's activities, whether conducted directly by the holding company or by any of its subsidiaries, including bank subsidiaries, are limited by the terms of the BHC Act to "banking" activities and activities permitted under the closely-related to banking standard in section 4(c)(8) of the BHC Act (or one of the other specific exemptions in the BHC Act, none of which are relevant here). Protestants argue that because the Anderson and Mid State Banks' insurance activities are not "banking" and do not qualify under any of the insurance exemptions to section 4(c)(8) of the BHC Act as closely related to banking, Merchants may not engage in the activities through the banks.⁵

After considering the comments of all interested parties and for the reasons set forth below, the Board has determined to grant Merchants' request for relief from its earlier commitments on the alternative grounds advanced by Merchants, thereby permitting Anderson Bank and Mid State Bank to resume the insurance agency activities they terminated when they were acquired by Merchants in 1986.

Initially, the Board has determined that Anderson Bank and Mid State Bank do not qualify under section 4(c)(8)(D), the grandfather provision of the Garn-St Germain Act (hereinafter "exemption D"), to engage in insurance agency activities. Exemption D permits a bank holding company or any of its subsidiaries to engage in any insurance agency activity in which the bank holding company or subsidiary was engaged on May 1, 1982, subject to certain geographic and functional limitations. Exemption D, however, applies only to entities that were bank holding companies or

2. The record shows that Anderson Bank, prior to its acquisition by Merchants, engaged directly in insurance agency activities since the bank's incorporation in 1916, and that Mid State Bank acquired an insurance agency in 1985. Prior to consummation of this proposal, Mid State Bank will transfer the insurance activities of the subsidiary to the bank itself, which will thereafter conduct the activities directly. Anderson Bank and Mid State Bank would act as agent for a full line of property and casualty coverage.

3. Pub. L. No. 97-320, codified at 12 U.S.C. § 1843(c)(8).

4. The Board has received comments protesting the application from the National Association of Life Underwriters, National Association of Professional Insurance Agents, Independent Insurance Agents of America, Inc., National Association of Casualty and Surety Agents, and National Association of Surety Bond Producers.

5. Protestants also argue that Merchants should be bound by its earlier commitments to divest the banks' insurance activities because Merchants voluntarily offered the commitments with full knowledge of their limitations and that, in any event, the commitments preclude Merchants from arguing that the provisions of section 4 of the BHC Act do not apply to the direct activities of the banks.

In the Board's view, however, the commitments contemplated that Merchants could request Board relief from the commitments. While couched in terms of seeking Board approval on the Board's application Form Y-4, the commitments did not represent a concession by Merchants that section 4 applied to the direct activities of the banks. Rather, the application would provide a forum for evaluating the issues and arguments raised by the proposal apart from Merchants' earlier application to acquire the banks. Accordingly, the Board does not consider that the commitments limit either the right of Merchants to request relief or the arguments Merchants may put forward in support of that relief.

subsidiaries of bank holding companies on May 1, 1982. The record shows that on May 1, 1982, Anderson Bank was not a subsidiary of a bank holding company and, therefore, does not qualify under Exemption D. Similarly, Mid State Bank does not qualify under Exemption D because it did not commence selling insurance until after the May 1, 1982 grandfather date.⁶

Accordingly, the Board has considered Merchants' alternative grounds for relief. On the basis of the record before it and the comments received, the Board has determined that the direct insurance activities of Anderson and Mid State Banks are not limited by the nonbanking provisions of section 4 of the BHC Act or, consequently, the insurance provisions of the Garn-St Germain Act.⁷ In the Board's view, the nonbanking provisions of section 4, do not apply to limit the *direct* activities of holding company banks, except where the record demonstrates the type of evasion described in the *Citicorp/South Dakota* case,⁸ a situation not present in the instant case.⁹ The Board believes this view is consistent with the terms and purposes of the BHC Act and the Board's prior interpretations and long-standing practice.

Section 4 of the BHC Act contains two provisions that together limit the nonbanking activities and in-

6. Mid State Bank appears to qualify for the exemption provided in section 4(c)(8)(C) of the BHC Act for insurance agency activities conducted in a town of less than 5,000 inhabitants. In this application, Merchants initially had proposed that Mid State Bank conduct the insurance agency activities through a wholly owned subsidiary under exemption C. Merchants, however, subsequently withdrew that request and amended the proposal to conduct the insurance activities directly by Mid State Bank on the basis discussed below that the nonbanking provisions of the BHC Act do not apply to the direct activities of holding company banks.

7. As noted, Title VI of the Garn-St Germain Act does not establish a prohibition on the conduct of insurance activities by bank holding companies separate from or in addition to the general nonbanking prohibitions of section 4 of the BHC Act. Rather, Title VI limits the Board's discretion to authorize bank holding companies to conduct these activities under the exception to the nonbanking provisions of the Act for activities that the Board determines are closely related to banking under section 4(c)(8) of the Act. Thus, the provisions of the Garn-St Germain Act have no applicability where the nonbanking provisions of section 4 of the Act do not apply.

8. 71 FEDERAL RESERVE BULLETIN 798 (1985). In that case, the Board found, based on the structure of the South Dakota statute, the operating plans of Citicorp, and the fact that the bank would serve primarily as an insurance subsidiary of Citicorp and would conduct only insignificant banking activities, that the acquisition of the bank was primarily, if not solely, for the purpose of enabling Citicorp to engage through the bank in various insurance activities. The Board did not address the question raised in this case regarding whether the prohibitions of section 4 of the Act apply to the direct activities of holding company banks where no evidence of evasion is presented.

9. In this case, the record does not show that the banks would be operated by Merchants predominantly as insurance agencies or that the acquisition of the banks is a device to enable the applicant to engage in insurance activities. Rather, the record shows that the insurance activities of the banks are incidental and small relative to their banking operations.

vestments of bank holding companies. With respect to investments, section 4 prohibits, with certain specific exceptions, a bank holding company from acquiring or retaining, directly or indirectly, voting shares of any company except a bank.¹⁰ The principal exception to this prohibition is for shares of companies engaged in activities that the Board has determined are closely related to banking. By its terms, this restriction in section 4 does not apply to shares of a company which is a bank. Thus, a bank holding company that controls an institution that qualifies as a "bank" under the definition in the Act is not required, in order to acquire or retain the shares of the institution, to limit the institution's activities to those permitted under the closely related to banking standard of section 4 (or one of the other limited exceptions in the BHC Act), except where the record demonstrates an evasion of the BHC Act, such as presented in the *Citicorp/South Dakota* case. It is only companies that do not qualify as "banks" under the BHC Act that must limit their nonbanking activities to those permitted under the closely related to banking standard in section 4(c)(8) of the BHC Act (or qualify under some other exception) in order to be acquired or retained directly or indirectly by a bank holding company.

In addition to the above limitation, section 4 of the BHC Act provides that a bank holding company may not "engage in any activities other than (A) those of banking or of managing or controlling banks and other subsidiaries authorized under the Act" and activities the Board has determined to be closely related to banking. 12 U.S.C. § 1843(a)(2). Protestants contend that this provision applies not only to activities conducted directly by a bank holding company, but also to activities conducted indirectly through any subsidiary of the bank holding company, including a subsidiary bank.

The Board has not, however, since enactment of the BHC Act read this or any other portion of the nonbanking prohibitions of section 4 as applying to the direct activities of holding company banks, nor, as discussed below, does the legislative history of the BHC Act provide any indication that Congress intended the Board to do so. Moreover, the structure of the

10. Section 4(a) of that Act provides:
Except as otherwise provided in this Act, no bank holding company shall

(1) . . . acquire direct or indirect ownership or control of any voting shares of any company *which is not a bank*, or (2) . . . retain direct or indirect ownership or control of any voting shares of any company *which is not a bank* or bank holding company or engage in any activities other than (A) those of banking or of managing or controlling banks and other subsidiaries authorized under this Act . . . , and (B) those permitted under paragraph (8) of subsection (c) of this section [the closely-related to banking exception] . . . (emphasis supplied) 12 U.S.C. § 1843(a).

BHC Act indicates that this provision of section 4(a)(2) was intended to apply to the activities of bank holding companies themselves, many of which are operating companies engaged directly in nonbanking activities as well as in controlling banks and companies engaged in permissible nonbanking activities.¹¹ This reading harmonizes the provisions of section 4 of the BHC Act, with one provision limiting the types of companies the shares of which a bank holding company may acquire and retain (banks and other companies authorized under the BHC Act), and the second limiting in a similar manner the activities in which the bank holding company itself may engage to banking, managing and controlling banks and authorized nonbank companies, and activities closely related to banking.

The Board notes that, just as is the case with respect to the BHC Act's limitations on the acquisition of voting shares of any company, the limitation in section 4(a)(2) of the BHC Act on the activities of the bank holding company also differentiates between banks and other types of companies. Section 4(a)(2) of the BHC Act permits a bank holding company to control banks without any limitation on their activities, but provides that a bank holding company may control other companies only if their activities are authorized under the closely related to banking or other nonbanking exceptions in the BHC Act.

The reading suggested by the protestants, on the other hand, would make the provision restricting the types of companies that may be controlled by bank holding companies to banks and authorized nonbanks superfluous. If a bank holding company is deemed to be engaged in each activity in which a company it controls is engaged, as the protestants suggest, the other provision of section 4 prohibiting a bank holding company from controlling nonbank companies unless engaged in permissible activities would be unnecessary. Accordingly, the Board believes that the provision of section 4(a)(2) of the BHC Act limiting the activities in which a bank holding company may "engage" applies only to the activities of the bank holding company itself, and that activities of subsidiaries of the bank holding company are regulated through provisions limiting the companies that a bank holding company may invest in and control to banks and other companies engaged in activities permitted for bank holding companies under the BHC Act.

This reading of the BHC Act is consistent with the regulatory framework within which the BHC Act was

designed to fit. At the time Congress enacted the BHC Act in 1956, as today, banks were examined and regulated by the federal or state bank chartering authority. Congress enacted the BHC Act not to address concerns regarding the activities permitted by the chartering authority for national and state banks, but rather to address the adverse effects Congress discerned in the affiliation of banks with companies engaged in nonbanking activities, directly or indirectly. Congress deliberately did not disturb the existing bank regulatory framework, and intended for the OCC and the state banking authorities to remain as the primary regulatory authorities responsible for their respective institutions, national banks and state-chartered banks.¹² There is no indication in the BHC Act's legislative history that the nonbanking provisions of the BHC Act were intended to regulate the direct activities of banks acquired by bank holding companies.¹³

For the foregoing reasons, the Board has determined that section 4 of the BHC Act does not limit the sale of insurance directly by Anderson Bank and Mid State Bank within the banks as proposed, and that the banks may, therefore, insofar as the BHC Act is

12. See S. Rep. No. 1095, Part 2, 84th Cong., 2d Sess. 5 (1956). The BHC Act does, however, provide the Board with certain supervisory authority over holding company banks. For example, the Board may examine any bank that is a subsidiary of a bank holding company (12 U.S.C. § 1844(c)), and is required to evaluate the management and financial condition of any bank that a bank holding company proposes to acquire (12 U.S.C. § 1842(c)).

13. H. Rep. No. 387, 91st Cong., 1st Sess. 15 (1969); 115 Cong. Rec., E 9016-17 (daily ed. October 28, 1969) (statement of Rep. Brown); 115 Cong. Rec., H 10503 (daily ed. November 4, 1969) (statement of Rep. Stanton). *Bills to Amend the Bank Holding Company Act of 1956: Hearings on S. 1052, S. 1211, S. 1664, S. 3823, and H.R. 6778 Before the Senate Comm. on Banking and Currency, 91st Cong., 2d Sess. 144, 157-158 (1970)* (statement of Arthur Burns, Chairman of the Federal Reserve Board) (hereinafter cited as 1970 Senate hearings); 1970 Senate Hearings at 179-81 (Colloquy between Senator Packwood and Frank Willie, Chairman of the FDIC).

The Board has considered protestants' references to language from the Senate Conference Report on Title VI of the Garn-St Germain Act (S. Rep. No. 97-641, 97th Cong. 2d Sess. 91 (1982)), which states that Title VI would prohibit "bank holding companies and their subsidiaries" from selling and underwriting insurance. In the Board's view, in the context of the terms of the Act, the purpose of the Garn-St Germain Act and the longstanding practice of not applying the nonbanking provisions of the Act to the direct activities of holding company banks, the reference in the report to subsidiaries was meant to refer to nonbanking subsidiaries.

The Board notes that references in earlier reports on the Title VI legislative history indicate that section 4 and thus the proposed legislation would apply to bank holding companies and their "non-bank subsidiaries." S. Rep. No. 96-923, 96th Cong., 2d Sess. 2 (1980); S. Rep. No. 97-536, 97th Cong., 2d Sess. 36, 38-40 (1982). See also, H. Rep. No. 96-845, 96th Cong., 2d Sess. 2-3 (1980) ("the BHC Act generally prohibits a bank holding company from owning the shares of any company that is not a bank.") There is no indication of any Congressional intent in the Title VI amendments to section 4(c)(8) of the Act to extend the coverage of the nonbanking prohibitions of section 4(a) of the Act to the direct activities of holding company banks.

11. The portion of section 4 that authorizes a bank holding company to engage in "banking" is intended to provide for those few situations that existed in 1956 in which the bank holding company was itself a bank. See Heller, *Federal Bank Holding Company Law*, § 4.02(1).

concerned, resume within the banks the sale of insurance as permitted under Indiana law.

The Board notes that its views regarding the coverage of section 4 have not been the same where the insurance activities are conducted by companies controlled by holding company banks. Under the BHC Act, shares of a company held by a holding company bank are deemed to be indirectly held by the parent holding company (12 U.S.C. § 1841(g)) and, therefore, under the terms of the Act, their ownership or control by a bank holding company must qualify under the closely related to banking or one of the other exceptions in section 4 of the BHC Act.¹⁴ The Board adopted this view in 1956,¹⁵ which was confirmed by the Congress in 1966 with the enactment of section 2(g)(1) of the BHC Act.¹⁶

In this regard, however, in 1971 the Board adopted section 225.22(d)(2) of Regulation Y (formerly section 225.4(e)), which authorizes a state bank owned by a bank holding company to acquire and retain all (but not less than all) of the voting shares of a company, without Board approval under the BHC Act, so long as the company engages solely in activities the parent bank may conduct directly and at locations at which the bank could conduct the activities. 12 C.F.R. 225.22(d)(2).¹⁷ The Board adopted this regulation in order to permit holding company state banks to compete on equal footing with state banks that are not in a holding company system and in the absence of evidence that such acquisitions were resulting in evasions of the BHC Act. At that time, however, the Board stated that it would review the merits of the decision from time to time in light of its experience in administering the Act.¹⁸

14. Similarly, a bank holding company is deemed to control any company that is controlled by the holding company's subsidiaries. 12 U.S.C. § 1841(a)(2). Under section 4(a)(2) of the BHC Act, in order for the holding company to maintain control of such a company, the company must be a "bank" or a company whose activities qualify under one of the Act's nonbanking exceptions. 12 U.S.C. § 1843(a)(2).

15. 12 C.F.R. § 225.101. See *Security Pacific Corporation*, 72 FEDERAL RESERVE BULLETIN 800, 801 (1986); *Citicorp* 71 FEDERAL RESERVE BULLETIN 789, 791 n.6 (1985).

16. S. Rep. No. 1179, 89th Cong., 2d Sess. 8 (1966). See also 1970 Senate Hearings at 198 (Statement of William B. Camp, U.S. Comptroller of the Currency) ("There is no legal doubt that any acquisition by the national bank subsidiary would be an indirect acquisition by the one-bank holding company.")

17. Section 225.22(d)(1) of Regulation Y authorizes a national bank to acquire and retain voting shares of a company in accordance with the rules of the Comptroller of the Currency. 12 C.F.R. 225.22(a)(1).

18. The Board stated: The Board should not at this time apply the [nonbanking] restrictions [of the BHC Act] to subsidiaries of banks. This decision is believed warranted by considerations of equity between banks that are and are not members of bank holding companies and by the absence of evidence that acquisition by holding company banks are resulting in evasions of the purpose of the Act. The merits of this decision will be reviewed by the Board from time to time in light of its experience in administering the Act. (36 *Federal Register* 9292 (May 22, 1971)).

In December 1986, in light of the trend to expand significantly the real estate development powers of state banks, the Board asked for comment on whether to amend this regulation to prohibit holding company banks from acquiring or retaining voting shares or control of companies engaged in real estate development activities or to limit such acquisitions to those situations which the Board proposed to permit for bank holding companies. 52 *Federal Register* 543, 551 (1987). In its request, the Board noted the questions raised by commenters in response to an earlier request for comment on the real estate activities of bank holding companies concerning the coverage of the nonbanking provisions of section 4 of the BHC Act to a wholly owned subsidiary of a holding company state bank that engages only in activities the bank may conduct directly. The Board summarized the arguments advanced by commenters in support of and in opposition to the view that the nonbanking provisions of the BHC Act applied to such subsidiaries, and indicated it would consider any further comments in connection with the rulemaking on the real estate investment proposal.

The Board received numerous comments on this issue, including comments from the protestants in this case reiterating the views they have advanced in this and other cases regarding the coverage of section 4 of the BHC Act to holding company state banks and their subsidiaries. As the Board has previously stated, the Board intends to decide the issue of the applicability of the nonbanking provisions of the BHC Act to wholly owned subsidiaries of holding company state banks in connection with the real estate investment rulemaking in which it has had the benefit of extensive public participation. The Board intends to complete that rulemaking within the next six months, or by March 1, 1988.

Effect of the Competitive Equality Banking Act of 1987

Title II of the Competitive Equality Banking Act of 1987 ("CEBA") prohibits the Board, except in certain limited circumstances not relevant here, from approving from March 6, 1987, until March 1, 1988, the acquisition by a bank holding company of any company, including a state-chartered bank, unless the bank holding company agrees to limit the Insurance activities of the company in the United States to those permitted for bank holding companies under section 4(c)(8) of the BHC Act.¹⁹ As protestants point out, the Conference Report on CEBA states that this provision was intended to close the so-called "South Dakota

19. Pub. L. No. 100-86, section 201(b)(4), 101 Stat. 552, 581-3 (1987), to be codified at 12 U.S.C. § 1841 note.

loophole" during the moratorium period.²⁰ Under the South Dakota loophole, a bank holding company would acquire a state bank for the purpose of enabling the bank holding company to engage in insurance activities through the state bank.²¹ This section of Title II, however, by its terms only prohibits Board approval for acquisitions during moratorium. In this case, the Board approved Merchants' acquisition of the banks in question in October 1986, prior to the commencement of the moratorium on March 6, 1987.

Title II also imposes a moratorium on any Federal banking agency action — whether by rule, regulation, or order — that "would have the effect of increasing the insurance powers" of banks or bank holding companies or of banking or nonbanking subsidiaries thereof, either with respect to specific banks or bank holding companies, beyond the insurance powers permitted for bank holding companies under section 4(c)(8) of the BHC Act, unless the effective date of the action is delayed until the expiration of the moratorium.²² The Board believes that this provision of Title II also would not prohibit the Board's grant of the relief sought by Merchants in this case because that action would not have the effect of increasing the "insurance powers" of the banks. The banks already have these powers by virtue of state law and those powers are not and have never been limited by the BHC Act.

In the Board's view, the terms and structure of Title II demonstrate that this provision was directed at situations where a federal banking agency proposes to authorize additional insurance powers pursuant to statutory authority administered by the agency. In this regard, section 202 of Title II indicates that the Title II moratorium provisions were directed at a federal banking agency's exercise of "its legal authority . . . to expand the securities, insurance, or real estate powers of banks or bank holding companies that are subject to the moratorium established under section 201 . . ." 101 Stat. at 584.

As discussed above, the Board's decision in this case does not involve the exercise of any authority it has under the BHC Act to permit or to prohibit the conduct by banks or bank holding companies of insurance activities. The Board's action merely represents a reaffirmation of its consistent view that the nonbanking prohibitions of section 4 of the BHC Act do not apply to limit the direct activities or powers of holding company banks, except in cases of evasion. The commitments offered by Merchants in connection with its acquisition of the banks to suspend their insurance

activities pending Board resolution of the questions raised by protestants were not required by the BHC Act, but were provided only to expedite consideration of the bank applications. The Board's decision to grant relief from the commitments, thus, does not constitute the authorization of any activity under the BHC Act. In this regard, the Board notes that Title II provides that the existence of the moratorium shall not be construed "to increase, decrease, or affect in any way the authority of State-chartered bank subsidiaries of bank holding companies with respect to insurance activities."²³ Title II also provides that it shall not be "construed to increase or reduce the insurance authority of bank holding companies or banking or nonbanking subsidiaries thereof or of national banks under current law."²⁴

For the foregoing reasons, the Board has determined not to delay the effective date of its decision granting the relief requested by Merchants until the moratorium established by Title II of CEBA expires on March 1, 1988.

By order of the Board of Governors, effective September 10, 1987.

Voting for this action: Chairman Greenspan and Governors Johnson, Angell, and Heller. Absent and not voting: Governors Seger and Kelley.

JAMES MCAFEE

[SEAL]

Associate Secretary of the Board

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

First Interstate Bancorp Los Angeles, California

Order Approving Acquisition of a Bank Holding Company

First Interstate Bancorp, Los Angeles, California, a bank holding company within the meaning of the Bank Holding Company Act (12 U.S.C. § 1841 *et seq.*) (the "Act"), has applied for the Board's approval under section 3 of the Act (12 U.S.C. § 1842) to acquire Allied Bancshares, Inc., Houston, Texas ("Company"), and thereby indirectly to acquire the bank subsidiaries of Company listed in Appendix A to this

20. H. Rep. No. 100-261, 100th Cong., 1st Sess. 148 (1987).

21. See, e.g., *Citicorp/South Dakota*, *supra*.

22. Sections 201(b)(3) and 202, 101 Stat. at 582 and 584.

23. Section 201(e)(2), 101 Stat. at 583.

24. Section 201(d), 101 Stat. at 583.

Order.¹ Applicant also has applied under section 4(c)(8) of the Act (12 U.S.C. § 1843(c)(8)) and section 225.23(a)(2) of Regulation Y (12 C.F.R. § 225.23(a)(2)) to acquire the nonbanking subsidiaries of Company.²

Notice of the applications, affording opportunity for interested persons to submit comments, has been published (52 *Federal Register* 27,056 (1987)). The time for filing comments has expired, and the Board has considered the applications and all comments received in light of the factors set forth in sections 3(c) and 4(c)(8) of the Act.

Applicant is the fourth largest commercial banking organization in California with deposits in California of approximately \$14.8 billion, representing approximately 7.6 percent of the total deposits in commercial banks in that state.³ Company is the fifth largest commercial banking organization in Texas with domestic deposits of approximately \$8.1 billion, representing approximately 5.3 percent of the total deposits in commercial banks in Texas.

Section 3(d) of the Act, 12 U.S.C. § 1842(d), the Douglas Amendment, prohibits the Board from approving an application by a bank holding company to acquire a bank located outside of the bank holding company's home state, unless the acquisition is "specifically authorized by the statute laws of the state in which such bank is located, by language to that effect and not merely by implication."⁴

Effective January 1, 1987, Texas enacted an interstate banking statute that permits, subject to certain limitations, out-of-state bank holding companies, such as Applicant, to acquire established Texas banks and

bank holding companies.⁵ The Texas Banking Department has informed the Board that it has no objection to this proposal. Based on its review of the record, the Board has determined that the proposed acquisition is specifically authorized by the statute laws of Texas and thus that Board approval of the application is not prohibited by the Douglas Amendment.

The Board has considered the effects of the proposal upon competition in the relevant banking markets. Because Applicant does not operate a bank in any market in which Company operates a banking subsidiary, consummation of the proposal would not eliminate significant existing competition in any relevant banking market. Consummation of the proposed transaction also would not have any significant adverse effect on probable future competition in any relevant banking market.

In evaluating these applications, the Board has considered the financial resources of Applicant and the effect on those resources of the proposed acquisition. The Board has stated and continues to believe that capital adequacy is an especially important factor in the analysis of bank holding company proposals, particularly in transactions, such as this, involving the acquisition of a large organization experiencing financial difficulties.

In this regard, the Board expects that banking organizations experiencing substantial growth internally and by acquisition, such as Applicant, should maintain a strong capital position substantially above the minimum levels specified in the Board's Capital Adequacy Guidelines.⁶ The Board will carefully analyze the effect of expansion proposals on the preservation or achievement of such capital positions.

This acquisition has been structured as an exchange of shares, and Applicant will not incur any debt to effect the proposal. Nevertheless, the proposal will reduce Applicant's tangible primary capital ratio, although Applicant's capital position upon consummation will continue to be well above the minimum requirements under the Board's Capital Guidelines.

The Board also notes that Applicant's existing and projected consolidated earnings and parent cash flow appear sufficient to provide flexibility, if *pro forma* earnings are lower than anticipated. Further, the

1. Applicant will acquire Company through a merger of Company with First Interstate Bancorp of Texas, Inc., Los Angeles, California ("FI-Texas"), a wholly owned subsidiary of Applicant organized by Applicant to effect the acquisition. In connection with this application, FI-Texas has applied to become a bank holding company and acquire the banking and nonbanking subsidiaries of Company.

2. These are: Allied Bancshares Brokerage, Inc., Houston, Texas; Allied Bancshares Leasing, Inc., Houston, Texas; Allied Life Insurance Company of Texas, Houston, Texas; and Allied Trust Company, Houston, Texas.

By separate application, Applicant has applied under section 4(c)(8)(D) to acquire Allied Agency, Inc., Houston, Texas, a company engaged in acting as managing general agent for the vendor single interest programs of the subsidiary banks of Company. This application will be acted on separately by the Board.

3. Data are as of June 30, 1986. Applicant also operates banks in the states of Oregon, Washington, Arizona, Nevada, Colorado, Utah, Idaho, New Mexico, Wyoming, Montana, and Alaska.

4. A bank holding company's home state for purposes of the Douglas Amendment is that state in which the total deposits of its banking subsidiaries were largest on July 1, 1966, or on the date it became a bank holding company, whichever date is later. 12 U.S.C. § 1842(d).

5. Tex. Rev. Civ. Stat. Ann. art. 342-916 (Vernon 1986). The Board previously has approved the acquisition of a Texas bank by an out-of-state bank holding company. *State First Financial Corporation*, 73 FEDERAL RESERVE BULLETIN 307 (1987); *Chemical New York Corporation*, 73 FEDERAL RESERVE BULLETIN 378 (1987).

6. Capital Adequacy Guidelines, 50 *Federal Register* 16,057, 16,066-67 (April 24, 1985) (71 FEDERAL RESERVE BULLETIN 445 (1985)); *National City Corporation*, 70 FEDERAL RESERVE BULLETIN 743, 746 (1984).

Board notes that the proposed acquisition will strengthen the condition of Company not only by the removal from Company of a substantial portion of Company's nonperforming loans but also by granting greater access for Company to sources of funding and expanded banking services.

After a review of Applicant's proposal in light of Company's financial condition and on the basis of the above considerations and Applicant's continuing steps to strengthen its capital position, the Board concludes that financial factors are consistent with approval of the proposal. The Board notes that the proposed transaction represents another significant step in the process of resolving the financial difficulties associated with the weak Southwestern regional economy.

The Board also finds that the managerial resources of Applicant, Company, and their respective banking subsidiaries are satisfactory. In reaching this decision, the Board has considered certain violations by Applicant and Company of the Currency and Foreign Transactions Reporting Act ("CFTRA").⁷ The Board notes that Applicant and Company have now established comprehensive policies and procedures to ensure future compliance with the CFTRA. Examiners from the primary regulators of the banks involved have reviewed the sufficiency of these compliance procedures and their efficacy in correcting the deficiencies. The Board has also consulted with appropriate enforcement agencies, and has considered Applicant's and Company's past record of compliance with the law.

In considering the convenience and needs of the communities to be served, the Board has taken into account the records of the subsidiary banks of Applicant and Company under the Community Reinvestment Act ("CRA"), 12 U.S.C. § 2901 *et seq.*⁸ The Board has received comments from a number of groups regarding the CRA records of the subsidiary banks of both Applicant and Company.⁹ The protes-

tants generally allege that certain of Applicant's and Company's subsidiary banks have failed to meet the credit needs of the low- and moderate-income areas in the communities the banks serve. In addition, some of the protestants allege that the banks involved do not meet the credit needs of minority areas in the communities they serve. Further, the protestants allege that the banks are not making special efforts, such as communication, marketing, or special programs, to ascertain or to meet the credit needs of these communities.

In accordance with the Board's practice and procedure for handling protested applications,¹⁰ the Federal Reserve Banks of San Francisco, Kansas City, Minneapolis, and Dallas assisted in arranging meetings between the parties in the majority of the protests to clarify the issues under the CRA and to provide a forum to resolve the concerns raised by the protests.¹¹ The parties, however, were unable to come to a resolution of their differences.

Initially, the Board notes that Applicant's subsidiary banks have received satisfactory CRA assessments from their primary supervisory agencies. Applicant has met with all but one of the groups which protested its applications and has offered to address many of the concerns raised by the protests.¹²

In addition, on September 18, 1987, Applicant adopted a corporate CRA Policy Statement which establishes a committee of members from Applicant's Managing Committee that will review the CRA programs and practices of its subsidiary banks and report to Applicant's Chairman on that performance. As a subsidiary of Applicant, Company would be subject to Applicant's CRA program. In response to the public comments as well as supervisory comments regarding Company's CRA performance (made in connection

7. 31 U.S.C. § 5311 *et seq.*, 31 C.F.R. § 103.

8. The CRA requires the Board, in its evaluation of a bank holding company application, to take into account the record of applicant's subsidiary banks in meeting the credit needs of the entire community, including the low- and moderate-income neighborhoods, as reflected in the examinations by the bank's primary federal banking regulator. 12 U.S.C. § 2903.

9. The Fresno Organizing Project, Fresno, California, the National Training and Information Center, Chicago, Illinois, and the Pomona Valley branch of the N.A.A.C.P., Pomona, California, have protested the CRA performance of First Interstate Bank of California, in West Fresno, Los Angeles and San Diego, and Pomona, respectively. (The Pomona Valley branch of the N.A.A.C.P. withdrew its protest on September 24, 1987.) Salt Lake Citizens Congress, Salt Lake City, Utah, has protested the CRA performance of First Interstate Bank of Utah, N.A.; South End Seattle Community Organization, Seattle, Washington, has protested the CRA performance of First Interstate Bank of Washington, N.A.; Montana Peoples Action, Great Falls, Montana, has protested the CRA performance of First Interstate Bank of Great Falls, Montana; and the Oklahoma City Reinvestment

Alliance, Oklahoma City, Oklahoma, has protested the CRA performance of First Interstate Bank of Oklahoma, N.A. The Houston Reinvestment Alliance and the Houston branch of the N.A.A.C.P., both of Houston, Texas, have protested the CRA performance of Allied Bank of Texas, Houston, Texas. South Dallas/Fair Park Inner City Development Corporation, Dallas, Texas, has protested the CRA performance of Allied Bank of Dallas and Allied Bank of Oakcliff, both in Texas.

10. See 12 C.F.R. § 262.25(c).

11. A private meeting was not held in the NTIC protest.

12. For example, with regard to a protest concerning Fresno, California, First Interstate Bank of California has indicated to the Federal Reserve Bank of San Francisco that the bank will advertise in local media and conduct community seminars to raise the awareness in the West Fresno area of the bank's credit services, actively seek small business loans, continue to be involved in and support community activities that assist low income residents of Fresno, and continue dialogue and discussions with community groups in Fresno. Further, First Interstate of California has recently approved a \$1 million grant to Local Initiatives Support Corporation ("LISC") and has reached a substantial oral agreement with the Housing Development Department of the City of Fresno on a block grant program for low- and moderate-income housing.

with a recent examination), Company, on September 16, 1987, also adopted its own broad corporate CRA Policy Statement and Affirmative Action Plan. Under this program, Company commits to, among other things, emphasize and devote special efforts to making and marketing in low- and moderate-income areas housing and small business loans, and consistent with safe and sound banking practices, to endeavor to increase the number and dollar amount of loans which previously have been made in those areas, including in particular housing-related and small business loans. Company will also continue to offer basic banking services and to waive, consistent with safe and sound banking practices, the minimum balance requirement to open such accounts for depositors from low- and moderate-income areas.

Under the CRA, the Board is required to take the CRA record of an applicant's subsidiary bank into account as part of the Board's assessment of the convenience and needs of the community in acting on certain bank holding company expansion proposals. In this case, the Board has evaluated Applicant's record under the CRA, as reflected in the examinations of its subsidiary banks as well as those of Company, the comments of interested parties, Applicant's responses to these comments, and the adoption by Applicant and Company of CRA Policy Statements as outlined above. The Board's review indicates that Company needs to improve its CRA performance and that there are areas in which certain of Applicant's subsidiary banks could strengthen their performance. As noted, Company has adopted a program which will place special emphasis on increasing its lending in low- and moderate-income areas. Applicant has also adopted a CRA program and its subsidiary banks have indicated they would initiate certain measures in response to the public comments. In order to monitor implementation of Applicant's and Company's CRA programs, the Board requires that Applicant submit to the Federal Reserve Bank of San Francisco within 6 months of consummation of the acquisition and semiannually thereafter, as well as where requested by the System in connection with future expansion applications by Applicant, a report on the progress of its subsidiary banks in implementing the policies outlined in Applicant's CRA Policy Statement and that of Company.¹³ These reports should include, for example, descriptions of actions taken by Applicant's and Company's subsidiary banks in determining and helping to meet community credit needs, particularly the credit needs of consumers and small businesses in low- and moderate-income areas.

13. The reports must be filed until such time as the Reserve Bank is satisfied that Applicant's policy has been successfully implemented.

In evaluating the convenience and needs factors in this case, the Board has considered as the overriding factor in this case the fact that the proposal will provide the capital and financial support to Company that should enable its subsidiary banks to continue to serve their customers in numerous banking markets in Texas. In view of this substantial benefit to the convenience and needs of the many Texas communities served by Company and the CRA programs adopted by Applicant and Company, as well as the overall satisfactory CRA record of Applicant's existing subsidiary banks, the Board concludes that convenience and needs considerations in this case are consistent with approval of the application.¹⁴

As indicated earlier, Applicant also has applied, pursuant to section 4(c)(8), to acquire certain non-banking subsidiaries of Company. Both Applicant and Company have nonbanking subsidiaries that offer discount brokerage services and credit life, accident and health insurance. In view of the small market shares of Applicant and Company in those geographic areas in which they compete for these services, the Board concludes that the proposal would not have any significant adverse effect on existing or probable future competition in any relevant market.

There is no evidence in the record to indicate that approval of this proposal would result in decreased competition in other areas or in undue concentration of resources, unfair competition, conflicts of interests, unsound banking practices, or other adverse effects on the public interest. Accordingly, the Board has determined that the balance of public interest factors it must consider under section 4(c)(8) of the Act is favorable and consistent with approval of the applications to acquire Company's nonbanking subsidiaries and activities.

Based on the foregoing and other facts of record, the Board has determined that the applications should be, and hereby are, approved. The acquisition of Company shall not be consummated before the thirtieth

14. A majority of the protestants also requested that the Board order a public meeting. Under the Board's rules, the Board may hold a public meeting on an application to clarify factual issues related to the application and to provide an opportunity for testimony, if appropriate. 12 U.S.C. § 262.25(d). In this case, the Reserve Banks have arranged private meetings for this purpose. Moreover, in view of the Board's finding regarding the substantial benefits to the convenience and needs of the public from this proposal and the other facts of record, the Board has determined that a public meeting would serve no useful purpose. Accordingly, the requests for public meetings are denied.

Some of the protestants also requested that the Board order a hearing. Although section 3(b) of the Act does not require a formal hearing in this instance, the Board may, in any case, order an informal or formal hearing. In light of all of the facts of record, the Board has determined that a hearing would serve no useful purpose. Accordingly, the requests for a hearing are denied.

calendar day following the effective date of this Order, or later than three months after the effective date of this Order, unless such period is extended for good cause by the Board or by the Federal Reserve Bank of San Francisco, acting pursuant to delegated authority. The determinations as to Applicant's nonbanking activities are subject to all of the conditions contained in Regulation Y, including those in sections 225.4(d) and 225.23(b)(3) (12 C.F.R. §§ 225.4(d) and 225.23(b)(3)), and to the Board's authority to require such modification or termination of the activities of a holding company or any of its subsidiaries as the Board finds necessary to assure compliance with the provisions and purposes of the Act and the Board's regulations and orders issued thereunder, or to prevent evasion thereof.

By order of the Board of Governors, effective September 28, 1987.

Voting for this action: Chairman Greenspan and Governors Johnson, Seger, and Angell. Abstaining from this action: Governor Kelley. Absent and not voting: Governor Heller.

[SEAL] JAMES MCAFEE
Associate Secretary of the Board

Appendix A

Allied Bank Austin, Austin, Texas; Allied Bank North Austin, Austin, Texas; Allied Bank South Austin, Austin, Texas; Allied Bank of Marble Falls, Marble Falls, Texas; Allied Bank Beaumont, N.A., Beaumont, Texas; Allied Merchants Bank, Port Arthur, Texas; Allied Nederland Bank, Port Arthur, Texas; Allied American Bank of Dallas, N.A., Dallas, Texas; Allied Bank Arlington, Arlington, Texas; Allied Bank Bedford, Bedford, Texas; Allied Bank Cedar Hill, N.A., Cedar Hill, Texas; Allied Bank of Dallas, Dallas, Texas; Allied First National Bank of Mesquite, Mesquite, Texas; Allied Bank Fort Worth, Fort Worth, Texas; Allied Bank Irving, Irving, Texas; Allied Bank Keller, N.A., Keller, Texas; Allied Bank Mockingbird, Dallas, Texas; Allied Bank North Central, N.A., Dallas, Texas; Allied Northeast Bank, N.A., Fort Worth, Texas; Allied Bank Oak Cliff, Dallas, Texas; Allied Bank Plano, N.A., Plano, Texas; Allied Bank Waxahachie, N.A., Waxahachie, Texas; Allied Addicks Bank, Houston, Texas; Allied Beltway Bank, Houston, Texas; Allied Champions Bank, Houston, Texas; Allied Conroe Bank, Conroe, Texas; Allied Cypress Bank, Houston, Texas; Allied Deer Park Bank, Deer Park, Texas; Allied Fairbanks Bank, Houston, Texas; Allied First National Bank, Angleton, Texas; Allied Bank Gulf Freeway, Houston,

Texas; Allied Bank-Interstate 10, Houston, Texas; Allied Jetero Bank, Houston, Texas; Allied Bank Memorial, Houston, Texas; Allied Mercantile Bank, Houston, Texas; Allied Mission Bend Bank, Houston, Texas; Allied Bank Missouri City, Missouri City, Texas; Allied Bank North Belt, N.A., Houston, Texas; Allied Pasadena National Bank, Pasadena, Texas; Allied Seabrook Bank, Seabrook, Texas; Allied Bank Southwest Freeway, Houston, Texas; Allied Spring Bank, Spring, Texas; Allied Bank of Texas, Houston, Texas; Allied Bank West, Houston, Texas; Allied Bank Longview, Longview, Texas; Allied Marshall Bank, Marshall, Texas; Allied American Bank of San Antonio, San Antonio, Texas; Allied Bank Northwest, N.A., San Antonio, Texas; Allied Live Oak Bank, Rockport, Texas; and Allied Texas Bank, Jacksonville, Texas.

People's Mutual Holdings Bridgeport, Connecticut

Order Approving Applications to Become a Bank Holding Company and to Engage in Certain Nonbanking Activities

People's Mutual Holdings, Bridgeport, Connecticut, has applied under section 3(a)(1) of the Bank Holding Company Act of 1956 (12 U.S.C. 1842(a)(1)) (the "BHC Act") to become a bank holding company by acquiring People's Bank, Bridgeport, Connecticut ("New Bank"), a proposed state-chartered stock savings bank to be insured by the Federal Deposit Insurance Corporation ("FDIC").¹ The proposal represents a reorganization under which People's Bank, Bridgeport, Connecticut, an existing FDIC-insured, state chartered mutual savings bank, will transform itself into a mutual bank holding company. The proposal will be effected by People's Bank forming a stock savings bank, New Bank, to which it will transfer substantially all of People's Bank's assets and liabil-

1. Under the BHC Act, as amended by the Competitive Equality Banking Act of 1987 ("CEBA"), the term "bank" for the purposes of the BHC Act includes an insured bank as defined in section 3(h) of the Federal Deposit Insurance Act. Competitive Equality Banking Act of 1987, Pub. L. No. 100-86, 101 Stat. 552, 554 (1987) (to be codified at 12 U.S.C. 1841(c)). Bank qualifies as an insured bank under that section. Accordingly, Bank is a "bank" for purposes of the BHC Act. In addition, as authorized under CEBA Applicant has not filed an application with the Federal Home Loan Bank Board for Bank to be treated as an "insured institution" under the National Housing Act and, thereby, no longer be regulated under the BHC Act. Competitive Equality Banking Act of 1987, Pub. L. No. 100-86, 101 Stat. 552, 574 (1987) (to be codified at 12 U.S.C. 1730a).

ities. New Bank will be controlled by People's Bank, which will be renamed People's Mutual Holdings.

Applicant has also applied under section 4(c)(8) of the BHC Act (12 U.S.C. § 1843(c)(8)) and section 225.23 of the Board's Regulation Y (12 C.F.R. § 225.23) for New Bank to retain Guardian Federal Savings & Loan Association, Bridgeport, Connecticut, which had been acquired in a supervisory acquisition. In addition, Applicant has applied for New Bank to retain a 33.3 percent ownership interest in Cadre, Inc., Avon, Connecticut. This company engages in data processing activities that have been determined by the Board to be permissible for bank holding companies under section 225.25(b)(7) of the Board's Regulation Y (12 C.F.R. § 225.25(b)(7)).

Notice of the applications, affording opportunity for interested persons to submit comments and views, has been given in accordance with sections 3 and 4 of the BHC Act (52 *Federal Register* 23,891 (1987)). The time for filing comments and views has expired and the Board has considered the applications and all comments received, including comments in opposition to the application from certain insurance industry groups,² in light of the factors set forth in section 3(c) of the BHC Act (12 U.S.C. § 1842(c)) and the considerations specified in section 4(c)(8) of the BHC Act.

People's Bank, with \$4.4 billion in deposits, ranks third in the state of Connecticut among bank and thrift institutions, controlling 7.8 percent of total deposits in banks and thrifts in the state.³ Upon consummation of this proposal, Applicant would continue to be the third largest depository institution among banks and thrifts in the state, with no change in its market share or deposit size. Thus, consummation of this proposal would have no effect on the concentration of banking resources in Connecticut.

People's Bank operates in the Bridgeport, Connecticut, banking market,⁴ where it is the largest of 28 bank and thrift institutions in the market and controls \$2.1 billion in deposits, which represents 33.1 percent of the total deposits in banks and thrifts in the market.⁵ In view of the fact that this proposal represents a reorganization of existing ownership interests, the Board concludes that consummation of this proposal would

not have any adverse effect upon competition or increase the concentration of resources in the Bridgeport, Connecticut, banking market.

The Board has indicated previously that a bank holding company should serve as a source of financial and managerial strength for its subsidiary bank. In CEBA, Congress amended the BHC Act to permit mutual savings banks to reorganize into mutual bank holding companies provided that the specific financial, managerial and other statutory criteria that the Board must consider under section 3 of the BHC Act have been satisfied.⁶ The financial condition and management of People's Bank are satisfactory. Accordingly, the Board concludes that the financial and managerial resources of Applicant and New Bank are consistent with approval. Considerations relating to the convenience and needs of the community to be served also are consistent with approval.

Applicant also has applied under section 4(c)(8) of the BHC Act for New Bank to retain control of Guardian Federal Savings & Loan Association, Bridgeport, Connecticut ("Guardian"), a thrift institution that was acquired by the predecessor to People's Bank in a supervisory acquisition. Although the Board has determined, as a general matter, that operating a thrift institution is not a proper incident to banking, the Board has determined in several instances involving failing thrift institutions that such activities are a proper incident to banking⁷ and has permitted, with certain commitments,⁸ the acquisition of failing thrifts. The Board has permitted such acquisitions on the basis that the public benefits outweigh the potential adverse effects of affiliation between thrifts and bank holding companies. In the *Society Corporation Order*,⁹ the Board permitted a bank holding company that had acquired a failing thrift to retain the institution when the bank holding company was acquired subsequently by another bank holding company. Applicant's proposal to reorganize into a bank holding company and to retain ownership of a previously failing thrift institution subject to certain commitments is consistent with the decision in the *Society Corporation Order*. In view of these facts, including the commitments made by Applicant, and consistent with the Board's precedent, the Board does not believe that it would be appropriate or consistent with its current

2. The Independent Insurance Agents of America, Inc., National Association of Casualty & Surety Agents, National Association of Life Underwriters, National Association of Professional Insurance Agents and National Association of Surety Bond Producers ("Protestants") have submitted comments protesting the insurance activities that Bank proposes to engage in after consummation of this proposal.

3. State deposit data are as of December 31, 1986.

4. The Bridgeport, Connecticut, banking market consists of Bridgeport, Easton, Fairfield, Monroe, Shelton, Stratford and Trumbull, all in Fairfield County, and Ansonia, Beacon Falls, Derby, Milford, Oxford and Seymour, all in New Haven County.

5. Market data are as of June 30, 1985.

6. Competitive Equality Banking Act of 1987, Pub. L. No. 100-86, 101 Stat. 552, 579 (1987) (to be codified at 12 U.S.C. 1842).

7. See e.g., *Old Stone Corporation*, 69 FEDERAL RESERVE BULLETIN 812 (1983); *Citicorp/Fidelity Federal Savings and Loan Association*, 68 FEDERAL RESERVE BULLETIN 656 (1982).

8. Applicant has committed to comply with the Board's restrictions on tandem operations between a savings and loan subsidiary of a bank holding company and its affiliates.

9. 70 FEDERAL RESERVE BULLETIN 388 (1984).

policy regarding bank/thrift affiliation to require divestiture of Guardian.

In addition, Applicant has applied for New Bank to retain a 33.3 percent ownership interest in Cadre, Inc., Avon, Connecticut. This company engages in the type of data processing activities that have been determined by the Board to be permissible for bank holding companies under section 225.25(b)(7) of the Board's Regulation Y (12 C.F.R. § 225.25(b)(7)).

People's Bank engages in the business of selling savings bank life insurance ("SBLI") and Applicant has expressed its intention for New Bank to continue selling SBLI after the reorganization. Generally, the sale of life insurance is impermissible under section 4 of the BHC Act. The protestants have filed comments in opposition to this application and have requested the Board to impose a requirement that Applicant divest of the SBLI activities within two years. However, these comments were filed prior to the passage of CEBA. In CEBA, Congress amended the BHC Act to permit savings banks, subject to certain requirements, to engage in the sale and underwriting of SBLI.¹⁰ Because New Bank meets the requirements of the BHC Act, as amended by CEBA, New Bank may continue to engage in the sale of SBLI as a permissible nonbanking activity under the BHC Act.

In view of the facts of record, the Board concludes that Applicant's acquisition of New Bank's nonbanking subsidiaries would not significantly affect competition in any relevant market. Furthermore, there is no evidence in the record to indicate that approval of this proposal would result in undue concentration of resources, unfair competition, conflicts of interest, un-

sound banking practices, or other adverse effects on the public interest. Accordingly, the Board has determined that the balance of the public interest factors it must consider under section 4(c)(8) of the BHC Act is favorable and consistent with approval of the applications.

Based on the foregoing and other facts of record, the Board determined that the applications under sections 3 and 4 of the BHC Act should be, and hereby are, approved. The banking acquisition shall not be consummated before the thirtieth calendar day following the effective date of this Order, and neither the banking acquisition nor the nonbanking acquisition shall occur later than three months after the effective date of this Order, unless the latter period is extended for good cause by the Board or by the Federal Reserve Bank of New York, acting pursuant to delegated authority. The determination with respect to Applicant's acquisition of New Bank's nonbanking subsidiaries is subject to all of the conditions set forth in Regulation Y, including sections 225.4(d) and 225.23(b) (12 C.F.R. §§ 225.4(d) and 225.23(b)), and to the Board's authority to require such modifications or termination of activities of a holding company or any of its subsidiaries as the Board finds necessary to assure compliance with the provisions and purposes of the BHC Act and the Board's regulations and orders issued thereunder, or to prevent evasion thereof.

By order of the Board of Governors, effective September 21, 1987.

Voting for this action: Vice Chairman Johnson and Governors Seger, Angell, Heller, and Kelley. Absent and not voting: Chairman Greenspan.

JAMES McAFEE
Associate Secretary of the Board

[SEAL]

10. Competitive Equality Banking Act of 1987, Pub. L. No. 100-86, 101 Stat. 552, 562 (1987) (to be codified at 12 U.S.C. 1842).

ORDERS APPROVED UNDER BANK HOLDING COMPANY ACT

By Federal Reserve Banks

Recent applications have been approved by the Federal Reserve Banks as listed below. Copies are available upon request to the Reserve Banks.

Section 3

Applicant	Bank(s)	Reserve Bank	Effective date
Altenburg Bancorp, Inc. Altenburg, Missouri	Bank of Altenburg Altenburg, Missouri	St. Louis	September 3, 1987

Section 3—Continued

Applicant	Bank(s)	Reserve Bank	Effective date
Andover Bancorp, Inc. Andover, Massachusetts	Andover Savings Bank Andover, Massachusetts	Boston	September 4, 1987
Bancorp Hawaii, Inc. Honolulu, Hawaii	First National Bank of Arizona Phoenix, Arizona	San Francisco	September 22, 1987
Bank of New Hampshire Corporation Manchester, New Hampshire	The Suncook Bank Suncook, New Hampshire	Boston	September 15, 1987
Banterra Corp, Eldorado, Illinois	Egypt Bancorp, Inc. Marion, Illinois	St. Louis	August 27, 1987
Benton Bancorp, Inc. Benton, Kentucky	Calvert Bank Calvert City, Kentucky	St. Louis	September 17, 1987
CeeVeeTee Limited Partnership Shawnee Mission, Kansas	FCB Bancshares, Inc. Overland Park, Kansas	Kansas City	September 4, 1987
Community Bank System, Inc. DeWitt, New York	The Nichols National Bank Nichols, New York	New York	August 31, 1987
Country Bancorp, Inc. Mt. Olive, Illinois	Montgomery County National Bank Hillsboro, Illinois	St. Louis	August 31, 1987
Elcho Bancorporation, Inc. Altoona, Iowa	State Bank of Elcho Elcho, Wisconsin	Chicago	August 28, 1987
Exchange International Corporation Chicago, Illinois	Farmers' State Bank of Sheffield Sheffield, Illinois	Chicago	September 8, 1987
FCB Bancshares, Inc. Overland Park, Kansas	First Continental Bank and Trust Overland Park, Kansas	Kansas City	September 4, 1987
Fidelcor, Inc. Philadelphia, Pennsylvania	Fidelity Bank Delaware New Castle County, Delaware	Philadelphia	September 17, 1987
Financial Trust Corp. Carlisle, Pennsylvania	Firstway Financial, Inc. Waynesboro, Pennsylvania	Philadelphia	September 22, 1987
Fir-Ban, Inc. Verona, Kentucky	Verona Bank Verona, Kentucky	Cleveland	September 17, 1987
First Illinois Bancorp, Inc. East St. Louis, Illinois	Lindell Trust Company St. Louis, Missouri	St. Louis	September 17, 1987
L.T. Interim Bank East St. Louis, Illinois			
First Park County Bancshares, Inc. Livingston, Montana	First National Park Bank in Livingston Livingston, Montana	Minneapolis	September 15, 1987
Garden Banc Shares, Inc. Hutchinson, Kansas	Southwest Kansas Banc Shares, Inc. Hutchinson, Kansas	Kansas City	September 1, 1987
Great Bay Bankshares, Inc. Dover, New Hampshire	Southeast Bank for Savings Dover, New Hampshire	Boston	September 18, 1987
Green County Bancshares, Inc. Corbin, Kentucky	Greensburg Deposit Bank Greensburg, Kentucky	St. Louis	September 18, 1987
Hoff Investment Corporation Lisco, Nebraska	First Nebraska Bancs, Inc. Lisco, Nebraska	Kansas City	September 1, 1987
215 Holding Co. Minneapolis, Minnesota	First Bank Luverne, N.A. Luverne, Minnesota	Minneapolis	September 1, 1987

Section 3—Continued

Applicant	Bank(s)	Reserve Bank	Effective date
Mercer County State Bancorp, Inc. Sandy Lake, Pennsylvania	Mercer County State Bank Sandy Lake, Pennsylvania The First National Bank of Stoneboro Stoneboro, Pennsylvania	Cleveland	September 2, 1987
Merrimack Bancorp, Inc. Lowell, Massachusetts	Lowell Institution for Savings Lowell, Massachusetts	Boston	September 4, 1987
Miles Bancshares, Inc. Advance, Missouri	The First National Bank of Lerna Lerna, Illinois	St. Louis	August 31, 1987
Mission Hills Bancshares, Inc. Mission Woods, Kansas	Mission Hills Bank, N.A. Mission Woods, Kansas	Kansas City	September 15, 1987
Morgan Community Bancorp, Inc. Jacksonville, Illinois	Morgan County Community Bank Jacksonville, Illinois	St. Louis	August 26, 1987
Security Banco, Inc. Adams, North Dakota	Security State Bank of Adams Adams, North Dakota	Minneapolis	September 23, 1987
Shoreline Financial Corporation Benton Harbor, Michigan	Inter-City Bank Benton Harbor, Michigan Citizens Trust and Savings Bank South Haven, Michigan	Chicago	September 16, 1987
South Branch Valley Bancorp, Inc. Moorefield, West Virginia	South Branch Valley National Bank of Moorefield Moorefield, West Virginia	Richmond	September 23, 1987
Southern Bancshares, Ltd. Carbondale, Illinois	First National Bank and Trust Company Carbondale, Illinois	St. Louis	September 4, 1987
Spring Bancorp, Inc. Springfield, Illinois	Bank of Springfield Springfield, Illinois	Chicago	September 16, 1987
Staun Bancorp, Inc. Springfield, Illinois	First Community State Bank Staunton, Illinois	St. Louis	September 2, 1987
Texas Gulf Coast Bancorp, Inc. Houston, Texas	Dickinson State Bank Dickinson, Texas	Dallas	September 23, 1987
Tri City Bankshares Corporation Oak Creek, Wisconsin	Tri City National Bank of Menomonee Falls Menomonee Falls, Wisconsin	Chicago	September 3, 1987
Vidor Bancshares, Inc. Vidor, Texas	Plaza National Bank Beaumont, Texas	Dallas	September 18, 1987
W.T.B. Financial Corporation Spokane, Washington	Norban Financial Group Inc. Coeur d'Alene, Idaho	San Francisco	September 4, 1987
The Waltham Corporation Waltham, Massachusetts	Waltham Savings Bank Waltham, Massachusetts	Boston	August 25, 1987
Weakley County Bancshares, Inc. Dresden, Tennessee	Weakley County Bank Dresden, Tennessee	St. Louis	September 2, 1987

Section 4

Applicant	Nonbanking/Company Activity	Reserve Bank	Effective date
Bank of Montreal Quebec, Canada	Fahnestock Asset Management, Inc. New York, New York	Chicago	September 17, 1987
Charter Bank Group, Inc. Northfield, Illinois	Charter Group, Inc. Northfield, Illinois	Chicago	September 16, 1987
First Colonial Bankshares Corporation Chicago, Illinois	Mid-States Financial Corporation Schaumburg, Illinois	Chicago	August 31, 1987
The Hongkong and Shanghai Banking Corporation Hong Kong	IRFC Leasing 3 Corporation Woodcliff Lake, New Jersey	New York	September 10, 1987
Manufacturers Hanover Corporation New York, New York	BarclaysAmerican/Financial Inc. Colorado Springs, Colorado	New York	September 4, 1987
Otto Bremer Foundation St. Paul, Minnesota	Bremer First American Life Insurance Company St. Paul, Minnesota	Minneapolis	September 9, 1987
Valley Bancorporation Appleton, Wisconsin	Valley Bancard, Inc. Madison, Wisconsin	Chicago	September 10, 1987

Sections 3 and 4

Applicant	Bank(s)/Nonbanking Company	Reserve Bank	Effective date
Manufacturers National Corporation Detroit, Michigan	Affiliated Banc Group, Inc. Morton Grove, Illinois	Chicago	September 9, 1987

*ORDERS APPROVED UNDER BANK MERGER ACT**By Federal Reserve Banks*

Applicant	Bank(s)	Reserve Bank	Effective date
Farmers & Merchants Bank Huron, South Dakota	Security State Bank Doland, South Dakota	Minneapolis	September 23, 1987
First Illinois Bancorp, Inc. East St. Louis, Illinois	Lindell Trust Company St. Louis, Illinois	St. Louis	September 17, 1987
L. T. Interim Bank East St. Louis, Illinois			
Norstar Bank of Upstate NY Albany, New York	United National Bank Callicoon, New York	New York	September 22, 1987
The Provident Bank Cincinnati, Ohio	The Midwest Bank & Trust Company Cleveland, Ohio	Cleveland	September 23, 1987
Second BNH Acquisition Bank Manchester, New Hampshire	The Suncook Bank Suncook, New Hampshire	Boston	September 15, 1987

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.

- Independent Insurance Agents of America, Inc. v. Board of Governors*, No. 87-4118 (2d Cir., filed Sept. 17, 1987).
- Citicorp v. Board of Governors*, No. 87-1475 (D.C. Cir. filed Sept. 9, 1987).
- Securities Industry Association v. Board of Governors*, No. 87-4115 (2d Cir. filed Sept. 9, 1987)
- Board of Trade of the City of Chicago, et al. v. Board of Governors*, No. 87-2389 (7th Cir. filed Sept. 1, 1987).
- Barrett v. Volcker*, No. 87-2280 (D.D.C., filed August 17, 1987).
- Northeast Bancorp v. Board of Governors*, No. 87-1365 (D.C. Cir., filed July 31, 1987).
- National Association of Casualty & Insurance Agents v. Board of Governors*, Nos. 87-1354, 87-1355 (D.C. Cir., filed July 29, 1987).
- The Chase Manhattan Corporation v. Board of Governors*, No. 87-1333 (D.C. Cir., filed July 20, 1987).
- Securities Industry Association v. Board of Governors*, Nos. 87-4091, 87-4093, 87-4095 (2d Cir., filed July 1 and July 15, 1987).
- Lewis v. Board of Governors*, Nos. 87-3455, 87-3545 (11th Cir., filed June 25, August 3, 1987).
- Securities Industry Association v. Board of Governors, et al.*, No. 87-4041 and consolidated cases (2d Cir., filed May 1, 1987).
- Securities Industry Association v. Board of Governors, et al.*, No. 87-1169 (D.C. Cir., filed April 17, 1987).
- Bankers Trust New York Corp. v. Board of Governors*, No. 87-1035 (D.C. Cir., filed Jan. 23, 1987).
- Securities Industry Association v. Board of Governors, et al.*, No. 87-1030 (D.C. Cir., filed Jan. 20, 1987).
- Grimm v. Board of Governors*, No. 87-4006 (2d Cir., filed Jan. 16, 1987).
- Independent Insurance Agents of America, et al. v. Board of Governors*, Nos. 86-1572, 1573, 1576 (D.C. Cir., filed Oct. 24, 1986).
- Independent Community Bankers Association of South Dakota v. Board of Governors*, No. 86-5373 (8th Cir., filed Oct. 3, 1986).
- Jenkins v. Board of Governors*, No. 86-1419 (D.C. Cir., filed July 18, 1986).
- Securities Industry Association v. Board of Governors*, No. 86-1412 (D.C. Cir., filed July 14, 1986).
- Optical Coating Laboratory, Inc v. United States*, No. 288-86C (U.S. Claims Ct., filed May 6, 1986).
- CBC, Inc. v. Board of Governors*, No. 86-1001 (10th Cir., filed Jan. 2, 1986).
- Myers, et al. v. Federal Reserve Board*, No. 85-1427 (D. Idaho, filed Nov. 18, 1985).
- Souser, et al. v. Volcker, et al.*, No. 85-C-2370, et al., (D. Colo., filed Nov. 1, 1985).
- Podolak v. Volcker*, No. C85-0456, et al., (D. Wyo., filed Oct. 28, 1985).
- Kolb v. Wilkinson, et al.*, No. C85-4184 (N.D. Iowa, filed Oct. 22, 1985).
- Farmer v. Wilkinson, et al.*, No. 4-85-CIVIL-1448 (D. Minn., filed Oct. 21, 1985).
- Kurkowski v. Wilkinson, et al.*, No. CV-85-0-916 (D. Neb., filed Oct. 16, 1985).
- Alfson v. Wilkinson, et al.*, No. A1-85-267 (D. N.D., filed Oct. 8, 1985).
- Independent Community Bankers Association of South Dakota v. Board of Governors*, No. 84-1496 (D.C. Cir., filed Aug. 7, 1985).
- Urwyler, et al. v. Internal Revenue Service, et al.*, No. 85-2877 (9th Cir., filed July 18, 1985).
- Wight, et al. v. Internal Revenue Service, et al.*, No. 85-2826 (9th Cir., filed July 12, 1985).
- Lewis v. Volcker, et al.*, No. 86-3210 (6th Cir., filed Jan. 14, 1985).
- Brown v. United States Congress, et al.*, No. 84-2887-6(IG) (S.D. Cal., filed Dec. 7, 1984).
- Melcher v. Federal Open Market Committee*, No. 84-1335 (D.D.C., filed Apr. 30, 1984).

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1.10 RESERVES, MONEY STOCK, LIQUID ASSETS, AND DEBT MEASURES

Item	Monetary and credit aggregates (annual rates of change, seasonally adjusted in percent) ¹								
	1986		1987		1987				
	Q3	Q4	Q1	Q2	Apr.	May	June ^c	July ^c	Aug.
<i>Reserves of depository institutions²</i>									
1 Total	21.0	24.3	16.4	8.0	23.3	8.2	-13.3	-2.2	6.0
2 Required	21.9	22.8	16.5	8.4	25.5	3.1	-15.9	6.9	.4
3 Nonborrowed	21.3	25.3	18.5	5.4	13.6	7.5	-8.1	0.0	6.6
4 Monetary base ³	9.7	11.0	11.3	6.8	9.9	8.7	.5	4.7	6.4
<i>Concepts of money, liquid assets, and debt⁴</i>									
5 M1	16.5	17.0	13.1	6.4	17.5	4.5	-10.4	1.6	5.1
6 M2	10.6	9.2	6.3	2.3 ^f	5.6 ^f	.3	.6	2.5	5.9
7 M3	9.7	8.0	6.4	3.8 ^f	5.3 ^f	4.6 ^f	4.8	1.7	7.5
8 L	8.1	8.2	6.4	2.9 ^f	3.0 ^f	8.7 ^f	2.5	-3.1	n.a.
9 Debt	12.5	12.1	10.4	9.3 ^f	10.0 ^f	10.5 ^f	10.1	8.1	n.a.
<i>Nontransaction components</i>									
10 In M2 ⁵	8.6	6.6	4.0	.8 ^f	1.4 ^f	-1.1 ^f	4.7	2.8	6.1
11 In M3 only ⁶	6.2	3.2	6.4	10.0 ^f	4.0 ^f	21.9 ^f	21.2	-1.5	14.2
<i>Time and savings deposits</i>									
<i>Commercial banks</i>									
12 Savings ⁷	25.0	36.9	37.3	24.1	27.8	16.0	6.9	7.5	9.5
13 Small-denomination time ⁸	-7.5	-10.7	-4.9	-4.6 ^f	-8.3	-1.3	10.1	11.0	6.3
14 Large-denomination time ^{9,10}	-1.5	.1	9.7	18.3	27.7	18.8	16.2	-5.3	.4
<i>Thrift institutions</i>									
15 Savings ⁷	21.0	23.2	27.3	25.9	30.5	17.4	12.6	2.0	9.5
16 Small-denomination time ⁸	-3.4	-6.4	-4.3	.9 ^f	.7 ^f	-5	9.9	12.7	12.8
17 Large-denomination time ⁹	2.8	-7.0	-9.5	-8.4	-19.1	2.4	8.9	8.8	14.3
<i>Debt components⁴</i>									
18 Federal	14.7	11.5	9.7	9.6	8.4	15.1	14.9	4.4	n.a.
19 Nonfederal	11.9	12.3	10.6	9.2 ^f	10.4	9.1 ^f	8.6	9.2	n.a.
20 Total loans and securities at commercial banks ¹¹	10.6	9.1 ^f	10.1	7.0	11.9	7.4	3.6	1.3	10.8

1. Unless otherwise noted, rates of change are calculated from average amounts outstanding in preceding month or quarter.

2. Figures incorporate adjustments for discontinuities associated with the implementation of the Monetary Control Act and other regulatory changes to reserve requirements. To adjust for discontinuities due to changes in reserve requirements on reservable nondemand liabilities, the sum of such required reserves is subtracted from the actual series. Similarly, in adjusting for discontinuities in the monetary base, required clearing balances and adjustments to compensate for float also are subtracted from the actual series.

3. The monetary base not adjusted for discontinuities consists of total reserves plus required clearing balances and adjustments to compensate for float at Federal Reserve Banks plus the currency component of the money stock less the amount of vault cash holdings of thrift institutions that is included in the currency component of the money stock plus, for institutions not having required reserve balances, the excess of current vault cash over the amount applied to satisfy current reserve requirements. After the introduction of contemporaneous reserve requirements (CRR), currency and vault cash figures are measured over the weekly computation period ending Monday.

Before CRR, all components of the monetary base other than excess reserves are seasonally adjusted as a whole, rather than by component, and excess reserves are added on a not seasonally adjusted basis. After CRR, the seasonally adjusted series consists of seasonally adjusted total reserves, which include excess reserves on a not seasonally adjusted basis, plus the seasonally adjusted currency component of the money stock plus the remaining items seasonally adjusted as a whole.

4. Composition of the money stock measures and debt is as follows:

M1: (1) currency outside the Treasury, Federal Reserve Banks, and the vaults of commercial banks; (2) travelers checks of nonbank issuers; (3) demand deposits at all commercial banks other than those due to domestic banks, the U.S. government, and foreign banks and official institutions less cash items in the process of collection and Federal Reserve float; and (4) other checkable deposits (OCD) consisting of negotiable order of withdrawal (NOW) and automatic transfer service (ATS) accounts at depository institutions, credit union share draft accounts, and demand deposits at thrift institutions. The currency and demand deposit components exclude the estimated amount of vault cash and demand deposits respectively held by thrift institutions to service their OCD liabilities.

M2: M1 plus overnight (and continuing contract) repurchase agreements (RPs) issued by all commercial banks and overnight Eurodollars issued to U.S. residents by foreign branches of U.S. banks worldwide, Money Market Deposit Accounts (MMDAs), savings and small-denomination time deposits (time deposits)—including retail RPs—in amounts of less than \$100,000, and balances in both taxable and tax-exempt general purpose and broker/dealer money market mutual funds. Excludes individual retirement accounts (IRA) and Keogh balances at depository institutions and money market funds. Also excludes all balances held by U.S.

commercial banks, money market funds (general purpose and broker/dealer), foreign governments and commercial banks, and the U.S. government. Also subtracted is a consolidation adjustment that represents the estimated amount of demand deposits and vault cash held by thrift institutions to service their time and savings deposits.

M3: M2 plus large-denomination time deposits and term RP liabilities (in amounts of \$100,000 or more) issued by commercial banks and thrift institutions, term Eurodollars held by U.S. residents at foreign branches of U.S. banks worldwide and at all banking offices in the United Kingdom and Canada, and balances in both taxable and tax-exempt, institution-only money market mutual funds. Excludes amounts held by depository institutions, the U.S. government, money market funds, and foreign banks and official institutions. Also subtracted is a consolidation adjustment that represents the estimated amount of overnight RPs and Eurodollars held by institution-only money market mutual funds.

L: M3 plus the nonbank public holdings of U.S. savings bonds, short-term Treasury securities, commercial paper and bankers acceptances, net of money market mutual fund holdings of these assets.

Debt: Debt of domestic nonfinancial sectors consists of outstanding credit market debt of the U.S. government, state and local governments, and private nonfinancial sectors. Private debt consists of corporate bonds, mortgages, consumer credit (including bank loans), other bank loans, commercial paper, bankers acceptances, and other debt instruments. The source of data on domestic nonfinancial debt is the Federal Reserve Board's flow of funds accounts. Debt data are based on monthly averages. Growth rates for debt reflect adjustments for discontinuities over time in the levels of debt presented in other tables.

5. Sum of overnight RPs and Eurodollars, money market fund balances (general purpose and broker/dealer), MMDAs, and savings and small time deposits less the estimated amount of demand deposits and vault cash held by thrift institutions to service their time and savings deposit liabilities.

6. Sum of large time deposits, term RPs, and Eurodollars of U.S. residents, money market fund balances (institution-only), less a consolidation adjustment that represents the estimated amount of overnight RPs and Eurodollars held by institution-only money market mutual funds.

7. Excludes MMDAs.

8. Small-denomination time deposits—including retail RPs—are those issued in amounts of less than \$100,000. All IRA and Keogh accounts at commercial banks and thrifts are subtracted from small time deposits.

9. Large-denomination time deposits are those issued in amounts of \$100,000 or more, excluding those booked at international banking facilities.

10. Large-denomination time deposits at commercial banks less those held by money market mutual funds, depository institutions, and foreign banks and official institutions.

11. Changes calculated from figures shown in table 1.23.

A4 Domestic Financial Statistics □ November 1987

1.11 RESERVES OF DEPOSITORY INSTITUTIONS AND RESERVE BANK CREDIT

Millions of dollars

Factors	Monthly averages of daily figures			Weekly averages of daily figures for week ending							
	1987			1987							
	June	July	Aug.	July 15	July 22	July 29	Aug. 5	Aug. 12	Aug. 19	Aug. 26	
SUPPLYING RESERVE FUNDS											
1 Reserve Bank credit	235,851	233,463	231,606	234,054	232,936	230,331	233,122	231,532	230,970	230,986	
2 U.S. government securities ¹	210,941	208,364	206,708	209,239	208,503	205,452	207,781	206,676	205,769	206,390	
3 Bought outright	208,728	208,258	206,187	209,239	208,503	205,452	206,010	206,676	205,283	205,870	
4 Held under repurchase agreements	2,213	106	521	0	0	0	1,771	0	486	520	
5 Federal agency obligations	8,030	7,690	7,764	7,683	7,657	7,623	8,163	7,623	7,717	7,747	
6 Bought outright	7,683	7,660	7,623	7,683	7,657	7,623	7,623	7,623	7,623	7,623	
7 Held under repurchase agreements	347	30	141	0	0	0	540	0	94	124	
8 Acceptances	0	0	0	0	0	0	0	0	0	0	
9 Loans	737	673	630	673	507	796	557	571	525	912	
10 Float	724	979	702	669	619	527	609	451	874	519	
11 Other Federal Reserve assets	15,419	15,757	15,802	15,790	15,649	15,933	16,012	16,211	16,085	15,417	
12 Gold stock ²	11,069	11,069	11,068	11,069	11,069	11,069	11,069	11,069	11,069	11,069	
13 Special drawing rights certificate account	5,018	5,018	5,018	5,018	5,018	5,018	5,018	5,018	5,018	5,018	
14 Treasury currency outstanding	17,866	17,878 ^f	17,930	17,871 ^f	17,881 ^f	17,891 ^f	17,902	17,916	17,930	17,944	
ABSORBING RESERVE FUNDS											
15 Currency in circulation	214,465	216,361 ^f	216,805	217,205 ^f	216,163 ^f	215,423 ^f	216,189	217,283	217,318	216,530	
16 Treasury cash holdings ²	507	486	471	490	486	479	470	473	473	471	
Deposits, other than reserve balances, with Federal Reserve Banks											
17 Treasury	8,776	5,140	3,409	5,685	5,316	3,872	5,261	3,106	3,174	3,116	
18 Foreign	246	258	237	271	249	254	253	218	260	252	
19 Service-related balances and adjustments	2,072	2,200	1,937	2,072	2,418	2,060	2,071	1,960	1,923	1,960	
20 Other	404	352	331	405	334	325	282	275	359	352	
21 Other Federal Reserve liabilities and capital	6,814	6,664	6,667	6,771	6,724	6,599	6,504	6,617	6,746	6,704	
22 Reserve balances with Federal Reserve Banks ³	36,520	35,966	35,765	35,115	35,214	35,297	36,080	35,604	34,733	35,629	
			End-of-month figures			Wednesday figures					
			1987			1987					
			June	July	Aug.	July 15	July 22	July 29	Aug. 5	Aug. 12	Aug. 26
SUPPLYING RESERVE FUNDS											
23 Reserve Bank credit	239,216	234,310	231,689	232,395	233,865	231,830	232,760	231,641	230,358	237,247	
24 U.S. government securities ¹	212,306	208,170	207,238	207,460	209,230	206,296	207,080	205,688	206,288	209,448	
25 Bought outright	210,248	204,871	207,238	207,460	209,230	206,296	207,080	205,688	206,288	205,809	
26 Held under repurchase agreements	2,058	3,299	0	0	0	0	0	0	0	3,639	
27 Federal agency obligations	8,679	8,553	7,623	7,683	7,623	7,623	7,623	7,623	7,623	8,493	
28 Bought outright	7,683	7,623	7,623	7,683	7,623	7,623	7,623	7,623	7,623	7,624	
29 Held under repurchase agreements	996	930	0	0	0	0	0	0	0	869	
30 Acceptances	0	0	0	0	0	0	0	0	0	0	
31 Loans	972	634	566	723	497	1,613	439	1,291	502	2,973	
32 Float	1,579	507	510	789	646	163	1,218	490	715	714	
33 Other Federal Reserve assets	15,680	16,446	15,752	15,740	15,869	16,135	16,400	16,549	15,230	15,619	
34 Gold stock ²	11,069	11,069	11,068	11,069	11,069	11,069	11,069	11,069	11,069	11,068	
35 Special drawing rights certificate account	5,018	5,018	5,018	5,018	5,018	5,018	5,018	5,018	5,018	5,018	
36 Treasury currency outstanding	17,889	17,900 ^f	17,956	17,880 ^f	17,890 ^f	17,900 ^f	17,914	17,928	17,942	17,956	
ABSORBING RESERVE FUNDS											
37 Currency in circulation	215,201	215,898 ^f	216,471	216,929 ^f	215,845 ^f	215,682 ^f	216,840	217,616	217,145	216,415	
38 Treasury cash holdings ²	492	470	463	490	483	470	470	473	473	468	
Deposits, other than reserve balances, with Federal Reserve Banks											
39 Treasury	13,774	5,365	3,763	3,351	6,038	4,711	4,596	3,514	3,112	3,955	
40 Foreign	318	262	295	381	283	244	187	279	188	217	
41 Service-related balances and adjustments	1,775	1,747	1,709	1,779	1,762	1,762	1,747	1,747	1,697	1,698	
42 Other	458	281	284	618	286	342	210	281	312	486	
43 Other Federal Reserve liabilities and capital	6,847	6,520	6,964	6,592	6,539	6,422	6,280	6,591	6,525	6,658	
44 Reserve balances with Federal Reserve Banks ³	34,327	37,754	35,782	36,225	36,606	36,184	36,427	35,154	34,936	41,392	

1. Includes securities loaned—fully guaranteed by U.S. government securities pledged with Federal Reserve Banks—and excludes any securities sold and scheduled to be bought back under matched sale-purchase transactions.

2. Revised for periods between October 1986 and April 1987. At times during this interval, outstanding gold certificates were inadvertently in excess of the gold

stock. Revised data not included in this table are available from the Division of Research and Statistics, Banking Section.

3. Excludes required clearing balances and adjustments to compensate for float.

NOTE: For amounts of currency and coin held as reserves, see table 1.12.

1.12 RESERVES AND BORROWINGS Depository Institutions

Millions of dollars

Reserve classification	Monthly averages ⁸									
	1984	1985	1986	1986	1987					
	Dec.	Dec.	Dec.	Dec.	Feb.	Mar.	Apr.	May	June	July
1 Reserve balances with Reserve Banks ¹	21,738	27,620	37,360	37,360	33,625	35,318	37,807	36,466	36,309	36,110
2 Total vault cash ²	22,313	22,953	24,071	24,071	25,889	23,759	23,353	23,693	24,380	24,631
3 Vault ³	18,958	20,522	22,199	22,199	23,435	21,743	21,587	21,873	22,475	22,728
4 Surplus ⁴	3,355	2,431	1,872	1,872	2,454	2,016	1,767	1,820	1,905	1,903
5 Total reserves	40,696	48,142	59,560	59,560	57,060	57,061	59,393	58,339	58,784	58,838
6 Required reserves	39,843	47,085	58,191	58,191	55,849	56,146	58,566	57,260	57,594	58,078
7 Excess reserve balances at Reserve Banks ⁶	853	1,058	1,369	1,369	1,211	916	827	1,079	1,190	761
8 Total borrowings at Reserve Banks	3,186	1,318	827	827	556	527	993	1,035	776	672
9 Seasonal borrowings at Reserve Banks	113	56	38	38	71	91	120	196	259	283
10 Extended credit at Reserve Banks ⁷	2,604	499	303	303	283	264	270	288	273	194
Biweekly averages of daily figures for weeks ending										
1987										
	May 6	May 20	June 3	June 17	July 1	July 15	July 29	Aug. 12 ^p	Aug. 26 ^p	Sept. 9 ^{pe}
11 Reserve balances with Reserve Banks ¹	37,612	36,327	36,018	37,145	35,475	37,083	35,221	35,850	35,173	36,295
12 Total vault cash ²	23,289	23,552	24,094	23,668	25,215	24,238	25,029	24,306	25,074	24,288
13 Vault ³	21,519	21,801	22,158	21,972	23,092	22,470	23,002	22,439	23,115	22,444
14 Surplus ⁴	1,770	1,751	1,936	1,696	2,123	1,769	2,027	1,867	1,959	1,844
15 Total reserves	59,131	58,128	58,176	59,117	58,567	59,553	58,223	58,289	58,288	58,738
16 Required reserves	58,115	57,066	57,042	58,313	56,947	59,081	57,240	57,488	57,116	57,545
17 Excess reserve balances at Reserve Banks ⁶	1,016	1,063	1,134	804	1,620	472	983	801	1,173	1,194
18 Total borrowings at Reserve Banks	1,410	830	1,094	635	856	696	652	564	719	647
19 Seasonal borrowings at Reserve Banks	159	190	226	230	298	271	294	289	286	241
20 Extended credit at Reserve Banks ⁷	299	276	297	254	289	261	133	120	128	173

1. Excludes required clearing balances and adjustments to compensate for float.

2. Dates refer to the maintenance periods in which the vault cash can be used to satisfy reserve requirements. Under contemporaneous reserve requirements, maintenance periods end 30 days after the lagged computation periods in which the balances are held.

3. Equal to all vault cash held during the lagged computation period by institutions having required reserve balances at Federal Reserve Banks plus the amount of vault cash equal to required reserves during the maintenance period at institutions having no required reserve balances.

4. Total vault cash at institutions having no required reserve balances less the amount of vault cash equal to their required reserves during the maintenance period.

5. Total reserves not adjusted for discontinuities consist of reserve balances with Federal Reserve Banks, which exclude required clearing balances and adjustments to compensate for float, plus vault cash used to satisfy reserve requirements. Such vault cash consists of all vault cash held during the lagged

computation period by institutions having required reserve balances at Federal Reserve Banks plus the amount of vault cash equal to required reserves during the maintenance period at institutions having no required reserve balances.

6. Reserve balances with Federal Reserve Banks plus vault cash used to satisfy reserve requirements less required reserves.

7. Extended credit consists of borrowing at the discount window under the terms and conditions established for the extended credit program to help depository institutions deal with sustained liquidity pressures. Because there is not the same need to repay such borrowing promptly as there is with traditional short-term adjustment credit, the money market impact of extended credit is similar to that of nonborrowed reserves.

8. Before February 1984, data are prorated monthly averages of weekly averages; beginning February 1984, data are prorated monthly averages of biweekly averages.

NOTE: These data also appear in the Board's H.3 (502) release. For address, see inside front cover.

A6 Domestic Financial Statistics □ November 1987

1.13 SELECTED BORROWINGS IN IMMEDIATELY AVAILABLE FUNDS Large Member Banks¹

Averages of daily figures, in millions of dollars

Maturity and source	1987 week ending Monday								
	Apr. 27 ¹	May 4 ¹	May 11 ¹	May 18	May 25	June 1	June 8	June 16	June 22
<i>Federal funds purchased, repurchase agreements, and other selected borrowing in immediately available funds</i>									
From commercial banks in the United States									
1 For one day or under continuing contract	72,584	74,879	72,230	74,185 ¹	70,799	71,703	74,810	72,633	68,755
2 For all other maturities	8,870	8,890	9,282	9,341	9,586	9,567	9,362	9,325	8,719
From other depository institutions, foreign banks and foreign official institutions, and United States government agencies									
3 For one day or under continuing contract	35,868	36,651	37,765	34,183	34,329	34,356	35,114	34,380	31,698
4 For all other maturities	8,314	9,951	9,969	9,731	9,654	9,008	8,503	8,508	8,378
<i>Repurchase agreements on U.S. government and federal agency securities in immediately available funds</i>									
Brokers and nonbank dealers in securities									
5 For one day or under continuing contract	12,203	12,510	11,105	11,404	11,482	10,800	10,497	10,459	9,664
6 For all other maturities	12,872	14,338	14,320	15,298	15,980	14,975	14,421	14,413	13,794
All other customers									
7 For one day or under continuing contract	25,607	24,307	23,679	24,329	24,777	25,068	24,985	25,470	24,139
8 For all other maturities	8,863	8,591	8,552	8,678	8,561	8,741	8,561	8,289	8,882
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	29,541	32,437	27,312	29,112 ¹	26,927 ¹	29,051 ¹	28,335	25,945	26,899
10 To all other specified customers ²	13,656	12,864	11,449	13,004	13,353	13,481	13,857	14,117	14,685

1. Banks with assets of \$1 billion or more as of Dec. 31, 1977.

2. Brokers and nonbank dealers in securities; other depository institutions; foreign banks and official institutions; and United States government agencies.

1.14 FEDERAL RESERVE BANK INTEREST RATES

Percent per year

Federal Reserve Bank	Current and previous levels									
	Adjustment Credit and Seasonal Credit ¹			Extended Credit ²						
				First 30 days of Borrowing			After 30 days of Borrowing ³			
	On 9/23/87	Effective Date	Previous Rate	On 9/23/87	Effective Date	Previous Rate	On 9/23/87	Effective Date	Previous Rate	Effective Date
Boston	6	9/9/87	5½	6	9/9/87	5½	7.45	9/10/87	7.25	8/27/87
New York	6	9/4/87	5½	6	9/4/87	5½	7.45	9/10/87	7.25	8/27/87
Philadelphia	6	9/4/87	5½	6	9/4/87	5½	7.45	9/10/87	7.25	8/27/87
Cleveland	6	9/4/87	5½	6	9/4/87	5½	7.45	9/10/87	7.25	8/27/87
Richmond	6	9/5/87	5½	6	9/5/87	5½	7.45	9/10/87	7.25	8/27/87
Atlanta	6	9/4/87	5½	6	9/4/87	5½	7.45	9/10/87	7.25	8/27/87
Chicago	6	9/4/87	5½	6	9/4/87	5½	7.45	9/10/87	7.25	8/27/87
St. Louis	6	9/9/87	5½	6	9/9/87	5½	7.45	9/10/87	7.25	8/27/87
Minneapolis	6	9/8/87	5½	6	9/8/87	5½	7.45	9/10/87	7.25	8/27/87
Kansas City	6	9/4/87	5½	6	9/4/87	5½	7.45	9/10/87	7.25	8/27/87
Dallas	6	9/11/87	5½	6	9/11/87	5½	7.45	9/10/87	7.25	8/27/87
San Francisco	6	9/9/87	5½	6	9/9/87	5½	7.45	9/10/87	7.25	8/27/87

Range of rates for adjustment credit in recent years⁴

Effective date	Range (or level)—All F.R. Banks	F.R. Bank of N.Y.	Effective date	Range (or level)—All F.R. Banks	F.R. Bank of N.Y.	Effective date	Range (or level)—All F.R. Banks	F.R. Bank of N.Y.
In effect Dec. 31, 1973	7½	7½	1978—Aug. 21	7¾	7¾	1982—Aug. 2	11-11½-12	11
1974—Apr. 25	7½-8	8	Sept. 22	8	8	3	11	11
30	8	8	Oct. 16	8-8½	8½	16	10½	10½
Dec. 9	7¾-8	7¾	20	8½	8½	27	10-10½	10
16	7¾	7¾	Nov. 1	8½-9½	9½	30	10	10
			3	9½	9½	Oct. 12	9½-10	9½
1975—Jan. 6	7¼-7¾	7¾				13	9½	9½
10	7¼-7¾	7¾	1979—July 20	10	10	Nov. 22	9-9½	9
24	7¼	7¼	Aug. 17	10-10½	10½	26	9	9
Feb. 5	6¾-7¼	6¾	20	10½	10½	Dec. 14	8½-9	9
7	6¾	6¾	Sept. 19	10½-11	11	15	8½-9	8½
Mar. 10	6¼-6¾	6¼	21	11	11	17	8½	8½
14	6¼	6¼	Oct. 8	11-12	12			
May 16	6-6¼	6	10	12	12	1984—Apr. 9	8½-9	9
23	6	6				13	9	9
1976—Jan. 19	5½-6	5½	1980—Feb. 15	12-13	13	Nov. 21	8½-9	8½
23	5½	5½	19	13	13	26	8½	8½
Nov. 22	5¼-5½	5¼	May 29	12-13	13	Dec. 24	8	8
26	5¼	5¼	30	12	12			
1977—Aug. 30	5¼-5¾	5¼	June 13	11-12	11	1985—May 20	7½-8	7½
31	5¼-5¾	5¾	16	11	11	24	7½	7½
Sept. 2	5¼	5¼	July 28	10-11	10			
Oct. 26	6	6	29	10	10	1986—Mar. 7	7-7½	7
			Sept. 26	11	11	10	7	7
1978—Jan. 9	6-6½	6½	Nov. 17	12	12	Apr. 21	6½-7	6½
20	6½	6½	Dec. 5	12-13	13	23	6½	6½
May 11	6½-7	7	8	13	13	July 11	6	6
12	7	7				Aug. 21	5½-6	5½
July 3	7-7¼	7¼	1981—May 5	13-14	14			
July 10	7¼	7¼	8	14	14	1987—Sept. 4	5½-6	6
			Nov. 2	13-14	13	11	6	6
			6	13	13			
			Dec. 4	12	12			
			1982—July 20	11½-12	11½	In effect September 23, 1987	6	6
			23	11½	11½			

1. Adjustment credit is available on a short-term basis to help depository institutions meet temporary needs for funds that cannot be met through reasonable alternative sources. After May 19, 1986, 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.

Seasonal credit is available to help smaller depository institutions meet regular, seasonal needs for funds that cannot be met through special industry lenders and that arise from a combination of expected patterns of movement in their deposits and loans. A temporary simplified seasonal program was established on Mar. 8, 1985, and the interest rate was a fixed rate ½ percent above the rate on adjustment credit. The program was re-established on Feb. 18, 1986 and again on Jan. 28, 1987; the rate may be either the same as that for adjustment credit or a fixed rate ½ percent higher.

2. Extended credit is available to depository institutions, where similar assistance is not reasonably available from other sources, when exceptional circumstances or practices involve only a particular institution or when an institution is experiencing difficulties adjusting to changing market conditions over a longer period of time.

3. For extended-credit loans outstanding more than 30 days, a flexible rate

somewhat above rates on market sources of funds ordinarily will be charged, but in no case will the rate charged be less than the basic discount rate plus 50 basis points. The flexible rate is re-established on the first business day of each two-week reserve maintenance period. At the discretion of the Federal Reserve Bank, the time period for which the basic discount rate is applied may be shortened.

4. For earlier data, see the following publications of the Board of Governors: *Banking and Monetary Statistics, 1914-1941*, and *1941-1970: Annual Statistical Digest, 1970-1979*.

In 1980 and 1981, the Federal Reserve applied a surcharge to short-term adjustment credit borrowings by institutions with deposits of \$500 million or more that had borrowed in successive weeks or in more than 4 weeks in a calendar quarter. A 3 percent surcharge was in effect from Mar. 17, 1980 through May 7, 1980. There was no surcharge until Nov. 17, 1980, when a 2 percent surcharge was adopted; the surcharge was subsequently raised to 3 percent on Dec. 5, 1980, and to 4 percent on May 5, 1981. The surcharge was reduced to 3 percent effective Sept. 22, 1981, and to 2 percent effective Oct. 12, 1981. As of Oct. 1, 1981 the formula for applying the surcharge was changed from a calendar quarter to a moving 13-week period. The surcharge was eliminated on Nov. 17, 1981.

1.15 RESERVE REQUIREMENTS OF DEPOSITORY INSTITUTIONS¹

Percent of deposits

Type of deposit, and deposit interval ²	Depository institution requirements after implementation of the Monetary Control Act	
	Percent of deposits	Effective date
<i>Net transaction accounts</i> ^{3,4}		
\$0 million-\$36.7 million	3	12/30/86
More than \$36.7 million	12	12/30/86
<i>Nonpersonal time deposits</i> ⁵		
By original maturity		
Less than 1½ years	3	10/6/86
1½ years or more	0	10/6/83
<i>Eurocurrency liabilities</i>		
All types	3	11/13/80

1. Reserve requirements in effect on Dec. 31, 1986. Required reserves must be held in the form of deposits with Federal Reserve Banks or vault cash. Nonmembers may maintain reserve balances with a Federal Reserve Bank indirectly on a pass-through basis with certain approved institutions. For previous reserve requirements, see earlier editions of the *Annual Report* and of the FEDERAL RESERVE BULLETIN. Under provisions of the Monetary Control Act, depository institutions include commercial banks, mutual savings banks, savings and loan associations, credit unions, agencies and branches of foreign banks, and Edge corporations.

2. The Garn-St. Germain Depository Institutions Act of 1982 (Public Law 97-320) requires that \$2 million of reservable liabilities (*transaction accounts*, *nonpersonal time deposits*, and *Eurocurrency liabilities*) of each depository institution be subject to a zero percent reserve requirement. The Board is to adjust the amount of reservable liabilities subject to this zero percent reserve requirement each year for the succeeding calendar year by 80 percent of the percentage increase in the total reservable liabilities of all depository institutions, measured on an annual basis as of June 30. No corresponding adjustment is to be made in the event of a decrease. On Dec. 30, 1986, the exemption was raised from \$2.6 million to \$2.9 million. In determining the reserve requirements of depository institutions, the exemption shall apply in the following order: (1) net NOW accounts (NOW accounts less allowable deductions); (2) net other transaction accounts; and (3) *nonpersonal time deposits* or *Eurocurrency liabilities* starting

with those with the highest reserve ratio. With respect to NOW accounts and other transaction accounts, the exemption applies only to such accounts that would be subject to a 3 percent reserve requirement.

3. Transaction accounts include all deposits on which the account holder is permitted to make withdrawals by negotiable or transferable instruments, payment orders of withdrawal, and telephone and preauthorized transfers in excess of three per month for the purpose of making payments to third persons or others. However, MMDAs and similar accounts subject to the rules that permit no more than six preauthorized, automatic, or other transfers per month, of which no more than three can be checks, are not transaction accounts (such accounts are *savings deposits subject to time deposit reserve requirements*).

4. The Monetary Control Act of 1980 requires that the amount of transaction accounts against which the 3 percent reserve requirement applies be modified annually by 80 percent of the percentage increase in transaction accounts held by all depository institutions, determined as of June 30 each year. Effective Dec. 30, 1986, the amount was increased from \$31.7 million to \$36.7 million.

5. In general, nonpersonal time deposits are time deposits, including savings deposits, that are not transaction accounts and in which a beneficial interest is held by a depositor that is not a natural person. Also included are certain transferable time deposits held by natural persons and certain obligations issued to depository institution offices located outside the United States. For details, see section 204.2 of Regulation D.

1.17 FEDERAL RESERVE OPEN MARKET TRANSACTIONS¹

Millions of dollars

Type of transaction	1984	1985	1986	1987						
				Jan.	Feb.	Mar.	Apr.	May	June	July
U.S. TREASURY SECURITIES										
<i>Outright transactions (excluding matched transactions)</i>										
Treasury bills										
1 Gross purchases	20,036	22,214	22,602	997	191	1,062	4,226	1,697	575	575
2 Gross sales	8,557	4,118	2,502	583	3,581	0	653	0	22	912
3 Exchange	0	0	0	0	0	0	0	0	0	0
4 Redemptions	7,700	3,500	1,000	0	800	0	0	0	0	4,572
Others within 1 year										
5 Gross purchases	1,126	1,349	190	0	0	0	1,232	0	535	0
6 Gross sales	0	0	0	0	0	0	0	0	0	0
7 Maturity shift	16,354	19,763	18,673	611	1,855	1,762	1,375	4,063	1,715	1,437
8 Exchange	-20,840	-17,717	-20,179	0	-4,954	-1,799	-522	-1,336	-1,812	-613
9 Redemptions	0	0	0	0	0	0	0	0	0	0
1 to 5 years										
10 Gross purchases	1,638	2,185	893	0	0	0	3,642	0	1,394	0
11 Gross sales	0	0	0	0	252	0	0	0	0	200
12 Maturity shift	-13,709	-17,459	-17,058	-591	-1,650	-1,762	-1,373	-1,804	-1,715	-1,397
13 Exchange	16,039	13,853	16,984	0	4,354	1,799	522	1,111	1,812	613
5 to 10 years										
14 Gross purchases	536	458	236	0	0	0	914	0	312	0
15 Gross sales	300	100	0	0	0	0	0	0	0	0
16 Maturity shift	-2,371	-1,857	-1,620	-20	-204	0	-3	-2,259	0	-40
17 Exchange	2,750	2,184	2,050	0	400	0	0	150	0	0
Over 10 years										
18 Gross purchases	441	293	158	0	0	0	669	0	251	0
19 Gross sales	0	0	0	0	0	0	0	0	0	0
20 Maturity shift	-275	-447	0	0	0	0	0	0	0	0
21 Exchange	2,052	1,679	1,150	0	200	0	0	75	0	0
<i>All maturities</i>										
22 Gross purchases	23,776	26,499	24,078	997	191	1,062	10,683	1,697	3,066	575
23 Gross sales	8,857	4,218	2,502	583	3,833	0	653	0	22	1,112
24 Redemptions	7,700	3,500	1,000	0	800	0	0	0	0	4,572
<i>Matched transactions</i>										
25 Gross sales	808,986	866,175	927,997	63,865	82,086	72,306	83,822	91,642	87,228	80,304
26 Gross purchases	810,432	865,968	927,247	65,145	81,387	73,476	82,494	92,137	87,128	80,037
<i>Repurchase agreements²</i>										
27 Gross purchases	127,933	134,253	170,431	36,373	0	5,657	37,653	59,340	24,167	3,298
28 Gross sales	127,690	132,351	160,268	46,897	3,168	5,657	23,881	73,111	22,108	2,058
29 Net change in U.S. government securities	8,908	20,477	29,989	-8,830	-8,307	2,231	22,474	-11,580	5,002	-4,136
FEDERAL AGENCY OBLIGATIONS										
<i>Outright transactions</i>										
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	256	162	398	110	0	0	37	*	0	59
<i>Repurchase agreements²</i>										
33 Gross purchases	11,509	22,183	31,142	4,714	0	897	9,265	16,071	3,907	929
34 Gross sales	11,328	20,877	30,522	6,171	857	897	5,908	19,428	2,910	996
35 Net change in federal agency obligations	-76	1,144	222	-1,567	-857	0	3,320	-3,357	997	-126
BANKERS ACCEPTANCES										
36 Repurchase agreements, net	-418	0	0	0	0	0	0	0	0	0
37 Total net change in System Open Market Account	8,414	21,621	30,211	-10,397	-9,165	2,231	25,794	-14,936	5,999	-4,262

1. Sales, redemptions, and negative figures reduce holdings of the System Open Market Account; all other figures increase such holdings. Details may not add to totals because of rounding.

2. In July 1984 the Open Market Trading Desk discontinued accepting bankers acceptances in repurchase agreements.

A10 Domestic Financial Statistics □ November 1987

1.18 FEDERAL RESERVE BANKS Condition and Federal Reserve Note Statements¹

Millions of dollars

Account	Wednesday					End of month		
	1987					1987		
	July 29	Aug. 5	Aug. 12	Aug. 19	Aug. 26	June	July	Aug.
Consolidated condition statement								
ASSETS								
1 Gold certificate account	11,069	11,069	11,069	11,069	11,068	11,069	11,069	11,068
2 Special drawing rights certificate account	5,018	5,018	5,018	5,018	5,018	5,018	5,018	5,018
3 Coin	646	640	637	441	442	451	647	446
Loans								
4 To depository institutions	1,613	439	1,291	502	2,973	972	634	566
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	7,623	7,623	7,623	7,623	7,624	7,683	7,623	7,623
8 Held under repurchase agreements	0	0	0	0	869	996	930	0
U.S. Treasury securities								
Bought outright								
9 Bills	103,950	104,729	103,338	103,937	103,458	107,702	102,526	104,888
10 Notes	75,322	75,327	75,327	75,252	75,252	75,322	75,322	75,252
11 Bonds	27,024	27,024	27,023	27,099	27,099	27,024	27,023	27,098
12 Total bought outright	206,296	207,080	205,688	206,288	205,809	210,248	204,871	207,238
13 Held under repurchase agreements	0	0	0	0	3,639	2,058	3,299	0
14 Total U.S. Treasury securities	206,296	207,080	205,688	206,288	209,448	212,306	208,170	207,238
15 Total loans and securities	215,532	215,142	214,602	214,413	220,914	221,957	217,357	215,427
16 Items in process of collection	5,542	7,737	6,182	6,635	6,401	9,801	5,575	5,025
17 Bank premises	685	686	686	691	687	683	687	686
Other assets								
18 Denominated in foreign currencies ³	7,804	7,667	7,988	8,029	8,064	7,782	7,666	8,244
19 All other ⁴	7,648	8,047	7,875	6,510	6,868	7,183	8,096	6,822
20 Total assets	253,944	256,006	254,057	252,806	259,462	263,944	256,115	252,736
LIABILITIES								
21 Federal Reserve notes	198,898	200,040	200,799	200,116	199,369	198,255	199,115	199,424
Deposits								
22 To depository institutions	37,950	38,174	36,901	36,633	43,090	36,102	39,501	37,491
23 U.S. Treasury—General account	4,711	4,596	3,514	3,112	3,955	13,774	5,365	3,763
24 Foreign—Official accounts	244	187	279	188	217	318	262	295
25 Other	342	210	281	312	486	458	281	284
26 Total deposits	43,247	43,167	40,975	40,245	47,748	50,652	45,409	41,833
27 Deferred credit items	5,379	6,519	5,692	5,920	5,687	8,190	5,071	4,515
28 Other liabilities and accrued dividends ⁵	2,186	2,187	2,330	2,276	2,398	2,356	2,341	2,280
29 Total liabilities	249,710	251,913	249,796	248,557	255,202	259,453	251,936	248,052
CAPITAL ACCOUNTS								
30 Capital paid in	1,970	1,970	1,974	1,977	1,983	1,961	1,970	1,984
31 Surplus	1,873	1,874	1,874	1,874	1,874	1,873	1,872	1,874
32 Other capital accounts	391	249	413	398	403	657	337	826
33 Total liabilities and capital accounts	253,944	256,006	254,057	252,806	259,462	263,944	256,115	252,736
34 MEMO: Marketable U.S. Treasury securities held in custody for foreign and international account	176,935	178,970	176,490	179,475	182,077	183,125	176,181	183,931
Federal Reserve note statement								
35 Federal Reserve notes outstanding issued to bank	247,480	248,010	248,758	249,343	250,039	244,360	247,656	250,354
36 Less: Held by bank	48,582	47,970	47,959	49,227	50,670	46,105	48,541	50,930
37 Federal Reserve notes, net	198,898	200,040	200,799	200,116	199,369	198,255	199,115	199,424
Collateral held against notes net:								
38 Gold certificate account	11,069	11,069	11,069	11,069	11,068	11,069	11,069	11,068
39 Special drawing rights certificate account	5,018	5,018	5,018	5,018	5,018	5,018	5,018	5,018
40 Other eligible assets	0	0	0	0	0	0	0	0
41 U.S. Treasury and agency securities	182,811	183,953	184,712	184,029	183,283	182,168	183,028	183,338
42 Total collateral	198,898	200,040	200,799	200,116	199,369	198,255	199,115	199,424

1. Some of these data also appear in the Board's H.4.1 (503) release. For 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 90 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 Holdings

Millions of dollars

Type and maturity groupings	Wednesday					End of month		
	1987					1987		
	July 29	Aug. 5	Aug. 12	Aug. 19	Aug. 26	June 30	July 31	Aug. 31
1 Loans—Total.....	1,613	439	1,291	502	2,973	972	634	634
2 Within 15 days.....	1,582	257	1,120	476	2,948	887	503	503
3 16 days to 90 days.....	31	182	171	26	25	85	131	131
4 91 days to 1 year.....	0	0	0	0	0	0	0	0
5 Acceptances—Total.....	0	0	0	0	0	0	0	0
6 Within 15 days.....	0	0	0	0	0	0	0	0
7 16 days to 90 days.....	0	0	0	0	0	0	0	0
8 91 days to 1 year.....	0	0	0	0	0	0	0	0
9 U.S. Treasury securities—Total.....	206,296	207,080	205,688	206,288	209,447	212,306	208,170	207,238
10 Within 15 days.....	12,059	13,895	9,970	13,179	15,880	8,789	12,461	8,671
11 16 days to 80 days.....	45,756	47,494	47,224	46,152	46,470	51,563	49,845	53,685
12 91 days to 1 year.....	67,809	65,751	68,554	67,841	67,982	70,995	65,929	65,878
13 Over 1 year to 5 years.....	41,709	40,977	40,977	40,579	40,579	41,956	40,972	40,467
14 Over 5 years to 10 years.....	14,702	14,702	14,702	14,201	14,200	14,742	14,702	14,201
15 Over 10 years.....	24,261	24,261	24,261	24,336	24,336	24,261	24,261	24,336
16 Federal agency obligations—Total.....	7,623	7,623	7,623	7,623	8,493	8,679	8,553	7,623
17 Within 15 days.....	164	40	50	293	1,184	1,229	1,093	315
18 16 days to 90 days.....	843	983	933	688	618	614	843	726
19 91 days to 1 year.....	1,307	1,291	1,351	1,351	1,462	1,449	1,307	1,353
20 Over 1 year to 5 years.....	3,741	3,741	3,706	3,706	3,663	3,814	3,741	3,663
21 Over 5 years to 10 years.....	1,288	1,288	1,303	1,303	1,286	1,293	1,289	1,286
22 Over 10 years.....	280	280	280	280	280	280	280	280

1. Holdings under repurchase agreements are classified as maturing within 15 days in accordance with maximum maturity of the agreements.

1.20 AGGREGATE RESERVES OF DEPOSITORY INSTITUTIONS AND MONETARY BASE

Billions of dollars, averages of daily figures

Item	1983 Dec.	1984 Dec.	1985 Dec.	1986 Dec.	1987							
					Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.
Seasonally adjusted												
ADJUSTED FOR CHANGES IN RESERVE REQUIREMENTS ¹												
1 Total reserves ²	36.16	39.51	46.06	56.17	56.88	56.87	56.85	57.95	58.35	57.71	57.60 ⁷	57.89
2 Nonborrowed reserves	35.38	36.32	44.74	55.34	56.30	56.32	56.32 ⁷	56.96	57.32	56.93	56.93	57.24
3 Nonborrowed reserves plus extended credit	35.38	38.93	45.24	55.64	56.53	56.60	56.59	57.23	57.60	57.20	57.12	57.37
4 Required reserves	35.59	38.66	45.06	54.80	55.82	55.66	55.94	57.13	57.27	56.52	56.84	56.86
5 Monetary base ⁸	185.38	199.20	217.32	239.51	242.43	243.97	244.56	246.59	248.37	248.48	249.46	250.79
Notseasonallyadjusted												
NOT ADJUSTED FOR CHANGES IN RESERVE REQUIREMENTS ⁵												
6 Total reserves ²	36.87	40.57	47.24	57.64	58.73	56.09	56.07	58.37	57.30	57.63	57.74	57.40
7 Nonborrowed reserves	36.09	37.38	45.92	56.81	58.15	55.53	55.54	57.38	56.26	56.85	57.07	56.76
8 Nonborrowed reserves plus extended credit	36.10	39.98	46.42	57.11	58.38	55.81	55.80	57.65	56.55	57.12	57.27	56.89
9 Required reserves	36.31	39.71	46.18	56.27	57.66	54.88	55.15	57.54	56.22	56.43 ⁷	56.98	56.37
10 Monetary base ⁸	188.65	202.34	220.82	243.63	243.42	240.82	241.92 ⁷	246.07	246.83	249.29	251.42	251.42
11 Total reserves ²	38.89	40.70	48.14	59.56	59.67	57.06	57.06	59.39	58.34	58.78	58.84	58.38
12 Nonborrowed reserves	38.12	37.51	46.82	58.73	59.09	56.50	56.53	58.40	57.30	58.01	58.17 ⁷	57.73
13 Nonborrowed reserves plus extended credit	38.12	40.09	47.41	59.04	59.32	56.74	56.82	58.19	58.03	58.34	58.37	57.77
14 Required reserves	38.33	39.84	47.08	58.19	58.60	55.85	56.15	58.57	57.26	57.59	58.08	57.34
15 Monetary base ⁸	192.26	204.18	223.53	247.71	246.75	244.22	244.98	249.24	249.94	252.54	254.67	254.36

1. Figures incorporate adjustments for discontinuities associated with the implementation of the Monetary Control Act and other regulatory changes to reserve requirements. To adjust for discontinuities due to changes in reserve requirements on reservable nondeposit liabilities, the sum of such required reserves is subtracted from the actual series. Similarly, in adjusting for discontinuities in the monetary base, required clearing balances and adjustments to compensate for float also are subtracted from the actual series.

2. Total reserves not adjusted for discontinuities consist of reserve balances with Federal Reserve Banks, which exclude required clearing balances and adjustments to compensate for float, plus vault cash held during the lagged computation period by institutions having required reserve balances at Federal Reserve Banks plus the amount of vault cash equal to required reserves during the maintenance period at institutions having no required reserve balances.

3. Extended credit consists of borrowing at the discount window under the terms and conditions established for the extended credit program to help depository institutions deal with sustained liquidity pressures. Because there is not the same need to repay such borrowing promptly as there is with traditional short-term adjustment credit, the money market impact of extended credit is similar to that of nonborrowed reserves.

4. The monetary base not adjusted for discontinuities consists of total reserves plus required clearing balances and adjustments to compensate for float at Federal Reserve Banks and the currency component of the money stock less the amount

of vault cash holdings of thrift institutions that is included in the currency component of the money stock plus, for institutions not having required reserve balances, the excess of current vault cash over the amount applied to satisfy current reserve requirements. After the introduction of contemporaneous reserve requirements (CRR), currency and vault cash figures are measured over the weekly computation period ending Monday.

Before CRR, all components of the monetary base other than excess reserves are seasonally adjusted as a whole, rather than by component, and excess reserves are added on a not seasonally adjusted basis. After CRR, the seasonally adjusted series consists of seasonally adjusted total reserves, which include excess reserves on a not seasonally adjusted basis, plus the seasonally adjusted currency component of the money stock and the remaining items seasonally adjusted as a whole.

5. Reflects actual reserve requirements, including those on nondeposit liabilities, with no adjustments to eliminate the effects of discontinuities associated with implementation of the Monetary Control Act or other regulatory changes to reserve requirements.

NOTE. Latest monthly and biweekly figures are available from the Board's H.3(502) statistical release. Historical data and estimates of the impact on required reserves of changes in reserve requirements are available from the Banking Section, Division of Research and Statistics, Board of Governors of the Federal Reserve System, Washington, D.C. 20551.

1.21 MONEY STOCK, LIQUID ASSETS, AND DEBT MEASURES

Billions of dollars, averages of daily figures

Item ¹	1983 Dec.	1984 Dec.	1985 Dec.	1986 Dec.	1987			
					May	June	July ^f	Aug.
Seasonally adjusted								
1 M1	526.9	557.5	627.0	730.5	753.1	746.6	747.6	750.9
2 M2	2,184.6	2,369.1	2,569.5	2,801.2 ^g	2,840.4 ^f	2,841.9 ^f	2,848.0	2,862.2
3 M3	2,692.8	2,985.4	3,205.2 ^g	3,492.3 ^g	3,559.9 ^f	3,576.7 ^f	3,583.2	3,605.7
4 L	3,134.6	3,529.0	3,838.6 ^g	4,144.2 ^g	4,220.9 ^f	4,232.4 ^f	4,223.3	n.a.
5 Debt	5,206.2	5,946.2	6,774.9	7,630.4	7,914.2 ^f	7,980.5 ^f	8,034.3	n.a.
M1 components								
6 Currency ²	148.3	158.5	170.6	183.5	190.2	191.1	192.1	193.2
7 Travelers checks ³	4.9	5.2	5.9	6.4	6.7	6.8	6.8	6.9
8 Demand deposits ⁴	242.3	248.3	272.2	308.3	303.9	297.4	296.2	296.4
9 Other checkable deposits ⁵	131.4	145.5	178.3	232.2	252.2	251.2	252.5	254.5
Nontransactions components								
10 In M2 ⁶	1,657.7	1,811.5	1,942.5	2,070.8 ^f	2,087.3 ^f	2,095.4 ^f	2,100.4	2,111.3
11 In M3 only	508.2	616.3	635.7 ^f	691.1 ^f	719.5 ^f	734.8 ^f	735.2	743.4
Savings deposits ⁸								
12 Commercial Banks	133.2	122.2	124.6	154.5	174.5	175.5	176.6	178.0
13 Thrift institutions	173.0	166.6	179.0	211.8	237.2	239.7	240.1	242.0
Small denomination time deposits ⁹								
14 Commercial Banks	350.9	386.6	383.9	364.7	357.1	360.1 ^f	363.4	365.3
15 Thrift institutions	432.9	498.6	500.3	488.7	485.9	489.9	495.1	500.3
Money market mutual funds								
16 General purpose and broker/dealer	138.2	167.5	176.5	207.6	209.1	210.2	210.4	213.4
17 Institution-only	43.2	62.7	65.1	84.1	81.8	81.3	83.4	83.4
Large denomination time deposits ¹⁰								
18 Commercial Banks ¹¹	230.0	269.6	284.1	291.8	310.7	314.9	313.7	313.8
19 Thrift institutions	96.2	147.3	152.1	155.3	149.0	150.1	151.2	152.9
Debt components								
20 Federal debt	1,170.5	1,365.3	1,584.6	1,804.5	1,864.2	1,887.4	1,894.4	n.a.
21 Nonfederal debt	4,035.7	4,580.9	5,190.3	5,825.9	6,050.0 ^f	6,093.1 ^f	6,139.9	n.a.
Not seasonally adjusted								
22 M1	538.3	570.3	641.0	746.5	744.9	749.1	751.5	749.3
23 M2	2,191.6	2,378.3	2,580.5	2,814.7 ^f	2,829.4 ^f	2,843.1 ^f	2,855.1	2,860.3
24 M3	2,702.4	2,997.2	3,218.4 ^f	3,507.5 ^f	3,550.1 ^f	3,574.5 ^f	3,583.0	3,601.2
25 L	3,163.1	3,539.7	3,850.4 ^f	4,157.6 ^f	4,205.4 ^f	4,231.7 ^f	4,223.6	n.a.
26 Debt	5,200.7	5,940.6	6,768.3	7,623.1	7,877.8 ^f	7,938.7 ^f	7,992.8	n.a.
M1 components								
27 Currency ²	150.6	160.8	173.1	186.2	190.2	191.9	193.8	194.1
28 Travelers checks ³	4.6	4.9	5.5	6.0	6.5	7.1	7.7	7.9
29 Demand deposits ⁴	251.0	257.2	282.0	319.5	298.8	298.8	298.7	294.8
30 Other checkable deposits ⁵	132.2	147.4	180.4	235.0	249.4	251.3	251.3	252.5
Nontransactions components								
31 M2 ⁶	1,653.3	1,808.0	1,939.5	2,068.2 ^f	2,084.4 ^f	2,094.0 ^f	2,103.6	2,111.0
32 M3 only ⁷	510.8	618.9	637.9 ^f	692.8 ^f	720.7 ^f	731.5 ^f	727.9	740.9
Money market deposit accounts								
33 Commercial Banks	230.4	267.4	332.5	379.0	368.9	367.6	365.2	364.0
34 Thrift institutions	148.5	150.0	180.7	192.4	188.3	185.9	182.8	179.5
Savings deposits ⁸								
35 Commercial Banks	132.2	121.4	123.9	153.8	174.8	176.6	178.4	178.2
36 Thrift institutions	172.4	166.2	178.8	211.8	237.8	240.8	241.9	240.1
Small denomination time deposits ⁹								
37 Commercial Banks	351.1	386.7	383.8	364.4	355.7	359.7	363.9	366.7
38 Thrift institutions	433.5	499.6	501.5	489.8	482.6	487.1	494.7	499.5
Money market mutual funds								
39 General purpose and broker/dealer	138.2	167.5	176.5	207.6	209.1	210.2	210.4	213.4
40 Institution-only	43.2	62.7	65.1	84.1	81.8	81.3	83.4	83.4
Large denomination time deposits ¹⁰								
41 Commercial Banks ¹¹	231.6	271.2	285.6	293.2	309.2	311.8	310.4	313.2
42 Thrift institutions	96.3	147.3	151.9	154.9	149.0	149.7	150.6	153.1
Debt components								
43 Federal debt	1,170.2	1,364.7	1,583.7	1,803.3	1,857.8	1,869.1	1,872.4	n.a.
44 Nonfederal debt	4,030.5	4,575.8	5,184.5	5,819.8	6,020.0 ^f	6,069.6 ^f	6,120.4	n.a.

For notes see following page.

NOTES TO TABLE 1.21

1. Composition of the money stock measures and debt is as follows:

M1: (1) currency outside the Treasury, Federal Reserve Banks, and the vaults of commercial banks; (2) travelers checks of nonbank issuers; (3) demand deposits at all commercial banks other than those due to domestic banks, the U.S. government, and foreign banks and official institutions less cash items in the process of collection and Federal Reserve float; and (4) other checkable deposits (OCD) consisting of negotiable order of withdrawal (NOW) and automatic transfer service (ATS) accounts at depository institutions, credit union share draft accounts, and demand deposits at thrift institutions. The currency and demand deposit components exclude the estimated amount of vault cash and demand deposits respectively held by thrift institutions to service their OCD liabilities.

M2: M1 plus overnight (and continuing contract) repurchase agreements (RPs) issued by all commercial banks and overnight Eurodollars issued to U.S. residents by foreign branches of U.S. banks worldwide, MMDAs, savings and small-denomination time deposits (time deposits—including retail RPs—in amounts of less than \$100,000), and balances in both taxable and tax-exempt general purpose and broker/dealer money market mutual funds. Excludes individual retirement accounts (IRA) and Keogh balances at depository institutions and money market funds. Also excludes all balances held by U.S. commercial banks, money market funds (general purpose and broker/dealer), foreign governments and commercial banks, and the U.S. government. Also subtracted is a consolidation adjustment that represents the estimated amount of demand deposits and vault cash held by thrift institutions to service their time and savings deposits.

M3: M2 plus large-denomination time deposits and term RP liabilities (in amounts of \$100,000 or more) issued by commercial banks and thrift institutions, term Eurodollars held by U.S. residents at foreign branches of U.S. banks worldwide and at all banking offices in the United Kingdom and Canada, and balances in both taxable and tax-exempt, institution-only money market mutual funds. Excludes amounts held by depository institutions, the U.S. government, money market funds, and foreign banks and official institutions. Also subtracted is a consolidation adjustment that represents the estimated amount of overnight RPs and Eurodollars held by institution-only money market mutual funds.

L: M3 plus the nonbank public holdings of U.S. savings bonds, short-term Treasury securities, commercial paper and bankers acceptances, net of money market mutual fund holdings of these assets.

Debt: Debt of domestic nonfinancial sectors consists of outstanding credit market debt of the U.S. government, state and local governments, and private nonfinancial sectors. Private debt consists of corporate bonds, mortgages, consumer credit (including bank loans), other bank loans, commercial paper, bankers acceptances, and other debt instruments. The source of data on domestic nonfinancial debt is the Federal Reserve Board's flow of funds accounts. Debt data are based on monthly averages.

2. Currency outside the U.S. Treasury, Federal Reserve Banks, and vaults of commercial banks. Excludes the estimated amount of vault cash held by thrift institutions to service their OCD liabilities.

3. Outstanding amount of U.S. dollar-denominated travelers checks of nonbank issuers. Travelers checks issued by depository institutions are included in demand deposits.

4. Demand deposits at commercial banks and foreign-related institutions other than those due to domestic banks, the U.S. government, and foreign banks and official institutions less cash items in the process of collection and Federal Reserve float. Excludes the estimated amount of demand deposits held at commercial banks by thrift institutions to service their OCD liabilities.

5. Consists of NOW and ATS balances at all depository institutions, credit union share draft balances, and demand deposits at thrift institutions. Other checkable deposits seasonally adjusted equals the difference between the seasonally adjusted sum of demand deposits plus OCD and seasonally adjusted demand deposits. Included are all ceiling free "Super NOWs," authorized by the Depository Institutions Deregulation committee to be offered beginning Jan. 5, 1983.

6. Sum of overnight RPs and overnight Eurodollars, money market fund balances (general purpose and broker/dealer), MMDAs, and savings and small time deposits, less the consolidation adjustment that represents the estimated amount of demand deposits and vault cash held by thrift institutions to service their time and savings deposits liabilities.

7. Sum of large time deposits, term RPs, and term Eurodollars of U.S. residents, money market fund balances (institution-only), less a consolidation adjustment that represents the estimated amount of overnight RPs and Eurodollars held by institution-only money market funds.

8. Savings deposits exclude MMDAs.

9. Small-denomination time deposits—including retail RPs—are those issued in amounts of less than \$100,000. All individual retirement accounts (IRA) and Keogh accounts at commercial banks and thrifts are subtracted from small time deposits.

10. Large-denomination time deposits are those issued in amounts of \$100,000 or more, excluding those booked at international banking facilities.

11. Large-denomination time deposits at commercial banks less those held by money market mutual funds, depository institutions, and foreign banks and official institutions.

NOTE: Latest monthly and weekly figures are available from the Board's H.6 (508) release. Historical data are available from the Banking Section, Division of Research and Statistics, Board of Governors of the Federal Reserve System, Washington, D.C. 20551.

1.22 BANK DEBITS AND DEPOSIT TURNOVER

Debits are shown in billions of dollars, turnover as ratio of debits to deposits. Monthly data are at annual rates.

Bank group, or type of customer	1984 ¹	1985 ¹	1986 ¹	1987					
				Jan.	Feb.	Mar.	Apr.	May	June
DEBITS TO				Seasonally adjusted					
1 Demand deposits ²									
All insured banks	128,440.8	154,556.0	189,534.1	210,574.2	211,169.4	217,019.7	224,603.0	222,774.5	212,202.0
Major New York City banks	57,392.7	70,445.1	91,212.9	99,357.1	98,712.3	104,224.5	107,159.2	106,599.1	100,320.9
Other banks	71,048.1	84,110.9	98,321.4	111,217.1	112,457.1	112,795.2	117,443.7	116,175.4	111,881.1
4 ATS-NOW accounts ³	1,588.7	1,920.8	2,351.1	2,255.7	2,306.0	2,344.6	2,384.7	2,425.1	2,437.0
5 Savings deposits ⁴	633.1	539.0	410.9 ⁵	459.2	477.7	468.6	528.0	508.9	568.2
DEPOSIT TURNOVER									
6 Demand deposits ²									
All insured banks	434.4	496.5	561.8	580.3	594.7	613.8	627.0	613.0	594.9
Major New York City banks	1,843.0	2,168.9	2,460.6	2,426.4	2,461.0	2,707.8	2,711.5	2,660.3	2,713.7
Other banks	268.6	301.8	327.4	345.5	357.0	358.0	368.5	359.3	349.9
9 ATS-NOW accounts ³	15.8	16.7	16.8	13.4	13.5	13.6	13.6	13.9	14.0
10 Savings deposits ⁴	5.0	4.5	3.1	2.9	2.9	2.8	3.1	2.9	3.3
DEBITS TO				Not seasonally adjusted					
11 Demand deposits ²									
All insured banks	128,059.1	154,108.4	189,443.3	216,638.7	191,572.9	222,532.0	229,095.0	209,229.8	224,042.8
Major New York City banks	57,282.4	70,400.9	91,294.4	102,274.2	89,866.7	106,161.2	108,597.8	98,828.3	106,422.2
Other banks	70,776.9	83,707.8	98,149.0	114,364.5	101,706.2	116,370.8	120,497.3	110,401.5	117,620.6
14 ATS-NOW accounts ³	1,579.5	1,903.4	2,338.4	2,679.2	2,173.2	2,422.7	2,735.8	2,420.5	2,617.4
15 MMDA ⁵	848.8	1,179.0	1,599.3	1,913.3	1,600.7	1,754.4	2,071.1	1,786.2	1,901.2
16 Savings deposits ⁴	632.9	538.7	404.3	499.0	434.6	476.2	570.8	492.4	571.5
DEPOSIT TURNOVER									
17 Demand deposits ²									
All insured banks	433.5	497.4	564.0	579.9	550.0	641.0	635.1	582.7	630.0
Major New York City banks	1,838.6	2,191.1	2,494.3	2,345.5	2,273.2	2,742.6	2,755.6	2,496.3	2,816.8
Other banks	267.9	301.6	327.9	346.6	329.4	377.3	375.0	345.6	370.1
20 ATS-NOW accounts ³	15.7	16.6	16.8	15.7	12.9	14.1	15.2	14.0	15.1
21 MMDA ⁵	3.5	3.8	4.5	5.1	4.3	4.7	5.6	4.9	5.2
22 Savings deposits ⁴	5.0	4.5	3.1	3.1	2.7	2.9	3.4	2.8	3.3

1. Annual averages of monthly figures.

2. Represents accounts of individuals, partnerships, and corporations and of states and political subdivisions.

3. Accounts authorized for negotiable orders of withdrawal (NOW) and accounts authorized for automatic transfer to demand deposits (ATS). ATS data are available beginning December 1978.

4. Excludes ATS and NOW accounts, MMDA and special club accounts, such as Christmas and vacation clubs.

5. Money market deposit accounts.

NOTE. Historical data for demand deposits are available back to 1970 estimated in part from the debits series for 233 SMSAs that were available through June 1977. Historical data for ATS-NOW and savings deposits are available back to July 1977. Back data are available on request from the Banking Section, Division of Research and Statistics, Board of Governors of the Federal Reserve System, Washington, D.C. 20551.

These data also appear on the Board's G.6 (406) release. For address, see inside front cover.

A16 Domestic Financial Statistics □ November 1987

1.23 LOANS AND SECURITIES All Commercial Banks¹

Billions of dollars; averages of Wednesday figures

Category	1986				1987							
	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June ²	July	Aug.
Seasonally adjusted												
1 Total loans and securities²	2,044.6	2,052.4	2,063.5	2,089.8	2,118.3	2,119.7	2,126.2	2,147.3	2,160.6	2,167.1	2,169.5³	2,189.1
2 U.S. government securities	294.9	299.6	304.1	309.9	316.3	315.2	314.3	315.8	320.1	316.9	319.8 ³	328.7
3 Other securities	204.2	199.8	197.9	196.9	190.2	193.8	195.5	197.2	197.6	198.5	196.9	195.0
4 Total loans and leases ²	1,545.4	1,553.0	1,561.5	1,583.0	1,611.8	1,610.7	1,616.4	1,634.3	1,642.9	1,651.7	1,652.8 ³	1,665.5
5 Commercial and industrial	517.3	520.0	525.7	541.4	554.1	553.8	551.7	553.9	555.9	558.0	555.5 ³	555.7
6 Bankers acceptances held ³	6.6	6.7	6.4	6.4	6.8	6.8	6.2	6.5	6.8	6.8	6.7	7.5
7 Other commercial and industrial	510.7	513.3	519.2	535.0	547.2	546.9	545.5	547.4	549.0	551.2	548.8 ³	548.1
8 U.S. addressees ⁴	501.7	504.6	510.7	525.7	537.8	537.9	536.9 ³	539.0 ³	540.9 ³	542.8	540.6	540.0
9 Non-U.S. addressees ⁴	9.0	8.8	8.5	9.3 ³	9.4 ³	9.0 ³	8.6 ³	8.4 ³	8.1 ³	8.4	8.3	8.1
10 Real estate	468.9	474.2	479.6	489.0	499.2	504.0	511.0	517.9	526.3	537.2	544.1 ³	551.4
11 Individual	309.9	311.2	312.6	314.2	314.9	315.2	315.7	316.6	316.7	314.5	314.6 ³	316.9
12 Security	42.8	39.1	40.1	38.7 ³	37.7	38.5	38.3	43.6	42.0	42.2	41.7	44.0
13 Nonbank financial												
institutions	34.9	35.5	34.9	35.2	35.7	34.7	35.0	35.4	35.4	33.9	31.9	30.9
14 Agricultural	32.7	32.4	32.2	31.8	31.4	30.8	30.0	29.8	29.9	29.9	30.0	30.2
15 State and political subdivisions	60.0	59.3	58.7	57.9	57.8	57.2	56.9	56.0	55.2	54.4	53.2	52.6
16 Foreign banks	10.1	10.0	10.0	10.4	10.6	10.3	9.7	9.9	9.9	10.3	9.4	9.5
17 Foreign official institutions	6.0	6.0	5.9	5.8	5.9	6.1	6.7	6.7	5.8	5.3	5.2	5.1
18 Lease financing receivables	21.1	21.8	22.0	22.2	22.1	22.2	22.3	22.6	22.9	23.1	23.2	23.3
19 All other loans	41.8	43.4	39.9	36.4	42.4	38.0	38.9	41.9	43.1 ³	42.8	44.0 ³	46.1
Not seasonally adjusted												
20 Total loans and securities²	2,042.3	2,044.0	2,064.2	2,105.2	2,123.7	2,121.6	2,127.8	2,148.4	2,157.9	2,166.8	2,164.5³	2,180.5
21 U.S. government securities	293.8	296.1	303.2	308.3	314.6	318.9	317.2	317.7	319.7	317.4	321.0 ³	327.6
22 Other securities	205.0	200.1	198.3	198.1	193.7	194.1	194.4	195.2	196.8	197.1	194.8	195.3
23 Total loans and leases ²	1,543.5	1,547.8	1,562.6	1,598.7	1,615.4	1,608.6	1,616.2	1,635.4	1,641.4	1,652.4	1,648.7 ³	1,657.7
24 Commercial and industrial	516.1	517.8	525.2	544.3	552.4	551.7	554.5	556.5	557.5	559.1	554.6 ³	552.7
25 Bankers acceptances held ³	6.7	6.6	6.6	6.7	6.7	6.7	6.2	6.4	6.7	6.9	6.8	7.4
26 Other commercial and industrial	509.4	511.2	518.5	537.6	545.8	545.0	548.3	550.0	550.8	552.3	547.8 ³	545.3
27 U.S. addressees ⁴	500.2	502.1	509.5	528.8	537.1	536.3	539.9	541.6	542.5 ³	543.7	539.0 ³	536.8
28 Non-U.S. addressees ⁴	9.2	9.1	9.1	8.8	8.7	8.7	8.4	8.4	8.3 ³	8.6	8.8	8.5
29 Real estate	469.9	475.1	480.7	489.9	499.3	503.1	509.8	516.7	525.4	536.8	544.3 ³	551.5
30 Individual	310.8	312.3	313.7	317.8	317.9	314.7	313.3	314.4	314.8	313.2	313.5 ³	316.7
31 Security	41.3	37.8	40.4	41.0 ³	39.4	37.5	38.6	45.1	42.0 ³	43.0	40.9	41.5
32 Nonbank financial												
institutions	35.6	35.6	35.4	36.3 ³	35.7	33.8	33.8	34.8	34.9	33.9	31.9	31.1
33 Agricultural	33.7	33.1	32.3	31.5	30.7	29.9	29.1	29.1	29.7	30.3	30.7	31.0
34 State and political subdivisions	60.0	59.3	58.7	57.9	57.8	57.2	56.9	56.0	55.2	54.4	53.2	52.6
35 Foreign banks	10.3	10.0	10.1	10.9	10.7	10.5	9.7	9.5	9.6	10.0	9.4	9.3
36 Foreign official institutions	6.0	6.0	5.9	5.8	5.9	6.1	6.7	6.7	5.8	5.3	5.2	5.1
37 Lease financing receivables	21.0	21.5	21.8	22.2	22.4	22.4	22.5	22.7	22.9	23.2	23.1	23.1
38 All other loans	39.0	39.1	38.5	41.2	43.1	41.5	41.2	43.9	43.6 ³	43.2	42.0 ³	42.9

1. These data also appear in the Board's G.7 (407) release.

2. Excludes loans to commercial banks in the United States.

3. Includes nonfinancial commercial paper held.

4. United States includes the 50 states and the District of Columbia.

1.24 MAJOR NONDEPOSIT FUNDS OF COMMERCIAL BANKS¹

Monthly averages, billions of dollars

Source	1986				1987							
	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr. ^r	May	June	July	Aug.
Total nondeposit funds												
1 Seasonally adjusted ¹	143.1 ^f	141.4 ^f	145.4 ^f	146.6 ^f	155.3 ^f	159.6 ^f	164.1 ^f	160.9	169.6 ^f	165.9 ^f	158.5 ^f	164.1
2 Not seasonally adjusted	142.4 ^f	140.4 ^f	146.9 ^f	146.7 ^f	154.8 ^f	162.3 ^f	166.5 ^f	161.0	170.3 ^f	163.1 ^f	155.3 ^f	164.2
Federal funds, RPs, and other borrowings from nonbanks ³												
3 Seasonally adjusted	167.5 ^f	168.7 ^f	167.2 ^f	165.6 ^f	170.9 ^f	171.5 ^f	170.3 ^f	171.2	169.6 ^f	167.7 ^f	166.1 ^f	165.4
4 Not seasonally adjusted	166.7 ^f	167.7 ^f	168.8 ^f	165.7 ^f	170.4 ^f	174.2 ^f	172.7 ^f	171.3	170.4 ^f	165.0 ^f	162.9 ^f	165.5
5 Net balances due to foreign-related institutions, not seasonally adjusted	-24.3	-27.3	-21.8	-19.0	-15.6	-11.9	-6.2	-10.3	0.0	-1.9	-7.6	-1.3
MEMO												
6 Domestically chartered banks' net positions with own foreign branches, not seasonally adjusted ⁴	-29.2	-31.9	-28.7	-30.6	-26.1	-23.7	-21.1	-23.0	-15.6	-15.6	-22.2	-17.7
7 Gross due from balances	74.0	73.5	70.8	73.3	71.5 ^f	68.3	66.0 ^f	70.5	68.4 ^f	67.1	66.4 ^f	64.5
8 Gross due to balances	44.8	41.6	42.1	42.7	45.4 ^f	44.5 ^f	44.9 ^f	47.5	52.9	51.5 ^f	44.2	46.8
9 Foreign-related institutions' net positions with directly related institutions, not seasonally adjusted ⁴	4.9	4.6	6.9	11.6	10.5	11.8	14.9	12.7	15.5	13.7	14.6	16.4
10 Gross due from balances	67.9	68.2	68.7	70.8	75.0	72.9	71.1	72.6	75.4	77.1	77.1	77.4
11 Gross due to balances	72.7	72.9	75.6	82.5	85.5	84.7	86.0	85.3	90.9	90.8	91.7	93.8
Security RP borrowings												
12 Seasonally adjusted ⁵	96.4 ^f	97.9 ^f	98.1 ^f	98.5 ^f	101.1 ^f	97.7 ^f	95.1 ^f	98.6	99.2 ^f	101.5 ^f	102.1 ^f	103.7
13 Not seasonally adjusted	95.7 ^f	97.0 ^f	99.7 ^f	98.6 ^f	100.6 ^f	100.4 ^f	97.4 ^f	98.7	100.0 ^f	98.7 ^f	98.9 ^f	103.8
U.S. Treasury demand balances ⁷												
14 Seasonally adjusted	16.5	17.1	23.2	21.2	21.3	23.2	17.7	20.7	26.1	27.9	24.7	29.1
15 Not seasonally adjusted	18.2	15.3	15.3	19.2	27.5	28.6	17.1	21.6	30.8	25.5	26.6	21.6
Time deposits, \$100,000 or more ⁸												
16 Seasonally adjusted	344.1	342.5	343.2	345.6	350.1	351.1	354.1	359.8	366.2	372.9	371.8	370.8
17 Not seasonally adjusted	345.5	343.7	343.9	347.0	351.3	353.2	356.4	357.2	364.8	369.8	368.5	370.2

1. Commercial banks are those in the 50 states and the District of Columbia with national or state charters plus agencies and branches of foreign banks. New York investment companies majority owned by foreign banks, and Edge Act corporations owned by domestically chartered and foreign banks.

2. Includes seasonally adjusted federal funds, RPs, and other borrowings from nonbanks and not seasonally adjusted net Eurodollars.

3. Other borrowings are borrowings on any instrument, such as a promissory note or due bill, given for the purpose of borrowing money for the banking business. This includes borrowings from Federal Reserve Banks and from foreign

banks, term federal funds, overdrawn due from bank balances, loan RPs, and participations in pooled loans.

4. Averages of daily figures for member and nonmember banks.

5. Averages of daily data.

6. Based on daily average data reported by 122 large banks.

7. Includes U.S. Treasury demand deposits and Treasury tax-and-loan notes at commercial banks. Averages of daily data.

8. Averages of Wednesday figures.

A18 Domestic Financial Statistics □ November 1987

1.25 ASSETS AND LIABILITIES OF COMMERCIAL BANKING INSTITUTIONS Last-Wednesday-of-Month Series¹
Billions of dollars

Account	1986			1987							
	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June ²	July ²	Aug.
ALL COMMERCIAL BANKING INSTITUTIONS²											
1 Loans and securities	2,183.2	2,227.3	2,314.3	2,284.8	2,279.4	2,279.2	2,306.2	2,318.9	2,313.4	2,324.3	2,342.2
2 Investment securities	471.9	475.4	479.6	482.2	484.7	486.2	492.5	495.4	493.2	497.7	501.7
3 U.S. government securities	282.8	287.3	292.6	296.1	298.8	299.5	305.1	307.0	303.4	308.2	312.7
4 Other	189.1	188.0	187.0	186.1	185.9	186.7	187.5	188.4	189.8	189.4	189.0
5 Trading account assets	26.0	28.1	27.8	26.4	29.0	25.2	23.3	21.4	20.2	20.4	20.0
6 Total loans	1,685.3	1,723.8	1,807.0	1,776.3	1,765.6	1,767.8	1,790.3	1,802.1	1,800.0	1,806.2	1,820.5
7 Interbank loans	141.2	154.7	168.9	160.1	156.7	154.3	151.8	160.4	150.9	157.5	162.5
8 Loans excluding interbank	1,544.1	1,569.1	1,638.1	1,616.2	1,608.9	1,613.5	1,638.5	1,641.7	1,649.1	1,648.7	1,658.0
9 Commercial and industrial	517.2	524.9	568.2	551.1	551.5	555.3	555.5	558.2	558.0	551.8	551.6
10 Real estate	476.2	481.8	497.5	499.9	503.5	510.7	519.0	527.4	539.1	547.3	552.7
11 Individual	312.8	314.1	320.4	317.0	314.7	313.1	315.2	314.8	312.6	314.5	317.2
12 All other	237.8	248.2	252.0	248.3	239.2	234.4	248.9	241.3	239.5	235.2	236.6
13 Total cash assets	203.5	227.0	273.7	214.4	206.3	203.8	209.7	230.8	213.1	207.1	209.3
14 Reserves with Federal Reserve Banks	31.6	32.2	41.2	33.4	28.4	31.1	29.8	37.9	33.8	32.8	37.6
15 Cash in vault	23.5	22.2	25.7	23.7	23.5	22.9	24.0	25.1	24.2	24.4	24.6
16 Cash items in process of collection	66.2	86.5	111.3	74.5	71.4	68.1	74.5	81.3	74.4	68.6	65.6
17 Demand balances at U.S. depository institutions	33.1	38.3	43.3	34.0	33.0	32.7	33.9	37.2	31.1	31.6	31.4
18 Other cash assets	49.0	47.9	52.3	48.8	50.1	49.0	47.5	49.3	49.7	49.6	50.0
19 Other assets	198.6	202.2	224.8	201.3	201.1	202.1	204.0	208.7	203.8	189.0	190.7
20 Total assets/total liabilities and capital	2,585.3	2,656.5	2,812.8	2,700.5	2,686.8	2,685.2	2,719.9	2,758.3	2,730.4	2,720.4	2,742.2
21 Deposits	1,847.1	1,900.2	2,018.0	1,898.3	1,895.5	1,899.6	1,919.5	1,939.1	1,923.4	1,924.6	1,926.4
22 Transaction deposits	548.8	596.3	691.1	577.8	569.2	568.8	590.7	596.9	578.2	573.7	572.6
23 Savings deposits	516.0	522.9	535.0	532.3	535.9	539.7	535.1	538.6	535.0	536.0	535.2
24 Time deposits	782.2	781.1	791.9	788.2	790.3	791.2	793.6	803.6	810.1	814.9	818.6
25 Borrowings	383.3	397.4	414.5	432.7	425.6	414.9	422.7	435.6	428.3	424.0	435.1
26 Other liabilities	175.7	180.0	199.6	188.0	184.6	188.7	195.2	200.3	201.3	201.1	209.2
27 Residual (assets less liabilities)	179.2	178.9	180.6	181.5	181.2	181.9	182.5	183.3	177.4	170.7	171.4
MEMO											
28 U.S. government securities (including trading account)	299.5	304.8	308.4	314.5	320.1	316.7	318.9	320.6	315.8	322.6	326.3
29 Other securities (including trading account)	198.4	198.8	198.9	194.1	193.7	194.7	196.9	196.1	197.6	195.5	195.4
DOMESTICALLY CHARTERED COMMERCIAL BANKS³											
30 Loans and securities	2,052.1	2,094.7	2,154.4	2,136.7	2,130.3	2,121.7	2,146.9	2,156.2	2,151.9	2,157.7	2,174.9
31 Investment securities	452.9	457.1	459.3	461.5	463.3	463.6	470.0	471.5	469.8	473.8	478.1
32 U.S. Treasury securities	273.6	279.0	283.0	286.8	289.2	289.4	295.2	292.6	294.0	298.4	302.7
33 Other	179.3	178.2	176.3	174.8	174.1	174.2	174.8	174.8	175.9	175.4	175.3
34 Trading account assets	26.0	28.1	27.8	26.4	29.0	25.2	23.3	21.4	20.2	20.4	20.0
35 Total loans	1,573.2	1,609.5	1,667.3	1,648.8	1,638.0	1,632.9	1,653.6	1,663.3	1,661.8	1,663.5	1,676.9
36 Interbank loans	118.8	133.0	137.9	134.3	130.5	124.1	124.2	128.6	121.5	122.9	129.5
37 Loans excluding interbank	1,454.3	1,476.4	1,529.5	1,514.5	1,507.5	1,508.8	1,529.3	1,534.7	1,540.4	1,546.0	1,547.4
38 Commercial and industrial	449.0	455.7	488.2	475.5	474.1	474.6	473.5	475.3	471.7	466.0	464.7
39 Real estate	470.0	475.1	490.3	493.2	497.0	504.1	512.0	520.3	532.1	539.9	544.9
40 Individual	312.5	313.8	320.1	316.7	314.4	312.7	314.9	314.5	312.3	314.2	316.8
41 All other	222.7	231.8	230.9	229.2	221.9	217.4	229.0	224.7	224.3	220.6	221.0
42 Total cash assets	185.6	210.0	253.5	196.6	188.9	186.5	192.5	213.2	195.3	189.1	190.1
43 Reserves with Federal Reserve Banks	29.7	29.8	39.7	31.2	27.1	29.7	27.2	35.9	32.1	31.4	36.2
44 Cash in vault	23.5	22.2	25.7	23.6	23.5	22.8	24.0	25.0	24.1	24.4	24.6
45 Cash items in process of collection	65.6	86.1	110.9	74.0	71.0	67.7	74.0	80.9	73.9	68.1	65.1
46 Demand balances at U.S. depository institutions	31.3	36.3	40.8	32.2	31.1	31.1	31.9	35.1	29.3	29.8	29.8
47 Other cash assets	35.5	35.6	36.4	35.6	36.4	35.2	35.4	36.2	35.9	35.4	34.4
48 Other assets	141.0	141.6	165.0	141.5	144.0	143.4	144.4	143.1	134.4	121.8	121.5
49 Total assets/liabilities and capital	2,378.7	2,446.3	2,572.8	2,474.8	2,463.2	2,451.5	2,483.8	2,512.5	2,481.5	2,468.7	2,486.5
50 Deposits	1,792.8	1,844.8	1,957.0	1,840.8	1,838.2	1,840.7	1,857.1	1,876.5	1,861.5	1,863.9	1,864.7
51 Transaction deposits	540.9	588.2	682.2	569.4	561.3	560.5	582.2	588.4	569.7	565.6	564.3
52 Savings deposits	514.1	520.8	533.0	530.3	533.9	537.7	533.1	536.6	533.0	533.9	533.0
53 Time deposits	737.7	735.8	741.8	741.1	743.0	742.5	741.8	751.4	758.8	764.4	767.3
54 Borrowings	301.3	314.1	322.9	341.7	336.1	319.1	328.2	337.1	328.6	321.1	335.8
55 Other liabilities	108.6	111.7	115.5	114.0	110.8	113.0	119.1	118.8	117.1	117.1	117.6
56 Residual (assets less liabilities)	176.0	175.8	177.5	178.3	178.1	178.8	179.4	180.2	174.3	167.6	168.3

1. Data have been revised because of benchmarking to new Call Reports and new seasonal factors beginning July 1985. Back data are available from the Banking Section, Board of Governors of the Federal Reserve System, Washington, D.C., 20551.

Figures are partly estimated. They include all bank-premises subsidiaries and other significant majority-owned domestic subsidiaries. Loan and securities data for domestically chartered commercial banks are estimates for the last Wednesday of the month based on a sample of weekly reporting banks and quarter-end

condition report data. Data for other banking institutions are estimates made for the last Wednesday of the month based on a weekly reporting sample of foreign-related institutions and quarter-end condition reports.

2. Commercial banking institutions include insured domestically chartered commercial banks, branches and agencies of foreign banks, Edge Act and Agreement corporations, and New York State foreign investment corporations.

3. Insured domestically chartered commercial banks include all member banks and insured nonmember banks.

1.26 ALL LARGE WEEKLY REPORTING COMMERCIAL BANKS with Domestic Assets of \$1.4 Billion or More on December 31, 1982, Assets and Liabilities

Millions of dollars, Wednesday figures

Account	1987									
	July 1	July 8	July 15	July 22	July 29	Aug. 5	Aug. 12	Aug. 19	Aug. 26	
1 Cash and balances due from depository institutions	122,818	96,723	108,152	96,111	96,917 ¹	99,746	95,270	98,164	98,639	
2 Total loans, leases and securities, net	1,012,496 ²	996,034 ²	1,003,109 ²	988,267 ²	992,805 ²	997,855	999,692	998,601	1,001,597	
3 U.S. Treasury and government agency	109,325	110,947	114,002	114,942	113,702	118,689	116,954	118,413	115,607	
4 Trading account	12,577	13,253	15,890	15,520	14,359	18,513	16,111	17,200	13,616	
5 Investment account, by maturity	96,748	97,695	98,112	99,421	99,343	100,176	100,842	101,212	101,991	
6 One year or less	16,772	16,722	16,230	16,291	16,096	16,490	16,704	16,744	16,869	
7 Over one through five years	42,466	42,684	42,995	43,928	44,254	44,874	45,352	45,606	45,339	
8 Over five years	37,511	38,288	38,888	39,202	38,993	38,812	38,787	38,863	39,783	
9 Other securities	67,814 ²	66,767	66,874	67,121	67,544	67,162	67,351	67,582	67,500	
10 Trading account	3,922	2,873	2,920	3,001	3,335	2,960	3,083	3,209	3,220	
11 Investment account	63,892 ²	63,894	63,984	64,120	64,209	64,203	64,267	64,373	64,279	
12 States and political subdivisions, by maturity	49,853	49,831	49,856	49,945	49,983	49,790	49,846	49,765	49,696	
13 One year or less	5,486	5,545	5,602	5,597	5,691	5,764	5,555	5,520	5,549	
14 Over one year	44,367	44,286	44,254	44,348	44,292	44,026	44,290	44,245	44,147	
15 Other bonds, corporate stocks, and securities	14,039 ²	14,063	14,127	14,175	14,226	14,413	14,421	14,608	14,583	
16 Other trading account assets	3,468	3,034	2,789	2,432	2,697	2,748	2,999	2,735	3,100	
17 Federal funds sold ¹	74,688	63,448	69,700	59,563	63,556	62,858	66,323	64,290	68,352	
18 To commercial banks	44,429	38,716	42,651	34,480	36,710	36,680	39,612	37,725	40,236	
19 To nonbank brokers and dealers in securities	22,701	19,102	18,996	18,184	19,721	18,646	21,305	18,923	19,121	
20 To others	7,558	5,630	8,053	6,899	7,125	7,532	5,406	7,643	8,995	
21 Other loans and leases, gross	795,825 ²	790,358 ²	788,326 ²	782,901 ²	783,996 ²	785,269	784,906	784,464	785,973	
22 Other loans, gross	776,976 ²	771,477 ²	769,407 ²	763,961 ²	765,037 ²	766,305	765,936	765,482	766,966	
23 Commercial and industrial	277,198 ²	274,032 ²	273,137 ²	271,196 ²	269,419 ²	269,668	269,618	269,141	268,805	
24 Bankers acceptances and commercial paper	2,449	2,281	2,247	2,247	2,275	2,375	2,350	2,226	2,166	
25 All other	274,749 ²	271,751 ²	270,890 ²	268,949 ²	267,145 ²	267,292	267,268	266,913	266,638	
26 U.S. addressees	271,721 ²	268,748 ²	267,896 ²	265,997 ²	264,088 ²	264,201	264,218	263,818	263,527	
27 Non-U.S. addressees	3,028 ²	3,002 ²	2,994 ²	2,952 ²	3,056	3,091	3,050	3,096	3,111	
28 Real estate loans	230,578 ²	230,616 ²	231,000 ²	231,124 ²	231,860 ²	232,214	232,985	234,074	234,216	
29 To individuals for personal expenditures	141,079 ²	140,944 ²	140,976 ²	141,139	141,670	141,688	141,822	142,207	142,720	
30 To depository and financial institutions	51,620	51,885	51,108	49,047	49,863 ²	50,551	49,866	49,305	49,706	
31 Commercial banks in the United States	21,771	22,061	22,261	21,576	21,902 ²	22,395	22,247	22,060	21,892	
32 Banks in foreign countries	5,168	5,173	4,626	4,634	4,927	4,906	4,446	4,141	5,241	
33 Nonbank depository and other financial institutions	24,681	24,651	24,221	22,837	23,034 ²	23,250	23,172	23,104	22,573	
34 For purchasing and carrying securities	15,292 ²	14,292	14,304	13,461	14,432	13,711	13,160	13,469	14,095	
35 To finance agricultural production	5,660	5,619	5,579	5,590	5,598	5,629	5,654	5,600	5,647	
36 To states and political subdivisions	32,128 ²	32,186 ²	32,147 ²	31,948	31,890 ²	31,698	31,690	31,667	31,621	
37 To foreign governments and official institutions	2,986	2,938	2,980	3,071	2,987	2,938	2,838	2,802	2,994	
38 All other	20,433 ²	18,966 ²	18,176 ²	17,385 ²	17,439 ²	18,208	18,303	17,218	17,162	
39 Lease financing receivables	18,849 ²	18,881 ²	18,918 ²	18,940 ²	18,959 ²	18,964	18,969	18,982	19,008	
40 LESS: Unearned income	4,502	4,518	4,528	4,525	4,542	4,494	4,511	4,529	4,533	
41 Loan and lease reserve	34,123 ²	34,004 ²	34,054 ²	34,166 ²	34,177 ²	34,378	34,329	34,356	34,402	
42 Other loans and leases, net	757,200 ²	751,837 ²	749,744 ²	744,210 ²	745,307 ²	746,397	746,066	745,580	747,038	
43 All other assets	130,309 ²	126,212 ²	126,766 ²	123,830	119,716 ²	121,460	119,024	121,088	120,431	
44 Total assets	1,265,623 ²	1,218,969 ²	1,238,028 ²	1,208,208 ²	1,209,439 ²	1,219,060	1,213,986	1,217,853	1,220,668	
45 Demand deposits	265,626 ²	222,834 ²	240,069 ²	215,380	215,240 ²	224,498	216,703	219,009	211,648	
46 Individuals, partnerships, and corporations	203,012 ²	174,041 ²	185,952 ²	167,504 ²	166,312 ²	172,479	171,530	170,586	163,403	
47 States and political subdivisions	6,878	5,092	6,095	5,437	5,192	5,567	4,616	5,097	5,331	
48 U.S. government	1,708	2,698	4,294	2,400	2,768	4,461	2,695	4,039	2,474	
49 Depository institutions in United States	33,062 ²	23,869 ²	27,322 ²	23,114 ²	23,159 ²	24,590	22,867	23,003	23,403	
50 Banks in foreign countries	7,151	6,501	6,342	6,210	7,032	6,510	5,443	5,844	6,611	
51 Foreign governments and official institutions	1,213	1,028	1,105	1,023	1,014	1,377	1,061	978	1,322	
52 Certified and officers' checks	12,601	9,606	8,957	9,691	9,763	9,512	8,490	9,462	9,104	
53 Transaction balances other than demand deposits	60,909	61,098	60,439	59,826	59,387	61,794	60,818	60,770	60,382	
54 Nontransaction balances	527,345 ²	528,382	530,220	526,663	526,104 ²	527,258	526,682	526,371	525,245	
55 Individuals, partnerships and corporations	489,655 ²	490,754	493,120	489,569	489,016 ²	490,644	490,180	489,750	488,663	
56 States and political subdivisions	26,266	26,253	25,788	25,815	25,664	25,488	25,546	25,611	25,690	
57 U.S. government	908	922	928	915	896	891	892	882	869	
58 Depository institutions in the United States	9,678	9,665	9,602	9,541	9,700	9,437	9,268	9,335	9,211	
59 Foreign governments, official institutions and banks	837 ²	788	783	823	828	797	796	794	812	
60 Liabilities for borrowed money	251,997 ²	249,426 ²	251,358	247,663	247,027	247,313	249,108	251,081	259,716	
61 Borrowings from Federal Reserve Banks	0	0	21	0	982	0	785	0	2,426	
62 Treasury tax-and-loan notes	19,006	20,594	19,655	21,062	11,783	9,131	10,545	15,279	16,448	
63 All other liabilities for borrowed money ³	232,991 ²	228,832 ²	231,681	226,600	234,262	238,182	237,778	235,802	240,842	
64 Other liabilities and subordinated note and debentures	84,157 ²	80,902 ²	79,569 ²	82,475 ²	85,603 ²	81,703	83,670	83,958	86,872	
65 Total liabilities	1,190,034 ²	1,142,642 ²	1,161,654 ²	1,132,007 ²	1,133,362 ²	1,142,566	1,136,981	1,141,189	1,143,862	
66 Residual (total assets minus total liabilities) ³	75,590 ²	76,327 ²	76,374 ²	76,201 ²	76,077 ²	76,494	77,006	76,664	76,806	
MEMO										
67 Total loans and leases (gross) and investments adjusted ⁴	984,920 ²	973,778 ²	976,779 ²	970,902 ²	972,883 ²	977,652	976,673	977,700	978,404	
68 Total loans and leases (gross) adjusted ⁴	804,312 ²	793,029 ²	793,114 ²	786,408 ²	788,940 ²	789,052	789,370	788,969	792,197	
69 Time deposits in amounts of \$100,000 or more	163,581 ²	165,580 ²	165,645 ²	165,003 ²	164,876 ²	164,738	164,273	164,340	164,227	
70 Loans sold outright to affiliates—total ⁵	1,785	1,723	1,690	1,719	1,682	1,660	1,652	1,702	1,662	
71 Commercial and industrial	1,222	1,126	1,124	1,139	1,127	1,105	1,097	1,158	1,144	
72 Other	564	598	566	580	556	556	555	545	518	
73 Nontransaction savings deposits (including MMDAs)	232,878	231,266	232,795	229,503	228,913	229,602	229,416	229,053	228,088	

1. Includes securities purchased under agreements to resell.
 2. Includes federal funds purchased and securities sold under agreements to repurchase; for information on these liabilities at banks with assets of \$1 billion or more on Dec. 31, 1977, see table I.13.
 3. This is not a measure of equity capital for use in capital-adequacy analysis or for other analytic uses.
 4. Exclusive of loans and federal funds transactions with domestic commercial banks.
 5. Loans sold are those sold outright to a bank's own foreign branches, nonconsolidated nonbank affiliates of the bank, the bank's holding company (if not a bank), and nonconsolidated nonbank subsidiaries of the holding company.

1.28 LARGE WEEKLY REPORTING COMMERCIAL BANKS IN NEW YORK CITY Assets and Liabilities

Millions of dollars, Wednesday figures except as noted

Account	1987								
	July 1	July 8	July 15	July 22	July 29	Aug. 5	Aug. 12	Aug. 19	Aug. 26
1 Cash balances due from depository institutions	38,582	22,074	29,764	23,823	23,208	23,543	21,626	24,404	26,054
2 Total loans, leases and securities, net ¹	217,606 ²	208,595	213,756	206,393	211,225	208,496	211,188	211,169	216,115
<i>Securities</i>									
3 U.S. Treasury and government agency ²	0	0	0	0	0	0	0	0	0
4 Trading account ²	0	0	0	0	0	0	0	0	0
5 Investment account, by maturity	13,751	13,783	13,844	13,948	13,914	13,985	14,131	14,214	13,753
6 One year or less	1,642	1,673	1,632	1,678	1,700	1,744	1,874	1,902	1,935
7 Over one through five years	5,125	5,093	5,253	5,372	5,372	5,356	5,387	5,542	4,988
8 Over five years	6,984	7,016	6,959	6,897	6,840	6,885	6,870	6,771	6,830
9 Other securities ²	0	0	0	0	0	0	0	0	0
10 Trading account ²	0	0	0	0	0	0	0	0	0
11 Investment account	16,179	16,228	16,260	16,294	16,401	16,319	16,516	16,571	16,537
12 States and political subdivisions, by maturity	13,474	13,506	13,510	13,517	13,593	13,541	13,662	13,688	13,674
13 One year or less	984	1,021	1,006	939	1,061	960	961	979	1,008
14 Over one year	12,490	12,485	12,504	12,578	12,532	12,580	12,701	12,709	12,666
15 Other bonds, corporate stocks and securities	2,705	2,722	2,750	2,777	2,808	2,778	2,853	2,882	2,862
16 Other trading account assets ²	0	0	0	0	0	0	0	0	0
<i>Loans and leases</i>									
17 Federal funds sold ³	30,713	23,829	30,135	24,557	28,124	26,954	30,039	29,994	32,910
18 To commercial banks	10,988	9,482	13,908	10,121	12,010	11,054	13,377	13,439	14,970
19 To nonbank brokers and dealers in securities	14,873	11,146	11,279	10,003	11,240	10,711	13,172	10,863	11,060
20 To others	4,853	3,201	4,948	4,433	4,874	5,189	3,490	5,692	6,880
21 Other loans and leases, gross	172,783 ⁴	170,515	169,293	167,354	168,542	167,031	166,319	166,202	168,737
22 Other loans, gross	168,016 ⁵	165,733	164,502	162,530	163,732	162,204	161,478	161,359	163,880
23 Commercial and industrial	59,610	58,713	58,496	57,932	57,142	56,538	56,553	56,408	56,415
24 Bankers acceptances and commercial paper	556	465	503	437	479	568	478	421	426
25 All other	59,054	58,248	57,992	57,495	56,664	55,970	56,075	55,987	55,990
26 U.S. addressees	58,560	57,754	57,521	57,045	56,214	55,487	55,646	55,497	55,508
27 Non-U.S. addressees	494	493	472	449	450	482	428	490	481
28 Real estate loans	43,662	43,560	43,423	43,484	44,176	44,076	44,045	44,248	44,226
29 To individuals for personal expenditures	20,884	20,895	20,968	21,046	21,247	21,244	21,371	21,487	21,553
30 To depository and financial institutions	21,527	21,007	20,322	19,696	19,887	19,700	19,240	18,882	20,202
31 Commercial banks in the United States	12,126	11,607	11,294	11,200	10,883	10,698	10,704	10,851	11,084
32 Banks in foreign countries	3,022	3,090	2,744	2,636	2,896	2,789	2,362	1,941	3,038
33 Nonbank depository and other financial institutions	6,380	6,309	6,284	5,861	6,108	6,214	6,173	6,090	6,081
34 For purchasing and carrying securities	6,502 ⁶	6,186	6,481	5,698	6,895	6,012	5,577	5,857	6,481
35 To finance agricultural production	275	276	250	252	289	320	321	300	318
36 To states and political subdivisions	7,758	7,831	7,869	7,860	7,838	7,769	7,784	7,784	7,769
37 To foreign governments and official institutions	800	788	838	871	713	814	687	659	845
38 All other	6,998	6,477	5,855	5,689	5,544	5,730	5,900	5,733	6,071
39 Lease financing receivables	4,767	4,782	4,791	4,825	4,811	4,828	4,841	4,843	4,857
40 LESS: Unearned income	1,493	1,502	1,512	1,511	1,519	1,497	1,507	1,514	1,518
41 Loan and lease reserve	14,327	14,258	14,264	14,250	14,237	14,297	14,310	14,299	14,304
42 Other loans and leases, net	156,963 ⁷	154,754	153,518	151,594	152,787	151,237	150,502	150,389	152,194
43 All other assets ¹	62,888 ⁸	61,445	63,727	62,759	58,424	62,522	58,422	60,911	55,943
44 Total assets	319,077 ⁹	292,114	307,248	292,976	292,858	294,560	291,237	296,484	298,112
<i>Deposits</i>									
45 Demand deposits	80,738 ⁸	55,983 ⁸	66,458	57,165	55,828	57,563	53,548	58,174	55,076
46 Individuals, partnerships, and corporations	55,558 ⁸	38,576 ⁸	46,043	39,358	37,324	39,190	37,424	40,814	36,296
47 States and political subdivisions	1,197	877	1,591	867	674	703	660	719	708
48 U.S. government	176	476	825	411	537	889	464	691	393
49 Depository institutions in the United States	11,113	5,547	8,181	5,615	5,761	5,748	5,883	5,891	6,505
50 Banks in foreign countries	5,917	5,379	5,113	5,156	5,928	5,318	4,320	4,716	5,550
51 Foreign governments and official institutions	1,024	879	975	834	871	1,222	921	842	1,175
52 Certified and officers' checks	5,752	4,249	3,730	4,924	4,732	4,493	3,875	4,501	4,448
53 Transaction balances other than demand deposits (ATS, NOW, Super NOW, telephone transfers)	8,090	8,120	8,037	8,007	7,932	8,117	7,976	8,011	7,956
54 Nontransaction balances	100,088	99,749	101,245	99,689	99,534	100,446	99,604	99,859	99,675
55 Individuals, partnerships and corporations	91,354	90,836	92,450	90,915	90,709	91,676	90,815	91,067	90,891
56 States and political subdivisions	6,790	6,975	6,828	6,795	6,883	6,824	6,868	6,800	6,746
57 U.S. government	25	58	59	60	56	55	56	57	60
58 Depository institutions in the United States	1,473	1,470	1,500	1,512	1,478	1,499	1,475	1,549	1,583
59 Foreign governments, official institutions and banks	447	410	407	406	408	392	390	386	395
60 Liabilities for borrowed money	75,150 ⁸	74,253 ⁸	78,089	73,688	73,346	74,631	74,885	75,135	77,091
61 Borrowings from Federal Reserve Banks	0	0	0	0	900	0	725	0	1,814
62 Treasury tax-and-loan notes	4,563	4,727	4,536	4,799	2,594	1,958	2,419	3,875	3,844
63 All other liabilities for borrowed money ⁹	70,587 ⁸	69,526 ⁸	73,553	68,889	69,852	72,673	71,741	71,260	71,433
64 Other liabilities and subordinated note and debentures	33,618	32,014	31,460	32,594	34,477	31,801	32,977	33,180	36,315
65 Total liabilities	297,685 ⁸	270,119	285,289	271,143	271,116	272,558	268,989	274,360	276,112
66 Residual (total assets minus total liabilities) ⁶	21,392	21,994	21,959	21,833	21,741	22,002	22,248	22,124	22,000
MEMO									
67 Total loans and leases (gross) and investments adjusted ^{1,7}	210,313 ⁸	203,266	204,330	200,833	204,088	202,538	202,924	202,692	205,884
68 Total loans and leases (gross) adjusted ⁷	180,383 ⁸	173,254	174,226	170,591	173,774	172,234	172,277	171,907	175,594
69 Time deposits in amounts of \$100,000 or more	35,883	36,910	36,910	36,998	36,848	37,387	36,856	37,081	36,931

1. Excludes trading account securities.

2. Not available due to confidentiality.

3. Includes securities purchased under agreements to resell.

4. Includes trading account securities.

5. Includes federal funds purchased and securities sold under agreements to repurchase.

6. Not a measure of equity capital for use in capital adequacy analysis or for other analytic uses.

7. Exclusive of loans and federal funds transactions with domestic commercial banks.

NOTE: These data also appear in the Board's H.4.2 (504) release. For address, see inside front cover.

1.30 LARGE WEEKLY REPORTING U.S. BRANCHES AND AGENCIES OF FOREIGN BANKS¹ Assets and Liabilities

Millions of dollars, Wednesday figures

Account	1987								
	July 1	July 8	July 15	July 22	July 29	Aug. 5	Aug. 12	Aug. 19	Aug. 26
1 Cash and due from depository institutions . . .	9,582	10,499 ^f	10,508 ^f	10,492	10,399	10,301	10,746	10,569	11,252
2 Total loans and securities . . .	94,026	91,277 ^f	94,152 ^f	94,514 ^f	94,826	92,238	93,722	93,771	95,251
3 U.S. Treasury and govt. agency securities . . .	6,612	6,462	6,527	6,801	6,754	6,946	6,860	6,977	6,853
4 Other securities . . .	8,306 ^f	8,317 ^f	8,312 ^f	8,280 ^f	8,276 ^f	8,218	8,211	8,216	8,069
5 Federal funds sold ² . . .	6,601	5,089	7,267	7,651	7,937	5,935	7,499	6,936	9,186
6 To commercial banks in the United States . . .	6,003	4,544	6,649	7,024	7,124	4,978	6,499	5,664	7,938
7 To others . . .	598	545	618	627	812	957	1,000	1,272	1,248
8 Other loans, gross . . .	72,507 ^f	71,409 ^f	72,046 ^f	71,782 ^f	71,859 ^f	71,139	71,152	71,640	71,143
9 Commercial and industrial . . .	46,175	45,576 ^f	45,525 ^f	45,528 ^f	45,762	46,390	46,611	46,576	46,101
10 Bankers acceptances and commercial paper . . .	3,241	3,092	3,232	3,323	3,603	3,751	3,783	3,935	3,856
11 All other . . .	42,933	42,484 ^f	42,292 ^f	42,204 ^f	42,159	42,639	42,828	42,640	42,245
12 U.S. addressees . . .	40,118	39,476 ^f	39,499 ^f	39,543 ^f	39,491	40,048	40,312	40,130	39,788
13 Non-U.S. addressees . . .	2,815	3,008	2,794	2,661	2,668	2,590	2,515	2,510	2,458
14 To financial institutions . . .	16,988 ^f	17,116 ^f	17,628 ^f	17,424 ^f	17,333 ^f	16,070	15,877	16,088	15,713
15 Commercial banks in the United States . . .	13,311	13,594	13,967	13,850	13,772	12,526	12,245	12,407	12,102
16 Banks in foreign countries . . .	1,094 ^f	958 ^f	1,035 ^f	893 ^f	957 ^f	923	996	983	951
17 Nonbank financial institutions . . .	2,583	2,564	2,626	2,680	2,604	2,622	2,635	2,698	2,660
18 To foreign govts. and official institutions . . .	342	333	410	287	277	265	370	371	362
19 For purchasing and carrying securities . . .	2,860	2,304	2,259	2,155	2,019	2,022	1,910	2,275	2,265
20 All other . . .	6,142	6,080	6,223	6,388	6,468	6,392	6,385	6,331	6,701
21 Other assets (claims on nonrelated parties) . . .	26,835	27,053 ^f	27,141 ^f	27,068 ^f	26,974	27,351	27,735	27,806	27,866
22 Net due from related institutions . . .	17,905	17,589	18,283	16,152	15,934 ^f	17,648	18,560	17,211	16,843
23 Total assets . . .	148,348	146,418 ^f	150,084 ^f	148,226 ^f	148,133 ^f	147,538	150,763	149,357	151,212
24 Deposits or credit balances due to other than directly related institutions . . .	42,184	42,132	42,142	41,810	41,950 ^f	42,637	43,005	42,609	43,110
25 Transaction accounts and credit balances ³ . . .	3,271	3,183	3,667	3,245	3,024 ^f	3,286	3,376	3,322	3,414
26 Individuals, partnerships, and corporations . . .	1,967	2,016	2,015	2,032	1,992	2,266	2,185	2,160	2,187
27 Other . . .	1,304	1,167	1,652	1,212	1,032 ^f	1,020	1,191	1,162	1,227
28 Nontransaction accounts ⁴ . . .	38,913	38,948	38,474	38,565	38,926	39,351	39,629	39,287	39,696
29 Individuals, partnerships, and corporations . . .	31,257 ^f	31,465 ^f	31,201 ^f	31,140 ^f	31,646	32,019	32,198	31,948	32,230
30 Other . . .	7,655 ^f	7,484 ^f	7,273 ^f	7,426 ^f	7,280	7,332	7,430	7,339	7,466
31 Borrowings from other than directly related institutions . . .	59,054	58,802	60,717	58,176	57,345	58,072	58,297	56,383	57,000
32 Federal funds purchased ⁵ . . .	27,046	27,389	29,515	26,973	25,432	27,235	27,999	26,739	27,201
33 From commercial banks in the United States . . .	16,649	16,110	19,516	14,755	13,508	14,982	16,231	14,720	15,931
34 From others . . .	10,397	11,280	9,999	12,218	11,924	12,253	11,767	12,019	11,271
35 Other liabilities for borrowed money . . .	32,008	31,412	31,201	31,202	31,913	30,836	30,298	29,644	29,798
36 To commercial banks in the United States . . .	26,220	26,169	26,093	25,185	26,135	25,551	24,434	23,941	23,984
37 To others . . .	5,788	5,243	5,108	6,017	5,778	5,285	5,864	5,703	5,814
38 Other liabilities to nonrelated parties . . .	30,186	30,395 ^f	30,399	30,308 ^f	30,544 ^f	31,047	31,732	32,193	31,212
39 Net due to related institutions . . .	16,924	15,089 ^f	16,826 ^f	17,932 ^f	18,294	15,782	17,729	18,172	19,890
40 Total liabilities . . .	148,348	146,418 ^f	150,084 ^f	148,226 ^f	148,133 ^f	147,538	150,763	149,357	151,212
MEMO									
41 Total loans (gross) and securities adjusted ⁶ . . .	74,712	73,139 ^f	73,536 ^f	73,640 ^f	73,930	74,734	74,978	75,699	75,211
42 Total loans (gross) adjusted ⁶ . . .	59,794 ^f	58,360 ^f	58,697 ^f	58,559 ^f	58,899 ^f	59,570	59,906	60,505	60,289

1. Effective Jan. 1, 1986, the reporting panel includes 65 U.S. branches and agencies of foreign banks that include those branches and agencies with assets of \$750 million or more on June 30, 1980, plus those branches and agencies that had reached the \$750 million asset level on Dec. 31, 1984.

2. Includes securities purchased under agreements to resell.

3. Includes credit balances, demand deposits, and other checkable deposits.

4. Includes savings deposits, money market deposit accounts, and time deposits.

5. Includes securities sold under agreements to repurchase.

6. Exclusive of loans to and federal funds sold to commercial banks in the United States.

1.31 GROSS DEMAND DEPOSITS Individuals, Partnerships, and Corporations¹

Billions of dollars, estimated daily-average balances, not seasonally adjusted

Type of holder	Commercial banks									
	1982 Dec.	1983 Dec.	1984 Dec.	1985 Dec. ^{3,4}	1986				1987	
					Mar.	June	Sept.	Dec.	Mar.	June ⁵
1 All holders—Individuals, partnerships, and corporations	291.8	293.5	302.7	321.0	307.4	322.4	333.6	363.6	335.9	340.2
2 Financial business	35.4	32.8	31.7	32.3	31.8	32.3	35.9	41.4	35.9	36.6
3 Nonfinancial business	150.5	161.1	166.3	178.5	166.6	180.0	185.9	202.0	183.0	187.2
4 Consumer	85.9	78.5	81.5	85.5	84.0	86.4	86.3	91.1	88.9	90.1
5 Foreign	3.0	3.3	3.6	3.5	3.4	3.0	3.3	3.3	2.9	3.2
6 Other	17.0	17.8	19.7	21.2	21.6	20.7	22.2	25.8	25.2	23.1
	Weekly reporting banks									
	1982 Dec.	1983 Dec.	1984 Dec. ²	1985 Dec. ^{3,4}	1986				1987	
					Mar.	June	Sept.	Dec.	Mar.	June
7 All holders—Individuals, partnerships, and corporations	144.2	146.2	157.1	168.6	159.7	168.5	174.7	195.1	178.1	179.3
8 Financial business	26.7	24.2	25.3	25.9	25.5	25.7	28.9	32.5	28.7	29.3
9 Nonfinancial business	74.3	79.8	87.1	94.5	86.8	93.1	94.8	106.4	94.4	94.8
10 Consumer	31.9	29.7	30.5	33.2	32.6	34.9	35.0	37.5	36.8	37.5
11 Foreign	2.9	3.1	3.4	3.1	3.3	2.9	3.2	3.3	2.8	3.1
12 Other	8.4	9.3	10.9	12.0	11.5	11.9	12.8	15.4	15.5	14.6

1. Figures include cash items in process of collection. Estimates of gross deposits are based on reports supplied by a sample of commercial banks. Types of depositors in each category are described in the June 1971 BULLETIN, p. 466. Figures may not add to totals because of rounding.

2. Beginning in March 1984, these data reflect a change in the panel of weekly reporting banks, and are not comparable to earlier data. Estimates in billions of dollars for December 1983 based on the new weekly reporting panel are: financial business, 24.4; nonfinancial business, 80.9; consumer, 30.1; foreign, 3.1; other 9.5.

3. Beginning March 1985, financial business deposits and, by implication, total gross demand deposits have been redefined to exclude demand deposits due to

thrift institutions. Historical data have not been revised. The estimated volume of such deposits for December 1984 is \$5.0 billion at all insured commercial banks and \$3.0 billion at weekly reporting banks.

4. Historical data back to March 1985 have been revised to account for corrections of bank reporting errors. Historical data before March 1985 have not been revised, and may contain reporting errors. Data for all commercial banks for March 1985 were revised as follows (in billions of dollars): all holders, -.3; financial business, -.8; nonfinancial business, -.4; consumer, .9; foreign, .1; other, -.1. Data for weekly reporting banks for March 1985 were revised as follows (in billions of dollars): all holders, -.1; financial business, -.7; nonfinancial business, -.5; consumer, 1.1; foreign, .1; other, -.2.

1.32 COMMERCIAL PAPER AND BANKERS DOLLAR ACCEPTANCES OUTSTANDING

Millions of dollars, end of period

Instrument	1982 Dec.	1983 Dec.	1984 Dec.	1985 Dec.	1986 Dec.	1987					
						Feb.	Mar.	Apr.	May	June	July
Commercial paper (seasonally adjusted unless noted otherwise)											
1 All issuers	166,436	187,658	237,586	300,899	331,016	336,677	338,797	346,769	354,249	348,741	348,247
Financial companies ³											
Total											
Dealer-placed paper ⁴	34,605	44,455	56,485	78,443	100,207	102,939	102,889	103,957	105,397	108,691	107,709
Bank-related (not seasonally adjusted)	2,516	2,441	2,035	1,602	2,265	2,174	2,116	2,307	2,429	2,430	2,311
Directly placed paper	84,393	97,042	110,543	135,504	152,385	158,955	159,333	163,421	169,225	161,921	162,185
Bank-related (not seasonally adjusted)	32,034	35,566	42,105	44,778	40,860	45,722	46,634	48,604	48,401	47,862	46,354
Nonfinancial companies ⁵	47,437	46,161	70,558	86,952	78,424	74,784	76,575	79,391	79,627	78,129	78,353
Bankers dollar acceptances (not seasonally adjusted) ⁷											
7 Total	79,543	78,309	78,364	68,413	64,974	65,144	66,125	66,660	67,765	69,622	68,495
Holder											
Accepting banks	10,910	9,355	9,811	11,197	13,423	11,828	12,294	11,118	11,201	11,234	10,664
Own bills	9,471	8,125	8,621	9,471	11,707	10,006	10,516	9,721	9,569	9,661	9,630
Bills bought	1,439	1,230	1,191	1,726	1,716	1,821	1,730	1,396	1,631	1,573	1,035
Federal Reserve Banks											
Own account	1,480	418	0	0	0	0	0	0	0	0	0
Foreign correspondents	949	729	671	937	1,317	1,230	1,453	1,519	1,547	1,717	1,463
Others	66,204	67,807	67,881	56,279	50,234	52,087	52,255	54,024	55,017	56,671	56,367
Basis											
Imports into United States	17,683	15,649	17,845	15,147	14,670	14,615	14,711	15,095	15,361	16,179	17,431
Exports from United States	16,328	16,880	16,305	13,204	12,960	12,876	13,083	13,826	14,028	14,161	14,659
All other	45,531	45,781	44,214	40,062	37,344	37,654	38,159	37,800	38,376	39,281	36,405

1. Effective Dec. 1, 1982, there was a break in the commercial paper series. The key changes in the content of the data involved additions to the reporting panel, the exclusion of broker or dealer placed borrowings under any master note agreements from the reported data, and the reclassification of a large portion of bank-related paper from dealer-placed to directly placed.

2. Correction of a previous misclassification of paper by a reporter has created a break in the series beginning December 1983. The correction adds some paper to nonfinancial and to dealer-placed financial paper.

3. Institutions engaged primarily in activities such as, but not limited to, commercial savings, and mortgage banking; sales, personal, and mortgage financing; factoring, finance leasing, and other business lending; insurance underwriting; and other investment activities.

4. Includes all financial company paper sold by dealers in the open market.

5. As reported by financial companies that place their paper directly with investors.

6. Includes public utilities and firms engaged primarily in such activities as communications, construction, manufacturing, mining, wholesale and retail trade, transportation, and services.

7. Beginning October 1984, the number of respondents in the bankers acceptance survey were reduced from 340 to 160 institutions—those with \$50 million or more in total acceptances. The new reporting group accounts for over 95 percent of total acceptances activity.

1.33 PRIME RATE CHARGED BY BANKS on Short-Term Business Loans

Percent per annum

Effective date	Rate	Effective Date	Rate	Month	Average rate	Month	Average rate
1985—Jan. 15	10.50	1986—July 11	8.00	1985—Jan.	10.61	1986—May	8.50
May 20	10.00	Aug. 20	7.50	Feb.	10.50	June	8.50
June 18	9.50			Mar.	10.50	July	8.16
		1987—Apr. 1	7.75	Apr.	10.50	Aug.	7.90
1986—Mar. 7	9.00	1986—May 1	8.00	May	10.31	Sept.	7.50
Apr. 21	8.50	15	8.25	June	9.78	Oct.	7.50
				July	9.50	Nov.	7.50
				Aug.	9.50	Dec.	7.50
				Sept.	9.50		
				Oct.	9.50	1987—Jan.	7.50
				Nov.	9.50	Feb.	7.50
				Dec.	9.50	Mar.	7.50
						Apr.	7.75
				1986—Jan.	9.50	May	8.14
				Feb.	9.50	June	8.25
				Mar.	9.10	July	8.25
				Apr.	8.83	Aug.	8.25

NOTE: These data also appear in the Board's H.15 (519) release. For address, see inside front cover.

1.35 INTEREST RATES Money and Capital Markets

Averages, percent per annum; weekly and monthly figures are averages of business day data unless otherwise noted.

Instrument	1984	1985	1986	1987				1987, week ending				
				May	June	July	Aug.	July 31	Aug. 7	Aug. 14	Aug. 21	Aug. 28
MONEY MARKET RATES												
1 Federal funds ^{1,2}	10.22	8.10	6.80	6.85	6.73	6.58	6.73	6.63	6.75	6.58	6.74	6.76
2 Discount window borrowing ^{1,3,4}	8.80	7.69	6.33	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50
Commercial paper ⁵												
3 1-month	10.05	7.94	6.62	6.83	6.86	6.57	6.62	6.56	6.63	6.59	6.60	6.64
4 3-month	10.10	7.95	6.49	6.93	6.92	6.65	6.71	6.65	6.74	6.68	6.67	6.72
5 6-month	10.16	8.01	6.39	7.04	7.00	6.72	6.81	6.75	6.82	6.76	6.77	6.83
Finance paper, directly placed ^{4,5}												
6 1-month	9.97	7.91	6.58	6.78	6.80	6.53	6.56	6.53	6.61	6.53	6.51	6.56
7 3-month	9.73	7.77	6.38	6.74	6.77	6.48	6.49	6.48	6.52	6.46	6.40	6.55
8 6-month	9.65	7.75	6.31	6.47	6.50	6.35	6.34	6.33	6.34	6.32	6.33	6.36
Bankers acceptances ^{5,6}												
9 3-month	10.14	7.92	6.39	6.91	6.83	6.59	6.64	6.62	6.65	6.58	6.61	6.69
10 6-month	10.19	7.96	6.29	7.03	6.91	6.65	6.75	6.71	6.73	6.67	6.72	6.83
Certificates of deposit, secondary market ⁷												
11 1-month	10.17	7.97	6.61	6.81	6.84	6.60	6.63	6.58	6.65	6.58	6.61	6.65
12 3-month	10.37	8.05	6.52	6.99	6.94	6.70	6.75	6.72	6.78	6.70	6.72	6.77
13 6-month	10.68	8.25	6.51	7.24	7.15	6.87	7.02	6.94	7.04	6.96	6.98	7.05
14 Eurodollar deposits, 3-month ⁸	10.73	8.28	6.71	7.25	7.11	6.87	6.91	6.90	6.94	6.83	6.86	6.91
U.S. Treasury bills ⁹												
Secondary market ⁹												
15 3-month	9.52	7.48	5.98	5.66	5.67	5.69	6.04	5.94	5.87	5.94	6.05	6.24
16 6-month	9.76	7.65	6.03	6.05	5.99	5.76	6.15	6.10	6.10	6.05	6.18	6.25
17 1-year	9.92	7.81	6.08	6.52	6.35	6.24	6.54	6.40	6.49	6.47	6.53	6.65
Auction average ¹⁰												
18 3-month	9.57	7.49	5.97	5.75	5.69	5.78	5.96	6.14	5.96	5.93	5.97	6.12
19 6-month	9.80	7.66	6.02	6.11	5.99	5.86	6.15	6.20	6.15	6.14	6.12	6.16
20 1-year	9.91	n.a.	n.a.	6.56	6.54	6.22	n.a.	n.a.	6.52	n.a.	n.a.	n.a.
CAPITAL MARKET RATES												
U.S. Treasury notes and bonds ¹¹												
Constant maturities ¹²												
21 1-year	10.89	8.43	6.46	7.00	6.80	6.68	7.03	6.88	6.96	6.93	7.01	7.16
22 2-year	11.65	9.27	6.87	7.76	7.57	7.44	7.75	7.62	7.69	7.67	7.73	7.89
23 3-year	11.89	9.64	7.06	8.02	7.82	7.74	8.03	7.91	8.02	7.93	7.98	8.13
24 5-year	12.24	10.13	7.31	8.26	8.02	8.01	8.32	8.18	8.30	8.24	8.30	8.41
25 7-year	12.40	10.51	7.55	8.47	8.27	8.27	8.59	8.45	8.56	8.51	8.55	8.67
26 10-year	12.44	10.62	7.68	8.61	8.40	8.45	8.76	8.62	8.75	8.68	8.71	8.85
27 20-year	12.48	10.97	7.85	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
28 30-year	12.39	10.79	7.80	8.78	8.57	8.64	8.97	8.86	8.98	8.90	8.92	9.04
Composite ¹³												
29 Over 10 years (long-term)	11.99	10.75	8.14	8.79	8.63	8.70	8.97	8.89	8.99	8.88	8.92	9.04
State and local notes and bonds												
Moody's series ¹⁴												
30 Aaa	9.61	8.60	6.95	7.61	7.48	7.18	7.24	7.20	7.30	7.20	7.25	7.20
31 Baa	10.38	9.58	7.76	8.78	8.68	8.37	8.31	8.30	8.40	8.25	8.30	8.30
32 Bond Buyer series ¹⁵	10.10	9.11	7.32	8.00	7.79	7.72	7.81	7.73	7.86	7.79	7.81	7.80
Corporate bonds												
Seasoned issues ¹⁶												
33 All industries	13.49	12.05	9.71	9.82	9.87	9.92	10.24	10.04	10.13	10.12	10.13	10.14
34 Aaa	12.71	11.37	9.02	9.33	9.32	9.42	9.67	9.56	9.65	9.63	9.68	9.70
35 Aa	13.31	11.82	9.47	9.59	9.65	9.64	9.86	9.77	9.84	9.87	9.87	9.86
36 A	13.74	12.28	9.95	9.83	9.98	10.00	10.20	10.10	10.10	10.21	10.21	10.19
37 Baa	14.19	12.72	10.39	10.51	10.52	10.61	10.80	10.74	10.84	10.76	10.77	10.82
38 A-rated, recently-offered utility bonds ¹⁷	13.81	12.06	9.61	10.05	10.05	10.17	10.37	10.44	10.45	10.24	10.34	10.42
MEMO: Dividend/price ratio ¹⁸												
39 Preferred stocks	11.59	10.49	8.76	8.41	8.31	8.25	8.32	8.18	8.30	8.28	8.33	8.38
40 Common stocks	4.64	4.25	3.48	3.02	2.92	2.83	2.69	2.78	2.78	2.66	2.68	2.64

1. Weekly and monthly figures are averages of all calendar days, where the rate for a weekend or holiday is taken to be the rate prevailing on the preceding business day. The daily rate is the average of the rates on a given day weighted by the volume of transactions at these rates.

2. Weekly figures are averages for statement week ending Wednesday.

3. Rate for the Federal Reserve Bank of New York.

4. Unweighted average of offering rates quoted by at least five dealers (in the case of commercial paper), or finance companies (in the case of finance paper). Before November 1979, maturities for data shown are 30-59 days, 90-119 days, and 120-179 days for commercial paper; and 30-59 days, 90-119 days, and 150-179 days for finance paper.

5. Yields are quoted on a bank-discount basis, rather than in an investment yield basis (which would give a higher figure).

6. Dealer closing offered rates for top-rated banks. Most representative rate (which may be, but need not be, the average of the rates quoted by the dealers).

7. Unweighted average of offered rates quoted by at least five dealers early in the day.

8. Calendar week average. For indication purposes only.

9. Unweighted average of closing bid rates quoted by at least five dealers.

10. Rates are recorded in the week in which bills are issued. Beginning with the Treasury bill auction held on Apr. 18, 1983, bidders were required to state the percentage yield (on a bank discount basis) that they would accept to two decimal

places. Thus, average issuing rates in bill auctions will be reported using two rather than three decimal places.

11. Yields are based on closing bid prices quoted by at least five dealers.

12. Yields adjusted to constant maturities by the U.S. Treasury. That is, yields are read from a yield curve at fixed maturities. Based on only recently issued, actively traded securities.

13. Averages (to maturity or call) for all outstanding bonds neither due nor callable in less than 10 years, including one very low yielding "flower" bond.

14. General obligations based on Thursday figures; Moody's Investors Service.

15. General obligations only, with 20 years to maturity, issued by 20 state and local governmental units of mixed quality. Based on figures for Thursday.

16. Daily figures from Moody's Investors Service. Based on yields to maturity on selected long-term bonds.

17. Compilation of the Federal Reserve. This series is an estimate of the yield on recently-offered, A-rated utility bonds with a 30-year maturity and 5 years of call protection. Weekly data are based on Friday quotations.

18. Standard and Poor's corporate series. Preferred stock ratio based on a sample of ten issues: four public utilities, four industrials, one financial, and one transportation. Common stock ratios on the 500 stocks in the price index.

NOTE: These data also appear in the Board's H.15 (519) and G.13 (415) releases. For address, see inside front cover.

1.36 STOCK MARKET Selected Statistics

Indicator	1984	1985	1986	1986	1987							
				Dec.	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.
Prices and trading (averages of daily figures)												
<i>Common stock prices</i>												
1 New York Stock Exchange (Dec. 31, 1965 = 50)	92.46	108.09	136.00	142.12	151.17	160.23	166.43	163.88	163.00	169.58	174.28	184.18
2 Industrial	108.01	123.79	155.85	163.85	175.60	189.17	198.95	199.03	198.78	206.61	214.12	226.49
3 Transportation	85.63	104.11	119.87	121.26	126.61	135.49	138.55	137.91	141.30	150.39	157.49	164.02
4 Utility	46.44	56.75	71.36	76.07	78.54	78.19	77.15	72.74	71.64	74.25	74.18	78.20
5 Finance	89.28	114.21	147.19	144.29	153.32	158.41	162.41	150.52	145.97	152.73	152.27	160.94
6 Standard & Poor's Corporation (1941-43 = 10) ¹	160.50	186.84	236.34	248.61	264.51	280.93	292.47	289.32	289.12	301.36	310.09	329.36
7 American Stock Exchange ² (Aug. 31, 1973 = 50)	207.96	229.10	264.38	264.65	289.02	315.60	332.55	330.65	328.77	334.49	348.68	361.52
<i>Volume of trading (thousands of shares)</i>												
8 New York Stock Exchange	91,084	109,191	141,385	148,228	192,419	183,478	180,251	187,135	170,898	163,380	180,356	193,477
9 American Stock Exchange	6,107	8,355	11,846	12,272	14,755	14,962	15,678	14,420	11,655	12,813	12,857	13,604
Customer financing (end-of-period balances, in millions of dollars)												
10 Margin credit at broker-dealers ³	22,470	28,390	36,840	36,840	34,960	35,740	38,080	39,820	38,890	38,420	40,250	41,640
<i>Free credit balances at brokers⁴</i>												
11 Margin-account ⁵	1,755	2,715	4,880	4,880	5,060	4,470	4,730	4,660	4,355	3,680	4,095	4,240
12 Cash-account	10,215	12,840	19,000	19,000	17,395	17,325	17,370	17,285	16,985	15,405	15,930	16,195
Margin requirements (percent of market value and effective date) ⁶												
	Mar. 11, 1968		June 8, 1968		May 6, 1970		Dec. 6, 1971		Nov. 24, 1972		Jan. 3, 1974	
13 Margin stocks	70		80		65		55		65		50	
14 Convertible bonds	50		60		50		50		50		50	
15 Short sales	70		80		65		55		65		50	

1. Effective July 1976, includes a new financial group, banks and insurance companies. With this change the index includes 400 industrial stocks (formerly 425), 20 transportation (formerly 15 rail), 40 public utility (formerly 60), and 40 financial.

2. Beginning July 5, 1983, the American Stock Exchange rebased its index effectively cutting previous readings in half.

3. Beginning July 1983, under the revised Regulation T, margin credit at broker-dealers includes credit extended against stocks, convertible bonds, stocks acquired through exercise of subscription rights, corporate bonds, and government securities. Separate reporting of data for margin stocks, convertible bonds, and subscription issues was discontinued in April 1984.

4. Free credit balances are in accounts with no unfulfilled commitments to the brokers and are subject to withdrawal by customers on demand.

5. New series beginning June 1984.

6. These regulations, adopted by the Board of Governors pursuant to the Securities Exchange Act of 1934, limit the amount of credit to purchase and carry

"margin securities" (as defined in the regulations) when such credit is collateralized by securities. Margin requirements on securities other than options are the difference between the market value (100 percent) and the maximum loan value of collateral as prescribed by the Board. Regulation T was adopted effective Oct. 15, 1934; Regulation U, effective May 1, 1936; Regulation G, effective Mar. 11, 1968; and Regulation X, effective Nov. 1, 1971.

On Jan. 1, 1977, the Board of Governors for the first time established in Regulation T the initial margin required for writing options on securities, setting it at 30 percent of the current market-value of the stock underlying the option. On Sept. 30, 1985, the Board changed the required initial margin, allowing it to be the same as the option maintenance margin required by the appropriate exchange or self-regulatory organization; such maintenance margin rules must be approved by the Securities and Exchange Commission. Effective Jan. 31, 1986, the SEC approved new maintenance margin rules, permitting margins to be the price of the option plus 15 percent of the market value of the stock underlying the option.

A26 Domestic Financial Statistics □ November 1987

1.37 SELECTED FINANCIAL INSTITUTIONS Selected Assets and Liabilities

Millions of dollars, end of period

Account	1984	1985	1986					1987					
			Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June
Savings and loan associations													
1 Assets	903,488	948,781	965,032	957,229	961,894	964,096	963,316	935,516	936,918	939,904	944,296	952,674	949,099
2 Mortgage-backed securities		97,303	113,621	117,617	121,606	122,682	123,257	129,340	128,857	129,283	134,750	141,047	140,454
3 Cash and investment securities	124,801	126,712	138,863	138,619	138,213	141,510	142,700	132,733	135,890	138,729	136,372	138,290	137,974
4 Other	223,396	238,833	259,726	261,415	250,781	250,297	251,769	261,869	263,782	266,508	274,781	283,696	285,578
5 Liabilities and net worth	903,488	948,781	965,032	957,229	961,894	964,096	963,316	935,516	936,918	939,904	944,296	952,674	949,099
6 Savings capital	725,045	750,071	749,020	743,518	742,747	740,066	741,081	721,759	722,294	722,603	716,828	718,662	715,570
7 Borrowed money	125,666	138,798	148,541	155,748	152,567	156,920	159,742	153,373	152,161	158,170	165,892	171,276	175,123
8 FHL/BB	64,207	73,888	75,594	80,364	75,295	75,626	80,194	75,552	75,673	76,469	77,875	78,583	79,184
9 Other	61,459	64,910	72,947	75,384	77,722	81,294	79,548	77,821	76,488	81,701	88,017	92,693	95,939
10 Other	17,944	19,045	24,706	15,461	23,255	24,078	20,071	19,773	21,814	18,916	20,778	22,546	19,577
11 Net worth ²	34,833	41,064	42,764	42,503	43,326	43,034	42,423	40,606	40,661	40,213	40,805	40,180	38,822
FSLIC-insured federal savings banks													
12 Assets	98,559	131,868	186,810	196,225	202,106	204,918	210,562	235,428	235,762	241,419	246,277	253,006	264,023
13 Mortgages	57,429	72,355	103,019	108,627	110,826	112,117	113,638	136,770	136,489	138,705	140,861	144,588	150,431
14 Mortgage-backed securities	9,949	15,676	24,097	26,431	27,516	28,324	29,766	33,570	34,634	36,104	37,511	39,382	41,191
15 Other	10,971	11,723	17,056	18,509	18,697	19,266	19,034	15,769	16,059	16,739	17,032	17,201	17,945
16 Liabilities and net worth	98,559	131,868	186,810	196,225	202,106	204,918	210,562	235,428	235,762	241,419	246,277	253,006	264,023
17 Savings capital	79,572	103,462	142,858	149,074	152,834	154,447	157,872	176,741	177,359	178,691	180,642	182,805	190,018
18 Borrowed money	12,798	19,323	29,390	32,319	33,430	33,937	37,329	40,614	39,777	43,915	46,125	49,896	53,161
19 FHL/BB	7,515	10,510	16,123	16,853	17,382	17,863	19,897	20,730	20,226	21,104	21,718	22,788	24,486
20 Other	5,283	8,813	13,267	15,466	16,048	16,074	17,432	19,884	19,551	22,811	24,407	27,108	28,675
21 Other	1,903	2,732	4,914	4,666	5,330	5,652	4,263	5,304	5,480	5,250	5,543	6,041	5,963
22 Net worth	4,286	6,351	9,647	10,165	10,511	10,883	11,098	12,774	13,151	13,564	13,977	14,272	14,886
Savings banks													
23 Assets	203,898	216,776	227,011	228,854	230,919	232,577	236,866	235,603	238,074	240,739	243,454	245,906	243,529
Loans													
24 Mortgage	102,895	110,448	113,265	114,188	116,648	117,612	118,323	119,199	119,737	121,178	122,769	124,936	127,041
25 Other	24,954	30,876	37,350	37,298	36,130	36,149	35,167	36,122	37,207	38,012	37,136	37,313	35,317
Securities													
26 U.S. government	14,643	13,111	12,043	12,357	12,585	13,037	14,209	13,332	13,525	13,631	13,743	13,650	13,810
27 Mortgage-backed securities	19,215	19,481	21,161	23,216	23,437	24,051	25,836	26,220	26,893	27,463	28,700	28,739	27,643
28 State and local government	2,077	2,323	2,400	2,407	2,347	2,290	2,185	2,180	2,168	2,041	2,063	2,053	2,059
29 Corporate and other	23,747	21,199	20,602	20,902	21,156	20,749	20,459	19,795	19,770	19,598	19,768	19,956	18,990
30 Cash	4,954	6,225	5,018	4,811	5,195	5,052	6,894	5,239	5,143	5,703	5,308	5,176	4,917
31 Other assets	11,413	13,113	13,172	13,675	13,421	13,637	13,793	13,516	13,631	13,713	13,967	14,083	13,754
32 Liabilities	203,898	216,776	227,011	228,854	230,919	232,577	236,866	235,603	238,074	240,739	243,454	245,906	243,529
Deposits													
34 Regular	180,616	185,972	189,937	190,210	190,334	190,858	192,194	191,441	192,559	193,693	193,347	194,742	192,873
35 Ordinary savings	177,418	181,921	184,764	185,002	185,254	185,958	186,345	186,385	187,597	188,432	187,791	189,048	187,261
36 Time	33,739	33,018	34,530	35,227	36,165	36,739	37,717	38,467	39,370	40,558	41,326	41,967	41,707
37 Other	104,732	103,311	102,668	102,191	101,125	101,240	100,809	100,604	100,922	100,896	100,308	100,607	100,637
38 Other liabilities	3,198	4,051	5,173	5,208	5,080	4,900	5,849	5,056	4,962	5,261	5,556	5,694	5,612
39 General reserve accounts	12,504	17,414	21,360	21,947	23,319	24,254	25,274	24,710	25,663	27,003	29,105	30,436	29,860
	10,510	12,823	15,427	16,319	16,896	17,146	18,105	18,236	18,486	18,830	19,423	19,603	19,473

1.37—Continued

Account	1984	1985	1986					1987					
			Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June
Credit unions ⁴													
40 Total assets/liabilities and capital	93,036	118,010	139,233	140,496	143,662	145,653	147,726	149,383	149,751	153,253	154,549	156,086	↑
41 Federal	63,205	77,861	90,367	91,981	93,257	94,638	95,483	96,801	96,753	98,799	99,751	100,153	↑
42 State	29,831	40,149	48,866	48,515	50,405	51,015	52,243	52,586	52,998	54,454	54,798	55,933	
43 Loans outstanding	62,561	73,513	80,656	81,820	83,388	84,635	86,137	85,984	85,651	86,101	87,089	87,765	n.a.
44 Federal	42,337	47,933	52,007	53,042	53,434	53,877	55,304	55,313	54,912	55,118	55,740	55,952	
45 State	20,224	25,580	28,649	28,778	29,954	30,758	30,833	30,671	30,739	30,983	31,349	31,813	↓
46 Savings	84,348	105,963	126,268	128,125	130,483	131,778	134,327	135,907	136,441	138,810	140,014	146,437	
47 Federal	57,539	70,926	83,132	84,607	86,158	87,009	87,954	89,717	89,485	91,042	92,012	97,189	↓
48 State	26,809	35,037	43,136	43,518	44,325	44,769	46,373	46,130	46,956	47,768	48,002	49,248	
Life insurance companies													
49 Assets	722,979	825,901	887,255	892,304	860,682	910,691	920,771	931,962	943,421	955,269	↑	↑	↑
Securities											↑	↑	↑
50 Government	63,899	75,230	79,188	81,636	82,047	84,858	85,849	85,000	87,678	90,699	↑	↑	↑
51 United States	42,204	51,700	54,487	56,698	57,511	59,802	61,494	61,014	63,580	66,577	↑	↑	↑
52 State and local	8,713	9,708	10,472	10,606	10,212	10,712	10,267	10,048	10,264	10,423	↑	↑	↑
53 Foreign ⁶	12,982	13,822	14,229	14,332	14,324	14,344	14,088	13,938	13,834	13,699	n.a.	n.a.	n.a.
54 Business	359,333	423,712	463,135	462,540	467,433	473,860	474,485	487,837	497,143	501,622	↑	↑	↑
55 Bonds	295,998	346,216	374,670	378,267	381,381	386,293	386,994	395,994	401,231	404,112	↑	↑	↑
56 Stocks	63,335	77,496	88,465	84,273	86,052	87,567	87,491	91,843	95,912	97,510	↑	↑	↑
57 Mortgages	156,699	171,797	183,943	185,268	186,976	189,460	192,975	193,395	193,957	194,689	↑	↑	↑
58 Real estate	25,767	28,822	31,844	31,725	31,918	32,184	32,079	32,229	32,061	31,875	↑	↑	↑
59 Policy loans	34,505	54,369	54,247	54,273	54,199	54,152	54,016	53,692	53,696	53,580	↑	↑	↑
60 Other assets	63,776	71,971	74,898	76,862	77,798	76,177	81,367	79,809	78,886	82,804	↑	↑	↑

1. Holdings of stock of the Federal Home Loan Banks are in "other assets."
 2. Includes net undistributed income accrued by most associations.
 3. Excludes checking, club, and school accounts.
 4. Data include all federally insured credit unions, both federal and state chartered, serving natural persons.
 5. Direct and guaranteed obligations. Excludes federal agency issues not guaranteed, which are shown in the table under "Business" securities.
 6. Issues of foreign governments and their subdivisions and bonds of the International Bank for Reconstruction and Development.
 NOTE: *Savings and loan associations:* Estimates by the FHLBB for all associations in the United States based on annual benchmarks for non-FSLIC-insured associations and the experience of FSLIC-insured associations.
FSLIC-insured federal savings banks: Estimates by the FHLBB for federal savings banks insured by the FSLIC and based on monthly reports of federally insured institutions.

Savings banks: Estimates by the National Council of Savings Institutions for all savings banks in the United States and for FDIC-insured savings banks that have converted to federal savings banks.
Credit unions: Estimates by the National Credit Union Administration for federally chartered and federally insured state-chartered credit unions serving natural persons.
Life insurance companies: Estimates of the American Council of Life Insurance for all life insurance companies in the United States. Annual figures are annual-statement asset values, with bonds carried on an amortized basis and stocks at year-end market value. Adjustments for interest due and accrued and for differences between market and book values are not made on each item separately but are included, in total, in "other assets."

1.38 FEDERAL FISCAL AND FINANCING OPERATIONS

Millions of dollars

Type of account or operation	Fiscal year 1984	Fiscal year 1985	Fiscal year 1986	Calendar year					
				1987					
				Mar.	Apr.	May	June	July	Aug.
<i>U.S. budget¹</i>									
1 Receipts, total.....	666,457	734,057	769,091	56,515	122,897	47,691	82,945	64,223	60,213
2 On-budget.....	500,382	547,886	568,862	38,469	99,083	30,205	64,222	47,880	43,511
3 Off-budget.....	166,075	186,171	200,228	18,046	23,814	17,486	18,723	16,343	16,703
4 Outlays, total.....	851,781	946,316	989,815	84,527	84,240	83,435	83,366	86,491	81,940
5 On-budget.....	685,968	769,509	806,318	67,872	69,215	66,389	66,221	70,806	65,071
6 Off-budget.....	165,813	176,807	183,498	16,655	15,025	17,046	17,145	15,685	16,869
7 Surplus, or deficit (-), total.....	-185,324	-212,260	-220,725	-28,012	38,657	-35,744	-420	-22,268	-21,727
8 On-budget.....	-185,586	-221,623	-237,455	-29,403	29,867	-36,184	-1,998	-22,926	-21,561
9 Off-budget.....	262	9,363	16,371	1,391	8,790	440	1,578	658	-166
Source of financing (total)									
10 Borrowing from the public.....	170,817	197,269	236,284	7,884	9,075	13,005	9,655	-3,103	33,060
11 Operating cash (decrease, or increase (-)).....	6,631	13,367	-14,324	15,846	-46,775	22,638	-6,966	20,655	-3,219
12 Other ²	7,875	1,630	-1,235	4,506	-543	-1,478	-2,801	4,716	-8,115
MEMO									
13 Treasury operating balance (level, end of period).....	30,426	17,060	31,384	8,969	55,744	33,106	40,072	19,417	22,635
14 Federal Reserve Banks.....	8,514	4,174	7,514	3,576	29,688	6,383	13,774	5,365	3,764
15 Tax and loan accounts.....	21,913	12,886	23,870	5,394	26,056	26,723	26,298	14,052	18,872

1. In accordance with the Balanced Budget and Emergency Deficit Control Act of 1985, all former off-budget entries are now presented on-budget. The Federal Financing Bank (FFB) activities are now shown as separate accounts under the agencies that use the FFB to finance their programs. The act has also moved two social security trust funds (Federal old-age survivors insurance and Federal disability insurance trust funds) off-budget.

2. Includes SDRs; reserve position on the U.S. quota in the IMF; loans to international monetary fund; other cash and monetary assets; accrued interest payable to the public; allocations of special drawing rights; deposit funds;

miscellaneous liability (including checks outstanding) and asset accounts; seignorage; increment on gold; net gain/loss for U.S. currency valuation adjustment; net gain/loss for IMF valuation adjustment; and profit on the sale of gold.

Reflecting the change in Monthly Treasury Statement classification, Table 2, monthly data as well as fiscal year data now include monetary assets other than operating cash with "other", sources of financing, (line 12).

SOURCE: "Monthly Treasury Statement of Receipts and Outlays of the U.S. Government" and the *Budget of the U.S. Government*.

1.39 U.S. BUDGET RECEIPTS AND OUTLAYS

Millions of dollars

Source or type	Fiscal year 1985	Fiscal year 1986	Calendar year						
			1985		1986		1987		1987
			H2	H1	H2	H1	June	July	Aug.
RECEIPTS									
1 All sources	734,057	769,091	364,790	394,345	387,524	447,282	82,945	64,223	60,213
2 Individual income taxes, net	334,531	348,959	169,987	169,444	183,156	205,157	40,521	31,889	26,884
3 Withheld	298,941	314,838	155,725	153,919	164,071	156,760	25,525	31,596	25,008
4 Presidential Election Campaign Fund	35	36	6	31	4	30	4	2	1
5 Nonwithheld	101,328	105,994	22,295	78,981	27,733	112,421	16,574	2,452	3,108
6 Refunds	65,743	71,873	8,038	63,488	8,652	64,052	1,583	2,160	1,233
7 Corporation income taxes									
8 Gross receipts	77,413	80,442	36,528	41,946	42,108	52,396	13,572	3,812	2,549
9 Refunds	16,082	17,298	7,751	9,557	8,230	10,881	2,599	1,454	983
9 Social insurance taxes and contributions, net	265,163	283,901	128,017	156,714	134,006	163,519	24,712	23,346	25,712
10 Employment taxes and contributions	234,646	255,062	116,276	139,706	122,246	146,696	23,981	20,890	21,447
11 Self-employment taxes and contributions	10,468	11,840	985	10,581	1,338	12,020	1,612	155	0
12 Unemployment insurance	25,758	24,098	9,281	14,674	9,328	14,514	315	2,038	3,912
13 Other net receipts	4,759	4,742	2,458	2,333	2,429	2,310	416	417	354
14 Excise taxes	35,992	32,919	18,470	15,944	15,947	15,845	3,099	2,908	2,698
15 Customs deposits	12,079	13,323	6,354	6,369	7,282	7,129	1,415	1,420	1,370
16 Estate and gift taxes	6,422	6,958	3,323	3,487	3,649	3,818	507	671	587
17 Miscellaneous receipts ⁴	18,539	19,887	9,861	10,002	9,605	10,299	1,719	1,631	1,396
OUTLAYS									
18 All types	946,316	989,815	487,188	486,037	506,739 ⁵	503,338	83,366	86,491	81,940
19 National defense	252,748	273,369	134,675	135,367	138,544	142,846	24,694	24,126	24,387
20 International affairs	16,176	14,471	8,367	5,384	8,876	4,420	1,068	1,145	146
21 General science, space, and technology	8,627	9,017	4,727	12,519	4,594	4,324	836	836	823
22 Energy	5,685	4,792	3,305	2,484	2,735	2,335	598	256	341
23 Natural resources and environment	13,357	13,508	7,553	6,245	7,141	6,179	1,176	1,392	1,075
24 Agriculture	25,565	31,169	15,412	14,482	16,160	11,824	-342	1,462	1,336
25 Commerce and housing credit	4,229	4,258	644	860	3,647	4,889	703	232	355
26 Transportation	25,838	28,058	15,360	12,658	14,745	12,113	2,539	2,289	2,405
27 Community and regional development	7,680	7,510	3,901	3,169	3,494	3,108	584	603	464
28 Education, training, employment, social services	29,342	29,662	14,481	14,712	15,268	14,182	2,143	1,854	2,757
29 Health	33,542	35,936	17,237	17,872	19,814	20,318	3,525	3,466	3,419
30 Social security and medicare	254,446	268,921 ⁶	129,037	135,214	138,296	142,864	26,339	23,991	22,929
31 Income security	128,200	120,686	59,457	60,786	59,628	62,248	7,931	11,460	8,788
32 Veterans benefits and services	26,352	26,614	14,527	12,193	14,497	12,264	2,440	3,368	1,121
33 Administration of justice	6,277	6,555	3,212	3,352	3,360	3,626	690	754	634
34 General government	5,228	6,796	3,634	3,566	2,786	3,238	1,448	209	598
35 General-purpose fiscal assistance	6,353	6,430	3,391	2,179	2,767	455	54	167	62
36 Net interest	129,436	135,284	67,448	68,054	66,770 ⁵	70,110	10,010	11,711	13,064
37 Undistributed offsetting receipts ⁶	-32,759	-33,244	-17,953	-17,193	-17,426	-18,005	-3,069	-2,831	-2,764

1. Old-age, disability, and hospital insurance, and railroad retirement accounts.

2. Old-age, disability, and hospital insurance.

3. Federal employee retirement contributions and civil service retirement and disability fund.

4. Deposits of earnings by Federal Reserve Banks and other miscellaneous receipts.

5. Net interest function includes interest received by trust funds.

6. Consists of rents and royalties on the outer continental shelf and U.S. government contributions for employee retirement.

SOURCES: U.S. Department of the Treasury, "Monthly Treasury Statement of Receipts and Outlays of the U.S. Government," and the U.S. Office of Management and Budget. *Budget of the U.S. Government, Fiscal Year 1988.*

A30 Domestic Financial Statistics □ November 1987

1.40 FEDERAL DEBT SUBJECT TO STATUTORY LIMITATION

Billions of dollars

Item	1985			1986			1987		
	June 30	Sept. 30	Dec. 31	Mar. 31	June 30	Sept. 30	Dec. 31	Mar. 31	June 30
1 Federal debt outstanding	1,779.0	1,827.5	1,950.3	1,991.1	2,063.6	2,129.5	2,218.9	2,250.7	2,313.1
2 Public debt securities	1,774.6	1,823.1	1,945.9	1,986.8	2,059.3	2,125.3	2,214.8	2,246.7	2,309.3
3 Held by public	1,460.5	1,506.6	1,597.1	1,634.3	1,684.9	1,742.4	1,811.7	1,839.3	1,871.1
4 Held by agencies	314.2	316.5	348.9	352.6	374.4	382.9	403.1	407.5	438.1
5 Agency securities	4.4	4.4	4.4	4.3	4.3	4.2	4.0	4.0	3.8
6 Held by public	3.3	3.3	3.3	3.2	3.2	3.2	3.0	2.9	2.7
7 Held by agencies	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1
8 Debt subject to statutory limit	1,775.3	1,823.8	1,932.4	1,973.3	2,060.0	2,111.0	2,200.5	2,232.4	2,295.0
9 Public debt securities	1,774.0	1,822.5	1,931.1	1,972.0	2,058.7	2,109.7	2,199.3	2,231.1	2,293.7
10 Other debt ¹	1.3	1.3	1.3	1.3	1.3	1.3	1.3	1.3	1.3
11 MEMO: Statutory debt limit	1,823.8	1,823.8	2,078.7	2,078.7	2,078.7	2,111.0	2,300.0	2,300.0	2,320.0

1. Includes guaranteed debt of Treasury and other federal agencies, specified participation certificates, notes to international lending organizations, and District of Columbia stadium bonds.

SOURCES: Treasury Bulletin and Monthly Statement of the Public Debt of the United States.

1.41 GROSS PUBLIC DEBT OF U.S. TREASURY Types and Ownership

Billions of dollars, end of period

Type and holder	1983	1984	1985	1986	1986		1987	
					Q3	Q4	Q1	Q2
1 Total gross public debt	1,410.7	1,663.0	1,945.9	2,214.8	2,125.3	2,214.8	2,246.7	2,309.3
By type								
2 Interest-bearing debt	1,400.9	1,660.6	1,943.4	2,212.0	2,122.7	2,212.0	2,244.0	2,306.7
3 Marketable	1,050.9	1,247.4	1,437.7	1,619.0	1,564.3	1,619.0	1,635.7	1,659.0
4 Bills	343.8	374.4	399.9	426.7	410.7	426.7	406.2	391.0
5 Notes	573.4	705.1	812.5	927.5	896.9	927.5	955.3	984.4
6 Bonds	133.7	167.9	211.1	249.8	241.7	249.8	259.3	268.6
7 Nonmarketable ¹	350.0	413.2	505.7	593.1	558.4	593.1	608.3	647.7
8 State and local government series	36.7	44.4	87.5	110.5	102.4	110.5	118.5	125.4
9 Foreign issues ²	10.4	9.1	7.5	4.7	4.1	4.7	4.9	5.1
10 Government	10.4	9.1	7.5	4.7	4.1	4.7	4.9	5.1
11 Public .....	.0	.0	.0	.0	.0	.0	.0	.0
12 Savings bonds and notes	70.7	73.1	78.1	90.6	85.6	90.6	93.0	95.2
13 Government account series ³	231.9	286.2	332.2	386.9	365.9	386.9	391.4	421.6
14 Non-interest-bearing debt	9.8	2.3	2.5	2.8	2.6	2.8	2.7	2.6
By holder ⁴								
15 U.S. government agencies and trust funds	236.3	289.6	348.9	403.1	382.9	403.1	407.5	438.1
16 Federal Reserve Banks	151.9	160.9	181.3	211.3	190.8	211.3	n.a.	212.3
17 Private investors	1,022.6	1,212.5	1,417.2	1,602.0	1,553.3	1,602.0	1,641.4	1,657.7
18 Commercial banks	188.8	183.4	192.2	232.1 ⁵	212.5	232.1 ⁵	232.0	237.1
19 Money market funds	22.8	25.9	25.1	28.6	24.9	28.6	18.8	20.6
20 Insurance companies	56.7	76.4	95.8	106.9	100.9	106.9	n.a.	n.a.
21 Other companies	39.7	50.1	59.0	68.8	65.7	68.8	72.1	n.a.
22 State and local Treasuries	155.1	179.4	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Individuals								
23 Savings bonds	71.5	74.5	79.8	92.3	87.1	92.3	94.7	96.8
24 Other securities	61.9	69.3	75.0	65.6 ⁶	68.7 ⁶	65.6 ⁶	63.3 ⁶	63.4
25 Foreign and international ⁵	166.3	192.9	212.5 ⁷	251.5 ⁷	253.2 ⁷	251.5 ⁷	260.4 ⁷	269.9
26 Other miscellaneous investors ⁶	259.8	360.6	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

1. Includes (not shown separately): Securities issued to the Rural Electrification Administration; depository bonds, retirement plan bonds, and individual retirement bonds.

2. Nonmarketable dollar-denominated and foreign currency-denominated series held by foreigners.

3. Held almost entirely by U.S. Treasury agencies and trust funds.

4. Data for Federal Reserve Banks and U.S. Treasury agencies and trust funds are actual holdings; data for other groups are Treasury estimates.

5. Consists of investments of foreign and international accounts. Excludes non-interest-bearing notes issued to the International Monetary Fund.

6. Includes savings and loan associations, nonprofit institutions, credit unions, mutual savings banks, corporate pension trust funds, dealers and brokers, certain U.S. Treasury deposit accounts, and federally-sponsored agencies.

SOURCES: Data by type of security, U.S. Treasury Department, Monthly Statement of the Public Debt of the United States; data by holder, Treasury Bulletin.

1.42 U.S. GOVERNMENT SECURITIES DEALERS Transaction¹

Par value; averages of daily figures, in millions of dollars

Item	1984	1985	1986	1987			1987							
				June	July ^r	Aug.	July 22	July 29	Aug. 5	Aug. 12	Aug. 19	Aug. 26		
1 Immediate delivery ²														
U.S. Treasury securities	52,778	75,331	95,447	110,375	91,110	105,013	85,256 ^r	81,501 ^r	114,790	94,659	117,201	92,329		
<i>By maturity</i>														
Bills	26,035	32,900	34,249	35,309	32,548	35,784	26,712 ^r	26,112	51,400	33,155	33,040	31,229		
Other within 1 year	1,305	1,811	2,115	3,446	3,575	2,937	2,846	4,050	3,568	2,927	2,953	2,552		
1-5 years	11,733	18,361	24,667	26,593	22,149	28,355	21,387	19,434	27,464	23,668	32,181	29,010		
5-10 years	7,606	12,703	20,455	27,509	19,422	20,419	20,421	18,083	18,979	20,442	21,237	15,845		
Over 10 years	6,099	9,556	13,961	17,518	13,415	17,519	13,890	13,823 ^r	13,378	14,467	27,791	13,693		
<i>By type of customer</i>														
U.S. government securities dealers	2,919	3,336	3,646	2,822	2,406	3,082	2,193 ^r	1,554	4,381	2,647	2,927	2,952		
U.S. government securities brokers	25,580	36,222	49,368	58,797	48,825	57,432	46,787 ^r	45,987	62,542	49,934	65,312	51,097		
All others	24,278	35,773	42,218	47,962	39,070	43,823	36,274 ^r	33,960 ^r	47,866	42,077	48,961	38,280		
Federal agency securities	7,846	11,640	16,746	18,625	17,938	16,164	19,083 ^r	13,042	13,535	12,957	21,090	16,863		
Certificates of deposit	4,947	4,016	4,355	3,973	3,938	3,475	3,813	3,523	3,652	3,495	3,219	3,357		
Bankers acceptances	3,243	3,242	3,272	2,740	3,143	2,765	2,897	2,733	2,817	2,900	2,947	2,328		
Commercial paper	10,018	12,717	16,660	17,227	17,882	15,606	16,645	15,576	17,313	14,857	15,639	14,313		
Futures contracts														
Treasury bills	6,947	5,561	3,311	2,810	2,091	2,786	1,777	2,527 ^r	2,390	2,231	2,702	2,868		
Treasury coupons	4,533	6,085	7,175	8,001	6,821	8,967	6,350	7,198 ^r	8,012	6,651	10,677	8,389		
Federal agency securities	264	252	16	13	6	10	0	21	4	1	0	0		
Forward transactions ⁵														
U.S. Treasury securities	1,364	1,283	1,876	1,869	819	1,699	781	653	750	1,561	1,884	2,422		
Federal agency securities	2,843	3,857	7,830	9,875	9,854	8,486	11,277	7,603	5,718	7,792	12,119	8,614		

1. Transactions are market purchases and sales of securities as reported to the Federal Reserve Bank of New York by the U.S. government securities dealers on its published list of primary dealers.

Averages for transactions are based on the number of trading days in the period. The figures exclude allotments of, and exchanges for, new U.S. Treasury securities, redemptions of called or matured securities, purchases or sales of securities under repurchase agreement, reverse repurchase (resale), or similar contracts.

2. Data for immediate transactions do not include forward transactions.

3. Includes, among others, all other dealers and brokers in commodities and

securities, nondealer departments of commercial banks, foreign banking agencies, and the Federal Reserve System.

4. Futures contracts are standardized agreements arranged on an organized exchange in which parties commit to purchase or sell securities for delivery at a future date.

5. Forward transactions are agreements arranged in the over-the-counter market in which securities are purchased (sold) for delivery after 5 business days from the date of the transaction for Treasury securities (Treasury bills, notes, and bonds) or after 30 days for mortgage-backed agency issues.

L43 U.S. GOVERNMENT SECURITIES DEALERS Positions and Financing¹

Averages of daily figures, in millions of dollars

Item	1984	1985	1986	1987			1987				
				June	July ^r	Aug.	July 29	Aug. 5	Aug. 12	Aug. 19	Aug. 26
Positions											
Net immediate ²											
1 U.S. Treasury securities	5,429	7,391	13,055	-8,006	-8,871	-10,664	-15,566 ^r	-12,252	-9,209	-5,932	-14,032
2 Bills	5,500	10,075	12,723	2,240	5,041	5,605	657	3,527	8,124	7,351	4,491
3 Other within 1 year	63	1,050	3,699	2,106	1,259	461	1,228	346	336	816	713
4 1-5 years	2,159	5,154	9,297	371	2,328	6,002	4,937	3,304	3,022	4,851	10,622
5 5-10 years	1,119	6,202	9,504	7,525	7,000	5,722	7,271	7,182	7,880	4,400	4,892
6 Over 10 years	1,174	2,686	3,161	-5,197	5,843	-5,006	5,243 ^r	-5,638	6,768	4,848	3,722
7 Federal agency securities	15,294	22,860	33,066	32,014	33,180	33,313	31,817 ^r	32,315	33,540	34,712	33,497
8 Certificates of deposit	7,369	9,192	10,533	8,612	7,414	7,862	7,093	7,994	7,969	7,943	7,606
9 Bankers acceptances	3,874	4,586	5,535	3,777	3,151	3,444	2,689	3,083	3,935	3,823	3,053
10 Commercial paper	3,788	5,570	8,087	7,202	6,462	5,800	6,393	6,993	5,958	5,081	5,100
Futures positions											
11 Treasury bills	-4,525	-7,322	-18,062	-585	916	-2,013	90	99	-2,475	-3,635	-2,826
12 Treasury coupons	1,794	4,465	3,489	3,181	6,194	6,299	7,326	7,005	6,184	5,699	5,670
13 Federal agency securities	233	-722	-153	-100	96	95	-96	93	-96	96	-96
Forward positions											
14 U.S. Treasury securities	1,643	-911	-2,304	-921	-1,759	-1,869	-2,419	-1,962	-1,881	-1,753	-1,768
15 Federal agency securities	9,205	9,420	11,909	19,241	20,187	22,419	18,837 ^r	20,081	22,382	24,657	22,450
Financing ³											
Reverse repurchase agreements ⁴											
16 Overnight and continuing	44,078	68,035	98,954	100,701	124,938	n.a.	133,211	130,281	125,398	130,403	n.a.
17 Term agreements	68,357	80,509	108,693	149,724	150,323	n.a.	156,483	157,532	164,936	151,459	n.a.
Repurchase agreements ⁵											
18 Overnight and continuing	75,717	101,410	141,735	172,523	168,870	n.a.	166,552	175,074	170,987	177,641	n.a.
19 Term agreement	57,047	70,076	102,640	121,818	120,198	n.a.	129,083	126,690	131,989	116,343	n.a.

1. Data for dealer positions and sources of financing are obtained from reports submitted to the Federal Reserve Bank of New York by the U.S. Treasury securities dealers on its published list of primary dealers.

2. Data for positions are averages of daily figures, in terms of par value, based on the number of trading days in the period. Positions are net amounts and are shown on a commitment basis. Data for financing are in terms of actual amounts borrowed or lent and are based on Wednesday figures.

3. Immediate positions are net amounts (in terms of par values) of securities owned by nonbank dealer firms and dealer departments of commercial banks on a commitment, that is, trade-date basis, including any such securities that have been sold under agreements to repurchase (RPs). The maturities of some repurchase agreements are sufficiently long, however, to suggest that the securities involved are not available for trading purposes. Immediate positions include

reverses to maturity, which are securities that were sold after having been obtained under reverse repurchase agreements that mature on the same day as the securities. Data for immediate positions do not include forward positions.

4. Figures cover financing involving U.S. Treasury and federal agency securities, negotiable CDs, bankers acceptances, and commercial paper.

5. Includes all reverse repurchase agreements, including those that have been arranged to make delivery on short sales and those for which the securities obtained have been used as collateral on borrowings, that is, matched agreements.

6. Includes both repurchase agreements undertaken to finance positions and "matched book" repurchase agreements.

NOTE: Data on positions for the period May 1 to Sept. 30, 1986, are partially estimated.

1.44 FEDERAL AND FEDERALLY SPONSORED CREDIT AGENCIES Debt Outstanding

Millions of dollars, end of period

Agency	1984	1985	1986	1987					
				Feb.	Mar.	Apr.	May	June	July
1 Federal and federally sponsored agencies	271,220	293,905	307,361	305,603	305,033⁷	306,909	308,547	323,735	↑
2 Federal agencies	35,145	36,390	36,958	37,073	36,660	36,531	36,587	36,968	
3 Defense Department ¹	142	71	33	27	24	23	21	20	
4 Export-Import Bank ^{2,3}	15,882	15,678	14,211	14,211	13,813	13,813	13,813	13,416	
5 Federal Housing Administration ⁴	133	115	138	147	158	165	168	169	n.a.
6 Government National Mortgage Association participation certificates ⁵	2,165	2,165	2,165	2,165	2,165	1,965	1,965	1,965	↓
7 Postal Service ⁶	1,337	1,940	3,104	3,104	3,104	3,104	3,104	3,718	
8 Tennessee Valley Authority	15,435	16,347	17,222	17,334	17,311	17,376	17,431	17,595	
9 United States Railway Association ⁶	51	74	85	85	85	85	85	85	
10 Federally sponsored agencies ⁷	237,012	257,515	270,553	268,530	266,948	270,378	271,960	286,767	
11 Federal Home Loan Banks	65,085	74,447	88,752	91,313	92,087	94,606	95,931	99,680	100,976
12 Federal Home Loan Mortgage Corporation	10,270	11,926	13,589	13,847	13,074	14,850	14,637	12,309	n.a.
13 Federal National Mortgage Association	83,720	93,896	93,563	91,522	91,618	89,741	90,514	91,039	91,637
14 Farm Credit Banks	72,192	68,851	62,478	59,367	57,613	57,251	56,648	56,648	55,715
15 Student Loan Marketing Association ⁸	5,745	8,395	12,171	12,481	12,556	13,930	14,230	27,091	28,583
MEMO									
16 Federal Financing Bank debt⁹	145,217	153,373	157,510	157,724	157,012	157,177	157,331	157,506	n.a.
<i>Lending to federal and federally sponsored agencies</i>									
17 Export-Import Bank ³	15,852	15,670	14,205	14,205	13,807	13,807	13,807	13,410	↑
18 Postal Service ⁶	1,087	1,690	2,854	2,854	2,854	2,854	2,854	3,468	
19 Student Loan Marketing Association	5,000	5,000	4,970	4,970	4,970	4,970	4,970	4,970	
20 Tennessee Valley Authority	13,710	14,622	15,797	15,954	15,931	15,996	16,051	16,215	n.a.
21 United States Railway Association ⁶	51	74	85	85	85	85	85	85	↓
<i>Other Lending¹⁰</i>									
22 Farmers Home Administration	58,971	64,234	65,374	65,374	65,224	65,254	65,304	65,199	
23 Rural Electrification Administration	20,693	20,654	21,680	21,749	21,473	21,487	21,525	21,539	
24 Other	29,853	31,429	32,545	32,533	32,668	32,724	32,735	32,620	

1. Consists of mortgages assumed by the Defense Department between 1957 and 1963 under family housing and homeowners assistance programs.

2. Includes participation certificates reclassified as debt beginning Oct. 1, 1976.

3. Off-budget Aug. 17, 1974, through Sept. 30, 1976; on-budget thereafter.

4. Consists of debentures issued in payment of Federal Housing Administration insurance claims. Once issued, these securities may be sold privately on the securities market.

5. Certificates of participation issued before fiscal 1969 by the Government National Mortgage Association acting as trustee for the Farmers Home Administration; Department of Health, Education, and Welfare; Department of Housing and Urban Development; Small Business Administration; and the Veterans Administration.

6. Off-budget.

7. Includes outstanding noncontingent liabilities: notes, bonds, and debentures. Some data are estimated.

8. Before late 1981, the Association obtained financing through the Federal Financing Bank (FFB).

9. The FFB, which began operations in 1974, is authorized to purchase or sell obligations issued, sold, or guaranteed by other federal agencies. Since FFB incurs debt solely for the purpose of lending to other agencies, its debt is not included in the main portion of the table in order to avoid double counting.

10. Includes FFB purchases of agency assets and guaranteed loans; the latter contain loans guaranteed by numerous agencies with the guarantees of any particular agency being generally small. The Farmers Home Administration item consists exclusively of agency assets, while the Rural Electrification Administration entry contains both agency assets and guaranteed loans.

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1.45 NEW SECURITY ISSUES Tax-Exempt State and Local Governments

Millions of dollars

Type of issue or issuer, or use	1984	1985	1986	1987							
				Jan.	Feb.	Mar.	Apr.	May	June	July'	Aug.
1 All issues, new and refunding¹	106,641	214,189	147,011	7,343	8,969	14,591	6,708	6,037	10,718	6,967	6,002
<i>Type of issue</i>											
2 General obligation	26,485	52,622	46,346	1,100	3,643	3,853	3,363 ^r	2,872	3,329	2,238	2,036
3 Revenue	80,156	161,567	100,664	6,243	5,325	10,738	3,345 ^r	3,165	7,389	4,729	3,966
<i>Type of issuer</i>											
4 State	9,129	13,004	14,474	153	1,364	1,217	419 ^r	1,001	1,138 ^r	834	398
5 Special district and statutory authority ²	63,550	134,363	89,997	5,275	5,825	10,004	4,665 ^r	3,019	6,453	3,951	4,117
6 Municipalities, counties, townships	33,962	78,754	42,541	1,915	1,781	3,370	1,624	2,017	3,127	2,182	1,488
7 Issues for new capital, total	94,050	156,050	83,490	1,930	2,774	4,480	3,237	3,848	7,552	4,478	4,899
<i>Use of proceeds</i>											
8 Education	7,553	16,658	16,948	452	448	659	774	789	1,554	773	839
9 Transportation	7,552	12,070	11,666	92	145	111	98	194	705	647	158
10 Utilities and conservation	17,844	26,852	35,383	681	482	444	571	561	1,410	835	392
11 Social welfare	29,928	63,181	17,332	380	527	991	468	454	1,082	465	901
12 Industrial aid	15,415	12,892	5,594	38	89	368	33	161	401	457	181
13 Other purposes	15,758	24,398	47,433	286	1,084	1,907	1,295	1,689	2,399	1,301	2,428

1. Par amounts of long-term issues based on date of sale.
2. Includes school districts beginning April 1986.

SOURCES: Securities Data Company beginning April 1986. Public Securities Association for earlier data. This new data source began with the November BULLETIN.

1.46 NEW SECURITY ISSUES U.S. Corporations

Millions of dollars

Type of issue or issuer, or use	1984	1985	1986	1986	1987						
				Dec.	Jan.	Feb.	Mar.	Apr.	May	June ^r	July
1 All issues¹	132,531	201,269	423,726^r	27,206	24,168	27,048	37,953	23,735	19,969	28,445	27,102
2 Bonds²	109,903	165,754	355,293^r	20,958	21,253	23,281	28,143	19,518	13,431	22,093	21,859
<i>Type of offering</i>											
3 Public, domestic	73,579	119,559	231,936 ^r	18,920	20,250	20,274	23,388	17,634	11,394	20,564	18,833
4 Private placement, domestic ³	36,324	46,195	80,761	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
5 Sold abroad			42,596	2,038	1,003	3,007	4,755	1,884	2,037	1,530	3,026
<i>Industry group</i>											
6 Manufacturing	24,607	52,128	91,548 ^r	4,153	4,638	4,253	7,180	2,734	5,035	4,104	5,532
7 Commercial and miscellaneous	13,726	15,140	40,124 ^r	2,432	1,253	1,884	4,261	1,683	754	2,061	1,005
8 Transportation	4,694	5,743	9,971 ^r	70	0	176	521	168	21	0	343
9 Public utility	10,679	12,957	31,426 ^r	2,498	1,491	2,715	794	1,370	572	2,091	1,644
10 Communication	2,997	10,456	16,659 ^r	776	65	410	710	175	138	205	119
11 Real estate and financial	53,199	69,332	165,564 ^r	11,029	13,806	13,844	14,678	13,389	6,912	13,632	13,217
12 Stocks³	22,628	35,515	68,433	6,248	2,915	3,767	9,810	4,217	6,538	6,352	5,243
<i>Type</i>											
13 Preferred	4,118	6,505	11,514	1,293	429	905	2,257	526	1,170	1,202	1,154
14 Common	18,510	29,010	50,316	4,955	2,486	2,862	7,553	3,691	5,368	5,150	4,089
15 Private placement ³			6,603	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
<i>Industry group</i>											
16 Manufacturing	4,054	5,700	15,027	1,781	365	814	2,016	653	1,066	1,438	1,087
17 Commercial and miscellaneous	6,277	9,149	10,617	709	148	437	2,366	2,203	1,516	1,353	879
18 Transportation	589	1,544	2,427	183	0	191	299	230	3	492	366
19 Public utility	1,624	1,966	4,020	873	237	509	907	297	374	329	459
20 Communication	419	978	1,825	101	16	9	57	18	200	199	306
21 Real estate and financial	9,665	16,178	34,517	2,601	2,149	1,807	4,165	816	3,379	2,541	2,146

1. Figures, which represent gross proceeds of issues maturing in more than one year, are principal amount or number of units multiplied by offering price. Excludes 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 include only public offerings.

3. Data are not available on a monthly basis.

SOURCES: IDD Information Services, Inc., U.S. Securities and Exchange Commission and the Board of Governors of the Federal Reserve System.

1.47 OPEN-END INVESTMENT COMPANIES Net Sales and Asset Position

Millions of dollars

Item	1985	1986	1986	1987						
			Dec.	Jan.	Feb.	Mar.	Apr.	May	June'	July
INVESTMENT COMPANIES¹										
1 Sales of own shares ²	222,670	411,483	44,796	50,116	36,307	40,378	42,857	28,295	28,637	27,956
2 Redemptions of own shares ³	132,440	239,394	34,835	26,565	21,576	24,730	37,448	23,453	23,693	22,817
3 Net sales	90,230	172,089	9,961	23,551	14,731	15,648	5,409	4,842	4,944	5,139
4 Assets ⁴	251,695	424,156	424,156	464,415	490,643	506,752	502,487	500,634	516,866	530,885
5 Cash position ⁵	20,607	30,716	30,716	34,098	35,279	37,090	43,009	39,158	41,467	42,276
6 Other	231,088	393,440	393,440	430,317	455,364	469,662	459,478	461,476	475,099	488,609

1. Excluding money market funds.
2. Includes reinvestment of investment income dividends. Excludes reinvestment of capital gains distributions and share issue of conversions from one fund to another in the same group.
3. Excludes share redemption resulting from conversions from one fund to another in the same group.
4. Market value at end of period, less current liabilities.

5. Also includes all U.S. government securities and other short-term debt securities.

NOTE: Investment Company Institute data based on reports of members, which comprise substantially all open-end investment companies registered with the Securities and Exchange Commission. Data reflect newly formed companies after their initial offering of securities.

1.48 CORPORATE PROFITS AND THEIR DISTRIBUTION

Billions of dollars; quarterly data are at seasonally adjusted annual rates.

Account	1984	1985	1986	1985		1986				1987	
				Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2'
1 Corporate profits with inventory valuation and capital consumption adjustment	266.9	277.6	284.4	292.8	277.8	288.0	282.3	286.4	281.1	294.0	296.8
2 Profits before tax	239.9	224.8	231.9	230.2	233.5	218.9	224.4	236.3	247.9	257.0	268.7
3 Profits tax liability	93.9	96.7	105.0	100.5	99.1	98.1	102.1	106.1	113.9	128.0	134.2
4 Profits after tax	146.1	128.1	126.8	129.7	134.4	120.9	122.3	130.2	134.0	129.0	134.5
5 Dividends	79.0	81.3	86.8	81.2	81.7	84.3	86.6	87.7	88.6	90.3	92.4
6 Undistributed profits	67.0	46.8	40.0	48.5	52.7	36.6	35.7	42.5	45.4	38.7	42.1
7 Inventory valuation	-5.8	-.8	6.5	6.5	-9.8	17.8	11.3	6.0	-8.9	-11.3	-20.0
8 Capital consumption adjustment	32.8	53.5	46.0	56.0	54.2	51.3	46.7	44.0	42.1	48.2	48.0

SOURCE: Survey of Current Business (Department of Commerce).

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1.49 NONFINANCIAL CORPORATIONS Assets and Liabilities¹

Billions of dollars, except for ratio

Account	1980	1981	1982	1983	1984	1985				1986
						Q1	Q2	Q3	Q4	Q1
1 Current assets	1,328.3	1,419.6	1,437.1	1,565.9	1,703.0	1,722.7	1,734.6	1,763.0	1,784.6	1,795.7
2 Cash	127.0	135.6	147.8	171.8	173.6	167.5	167.1	176.3	189.2	195.3
3 U.S. government securities	18.7	17.7	23.0	31.0	36.2	35.7	35.4	32.6	33.0	31.0
4 Notes and accounts receivable	507.5	532.5	517.4	583.0	633.1	650.3	654.1	661.0	671.5	663.4
5 Inventories	543.0	584.0	579.0	603.4	656.9	665.7	666.7	675.0	666.0	679.6
6 Other	132.1	149.7	169.8	186.7	203.2	203.5	211.2	218.0	224.9	226.3
7 Current liabilities	890.6	971.3	986.0	1,059.6	1,163.6	1,174.1	1,182.9	1,211.9	1,233.6	1,222.3
8 Notes and accounts payable	514.4	547.1	550.7	595.7	647.8	636.9	651.7	670.4	682.7	668.4
9 Other	376.2	424.1	435.3	463.9	515.8	537.1	531.2	541.5	550.9	553.9
10 Net working capital	437.8	448.3	451.1	516.3	539.5	548.6	551.7	551.1	551.0	573.4
11 MEMO: Current ratio ²	1.492	1.462	1.459	1.487	1.464	1.467	1.466	1.455	1.447	1.469

1. For a description of this series, see "Working Capital of Nonfinancial Corporations" in the July 1978 BULLETIN, pp. 533-37. Data are not currently available after 1986:1.

2. Ratio of total current assets to total current liabilities.
SOURCE: Federal Trade Commission and Bureau of the Census.

1.50 TOTAL NONFARM BUSINESS EXPENDITURES on New Plant and Equipment ▲

Billions of dollars; quarterly data are at seasonally adjusted annual rates.

Industry	1985	1986 ¹	1987 ¹	1986				1987			
				Q1	Q2	Q3	Q4	Q1	Q2	Q3 ¹	Q4 ¹
1 Total nonfarm business	387.13	379.47	389.07	380.04	376.21	375.50	386.09	374.23	377.65	398.04	406.37
<i>Manufacturing</i>											
2 Durable goods industries	73.27	69.14	71.23	68.71	68.56	69.42	69.87	70.47	68.76	73.24	72.44
3 Nondurable goods industries	80.21	73.56	75.17	76.39	73.62	70.01	74.20	70.18	72.03	77.23	81.22
<i>Nonmanufacturing</i>											
4 Mining	15.88	11.22	10.75	13.13	11.29	10.14	10.31	10.31	11.02	11.06	10.60
<i>Transportation</i>											
5 Railroad	7.08	6.66	6.29	6.50	6.70	7.02	6.41	5.55	5.77	6.79	7.05
6 Air	4.79	6.26	6.70	6.53	5.87	5.78	6.84	7.46	5.72	6.62	7.02
7 Other	6.15	5.89	6.52	5.47	5.83	6.01	6.25	5.97	6.19	7.05	6.88
<i>Public utilities</i>											
8 Electric	36.11	33.91	31.96	34.25	33.77	33.81	33.78	30.85	31.13	32.93	32.95
9 Gas and other	12.71	12.47	12.56	12.92	12.66	12.00	12.34	12.75	12.35	12.66	12.49
10 Commercial and other ²	150.93	160.38	167.89	156.14	157.91	161.31	166.08	160.70	164.69	170.46	175.70

▲Trade and services are no longer being reported separately. They are included in Commercial and other, line 10.

1. Anticipated by business.

2. "Other" consists of construction; wholesale and retail trade; finance and insurance; personal and business services; and communication.

SOURCE: Survey of Current Business (Department of Commerce).

1.51 DOMESTIC FINANCE COMPANIES Assets and Liabilities

Billions of dollars, end of period

Account	1982	1983	1984	1985	1986				1987	
					Q1	Q2	Q3	Q4	Q1	Q2
ASSETS										
Accounts receivable, gross										
1 Consumer.....	75.3	83.3	89.9	113.4	117.2	125.1	137.1	136.5	133.9	136.9
2 Business.....	100.4	113.4	137.8	158.3	165.9	167.7	161.0	174.8	182.8	189.0
3 Real estate.....	18.7	20.5	23.8	28.9	29.9	30.8	32.1	33.7	35.1	36.3
4 Total.....	194.3	217.3	251.5	300.6	312.9	323.6	330.2	345.0	351.8	362.1
Less:										
5 Reserves for unearned income.....	29.9	30.3	33.8	39.2	40.0	40.7	42.4	41.4	40.4	41.2
6 Reserves for losses.....	3.3	3.7	4.2	4.9	5.0	5.1	5.4	5.8	5.9	6.2
7 Accounts receivable, net.....	161.1	183.2	213.5	256.5	268.0	277.8	282.4	297.8	305.5	314.8
8 All other.....	30.4	34.4	35.7	45.3	48.8	48.8	59.9	57.9	59.0	57.0
9 Total assets.....	191.5	217.6	249.2	301.9	316.8	326.6	342.3	355.6	364.5	371.8
LIABILITIES										
10 Bank loans.....	16.5	18.3	20.0	20.6	19.0	19.2	20.2	22.2	17.3	17.2
11 Commercial paper.....	51.4	60.5	73.1	99.2	104.3	108.4	112.8	117.8	119.1	118.7
Debt:										
12 Other short-term.....	11.9	11.1	12.9	12.5	13.4	15.4	16.0	17.2	21.6	24.2
13 Long-term.....	63.7	67.7	77.2	93.1	101.0	105.2	109.8	115.6	118.4	120.4
14 All other liabilities.....	21.6	31.2	34.5	40.9	42.3	40.1	44.1	43.4	46.3	48.1
15 Capital, surplus, and undivided profits.....	26.4	28.9	31.5	35.7	36.7	38.4	39.4	39.4	41.8	43.1
16 Total liabilities and capital.....	191.5	217.6	249.2	301.9	316.8	326.6	342.3	355.6	364.5	371.8

NOTE. Components may not add to totals because of rounding.

1.52 DOMESTIC FINANCE COMPANIES Business Credit

Millions of dollars, seasonally adjusted except as noted

Type	Accounts receivable outstanding July 31, 1987 ¹	Changes in accounts receivable			Extensions			Repayments		
		1987			1987			1987		
		May	June	July	May	June	July	May	June	July
1 Total.....	189,356	2,904	1,714	3,403	28,101	30,390	29,883	25,197	28,677	26,480
<i>Retail financing of installment sales</i>										
2 Automotive (commercial vehicles).....	30,359	739	691	879	1,507	1,259	1,318	768	568	438
3 Business, industrial, and farm equipment.....	23,891	310	623	502	1,460	1,699	1,865	1,150	1,076	1,363
<i>Wholesale financing</i>										
4 Automotive.....	27,817	1,133	298	-173	10,709	11,701	10,704	9,577	11,404	10,877
5 Equipment.....	5,523	-16	115	94	513	591	624	530	476	530
6 All other.....	8,478	75	-256	127	2,964	3,246	3,186	2,889	3,502	3,059
<i>Leasing</i>										
7 Automotive.....	20,876	-78	3	410	1,455	1,171	1,357	1,533	1,168	947
8 Equipment.....	40,041	182	-14	332	838	1,019	1,128	655	1,033	796
9 Loans on commercial accounts receivable and factored commercial accounts receivable.....	17,363	96	-117	853	7,262	8,150	8,344	7,166	8,268	7,490
10 All other business credit.....	15,008	464	371	379	1,394	1,554	1,358	929	1,183	979

These data also appear in the Board's G.20 (422) release. For address, see inside front cover.

1. Not seasonally adjusted.

1.53 MORTGAGE MARKETS

Millions of dollars; exceptions noted.

Item	1984	1985	1986	1987						
				Feb.	Mar.	Apr.	May	June ^f	July	Aug.
Terms and yields in primary and secondary markets										
PRIMARY MARKETS										
Conventional mortgages on new homes										
Terms ¹										
1 Purchase price (thousands of dollars).....	96.8	104.1	118.1	135.6 ^f	130.2 ^f	136.9 ^f	132.9 ^f	131.8	134.6 ^f	141.2
2 Amount of loan (thousands of dollars).....	73.7	77.4	86.2	99.1 ^f	95.0 ^f	100.9 ^f	99.0 ^f	97.5	99.4 ^f	102.6
3 Loan/price ratio (percent).....	78.7	77.1	75.2	75.3 ^f	74.3 ^f	75.2 ^f	76.1 ^f	75.9	75.4 ^f	75.0
4 Maturity (years).....	27.8	26.9	26.6	27.6 ^f	27.1 ^f	27.1 ^f	28.0 ^f	28.0	27.9 ^f	27.8
5 Fees and charges (percent of loan amount) ²	2.64	2.53	2.48	2.21 ^f	2.20 ^f	2.23 ^f	2.26 ^f	2.40	2.42 ^f	2.19
6 Contract rate (percent per annum).....	11.87	11.12	9.82	8.87 ^f	8.77 ^f	8.84 ^f	8.99 ^f	9.05	9.01 ^f	9.01
Yield (percent per year)										
7 FHLMC series ³	12.37	11.58	10.25	9.23 ^f	9.14 ^f	9.21 ^f	9.37 ^f	9.45	9.41 ^f	9.38
8 HUD series ⁴	13.80	12.28	10.07	9.04 ^f	9.19 ^f	10.11 ^f	10.44 ^f	10.29	10.22 ^f	n.a.
SECONDARY MARKETS										
Yield (percent per year)										
9 FHA mortgages (HUD series) ⁵	13.81	12.24	9.91	8.81	8.94	10.02	10.61	10.33	10.38	n.a.
10 GNMA securities ⁶	13.13	11.61	9.30	8.28	8.18	8.85	9.40	9.50	9.59	9.77
Activity in secondary markets										
FEDERAL NATIONAL MORTGAGE ASSOCIATION										
Mortgage holdings (end of period)										
11 Total.....	83,339	94,574	98,048	95,514	95,140	94,404	94,064	94,064	94,154	94,600
12 FHA/VA-insured.....	35,148	34,244	29,683	22,063	21,843	21,765	21,999	21,892	21,730	21,555
13 Conventional.....	48,191	60,331	68,365	73,451	73,297	72,639	72,065	72,173	72,424	73,045
Mortgage transactions (during period)										
14 Purchases.....	16,721	21,510	30,826	979	1,435	2,118	1,718	1,690	1,569	1,613
Mortgage commitments ⁷										
15 Contracted (during period).....	21,007	20,155	32,987	912	2,805	3,208	1,726	1,745	2,373	2,276
16 Outstanding (end of period).....	6,384	3,402	3,386	2,175	3,539	4,421	4,410	4,448	5,071	5,690
FEDERAL HOME LOAN MORTGAGE CORPORATION										
Mortgage holdings (end of period) ⁸										
17 Total.....	9,283	12,399	13,517	12,911	12,940	12,492	12,442	12,598	↑	↑
18 FHA/VA.....	910	841	746	722	717	708	688	382	↑	↑
19 Conventional.....	8,373	11,559	12,771	12,189	12,223	11,784	11,754	11,903	↑	↑
Mortgage transactions (during period)										
20 Purchases.....	21,886	44,012	103,474	7,961	9,394	9,777	7,995	7,864	n.a.	n.a.
21 Sales.....	18,506	38,905	100,236	7,840	9,143	9,848 ^f	7,767	7,447	↓	↓
Mortgage commitments ⁹										
22 Contracted (during period).....	32,603	48,989	110,855	9,197	9,669	8,408	7,182	7,330	↓	↓

1. Weighted averages based on sample surveys of mortgages originated by major institutional lender groups; compiled by the Federal Home Loan Bank Board in cooperation with the Federal Deposit Insurance Corporation.

2. Includes all fees, commissions, discounts, and "points" paid (by the borrower or the seller) to obtain a loan.

3. Average effective interest rates on loans closed, assuming prepayment at the end of 10 years.

4. Average contract rates on new commitments for conventional first mortgages; from Department of Housing and Urban Development.

5. Average gross yields on 30-year, minimum-downpayment, Federal Housing Administration-insured first mortgages for immediate delivery in the private secondary market. Based on transactions on first day of subsequent month. Large monthly movements in average yields may reflect market adjustments to changes in maximum permissible contract rates.

6. Average net yields to investors on Government National Mortgage Association guaranteed, mortgage-backed, fully modified pass-through securities, assuming prepayment in 12 years on pools of 30-year FHA/VA mortgages carrying the prevailing ceiling rate. Monthly figures are averages of Friday figures from the *Wall Street Journal*.

7. Includes some multifamily and nonprofit hospital loan commitments in addition to 1- to 4-family loan commitments accepted in FNMA's free market auction system, and through the FNMA-GNMA tandem plans.

8. Includes participation as well as whole loans.

9. Includes conventional and government-underwritten loans. FHLMC's mortgage commitments and mortgage transactions include activity under mortgage/securities swap programs, while the corresponding data for FNMA exclude swap activity.

1.54 MORTGAGE DEBT OUTSTANDING¹

Millions of dollars, end of period

Type of holder, and type of property	1984	1985	1986	1986			1987	
				Q2	Q3	Q4	Q1	Q2
1 All holders	2,035,238	2,269,173	2,565,867	2,386,022	2,471,574	2,565,867	2,658,942²	2,744,930²
2 1- to 4-family	1,318,545	1,467,409	1,666,357	1,544,392	1,607,799	1,666,357	1,709,863 ³	1,770,953 ³
3 Multifamily	185,604	214,045	246,879	229,405	237,661	246,879	259,309 ³	266,913 ³
4 Commercial	419,444	482,029	555,825	511,038	526,535	555,825	596,507 ³	615,264 ³
5 Farm	111,645	105,690	96,806	101,187	99,579	96,806	93,263 ³	91,800 ³
6 Selected financial institutions	1,269,702	1,390,394	1,506,422	1,435,437	1,464,213	1,506,422	1,557,014³	1,600,779³
7 Commercial banks ²	379,498	429,196	502,534	456,163	474,658	502,534	517,271	542,575
8 1- to 4-family	196,163	213,434	235,814	221,640	228,593	235,814	241,512	251,701
9 Multifamily	20,264	23,373	31,173	26,799	28,623	31,173	31,745	33,585
10 Commercial	152,894	181,032	222,799	195,484	204,996	222,799	230,771	243,399
11 Farm	10,177	11,357	12,748	12,240	12,446	12,748	13,243	13,890
12 Savings institutions ³	709,718	760,499	777,312	768,435	772,175	777,312	809,967	823,217
13 1- to 4-family	528,791	554,301	558,412	556,039	557,938	558,412	557,065	567,262
14 Multifamily	75,567	89,739	97,059	92,563	94,227	97,059	103,698	105,649
15 Commercial	104,896	115,771	121,236	119,195	119,406	121,236	148,688	149,804
16 Farm	464	688	605	638	604	605	516	502
17 Life insurance companies.....	156,699	171,797	192,975	180,041	185,269	192,975	194,689 ³	198,089 ³
18 1- to 4-family	14,120	12,381	12,763	12,608	12,927	12,763	12,832 ³	12,832 ³
19 Multifamily	18,938	19,894	20,847	20,181	20,709	20,847	20,820 ³	20,820 ³
20 Commercial	111,175	127,670	148,367	135,924	140,213	148,367	150,592 ³	154,192 ³
21 Farm	12,466	11,852	10,998	11,328	11,420	10,998	10,445 ³	10,245 ³
22 Finance companies ⁴	23,787	28,902	33,601	30,798	32,111	33,601	35,087	36,898
23 Federal and related agencies	158,993	166,928	203,800	161,398	159,505	203,800	199,509	196,498³
24 Government National Mortgage Association.....	2,301	1,473	889	876	887	889	687	665
25 1- to 4-family	585	539	47	49	48	47	46	45
26 Multifamily	1,716	934	842	827	839	842	641	620
27 Farmers Home Administration.....	1,276	733	48,421	570	457	48,421	48,203	48,085
28 1- to 4-family	213	183	21,625	146	132	21,625	21,390	21,157
29 Multifamily	119	113	7,608	66	57	7,608	7,710	7,808
30 Commercial	497	159	8,446	111	115	8,446	8,463	8,553
31 Farm	447	278	10,742	247	153	10,742	10,640	10,567
32 Federal Housing and Veterans Administration.....	4,816	4,920	5,047	5,094	4,966	5,047	5,177	5,254
33 1- to 4-family	2,048	2,254	2,386	2,449	2,331	2,386	2,447	2,504
34 Multifamily	2,768	2,666	2,661	2,645	2,635	2,661	2,730	2,750
35 Federal National Mortgage Association.....	87,940	98,282	97,895	97,295	97,717	97,895	95,140	94,064
36 1- to 4-family	82,175	91,966	90,718	90,460	90,508	90,718	88,106	87,013
37 Multifamily	5,765	6,316	7,177	6,835	7,209	7,177	7,034	7,051
38 Federal Land Banks.....	52,261	47,498	39,984	43,369	42,119	39,984	37,362	35,833 ³
39 1- to 4-family	3,074	2,798	2,353	2,552	2,478	2,353	2,198	2,108 ³
40 Farm	49,187	44,700	37,631	40,817	39,641	37,631	35,164	33,725 ³
41 Federal Home Loan Mortgage Corporation.....	10,399	14,022	11,564	14,194	13,359	11,564	12,940	12,597 ³
42 1- to 4-family	9,654	11,881	10,010	11,890	11,127	10,010	11,774	11,172 ³
43 Multifamily	745	2,141	1,554	2,304	2,232	1,554	1,166	1,425 ³
44 Mortgage pools or trusts⁶	332,057	415,042	529,763	475,615	522,721	529,763	571,705	612,408³
45 Government National Mortgage Association.....	179,981	212,145	260,869	229,204	241,230	260,869	277,386	290,512
46 1- to 4-family	175,589	207,198	255,132	223,838	235,664	255,132	271,065	283,892
47 Multifamily	4,392	4,947	5,737	5,366	5,566	5,737	6,321	6,620
48 Federal Home Loan Mortgage Corporation.....	70,822	100,387	171,372	125,903	146,871	171,372	186,295	200,284 ³
49 1- to 4-family	70,253	99,515	166,667	123,676	143,734	166,667	180,602	194,238 ³
50 Multifamily	569	872	4,705	2,227	3,137	4,705	5,693	6,046 ³
51 Federal National Mortgage Association.....	36,215	54,987	97,174	72,377	86,359	97,174	107,673	121,270
52 1- to 4-family	35,965	54,036	95,791	71,153	85,171	95,791	106,068	119,540
53 Multifamily	250	951	1,383	1,224	1,188	1,383	1,605	1,730
54 Farmers Home Administration.....	45,039	47,523	348	48,131	48,261	348	351	342
55 1- to 4-family	21,813	22,186	142	21,987	21,782	142	154	149
56 Multifamily	5,841	6,675	n.a.	7,170	7,353	n.a.	n.a.	n.a.
57 Commercial	7,559	8,190	132	8,347	8,409	132	127	126
58 Farm	9,826	19,472	74	10,627	10,717	74	70	67
59 Individuals and others⁷	274,486	296,809	325,882	313,572	325,135	325,882	330,714	335,245
60 1- to 4-family	154,315	165,835	180,896	175,107	183,255	180,896	179,517	180,442
61 Multifamily	48,670	55,424	66,133	61,198	63,886	66,133	70,146	72,809
62 Commercial	42,423	49,207	54,845	51,977	53,396	54,845	57,866	59,190
63 Farm	29,078	26,343	24,008	25,290	24,598	24,008	23,185	22,804

1. Based on data from various institutional and governmental sources, with some quarters estimated in part by the Federal Reserve. Multifamily debt refers to loans on structures of five or more units.

2. Includes loans held by nondeposit trust companies but not bank trust departments.

3. Includes savings banks and savings and loan associations. Beginning 1987:1, data reported by FSLIC-insured institutions include loans in process and other contra assets.

4. Assumed to be entirely 1- to 4-family loans.

5. FmHA-guaranteed securities sold to the Federal Financing Bank were reallocated from FmHA mortgage pools to FmHA mortgage holdings in 1986: 4, because of accounting changes by the Farmers Home Administration.

6. Outstanding principal balances of mortgage pools backing securities insured or guaranteed by the agency indicated.

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 other U.S. agencies.

1.55 CONSUMER INSTALLMENT CREDIT^{1,4} Total Outstanding, and Net Change, seasonally adjusted

Millions of dollars

Holder, and type of credit	1985	1986	1986		1987						
			Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June ²	July
Amounts outstanding (end of period)											
1 Total	522,805	577,784	577,656	577,784	578,578	579,591	579,913	583,595	583,276	587,821	591,276
<i>By major holder</i>											
2 Commercial banks	242,084	261,604	262,949	261,604	261,694	262,105	261,933	263,433	263,463	264,396	264,996
3 Finance companies ³	113,070	136,494	136,314	136,494	135,802	136,009	136,050	137,091	136,398	138,038	138,745
4 Credit unions	72,119	77,857	77,508	77,857	78,284	78,492	78,569	79,255	79,476	80,585	81,682
5 Retailers ³	38,864	40,586	40,496	40,586	40,617	40,644	40,469	40,467	40,318	40,287	40,364
6 Savings institutions	52,433	58,037	57,168	58,037	58,906	59,031	59,488	59,826	60,045	60,983	61,910
7 Gasoline companies	4,235	3,205	3,221	3,205	3,272	3,311	3,405	3,522	3,576	3,532	3,580
<i>By major type of credit</i>											
8 Automobile	208,057	245,055	243,005	245,055	245,472	246,064	246,290	247,663	247,578	250,130	251,081
9 Commercial banks	93,003	100,709	100,221	100,709	101,389	101,688	101,528	101,781	102,189	102,810	102,834
10 Credit unions	35,635	39,029	38,854	39,029	39,243	39,347	39,386	39,730	39,841	40,396	40,946
11 Finance companies	70,091	93,274	92,188	93,274	92,617	92,780	93,032	93,738	93,089	94,270	94,455
12 Savings institutions	9,328	12,043	11,742	12,043	12,223	12,249	12,344	12,414	12,459	12,654	12,846
13 Revolving	122,021	134,938	134,391	134,938	134,916	135,663	135,166	136,706	136,869	137,401	138,704
14 Commercial banks	75,866	85,652	85,426	85,652	85,395	86,053	85,567	86,929	87,133	87,590	88,643
15 Retailers	34,695	36,240	36,137	36,240	36,277	36,308	36,141	36,139	36,009	35,971	36,021
16 Gasoline companies	4,235	3,205	3,221	3,205	3,272	3,311	3,405	3,522	3,576	3,532	3,580
17 Savings institutions	5,705	7,713	7,529	7,713	7,829	7,845	7,906	7,951	7,980	8,105	8,228
18 Credit unions	1,520	2,128	2,078	2,128	2,139	2,145	2,147	2,166	2,172	2,202	2,232
19 Mobile home	25,488	25,710	25,731	25,710	25,852	25,789	25,614	25,626	25,542	25,685	25,858
20 Commercial banks	9,538	8,812	8,951	8,812	8,787	8,739	8,725	8,698	8,615	8,609	8,624
21 Finance companies	9,391	9,028	9,091	9,028	9,077	9,045	8,816	8,785	8,785	8,807	8,839
22 Savings institutions	6,559	7,870	7,689	7,870	7,988	8,005	8,067	8,112	8,142	8,269	8,395
23 Other	167,239	172,081	174,529	172,081	172,338	172,076	172,844	173,600	173,287	174,605	175,633
24 Commercial banks	63,677	66,431	68,351	66,431	66,122	65,625	66,113	66,026	65,527	65,387	64,895
25 Finance companies	33,588	34,192	35,035	34,192	34,108	34,183	34,196	34,537	34,524	34,962	35,452
26 Credit unions	34,964	36,700	36,576	36,700	36,901	36,999	37,036	37,359	37,463	37,986	38,503
27 Retailers	4,169	4,346	4,359	4,346	4,340	4,336	4,327	4,328	4,310	4,315	4,343
28 Savings institutions	30,841	30,412	30,208	30,412	30,867	30,932	31,172	31,349	31,463	31,955	32,441
Net change (during period)											
29 Total	76,622	54,979	782	128	794	1,013	322	3,682	-319	4,545	3,455
<i>By major holder</i>											
30 Commercial banks	32,926	19,520	2,009	-1,345	90	411	-172	1,500	30	933	600
31 Finance companies ³	23,566	23,424	-1,724	180	-692	207	41	1,041	-693	1,640	707
32 Credit unions	6,493	5,738	513	349	427	208	77	686	221	1,109	1,097
33 Retailers ³	1,660	1,722	-69	90	31	27	-175	-2	-149	-31	77
34 Savings institutions	12,103	5,604	122	869	869	125	457	338	219	938	927
35 Gasoline companies	-126	-1,030	-68	-16	71	35	94	117	54	-44	48
<i>By major type of credit</i>											
36 Automobile	35,705	36,998	-395	2,050	417	592	226	1,373	-85	2,552	951
37 Commercial banks	9,103	7,706	836	488	680	299	-160	253	408	621	24
38 Credit unions	5,330	3,394	257	175	214	104	39	344	111	555	550
39 Finance companies	17,840	23,183	-1,598	1,086	-657	163	252	706	-649	1,181	185
40 Savings institutions	3,432	2,715	110	301	180	26	95	70	45	195	192
41 Revolving	22,401	12,917	575	547	-22	747	-497	1,540	163	532	1,303
42 Commercial banks	17,721	9,786	558	226	-257	658	-486	1,362	204	457	1,053
43 Retailers	1,488	1,545	-53	103	37	31	-167	-2	-130	-38	50
44 Gasoline companies	-126	-1,030	-68	-16	71	35	94	117	54	-44	48
45 Savings institutions	2,771	2,008	84	184	116	16	61	45	29	125	123
46 Credit unions	547	608	54	50	11	6	2	19	6	30	30
47 Mobile home	778	222	-53	-21	142	-63	-175	12	-84	143	173
48 Commercial banks	-85	-726	-74	-139	-25	-48	-14	-27	-83	-6	15
49 Finance companies	-405	363	-58	-63	49	-32	-222	-7	-31	22	32
50 Savings institutions	1,268	1,311	79	181	118	17	62	45	30	127	126
51 Other	17,738	4,842	655	-2,448	257	-262	768	756	-313	1,318	1,028
52 Commercial banks	6,187	2,754	689	-1,920	-309	-497	488	-87	-499	-140	-492
53 Finance companies	6,131	604	-69	-843	-84	75	13	341	-13	438	490
54 Credit unions	616	1,736	202	124	201	98	37	323	104	523	517
55 Retailers	172	177	-16	-13	-6	-4	-9	1	-18	5	28
56 Savings institutions	4,632	-429	-151	204	455	65	240	177	114	492	486

1. The Board's series cover most short- and intermediate-term credit extended to individuals that is scheduled to be repaid (or has the option of repayment) in two or more installments.

2. More detail for finance companies is available in the G.20 statistical release.

3. Excludes 30-day charge credit held by travel and entertainment companies.

4. All data have been revised.

1.56 TERMS OF CONSUMER INSTALLMENT CREDIT

Percent unless noted otherwise

Item	1984	1985	1986	1987						
				Jan.	Feb.	Mar.	Apr.	May	June	July
INTEREST RATES										
Commercial banks ¹										
1 48-month new car ²	13.71	12.91	11.33	n.a.	10.35	n.a.	n.a.	10.23	n.a.	n.a.
2 24-month personal	16.47	15.94	14.82	n.a.	14.10	n.a.	n.a.	14.00	n.a.	n.a.
3 120-month mobile home	15.58	14.96	13.99	n.a.	13.42	n.a.	n.a.	13.23	n.a.	n.a.
4 Credit card	18.77	18.69	18.26	n.a.	18.10	n.a.	n.a.	17.92	n.a.	n.a.
Auto finance companies										
5 New car	14.62	11.98	9.44	11.65	10.78	10.59	10.81	10.69	10.64	10.52
6 Used car	17.85	17.59	15.95	14.62	14.56	14.40	14.49	14.45	14.47	14.53
OTHER TERMS³										
Maturity (months)										
7 New car	48.3	51.5	50.0	53.8	53.6	53.7	54.3	53.5	53.6	53.4
8 Used car	39.7	41.4	42.6	44.8	44.7	44.9	45.0	45.2	45.4	45.5
Loan-to-value ratio										
9 New car	88	91	91	94	94	94	94	93	93	93
10 Used car	92	94	97	98	99	99	98	98	98	98
Amount financed (dollars)										
11 New car	9,333	9,915	10,665	10,902	10,602	10,641	10,946	11,176	11,214	11,267
12 Used car	5,691	6,089	6,555	7,067	7,075	7,145	7,234	7,373	7,479	7,527

1. Data for midmonth of quarter only.
 2. Before 1983 the maturity for new car loans was 36 months, and for mobile home loans was 84 months.

3. At auto finance companies.
 NOTE: These data also appear in the Board's G.19 (421) release. For address, see inside front cover.

A42 Domestic Financial Statistics □ November 1987

1.57 FUNDS RAISED IN U.S. CREDIT MARKETS

Billions of dollars; half-yearly data are at seasonally adjusted annual rates.

Transaction category, sector	1981	1982	1983	1984	1985	1986	1984		1985		1986	
							H1	H2	H1	H2	H1	H2
Nonfinancial sectors												
1 Total net borrowing by domestic nonfinancial sectors	375.8	387.4	548.8	756.3	869.3	834.0	727.8	784.8	732.6	1,006.1	706.0	962.5
<i>By sector and instrument</i>												
2 U.S. government	87.4	161.3	186.6	198.8	223.6	214.3	181.3	216.3	201.8	245.5	211.3	217.5
3 Treasury securities	87.8	162.1	186.7	199.0	223.7	214.7	181.5	216.4	201.9	245.5	211.4	218.0
4 Agency issues and mortgages	-.5	-.9	-.1	-.2	-.1	-.3	-.2	-.1	-.1	-.1	-.1	-.5
5 Private domestic nonfinancial sectors	288.5	226.2	362.2	557.5	645.7	619.6	546.5	568.5	530.8	760.6	494.7	745.0
6 Debt capital instruments	155.5	148.3	252.8	314.0	461.7	461.7	298.4	329.6	355.4	568.0	392.3	531.2
7 Tax-exempt obligations	23.4	44.2	53.7	50.4	152.4	49.5	42.8	58.0	67.5	237.3	15.9	83.0
8 Corporate bonds	22.8	18.7	16.0	46.1	73.9	113.7	31.2	61.1	72.7	75.1	137.0	90.4
9 Mortgages	109.3	85.4	183.0	217.5	235.4	298.5	224.5	210.5	215.2	255.7	239.3	357.7
10 Home mortgages	72.2	50.5	117.1	129.9	150.3	199.2	135.2	124.7	133.1	167.5	156.1	242.3
11 Multifamily residential	4.8	5.4	14.1	25.1	29.2	33.0	27.5	22.7	24.6	33.7	30.8	35.1
12 Commercial	22.2	25.2	49.0	63.3	62.4	73.7	62.9	63.7	60.3	64.4	59.7	87.7
13 Farm	10.0	4.2	2.8	-.8	-.6	-.4	-.1	-.5	-.2	-.8	-.4	-.4
14 Other debt instruments	133.0	77.9	109.5	243.5	184.0	157.9	248.1	238.9	175.4	192.6	102.4	213.9
15 Consumer credit	22.6	17.7	56.8	95.0	96.6	65.8	98.7	91.3	97.3	95.9	70.6	61.6
16 Bank loans n.e.c.	57.0	52.9	25.8	80.1	41.3	71.0	91.9	68.4	24.9	57.7	17.6	124.4
17 Open market paper	14.7	-.6	-.8	21.7	14.6	-.3	24.8	18.7	12.3	16.9	-.5	-.3
18 Other	38.7	13.4	27.7	46.6	31.4	30.3	32.7	60.5	40.9	22.0	29.9	30.7
19 By borrowing sector	288.5	226.2	362.2	557.5	645.7	619.6	546.5	568.5	530.8	760.6	494.7	745.0
20 State and local governments	6.8	21.5	34.0	27.4	107.8	59.4	25.2	29.6	56.8	158.7	35.7	83.2
21 Households	121.4	88.4	188.0	239.5	295.0	282.1	232.8	246.2	253.6	336.4	222.4	342.3
22 Farm	16.6	6.8	4.3	-.1	-13.6	14.4	-.4	-.5	-.5	-.1	-.1	-13.7
23 Nonfarm noncorporate	38.5	40.2	76.6	97.1	92.8	114.6	101.4	92.7	85.6	99.9	94.4	134.7
24 Corporate	105.2	69.2	59.3	193.4	163.7	178.0	187.4	199.5	140.7	186.8	157.3	198.6
25 Foreign net borrowing in United States	23.5	16.0	17.4	6.1	1.7	9.7	35.5	-23.3	-4.1	7.5	24.3	-5.0
26 Bonds	5.4	6.7	3.1	1.3	4.0	3.2	1.1	1.5	5.5	2.6	7.1	-.8
27 Bank loans n.e.c.	3.0	-5.5	3.6	-6.6	-2.8	-1.0	-2.2	-11.1	-6.1	-.4	1.4	-3.5
28 Open market paper	3.9	1.9	6.5	6.2	6.2	11.5	18.0	-5.6	4.2	8.2	20.6	2.4
29 U.S. government loans	11.1	13.0	4.1	5.3	-5.7	-4.0	18.7	-8.1	-7.8	-3.6	-4.8	-3.1
30 Total domestic plus foreign	399.3	403.4	566.2	762.4	871.0	843.6	763.3	761.5	728.4	1,013.5	730.3	957.6
Financial sectors												
31 Total net borrowing by financial sectors	101.9	90.1	94.0	139.0	186.9	248.4	134.2	143.8	154.8	218.9	185.9	310.9
<i>By instrument</i>												
32 U.S. government related	47.4	64.9	67.8	74.9	101.5	173.7	69.8	80.0	92.9	110.2	129.5	217.8
33 Sponsored credit agency securities	30.5	14.9	1.4	30.4	20.6	12.6	29.1	31.8	25.3	15.9	4.4	20.8
34 Mortgage pool securities	15.0	49.5	66.4	44.4	79.9	161.4	40.7	48.2	67.6	92.1	124.3	198.6
35 Loans from U.S. government	1.9	-.4	.....	.....	1.1	-.4	.....	.....	.....	2.2	8	-1.5
36 Private financial sectors	54.5	25.2	26.2	64.1	85.3	74.8	64.4	63.8	61.9	108.8	56.4	93.1
37 Corporate bonds	4.4	12.5	12.1	23.3	36.5	26.6	17.3	29.3	35.3	37.7	25.5	27.7
38 Mortgages	*	1	*	4	1	1	4	4	*	1	6	4
39 Bank loans n.e.c.	1.2	1.9	-.1	7	2.6	4.0	-.1	1.4	9	4.2	2.4	5.6
40 Open market paper	32.7	9.9	21.3	24.1	32.0	24.2	31.1	17.0	13.9	50.1	14.4	34.1
41 Loans from Federal Home Loan Banks	16.2	8	-7.0	15.7	14.2	19.8	15.7	15.7	11.7	16.7	13.5	26.2
<i>By sector</i>												
42 Sponsored credit agencies	32.4	15.3	1.4	30.4	21.7	12.2	29.1	31.8	25.3	18.1	5.2	19.3
43 Mortgage pools	15.0	49.5	66.4	44.4	79.9	161.4	40.7	48.2	67.6	92.1	124.3	198.6
44 Private financial sectors	54.5	25.2	26.2	64.1	85.3	74.8	64.4	63.8	61.9	108.8	56.4	93.1
45 Commercial banks	11.6	11.7	5.0	7.3	4.9	-3.6	15.4	9	-9.2	-6	-6.7	-5
46 Bank affiliates	9.2	6.8	12.1	15.6	14.5	4.5	23.7	7.5	13.7	15.3	1.7	7.4
47 Savings and loan associations	15.5	2.5	-2.1	22.7	22.3	29.2	20.2	25.1	12.1	32.6	23.1	35.3
48 Finance companies	18.5	4.3	11.4	17.8	52.8	44.1	4.3	31.3	44.8	60.9	37.5	50.6
49 REITs	-.2	*	-.2	8	5	6	8	8	5	5	9	3
All sectors												
50 Total net borrowing	501.3	493.5	660.2	901.4	1057.8	1092.1	897.5	905.3	833.3	1,232.4	916.2	1268.5
51 U.S. government securities	133.0	225.9	254.4	273.8	324.2	388.4	251.2	296.4	294.8	353.5	340.0	436.9
52 State and local obligations	23.4	44.2	53.7	50.4	152.4	49.5	42.8	58.0	67.5	237.3	15.9	83.0
53 Corporate and foreign bonds	32.6	37.8	31.2	70.7	114.4	143.5	49.6	91.9	113.5	115.3	169.6	117.4
54 Mortgages	109.2	85.4	183.0	217.8	235.4	298.6	224.8	210.8	215.2	255.7	239.9	357.3
55 Consumer credit	22.6	17.7	56.8	95.0	96.6	65.8	98.7	91.3	97.3	95.9	70.6	61.6
56 Bank loans n.e.c.	61.2	49.3	29.3	74.2	41.0	74.0	89.6	58.8	19.8	62.3	21.4	126.6
57 Open market paper	51.3	5.7	26.9	52.0	52.8	26.4	73.8	30.1	30.4	75.2	19.3	33.4
58 Other loans	68.0	27.6	24.8	67.6	41.0	45.8	67.1	68.1	44.8	37.3	39.4	52.3
External corporate equity funds raised in United States												
50 Total new share issues	-3.3	33.6	67.0	-31.1	37.5	119.5	-40.1	-22.2	33.3	41.6	146.8	92.3
60 Mutual funds	6.0	16.8	32.1	38.0	103.4	191.7	39.3	36.6	93.6	113.1	198.7	184.6
61 All other	-9.3	16.8	34.9	-69.1	-65.9	-72.1	-79.4	-58.8	-60.4	-71.5	-52.0	-92.3
62 Nonfinancial corporations	-11.5	11.4	28.3	-77.0	-81.6	-80.8	-84.5	69.4	-75.7	-87.5	-68.7	-92.7
63 Financial corporations	1.9	4.0	2.7	6.7	11.7	7.0	5.9	7.6	11.0	12.4	8.3	5.7
64 Foreign shares purchased in United States	.3	1.5	3.9	1.2	4.0	1.6	-.7	3.0	4.3	3.6	8.5	-5.3

1.58 DIRECT AND INDIRECT SOURCES OF FUNDS TO CREDIT MARKETS

Billions of dollars, except as noted; half-yearly data are at seasonally adjusted annual rates.

Transaction category, or sector	1981	1982	1983	1984	1985	1986	1984		1985		1986	
							H1	H2	H1	H2	H1	H2
1 Total funds advanced in credit markets to domestic nonfinancial sectors	375.8	387.4	548.8	756.3	869.3	834.0	727.8	784.8	732.6	1,006.1	706.0	962.5
<i>By public agencies and foreign</i>												
2 Total net advances	104.4	115.4	115.3	154.6	203.3	311.1	132.5	176.6	201.8	204.9	267.6	354.5
3 U.S. government securities	17.1	22.7	27.6	36.0	47.2	87.8	26.8	45.2	53.1	41.3	85.4	90.1
4 Residential mortgages	23.5	61.0	76.1	56.5	94.6	158.5	52.7	60.2	85.6	103.7	121.0	196.0
5 FHLB advances to savings and loans	16.2	.8	-7.0	15.7	14.2	19.8	15.7	15.7	11.7	16.7	13.5	26.2
6 Other loans and securities	47.7	30.8	18.6	46.5	47.3	45.0	37.5	55.5	51.4	43.2	47.7	42.3
Total advanced, by sector												
7 U.S. government	24.0	15.9	9.7	17.4	17.8	10.9	9.0	25.7	28.8	6.7	12.9	9.0
8 Sponsored credit agencies	48.2	65.5	69.8	73.3	101.5	176.6	74.0	72.5	98.2	104.9	135.3	217.9
9 Monetary authorities	9.2	9.8	10.9	8.4	21.6	30.2	8.8	8.0	23.7	19.5	9.8	50.6
10 Foreign	23.0	24.1	24.9	55.5	62.4	93.4	40.7	70.4	51.0	73.8	109.7	77.1
Agency and foreign borrowing not in line 1												
11 Sponsored credit agencies and mortgage pools	47.4	64.9	67.8	74.9	101.5	173.7	69.8	80.0	92.9	110.2	129.5	217.8
12 Foreign	23.5	16.0	17.4	6.1	1.7	9.7	35.5	-23.3	-4.1	7.5	24.3	-5.0
<i>Private domestic funds advanced</i>												
13 Total net advances	342.3	352.9	518.7	682.7	769.2	706.2	700.5	664.9	619.6	918.8	592.1	820.9
14 U.S. government securities	115.9	203.1	226.9	237.8	277.0	300.6	224.4	251.2	241.7	312.2	254.5	346.8
15 State and local obligations	23.4	44.2	53.7	30.4	152.4	49.5	42.8	58.0	67.5	237.3	15.9	83.0
16 Corporate and foreign bonds	19.8	14.8	14.6	32.6	41.2	79.0	25.6	39.6	49.7	32.7	104.2	53.9
17 Residential mortgages	53.5	-5.3	55.0	98.5	84.8	73.7	109.9	87.0	72.0	37.5	65.9	81.4
18 Other mortgages and loans	145.9	96.9	161.5	279.1	228.1	223.2	313.6	244.7	200.4	255.9	165.0	281.9
19 Less: Federal Home Loan Bank advances	16.2	.8	-7.0	15.7	14.2	19.8	15.7	15.7	11.7	16.7	13.5	26.2
<i>Private financial intermediation</i>												
20 Credit market funds advanced by private financial institutions	320.2	261.9	391.9	550.5	554.4	647.9	581.8	519.1	471.3	637.4	572.4	724.0
21 Commercial banking	106.5	110.2	144.3	168.9	186.3	194.8	184.2	153.5	133.8	238.8	106.9	283.0
22 Savings institutions	26.2	21.8	135.6	149.2	83.4	105.3	173.5	124.9	63.0	103.9	101.4	109.3
23 Insurance and pension funds	93.5	86.2	97.8	124.0	141.0	137.2	144.5	103.5	121.8	160.1	128.6	145.9
24 Other finance	94.0	43.7	14.1	108.3	143.6	210.5	79.5	137.2	157.2	134.5	235.6	185.8
25 Sources of funds	320.2	261.9	391.9	550.5	554.4	647.9	581.8	519.1	471.3	637.4	572.4	724.0
26 Private domestic deposits and RPs	214.5	195.2	212.2	317.6	204.8	242.3	300.2	334.9	203.0	206.6	224.5	260.3
27 Credit market borrowing	54.5	25.2	26.2	64.1	85.3	74.8	64.4	63.8	61.9	108.8	56.4	93.1
28 Other sources	51.2	41.5	153.4	168.8	264.2	330.8	217.2	120.4	206.5	322.0	291.5	370.5
29 Foreign funds	-23.7	-31.4	16.3	5.4	17.7	12.4	3.0	7.8	11.2	24.3	9.9	24.0
30 Treasury balances	-1.1	6.1	-5.3	4.0	10.3	1.7	-1.1	8.2	14.4	6.1	-5.5	9.0
31 Insurance and pension reserves	89.6	92.5	110.6	112.5	107.0	120.0	146.5	78.5	97.4	116.6	104.5	135.5
32 Other, net	-13.6	-25.7	31.8	46.8	129.2	196.6	67.8	25.9	83.5	175.0	191.5	202.1
<i>Private domestic nonfinancial investors</i>												
33 Direct lending in credit markets	76.6	116.3	153.0	196.4	300.2	133.1	183.1	209.6	210.2	390.2	76.1	190.0
34 U.S. government securities	37.1	69.9	95.5	132.9	150.9	81.0	142.2	123.6	130.8	171.0	41.4	120.9
35 State and local obligations	11.1	25.0	39.0	29.6	59.2	17.8	25.0	34.3	20.5	98.0	-21.8	57.4
36 Corporate and foreign bonds	-4.0	2.0	-12.7	-3.4	13.2	12.3	-26.8	19.9	25.4	1.0	49.3	-24.7
37 Open market paper	1.4	-1.3	15.1	-8.9	51.8	1.4	15.7	2.2	7.3	96.3	-13.8	16.7
38 Other	31.0	20.6	16.2	28.3	25.1	20.6	26.9	29.7	26.3	24.0	21.0	19.8
39 Deposits and currency	222.4	204.5	229.7	321.1	215.1	262.7	311.3	330.9	215.9	214.3	241.6	284.0
40 Currency	9.5	9.7	14.3	8.6	12.4	14.4	13.1	4.1	15.8	9.0	10.9	17.9
41 Checkable deposits	18.5	18.6	28.8	27.8	42.0	99.4	29.4	26.3	18.2	65.8	83.1	115.9
42 Small time and savings accounts	47.3	135.7	215.3	150.7	137.5	123.1	136.4	164.9	167.1	108.0	119.5	126.7
43 Money market fund shares	107.5	24.7	-44.1	47.2	-2.2	20.8	30.2	64.2	4.2	-8.6	29.0	12.7
44 Large time deposits	36.0	5.2	-6.3	84.9	14.0	-8.2	93.4	76.5	-8	28.9	9	-17.3
45 Security RPs	5.2	11.1	18.5	7.0	13.4	7.2	10.8	3.1	14.3	12.5	-7.9	22.3
46 Deposits in foreign countries	-1.7	-4	3.1	-5.1	-2.1	6.0	-2.0	-8.2	-2.9	-1.3	6.2	5.7
47 Total of credit market instruments, deposits and currency	299.0	320.7	382.7	517.4	515.3	395.8	494.4	540.5	426.0	604.5	317.8	474.0
48 Public holdings as percent of total	26.2	28.6	20.4	20.3	23.3	36.9	17.4	23.2	27.7	20.2	36.6	37.0
49 Private financial intermediation (in percent)	93.6	74.2	75.5	80.6	72.1	91.7	83.1	78.1	76.1	69.4	96.7	88.2
50 Total foreign funds	-7	-7.3	41.3	60.9	80.1	105.8	43.7	78.2	62.2	98.1	110.5	101.1
MEMO: Corporate equities not included above												
51 Total net issues	-3.3	33.6	67.0	-31.1	37.5	119.5	-40.1	-22.2	33.3	41.6	146.8	92.3
52 Mutual fund shares	6.0	16.8	32.1	38.0	103.4	191.7	39.3	36.6	93.6	113.1	198.7	184.6
53 Other equities	-9.3	16.8	34.9	-69.1	-65.9	-72.1	-79.4	-58.8	-60.4	-71.5	-52.0	-92.3
54 Acquisitions by financial institutions	19.9	27.6	46.8	8.2	33.3	25.2	-4.1	20.6	54.0	12.6	35.4	15.1
55 Other net purchases	-23.2	6.0	20.2	-39.4	4.1	94.3	-36.0	-42.7	-20.7	29.0	111.4	77.2

NOTES BY LINE NUMBER.

- Line 1 of table 1.57.
- Sum of lines 3-6 or 7-10.
- Includes farm and commercial mortgages.
- Credit market funds raised by federally sponsored credit agencies, and net issues of federally related mortgage pool securities.
- Line 1 less line 2 plus line 11 and 12. Also line 20 less line 27 plus line 33. Also sum of lines 28 and 47 less lines 40 and 46.
- Includes farm and commercial mortgages.
- Line 39 less lines 40 and 46.
- Excludes equity issues and investment company shares. Includes line 19.
- Foreign deposits at commercial banks, bank borrowings from foreign branches, and liabilities of foreign banking agencies to foreign affiliates, less claims on foreign affiliates and deposits by banking in foreign banks.
- Demand deposits and note balances at commercial banks.

31. Excludes net investment of these reserves in corporate equities.

32. Mainly retained earnings and net miscellaneous liabilities.

33. Line 13 less line 20 plus line 27.

34-38. Lines 14-18 less amounts acquired by private finance plus amounts borrowed by private finance. Line 38 includes mortgages.

40. Mainly an offset to line 9.

47. Lines 33 plus 39, or line 13 less line 28 plus 40 and 46.

48. Line 2/line 1.

49. Line 20/line 13.

50. Sum of lines 10 and 29.

51, 53. Includes issues by financial institutions.

NOTE: Full statements for sectors and transaction types in flows and in amounts outstanding may be obtained from Flow of Funds Section, Division of Research and Statistics, Board of Governors of the Federal Reserve System, Washington, D.C. 20551.

2.10 NONFINANCIAL BUSINESS ACTIVITY Selected Measures¹

1977 = 100; monthly and quarterly data are seasonally adjusted. Exceptions noted.

Measure	1984	1985	1986	1986	1987							
				Dec.	Jan.	Feb.	Mar.	Apr.	May'	June'	July'	Aug.
1 Industrial production	121.4	123.8	125.1	126.7	126.5	127.2	127.3	127.4	128.4	129.2	130.3	130.7
<i>Market groupings</i>												
2 Products, total	126.7	130.8	133.2	135.0	134.9	136.1	136.2	135.7	137.2	138.0	138.9	139.4
3 Final, total	127.3	131.1	132.3	133.7	133.6	135.0	135.0	134.5	135.8	136.6	137.3	138.0
4 Consumer goods	118.0	120.2	124.5	127.2	126.8	127.5	127.5	126.6	128.2	128.6	129.3	129.5
5 Equipment	139.6	145.4	142.7	142.2	142.8	144.9	145.0	144.9	145.8	147.1	147.9	149.3
6 Intermediate	124.7	130.0	136.4	139.7	139.1	139.7	140.4	139.9	142.1	142.8	144.2	144.1
7 Materials	114.2	114.2	113.9	115.2	115.2	115.1	115.2	116.2	116.3	117.2	118.6	118.9
<i>Industry groupings</i>												
8 Manufacturing	123.4	126.4	129.1	131.1	131.1	132.0	132.3	132.4	133.3	133.8	135.0	135.4
Capacity utilization (percent) ²												
9 Manufacturing	80.5	80.1	79.8	80.0	79.9	80.3	80.3	80.2	80.5	80.7	81.2	81.3
10 Industrial materials industries	82.0	80.2	78.5	78.9	78.8	78.7	78.7	79.2	79.2	79.8	80.6	80.7
11 Construction contracts (1982 = 100) ³	135.0	148.0	155.0	155.0	155.0	151.0	165.0	162.0	149.0	161.0	163.0	175.0
12 Nonagricultural employment, total ⁴	114.6	118.3	120.8	121.9	122.4	122.7	122.9	123.2	123.3	123.5	123.8	124.0
13 Goods-producing, total	101.6	102.4	102.4	101.2	101.5	101.6	101.7	101.7	101.7	101.7	102.1	102.1
14 Manufacturing, total	98.4	97.8	96.5	96.4	96.3	96.4	96.5	96.6	96.6	96.6	97.0	97.0
15 Manufacturing, production-worker	94.1	92.9	91.2	91.3	91.1	91.4	91.4	91.5	91.6	91.6	92.1	92.1
16 Service-producing	120.0	125.0	128.9	130.6	131.1	131.5	131.8	132.2	132.4	132.6	132.9	133.2
17 Personal income, total	193.4	207.0	219.9	224.8	225.9	228.4	229.1	230.3'	230.7	231.1	232.2	233.3
18 Wages and salary disbursements	185.0	198.7	210.2	214.8	216.3	218.0	218.6	219.5	220.7	221.2	222.1	224.1
19 Manufacturing	164.6	172.8	176.4	177.7	178.5	179.1	179.2	178.9	179.9	180.0	180.1	181.5
20 Disposable personal income ⁵	193.5	206.0	219.1	222.7	224.3	227.5	228.1	222.5'	229.6	228.9	229.9	230.7
21 Retail sales ⁶	179.0	190.6	199.9	211.8	196.8	206.3	206.8	207.4	207.3	209.6	210.8	213.5
<i>Prices⁷</i>												
22 Consumer (1967 = 100)	311.1	322.2	328.4	331.1	333.1	334.4	335.9	337.7	338.7	340.1	340.8	342.7
23 Producer finished goods (1967 = 100)	291.1	293.7	289.6	290.4	291.8	292.3	292.3	294.9	296.3	296.8	297.8	297.2

1. A major revision of the industrial production index and the capacity utilization rates was released in July 1985. See "A Revision of the Index of Industrial Production" and accompanying tables that contain revised indexes (1977-100) through December 1984 in the FEDERAL RESERVE BULLETIN, vol. 71 (July 1985), pp. 487-501. The revised indexes for January through June 1985 were shown in the September BULLETIN.

2. Ratios of indexes of production to indexes of capacity. Based on data from Federal Reserve, McGraw-Hill Economics Department, Department of Commerce, and other sources.

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 in *Employment and Earnings* (U.S. Department of Labor). Series covers employees only, excluding personnel in the Armed Forces.

5. Based on data in *Survey of Current Business* (U.S. Department of Commerce).

6. Based on Bureau of Census data published in *Survey of Current Business*.

7. Data without seasonal adjustment, as published in *Monthly Labor Review*. Seasonally adjusted data for changes in the price indexes may be obtained from the Bureau of Labor Statistics, U.S. Department of Labor.

NOTE. Basic data (not index numbers) for series mentioned in notes 4, 5, and 6, and indexes for series mentioned in notes 3 and 7 may also be found in the *Survey of Current Business*.

Figures for industrial production for the last two months are preliminary and estimated, respectively.

2.11 LABOR FORCE, EMPLOYMENT, AND UNEMPLOYMENT

Thousands of persons; monthly data are seasonally adjusted. Exceptions noted.

Category	1984	1985	1986	1987							
				Jan.	Feb.	Mar.	Apr.	May	June ^r	July ^r	Aug.
HOUSEHOLD SURVEY DATA											
1 Noninstitutional population¹	178,602	180,440	182,822	184,092	184,259	184,436	184,597	184,777	184,941	185,127	185,264
2 Labor force (including Armed Forces) ¹	115,763	117,695	120,078	121,299	121,610	121,479	121,588	122,237	121,755	122,194	122,564
3 Civilian labor force	113,544	115,461	117,834	119,034	119,349	119,222	119,335	119,993	119,517	119,952	120,302
<i>Employment</i>											
4 Nonagricultural industries ²	101,685	103,971	106,434	107,866	108,146	108,084	108,545	109,112	109,079	109,508	109,989
5 Agriculture	3,321	3,179	3,163	3,145	3,236	3,284	3,290	3,335	3,178	3,219	3,092
<i>Unemployment</i>											
6 Number	8,539	8,312	8,237	8,023	7,967	7,854	7,500	7,546	7,260	7,224	7,221
7 Rate (percent of civilian labor force)	7.5	7.2	7.0	6.7	6.7	6.6	6.3	6.3	6.1	6.0	6.0
8 Not in labor force	62,839	62,745	62,744	62,793	62,649	62,957	63,009	62,540	63,186	62,933	62,700
ESTABLISHMENT SURVEY DATA											
9 Nonagricultural payroll employment³	94,496	97,519	99,610	100,919	101,150	101,329	101,598	101,708	101,818	102,114	102,270
10 Manufacturing	19,378	19,260	18,994	18,956	18,986	18,995	19,011	19,018	19,015	19,106	19,101
11 Mining	966	927	783	718	719	722	729	735	738	743	749
12 Contract construction	4,383	4,673	4,904	5,034	5,038	5,032	5,019	4,999	5,008	5,008	5,007
13 Transportation and public utilities	5,159	5,238	5,244	5,304	5,315	5,333	5,348	5,344	5,350	5,360	5,376
14 Trade	22,100	23,073	23,580	23,821	23,897	23,902	23,969	23,980	24,007	24,067	24,046
15 Finance	5,689	5,955	6,297	6,480	6,501	6,526	6,558	6,576	6,586	6,607	6,630
16 Service	20,797	22,000	23,099	23,670	23,759	23,842	23,926	24,025	24,083	24,198	24,287
17 Government	16,023	16,394	16,710	16,936	16,935	16,977	17,038	17,031	17,031	17,025	17,074

2.12 OUTPUT, CAPACITY, AND CAPACITY UTILIZATION

Seasonally adjusted

Series	1986		1987		1986		1987		1986		1987			
	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2'		
	Output (1977 = 100)				Capacity (percent of 1977 output)				Utilization rate (percent)					
1 Total industry	125.0	126.0	127.0	127.8	157.9	158.8	159.6	160.5	79.1	79.3	79.6	79.9		
2 Mining	96.6	96.6	96.6	97.1	131.9	131.7	131.3	130.7	73.2	73.3	73.6	74.9		
3 Utilities	108.8	110.4	109.5	110.5	137.5	138.1	138.7	139.3	79.1	79.9	79.0	79.8		
4 Manufacturing	129.4	130.4	131.8	132.6	162.4	163.4	164.4	165.5	79.7	79.8	80.2	80.5		
5 Primary processing	112.1	114.0	115.1	116.5	134.6	135.1	135.9	136.5	83.3	84.3	84.8	85.4		
6 Advanced processing	139.7	140.4	141.8	142.4	179.1	180.4	181.7	183.0	78.0	77.8	78.1	78.3		
7 Materials	113.4	114.3	115.1	116.5	145.3	145.8	146.3	146.8	78.1	78.4	78.7	79.4		
8 Durable goods	118.8	120.1	121.2	122.1	161.5	162.2	163.0	163.6	73.6	74.0	74.4	74.7		
9 Metal materials	73.1	75.7	75.5	77.1	114.0	113.4	112.7	111.7	64.2	66.7	67.0	69.3		
10 Nondurable goods	119.7	121.1	122.8	125.7	139.9	140.4	141.0	142.0	85.6	86.4	87.1	88.4		
11 Textile, paper, and chemical	120.4	122.4	124.2	127.2	139.2	139.6	140.4	141.4	86.5	87.6	88.5	89.6		
12 Paper	135.1	136.0	136.4	.....	138.9	139.7	140.8	.....	97.3	97.3	96.9	96.5		
13 Chemical	117.7	120.1	122.5	.....	144.7	145.0	145.6	.....	81.4	82.8	84.1	85.1		
14 Energy materials	98.6	98.2	97.8	98.7	121.4	121.6	121.6	121.5	81.2	80.7	80.5	81.6		
	Previous cycle ¹		Latest cycle ²		1986	1986	1987							
	High	Low	High	Low	Aug.	Dec.	Jan.	Feb.	Mar.	Apr.	May'	June'	July'	Aug.
	Capacity utilization rate (percent)													
15 Total industry	88.6	72.1	86.9	69.5	79.2	79.6	79.4	79.7	79.6	79.5	80.0	80.3	80.9	81.0
16 Mining	92.8	87.8	95.2	76.9	73.1	73.8	73.9	73.3	73.6	74.2	75.0	75.7	75.7	75.8
17 Utilities	95.6	82.9	88.5	78.0	78.8	79.5	79.1	79.0	78.9	78.4	79.9	81.2	81.5	81.7
18 Manufacturing	87.7	69.9	86.5	68.0	79.7	80.0	79.9	80.3	80.3	80.2	80.5	80.7	81.2	81.3
19 Primary processing	91.9	68.3	89.1	65.1	83.2	85.0	84.8	84.7	84.8	85.3	85.4	85.6	87.1	87.1
20 Advanced processing	86.0	71.1	85.1	69.5	78.0	77.9	77.8	78.3	78.1	77.9	78.4	78.5	78.6	78.6
21 Materials	92.0	70.5	89.1	68.4	77.9	78.9	78.8	78.7	78.7	79.2	79.2	79.8	80.6	80.7
22 Durable goods	91.8	64.4	89.8	60.9	73.5	74.3	74.0	74.6	74.7	74.8	74.3	74.9	75.7	75.9
23 Metal materials	99.2	67.1	93.6	45.7	63.8	66.5	65.9	67.3	68.0	68.5	68.9	70.5	73.2	74.6
24 Nondurable goods	91.1	66.7	88.1	70.6	85.5	87.7	87.5	86.8	86.8	88.5	88.3	88.4	89.6	89.7
25 Textile, paper, and chemical	92.8	64.8	89.4	68.6	86.5	89.2	89.3	88.1	88.1	89.9	89.5	89.4	91.1	91.1
26 Paper	98.4	70.6	97.3	79.9	97.9	100.2	98.3	97.1	95.4	95.8	96.6	97.1	98.9	.....
27 Chemical	92.5	64.4	87.9	63.3	81.2	84.3	84.9	83.7	83.7	85.2	85.4	84.6	85.9	.....
28 Energy materials	94.6	86.9	94.0	82.2	80.6	81.2	81.3	80.3	79.8	80.3	81.7	82.7	83.0	83.0

1. Monthly high 1973; monthly low 1975.

2. Monthly highs 1978 through 1980; monthly lows 1982.

NOTE: These data also appear in the Board's G-3 (402) release. For address, see inside front cover.

2.13 INDUSTRIAL PRODUCTION Indexes and Gross Value ▲

Monthly data are seasonally adjusted

Groups	1977 pro- por- tion	1986 avg.	1986					1987							
			Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May ^c	June	July ^d	Aug. ^e
Index (1977 = 100)															
MAJOR MARKET															
1 Total index	100.00	125.0	125.1	124.9	125.3	126.0	126.7	126.5	127.2	127.3	127.4	128.4	129.2	130.3	130.7
2 Products	57.72	133.2	133.8	133.3	134.0	134.5	135.0	134.9	136.1	136.2	137.2	137.2	138.0	138.9	139.4
3 Final products	44.77	132.3	132.6	132.2	132.7	133.1	133.7	133.6	135.0	135.0	134.5	135.8	136.6	137.3	138.0
4 Consumer goods	25.52	124.5	125.1	124.2	124.7	125.6	127.2	126.8	127.5	126.6	128.2	128.6	128.6	129.3	129.5
5 Equipment	19.25	142.7	142.5	142.8	143.3	143.1	142.2	142.8	144.9	145.0	144.9	145.8	147.1	147.9	149.3
6 Intermediate products	12.94	136.4	137.8	137.0	138.7	139.2	139.7	139.1	139.7	140.4	139.9	142.1	142.8	144.2	144.1
7 Materials	42.28	113.9	113.2	113.5	113.3	114.3	115.2	115.2	115.1	115.2	116.2	116.3	117.2	118.6	118.9
<i>Consumer goods</i>															
8 Durable consumer goods	6.89	116.2	115.7	117.4	116.3	118.4	121.5	120.0	122.4	121.2	118.1	120.2	119.6	120.1	120.5
9 Automotive products	2.98	115.1	114.5	117.0	112.7	114.6	117.7	117.6	123.5	121.2	115.7	118.0	114.9	117.1	117.6
10 Autos and trucks	1.79	112.9	110.4	116.8	107.7	107.6	115.6	117.9	125.2	121.6	111.5	113.1	107.7	111.5	112.7
11 Autos, consumer	1.16	97.3	87.8	96.2	91.9	92.3	99.5	94.3	105.3	100.9	91.8	91.0	87.9	86.1	76.5
12 Trucks, consumer .....	.63	141.8	152.4	155.1	137.1	136.0	145.6	161.9	162.1	159.9	148.1	154.2	144.4	.....	.....
13 Auto parts and allied goods	1.19	118.4	120.7	117.3	120.1	125.2	120.8	117.1	121.0	120.5	121.9	125.3	125.8	125.5	125.0
14 Home goods	3.91	117.1	116.7	117.7	119.0	121.2	124.4	121.9	121.6	121.2	119.9	121.8	123.2	122.4	122.7
15 Appliances, A/C and TV	1.24	139.5	139.4	141.2	142.6	148.1	153.2	146.9	145.2	142.9	137.7	142.2	143.8	139.9	140.3
16 Appliances and TV	1.19	141.6	142.5	143.5	144.3	150.0	155.1	148.9	146.7	143.8	139.2	142.3	144.4	140.8	.....
17 Carpeting and furniture .....	.96	125.8	125.8	126.2	128.8	131.1	132.0	129.1	130.8	131.3	133.5	133.3	135.1	136.1	.....
18 Miscellaneous home goods	1.71	96.0	95.1	96.0	96.5	96.3	99.4	99.8	99.3	99.8	99.4	100.7	101.7	102.1	.....
19 Nondurable consumer goods	18.63	127.5	128.6	126.7	127.8	128.3	129.4	129.2	129.4	129.8	129.8	131.1	132.0	132.8	132.9
20 Consumer staples	2.98	115.1	114.5	117.0	112.7	114.6	117.7	117.6	123.5	121.2	115.7	118.0	114.9	117.1	117.6
21 Consumer foods and tobacco	7.80	134.1	133.2	131.0	131.6	132.6	133.9	132.9	134.0	134.8	134.4	135.6	136.1	137.0	.....
22 Nonfood staples	7.49	131.9	137.9	136.3	137.2	137.4	138.2	139.0	137.9	138.2	138.5	139.9	141.0	141.7	141.8
23 Consumer chemical products	2.75	136.5	163.4	161.1	161.7	161.0	163.1	165.9	164.7	165.7	164.7	165.9	166.4	166.3	.....
24 Consumer paper products	1.88	161.2	147.7	145.7	150.3	151.5	150.1	149.4	147.8	147.5	148.9	152.9	154.1	155.5	.....
25 Consumer energy	2.86	147.4	107.1	106.3	105.2	105.5	106.4	106.3	105.7	105.8	106.5	106.4	108.0	109.0	.....
26 Consumer fuel	1.44	105.7	94.9	92.0	90.8	91.7	92.2	95.0	92.5	94.1	94.5	92.1	91.7	92.9	.....
27 Residential utilities	1.42	92.8	119.6	120.9	119.8	119.6	120.8	117.8	119.2	117.7	118.7	121.0	124.7	.....	.....
<i>Equipment</i>															
28 Business and defense equipment	18.01	147.1	147.8	148.0	148.4	148.1	147.0	147.7	150.1	150.1	150.0	150.8	152.2	152.4	153.6
29 Business equipment	14.34	138.6	139.3	139.3	139.1	138.6	137.1	138.1	140.8	140.8	141.7	143.6	143.8	145.2	.....
30 Construction, mining, and farm	2.08	59.8	58.3	58.1	58.0	56.6	58.2	57.2	56.8	58.1	58.6	61.2	64.0	65.3	.....
31 Manufacturing	3.27	112.0	113.3	113.0	112.7	109.6	108.8	110.1	111.5	110.9	111.1	111.5	113.9	116.4	117.7
32 Power	1.27	81.6	81.7	80.3	80.5	79.5	80.2	79.6	81.2	81.7	82.4	84.0	83.8	82.2	82.6
33 Commercial	5.22	214.6	217.5	215.1	215.4	217.3	213.7	215.9	218.4	219.7	220.9	222.0	225.8	224.9	226.6
34 Transit	2.49	109.2	106.9	113.3	111.8	110.7	108.9	109.5	117.4	114.0	110.4	110.1	107.3	106.8	108.2
35 Defense and space equipment	3.67	180.3	181.0	182.0	184.6	184.9	185.8	185.2	186.5	186.6	186.1	186.5	185.8	186.3	186.8
<i>Intermediate products</i>															
36 Construction supplies	5.95	124.7	125.4	125.9	126.3	126.8	127.9	128.3	128.4	128.5	127.3	128.3	129.4	130.8	130.9
37 Business supplies	6.99	146.4	148.4	146.4	149.3	149.7	149.8	148.3	149.4	150.5	150.5	153.8	154.2	155.6	.....
38 General business supplies	5.67	150.6	152.5	151.2	154.1	153.7	154.3	153.3	154.1	155.2	155.5	158.2	159.0	160.7	.....
39 Commercial energy products	1.31	128.3	130.6	125.8	128.8	132.4	130.3	126.8	128.8	130.3	129.0	135.0	133.5	133.7	.....
<i>Materials</i>															
40 Durable goods materials	20.50	119.7	118.8	118.9	119.2	120.4	120.7	120.5	121.5	121.8	122.2	121.6	122.7	124.2	124.6
41 Durable consumer parts	4.92	98.5	95.2	95.3	97.0	98.0	98.8	99.0	100.0	98.9	96.2	95.2	95.1	94.6	94.8
42 Equipment parts	5.94	153.9	155.6	154.8	153.5	154.5	154.2	154.0	155.6	155.8	157.1	156.0	157.0	159.2	160.1
43 Durable materials n.e.c.	9.64	109.4	108.1	108.8	109.4	110.7	111.2	110.8	111.5	112.6	114.1	113.9	115.6	117.7	118.0
44 Basic metal materials	4.64	80.0	76.9	78.4	78.8	82.1	80.3	79.2	80.3	80.8	81.8	81.9	84.1	87.1	.....
45 Nondurable goods materials	10.09	118.3	119.7	120.6	120.3	120.2	123.2	123.2	122.5	122.8	125.4	125.3	125.8	127.8	128.1
46 Textile, paper, and chemical	7.53	118.9	120.5	121.8	121.3	121.0	124.7	125.0	123.6	124.0	126.9	126.5	126.7	129.4	129.7
47 Textile materials	1.52	110.6	113.4	116.0	114.3	115.6	116.1	116.5	115.8	118.5	125.0	.....	.....	.....	.....
48 Pulp and paper materials	1.55	132.1	136.0	133.7	133.5	134.2	140.2	137.9	136.7	134.7	137.4	137.4	138.6	141.6	.....
49 Chemical materials	4.46	117.1	117.5	119.7	119.5	118.5	122.3	123.4	121.8	122.1	125.0	125.0	124.0	126.1	.....
50 Miscellaneous nondurable materials	2.57	116.5	117.2	117.1	117.5	117.6	118.5	118.0	119.0	119.2	121.1	122.0	122.9	.....	.....
<i>Energy materials</i>															
51 Energy materials	11.69	99.9	97.9	98.0	96.9	98.7	98.8	98.9	97.6	97.0	97.5	99.3	100.4	100.7	100.7
52 Primary energy	7.57	105.5	103.7	103.8	102.7	104.8	105.1	104.1	102.6	101.5	102.3	103.6	104.3	103.8	.....
53 Converted fuel materials	4.12	89.6	87.3	87.4	86.2	87.6	87.3	89.4	88.5	88.9	88.7	91.4	93.3	95.1	.....

2.13 INDUSTRIAL PRODUCTION Indexes and Gross Value—Continued

Groups	SIC code	1977 proportion	1986 avg.	1986					1987							
				Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May ^r	June	July ^h	Aug. ^e
Index (1977 = 100)																
MAJOR INDUSTRY																
1 Mining and utilities		15.79	103.4	100.9	100.8	100.7	102.6	101.9	101.9	101.3	101.4	101.5	103.0	104.2	104.3	104.5
2 Mining		9.83	99.6	96.4	96.2	95.6	97.4	96.7	97.2	96.2	96.5	97.0	98.0	98.7	98.6	98.6
3 Utilities		5.96	109.6	108.3	108.3	109.3	111.2	110.6	109.5	109.6	109.5	109.0	111.3	113.3	113.9	114.3
4 Manufacturing		84.21	129.1	129.5	129.5	129.9	130.3	131.1	131.1	132.0	132.3	132.4	133.3	133.8	135.0	135.4
5 Nondurable		35.11	130.9	132.2	131.4	132.3	132.7	133.7	134.1	134.3	134.8	135.8	136.8	137.7	139.0	139.2
6 Durable		49.10	127.9	127.5	128.1	128.1	128.6	129.2	129.0	130.4	130.5	130.0	130.8	131.1	132.1	132.7
<i>Mining</i>																
7 Metal	10	.50	.....	70.9	70.7	68.5	68.3	73.5	72.1	72.0	71.6	66.7	71.7	70.1	.....	.....
8 Coal	11.12	1.60	124.2	122.2	120.8	117.6	130.1	124.3	133.5	127.7	121.8	121.6	126.6	130.1	126.9	124.0
9 Oil and gas extraction	13	7.07	94.7	90.7	91.0	90.5	90.4	90.9	89.9	89.5	91.0	92.0	91.7	91.9	92.0	92.5
10 Stone and earth minerals	14	.66	113.9	114.8	111.7	116.4	115.2	109.6	107.1	110.0	113.1	114.4	115.5	117.2	119.6	.....
<i>Nondurable manufactures</i>																
11 Foods	20	7.96	133.6	135.1	134.3	133.7	134.4	135.3	135.3	135.7	136.1	136.1	137.1	137.8	138.8	.....
12 Tobacco products	21	.62	96.6	97.1	89.8	100.1	96.8	92.9	89.1	98.7	100.7	99.4	107.8	107.0	.....	.....
13 Textile mill products	22	2.29	113.2	114.7	116.0	116.1	117.8	118.4	118.0	118.4	119.3	122.9	122.1	123.6	125.2	.....
14 Apparel products	23	2.79	103.6	102.5	102.7	104.2	105.1	.....	107.2	107.4	107.1	106.6	108.1	109.0	.....	.....
15 Paper and products	26	3.15	136.4	138.6	136.9	137.8	139.5	141.6	139.8	140.5	139.2	139.9	141.1	141.9	145.2	.....
16 Printing and publishing	27	4.54	163.4	164.6	163.0	167.8	168.5	167.7	168.1	166.7	168.2	171.4	174.4	175.5	175.7	175.6
17 Chemicals and products	28	8.05	133.0	134.4	133.9	133.9	132.3	134.6	137.4	137.7	138.3	138.2	138.0	138.9	140.3	.....
18 Petroleum products	29	2.40	92.1	94.0	93.3	91.1	92.0	92.5	94.7	91.9	91.4	94.0	92.6	91.7	92.0	92.0
19 Rubber and plastic products	30	2.80	153.3	155.5	154.9	157.6	159.0	160.7	158.1	159.2	161.3	163.8	165.4	168.2	171.8	.....
20 Leather and products	31	.53	61.3	62.0	59.4	60.2	61.3	59.4	58.3	59.6	59.1	59.3	60.6	60.1	59.9	.....
<i>Durable manufactures</i>																
21 Lumber and products	24	2.30	123.4	122.5	125.0	125.9	129.5	133.1	130.2	130.0	129.5	128.9	130.6	132.0	134.1	.....
22 Furniture and fixtures	25	1.27	146.7	148.3	147.7	149.2	148.6	150.5	148.7	151.8	153.4	155.9	156.2	161.9	162.6	.....
23 Clay, glass, stone products	32	2.72	120.2	119.7	121.6	118.1	120.6	121.7	122.8	121.5	122.7	122.9	120.9	119.4	.....	.....
24 Primary metals	33	5.33	75.8	73.4	74.1	74.2	76.8	73.5	73.6	76.3	77.5	76.8	77.6	78.1	81.7	82.7
25 Iron and steel	331.2	3.49	63.4	60.8	61.1	62.2	64.8	60.5	60.2	63.1	65.1	65.0	65.7	66.8	.....	.....
26 Fabricated metal products	34	6.46	107.4	105.9	107.3	108.3	107.1	108.3	108.0	108.2	108.8	108.6	107.9	108.9	109.7	110.5
27 Nonelectrical machinery	35	9.54	141.9	142.6	140.9	142.2	141.2	139.9	140.3	142.3	143.7	145.2	147.1	148.8	150.0	151.4
28 Electrical machinery	36	7.15	166.5	167.2	166.9	167.7	168.3	170.2	169.2	169.3	167.6	166.5	168.8	169.4	169.4	170.5
29 Transportation equipment	37	9.13	125.8	125.1	127.7	125.2	125.6	127.0	128.1	131.8	130.6	127.1	127.4	125.1	125.8	125.3
30 Motor vehicles and parts	371	5.25	110.9	108.2	112.2	107.1	107.9	111.2	112.2	117.8	115.5	109.3	110.1	106.6	108.0	106.8
31 Aerospace and miscellaneous transportation equipment	372-6.9	3.87	146.1	148.0	148.7	149.7	149.6	148.4	149.6	150.7	151.2	151.3	151.0	150.2	150.0	150.4
32 Instruments	38	2.66	141.3	142.0	141.7	140.3	141.1	142.4	142.5	143.3	142.0	144.1	143.5	145.1	146.1	146.8
33 Miscellaneous manufactures	39	1.46	99.3	98.3	97.7	99.0	98.9	103.1	101.8	101.1	101.4	100.0	101.5	99.9	99.9	.....
<i>Utilities</i>																
34 Electric		4.17	122.2	122.4	122.8	123.8	125.1	123.5	121.7	122.3	123.3	123.4	127.5	129.1	129.2	.....
Gross value (billions of 1982 dollars, annual rates)																
MAJOR MARKET																
35 Products, total		517.5	1,702.2	1,681.3	1,677.8	1,683.9	1,690.8	1,701.9	1,707.1	1,721.4	1,724.3	1,713.3	1,728.0	1,726.8	1,729.9	1,737.7
36 Final		405.7	1,314.5	1,292.6	1,292.3	1,292.5	1,297.6	1,306.7	1,315.1	1,331.9	1,330.5	1,320.1	1,327.9	1,326.4	1,325.8	1,333.6
37 Consumer goods		272.7	853.8	846.9	839.8	839.3	847.2	860.5	865.5	869.7	870.0	863.0	867.2	863.2	866.6	867.3
38 Equipment		133.0	458.2	445.7	452.5	453.2	450.4	446.2	449.6	462.2	460.4	457.1	460.7	463.2	459.3	466.4
39 Intermediate		111.9	387.6	388.7	385.5	391.4	393.2	395.3	391.9	389.5	393.9	393.3	400.1	400.4	404.0	404.1

▲ A major revision of the industrial production index and the capacity utilization rates was released in July 1985. See "A Revision of the Index of Industrial Production" and accompanying tables that contain revised indexes (1977=100) through December 1984 in the FEDERAL RESERVE BULLETIN, vol. 71

(July 1985), pp. 487-501. The revised indexes for January through June 1985 were shown in the September BULLETIN.

NOTE: These data also appear in the Board's G.12.3 (414) release. For address, see inside front cover.

2.14 HOUSING AND CONSTRUCTION

Monthly figures are at seasonally adjusted annual rates except as noted.

Item	1984	1985	1986	1986			1987						
				Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May'	June'	July
Private residential real estate activity (thousands of units)													
NEW UNITS													
1 Permits authorized	1,682	1,733	1,750	1,664	1,667	1,862	1,652	1,676	1,719	1,598	1,493	1,517	1,487
2 1-family	922	957	1,071	1,036	1,028	1,184	1,085	1,204	1,150	1,058	1,009	1,039	993
3 2-or-more-family	759	777	679	628	639	678	567	472	569	540	484	478	494
4 Started	1,749	1,742	1,805	1,657	1,637	1,813	1,816	1,838	1,730	1,643	1,606	1,586	1,606
5 1-family	1,084	1,072	1,179	1,114	1,129	1,233	1,253	1,303	1,211	1,208	1,130	1,088	1,150
6 2-or-more-family	665	669	626	543	508	580	563	535	519	435	476	498	456
7 Under construction, end of period ¹	1,051	1,063	1,074	1,142	1,125	1,104	1,089	1,096	1,085	1,070	1,061	1,062	1,063
8 1-family	556	539	583	625	619	610	609	621	618	623	621	623	632
9 2-or-more-family	494	524	490	518	506	494	480	476	467	446	441	439	430
10 Completed	1,652	1,703	1,756	1,745	1,774	1,894	1,956	1,726	1,689	1,830	1,621	1,591	1,652
11 1-family	1,025	1,072	1,120	1,165	1,158	1,184	1,217	1,107	1,141	1,148	1,158	1,091	1,081
12 2-or-more-family	627	631	637	580	616	710	739	619	548	682	463	500	571
13 Mobile homes shipped	296	284	244	241	237	251	242	231	228	227	222	231	245
<i>Merchant builder activity in 1-family units</i>													
14 Number sold	639	688	748	675	691	768	712	740	720	733	643	650	653
15 Number for sale, end of period ¹	358	350	361	357	353	357	358	358	358	359	356	359	359
<i>Price (thousands of dollars)²</i>													
<i>Median</i>													
16 Units sold	80.0	84.3	92.2	96.4	94.0	95.0	98.5	95.2	98.4	96.5'	105.0	108.0	107.0
<i>Average</i>													
17 Units sold	97.5	101.0	112.2	114.9	113.6	118.9	122.1	121.3	119.5	118.1'	126.9	135.9	129.2
EXISTING UNITS (1-family)													
18 Number sold	2,868	3,217	3,566	3,760	3,850	4,060	3,480	3,690	3,680	3,560	3,770	3,500	3,430
<i>Price of units sold (thousands of dollars)²</i>													
<i>Median</i>													
19	72.3	75.4	80.3	79.4	80.4	80.8	82.1	85.0	85.6	85.0	85.2	85.2	86.2
<i>Average</i>													
20	85.9	90.6	98.3	97.3	99.1	100.6	100.1	104.3	104.9	105.0	106.3	106.0	107.6
Value of new construction ³ (millions of dollars)													
CONSTRUCTION													
21 Total put in place	328,643	355,995	388,815	394,871	390,646	380,175	384,716	401,644	388,303	397,136	397,652	392,391	391,809
22 Private	270,978	291,665	316,589	322,929	320,417	306,826	310,170	326,453	312,203	320,841	322,701	320,048	318,605
23 Residential	153,849	158,475	187,147	192,592	194,463	181,682	187,813	203,115	190,812	199,523	195,871	198,311	198,195
24 Nonresidential, total	117,129	133,190	129,442	130,337	125,954	125,144	122,357	123,338	121,391	121,318	126,830	121,737	120,410
<i>Buildings</i>													
25 Industrial	13,746	15,769	13,747	14,634	13,404	13,207	12,094	12,112	11,354	11,504	13,349	12,086	11,282
26 Commercial	39,357	51,315	48,592	56,121	54,193	54,809	50,881	53,071	52,285	50,920	53,359	49,602	48,007
27 Other	12,547	12,619	13,216	13,820	13,787	14,231	14,755	14,776	15,143	14,989	14,857	14,749	15,207
28 Public utilities and other	51,479	53,487	53,887	45,762	44,570	42,897	44,627	43,379	42,609	43,905	45,265	45,300	45,914
29 Public	57,662	64,326	72,225	71,942	70,229	73,348	74,546	75,191	76,100	76,295	74,951	72,343	73,204
30 Military	2,839	3,283	3,919	3,566	4,007	4,313	4,100	2,806	3,893	3,749	4,129	4,116	4,316
31 Highway	18,772	21,756	23,360	22,643	19,958	21,935	23,508	23,260	23,575	22,703	22,629	21,688	21,847
32 Conservation and development	4,654	4,746	4,668	4,726	4,647	4,954	5,155	4,883	4,792	5,649	4,819	5,425	5,412
33 Other	31,397	34,541	40,278	41,007	41,617	42,146	41,783	44,242	43,840	44,194	43,374	41,114	41,629

1. Not at annual rates.

2. Not seasonally adjusted.

3. Value of new construction data in recent periods may not be strictly comparable with data in prior periods because of changes by the Bureau of the Census in its estimating techniques. For a description of these changes see *Construction Reports (C-30-76-3)*, issued by the Bureau in July 1976.

NOTE. Census Bureau 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 16,000 jurisdictions beginning with 1978.

A50 Domestic Nonfinancial Statistics □ November 1987

2.15 CONSUMER AND PRODUCER PRICES

Percentage changes based on seasonally adjusted data, except as noted

Item	Change from 12 months earlier		Change from 3 months earlier (at annual rate)				Change from 1 month earlier					Index level Aug. 1987 (1967 = 100) ¹
	1986 Aug.	1987 Aug.	1986		1987		1987					
			Sept.	Dec.	Mar.	June	Apr. ²	May	June	July	Aug.	
CONSUMER PRICES²												
1 All items	1.6	4.3	2.0	2.5	6.2	4.6	.4	.3	.4	.2	.5	342.7
2 Food	4.2	3.4	8.4	4.1	2.5	6.5	.3	.5	.7	.2	.0	333.8
3 Energy items	-17.3	8.4	-21.0	-9.9	26.1	7.9	.3	.2	1.5	.1	1.7	388.9
4 All items less food and energy	4.0	4.2	3.7	3.7	5.2	4.0	.5	.3	.2	.3	.4	341.7
5 Commodities	1.6	3.0	2.6	1.4	5.1	3.8	.6	.3	.0	.3	.1	270.9
6 Services	5.4	4.8	4.3	5.1	5.3	3.8	.4	.3	.2	.4	.5	418.3
PRODUCER PRICES												
7 Finished goods	-1.8	3.2	.4	1.8	4.3	4.7	.5	.4 ³	.2	.2	.0	297.2
8 Consumer foods	5.7	.1	11.2	1.0	6.7	14.3	1.4	1.4	.5	.6	-1.3	283.6
9 Consumer energy	-36.6	17.1	-42.7	-12.5	59.8	10.9	.9	.8 ³	.9	1.5	1.5	534.0
10 Other consumer goods	2.2	2.9	2.3	4.4	4.2	.3	.1	-.3 ³	.1	.3	.3	265.9
11 Capital equipment	1.7	1.9	2.0	3.4	.4	1.4	.3	.1	.0	.1	.2	312.1
12 Intermediate materials ³	-4.5	4.6	-1.5	-1.2	7.8	5.2	.3	.3 ³	.6	.8	.5	324.2
13 Excluding energy .....	.4	3.2	1.5	1.2	3.3	4.5	.3	.4	.5	.5	.3	314.0
Crude materials												
14 Foods	7.7	.8	18.1	-2.7	-10.3	34.0	4.4	4.4 ³	-1.4	-2.0	.1	240.1
15 Energy	-30.0	21.6	-19.6	-.5	50.0	15.8	.7	2.2 ³	.9	2.8	.5	632.6
16 Other	-4.0	18.7	-24.1	8.5	15.9	33.7	.7	2.5 ³	4.2	2.9	1.0	280.0

1. Not seasonally adjusted.
 2. Figures for consumer prices are those for all urban consumers and reflect a rental equivalence measure of homeownership after 1982.

3. Excludes intermediate materials for food manufacturing and manufactured animal feeds.
 SOURCE: Bureau of Labor Statistics.

2.16 GROSS NATIONAL PRODUCT AND INCOME

Billions of current dollars except as noted; quarterly data are at seasonally adjusted annual rates.

Account	1984	1985	1986	1986			1987	
				Q2	Q3	Q4	Q1	Q2
GROSS NATIONAL PRODUCT								
1 Total	3,772.2	4,010.3	4,235.0	4,211.6	4,265.9	4,288.1	4,377.7	4,445.1
<i>By source</i>								
2 Personal consumption expenditures	2,430.5	2,629.4	2,799.8	2,765.8	2,837.1	2,858.6	2,893.8	2,943.7
3 Durable goods	335.5	368.7	402.4	386.4	427.6	419.8	396.1	409.0
4 Nondurable goods	867.3	913.1	939.4	934.3	940.0	946.3	969.9	982.1
5 Services	1,227.6	1,347.5	1,458.0	1,445.1	1,469.5	1,492.4	1,527.7	1,552.6
6 Gross private domestic investment	664.8	641.6	671.0	679.4	660.8	660.2	699.9	702.6
7 Fixed investment	597.1	631.6	655.2	651.9	657.3	666.6	648.2	662.3
8 Nonresidential	416.0	442.6	436.9	433.8	433.5	439.7	422.8	434.6
9 Structures	141.1	152.5	137.4	135.9	131.1	132.9	128.7	129.7
10 Producers' durable equipment	274.9	290.1	299.5	297.9	302.4	306.7	294.1	304.9
11 Residential structures	181.1	189.0	218.3	218.1	223.8	226.9	225.4	227.7
12 Change in business inventories	67.7	10.0	15.7	27.5	3.5	-6.4	51.6	40.3
13 Nonfarm	60.5	13.6	16.8	24.5	-9	5.1	48.7	27.3
14 Net exports of goods and services	-58.9	-79.2	-105.5	-100.8	-110.5	-116.9	-112.2	-118.4
15 Exports	383.5	369.9	376.2	371.3	376.6	383.3	397.3	416.5
16 Imports	442.4	449.2	481.7	472.1	487.1	500.2	509.5	534.8
17 Government purchases of goods and services	735.9	818.6	869.7	867.2	878.5	886.3	896.2	917.1
18 Federal	310.5	353.9	366.2	368.4	371.2	368.6	366.9	379.6
19 State and local	425.3	464.7	503.5	498.8	507.3	517.7	529.3	537.6
<i>By major type of product</i>								
20 Final sales, total	3,704.5	4,000.3	4,219.3	4,184.0	4,262.4	4,294.6	4,326.0	4,404.8
21 Goods	1,581.3	1,637.9	1,693.8	1,689.9	1,703.6	1,698.9	1,738.7	1,763.5
22 Durable	681.5	704.3	726.8	717.0	735.8	737.3	747.0	756.7
23 Nondurable	899.9	933.6	967.0	972.9	967.8	961.6	991.7	1,006.8
24 Services	1,813.9	1,969.2	2,116.2	2,097.9	2,136.6	2,160.0	2,212.0	2,252.2
25 Structures	376.9	403.1	425.0	423.8	425.7	429.3	426.9	429.4
26 Change in business inventories	67.7	10.0	15.7	27.5	3.5	-6.4	51.6	40.3
27 Durable goods	40.2	7.3	4.8	10.1	-12.1	-4.5	35.2	22.1
28 Nondurable goods	27.5	2.7	10.9	17.5	15.6	-1.9	16.5	18.2
29 MEMO								
Total GNP in 1982 dollars	3,501.4	3,607.5	3,713.3	3,704.7	3,718.0	3,731.5	3,772.2	3,795.3
NATIONAL INCOME								
30 Total	3,028.6	3,229.9	3,422.0	3,414.1	3,438.7	3,471.0	3,548.3	3,593.3
31 Compensation of employees	2,213.9	2,370.8	2,504.9	2,487.6	2,515.1	2,552.0	2,589.9	2,623.4
32 Wages and salaries	1,838.8	1,974.7	2,089.1	2,074.6	2,097.9	2,128.5	2,163.3	2,191.4
33 Government and government enterprises	346.1	372.3	394.8	391.6	397.7	403.8	412.2	418.1
34 Other	1,492.5	1,602.6	1,694.3	1,683.0	1,700.2	1,724.7	1,751.1	1,773.3
35 Supplement to wages and salaries	375.1	396.1	415.8	413.0	417.2	423.5	426.6	432.0
36 Employer contributions for social insurance	192.2	203.8	214.7	213.1	214.9	219.1	220.0	222.5
37 Other labor income	182.9	192.3	201.1	199.8	202.3	204.4	206.7	209.5
38 Proprietors' income ¹	234.5	257.3	289.8	298.1	292.5	297.8	320.9	323.1
39 Business and professional ¹	204.0	227.6	252.6	250.1	256.2	261.2	269.7	275.8
40 Farm ¹	30.5	29.7	37.2	48.1	36.3	36.6	51.3	47.3
41 Rental income of persons ²	8.5	9.0	16.7	17.4	17.2	18.4	20.0	18.9
42 Corporate profits ¹	266.9	277.6	284.4	282.3	286.4	281.1	294.0	296.8
43 Profits before tax ³	240.0	224.8	231.9	224.4	236.3	247.9	257.0	268.7
44 Inventory valuation adjustment	-5.8	-7	6.5	11.3	6.0	-8.9	-11.3	-20.0
45 Capital consumption adjustment	32.7	53.5	46.0	46.7	44.0	42.1	48.2	48.0
46 Net interest	304.8	315.3	326.1	328.7	327.5	321.7	323.6	331.1

1. With inventory valuation and capital consumption adjustments.
 2. With capital consumption adjustment.

3. For after-tax profits, dividends, and the like, see table 1.48.
 SOURCE: *Survey of Current Business* (Department of Commerce).

2.17 PERSONAL INCOME AND SAVING

Billions of current dollars; quarterly data are at seasonally adjusted annual rates. Exceptions noted.

Account	1984	1985	1986	1986			1987	
				Q2	Q3	Q4	Q1	Q2'
PERSONAL INCOME AND SAVING								
1 Total personal income	3,108.7	3,327.0	3,534.3	3,526.6	3,553.6	3,593.6	3,662.0	3,708.6
2 Wage and salary disbursements	1,838.6	1,974.9	2,089.1	2,074.6	2,097.9	2,128.5	2,163.3	2,191.4
3 Commodity-producing industries	577.6	609.2	623.3	621.2	622.8	628.4	632.9	635.0
4 Manufacturing	439.1	460.9	470.5	468.7	470.0	474.5	477.2	479.0
5 Distributive industries	442.8	473.0	497.1	493.7	498.6	504.7	511.5	518.9
6 Service industries	472.1	520.4	573.9	568.1	578.8	591.6	606.7	619.3
7 Government and government enterprises	346.1	372.3	394.8	391.6	397.7	403.8	412.2	418.1
8 Other labor income	182.9	192.3	201.1	199.8	202.3	204.4	206.7	209.5
9 Proprietors' income ¹	234.5	257.3	289.8	298.1	292.5	297.8	320.9	323.1
10 Business and professional ¹	204.0	227.6	252.6	250.1	256.2	261.2	269.7	275.8
11 Farm ¹	30.5	29.7	37.2	48.1	36.3	36.6	51.3	47.3
12 Rental income of persons ²	8.5	9.0	16.7	17.4	17.2	18.4	20.0	18.9
13 Dividends	75.5	76.3	81.2	81.0	82.1	82.9	84.5	86.3
14 Personal interest income	444.7	476.5	497.6	500.0	498.1	496.8	499.8	506.3
15 Transfer payments	456.6	489.7	518.3	514.5	523.6	526.6	533.7	541.5
16 Old-age survivors, disability, and health insurance benefits	235.7	253.4	269.2	266.4	272.4	273.5	278.0	282.3
17 LESS: Personal contributions for social insurance	132.7	148.9	159.6	158.8	160.1	161.8	166.7	168.4
18 EQUALS: Personal income	3,108.7	3,327.0	3,534.3	3,526.6	3,553.6	3,593.6	3,662.0	3,708.6
19 LESS: Personal tax and nontax payments	440.2	485.9	512.2	504.2	515.3	532.0	536.1	578.0
20 EQUALS: Disposable personal income	2,668.6	2,841.1	3,022.1	3,022.4	3,038.2	3,061.6	3,125.9	3,130.6
21 LESS: Personal outlays	2,504.5	2,714.1	2,891.5	2,856.4	2,929.4	2,952.6	2,987.5	3,037.4
22 EQUALS: Personal saving	164.1	127.1	130.6	166.0	108.9	109.0	138.4	93.2
MEMO								
Per capita (1982 dollars)								
23 Gross national product	14,770.6	15,073.7	15,368.3	15,353.0	15,369.9	15,387.6	15,523.4	15,586.4
24 Personal consumption expenditures	9,488.6	9,830.2	10,141.9	10,088.2	10,241.8	10,228.8	10,188.9	10,215.6
25 Disposable personal income	10,419.0	10,622.0	10,947.0	11,024.0	10,968.0	10,956.0	11,008.0	10,865.0
26 Saving rate (percent)	6.1	4.5	4.3	5.5	3.6	3.6	4.4	3.0
GROSS SAVING								
27 Gross saving	568.5	531.3	532.0	538.7	516.2	515.3	554.3	551.3
28 Gross private saving	673.5	664.2	679.8	713.7	660.4	653.4	683.8	639.9
29 Personal saving	164.1	127.1	130.6	166.0	108.9	109.0	138.4	93.2
30 Undistributed corporate profits ¹	94.0	99.6	92.6	93.6	92.6	78.5	75.6	70.1
31 Corporate inventory valuation adjustment	-5.8	.7	6.5	11.3	6.0	-8.9	11.3	-20.0
<i>Capital consumption allowances</i>								
32 Corporate	254.5	269.1	282.8	280.9	284.3	289.3	291.8	294.5
33 Noncorporate	160.9	168.5	173.8	173.2	174.6	176.6	178.0	182.1
<i>Government surplus, or deficit (-), national income and product accounts</i>								
34 Federal	-105.0	-132.9	-147.8	-175.0	-144.1	-138.1	-129.5	-88.6
35 State and local	169.6	196.0	204.7	230.2	203.7	188.7	170.5	139.2
36 State and local	64.6	63.1	56.8	55.1	59.6	50.6	41.0	50.6
37 Gross investment	573.9	525.7	527.1	539.6	510.1	503.7	552.1	548.1
38 Gross private domestic	664.8	641.6	671.0	679.4	660.8	660.2	699.9	702.6
39 Net foreign	-90.9	-115.9	143.9	-139.8	-150.7	-156.5	-147.7	-154.5
40 Statistical discrepancy	5.4	-5.6	-4.9	.9	-6.1	-11.6	-2.2	-3.1

1. With inventory valuation and capital consumption adjustments.
 2. With capital consumption adjustment.

SOURCE: Survey of Current Business (Department of Commerce).

3.10 U.S. INTERNATIONAL TRANSACTIONS Summary

Millions of dollars; quarterly data are seasonally adjusted except as noted.¹

Item credits or debits	1984	1985	1986	1986			1987	
				Q2	Q3	Q4	Q1	Q2 ^p
1 Balance on current account	-107,013	-116,394	-141,352	-33,755	-36,583	-37,977	-36,784	-41,097
2 Not seasonally adjusted				-34,634	-40,230	-36,398	-33,435	-41,956
3 Merchandise trade balance ²	-112,522	-122,148	-144,339	-33,651	-37,115	-38,595	-38,757	-39,525
4 Merchandise exports	219,900	215,935	224,361	56,928	56,534	57,021	56,992	59,975
5 Merchandise imports	-332,422	-338,083	-368,700	-90,579	-93,649	-95,616	-95,749	-99,500
6 Military transactions, net	-1,942	-3,338	-3,662	-1,054	-815	-495	-37	111
7 Investment income, net ³	18,490	25,398	20,844	4,587	5,339	4,492	5,500	1,608
8 Other service transactions, net	1,138	-1,005	1,463	530	342	759	-387	-387
9 Remittances, pensions, and other transfers	-3,637	-4,079	-3,885	-918	-875	-1,151	-1,017	-913
10 U.S. government grants (excluding military)	-8,541	-11,222	-11,772	-3,249	-3,459	-2,987	-2,086	-1,991
11 Change in U.S. government assets, other than official reserve assets, net (increase, -)	-5,476	-2,831	-1,920	-242	-1,454	15	225	-182
12 Change in U.S. official reserve assets (increase, -)	-3,130	-3,858	312	16	280	132	1,956	3,419
13 Gold	0	0	0	0	0	0	0	0
14 Special drawing rights (SDRs)	-979	-897	-246	-104	163	-31	76	-171
15 Reserve position in International Monetary Fund	-995	908	1,500	366	508	283	606	335
16 Foreign currencies	-1,156	-3,869	-942	-246	-391	-120	1,274	3,255
17 Change in U.S. private assets abroad (increase, -) ³	-13,685	-24,711	-94,374	-25,303	-23,304	-32,351	13,352	-24,747
18 Bank-reported claims	-11,127	-1,323	-59,039	-14,734	-18,878	-31,800	25,686	-20,195
19 Nonbank-reported claims	5,019	1,361	-3,986	1,894	685	170	-1,163	.....
20 U.S. purchase of foreign securities, net	-4,756	-7,481	-3,302	-1,149	620	3,113	-1,345	93
21 U.S. direct investments abroad, net	-2,821	-17,268	-28,047	-7,526	-5,731	-3,834	-9,826	-4,645
22 Change in foreign official assets in the United States (increase, +)	2,987	-1,140	34,698	15,568	15,551	1,003	13,953	9,389
23 U.S. Treasury securities	4,690	-838	34,515	14,538	12,167	4,572	12,145	11,082
24 Other U.S. government obligations	13	-301	-1,314	-644	-276	-117	-62	256
25 Other U.S. government liabilities ⁴	586	823	1,723	925	999	-607	-1,381	-1,501
26 Other U.S. liabilities reported by U.S. banks	553	645	554	1,280	2,963	-2,435	3,611	-135
27 Other foreign official assets ⁵	-2,857	-1,469	-880	-531	-302	-410	-360	-313
28 Change in foreign private assets in the United States (increase, +) ³	99,481	131,012	178,689	33,475	54,040	57,428	12,802	35,661
29 U.S. bank-reported liabilities	33,849	41,045	77,350	3,899	30,360	34,604	-13,614	15,150
30 U.S. nonbank-reported liabilities	4,704	-450	-2,791	-1,553	-80	1,035	-1,761	.....
31 Foreign private purchases of U.S. Treasury securities, net	23,001	20,433	8,275	3,705	609	-3,074	-1,570	-2,562
32 Foreign purchases of other U.S. securities, net	12,568	50,962	70,802	22,888	17,074	12,269	18,499	15,858
33 Foreign direct investments in the United States, net ³	25,359	19,022	25,053	4,536	6,077	12,594	7,726	7,215
34 Allocation of SDRs	0	0	0	0	0	0	0	0
35 Discrepancy	26,837	17,920	23,947	10,241	-8,530	11,750	-5,504	17,557
36 Owing to seasonal adjustments				-2,044	-4,153	3,904	2,652	-1,987
37 Statistical discrepancy in recorded data before seasonal adjustment	26,837	17,920	23,947	12,285	-4,377	7,846	-8,156	19,544
MEMO								
38 Changes in official assets								
39 U.S. official reserve assets (increase, -)	-3,130	-3,858	312	16	280	132	1,956	3,419
40 Foreign official assets in the United States (increase, +) excluding line 25	2,401	-1,963	32,975	14,643	14,552	1,610	15,334	10,890
41 Change in Organization of Petroleum Exporting Countries official assets in the United States (part of line 22 above)	-4,504	-6,709	-8,508	-2,166	-3,023	-5,195	-2,901	-2,626
42 Transfers under military grant programs (excluded from lines 4, 6, and 10 above)	153	46	101	11	19	53	8	26

1. Seasonal factors are not calculated for lines 6, 10, 12-16, 18-20, 22-34, and 38-41.

2. Data are on an international accounts (IA) basis. Differs from the Census basis data, shown in table 3.11, for reasons of coverage and timing. Military exports are excluded from merchandise data and are included in line 6.

3. Includes reinvested earnings.

4. Primarily associated with military sales contracts and other transactions arranged with or through foreign official agencies.

5. Consists of investments in U.S. corporate stocks and in debt securities of private corporations and state and local governments.

NOTE: Data are from Bureau of Economic Analysis, *Survey of Current Business* (Department of Commerce).

3.11 U.S. FOREIGN TRADE¹

Millions of dollars; monthly data are not seasonally adjusted.

Item	1984	1985	1986	1987						
				Jan.	Feb.	Mar.	Apr.	May	June	July
1 EXPORTS of domestic and foreign merchandise excluding grant-aid shipments, f.a.s. value.....	223,976	218,815	226,808	16,755	19,360	21,776	20,496	20,784	21,126	21,008
2 GENERAL IMPORTS including merchandise for immediate consumption plus entries into bonded warehouses, c.i.f. value....	346,364	352,463	382,964	28,692	33,725	34,694	33,459	34,822	36,838	37,483
3 Trade balance	-122,389	-133,648	-156,156	-11,937	-14,365	-12,918	-12,963	-14,039	-15,711	-16,475

1. The Census basis data differ from merchandise trade data shown in table 3.10, U.S. International Transactions Summary, for reasons of coverage and timing. On the *export side*, the largest adjustment is the exclusion of military sales (which are combined with other military transactions and reported separately in the "service account" in table 3.10, line 6). On the *import side*, additions are made for gold, ship purchases, imports of electricity from Canada, and other transac-

tions; military payments are excluded and shown separately as indicated above. As of Jan. 1, 1987 census data are released 45 days after the end of the month. Total exports and the trade balance reflect adjustments for undocumented exports to Canada.

SOURCE: FT900 "Summary of U.S. Export and Import Merchandise Trade" (Department of Commerce, Bureau of the Census).

3.12 U.S. RESERVE ASSETS

Millions of dollars, end of period

Type	1984	1985	1986	1987						
				Feb.	Mar.	Apr.	May	June	July	Aug. ^p
1 Total	34,934	43,186	48,517	49,358	48,824	46,591	45,913	45,140	44,318	45,944
2 Gold stock, including Exchange Stabilization Fund ¹	11,096	11,090	11,064	11,085	11,081	11,076	11,070	11,069	11,069	11,068
3 Special drawing rights ^{2,3}	5,641	7,293	8,395	8,615	8,740	8,879	8,904	8,856	8,813	9,174
4 Reserve position in International Monetary Fund ²	11,541	11,947	11,730	11,699	11,711	11,745	11,517	11,313	10,964	11,116
5 Foreign currencies ⁴	6,656	12,856	17,328	17,959	17,292	14,891	14,422	13,902	13,472	14,586

1. Gold held under earmark at Federal Reserve Banks for foreign and international accounts is not included in the gold stock of the United States; see table 3.13. Gold stock is valued at \$42.22 per fine troy ounce.

2. Beginning July 1974, the IMF adopted a technique for valuing the SDR based on a weighted average of exchange rates for the currencies of member countries. From July 1974 through December 1980, 16 currencies were used; from January 1981, 5 currencies have been used. The U.S. SDR holdings and reserve position in the IMF also are valued on this basis beginning July 1974.

3. Includes allocations by the International Monetary Fund of SDRs as follows: \$867 million on Jan. 1, 1970; \$717 million on Jan. 1, 1971; \$710 million on Jan. 1, 1972; \$1,139 million on Jan. 1, 1979; \$1,152 million on Jan. 1, 1980; and \$1,093 million on Jan. 1, 1981; plus transactions in SDRs.

4. Valued at current market exchange rates.

3.13 FOREIGN OFFICIAL ASSETS HELD AT FEDERAL RESERVE BANKS

Millions of dollars, end of period

Assets	1984	1985	1986	1987						
				Feb.	Mar.	Apr.	May	June	July	Aug. ^p
1 Deposits	267	480	287	255	268	342	319	318	261	294
<i>Assets held in custody</i>										
2 U.S. Treasury securities ¹	118,000	121,004	155,835	160,942	167,423	172,929	175,849	176,657	171,269	179,484
3 Earmarked gold ²	14,242	14,245	14,048	14,046	14,036	14,031	14,031	14,034	14,010	14,022

1. Marketable U.S. Treasury bills, notes, and bonds; and nonmarketable U.S. Treasury securities payable in dollars and in foreign currencies.

2. Earmarked gold is valued at \$42.22 per fine troy ounce.

NOTE: Excludes deposits and U.S. Treasury securities held for international and regional organizations. Earmarked gold is gold held for foreign and international accounts and is not included in the gold stock of the United States.

3.14 FOREIGN BRANCHES OF U.S. BANKS Balance Sheet Data¹

Millions of dollars, end of period

Asset account	1984	1985	1986	1987						
				Jan.	Feb.	Mar.	Apr.	May	June	July ^p
All foreign countries										
1 Total, all currencies	453,656	458,012	456,628	458,305 ^r	457,819	457,007	485,166	487,436	475,068	470,234
2 Claims on United States	113,393	119,706	114,685	116,039 ^r	114,450	112,094	128,069	126,916	123,335	123,593
3 Parent bank	78,109	87,201	83,492	83,960 ^r	82,588	81,677	93,753	92,218	89,395	89,800
4 Other banks in United States	13,664	13,057	13,685	12,714	13,158	13,044	15,217	16,990	15,956	14,207
5 Nonbanks	21,620	19,448	17,508	19,365	18,704	17,373	19,039	17,708	17,984	19,586
6 Claims on foreigners	320,162	315,676	312,833	309,881 ^r	310,687	310,819	321,699	328,087	319,872	313,612
7 Other branches of parent bank	95,184	91,399	96,281	92,515 ^r	89,656	89,200	93,669	101,309	101,232	96,582
8 Banks	100,397	102,960	105,237	105,386 ^r	109,748	109,580	115,561	113,971	107,130	110,069
9 Public borrowers	23,343	23,478	23,584	22,573	22,418	22,666	22,765	23,295	22,684	21,412
10 Nonbank foreigners	101,238	97,839	87,731	89,407	88,865	89,373	89,704	89,512	88,826	85,549
11 Other assets	20,101	22,630	29,110	32,385 ^r	32,682	34,094	35,398	32,433	31,861	33,029
12 Total payable in U.S. dollars	350,636	336,520	317,487	309,719 ^r	311,669	306,431	329,259	336,235	329,380	322,130
13 Claims on United States	111,426	116,638	110,742	111,371 ^r	110,011	107,245	122,278	121,458	118,346	118,453
14 Parent bank	77,229	85,971	82,082	82,198 ^r	81,029	79,817	91,798	90,182	87,559	87,786
15 Other banks in United States	13,500	12,454	12,830	11,531	12,102	11,907	13,468	15,354	14,644	12,682
16 Nonbanks	20,697	18,213	15,830	17,642	16,880	15,521	17,012	15,922	16,143	17,985
17 Claims on foreigners	228,600	210,129	194,941	186,521 ^r	189,205	185,541	192,715	201,261	198,412	190,531
18 Other branches of parent bank	78,746	72,727	72,197	66,704 ^r	64,550	63,983	66,916	75,014	75,771	72,515
19 Banks	76,940	71,868	66,421	63,610 ^r	68,320	65,997	69,808	69,395	66,877	65,618
20 Public borrowers	17,626	17,260	16,586	16,457	16,320	16,347	16,512	16,812	16,271	15,062
21 Nonbank foreigners	55,288	48,274	39,737	39,737	40,015	39,214	39,479	40,040	39,493	37,336
22 Other assets	10,610	9,753	11,804	11,827 ^r	12,453	13,645	14,266	13,516	12,622	13,146
United Kingdom										
23 Total, all currencies	144,385	148,599	140,917	144,093	146,188	145,486	149,998	154,371	146,678	149,760
24 Claims on United States	27,675	33,157	24,599	28,720	28,851	28,503	31,001	34,427	30,859	32,694
25 Parent bank	21,862	26,970	19,085	23,330	23,326	23,303	25,315	28,935	25,944	27,288
26 Other banks in United States	1,429	1,106	1,612	1,220	1,258	1,288	1,564	1,507	1,194	1,536
27 Nonbanks	4,384	5,081	3,902	4,170	4,267	3,912	4,122	3,985	3,721	3,870
28 Claims on foreigners	111,828	110,217	109,508	108,720	110,274	109,297	111,113	112,997	107,789	108,328
29 Other branches of parent bank	37,953	31,576	30,218	29,575	28,782	28,782	29,936	33,412	32,641	31,241
30 Banks	39,443	39,250	39,468	40,677	43,189	42,537	42,961	41,241	37,181	41,219
31 Public borrowers	5,334	5,644	4,990	4,942	4,983	4,897	4,964	5,234	4,684	4,617
32 Nonbank foreigners	31,098	33,747	31,628	32,883	32,527	33,081	33,252	33,110	33,283	31,251
33 Other assets	4,882	5,225	6,810	6,653	7,063	7,686	7,884	6,947	8,030	8,738
34 Total payable in U.S. dollars	112,809	108,626	95,028	95,359	97,568	95,319	99,398	104,622	97,672	99,170
35 Claims on United States	26,868	32,092	23,193	27,070	27,290	26,665	29,066	32,542	29,252	31,076
36 Parent bank	21,495	26,568	18,526	22,673	22,749	22,662	24,689	28,228	25,286	26,661
37 Other banks in United States	1,363	1,005	1,475	996	1,061	1,192	1,157	1,157	950	1,293
38 Nonbanks	4,010	4,519	3,192	3,401	3,480	3,023	3,185	3,157	3,016	3,122
39 Claims on foreigners	82,945	73,475	68,138	65,022	66,872	64,466	66,257	68,469	64,676	64,024
40 Other branches of parent bank	33,607	26,011	26,361	22,720	22,578	21,785	22,339	25,921	25,409	23,827
41 Banks	26,805	26,139	23,251	23,629	25,685	24,225	24,962	23,263	20,998	22,975
42 Public borrowers	4,030	3,999	3,672	3,681	3,716	3,660	3,712	3,785	3,470	3,400
43 Nonbank foreigners	18,503	17,326	14,849	14,992	14,893	14,796	15,244	15,500	14,799	13,822
44 Other assets	2,996	3,059	3,697	3,267	3,406	4,188	4,075	3,611	3,744	4,070
Bahamas and Caymans										
45 Total, all currencies	146,811	142,055	142,592	135,627 ^r	133,229	134,189	146,776	141,668	142,048	140,355
46 Claims on United States	77,296	74,864	78,170	73,418 ^r	68,873	67,586	78,248	73,351	72,476	72,678
47 Parent bank	49,449	50,553	54,575	48,811 ^r	44,759	44,502	52,086	46,486	45,910	46,279
48 Other banks in United States	11,544	11,204	11,156	10,625	10,924	10,855	12,649	14,494	13,659	11,713
49 Nonbanks	16,303	13,107	12,439	13,982	13,190	12,229	13,513	12,371	12,907	14,686
50 Claims on foreigners	65,598	63,882	59,883	57,050 ^r	59,036	60,766	62,770	63,021	65,224	62,965
51 Other branches of parent bank	17,661	19,042	17,296	15,483 ^r	15,481	16,529	16,562	15,775	18,873	17,493
52 Banks	30,246	28,192	27,476	26,366 ^r	28,139	28,568	30,917	31,352	30,934	30,317
53 Public borrowers	6,089	6,458	6,929	7,026	6,974	7,038	7,120	7,304	7,025	7,046
54 Nonbank foreigners	11,602	10,190	8,182	8,175	8,442	8,631	8,171	8,590	8,392	8,109
55 Other assets	3,917	3,309	4,539	5,159 ^r	5,320	5,837	5,758	5,296	4,348	4,712
56 Total payable in U.S. dollars	141,562	136,794	136,813	129,474 ^r	126,605	127,160	138,784	133,323	135,204	131,482

1. Beginning with June 1984 data, reported claims held by foreign branches have been reduced by an increase in the reporting threshold for "shell" branches

from \$50 million to \$150 million equivalent in total assets, the threshold now applicable to all reporting branches.

3.14 Continued

Liability account	1984	1985	1986	1987						
				Jan.	Feb.	Mar.	Apr.	May	June	July ^p
<i>All foreign countries</i>										
57 Total, all currencies	453,656	458,012	456,628	458,305 ^r	457,819	457,007	485,166	487,436	475,068	470,234
58 Negotiable CDs ²	37,725	34,607	31,629	33,395	36,074	34,873	33,155	34,360	31,776	32,823
59 To United States	147,583	155,538	151,632	140,391	140,341	141,693	152,698	149,979 ^r	149,970	143,267
60 Parent bank	78,739	83,914	82,561	70,071	73,095	71,092	75,080	74,551	78,369	71,670
61 Other banks in United States	18,409	16,894	15,646	15,051	13,602	13,695	16,913	16,898 ^r	16,560	14,980
62 Nonbanks	50,435	54,730	53,425	55,269	53,644	56,906	60,705	58,530	55,041	56,617
63 To foreigners	247,907	245,939	253,775	263,759 ^r	261,649	260,659	278,022	284,136 ^r	274,085	274,587
64 Other branches of parent bank	93,909	89,529	95,146	90,303 ^r	88,524	87,867	94,590	101,777 ^r	100,760	95,376
65 Banks	78,203	76,814	77,809	88,495 ^r	86,037	84,976	92,704	90,246 ^r	81,619	87,904
66 Official institutions	20,281	19,520	17,835	19,532	19,818	20,591	21,293	23,058	21,965	21,528
67 Nonbank foreigners	55,514	60,076	62,985	65,429	67,270	67,225	69,435	69,055	69,741	69,779
68 Other liabilities	20,441	21,928	19,592	20,760 ^r	19,755	19,782	21,291	18,961	19,237	19,557
69 Total payable in U.S. dollars	367,145	353,712	336,406	323,900 ^r	326,319	321,706	340,408	347,150	340,851	334,061
70 Negotiable CDs ²	35,227	31,063	28,466	29,921	32,407	31,148	29,505	30,763	27,929	28,781
71 To United States	143,571	150,162	143,650	131,876	131,912	132,765	141,465	141,077 ^r	141,508	134,564
72 Parent bank	76,254	80,888	78,472	65,443	68,540	65,891	68,403	70,067 ^r	74,225	67,001
73 Other banks in United States	17,935	16,264	14,609	14,047	12,505	12,593	15,455	15,732 ^r	15,348	13,870
74 Nonbanks	49,382	53,010	50,569	52,386	50,867	54,191	57,607	55,278	51,935	53,693
75 To foreigners	178,260	163,583	156,806	154,887 ^r	154,416	149,949	161,216	167,674 ^r	163,530	162,776
76 Other branches of parent bank	77,770	71,078	71,181	64,380 ^r	63,640	62,172	67,278	74,769 ^r	74,136	70,911
77 Banks	45,123	37,365	33,850	36,864	36,816	35,116	39,111	36,226 ^r	32,202	35,250
78 Official institutions	15,773	14,359	12,371	13,688	13,189	13,392	14,318	16,068	15,687	15,806
79 Nonbank foreigners	39,594	40,781	39,404	39,955	40,771	39,269	40,509	40,611	41,505	40,809
80 Other liabilities	10,087	8,904	7,484	7,216 ^r	7,584	7,844	8,222	7,636	7,884	7,940
<i>United Kingdom</i>										
81 Total all currencies	144,385	148,599	140,917	144,093	146,188	145,486	149,998	154,371	146,678	149,760
82 Negotiable CDs ²	34,413	31,260	27,781	29,432	32,233	30,968	29,311	30,226	27,511	28,590
83 To United States	25,250	29,422	24,657	19,465	22,501	21,433	23,946	26,291	24,512	24,347
84 Parent bank	14,651	19,330	14,469	10,004	12,735	12,332	13,170	15,145	14,745	14,012
85 Other banks in United States	3,125	2,974	2,649	2,154	2,154	1,816	2,205	2,273	2,109	2,019
86 Nonbanks	7,474	7,118	7,539	7,307	7,612	7,285	8,561	8,873	7,658	8,316
87 To foreigners	77,424	78,525	79,498	86,229	82,418	83,723	87,381	89,673	86,041	87,942
88 Other branches of parent bank	21,631	23,389	25,036	23,595	21,230	21,371	22,421	26,367	25,350	23,572
89 Banks	30,436	28,581	30,877	36,479	35,434	35,971	37,562	35,282	32,334	35,647
90 Official institutions	10,154	9,676	6,836	8,484	7,832	7,827	8,871	10,004	9,450	9,241
91 Nonbank foreigners	15,203	16,879	16,749	17,671	17,922	18,554	18,527	18,020	18,907	19,482
92 Other liabilities	7,298	9,392	8,981	8,967	9,036	9,362	9,370	8,181	8,614	8,881
93 Total payable in U.S. dollars	117,497	112,697	99,707	98,741	101,971	98,967	101,793	106,093	100,031	101,593
94 Negotiable CDs ²	33,070	29,337	26,169	27,701	30,175	28,868	27,189	28,345	25,695	26,397
95 To United States	24,105	27,756	22,075	16,829	19,894	18,940	21,144	23,561	21,850	21,689
96 Parent bank	14,339	18,956	14,021	9,451	12,157	11,606	12,352	14,528	14,252	13,401
97 Other banks in United States	2,980	2,826	2,325	1,887	1,926	1,602	2,021	2,027	1,899	1,774
98 Nonbanks	6,786	5,974	5,729	5,491	5,811	5,732	6,771	7,006	5,699	6,514
99 To foreigners	56,923	51,980	48,138	51,174	48,610	47,531	49,708	51,029	49,089	50,294
100 Other branches of parent bank	18,294	18,493	17,951	16,386	14,691	14,471	14,367	18,430	17,654	16,171
101 Banks	18,356	14,344	15,203	18,626	18,207	18,027	19,498	15,555	13,864	16,330
102 Official institutions	8,871	7,661	4,934	6,096	5,176	4,924	5,786	7,214	6,985	7,203
103 Nonbank foreigners	11,402	11,482	10,050	10,066	10,536	10,109	10,057	9,830	10,586	10,590
104 Other liabilities	3,399	3,624	3,325	3,037	3,292	3,628	3,752	3,158	3,397	3,213
<i>Bahamas and Caymans</i>										
105 Total, all currencies	146,811	142,055	142,592	135,627 ^r	133,229	134,189	146,776	141,668	142,048	140,355
106 Negotiable CDs ²	615	610	847	995	855	813	883	1,092	1,067	949
107 To United States	102,955	103,813	105,248	99,052	95,516	98,912	107,367	101,532 ^r	102,875	99,073
108 Parent bank	47,162	44,811	48,648	40,869	40,409	39,851	43,315	40,052	43,503	39,967
109 Other banks in United States	13,938	12,778	11,715	11,687	10,151	10,568	13,345	13,175 ^r	13,143	11,966
110 Nonbanks	41,855	46,224	44,885	46,496	44,956	48,493	50,707	48,305	46,229	47,140
111 To foreigners	40,320	35,053	34,400	33,536 ^r	34,758	32,501	36,491	36,835 ^r	36,014	38,168
112 Other branches of parent bank	16,782	14,075	12,631	12,323 ^r	12,972	11,673	13,891	13,359	14,023	14,803
113 Banks	12,405	10,669	8,617	8,107 ^r	8,070	8,140	9,452	9,895 ^r	7,954	9,565
114 Official institutions	2,054	1,776	2,719	2,808	3,013	2,836	2,937	3,072	3,185	3,263
115 Nonbank foreigners	9,079	8,533	10,433	10,298	10,703	9,852	10,211	10,509	10,852	10,537
116 Other liabilities	2,921	2,579	2,097	2,044 ^r	2,100	1,963	2,035	2,209	2,092	2,165
117 Total payable in U.S. dollars	143,582	138,322	138,774	131,572 ^r	129,183	129,400	140,796	136,679	137,628	135,219

2. Before June 1984, liabilities on negotiable CDs were included in liabilities to the United States or liabilities to foreigners, according to the address of the initial purchaser.

3.15 SELECTED U.S. LIABILITIES TO FOREIGN OFFICIAL INSTITUTIONS

Millions of dollars, end of period

Item	1985	1986	1987						
			Jan.	Feb.	Mar.	Apr.	May	June	July ^P
1 Total ¹	178,380	211,706	213,416	215,512	227,043	235,937	236,217 ^r	237,940	231,830
<i>By type</i>									
2 Liabilities reported by banks in the United States ²	26,734	27,626	27,629	29,438	31,237	32,661	31,501 ^r	31,103	30,853
3 U.S. Treasury bills and certificates ³	53,252	75,650	75,718	75,434	79,629	84,640	81,553	80,663	73,435
U.S. Treasury bonds and notes									
4 Marketable	77,154	91,534	93,032	93,866	99,703	102,192	106,638	110,357	112,610
5 Nonmarketable ⁴	3,550	1,300	1,300	1,300	1,300	1,300	1,300	700	500
6 U.S. securities other than U.S. Treasury securities ⁵	17,690	15,596	15,737	15,474	15,174	15,144	15,225	15,117	14,432
<i>By area</i>									
7 Western Europe ¹	74,447	88,289	89,681	90,914	99,711	105,720	108,171 ^r	110,643	106,768
8 Canada	1,315	2,004	3,383	3,761	5,110	3,922	3,482	3,502	3,559
9 Latin America and Caribbean	11,148	8,367	7,680	7,425	8,241	9,290	7,923	7,519	7,920
10 Asia	86,448	106,024	107,448	108,886	108,662	109,991	109,641	108,831	105,948
11 Africa	1,824	1,503	1,300	1,164	1,192	1,284	1,628	1,405	1,590
12 Other countries ⁶	3,199	5,519	3,926	3,362	4,127	5,728	5,372	6,040	6,044

1. Includes the Bank for International Settlements.

2. Principally demand deposits, time deposits, bankers acceptances, commercial paper, negotiable time certificates of deposit, and borrowings under repurchase agreements.

3. Includes nonmarketable certificates of indebtedness (including those payable in foreign currencies through 1974) and Treasury bills issued to official institutions of foreign countries.

4. Excludes notes issued to foreign official nonreserve agencies. Includes bonds and notes payable in foreign currencies.

5. Debt securities of U.S. government corporations and federally sponsored agencies, and U.S. corporate stocks and bonds.

6. Includes countries in Oceania and Eastern Europe.

NOTE: Based on Treasury Department data and on data reported to the Treasury Department by banks (including Federal Reserve Banks) and securities dealers in the United States.

3.16 LIABILITIES TO AND CLAIMS ON FOREIGNERS Reported by Banks in the United States

Payable in Foreign Currencies¹

Millions of dollars, end of period

Item	1983	1984	1985	1986		1987	
				Sept.	Dec.	Mar.	June
1 Banks' own liabilities	5,219	8,586	15,368	29,467	29,404	36,319	35,817
2 Banks' own claims	7,231	11,984	16,294	24,124	25,150	32,261	32,762
3 Deposits	2,731	4,998	8,437	13,220	13,173	13,722	10,884
4 Other claims	4,501	6,986	7,857	10,904	11,977	18,539	21,878
5 Claims of banks' domestic customers ¹	1,059	569	580	1,597	2,508	2,034	889

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
Payable in U.S. dollars
Millions of dollars, end of period

Holder and type of liability	1984	1985	1986	1987						
				Jan.	Feb.	Mar.	Apr.	May	June	July ⁹
1 All foreigners	407,306	435,726	538,895	525,505	522,597	524,768	552,326	556,659^r	541,043	536,616
2 Banks' own liabilities.....	306,898	341,070	404,760	392,094	388,147	389,715	412,186	416,649 ^r	401,866	403,458
3 Demand deposits.....	19,571	21,107	23,788	22,490	22,449	22,303	22,174	22,973	23,221	20,536
4 Time deposits ¹	110,413	117,278	131,136	125,207	125,728	125,129	132,702	133,144 ^r	133,031	134,910
5 Other ²	26,268	29,305	40,880	39,549	40,611	42,458	46,034	46,547 ^r	41,676	42,613
6 Own foreign offices ³	150,646	173,381	208,956	204,848	199,359	199,825	211,275	213,985 ^r	203,938	205,400
7 Banks' custody liabilities ⁴	100,408	94,656	134,134	133,411	134,450	135,054	140,141	140,010	139,178	133,158
8 U.S. Treasury bills and certificates ⁵	76,368	69,133	90,257	89,278	90,695	93,048	97,789	95,959	93,688	88,193
9 Other negotiable and readily transferable instruments ⁶	18,747	17,964	16,523	14,656	13,839	14,744	14,625	15,953	16,414	15,488
10 Other.....	5,293	7,558	27,354	29,477	29,916	27,262	27,727	28,098	29,076	29,477
11 Nonmonetary international and regional organizations	4,454	5,821	4,699	5,081	4,520	3,889	7,344	4,422^r	3,979	5,664
12 Banks' own liabilities.....	2,014	2,621	2,850	3,732	2,193	2,510	5,750	2,758 ^r	2,489	2,085
13 Demand deposits.....	254	85	199	183	157	246	159	106	72	78
14 Time deposits ¹	1,267	2,067	2,066	2,515	1,488	1,230	3,100	960	967	584
15 Other ²	493	469	584	1,034	548	1,033	2,490	1,693 ^r	1,451	1,422
16 Banks' custody liabilities ⁴	2,440	3,200	1,849	1,349	2,326	1,379	1,594	1,664	1,490	3,579
17 U.S. Treasury bills and certificates.....	916	1,736	259	86	1,213	154	428	440	266	2,339
18 Other negotiable and readily transferable instruments ⁶	1,524	1,464	1,590	1,261	1,112	1,225	1,152	1,224	1,224	1,240
19 Other.....	0	0	0	2	1	0	14	0	0	0
20 Official institutions⁸	86,065	79,985	103,275	103,346	104,872	110,866	117,302	113,054^r	111,766	104,288
21 Banks' own liabilities.....	19,039	20,835	25,134	25,403	26,880	28,103	29,675	28,639 ^r	27,713	27,689
22 Demand deposits.....	1,823	2,077	2,267	1,487	1,513	1,923	1,829	2,089	1,745	1,713
23 Time deposits ¹	9,374	10,949	10,752	11,335	11,385	11,135	12,527	11,077 ^r	12,626	13,493
24 Other ²	7,842	7,809	12,115	12,580	13,982	15,044	15,318	15,473 ^r	13,342	12,483
25 Banks' custody liabilities ⁴	67,026	59,150	78,142	77,944	77,992	82,763	87,627	84,415	84,052	76,599
26 U.S. Treasury bills and certificates.....	59,976	53,252	75,650	75,718	75,434	79,629	84,640	81,553	80,663	73,435
27 Other negotiable and readily transferable instruments ⁶	6,966	5,824	2,347	2,158	2,418	3,001	2,832	2,715	3,141	2,944
28 Other.....	84	75	145	69	140	132	154	147	248	220
29 Banks⁹	248,893	275,589	350,491	339,648	335,517	334,231	350,499	359,172^r	347,483	349,863
30 Banks' own liabilities.....	225,368	252,723	309,928	297,037	293,144	295,092	311,360	319,410 ^r	306,302	308,182
31 Unaffiliated foreign banks.....	74,722	79,341	100,971	92,189	93,785	95,268	100,084	105,425 ^r	102,364	102,783
32 Demand deposits.....	10,556	10,271	10,303	10,434	10,103	9,510	9,781	10,558	10,301	8,588
33 Time deposits ¹	47,095	49,510	64,245	57,912	60,007	61,856	64,926	68,063 ^r	67,548	67,757
34 Other ²	17,071	19,561	26,424	23,844	23,675	23,902	25,378	26,804 ^r	24,515	26,438
35 Own foreign offices ³	150,646	173,381	208,956	204,848	199,359	199,825	211,275	213,985 ^r	203,938	205,400
36 Banks' custody liabilities ⁴	23,525	22,866	40,563	42,611	42,373	39,138	39,140	39,761	41,181	41,681
37 U.S. Treasury bills and certificates.....	11,448	9,832	9,962	9,826	10,486	9,744	9,538	9,774	9,066	9,142
38 Other negotiable and readily transferable instruments ⁶	7,236	6,040	5,513	5,433	4,340	4,367	4,256	4,376	5,653	5,697
39 Other.....	4,841	6,994	25,089	27,352	27,547	25,026	25,346	25,611	26,462	26,841
40 Other foreigners	67,894	74,331	80,430	77,429	77,688	75,783	77,181	80,011	77,815	76,801
41 Banks' own liabilities.....	60,477	64,892	66,849	65,923	65,929	64,009	65,401	65,841	65,361	65,502
42 Demand deposits.....	6,938	8,673	11,019	10,386	10,676	10,623	10,405	10,220	11,104	10,157
43 Time deposits ¹	52,678	54,752	54,073	53,446	52,848	50,908	52,148	53,043	51,889	53,075
44 Other ²	861	1,467	1,757	2,091	2,405	2,479	2,848	2,578	2,367	2,270
45 Banks' custody liabilities ⁴	7,417	9,439	13,580	11,507	11,759	11,773	11,780	14,169	12,454	11,299
46 U.S. Treasury bills and certificates.....	4,029	4,314	4,387	3,648	3,563	3,520	3,183	4,192	3,694	3,276
47 Other negotiable and readily transferable instruments ⁶	3,021	4,636	7,074	5,804	5,969	6,150	6,385	7,638	6,395	5,607
48 Other.....	367	489	2,120	2,055	2,227	2,103	2,212	2,340	2,366	2,415
49 MEMO: Negotiable time certificates of deposit in custody for foreigners	10,476	9,845	7,343	7,191	7,722	7,694	7,976	8,694^r	7,356	6,307

1. Excludes negotiable time certificates of deposit, which are included in "Other negotiable and readily transferable instruments."

2. Includes borrowing under repurchase agreements.

3. U.S. banks: includes amounts due to own foreign branches and foreign subsidiaries consolidated in "Consolidated Report of Condition" filed with bank regulatory agencies. Agencies, branches, and majority-owned subsidiaries of foreign banks: principally amounts due to head office or parent foreign bank, and foreign branches, agencies or wholly owned subsidiaries of head office or parent foreign bank.

4. Financial claims on residents of the United States, other than long-term

securities, held by or through reporting banks.

5. Includes nonmarketable certificates of indebtedness and Treasury bills issued to official institutions of foreign countries.

6. Principally bankers acceptances, commercial paper, and negotiable time certificates of deposit.

7. Principally the International Bank for Reconstruction and Development, and the Inter-American and Asian Development Banks.

8. Foreign central banks and foreign central governments, and the Bank for International Settlements.

9. Excludes central banks, which are included in "Official institutions."

3.17 Continued

Area and country	1984	1985	1986	1987						
				Jan.	Feb.	Mar.	Apr.	May	June	July ^P
1 Total	407,306	435,726	538,895	525,505	522,597	524,768	552,326	556,659 ⁹	541,043	536,616
2 Foreign countries	402,852	429,905	534,196	520,424	518,077	520,879	544,982	552,237 ⁹	537,064	530,953
3 Europe	153,145	164,114	180,871	179,253	181,082	182,527	191,655	206,723 ⁹	204,145	198,547
4 Austria	615	693	1,186	972	928	798	1,057	921	974	795
5 Belgium-Luxembourg	4,114	5,243	6,788	6,729	7,587	7,230	7,904	9,335	9,558	9,140
6 Denmark	438	513	485	449	520	623	425	459	425	486
7 Finland	418	496	580	565	762	937	942	909	616	467
8 France	12,701	15,541	22,850	21,372	22,654	23,835	27,399	27,858	27,947	25,454
9 Germany	3,358	4,835	5,823	6,813	5,907	7,412	6,419	10,229 ⁹	8,024	6,958
10 Greece	699	666	706	745	749	641	601	623	691	667
11 Italy	10,762	9,667	10,875	9,375	8,489	10,101	11,337	11,726	11,943	10,019
12 Netherlands	4,731	4,212	5,558	5,155	5,354	4,968	5,442	5,442	4,787	5,101
13 Norway	1,548	948	737	678	554	495	567	571	502	581
14 Portugal	597	652	700	657	709	689	660	607	704	586
15 Spain	2,082	2,114	2,393	2,238	2,333	2,224	2,233	2,194	2,322	2,105
16 Sweden	1,676	1,422	889	884	1,062	1,065	1,251	1,496	1,296	1,235
17 Switzerland	31,740	29,020	30,967	28,913	27,555	27,544	26,500	27,054 ⁹	28,243	25,798
18 Turkey	584	429	454	375	359	412	833	378	455	369
19 United Kingdom	68,671	76,728	85,352	87,911	90,105	88,390	91,765	102,308	99,701	102,073
20 Yugoslavia	602	673	631	554	564	526	429	439	433	459
21 Other Western Europe ¹	7,192	9,635	3,117	4,309	4,319	3,902	4,572	3,594 ⁹	4,818	5,049
22 U.S.S.R.	79	105	80	21	23	30	32	37	36	555
23 Other Eastern Europe ²	537	523	702	535	546	669	665	532 ⁹	671	647
24 Canada	16,059	17,427	26,256	26,105	25,189	26,553	25,294	24,522	21,913	21,216
25 Latin America and Caribbean	153,381	167,856	208,949	195,666	191,636	195,412	206,806	204,810 ⁹	195,666	199,430
26 Argentina	4,394	6,032	4,754	4,668	4,406	4,725	4,406	4,796 ⁹	4,795	6,060
27 Bahamas	56,897	57,657	73,267	64,998	62,970	62,581	72,101	69,418 ⁹	69,330	61,479
28 Bermuda	2,370	2,765	2,951	2,282	2,506	2,293	2,180	2,594	2,172	2,400
29 Brazil	5,275	5,373	4,321	3,813	3,797	3,693	3,616	3,960	3,673	3,780
30 British West Indies	36,773	42,674	71,151	66,775	65,509	69,860	69,213	70,471 ⁹	65,306	72,311
31 Chile	2,001	2,049	2,053	2,208	2,046	2,060	2,253	2,034	1,972	2,041
32 Colombia	2,514	3,104	4,281	4,273	4,268	4,271	4,349	4,289	4,363	4,430
33 Cuba	10	11	7	6	7	6	6	6 ⁹	8	8
34 Ecuador	1,092	1,239	1,235	1,049	1,120	1,014	1,044	1,093	1,121	1,090
35 Guatemala	896	1,071	1,122	1,124	1,081	1,082	1,164	1,167	1,122	1,110
36 Jamaica	183	122	136	149	145	230	149	189	158	146
37 Mexico	12,303	14,060	13,631	13,584	13,423	13,207	15,053	13,955 ⁹	13,857	14,563
38 Netherlands Antilles	4,220	4,875	4,914	5,593	5,652	5,643	5,706	5,171	5,760	5,155
39 Panama	6,951	7,514	6,865	7,361	6,475	6,664	7,091	7,341	7,125	6,983
40 Peru	1,266	1,167	1,163	1,110	1,131	1,062	1,086	1,095	1,137	1,145
41 Uruguay	1,394	1,552	1,537	1,609	1,583	1,630	1,520	1,507	1,504	1,536
42 Venezuela	10,545	11,922	10,452	10,494	10,362	10,365	10,587	10,292	10,170	10,089
43 Other Latin America and Caribbean	4,297	4,668	5,109	4,741	4,894	5,026	5,280	5,432	5,097	5,104
44 Asia	71,187	72,280	108,969	112,058	113,439	108,942	112,345	107,784	106,701	102,702
45 China										
46 Mainland	1,153	1,607	1,476	2,046	1,650	1,973	1,899	1,842	1,737	1,744
47 Taiwan	4,990	7,786	18,903	19,553	21,127	20,106	19,460	17,333	16,308	16,421
48 Hong Kong	6,581	8,067	9,518	9,388	9,329	9,160	9,357	9,365	9,122	8,592
49 India	507	712	673	663	526	500	526	569	714	572
50 Indonesia	1,033	1,406	1,548	1,410	1,591	1,414	1,460	1,243	1,773	1,404
51 Israel	1,268	1,601	1,890	1,761	1,892	1,666	1,302	1,084	1,229	928
52 Japan	21,640	23,077	47,437	49,997	50,921	48,983	53,392	50,434	49,494	46,506
53 Korea	1,730	1,665	1,141	1,058	1,017	1,129	1,177	1,343	1,397	1,410
54 Philippines	1,383	1,140	1,865	1,811	1,779	1,737	1,426	1,312	1,222	1,144
55 Thailand	1,257	1,358	1,120	1,282	1,224	1,235	1,131	1,174	1,144	1,093
56 Middle-East oil-exporting countries ³	16,804	14,523	12,356	12,322	12,104	11,581	11,399	10,870 ⁹	11,450	11,672
57 Other Asia	12,841	9,276	11,042	10,768	10,120	9,456	9,816	11,214 ⁹	11,111	11,215
58 Africa	3,396	4,883	4,019	3,661	3,499	3,457	3,702	4,003	3,757	4,007
59 Egypt	647	1,363	706	607	791	753	847	1,052	1,009	1,103
60 Morocco	118	163	92	74	76	99	101	86	106	75
61 South Africa	328	388	271	341	201	178	287	198	188	229
62 Zaire	153	163	74	54	42	40	39	74	58	64
63 Oil-exporting countries ⁴	1,189	1,494	1,518	1,336	1,156	1,108	1,212	1,267	1,111	1,275
64 Other Africa	961	1,312	1,358	1,248	1,233	1,278	1,216	1,262	1,286	1,261
65 Other countries	5,684	3,347	5,131	3,680	3,232	3,988	5,179	4,394	4,881	5,051
66 Australia	5,300	2,779	4,209	2,683	2,465	3,027	4,292	3,589	4,113	4,333
67 All other	384	568	922	997	767	960	888	805	768	718
67 Nonmonetary international and regional organizations	4,454	5,821	4,699	5,081	4,520	3,889	7,344	4,422 ⁹	3,979	5,664
68 International	3,747	4,806	3,512	3,958	3,606	2,897	6,075	2,940 ⁹	2,577	4,204
69 Latin American regional	587	894	1,033	960	762	788	850	994	1,047	1,075
70 Other regional ⁵	120	121	154	164	152	204	420	488	356	384

1. Includes the Bank for International Settlements. Beginning April 1978, also includes Eastern European countries not listed in line 23.

2. Beginning April 1978 comprises Bulgaria, Czechoslovakia, the German Democratic Republic, Hungary, Poland, and Romania.

3. Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and

United Arab Emirates (Trucial States).

4. Comprises Algeria, Gabon, Libya, and Nigeria.

5. Asian, African, Middle Eastern, and European regional organizations, except the Bank for International Settlements, which is included in "Other Western Europe."

3.18 BANKS' OWN CLAIMS ON FOREIGNERS Reported by Banks in the United States
Payable in U.S. Dollars
Millions of dollars, end of period

Area and country	1984	1985	1986	1987						
				Jan.	Feb.	Mar.	Apr.	May	June	July ^a
1 Total	400,162	401,608	444,257	421,086	417,258	414,321	439,040	438,358^c	433,330	423,295
2 Foreign countries	399,363	400,577	441,273	421,017	417,081	413,777	434,309	437,528^c	431,198	421,852
3 Europe	99,014	106,413	107,347	100,775	102,234	99,393	108,154	116,651 ^c	114,196	108,372
4 Austria	433	598	728	641	549	660	750	673 ^c	762	702
5 Belgium-Luxembourg	4,794	5,772	7,503	7,556	8,905	8,083	8,544	9,956	9,777	10,194
6 Denmark	648	706	692	650	624	651	574	569	744	642
7 Finland	898	823	947	797	1,050	1,003	1,127	1,046	1,046	1,048
8 France	9,157	9,124	11,369	9,058	9,960	9,858	10,816	12,076	12,037	11,771
9 Germany	1,306	1,267	1,818	2,269	1,725	1,632	1,371	1,508 ^c	1,548	2,008
10 Greece	817	991	648	635	634	535	460	457	456	433
11 Italy	9,119	8,848	9,042	7,898	7,337	6,991	7,536	8,331	8,406	6,770
12 Netherlands	1,356	1,258	3,299	2,077	2,090	2,371	3,075	2,989	5,794	4,482
13 Norway	706	654	741	766	667	683	776	774	774	830
14 Portugal	1,243	1,058	706	677	679	737	615	641	659	645
15 Spain	2,884	1,908	1,459	1,479	1,637	1,768	1,977	2,107	1,848	1,822
16 Sweden	2,230	2,219	1,945	2,280	2,422	2,464	2,417	2,618	2,333	2,290
17 Switzerland	2,123	3,171	3,049	2,622	2,413	2,338	2,905	3,593	2,611	2,459
18 Turkey	1,130	1,200	1,541	1,469	1,436	1,577	1,559	1,623	1,785	1,761
19 United Kingdom	56,185	62,566	58,282	55,856	56,387	54,035	59,864	64,001 ^c	59,705	56,733
20 Yugoslavia	1,886	1,964	1,836	1,775	1,769	1,840	1,763	1,803	1,755	1,762
21 Other Western Europe ¹	596	998	540	522	477	781	670	515	581	601
22 U.S.S.R.	142	130	345	396	401	367	375	357	582	420
23 Other Eastern Europe ²	1,389	1,107	944	1,379	971	1,032	1,073	1,012	993	999
24 Canada	16,109	16,482	20,958	20,749	19,186	19,829	20,225	19,340 ^c	19,071	18,652
25 Latin America and Caribbean	207,862	202,674	208,852	195,571	196,337	199,037	209,196	204,286 ^c	202,311	200,554
26 Argentina	11,050	11,462	12,089	12,114	12,211	12,162	12,129	12,335	12,256	12,172
27 Bahamas	58,009	58,258	59,547	52,090	52,952	53,679	62,639	58,328 ^c	56,809	52,884
28 Bermuda	592	499	418	415	376	532	740	592 ^c	302	387
29 Brazil	26,315	25,283	25,666	25,798	25,810	26,082	25,986	25,670 ^c	25,478	25,975
30 British West Indies	38,205	38,881	46,306	41,128	41,074	42,774	43,256	44,343 ^c	43,571	44,347
31 Chile	6,839	6,603	6,543	6,475	6,603	6,412	6,412	6,323 ^c	6,554	6,490
32 Colombia	3,499	3,249	2,819	2,801	2,743	2,692	2,686	2,650	2,649	2,743
33 Cuba	0	0	0	10	1	6	9	9	0	337
34 Ecuador	2,420	2,390	2,449	2,425	2,422	2,338	2,381	2,372	2,354	2,396
35 Guatemala	158	194	140	133	145	135	120	115	109	107
36 Jamaica	252	224	198	199	199	192	189	184	182	268
37 Mexico	34,885	31,729	30,607	30,289	29,999	29,817	30,119	30,056 ^c	30,297	31,072
38 Netherlands Antilles	1,350	1,340	1,039	960	945	992	1,202	1,072	1,364	1,118
39 Panama	7,707	6,645	5,434	5,270	5,204	5,543	5,771	4,730 ^c	4,948	4,631
40 Peru	2,384	1,947	1,643	1,635	1,626	1,593	1,601	1,599	1,565	1,567
41 Uruguay	1,088	960	940	937	932	959	957	962	950	949
42 Venezuela	11,017	10,871	11,078	11,028	11,185	11,282	11,089	11,046	11,032	11,245
43 Other Latin America and Caribbean	2,091	2,067	1,938	1,864	1,910	1,845	1,910	1,900	1,890	1,868
44 Asia	66,316	66,212	96,198	95,989	91,767	87,783	88,990	89,564 ^c	87,914	86,970
45 China										
45 Mainland	710	639	787	983	873	1,373	1,360	1,175	993	935
46 Taiwan	1,849	1,535	2,675	2,617	2,890	2,910	3,278	3,592	3,313	2,487
47 Hong Kong	7,293	6,797	8,300	8,443	9,225	8,254	7,931	7,727 ^c	7,646	7,416
48 India	425	450	321	333	325	486	314	379	429	417
49 Indonesia	724	698	718	699	679	652	627	657	677	639
50 Israel	2,088	1,991	1,635	1,601	1,521	1,545	1,509	1,459	1,445	1,559
51 Japan	29,066	31,249	59,852	58,319	55,594	52,267	54,292	55,172 ^c	55,108	54,960
52 Korea	9,285	9,226	7,159	6,783	6,161	6,011	5,352	6,076 ^c	5,314	5,010
53 Philippines	2,555	2,224	2,208	2,154	2,127	2,282	2,121	2,064	2,109	2,210
54 Thailand	1,125	845	577	521	557	492	461	540	552	565
55 Middle East oil-exporting countries ⁴	5,044	4,298	4,122	5,483	4,892	5,150	4,598	3,697	3,808	3,913
56 Other Asia	6,152	6,260	7,845	8,053	6,922	6,362	7,148	7,009	6,518	6,858
57 Africa	6,615	5,407	4,621	4,618	4,678	4,853	4,795	4,876 ^c	4,711	4,703
58 Egypt	728	721	567	577	593	618	574	585	599	571
59 Morocco	583	575	598	590	585	584	565	566	563	568
60 South Africa	2,795	1,942	1,531	1,534	1,548	1,550	1,578	1,598 ^c	1,506	1,479
61 Zaire	18	20	28	36	42	42	41	43	39	38
62 Oil-exporting countries ⁵	842	630	688	725	743	856	801	840	818	866
63 Other	1,649	1,520	1,208	1,156	1,168	1,204	1,236	1,246 ^c	1,187	1,182
64 Other countries	3,447	3,390	3,297	3,316	2,878	2,882	2,949	2,828	2,996	2,601
65 Australia	2,769	2,413	1,952	2,081	1,902	1,990	2,065	1,897	1,980	1,693
66 All other	678	978	1,345	1,235	976	892	884	931	1,016	908
67 Nonmonetary international and regional organizations ⁶	800	1,030	2,983	69	178	544	4,731	830 ^c	2,132	1,443

1. Includes the Bank for International Settlements. Beginning April 1978, also includes Eastern European countries not listed in line 23.

2. Beginning April 1978 comprises Bulgaria, Czechoslovakia, the German Democratic Republic, Hungary, Poland, and Romania.

3. Included in "Other Latin America and Caribbean" through March 1978.

4. Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).

5. Comprises Algeria, Gabon, Libya, and Nigeria.

6. Excludes the Bank for International Settlements, which is included in "Other Western Europe."

3.19 BANKS' OWN AND DOMESTIC CUSTOMERS' CLAIMS ON FOREIGNERS Reported by Banks in the United States Payable in U.S. Dollars

Millions of dollars, end of period

Type of claim	1984	1985	1986	1987						
				Jan.	Feb.	Mar.	Apr.	May ^r	June	July ^r
1 Total	433,078	430,489	478,221	421,086	417,258	445,899^r	439,040	438,358	466,436	423,295
2 Banks' own claims on foreigners	400,162	401,608	444,257	421,086	417,258	414,321	439,040	438,358	433,330	423,295
3 Foreign public borrowers	62,237	60,507	63,950	61,794	61,709	62,737	65,706	62,896	63,640	63,678
4 Own foreign offices ¹	156,216	174,261	211,759	192,595	190,911	190,070	206,944	203,652	200,202	190,535
5 Unaffiliated foreign banks	124,932	116,654	122,747	121,036	120,287	117,063	121,747	127,319	125,239	124,113
6 Deposits	49,226	48,372	57,299	54,376	55,526	53,652	57,394	61,693	60,381	59,194
7 Other	75,706	68,282	65,447	66,660	64,760	63,411	64,353	65,626	64,858	64,919
8 All other foreigners	56,777	50,185	45,801	45,662	44,352	44,450	44,643	44,491	44,249	44,969
9 Claims of banks' domestic customers ²	32,916	28,881	33,964	.....	.....	31,578 ^r	.....	.....	33,106	.....
10 Deposits	3,380	3,335	4,413	.....	.....	3,402	.....	.....	3,474	.....
11 Negotiable and readily transferable instruments ³	23,805	19,332	24,044	.....	.....	20,551	.....	.....	21,384	.....
12 Outstanding collections and other claims	5,732	6,214	5,508	.....	.....	7,625 ^r	.....	.....	8,249	.....
13 MEMO: Customer liability on acceptances	37,103	28,487	25,616	.....	.....	25,449	.....	.....	23,449	.....
Dollar deposits in banks abroad, reported by nonbanking business enterprises in the United States ⁴	40,714	38,102	43,994	46,583	49,528	44,404 ^r	45,675 ^r	44,844	38,008	n.a.

1. U.S. banks: includes amounts due from own foreign branches and foreign subsidiaries consolidated in "Consolidated Report of Condition" filed with bank regulatory agencies, Agencies, branches, and majority-owned subsidiaries of foreign banks: principally amounts due from head office or parent foreign bank, and foreign branches, agencies, or wholly owned subsidiaries of head office or parent foreign bank.

2. Assets owned by customers of the reporting bank located in the United States that represent claims on foreigners held by reporting banks for the account of their domestic customers.

3. Principally negotiable time certificates of deposit and bankers acceptances.

4. Includes demand and time deposits and negotiable and nonnegotiable certificates of deposit denominated in U.S. dollars issued by banks abroad. For description of changes in data reported by nonbanks, see July 1979 BULLETIN, p. 550.

NOTE: Beginning April 1978, data for banks' own claims are given on a monthly basis, but the data for claims of banks' own domestic customers are available on a quarterly basis only.

3.20 BANKS' OWN CLAIMS ON UNAFFILIATED FOREIGNERS Reported by Banks in the United States Payable in U.S. Dollars

Millions of dollars, end of period

Maturity; by borrower and area	1983	1984	1985	1986		1987	
				Sept.	Dec.	Mar.	June ^p
1 Total	243,715	243,952	227,903	224,754	231,413	225,211	234,704
<i>By borrower</i>							
2 Maturity of 1 year or less ¹	176,158	167,858	160,824	155,258	159,909	153,302	165,552
3 Foreign public borrowers	24,039	23,912	26,302	22,528	24,921	22,411	23,360
4 All other foreigners	152,120	143,947	134,522	132,731	134,988	130,891	142,192
5 Maturity over 1 year ¹	67,557	76,094	67,078	69,496	71,504	71,909	69,152
6 Foreign public borrowers	32,521	38,695	34,512	38,350	39,783	41,005	40,173
7 All other foreigners	35,036	37,399	32,567	31,145	31,722	30904	28,979
<i>By area</i>							
8 Maturity of 1 year or less ¹	56,117	58,498	56,585	59,428	61,227	57,806	67,811
9 Europe	6,211	6,028	6,401	6,199	5,840	5,504	5,531
10 Canada	73,660	62,791	63,328	58,212	56,050	54,078	55,282
11 Latin America and Caribbean	34,403	33,504	27,966	26,505	29,476	29,538	30,594
12 Asia	4,199	4,442	3,753	3,071	2,858	3,145	2,978
13 Africa	1,569	2,593	2,791	1,845	4,458	3,231	3,355
14 All other ²							
15 Maturity of over 1 year ¹	13,576	9,605	7,634	7,230	6,826	6,954	6,558
16 Europe	1,857	1,882	1,805	1,930	1,930	1,936	1,632
17 Canada	43,888	56,144	50,674	54,137	56,337	56,623	55,361
18 Latin America and Caribbean	4,850	5,323	4,502	3,976	4,081	4,197	3,442
19 Asia	2,286	2,033	1,538	1,479	1,534	1,626	1,522
20 Africa	1,101	1,107	926	744	795	573	638
21 All other ²							

1. Remaining time to maturity.

2. Includes nonmonetary international and regional organizations.

3.21 CLAIMS ON FOREIGN COUNTRIES Held by U.S. Offices and Foreign Branches of U.S.-Chartered Banks^{1,2}

Billions of dollars, end of period

Area or country	1984	1985	1985			1986			1987		
			June	Sept.	Dec.	Mar.	June	Sept.	Dec.	Mar.	June ^d
1 Total	405.7	391.9	396.8	394.9	391.9	393.1	389.9	389.5	390.0	396.3	388.2
2 G-10 countries and Switzerland	148.1	148.5	146.7	152.0	148.5	156.6	159.8 ^e	158.7 ^f	157.8 ^g	163.6 ^h	158.5
3 Belgium-Luxembourg	8.7	9.3	8.9	9.5	9.3	8.3	9.0	8.5	8.4	9.1	8.4
4 France	14.1	12.3	13.5	14.8	12.3	13.8	15.1	14.7	13.8	13.4	12.6
5 Germany	9.0	10.5	9.6	9.8	10.5	11.3	11.5	12.5	11.7	12.2	11.0
6 Italy	10.1	9.8	8.6	8.4	9.8	8.5	9.3	8.1	9.0	8.6	7.5
7 Netherlands	3.9	3.7	3.7	3.4	3.7	3.5	3.4	3.9	4.6	4.4	7.3
8 Sweden	3.2	2.8	2.9	3.1	2.8	2.9	2.9	2.7	2.4	3.0	2.4
9 Switzerland	3.9	4.4	4.0	4.1	4.4	5.4	5.6	4.8	5.5	5.8	5.7
10 United Kingdom	60.3	64.6	65.7	67.1	64.6	68.6	69.0	70.1	71.8	74.7 ⁱ	72.4
11 Canada	7.9	7.0	8.1	7.6	7.0	6.3	6.9	6.1	5.4	5.2	4.6
12 Japan	27.1	24.2	21.7	24.3	24.2	28.0	27.2 ^j	27.5 ^k	25.2 ^l	27.2	26.4
13 Other developed countries	33.6	30.4	32.3	32.0	30.4	31.6	30.6	29.4	26.0	26.0 ^o	25.7
14 Austria	1.6	1.6	1.6	1.7	1.6	1.6	1.7	1.7	1.7	1.9	1.9
15 Denmark	2.2	2.4	1.9	2.1	2.4	2.5	2.4	2.3	1.7	1.8	1.6
16 Finland	1.9	1.6	1.8	1.8	1.6	1.9	1.6	1.7	1.4	1.4	1.5
17 Greece	2.9	2.6	2.9	2.8	2.6	2.5	2.6	2.3	2.3	2.1	2.0
18 Norway	3.0	2.9	2.9	3.4	2.9	2.7	3.0	2.7	2.4	2.2	2.2
19 Portugal	1.4	1.3	1.3	1.4	1.3	1.1	1.0	1.0	.8	.9	.8
20 Spain	6.5	5.8	5.9	6.1	5.8	6.4	6.4	6.7	5.8	6.2	6.0
21 Turkey	1.9	1.9	2.0	2.1	1.9	2.3	2.5	2.1	2.0	1.9	2.1
22 Other Western Europe	1.7	2.0	1.8	1.7	2.0	2.4	2.1	1.6	1.4	1.5 ^m	1.5
23 South Africa	4.5	3.2	3.9	3.3	3.2	3.2	3.1	3.1	3.0	3.1	3.1
24 Australia	6.0	5.0	6.2	5.6	5.0	4.9	4.2	4.1	3.5	3.2	3.1
25 OPEC countries ³	24.9	21.6	22.8	22.7	21.6	20.7	20.6	20.0	19.6	20.4 ⁿ	19.2
26 Ecuador	2.2	2.1	2.2	2.2	2.1	2.2	2.1	2.2	2.2	2.1	2.1
27 Venezuela	9.3	8.9	9.3	9.0	8.9	8.7	8.8	8.7	8.6	8.7	8.7
28 Indonesia	3.3	3.0	3.1	3.1	3.0	3.3	3.0	2.8	2.5	2.4 ^o	2.2
29 Middle East countries	7.9	5.5	6.1	6.2	5.5	4.7	5.0	4.6	4.5	5.5	4.5
30 African countries	2.3	2.0	2.2	2.3	2.0	1.8	1.7	1.7	1.7	1.6	1.7
31 Non-OPEC developing countries	111.8	105.1	110.0	107.8	105.1	103.8	101.7	99.9	99.5	100.1 ^p	100.5
<i>Latin America</i>											
32 Argentina	8.7	8.9	8.6	8.9	8.9	8.9	9.2	9.3	9.5	9.5	9.5
33 Brazil	26.3	25.6	26.6	25.5	25.6	25.7	25.4	25.3	25.3	25.6 ^q	24.5
34 Chile	7.0	7.0	6.9	6.6	7.0	7.0	7.1	7.2	7.1	7.3	7.5
35 Colombia	2.9	2.7	2.7	2.6	2.7	2.3	2.2	2.0	2.1	2.0	2.0
36 Mexico	25.7	24.2	25.3	24.4	24.2	24.1	23.9	23.9	23.9	23.9	25.3
37 Peru	2.2	1.8	2.1	1.9	1.8	1.7	1.6	1.5	1.4	1.4	1.4
38 Other Latin America	3.9	3.4	3.7	3.5	3.4	3.3	3.3	3.3	3.1	3.0	3.0
<i>Asia</i>											
39 China											
40 Mainland .....	.7	.5	.3	1.1	.5	.6	.6	.6	.4	.9	.6
41 Taiwan	5.1	4.5	5.5	5.1	4.5	4.3	3.7	4.3	4.9	5.5 ^r	6.6
42 India .....	.9	1.2	.9	1.1	1.2	1.2	1.3	1.3	1.2	1.7	1.7
43 Israel	1.8	1.6	2.3	1.5	1.6	1.3	1.6	1.4	1.5	1.4	1.3
44 Korea (South)	10.6	9.4	10.0	10.4	9.4	9.5	8.7	7.3	6.7	6.2	5.7
45 Malaysia	2.7	2.4	2.8	2.7	2.4	2.2	2.0	2.1	2.1	1.9	1.7
46 Philippines	6.0	5.7	6.0	6.0	5.7	5.6	5.7	5.4	5.4	5.4	5.4
47 Thailand	1.8	1.4	1.6	1.7	1.4	1.3	1.1	1.0	.9	.9	.8
48 Other Asia	1.1	1.0	.9	.9	1.0	.9	.8	.7	.7	.6	.8
<i>Africa</i>											
49 Egypt	1.2	1.0	1.0	1.0	1.0	.9	.9	.7	.7	.6	.6
50 Morocco .....	.8	.9	.8	.9	.9	.9	.9	.9	.9	.9	.9
51 Zaïre .....	.1	.1	.1	.1	.1	.1	.1	.1	.1	.1	.1
52 Other Africa ⁴	2.1	1.9	2.0	2.0	1.9	1.9	1.7	1.6	1.6	1.4	1.3
53 Eastern Europe	4.4	4.2	4.3	4.6	4.2	4.0	4.0	3.4	3.2	3.1	3.4
54 U.S.S.R. .....	.1	.1	.3	.2	.1	.3	.3	.1	.1	.1	.3
55 Yugoslavia	2.3	2.2	2.2	2.4	2.2	2.0	2.0	1.9	1.7	1.6	1.7
56 Other	2.0	1.8	1.8	1.9	1.8	1.7	1.7	1.4	1.4	1.3	1.4
56 Offshore banking centers	65.6	65.4	63.9	58.8	65.4	60.1	56.3	61.0	64.2	65.4	62.5
57 Bahamas	21.5	21.4	21.1	16.6	21.4	21.5	17.3	20.0	22.5	23.8	19.6
58 Bermuda .....	.9	.7	.9	.8	.7	.7	.5	.4	.7	.8	.6
59 Cayman Islands and other British West Indies	11.8	13.4	12.1	12.3	13.4	11.3	13.0	13.2	14.5	13.1	14.7
60 Netherlands Antilles	3.4	2.3	3.2	2.3	2.3	2.3	2.3	1.9	1.8	1.7	1.3
61 Panama ⁵	6.7	6.1	5.4	6.1	6.0	4.4	4.2	5.1	4.1	5.5	5.3
62 Lebanon .....	.1	.1	.1	.0	.1	.1	.1	.1	.1	.1	.1
63 Hong Kong	11.4	11.5	11.4	11.4	11.5	11.5	9.5	10.5	11.2	11.5	12.5
64 Singapore	9.8	9.9	9.7	9.4	9.9	8.4	9.3	9.7	9.3	8.8	8.4
65 Others ⁶ .....	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
66 Miscellaneous and unallocated ⁷	17.3	16.9	16.9	17.3	16.9	16.3	16.8 ^e	17.2 ^f	19.7 ^g	17.7	18.4

1. The banking offices covered by these data are the U.S. offices and foreign branches of U.S.-owned banks and of U.S. subsidiaries of foreign-owned banks. Offices not covered include (1) U.S. agencies and branches of foreign banks, and (2) foreign subsidiaries of U.S. banks. To minimize duplication, the data are adjusted to exclude the claims on foreign branches held by a U.S. office or another foreign branch of the same banking institution. The data in this table combine foreign branch claims in table 3.14 (the sum of lines 7 through 10) with the claims of U.S. offices in table 3.18 (excluding those held by agencies and branches of foreign banks and those constituting claims on own foreign branches).

2. Beginning with June 1984 data, reported claims held by foreign branches have been reduced by an increase in the reporting threshold for "shell" branches

from \$50 million to \$150 million equivalent in total assets, the threshold now applicable to all reporting branches.

3. Besides the Organization of Petroleum Exporting Countries shown individually, this group includes other members of OPEC (Algeria, Gabon, Iran, Iraq, Kuwait, Libya, Nigeria, Qatar, Saudi Arabia, and United Arab Emirates) as well as Bahrain and Oman (not formally members of OPEC).

4. Excludes Liberia.

5. Includes Canal Zone beginning December 1979.

6. Foreign branch claims only.

7. Includes New Zealand, Liberia, and international and regional organizations.

3.22 LIABILITIES TO UNAFFILIATED FOREIGNERS Reported by Nonbanking Business Enterprises in the United States¹

Millions of dollars, end of period

Type, and area or country	1983	1984	1985	1986				1987
				Mar.	June	Sept.	Dec.	Mar.
1 Total	25,346	29,357	27,685	26,346	24,848	25,183	25,385	25,580
2 Payable in dollars	22,233	26,389	24,296	22,589	21,162	21,240	21,541	20,028
3 Payable in foreign currencies	3,113	2,968	3,389	3,757	3,686	3,943	3,844	5,551
<i>By type</i>								
4 Financial liabilities	10,572	14,509	13,460	13,017	11,728	12,285	12,134	12,686
5 Payable in dollars	8,700	12,553	11,257	10,750	9,637	9,908	9,694	9,983
6 Payable in foreign currencies	1,872	1,955	2,203	2,267	2,091	2,376	2,440	2,703
7 Commercial liabilities	14,774	14,849	14,225	13,329	13,120	12,899	13,250	12,894
8 Trade payables	7,765	7,005	6,685	5,618	5,472	5,723	6,289	6,072
9 Advance receipts and other liabilities	7,009	7,843	7,540	7,711	7,648	7,175	6,961	6,822
10 Payable in dollars	13,533	13,836	13,039	11,839	11,525	11,331	11,847	10,046
11 Payable in foreign currencies	1,241	1,013	1,186	1,490	1,595	1,567	1,404	2,848
<i>By area or country</i>								
<i>Financial liabilities</i>								
12 Europe	5,742	6,728	7,560	7,456	7,046	7,678	7,891	7,929
13 Belgium-Luxembourg	302	471	329	440	390	424	245	205
14 France	843	995	857	851	686	501	737	702
15 Germany	502	489	434	388	280	319	372	368
16 Netherlands	621	590	745	630	635	708	701	690
17 Switzerland	486	569	620	636	505	636	714	817
18 United Kingdom	2,839	3,297	4,254	4,167	4,252	4,660	4,830	4,886
19 Canada	764	863	839	832	367	362	402	431
20 Latin America and Caribbean	2,596	5,086	3,184	2,810	2,463	2,283	1,969	2,366
21 Bahamas	751	1,926	1,123	958	874	863	621	668
22 Bermuda	13	13	4	4	14	4	4	0
23 Brazil	32	35	29	26	27	28	32	26
24 British West Indies	1,041	2,103	1,843	1,639	1,406	1,270	1,160	1,544
25 Mexico	213	367	15	20	30	18	22	30
26 Venezuela	124	137	3	3	3	5	3	3
27 Asia	1,424	1,777	1,815	1,874	1,735	1,881	1,792	1,869
28 Japan	991	1,209	1,198	1,267	1,264	1,446	1,377	1,459
29 Middle East oil-exporting countries ²	170	155	82	78	43	3	8	7
30 Africa	19	14	12	12	12	4	1	3
31 Oil-exporting countries ³	0	0	0	0	0	2	1	1
32 All other ⁴	27	41	50	32	104	76	79	88
<i>Commercial liabilities</i>								
33 Europe	3,245	4,001	4,074	3,925	3,817	4,367	4,420	4,454
34 Belgium-Luxembourg	62	48	62	66	58	75	99	85
35 France	437	438	453	382	358	370	338	281
36 Germany	427	622	607	546	561	637	693	602
37 Netherlands	268	245	364	545	586	613	493	374
38 Switzerland	241	257	379	261	284	361	384	483
39 United Kingdom	732	1,095	976	957	864	1,104	1,279	1,320
40 Canada	1,841	1,975	1,449	1,445	1,367	1,312	1,386	1,350
41 Latin America and Caribbean	1,473	1,871	1,088	1,107	1,242	846	850	1,165
42 Bahamas	1	7	12	26	10	37	19	28
43 Bermuda	67	114	77	218	294	172	132	294
44 Brazil	44	124	58	64	45	43	59	81
45 British West Indies	6	32	44	7	35	45	48	88
46 Mexico	585	586	430	256	235	197	210	182
47 Venezuela	432	636	212	364	488	207	215	316
48 Asia	6,741	5,285	6,046	5,384	5,075	4,807	5,011	4,931
49 Japan	1,247	1,256	1,799	2,039	2,100	2,136	2,046	2,443
50 Middle East oil-exporting countries ^{2,5}	4,178	2,372	2,829	2,171	1,787	1,492	1,666	1,175
51 Africa	553	588	587	486	567	585	619	520
52 Oil-exporting countries ³	167	233	238	148	215	176	197	170
53 All other ⁴	921	1,128	982	983	1,053	982	963	475

1. For a description of the changes in the International Statistics tables, see July 1979 BULLETIN, p. 550.

2. Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).

3. Comprises Algeria, Gabon, Libya, and Nigeria.

4. Includes nonmonetary international and regional organizations.

5. Revisions include a reclassification of transactions, which also affects the totals for Asia and the grand totals.

3.23 CLAIMS ON UNAFFILIATED FOREIGNERS Reported by Nonbanking Business Enterprises in the United States¹

Millions of dollars, end of period

Type, and area or country	1983	1984	1985	1986				1987
				Mar.	June	Sept.	Dec.	Mar.
1 Total	34,911	29,901	28,760	31,404	33,869	33,879	32,839	34,492
2 Payable in dollars	31,815	27,304	26,457	29,217	31,687	31,186	30,245	31,426
3 Payable in foreign currencies	3,096	2,597	2,302	2,187	2,182	2,693	2,594	3,067
<i>By type</i>								
4 Financial claims	23,780	19,254	18,774	22,017	24,726	24,666	23,251	24,063
5 Deposits	18,496	14,621	15,526	18,633	21,418	19,262	18,167	18,239
6 Payable in dollars	17,993	14,202	14,911	18,176	20,863	18,698	17,614	17,491
7 Payable in foreign currencies	503	420	615	457	555	564	553	748
8 Other financial claims	5,284	4,633	3,248	3,384	3,308	5,404	5,083	5,824
9 Payable in dollars	3,328	3,190	2,213	2,291	2,287	4,042	3,799	4,481
10 Payable in foreign currencies	1,956	1,442	1,035	1,093	1,021	1,362	1,284	1,343
11 Commercial claims	11,131	10,646	9,986	9,387	9,142	9,213	9,588	10,429
12 Trade receivables	9,721	9,177	8,696	8,087	7,802	8,030	8,442	9,407
13 Advance payments and other claims	1,410	1,470	1,290	1,300	1,341	1,183	1,146	1,022
14 Payable in dollars	10,494	9,912	9,333	8,750	8,537	8,445	8,832	9,453
15 Payable in foreign currencies	637	735	652	637	606	767	756	976
<i>By area or country</i>								
Financial claims								
16 Europe	6,488	5,762	6,812	7,204	10,155	10,452	8,656	9,265
17 Belgium-Luxembourg	37	15	10	10	11	67	41	15
18 France	150	126	184	217	257	418	131	167
19 Germany	163	224	223	174	148	129	91	140
20 Netherlands	71	66	61	61	17	44	87	70
21 Switzerland	38	66	74	166	177	138	134	74
22 United Kingdom	5,817	4,864	6,007	6,331	9,328	9,429	7,925	8,437
23 Canada	5,989	3,988	3,260	4,020	4,429	3,956	4,056	3,828
24 Latin America and Caribbean	10,234	8,216	7,846	10,073	9,258	9,353	9,110	9,521
25 Bahamas	4,771	3,306	2,698	3,516	3,315	2,884	2,539	3,945
26 Bermuda	102	6	6	2	17	19	13	3
27 Brazil	53	100	78	77	75	105	67	72
28 British West Indies	4,206	4,043	4,571	6,034	5,402	5,949	6,057	5,099
29 Mexico	293	215	180	178	176	173	173	164
30 Venezuela	134	125	48	43	42	40	24	23
31 Asia	764	961	731	619	776	740	1,317	1,220
32 Japan	297	353	475	350	499	390	986	957
33 Middle East oil-exporting countries ²	4	13	4	2	2	2	11	11
34 Africa	147	210	103	87	89	84	85	84
35 Oil-exporting countries ³	55	85	29	27	25	18	28	19
36 All other ⁴	159	117	21	14	20	81	27	145
Commercial claims								
37 Europe	3,670	3,801	3,533	3,390	3,304	3,385	3,520	3,618
38 Belgium-Luxembourg	135	165	175	148	131	126	127	143
39 France	459	440	426	384	391	415	387	418
40 Germany	349	374	346	399	418	401	428	454
41 Netherlands	334	335	284	221	230	184	199	163
42 Switzerland	317	271	284	247	228	233	213	195
43 United Kingdom	809	1,063	898	795	674	853	820	1016
44 Canada	829	1,021	1,023	1,061	965	950	909	1,821
45 Latin America and Caribbean	2,695	2,052	1,753	1,592	1,611	1,687	1,861	1,704
46 Bahamas	8	8	13	27	24	29	29	11
47 Bermuda	190	115	93	82	148	132	158	127
48 Brazil	493	214	206	217	193	207	229	211
49 British West Indies	7	7	6	7	29	23	55	22
50 Mexico	884	583	510	388	323	316	388	415
51 Venezuela	272	206	157	172	181	192	219	157
52 Asia	3,063	3,073	2,982	2,609	2,574	2,487	2,619	2,620
53 Japan	1,114	1,191	1,016	801	845	792	840	936
54 Middle East oil-exporting countries ²	737	668	638	630	622	600	506	466
55 Africa	588	470	437	491	450	469	464	425
56 Oil-exporting countries ³	139	134	130	167	170	168	134	141
57 All other ⁴	286	229	257	244	237	234	215	241

1. For a description of the changes in the International Statistics tables, see July 1979 Bulletin, p. 550.

2. Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).

3. Comprises Algeria, Gabon, Libya, and Nigeria.

4. Includes nonmonetary international and regional organizations.

3.24 FOREIGN TRANSACTIONS IN SECURITIES

Millions of dollars

Transactions, and area or country	1985	1986	1987							
			Jan.-July	Jan.	Feb.	Mar.	Apr.	May	June	July ^P
U.S. corporate securities										
Stocks										
1 Foreign purchases	81,995	148,090	144,019	17,628	20,704	23,066	20,704	19,603	18,682	23,632
2 Foreign sales	77,054	129,382	123,846	15,964	17,599	18,003	17,392	15,952	17,054	21,883
3 Net purchases, or sales (-)	4,941	18,708	20,173	1,664	3,105	5,063	3,312	3,651	1,628	1,749
4 Foreign countries	4,857	18,916	20,319	1,744	3,204	5,026	3,250	3,687	1,673	1,735
5 Europe	2,057	9,559	8,565	1,061	1,786	1,841	1,027	1,478	669	704
6 France	-438	459	1,870	140	446	656	332	123	107	66
7 Germany	730	341	-137	62	16	19	-101	118	-155	-96
8 Netherlands	-123	936	842	53	91	69	124	120	232	153
9 Switzerland	-75	1,560	749	101	100	177	306	351	-206	-80
10 United Kingdom	1,665	4,826	4,575	647	996	783	181	675	671	621
11 Canada	356	807	643	100	-118	343	252	48	-238	255
12 Latin America and Caribbean	1,718	3,029	2,058	308	331	372	36	334	290	387
13 Middle East ¹	238	976	-1,278	136	-175	-230	21	-90	-26	-913
14 Other Asia	296	3,876	9,656	91	1,153	2,638	1,790	1,686	1,009	1,290
15 Africa	24	297	76	-1	15	1	59	45	-30	-14
16 Other countries	168	373	599	49	212	61	65	185	-1	28
17 Nonmonetary international and regional organizations	84	-208	-147	-80	-100	37	62	-36	-45	14
BONDS ²										
18 Foreign purchases	86,587	122,953	68,054	9,308	8,021	12,117	9,873	8,963	10,364	9,407
19 Foreign sales	42,455	72,499	49,112	7,180	5,457	8,281	6,559	6,823	8,305	6,507
20 Net purchases, or sales (-)	44,132	50,454	18,942	2,127	2,565	3,836	3,314	2,140	2,060	2,900
21 Foreign countries	44,227	49,607	18,655	2,216	2,179	3,994	3,138	2,270	1,968	2,891
22 Europe	40,047	39,126	15,472	1,372	1,402	3,600	2,864	1,682	2,204	2,348
23 France	210	389	198	6	17	81	-22	7	43	65
24 Germany	2,001	-251	176	-213	145	198	-121	-29	80	116
25 Netherlands	222	387	89	-7	-29	69	47	38	37	65
26 Switzerland	3,987	4,529	1,286	66	78	558	50	182	105	247
27 United Kingdom	32,762	33,706	13,591	1,389	1,178	2,931	2,839	1,544	1,795	1,914
28 Canada	190	548	770	-103	364	190	161	23	49	87
29 Latin America and Caribbean	498	1,468	944	103	98	65	123	254	-4	305
30 Middle East ¹	-2,648	-2,961	-381	-57	-139	-12	62	59	-128	-166
31 Other Asia	6,091	11,270	1,865	917	469	169	-73	252	-169	300
32 Africa	11	16	22	0	1	3	1	7	8	1
33 Other countries	38	139	-37	-16	-16	-22	0	-6	8	15
34 Nonmonetary international and regional organizations	-95	847	287	-88	386	-157	176	-130	92	9
Foreign securities										
35 Stocks, net purchases, or sales (-)	-3,941	-1,912	-2,183	-204	-561	-708	-1,160	636 ^r	-257	70
36 Foreign purchases	20,861	48,787	51,594	4,906	7,175	7,015	7,120	8,016 ^r	8,778	8,584
37 Foreign sales	24,803	50,699	53,777	5,110	7,736	7,722	8,280	7,380 ^r	9,035	8,514
38 Bonds, net purchases, or sales (-)	-3,999	-3,361	-276	319	-70	-545	-579	-1,112 ^r	2,271	-558
39 Foreign purchases	81,216	166,781	125,078	11,427	15,822	16,650	19,012	20,049 ^r	25,788	16,332
40 Foreign sales	85,214	170,142	125,354	11,108	15,891	17,195	19,591	21,161 ^r	23,517	16,890
41 Net purchases, or sales (-), of stocks and bonds	-7,940	-5,273	-2,459	114	-631	-1,253	-1,739	-476 ^r	2,014	-488
42 Foreign countries	-9,003	-6,357	-2,870	-27	-711	-1,520	1,874	-494 ^r	1,970	-215
43 Europe	-9,887	-17,893	-7,319	-226	-1,219	-682	-2,682	-1,990 ^r	-31	-489
44 Canada	-1,686	-875	-2,666	-396	-566	-202	-3	-418 ^r	-489	-592
45 Latin America and Caribbean	1,797	3,479	587	389	104	-416	259	204	107	-60
46 Asia	659	10,858	7,337	168	925	306	636	1,697 ^r	2,502	1,104
47 Africa	75	52	42	4	0	-1	8	20	6	5
48 Other countries	38	-1,977	-851	34	45	-524	-91	-8 ^r	-124	-182
49 Nonmonetary international and regional organizations	1,063	1,084	411	142	80	267	135	18	44	-274

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 securi-

ties sold abroad by U.S. corporations organized to finance direct investments abroad.

3.25 MARKETABLE U.S. TREASURY BONDS AND NOTES Foreign Transactions

Millions of dollars

Country or area	1985	1986	1987							
			Jan.- July	Jan.	Feb.	Mar.	Apr.	May	June	July ^p
Transactions, net purchases or sales (-) during period ¹										
1 Estimated total ²	29,208	20,061	17,474	-436	961	7,028	-2,990	-248	12,281	878
2 Foreign countries ²	28,768	21,164	21,225	580	1,846	4,145	1,405	3,731	8,648	3,680
3 Europe ²	4,303	16,866	19,189	1,376	1,751	5,832	375	1,695	3,640	4,519
4 Belgium-Luxembourg	476	349	317	59	211	-35	35	4	58	54
5 Germany ²	1,917	7,531	9,413	581	1,118	2,141	1,106	1,417	1,534	1,516
6 Netherlands	269	1,283	109	-366	41	212	22	352	111	204
7 Sweden	976	132	304	229	440	334	32	-166	183	76
8 Switzerland ²	773	310	4,141	-135	473	1,641	652	413	585	512
9 United Kingdom	-1,810	4,648	1,660	1,227	15	328	-1,089	-524	617	1,115
10 Other Western Europe	1,701	2,613	3,276	236	-518	1,635	-230	198	913	1,042
11 Eastern Europe	0	0	31	3	0	0	-40	1	5	0
12 Canada	-188	881	2,944	846	-416	709	703	37	413	654
13 Latin America and Caribbean	4,315	875	1,660	-1,006	-290	-62	-30	381	782	-673
14 Venezuela	248	95	92	-33	18	102	14	11	-17	-4
15 Other Latin America and Caribbean	2,336	1,128	1,203	-445	373	-156	176	302	512	15
16 Netherlands Antilles	1,731	159	-549	-528	-682	8	133	-90	1,311	-684
17 Asia	19,919	1,341	46	-922	1,231	-2,378	2,880	2,136	3,531	-671
18 Japan	17,909	-77	267	-76	1,767	-2,457	2,561	-541	4,199	-597
19 Africa	112	-54	-17	6	34	12	15	11	-18	20
20 All other	308	1,255	724	280	396	32	442	233	300	-168
21 Nonmonetary international and regional organizations	442	-1,105	-3,752	-1,016	885	2,883	-1,585	-3,980	3,633	2,802
22 International	-436	-1,430	-2,944	-1,070	-886	2,833	-1,347	-3,114	3,515	-2,875
23 Latin American regional	18	157	13	0	0	11	0	0	3	0
Memo										
24 Foreign countries ²	28,768	21,164	21,225	580	1,846	4,145	-1,405	3,731	8,648	3,680
25 Official institutions	8,135	14,380	21,076	1,498	834	5,837	2,489 ^f	4,447	3,719	2,253
26 Other foreign	20,631	6,787	149	-918	1,012	-1,691	-3,894 ^f	-715	4,929	1,426
Oil-exporting countries										
27 Middle East ³	-1,547	1,473	-1,686	-721	-962	226	-120	636	-857	112
28 Africa ⁴	7	5	20	1	1	17	0	0	1	0

1. Estimated official and private transactions in marketable U.S. Treasury securities with an original maturity of more than 1 year. Data are based on monthly transactions reports. Excludes nonmarketable U.S. Treasury bonds and notes held by official institutions of foreign countries.

2. Includes U.S. Treasury notes publicly issued to private foreign residents denominated in foreign currencies.

3. Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).

4. Comprises Algeria, Gabon, Libya, and Nigeria.

3.26 DISCOUNT RATES OF FOREIGN CENTRAL BANKS

Percent per annum

Country	Rate on Aug. 31, 1987		Country	Rate on Aug. 31, 1987		Country	Rate on Aug. 31, 1987	
	Percent	Month effective		Percent	Month effective		Percent	Month effective
Austria	3.5	Jan. 1987	France ¹	7.5	July 1987	Norway	8.0	June 1983
Belgium	7.25	July 1987	Germany, Fed. Rep. of ...	3.0	Jan. 1987	Switzerland	3.5	Jan. 1987
Brazil	49.0	Mar. 1981	Italy	12.0	Aug. 1987	United Kingdom		
Canada	9.24	Aug. 1987	Japan	2.5	Feb. 1987	Venezuela	8.0	Oct. 1985
Denmark	7.0	Oct. 1983	Netherlands	4.5	Mar. 1986			

1. As of the end of February 1981, the rate is that at which the Bank of France discounts Treasury bills for 7 to 10 days.

2. Minimum lending rate suspended as of Aug. 20, 1981.

NOTE. Rates shown are mainly those at which the central bank either discounts

or makes advances against eligible commercial paper and/or government commercial banks or brokers. For countries with more than one rate applicable to such discounts or advances, the rate shown is the one at which it is understood the central bank transacts the largest proportion of its credit operations.

3.27 FOREIGN SHORT-TERM INTEREST RATES

Percent per annum, averages of daily figures

Country, or type	1984	1985	1986	1987						
				Feb.	Mar.	Apr.	May	June	July	Aug.
1 Eurodollars	10.75	8.27	6.70	6.32	6.37	6.73	7.25	7.11	6.87	6.91
2 United Kingdom	9.91	12.16	10.87	10.79	9.90	9.72	8.79	8.85	9.17	9.95
3 Canada	11.29	9.64	9.18	7.44	7.14	7.62	8.22	8.40	8.61	9.11
4 Germany	5.96	5.40	4.58	3.94	3.97	3.85	3.73	3.67	3.83	3.93
5 Switzerland	4.35	4.92	4.19	3.58	3.93	3.65	3.63	3.77	3.60	3.55
6 Netherlands	6.08	6.29	5.56	5.31	5.38	5.31	5.11	5.15	5.21	5.27
7 France	11.66	9.91	7.68	8.36	7.85	7.87	8.09	8.18	7.83	7.88
8 Italy	17.08	14.86	12.60	11.13	10.65	10.03	10.15	10.67	10.92	11.96
9 Belgium	11.41	9.60	8.04	7.75	7.49	7.21	7.13	6.78	6.54	6.55
10 Japan	6.32	6.47	4.96	3.98	4.00	3.92	3.77	3.71	3.74	3.71

NOTE. Rates are for 3-month interbank loans except for Canada, finance company paper; Belgium, 3-month Treasury bills; and Japan, Gensaki rate.

3.28 FOREIGN EXCHANGE RATES

Currency units per dollar

Country/currency	1984	1985	1986	1987					
				Mar.	Apr.	May	June	July	Aug.
1 Australia/dollar ¹	87.937	70.026	67.093	68.17	71.19	71.42	71.79	70.79	70.72
2 Austria/schilling	20.005	20.676	15.260	12.905	12.739	12.574	12.793	12.996	13.041
3 Belgium/franc	57.749	59.336	44.662	38.029	35.562	37.091	37.712	38.329	38.528
4 Canada/dollar	1.2953	1.3658	1.3896	1.3194	1.3183	1.3411	1.338	1.3262	1.3256
5 China, P.R./yuan	2.3308	2.9434	3.4615	3.7314	3.7314	3.7314	3.7314	3.7314	3.7314
6 Denmark/krone	10.354	10.598	8.0954	6.9166	6.8388	6.7333	6.8555	7.0179	7.1279
7 Finland/markka	6.0007	6.1971	5.0721	4.5102	4.4227	4.3604	4.4281	4.4882	4.5017
8 France/franc	8.7355	8.9799	6.9256	6.1091	6.0332	5.9748	6.0739	6.1530	6.1934
9 Germany/deutsche mark	2.8454	2.9419	2.1704	1.8355	1.8125	1.7881	1.8189	1.8482	1.8553
10 Greece/drachma	112.73	138.40	139.93	134.68	133.502	133.35	136.06	139.313	140.63
11 Hong Kong/dollar	7.8188	7.7911	7.8037	7.8017	7.8023	7.8049	7.8080	7.8090	7.8091
12 India/rupee	11.348	12.332	12.597	12.924	12.8224	12.666	12.837	13.01	13.085
13 Ireland/pound ¹	108.64	106.62	134.14	145.54	147.49	149.59	147.25	144.99	144.18
14 Italy/lira	1756.10	1908.90	1491.16	1305.90	1292.96	1290.80	1316.50	1337.96	1344.18
15 Japan/yen	237.45	238.47	168.35	151.43	143.00	140.48	144.55	150.29	147.33
16 Malaysia/ringgit	2.3448	2.4806	2.5830	2.5230	2.4861	2.4759	2.5078	2.5414	2.5361
17 Netherlands/guilder	3.2083	3.3184	2.4484	2.0731	2.0447	2.0154	2.0490	2.0814	2.0903
18 New Zealand/dollar ¹	57.837	49.752	52.456	56.333	57.751	57.639	58.686	59.644	58.923
19 Norway/krone	8.1596	8.5933	7.3984	6.9335	6.7781	6.6632	6.7147	6.7632	6.7911
20 Portugal/escudo	147.70	172.07	149.80	141.48	140.339	139.18	142.12	144.51	145.57
21 Singapore/dollar	2.1325	2.2008	2.1782	2.1418	2.1350	2.1202	2.1176	2.1183	2.1082
22 South Africa/rand ¹	69.534	45.57	43.952	48.21	49.55	49.87	49.41	48.52	48.16
23 South Korea/won	807.91	861.89	884.61	856.11	845.00	832.53	818.39	811.81	811.87
24 Spain/peseta	160.78	169.98	140.04	128.86	126.975	125.28	126.33	126.97	125.57
25 Sri Lanka/rupee	25.428	27.187	27.933	28.823	28.902	28.988	29.171	29.405	29.643
26 Sweden/krona	8.2706	8.6031	7.1272	6.4202	6.3210	6.2606	6.3482	6.4466	6.4898
27 Switzerland/franc	2.3500	2.4551	1.7979	1.5391	1.4968	1.4705	1.5085	1.5365	1.5364
28 Taiwan/dollar	39.633	39.889	37.837	34.681	33.863	32.354	31.226	31.114	30.290
29 Thailand/baht	23.582	27.193	26.314	25.881	25.695	25.629	25.779	26.041	25.926
30 United Kingdom/point ¹	133.66	129.74	146.77	159.23	162.99	166.66	162.88	160.90	159.96
MEMO									
31 United States/dollar ²	138.19	143.01	112.22	98.99	97.09	96.05	97.78	99.36	99.43

1. Value in U.S. cents.

2. Index of weighted-average exchange value of U.S. dollar against the currencies of 10 industrial countries. The weight for each of the 10 countries is the 1972-76 average world trade of that country divided by the average world trade of all 10 countries combined. Series revised as of August 1978 (see FEDERAL RESERVE BULLETIN, vol. 64, August 1978, p. 700).

3. Currency reform.

NOTE: Averages of certified noon buying rates in New York for cable transfers. Data in this table also appear in the Board's G.5 (405) release. For address, see inside front cover.

Guide to Tabular Presentation, Statistical Releases, and Special Tables

GUIDE TO TABULAR PRESENTATION

Symbols and Abbreviations

c	Corrected	0	Calculated to be zero
e	Estimated	n.a.	Not available
p	Preliminary	n.e.c.	Not elsewhere classified
r	Revised (Notation appears on column heading when about half of the figures in that column are changed.)	IPCs	Individuals, partnerships, and corporations
*	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)	REITs	Real estate investment trusts
		RPs	Repurchase agreements
		SMSAs	Standard metropolitan statistical areas
		.....	Cell not applicable

General Information

Minus signs are used to indicate (1) a decrease, (2) a negative figure, or (3) an outflow.

"U.S. government securities" may include guaranteed issues of U.S. government agencies (the flow of funds figures also include not fully guaranteed issues) as well as direct

obligations of the Treasury. "State and local government" also includes municipalities, special districts, and other political subdivisions.

In some of the tables details do not add to totals because of rounding.

STATISTICAL RELEASES

List Published Semiannually, with Latest Bulletin Reference

	Issue	Page
Anticipated schedule of release dates for periodic releases.....	June 1987	A89

SPECIAL TABLES

Published Irregularly, with Latest Bulletin Reference

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Special tables begin on next page.

4.30 ASSETS AND LIABILITIES of U.S. Branches and Agencies of Foreign Banks, June 30, 1987¹

Millions of dollars

Item	All states ²		New York		California		Illinois	
	Total including IBFs	IBFs only ³	Total including IBFs	IBFs only ³	Total including IBFs	IBFs only ³	Total including IBFs	IBFs only ³
1 Total assets ⁴	427,353	214,061	315,832	170,859	64,980	27,404	27,252	10,152
2 Claims on nonrelated parties	391,802	183,467	290,690	145,499	58,123	25,174	27,252	9,912
3 Cash and balances due from depository institutions	105,304	88,174	88,219	73,647	9,589	8,832	6,146	4,946
4 Cash items in process of collection and unposted debits	442	0	415	0	5	0	9	0
5 Currency and coin (U.S. and foreign)	37	n.a.	30	n.a.	2	n.a.	2	n.a.
6 Balances with depository institutions in United States	55,116	41,781	45,034	33,870	5,769	5,095	3,659	2,573
7 U.S. branches and agencies of other foreign banks (including their IBFs)	47,801	38,956	39,089	31,380	5,185	4,908	3,095	2,442
8 Other depository institutions in United States (including their IBFs)	7,315	2,825	5,944	2,490	584	188	564	131
9 Balances with banks in foreign countries and with foreign central banks	47,128	46,393	40,372	39,777	3,753	3,737	2,398	2,373
10 Foreign branches of U.S. banks	2,705	2,601	2,524	2,446	87	86	61	54
11 Other banks in foreign countries and foreign central banks	44,423	43,793	37,848	37,331	3,666	3,651	2,336	2,319
12 Balances with Federal Reserve Banks	2,581	n.a.	2,368	n.a.	60	n.a.	79	n.a.
13 Total securities and loans	236,795	91,036	163,830	68,752	39,676	15,661	19,773	4,653
14 Total securities, book value	32,379	8,915	26,138	6,716	4,136	1,873	1,042	217
15 U.S. Treasury	6,527	n.a.	6,154	n.a.	167	n.a.	110	n.a.
16 Obligations of U.S. government agencies and corporations	2,729	n.a.	2,680	n.a.	42	n.a.	0	n.a.
17 Other bonds, notes, debentures and corporate stock (including state and local securities)	23,123	8,915	17,303	6,716	3,928	1,873	932	217
18 Federal funds sold and securities purchased under agreements to resell	11,522	1,323	10,345	949	436	114	396	132
19 U.S. branches and agencies of other foreign banks	8,442	756	7,685	508	263	109	237	22
20 Commercial banks in United States	1,582	144	1,388	144	77	0	41	0
21 Other	1,498	423	1,273	297	96	5	119	110
22 Total loans, gross	204,618	82,203	137,826	62,094	35,598	13,811	18,737	4,436
23 Less: Unearned income on loans	202	82	134	58	58	24	6	0
24 Equals: Loans, net	204,415	82,121	137,692	62,036	35,540	13,787	18,731	4,436
<i>Total loans, gross, by category</i>								
25 Real estate loans	9,786	89	3,815	47	2,529	36	1,717	0
26 Loans to depository institutions	68,852	48,521	50,818	33,605	11,979	10,057	4,624	3,776
27 Commercial banks in United States (including IBFs)	37,331	19,317	26,889	11,754	7,189	5,350	2,944	2,130
28 U.S. branches and agencies of other foreign banks	33,500	17,692	23,410	10,223	6,963	5,267	2,884	2,119
29 Other commercial banks in United States	3,831	1,625	3,479	1,531	226	83	60	11
30 Other depository institutions in United States (including IBFs)	97	25	43	11	16	3	25	0
31 Banks in foreign countries	31,423	29,180	23,886	21,841	4,774	4,705	1,655	1,646
32 Foreign branches of U.S. banks	1,148	1,113	915	880	220	220	10	10
33 Other banks in foreign countries	30,275	28,067	22,971	20,961	4,554	4,485	1,645	1,636
34 Other financial institutions	5,250	762	3,149	676	853	47	1,068	28
35 Commercial and industrial loans	97,798	17,756	60,605	14,836	18,132	2,267	10,850	354
36 U.S. addressees (domicile)	75,763	241	42,707	183	15,500	58	10,409	0
37 Non-U.S. addressees (domicile)	22,035	17,515	17,898	14,653	2,632	2,209	441	354
38 Acceptances of other banks	675	12	542	6	96	0	17	6
39 U.S. banks	273	0	166	0	89	0	1	0
40 Foreign banks	401	12	376	6	7	0	16	6
41 Loans to foreign governments and official institutions (including foreign central banks)	16,627	14,727	14,247	12,669	1,383	1,349	306	270
42 Loans for purchasing or carrying securities (secured and unsecured)	3,344	34	2,775	27	531	0	2	2
43 All other loans	2,286	301	1,875	227	95	55	153	0
44 All other assets	38,181	2,934	28,296	2,151	8,421	567	937	180
45 Customers' liability on acceptances outstanding	28,052	n.a.	20,352	n.a.	7,010	n.a.	447	n.a.
46 U.S. addressees (domicile)	18,154	n.a.	11,581	n.a.	6,033	n.a.	438	n.a.
47 Non-U.S. addressees (domicile)	9,898	n.a.	8,770	n.a.	977	n.a.	9	n.a.
48 Other assets including other claims on nonrelated parties	10,128	2,934	7,945	2,151	1,411	567	490	180
49 Net due from related depository institutions ⁵	35,551	30,594	25,142	25,360	6,857	2,230	0	240
50 Net due from head office and other related depository institutions ⁵	35,551	n.a.	25,142	n.a.	6,857	n.a.	0	n.a.
51 Net due from establishing entity, head offices, and other related depository institutions ⁵	n.a.	30,594	n.a.	25,360	n.a.	2,230	n.a.	240
52 Total liabilities ⁴	427,353	214,061	315,832	170,859	64,980	27,404	27,252	10,152
53 Liabilities to nonrelated parties	373,703	183,983	288,901	148,141	58,058	23,702	15,326	6,828

4.30 Continued
Millions of dollars

Item	All states ²		New York		California		Illinois	
	Total excluding IBFs	IBFs only ³	Total excluding IBFs	IBFs only ³	Total excluding IBFs	IBFs only ³	Total excluding IBFs	IBFs only ³
54 Total deposits and credit balances	56,550	147,811	48,017	131,460	1,801	8,862	2,789	2,872
55 Individuals, partnerships, and corporations	43,214	13,748	35,553	10,322	1,695	340	2,176	95
56 U.S. addressees (domicile)	33,847	232	29,097	229	508	0	1,994	0
57 Non-U.S. addressees (domicile)	9,367	13,516	6,456	10,093	1,186	340	182	95
58 Commercial banks in United States (including IBFs)	8,560	52,030	7,891	45,114	49	4,630	594	1,486
59 U.S. branches and agencies of other foreign banks	4,481	44,910	3,945	38,550	6	4,244	524	1,391
60 Other commercial banks in United States	4,079	7,119	3,946	6,564	44	386	71	95
61 Banks in foreign countries	1,773	75,415	1,700	69,579	14	3,667	2	1,259
62 Foreign branches of U.S. banks	249	8,313	249	6,999	0	916	0	163
63 Other banks in foreign countries	1,523	67,101	1,452	62,580	14	2,751	2	1,096
64 Foreign governments and official institutions (including foreign central banks)	1,034	6,057	985	5,884	16	44	2	32
65 All other deposits and credit balances	1,525	562	1,504	561	5	0	2	0
66 Certified and official checks	444		383		22		13	
67 Transaction accounts and credit balances (excluding IBFs)	5,654	↑	4,725	↑	242	↑	219	↑
68 Individuals, partnerships, and corporations	3,623	↑	2,867	↑	208	↑	201	↑
69 U.S. addressees (domicile)	2,318	↑	1,837	↑	158	↑	197	↑
70 Non-U.S. addressees (domicile)	1,305	↑	1,030	↑	51	↑	4	↑
71 Commercial banks in United States (including IBFs)	379	↑	366	↑	3	↑	0	↑
72 U.S. branches and agencies of other foreign banks	144	↑	144	↑	0	↑	0	↑
73 Other commercial banks in United States	235	n.a.	222	n.a.	3	n.a.	0	n.a.
74 Banks in foreign countries	789	↑	741	↑	4	↑	1	↑
75 Foreign branches of U.S. banks	13	↑	12	↑	0	↑	0	↑
76 Other banks in foreign countries	776	↑	729	↑	4	↑	1	↑
77 Foreign governments and official institutions (including foreign central banks)	336	↑	301	↑	1	↑	2	↑
78 All other deposits and credit balances	84	↑	67	↑	3	↑	1	↑
79 Certified and official checks	444	↑	383	↑	22	↑	13	↑
80 Demand deposits (included in transaction accounts and credit balances)	4,450	↑	3,780	↑	96	↑	205	↑
81 Individuals, partnerships, and corporations	2,984	↑	2,473	↑	66	↑	187	↑
82 U.S. addressees (domicile)	1,870	↑	1,575	↑	33	↑	183	↑
83 Non-U.S. addressees (domicile)	1,114	↑	898	↑	33	↑	4	↑
84 Commercial banks in United States (including IBFs)	139	↑	130	↑	3	↑	0	↑
85 U.S. branches and agencies of other foreign banks	65	↑	64	↑	0	↑	0	↑
86 Other commercial banks in United States	74	n.a.	66	n.a.	3	n.a.	0	n.a.
87 Banks in foreign countries	620	↑	573	↑	3	↑	1	↑
88 Foreign branches of U.S. banks	1	↑	0	↑	0	↑	0	↑
89 Other banks in foreign countries	619	↑	573	↑	3	↑	1	↑
90 Foreign governments and official institutions (including foreign central banks)	210	↑	175	↑	1	↑	2	↑
91 All other deposits and credit balances	53	↑	45	↑	0	↑	1	↑
92 Certified and official checks	444	↑	383	↑	22	↑	13	↑
93 Non-transaction accounts (including MMDAs, excluding IBFs)	50,896	↑	43,292	↑	1,559	↑	2,571	↑
94 Individuals, partnerships, and corporations	39,592	↑	32,686	↑	1,486	↑	1,975	↑
95 U.S. addressees (domicile)	31,530	↑	27,260	↑	350	↑	1,797	↑
96 Non-U.S. addressees (domicile)	8,062	↑	5,426	↑	1,136	↑	178	↑
97 Commercial banks in United States (including IBFs)	8,181	↑	7,525	↑	46	↑	594	↑
98 U.S. branches and agencies of other foreign banks	4,337	↑	3,801	↑	6	↑	524	↑
99 Other commercial banks in United States	3,844	n.a.	3,724	n.a.	40	n.a.	70	n.a.
100 Banks in foreign countries	984	↑	960	↑	10	↑	1	↑
101 Foreign branches of U.S. banks	237	↑	237	↑	0	↑	0	↑
102 Other banks in foreign countries	747	↑	723	↑	10	↑	1	↑
103 Foreign governments and official institutions (including foreign central banks)	698	↑	684	↑	14	↑	0	↑
104 All other deposits and credit balances	1,441	↑	1,437	↑	3	↑	1	↑
105 IBF deposit liabilities	↑	147,811	↑	131,460	↑	8,682	↑	2,872
106 Individuals, partnerships, and corporations	↑	13,748	↑	10,322	↑	340	↑	95
107 U.S. addressees (domicile)	↑	232	↑	229	↑	0	↑	0
108 Non-U.S. addressees (domicile)	↑	13,516	↑	10,093	↑	340	↑	95
109 Commercial banks in United States (including IBFs)	↑	52,030	↑	45,114	↑	4,630	↑	1,486
110 U.S. branches and agencies of other foreign banks	↑	44,910	↑	38,550	↑	4,244	↑	1,391
111 Other commercial banks in United States	n.a.	7,119	n.a.	6,564	n.a.	386	n.a.	95
112 Banks in foreign countries	↑	75,415	↑	69,579	↑	3,667	↑	1,259
113 Foreign branches of U.S. banks	↑	8,313	↑	6,999	↑	916	↑	163
114 Other banks in foreign countries	↑	67,101	↑	62,580	↑	2,751	↑	1,096
115 Foreign governments and official institutions (including foreign central banks)	↑	6,057	↑	5,884	↑	44	↑	32
116 All other deposits and credit balances	↑	562	↑	561	↑	0	↑	0

For notes see end of table.

4.30 ASSETS AND LIABILITIES of U.S. Branches and Agencies of Foreign Banks, June 30, 1987¹—Continued

Millions of dollars

Item	All states ²		New York		California		Illinois	
	Total including IBFs	IBFs only ³	Total including IBFs	IBFs only ³	Total including IBFs	IBFs only ³	Total including IBFs	IBFs only ³
117 Federal funds purchased and securities sold under agreements to repurchase	44,835	2,018	32,698	1,136	9,317	832	2,097	12
118 U.S. branches and agencies of other foreign banks	11,624	1,163	7,502	516	3,276	616	662	0
119 Other commercial banks in United States	16,477	148	11,088	78	3,782	70	1,150	0
120 Other	16,734	706	14,108	542	2,259	146	285	12
121 Other borrowed money	85,252	31,764	47,200	13,755	29,753	13,788	6,773	3,791
122 Owed to nonrelated commercial banks in United States (including IBFs)	57,723	12,447	31,532	3,697	21,996	7,772	2,946	680
123 Owed to U.S. offices of nonrelated U.S. banks	25,992	2,455	16,512	927	7,572	1,267	1,130	65
124 Owed to U.S. branches and agencies of nonrelated foreign banks	31,731	9,992	15,020	2,770	14,424	6,505	1,816	615
125 Owed to nonrelated banks in foreign countries	17,861	17,346	8,575	8,153	5,976	5,975	3,124	3,086
126 Owed to foreign branches of nonrelated U.S. banks	2,372	2,325	630	593	1,432	1,432	263	257
127 Owed to foreign offices of nonrelated foreign banks	15,448	15,021	7,944	7,559	4,543	4,543	2,861	2,829
128 Owed to others	9,668	1,971	7,094	1,906	1,782	41	703	25
129 All other liabilities	39,256	2,390	29,526	1,791	8,505	400	795	153
130 Branch or agency liability on acceptances executed and outstanding	31,252	n.a.	22,895	n.a.	7,638	n.a.	460	n.a.
131 Other liabilities to nonrelated parties	8,004	2,390	6,632	1,791	868	400	335	153
132 Net due to related depository institutions ⁵	53,650	30,078	26,931	22,718	6,922	3,703	11,926	3,324
133 Net due to head office and other related depository institutions ⁵	53,650	n.a.	26,931	n.a.	6,922	n.a.	11,926	n.a.
134 Net due to establishing entity, head office, and other related depository institutions ⁵	n.a.	30,078	n.a.	22,718	n.a.	3,703	n.a.	3,324
MEMO								
135 Non-interest bearing balances with commercial banks in United States	2,215	4	1,900	4	180	0	66	0
136 Holding of commercial paper included in total loans	484		334		51		90	
137 Holding of own acceptances included in commercial and industrial loans	2,615		1,583		832		83	
138 Commercial and industrial loans with remaining maturity of one year or less	55,256		31,904		11,695		6,875	
139 Predetermined interest rates	34,544	n.a.	18,996	n.a.	8,697	n.a.	4,239	n.a.
140 Floating interest rates	20,713		12,908		2,999		2,636	
141 Commercial and industrial loans with remaining maturity of more than one year	42,542		28,701		6,436		3,975	
142 Predetermined interest rates	14,257		8,662		3,043		1,815	
143 Floating interest rates	28,285		20,038		3,393		2,160	

4.30 Continued

Millions of dollars

Item	All states ²		New York		California		Illinois	
	Total excluding IBFs	IBFs only ³	Total excluding IBFs	IBFs only ³	Total excluding IBFs	IBFs only ³	Total excluding IBFs	IBFs only ³
144 Components of total nontransaction accounts, included in total deposits and credit balances of nontransactional accounts, including IBFs	64,038	↑	56,748	↑	1,398	↑	2,818	↑
145 Time CDs in denominations of \$100,000 or more	38,737		33,031		1,044		2,140	
146 Other time deposits in denominations of \$100,000 or more	8,567	n.a.	8,119	n.a.	212	n.a.	197	n.a.
147 Time CDs in denominations of \$100,000 or more with remaining maturity of more than 12 months	16,734	↓	15,598	↓	142	↓	480	↓
	All states ²		New York		California		Illinois	
	Total including IBFs	IBFs only ³	Total including IBFs	IBFs only ³	Total including IBFs	IBFs only ³	Total including IBFs	IBFs only ³
148 Market value of securities held	33,261	10,533	27,339	8,468	3,826	1,740	1,042	217
149 Immediately available funds with a maturity greater than one day included in other borrowed money	54,427	n.a.	29,920	n.a.	21,074	n.a.	2,506	n.a.
150 Number of reports filed ⁶	493		224		121		49	

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." Details may not add to totals because of rounding. This form was first used for reporting data as of June 30, 1980, and was revised as of December 31, 1985. From November 1972 through May 1980, U.S. branches and agencies of foreign banks had filed a monthly FR 886a report. Aggregate data from that report were available through the Federal Reserve statistical release G.11, last issued on July 10, 1980. Data in this table and in the G.11 tables are not strictly comparable because of differences in reporting panels and in definitions of balance sheet items.

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). As of December 31, 1985, data for IBFs are 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 are 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 due to related banking institutions in the United States and in foreign countries (see footnote 5). On the former monthly branch and agency report, available through the G.11 statistical release, *gross* balances were included in total assets and total liabilities. Therefore, total asset and total liability figures in this table are not comparable to those in the G.11 tables.

5. "Related banking institutions" includes the foreign head office and other U.S. and foreign branches and agencies of the bank, the 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.

4.31 Pro forma balance sheet for priced services of the Federal Reserve System

Millions of dollars

Item	June 30, 1987	June 30, 1986
<i>Short-term assets</i> ¹		
Imputed reserve requirement on clearing balances	232.0	221.5
Investment in marketable securities	1,701.0	1,624.5
Receivables	50.9	50.9
Materials and supplies	4.9	5.0
Prepaid expenses	7.7	6.0
Net items in process of collection	928.1	214.6
Total short-term assets	2,924.7	2,122.6
<i>Long-term assets</i> ²		
Premises	214.5	191.0
Furniture and equipment	112.8	114.2
Leases and leasehold improvements	3.4	2.2
Prepaid pension costs	9.3	...
Total long-term assets	340.0	307.4
Total assets	3,264.6	2,430.0
<i>Short-term liabilities</i>		
Clearing balances and balances arising from early credit of uncollected items	2,861.1	2,060.6
Short-term debt	63.5	62.0
Total short-term liabilities	2,924.7	2,122.6
<i>Long-term liabilities</i>		
Obligations under capital leases	1.4	.3
Long-term debt	104.7	97.6
Total long-term liabilities	106.1	97.9
Total liabilities	3,030.8	2,220.5
Equity	233.9	209.4
Total liabilities and equity ³	3,264.6	2,430.0

Details may not add to totals because of rounding.

1. *Short-term Assets.* The accounts "imputed reserve requirement on clearing balances" and "investment in marketable securities" reflect the Federal Reserve's treatment of clearing balances that depository institutions maintain on deposit with the Reserve Banks. For balance sheet and income statement presentation, clearing balances are reported in a manner comparable to the way correspondent banks report compensating balances that respondent institutions hold with them: These respondent balances are subject to a reserve requirement established by the Federal Reserve, which must be satisfied either with vault cash or with nonearning balances maintained at a Reserve Bank. Following this model, clearing balances maintained with Reserve Banks for priced-service purposes are subject to imputed reserve requirements. Therefore, a portion of the clearing balances held with the Federal Reserve is classified on the asset side of the balance sheet as required reserves and is reflected in a manner similar to vault cash and due-from-bank balances normally shown on a correspondent bank's balance sheet. The remainder of clearing balances is assumed to be available for investment. For these purposes, the Federal Reserve assumes that all such balances are invested in three-month Treasury bills.

The amount of "net items in the process of collection" represents float as of the balance sheet date and is the difference between the value of items in the process of collection (including checks, coupons, securities, wire transfers, and automated clearinghouse (ACH) transactions) and the value of deferred-availability items. The cost base for providing services that must be recovered under the Monetary Control Act includes the cost of float incurred by the Federal Reserve during the period valued at the federal funds rate. Conventional accounting procedures would call for inclusion on a balance sheet of

the gross amount of items in the process of collection and of deferred-availability items. However, because the gross amounts have no implications for income, costs, or the private sector adjustment factor (PSAF), and because the inclusion of these amounts could lead to distortions and misinterpretations of the assets employed in the provision of priced services that must be financed, only the net amount is shown. That amount represents the assets that involve a financing cost.

2. *Long-Term Assets.* Long-term assets reflected on the balance sheet have been allocated to priced services using a direct determination basis. That method uses the Federal Reserve's Planning and Control System to ascertain directly the value of assets used solely in priced services operation and to apportion the value of jointly used assets between priced and nonpriced services. In addition, an estimate of the assets of the Board of Governors directly involved in the development of priced services is included in long-term assets in the premises account.

The category long-term assets also includes an allocation of prepaid pension costs associated with priced services. The Federal Reserve Banks implemented Financial Accounting Standards Board Statement No. 87—Employers' Accounting for Pensions, effective January 1, 1987. In accordance with the statement's terms, the Reserve Banks recognized a credit to expenses and an increase in this long-term asset account.

3. *Liabilities and Equity.* A matched-book capital structure for those assets that are not "self-financing" has been used to determine the liability and equity amounts. Short-term assets are financed with short-term debt. Long-term assets are financed with long-term debt and equity in a proportion equal to the ratio of long-term debt and equity of the bank holding companies used in the PSAF model.

4.32 Pro forma income statement for priced services of the Federal Reserve System¹

Millions of dollars

Item	Quarter ending June 30		Six months ending June 30	
	1987	1986	1987	1986
<i>Income</i> ²				
Services provided to depository institutions	162.5	157.1	320.5	308.7
<i>Expenses</i> ³				
Production expenses	124.5	121.6	247.4	243.8
Income from operations	38.1	35.5	73.1	64.9
<i>Imputed costs</i> ⁴				
Interest on float	5.6	4.3	10.6	11.4
Interest on debt	4.0	3.3	8.1	6.7
Sales taxes	1.8	1.7	3.4	3.6
FDIC insurance .....	.4	.3	.9	.7
Income from operations after imputed costs	26.3	25.8	50.1	42.6
<i>Other income and expenses</i> ⁵				
Investment income	29.3	28.8	55.6	59.7
Earnings credits	28.5	26.5	55.0	54.9
Income before income taxes	27.0	28.1	50.8	47.4
Imputed income taxes ⁶	9.2	10.4	17.2	17.5
Net income	17.9	17.7	33.6	29.2
Targeted return on equity ⁶	7.3	6.8	14.7	13.7

Details may not add to totals because of rounding.

1. The income statement reflects income and expenses for priced services. Included in these amounts are imputed float costs, imputed financing costs, and income related to clearing balances.

2. *Income.* Income represents charges to depository institutions for priced services. This income is realized through one of two methods: direct charges to an institution's account, or charges against accumulated earnings credits. Income includes charges for per-item fees, fixed fees, package fees, explicitly priced float, account maintenance fees, shipping and insurance fees, and surcharges.

3. *Production Expenses.* Production expenses include direct, indirect, and other general administrative expenses of the Federal Reserve Banks for providing priced services. Also included are the expenses of the staff of the Board of Governors working directly on the development of priced services, which in both years amounted to \$0.4 million in the second quarter and \$0.9 million in the first six months.

4. *Imputed Costs.* Imputed float costs represent the value of float to be recovered, either explicitly or through per-item fees, during the period. Float costs cover float incurred on checks, book-entry securities, noncash collection, ACH transactions, and wire transfers.

The following table reports the Federal Reserve's daily average float performance and float recovery for the second quarter of 1987:

In millions of dollars	
Total float	\$657.1
Unrecovered float	62.2
Float subject to recovery	595.0
<i>Sources of float recovery</i>	
Income on clearing balances	74.4
As of adjustments	290.5
Direct charges	108.6
Per-item fees	121.5

In the table, unrecovered float includes float generated in providing services to government agencies or in other central bank services. Float recovered through income on clearing balances represents increased investable clearing balances as a result of reducing imputed reserve requirements through the use of a CIPC deduction for float when calculating the reserve requirement; this income then reduces float required to be recovered through other means. As of adjustments to the institution's reserve or clearing balance, or valuing the float at the federal funds rate and billing the institution directly, are ways of recovering midweek closing float and interterritory check float from depositing institutions. The float recovered through per-item fees is valued at the federal funds rate and has been added to the cost base subject to recovery in the second quarter of 1987.

Also included in imputed costs is the interest on debt assumed necessary to finance priced-service assets and the sales taxes and FDIC insurance assessment that the Federal Reserve would have paid had it been a private business firm.

5. *Other Income Expenses.* The category "Other income and expenses" is comprised of income on clearing balances and the cost of earnings credits granted to depository institutions on their clearing balances. Income on clearing balances represents the average coupon-equivalent yield on three-month Treasury bills applied to the total clearing balance maintained, adjusted for the effect of reserve requirements on clearing balances. Expenses for earnings credits are derived by applying the average federal funds rate to the required portion of clearing balances, and are adjusted for the net effect of reserve requirements on clearing balances.

6. *Income Taxes and Return on Equity.* Imputed income taxes are calculated at the effective tax rate derived from a model consisting of the 25 largest bank holding companies.

The targeted return on equity represents the after-tax rate of return on equity that the Federal Reserve would have earned had it been a private business firm based on the bank holding company model.

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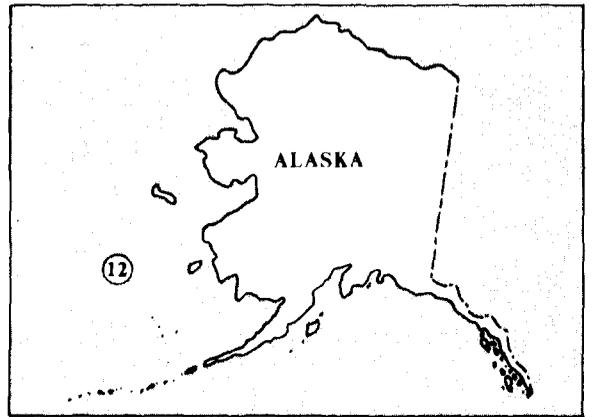
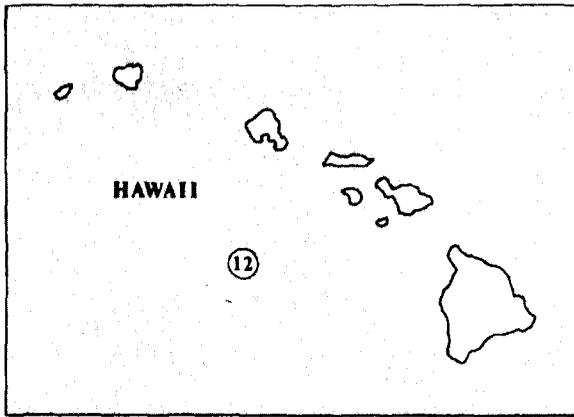
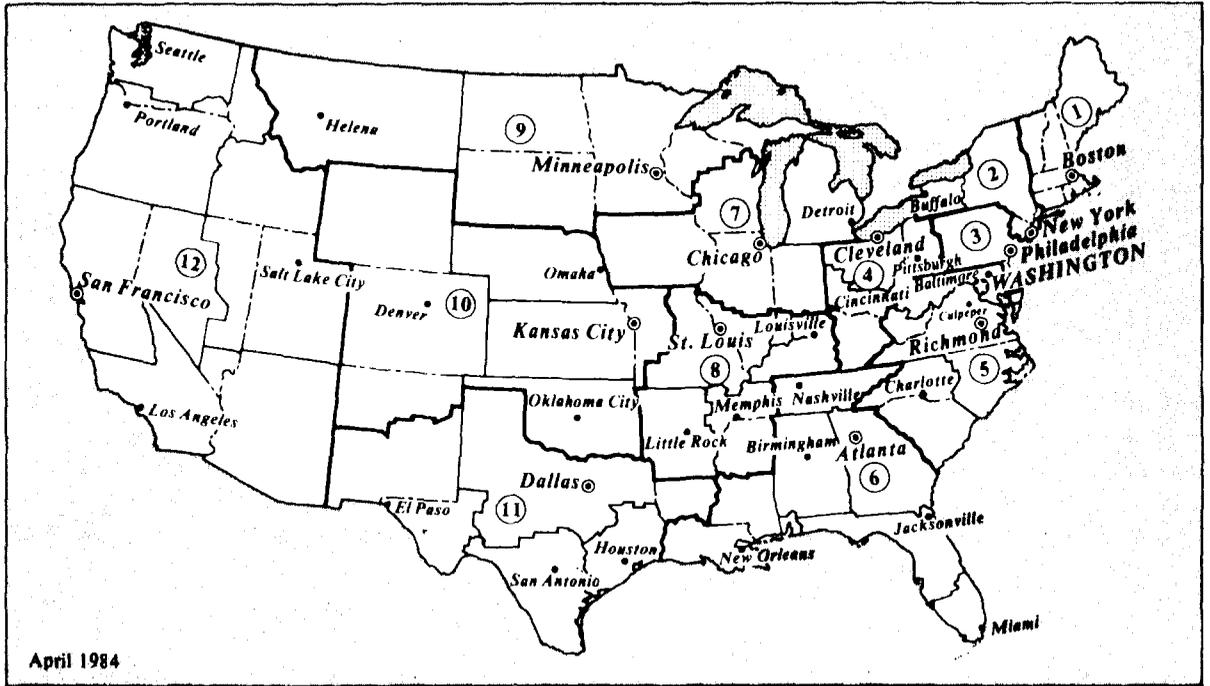
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Pittsburgh.....15230	James E. Haas		
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1. Senior Vice President.
2. Executive Vice President.

The Federal Reserve System

Boundaries of Federal Reserve Districts and Their Branch Territories



LEGEND

— Boundaries of Federal Reserve Districts

— Boundaries of Federal Reserve Branch Territories

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⊙ Federal Reserve Bank Cities

• Federal Reserve Branch Cities

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