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flationary pressures, the strength of the business expansion, developments in foreign exchange and domestic financial markets, and the behavior of the monetary aggregates. The reserve conditions contemplated by the Committee were expected to be consistent with growth in M2 and M3 at annual rates of about 5½ and 7 percent respectively over the three-month period from June through September. The intermeeting range for the federal funds rate, which provides one mechanism for initiating consultation of the Committee when its boundaries are persistently exceeded, was left unchanged at 5 to 9 percent.

Exchange Rates, Adjustment, and the J-Curve

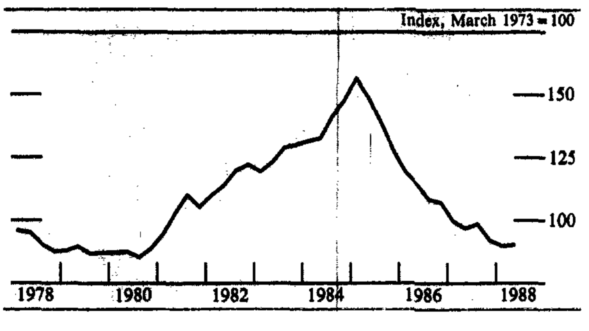
Ellen E. Meade of the Board's Division of International Finance prepared this article. Kathryn A. Larin provided research assistance. Footnotes appear at the end of the article.

Because the exchange value of the dollar has declined so much since early 1985 and because the monthly trade statistics have been scrutinized so thoroughly for any sign of a turnaround in the nominal trade balance, the phenomenon that has been called the J-curve has received considerable attention. In fact, commentary on the statistics often implies that it is the negative effects of a depreciation reflected in the J-curve that have been responsible for the continuation of the nominal trade deficit. The analysis in this article suggests that though these effects may in fact be evident in a temporary phase before the deficit improves, they have been relatively small and are not a major cause of the persistence of the U.S. trade deficit.

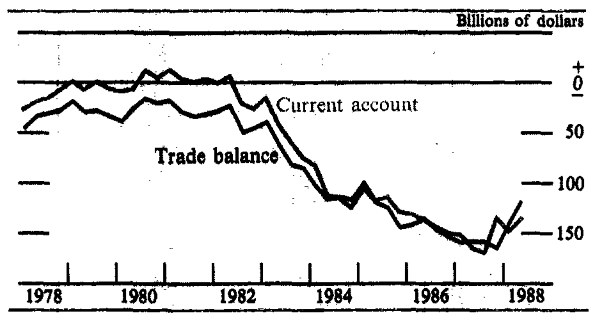
Between early 1985 and the middle of 1988, the exchange value of the U.S. dollar in terms of the currencies of other industrial countries registered a sizable depreciation, reversing most of its rise in the early half of the decade. The weighted average value of the dollar measured against the currencies of the other Group of Ten countries declined over 40 percent in about two and one-half years (~~chart 1~~).[1] Despite an uninterrupted decline of this magnitude, which might have been expected, other things equal, to stimulate exports and restrain imports, the nominal trade and current account deficits of the United States continued to widen through late 1987. By the last quarter of that year, the nominal balance on merchandise trade had declined to a deficit of $165 billion (annual rate), and the current account balance registered a deficit of $134 billion ~~(chart 2)~~.[2] Essentially, movements in the nominal trade balance over this period have been mirrored in the current account. During the first half of 1988, the trade balance appears to have begun its long-awaited improvement, as a marked slackening in the growth of imports has reinforced a continuation of the strong growth in exports.

These developments suggest that the J-curve phenomenon in fact had a role in the latest developments in the international accounts. The J-curve describes the graphic representation of the path the nominal trade balance—that is, the balance expressed in current dollars—takes in response to a depreciation of the dollar; it also helps illuminate the difference between the adjustments of the nominal balance and of the real

1. The G-10 trade-weighted value of the U.S. dollar



2. U.S. nominal external balances

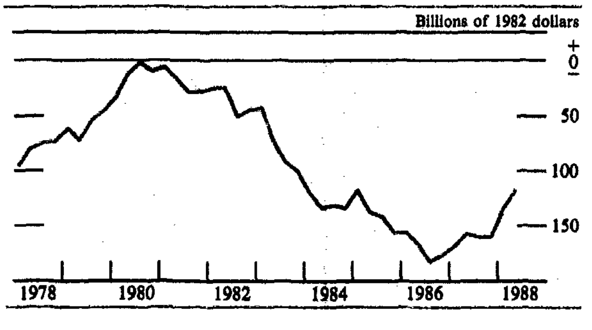


balance. Just after a depreciation, the nominal trade balance continues moving into deeper deficit for a time before the hoped-for response to the depreciation takes hold. The line that balance traces on a graph thus dips down before turning up, taking the shape of the letter J (as it does in the chart on the facing page).

The adjustments to the changes in relative prices, and thus the adjustment in the nominal trade balance, that are implied by shifts in exchange rates are expected to take place over some reasonable period of time rather than immediately. Still, the nominal trade balance has been unusually sluggish in responding to the decline in the value of the dollar since 1985. Meanwhile, the real merchandise trade balance—that is, the quantity of goods exported minus the quantity of goods imported, measured in 1982 dollars—has moved from a deficit of over $180 billion in the third quarter of 1986 to one of $118 billion in the second quarter of this year (chart 3). Of the two elements in the balance, the export side has been primarily responsible for this improvement, as the decline in the value of the dollar has made U.S. products more competitive in foreign markets.

What is the expected response of the U.S. nominal trade balance following a depreciation of the dollar, and how important has the J-curve phenomenon been in the United States since 1985? In answering this question, this article first reviews the textbook definition of the J-curve and translates this definition into an empirical model. Next, the empirical model is used to simulate the adjustment path resulting from a change in the dollar's exchange value. The first simulation illustrates the classic textbook case of

3. Net volume of U.S. merchandise exports



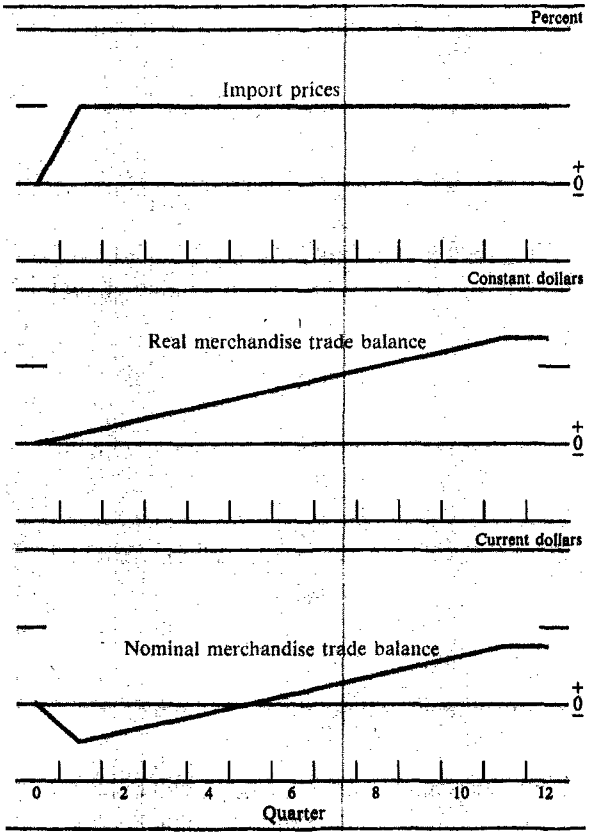
the J-curve by examining the response of the nominal trade balance to a discrete change in exchange rates. In this simulation, the generated J-curve does not include the secondary effects on the nominal trade balance of changes in income and prices that would follow a change in exchange rates. Two additional simulations examine the J-curve resulting from a discrete change and from a continuous change in the dollar's value, both when secondary effects on income and prices are considered.

The section that follows discusses the J-curves for three categories of trade that together account for a significant portion of U.S. exports and imports: industrial supplies and materials, capital goods (excluding automobiles), and consumer goods. The disaggregated J-curves highlight the differences in the responses of individual markets to changes in exchange rates. The next section reports the results of an experiment in which the actual nominal trade balance is contrasted with the one that would have resulted had the dollar remained at its peak in the first quarter of 1985. The difference between the actual and the hypothetical nominal trade balance generates a "J-curve," which is analyzed and discussed. A final section presents some concluding remarks.

The Textbook J-Curve

In the textbook J-curve, dollar import prices rise immediately following a depreciation of the dollar, completely incorporating the change in exchange rates (chart 4); on the other hand, export prices do not change. Meanwhile, the trade balance in real terms responds more slowly. Over time the quantity of imports contracts as the rise in import prices relative to domestic prices acts to reduce the demand for imports, and the quantity of exports is stimulated by the decline in U.S. export prices, expressed in foreign currency, relative to foreign prices. Initially, the increase in the price of imports is larger than the decline in the volume of imports, so that the nominal trade balance worsens. Later, after the volumes of exports and imports have adjusted sufficiently to outweigh the increase in import prices, the nominal trade balance improves. A key aspect of the J-curve phenomenon is that

4. Classic J-curve response to a one-time depreciation of the dollar[1]



1. Dollar depreciation takes place at the beginning of quarter 1.

prices of traded goods respond to a change in exchange rates before quantities of those goods adjust significantly to changes in relative prices.

Channels of Transmission

The actual relationships between changes in exchange rates on the one hand and changes in prices and quantities of traded products on the other that underlie the J-curve are somewhat more complicated than is depicted in the strict textbook case. Both export and import prices are presumed to depend primarily on production costs. If pricing is not strictly competitive, prices do not depend entirely on cost conditions in the producing country, but are adjusted in part to reflect market conditions. For any one country, the volume of exports depends on foreign income and relative prices, while the volume of imports depends on domestic income and relative prices. The nominal balance of trade is the value of exports less the value of imports. In algebraic terms,

$$TB = X \cdot p_x - M \cdot p_m.$$

In this expression,

TB = trade balance in current dollars
X = quantity of exports
p_x = price of exports
M = quantity of imports
p_m = price of imports.

Changes in exchange rates affect the nominal trade balance through four channels: directly through export and import prices, and indirectly through the response of export and import volumes to an alteration in relative prices. The interaction of these direct and indirect effects creates the J-curve in the nominal trade balance.[3,4] The more quickly import prices respond to the change in exchange rates and the more slowly import and export volumes adjust, the larger will be the initial worsening of the nominal trade balance and the longer will be the delay before a net improvement.[5]

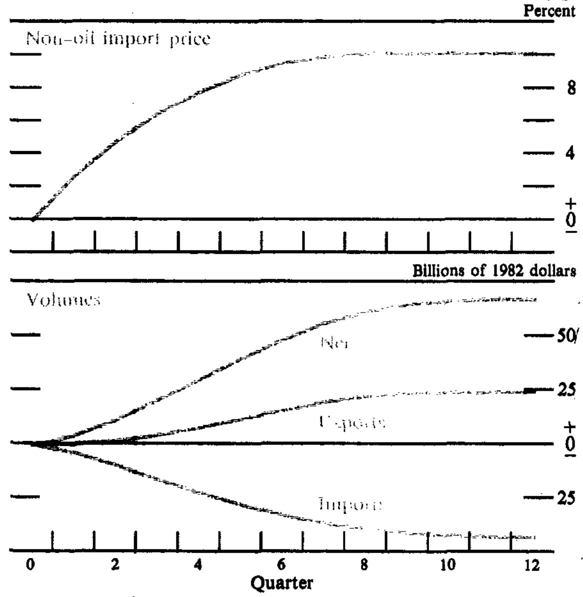
Lagged Adjustment

Empirical estimates of these trade equations can be used to quantify the magnitude and length of the textbook J-curve. In the partial-equilibrium model of the U.S. current account used for analysis and forecasting by the staff of the Federal Reserve Board (called here the Board staff model), lags in adjustment play an important role in explaining the behavior of trade prices and volumes.[6] (A partial-equilibrium model is one that does not explain behavior completely, but assumes some behavior is predetermined. For example, the Board staff model describes the U.S. current account, but assumes that the values for U.S. gross national product and prices are fixed. Thus changes in U.S. growth affect the current account but changes in the current account do not affect GNP.) While the particular representation of these lags may be somewhat arbitrary, lags are necessary to capture the full effect on one variable of the change in another.[7] In the Board staff model, 100 percent of a change in the foreign exchange value of the dollar has been passed through to the prices of non-oil imports on average over the past two decades (top panel of chart 5 and table 1).[8,9] This is a long-run response; although about one-half of the adjustment does occur within two quarters of the dollar's depreciation, the full adjustment of non-oil import prices is not complete for two years. This estimated response is more drawn out than the response in the textbook case; because the full response does not occur immediately, the initial worsening of the nominal trade balance is smaller than the one in the textbook case. In other words, the lagged adjustment of import prices tends to weaken the initial J-curve effect.

The volumes of exports and imports also adjust slowly to changes in exchange rates. Estimates in the Board staff model suggest that the volumes continue to respond for about two years to changes in the dollar's value (bottom panel of chart 5).[10] The adjustment of export volume is gradual and smooth over the eight quarters. The volume of imports adjusts much more rapidly at first: over one-half of the adjustment appears three quarters after the change in exchange rates, as table 1 shows.

Several factors are responsible for these lags in the adjustment of export and import volumes to changes in relative prices.[11] First, information or recognition lags reflect the time it takes for firms to become aware of changes in the prices of alternative suppliers. Second, contract lags result because firms are committed to particular suppliers for sustained periods. Finally, order or delivery lags measure the time between a firm's placement of an order with a supplier and its

5. Model estimate of responses to a one-time 10 percent depreciation of the dollar[1]



1. Dollar depreciation takes place at the beginning of quarter 1.

1. Estimated responses of prices and volumes of traded goods to a 10 percent depreciation in the exchange value of the dollar, Board staff model[1]

Percent of the original price or volume

Quarter after depreciation	Prices of non-oil imports		Volume: Non-oil imports		Volume: Nonagricultural exports	
	Change in quarter	Cumulative change	Change in quarter	Cumulative change	Change in quarter	Cumulative change
0	2.7	2.7	−1.1	−1.1	.6	.6
1	2.1	4.8	−2.4	−3.5	1.2	1.8
2	1.7	6.5	−2.5	−6.0	1.3	3.1
3	1.3	7.8	−2.3	−8.3	1.6	4.7
4	1.0	8.8	−1.6	−9.9	1.6	6.3
5	.7	9.5	−1.1	−11.0	1.4	7.7
6	.4	9.9	−.4	−11.4	1.1	8.8
7	.2	10.1	−.2	−11.6	.7	9.5

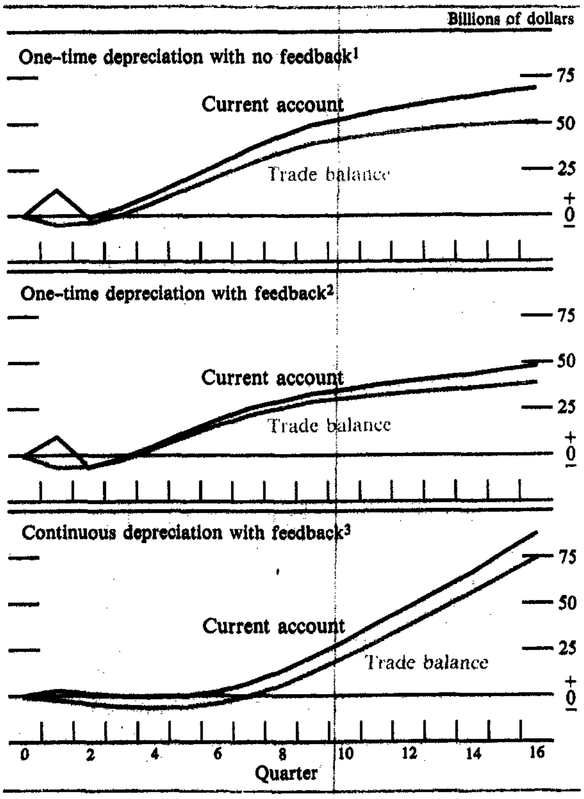
1. For an appreciation, these changes would have the same absolute value, but they would have the opposite sign.

Responses shown are for the standard primary categories of exports and imports. Agricultural exports and oil imports are treated separately in the Board staff model.

delivery. All of these factors tend to stretch out the J-curve.

Estimates of the responsiveness of trade prices and volumes to changes in exchange rates will depend on the data used, the lag structure imposed, and the period of estimation. Assessing the likelihood of a particular adjustment requires two steps: first, examining the estimates of the parameters of the various models, and then incorporating the way their J-curves respond to alternative estimates of crucial elasticities.

6. Responses of the nominal external balances to a depreciation of the dollar



1. The dollar depreciates 10 percent in quarter 1 of the simulation and remains at the new lower level thereafter. No indirect feedbacks included.

2. The dollar depreciates 10 percent in quarter 1 of the simulation and remains at the new lower level thereafter. These estimates include the indirect effects of the dollar's depreciation on prices, interest rates, and income.

3. The dollar depreciates at an annual rate of 10 percent beginning in quarter 1 of the simulation. These estimates include the indirect effects of the dollar's depreciation on prices, interest rates, and income.

An Estimated J-Curve

The Board staff model of the U.S. current account was used to investigate the adjustment path of the nominal trade balance subsequent to a depreciation of the dollar. This decline in the dollar was presumed to occur exogenously, perhaps by a shift in the preferences of the holders of dollar-denominated assets, and not as a result of changes in fiscal or monetary policy.[12]

Three simulations illustrate the effect of a dollar depreciation on the U.S. trade balance. The first is similar to the textbook case, in that the adjustment path is traced out assuming no feedback effects to income and prices after a change in exchange rates.[13] The second and third simulations consider two alternative paths of dollar depreciation when the secondary effects are not suppressed.

In the textbook simulation, the foreign exchange value of the dollar in terms of the other G-10 currencies was presumed to depreciate 10 percent in the first period and remain constant thereafter.[14] The nominal trade balance worsens somewhat initially, but shows net improvement by the second quarter after the shock (chart 6). The negative portion of the "J" is quite shallow, and it is relatively short, because the response of import prices to the exchange rate change is delayed and because the volume of exports increases, as discussed above. Thus, the textbook simulation suggests that the U.S. nominal trade balance does not worsen much after a depreciation and that a net improvement occurs quite soon. (See the box on the current account.)

The second simulation assumed a path for the dollar identical to the one in the textbook simulation, but incorporated feedback responses to the dollar's decline. The third simulation also included these secondary effects, but examined the results of a continuous decline in the dollar's exchange value at an annual rate of 10 percent.[15] Because domestic and foreign income, prices, and interest rates are predetermined in the Board staff model, these simulations required some assumptions about the reactions of these variables to the depreciation of the dollar. Feedbacks to these predetermined variables were obtained from simulations using the Federal Reserve Board staff's Multicountry Model (MCM) and

The Current Account

The current account balance is a current dollar measure that includes the net balance on service transactions and unilateral transfers as well as the merchandise trade balance. Included in the service balance are net investment income and net income from other service items (such as transportation and tourism). Although the service account has moved from surplus toward deficit in the 1980s as liabilities have accumulated to finance the deficit on the current account, the very large deterioration in the current account during this period reflects mostly developments in the trade balance.

Despite the close relationship between the current account and the nominal trade balance, the J-curve on the current account is not identical to the adjustment path of the trade balance. The reason is that net investment income receipts increase immediately as the dollar depreciates. That immediate increase reflects a capital gain from the revaluation of some assets and expenses denominated in foreign currencies that are held by foreign affiliates of U.S. corporations. In addition, there is a smaller continuing positive effect as the flow of income receipts that are denominated in foreign currencies are translated into dollar terms. Since the dollar began to depreciate in the second quarter of 1985, capital gains on net investment-income receipts due to such revaluation effects have averaged more than $11 billion at an annual rate; most of this sum is attributable to the effects of currency revaluation.

These revaluation effects are important in explaining the J-curve in the current account (chart 6). For a discrete change in the value of the dollar, the current account records an immediate improvement. After the initial positive revaluation effects, the response of the current account is more in line with that of the trade balance. When the depreciation of the dollar is continuous, the current account shows a small initial improvement, and the revaluation effects are phased in continuously as the dollar declines.

assuming an unchanged monetary policy (as indexed by the rate of growth of M2) after the exchange rate shock.[16,17] Thus, the feedbacks for the predetermined variables correspond to estimates of the changes in income, prices, and interest rates that would result from an outward shift in aggregate demand in the United States, given unchanged growth in money.

When secondary effects are incorporated, the trade balance adjusts in roughly the same pattern as it does in the textbook case, but the overall improvement is somewhat less (chart 6). This difference results because the feedback effects of the depreciation serve to increase U.S. growth and lower foreign growth, increasing imports and reducing exports relative to the first simulation.

After a continuous decline in the dollar, the effects on the external balance are stretched out (reflecting a series of overlapping J-curves resulting from a small depreciation in the dollar each quarter). As in the first and second simulations, the trade balance worsens initially, but an improvement is evident by the sixth quarter.

As the simulation experiments illustrate, the length of time between the initial depreciation of the dollar and an improvement in the nominal trade balance depends on how long the dollar depreciation lasts; but even with a continuous, smooth depreciation, the negative J-curve effect is small and soon overcome.

SENSITIVITY OF THE J-CURVE

To assess the reliability of the simulation results, it is necessary to know how sensitive the J-curve path is to changes in the estimates of key model parameters. Clearly, if the adjustment path were highly sensitive to small variations of the parameters, then the response of the nominal external balance to exchange rate shocks would be subject to a good deal of uncertainty. The evidence in this area is mixed. In one model of bilateral trade flows, the timing but not the magnitude of the overall adjustment is sensitive to changes in relationships between exchange rates and import prices.[18] On the other hand, in the Board staff model, neither the magnitude nor the timing of the adjustment path is very sensitive to changes in relationships between exchange rates and import prices. However, changes in the response of import volumes to relative prices (with no change in the sensitivity of import prices to exchange rates) generate a substantial movement in both the timing and the magnitude of the eventual adjustment.[19]

While sensitivity analysis helps to assess the likelihood of any particular predicted adjustment path, it is not suited to examining some issues. For instance, if the adjustment path is sensitive to factors that are not included in the empirical model, then the response to the determinants of trade flows, such as changes in exchange rates, may not be accurately predicted. Specifically, exchange rate expectations may be important in the adjustment of the trade balance.[20] The expectation of further depreciation of the dollar could stimulate imports for a time, as importers temporarily step up demand for products they expect to be yet more expensive tomorrow. If expectations are important, then using a model that ignores them may well lead to underpredictions of the magnitude of the initial negative portion of the J-curve as well as of the time until a net improvement. As a related point, the response to exchange rates may depend on whether these changes are perceived as permanent or transitory; if the model's equations do not make this distinction, then the model may not accurately predict the overall response to the shock.

DISAGGREGATING THE J-CURVE

The response of the aggregate nominal external balance to changes in exchange rates is an amalgam of responses in individual markets. Market structure and behavior can differ markedly among product categories, so that the response in a particular market may look quite different from the aggregate response. To understand the individual responses that compose this aggregate adjustment process, it helps to examine trade developments and J-curves for certain broad commodity groups. The examination here focuses on three of six broad end-use categories: non-oil industrial supplies, capital goods excluding automobiles, and consumer goods, which together accounted for about 80 percent of the volume of nonagricultural exports and about 70 percent of the volume of non-oil imports in 1987 (table 2).[21]

2. Composition of U.S. trade, by end-use category, 1987

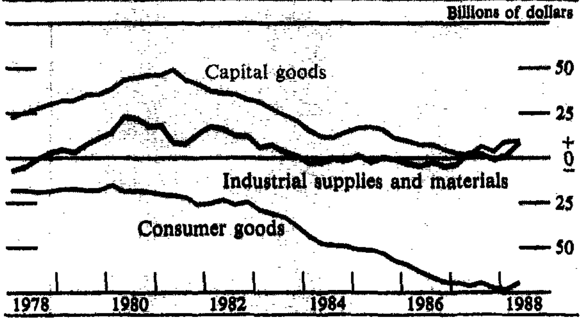
Percent of volume

End-use category	Exports	Non-oil imports
Foods, feeds, and beverages	10.7	6.6
Non-oil industrial supplies	24.9	20.5
Capital goods (excluding automobiles)	39.1	27.5
Automobiles	8.3	18.9
Consumer goods	6.0	21.4
Other	11.0	5.1
Total, all end-use categories	100.0	100.0

SOURCE. *Survey of Current Business*, vol. 68 (July 1988), table 4.4, p. 70.

Until 1984, the United States was a heavy net exporter of industrial supplies; since that time, net trade in this sector has shown either a small surplus or a deficit, as imports of these products have grown (chart 7). Exports of capital goods have tended to dominate imports and nominal trade has shown a surplus, while trade in consumer goods has been in deficit because imports in this category are so important. During the early 1980s, net nominal trade declined for all three of these end-use categories, reflecting the effects of the substantial appreciation of the dollar. The timing of the improvement in the trade position subsequent to the decline in the dollar since early 1985 has differed for these categories, although by the middle of this year, each of the individual balances evidenced some improvement. Net nominal trade in industrial supplies began to improve in late 1986, while net trade in capital goods did not begin to trend upward until the middle of 1987. The improve

7. Nominal external balances for selected product categories

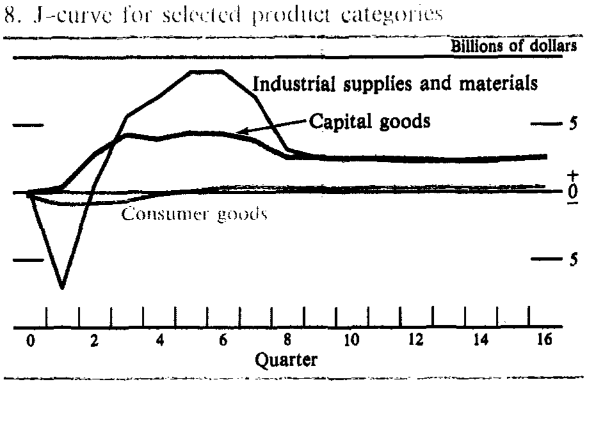


ment in both categories was generated largely by strong growth in exports reinforced by moderation in the growth of imports. Consumer goods, on the other hand, have registered net improvement only over the first half of 1988, because imports, stimulated by rising domestic demand, have been slow to respond to the significant decline in the dollar.

The structure and the length of the adjustment lags in the estimated equations used to generate J-curves for industrial supplies, capital goods, and consumer goods are practically identical to those of the aggregate equations in the Board staff model. Unlike the aggregate equations, however, these equations were estimated using values of explanatory variables (such as production costs, exchange rates, domestic prices, and income) that are specific to the particular category and therefore reflect the specific developments in that market.[22] Although the individual responses were not constrained to "add up" to the aggregate response, the product adjustment path illustrates the process that underlies the aggregate response.

Like the textbook J-curve described above, the sectoral J-curves were generated assuming a one-time dollar depreciation of 10 percent in the first quarter of the simulation and no secondary effects to income and prices (chart 8). For industrial supplies, the initial negative path of the J-curve is quite deep, indicating the rapid response of import prices of these products to exchange rate changes. The negative portion is short, however, and a net improvement is soon realized. The adjustment path of capital goods has no negative portion, while net trade in consumer goods appears unresponsive to exchange rate changes.

8. J-curve for selected product categories



The way the adjustment paths for the three product groups differ helps explain the uncertainty surrounding the aggregate J-curve. Changes in the dollar's exchange value may be dominated by movements against one or several currencies, and not distributed proportionately against all currencies.[23] The size and the timing of the aggregate adjustment of the trade balance will then depend on the size of the change in the exchange rate of the dollar against the currency of each U.S. competitor; on the particular kind of trade involved; and on the characteristic rapid or sluggish response to exchange rate changes. For example, if the dollar depreciates relatively more against currencies of countries that are heavily involved in trade of capital goods, then the net improvement in the nominal trade balance will occur immediately, other things equal. Examination of the adjustment paths of the particular products thus helps point up the range of uncertainty in the aggregate response.

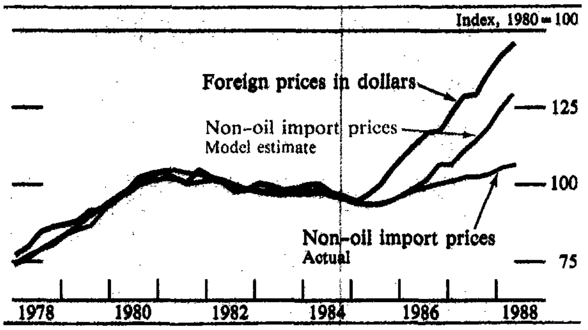
The J-Curve and Persistence of the Trade Deficit

Many observers have concluded that the J-curve phenomenon is responsible for the persistence of the U.S. nominal trade deficit. A discussion of the recent behavior of import prices and a simulation with hypothetical, counterfactual assumptions can test the validity of that conclusion.

Import Prices

Estimates made with the Board staff model of the adjustment lags in trade equations reflect average historical relationships among exchange rates, prices, and quantities. Over the past two years, import prices appear to have responded more slowly to the depreciation of the dollar than historical experience predicted. Since mid-1985, the actual rise in import prices on average, as measured by the implicit deflator for non-oil imports in the national income and product accounts, has been smaller than both the rise in the model estimate of the deflator and the rise in the

9. Non-oil import prices[1]



1. Foreign price levels are consumer price indexes in 10 industrial countries and 8 developing countries (in dollars). The measure of import prices used is the NIPA implicit deflator for non-oil imports.

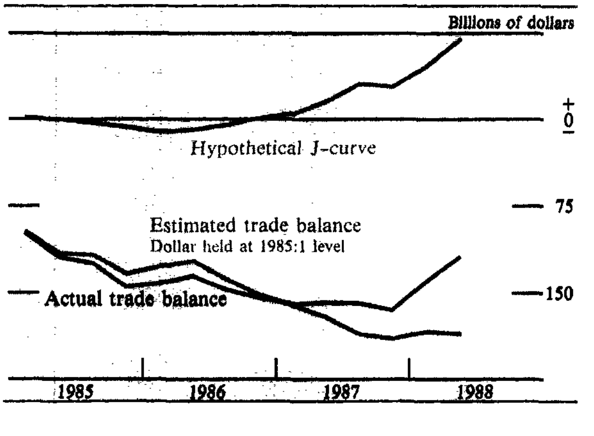
average level of foreign consumer prices in dollars (chart 9).

Several developments explain the failure of import prices to show the anticipated increase.[24] In brief, foreign suppliers appear to have responded to the recent depreciation of the dollar by cutting profit margins rather than by increasing dollar prices, thus slowing the increase in import prices relative to historical experience. Furthermore, estimates of foreign production costs suggest that they may actually have been declining somewhat (or at least increasing less than foreign consumer prices) in some countries; thus, estimates of import prices based on changes in foreign consumer prices could have meant an overprediction of the rise in import prices following the dollar's depreciation. Finally, the apparent lack of response of U.S. import prices also may be an artifact of the price measure. Prices of business machines (primarily computers and related products) have been declining over the recent period, and the share of business machines in overall imports has been expanding. In a price index with variable weights, such as the NIPA implicit deflator, such developments tend to depress the overall level of import prices. Research by Federal Reserve Board staff indicates that while some erosion of foreign profit margins may have caused import prices to respond less than they have in the past, prices of imports excluding business machines have been predicted more accurately by standard model equations than have aggregate indexes of import prices. Such a difference suggests that import prices of business machines may have been partially responsible for the apparent unresponsiveness of import prices to the decline in the dollar since early 1985.

Hypothetical J-Curve

In assessing the effect of the J-curve phenomenon on the nominal trade balance after the dollar depreciation that began in early 1985, the issue is not whether the nominal trade balance has begun to register net improvement, but rather whether the nominal trade balance has improved more than it would have had the dollar never declined. This question can be addressed through a simulation exercise that traces out the path the nominal trade balance *would have taken* had the dollar remained at the peak it reached in the first quarter of 1985.[25] The difference between the actual and the estimated trade balance gives the "J-curve" for the hypothetical experiment (chart 10).[26] This exercise suggests that the J-curve effects associated with the depreciation of the dollar did not substantially worsen the nominal trade balance. On the other hand, those effects *did* tend to postpone the improvement in the nominal trade balance. In the hypothetical adjustment path, the negative portion of the J-curve is deeper and lasts longer than that estimated for a continuous decline in the dollar of 10 percent at an annual rate. This difference appears because the hypothetical J-curve is generated from a particular series of unequal continuous depreci-

10. Effect of depreciation on nominal merchandise trade balance, counterfactual experiment



ations; the average depreciation in 1986 exceeded that recorded in 1985. Nevertheless, as chart 10 shows, the actual nominal trade balance improved relative to the hypothetical trade balance beginning in the first quarter of 1987, and that improvement is estimated to have exceeded $65 billion by the middle of 1988.

CONCLUSION

This article has discussed the adjustment path of the U.S. nominal trade balance in response to a decline in the exchange value of the dollar, popularly termed the J-curve. Some analysts have claimed that negative J-curve effects are responsible for the persistence of the U.S. trade deficit.[27] The analysis presented in this article does not support that claim. First, in general, the initial, negative portion of the adjustment path is shallow and relatively short-lived (but depends on the particular path of the dollar depreciation). Furthermore, import prices have responded less in the recent period to declines in the dollar's exchange value than it seemed they would in the light of historical experience, thereby further muting the J-curve effect. Finally, according to the results of a hypothetical simulation, regardless of the initial negative portion of the J-curve, since early last year the nominal trade balance has been improving relative to the trade balance that would have ensued had the dollar never declined from its peak.

The question is, then, how to explain the continued widening of the external deficit through the end of 1987. An answer to this question involves several factors. First, the gap that developed during the early years of this decade between the growth rates of U.S. income and domestic demand on one hand and foreign income and domestic demand on the other, persists. Accompanying this gap has been the worsening of the Latin American debt problem, which has tended to slow the expansion of exports to many traditional U.S. markets. Second, because the adjustment process involves long lags, the substantial appreciation of the dollar through early 1985 continued for some time to have negative effects on the external balance. Third, given the large difference in the levels of exports and imports—exports totalled roughly $250 billion in 1987, imports exceeded $400 billion—the rate of growth in exports must exceed the rate of growth in imports by a substantial margin for the trade balance merely to remain unchanged. Thus, factors other than the J-curve phenomenon are largely responsible for the persistence of the U.S. trade deficit.

NOTES

1. This index of the dollar exchange rate (foreign currency units per dollar) is a weighted average of bilateral exchange rates between the United States and the other Group of Ten countries (Canada, Belgium, France, Germany, Italy, Japan, Netherlands, Sweden, Switzerland, and the United Kingdom); the index is constructed using average weights for each country in multilateral trade for the years 1972 to 1976, with March 1973 equal to 100.

2. The current account experienced a transitory improvement in the fourth quarter of 1987 that was due to the inclusion in direct investment receipts of the effects of the dollar's depreciation on the valuation of assets (and liabilities) in foreign currencies associated with those investments. Thus, the worsening of the trade deficit in the fourth quarter was partly offset in the current account. In the third quarter of 1987, the current account deficit was almost $170 billion at an annual rate, and for the first quarter of this year it was about $148 billion.

3. While the textbook account of the J-curve considers both the direct and the indirect effects described here, it does not incorporate the secondary effects of a change in exchange rates on domestic and foreign income and prices.

4. The effect of changes in exchange rates on the prices of exports is small. While this effect is included in the simulation results discussed below, it is not highlighted in the discussion.

5. Throughout this article, it is assumed that a depreciation of the dollar results eventually in a net improvement of the trade balance. Although this presumption is standard and is supported by empirical findings, it is not necessarily true unless the Marshall-Lerner condition holds. The Marshall-Lerner condition specifies long-run responsiveness of export and import volumes to a decline in exchange rates that is necessary if the trade balance is to improve; for example, if quantities of exports and imports are completely unchanged by a decline in the value of the dollar, then a net improvement in the trade balance will never materialize.

6. William L. Helkie and Peter Hooper, "An Empirical Analysis of the External Deficit, 1980–86," in Ralph C. Bryant, Gerald Holtham, and Peter Hooper, eds., *External Deficits and the Dollar* (Brookings Institution, 1988), pp. 10–56.

7. A conference on comparative model performance at the Brookings Institution in January 1987 examined the parameters, system properties, historical tracking performance, and simulation results for six model groups. The different lag structures for each model involved in the conference are summarized in *External Deficits and the Dollar*, annex, pp. 101–39.

8. The estimation period of the model is 1968:1 through 1984:4. Recent work by Baldwin and others has suggested that a structural shift in the relationship between exchange rates and import prices may have occurred during the 1980s. The evidence from this literature is that the effect of exchange rate changes on import prices has been attenuated; this attentuation would tend, ceteris paribus, to weaken the initial negative J-portion in the adjustment of the trade balance. See Richard Baldwin, "Some Empirical Evidence on Hysteresis in Aggregate U.S. Import Prices," National Bureau of Economic Research Working Papers 2483 (January 1988).

9. The Board staff model equation for the price of non-oil imports includes a measure of foreign prices, exchange rates, and an index of non-oil commodity prices as explanatory variables. Changes in exchange rates affect the price of non-oil imports both directly and indirectly through the effect on commodity prices. The response in table 1 and chart 5 includes both direct and indirect effects.

10. The adjustment paths traced out in charts 5, 6, and 8 were calibrated to the levels of trade in the first quarter of 1988.

11. An earlier discussion of these adjustment factors is found in Helen B. Junz and Rudolf R. Rhomberg, "Price Competitiveness in Export Trade Among Industrial Countries," *American Economic Review*, vol. 63 (May 1973), pp. 412–18..

12. More generally, a change in the dollar's exchange value can result from a variety of causes. Policy changes that affect the dollar ordinarily affect the path of other macroeconomic variables that will also influence trade prices and volumes. For example, an easing of monetary policy that stimulates the growth of income in addition to a depreciation of the dollar could cause a worsening of the trade balance, if the stimulus to imports (from the increase in income) were to outweigh the boost to exports (from the decline in the dollar).

13. Unlike the strict textbook formulation, the simulated J-curve includes the adjustment lags in the Board staff model.

14. The exchange rate measure used in the Federal Reserve Board's model is an 18-country index, which includes 8 developing countries (Brazil, Hong Kong, Malaysia, Mexico, the Philippines, Singapore, South Korea, and Taiwan) in addition to the G-10 countries. In this broader index, the G-10 countries have a weight in multilateral trade of about 80 percent. For all the simulation exercises, a nominal depreciation of 10 percent in the G-10 index was associated with a 5 percent decline in real terms against the currencies of the 8 developing countries. This decline translates into a real decline of almost 9 percent in the G-18 index. For a detailed discussion of different weighted average indexes of exchange rates, see B. Dianne Pauls, "Measuring the Foreign Exchange Value of the Dollar," FEDERAL RESERVE BULLETIN, vol. 73 (June 1987), pp. 411–22.

15. By the end of the 16-quarter simulation horizon, the nominal G-10 dollar had depreciated 32 percent and the real G-18 dollar index had declined 26 percent.

16. The MCM is a multicountry macro model with individual sectors for the United States, Canada, Germany, Japan, and Great Britain. For further details, see Hali J. Edison, Jaime R. Marquez, and Ralph W. Tryon, "The Structure and Properties of the Federal Reserve Board Multicountry Model," *Economic Modelling*, vol. 4 (April 1987), pp. 115–315.

17. The following table gives the cumulative feedback effects used in the reported simulations on the rate of increase of U.S. consumer prices and real GNP and for the change in the Treasury bill rate resulting from a one-time 10 percent depreciation of the dollar:

Variable	*4 quarters*	*8 quarters*	*12 quarters*	*16 quarters*
Consumer prices (percent).....	.5	1.0	1.25	1.25
Real GNP (percent).....	.2	.4	.2	.0
Treasury bill rate.	.5	1.0	1.0	1.0

Feedbacks to foreign prices were of roughly the same magnitude (but in the opposite direction) as the feedback effects to U.S. prices. The effects on foreign GNP were about twice the size (but in the opposite direction) of those on U.S. GNP.

18. Jaime Marquez, "Income and Price Elasticities of Foreign Trade Flows: Econometric Estimation and Analysis of the U.S. Trade Deficit," International Finance Discussion Papers 324 (Board of Governors of the Federal Reserve System, June 1988).

19. Ellen E. Meade, "U.S. External Adjustment in Response to the Lower Dollar: The J-Curve," in a volume edited by Donald Fair reporting a conference, "The International Adjustment Process," sponsored by the Société Universitaire Européenne de Recherches Financières in Helsinki, Finland, May 18–21, 1988 (forthcoming).

20. See John F. Wilson and Wendy E. Takacs, "Expectations and the Adjustment of Trade Flows Under Floating Exchange-Rates: Leads, Lags and the J-Curve," International Finance Discussion Papers 160 (Board of Governors of the Federal Reserve System, April 1980).

21. The foods, feeds, and beverages category is netted out of total exports to form nonagricultural exports.

22. For example, the export price of a category is explained using the domestic producer price index for that category and an index of the weighted average prices of foreign producers for that category (the weights are category-specific export shares), converted to dollar terms using an exchange rate constructed with category-specific weights. For further details on the category-specific variables and the construction of data, see Catherine L. Mann and Ellen E. Meade, "Empirical Analysis of Trade: A Disaggregated Approach" (Board of Governors of the Federal Reserve System, November 1987).

23. Recall that the aggregate J-curve was generated assuming equal proportionate nominal depreciation against all G-10 currencies, and equal proportionate real depreciation against the currencies of the 8 developing countries.

24. For a detailed discussion of these reasons, see Peter Hooper and Catherine L. Mann, *The Emergence and Persistence of the U.S. External Imbalance: 1980–87*, Princeton Studies in International Finance (forthcoming).

25. The level of the G-10 trade-weighted dollar was 156 in the first quarter of 1985. The average depreciation of the dollar was 11 percent in 1985, 16 percent in 1986, and 13 percent in 1987. The counterfactual simulation was generated using the Board staff model of the U.S. current account, and assuming the rough feedbacks on income, prices, and interest rates implied in note 17.

26. The hypothetical trade balance discussed is not adjusted to incorporate the model errors made during this period. If the model errors made over the period of the dollar's depreciation are unbiased estimates of the model errors that would have been made had the dollar never

declined, then the hypothetical trade balance should be adjusted to incorporate these errors. Including these errors does not change the basic result of the simulation experiment: the negative portion of the adjustment path is relatively short, and the net improvement by mid-1988 is sizable.

27. For example, Koch and Rosensweig have pointed to a "delayed J-curve," due to the sluggish response of import prices during the recent period. In their "delayed J-curve," the net improvement in the trade balance is substantially postponed relative to the textbook J-curve. This delayed response relies on little or no adjustment of export volumes after a change in the dollar, so that the eventual response of import prices draws out the negative portion of the J-curve. Finding a "delayed J-curve" is somewhat curious given that Koch and Rosensweig discuss evidence of a substantial responsiveness of export volumes to exchange rate changes. See Jeffrey A. Rosensweig and Paul D. Koch, "The U.S. Dollar and the 'Delayed J-Curve,' " Federal Reserve Bank of Atlanta, *Economic Review*, vol. 73 (July/August 1988), pp. 2–15.

Treasury and Federal Reserve Foreign Exchange Operations

This quarterly report, covering the period May through July 1988, provides information on Treasury and System foreign exchange operations. It was prepared by Sam Y. Cross, Manager of Foreign Operations of the System Open Market Account and Executive Vice President in charge of the Foreign Group of the Federal Reserve Bank of New York.[1]

Market sentiment toward the dollar turned strongly positive during the three months ending in July, and the dollar moved higher for most of the period. On balance, the dollar rose 9½ percent in terms of other Group of Ten currencies on a trade-weighted basis (Federal Reserve Board of Governors staff index). But the increase against individual currencies varied considerably. The dollar rose approximately 12 percent against the German mark and most continental currencies, returning close to its level against the German mark of a year earlier. It advanced a more modest 6½ percent and 9¾ percent respectively against the Japanese yen and against sterling, remaining well below its levels of a year earlier. Against the Canadian dollar, the dollar declined 1½ percent.

In keeping with the Group of Seven (G-7) understandings about fostering exchange rate stability—most recently reiterated in the Economic Declaration at the Toronto Summit in June—the U.S. authorities entered the market at times to counter the dollar's rise, operating in coordination with other central banks. Market sales of dollars by the U.S. authorities between late June and the end of July totaled $2.9 billion, all against German marks.

1. The charts for the report are available on request from Publications Services, Board of Governors of the Federal Reserve System, Washington, D.C. 20551.

Throughout the period, the dollar was buoyed by any new signs of strength in the U.S. economy, which were thought likely to lead to a tighter monetary policy and higher interest rates. With statistics measuring U.S. economic growth continuing to point to greater gains than had previously been expected, market participants recognized that the focus of policy attention had shifted from concerns about recession to concerns about inflation. Statements by several Federal Reserve officials had conveyed uneasiness about the potential risks for inflation of relatively tight labor markets and capacity constraints in some industries. As it was, short-term interest rates in the United States had already firmed somewhat between mid-March and the beginning of May, maintaining and in some cases, increasing interest differentials favoring investment in dollar-denominated assets.

Until mid-June, the factors supporting a higher dollar were partially counterbalanced by uncertainty about the sustainability of external adjustment and about official reactions to any rise in dollar exchange rates. Thus, the dollar's rise early in the period was relatively modest. The dollar strengthened more decisively after mid-June, with market participants increasingly perceiving that international adjustment was indeed proceeding and that major industrial nations might tolerate some further increase in the dollar.

For the period as a whole, the dollar's upward movement against the mark was especially pronounced. There were questions about the longer-term prospects for investment in the German economy, in part stemming from labor costs and continued concern over the government's intended imposition of withholding taxes on foreign investments in Germany. In these circumstances, there were heavy flows of capital out of Germany, amounting in the first half of 1988 to a record DM50.6 billion.

The dollar's relative stability against the yen in part reflected favorable assessments of the outlook for the Japanese economy. In particular, market participants were impressed with the extent to which the Japanese economy appeared to be adjusting to its external imbalances and experiencing vigorous increases in domestic demand.

MAY TO MID-JUNE

The dollar rose gradually against the mark from May until the middle of June. From its opening of DM1.6775, it moved irregularly higher, breaking through the DM1.70 level by mid-May and reaching DM1.7224 by mid-June. It showed little increase on balance against the yen, however.

The dollar's rise partly reflected a widening perception that U.S. economic growth continued to be buoyant and that the Federal Reserve's policy stance might be tightened if pressures on capacity became troublesome. The report in early May of a decline in U.S. civilian unemployment to its lowest level in 14 years and of strong gains in manufacturing employment, together with a larger-than-expected upward revision in first-quarter figures for the gross national product later that month, provided further evidence that economic activity was expanding rapidly. The fact that the country's export sector and manufacturing industries were contributing strongly to the economy's improved performance provided reassurance that adjustment was well under way. Moreover, market participants detected that the Federal Reserve had adopted a firmer policy stance. With financial markets generally reassured by the authorities' concern about inflation, U.S. long-term interest rates eased somewhat, and long-term interest rate differentials favoring the dollar generally narrowed, though they remained strongly positive. But as U.S. short-term interest rates rose, short-term differentials favoring the dollar widened between the beginning of May and mid-June, especially against the European currencies.

In addition, confidence in the efforts of G-7 authorities to foster exchange rate stability had increased as the dollar traded in a relatively narrow range throughout the spring and U.S. export performance improved. As a consequence, concerns about exchange rate risk diminished, and investors became more confident about investing in dollar-denominated assets to take advantage of the relatively high yields on fixed-income securities available in the United States.

Moreover, reports circulated in the market of increased demand for dollars by banks' customers. Many firms had previously established short-dollar positions on the expectation that the three-and-one-half-year decline of the dollar would continue well into 1988. When instead the dollar firmed, several corporations and financial institutions began to consider that the dollar's long decline had bottomed out. These market participants reportedly purchased dollars to avoid losses that might result from having to convert foreign currency receivables at still higher dollar levels. In this environment, market professionals perceived that a large magnitude of dollar buying might come into the exchange market if exchange rate expectations were to shift in favor of the dollar, and a sense of upside risk for the dollar began to emerge.

Under these circumstances, the market's long-standing bearish sentiment toward the dollar lessened, but was not eliminated. One concern was that tightening labor markets and capacity

1. Federal Reserve reciprocal currency arrangements
Millions of dollars

Institution	Amount of facility, July 31, 1988
Austrian National Bank	250
National Bank of Belgium	1,000
Bank of Canada	2,000
National Bank of Denmark	250
Bank of England	3,000
Bank of France	2,000
German Federal Bank	6,000
Bank of Italy	3,000
Bank of Japan	5,000
Bank of Mexico	700
Netherlands Bank	500
Bank of Norway	250
Bank of Sweden	300
Swiss National Bank	4,000
Bank for International Settlements	
Dollars against Swiss francs	600
Dollars against other authorized European currencies	1,250
Total	**30,100**

constraints in the United States might undermine further adjustment as well as lead to a buildup of inflationary pressures. This concern was reflected in the exchange markets when, on May 17, the dollar gained only modest ground from the announcement of an unexpected improvement in the U.S. trade deficit for March. This muted response occurred, in part, because the data recorded a sharp rise in imports that, if continued, might hinder further improvement in the trade balance.

Another element of uncertainty about how far the dollar might advance was the presumed reaction of foreign monetary authorities to any significant exchange rate move. For several months, rumors had circulated in the exchange markets that those central banks that had intervened heavily to support the dollar in 1987 were taking advantage of opportunities to sell dollars. Talk of dollar sales by G-7 central banks intensified shortly after the release of the March trade figures in mid-May. Throughout late May there was persistent talk in the market that the Bundesbank was regularly selling dollars. Gradually, market participants became convinced that foreign officials would act to contain the dollar's rise through intervention. At the end of May, the Bundesbank began selling small amounts of dollars openly at the Frankfurt fixing. On June 3, the Bundesbank reported sharp declines in its net monetary reserves, particularly in the foreign currency reserves component. From late May through mid-June, these declines, attributed by the market largely to dollar sales, amounted to DM7.4 billion. Press reports indicated that other G-7 countries might also seek to reduce their dollar holdings.

Market participants also began to anticipate that foreign monetary authorities would take advantage of any increases in U.S. interest rates to increase their own interest rates. Monetary aggregates were growing relatively rapidly in a number of countries. Also, during the first week of June, officials of several industrial countries openly expressed concerns about a potential rise in inflation worldwide against a background of rising commodity prices. German and Japanese officials also noted the inflationary impact of the dollar's rise and underscored the importance of maintaining domestic price stability.

In these circumstances, the dollar fluctuated irregularly upward, as market participants adjusted their evaluations of official attitudes toward exchange rate movements. In the middle of June, the dollar was trading about 2½ percent higher on balance against the mark and other European currencies and was unchanged on balance against the yen from the beginning of the period.

Mid-June through July

As time passed, market participants became increasingly impressed with the dollar's resilience. they noted that the dollar had shrugged off both intervention and statements by foreign officials aimed at resisting the declines of their own currencies. They also watched for reactions to the Bundesbank's June 21 decision to increase the interest rate on its repurchase agreements and looked to the upcoming communiqué from the summit meeting in Toronto for further indications of policy actions that might affect exchange rates.

On June 14, the announcement of a U.S. trade deficit for April that was much smaller than expected reassured market participants that the

2. Drawings and repayments by foreign central banks under special swap arrangements with the U.S. Treasury[1]

Millions of dollars; drawings or repayments (−)

Central bank drawing on the U.S. Treasury	Amount of facility	Outstanding, as of May 1, 1988	May	June	July	Outstanding, as of July 29, 1988
Central Bank of the Argentine Republic	550.0	160.0	−160.0	0	0	(2)
National Bank of Yugoslavia	50.0	(2)	0	50.0	−16.1	33.9
Central Bank of Brazil	250.0	(2)	0	0	232.5	232.5

1. Data are on a value-date basis.
2. No facility.

correction of global imbalances was continuing, even in the face of a relatively robust U.S. economy. The market's concerns that strong domestic demand and capacity constraints would limit the scope for further trade adjustment were diminished by the data for April, which showed a decline in imports. The dollar's reaction to this set of trade figures was stronger than that of the previous month, with dollar exchange rates moving up sharply to trade at DM1.7450 and Y126.50 soon after release of the trade figures.

Later in June, the Economic Declaration issued after the Toronto Summit left the market with the impression that the G-7 monetary authorities would tolerate a further rise of the dollar. Although the Declaration repeated the precise words of the December 1987 statement by the G-7, the dollar was already 8 percent higher in terms of the mark than at the time of the December statement. This different market environment, together with comments by several officials following the Toronto meetings, led to an interpretation that some further rise was acceptable.

As a result of these developments, the dollar began to rise more quickly in late June. As the dollar broke through DM1.80 and higher levels not previously anticipated, there were reports of corporations and financial institutions moving to reduce their short-dollar positions. There were also dollar purchases associated with the covering of options positions that had been established in anticipation of a continued dollar decline.

In these circumstances, the U.S. authorities entered the market for the first time during the period on June 27. The authorities continued to operate, intervening on 15 of the remaining 23 business days through the end of July and working closely in coordination with other central banks to foster exchange rate stability.

There were several occasions during July when upward pressure on dollar rates was considerable. Some of these occurred when new economic statistics were released confirming the buoyancy of the U.S. economy. The dollar was especially well bid, for example, after the July 8 report of a further decline in U.S. civilian unemployment and after the July 27 release of GNP data pointing to a seasonally adjusted rate of growth of 3.1 percent for the second quarter. The dollar also came into demand after the report on July 15 of May trade figures that reassured market participants that U.S. trade adjustment remained on track. Meanwhile, press coverage of Chairman Greenspan's congressional testimony reinforced the expectation that the U.S. authorities stood ready to counter inflationary pressures. Under these circumstances, the dollar generally moved up during early July, reaching its highs of the period against the mark and the yen at DM1.8925 on July 18 and Y135.55 on July 15 respectively. But by the end of July, the dollar was trading off its highs at DM1.8780 and Y133.15 respectively.

Between June 27 and July 29, the U.S. authorities sold a total of $2.9 billion in the market, all against marks. Of the total, $1,317.5 million was sold by the Federal Reserve and $1.612.5 million was sold by the Treasury's Exchange Stabilization Fund (ESF). These operations were conducted in cooperation with other central banks.

In other industrialized countries, the authorities also intervened to sell dollars, on occasion in substantial amounts. In addition, interest rates in a number of foreign countries increased as the authorities sought to limit the decline of their currencies against the dollar or otherwise respond to signs of quickening price pressures.

In other operations, the U.S. authorities increased holdings of foreign currencies by $1,282.3 million equivalent through sales of Special Drawing Rights (SDRs) and dollars to other official institutions and through receipt of principal repayments and interest payments due to the United States under the Supplementary Financing Facility of the International Monetary Fund.

3. Net profits or losses (−) on U.S. Treasury and Federal Reserve current foreign exchange operations[1]

Millions of dollars

Period	Federal Reserve	U.S. Treasury Exchange Stabilization Fund
May 1, 1988–July 31, 1988	0	0
Valuation profits and losses on outstanding assets and liabilities as of July 31, 1988	1,101.2	856.7

1. Data are on a value-date basis.

As of the end of July, cumulative bookkeeping or valuation gains on outstanding foreign currency balances were $1,101.2 million for the Federal Reserve and $856.7 million for the ESF. These valuation gains represent the increase in the dollar value of outstanding currency assets valued at end-of-period exchange rates, compared with the rates prevailing at the time the foreign currencies were acquired.

The Federal Reserve and the ESF regularly invest their foreign currency balances in a variety of instruments that yield market-related rates of return and that have a high degree of quality and liquidity. A portion of the balances is invested in securities issued by foreign governments. As of the end of July, holdings of such securities by the Federal Reserve amounted to $1,408.2 million equivalent, and holdings by the Treasury amounted to the equivalent of $1,604.8 million.

During the period under review, the U.S. Treasury, through the ESF, received repayment of its financing facility for Argentina and participated in multilateral financing facilities for Yugoslavia and Brazil.

Argentina. On May 31, the Central Bank of the Argentine Republic fully repaid the $160 million second drawing of a $550 million short-term financing facility provided by the U.S. Treasury through the Exchange Stabilization Fund, thereby fully liquidating the facility.

Yugoslavia. On June 10, the U.S. Treasury, through the ESF, together with the Bank for International Settlements (BIS) acting for several central banks, agreed to provide $250 million in short-term financing facilities to the National Bank of Yugoslavia. On June 15, the National Bank of Yugoslavia drew the full $50 million of the ESF facility. On July 1, $16.1 million was repaid.

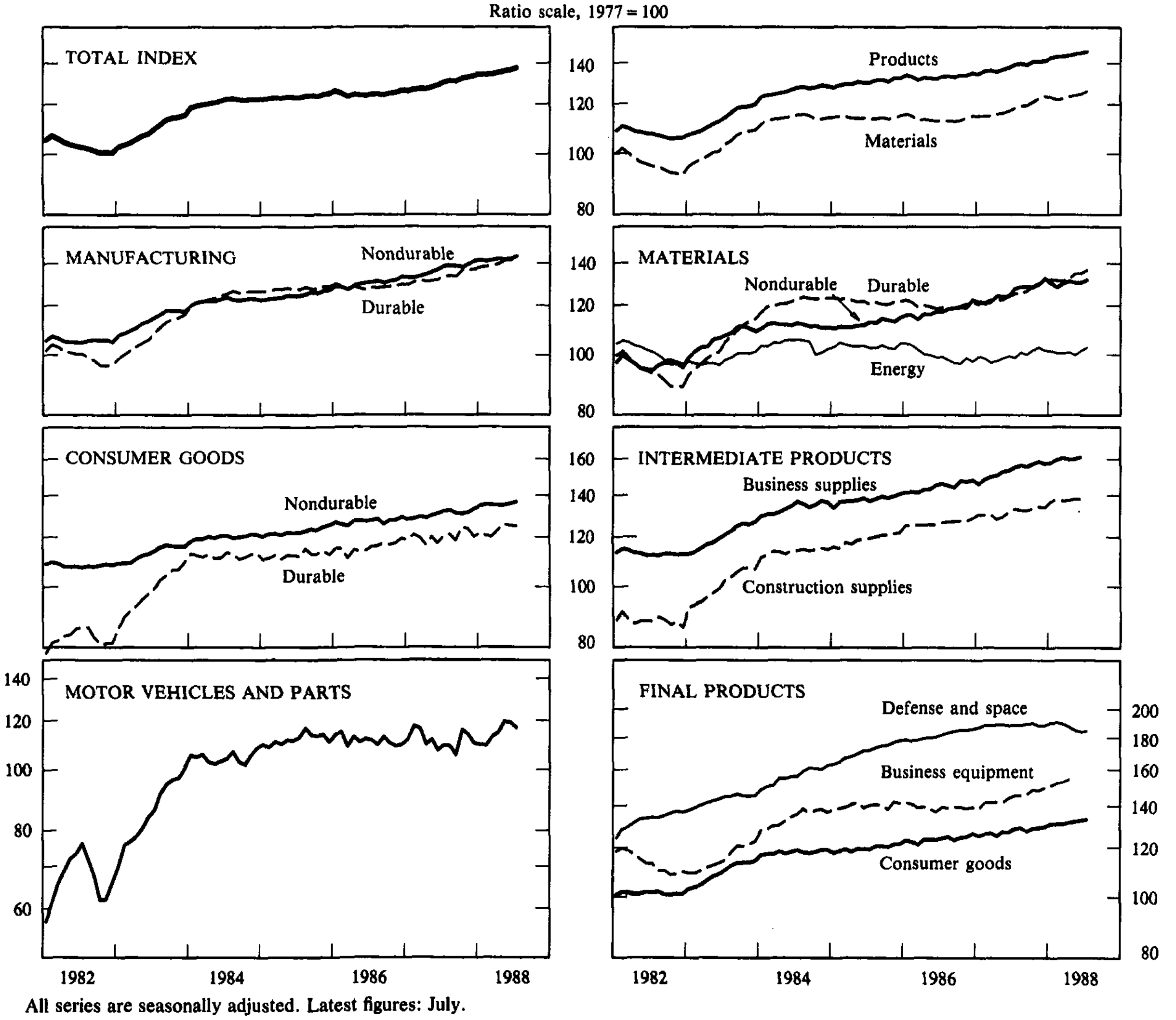
Brazil. On July 27, the U.S. Treasury, through the ESF, together with the BIS acting for several central banks, agreed to provide $500 million in short-term financing facilities to Brazil. The ESF's facility was $250 million. On July 29, the Central Bank of Brazil drew $232.5 million from the ESF facility.

Industrial Production

Released for publication August 15

Industrial production increased 0.8 percent in July, compared with the rise of 0.4 percent in June. The July strength was mainly related to another sizable gain in the output of business equipment as well as to sharp increases in both durable and nondurable materials. In contrast, auto assemblies decreased in July, and production of construction supplies remained sluggish. At 137.7 percent of the 1977 average, the total index in July was 5.4 percent higher than it was a year earlier.

In market groups, output of consumer goods advanced 0.3 percent further in July, reflecting gains in home goods, such as appliances, as well as in nondurable consumer goods. Automobile assemblies in July, at an annual rate of 7.1 million



All series are seasonally adjusted. Latest figures: July.

Group	1977 = 100		Percentage change from preceding month					Percentage change, July 1987 to July 1988
	1988		1988					
	June	July	Mar.	Apr.	May	June	July	
	Major market groups							
Total industrial production	**136.6**	**137.7**	**.2**	**.5**	**.5**	**.4**	**.8**	**5.4**
Products, total	145.4	146.1	.2	.3	.5	.4	.5	4.8
Final products	143.9	144.8	.1	.5	.6	.4	.6	5.0
Consumer goods	133.0	133.4	−.1	.6	.5	.3	.3	3.5
Durable	125.2	124.8	−.2	2.4	2.0	−.4	−.3	3.7
Nondurable	135.8	136.6	−.1	.0	−.1	.6	.6	3.4
Business equipment	158.2	159.7	.6	.8	1.4	.9	1.0	9.7
Defense and space	184.3	185.0	−.6	−1.1	−1.2	−.7	.4	−2.0
Intermediate products	150.6	150.8	.3	−.2	.3	.3	.2	4.0
Construction supplies	138.2	137.8	−.3	.2	.5	−.1	−.3	3.5
Materials	124.7	126.2	.3	.8	.5	.4	1.2	6.5
	Major industry groups							
Manufacturing	142.0	143.1	.4	.6	.6	.2	.8	5.6
Durable	141.7	142.8	.3	.6	1.3	.1	.8	7.0
Nondurable	142.5	143.6	.5	.4	−.3	.4	.8	3.7
Mining	103.5	104.1	1.2	2.0	−1.6	.5	.6	4.9
Utilities	115.2	115.8	−2.0	−2.0	1.2	2.5	.6	4.2

NOTE. Indexes are seasonally adjusted.

units, were down from June's rate of 7.5 million units, and the production of light trucks for consumer use also decreased. The index for business equipment rose rapidly again in July, with all main sectors, except transit equipment, advancing.

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
April	135.4	135.4	.5	.5
May	136.1	136.1	.5	.5
June	136.6	136.6	.4	.4
July	...	137.7	...	.8

Output of construction supplies has changed little, on balance, since February, and declined slightly in both June and July, owing mainly to a strike in the lumber industry. The strong gains in the output of materials in July reflected widespread gains, most notably in metals, paper, chemicals, and coal.

In industry groups, manufacturing output increased 0.8 percent in July. In durable manufacturing, the gains were largest in primary metals and nonelectrical machinery; large gains also occurred in several nondurable industries. Production at both utilities and mines rose 0.6 percent.

Announcements

Change in the Discount Rate

The Federal Reserve Board announced on August 9, 1988, an increase in the discount rate from 6 percent to 6½ percent, effective immediately.

The decision reflected the intent of the Federal Reserve to reduce inflationary pressures. The action was also taken in light of the growing spread of market interest rates over the discount rate.

In taking the action, the Board voted on requests submitted by the Boards of Directors of the Federal Reserve Banks of Boston, New York, Philadelphia, Cleveland, Richmond, Atlanta, St. Louis, Kansas City, and San Francisco. The Board subsequently approved similar requests by the Federal Reserve Bank of Minneapolis, effective August 9; by the Federal Reserve Bank of Chicago, effective August 10; and by the Federal Reserve Bank of Dallas, effective August 11. The discount rate is the interest rate that is charged depository institutions when they borrow from their District Federal Reserve Banks.

Survey on Uses of Financial Services by Small Businesses

The Federal Reserve Board on August 17, 1988, announced plans for a national survey to obtain information on the sources and use of credit and other financial services by small businesses.

The major purpose of the survey, which is being cosponsored by the Small Business Administration, is to determine how financial innovation and the deregulation of financial markets have affected the financial behavior of small business firms.

Beginning in September, more than 4,000 randomly selected small business firms will be surveyed, on a voluntary and confidential basis, by the Research Triangle Institute in North Carolina, which has been commissioned to conduct the survey. Businesses will be asked about the types of financial services they are using and the firms that supply them.

The study is the first comprehensive analysis of the effect of financial deregulation on small businesses and its implications for bank regulation. The information obtained will address questions in a variety of areas, including the demand for currency and payments services, the effects of bank mergers and holding company acquisitions of banks, and the impact of bank regulation on small businesses.

The traditional view has been that most small businesses were financed by local commercial banks. The survey is designed to determine if this view is still appropriate, given the entry of new firms, such as thrift institutions and venture capital firms, into the provision of payment and credit services. Does the small business still obtain its checking account, other bank accounts, and longer-term financing from its local bank? Or, does the small firm, like large businesses, have the option of selecting a wider variety of services from both bank and nonbank firms located not just within its home town, but across the nation?

A report on the findings will be published in the Federal Reserve Bulletin early in 1990.

Revisions to Regulation C

The Federal Reserve Board published on August 12, 1988, revisions to its Regulation C (Home Mortgage Disclosure) to incorporate recent congressional amendments that extend the Home Mortgage Disclosure Act (HMDA) permanently and expand its coverage. The changes were effective September 19.

The HMDA and the Board's Regulation C require financial institutions that have more than $10 million in assets and have home or branch offices in metropolitan statistical areas (MSAs) or primary metropolitan statistical areas to disclose annually their originations and purchases of home mortgage and home improvement loans.

Besides the permanent extension of the act, the Congress also expanded the act's coverage to include savings and loan service corporations and mortgage banking subsidiaries of bank and savings and loan holding companies. The changes to the regulation also include redrafted instructions to the reporting forms to further simplify and clarify them.

AMENDMENT TO REGULATION T

The Federal Reserve Board approved on August 10, 1988, an amendment to Regulation T (Credit by Brokers and Dealers) to make certain foreign sovereign debt securities marginable. The amendment was effective September 15, 1988.

The amendment will permit brokers and dealers to extend "good faith" loan value on long-term debt securities issued or guaranteed as a general obligation by a foreign sovereign, its provinces, states, or cities, or a supranational entity if there is available an explicit or implicit rating of the entity in one of the two highest rating categories by a nationally recognized statistical rating organization.

UPDATE TO STAFF GUIDELINES ON REGULATION AA

The Federal Reserve Board published on July 29, 1988, the second update to its staff guidelines on the Credit Practices Rule under Regulation AA. The updated guidelines became effective August 1, 1988.

The Board's Credit Practices Rule, applicable to all banks and their subsidiaries, addresses unfair or deceptive acts or practices in the extending of consumer credit. The rule does not apply to loans for the purchase of real property. Banks are prohibited from using certain remedies to enforce consumer credit obligations and from using a late charge practice commonly referred to as "pyramiding." The rule also provides protections for cosigners of consumer credit obligations.

PROPOSED AMENDMENT TO REGULATION CC

The Federal Reserve Board has approved an interim rule amending Regulation CC (Availability of Funds and Collection of Checks) to conform the definition of "paying bank" to the Expedited Funds Availability Act as interpreted by a recent court decision. The Board has adopted amendments conforming to the court decision on an interim basis to ensure that they are in place when the act takes effect on September 1, 1988. The Board requested comment by September 12, 1988, on the interim rule pending consideration of a longer-term response to the court decision.

CHANGES IN BOARD STAFF

The Board of Governors announced the appointment of Roger T. Cole to the official staff as Assistant Director in the Division of Banking Supervision and Regulation, effective August 16, 1988. Mr. Cole will have responsibility for the Financial Analysis, Policy Development, and Policy Implementation Sections.

Mr. Cole came to the Board in September 1979 as a senior financial analyst, and since November 1987 has acted as Assistant to the Staff Director. He has a B.A. in economics from Bucknell University and an M.A. from Johns Hopkins University.

The Board has also approved a restructuring of the Division of Banking Supervision and Regulations, which realigns the responsibilities of several division officers.

The Board also announced the resignation of Lynn Smith Fox, Special Assistant to the Board, effective September 9, 1988.

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, 1988:

Pennsylvania

Media .... Security First Bank
West Chester ...... Bank of the Brandywine Valley

Record of Policy Actions of the Federal Open Market Committee

MEETING HELD ON JUNE 29–30, 1988

Domestic Policy Directive

The information reviewed at this meeting suggested that economic activity was continuing to expand at a relatively vigorous pace, though apparently not quite as rapidly as earlier this year. Growth in output was being sustained by considerable strength in manufacturing; the latter appeared to reflect in part a continuing improvement in the nation's trade balance as well as ongoing expansion in domestic demands. Various measures of prices and wages suggested some intensification of inflation in recent months.

Growth in nonfarm payroll employment moderated somewhat in April and May, particularly in construction, trade, and services. However, manufacturing employment and the average workweek showed continued strength. In May, household employment fell sharply and reversed a large gain in April. The civilian unemployment rate rose from 5.4 percent in April to 5.6 percent in May, but it remained slightly below the first-quarter average.

Industrial production increased considerably in April and May. Assemblies of motor vehicles and the production of capital goods rose substantially in both months. The output of materials also strengthened over the two months, but that of nonauto consumer goods edged down. There were widespread increases in capacity utilization rates in April and May. Those rates have risen to high levels in primary processing industries.

After increasing appreciably in the first quarter, retail sales were little changed on balance over April and May. Sales of durable goods edged down from recent advanced levels, while spending on nondurable goods extended the sluggish pattern in evidence over the previous two quarters. Housing starts fell to an annual rate of 1.38 million units in May, down from a rate of approximately 1½ million units over the preceding three months. Despite the decline, data on building permits and home sales suggested that the pace of housing activity was little changed.

Business fixed investment also appeared to have leveled off at a high rate recently. Outlays for structures increased in April, particularly in the industrial sector, but new commitments for nonresidential construction were trending down. While new orders for nondefense capital goods showed little change in April and May, the latest survey data implied further gains in capital spending over the second half of 1988. Nonfarm inventory investment in April remained close to its first-quarter pace. The buildup in stocks continued to be sizable in manufacturing and wholesale trade and was concentrated in industries experiencing strong domestic and foreign demand. At the retail level, nonauto inventory investment slowed sharply in April, while inventories of automotive products rose somewhat after declining substantially in the first quarter.

The U.S. merchandise trade deficit narrowed in April on a seasonally adjusted basis, essentially reflecting a decline in imports across a wide range of commodity categories. Exports fell slightly in April after a large increase in March. Real economic activity expanded strongly during the first quarter in most of the major foreign industrial countries, but available indicators pointed to some slowing in the second quarter, while inflation remained subdued.

Over April and May, the consumer price index rose at about the average pace of the first quarter, despite a sizable advance in retail food and energy prices. At the producer level, prices of finished goods continued to increase in May at the quickened pace of the previous two months. Prices of a broad range of commodities, particularly agricultural goods, increased sharply in the past few weeks, in part because of the effects of the drought. The rise in average hourly earnings of private nonfarm workers picked up significantly in April and May.

The dollar firmed considerably in foreign exchange markets from late May through mid-June, and it subsequently appreciated further in the days leading up to the Committee meeting. In relation to other G-10 currencies, the dollar finished the period on average about 6 percent above its level at the time of the previous Committee meeting on May 17. Continuing improvement in the U.S. trade balance and perceptions that inflationary pressures would be resisted with tighter monetary policy helped to strengthen the dollar.

At its previous meeting in May, the Committee adopted a directive that called initially for maintaining the existing degree of pressure on reserve positions. The Committee agreed that some slight firming would be implemented after a short interval following this meeting, assuming that economic and financial conditions did not diverge significantly from the members' expectations. In particular, the conduct of open market operations would take account of conditions in financial markets, the strength of the business expansion, indications of inflation, the performance of the dollar in foreign exchange markets, and the behavior of the monetary aggregates. Later in the intermeeting period, some added reserve restraint would be acceptable, or some slight lessening of reserve pressure might be acceptable, depending on ongoing economic and financial developments. The contemplated reserve conditions were expected to be associated with growth in M2 and M3 at annual rates of 6 to 7 percent over the period from March to June. The members agreed that the intermeeting range for the federal funds rate should be raised by 1 percentage point to a range of 5 to 9 percent.

In accordance with the Committee's instructions, open market operations were directed toward a slight increase in the degree of reserve pressure starting in the latter part of May. In the two reserve maintenance periods ending June 15, adjustment plus seasonal borrowing rose to an average of $530 million. That average included a bulge over the Memorial Day holiday in late May. The implementation of firmer reserve conditions, interacting with market expectations of a tighter monetary policy and some seasonal pressures in the money market, contributed to an increase in the federal funds rate from about 7 percent at the time of the May meeting to around 7⅜ to 7½ percent by mid-June. Subsequently, a marginal further increase was sought in the degree of reserve restraint. This further adjustment in open market operations was made in the context of a flow of economic information that suggested a continuing risk of greater inflation and a directive that called for evaluating new economic data with a greater readiness to tighten than to ease. Adjustment plus seasonal borrowing averaged about $520 million in the reserve maintenance period ending June 29. Federal funds traded mostly around 7½ percent during this period but rose to around 8 percent late in the month with the approach of the quarterly statement date.

Most other short-term interest rates rose by ¼ to ⅜ percentage point during the intermeeting period. In contrast, bond yields declined by about the same amount over the interval. Demands for long-term debt instruments appeared to be buoyed by improved prospects for the dollar and by signs that the economic expansion might be moderating toward a more sustainable pace in the context of perceptions that monetary policy was being tightened in a timely manner. Broad indexes of stock prices increased appreciably on balance over the period since mid-May.

Growth of M2 and M3 slowed substantially in May, and M1 was about unchanged. This weaker performance reflected mainly a runoff of tax-related balances. Based on partial data through midmonth, growth of the monetary aggregates appeared to have rebounded in June, though it remained below that registered earlier in the year as increases in market interest rates in recent months apparently began to damp demands for money. Expansion in total domestic nonfinancial debt thus far this year was estimated to have moderated somewhat from the pace in 1987.

The staff projection prepared for this meeting suggested that the economy would expand at a more moderate pace in the quarters immediately ahead. Growth in output would be held down by the effects of the drought on agricultural output, a decline in automobile production, and a more restrained pace of nonfarm inventory accumulation than was thought to have occurred in recent months. Over the longer run, the course of the economy would depend to an important extent on developments in financial markets. To the degree that demands were strong, in a context of an anti-inflation monetary policy, this would show through in pressures in those markets tending to restrain domestic spending. The staff projection continued to anticipate a sluggish pace of consumer spending, substantially slower growth in business fixed investment, and subdued housing activity; it also assumed a mildly restrictive fiscal policy. As in earlier projections, improvement in the trade balance was expected to contribute substantially to continuing growth in overall economic activity. Prices and wages were expected to rise somewhat more rapidly in the quarters ahead because of the continuing effects of the dollar's depreciation on prices of non-oil imports and of reduced margins of unutilized production resources. Increases in food prices as a consequence of drought conditions were also expected to contribute to inflationary pressures over the quarters immediately ahead.

In the Committee's discussion of the economic situation and outlook, the members generally agreed that some moderation in the rate of economic expansion was a reasonable expectation for the next several quarters. Indeed, although the specific rate of economic growth that would foster achievement of the Committee's price stability goal could not be anticipated with any degree of precision, the members generally agreed that a considerably slower rate of expansion than appeared to have occurred in the first half of 1988 would probably be needed, given already high utilization rates of labor and capital resources. Views differed, however, with regard to the likely extent of the slowing that might already be under way. Many members expressed concern that, in the absence of tighter fiscal and monetary policies, the momentum of the economy pointed to faster growth than would be consistent with the Committee's objective of containing inflationary pressures over time. Some other members gave more emphasis to recent data that seemed to point to more moderate economic growth. They noted that the higher interest and exchange rates and the slower monetary growth that had accompanied the tightening of monetary policy over the spring would be restraining demands over coming quarters, and they saw a lesser risk of a significant pickup in inflation. In the view of these members, inflation remained a major concern, but additional information was needed to assess whether the economy was on a course that would lead to an intensification of price pressures.

In keeping with the usual practice at meetings when the Committee considers its long-run objectives for monetary growth, the members of the Committee and the Federal Reserve Bank presidents not currently serving as members prepared specific projections of growth in real and nominal GNP, the rate of unemployment, and changes in the overall price level. With regard to rates of expansion in real GNP, the projections had a central tendency of 2¾ to 3 percent for 1988 as a whole, implying a considerable slowing over the second half of the year; for the year 1989 the central tendency of the projections was 2 to 2½ percent or close to that implied for the second half of this year. Projections of growth in nominal GNP centered on rates of 5¾ to 6¾ percent for 1988 and 5 to 7 percent for 1989. The projected rates of civilian unemployment had a central tendency of 5¼ to 5¾ percent for the fourth quarter of 1988 and 5½ to 6 percent for the fourth quarter of 1989. With respect to the rate of inflation, as indexed by the GNP deflator, the projections centered on rates of 3 to 3¾ percent for 1988 and 3 to 4½ percent for 1989. The somewhat higher midpoint of the central tendency for 1989 overstated the anticipated pickup in inflation for technical reasons, including a shift in the composition of output that had produced an unusually low increase in the deflator for the first quarter of 1988. In making these projections the members took account of the Committee's objectives for monetary growth established at this meeting and assumed that the fiscal policy understandings reached by the Congress and the administration in late 1987 would be fully implemented. The members also assumed that fluctuations in the exchange value of the dollar would not be of sufficient magnitude to affect economic growth and inflation materially in the period through the end of 1989.

In their review of developments bearing on the prospects for the economy, the members generally agreed that the outlook for consumer and business spending pointed to slower growth in domestic final demands over the next several quarters, but they continued to anticipate that further improvement in the nation's trade balance would provide a major impetus to sustained moderate expansion in overall economic activity. There was uncertainty about strength of demands in the economy from both domestic and foreign sources. Some recent data on consumption and investment seemed to suggest that demands were moderating a bit in the second quarter; moreover, the rise in interest rates would be damping domestic demands over coming quarters, and the higher dollar, if it persisted, could restrain the pace of external adjustment. In addition, money stock growth, taking 1987 and the first half of 1988 together, had been much less rapid than in previous years, and this suggested some restraint in the economy. On the other hand, the economy seemed to have a good deal of momentum and it was far from clear whether the slowing, if any, would be sufficient to relieve growing pressures on resources. Consumption seemed sluggish, but restrained consumer spending was needed to allow production resources to be shifted to sectors that competed in international markets. Reports from the Federal Reserve Districts suggested that the improved international competitiveness of domestic producers continued to boost manufacturing activity and that capital spending to expand and modernize industry would likely continue fairly robust, if below the extraordinary pace of the first quarter. Economic activity abroad had been somewhat stronger than expected, and if that pattern continued it would tend to boost demands on U.S. exporters.

An important uncertainty in the economic outlook, at least in the view of some members, was the prospective performance of inventories. A somewhat reduced rate of inventory accumulation was desirable to prevent an excess buildup in relation to sales, but a surge in inventory investment could not be ruled out. Such a development would contribute to demand pressures and would threaten the sustainability of the expansion. Members also noted that the drought was having an adverse impact on agriculture in several parts of the country, but its ultimate effects on the economy were difficult to predict. A timely improvement in moisture conditions might yet limit that impact for many producers. In areas unaffected by the drought, agricultural producers were benefiting from higher prices of agricultural commodities.

During the Committee's discussion, the members focused a great deal of attention on the outlook for prices and wages. Specific developments, such as rising import prices and the impact of the drought on agricultural prices, were contributing to inflationary pressures. However, of more fundamental concern to members was the possibility that aggregate demand pressures in the economy might prove excessive in relation to available labor and capital resources, especially given the high levels of resource utilization already prevailing. By some measures, prices had risen somewhat more rapidly in recent months, although any associated worsening of inflationary expectations, at least as reflected in certain key financial markets, appeared to have been muted, perhaps by favorable reactions to the System's tightening moves. With regard to wages, some members commented that recent wage data, on the whole, had an upward tilt. Reports from different parts of the country suggested that labor market conditions were relatively taut in many, but not all, areas, but there were few reports of substantial acceleration in rates of wage increases. Many business executives were expressing concern, however, about their continuing ability to restrain demands for higher wages. For the moment, priority in labor negotiations continued to be placed on job security issues, and many business executives, facing domestic and foreign competition, continued to emphasize measures to increase productivity and hold down unit labor costs.

Against the background of the Committee's views regarding the economic outlook and in keeping with the requirements of the Full Employment and Balanced Growth Act of 1978 (the Humphrey–Hawkins Act), the Committee at this meeting reviewed the ranges for growth in the monetary and debt aggregates that it had established in February for 1988 and decided on tentative ranges for growth in those measures in 1989. The 1988 ranges included growth of 4 to 8 percent for both M2 and M3 for the period from the fourth quarter of 1987 to the fourth quarter of 1988. A monitoring range of 7 to 11 percent had been set for growth in total domestic nonfinancial debt in 1988. For the year to date, cumulative expansion of M2 and M3 had been in the upper portion of the ranges established by the Committee, while expansion in nonfinancial debt had been around the middle of its range. With regard to M1, the Committee had decided in February not to set a numerical target for 1988 but to appraise the behavior of this monetary measure in terms of its velocity and against the background of developments in the economy and financial markets and the nature of emerging price pressures.

In the Committee's review of the ranges that had been set for 1988, all of the members found acceptable a proposal to retain the current ranges. The Committee took account of a staff analysis that indicated that a moderation in the growth of M2 over the second half of 1988, bringing M2 expansion to around the middle of the Committee's range for the year, was consistent with the slower growth of income that was both expected and desirable. The slower M2 growth also would reflect the impact of the rise in market interest rates in recent months in association with an expectation that depository institutions characteristically would not adjust offering rates fully on their interest-bearing deposits or would do so only after a considerable delay. Growth of M3 was projected to exceed that of M2 during the remainder of 1988, reflecting needs to finance fairly robust credit growth at depository institutions. Nonetheless, the growth of M3 was projected to remain well within the Committee's range for the year. Growth in total domestic nonfinancial debt was expected to remain near the middle of its range and thus still appreciably above the projected expansion in nominal GNP, in part because of a widened corporate financing gap.

With regard to the ranges in 1989, the members generally agreed that achievement of sustained economic expansion and concurrent progress toward price stability would require that the ranges continue to be ratcheted down over time. However, views differed as to how much, if any, of this reduction should be scheduled at this time for 1989—especially in light of the uncertainty at mid-1988 as to what economic and financial conditions would prevail in 1989. With deposit rate deregulation, the aggregates had become more interest sensitive, and it had become increasingly difficult to anticipate very far in advance what rates of monetary growth would be appropriate. Many members favored a reduction of a full percentage point in the M2 range. They viewed such a reduction as necessary to constrain income growth in a period when underlying inflation pressures could remain strong and velocity could be increasing. Most other members favored a smaller reduction, or no reduction, in the money growth ranges. Some anticipated that the expansion in business activity as 1989 began might well be slower than most members currently anticipated. Interest rates might also be lower, thereby tending to damp velocity. Because of uncertainty about the outlook, there was a risk that a part, or all, of any current reductions might have to be reversed when the ranges were reexamined in February, with adverse effects in terms of the public's perception of the System's anti-inflation resolve. In the view of these members, the ranges could be adjusted downward in February, when the outlook for 1989 would be in clearer focus. On the other hand, one member felt that a reduction of more than 1 percentage point in the M2 range probably would be needed if progress was to be made in lowering the rate of inflation in 1989. Despite their differing preferences and in recognition of the possibility of revisions next February in these tentative ranges, all but one member indicated they could accept a reduction of a full percentage point in the M2 range. This would communicate the System's intention to restrain any tendency for inflation to accelerate next year and, indeed, to move over time toward price stability. In light of the uncertainties, the Committee decided to retain the 4-point width for all the aggregates in 1989. Consideration would be given to narrowing the ranges to 3 percentage points when they were reviewed in February.

The tentative range for M3 was reduced by ½ percentage point and left somewhat higher than that for M2. Growth in M3 had shown a tendency to exceed M2 growth over time and that pattern was expected to continue. The range for M3 had been set above that for M2 in a number of earlier years. The monitoring range for expansion in total domestic nonfinancial debt also was lowered on a tentative basis by ½ percentage point from the range for 1988. In the economic environment projected for 1989, growth in nonfinancial debt was believed likely to slow a bit from the already reduced pace now expected for all of 1988. Even so, with business loan demands expected to remain relatively strong, growth in nonfinancial debt would probably continue to exceed that of nominal GNP by a considerable margin.

The Committee again decided not to set a specific range for M1 for 1988 or 1989. The velocity of M1 had exhibited sharp swings in recent years. The latter were in part the result of the increased sensitivity of M1 to fluctuations in market interest rates since the deregulation of deposit rate ceilings. The Committee concluded that the prospective relationships between M1 and aggregate measures of economic performance remained too uncertain to justify reliance on this monetary aggregate as a guide for monetary policy, at least insofar as could be judged at this point for next year. Similarly, after Committee consideration most members preferred not to make use of another narrow monetary measure, the monetary base, in guiding monetary policy. In recent years, the base had varied less in relation to economic activity and prices than had M1, but its velocity had nonetheless fluctuated substantially, and sometimes unpredictably, from year to year.

At the conclusion of this discussion, the Committee approved for inclusion in the domestic policy directive the following paragraphs relating to its objectives for the broader aggregates and nonfinancial debt in 1988 and the role of M1:

The Federal Open Market Committee seeks monetary and financial conditions that will foster 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 reaffirmed at this meeting the ranges it had established in February for growth of 4 to 8 percent for both M2 and M3, measured from the fourth quarter of 1987 to the fourth quarter of 1988. The monitoring range for growth in total domestic nonfinancial debt was also maintained at 7 to 11 percent for the year.

With respect to M1, the Committee reaffirmed its decision in February not to establish a specific target for 1988 and also decided not to set a tentative range for 1989. The behavior of this aggregate will continue to be evaluated in the light of movements in its velocity, developments in the economy and financial markets, and the nature of emerging price pressures.

Votes for this action: Messrs. Greenspan, Corrigan, Angell, Black, Forrestal, Heller, Hoskins, Johnson, Kelley, Parry, and Ms. Seger. Votes against this action: None.

The following paragraph relating to the ranges for 1989 was approved for inclusion in the domestic policy directive:

For 1989, the Committee agreed on tentative ranges for monetary growth, measured from the fourth quarter of 1988 to the fourth quarter of 1989, of 3 to 7 percent for M2 and 3½ to 7½ percent for M3. The Committee set the associated monitoring range for growth in total domestic nonfinancial debt at 6½ to 10½ percent. It was understood that all these ranges were provisional and that they would be reviewed in early 1989 in the light of intervening developments.

Votes for this action: Messrs. Greenspan, Corrigan, Angell, Black, Forrestal, Heller, Hoskins, Johnson, Kelley, and Parry. Vote against this action: Ms. Seger.

Ms. Seger dissented because she preferred to retain—at least for now—this year's ranges of 4 to 8 percent for growth in both M2 and M3 for 1989. The economic outlook for next year remained highly uncertain at this point, and she was concerned about reducing the ranges so far in advance and incurring the risk of having to reverse that decision next February. Such a reversal would create unnecessary uncertainty about the conduct of monetary policy. She recognized that further reductions in the M2 and M3 ranges might well be needed over time to bring inflation under control, and she would be prepared to lower those ranges early next year if economic conditions and prospects appeared to warrant such an action at that time.

In the course of the Committee's discussion of policy implementation for the period immediately ahead, considerable emphasis was given by some members to the desirability of avoiding any impression of a reversal in what was widely perceived as the thrust of policy in recent months toward a gradual increase in the degree of restraint. Several observed that the tightening actions of recent months had had a salutary effect on financial markets, and, as evidenced in part by the performance of the bond markets, on inflation expectations. The Committee did not contemplate any easing of policy in the current economic environment, and some members were concerned that maintaining the degree of reserve pressure sought recently might well be interpreted as a move to an easier policy once the effects of seasonal pressures on money market interest rates subsided. In present circumstances such a development could have an exaggerated effect on inflationary attitudes and thus on the effectiveness of monetary policy. A slight increase in reserve pressure would help to maintain the general thrust of policy and its perception by the markets; some further tightening could be assessed as new data, especially pertaining to inflation pressures, became available. Other members preferred a somewhat greater degree of firming immediately. They were concerned that there were substantial risks that the tightening actions to date might not be sufficient to limit the expansion to a noninflationary pace, and some felt that an increase in the discount rate might helpfully complement open market operations at this juncture.

Some members favored steady reserve conditions. They gave more emphasis to the anticipated lagged effects of earlier policy tightening actions, and most of these members also interpreted recent information as indicative of some slowing in the business expansion. They also were concerned that any firming, however slight, would add to existing upward pressures on the dollar. The rise in the dollar already suggested monetary restraint in the United States, and further upward movements might work against needed adjustment of external imbalances. Some firming might well be needed at some point and should be reflected in a directive that indicated a greater willingness to tighten than to ease in response to new data. However, economic and monetary indicators in this view did not point to the need for any tightening at this time.

According to a staff analysis prepared for this meeting, the implementation of unchanged or slightly firmer reserve conditions was likely to be associated with some slowing in the growth of M1 and M2 during the months ahead, largely reflecting the impact on deposit growth of more attractive yields on short-term market instruments stemming from the recent rise in market rates. Growth in M3 might be better maintained as banks and thrift institutions continued to finance still sizable expansion in credit demands through issuance of managed liabilities. In these circumstances, cumulative growth in both M2 and M3 through September would be expected to remain in the upper halves of the Committee's 1988 ranges, albeit with M2 declining toward the midpoint of its range.

With regard to possible changes in the degree of reserve pressure during the intermeeting period, all of the members agreed that operations should be adjusted more readily toward further tightening than toward some easing. However, those who preferred no change in the degree of reserve restraint, at least for now, also thought that the directive should incorporate such a presumption only if there were no immediate tightening. The relatively long span between meetings and the importance of the forthcoming data to an assessment of the evolving economic and price outlook, might well require consideration of intermeeting adjustments in the stance of open market operations in coming weeks. In addition, developments in financial markets, especially the foreign exchange market, could have an important effect on the timing of policy actions in the near term, and such developments would need to be reviewed carefully. The members generally endorsed a suggestion to give particular weight to incoming information bearing on the outlook for inflation during the intermeeting period, though the usual attention should also continue to be given to the strength of the economic expansion, conditions in domestic and foreign exchange markets, and the growth of the monetary aggregates.

At the conclusion of the Committee's discussion, a majority of the members indicated that they preferred or could accept a directive that called for a slight increase in the degree of pressure on reserve positions. The members indicated that somewhat greater reserve restraint would be acceptable, or slightly lesser reserve restraint might be acceptable, depending on indications of inflationary pressures, the strength of the business expansion, developments in foreign exchange and domestic financial markets, and the behavior of the monetary aggregates. The reserve conditions contemplated by the Committee were expected to be consistent with growth in M2 and M3 at annual rates of about 5½ and 7 percent respectively over the three-month period from June through September. In keeping with its decision on the longer-run ranges, the Committee decided not to indicate any expectations regarding the growth of M1 over the months immediately ahead. The members agreed that the intermeeting range for the federal funds rate, which provides one mechanism for initiating consultation of the Committee when its boundaries are persistently exceeded, should be left unchanged at 5 to 9 percent.

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

The information reviewed at this meeting suggests that economic activity has continued to expand at a fairly vigorous pace. Growth in total nonfarm payroll employment moderated somewhat in April and May. The civilian unemployment rate rose to 5.6 percent in May, a level just below its average in the first quarter. Industrial production advanced considerably in April and May. Retail sales were little changed on balance over the two months after rising appreciably in the first quarter. Available data indicate that business capital spending has remained at the high level reached in the first quarter. Housing starts fell sharply in May, but other indicators suggested little change in the pace of recent housing activity. The nominal U.S. merchandise trade deficit declined substantially in April, as imports dropped sharply and exports were essentially unchanged. Most measures indicate that prices and wages have risen somewhat more rapidly in recent months. Prices of a broad range of commodities, particularly agricultural goods, have increased sharply in the past few weeks.

Short-term interest rates have risen since the Committee's meeting on May 17, while bond yields have moved lower. The trade-weighted foreign exchange value of the dollar in terms of the other G-10 currencies appreciated considerably over the intermeeting period.

Expansion of M2 and M3 slowed considerably in May and M1 was about unchanged, but data available for June suggested some pickup in monetary growth. From a fourth-quarter base, M2 and M3 have grown at rates in the upper portion of the ranges established by the Committee for 1988. Expansion in total domestic nonfinancial debt for the year thus far appears to be at a pace somewhat below that in 1987.

The Federal Open Market Committee seeks monetary and financial conditions that will foster 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 reaffirmed at this meeting the ranges it had established in February for growth of 4 to 8 percent for both M2 and M3, measured from the fourth quarter of 1987 to the fourth quarter of 1988. The monitoring range for growth in total domestic nonfinancial debt was also maintained at 7 to 11 percent for the year.

For 1989, the Committee agreed on tentative ranges for monetary growth, measured from the fourth quarter of 1988 to the fourth quarter of 1989, of 3 to 7 percent for M2 and 3½ to 7½ percent for M3. The Committee set the associated monitoring range for growth in total domestic nonfinancial debt at 6½ to 10½ percent. It was understood that all these ranges were provisional and that they would be reviewed in early 1989 in the light of intervening developments.

With respect to M1, the Committee reaffirmed its decision in February not to establish a specific target for 1988 and also decided not to set a tentative range for 1989. The behavior of this aggregate will continue to be evaluated in the light of movements in its velocity, developments in the economy and financial markets, and the nature of emerging price pressures.

In the implementation of policy for the immediate future, the Committee seeks to increase slightly the existing degree of pressure on reserve positions. Taking account of indications of inflationary pressures, the strength of the business expansion, developments in foreign exchange and domestic financial markets, and the behavior of the monetary aggregates, somewhat greater reserve restraint would, or slightly lesser reserve restraint might, be acceptable in the intermeeting period. The contemplated reserve conditions are expected to be consistent with growth in M2 and M3 over the period from June through September at annual rates of about 5½ and 7 percent, respectively. 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 5 to 9 percent.

Votes for the paragraph on short-term policy implementation: Messrs. Greenspan, Corrigan, Black, Forrestal, Heller, Hoskins, Johnson, and Parry. Votes against: Messrs. Angell, Kelley, and Ms. Seger.

Messrs. Angell and Kelley and Ms. Seger dissented because they preferred to direct policy toward maintaining unchanged conditions of reserve availability. They did not rule out the possible need for some firming later during the intermeeting period, subject to a review of developments by the Committee.

Mr. Angell indicated that he supported a continued slowing in the growth of the monetary aggregates that was directed toward price level stability over time. In his view, while longer-run developments in prices remained somewhat uncertain, recent information from exchange rate and commodity markets, as well as the monetary aggregates, called for a pause in the process of continuous tightening in order to gain additional insight regarding the effects of previous actions. In addition, the dollar had been under substantial upward pressure, which had prompted central bank intervention. He felt that the exchange rate objectives implied in dollar sales would be frustrated by the double sterilization of reserves implied by monetary tightening. He wanted to call attention to the cross purposes of these actions.

Mr. Kelley noted that he had supported firming actions over the past several months, but he could not concur with a decision to increase reserve pressure further at this time. The economy, for the most part, was behaving satisfactorily, with evidence that the rate of growth in real activity might be decelerating. He recognized and shared the concern that inflation had the potential to accelerate. However, there was insufficient evidence at this time to justify further tightening that might foster undue slowing in economic growth. He would be prepared to support appropriate firming action later should adequate evidence of increased inflationary pressures emerge, taking into account overall economic activity.

Ms. Seger emphasized that some current business indicators already pointed to a slower economic expansion. Moreover, the full impact of the firming of policy in recent months had not yet materialized. In the circumstances and also taking into account the strength of the dollar and the absence of broad indications of significant acceleration in the rate of inflation, she believed that a further increase in the degree of reserve restraint represented an unwarranted risk at this time to satisfactory economic performance.

Legal Developments

AMENDMENT TO REGULATION A

The Board of Governors is amending 12 C.F.R. Part 201, its Regulation A (Extensions of Credit by Federal Reserve Banks), for the purpose of increasing discount rates. The decision reflects the intent of the Federal Reserve to reduce inflationary pressures. The action was also taken in light of the growing spread of market interest rates over the discount rate. The Board acted on requests submitted by the Boards of Directors of the twelve Federal Reserve Banks. The discount rate is the interest rate that is charged depository institutions when they borrow from their district Federal Reserve Banks.

Effective on the dates specified below, 12 C.F.R. Part 201 is amended as follows:

Part 201—Extensions of Credit by Federal Reserve Banks

1. The authority citation for 12 C.F.R. Part 201 continues to read as follows:

Authority: Secs. 10(a), 10(b), 13, 13a, 14(d) and 19 of the Federal Reserve Act (12 U.S.C. 347a, 347b, 343 *et seq.*, 347c, 348 *et seq.*, 357, 374, 374a and 461); and sec. 7(b) of the International Banking Act of 1978 (12 U.S.C. 347d).

2. Section 201.51 is revised to read as follows:

Section 201.51—Short-term adjustment credit for depository institutions.

The rates for short-term adjustment credit provided to depository institutions under section 201.3(a) of Regulation A are:

Federal Reserve Bank	Rate	Effective
Boston	6.5	August 9, 1988
New York	6.5	August 9, 1988
Philadelphia	6.5	August 9, 1988
Cleveland	6.5	August 9, 1988
Richmond	6.5	August 9, 1988
Atlanta	6.5	August 9, 1988
Chicago	6.5	August 10, 1988
St. Louis	6.5	August 9, 1988
Minneapolis	6.5	August 9, 1988
Kansas City	6.5	August 9, 1988
Dallas	6.5	August 11, 1988
San Francisco	6.5	August 9, 1988

3. Section 201.52 is revised to read as follows:

Section 201.52—Extended credit for depository institutions.

(a) Seasonal credit. The rates for seasonal credit extended to depository institutions under section 201.3(b)(1) of Regulation A are:

Federal Reserve Bank	Rate	Effective
Boston	6.5	August 9, 1988
New York	6.5	August 9, 1988
Philadelphia	6.5	August 9, 1988
Cleveland	6.5	August 9, 1988
Richmond	6.5	August 9, 1988
Atlanta	6.5	August 9, 1988
Chicago	6.5	August 10, 1988
St. Louis	6.5	August 9, 1988
Minneapolis	6.5	August 9, 1988
Kansas City	6.5	August 9, 1988
Dallas	6.5	August 11, 1988
San Francisco	6.5	August 9, 1988

(b) Other extended credit. The rates for other extended credit provided to depository institutions under sustained liquidity pressures or where there are exceptional circumstances or practices involving a particular institution under section 201.3(b)(2) of Regulation A are:

Federal Reserve Bank	Rate	Effective
Boston	6.5	August 9, 1988
New York	6.5	August 9, 1988
Philadelphia	6.5	August 9, 1988
Cleveland	6.5	August 9, 1988
Richmond	6.5	August 9, 1988
Atlanta	6.5	August 9, 1988
Chicago	6.5	August 10, 1988
St. Louis	6.5	August 9, 1988
Minneapolis	6.5	August 9, 1988
Kansas City	6.5	August 9, 1988
Dallas	6.5	August 11, 1988
San Francisco	6.5	August 9, 1988

These rates apply for the first 30 days of borrowing. For credit outstanding for more than 30 days, a flexible rate will be charged which takes into account rates on market sources of funds, but in no case will the rate charged be less than the basic discount rate plus one-half percentage point. Where credit provided to a particular depository institution is anticipated to be outstanding for an unusually prolonged period and in relatively large amounts, the 30-day time period may be lengthened or shortened.

FINAL RULE—REVISIONS TO REGULATION C

The Board of Governors has adopted a revised 12 C.F.R. Part 203, its Regulation C (Home Mortgage Disclosure). The revised regulation incorporates recent amendments to the Home Mortgage Disclosure Act that were contained in the Housing and Community Development Act of 1987. These statutory amendments permanently extend the act and expand its coverage to include mortgage banking subsidiaries of bank and savings and loan holding companies, and savings and loan service corporations that originate or purchase mortgage loans. Other revisions stem from a review made in accordance with the Board's Regulatory Improvement Program.

The HMDA-1 form, which is used by banks, thrifts, and other depository institutions for reporting loan data, remains essentially unchanged. The Board has adopted a separate form HMDA-2 for use by mortgage banking subsidiaries of holding companies and newly covered service corporations, because these institutions are required to exclude FHA loans from their reports.

Effective September 19, 1988, 12 C.F.R. Part 203 is revised to read as follows:

Part 203—Home Mortgage Disclosure

Authority: 12 U.S.C. 2801-2810.

Section 203.1—Authority, purpose, and scope.

(a) *Authority.* This regulation is issued by the Board of Governors of the Federal Reserve System ("Board") pursuant to the Home Mortgage Disclosure Act 12 U.S.C. 2801 *et seq.).* The information collection requirements have been approved by the U.S. Office of Management and Budget under 44 U.S.C. 3501 *et seq.* and have been assigned OMB No. 7100-0090.

(b) *Purpose.*

(1) This regulation carries out the purposes of the Home Mortgage Disclosure Act, which is intended to provide the public with loan data that can be used:

(i) to help determine whether financial institutions are serving the housing needs of their communities; and

(ii) to assist public officials in distributing public sector investments so as to attract private investment to areas where it is needed.

(2) Neither the act nor this regulation is intended to encourage unsound lending practices or the allocation of credit.

(c) *Scope.* This regulation applies to financial institutions, as defined in section 203.2(e), and requires them to disclose loan data at their home and certain branch offices and to report the data to supervisory agencies.

(d) *Central data depositories.* Loan data are available to the public at central data depositories located in each metropolitan statistical area. The Federal Financial Institutions Examination Council aggregates loan data for all institutions in each metropolitan statistical area, showing lending patterns by location, age of housing stock, income level, and racial characteristics. A listing of central data depositories can be obtained from the U.S. Department of Housing and Urban Development, Washington, D.C. 20410, or from any of the agencies listed in Appendix B.

Section 203.2—Definitions.

In this regulation:

(a) *Act* means the Home Mortgage Disclosure Act (12 U.S.C. 2801 *et seq.).*

(b) *Branch office* means:

(1) (i) any office of a financial institution that is approved as a branch by a federal or state supervisory agency; or

(ii) for a financial institution that is not required to obtain approval for a branch office, any office of the institution that takes applications from the public for home purchase or home improvement loans.

(2) The term excludes free-standing automated teller machines and other electronic terminals.

(c) *Federal Housing Administration (FHA), Farmers Home Administration (FmHA), or Veterans Adminis-*

tration (VA) loans mean mortgage loans insured under Title II of the National Housing Act or Title V of the Housing Act of 1949 or guaranteed under Chapter 37 of Title 38 of the United States Code.

(d) *Federally related mortgage loan* means any loan (other than temporary financing such as a construction loan) secured by a first lien on a 1-to-4 family dwelling (including a condominium, a cooperative, or a mobile or manufactured home):

(1) that is originated by a federally insured or regulated institution;

(2) that is insured, guaranteed, or supplemented by any federal agency; or

(3) that the originator intends to sell to the Federal National Mortgage Association, the Government National Mortgage Association, or the Federal Home Loan Mortgage Corporation.

(e) *Financial institution* means:

(1) (i) a commercial bank, savings bank, savings and loan association, building and loan association, homestead association (including a cooperative bank) or credit union that originates federally related mortgage loans;

(ii) a mortgage banking subsidiary of a savings and loan holding company, or a mortgage banking subsidiary of a bank holding company; however, a subsidiary is not a "mortgage banking subsidiary" under this section unless, in the preceding calendar year, ten percent or more of its loan volume, measured in dollars, consisted of home purchase loans; or

(iii) a savings and loan service corporation that originates or purchases mortgage loans, other than a savings and loan service corporation identified in paragraph (e)(2) of this section.

(2) A majority-owned subsidiary of a financial institution, including a majority-owned savings and loan service corporation, is deemed to be part of the parent institution for purposes of this regulation.

(f) *Home improvement loan* means any loan that:

(1) is stated by the borrower (at the time of the loan application) to be for the purpose of repairing, rehabilitating, or remodeling a residential dwelling (including a condominium, cooperative, or mobile or manufactured home) located in a state; and

(2) is classified by the financial institution as a home improvement loan.

(g) *Home purchase loan* means any loan secured by and made for the purpose of purchasing, or refinancing the purchase of, a residential dwelling (including a condominium, cooperative, or mobile or manufactured home) located in a state.

(h) *Metropolitan statistical area* or *MSA* means a metropolitan statistical area or a primary metropolitan statistical area, as defined by the U.S. Office of Management and Budget.

(i) *State* means any state of the United States of America, the District of Columbia, and the Commonwealth of Puerto Rico.

Section 203.3—Exempt institutions.

(a) *Exemption based on asset size or location.* A financial institution is exempt from the requirements of this regulation for a given calendar year if on the preceding December 31:

(1) its total assets were $10,000,000 or less; or

(2) it had neither a home office nor a branch office in an MSA.

(b) *Exemption based on state law.*

(1) A state-chartered financial institution is exempt from the requirements of this regulation if the Board determines that the institution is subject to a state disclosure law that contains requirements substantially similar to those imposed by this regulation and contains adequate provisions for enforcement.

(2) Any state, state-chartered financial institution, or association of such institutions may apply to the Board for an exemption under this paragraph.

(3) An institution that is exempt under this paragraph shall submit the data required by the state disclosure law to its state supervisory agency, for purposes of aggregation.

(c) *Loss of exemption.*

(1) An institution losing an exemption that was based on asset size or location under paragraph (a) of this section shall compile loan data in compliance with this regulation beginning with the calendar year following the year in which it lost its exemption.

(2) An institution losing an exemption that was based on state law under paragraph (b) of this section shall compile loan data in compliance with this regulation beginning with the calendar year following the year for which it last reported loan data under the state disclosure law.

Section 203.4—Compilation of loan data.

(a) *Data to be included.* A financial institution shall compile data on the number and total dollar amount of home purchase and home improvement loans originated or purchased (by the institution and any majority-owned subsidiary) at any time during the calendar year, whether or not the loans are later sold. The institution shall compile the loan data in the format prescribed in Appendix A of this regulation.

(b) *Itemization of data.* A financial institution shall present the loan data separately for originations and purchases, itemizing the data by census tract or county and by type of loan, as prescribed below. It shall use the MSA boundaries (defined by the U.S. Office of Management and Budget) that were in effect on January 1 of the calendar year for which the data are compiled, and shall use the census tract maps from the most recent census tract series prepared by the U.S. Bureau of the Census.

(1) Geographic itemization.

(i) Itemization by census tract or county. For each MSA in which the institution has a home or branch office, the institution shall itemize the loan data:

(A) by the census tract in which the property purchased or improved is located, or

(B) by the county in which the property purchased or improved is located, if the property is located in an area not assigned census tracts or in a county with a population of 30,000 or less.

(ii) Property located elsewhere. The institution shall list the loan data as an aggregate sum for loans on property located outside an MSA, or located in an MSA where the institution has neither a home nor a branch office.

(2) Type-of-loan itemization. The financial institution shall further itemize the loan data within each geographic unit by loan category as follows:

(i) FHA, FmHA, and VA home purchase loans on 1-to-4 family dwellings (except as provided in paragraph (c)(2) of this section);

(ii) conventional home purchase loans on 1-to-4 family dwellings;

(iii) home improvement loans on 1-to-4 family dwellings;

(iv) loans on dwellings for 5 or more families (including both home purchase and home improvement loans); and

(v) loans reported in the 1-to-4 family categories that are made to nonoccupant borrowers, except for loans on property located outside an MSA, or located in an MSA where the institution has neither a home nor a branch office.

(c) *Data to be excluded.*

(1) A financial institution shall not report:

(i) loans originated or purchased by the financial institution acting in a fiduciary capacity (such as trustee);

(ii) loans on unimproved land;

(iii) refinancings, between the original parties, involving no increase in the outstanding principal aside from closing costs and accrued finance charges;

(iv) temporary financing (such as bridge or construction loans);

(v) the purchase of an interest in a pool of mortgage loans (such as mortgage participation certificates); or

(vi) the purchase solely of the right to service loans.

(2) Mortgage banking subsidiaries of holding companies and savings and loan service corporations (as defined in section 203.2(e)(1)) shall not report FHA loans insured under Title I or II of the National Housing Act.

Section 203.5—Disclosure and reporting.

(a) *Time requirements.* By March 31 following the calendar year for which the loan data are compiled, a financial institution shall:

(1) make a complete loan data disclosure statement available to the public, and continue to make it available for five years from that date; and

(2) send two copies of its complete loan disclosure statement to the agency office specified in Appendix B of this regulation.

(b) *Availability to the public.*

(1) A financial institution shall make a complete loan disclosure statement available at its home office.

(2) If it has branch offices in other MSAs, the financial institution shall also make a statement available in at least one branch office in each of those MSAs; the statement at a branch office need only contain data relating to property in the MSA where that branch office is located.

(3) A financial institution shall make its disclosure statement available for inspection and copying during the hours the office is normally open to the public for business. A financial institution that provides photocopying facilities may impose a reasonable charge for this service.

(c) *Notice of availability.* A financial institution shall post a general notice about the availability of its disclosure statement in the lobbies of its home office and any branch offices located in an MSA. Upon request, it shall promptly provide the location of the institution's offices where the disclosure statement is available. At its option, an institution may include the location in its notice.

Section 203.6—Enforcement.

(a) *Administrative enforcement.* A violation of the act or this regulation is subject to administrative sanctions as provided in section 305 of the act. Compliance is enforced by the agencies listed in Appendix B of this regulation.

(b) *Bona fide errors.* An error in compiling or disclosing loan data is not a violation of the act or this regulation if it was unintentional and occurred despite the maintenance of procedures reasonably adapted to avoid such errors.

APPENDIX A—FORMS AND INSTRUCTIONS

"Mortgage Loan Disclosure Statement"

Form HMDA-1

Public reporting burden for this collection of information is estimated to vary from 2 to 50 hours per response, with an average of 30 hours per response, including time to gather and maintain the data needed and to review instructions and complete the information collection. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing the burden, to Secretary, Board of Governors of the Federal Reserve System, Washington, D.C. 20551; and to the Office of Information and Regulatory Affairs, Office of Management and Budget, Washington, D.C. 20503.

Instructions to Commercial Banks, Savings Banks, Savings and Loan Associations, Credit Unions and Other Depository Institutions

A. Who Must Use This Form

1. A commercial bank, savings bank, savings and loan association, building and loan association, homestead association (including a cooperative bank) or credit union must complete this HMDA-1 form to disclose loan data for a given calendar year if on the preceding December 31 the institution:
   a. had assets of more than $10 million, and
   b. had a home or a branch office in a metropolitan statistical area (MSA) or a primary metropolitan statistical area (PMSA).

Example: If on December 31, 1987, your home office was located in an MSA and your assets exceeded $10 million, you must compile data and complete a disclosure statement for all home purchase and home improvement loans that you originate or purchase during calendar year 1988.

2. However, your institution need not complete a disclosure statement—even though it meets the tests for asset size and location—if it makes no first-lien mortgage loans on 1-to-4 family dwellings in the calendar year for which the data are compiled.
3. Any majority-owned subsidiary is deemed to be part of the parent institution. Consequently, you should consolidate into your disclosure statement loan data relating to originations and purchases by all of your institution's majority-owned subsidiaries (including a majority-owned service corporation, in the case of a savings and loan association). To comply with the requirements described under section G (Geographic Itemization) below, itemize loan data for MSAs or PMSAs where *the parent institution* has a home or branch offices.

Example: If you have a home and branch offices in New York City, and your subsidiary's loan offices are in Philadelphia, itemize data by census tract (or county) only for the New York PMSA. Report loan data on loans relating to property located anywhere outside the New York PMSA (including loans in Philadelphia) as an aggregate sum in Section 2 (Loans on property not located in MSAs/PMSAs where institution has home or branch offices).

B. Who Must Use Other Forms

1. Mortgage banking subsidiaries of bank holding companies, mortgage banking subsidiaries of savings and loan holding companies, and savings and loan service corporations that originate or purchase mortgage loans (other than service corporations that are majority-owned by a single savings and loan association) must use the HMDA-2 form instead of the HMDA-1.
2. Institutions that have been exempted by the Federal Reserve Board from complying with federal law because they are covered by a similar state law on mortgage loan disclosures must use the disclosure form required by their state law.

C. Format

1. You must use the format of the HMDA-1 form, but you are not required to use the form itself. For example, you may produce a computer printout of your disclosure statement instead. But you must give all the identifying information asked for at the top of the form, use the prescribed column headings, provide the signature of a certifying officer, etc.
2. If your report on loan originations or purchases consists of more than one page, number the pages and include the name of your institution and the MSA number at the top of each page. Enter the totals for the MSA on the final page; do not give subtotals on earlier pages. Report the Section 2 data (Loans on property not located in MSAs/PMSAs) on the final page. If your report contains itemized data for more than one MSA, report the Section 2 data only once for Part A and once for Part B — do not repeat the data on the report for each MSA.

OMB No. 7100-0090 Approval expires June 1990.
This report is required by law (12 USC 2801-2810 and 12 CFR 203).

Control number (agency use only)

|_|_|_|_|_|_|_|_|-|_|_|_|_|-|_|

MORTGAGE LOAN DISCLOSURE STATEMENT, FORM HMDA-1

FOR USE BY DEPOSITORY INSTITUTIONS

Part A—Originations Report for loans made in 19___

Reporting institution

____
Name

____
Address

Enforcement agency for reporting institution

____
Name

____
Address

MSA/PMSA number for data reported in Section 1 ____________

____
Name of MSA/PMSA

Section 1—Loans on property located in MSA/PMSA where institution has a home or branch office

CENSUS TRACT (in numerical sequence) or COUNTY (name or number)	Loans on 1-to-4 Family Dwellings						Loans on Multifamily Dwellings for 5 or More Families (home purchases and home improvement)		Nonoccupant Loans on 1-to-4 Family Dwellings from columns A, B and C	
	Home Purchase Loans				Home Improvement Loans					
	FHA, FmHA, and VA A		Conventional B		C		D		E	
	No. of Loans	Total Dollar Amount (thousands)	No. of Loans	Total Dollar Amount (thousands)	No. of Loans	Total Dollar Amount (thousands)	No. of Loans	Total Dollar Amount (thousands)	No. of Loans	Total Dollar Amount (thousands)
MSA/PMSA TOTAL										

Section 2—Loans on property not located in MSAs/PMSAs where institution has home or branch offices

I hereby certify to the accuracy of this report.
The report includes ☐ does not include ☐ loan data for majority-owned subsidiaries.

____
Signature of Certifying Officer

____
Print Name of Person Completing Form

____
Telephone Number (include Area Code and Extension)

MORTGAGE LOAN DISCLOSURE STATEMENT, FORM HMDA-1

FOR USE BY DEPOSITORY INSTITUTIONS

Control number (agency use only)

________ - ____ - __

Part B—Purchases   Report for loans made in 19___

Reporting institution

____
Name

____
Address

Enforcement agency for reporting institution

____
Name

____
Address

MSA/PMSA number for data reported in Section 1 __________

____
Name of MSA/PMSA

Section 1—Loans on property located in MSA/PMSA where institution has a home or branch office

CENSUS TRACT (in numerical sequence) or COUNTY (name or number)	Loans on 1-to-4 Family Dwellings						Loans on Multifamily Dwellings for 5 or More Families (home purchases and home improvement)		Nonoccupant Loans on 1-to-4 Family Dwellings from columns A, B and C	
	Home Purchase Loans				Home Improvement Loans					
	FHA, FmHA, and VA A		Conventional B		C		D		E	
	No. of Loans	Total Dollar Amount (thousands)	No. of Loans	Total Dollar Amount (thousands)	No. of Loans	Total Dollar Amount (thousands)	No. of Loans	Total Dollar Amount (thousands)	No. of Loans	Total Dollar Amount (thousands)
MSA/PMSA TOTAL										

Section 2—Loans on property not located in MSAs/PMSAs where institution has home or branch offices

//////									//////	//////

I hereby certify to the accuracy of this report.
The report includes ☐ does not include ☐ loan data for majority-owned subsidiaries.

____
Signature of Certifying Officer

____
Print Name of Person Completing Form

____
Telephone Number (include Area Code and Extension)

D. When and Where Statement is Due

1. You must send two copies of your disclosure statement to the office specified by your federal supervisory agency no later than March 31 following the calendar year for which the loan data are compiled.
2. The completed disclosure statement must be signed by an officer of your institution (for both Part A and Part B, on the final page of each) certifying to the accuracy of the data and indicating whether the statement includes data of a majority-owned subsidiary. (See paragraph 3 of section A above.)
3. You also must make your disclosure statement available no later than March 31 for inspection by the public at your home office and, if you have branch offices in other MSAs, at one branch office in each of these MSAs.

E. Data to Be Shown

1. *Originations and purchases.* Show the data on home purchase and home improvement loans that you originated or purchased during the calendar year covered by the disclosure statement. Report the data on loan originations on Part A of the form and the data on loan purchases on Part B of the form even if the loans were subsequently sold. If you have no loans to report in one of the two parts, enter "none" in the column provided for census tract numbers and enter zeros in Columns A through E; this helps to show that no part of an institution's report has been lost.
2. *Number and total dollar amount.* Show the number of loans and the total dollar amount of loans for each category on the statement. For home purchase loans that you originate, "total dollar amount" means the original principal amount of the loan. For home purchase loans that you purchase, "total dollar amount" means the unpaid principal balance of the loan at time of purchase. For home improvement loans (both originations and purchases), you may include unpaid finance charges in the "total dollar amount" if that is how you record such loans on your books.
3. *Rounding.* Round all dollar amounts to the nearest thousand ($500 should be rounded up), and show in terms of thousands.

F. Data to Be Excluded

Do not report the following types of loans:
1. loans that, although secured by real estate, are made for purposes other than for home purchase or home improvement (for example, do not report a loan secured by residential real property for purposes of financing education, a vacation, or business operations);
2. loans made or purchased in a fiduciary capacity (for example, by your trust department);
3. loans on unimproved land;
4. refinancing of a loan that you originated, if the refinancing involves no increase in the outstanding principal, aside from closing costs and unpaid finance charges;
5. construction loans and other temporary financing;
6. purchase of an interest in a pool of mortgage loans such as mortgage participation certificates; or
7. purchases solely of the right to service loans.

G. Geographic Itemization (breakdown of loan data for each MSA or PMSA by census tract or county and of loan data in the outside-MSA/PMSA category).

1. *MSA/PMSA.* You must compile loan data geographically for each MSA or PMSA in which you have a home or branch office. (See item 6 below for treatment of loans on property outside MSAs/PMSAs). Start a new page for each MSA or PMSA, if you itemize data for more than one MSA/PMSA. You must use the MSA/PMSA boundaries (defined by the U.S. Office of Management and Budget) that were in effect on January 1 of the calendar year for which the loan data are compiled.
2. *Census tract or county.* For loans on property that is located within one of these MSAs or PMSAs, itemize the data by the census tract in which the property is located, except that you must itemize the data by county *instead* of census tract when the property:
   a. is located in an area that is not divided into census tracts on the U. S. Census Bureau's census tract outline maps (see item 3 below); or
   b. is located in a county with a population of 30,000 or less.

To determine population, use the Census Bureau's PC80-1-A population series even if the population has increased above 30,000 since 1980.
3. *Census tract maps.* To determine census tract numbers, consult the U.S. Census Bureau's census tract outline maps. You may use the maps of the appropriate MSAs/PMSAs in the Census Bureau's PHC80-2 series for the 1980 census, or use equivalent census data from the Census Bureau (such as GBF/DIME files) or from a private publisher. Use the maps in the 1980 series even if more current maps are available.
4. *Compilation.* Enter the data for all loans made in a given census tract on the same line, listing the number and total dollar amount in the appropriate columns (as described below in section H) and listing the census

tracts in numerical sequence. Do the same for loans made in a given county.
5. *Duplicate census tract numbers.* If you have a home or branch office in the New York, NY PMSA, note that there are duplicate census tract numbers in New York City. When reporting, you must indicate the county (by name or number) in addition to the tract number for these census tracts.
6. *Outside-MSA/PMSA.* If the loans are for property that is located outside those MSAs or PMSAs in which you have a home or branch office (or outside any MSA or PMSA), report the loan data as an aggregate sum in Section 2 of the form. You do not have to itemize these loans by census tract or county. (But you will have to itemize the data by type of loan, as described in section H below.)

H. Type-of-Loan Itemization (Breakdown of each geographic grouping into loan categories—Columns A-E).

Column A: FHA, FmHA, and VA loans on 1-to-4 family dwellings.

1. Report in Column A loans made for the purpose of purchasing a residential dwelling for 1 to 4 families if the loan is secured by a lien and if it is insured or guaranteed by FHA, FmHA, or VA.
2. At your option, you may include loans that are made for home improvement purposes but are secured by a first lien, if you normally classify first-lien loans as purchase loans.
3. Include refinancings if there is an increase in the outstanding principal aside from any increase related to closing costs or unpaid finance charges, or if you refinance a loan originally made by another lender.
4. Include any nonoccupant FHA, FmHA, or VA loans in this column as well as in Column E.
5. Do not report any FHA Title I (home improvement) loans in Column A; these loans are to be entered in Column C.

Column B: Conventional home purchase loans on 1-to-4 family dwellings.

1. Report in Column B conventional loans (all loans other than FHA, FmHA, and VA loans) made for the purpose of purchasing a residential dwelling for 1 to 4 families if the loans are secured by a lien.
2. Include refinancings if there is an increase in the outstanding principal aside from any increase related to closing costs or unpaid finance charges, or if you refinance a loan originally made by another lender.
3. Include any nonoccupant conventional loans in this column as well as in Column E.
4. At your option, you may include loans that are made for home improvement purposes but that are secured by a first lien, if you normally classify first-lien loans as purchase loans.

Column C: Home improvement loans on 1-to-4 family dwellings.

1. Report in Column C only loans that:
   a. the borrowers have said are to be used for repairing, rehabilitating, or remodeling residential dwellings, and
   b. are recorded on your books as home improvement loans.
2. For home equity lines of credit, you may include in Column C that portion of the line of credit that the borrower indicates will be used for home improvement, at the time the account is opened. Report only in the year the line is established.
3. Include both secured and unsecured loans.
4. You may include unpaid finance charges in the "total dollar amount" if that is how you record such loans on your books.
5. Include any nonoccupant home improvement loans in this column as well as in Column E.

Column D: Loans on multifamily dwellings (5 or more families).

1. Report in Column D loans on dwellings for 5 or more families, including both loans for home purchase and loans for home improvement.
2. Do not report loans on individual condominium or cooperative units in Column D; report such loans in Columns A, B, or C.

Column E: Nonoccupant loans on 1-to-4 family dwellings.

1. Report in Column E any home purchase and home improvement loans on 1-to-4 family dwellings (listed in Columns A, B, and C) that were made to borrowers who indicated at the time of the loan application that they did not intend to use the property as a principal dwelling.
2. In completing Column E of Part B, you may assume that a purchased loan does not fall within this "nonoccupant" category unless your documents contain information to the contrary.
3. Do not complete Column E for loans that you report under Section 2 (Loans on property not located in MSAs/PMSAs), in either Part A (Originations) or Part B (Purchases). (See pages 668 and 669 for form HMDA-1.)

OMB No. 7100-0090 Approval expires June 1990.
This report is required by law (12 USC 2801-2810 and 12 CFR 203).

MORTGAGE LOAN DISCLOSURE STATEMENT, FORM HMDA-2

FOR USE BY: • *MORTGAGE BANKING SUBSIDIARIES OF HOLDING COMPANIES*
• CERTAIN SAVINGS AND LOAN SERVICE CORPORATIONS

Control number (agency use only)

_ _ _ _ _ _ _ _ - _ _ _ _ - _

Part A—Originations Report for loans made in 19___

Reporting institution

____
Name

____
Address

____
Name of Parent Company

Enforcement agency for reporting institution

____
Name

____
Address

MSA/PMSA number for data reported in Section 1__________

____
Name of MSA/PMSA

Section 1—Loans on property located in MSA/PMSA where institution has a home or branch office

CENSUS TRACT (in numerical sequence) or COUNTY (name or number)	Loans on 1-to-4 Family Dwellings						Loans on Multifamily Dwellings for 5 or More Families (home purchases and home improvement) D		Nonoccupant Loans on 1-to-4 Family Dwellings from columns A, B and C E	
	Home Purchase Loans				Home Improvement Loans C					
	FmHA and VA A		Conventional B							
	No. of Loans	Total Dollar Amount (thousands)	No. of Loans	Total Dollar Amount (thousands)	No. of Loans	Total Dollar Amount (thousands)	No. of Loans	Total Dollar Amount (thousands)	No. of Loans	Total Dollar Amount (thousands)
MSA/PMSA TOTAL										

Section 2—Loans on property not located in MSAs/PMSAs where institution has home or branch offices

//////////									//////////	//////////

I hereby certify to the accuracy of this report.

____
Signature of Certifying Officer

____
Print Name of Person Completing Form

____
Telephone Number (include Area Code and Extension)

MORTGAGE LOAN DISCLOSURE STATEMENT, FORM HMDA-2

FOR USE BY: • MORTGAGE BANKING SUBSIDIARIES OF HOLDING COMPANIES
• CERTAIN SAVINGS AND LOAN SERVICE CORPORATIONS

Control number (agency use only)

_ _ _ _ _ _ _ _ - _ _ _ _ - _

Part B—Purchases Report for loans made in 19___

Reporting institution

____
Name

____
Address

____
Name of Parent Company

Enforcement agency for reporting institution

____
Name

____
Address

MSA/PMSA number for data reported in Section 1 __________

____
Name of MSA/PMSA

Section 1—Loans on property located in MSA/PMSA where institution has a home or branch office

CENSUS TRACT (in numerical sequence) or COUNTY (name or number)	Loans on 1-to-4 Family Dwellings						Loans on Multifamily Dwellings for 5 or More Families (home purchases and home improvement)		Nonoccupant Loans on 1-to-4 Family Dwellings from columns A, B and C	
	Home Purchase Loans				Home Improvement Loans					
	FmHA and VA A		Conventional B		C		D		E	
	No. of Loans	*Total Dollar Amount (thousands)*	No. of Loans	Total Dollar Amount (thousands)	No. of Loans	Total Dollar Amount (thousands)	No. of Loans	Total Dollar Amount (thousands)	No. of Loans	Total Dollar Amount (thousands)
MSA/PMSA TOTAL										

Section 2—Loans on property not located in MSAs/PMSAs where institution has home or branch offices

I hereby certify to the accuracy of this report.

____
Signature of Certifying Officer

____
Name of Person Completing Form

____
Telephone Number (include Area Code and Extension)

"Mortgage Loan Disclosure Statement"

Form HMDA-2

Public reporting burden for this collection of information is estimated to vary from 30 to 100 hours per response, with an average of 60 hours per response, including time to gather and maintain the data needed and to review instructions and complete the information collection. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing the burden, to Secretary, Board of Governors of the Federal Reserve System, Washington, D.C. 20551; and to the Office of Information and Regulatory Affairs, Office of Management and Budget, Washington, D.C. 20503.

Instructions to Mortgage Banking Subsidiaries of Holding Companies and to Savings and Loan Service Corporations

A. Who Must Use This Form

1. A mortgage banking subsidiary of a bank holding company, a mortgage banking subsidiary of a savings and loan holding company, or a savings and loan service corporation that originates or purchases mortgage loans (other than a service corporation that is majority-owned by a single savings and loan association) must complete this HMDA-2 form to disclose loan data for the current calendar year if on the preceding December 31 the subsidiary or service corporation:
   a. had assets of more than $10 million, and
   b. had a home or branch office in a metropolitan statistical area (MSA) or a primary metropolitan statistical area (PMSA).

Example: If on December 31, 1987, your home office was in an MSA and your assets exceeded $10 million, you must compile data and complete a disclosure statement for all home purchase and home improvement loans that you originate or purchase during calendar year 1988.

2. For purposes of loan disclosure requirements (including geographic itemization under section G below), a branch office means any office of your institution (not of an affiliate) that takes applications from the public.

B. Who Must Use Other Forms

1. Commercial banks, savings banks, savings and loan associations, building and loan associations, homestead associations (including cooperative banks) and credit unions must use the HMDA-1 form, instead of the HMDA-2.
2. A service corporation that is majority-owned by a single savings and loan association is deemed to be part of the parent institution, and its loan data will be reported on a consolidated basis with the parent's data on the HMDA-1.
3. Institutions that have been exempted by the Federal Reserve Board from complying with the federal law because they are covered by a similar state law on mortgage loan disclosures must use the disclosure form required by their state law.

C. Format

1. You must use the format of the HMDA-2 form, but you are not required to use the form itself. For example, you may produce a computer printout of your disclosure statement instead. But you must give all the identifying information asked for at the top of the form, use the prescribed column headings, provide the signature of a certifying officer, etc.
2. If your report on loan originations or purchases consists of more than one page, number the pages and include the name of your institution and the MSA number at the top of each page. Enter the totals for the MSA on the final page; do not give subtotals on earlier pages. Report the Section 2 data (Loans on property not located in MSAs/PMSAs) on the final page. If your report contains itemized data for more than one MSA, report the Section 2 data only once for Part A and once for Part B — do not repeat the data on the report for each MSA.

D. When and Where Statement is Due

1. You must send two copies of your disclosure statement to the office specified by your federal supervisory agency no later than March 31 following the calendar year for which the loan data are compiled.
2. The completed disclosure statement must be signed by an officer of your institution (for both Part A and Part B on the final page of each), certifying to the accuracy of the data.
3. You also must make your disclosure statement available no later than March 31 for inspection by the public at your home office and, if you have branch offices in other MSAs, at one branch office in each of these MSAs.

E. Data to Be Shown

1. *Originations and purchases*. Show the data on home purchase and home improvement loans that you originated or purchased during the calendar year covered by the disclosure statement. Report the data on loan originations on Part A of the form and the data on purchases on Part B of the form even if the loans were subsequently sold. If you have no loans to report in one of the two parts, enter "none" in the column provided for census tract numbers and enter zeros in Columns A through E; this helps to show that no part of an institution's report has been lost.
2. *Number and total dollar amount*. Show both the number of loans and the total dollar amount of loans for each category on the statement. For home purchase loans that you originate, "total dollar amount" means the original principal amount of the loan. For home purchase loans that you purchase, "total dollar amount" means the unpaid principal balance of the loan at time of purchase. For home improvement loans (both originations and purchases), you may include unpaid finance charges in the "total dollar amount" if that is how you record such loans on your books.
3. *Rounding*. Round all dollar amounts to the nearest thousand ($500 should be rounded up), and show in terms of thousands.

F. Data to Be Excluded

Do not report the following types of loans:
1. loans that, although secured by real estate, are made for purposes other than for home purchase or home improvement (for example, do not report a loan secured by residential real property for purposes of financing education, a vacation, or business operations);
2. loans made or purchased in a fiduciary capacity;
3. loans on unimproved land;
4. refinancing of a loan that you originated, if the refinancing involves no increase in the outstanding principal, aside from closing costs and unpaid finance charges;
5. construction loans and other temporary financing;
6. purchase of an interest in a pool of mortgage loans such as mortgage participation certificates;
7. purchases solely of the right to service loans; or
8. FHA home purchase and home improvement loans (at your option, you may record FHA Loans on form HMDA-2A, "Mortgage Loan Statement for Optional Disclosure of FHA Loans").

G. Geographic Itemization (breakdown of loan data for each MSA or PMSA by census tract or county, and aggregation of loan data for the outside-MSA/PMSA category).

1. *MSA/PMSA*. You must compile loan data geographically for each MSA or PMSA in which you have a home or branch office. (See item 6 below for treatment of loans on property outside such MSAs/PMSAs). Start a new page for each MSA or PMSA if you itemize data for more than one MSA/PMSA. You must use the MSA/PMSA boundaries (defined by the U.S. Office of Management and Budget) that were in effect on January 1 of the calendar year for which the loan data are compiled.
2. *Census tract or county*. For loans on property that is located within one of these MSAs or PMSAs, itemize the data by the census tract in which the property is located, except that you must itemize the data by county *instead* of census tract when the property:
   a. is located in an area that is not divided into census tracts on the U.S. Census Bureau's census tract outline maps (see item 3 below); or
   b. is located in a county with a population of 30,000 or less. To determine population, use the Census Bureau's PC80–1-A population series even if the population has increased above 30,000 since 1980.
3. *Census tract maps*. To determine census tract numbers, consult the U.S. Census Bureau's census tract outline maps. You may use the maps of the appropriate MSAs/PMSAs in the Census Bureau's PHC80–2 series for the 1980 census, or use equivalent census data from the Census Bureau (such as GBF/DIME files) or from a private publisher. Use the maps in the 1980 series even if more current maps are available.
4. *Compilation*. Enter the data for all loans made in a given census tract on the same line, listing the number and total dollar amount in the appropriate columns (as described below in section H) and listing the census tracts in numerical sequence. Do the same for loans made in a given county.
5. *Duplicate census tract numbers*. If you have a home or branch office in the New York, NY PMSA, note that there are duplicate census tract numbers in New York City. When reporting, you must indicate the county (by name or number) in addition to the tract number for these census tracts.
6. *Outside-MSA/PMSA*. If the loans are for property that is located outside those MSAs or PMSAs in which you have a home or branch office (or outside any MSA or PMSA), report the loan data as an aggregate sum in Section 2 of the form. You do not have to itemize the loans by census tract or county. (But you will have to

itemize the data by type of loan, as described in section H below.)

H. Type-of-Loan Itemization (breakdown of each geographic grouping into loan categories—Columns A-E).

Column A: FmHA and VA loans on 1-to-4 family dwellings.

1. Report in Column A loans made for the purpose of purchasing a residential dwelling for 1 to 4 families if the loan is secured by a lien and if it is insured or guaranteed by FmHA or VA.
2. At your option, you may include loans that are made for home improvement purposes but are secured by a first lien, if you normally classify first-lien loans as purchase loans.
3. Include refinancings if there is an increase in the outstanding principal aside from any increase related to closing costs or unpaid finance charges, or if you refinance a loan originally made by another lender.
4. Include any nonoccupant loans in this column as well as in Column E.
5. Do not include FHA loans in Column A. At your option, you may record FHA loans on form HMDA-2A, "Mortgage Loan Statement for Optional Disclosure of FHA Loans."

Column B: Conventional home purchase loans on 1-to-4 family dwellings.

1. Report in Column B conventional loans (all loans other than FmHA and VA loans) made for the purpose of purchasing a residential dwelling for 1 to 4 families if the loan is secured by a lien.
2. Include refinancings if there is an increase in the outstanding principal aside from any increase related to closing costs or unpaid finance charges, or if you refinance a loan originally made by another lender.
3. Include any nonoccupant conventional loans in this column as well as in Column E.
4. At your option, you may include loans that are made for home improvement purposes but that are secured by a first lien, if you normally classify first-lien loans as purchase loans.

Column C: Home improvement loans on 1-to-4 family dwellings.

1. Report in Column C only loans that:
   a. the borrowers have said are to be used for repairing, rehabilitating, or remodeling residential dwellings, and
   b. are recorded on your books as home improvement loans.
2. For home equity lines of credit, you may include in Column C that portion of the line of credit that the borrower indicates will be used for home improvement, at the time the account is opened. Report only for the year in which the line is established.
3. Include both secured and unsecured loans.
4. You may include unpaid finance charges in the "total dollar amount" if that is how you record such loans on your books.
5. Include any nonoccupant home improvement loans in this column as well as in Column E.
6. Do not report FHA loans in Column C. At your option, you may report FHA loans on form HMDA-2A, "Mortgage Loan Statement for Optional Disclosure of FHA Loans."

Column D: Loans on multifamily dwellings (5 or more families).

1. Report in Column D all loans on dwellings for 5 or more families, including both loans for home purchase and loans for home improvement.
2. Do not report loans on individual condominium or cooperative units; report such loans in Columns A, B, or C.
3. Do not report FHA loans in Column D. At your option, you may report FHA loans on form HMDA-2A, "Mortgage Loan Statement for Optional Disclosure of FHA Loans."

Column E: Nonoccupant loans on 1-to-4 family dwellings.

1. Report in Column E any home purchase and home improvement loans on 1-to-4 family dwellings (listed in Columns A, B, and C) that were made to borrowers who indicated at the time of the loan application that they did not intend to use the property as a principal dwelling.
2. In completing Column E of Part B, you may assume that a purchased loan does not fall within this "nonoccupant" category unless your documents contain information to the contrary.
3. Do not complete Column E for loans that you report under Section 2 (Loans on property not located in MSAs/PMSAs where institution has home or branch offices), in either Part A (Originations) or Part B (Purchases). (See pages 672 and 673 for form HMDA-2.)

"Mortgage Loan Statement for Optional Disclosure of FHA Loans"

Form HMDA-2A

This collection of information is not required. Mortgage banking subsidiaries of holding companies and certain savings and loan associations may record their FHA loans on this form if they wish to make that data available to the public. Public reporting burden for this collection of information is estimated to vary from 10 to 50 hours per response, with an average of 20 hours per response, including time to gather and maintain the data needed and to review instructions and complete the information collection. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing the burden, to Secretary, Board of Governors of the Federal Reserve System, Washington, D.C. 20551; and to the Office of Information and Regulatory Affairs, Office of Management and Budget, Washington, D.C. 20503.

Instructions to Mortgage Banking Subsidiaries of Holding Companies and to Certain Savings and Loan Service Corporations

A. Who May Use This Form

If you are the mortgage banking subsidiary of a bank holding company or of a savings and loan holding company, or if you are a savings and loan service corporation that files the HMDA-2 form, you are required to exclude data on FHA Title I (home improvement) and FHA Title II (home purchase) loans from your form HMDA-2. At your option, however, you may record FHA loans on form HMDA-2A and make the form available to the public along with your HMDA-2 disclosure statement.

B. Data to be Shown

1. For loans that you originate, see the instructions that are provided for the HMDA-2 form under section G (Geographic Itemization). Report the number and total dollar amount of FHA home purchase loans in Column 1 and FHA home improvement loans in Column 2. Include loans on both 1-to-4 family dwellings and multifamily dwellings for 5 or more families.
2. For loans that you purchase, see the instructions that are provided for the HMDA-2 form under section G (Geographic Itemization). Report the number and total dollar amount of FHA home purchase loans in Column 3 and FHA home improvement loans in Column 4. Include loans on both 1-to-4 family dwellings and multifamily dwellings for 5 or more families. (See page 678 for form HMDA-2A.)

APPENDIX B—FEDERAL SUPERVISORY AGENCIES

The following list indicates which federal agency is responsible for enforcing compliance by each class of covered institutions. Questions should be directed, and copies of your disclosure statements should be sent, to the office specified below. You may also obtain posters from these agencies that you can use to inform the public of the availability of your disclosure statement.

National Banks

Comptroller of the Currency regional office serving the district in which the national bank is located.

State Member Banks and Mortgage Banking Subsidiaries of Bank Holding Companies

Federal Reserve Bank serving the district in which the state member bank or mortgage banking subsidiary is located.

Nonmember Insured Banks (except for Federal Savings Banks)

Federal Deposit Insurance Corporation Regional Director for the region in which the bank is located.

Savings Institutions Insured by FSLIC, Mortgage Banking Subsidiaries of Savings and Loan Holding Companies, Savings and Loan Service Corporations, and Members of the FHLB System (except for State Savings Banks insured by FDIC)

Federal Home Loan Bank Board Supervisory Agent in the district in which the institution is located.

Credit Unions

Office of Examination and Insurance
National Credit Union Administration
1776 G Street, N.W.
Washington, D.C. 20456

Other Financial Institutions

Federal Deposit Insurance Corporation Regional Director for the region in which the institution is located.

OMB No. 7100-0090 Approval expires June 1990.
This report authorized by law (12 USC 2801-2810 and 12 CFR 203).

MORTGAGE LOAN STATEMENT FOR OPTIONAL DISCLOSURE OF FHA LOANS, FORM HMDA-2A

FOR USE BY:
- MORTGAGE BANKING SUBSIDIARIES OF HOLDING COMPANIES
- CERTAIN SAVINGS AND LOAN SERVICE CORPORATIONS

Record of FHA loans made in 19___

Institution

____
Name

____
Address

____
Name of Parent Company

Enforcement agency for this institution

____
Name

____
Address

MSA/PMSA number for data reported in Section 1 ________

____
Name of MSA/PMSA

Section 1—Loans on property located in MSA/PMSA where institution has a home or branch office

CENSUS TRACT (in numerical sequence) or COUNTY (name or number)	FHA Loans Originated				FHA Loans Purchased			
	Home Purchase Loans 1		Home Improvement Loans 2		Home Purchase Loans 3		Home Improvement Loans 4	
	No. of Loans	Total Dollar Amount (thousands)	No. of Loans	Total Dollar Amount (thousands)	No. of Loans	Total Dollar Amount (thousands)	No. of Loans	Total Dollar Amount (thousands)
MSA/PMSA TOTAL								

Section 2—Loans on property not located in MSAs/PMSAs where institution has home or branch offices

AMENDMENT TO REGULATION T

The Board of Governors is amending 12 C.F.R. Part 220, its Regulation T. The regulation will permit broker-dealers to extend "good faith" loan value on long-term debt securities issued or guaranteed as a general obligation by a foreign sovereign, its provinces, cities or states, or a supranational entity if there is available an explicit or implicit rating of the entity in one of the two highest rating categories by a nationally recognized statistical rating organization. The amendment will provide equitable treatment for U.S. broker-dealers who, unlike banks and foreign broker-dealers, were previously prohibited from extending purpose credit on these securities.

Effective September 15, 1988, the Board amends 12 C.F.R. Part 220 as follows:

Part 220—Credit by Brokers and Dealers

1. The authority citation for Part 220 continues to read as follows:

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

2. Section 220.2 is amended by adding a new paragraph (r)(4) to read:

Section 220.2—Definitions

* * * * *

(r) "OTC margin bond" means:

* * *

(4) A debt security issued or guaranteed as a general obligation by the government of a foreign country, its provinces, states, or cities, or a supranational entity, if at the time of the extension of credit one of the following is rated in one of the two highest rating categories by a nationally recognized statistical rating organization:

(i) the issue,

(ii) the issuer or guarantor (implicitly), or

(iii) other outstanding unsecured long-term debt securities issued or guaranteed by the government or entity.

AMENDMENT TO REGULATION CC

The Board of Governors is amending 12 C.F.R. Part 229, its Regulation CC (Availability of Funds and Collection of Checks), with respect to the laws of Illinois and New York and with respect to section 4–213(5) of the Uniform Commercial Code.

Effective September 1, 1988, 12 C.F.R. Part 229 is amended as follows:

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

Authority: Title VI of Pub. L. 100–86, 101 Stat. 552, 635, 12 U.S.C. 4001 *et seq.*

2. A new Appendix F is added to read as follows:

APPENDIX F—OFFICIAL BOARD INTERPRETATIONS; PREEMPTION DETERMINATIONS UNIFORM COMMERCIAL CODE, SECTION 4–213(5)

Section 4–213(5) of the Uniform Commercial Code ("U.C.C.") provides that money deposited in a bank is available for withdrawal as of right at the opening of business of the banking day after deposit. Although the language "deposited in a bank" is unclear, arguably it is broader than the language "made in person to an employee of the depositary bank", which conditions the next-day availability of cash under Regulation CC (§ 229.10(a)(1)). Under Regulation CC, deposits of cash that are not made in person to an employee of the depositary bank must be made available by the second business day after the banking day of deposit (§ 229.10(a)(2)). Therefore, this provision of the U.C.C. may call for the availability of certain cash deposits in a shorter time than provided in Regulation CC.

This provision of the U.C.C., however, is subject to § 4-103(1), which provides, in part, that "the effect of the provisions of this Article may be varied by agreement . . . ." (The Regulation CC funds availability requirements may not be varied by agreement.) U.C.C. § 4–213(5) supersedes the Regulation CC provision in § 229.10(a)(2), but a depositary bank may not agree with its customer under § 4–103(1) of the Code to extend availability beyond the time periods provided in § 229.10(a) of Regulation CC.

ILLINOIS

The Board has been requested, in accordance with § 229.20(d) of Regulation CC (12 C.F.R. Part 229), to determine whether the Expedited Funds Availability

Act and Subpart B, and, in connection therewith, Subpart A, of Regulation CC, preempt provisions of Illinois law relating to the availability of funds. Section 4–213(5) of the Uniform Commercial Code as adopted in Illinois (Illinois Revised Statutes Chapter 26, paragraph 4–213(5), enacted July 26, 1988) provides that:

> Time periods after which deposits must be available for withdrawal shall be determined by the provisions of the federal Expedited Funds Availability Act (Title VI of the Competitive Equality Banking Act of 1987) and the regulations promulgated by the Federal Reserve Board for the implementation of that Act.

Section 4–213(5) of the Illinois law does not supersede Regulation CC; and, because this provision of Illinois law does not permit funds to be made available for withdrawal in a longer period of time than required under the Act and Regulation, it is not preempted by Regulation CC.

NEW YORK

Background

The Board has been requested, in accordance with § 229.20(d) of Regulation CC (12 C.F.R. Part 229), to determine whether the Expedited Funds Availability Act and Subpart B, and, in connection therewith, Subpart A, of Regulation CC, preempt the provisions of New York law concerning the availability of funds. This preemption determination specifies those provisions in the New York funds availability law that supersede the Act and Regulation CC. (See also the Board's preemption determination regarding U.C.C. § 4–213(5), pertaining to availability of cash deposits, in paragraph (a), above.)

The New York State Banking Department, pursuant to section 14-d of the New York Banking Law, has issued regulations requiring that funds deposited in an account be made available for withdrawal within specified time periods, and providing certain exceptions to those availability schedules.

Part 34 of the New York State Banking Department's General Regulations establishes time frames within which commercial banks, trust companies, and branches of foreign banks ("banks") and savings banks, savings and loan associations, and credit unions ("savings institutions") must make funds deposited in customer accounts available for withdrawal.

Different schedules apply to deposits in banks and savings institutions. Deposits must be made available for withdrawal not later than the following number of business days following the business day of deposit:

	Banks	Savings Institutions
Local checks (same city)	3	4
In-state checks	4	5
Out-of-state checks	7	9
$100 or less checks—on us checks (in-state); Treasury checks; New York state and local government checks	2	2
Nonproprietary ATMs	+1	+1

NOTE: Part 34 requires that funds be available at the start of the business day subsequent to the number of days specified in the regulation. To simplify comparisons of the New York and federal regulations, the Board has converted the time periods used in Part 34 to the method used in Regulation CC; i.e. the number of business days following the day of deposit.

Coverage

The New York law and regulation govern the availability of funds deposited into savings and time deposits, as well as to "accounts" as defined in § 229.2(a) of Regulation CC. The federal preemption of state funds availability laws only applies to "accounts" subject to Regulation CC, which generally include transaction accounts. Thus, to the extent that the New York law applies to deposits in time, savings, and other accounts (such as accounts in which the account holder is another bank or foreign bank) that are not "accounts" under Regulation CC, the state funds availability law will continue to apply. (Note, however, that under § 229.19(e) of Regulation CC, *Holds on other funds*, the federal availability schedules may apply to savings, time, and other accounts not defined as "accounts" under Regulation CC, in certain circumstances.) The New York State Superintendent of Banks stated, in her comments to the Board, that "[t]he Banking Department believes that the Regulation CC definition of 'account' to the extent it applies to transaction accounts preempts the scope of the accounts as defined in Part 34."

The New York law and regulation apply to "items" deposited to accounts. Part 34.2(e) defines "item" as "a check, negotiable order of withdrawal or money order deposited into an account." The Board interprets the definition of "item" in New York law to be consistent with the definition of "check" in Regulation CC (§ 229.2(k)).

Availability Schedules

The following provisions of New York law provide for the same or a shorter hold for certain categories of checks than is provided under Regulation CC, and supersede the federal availability requirements. All other provisions of the New York law relating to the availability of funds deposited in "accounts" are preempted by Regulation CC, because they provide for longer availability than is provided for in Regulation CC.

Temporary Schedule. The New York regulation requires that items payable by a local bank or savings institution (i.e., one that is located in the same city, town, or village, and which uses the same clearing facility, as the depositary bank) be made available for withdrawal not later than the start of business on the third business day following deposit, if deposited in a bank (Part 34.2(a)(1)). The New York Superintendent of Banking has interpreted "clearing facility" to include both check clearinghouse associations and Federal Reserve check processing facilities. (*See* December 21, 1983, letter from Vincent Tese, New York State Superintendent of Banks, regarding adoption of Part 34.) Regulation CC (§ 229.11(b)) also requires that the proceeds of these check deposits be made available for withdrawal not later than the start of business on the third business day following deposit. Regulation CC, however, includes a time period adjustment which permits a depositary bank to delay the time it must make funds available by cash or similar means, for deposits of local checks cleared outside a check clearinghouse arrangement (§ 229.11(b)(2)). New York law supersedes this time period adjustment for withdrawal by cash and similar means for local checks (as defined by New York law) deposited in banks and cleared through the Federal Reserve.

Temporary availability schedule, New York

	Banks	Savings Institutions
Local checks	3[1, 3]	3[2]
In-state nonlocal checks	4	5[4]
Out-of-state nonlocal checks	7[3, 4]	7[4]
Deposits at nonproprietary ATMs		
Treasury checks, state and local government checks, on us (in-state) checks	3	3
Local checks (same city)	4	5
In-state checks	5	6
All other deposits	7	7

1. Withdrawals by cash or similar means for local checks cleared outside the same *check clearing facility* (i.e., outside a check clearinghouse or the Federal Reserve) may be delayed in accordance with § 229.11(c).
2. Withdrawals by cash or similar means for local checks cleared outside a *check clearinghouse* may be delayed in accordance with § 229.11(c).
3. In order to extend the hold beyond the availability schedule, a state exception as well as a federal exception must be applicable. In no case can the hold be extended beyond that permitted under Regulation CC.
4. Schedule is subject to reductions for certain nonlocal checks. See Appendix B-1 of Regulation CC.

The New York regulation requires items payable by an in-state bank or savings institution to be available for withdrawal not later than the start of business on the fourth business day following deposit, if deposited in a bank (Part 34.3(a)(2)), or the fifth business day following deposit, if deposited in a savings institution (Part 34.3(b)(2)). These time periods are shorter than the seventh business day availability required for nonlocal checks under § 229.11(c) of Regulation CC, although they are not necessarily shorter than the schedules for nonlocal checks set forth in § 229.11(c)(2) and Appendix B-1 of Regulation CC. Thus, these state schedules supersede the federal schedule to the extent that they apply to an item payable by a New York bank or savings institution that is defined as a nonlocal check under Regulation CC and the applicable state schedule is less than the applicable schedule specified in § 229.11(c) and Appendix B-1.

Parts 34.3(a)(8) and (b)(8) provide that for any item deposited at a shared or nonproprietary electronic facility, the depositary bank may, at its option, add one business day to the relevant state schedule for the item being deposited. In the following cases, the state schedules applicable to deposits at nonproprietary ATMs to accounts in banks supersede the federal schedule, which provides for seventh day availability:

Treasury checks, state and local government checks, on us in-state checks—Third business day

Local checks—Fourth business day

In-state checks—Fifth business day

The state schedules applicable to deposits at nonproprietary ATMs to accounts in savings institutions supersede the federal schedule for the following items:

Treasury checks, state and local government checks, on us in-state checks—Third business day

Local checks—Fifth business day

In-state checks—Sixth business day

Permanent Schedule. Under Part 34.3(a)(2), in-state checks must be made available for withdrawal by the start of business on the fourth business day following deposit, if deposited in a bank, and the fifth business day following deposit, if deposited in a savings institution. The New York schedule for banks supersedes the Regulation CC requirement in the permanent schedule that nonlocal checks be made available for withdrawal by the start of the fifth business day following deposit, with a time period adjustment for withdrawals by cash or similar means, to the extent that the in-state checks are defined as nonlocal under Regulation CC, and the Regulation CC schedule for nonlocal checks is not shortened under § 229.12(c)(2) and Appendix B-2 of Regulation CC. In addition, the New York schedule for savings institutions supersedes the Regulation CC time period adjustment in the permanent schedule for withdrawal by cash or similar means, to the extent that the in-state checks are defined as nonlocal under Regulation CC, and the Regulation CC schedule for nonlocal checks is not shortened under § 229.12(c)(2) and Appendix B-2.

The following charts show the relationship between the New York law that supersedes Regulation CC and the temporary and permanent availability schedules in Regulation CC. Sections 229.10(b) and (c) of Regulation CC preempt the New York law and thus are not affected by it.

Permanent Availability Schedule, New York

	Banks	Savings Institutions
Local checks	2[1]	2[1]
In-state, nonlocal checks	4[2, 3]	5[2, 3]
Out-of-state, nonlocal checks	5[1]	5[1]

1. Withdrawals by cash or similar means may be delayed in accordance with § 229.12(d).
2. Schedule is subject to reductions for certain nonlocal checks. See Appendix B-2 of Regulation CC.
3. In order to extend the hold beyond the availability schedule, a state exception must be applicable. To extend the hold beyond the applicable federal availability schedule, a federal exception must also be applicable. In no case can the hold be extended beyond that permitted under Regulation CC.

Exceptions to the Availability Schedules. New York law provides exceptions to the state availability schedules for large deposits, new accounts, repeated overdrafters, doubtful collectibility, foreign items, and emergency conditions (Part 34.4). In all instances where the federal availability schedule preempts the state availability schedule, the state exceptions do not apply. In such cases, the depositary bank may only invoke the federal exceptions. For those deposits to which the state availability schedule applies, however, the depositary bank may invoke a state exception and place a hold on the deposit up to the federal availability schedule limit for that type of deposit. Once the federal availability schedule limit is reached, the depositary bank may further extend the hold under any of the federal exceptions that apply to that deposit. Any time a depositary bank invokes an exception to extend a hold beyond the time periods otherwise permitted by law, it must give notice of the extended hold to its customer in accordance with § 229.13(g) of Regulation CC.

Variation by Agreement. Part 34.4(f) provides that the New York regulation does not prohibit a depositary bank from agreeing with its customer to make funds available for withdrawal in a longer period of time than prescribed in New York law because of special circumstances, "provided that such agreement is not contained in a preprinted form and is not a usual, regular business practice of the depositary bank." The variation by agreement provision would remain in effect for those provisions of New York law that supersede Regulation CC; however, a depositary bank could not agree with its customer to extend availability beyond the times permitted under Regulation CC.

Business Day/Banking Day. New York law requires availability within a specified number of "business days" following the "business day" of deposit. "Business day" is defined as any day excluding Saturdays, Sundays, and legal holidays (Part 34.2(c)). Legal holiday is not further defined in the regulation. The New York definition of business day is preempted by the Regulation CC definitions of "business day" and "banking day".

Part 34.2(c) also provides that "for electronic branches, opening and closing times shall be the hours of the closest manned office of the depositary bank." The Commentary to the Regulation CC definition of "banking day" provides that "deposits at an ATM are considered made at the branch holding the account into which the deposit is made for purposes of determining the day of deposit." The Regulation CC rule to determine what constitutes a banking day for ATM deposits preempts the New York provision.

Disclosures

Part 34.5 of New York law requires depositary banks to disclose their funds availability policy to their customers, and to post their availability schedule in each branch location. The purposes of the disclosures concerning funds availability appear to be met by the disclosure requirements in Regulation CC. Regulation CC preempts state disclosure requirements concerning funds availability that relate to "accounts". Thus, Part 34.5 of New York law is preempted by Regulation CC, to the extent that it applies to "accounts", as defined by Regulation CC. The New York disclosure rules would continue to apply to savings, time, and other accounts not governed by Regulation CC disclosure requirements.

ORDERS ISSUED UNDER BANK HOLDING COMPANY ACT

Orders Issued Under Section 3 of the Bank Holding Company Act

Banco Bilbao-Vizcaya, S.A.
Bilbao, Spain

Order Approving Formation of a Bank Holding Company

Banco Bilbao-Vizcaya, S.A., Bilbao, Spain ("BBV"), has applied for the Board's approval pursuant to section 3(a)(1) of the Bank Holding Company Act ("BHC Act") (12 U.S.C. § 1842(a)(1)), to become a bank holding company by acquiring 98.9 percent of the voting shares of Banco Comercial de Mayaguez, Mayaguez, Puerto Rico ("Banco Comercial").[1]

Notice of the application, affording interested persons an opportunity to submit comments, has been published (53 *Federal Register* 25,010 (1988)). The time for filing comments has expired, and the Board has considered the applications and all comments received in light of the factors set forth in section 3(c) of the BHC Act.

BBV will be the result of the proposed consolidation under Spanish law of Banco de Vizcaya, S.A., Vizcaya, Spain ("Vizcaya") and Banco de Bilbao, S.A., Bilbao, Spain. It will become the largest bank in Spain, with total assets of approximately $57.7 billion.[2] BBV has applied in connection with this consolidation to retain the shares of Banco Comercial currently held by Vizcaya. On a pro forma basis, BBV would have 3,216 branches in Spain, and operate 26 branches and 12 representative offices worldwide, including a branch in New York and agencies in Miami and San Francisco.

BBV has elected New York as its home state under the International Banking Act of 1978.[3] The acquisition of Banco Comercial raises no issue under the Douglas Amendment because Puerto Rico is not considered to be a state for purposes of that statute.

Banco Comercial is the seventh largest commercial banking organization in Puerto Rico, controlling deposits of $307 million, representing 2.7 percent of the total deposits in commercial banks in Puerto Rico.[4] Based upon the facts in the record, including the fact that the two consolidating organizations, Vizcaya and Bilbao, do not compete in any of the same banking markets in the United States, the Board concludes that the proposed transaction will not have any adverse effect on competition, or increase the concentration of resources in any relevant market in the United States.

Section 3(c) of the BHC Act requires in every case that the Board consider the financial resources of the applicant organization and the bank to be acquired. In accordance with the principles of national treatment and competitive equity, the Board has stated that it expects a foreign bank to meet the same general standards of financial strength as domestic bank holding companies and to be able to serve as a source of strength to its United States banking operations.[5] In considering applications of foreign banking organizations, the Board has noted 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 have made it difficult to compare the capital positions of domestic and foreign banks. The Board, however, recently adopted a proposal to supplement its consideration of capital adequacy with a risk-based system that has been agreed to by the member countries of the Basle Committee on Banking Regulations and Supervisory Practices and the other domestic federal banking agencies.[6] The Board considers the Basle Committee proposal an important step toward a more consistent and equitable international standard for assessing capital adequacy. Until that framework becomes effective, however, the Board will continue to evaluate applications involving foreign banking organizations on a case-by-case basis consistent with its prior precedent.

In this case, the Board notes that the primary capital ratio of BBV, after making adjustments to reflect differences in banking and accounting practices, is slightly below the minimum capital guidelines for United States multinational bank holding companies. The Board notes, however, that BBV's application represents a request to retain ownership of shares already held by Vizcaya and a reduction in the presence in the United States of these organizations in connection with the consolidation of two foreign organizations. The transaction will not result in a diminution of the consolidated organization's capital. Moreover, BBV will be in compliance with the capital and other financial requirements of Spanish banking organizations. The Board also notes that BBV's risk-based capital ratios exceed the 1990 transitional standards. The Board has placed considerable emphasis on the fact that Banco Comercial is strongly capitalized and small in relation to BBV. The Board expects that BBV will maintain Banco Comercial among the more strongly capitalized banking organizations of compa-

1. Section 2(c) of the BHC Act defines a bank for purposes of the Act to include any bank chartered pursuant to the laws of Puerto Rico.

2. Banking data are as of December 31, 1987.

3. *See The Bank of Nova Scotia*, 61 FEDERAL RESERVE BULLETIN 309 (1975). Vizcaya is a bank holding company within the meaning of the BHC Act by virtue of its ownership of shares of Banco Comercial and a minority interest in New Mexico Banquest Investors Corporation, Santa Fe, New Mexico ("Banquest"). Vizcaya will divest its interest in Banquest.

4. Deposit data are as of June 30, 1988.

5. *Toyo Trust and Banking Co., Ltd.*, 74 FEDERAL RESERVE BULLETIN 623 (Order dated July 11, 1988);*Taiyo Kobe Bank*, 74 FEDERAL RESERVE BULLETIN 621 (Order dated July 8, 1988); *Sumitomo Trust & Banking Co., Ltd.*, 73 FEDERAL RESERVE BULLETIN 749 (1987); *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).

6. 53 *Federal Register* 8,549 (1988).

rable size in the United States. In view of these and other facts of record, the Board finds that financial considerations are consistent with approval.

The Board has also determined that considerations relating to managerial factors as well as those relating to the convenience and needs of the community to be served are consistent with approval.

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

By order of the Board of Governors, effective August 31, 1988.

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

JAMES MCAFEE
Associate Secretary of the Board

Bank of Seoul
Seoul, Korea

Order Approving Formation of a Bank Holding Company

Bank of Seoul, Seoul, Korea ("Applicant"), has applied for the Board's approval under section 3(a)(1) of the Bank Holding Company Act of 1956, as amended (12 U.S.C. § 1842(a)(1)) ("BHC Act"), to become a bank holding company by acquiring all of the outstanding voting shares of Seoul Bank of California, Los Angeles, California ("Bank").

Notice of the application, affording an opportunity for interested persons to submit comments, has been given in accordance with section 3(b) of the BHC Act (53 *Federal Register* 9,143 (1988)). The time for filing comments has expired, and the Board has considered the application and all comments received in light of the factors set forth in section 3(c) of the BHC Act (12 U.S.C. § 1842(c)).

Applicant, with total assets of approximately $15.7 billion, is the largest banking institution in South Korea and the 147th largest commercial bank in the world.[1] Applicant has 191 offices in Korea and operates 6 branches and 2 representative offices worldwide, including agencies in New York and Los Angeles and a representative office in Houston.[2]

Bank, a *de novo* institution, will provide a full range of commercial banking services in the Metropolitan Los Angeles banking market.[3] In view of the *de novo* status of Bank and based upon the facts in the record, the Board concludes that the proposed transaction will have no adverse effect on existing or probable future competition, nor will it increase the concentration of resources in any relevant market.

Section 3(c) of the Act requires in every case that the Board consider the financial resources of the applicant organization and the bank to be acquired. In accordance with the principles of national treatment and competitive equity, the Board has stated that it expects a foreign bank to meet the same general standards of financial strength as domestic bank holding companies and to be able to serve as a source of strength to its United States banking operations.[4] In considering applications of foreign banking organizations, the Board has noted 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 have made it difficult to compare the capital positions of domestic and foreign banks. The Board, however, recently adopted a proposal to supplement its consideration of capital adequacy with a risk-based system that has been agreed to by the member countries of the Basle Committee on Banking Regulations and Supervisory Practices and the other domestic federal banking agencies.[5] The Board considers the Basle Committee proposal an important step toward a more consistent and equitable international standard for assessing capital adequacy.

1. Asset data are as of June 30, 1988. Banking data are as of December 31, 1986. Ranking is as of July 31, 1987.

2. Applicant had originally selected New York as its home state under the Board's Regulation K (12 C.F.R. 211.22(b)), but has notified the Board of its intention to change its home state to California pursuant to the provision of Regulation K permitting a one-time change of home state (12 C.F.R. 211.22(c)). In connection with this, Applicant will cease accepting deposits from United States citizens and residents at its New York office.

3. The Metropolitan Los Angeles banking market is defined by the Los Angeles RMA.

4. *Toyo Trust and Banking Co., Ltd.*, 74 FEDERAL RESERVE BULLETIN 623 (Order dated July 11, 1988); *Taiyo Kobe Bank, Ltd.*, 74 FEDERAL RESERVE BULLETIN 621 (Order dated July 8, 1988); *Sumitomo Trust & Banking Co., Ltd.*, 73 FEDERAL RESERVE BULLETIN 749 (1987); *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).

5. 53 *Federal Register* 8,549 (1988).

In this case, the Board notes that the primary capital ratio of Applicant is slightly below the minimum capital guidelines for United States multinational bank holding companies. However, Applicant's ratios of equity, Tier 1, and Tier 2 capital to risk assets, exceed the 1990 transitional standards. The Board also notes that Bank is being established *de novo*, will initially be small in relation to Applicant and will be strongly capitalized. As Bank's size increases, the Board will expect Applicant to maintain Bank among the more strongly capitalized banking organizations of comparable size in the United States. The Board has also considered that Applicant has just recently completed the first phase of a capital improvement plan that raised $246 million in common equity. Moreover, Applicant is in compliance with the capital and other financial requirements of Korean banking organizations. In view of these and other facts of record, the Board finds that considerations relating to banking factors are consistent with approval.

Applicant has a 9.1 percent interest in Korea Associated Securities, Inc., New York, New York, a company engaged in the securities business in the United States. While this interest appears to meet the requirements for the grandfather privileges under section 8(c)(1) of the International Banking Act of 1978 (the "IBA") (12 U.S.C. § 3106(c)(1)), section 8(c)(2) of the IBA provides that such grandfather rights shall terminate two years after the date on which the foreign bank becomes a bank holding company.[6] Consistent with this provision, Applicant has committed to reduce its interest in Korea Associated Securities, Inc., to less than 5 percent within two years of consummation of the proposed transaction.

The Board has also determined that considerations relating to the convenience and needs of the community to be served are consistent with approval. Based on the foregoing and other facts of record, the Board has determined that consummation of the transaction would be consistent with the public interest. Accordingly, the Board has determined that the application should be, and hereby is, approved. The acquisition of Bank 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 San Francisco, acting pursuant to delegated authority.

By order of the Board of Governors, effective August 31, 1988.

6. 12 U.S.C. § 3106(c)(2).

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

JAMES MCAFEE
Associate Secretary of the Board

The Bank of Tokyo, Ltd.
Tokyo, Japan

Order Approving the Formation of a Bank Holding Company and the Acquisition of a Bank

The Bank of Tokyo, Ltd., Tokyo, Japan ("Applicant"), 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(a)(3) of the Act (12 U.S.C. § 1842(a)(3)) to indirectly acquire 100 percent of the voting shares of Union Bank, Los Angeles, California, in connection with the proposed merger of Union Bank into Applicant's 77-percent-owned subsidiary bank, California First Bank, San Francisco, California. In connection with the proposed merger, California First Bank has applied for the Board's approval under section 3(a)(1) of the Act (12 U.S.C. § 1842(a)(1)) to become a bank holding company for a two-day period by acquiring 100 percent of the voting shares of Union Bank.

Applicant proposes to acquire Union Bank through a series of transactions. First, a subsidiary of California First Bank will merge into Standard Chartered Holdings, Inc. ("Holdings"), a holding company of Union Bank. California First Bank will thereby acquire, and Applicant will indirectly acquire, 100 percent of the voting shares of Union Bank. Second, Holdings will be merged into California First Bank. Third, Union Bancorp, Holdings' subsidiary and Union Bank's immediate holding company, will be merged into California First Bank. Finally, Union Bank itself will merge into California First Bank. The resulting bank will operate under the corporate charter of California First Bank and the name "Union Bank." The merger of California First Bank's interim subsidiary into Holdings, by which Applicant will indirectly acquire the voting shares of Union Bank, will take place after the close of banking hours on a Friday, and the mergers of Holdings, Union Bancorp, and Union Bank into California First Bank will take place on the following Monday. The Federal Deposit Insurance Corporation approved the merger of Union Bank into California First Bank on July 19, 1988.

Section 3(a)(3) of the Act requires Board approval before a bank holding company may acquire direct or indirect ownership or control of more than 5 percent of the voting shares of a bank. Because Applicant will indirectly acquire the shares of Union Bank prior to consummating the merger of Union Bank into California First Bank, the transaction is literally subject to the prior approval requirements of the Act. While section 3(a)(4) of the Act exempts from the Act's prior approval requirements the acquisition by a holding company bank of the assets of another bank, that section does not by its terms exempt a holding company bank's acquisition of the voting shares of another bank, as proposed by Applicant. *See* 12 C.F.R. § 225.12(d). Accordingly, when a bank holding company directly, or indirectly through a subsidiary bank, acquires shares of a bank that it previously did not control, an application is required, even where a portion of the overall transaction is subject to review under the Bank Merger Act (12 U.S.C. § 1828). *See Girard Bank v. Board of Governors of the Federal Reserve System*, 748 F.2d 838 (3d Cir. 1984). Because Applicant will indirectly acquire the shares of Union Bank prior to consummating the merger of Union Bank into California First Bank, an application under section 3 of the Act is required under the terms of the Act.

The Board has given careful consideration to Applicant's suggestion that, in light of the Federal Deposit Insurance Corporation's approval of the merger of Union Bank into California First Bank pursuant to the Bank Merger Act, the Board not object to consummation of the proposal without Applicant's filing an application under the Act in this case. In this regard, the Board notes that Union Bank, the bank to be acquired, is a major U.S. banking organization. The Board also has taken into account its general oversight responsibilities for foreign banks in the United States and the fact that the acquiror is a significant foreign banking organization. These factors raise important policy and financial considerations under the Act that the Board believes require its consideration. Accordingly, the Board has determined that Applicant and California First Bank are required to obtain prior approval for the proposed acquisition of the voting shares of Union Bank under section 3(a) of the Act.

Notice of the applications, affording opportunity for interested persons to submit comments, has been given in accordance with section 3(b) of the Act. (53 *Federal Register* 30,871 (1988)). The time for filing comments has expired, and the Board has considered the applications and all comments received in light of the factors set forth in section 3(c) of the Act (12 U.S.C. § 1842(c)).

California First Bank is the sixth largest commercial bank in California, with deposits of $4.731 billion, representing 2.3 percent of the total deposits in commercial banks in the state. Union Bank is the fifth largest commercial bank in the state, with total deposits of $7.825 billion, representing 3.8 percent of the total deposits in commercial banks in the state. Upon consummation of the proposed transaction, the resultant bank's share of total deposits in commercial banks in the state would be approximately 6.1 percent, and the resultant bank would be the fifth largest commercial bank in the state.[1]

Applicant, with total consolidated assets equivalent to approximately $183 billion[2], ranks as the 22nd largest bank in the world. In addition to California First Bank, Applicant owns one other subsidiary bank in the United States, The Bank of Tokyo Trust Company, New York, New York. Applicant acquired these bank subsidiaries prior to the enactment in 1956 of the Douglas Amendment's interstate banking requirement and, therefore, may retain these companies under the Douglas Amendment and section 5(b) of the International Banking Act (12 U.S.C. § 3103(b)). California is the principal state of operation of Applicant for purposes of the Douglas Amendment and is Applicant's home state for purposes of the International Banking Act. Because Union Bank will be located in Applicant's principal state of operation for purposes of the Act and home state for purposes of the International Banking Act, the Board concludes that the acquisition of Union Bank by Applicant is consistent with the provisions of the Douglas Amendment and section 5 of the International Banking Act.

Applicant also operates agencies in New York, Miami, San Francisco, Los Angeles, and Honolulu; branches in Portland and Seattle; and representative offices in Chicago, Washington, D.C., Houston, and Atlanta. In addition, Applicant owns Bank of Tokyo International, U.S.A., an Edge Act corporation headquartered in Miami; Tokyo Bancorp International (Houston) Inc., an Agreement corporation located in Houston; and BOT Securities Inc., a wholly owned subsidiary in New York that is engaged primarily in the delivery and placement of U.S. Treasury bills. Indirectly through The Bank of Tokyo Trust Company, Applicant also owns 50 percent of Nissei-BOT Asset Management Corporation, a New York corporation engaged in investment advisory services.

California First Bank competes with Union Bank in nine banking markets in California. Consummation of the proposal would not have a significant adverse effect on competition in any of these markets. Five of

1. Statewide data are as of December 31, 1986.
2. Banking data are as of March 31, 1988, and reflect the yen/dollar exchange rate as of that date. Rankings are as of December 31, 1987.

these markets[3] would be only moderately concentrated after consummation of the proposal,[4] and in all of these markets the increase in market share is small. The remaining four markets are already considered concentrated under the Guidelines and would remain so upon consummation.[5] The increase in concentration resulting from the proposal, however, as measured by the increase in the HHI in these markets, is either very small or nonexistent.[6] In addition, the presence of thrift institutions in these markets further mitigates any anticompetitive effects in the markets.[7]

Section 3(c) of the Act requires in every case that the Board consider the financial resources of the applicant organization and the bank or bank holding company to be acquired. The Board has stated and continues to believe that capital adequacy is an especially important factor in the analysis of bank holding company expansion proposals, particularly in transactions, such as this, where a major acquisition is proposed.[8] In this regard, the Board has stated that it expects banking organizations contemplating expansion proposals to maintain strong capital levels substantially above the minimum levels specified in the Board's Capital Adequacy Guidelines[9] without significant reliance on intangibles, particularly goodwill. The Board carefully analyzes the effect of expansion proposals on the preservation or achievement of strong capital levels and has adopted a policy that there should be no significant diminution of financial strength below these levels for the purpose of effecting major expansion proposals.[10]

In accordance with the principles of national treatment and competitive equity, the Board has stated that it expects foreign banks seeking to establish or acquire banking organizations in the United States to meet the same general standards of financial strength as domestic bank holding companies and to be able to serve as a source of strength to their banking operations in the United States.[11] In considering applications of foreign banking organizations, the Board has noted 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 have made it difficult to compare the capital positions of domestic and foreign banks. The Board, however, recently adopted a proposal to supplement its consideration of capital adequacy with a risk-based system that has been agreed to by the member countries of the Basle Committee on Banking Regulations and Supervisory Practices and the other domestic federal banking agencies.[12] The Japanese Ministry of Finance in April of this year acted to implement for Japanese banking organizations the risk-based capital framework developed by the Basle Committee. The Board considers the Basle Committee proposal an important step toward a more consistent and equitable international standard for assessing capital adequacy.

In this case, the Board notes that the primary capital ratio of Applicant meets United States standards after making adjustments to reflect Japanese banking and

3. These markets are the Bakersfield, Los Angeles, Oceanside-Vista, San Diego, and Stockton markets, all in California.

4. Under the revised Department of Justice Merger Guidelines (49 *Federal Register* 26,823 (June 29, 1984)) ("Guidelines"), a market in which the post-merger Herfindahl-Hirschman Index ("HHI") is over 1800 is considered highly concentrated. In such markets, the Department of Justice is likely to challenge a merger that produces an increase in the HHI of more than 50 points. The Department of Justice 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 Department of Justice 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 non-depository financial entities.

5. These markets are the Fresno, Sacramento, San Bernardino, and San Francisco markets, all in California.

6. The pre-merger HHI for the Fresno market is 1941 and would increase by 7 points upon consummation; the pre-merger HHI for the Sacramento market is 1998 and would increase by 3 points; the pre-merger HHI for the San Bernardino market is 2383 and would not increase upon consummation; and the pre-merger HHI for the San Francisco market is 2227 and would increase by 8 points.

7. 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); *First Tennessee National Corporation*, 69 FEDERAL RESERVE BULLETIN 298 (1983).

8. *Chemical New York Corporation*, 73 FEDERAL RESERVE BULLETIN 378 (1987); *Citicorp*, 72 FEDERAL RESERVE BULLETIN 497 (1986); *National City Corporation*, 70 FEDERAL RESERVE BULLETIN 743 (1984); *Banks of Mid-America, Inc.*, 70 FEDERAL RESERVE BULLETIN 460 (1984); *Manufacturers Hanover Corporation* (CIT), 70 FEDERAL RESERVE BULLETIN 452 (1984).

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

10. Thus, for example, the Board has generally approved the proposals involving a decline in capital only where the applicants have promptly restored their capital to pre-acquisition levels following consummation of the proposals and have implemented programs of capital improvement to raise capital significantly above minimum levels. *See, e.g., Citicorp*, 72 FEDERAL RESERVE BULLETIN 726 (1986); *Security Pacific Corporation*, 72 FEDERAL RESERVE BULLETIN 800 (1986). *See also Security Banks of Montana*, 71 FEDERAL RESERVE BULLETIN 246 (1985).

11. *See Toyo Trust and Banking Co., Ltd.*, 74 FEDERAL RESERVE BULLETIN 623 (Order dated July 11, 1988); *Taiyo Kobe Bank*, 74 FEDERAL RESERVE BULLETIN 621 (Order dated July 8, 1988); *Sumitomo Trust & Banking Co., Ltd.*, 73 FEDERAL RESERVE BULLETIN 749 (1987); *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 Holding Companies, Federal Reserve Regulatory Service ¶4-835 (1979).

12. 53 *Federal Register* 8,549 (1988).

accounting practices, including consideration of a portion of the unrealized appreciation in Applicant's portfolio of equity securities consistent with the principles in the Basle capital framework.[13] The Board also has considered several additional factors that mitigate its concern in this case. Applicant has committed to maintain the resultant bank of the merger among the more strongly capitalized banking organizations of comparable size in the United States. The Board notes further that Applicant is in compliance with the capital and other financial requirements of Japanese banking organizations. In addition, the Board has considered as favorable factors that, in anticipation of implementation of the Basle Committee risk-based capital framework and this proposed transaction, Applicant has increased its equity capital by approximately $940 million through the issuance of common stock on April 30, 1988, and the retention of earnings through Applicant's most recent fiscal year. The Board also notes that Applicant's capital improvement program is consistent with meeting the standards in the Basle Committee capital framework for 1990 and 1992.

In this regard, California First Bank has indicated that it will fund the $750 million purchase price of Union Bank through the issuance by California First Bank of new common shares, the assumption or replacement by California First Bank of outstanding Union Bancorp preferred stock and subordinated capital notes, and from internally generated funds. As noted above, subsequent to the execution of the letter of intent with respect to the proposed transaction, Applicant raised approximately $745 million of new common equity, which is substantially in excess of the cash amount of Applicant's proposed investment in connection with the transaction. Accordingly, consummation of the proposal will not result in any diminution of Applicant's overall capital position.

Based on a review of all the facts of record, the Board concludes that the financial and managerial factors are consistent with approval of this application.

In considering the convenience and needs of the communities to be served, the Board has taken into account the records of California First Bank and Union Bank under the Community Reinvestment Act ("CRA"), 12 U.S.C. § 2901 *et seq.*[14] The Board notes that the Federal Deposit Insurance Corporation has indicated that there are certain areas in which California First Bank should improve its CRA performance. In response, California First Bank has adopted a comprehensive CRA plan, which includes:

- creation of direct deposit checking accounts with no minimum balance requirements or monthly service charges for low-income individuals;
- expected increased funding for California First Bank's contributions program and expanded use of the program to support low-income housing and small business development;
- intensified efforts to provide bilingual banking services in such languages as Chinese, Korean, Tagalog, and Vietnamese, with an emphasis on providing services in Spanish; and
- the establishment of a formal community outreach program to maintain dialogue with community organizations in minority, low- and moderate-income areas.

Under the plan, California First Bank plans to make $84 million available in housing-related and small business loans in minority and low-income communities during 1988 to 1990, consistent with safe and sound banking practices.

Based on the foregoing and all the facts of record, the Board concludes that convenience and needs considerations are consistent with approval.

California First Bank engages, through several joint ventures, in real estate investment and development activities authorized by state law. In addition, Union Bank owns minority interests in two joint ventures engaged in certain other activities authorized under state law. These investments represent more than 5 percent of the outstanding voting shares of the joint ventures and involve the conduct of activities that are not permissible under section 4 of the Act.[15] The investments also are not permissible under section 225.22(d)(2) of Regulation Y (relating to activities conducted by nonbank subsidiaries of holding company state banks), because the joint ventures are not wholly owned by California First Bank or Union Bank as required under that regulation.[16] Accordingly, Ap-

13. *Capital Adequacy Guidelines*, 50 *Federal Register* 16,057 (1985), 71 Federal Reserve Bulletin 445 (1985).

14. The CRA requires the Board, in its evaluation of a bank holding company application, to assess the record of an applicant in meeting the credit needs of the entire community, including the low- and moderate-income neighborhoods, consistent with safe and sound operation.

15. *Security Pacific Corporation*, 72 Federal Reserve Bulletin 800 (1986).

16. 12 C.F.R. § 225.22(d)(2). The Board adopted this regulation in 1971 in the absence of evidence that acquisitions by holding company banks were resulting in evasions of the purposes of the Act. Board Press Release dated May 13, 1971, 36 *Federal Register* 9,292 (May 22, 1971). The Board, however, stated that it would review the continued merits of the regulation from time to time in light of experience in administering the Act. *Id.* The Board currently has this regulation under review and has asked for comment, in connection with the exercise of real estate development powers by holding company banks, as to whether modifications in the regulation are appropriate.

plicant has committed to conform these investments to the requirements of the Act and the Board's regulations and has committed that all future real estate and other investments by the resultant bank and its subsidiaries will conform to the Board's regulations, including section 225.22(d)(2) of Regulation Y. In addition, Applicant has made certain commitments limiting its real estate investments and has agreed to conform to any change in Board regulations or policy with respect to real estate investments.

Based on the foregoing and other facts of record and in reliance on the commitments made by Applicant and California First Bank, 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.[17] The transaction shall not be consummated before the thirtieth calendar day following the effective date of this Order, or later than three months after the effective date of this Order, unless such period is extended for good cause by the Board or the Federal Reserve Bank of San Francisco, pursuant to delegated authority.

By order of the Board of Governors, effective August 31, 1988.

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

JAMES MCAFEE
Associate Secretary of the Board

Dissenting Statement of Governor Seger

I dissent from the Board's action in this case. I believe that foreign banking organizations whose primary capital, based on U.S. accounting principles, is below the Board's minimum capital guidelines for U.S. banking organizations have an unfair competitive advantage in the United States over domestic banking organizations. In my view, such foreign organizations should be judged against the same financial and managerial standards, including the Board's capital adequacy guidelines, as are applied to domestic banking organizations. The majority concludes that Applicant's primary capital meets United States standards. To do so, however, the majority makes adjustments that are not available for U.S. banks under guidelines that have not yet become effective for U.S. or foreign banking organizations.

In addition, I am concerned that while this application would permit a large Japanese banking organization to acquire a bank in the U.S., U.S. banking organizations are not permitted to make comparable acquisitions in Japan. While some progress is being made in opening Japanese markets to U.S. banking organizations, U.S. banking organizations and other financial institutions, in my opinion, are still far from being afforded the full opportunity to compete in Japan.

August 31, 1988

17. By approving California First Bank's application to acquire the shares of Union Bank, the Board is not overruling the precedent established by *Depositors Trust Company*, 64 FEDERAL RESERVE BULLETIN 213 (1978). In that case the Board held as a matter of policy that it would not approve the application of a commercial bank to operate as a bank holding company. California First Bank, however, is acquiring the shares of Union Bank for a short time only and solely for the purpose of effecting the merger of Union Bank into California First Bank.

First Bank System, Inc.
Minneapolis, Minnesota

Order Approving Acquisition of a Bank Holding Company

First Bank System, Inc., Minneapolis, Minnesota, a bank holding company within the meaning of the Bank Holding Company Act (12 U.S.C. § 1841 *et seq.*) ("BHC Act"), has applied for the Board's approval under section 3(a)(3) of the BHC Act (12 U.S.C. § 1842(a)(3)) to acquire all the voting shares of Cottage Grove Bancorporation, Inc., Cottage Grove, Minnesota ("Cottage Grove"), and thereby indirectly acquire Minnesota National Bank of Cottage Grove, Cottage Grove, Minnesota ("Bank").

Notice of the application, affording interested persons an opportunity to submit comments, has been published (53 *Federal Register* 13,322 (1988)). The time for filing comments has expired, and the Board has considered the application and all comments received in light of the factors set forth in section 3(c) of the BHC Act.

First Bank System is the largest commercial banking organization in Minnesota, controlling deposits of $11.3 billion, representing 29 percent of the total deposits in commercial banking organizations in the state.[1] Bank is among the smaller banking organizations in Minnesota, controlling deposits of $28 million, representing less than one percent of total deposits in commercial banking organizations in the state. Upon consummation of this proposal, First Bank System would control $11.328 billion in deposits, representing 29.1 percent of statewide commercial bank deposits. Consummation of this proposal would not increase significantly the concentration of banking resources in Minnesota.

1. Banking data are as of December 31, 1986. Thrift data are as of June 30, 1986.

First Bank System competes directly with Cottage Grove in the Minneapolis-St. Paul banking market.[2] First Bank System is the largest commercial banking organization in the market, with deposits of $9.3 billion, representing 40 percent of the market's total deposits in commercial banks. Cottage Grove is the 85th largest commercial banking organization in the market, with $28 million in deposits, representing 0.1 percent of the market's total commercial bank deposits. The Minneapolis-St. Paul banking market is considered highly concentrated with a four firm ratio of 73.4 percent. Consummation of this proposal would increase the Herfindahl-Hirschman Index ("HHI") of the market by 10 points to 2285.[3]

Although consummation of this proposal would eliminate some existing competition in the Minneapolis-St. Paul banking market, over 116 other commercial banks would continue to operate in the market. In addition, the Board has considered the presence of thrift institutions in the banking market in its analysis of this proposal. The Board previously has indicated that thrift institutions have become, or have the potential to become, major competitors of commercial banks.[4] Thrift institutions already exert a considerable competitive influence in the market as providers of NOW accounts and consumer loans, and many are engaged in the business of making commercial loans. Based upon the size, market share and commercial lending activities of thrift institutions in the market, the Board has concluded that thrift institutions exert a significant influence upon competition in the Minneapolis-St. Paul banking market.[5] Accordingly, in view of all the facts of record, and in particular in light of the small increase in concentration in the market, the Board has determined that consummation of this proposal would not have a significant adverse effect on existing competition in the Minneapolis-St. Paul banking market.

The financial and managerial resources and future prospects of First Bank System, its subsidiary banks, Cottage Grove and Bank also are consistent with approval of the proposal.

In considering the convenience and needs of the communities to be served, the Board has taken into account the records of First Bank System and Cottage Grove under the Community Reinvestment Act ("CRA").[6] The CRA requires the federal banking agencies, in connection with their examination of financial institutions, to assess the record of banks under their supervision in meeting the credit needs of their entire communities, the low- and moderate-income neighborhoods, consistent with the safe and sound operation of the institutions. The CRA also requires the agencies to take these records into account when acting on certain applications involving the institutions.

The Board has received comments regarding First Bank System's CRA performance generally and with particular respect to its subsidiary, the First Bank of Billings, Billings, Montana ("Billings Bank"). In light of these comments, the Board has reviewed the overall CRA record of First Bank System and of the Billings Bank in particular. The most recent report of examination of the Billings Bank identified certain areas where the Billings Bank could improve its performance, particularly with regard to real estate lending and the bank's efforts to market its credit services to its community. In order to strengthen the Billings Bank's CRA performance, First Bank System has committed to do the following:

1) Establish lending goals and strategies to enhance home mortgage, home improvement, and business lending activities in the Billings south side neighborhood.

2) Establish means of communication by which First Bank of Billings will inform and address the needs of low- and moderate-income and minority individuals and families in its community.

3) Provide means by which community groups will initiate local participation in the lending program.

First Bank System is also in the process of implementing a corporate CRA policy that will give accountability for CRA compliance at various levels within the First Bank System organization. The policy specifies mechanisms for ensuring and monitoring CRA compliance at Applicant's subsidiary banks, and as well

2. The Minneapolis-St. Paul banking market is defined as the Minneapolis-St. Paul RMA adjusted to include all of Scott and Carver Counties and Lanesburgh Township in Le Sueur County.

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 over 1800 is considered highly concentrated, and the Department is likely to challenge a merger that increases the HHI by more than 50 points unless other factors indicate that the merger will not substantially lessen competition. The Department of Justice has informed the Board that a bank merger or acquisition is not likely to be challenged (in the absence of other factors indicating an anticompetitive effect) 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 anti-competitive effects implicitly recognizes the competitive effects of limited purpose lenders and other non-depository financial entities.

4. *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).

5. If 50 percent of the deposits controlled by thrift institutions were included in the calculation of market concentration, First Bank and Cottage Grove would control 36.1 percent and 0.1 percent of total market deposits, respectively. The HHI would increase by 8 points to 1898 upon consummation of this proposal.

6. 12 U.S.C. § 2901 *et seq.*

implements a coordinated compliance strategy among the banks. Based upon the Board's review of First Bank System's CRA record, and after taking into account First Bank System's commitments to enhance its ability to meet the convenience and needs of all segments of its community, the Board has determined that the convenience and needs factors are consistent with approval of the application.

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

By order of the Board of Governors, effective August 31, 1988.

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

JAMES MCAFEE
Associate Secretary of the Board

First Interstate Bancorp
Los Angeles, California

Order Approving the Acquisition of a Bank

First Interstate Bancorp, Los Angeles, California, a bank holding company within the meaning of the Bank Holding Company Act, (the "Act"), has applied for approval under section 3(a)(3) of the Act (12 U.S.C. § 1842(a)(3)) to acquire Alaska Continental Bank, Anchorage, Alaska.

Public notice of the application before the Board is not required by the Act and in view of the emergency situation the Board has not followed its normal practice of affording interested parties the opportunity to submit comments and views. In view of the emergency situation involving Bank, the Alaska Director of Banking and Securities has recommended immediate action by the Board to prevent the probable failure of Bank.

In connection with the application, the Secretary of the Board has taken into consideration the competitive effects of the proposed transaction and the financial and managerial resources and future prospects of the banks concerned, and the convenience and needs of the communities to be served. On the basis of the information before the Board, the Secretary of the Board finds that an emergency situation exists so as to require that the Secretary of the Board act immediately pursuant to the provisions of section 3(b) of the Act (12 U.S.C. § 1842(b)) in order to safeguard depositors of Bank. Having considered the record of this application in light of the factors contained in the Act, the Secretary of the Board has determined that consummation of the transaction would be in the public interest and that the application should be approved on a basis that would not preclude immediate consummation of the proposal. On the basis of these considerations, the application is approved.

The transaction may be consummated immediately but in no event later than three months after the effective date of this Order, unless such period is extended for good cause by the Board or by the Federal Reserve Bank of San Francisco, acting pursuant to delegated authority.

By order of the Secretary of the Board acting pursuant to delegated authority for the Board of Governors, effective August 2, 1988.

WILLIAM W. WILES
Secretary of the Board

First McAllen International Bancshares, Inc.
McAllen, Texas

Order Approving Formation of a Bank Holding Company

First McAllen International Bancshares, Inc., McAllen, Texas ("Applicant"), has applied for the Board's approval under section 3(a)(1) of the Bank Holding Company Act, as amended ("BHC Act") (12 U.S.C. § 1842(a)(1)), to become a bank holding company by acquiring 100 percent of the voting shares of Inter National Bank of McAllen, McAllen, Texas ("Bank").

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

Applicant, a non-operating corporation with no subsidiaries, was organized for the purpose of becoming a bank holding company by acquiring Bank. Bank holds deposits of $33.2 million and ranks 567 out of 1242 commercial banking organizations in Texas.[1] Based on all the facts of record, the Board believes that consum-

1. All banking data are as of December 31, 1987.

mation of the proposal would have no adverse effect on the concentration of banking resources in Texas.

Further, because this proposal represents the restructuring of Bank's ownership into corporate form, consummation of the proposed transaction would not result in any adverse effects on existing or potential competition, nor would it increase the concentration of banking resources in any relevant banking market. Accordingly, the Board concludes that competitive considerations under the BHC Act are consistent with approval of the application.

The Board has previously indicated that a bank holding company should serve as a source of financial and managerial strength to its subsidiary banks.[2] Although Applicant will incur some debt in connection with this proposal, it appears that Applicant will be able to service its debt. Accordingly, the Board concludes that 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 and the commitments offered in this case, 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 the Federal Reserve Bank of Dallas, acting pursuant to delegated authority.

By order of the Board of Governors, effective August 12, 1988.

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

JAMES MCAFEE
Associate Secretary of the Board

2. Policy Statement: Responsibility of Bank Holding Companies to Act as Sources of Strength to Their Subsidiary Banks, 52 *Federal Register* 15,707 (1987); CNB Bancorp, Inc., Danville, Illinois, 73 FEDERAL RESERVE BULLETIN 598 (1987).

Fort Madison Financial Company
Fort Madison, Iowa

Order Approving Formation of a Bank Holding Company

Fort Madison Financial Company, Fort Madison, Iowa ("Fort Madison"), has applied for the Board's approval pursuant to section 3(a)(1) of the Bank Holding Company Act, as amended (12 U.S.C. § 1842(a)(1)) ("BHC Act"), to become a bank holding company by acquiring all of the voting shares of Fort Madison Bank & Trust Company, Fort Madison, Iowa ("Bank").

Notice of the application, affording interested persons an opportunity to submit comments, has been given in accordance with section 3(b) of the BHC Act (53 *Federal Register* 16,898 (1988)). The time for filing comments has expired, and the Board has considered the application and all comments received in light of the factors set forth in section 3(c) of the BHC Act.

Fort Madison, a non-operating corporation with no subsidiaries,[1] has applied to become a bank holding company by acquiring Bank, which holds deposits of $51.1 million.[2] Upon consummation of this proposal, Fort Madison will become the 124th largest banking organization in Iowa, controlling less than one percent of total deposits held by commercial banks in the state.

Bank operates in the Fort Madison-Keokuk banking market,[3] where it is the second largest of fourteen banks and controls 13.2 percent of total deposits in commercial banks in the market. The principals of Fort Madison are not affiliated with any other depository institutions in this market. Consummation of this proposal would not result in any adverse effects upon competition or increase the concentration of banking resources in any relevant area. Accordingly, the Board concludes that competitive considerations under the BHC Act are consistent with approval.

The Board previously has indicated that a bank holding company should serve as a source of financial and managerial strength for its subsidiary bank.[4] Although Fort Madison will incur debt in connection with this proposal, it appears that Fort Madison will be able to service its debt and serve as a source of financial and managerial strength to Bank, particularly in light of certain commitments by Fort Madison's principals. Accordingly, the Board concludes that the financial and managerial resources of Fort Madison 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, including the commitments made by Fort Madison and

1. Fort Madison recently sold its ownership in its sole banking subsidiary, Iowa State Bank, Fort Madison, Iowa, and currently is not a bank holding company.
2. All banking data are as of June 30, 1987.
3. The Fort Madison-Keokuk banking market is approximated by Lee County, Iowa, excluding Greenbay and Cedar Township; and including the western portion of Hancock County, Illinois.
4. Policy Statement: Responsibility of Bank Holding Companies to Act as Sources of Strength to their Subsidiary Banks, 52 *Federal Register* 15,707 (1987); *CNB Bancorp, Inc.*, 73 FEDERAL RESERVE BULLETIN 598 (1987).

its principals, 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 the Federal Reserve Bank of Chicago, acting pursuant to delegated authority.

By order of the Board of Governors, effective August 15, 1988.

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

JAMES MCAFEE
Associate Secretary of the Board

HRH Bancorp, Inc.
Grant City, Missouri

Order Approving Formation of a Bank Holding Company

HRH Bancorp, Inc., Grant City, Missouri, has applied for the Board's approval under section 3(a)(1) of the Bank Holding Company Act (12 U.S.C. § 1842(a)(1)) ("BHC Act"), to become a bank holding company by acquiring all of the outstanding voting shares of Farmers Bank of Grant City/Sheridan, Grant City, Missouri ("Bank").

Notice of the application, affording an opportunity for interested persons to submit comments, has been given in accordance with section 3(b) of the BHC Act (53 *Federal Register* 7,971 (1988)). The time for filing comments has expired, and the Board has considered the application and all comments received in light of the factors set forth in section 3(c) of the BHC Act.

Applicant is a nonoperating corporation formed to acquire Bank. Bank is among the smaller commercial banking organizations in Missouri, with total deposits of $11.9 million, representing less than one percent of the total deposits in commercial banks in the state.[1] Consummation of the transaction would not result in an increase in the concentration of banking resources in Missouri.

Bank operates in the Worth County banking market,[2] where it is the second largest of two commercial banks, controlling 33.5 percent of the total deposits in commercial banks in the market. Principals of Applicant are not affiliated with any other depository institutions in this market. Consummation of this proposal would not result in any adverse effects upon competition or increase the concentration of banking resources in any relevant area.

1. Banking data are as of December 31, 1987.
2. The Worth County banking market is approximated by Worth County, Missouri.

Applicant will acquire Bank with existing funds and proposes to make an additional capital injection into Bank. The capital injection will serve to improve the condition of Bank and enhance its future prospects. Based upon the facts of record, including certain commitments made by Applicant's principal, the financial and managerial resources and future prospects of Applicant and Bank are consistent with approval. Considerations relating to convenience and needs of the community to be served also are consistent with approval of the application.

Based on 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 following the effective date of this Order, unless such period is extended for good cause by the Board or by the Federal Reserve Bank of Kansas City, acting pursuant to delegated authority.

By order of the Board of Governors, effective August 31, 1988.

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

JAMES MCAFEE
Associate Secretary of the Board

Moore Financial Group Incorporated
Boise, Idaho

Order Approving Acquisition of a Bank Holding Company

Moore Financial Group Incorporated, Boise, Idaho ("Moore"), a bank holding company within the meaning of the Bank Holding Company Act (the "Act") (12 U.S.C. § 1841 *et seq.*), has applied for the Board's approval pursuant to section 3(a)(3) of the Act (12 U.S.C. § 1842(a)(3)), to acquire all of the voting shares of Western Bank Holding Company, Bellevue, Washington ("Western"), and thereby indirectly acquire First Western Bank, Bellevue, Washington ("Bank").

Notice of the application, affording interested persons an opportunity to submit comments, has been published (53 *Federal Register* 23,152 (1988)). 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.

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 control of any 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."[1]

Moore's home state is Idaho[2] and Bank's home state is Washington. Effective July 1, 1987, the interstate banking statute of Washington authorizes bank holding companies located in other states to acquire a Washington bank subject to certain conditions, including in pertinent part:

(1) that the acquiree bank has been in operation for three years or more; and

(2) that the state in which the acquirer bank holding company principally conducts its operations permits a Washington bank or bank holding company to acquire a bank or bank holding company in that state.[3]

Section 30.04.232(c) of that statute also requires that the Washington Supervisor of Banking adopt a rule making a determination whether the laws of a particular state meet this reciprocity requirement. Upon a review of the record, this transaction fulfills the requirements of Washington law. Bank has been in operation since 1979, and the Washington Supervisor of Banking has adopted a regulation determining that the interstate banking statute of Idaho meets the reciprocity requirement.[4]

The interstate banking statute of Idaho permits out-of-state bank holding companies without geographic limitation to acquire control of the stock or assets of Idaho financial institutions, subject to approval by the Director of the Department of Finance.[5]

Based on the foregoing and other facts of record, the Board has determined that the proposed acquisition is specifically authorized by the statute laws of Washington and thus Board approval is not prohibited by the Douglas Amendment. Inasmuch as section 30.04.230 of the Washington Revised Code requires approval of this transaction by the Washington Supervisor of Banking, the Board's Order is specifically conditioned upon satisfaction of this state regulatory requirement.

Moore, a multi-bank holding company with three commercial bank subsidiaries, controls total deposits of $2.5 billion and engages in certain nonbanking activities. It is the largest commercial banking organization in Idaho, controlling deposits of $2.2 billion, which represent 37.4 percent of the deposits in commercial banking organizations in the state.[6] Western, a one-bank holding company, controls Bank, which is the 42nd largest commercial banking organization in Washington and controls deposits of $30.5 million, representing less than one percent of the deposits in commercial banking organizations in the state.

The Board has considered the effects of the proposal upon competition in the relevant banking markets. Because Moore does not operate a bank in any market in which Western operates a banking subsidiary, consummation of the proposal would not eliminate significant existing competition in any relevant banking market. The Board has also concluded that consummation of this proposal would not have any significant adverse effect on probable future competition in any relevant banking market.

The financial and managerial resources and future prospects of Moore, its subsidiary banks, Western and Bank are considered consistent with approval. The convenience and needs of the communities to be served are also consistent with approval of the application.

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

By order of the Board of Governors, effective August 24, 1988.

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

JAMES MCAFEE
Associate Secretary of the Board

1. A bank holding company's home state is the state in which the operations of the bank holding company's subsidiary banks were principally located on July 1, 1966, or on the date on which the company became a bank holding company, whichever is later.
2. Moore controls bank subsidiaries in Idaho, Oregon and Utah. More than 80 percent of Moore's assets are located in Idaho, which is considered Moore's home state.
3. Wash. Rev. Code Ann. § 30.04.230 *et seq.* (1986).
4. Wash. Admin. Code § 50-48-100 (1988).
5. Idaho Code § 26-2605 (Supp. 1987).
6. All banking data are as of December 31, 1986.

The Union of Arkansas Corporation
Little Rock, Arkansas

Order Approving Acquisition of a Bank

The Union of Arkansas Corporation, Little Rock, Arkansas, a bank holding company within the meaning of the Bank Holding Company Act ("Act") (12 U.S.C. § 1841 *et seq.*), has applied for approval under section 3(a)(3) of the Act (12 U.S.C. § 1842(a)(3)) to acquire the successor of BancFirst-Westlake, N.A., Austin, Texas.

Public notice of the application before the Board is not required by the Act and in view of the emergency situation the Board has not followed its normal practice of affording interested parties the opportunity to submit comments and views. In view of the emergency situation involving Bank, the Comptroller of the Currency has recommended immediate action by the Board to prevent the probable failure of First National Bank.

In connection with the application, the Secretary of the Board has taken into consideration the competitive effects of the proposed transaction and the financial and managerial resources and future prospects of the banks concerned, and the convenience and needs of the communities to be served. On the basis of the information before the Board, the Secretary of the Board finds that an emergency situation exists so as to require that the Secretary of the Board act immediately pursuant to the provisions of section 3(b) of the Act (12 U.S.C. § 1842(b)) in order to safeguard depositors of Bank. Having considered the record of this application in light of the factors contained in the Act, the Secretary of the Board has determined that consummation of the transaction would be in the public interest and that the application should be approved on a basis that would not preclude immediate consummation of the proposal. On the basis of these considerations, the application is approved.

The transaction may be consummated immediately but in no event later than three months after the effective date of this Order unless such period is extended for good cause by the Board or by the Federal Reserve Bank of St. Louis, acting pursuant to delegated authority.

By order of the Secretary of the Board acting pursuant to delegated authority for the Board of Governors, effective August 25, 1988.

WILLIAM W. WILES
Secretary of the Board

Orders Issued Under Section 4 of the Bank Holding Company Act

Bankers Trust New York Company
New York, New York

Order Approving Application to Engage in Combined Investment Advisory and Securities Brokerage Activities

Bankers Trust New York Company, New York, New York ("BTNY"), a bank holding company within the meaning of the Bank Holding Company Act ("BHC Act") (12 U.S.C. § 1841 *et seq.*), has applied for the Board's approval under section 4(c)(8) of the BHC Act and section 225.21(a) of the Board's Regulation Y (12 C.F.R. § 225.21(a)), to expand the authority of its wholly owned subsidiary, BT Brokerage Corporation, New York, New York ("BT Brokerage"), to include the activities of: providing investment advisory and research services to "Institutional Customers";[1] furnishing general economic advice and forecasting; and providing an integrated combination of securities brokerage services and investment advisory activities ("full-service brokerage activities") to such customers. BT Brokerage presently engages in securities brokerage services throughout the United States pursuant to section 225.25(b)(15) of Regulation Y, 12 C.F.R. § 225.25(b)(15), and now proposes to provide its expanded investment advisory and full-service brokerage activities to institutional customers in addition to its previously approved discount brokerage activities.

BTNY has also applied to expand the authority of its wholly owned subsidiary BT Securities, New York, New York ("BT Securities"), to include the provision of discount brokerage, investment advice, and full-service brokerage activities to institutional customers

1. An Institutional Customer is defined by BTNY to be:
(1) a bank (acting in an individual or fiduciary capacity); an insurance company; a registered investment company under the Investment Company Act of 1940; or a corporation, partnership, trust, proprietorship, organization or institutional entity with assets exceeding $1,000,000 that regularly invests in the types of securities as to which investment advice is given, or that regularly engages in transactions in securities;
(2) an employee benefit plan with assets exceeding $1,000,000, or whose investment decisions are made by a bank, insurance company or investment advisor registered under the Investment Advisors Act of 1940 (the "Advisors Act");
(3) a natural person whose individual net worth (or joint net worth with his or her spouse) at the time of receipt of the investment advice or brokerage services exceeds $1,000,000;
(4) a broker-dealer or option trader registered under the Securities Exchange Act of 1934 (the "Exchange Act"), or other securities, investment or banking professional; or
(5) an entity all of the equity owners of which are Institutional Customers.

only.[2] BT Securities presently engages in underwriting and dealing in U.S. government and other bank-eligible securities under section 225.25(b)(16) of Regulation Y, 12 C.F.R. § 225.25(b)(16), and in certain bank-ineligible securities on a limited basis.[3]

BTNY, with total consolidated assets of $60.0 billion, is the 8th largest commercial banking organization in the nation. It operates three subsidiary banks, one each in New York, Delaware, and Florida, and engages directly and through other subsidiaries in a broad range of nonbanking activities.[4]

Notice of the application, affording interested persons an opportunity to submit comments on the proposal, has been duly published (52 *Federal Register* 49,505 (1987)). The time for filing comments has expired, and the Board has considered the application and all comments received, in light of the public interest factors set forth in section 4(c)(8) of the BHC Act.

I. Background

The Board has previously determined that a combination of investment advice and securities execution services to institutional customers through the same bank holding company subsidiary is closely related and a proper incident to banking under section 4(c)(8) of the BHC Act and does not violate the Glass–Steagall Act.[5]

BTNY has structured its proposal to parallel in most substantive respects the *NatWest, J.P. Morgan* and *Manufacturers Hanover* proposals. BT Brokerage and BT Securities will hold themselves out as separate and distinct corporations with their own properties, assets, liabilities, capital, books and records.[6] All of the brokerage subsidiaries' notices, advice, confirmations, correspondence and other documentation will be clearly imprinted to avoid confusion with affiliated banks. All customer agreements will specify that the brokerage subsidiaries are solely responsible for their contractual obligations and commitments.

As in earlier proposals approved by the Board, when both BT Brokerage and BT Securities purchase securities for a customer from an affiliate, they will disclose that fact to the customer and obtain the customer's consent.[7] The brokerage subsidiaries also will fully disclose their dual role as securities broker and investment advisor to their institutional customers.[8] In addition, the brokerage subsidiaries will exercise discretionary portfolio management for institutional customers; the subsidiaries do not intend to market such services.

II. BHC Act Factors

BTNY has proposed several modifications to the conduct of activities approved in *NatWest, J.P. Morgan,* and *Manufacturers Hanover.* For the reasons set forth below, the Board concludes that these modifications do not alter the underlying rationale of the Board's previous decisions in those cases that the combined activities are closely related to banking and a proper incident thereto.[9]

A. Definition of Institutional Customer.

BTNY's definition of institutional customer differs from that approved in *Manufacturers Hanover* only in that the definition includes investment or banking professionals. In the Board's view, expansion of the definition of institutional customers to include investment and banking professionals would not materially increase the likelihood of significant adverse effects.

BTNY also proposes that the subsidiaries make available their services to employees of BTNY and its subsidiaries who may not be investment or banking professionals, in order that BTNY may monitor the employees' securities activities for compliance with BTNY's insider trading rules. Because these employees would be retail, rather than institutional custom-

2. Both BT Securities and BT Brokerage will also provide services to other subsidiaries of BTNY as permissible servicing activities under section 225.22 of Regulation Y, 12 C.F.R. § 225.22.

3. BT Securities has been authorized to underwrite and deal in municipal revenue bonds, commercial paper, mortgage-related securities and consumer receivables-related securities, so long as it is not "engaged principally" in such activities in contravention of section 20 of the Glass–Steagall Act. *Citicorp, et al.,* 73 FEDERAL RESERVE BULLETIN 473 (1987) ("*Citicorp*" or "*Section 20 Order*").

4. Banking data are as of March 31, 1988.

5. *National Westminster Bank PLC, et al.,* 72 FEDERAL RESERVE BULLETIN 584 (1986) ("*NatWest*") *aff'd sub nom., Securities Industry Ass'n v. Board of Governors,* 821 F.2d 810 (D.C. Cir. 1987), *cert. denied,* 108 S. Ct. 697 (1988); *J.P. Morgan and Company, Inc.* 73 FEDERAL RESERVE BULLETIN 810 ("*J.P. Morgan*"); *Manufacturers Hanover Corporation,* 73 FEDERAL RESERVE BULLETIN 930 (1987) ("*Manufacturers Hanover*").

6. Any back office services provided by affiliates will be compensated for in accordance with the fair market pricing provisions of section 23B of the Federal Reserve Act, 12 U.S.C. § 371c-1. Moreover, any research or investment advice purchased from affiliates also will be compensated for in accordance with section 23B.

7. As further specified below, the disclosure terms and procedures for each subsidiary will vary slightly, inasmuch as BT Brokerage conducts purely agency activities. In contrast, BT Securities also may hold a principal's position with respect to the securities it is brokering or recommending, and therefore is subject to different disclosure requirements under applicable securities law.

8. The brokerage subsidiaries will not offer their services to non-institutional customers.

9. The Board hereby incorporates by reference its rationale and findings in the *NatWest* and *J.P. Morgan* Orders regarding the closely-relatedness of the proposed activities to banking. In addition, these modifications do not alter the Board's determination in *NatWest* and subsequent cases that the proposed activities are not activities covered by section 20 of the Glass–Steagall Act.

ers, BTNY has committed to restrict the services provided to such employees in accordance with the Board's recent Order approving the combination of investment advisory and securities brokerage services for retail customers. *See Bank of New England Corporation,* 74 FEDERAL RESERVE BULLETIN 700 (Order dated August 10, 1988).

B. BT Securities Taking a Principal's Position.

BT Securities may take a principal's position in those securities it is authorized to underwrite and deal in, and as well may broker or recommend such securities to its institutional customers.[10]

With respect to potential conflicts of interest arising from such dual activities, BTNY has committed to a series of disclosure and other requirements that would tend to mitigate the potential for such adverse effects. Both BT Securities and BT Brokerage will prominently disclose in writing to each customer before entering into an agreement to provide any brokerage or advisory services that the brokerage subsidiaries are not banks, are separate from any affiliated bank, and the securities sold, offered, or recommended by these subsidiaries are not deposits, are not insured by the FDIC, are not guaranteed by an affiliated bank, and are not otherwise an obligation of an affiliated bank (unless such is in fact the case). Moreover, under federal securities laws and common law fiduciary requirements, both BT Securities and BT Brokerage are required to disclose to an advisory customer any interest of an affiliate as underwriter or market maker in the securities being purchased or recommended.

With respect to BT Securities, BTNY also has committed that this subsidiary will give prior notice to customers as to whether it is acting as principal or agent in any particular transaction, as set forth below.[11] (The brokerage subsidiaries will not, pursuant to this proposal, offer securities to the public as agent for an issuer).

With respect to BT Brokerage, BTNY has committed that in any transaction in which BT Brokerage purchases securities for an institutional customer from an affiliate, BT Brokerage also will make prior disclosure of that fact to the customer and obtain the customer's consent. This disclosure will occur both at the beginning of the relationship with the institutional customer and upon confirmation of each order.[12]

In view of BTNY's provision for extensive disclosures in both brokerage subsidiaries regarding securities in which BT Securities may hold a principal's position, and the likely financial sophistication of BTNY's institutional customers, the Board concludes that the likelihood of adverse effects, such as conflicts of interests, arising from this aspect of the proposal is substantially mitigated.

C. Cross Marketing of Services.

As previously approved in the *J.P. Morgan* proposal, the brokerage subsidiaries will share customer lists with bank affiliates,[13] as well as confidential information regarding such customers, only with the customers' consent.[14] In addition, BTNY proposes a cross marketing of services whereby the brokerage subsidiaries and their affiliates will have an opportunity to introduce each other's services to institutional customers.[15]

BTNY acknowledges that its affiliates cannot engage in such activities inconsistent with the cross marketing restrictions in the Board's Section 20 Orders. Moreover, BTNY has proposed no cross marketing services that would be inconsistent with those

10. As noted above, BT Securities may underwrite and deal in U.S. government obligations and general obligations of states and municipalities and other securities member banks may underwrite and deal, as well as municipal revenue bonds, commercial paper, mortgage-related securities and consumer receivables-related securities.

11. In particular, BT Securities intends to inform its brokerage/advisory customers of its underwriter/dealer role in three ways. First, it will send out a special disclosure statement to each brokerage/advisory customer at the commencement of the customer relationship (or at the time of commencing full-service brokerage) informing the customer that, as a general matter, BT Securities might be a principal, or might be engaged in an underwriting, with respect to certain securities as to which brokerage/advisory services are being provided. Second, at the time a brokerage order is being taken, the customer will be informed (usually orally) whether BT Securities is acting as agent or as principal with respect to the security. Third, confirmations sent to customers will state whether BT Securities is acting as agent or as principal.

12. In addition, in order to ensure that its institutional customers would receive unbiased investment advice from BT Brokerage, BTNY has committed that research personnel of BT Brokerage will not be provided with position reports regarding the securities its affiliates may hold in inventory. As in *J.P. Morgan,* this condition should help to ensure that institutional customers of BT Brokerage receive unbiased investment advice.

For compliance reasons, BT Brokerage may, at the time a research report is being released, disclose to customers its affiliates' positions in securities that are the subject of the research report. If this procedure is followed, research personnel may be able to learn about affiliates' positions—after the research report is prepared—by virtue of the public disclosure of those positions.

13. Furthermore, BTNY proposes making available to affiliated banks the investment recommendations and research that it makes available to unaffiliated investor clients or that are non-confidential.

14. BTNY has committed that there will be no flow of confidential customer information between any affiliated bank and the brokerage subsidiaries without customer consent. Additionally, any confidential information obtained by a bank affiliate in its commercial banking business will be subject to BTNY's policy against disclosure to persons other than on a "need to know" basis.

15. BTNY proposes, as examples, that a bank affiliate could introduce BT Brokerage to a client who is seeking to make open market purchases of its own stock, or sales personnel at BT Securities may sell certain instruments issued by affiliated banks, such as certificates of deposit and bankers acceptances of Bankers Trust Company.

Orders. In addition, and as noted above, both BT Brokerage and BT Securities provide extensive disclosure at the commencement of their relationship with an institutional customer regarding their separation from an affiliated bank. Finally, as required by section 23B of the Federal Reserve Act, no affiliated bank may engage in advertising for these subsidiaries stating or suggesting that an affiliated bank is responsible for the subsidiaries' obligations, or enter into any agreement so stating or suggesting. In light of these factors, the Board concludes that the private introduction of institutional customers to services of affiliates (consistent with the terms of the Section 20 Orders) would not result in significant adverse effects.

D. Management Interlocks Between BT Brokerage and Affiliated Banks.

BTNY commits that no officer of any affiliated bank will serve as an officer of BT Brokerage, and no director of any affiliated bank will serve as an officer or director of BT Brokerage.[16] Furthermore, as mandated by the Section 20 Order, BTNY commits that there will be no interlocking relationships whatsoever between affiliated banks and BT Securities. BTNY proposes, however, that officers of affiliated banks may serve as directors of BT Brokerage.

Under BTNY's present plan, one Executive Vice President of Bankers Trust Company would serve as a director of BT Brokerage. That officer would have direct line responsibility for certain trust, investment advisory and brokerage activities in Bankers Trust Company, but not for lending activities. He would also have a role in strategic planning and other general managerial matters relating to Bankers Trust Company's private banking business as a whole, which includes lending, but no responsibility for customer interface or credit decisions in lending activities.[17]

The Board's reluctance in prior Orders[18] to authorize management interlocks between securities affiliates and domestic banks advances the principle of corporate separateness, where an affiliated bank is insulated from the financial fortunes of its securities affiliate and from the risk of financial loss in those securities in which the securities affiliate may hold a principal's position. In addition, these interlock prohibitions serve to prevent common control of the decision-making process within a bank and its securities affiliate so as not to influence the independent judgments of these subsidiaries, which would serve to undermine the separation of these entities that the Board seeks to achieve. These concerns, however, are of a substantially smaller magnitude here, where BT Brokerage would be engaged in purely agency activities and where no substantial capital is put at risk.[19] Therefore, the corporate separateness achieved through entirely separate management structures is not as critical for BT Brokerage as it would be for a subsidiary (such as BT Securities) which may take a principal's position in those securities it brokers and recommends, and thereby subject that subsidiary to the risk of substantial financial loss.

These prohibitions also reduce the potential for conflicts of interests where one individual is required to advance the differing objectives of a bank and its securities affiliate, as well as to enhance the separation of such affiliates. Such interlocks could facilitate the flow of information between the affiliates, such that commitments designed to allow bank commercial lending departments to remain impartial extenders of credit—uninfluenced by the fortunes or recommendations of its securities affiliate—could be rendered ineffective and result in unsound banking practices. In view of the substantial Chinese Walls erected by BTNY to prevent such information flows, and the reduced incentive to engage in such unsound practices where the affiliate has no salesman's stake in the securities it brokers or recommends, the Board believes that the potential for such conflicts is substantially mitigated.

16. In addition, BTNY has committed that there will be no employee interlocks between BT Brokerage and affiliated banks.

17. BTNY asserts that the Executive Vice President in question would be triply removed from the risks that BTNY's "Chinese Wall" is designed to deal with. First, given his lack of responsibility for customer interface or credit decisions for lending activities, he would generally not receive material non-public information arising out of lending activities. Second, the part of Bankers Trust Company he will be associated with, the private banking group, generally makes loans to individuals and to privately held companies, not to issuers of traded securities, so even if he were to come into possession of confidential information about a borrower, the information would ordinarily not be material information as to any issuer of traded securities. Third, BTNY contends that the Executive Vice President's activities relating to BT Brokerage would involve him in broad oversight of the corporation's activities, not in the preparation or dissemination of investment advice.

18. *See, e.g.*, the Board's *NatWest* and *Manufacturers Hanover* Orders cited above; *see also Bank of Nova Scotia*, 74 Federal Reserve Bulletin 249 (1988).

19. In this regard, the Board notes that the current version of the Proxmire Financial Modernization Act of 1988 prohibits officer or director interlocks between a "securities affiliate" (engaged in the underwriting of bank-ineligible securities) and an affiliated bank, subject to a general asset limitation exception inapplicable here. This prohibition does not extend to companies engaging solely in agency activities, such as BT Brokerage. *See* S. 1886, 100th Cong., 2d Sess., 134 Cong. Rec. S3520 (daily ed. March 31, 1988).

III. Conclusion

Based upon the foregoing and other considerations reflected in the record, the Board has determined that the public benefits associated with this proposal can reasonably be expected to outweigh its possible adverse effects and that the balance of the public interest factors that the Board is required to consider under section 4(c)(8) of the BHC Act is favorable. Accordingly, the application is hereby approved, subject to the commitments made by BTNY and the conditions stated or incorporated by reference in this Order. This determination is further 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 the 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.

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

By order of the Board of Governors, effective August 15, 1988.

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

JAMES MCAFEE
Associate Secretary of the Board

Bank of Boston Corporation
Boston, Massachusetts

Order Approving Application to Engage in Underwriting and Dealing in Certain Securities to a Limited Extent

Bank of Boston Corporation, Boston, Massachusetts, 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 BancBoston Securities, Inc., Boston, Massachusetts ("Company"), on a limited basis in underwriting and dealing in:

(1) municipal revenue bonds, including certain industrial development bonds;
(2) 1–4 family mortgage-related securities;
(3) commercial paper; and
(4) consumer-receivable-related securities ("CRRs") (collectively "ineligible securities").

Applicant has also applied to engage through Company in underwriting and dealing 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)).

Applicant, with consolidated assets of $33.4 billion, is the 13th largest banking organization in the nation. It operates four 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 (53 *Federal Register* 7,970 (1988)). The Securities Industry Association, a trade association of the investment banking industry, opposes the application for the reasons stated in its earlier protests to similar applications by Citicorp, J.P. Morgan & Co. Incorporated and Bankers Trust New York Corporation. The California Bankers Association commented in favor of the application.

The Board has previously determined that underwriting and dealing in bank-eligible securities is closely related to banking under section 4(c)(8) of the BHC Act. 12 C.F.R. § 225.25(b)(16). In addition, the Board concludes that Company's performance of this activity may reasonably be expected to result in public benefits which would outweigh adverse effects under the proper incident to banking standard of section 4(c)(8) of the BHC Act. Accordingly, Applicant may engage through Company in underwriting and dealing in bank-eligible securities to the extent that state member banks are authorized by section 16 of the Glass–Steagall Act.

The Board has also previously determined that the conduct of the proposed ineligible securities underwriting and dealing activity is consistent with section 20 of the Glass–Steagall Act, provided the underwriting subsidiary derives no more than 5 percent of its total gross revenue from underwriting and dealing in the approved securities over any two-year period.[2]

1. All data are as of March 31, 1988.
2. *Citicorp, J.P. Morgan & Co. Incorporated and Bankers Trust New York Corporation*, 73 FEDERAL RESERVE BULLETIN 473 (1987) ("*Citicorp/Morgan/Bankers Trust*"), *aff'd sub nom., Securities Industry Association v. Board of Governors of the Federal Reserve System*, 839 F.2d 47 (2d Cir. 1988), *cert. denied*, 108 S. Ct. 697 (1988) ("*SIA v. Board*"); and *Chemical New York Corporation, The Chase Manhattan Corporation, Bankers Trust New York Corporation, Citicorp, Manufacturers Hanover Corporation and Security Pacific Corporation*, 73 FEDERAL RESERVE BULLETIN 731 (1987) ("*Chemical*").

The Board further found that, subject to the prudential framework of limitations established in those cases to address the potential for conflicts of interests, 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 thereto within the meaning of section 4(c)(8) of the BHC Act. Applicant has committed to conduct its ineligible underwriting and dealing activities subject to the 5 percent revenue test and the prudential limitations established by the Board in its *Citicorp/Morgan/Bankers Trust* and *Chemical* Orders.[3]

Consummation of the proposal would provide added convenience to Applicant's customers. In addition, the Board expects that the *de novo* entry of Applicant into the market for these services would increase the level of competition among providers of these services. Accordingly, the Board has determined that the performance of the proposed activities by Applicant can reasonably be expected to produce public benefits which would outweigh adverse effects under the proper incident to banking standard of section 4(c)(8) of the BHC Act.[4]

Based on the above, the Board has determined to approve the underwriting application subject to all of the terms and conditions established in the *Citicorp/Morgan/Bankers Trust* and *Chemical* Orders, except the market share limitation.[5]

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.

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

By order of the Board of Governors, effective August 8, 1988.

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

JAMES MCAFEE
Associate Secretary of the Board

3. Applicant has not proposed a market share limitation. Accordingly, and in light of the decision in *SIA v. Board*, the Board has determined not to require Applicant to comply with a market share limitation.

4. Company may also provide services that are necessary incidents to these approved activities. The incidental services should be taken into account in computing the gross revenue limit on the underwriting subsidiary's ineligible underwriting and dealing activities, to the extent such limits apply to particular incidental activities.

5. The industrial development bonds approved in those applications and for Applicant in this case are only those tax exempt bonds in which the governmental issuer, or the governmental unit on behalf of which the bonds are issued, is the owner for federal income tax purposes of the financed facility (such as airports, mass commuting facilities, and water pollution control facilities). Without further approval from the Board, Company may underwrite or deal in only these types of industrial development bonds.

Bank of New England Corporation
Boston, Massachusetts

Order Approving Application to Engage in Combined Investment Advisory and Securities Brokerage Activities

Bank of New England Corporation, Boston, Massachusetts ("BNEC"), a bank holding company within the meaning of the Bank Holding Company Act ("BHC Act") (12 U.S.C. § 1841 *et seq.*), has applied for the Board's approval under section 4(c)(8) of the BHC Act and section 225.21(a) of the Board's Regulation Y, 12 C.F.R. § 225.21(a), to expand the authority of its wholly owned subsidiary, New England Discount Brokerage, Inc. ("NEDB"), to include the activities of providing investment advisory and research services[1] to "institutional" and retail customers.[2] NEDB presently engages in securities brokerage services throughout the United States pursuant to section 225.25(b)(15) of Regulation Y, 12 C.F.R. § 225.25(b)(15), and now proposes to combine investment advice with its brokerage services

1. NEDB will furnish general economic information and advice, general economic statistical forecasting services and industry studies to its customers. NEDB will also provide these services to its affiliates as permissible servicing activities under section 225.22 of the Board's Regulation Y, 12 C.F.R. § 225.22.

2. An Institutional Customer is defined by Applicant to include:
(1) a bank (acting in an individual or fiduciary capacity); a savings and loan association; an insurance company; a registered investment company under the Investment Company Act of 1940; or a corporation, partnership, proprietorship, organization or institutional entity that regularly invests in the types of securities as to which investment advice is given, or that regularly engages in transactions in securities;
(2) an employee benefit plan with assets exceeding $1,000,000 or whose investment decisions are made by a bank, insurance company or investment adviser registered under the Investment Advisers Act of 1940;
(3) a natural person whose individual net worth (or joint net worth with his or her spouse) at the time of receipt of the investment advice or brokerage services exceeds $1,000,000;
(4) a broker-dealer or option trader registered under the Securities Exchange Act of 1934, or other securities professionals; or
(5) an entity all of the equity owners of which are Institutional Customers.
The term "retail customer" means any customer that does not meet the definition of an "institutional customer".

("full-service brokerage") for institutional and retail customers.

Applicant, with total consolidated assets of $28.8 billion, is the 19th largest commercial banking organization in the nation.[3] It operates ten subsidiary banks, seven in Massachusetts and one each in Connecticut, Maine, and Rhode Island, and engages directly and through other subsidiaries in various nonbanking activities.

Notice of the application, affording interested persons an opportunity to submit comments on the proposal, has been duly published (52 *Federal Register* 44,934 (1987)). The time for filing comments has expired, and the Board has considered the application and all comments received in light of the public interest factors set forth in section 4(c)(8) of the BHC Act.

I. Background

The Board has previously determined that the combined offering of investment advice with securities execution services to institutional customers from the same bank holding company subsidiary is closely related and a proper incident to banking under section 4(c)(8) of the BHC Act and does not violate the Glass–Steagall Act. *National Westminster Bank PLC, et al.*, 72 FEDERAL RESERVE BULLETIN 584 (1986) ("*NatWest*");[4] *J.P. Morgan and Company, Inc.*, 73 FEDERAL RESERVE BULLETIN 810 (1987) ("*J.P. Morgan*"); *Manufacturers Hanover Corporation*, 73 FEDERAL RESERVE BULLETIN 930 (1987) ("*Manufacturers Hanover*"). The principal difference between the *NatWest* application and this proposal is the provision of such combined services to retail as well as institutional customers.

Under this proposal, NEDB will not act as principal or take a position (*i.e.*, bear the financial risk) in any securities it brokers or recommends. In line with *NatWest*, Applicant has committed that NEDB will hold itself out as a separate and distinct corporation with its own properties, assets, liabilities, capital, books and records.[5] To further ensure the separation of NEDB and its bank affiliates and to avoid potential conflicts of interests, no officer, director, or employee of any bank affiliate of NEDB will serve at the same time as an officer, director, or employee of NEDB. NEDB will offer investment advice, as well as provide securities execution services, to institutional and retail customers on an integrated basis, *i.e.*, NEDB will not charge an explicit fee for the investment advice and will receive fees only for transactions executed for customers. Applicant has also made certain additional commitments paralleling those in previous orders which tend to mitigate potential conflicts of interests.[6]

To address the potential for conflicts of interests that might arise in the extension of the full-service brokerage activity to retail customers, Applicant has committed that, before providing any brokerage or advisory services to retail customers, NEDB will prominently disclose in writing to each of such customers that NEDB is not a bank and is separate from any affiliated bank, and that the securities sold, offered, or recommended by NEDB are not deposits, are not insured by the FDIC, are not guaranteed by an affiliated bank, and are not otherwise an obligation of an affiliated bank, unless such is in fact the case. BNEC has also stated that NEDB will not recommend, purchase, or sell for its customers any security being underwritten by an affiliate or in which an affiliate makes a market.[7] NEDB will provide discretionary investment management for institutional customers only, under the same terms and conditions as previously approved by the Board in its *J.P. Morgan* Order. Such discretionary investment management services will *not* be provided for retail customers. Finally, no affiliated bank will engage in advertising for NEDB stating or suggesting that an affiliated bank is responsible in any way for NEDB's obligations or enter into any agreement so stating or suggesting.

3. Banking data are as of March 31, 1988.

4. *Affirmed sub nom., Securities Industry Ass'n v. Board of Governors*, 821 F.2d 810 (D.C. Cir. 1987), *cert. denied*, 108 S. Ct. 697 (1988).

5. All of NEDB's notices, advice, confirmations, correspondence and other documentation will clearly indicate NEDB's separate identity in order to avoid any confusion between NEDB and its bank affiliates. NEDB also will specify in all customer agreements that NEDB is solely responsible for its contractual obligations and commitments.

6. For example, NEDB will not transmit advisory research or recommendations to the commercial lending department of any bank affiliate. In addition, NEDB will provide notice to its customers that an affiliated bank may be a lender to an issuer of securities. NEDB proposes to share customer lists with affiliates, as previously approved in the Board's *Manufacturers Hanover* Order. In order to guard against potential adverse effects arising from the exchange of such lists, Applicant has committed that: NEDB will use customer lists for general advertising purposes only, such as mass mailings; customers of its affiliates will not be individually solicited; and that such lists will not indicate whether the customers are depositors or borrowers of affiliated banks or include any information regarding extensions of credit by any affiliate. Moreover, NEDB and its affiliates will not share any other confidential information concerning their respective customers.

7. NEDB may, however, recommend, purchase, or sell for its customers corporate stock or commercial paper issued by Applicant or its affiliates to fund their activities in accordance with the appropriate Board and securities regulations regarding the conduct of such funding activities. *See, e.g.*, 12 C.F.R. § 250.221.

II. Glass–Steagall Act Considerations

As noted, the Board in *NatWest* and subsequent cases concluded that the combined offering of investment advisory and securities execution services to institutional customers by bank holding company subsidiaries did not violate the Glass–Steagall Act and was consistent with the intent of that Act. The Board does not believe that the expansion of this activity to retail customers alters that determination. The relevant Glass–Steagall Act provisions make no distinction between brokerage activities based on whether the customer is an institutional or a retail customer. Accordingly, for the reasons noted in the Board's *NatWest* Order and in light of the current record, the Board concludes that the combination of investment advice and execution services proposed here does not constitute a "public sale" of securities for purposes of section 20 or 32 of the Glass–Steagall Act and that the proposal is consistent with the terms and intent of that Act.

III. Bank Holding Company Act Factors

Section 4(c)(8) imposes a two-step test for determining the permissibility of nonbanking activities for bank holding companies:

(1) whether the activity is closely related to banking; and

(2) whether the activity is a "proper incident" to banking —that is, whether the proposed activity can reasonably be expected to produce benefits to the public that outweigh possible adverse effects. 12 U.S.C. § 1843(c)(8). For the reasons set forth below, the Board believes that the expansion of full-service brokerage services to retail customers does not alter the underlying rationale of the Board's decision in *NatWest* that such combined activities are closely related to banking and a proper incident thereto, particularly in light of the additional commitments made by Applicant regarding the provision of the combined services to retail customers.

A. Closely Related to Banking Analysis

Based on guidelines established in the *National Courier* case, a particular activity may be found to meet the "closely related to banking" test if it is demonstrated that banks generally have in fact provided the proposed activity; that banks generally provide services that are operationally or functionally so similar to the proposed activity as to equip them particularly well to provide the proposed activity; or that banks generally provide services that are so integrally related to the proposed activity as to require their provision in a specialized form.[8]

In the *NatWest* Order, the Board determined that the provision of combined investment advisory and securities execution services to institutional customers by the same subsidiary was closely related to banking.[9] The extension of these services to retail customers does not alter the functional nature of the activity. In this regard, the Board notes that banks have traditionally provided, in conjunction with affiliates, both investment advice and securities execution services on behalf of trust customers, in a manner that closely resembles full-service brokerage activities.[10] In addition, the Board notes that the Office of the Comptroller of the Currency has authorized national banks and their subsidiaries to offer combined investment advisory and securities brokerage services for retail customers.[11]

On the basis of these considerations, the Board concludes that the proposed activity is closely related to banking.

B. The Proper Incident to Banking Analysis

With respect to the "proper incident" requirement, section 4(c)(8) of the BHC Act requires the Board to consider whether the performance of the activity by an affiliate of a holding company "can reasonably be expected to produce benefits to the public, such as greater convenience, increased competition, or gains in efficiency that outweigh possible adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interests, or unsound banking practices."

An issue raised by this proposal is whether the provision of full-service brokerage activities to retail customers would produce the type of adverse effects

8. *Nat'l Courier Ass'n v. Board of Governors*, 516 F.2d 1229, 1237 (D.C. Cir. 1975). The Board has stated that in acting on a request to engage in a new nonbanking activity, it will consider any other factor that an applicant may advance to demonstrate a reasonable or close connection or relationship of the activity to banking. 49 *Federal Register* 794, 806 (1984); *Securities Industry Ass'n v. Board of Governors*, 104 S. Ct. 3003, 3005–06 n.5 (1984).

9. The Board proferred two distinct grounds for its determination. The Board concluded that banks generally provide services that are so functionally similar to the proposed activity as to equip bank holding companies particularly well to provide the proposed activity. Independently, the Board also found that the combined services were closely related to banking on the basis that the functional nature and scope of two previously approved activities—investment advice and discount brokerage—would not be altered when the activities were combined.

10. The Board notes that NEDB expects to rely primarily on research provided by third parties in serving its customers. NEDB expects that much of this research will be available from the trust departments of its affiliated banks.

11. OCC Interpretive Letter No. 386 (June 19, 1987), *reprinted in* [Current] Fed. Banking L. Rep. (CCH)/85,610, at 77,932.

mentioned in the BHC Act, such as conflicts of interests or unsafe or unsound banking practices, or the "subtle hazards" that the Supreme Court has stated the Glass–Steagall Act was designed to prevent, such as damage to the reputation of the bank or the "churning" of brokerage accounts, that would outweigh any public benefits associated with the proposal.

1. Public Benefits

NEDB will enter the full-service brokerage market as a *de novo* competitor, which may be expected to result in increased competition. Moreover, the ability to offer and to obtain the combined brokerage and investment advisory services at the same location would result in increased efficiencies for NEDB as well as increased convenience for institutional and retail customers.

2. Potential Adverse Effects

The activity proposed here is substantially similar to that approved by the Board in the *NatWest* Order. In like fashion, Applicant has made a series of commitments and conditions regarding the conduct of this activity that parallel in pertinent part the commitments and conditions in the *NatWest* Order that were designed to address the potential for adverse effects arising from the combination of investment advice and securities execution services. Moreover, Applicant has made additional commitments, outlined above, that are designed to address the potential for conflicts of interests and other adverse effects that may result from the provision of the combined services to retail customers. As discussed below, subject to these commitments and conditions, the Board has determined that the provision of full-service brokerage to both institutional and retail customers is a proper incident to banking.

It does not appear likely that the provision of full-service brokerage services to institutional and retail customers will lead NEDB to churn its accounts or recommend unsuitable investments for its clients, substantially for the reasons already outlined in the Board's *NatWest*, *J.P. Morgan*, and *Manufacturers Hanover* Orders. The record reflects the fact that NEDB, as a registered broker-dealer, must abide by the antifraud provisions of the Securities Exchange Act of 1934, as well as the general antifraud provisions in Securities and Exchange Commission Regulations.[12] Moreover, as in prior orders regarding the conduct of these activities, the Board conditions its approval of the proposal on NEDB's observance of the same standards of care and conduct applicable to fiduciaries that are imposed on investment advisers pursuant to section 225.25(b)(4) of Regulation Y.

The Board also notes that Applicant has made commitments which tend to mitigate the potential for conflicts of interests. NEDB will not provide investment advice to its brokerage customers with respect to shares of any investment company for which BNEC or any of its affiliates serves as investment adviser. NEDB will also provide a general disclosure statement to its customers, which will point out that an affiliated bank may be a lender to an issuer of securities. As noted above, BNEC has stated that NEDB will not recommend, purchase, or sell for its customers any security being underwritten by an affiliate or in which it makes a market.[13] Finally, NEDB will not have any discretion over the investments of its retail customers, acting solely to execute the specific buy and sell orders of such customers.

The Board does not believe that unsound banking practices would result from this proposal. The mere expansion of the customer base for full-service brokerage activities should not create any greater likelihood of affiliated banks failing to provide impartial credit or shoring-up failing securities affiliates. Furthermore, the Board believes that Applicant's extensive pretransaction disclosure commitments regarding the separation of NEDB from its banking affiliates should be sufficient to prevent any potential damage to affiliated banks' reputations arising from the extension of full-service brokerage services to retail customers.[14] In sum, the Board believes that its determination in the *NatWest* proposal that unsound banking practices would not likely result from these combined activities remains unaffected by the inclusion of retail customers within the ambit of such activities.

12. 15 U.S.C. § 78k, and 17 C.F.R. § 240.15cl-2(a), respectively. These provisions have been interpreted as prohibiting churning. *See, e.g., First Securities Corp.*, 40 S.E.C. 589, 591 (1961); *Hecht v. Harris, Upham & Co.*, 283 F. Supp. 417, 435 (N.D. Cal. 1968).

13. NEDB may, however, recommend, purchase or sell for its customers corporate stock or commercial paper issued by Applicant or its affiliates to fund their activities in accordance with the appropriate securities regulations and relevant Board interpretations regarding the conduct of such funding activities.

14. Applicant has indicated that affiliates may provide certain back office services to NEDB, in accord with section 225.22 of the Board's Regulation Y, 12 C.F.R. § 225.22. As these activities would be purely administrative in nature, with no identifiable contact with NEDB's retail customers, these activities would not increase the likelihood of customer association of NEDB with its bank affiliates. The provision of similar back office services to a full-service brokerage subsidiary was approved by the Board in its *J.P. Morgan* Order.

IV. Conclusion

Based upon the foregoing and other considerations reflected in the record, the Board has determined that the public benefits associated with consummation of this proposal can reasonably be expected to outweigh possible adverse effects, and that the balance of the public interest factors that the Board is required to consider under section 4(c)(8) of the BHC Act is favorable. Accordingly, the application is hereby approved, subject to the commitments made by Applicant and the conditions (whether explicitly stated or incorporated by reference) in this Order. This determination is further 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 the 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.

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

By order of the Board of Governors, effective August 10, 1988.

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

JAMES MCAFEE
Associate Secretary of the Board

The Chase Manhattan Corporation New York, New York

Order Approving Application to Engage in Combined Investment Advisory and Securities Brokerage Activities

The Chase Manhattan Corporation, New York, New York, a bank holding company within the meaning of the Bank Holding Company Act of 1956, as amended (12 U.S.C. § 1841 *et seq.*) ("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 expand the authority of its wholly owned subsidiary, Chase Manhattan Treasury Corporation, New York, New York ("Company"), to include offering investment advice and securities brokerage activities on a combined basis to institutional customers.

Applicant also proposes to engage through Company in providing portfolio investment advice and research to institutional customers and affiliates and in furnishing general economic information and financial advice, general economic statistical forecasting services, and industry studies to institutional customers. The Board has previously determined that these investment advisory activities are generally permissible for bank holding companies.[1]

Company has previously received Board authorization to underwrite and deal in commercial paper, municipal revenue bonds, 1–4 family mortgage-related securities and consumer-receivable-related securities ("ineligible securities"), as long as Company is not principally engaged in such activities.[2]

Applicant, with consolidated assets of $97.6 billion,[3] is the second largest commercial banking organization in the nation. It operates seven subsidiary banks and engages in a broad range of permissible nonbanking activities in the United States and abroad.

Notice of the application, affording interested persons an opportunity to submit comments on the proposal, has been duly published (53 *Federal Register* 5,833 (1988)). The time for filing comments has expired, and the Board has considered the application and all comments received in light of the public interest factors set forth in section 4(c)(8) of the BHC Act.

The Board has previously determined that the offering of a combination of investment advice and securities execution services to institutional customers through the same bank holding company subsidiary is closely related and a proper incident to banking under section 4(c)(8) of the BHC Act and does not violate the Glass–Steagall Act.[4] Applicant has applied to conduct its brokerage activities in accordance with the limitations approved by the Board in its prior decisions.[5]

1. 12 C.F.R. §§ 225.25(b)(4)(iii) and (iv).

2. *The Chase Manhattan Corporation*, 73 FEDERAL RESERVE BULLETIN 607 (1987) (underwriting and dealing in municipal revenue bonds and mortgage-related securities); *Chemical New York Corporation/The Chase Manhattan Corporation, et al.*, 73 FEDERAL RESERVE BULLETIN 731 (1987) (underwriting and dealing in consumer-receivable-related securities); and *The Chase Manhattan Corporation*, 74 FEDERAL RESERVE BULLETIN 391 (1988) (underwriting and dealing in commercial paper).

3. Banking data are as of March 31, 1988.

4. *National Westminster Bank PLC, et al.*, 72 FEDERAL RESERVE BULLETIN 584 (1986) ("*NatWest*"), aff'd *sub nom., Securities Industry Ass'n v. Board of Governors*, 821 F.2d 810 (D.C. Cir. 1987), *cert. denied*, 108 S. Ct. 697 (1988); *J.P. Morgan and Company, Inc.*, 73 FEDERAL RESERVE BULLETIN 810 ("*J.P. Morgan*"); and *Manufacturers Hanover Corporation*, 73 FEDERAL RESERVE BULLETIN 930 (1987) ("*Manufacturers Hanover*").

5. Company will be maintained and will hold itself out to the public as a separate and distinct corporate entity with its own properties, assets, liabilities, books and records. It will conduct its business independently from Applicant and its affiliates, and all of Company's notices, advice, confirmations, correspondence and other documen-

Applicant, however, proposes to expand the definition of institutional customer to include corporations, partnerships, proprietorships, organizations, and institutional entities with net worths exceeding $1 million.[6] In the Board's view, and for the reasons set forth below, this modification does not alter the underlying rationale of the Board's prior decisions that the combined activities are closely related to banking and a proper incident thereto.

Applicant's definition of institutional customer differs from that approved in *Manufacturers Hanover* only in that the definition includes corporations, partnerships, proprietorships, organizations, and institutional entities with net worths exceeding $1 million.[7] The *Manufacturers Hanover* Order approved a $1 million threshold for institutional customers, but limited the net worth test to natural persons. Entities other than natural persons qualified as institutional customers only if they fit within certain categories of financial institutions or securities or investment companies.

In the *Manufacturers Hanover* Order, the Board's objective in limiting the clients of the full service brokerage affiliate to institutional customers was to ensure that the customers of such affiliates would be financially sophisticated and thus unlikely to place undue reliance on investment advice received and better able to detect investment advice motivated by self-interest. Applicant's proposal would simply extend the $1 million net worth test to corporations, partnerships and other organizations in addition to natural persons. The Board believes that such entities can be expected to possess a degree of financial sophistication comparable to that of natural persons with equivalent net worths and that such entities hence would be as unlikely to place undue reliance on investment advice received and would be as able to detect investment advice motivated by self-interest.

As previously approved in *Bankers Trust New York Company*,[8] Company proposes to recommend or broker securities in which it has taken a principal's position. As proposed in *Bankers Trust*, Company will inform its customers upon commencement of a brokerage/advisory relationship that, as a general matter, Company might be a principal with respect to securities as to which brokerage and related advisory services are being provided. In addition, whenever Company, acting as principal, sells a security from its inventory to a customer, this fact will be disclosed to the customer (usually orally) prior to the execution of the trade and in the written confirmation thereof.[9]

Based upon the foregoing and other considerations reflected in the record, the Board has determined that the public benefits associated with this proposal can reasonably be expected to outweigh possible adverse effects and that the balance of the public interest factors that the Board is required to consider under section 4(c)(8) of the BHC Act is favorable. Accordingly, the application is hereby approved, subject to the commitments made by Applicant and the conditions stated or incorporated by reference in this Order. This determination is further 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 the 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.

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tation will clearly indicate the separate identity of Company in order to avoid confusion with Applicant and other affiliates. Any "back office" services provided by affiliates will be compensated for on an arm's-length basis. Moreover, any research or investment advice purchased from affiliates will also be compensated for on an arm's-length basis.

As previously approved in *J.P. Morgan*, Company proposes to exercise discretionary portfolio management for institutional customers only within defined parameters and at the customer's request. Applicant does not intend to market this service. If securities transactions on behalf of an institutional customer are executed with an affiliate of Company, Company will disclose that fact to the customer and obtain the customer's consent in writing prior to execution of the transaction. Any such transactions will only be made on an arm's-length basis consistent with the applicable securities laws, rules, and regulations.

6. An institutional customer is defined by Applicant to be:
(1) a bank (acting in an individual or fiduciary capacity); a savings and loan association; an insurance company; a registered investment company under the Investment Company Act of 1940; or a corporation, partnership, proprietorship, organization or institutional entity with net worth exceeding $1,000,000;
(2) an employee benefit plan with assets exceeding $1,000,000, or whose investment decisions are made by a bank, insurance company or investment advisor registered under the Investment Advisors Act of 1940;
(3) a natural person whose individual net worth (or joint net worth with his or her spouse) at the time of receipt of the investment advice or brokerage services exceeds $1,000,000;
(4) a broker-dealer or option trader registered under the Securities Exchange Act of 1934, or other securities professional; or
(5) an entity all of the equity owners of which are institutional customers.

7. Applicant has substituted the above definition of "institutional customer" for the *Manufacturers Hanover* category of corporations, partnerships, proprietorships, organizations, or institutional entities that regularly invest in the types of securities as to which investment advice is given or that regularly engage in transactions in securities.

8. 74 Federal Reserve Bulletin 695 (Order dated August 15, 1988) ("*Bankers Trust*").

9. Also as approved in *Bankers Trust*, Applicant proposes to engage in cross-marketing to the extent that employees of Applicant and its affiliates with responsibility for developing customer relations will make customers aware of products offered by other affiliates. Such cross-marketing activities would be subject to the restrictions imposed on Applicant by the Board as a condition to its approval of Company's ineligible securities underwriting and dealing activities.

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

By order of the Board of Governors, effective August 15, 1988.

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

JAMES MCAFEE
Associate Secretary of the Board

First Chicago Corporation
Chicago, Illinois

Order Conditionally Approving Application to Underwrite and Deal in Certain Securities to a Limited Extent

First Chicago Corporation, Chicago, Illinois, a bank holding company within the meaning of the Bank Holding Company Act (12 U.S.C. § 1841 *et seq.*) ("BHC Act"), has applied for the Board's approval under section 4(c)(8) of the BHC Act and section 225.21(a) of the Board's Regulation Y, 12 C.F.R. § 225.21(a), to engage through a wholly owned subsidiary, First Chicago Capital Markets, Inc., Chicago, Illinois ("Company"), in underwriting and dealing in, on a limited basis, the following securities:

(1) municipal revenue bonds, including certain industrial development bonds;
(2) 1–4 family mortgage-related securities;
(3) commercial paper; and
(4) consumer-receivable-related securities ("CRRs") (collectively "ineligible securities").

Applicant proposes to conduct Company's underwriting and dealing activity in these securities in the same manner as previously approved by the Board except that Company would limit its gross revenues from these activities to no more than 10 percent of Company's gross revenues.[1] However, Applicant also states that should the Board not approve its request for 10 percent, a 5 percent level would be acceptable.

Applicant also proposes to underwrite and deal in securities that state member banks are permitted to underwrite and deal in under section 16 of the Banking Act of 1933 (the "Glass–Steagall Act") (12 U.S.C. §§ 24 Seventh and 335) (hereinafter "bank-eligible securities"), as permitted by section 225.25(b)(16) of Regulation Y (12 C.F.R. § 225.25(b)(16)).

Applicant, with consolidated assets of $44.4 billion, is the eleventh largest banking organization in the nation. It operates 14 subsidiary banks and engages in a broad range of permissible nonbanking activities in the United States.[2]

Notice of the application, affording interested parties an opportunity to submit comments, has been duly published (53 *Federal Register* 2,782 (1988)). The time for filing comments has expired, and the Board has considered the application and all comments received in light of the public interest factors set forth in section 4(c)(8) of the BHC Act.

The Board has previously determined that underwriting and dealing in bank-eligible securities is closely related to banking under section 4(c)(8) of the BHC Act. 12 C.F.R. § 225.25(b)(16). In addition, the Board concludes that Company's performance of this activity may reasonably be expected to result in public benefits which would outweigh adverse effects under the proper incident to banking standard of section 4(c)(8) of the BHC Act. Accordingly, Applicant may engage through Company in underwriting and dealing in bank-eligible securities to the extent that state member banks are authorized by section 16 of the Glass–Steagall Act.

On April 30, 1987, the Board approved applications by Citicorp, J.P. Morgan and Bankers Trust to underwrite and deal in, through their bank-eligible securities underwriting subsidiaries, 1–4 family mortgage-backed securities, municipal revenue bonds (and certain industrial development bonds) and (except for Citicorp) commercial paper.[3] The Board concluded that the underwriting subsidiaries would not be "engaged principally" in underwriting or dealing in securities within the meaning of section 20 of the Glass–Steagall Act[4] provided they derived no more than 5 percent of their total gross revenues from underwriting and dealing in the approved securities over any two-year period and their underwriting and dealing activities did not exceed 5 percent of the market for

1. *See, e.g., Citicorp, J.P. Morgan & Co. Incorporated and Bankers Trust New York Corporation*, 73 FEDERAL RESERVE BULLETIN 473 (1987) and *Chemical New York Corporation, The Chase Manhattan Corporation, Bankers Trust New York Corporation, Citicorp, Manufacturers Hanover Corporation and Security Pacific Corporation*, 73 FEDERAL RESERVE BULLETIN 731 (1987).

2. Asset and banking data are as of June 30, 1988. Ranking is as of March 31, 1988.

3. *Citicorp/Morgan/Bankers Trust, supra.* The Board subsequently approved similar applications by a number of other bank holding companies.

4. 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 . . . ."

each particular type of security involved.[5] The Board further found that, subject to the prudential framework of limitations established in those cases 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 thereto within the meaning of section 4(c)(8) of the BHC Act. On July 14, 1987, the Board subsequently decided that underwriting and dealing in CRRs is so closely related to banking as to be a proper incident thereto within the meaning of section 4(c)(8) of the BHC Act.[6]

In its original decision, the Board stated that the 5 percent gross revenue threshold represents a conservative approach to measuring the level of ineligible underwriting and dealing and that it would review this determination after the applicants had gained experience in operating their underwriting subsidiaries, to determine whether the 5 percent level should be increased up to a maximum level of 10 percent. On February 8, 1988, the United States Court of Appeals for the Second Circuit upheld the Board's determination regarding the above revenue limitation and, on June 13, the U.S. Supreme Court declined to review that decision.[7] The underwriting subsidiaries have only recently commenced operations following the Supreme Court's decision.

Applicant has requested a 10 percent limitation as a basis for making a not-principally-engaged determination, suggesting that a higher threshold of activity would enhance Company's ability to provide services to its customers, thereby increasing the public benefits stemming from the proposal. However, the Board has previously stated that it would be desirable to obtain experience in the operation of securities affiliates at the conservative level of 5 percent for a period of time, and accordingly the Board has determined to maintain the underwriting level at 5 percent. As stated in these cases, however, the Board will review this decision within one year from the effective date of its initial Section 20 decisions to assess whether higher levels should be established.[8]

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 municipal revenue bonds,[9] 1–4 family mortgage-related securities, commercial paper and consumer-receivable-related securities would 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 Applicant limit Company's activities as provided in those Orders, except with regard to the market share limitation.

Accordingly, the Board has determined to approve the underwriting application subject to all of the terms and conditions established in the *Citicorp/Morgan/Bankers Trust* and *Chemical* Orders, except as provided above. 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 within the limitations of section 225.25(b)(16) of the Board's Regulation Y and the *Citicorp/Morgan/Bankers Trust, Chemical* and *Bankers Trust* Orders as modified above, including the Board's reservation of authority to establish additional limitations to ensure that the subsidiary's activities are consistent with safety and soundness, conflicts of interests and other relevant considerations under the BHC Act. Underwriting and dealing in the approved securities in any manner other than as approved in those Orders and above[10] is not within the scope of the Board's approval and is not authorized for Company.

5. In this regard, the Board notes that the U.S. Court of Appeals for the Second Circuit has upheld the Board's determination that the underwriting subsidiaries would not be engaged principally in ineligible securities underwriting and dealing under the above revenue limitation and the U.S. Supreme Court has declined to review that decision. *Securities Industry Association v. Board of Governors of the Federal Reserve System*, 839 F.2d 47 (2d Cir. 1988), *cert. denied*, 108 S. Ct. 697 (1988) ("*SIA v. Board*"). The Supreme Court also let stand the lower court's determination that the 5 percent market share limitation was not adequately supported by the facts of record. Accordingly, the Board has determined not to impose a market share limitation in this case.

6. *Chemical, supra.*

7. *SIA v. Board, supra.*

8. Applicant has also proposed to privately place ineligible securities as agent as an incident to its underwriting and dealing activities. The Board has previously determined that private placement as agent does not fall within the terms of the Glass–Steagall Act if those activities are carried out within the prudential framework of limitations set forth by the Board in *Bankers Trust New York Corporation*. 73 Federal Reserve Bulletin 138 (1987). Applicant has committed to the *Bankers Trust* limitations.

9. The industrial development bonds approved in those applications and for Applicant in this case are only those tax exempt bonds in which the governmental issuer, or the governmental unit on behalf of which the bonds are issued, is the owner for federal income tax purposes of the financed facility (such as airports, mass commuting facilities, and water pollution control facilities). Without further approval from the Board, Company may underwrite or deal in only these types of industrial development bonds.

10. Company may also provide services that are necessary incidents to these approved activities. The incidental services should be taken into account in computing the gross revenue and market share limits on the underwriting subsidiaries' ineligible underwriting and dealing activities, to the extent such limits apply to particular incidental activities.

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 the 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.

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

By order of the Board of Governors, effective August 4, 1988.

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

JAMES MCAFEE
Associate Secretary of the Board

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

First Chicago Corporation
Chicago, Illinois

Order Approving Acquisition of a Bank Holding Company

First Chicago Corporation, Chicago, Illinois ("First Chicago"), a bank holding company within the meaning of the Bank Holding Company Act (12 U.S.C. § 1841 *et seq.*) ("BHC Act"), has applied for the Board's approval under section 3 of the BHC Act (12 U.S.C. § 1842) to acquire Gary-Wheaton Corporation, Wheaton, Illinois ("Gary-Wheaton"), and thereby indirectly to acquire its subsidiary banks: Gary-Wheaton Bank, Wheaton, Illinois; Gary-Wheaton Bank of Batavia, Batavia, Illinois; Gary-Wheaton Bank of Downers Grove, Downers Grove, Illinois; and Gary-Wheaton Bank of Fox Valley, Aurora, Illinois.[1] Applicant has also applied for the Board's approval pursuant to section 4(c)(8) of the BHC Act (12 U.S.C. § 1843(c)(8)) to acquire Gary-Wheaton Stock Brokerage, Inc., Wheaton, Illinois, and G-W Life Insurance Company, Wheaton, Illinois, and thereby engage in discount brokerage activities and credit life reinsurance activities.[2] These activities are authorized for bank holding companies pursuant to sections 225.25(b)(15) and 225.25(b)(8)(ii), respectively, of the Board's Regulation Y.

Notice of the applications, affording interested persons an opportunity to submit comments, has been published (53 *Federal Register* 15,879 (1988)). 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 BHC Act.

First Chicago, with approximately $15.8 billion in domestic deposits, is the largest commercial banking organization in Illinois, controlling approximately 14.7 percent of deposits in commercial banking organizations in Illinois.[3] Gary-Wheaton is the 21st largest commercial banking organization in Illinois, with deposits of approximately $728.0 million, controlling approximately 0.7 percent of total deposits in commercial banking organizations in Illinois. Upon consummation of this proposal, First Chicago would remain the largest commercial banking organization in Illinois, controlling deposits in Illinois of approximately $16.5 billion, representing approximately 15.4 percent of total deposits in commercial banking organizations in the state. Consummation of the proposal would not have a significant adverse effect on the concentration of banking resources in Illinois.

First Chicago competes directly with Gary-Wheaton in the Chicago and Aurora banking markets.

In the Chicago banking market,[4] First Chicago is the largest of 257 commercial banking organizations, controlling deposits of $15.7 billion, representing 22.5 percent of the total deposits in commercial banking organizations in the market. Gary-Wheaton is the 16th largest commercial banking organization in the banking market, controlling deposits of $626.0 million, representing 0.9 percent of the total deposits in commercial banking organizations in the market. Upon consummation of this proposal, First Chicago would control deposits of $16.3 billion, representing 23.4 percent of the total deposits in commercial banks in the market. The Chicago banking market is considered unconcentrated, with a Herfindahl–Hirschman Index ("HHI") of 801. Upon consummation, the HHI would

1. Alternatively, in the event that an entity other than First Chicago gains control of Gary-Wheaton, First Chicago has proposed to acquire an option to purchase up to 25 percent of the voting shares of Gary-Wheaton.

2. In connection with these applications, First Chicago Acquisition II Corp., Chicago, Illinois ("Acquisition Corp."), has applied to become a bank holding company through the merger of Gary-Wheaton with and into Acquisition Corp. Acquisition Corp. also has applied to acquire Gary-Wheaton Stock Brokerage, Inc. and G-W Life Insurance Company.

3. Data are as of June 30, 1987.

4. The Chicago banking market is approximated by Cook, Lake and DuPage counties in Illinois.

increase by 40 points to 841.[5] The four-firm concentration ratio for the market would increase from 49 percent to 50 percent. Based on the facts of record, the Board concludes that consummation of the proposal would not have a substantial adverse effect on competition in the Chicago banking market.

In the Aurora banking market,[6] First Chicago is the 7th largest of 19 commercial banking organizations, controlling deposits of $66.3 million, representing 4.5 percent of the total deposits in commercial banking organizations in the market. Gary-Wheaton is the 5th largest commercial banking organization in the banking market, controlling deposits of $101.4 million, representing 6.9 percent of the total deposits in commercial banking organizations in the market. Upon consummation of this proposal, First Chicago would control deposits of $167.7 million, representing 11.4 percent of the total deposits in commercial banking organizations in the market. The Aurora banking market is moderately concentrated, with an HHI of 1063. Upon consummation, the HHI would increase by 62 points to 1125. The four-firm concentration ratio for the market would increase from 56.3 percent to 59.3 percent. Accordingly, the Board concludes that consummation of this proposal would not have a substantial adverse effect upon competition in the Aurora banking market.

The financial and managerial resources of First Chicago and Gary-Wheaton are consistent with approval. Convenience and needs considerations also are consistent with approval.

5. Under the revised Department of Justice Merger Guidelines (49 *Federal Register* 26,823 (June 29, 1984)) a market in which the post-merger HHI is between 1000 and 1800 is considered moderately concentrated. In such markets, the Department is likely to challenge a merger that increases the HHI by more than 100 points. 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 non-depository financial entities.

6. The Aurora banking market is approximated by the southern portion of Kane County; Plano, Bristol, Oswego, Fox and Kendall townships in Kendall County; and Sandwich township in DeKalb County, all in Illinois.

As indicated earlier, First Chicago also has applied, pursuant to section 4(c)(8), to acquire a discount brokerage subsidiary and a credit life reinsurance subsidiary of Gary-Wheaton. First Chicago currently provides discount brokerage and credit related insurance services. The markets for these activities have numerous competitors and are regional or national in scope. Accordingly, the Board concludes that consummation of this proposal will not have any significant adverse effect upon competition in any relevant market.

There is no evidence in the record to indicate that approval of this proposal would result in undue concentration of resources, decreased or unfair competition, conflicts of interests, unsound banking practices, or other adverse effects on the public interest. Accordingly, the Board has determined that the balance of public interest factors it must consider under section 4(c)(8) of the BHC Act is favorable and consistent with approval of the applications to acquire Gary-Wheaton'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 Gary-Wheaton shall not be consummated before the thirtieth calendar day following the effective date of this Order, or later than three months after the effective date of this Order, unless such period is extended for good cause by the Board or by the Federal Reserve Bank of Chicago, pursuant to delegated authority. The determinations as to First Chicago'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 BHC Act and the Board's regulations and orders issued thereunder, or to prevent evasion thereof.

By order of the Board of Governors, effective August 1, 1988.

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

JAMES MCAFEE
Associate Secretary of the Board

Legal Developments continued on next page.

Applications Approved Under Bank Holding Company Act

By the Secretary of the Board

Recent applications have been approved by the Secretary of the Board as listed below. Copies are available upon request to the Freedom of Information Office, Office of the Secretary, Board of Governors of the Federal Reserve System, Washington, D.C. 20551.

Section 3

Applicant	Bank(s)	Effective date
FirstBank Holding Company of Colorado, Lakewood, Colorado	First Bank of Green Mountain, N.A., Lakewood, Colorado FirstBank at Arapahoe/Holly, N.A., Arapahoe County, Colorado	August 10, 1988

Section 4

Applicant	Nonbanking Activity/Company	Effective date
First Wachovia Corporation, Winston Salem, North Carolina First Union Corporation, Charlotte, North Carolina CB&T Bancshares, Inc., Columbus, Georgia Barnett Banks, Inc., Jacksonville, Florida Sun Trust Banks, Inc., Atlanta, Georgia Citizens and Southern Corporation, Atlanta, Georgia Bank South Corporation, Atlanta, Georgia	to engage in management consulting to depository institutions	August 29, 1988
Norwest Corporation, Minneapolis, Minnesota	Underwriting Specialists, Minneapolis, Minnesota	August 12, 1988

APPLICATIONS APPROVED UNDER BANK HOLDING COMPANY ACT

By Federal Reserve Banks

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

Section 3

Applicant	Bank(s)	Reserve Bank	Effective date
Ameribanc, Inc., St. Joseph, Missouri	First Financial Bank of St. Charles County, Lake St. Louis, Missouri	Kansas City	August 12, 1988
ANB Corporation, Muncie, Indiana	The Saratoga State Bank, Saratoga, Indiana	Chicago	July 21, 1988
Bancshares of Dyer, Inc., Dyer, Tennessee	Bank of Dyer, Dyer, Tennessee	St. Louis	August 2, 1988
Bankshares Corporation of Niceville, Niceville, Florida	Peoples National Bank of Niceville, Niceville, Florida	Atlanta	August 9, 1988
BBOK Bancshares, Inc., Wichita, Kansas	Bankers' Bank of Kansas, N.A., Wichita, Kansas	Kansas City	August 3, 1988
BSB Bancorp, Inc., Wilmington, Delaware	Binghamton Savings Bank, Binghamton, New York	New York	August 5, 1988
Capital Bancshares, Inc., Brookfield, Missouri	Caldwell County Bank, Hamilton, Missouri	Kansas City	July 29, 1988
Central West Bancorporation, Casey, Iowa	Security State Bank, Casey, Iowa	Chicago	August 3, 1988
Citizens Bancorp, Riverdale, Maryland	McLachlen Bancshares Corporation, Washington, D.C.	Richmond	July 26, 1988
Citizens State Bancorp, Inc., New Baltimore, Michigan	Citizens State Savings Bank, New Baltimore, Michigan	Chicago	August 4, 1988
Clyde Financial Corporation, Clyde, Texas	The Peoples State Bank, Clyde, Texas	Dallas	July 22, 1988
Commerce Bancorp, Inc., Cherry Hill, New Jersey	Commerce Bank/Harrisburg, Camp Hill, Pennsylvania	Philadelphia	August 12, 1988
Commex Financial Corporation, Kennesaw, Georgia	Commercial Exchange Bank, Kennesaw, Georgia	Atlanta	August 18, 1988
Commonwealth Bankshares, Inc., Norfolk, Virginia	Bank of the Commonwealth, Norfolk, Virginia	Richmond	July 21, 1988
Comm. Bancorp, Inc., Forest City, Pennsylvania	The First National Bank of Nicholson, Nicholson, Pennsylvania	Philadelphia	July 22, 1988
Community Bank System, Inc., Dewitt, New York	ComuniCorp, Inc., Addison, New York	New York	August 24, 1988
Delaware Bancshares, Inc., Walton, New York	The National Bank of Delaware County, Walton, Walton, New York	New York	July 22, 1988

Section 3—Continued

Applicant	Bank(s)	Reserve Bank	Effective date
Eastern Bancshares, Inc., Romney, West Virginia	The First National Bank of Romney, Romney, West Virginia	Richmond	July 22, 1988
Eufaula BancCorp, Inc., Eufaula, Alabama	Eufaula Bank & Trust Company, Eufaula, Alabama	Atlanta	August 2, 1988
Fifth Third Bancorp, Cincinnati, Ohio	Decatur Bancshares, Inc., Greensburg, Indiana	Cleveland	July 27, 1988
FIRST MIDWEST BANCORP, INC., Naperville, Illinois	Continental Illinois Bank of Deerfield, National Association, Deerfield, Illinois Continental Bank of Buffalo Grove, N.A., Buffalo Grove, Illinois	Chicago	July 20, 1988
First American Bancshares of Blooming Prairie, Inc., Blooming Prairie, Minnesota	First American Bank of Blooming Prairie, Blooming Prairie, Minnesota	Minneapolis	July 21, 1988
First Virginia Banks, Inc., Falls Church, Virginia	Monroe Bancshares, Inc., Madisonville, Tennessee	Richmond	July 29, 1988
First Wisconsin Corporation, Milwaukee, Wisconsin	Century Bancorp, Inc., Circle Pines, Minnesota	Chicago	August 11, 1988
Fourth Financial Corporation, Wichita, Kansas IV Corporate Woods Acquisition, Inc., Wichita, Kansas	Corporate Bankshares, Inc., Overland Park, Kansas	Kansas City	July 29, 1988
Grand Bank Financial Corporation, Grand Rapids, Michigan	Grand Bank, Grand Rapids, Michigan	Chicago	August 4, 1988
Greenwood National Bancorporation, Greenwood, South Carolina	Greenwood National Bank, Greenwood, South Carolina	Richmond	August 23, 1988
Havana Bancshares, Inc., Springfield, Illinois	State Bank of Havana, Havana, Illinois	Chicago	August 1, 1988
Heritage Bancorp, Inc., Northampton, Massachusetts	Heritage-NIS Bank for Savings, Northampton, Massachusetts	Boston	August 12, 1988
Hickman Corporation, Hickman, Nebraska	First State Bank, Hickman, Nebraska	Kansas City	August 19, 1988
Illini Community Bancorp, Inc., Springfield, Illinois	SBV Bancshares, Inc., Virden, Illinois	Chicago	August 18, 1988
Indiana National Corporation, Indianapolis, Indiana	Morgan County Bancorp, Mooresville, Indiana	Chicago	August 8, 1988
Jackson County Bancorp, Inc., Gainesboro, Tennessee	Jackson County Bank, Gainesboro, Tennessee	Atlanta	August 1, 1988
Johnson Heritage Bancorp, Ltd., Racine, Wisconsin	Community National Bank, Mukwonago, Wisconsin	Chicago	August 18, 1988
Kansas Banc Corporation, Kansas, Illinois	Kansas State Bank, Kansas, Illinois	Chicago	August 2, 1988

Section 3—Continued

Applicant	Bank(s)	Reserve Bank	Effective date
Kentucky Bancorporation, Inc., Covington, Kentucky	The First National Bank of Georgetown, Georgetown, Ohio	Cleveland	August 12, 1988
Key Bancshares of Idaho, Inc., Boise, Idaho KeyCorp, Albany, New York	IB&T CORP., Boise, Idaho	New York	August 19, 1988
Lexington Bancshares, Inc., Lexington, Kentucky	The Fayette Banking Company, Lexington, Kentucky	Cleveland	August 10, 1988
Magna Group, Inc., Belleville, Illinois Mascoutah Acquisition Company, Wilmington, Delaware	First Bancorp of Mascoutah, Ltd., Mascoutah, Illinois	St. Louis	August 19, 1988
Mark Twain Bancshares, Inc., St. Louis, Missouri	Bancenter One Group, Inc., Chesterfield, Missouri	St. Louis	August 10, 1988
Marshall & Ilsley Corporation, Milwaukee, Wisconsin	GREATER MILWAUKEE FINANCIAL CORP., Milwaukee, Wisconsin HARTLAND BANCORP., INC., Hartland, Wisconsin VILLAGE BANC HOLDING CO., INC., Elm Grove, Wisconsin	Chicago	July 22, 1988
Mercantile Bancorp, Inc., Quincy, Illinois	Security State Bank of Hamilton, Hamilton, Illinois	St. Louis	July 25, 1988
Mercantile Capital Corp., Boston, Massachusetts	Mercantile Bank and Trust Company, Boston, Massachusetts	Boston	August 15, 1988
National Penn Bancshares, Inc., Boyertown, Pennsylvania	First Capital Bank, York, Pennsylvania	Philadelphia	July 29, 1988
NBB Bancorp, Inc., New Bedford, Massachusetts	New Bedford Institution for Savings, New Bedford, Massachusetts	Boston	August 18, 1988
North Adams Bancshares, Inc., Ursa, Illinois	B.W. Bancshares, Inc., Warrensburg, Illinois	St. Louis	August 19, 1988
ONB Corporation, Clifton Springs, New York	The Ontario National Bank of Clifton Springs, Clifton Springs, New York	New York	August 24, 1988
Ostrander Bancshares, Inc., Ostrander, Minnesota	Ostrander State Bank, Ostrander, Minnesota	Minneapolis	July 21, 1988
Peoples, Inc., Ottawa, Kansas	Peoples Savings, Inc., Ottawa, Kansas	Kansas City	August 12, 1988
Provident Bankshares Corporation, Baltimore, Maryland	First Security Bank of Maryland, Baltimore, Maryland	Richmond	August 4, 1988
Richwood Bancshares, Inc., Richwood, Ohio	The Richwood Banking Company, Richwood, Ohio	Cleveland	August 18, 1988

Section 3—Continued

Applicant	Bank(s)	Reserve Bank	Effective date
Salin Bancshares of North Central Indiana, Inc., Indianapolis, Indiana	Carroll Financial Corporation, Burlington, Indiana	Chicago	July 29, 1988
Shelby County Bancorp, Inc., Shelbyville, Illinois	Strasburg State Bank, Strasburg, Illinois	Chicago	July 27, 1988
Sooner Southwest Bankshares, Inc., Bristow, Oklahoma	Anadarko Bancshares, Inc., Bristow, Oklahoma	Kansas City	August 12, 1988
Southeastern Bancorp, Inc., Greeleyville, South Carolina	Bank of Greeleyville, Greeleyville, South Carolina	Richmond	August 9, 1988
The One Bancorp, Portland, Maine	Southstate Bank for Savings, Brockton, Massachusetts	Boston	August 23, 1988
The Weld State Company, Ft. Lupton, Colorado	Central Bank of Craig, N.A., Craig, Colorado	Kansas City	August 5, 1988
TraCorp, Inc., Tullahoma, Tennessee	The Traders National Bank of Tullahoma, Tullahoma, Tennessee	Atlanta	August 15, 1988
Warren Bancorp, Inc., Peabody, Massachusetts	Warren Five Cents Savings Bank, Peabody, Massachusetts	Boston	August 12, 1988
Wathena Bancshares, Inc., Wathena, Kansas	Farmers State Bank, Wathena, Kansas	Kansas City	August 12, 1988

Section 4

Applicant	Nonbanking Activity/Company	Reserve Bank	Effective date
Delhi Bancshares, Inc., Traer, Iowa	Manchester Insurance Service, Manchester, Iowa	Chicago	August 19, 1988
First American Bank Corporation, Elk Grove Village, Illinois	CFM, Inc., New Ulm, Minnesota to engage in data processing services	Chicago	August 5, 1988
First NH Banks, Inc., Manchester, New Hampshire	EG&G Financial Services, Inc., Wellesley, Massachusetts	Boston	August 16, 1988
Westpac Banking Corporation, Sydney, Australia	to engage in bullion industry financing	New York	July 28, 1988

Sections 3 and 4

Applicant	Nonbanking Activity/Company	Reserve Bank	Effective date
Lena Spitzer Limited Partnership, Streeter, North Dakota	Streeter Insurance Agency, Inc., Streeter, North Dakota	Minneapolis	August 5, 1988
Old Kent Financial Corporation, Grand Rapids, Michigan	Unibancorp, Inc., Chicago, Illinois	Chicago	August 1, 1988

Applications Approved Under Bank Merger Act

By Federal Reserve Banks

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

Applicant	Bank(s)	Reserve Bank	Effective date
New Bank, Madisonville, Tennessee	Bank of Madisonville, Madisonville, Tennessee	Atlanta	July 29, 1988
Richwood Interim Bank, Richwood, Ohio	The Richwood Banking Company, Richwood, Ohio	Cleveland	August 18, 1988
United Jersey Bank, Hackensack, New Jersey	United Jersey Bank/Edgewater National, Englewood Cliffs, New Jersey	New York	August 1, 1988

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.

Whitney v. United States, et al., No. CA3-88-1596-H (N.D. Tex., filed July 7, 1988).

Credit Union National Association, Inc., et al., v. Board of Governors, No. 88-1295 (D.D.C. May 13, 1988).

Bonilla v. Board of Governors, No. 88-1464 (7th Cir., filed March 11, 1988).

Cohen v. Board of Governors, No. 88-1061 (D.N.J., filed March 7, 1988).

Stoddard v. Board of Governors, No. 88-1148 (D.C. Cir., filed Feb. 25, 1988).

Independent Insurance Agents of America, Inc. v. Board of Governors, No. 87-1686 (D.C. Cir., filed Nov. 19, 1987).

National Association of Casualty and Surety Agents, et al., v. Board of Governors, Nos. 87-1644, 87-1801, 88-1001, 88-1206, 88-1245, 88-1270 (D.C. Cir., filed Nov. 4, Dec. 21, 1987, Jan. 4, March 18, March 30, April 7, 1988).

Teichgraeber v. Board of Governors, No. 87-2505-0 (D. Kan., filed Oct. 16, 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).

Lewis v. Board of Governors, Nos. 87-3455, 87-3545 (11th Cir., filed June 25, Aug. 3, 1987).

Securities Industry Association v. Board of Governors, et al., No. 87-1169 (D.C. Cir., filed April 17, 1987).

CBC, Inc. v. Board of Governors, No. 86-1001 (10th Cir., filed Jan. 2, 1986).

Financial and Business Statistics

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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]								
	1987		1988		1988				
	Q3	Q4	Q1	Q2[r]	Mar.	Apr.	May[r]	June[r]	July
Reserves of depository institutions[2]									
1 Total	−.9	2.5	3.5	5.8	3.8	12.3	−.2	5.4	12.0
2 Required	.3	1.4	2.9	7.2	8.0	13.9	−3.8	8.6	9.7
3 Nonborrowed	.3	2.4	1.5	−6.5	−23.7	−13.0	8.5	−4.8	5.2
4 Monetary base[3]	5.1	7.8	8.3	7.6	5.9	11.4	5.0	6.2	10.1
Concepts of money, liquid assets, and debt[4]									
5 M1	.8	3.9	3.8	6.3	5.4[r]	11.3[r]	.2	9.8	9.0
6 M2	2.8	3.9	6.7	7.7	8.6[r]	9.8	4.4	5.3	2.9
7 M3	4.5	5.4	7.0	7.0	8.0[r]	7.2	4.2	6.4	5.3
8 L	4.3	5.7	6.5	8.5	7.2[r]	11.4[r]	7.5	3.5	n.a.
9 Debt	7.9	10.1	8.3	8.4	8.7	8.6[r]	8.3	7.6	n.a.
Nontransaction components									
10 In M2[5]	3.6	3.9	7.7	8.3	9.8[r]	9.3[r]	5.8	3.7	.9
11 In M3 only[6]	11.0	11.3	7.9	4.3	5.4	−2.6[r]	3.4	10.6	14.5
Time and savings deposits									
Commercial banks									
12 Savings[7]	10.1	.7	6.3	11.0	14.6	6.5	11.7	12.9	9.6
13 Small-denomination time[8]	7.4	14.8	13.7	11.8	11.6	15.1	6.6	6.2	8.6
14 Large-denomination time[9,10]	6.8	10.5	3.4	6.4	5.5	−2.2	8.1	20.5	25.5
Thrift institutions									
15 Savings[7]	7.0	−3.8	−2.4	6.6	7.1	10.1	3.0	9.0	6.0
16 Small-denomination time	9.3	16.0	21.3	14.0	18.0	13.6[r]	10.7	1.7	.0
17 Large-denomination time[9]	9.9	22.2	15.7	8.8	1.5	16.0[r]	5.7	.0	2.9
Debt components[4]									
18 Federal	5.8	7.6	9.3	8.2	15.2	7.1	2.7	5.3	n.a.
19 Nonfederal	8.5	10.9	8.0	8.5	6.7[r]	9.1[r]	10.0	8.4	n.a.
20 Total loans and securities at commercial banks[11]	6.2	5.5	5.1	10.8	7.9	11.4	13.0	11.1	4.9

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

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

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

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

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

M1: (1) currency outside the Treasury, Federal Reserve Banks, and the vaults of depository institutions; (2) travelers checks of nonbank issuers; (3) demand deposits at all commercial banks other than those due to depository institutions, the U.S. government, and foreign banks and official institutions less cash items in the process of collection and Federal Reserve float; and (4) other checkable deposits (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.

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.

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 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.

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						
		1988			1988						
		May	June	July	June 15	June 22	June 29	July 6	July 13	July 20	July 27
	SUPPLYING RESERVE FUNDS										
1	**Reserve Bank credit**	**249,800**	**251,010**	**253,673**	**250,624**	**250,967**	**252,634**	**254,882**	**256,086**	**252,593**	**251,401**
2	U.S. government securities[1]	223,732	225,333	225,800	224,931	224,955	226,509	226,817	227,986	225,254	224,208
3	Bought outright	222,187	224,690	224,319	224,931	224,955	224,495	223,256	225,882	224,440	223,390
4	Held under repurchase agreements	1,545	643	1,481	0	0	2,014	3,561	2,104	814	818
5	Federal agency obligations	7,777	7,590	8,140	7,268	7,268	8,327	9,464	8,329	8,180	7,319
6	Bought outright	7,272	7,268	7,242	7,268	7,268	7,268	7,268	7,268	7,258	7,201
7	Held under repurchase agreements	505	322	898	0	0	1,059	2,196	1,061	922	118
8	Acceptances	0	0	0	0	0	0	0	0	0	0
9	Loans	2,592	3,040	3,508	3,651	3,034	2,281	3,434	3,878	3,138	3,398
10	Float	649	478	936	359	845	519	334	939	766	806
11	Other Federal Reserve assets	15,050	14,569	15,289	14,415	14,865	14,998	14,832	14,953	15,255	15,670
12	Gold stock[2]	11,063	11,063	11,063	11,063	11,063	11,063	11,063	11,063	11,063	11,063
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	18,427	18,478	18,503	18,472	18,482	18,492	18,481	18,491	18,505	18,519
	ABSORBING RESERVE FUNDS										
15	Currency in circulation	230,482	233,525	235,965	233,640	233,382	233,267	236,183	237,232	236,025	234,880
16	Treasury cash holdings[2]	475	455	414	459	457	449	426	421	417	406
	Deposits, other than reserve balances, with Federal Reserve Banks										
17	Treasury	7,276	4,306	3,695	3,110	4,252	6,529	4,686	4,148	3,209	3,594
18	Foreign	259	243	272	236	257	235	316	226	244	315
19	Service-related balances and adjustments	1,922	1,949	1,857	1,827	1,938	1,811	1,943	1,824	1,797	1,935
20	Other	360	329	329	304	322	363	335	293	350	357
21	Other Federal Reserve liabilities and capital	7,302	7,348	7,306	7,463	7,417	7,510	7,077	7,330	7,446	7,392
22	Reserve balances with Federal Reserve Banks[3]	36,231	37,413	38,418	38,140	37,506	37,045	38,478	39,183	37,691	37,122
		End-of-month figures			Wednesday figures						
		1988			1988						
		May	June	July	June 15	June 22	June 29	July 6	July 13	July 20	July 27
	SUPPLYING RESERVE FUNDS										
23	**Reserve Bank credit**	**248,274**	**254,647**	**252,440**	**253,545**	**248,875**	**256,429**	**254,427**	**260,783**	**250,990**	**248,719**
24	U.S. government securities[1]	223,192	227,636	224,450	226,697	223,663	228,438	226,059	227,258	223,988	220,727
25	Bought outright	223,192	222,450	224,450	226,697	223,663	223,010	223,748	226,214	223,988	220,727
26	Held under repurchase agreements	0	5,186	0	0	0	5,428	2,311	1,044	0	0
27	Federal agency obligations	7,268	9,508	7,201	7,268	7,268	9,821	8,850	7,893	7,201	7,201
28	Bought outright	7,268	7,268	7,201	7,268	7,268	7,268	7,268	7,268	7,201	7,201
29	Held under repurchase agreements	0	2,240	0	0	0	2,553	1,582	625	0	0
30	Acceptances	0	0	0	0	0	0	0	0	0	0
31	Loans	3,304	2,464	3,650	4,388	2,297	2,244	3,080	9,434	3,123	3,415
32	Float	122	259	774	624	861	522	1,666	976	1,102	1,616
33	Other Federal Reserve assets	14,388	14,780	16,365	14,568	14,786	15,404	14,772	15,222	15,576	15,760
34	Gold stock[2]	11,063	11,063	11,063	11,063	11,063	11,063	11,063	11,063	11,063	11,062
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	18,451	18,501	18,531	18,481	18,491	18,501	18,489	18,503	18,517	18,531
	ABSORBING RESERVE FUNDS										
37	Currency in circulation	232,758	235,513	234,990	233,776	233,246	234,426	237,279	236,982	235,610	234,979
38	Treasury cash holdings[2]	459	432	397	458	452	432	418	419	407	397
	Deposits, other than reserve balances, with Federal Reserve Banks										
39	Treasury	2,871	9,762	3,910	3,787	4,122	8,216	4,154	4,106	3,606	3,490
40	Foreign	298	382	269	219	204	203	339	205	266	343
41	Service-related balances and adjustments	1,660	1,655	1,642	1,653	1,657	1,657	1,658	1,659	1,637	1,641
42	Other	427	351	291	363	275	359	313	285	323	322
43	Other Federal Reserve liabilities and capital	7,235	7,109	7,200	7,235	7,265	7,394	6,886	7,309	7,226	7,157
44	Reserve balances with Federal Reserve Banks[3]	37,098	34,026	38,352	40,616	36,227	38,325	37,949	44,402	36,512	35,001

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[1]

Millions of dollars

Reserve classification	Monthly averages[9]									
	1985	1986	1987	1987	1988					
	Dec.	Dec.	Dec.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June
1 Reserve balances with Reserve Banks[2]	27,620	37,360	37,673	37,673	37,485	34,211	36,027	38,429	36,509	37,907
2 Total vault cash[3]	22,953	24,079	26,155	26,155	26,919	28,119	25,926	25,200	25,873	25,717
3 Vault[4]	20,522	22,199	24,449	24,449	25,155	25,836	24,049	23,636	24,172	24,084
4 Surplus[5]	2,431	1,879	1,706	1,706	1,764	2,283	1,877	1,564	1,700	1,632
5 Total reserves[6]	48,142	59,560	62,123	62,123	62,640	60,047	60,076	62,064	60,681	61,991
6 Required reserves	47,085	58,191	61,094	61,094	61,345	58,914	59,147	61,205	59,641	61,103
7 Excess reserve balances at Reserve Banks[7]	1,058	1,369	1,029	1,029	1,295	1,133	929	859	1,040	888
8 Total borrowings at Reserve Banks	1,318	827	777	777	1,082	396	1,752	2,993	2,578	3,083
9 Seasonal borrowings at Reserve Banks	56	38	93	93	59	75	119	146	246	311
10 Extended credit at Reserve Banks[8]	499	303	483	483	372	205	1,478	2,624	2,107	2,554
	Biweekly averages of daily figures for weeks ending									
	1988									
	Apr. 6	Apr. 20	May 4	May 18	June 1	June 15	June 29	July 13[r]	July 27	Aug. 10
11 Reserve balances with Reserve Banks[2]	37,003	39,123	38,313	36,737	35,707	38,644	37,260	38,831	37,399	37,346
12 Total vault cash[3]	25,336	25,205	25,112	25,726	26,265	25,118	26,237	26,270	26,647	26,571
13 Vault[4]	23,610	23,709	23,549	24,122	24,418	23,614	24,492	24,629	24,889	24,762
14 Surplus[5]	1,726	1,497	1,563	1,604	1,847	1,504	1,745	1,641	1,758	1,810
15 Total reserves[6]	60,613	62,831	61,862	60,859	60,125	62,258	61,752	63,460	62,288	62,107
16 Required reserves	59,696	62,145	60,796	59,959	58,943	61,563	60,692	62,599	61,085	61,305
17 Excess reserve balances at Reserve Banks[7]	917	686	1,067	901	1,182	696	1,060	861	1,203	803
18 Total borrowings at Reserve Banks	2,817	3,619	2,224	2,175	3,120	3,465	2,658	3,656	3,268	3,339
19 Seasonal borrowings at Reserve Banks	122	124	191	241	269	287	337	352	390	407
20 Extended credit at Reserve Banks[8]	2,494	3,278	1,787	1,798	2,538	2,986	2,138	2,340	2,663	2,748

1. These data also appear in the Board's H.3 (502) release. For address, see inside front cover.
2. Excludes required clearing balances and adjustments to compensate for float.
3. 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.
4. 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.
5. 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.
6. 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.
7. Reserve balances with Federal Reserve Banks plus vault cash used to satisfy reserve requirements less required reserves.
8. 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.
9. Data are prorated monthly averages of biweekly averages.

1.13 SELECTED BORROWINGS IN IMMEDIATELY AVAILABLE FUNDS Large Member Banks[1]

Averages of daily figures, in millions of dollars

Maturity and source	1987 week ending Monday								
	Dec. 14	Dec. 21	Dec. 28	Jan. 4	Jan. 11	Jan. 18	Jan. 25	Feb. 1	Feb. 8
Federal funds purchased, repurchase agreements, and other selected borrowing in immediately available funds									
From commercial banks in the United States									
1 For one day or under continuing contract	75,774	70,856	67,536	75,090	75,188	70,870	69,234	68,643	73,658
2 For all other maturities	9,608	8,953	9,409	8,611	9,297	9,300	8,966	8,899	10,198
From other depository institutions, foreign banks and foreign official institutions, and U.S. government agencies									
3 For one day or under continuing contract	27,276	24,725	22,860	23,602	28,254	29,954	28,418	28,852	33,324
4 For all other maturities	7,468	6,968	7,191	6,886	5,920	5,897	6,140	6,356	6,762
Repurchase agreements on U.S. government and federal agency securities in immediately available funds									
Brokers and nonbank dealers in securities									
5 For one day or under continuing contract	14,052	14,741	12,170	15,781	14,660	14,427	15,796	16,800	15,386
6 For all other maturities	13,274	12,119	12,603	8,110	10,653	12,060	13,614	14,309	15,290
All other customers									
7 For one day or under continuing contract	27,093	24,887	24,512	25,793	27,673	27,327	26,596	26,307	25,172
8 For all other maturities	9,942	9,886	12,018	9,675	9,984	9,420	10,378	10,268	9,986
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	30,472	31,147	30,352	34,041	35,783	35,356	35,063	36,523	35,727
10 To all other specified customers[2]	11,027	11,062	10,326	10,793	12,665	12,541	14,446	15,399	15,169

1. Banks with assets of $1 billion or more as of Dec. 31, 1977.
These data also appear in the Board's H.5 (507) release. For address, see inside front cover.

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

Current and previous levels

Federal Reserve Bank	Adjustment credit and Seasonal credit[1]			Extended credit[2]						
				First 30 days of borrowing			After 30 days of borrowing[3]			
	On 8/24/88	Effective date	Previous rate	On 8/24/88	Effective date	Previous rate	On 8/24/88	Effective date	Previous rate	Effective date
Boston	6½	8/9/88	6	6½	8/9/88	6	8.45	8/11/88	8.40	7/28/88
New York		8/9/88			8/9/88			8/11/88		7/28/88
Philadelphia		8/9/88			8/9/88			8/11/88		7/28/88
Cleveland		8/9/88			8/9/88			8/11/88		7/28/88
Richmond		8/9/88			8/9/88			8/11/88		7/28/88
Atlanta		8/9/88			8/9/88			8/11/88		7/28/88
Chicago		8/10/88			8/10/88			8/11/88		7/28/88
St. Louis		8/9/88			8/9/88			8/11/88		7/28/88
Minneapolis		8/9/88			8/9/88			8/11/88		7/28/88
Kansas City		8/9/88			8/9/88			8/11/88		7/28/88
Dallas		8/11/88			8/11/88			8/11/88		7/28/88
San Francisco	6½	8/9/88	6	6½	8/9/88	6	8.45	8/11/88	8.40	7/28/88

Range of rates for adjustment credit in recent years[4]

Effective date	Range (or level)—All F.R. Banks	F.R. Bank of N.Y.	Effective date	Range (or level)—All F.R. Banks	F.R. Bank of N.Y.	Effective date	Range (or level)—All F.R. Banks	F.R. Bank of N.Y.
In effect Dec. 31, 1977	6	6	1980—July 28	10–11	10	1984—Apr. 9	8½–9	9
1978—Jan. 9	6–6½	6½	29	10	10	13	9	9
20	6½	6½	Sept. 26	11	11	Nov. 21	8½–9	8½
May 11	6½–7	7	Nov. 17	12	12	26	8½	8½
12	7	7	Dec. 5	12–13	13	Dec. 24	8	8
July 3	7–7¼	7¼						
10	7¼	7¼	1981—May 5	13–14	14	1985—May 20	7½–8	7½
Aug. 21	7¾	7¾	8	14	14	24	7½	7½
Sept. 22	8	8	Nov. 2	13–14	13			
Oct. 16	8–8½	8½	6	13	13	1986—Mar. 7	7–7½	7
20	8½	8½	Dec. 4	12	12	10	7	7
Nov. 1	8½–9½	9½				Apr. 21	6½–7	6½
3	9½	9½	1982—July 20	11½–12	11½	July 11	6	6
			23	11½	11½	Aug. 21	5½–6	5½
1979—July 20	10	10	Aug. 2	11–11½	11	22	5½	5½
Aug. 17	10–10½	10½	3	11	11			
20	10½	10½	16	10½	10½	1987—Sept. 4	5½–6	6
Sept. 19	10½–11	11	27	10–10½	10	11	6	6
21	11	11	30	10	10			
Oct. 8	11–12	12	Oct. 12	9½–10	9½	1988—Aug. 9	6–6½	6½
10	12	12	13	9½	9½	11	6½	6½
			Nov. 22	9–9½	9			
1980—Feb. 15	12–13	13	26	9	9	In effect August 24, 1988	6½	6½
19	13	13	Dec. 14	8½–9	9			
May 29	12–13	13	15	8½–9	8½			
30	12	12	17	8½	8½			
June 13	11–12	11						
16	11	11						

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 reestablished 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, when 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 reestablished 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 four 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 INSTITUTIONS[1]

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
Net transaction accounts[3,4]		
$0 million–$40.5 million	3	12/15/87
More than $40.5 million	12	12/15/87
Nonpersonal time deposits[5]		
By original maturity		
Less than 1½ years	3	10/6/83
1½ years or more	0	10/6/83
Eurocurrency liabilities		
All types	3	11/13/80

1. Reserve requirements in effect on Dec. 31, 1987. 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. 15, 1987, the exemption was raised from $2.9 million to $3.2 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. 15, 1987 for institutions reporting quarterly and Dec. 29, 1987 for institutions reporting weekly, the amount was increased from $36.7 million to $40.5 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 TRANSACTIONS[1]

Millions of dollars

Type of transaction	1985	1986	1987	1987	1988					
				Dec.	Jan.	Feb.	Mar.	Apr.	May	June
U.S. TREASURY SECURITIES										
Outright transactions (*excluding matched transactions*)										
Treasury bills										
1 Gross purchases	22,214	22,602	18,983	150	0	346	560	423	0	0
2 Gross sales	4,118	2,502	6,050	0	49	538	0	0	0	0
3 Exchange	0	0	0	0	0	0	0	0	0	0
4 Redemptions	3,500	1,000	9,029	0	600	1,600	0	0	0	0
Others within 1 year										
5 Gross purchases	1,349	190	3,658	479	0	0	0	1,092	0	0
6 Gross sales	0	0	300	0	0	0	0	0	0	0
7 Maturity shift	19,763	18,673	21,502	1,400	950	1,939	2,051	868	1,646	1,384
8 Exchange	−17,717	−20,179	−20,388	−1,742	−754	−2,868	−2,089	−1,688	−4,324	−1,826
9 Redemptions	0	0	70	0	0	0	0	0	0	0
1 to 5 years										
10 Gross purchases	2,185	893	10,231	2,589	0	0	0	3,661	0	0
11 Gross sales	0	0	452	0	0	800	0	0	0	0
12 Maturity shift	−17,459	−17,058	−17,974	−1,400	−840	−952	−2,051	−823	−1,102	−1,384
13 Exchange	13,853	16,984	18,938	1,742	749	2,643	2,089	1,434	3,724	1,826
5 to 10 years										
14 Gross purchases	458	236	2,441	596	0	0	0	1,017	0	0
15 Gross sales	100	0	0	0	0	175	0	0	0	0
16 Maturity shift	−1,857	−1,620	−3,529	0	−110	−987	0	−45	−387	0
17 Exchange	2,184	2,050	950	0	5	150	0	254	400	0
Over 10 years										
18 Gross purchases	293	158	1,858	445	0	0	0	966	0	0
19 Gross sales	0	0	0	0	0	0	0	0	0	0
20 Maturity shift	−447	0	0	0	0	0	0	0	−157	0
21 Exchange	1,679	1,150	500	0	0	75	0	0	200	0
All maturities										
22 Gross purchases	26,499	24,078	37,171	4,259	0	346	560	7,160	0	0
23 Gross sales	4,218	2,502	6,802	0	49	1,513	0	0	0	0
24 Redemptions	3,500	1,000	9,099	0	600	1,600	0	0	0	0
Matched transactions										
25 Gross sales	866,175	927,997	950,923	104,833	78,358	97,892	104,527	86,900	115,287	73,708
26 Gross purchases	865,968	927,247	950,935	105,917	78,513	99,139	104,572	85,608	115,115	72,966
Repurchase agreements[2]										
27 Gross purchases	134,253	170,431	314,620	23,512	10,591	0	0	18,696	15,871	10,520
28 Gross sales	132,351	160,268	324,666	25,264	14,237	0	0	11,088	23,478	5,334
29 Net change in U.S. government securities	20,477	29,989	11,235	3,591	−4,140	−1,520	605	13,476	−7,779	4,444
FEDERAL AGENCY OBLIGATIONS										
Outright transactions										
30 Gross purchases	0	0	0	0	0	0	0	0	0	0
31 Gross sales	0	0	0	0	0	0	0	0	0	0
32 Redemptions	162	398	276	13	131	21	3	120	11	0
Repurchase agreements[2]										
33 Gross purchases	22,183	31,142	80,353	9,718	4,042	0	0	4,243	4,771	5,083
34 Gross sales	20,877	30,522	81,351	10,679	5,357	0	0	1,447	7,566	2,843
35 Net change in federal agency obligations	1,144	222	−1,274	−975	−1,446	−21	−3	2,676	−2,807	2,239
36 Total net change in System Open Market Account	**21,621**	**30,211**	**9,961**	**2,617**	**−5,586**	**−1,541**	**602**	**16,151**	**−10,585**	**6,683**

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.

1.18 FEDERAL RESERVE BANKS Condition and Federal Reserve Note Statements[1]

Millions of dollars

Account	Wednesday					End of month		
	1988					1988		
	June 29	July 6	July 13	July 20	July 27	May	June	July
	Consolidated condition statement							
ASSETS								
1 Gold certificate account	11,063	11,063	11,063	11,063	11,062	11,063	11,063	11,063
2 Special drawing rights certificate account	5,018	5,018	5,018	5,018	5,018	5,018	5,018	5,018
3 Coin	380	348	350	361	374	402	369	383
Loans								
4 To depository institutions	2,244	3,080	9,434	3,123	3,415	3,304	2,464	3,650
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	7,268	7,268	7,268	7,201	7,201	7,268	7,268	7,201
8 Held under repurchase agreements	2,553	1,582	625	0	0	0	2,240	0
U.S. Treasury securities								
Bought outright								
9 Bills	106,033	106,771	109,237	107,011	103,750	106,215	105,473	107,473
10 Notes	87,484	87,484	87,484	87,484	87,484	87,484	87,484	87,484
11 Bonds	29,493	29,493	29,493	29,493	29,493	29,493	29,493	29,493
12 Total bought outright[2]	223,010	223,748	226,214	223,988	220,727	223,192	222,450	224,450
13 Held under repurchase agreements	5,428	2,311	1,044	0	0	0	5,186	0
14 Total U.S. Treasury securities	228,438	226,059	227,258	223,988	220,727	223,192	227,636	224,450
15 **Total loans and securities**	**240,503**	**237,989**	**244,585**	**234,312**	**231,343**	**233,764**	**239,608**	**235,301**
16 Items in process of collection	6,155	10,495	6,977	7,239	7,239	5,354	6,604	7,278
17 Bank premises	725	727	729	728	729	723	727	729
Other assets								
18 Denominated in foreign currencies[3]	6,457	6,236	6,478	7,050	7,118	6,349	6,226	7,561
19 All other[4]	8,222	7,809	8,015	7,798	7,913	7,316	7,827	8,075
20 **Total assets**	**278,523**	**279,685**	**283,215**	**273,569**	**270,796**	**269,989**	**277,442**	**275,408**
LIABILITIES								
21 Federal Reserve notes	216,736	219,557	219,248	217,862	217,219	215,168	217,812	217,240
Deposits								
22 To depository institutions	39,982	39,607	46,061	38,149	36,642	38,758	35,681	39,994
23 U.S. Treasury—General account	8,216	4,154	4,106	3,606	3,490	2,871	9,762	3,910
24 Foreign—Official accounts	203	339	205	266	343	298	382	269
25 Other	359	313	285	323	322	427	351	291
26 **Total deposits**	**48,760**	**44,413**	**50,657**	**42,344**	**40,797**	**42,354**	**46,176**	**44,464**
27 Deferred credit items	5,633	8,829	6,001	6,137	5,623	5,232	6,345	6,504
28 Other liabilities and accrued dividends[5]	2,847	2,595	2,747	2,650	2,588	2,539	2,819	2,611
29 **Total liabilities**	**273,976**	**275,394**	**278,653**	**268,993**	**266,227**	**265,293**	**273,152**	**270,819**
CAPITAL ACCOUNTS								
30 Capital paid in	2,110	2,113	2,117	2,117	2,118	2,101	2,110	2,119
31 Surplus	2,047	2,047	2,047	2,047	2,047	2,047	2,039	2,046
32 Other capital accounts	390	131	398	412	404	548	141	424
33 **Total liabilities and capital accounts**	**278,523**	**279,685**	**283,215**	**273,569**	**270,796**	**269,989**	**277,442**	**275,408**
34 MEMO: Marketable U.S. Treasury securities held in custody for foreign and international accounts	226,364	225,926	225,945	224,445	224,329	230,917	228,226	226,294
	Federal Reserve note statement							
35 Federal Reserve notes outstanding issued to bank	260,133	260,036	260,748	261,263	261,825	258,661	260,049	262,021
36 LESS: Held by bank	43,397	40,479	41,500	43,401	44,606	43,493	42,237	44,781
37 Federal Reserve notes, net	216,736	219,557	219,248	217,862	217,219	215,168	217,812	217,240
Collateral held against notes net:								
38 Gold certificate account	11,063	11,063	11,063	11,063	11,062	11,063	11,063	11,063
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	200,655	203,476	203,167	201,781	201,139	199,087	201,731	201,159
42 **Total collateral**	**216,736**	**219,557**	**219,248**	**217,862**	**217,219**	**215,168**	**217,812**	**217,240**

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		
	1988					1988		
	June 29	July 6	July 13	July 20	July 27	May 31	June 30	July 29
1 Loans—Total	2,244	3,080	9,434	3,123	3,415	3,282	2,464	3,650
2 Within 15 days	2,184	2,896	9,225	3,050	3,246	3,185	2,336	3,510
3 16 days to 90 days	60	184	209	73	169	97	128	140
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	228,438	226,059	227,258	223,988	220,727	223,192	227,636	224,450
10 Within 15 days[1]	16,317	12,454	9,550	10,247	7,273	7,372	10,569	7,756
11 16 days to 90 days	50,356	53,765	55,018	51,240	50,742	53,232	50,269	56,583
12 91 days to 1 year	66,292	63,925	66,775	66,785	66,996	67,115	70,884	64,395
13 Over 1 year to 5 years	53,530	53,972	53,972	53,722	53,722	53,530	53,971	53,722
14 Over 5 years to 10 years	15,435	15,435	15,435	15,486	15,486	15,435	15,435	15,486
15 Over 10 years	26,508	26,508	26,508	26,508	26,508	26,508	26,508	26,508
16 Federal agency obligations—Total	9,821	8,850	7,893	7,201	7,201	7,268	9,508	7,201
17 Within 15 days[1]	2,783	1,649	733	165	174	246	2,470	185
18 16 days to 90 days	694	837	802	678	776	661	694	765
19 91 days to 1 year	1,808	1,778	1,802	1,847	1,759	1,728	1,808	1,759
20 Over 1 year to 5 years	3,204	3,254	3,224	3,179	3,173	3,309	3,204	3,173
21 Over 5 years to 10 years	1,143	1,143	1,143	1,143	1,130	1,135	1,143	1,130
22 Over 10 years	189	189	189	189	189	189	189	189

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[1]

Billions of dollars, averages of daily figures

Item	1984 Dec.	1985 Dec.	1986 Dec.	1987 Dec.	1987 Dec.	1988 Jan.	1988 Feb.	1988 Mar.	1988 Apr.	1988 May	1988 June	1988 July
ADJUSTED FOR CHANGES IN RESERVE REQUIREMENTS[2]	Seasonally adjusted											
1 **Total reserves**[3]	**40.96**	**47.26**	**57.46**	**58.72**	**58.72**	**59.46**	**59.57**	**59.76**	**60.37**	**60.37**	**60.64**	**61.25**
2 Nonborrowed reserves	37.77	45.94	56.63	57.94	57.94	58.38	59.18	58.01	57.38	57.79	57.55	57.81
3 Nonborrowed reserves plus extended credit[4]	40.38	46.44	56.93	58.43	58.43	58.75	59.38	59.49	60.00	59.89	60.11	60.34
4 Required reserves	40.11	46.20	56.09	57.69	57.69	58.16	58.44	58.83	59.51	59.32	59.75r	60.23
5 Monetary base[5]	200.45	218.26	240.80	257.93	257.93	260.72	262.02	263.32	265.81	266.92	268.31r	270.56
	Not seasonally adjusted											
6 **Total reserves**[3]	**41.84**	**48.27**	**58.70**	**60.02**	**60.02**	**61.20**	**58.66**	**58.85**	**60.95**	**59.45**	**60.68**	**61.47**
7 Nonborrowed reserves	38.65	46.95	57.87	59.25	59.25	60.12	58.27	57.10	57.95	56.88	57.60	58.03
8 Nonborrowed reserves plus extended credit[4]	41.26	47.45	58.18	59.73	59.73	60.49	58.47	58.58	60.58	58.98	60.15	60.57
9 Required reserves	40.99	47.21	57.33	58.99	58.99	59.90	57.53	57.92	60.09	58.41	59.79r	60.46
10 Monetary base[5]	203.39	221.49	244.55	262.05	262.05	262.01	259.01	260.77	265.01	265.73	269.44r	272.35
NOT ADJUSTED FOR CHANGES IN RESERVE REQUIREMENTS[6]												
11 **Total reserves**[3]	**40.70**	**48.14**	**59.56**	**62.12**	**62.12**	**62.64**	**60.05**	**60.08**	**62.06**	**60.68**	**61.99**	**62.76**
12 Nonborrowed reserves	37.51	46.82	58.73	61.35	61.35	61.56	59.65	58.32	59.07	58.10	58.91	59.32
13 Nonborrowed reserves plus extended credit[4]	40.09	47.41	59.04	61.86	61.86	62.12	59.82	59.58	61.89	60.08	61.47	61.99
14 Required reserves	39.84	47.08	58.19	61.09	61.09	61.34	58.91	59.15	61.21	59.64	61.10r	61.75
15 Monetary base[5]	204.18	223.53	247.71	266.16	266.16	265.79	262.60	263.98	268.13	268.90	272.65r	275.53

1. 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 Monetary and Reserves* Projections Section, Division of Monetary Affairs, Board of Governors of the Federal Reserve System, Washington, D.C. 20551.

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

3. 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.

4. 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.

5. 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 plus, for institutions not having required reserve balances, the excess of current vault cash over the amount applied to satisfy current reserve requirements. Currency and vault cash figures are measured over the weekly computation period ending Monday.

The seasonally adjusted monetary base 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.

6. 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.

1.21 MONEY STOCK, LIQUID ASSETS, AND DEBT MEASURES[1]

Billions of dollars, averages of daily figures

Item[2]	1984 Dec.	1985 Dec.	1986 Dec.	1987 Dec.	1988 Apr.	1988 May[r]	1988 June[r]	1988 July
				Seasonally adjusted				
1 M1	551.9	620.1	725.4	750.8	770.1	770.2	776.5	782.3
2 M2	2,363.6	2,562.6	2,807.8	2,901.1	2,991.4	3,002.3	3,015.5	3,022.9
3 M3	2,978.3	3,196.4	3,490.4	3,661.1	3,766.7	3,779.8	3,799.9	3,816.8
4 L	3,519.4	3,825.9	4,133.8	4,323.9	4,460.5	4,488.4	4,501.6	n.a.
5 Debt	5,932.6	6,749.4	7,607.6	8,305.5	8,529.7	8,588.5	8,643.2	n.a.
M1 components								
6 Currency[3]	156.1	167.7	180.4	196.5	202.5	203.6	204.9	206.3
7 Travelers checks[4]	5.2	5.9	6.5	7.1	7.3	7.4	7.3	7.2
8 Demand deposits[5]	244.1	267.2	303.3	288.0	290.2	287.4	289.9	290.6
9 Other checkable deposits[6]	146.4	179.2	235.2	259.3	270.1	271.9	274.4	278.3
Nontransactions components								
10 In M2[7]	1,811.7	1,942.5	2,082.4	2,150.3	2,221.3	2,232.1	2,239.0	2,240.6
11 In M3 only[8]	614.7	633.8	682.6	760.0	775.3	777.5	784.4	793.9
Savings deposits[9]								
12 Commercial Banks	122.6	124.8	155.5	178.2	184.2	186.0	188.0	189.5
13 Thrift institutions	162.9	176.6	215.2	236.0	238.6	239.2	241.0	242.2
Small-denomination time deposits[10]								
14 Commercial Banks	386.3	383.3	364.6	384.6	402.5	404.7	406.8	409.7
15 Thrift institutions	497.0	496.2	488.6	528.5	562.3	567.3	568.1	568.1
Money market mutual funds								
16 General purpose and broker-dealer	167.5	176.5	208.0	221.1	235.8	231.7	228.9	229.5
17 Institution-only	62.7	64.5	84.4	89.6	91.9	90.0	86.3	84.8
Large-denomination time deposits[11]								
18 Commercial Banks[12]	270.2	284.9	288.9	323.5	325.7	327.9	333.5	340.6
19 Thrift institutions	146.8	151.6	150.3	161.2	167.3	168.1	168.1	168.5
Debt components								
20 Federal debt	1,365.3	1,584.3	1,804.5	1,954.7	2,018.5	2,023.1	2,032.1	n.a.
21 Nonfederal debt	4,567.3	5,165.1	5,803.2	6,350.8	6,511.2	6,565.4	6,611.2	n.a.
				Not seasonally adjusted				
22 M1	564.5	633.5	740.6	765.9	778.3	763.8	778.8	785.5
23 M2	2,373.2	2,573.9	2,821.5	2,914.8	2,998.9	2,988.5	3,013.3	3,027.5
24 M3	2,991.4	3,211.0	3,507.2	3,677.7	3,771.5	3,767.3	3,795.2	3,814.2
25 L	3,532.7	3,841.4	4,151.9	4,342.0	4,460.8	4,470.9	4,498.2	n.a.
26 Debt	5,927.1	6,740.6	7,593.3	8,289.3	8,500.0	8,558.8	8,618.3	n.a.
M1 components								
27 Currency[3]	158.5	170.2	183.0	199.4	201.6	203.6	205.8	207.9
28 Travelers checks[4]	4.9	5.5	6.0	6.5	6.9	7.1	7.6	8.2
29 Demand deposits[5]	253.0	276.9	314.4	298.5	292.0	282.9	291.0	292.7
30 Other checkable deposits[6]	148.2	180.9	237.3	261.6	277.8	270.1	274.4	276.8
Nontransactions components								
31 M2[7]	1,808.7	1,940.3	2,080.8	2,148.9	2,220.7	2,224.7	2,234.5	2,242.0
32 M3 only[8]	618.2	637.1	685.7	762.9	772.6	778.8	781.9	786.7
Money market deposit accounts								
33 Commercial Banks	267.4	332.8	379.6	358.2	360.3	357.0	359.9	359.2
34 Thrift institutions	149.4	180.8	192.9	167.0	163.0	162.6	162.4	161.7
Savings deposits[9]								
35 Commercial Banks	121.5	123.7	154.2	176.7	185.1	187.1	189.6	191.4
36 Thrift institutions	161.5	174.8	212.9	233.3	239.4	241.2	243.8	245.5
Small-denomination time deposits[10]								
37 Commercial Banks	386.9	384.0	365.3	385.2	399.6	401.4	405.4	410.2
38 Thrift institutions	498.2	497.5	489.7	529.3	560.9	562.8	564.6	568.3
Money market mutual funds								
39 General purpose and broker-dealer	167.5	176.5	208.0	221.1	235.8	231.7	228.9	229.5
40 Institution-only	62.7	64.5	84.4	89.6	91.9	90.0	86.3	84.8
Large-denomination time deposits[11]								
41 Commercial Banks[12]	270.9	285.4	289.1	323.6	325.6	328.5	332.7	337.8
42 Thrift institutions	146.8	151.9	150.7	161.8	165.7	167.2	166.9	167.0
Debt components								
43 Federal debt	1,364.7	1,583.7	1,803.9	1,954.1	2,001.6	2,005.2	2,014.7	n.a.
44 Nonfederal debt	4,562.4	5,156.9	5,789.4	6,335.1	6,498.4	6,553.6	6,603.6	n.a.

For notes see following page.

NOTES TO TABLE 1.21

1. 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 Monetary Affairs, Board of Governors of the Federal Reserve System, Washington, D.C. 20551.
2. Composition of the money stock measures and debt is as follows:
M1: (1) currency outside the Treasury, Federal Reserve Banks, and the vaults of depository institutions; (2) travelers checks of nonbank issuers; (3) demand deposits at all commercial banks other than those due to depository institutions, the U.S. government, and foreign banks and official institutions less cash items in the process of collection and Federal Reserve float; and (4) other checkable deposits (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.
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.
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 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.
3. Currency outside the U.S. Treasury, Federal Reserve Banks, and vaults of depository institutions.
4. Outstanding amount of U.S. dollar-denominated travelers checks of nonbank issuers. Travelers checks issued by depository institutions are included in demand deposits.
5. Demand deposits at commercial banks and foreign-related institutions other than those due to depository institutions, the U.S. government, and foreign banks and official institutions less cash items in the process of collection and Federal Reserve float.
6. Consists of NOW and ATS balances at all depository institutions, credit union share draft balances, and demand deposits at thrift institutions.
7. Sum of overnight RPs and overnight Eurodollars, money market fund balances (general purpose and broker-dealer), MMDAs, and savings and small time deposits.
8. Sum of large time deposits, term RPs, and term Eurodollars of U.S. residents, money market fund balances (institution-only), less the estimated amount of overnight RPs and Eurodollars held by institution-only money market funds.
9. *Savings deposits exclude MMDAs.*
10. 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.
11. Large-denomination time deposits are those issued in amounts of $100,000 or more, excluding those booked at international banking facilities.
12. Large-denomination time deposits at commercial banks less those held by money market mutual funds, depository institutions, and foreign banks and official institutions.

1.22 BANK DEBITS AND DEPOSIT TURNOVER[1]

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	1985[2]	1986[2]	1987[2]	1987	1988				
				Dec.	Jan.	Feb.	Mar.	Apr.	May
DEBITS TO	Seasonally adjusted								
Demand deposits[3]									
1 All insured banks	156,091.6	188,345.8	217,115.9	203,290.6	213,270.8	221,057.3	218,986.7	213,971.5	224,052.3
2 Major New York City banks	70,585.8	91,397.3	104,496.3	92,640.1	98,733.8	104,568.3	101,161.0	100,695.1	109,714.7
3 Other banks	85,505.9	96,948.8	112,619.6	110,650.5	114,537.0	116,489.0	117,825.7	113,276.4	114,337.6
4 ATS-NOW accounts[4]	1,823.5	2,182.5	2,402.7	2,525.7	2,352.7	2,730.3	2,856.8	2,557.9	2,664.9
5 Savings deposits[5]	384.9	403.5	526.5	556.0	534.9	596.0	640.7	543.7	574.7
DEPOSIT TURNOVER									
Demand deposits[3]									
6 All insured banks	500.3	556.5	612.1	590.4	602.5	628.2	628.8	600.2	630.9
7 Major New York City banks	2,196.9	2,498.2	2,670.6	2,608.1	2,600.3	2,844.8	2,811.0	2,700.6	2,881.3
8 Other banks	305.7	321.2	357.0	358.3	362.5	369.7	377.3	354.9	360.6
9 ATS-NOW accounts[4]	15.8	15.6	13.8	14.2	13.0	14.9	15.5	13.8	14.2
10 Savings deposits[5]	3.2	3.0	3.1	3.2	3.0	3.3	3.5	3.0	3.1
DEBITS TO	Not seasonally adjusted								
Demand deposits[3]									
11 All insured banks	156,052.3	188,506.4	217,124.8	222,338.9	210,029.1	208,899.2	233,286.6	214,848.8	222,685.5
12 Major New York City banks	70,559.2	91,500.0	104,518.6	102,548.7	40.3	36.8	109,557.8	101,141.9	106,335.6
13 Other banks	85,493.1	97,006.6	112,606.1	119,790.3	112,189.0	110,792.7	123,728.8	113,706.9	116,349.9
14 ATS-NOW accounts[4]	1,826.4	2,184.6	2,404.8	2,645.3	2,565.2	2,468.6	2,825.0	2,745.3	2,601.3
15 MMDA[6]	1,223.9	1,609.4	1,954.2	2,276.4	2,305.6	2,102.8	2,337.5	2,372.8	2,341.0
16 Savings deposits[5]	385.3	404.1	526.8	568.9	552.5	526.3	616.5	603.2	566.4
DEPOSIT TURNOVER									
Demand deposits[3]									
17 All insured banks	499.9	556.7	612.3	615.0	578.7	610.5	684.3	601.8	638.6
18 Major New York City banks	2,196.3	2,499.1	2,674.9	2,661.4	2,430.3	2,664.6	3,005.7	2,706.2	2,895.6
19 Other banks	305.6	321.2	356.9	370.9	347.7	362.8	406.4	355.7	372.9
20 ATS-NOW accounts[4]	15.8	15.6	13.8	14.6	13.9	13.5	15.3	14.4	14.1
21 MMDA[6]	4.0	4.5	5.3	6.4	6.5	5.9	6.5	6.6	6.6
22 Savings deposits[5]	3.2	3.0	3.1	3.2	3.1	3.0	3.4	3.3	3.1

1. Historical tables containing revised data for earlier periods may be obtained from the Monetary and Reserves Projections Section, Division of Monetary Affairs, 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.

2. Annual averages of monthly figures.

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

4. 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.

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

6. Money market deposit accounts.

1.23 LOANS AND SECURITIES All Commercial Banks[1]

Billions of dollars; averages of Wednesday figures

Category	1987 Aug.	1987 Sept.	1987 Oct.	1987 Nov.	1987 Dec.	1988 Jan.	1988 Feb.	1988 Mar.	1988 Apr.	1988 May	1988 June	1988 July
	Seasonally adjusted											
1 **Total loans and securities**[2]	**2,199.0**	**2,214.7**	**2,227.6**	**2,232.1**	**2,230.6**	**2,242.4**	**2,259.8**	**2,274.8**	**2,297.7**	**2,322.5**	**2,343.9**	**2,353.5**
2 U.S. government securities	328.5	331.3	331.7	331.1	333.2	334.6	334.9	338.9	343.0	345.9	349.8	344.8
3 Other securities	193.7	193.7	194.2	196.2	196.0	193.9	195.6	197.5	198.2	197.6	198.5	199.1
4 Total loans and leases[2]	1,676.8	1,689.8	1,701.7	1,704.8	1,701.4	1,714.0	1,729.2	1,738.4	1,756.4	1,778.9	1,795.5	1,809.5
5 Commercial and industrial	554.0	559.0	562.8	563.1	565.5	568.3	571.1	569.3	578.8	587.4	594.4	600.7
6 Bankers acceptances held[3]	5.3	5.4	5.5	4.6	4.3	4.5	4.5	4.8	4.7	4.5	4.5	4.4
7 Other commercial and industrial	548.7	553.6	557.3	558.5	561.2	563.9	566.6	564.5	574.1	582.9	589.9	596.2
8 U.S. addressees[4]	540.6	545.7	549.4	551.0	553.1	554.9	557.6	556.1	565.8	575.7	583.0	589.4
9 Non-U.S. addressees[4]	8.1	7.9	7.9	7.5	8.2	9.0	8.9	8.4	8.3	7.1	7.0	6.8
10 Real estate	556.8	561.7	569.4	576.2	582.3	587.5	593.0	598.2	604.4	612.6	618.9	624.9
11 Individual	321.5	322.8	324.1	325.0	325.9	327.9	330.8	334.6	337.6	339.1	340.6	341.6
12 Security	45.4	46.1	47.1	39.3	33.4	36.3	41.3	39.8	38.1	38.8	38.6	38.0
13 Nonbank financial institutions	31.5	31.4	31.7	31.9	31.9	32.1	32.7	32.1	31.2	31.8	31.4	31.9
14 Agricultural	29.7	29.6	29.6	29.3	29.2	29.3	29.5	29.5	29.5	29.4	29.0	28.3
15 State and political subdivisions	54.8	54.7	54.1	53.4	51.2	52.3	52.3	52.1	51.9	51.6	51.5	51.1
16 Foreign banks	9.1	9.2	9.6	8.8	8.2	8.2	7.8	8.1	8.5	8.2	8.2	8.5
17 Foreign official institutions	5.7	5.7	5.8	5.7	5.6	5.6	5.2	5.2	5.2	5.3	5.2	5.2
18 Lease financing receivables	24.0	24.1	24.3	24.5	24.8	24.8	24.7	24.8	25.0	25.3	25.8	26.5
19 All other loans	44.2	45.4	43.1	47.6	43.3	41.6	40.9	44.7r	46.1	49.5	51.8	52.9
	Not seasonally adjusted											
20 **Total loans and securities**[2]	**2,188.8**	**2,211.6**	**2,222.4**	**2,231.3**	**2,247.0**	**2,255.0**	**2,264.5**	**2,275.0**	**2,298.8**	**2,319.1**	**2,340.0**	**2,343.3**
21 U.S. government securities	328.3	331.3	329.3	331.0	333.1	336.1	340.0	340.8	342.6	344.3	346.3	343.9
22 Other securities	193.6	193.8	193.3	195.6	196.6	196.5	196.3	197.1	197.8	197.7	198.0	197.9
23 Total loans and leases[2]	1,666.9	1,686.6	1,699.8	1,704.7	1,717.3	1,722.4	1,728.2	1,737.2	1,758.5	1,777.1	1,795.7	1,801.6
24 Commercial and industrial	549.5	555.7	558.7	562.0	569.6	568.0	570.3	574.5	582.8	589.8	595.9	597.8
25 Bankers acceptances held[3]	5.3	5.5	5.4	4.6	4.4	4.3	4.4	4.8	4.7	4.5	4.6	4.5
26 Other commercial and industrial	544.2	550.2	553.3	557.4	565.2	563.7	565.9	569.7	578.1	585.3	591.3	593.3
27 U.S. addressees[4]	536.0	542.1	545.3	549.3	557.1	555.5	557.4	561.5	570.0	577.9	584.2	586.0
28 Non-U.S. addressees[4]	8.3	8.1	8.1	8.1	8.1	8.2	8.5	8.1	8.1	7.3	7.1	7.3
29 Real estate	556.8	562.4	570.0	576.8	583.2	587.8	592.3	597.4	603.4	612.0	618.6	624.9
30 Individual	321.5	324.3	325.7	326.7	330.2	331.3	330.2	331.5	334.5	336.3	338.5	340.2
31 Security	43.3	44.8	45.6	39.4	35.1	37.1	39.7	39.3	39.8	39.3	40.0	37.5
32 Nonbank financial institutions	31.4	31.8	31.7	32.3	33.2	32.4	31.6	31.1	31.1	31.5	31.5	31.7
33 Agricultural	30.6	30.7	30.4	29.6	28.9	28.6	28.5	28.5	28.7	29.1	29.3	28.9
34 State and political subdivisions	54.1	53.8	53.2	52.3	51.2	54.1	53.5	53.0	52.4	51.6	51.1	50.3
35 Foreign banks	8.9	9.5	9.8	8.8	8.6	8.4	8.0	8.0	8.1	7.9	8.1	8.5
36 Foreign official institutions	5.7	5.7	5.8	5.7	5.6	5.6	5.2	5.2	5.2	5.3	5.2	5.2
37 Lease financing receivables	23.9	24.0	23.9	24.2	24.8	25.0	24.9	25.0	25.2	25.4	26.0	26.5
38 All other loans	41.0	43.9	44.8	46.8	46.8	44.1	43.8	43.8	47.1	48.9	51.3	50.1

1. These data also appear in the Board's G.7 (407) release. For address, see *inside front cover.*
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 BANKS[1]

Monthly averages, billions of dollars

Source	1987					1988						
	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June	July
Total nondeposit funds												
1 Seasonally adjusted[2]	166.8	177.3	176.3	173.8	177.4	178.9	176.7	174.2	181.5	191.5	190.7	187.5
2 Not seasonally adjusted	166.9	177.7	176.3	176.1	178.2	179.2	179.2	175.1	180.7	191.3	187.0	183.7
Federal funds, RPs, and other borrowings from nonbanks[3]												
3 Seasonally adjusted	167.1	165.0	164.7	165.9	162.2	169.8	173.6	177.4	179.5	181.6	181.7	176.5
4 *Not seasonally adjusted*	167.2	165.4	164.8	168.3	163.1	170.1	176.1	178.2	178.7	181.4	178.1	172.7
5 Net balances due to foreign-related institutions, not seasonally adjusted	-.3	12.3	11.6	7.9	15.2	9.1	3.1	-3.1	2.0	9.8	8.9	11.0
MEMO												
6 Domestically chartered banks' net positions with own foreign branches, not seasonally adjusted[4]	-17.7	-11.8	-14.7	-17.1	-14.0	-16.5	-20.2	-25.3	-22.2	-16.4	-16.0	-13.6
7 Gross due from balances	64.5	63.8	67.7	70.4	69.5	71.2	72.9	76.6	72.9	69.6	69.4	70.2
8 Gross due to balances	46.8	52.0	53.0	53.3	55.5	54.7	52.7	51.3	50.7	53.3	53.4	56.6
9 Foreign-related institutions' net positions with directly related institutions, not seasonally adjusted[5]	17.4	24.1	26.3	24.9	29.2	25.6	23.3	22.1	24.2	26.2	25.0	24.6
10 Gross due from balances	77.7	77.3	79.7	83.2	79.8	85.2	87.3	88.6	88.3	89.9	93.6	94.0
11 Gross due to balances	95.0	101.4	106.0	108.2	109.0	110.9r	110.6	110.7	112.4	116.0	118.5	118.7
Security RP borrowings												
12 Seasonally adjusted[6]	105.2	107.4	107.6	107.0	106.5	108.9	107.7	108.2	112.0	114.9	117.7	114.8
13 Not seasonally adjusted	105.3	107.8	107.6	109.3	107.4	109.3	110.3	109.1	111.2	114.7	114.1	111.0
U.S. Treasury demand balances[7]												
14 Seasonally adjusted	28.5	24.9	34.2	35.7	26.1	18.6	22.6	24.9	21.8	24.7	22.0	20.2
15 Not seasonally adjusted	21.6	25.5	30.7	25.8	22.4	24.9	28.2	22.3	21.7	30.4	21.0	22.0
Time deposits, $100,000 or more[8]												
16 Seasonally adjusted	372.3	373.0	380.5	387.0	389.2	389.1	394.4	396.1	394.0r	396.4r	400.5r	406.7
17 Not seasonally adjusted	371.8	373.2	380.4	387.0	389.3	390.1	394.7	398.2	393.9r	397.1r	399.8r	403.9

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.
These data also appear in the Board's G.10 (411) release. For address, see inside front cover.
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.

1.25 ASSETS AND LIABILITIES OF COMMERCIAL BANKING INSTITUTIONS Last-Wednesday-of-Month Series[1]

Billions of dollars

Account	1987				1988						
	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June[r]	July
ALL COMMERCIAL BANKING INSTITUTIONS[2]											
1 Loans and securities	2,374.8	2,402.4	2,389.9	2,430.5	2,416.5	2,424.1	2,444.6	2,462.9	2,469.0	2,508.7	2,503.3
2 Investment securities	501.7	503.8	508.0	514.4	516.0	515.4	518.3	520.3	522.5	519.8	520.8
3 U.S. government securities	313.8	316.0	317.3	321.4	323.7	323.6	324.6	328.1	330.0	326.8	328.3
4 Other	187.9	187.9	190.7	193.1	192.2	191.8	193.7	192.1	192.6	192.9	192.4
5 Trading account assets	19.5	19.6	20.3	16.9	18.2	21.9	20.3	19.6	20.3	22.1	23.9
6 Total loans	1,853.6	1,878.9	1,861.6	1,899.2	1,882.3	1,886.9	1,906.0	1,923.0	1,926.2	1,966.8	1,958.6
7 Interbank loans	157.4	172.9	162.0	172.1	160.9	162.8	161.0	161.6	154.0	166.6	160.2
8 Loans excluding interbank	1,696.2	1,706.1	1,699.7	1,727.2	1,721.4	1,724.1	1,745.0	1,761.5	1,772.1	1,800.2	1,798.4
9 Commercial and industrial	560.7	559.7	561.1	576.4	565.4	570.4	576.9	584.1	588.7	600.3	594.7
10 Real estate	564.1	571.7	577.4	586.3	589.3	592.7	600.0	605.9	613.9	621.3	626.6
11 Individual	325.3	326.7	326.9	332.4	330.8	330.4	332.7	335.9	336.3	339.3	340.4
12 All other	246.0	248.0	234.3	232.1	235.8	230.6	235.4	235.6	233.2	239.3	236.7
13 Total cash assets	223.8	223.5	215.2	232.5	209.7	203.3	207.9	210.8	197.0	218.2	213.7
14 Reserves with Federal Reserve Banks	32.9	38.3	33.8	36.2	33.3	32.8	32.1	32.2	26.0	34.4	30.7
15 Cash in vault	24.5	25.0	24.0	28.5	25.8	25.1	24.8	25.4	25.4	26.5	25.9
16 Cash items in process of collection	81.6	79.0	76.1	79.9	70.7	66.8	74.1	76.4	71.6	77.2	75.8
17 Demand balances at U.S. depository institutions	32.7	32.3	32.9	36.6	31.3	30.0	31.6	30.6	29.5	31.9	31.6
18 Other cash assets	52.1	48.9	48.4	51.4	48.6	48.5	45.3	46.2	44.6	48.3	49.8
19 Other assets	193.6	186.3	187.5	184.0	177.7	178.1	189.0	185.2	182.0	189.1	182.7
20 **Total assets/total liabilities and capital**	**2,792.2**	**2,812.2**	**2,792.6**	**2,847.1**	**2,803.9**	**2,805.5**	**2,841.5**	**2,859.0**	**2,848.0**	**2,916.0**	**2,899.6**
21 Deposits	1,972.4	1,971.2	1,974.1	2,009.1	1,969.0	1,975.0	2,004.1	2,007.2	2,004.6	2,038.3	2,045.8
22 Transaction deposits	612.4	598.1	592.0	623.3	576.2	567.5	587.6	595.0	578.1	602.3	597.3
23 Savings deposits	535.3	531.7	531.1	528.0	531.7	535.6	539.7	536.0	542.0	544.5	545.3
24 Time deposits	824.7	841.4	851.0	857.9	861.1	871.8	876.8	876.2	884.4	891.6	903.2
25 Borrowings	416.3	435.7	420.1	426.2	446.1	444.2	446.3	456.3	448.7	478.1	456.9
26 Other liabilities	224.7	225.5	218.9	231.5	208.1	205.3	211.1	214.1	211.8	215.2	213.3
27 Residual (assets less liabilities)	178.8	179.8	179.5	180.4	180.7	181.0	180.0	181.4	182.9	184.5	183.6
MEMO											
28 U.S. government securities (including trading account)	327.7	329.9	331.7	332.4	337.7	340.8	340.1	342.8	345.7	343.5	345.9
29 Other securities (including trading account)	193.5	193.5	196.6	198.9	196.5	196.5	198.5	197.1	197.2	198.4	198.8
DOMESTICALLY CHARTERED COMMERCIAL BANKS[3]											
30 Loans and securities	2,195.4	2,218.6	2,213.8	2,238.5	2,232.9	2,237.8	2,255.8	2,272.0	2,277.3	2,303.8	2,306.6
31 Investment securities	475.9	478.7	482.6	488.3	488.0	487.6	490.4	493.8	495.2	492.4	492.8
32 U.S. Treasury securities	302.9	305.7	306.4	311.0	312.1	312.2	313.1	316.8	317.7	314.9	315.7
33 Other	173.0	173.0	176.2	177.3	175.9	175.4	177.2	177.0	177.6	177.5	177.0
34 Trading account assets	19.5	19.6	20.3	16.9	18.2	21.9	20.3	19.6	20.3	22.1	23.9
35 Total loans	1,700.0	1,720.3	1,711.0	1,733.3	1,726.6	1,728.3	1,745.1	1,758.6	1,761.8	1,789.3	1,789.9
36 Interbank loans	125.0	133.3	130.5	135.3	131.4	133.4	132.2	129.0	125.5	133.5	131.2
37 Loans excluding interbank	1,575.0	1,587.0	1,580.4	1,598.0	1,595.2	1,595.0	1,612.9	1,629.7	1,636.3	1,655.8	1,658.7
38 Commercial and industrial	470.2	470.6	472.0	479.4	472.7	475.6	480.7	487.2	488.8	492.5	490.9
39 Real estate	554.0	561.9	567.3	575.0	577.9	580.3	587.3	593.0	600.5	607.9	613.6
40 Individual	325.0	326.4	326.6	332.1	330.5	330.1	332.4	335.6	336.0	338.9	340.1
41 All other	225.8	228.1	214.6	211.6	214.1	209.0	212.5	213.9	211.0	216.5	214.2
42 Total cash assets	204.8	207.8	199.3	214.9	192.1	184.4	191.7	194.3	180.8	199.4	194.1
43 Reserves with Federal Reserve Banks	30.9	36.5	31.5	35.1	31.7	30.5	30.1	30.8	23.6	32.9	29.5
44 Cash in vault	24.4	24.9	24.0	28.4	25.7	25.1	24.7	25.4	25.4	26.4	25.9
45 Cash items in process of collection	81.0	78.4	75.7	79.5	70.2	66.3	73.6	75.9	71.1	76.6	75.2
46 Demand balances at U.S. depository institutions	30.8	30.6	31.4	34.7	29.7	28.4	30.0	29.0	27.8	30.1	29.7
47 Other cash assets	37.7	37.3	36.7	37.3	34.8	34.0	33.4	33.3	32.9	33.4	33.8
48 Other assets	134.2	130.0	123.7	127.2	118.9	121.4	126.8	125.1	121.7	129.4	124.0
49 **Total assets/liabilities and capital**	**2,534.5**	**2,556.4**	**2,536.8**	**2,580.7**	**2,543.9**	**2,543.6**	**2,574.3**	**2,591.5**	**2,579.7**	**2,632.7**	**2,624.7**
50 Deposits	1,910.3	1,909.1	1,912.4	1,944.6	1,906.9	1,912.2	1,940.1	1,943.7	1,940.6	1,972.7	1,980.0
51 Transaction deposits	603.9	589.5	583.7	614.9	567.9	559.6	579.2	586.4	569.8	593.6	588.6
52 Savings deposits	533.2	529.5	528.8	525.7	529.4	533.2	537.3	533.6	539.6	541.7	542.8
53 Time deposits	773.3	790.1	799.9	804.1	809.6	819.4	823.6	823.7	831.2	837.4	848.6
54 Borrowings	324.7	345.7	323.2	331.9	347.0	344.8	343.4	351.0	344.2	362.0	346.0
55 Other liabilities	123.8	125.0	124.8	127.0	112.5	108.8	114.0	118.5	115.2	116.7	118.2
56 Residual (assets less liabilities)	175.6	176.6	176.3	177.2	177.5	177.8	176.8	178.2	179.7	181.3	180.4

1. Back data are available from the Banking and Monetary Statistics section, Board of Governors of the Federal Reserve System, Washington, D.C., 20551. These data also appear in the Board's weekly H.8 (510) release.

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 ASSETS AND LIABILITIES OF LARGE WEEKLY REPORTING COMMERCIAL BANKS[1]

Millions of dollars, Wednesday figures

Account	1988								
	June 1	June 8	June 15	June 22	June 29	July 6	July 13	July 20	July 27
1 Cash and balances due from depository institutions	133,443	103,512r	123,097	100,236	107,943	117,852	110,500	105,055	103,025
2 **Total loans, leases, and securities, net**	**1,138,997r**	**1,123,307r**	**1,144,402r**	**1,124,669**	**1,128,652r**	**1,126,645**	**1,124,510**	**1,126,173**	**1,127,761**
3 U.S. Treasury and government agency	131,985r	133,957r	134,732r	131,568r	129,891r	129,170	129,312	130,605	130,874
4 Trading account	16,311	18,859	21,246	18,016	16,677	16,945	16,386	17,232	17,535
5 Investment account	*115,674r*	*115,099r*	*113,486r*	*113,552r*	*113,214r*	*112,225*	*112,926*	*113,372*	*113,340*
6 Mortgage-backed securities[2]	41,817r	41,850r	41,313r	41,888r	41,501r	41,591	41,836	42,409	42,299
All other maturing in									
7 One year or less	17,136	16,588	16,426	16,176	16,715	17,243	17,238	17,188	17,422
8 Over one through five years	47,183	47,131	46,186	45,988	45,368	43,789	44,461	45,101	44,803
9 Over five years	9,538	9,530	9,561	9,499	9,630	9,602	9,391	8,674	8,815
10 Other securities	73,788r	73,336r	73,431r	72,873r	73,385r	72,786	72,855	72,794	73,012
11 Trading account	1,719	1,654	1,929	1,690	1,939	1,808	1,705	1,613	1,898
12 Investment account	72,069r	71,682r	71,502r	71,182r	71,445r	70,977	71,150	71,180	71,114
13 States and political subdivisions, by maturity	48,531	48,275	48,212	48,138	48,006	47,334	47,377	47,410	47,456
14 One year or less	5,661	5,633	5,590	5,541	5,348	5,207	5,176	5,141	5,160
15 Over one year	42,870	42,642	42,621	42,598	42,659	42,128	42,201	42,269	42,296
16 Other bonds, corporate stocks, and securities	23,538r	23,407r	23,290r	23,044r	23,439r	23,643	23,773	23,770	23,658
17 Other trading account assets	3,262	2,972	3,418	3,257	3,474r	3,568	3,304	3,542	4,463
18 Federal funds sold[3]	85,346	71,904	86,870	70,770	74,583	68,276	70,904	69,914	71,024
19 To commercial banks	52,608	42,943	53,762	42,184	47,640	43,678	44,984	43,363	43,799
20 To nonbank brokers and dealers in securities	21,695	18,669	22,456	19,610	18,249	16,769	17,644	18,065	18,185
21 To others	11,044	10,292	10,651	8,976	8,694	7,829	8,276	8,486	9,040
22 Other loans and leases, gross	886,018r	882,495r	887,253r	887,518r	888,317	893,433	888,626	889,896	888,844
23 Other loans, gross	864,521r	860,715r	865,410r	865,589r	866,348r	871,324	866,300	867,453	866,423
24 Commercial and industrial	299,289r	299,949r	300,578r	300,333r	300,860r	301,902	298,801	299,447	299,344
25 Bankers acceptances and commercial paper	2,232	2,206	2,083	2,111	2,158	2,180	1,994	2,000	2,009
26 All other	297,057r	297,744r	298,495r	298,221r	298,702r	299,722	296,806	297,446	297,334
27 U.S. addressees	294,446r	295,124r	295,930r	295,670r	296,171r	297,200	294,280	294,925	294,699
28 Non-U.S. addressees	2,611	2,619	2,565	2,552	2,531	2,522	2,526	2,521	2,635
29 Real estate loans	277,449r	277,871r	278,928	279,803r	280,882r	281,306	282,629	282,868	283,663
30 Revolving, home equity	18,528r	18,647r	18,780r	18,910r	19,042r	19,086	19,199	19,270	19,367
31 All other	258,921r	259,224r	260,149r	260,893r	261,840r	262,220	263,430	263,598	264,297
32 To individuals for personal expenditures	162,420r	162,491r	162,480r	162,379r	162,397r	162,510	162,531	162,855	162,296
33 To depository and financial institutions	50,464r	49,754r	49,293r	49,964r	48,676r	51,392	50,716	51,202	50,609
34 Commercial banks in the United States	23,226r	23,307r	22,753r	23,435r	22,173r	22,694	23,251	24,071	24,212
35 Banks in foreign countries	4,055	3,829	4,071	4,198	3,786	5,264	4,667	4,669	4,103
36 Nonbank depository and other financial institutions	23,184	22,619	22,469	22,330	22,717	23,433	22,798	22,461	22,294
37 For purchasing and carrying securities	13,737	11,568	13,772	12,856	13,712	13,497	12,460	11,827	11,994
38 To finance agricultural production	5,715	5,745	5,609	5,672	5,645r	5,695	5,706	5,623	5,566
39 To states and political subdivisions	31,006	30,897	30,837	30,793	30,759	30,414	30,385	30,235	30,352
40 To foreign governments and official institutions	2,235	1,950	2,080	1,978	1,982	1,975	1,948	1,971	1,866
41 All other	22,205r	20,489r	21,831r	21,812r	21,435r	22,634	21,122	21,426	20,732
42 Lease financing receivables	21,497r	21,780r	21,844r	21,929r	21,969r	22,109	22,326	22,443	22,421
43 LESS: Unearned income	4,901r	4,916r	4,918r	4,941r	4,913	4,846	4,850	4,866	4,897
44 Loan and lease reserve[4]	36,500	36,442	36,384	36,376	36,086	35,742	35,641	35,712	35,559
45 Other loans and leases, net	844,617r	841,137r	845,952r	846,201	847,318	852,845	848,135	849,318	848,388
46 All other assets	126,495r	122,486r	127,258r	123,042	128,183	128,254	122,754	124,485	123,014
47 **Total assets**	**1,398,935r**	**1,349,305r**	**1,394,758r**	**1,347,947**	**1,364,778r**	**1,372,751**	**1,357,765**	**1,355,713**	**1,353,800**
48 Demand deposits	268,245	226,567r	263,607	222,352	232,704	255,698	229,897	228,400	226,382
49 Individuals, partnerships, and corporations	205,929	179,592	198,136	175,839	182,577	198,415	185,126	180,699	177,638
50 States and political subdivisions	7,331	5,336	7,023	6,463	5,979	5,886	5,441	5,966	6,156
51 U.S. government	1,536	3,153	15,723	2,785	3,008	4,312	1,300	4,226	2,898
52 Depository institutions in the United States	32,132	21,738r	26,086	20,939	22,433	27,170	21,073	21,547	22,598
53 Banks in foreign countries	7,719	6,283	6,225	6,988	7,170	8,449	6,554	6,627	6,988
54 Foreign governments and official institutions	892	732	777	687	1,091	886	640	980	856
55 Certified and officers' checks	12,705	9,733	9,635	8,650	10,446	10,577	9,762	8,354	9,246
56 Transaction balances other than demand deposits	73,306	73,295	73,605	71,019	70,702	74,449	72,863	72,364	71,614
57 Nontransaction balances	596,663	598,320	599,690	601,289	599,672	601,640	603,004	602,832	604,081
58 Individuals, partnerships, and corporations	555,922r	557,433r	558,868r	560,713r	559,925r	563,383	564,232	564,044	564,675
59 States and political subdivisions	30,190r	30,382r	30,373r	30,045r	29,213	27,920	28,247	28,436	28,822
60 U.S. government	1,068r	1,056r	1,062r	1,071r	1,080	1,038	1,048	1,041	1,061
61 *Depository institutions in the United States*	8,772r	8,738r	8,627r	8,673r	8,660r	8,485	8,682	8,498	8,696
62 Foreign governments, official institutions, and banks	710r	711r	759r	789	793	813	795	813	826
63 *Liabilities for borrowed money*	287,721	277,693	283,767r	282,480	287,781r	269,257	277,395	274,272	273,604
64 Borrowings from Federal Reserve Banks	2,550	2,900	3,853	1,800	1,675	2,600	8,732	2,625	2,815
65 Treasury tax-and-loan notes	13,599	3,066	3,056r	26,044	25,580	7,653	12,241	14,708	16,059
66 All other liabilities for borrowed money[5]	271,572	271,727	276,857r	254,636	260,526r	259,004	256,422	256,939	254,729
67 Other liabilities and subordinated notes and debentures	84,906r	84,626r	85,702r	82,502	85,491	82,874	85,107	88,427	89,084
68 **Total liabilities**	**1,310,841r**	**1,260,503**	**1,306,371r**	**1,259,642**	**1,276,350r**	**1,283,918**	**1,268,267**	**1,266,295**	**1,264,764**
69 Residual (total assets minus total liabilities)[6]	88,094	88,803	88,386	88,304	88,428	88,833	89,497	89,418	89,036
MEMO									
70 Total loans and leases (gross) and investments adjusted[7]	1,104,564r	1,098,415r	1,109,189r	1,100,366r	1,099,838r	1,100,860	1,096,766	1,099,316	1,100,206
71 Total loans and leases (gross) adjusted[7]	895,530r	888,149r	897,608r	892,669r	893,088r	895,336	891,294	892,376	891,857
72 Time deposits in amounts of $100,000 or more	180,498r	182,329	182,688r	184,693r	183,477r	183,009	184,257	184,642	186,633
73 U.S. Treasury securities maturing in one year or less	16,510	17,143	16,477	15,534	16,280	16,670	16,005	16,709	17,258
74 Loans sold outright to affiliates—total[8]	1,474	1,468	1,403	1,441	1,522	1,509	1,486	1,476	1,424
75 Commercial and industrial	1,027	1,018	953	989	1,068	1,054	1,031	1,020	968
76 Other	447	449	450	452	454	455	455	456	456
77 Nontransaction savings deposits (including MMDAs)	255,212	254,595	255,227	254,349	253,607	255,540	255,085	254,140	253,128

1. Beginning Jan. 6, 1988, the "Large bank" reporting group was revised somewhat, eliminating some former reporters with less than $2 billion of assets and adding some new reporters with assets greater than $3 billion.
2. Includes U.S. government-issued or guaranteed certificates of participation in pools of residential mortgages.
3. Includes securities purchased under agreements to resell.
4. Includes allocated transfer risk reserve.
5. Includes federal funds purchased and securities sold under agreements to repurchase; for information on these liabilities at banks with assets of $1 billion or more on Dec. 31, 1977, see table 1.13.
6. This is 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.
8. 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 ASSETS AND LIABILITIES OF LARGE WEEKLY REPORTING COMMERCIAL BANKS IN NEW YORK CITY[1]

Millions of dollars, Wednesday figures

Account	1988								
	June 1	June 8	June 15	June 22	June 29	July 6	July 13	July 20	July 27
1 Cash balances due from depository institutions	35,082	25,185	33,809	21,791	27,325	26,919	27,251	24,432	22,474
2 **Total loans, leases and securities, net**[2]	**226,149**	**215,179**	**228,243**	**218,686**	**218,753**	**215,109**	**218,565**	**218,904**	**217,776**
Securities									
3 U.S. Treasury and government agency[3]	0	0	0	0	0	0	0	0	0
4 Trading account[3]	0	0	0	0	0	0	0	0	0
5 Investment account	14,856	14,882	14,818	14,747	14,702	14,586	14,638	14,771	14,785
6 Mortgage-backed securities[4]	5,520	5,513	5,512	5,453	5,431	5,509	5,748	5,724	5,669
All other maturing in									
7 One year or less	2,414	2,385	2,325	2,315	2,311	2,220	2,187	2,187	2,285
8 Over one through five years	4,750	4,809	4,839	4,838	4,811	4,678	4,747	4,816	4,816
9 Over five years	2,171	2,175	2,141	2,141	2,149	2,180	1,956	2,044	2,014
10 Other securities[3]	0	0	0	0	0	0	0	0	0
11 Trading account[3]	0	0	0	0	0	0	0	0	0
12 Investment account	16,801	16,802	16,798	16,679	16,444	16,304	16,484	16,488	16,529
13 States and political subdivisions, by maturity	12,950	12,949	12,953	12,937	12,866	12,620	12,713	12,739	12,774
14 One year or less	1,002	996	986	979	866	907	925	929	930
15 Over one year	11,947	11,953	11,967	11,958	12,000	11,713	11,788	11,811	11,844
16 Other bonds, corporate stocks, and securities	3,852	3,853	3,846	3,742	3,578	3,684	3,771	3,748	3,756
17 Other trading account assets[3]	0	0	0	0	0	0	0	0	0
Loans and leases									
18 Federal funds sold[5]	38,139	30,357	39,542	30,766	32,545	26,762	31,628	31,641	31,313
19 To commercial banks	16,984	12,099	18,374	13,951	16,573	12,495	15,985	15,497	14,538
20 To nonbank brokers and dealers in securities	13,026	10,411	13,467	10,485	9,730	8,918	10,015	10,529	10,748
21 To others	8,129	7,846	7,701	6,330	6,242	5,349	5,628	5,615	6,026
22 Other loans and leases, gross	171,689	168,464	172,414	171,832	170,391	172,531	170,845	171,073	170,159
23 Other loans, gross	166,720	163,238	167,159	166,557	165,110	167,214	165,350	165,567	164,685
24 Commercial and industrial	57,161	57,189	58,122	57,548	57,389	57,634	57,103	57,952	57,779
25 Bankers acceptances and commercial paper	487	454	431	422	446	539	461	445	484
26 All other	56,674	56,735	57,691	57,126	56,943	57,095	56,642	57,507	57,294
27 U.S. addressees	56,204	56,302	57,284	56,730	56,515	56,689	56,226	57,078	56,760
28 Non-U.S. addressees	470	433	407	396	428	406	417	430	535
29 Real estate loans	46,666	46,767	46,670	46,962	47,041	47,265	47,523	47,359	47,680
30 Revolving, home equity	2,937	2,950	2,966	2,980	2,995	3,008	3,022	3,036	3,055
31 All other	43,728	43,818	43,703	43,982	44,046	44,257	44,501	44,322	44,625
32 To individuals for personal expenditures	21,529	21,523	21,491	21,302	20,928	20,867	20,804	20,910	20,945
33 To depository and financial institutions	21,247	20,670	21,010	22,027	20,730	22,506	21,433	21,328	20,448
34 Commercial banks in the United States	11,993	12,210	12,027	12,896	11,944	12,676	12,354	12,124	12,003
35 Banks in foreign countries	2,512	2,222	2,544	2,763	2,247	3,352	2,818	2,850	2,163
36 Nonbank depository and other financial institutions	6,742	6,238	6,439	6,368	6,540	6,478	6,261	6,354	6,282
37 For purchasing and carrying securities	5,893	3,935	5,717	4,556	5,480	5,322	4,958	4,490	4,628
38 To finance agricultural production	289	291	302	298	295	290	299	206	203
39 To states and political subdivisions	6,904	6,952	6,886	6,866	6,836	6,763	6,754	6,716	6,743
40 To foreign governments and official institutions	733	481	656	575	607	525	627	653	559
41 All other	6,297	5,429	6,306	6,422	5,804	6,042	5,848	5,953	5,701
42 Lease financing receivables	4,969	5,226	5,255	5,275	5,281	5,317	5,495	5,506	5,474
43 Less: Unearned income	1,520	1,532	1,537	1,546	1,564	1,501	1,516	1,535	1,553
44 Loan and lease reserve	13,817	13,794	13,793	13,791	13,765	13,574	13,514	13,533	13,456
45 Other loans and leases, net[6]	156,352	153,137	157,085	156,494	155,062	157,456	155,815	156,004	155,150
46 All other assets[7]	60,885	58,708	61,415	56,621	59,110r	59,052	54,830	56,038	57,589
47 **Total assets**	**322,116**	**299,072**	**323,466**	**297,099**	**305,188r**	**301,079**	**300,646**	**299,374**	**297,839**
Deposits									
48 Demand deposits	72,300	55,003	70,948	54,348	59,105	65,389	55,557	56,398	55,264
49 Individuals, partnerships, and corporations	47,495	37,919	47,320	37,910	40,222	44,368	39,221	39,513	37,351
50 States and political subdivisions	1,109	579	1,226	631	775	791	638	917	695
51 U.S. government	207	646	4,624	483	560	846	168	751	541
52 Depository institutions in the United States	10,277	5,520	8,026	5,439	6,078	6,802	5,024	5,743	6,214
53 Banks in foreign countries	6,448	5,057	5,049	5,761	5,934	7,112	5,337	5,365	5,787
54 Foreign governments and official institutions	753	584	625	505	858	686	478	834	711
55 Certified and officers' checks	6,011	4,697	4,078	3,618	4,679	4,783	4,689	3,275	3,965
56 Transaction balances other than demand deposits (ATS, NOW, Super NOW, telephone transfers)	8,873	8,812	8,952	8,696	8,644	8,920	8,788	8,681	8,579
57 Nontransaction balances	106,195	105,232	105,894	106,290	105,347	106,055	105,714	105,829	106,336
58 Individuals, partnerships, and corporations	97,532	96,490	96,922	97,125	96,600	97,584	96,843	97,038	97,240
59 States and political subdivisions	6,667	6,702	6,851	7,001	6,657	6,304	6,668	6,720	6,868
60 U.S. government	41	30	33	42	42	41	40	34	37
61 Depository institutions in the United States	1,695	1,751	1,816	1,817	1,740	1,808	1,858	1,734	1,877
62 Foreign governments, official institutions, and banks	261	258	272	303	307	318	303	302	313
63 Liabilities for borrowed money	76,690	72,151	78,023	72,718	73,865r	65,354	72,389	67,731	67,496
64 Borrowings from Federal Reserve Banks	0	0	725	0	0	0	3,815	0	0
65 Treasury tax-and-loan notes	4,098	677	609	7,526	6,879	1,480	3,112	4,221	5,083
66 All other liabilities for borrowed money[8]	72,592	71,474	76,689	65,192	66,986r	63,874	65,462	63,510	62,413
67 Other liabilities and subordinated notes and debentures	32,541	31,988	33,992	29,545	32,797	29,849	32,281	34,890	34,737
68 **Total liabilities**	**296,600**	**273,186**	**297,810**	**271,596**	**279,758r**	**275,567**	**274,728**	**273,529**	**272,412**
69 Residual (total assets minus total liabilities)[9]	25,516	25,886	25,656	25,502	25,430	25,512	25,918	25,845	25,427
Memo									
70 Total loans and leases (gross) and investments adjusted[2,10]	212,508	206,196	213,172	207,178	205,565	205,014	205,256	206,352	206,245
71 Total loans and leases (gross) adjusted[10]	180,851	174,512	181,555	175,752	174,419	174,123	174,134	175,093	174,931
72 Time deposits in amounts of $100,000 or more	37,346	37,334	37,350	37,767	37,031	37,485	37,681	37,844	38,751
73 U.S. Treasury securities maturing in one year or less	3,620	4,262	3,700	3,158	3,302	3,472	2,831	3,222	3,774

1. These data also appear in the Board's H.4.2 (504) release. For address, see inside front cover.
2. Excludes trading account securities.
3. Not available due to confidentiality.
4. Includes U.S. government-issued or guaranteed certificates of participation in pools of residential mortgages.
5. Includes securities purchased under agreements to resell.
6. Includes allocated transfer risk reserve.
7. Includes trading account securities.
8. Includes federal funds purchased and securities sold under agreements to repurchase.
9. Not a measure of equity capital for use in capital adequacy analysis or for other analytic uses.
10. Exclusive of loans and federal funds transactions with domestic commercial banks.

1.30 LARGE WEEKLY REPORTING U.S. BRANCHES AND AGENCIES OF FOREIGN BANKS[1] Assets and Liabilities

Millions of dollars, Wednesday figures

Account	1988 June 1	June 8	June 15	June 22	June 29	July 6	July 13	July 20	July 27
1 Cash and due from depository institutions	11,174	10,467	11,571	10,705	11,604	11,219	11,720	10,893	11,441
2 *Total loans and securities*	105,741	105,264	108,728	107,658	111,058r	110,308	109,191	107,888	106,775
3 U.S. Treasury and government agency securities	7,780	7,892	8,352	8,234	8,102	7,831	8,000	8,282	8,562
4 Other securities	7,605	7,605	7,609	7,609	7,595	7,566	7,561	7,570	7,496
5 Federal funds sold[2]	8,469	7,610	10,842	7,672	9,764	8,113	8,691	8,570	8,609
6 To commercial banks in the United States	5,546	5,137	7,645	4,857	6,827	5,826	6,166	6,319	6,428
7 To others	2,923	2,473	3,197	2,815	2,937	2,286	2,525	2,251	2,182
8 Other loans, gross	81,886	82,157	81,926	84,144	85,598r	86,798	84,939	83,466	82,107
9 Commercial and industrial	55,094	55,245	54,911	56,536	57,733r	58,562	57,150	56,149	55,548
10 Bankers acceptances and commercial paper	1,678	1,641	1,604	1,707	1,574	1,712	1,702	1,509	1,609
11 All other	53,415	53,604	53,306	54,829	56,159r	56,851	55,448	54,640	53,938
12 U.S. addressees	51,398	51,590	51,317	52,794	54,124r	54,799	53,374	52,456	51,955
13 Non-U.S. addressees	2,017	2,014	1,990	2,034	2,034r	2,052	2,074	2,184	1,983
14 To financial institutions	15,052	15,161	14,834	15,244	15,296	15,845	15,662	15,023	14,834
15 Commercial banks in the United States	10,422r	10,860r	10,494r	10,928r	11,340r	11,465	11,307	10,772	10,731
16 Banks in foreign countries	1,146	1,180	1,037	1,127	918	991	1,039	999	1,006
17 Nonbank financial institutions	3,484r	3,121r	3,303r	3,189r	3,039r	3,389	3,316	3,252	3,097
18 To foreign governments and official institutions	596	585	586	558	562	590	574	533	640
19 For purchasing and carrying securities	1,382	1,433	1,622	1,811	2,100	1,851	1,690	1,644	1,347
20 All other	9,763	9,732	9,972	9,994	9,907	9,950	9,862	10,117	9,739
21 Other assets (claims on nonrelated parties)	31,366	31,231	31,418	31,382	32,335	32,292	31,929	32,361	31,383
22 *Net due from related institutions*	15,942	16,704	17,879	15,546	15,269	16,366	16,804	16,317	15,146
23 Total assets	164,223	163,666	169,597	165,291	170,266r	170,185	169,644	167,460	164,745
24 Deposits or credit balances due to other than directly related institutions	42,217	42,566	42,858	42,906	43,122	42,793	42,689	42,575	42,903
25 Transaction accounts and credit balances[3]	3,758	3,616	3,827	3,852	3,680	4,167	3,731	3,601	3,591
26 Individuals, partnerships, and corporations	2,322	2,312	2,448	2,261	2,134	2,481	2,288	2,324	2,320
27 Other	1,435	1,304	1,379	1,591	1,546	1,686	1,443	1,277	1,271
28 Nontransaction accounts[4]	38,459	38,950	39,031	39,054	39,442	38,626	38,959	38,974	39,311
29 Individuals, partnerships, and corporations	31,187	31,833	31,924	31,715	32,268	31,551	31,693	31,572	31,718
30 Other	7,272	7,116	7,107	7,339	7,174	7,075	7,266	7,402	7,593
31 Borrowings from other than directly related institutions	66,542	65,965	70,988	66,816	70,311r	69,383	70,599	69,177	66,194
32 Federal funds purchased[5]	32,883	32,712	37,834	31,781	32,614	32,896	33,842	31,121	27,896
33 From commercial banks in the United States	16,328	16,788	20,807	15,561	16,053	19,407	16,837	15,544	13,900
34 From others	16,556	15,924	17,027	16,220	16,562	13,489	17,005	15,577	13,996
35 Other liabilities for borrowed money	33,659	33,253	33,154	35,035	37,696r	36,486	36,757	38,056	38,298
36 To commercial banks in the United States	25,089	24,184	23,364	25,236	26,596r	25,959	26,861	27,686	27,871
37 To others	8,570	9,069	9,791	9,799	11,100	10,528	9,896	10,370	10,427
38 Other liabilities to nonrelated parties	32,676	32,926	33,104	32,969	33,787	33,624	33,395	33,945	33,029
39 *Net due to related institutions*	22,787	22,209	22,647	22,600	23,046	24,386	22,960	21,763	22,619
40 Total liabilities	164,223	163,666	169,597	165,291	170,266r	170,185	169,644	167,460	164,745
MEMO									
41 Total loans (gross) and securities adjusted[6]	89,773r	89,267r	90,589r	91,874r	92,892r	93,017	91,718	90,797	89,616
42 Total loans (gross) adjusted[6]	74,388r	73,770r	74,629r	76,031r	77,195r	77,619	76,157	74,944	73,558

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. These data also appear in the Board's H.4.2 (504) release. For address, see inside front cover.*
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 Corporations[1]

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

Type of holder	Commercial banks									
	1983 Dec.	1984 Dec.	1985 Dec.[3,4]	1986 Dec.	1987 Mar.	1987 June	1987 Sept.	1987 Dec.	1988 Mar.	1988 June
1 **All holders—Individuals, partnerships, and corporations**	**293.5**	**302.7**	**321.0**	**363.6**	**335.9**	**340.2**	**339.0**	**343.5**	**328.6**	n.a.
2 Financial business	32.8	31.7	32.3	41.4	35.9	36.6	36.5	36.3	33.9	n.a.
3 Nonfinancial business	161.1	166.3	178.5	202.0	183.0	187.2	188.2	191.9	184.1	n.a.
4 Consumer	78.5	81.5	85.5	91.1	88.9	90.1	88.7	90.0	86.9	n.a.
5 Foreign	3.3	3.6	3.5	3.3	2.9	3.2	3.2	3.4	3.5	n.a.
6 Other	17.8	19.7	21.2	25.8	25.2	23.1	22.4	21.9	20.3	n.a.
	Weekly reporting banks									
	1983 Dec.	1984 Dec.[2]	1985 Dec.[3,4]	1986 Dec.	1987 Mar.	1987 June	1987 Sept.	1987 Dec.	1988 Mar.[5]	1988 June
7 **All holders—Individuals, partnerships, and corporations**	**146.2**	**157.1**	**168.6**	**195.1**	**178.1**	**179.3**	**179.1**	**183.8**	**181.8**	**191.5**
8 Financial business	24.2	25.3	25.9	32.5	28.7	29.3	29.3	28.6	27.0	29.9
9 Nonfinancial business	79.8	87.1	94.5	106.4	94.4	94.8	96.0	100.0	98.2	103.1
10 Consumer	29.7	30.5	33.2	37.5	36.8	37.5	37.2	39.1	41.7	42.3
11 Foreign	3.1	3.4	3.1	3.3	2.8	3.1	3.1	3.3	3.4	3.3
12 Other	9.3	10.9	12.0	15.4	15.5	14.6	13.5	12.7	11.4	13.0

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.
5. Beginning March 1988, 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 1987 based on the new weekly reporting panel are: financial business, 29.4; nonfinancial business, 105.1; consumer, 41.1; foreign, 3.4; other, 13.1.

1.32 COMMERCIAL PAPER AND BANKERS DOLLAR ACCEPTANCES OUTSTANDING

Millions of dollars, end of period

Instrument	1983 Dec.	1984 Dec.	1985 Dec.	1986 Dec.	1987 Dec.	1988 Jan.[1]	1988 Feb.	1988 Mar.	1988 Apr.	1988 May	1988 June
	Commercial paper (seasonally adjusted unless noted otherwise)										
1 **All issuers**	**187,658**	**237,586**	**298,779**	**329,991**	**357,129**	**380,339**	**388,893**	**391,305**	**406,484**	**414,312**	**417,788**
Financial companies[2]											
Dealer-placed paper[3]											
2 Total	44,455	56,485	78,443	101,072	101,958	120,930	125,914	128,680	133,946	137,838	142,322
3 Bank-related (not seasonally adjusted)	2,441	2,035	1,602	2,265	1,428	1,694	1,724	1,371	1,093	1,422	1,448
Directly placed paper[4]											
4 Total	97,042	110,543	135,320	151,820	173,939	175,467	174,595	173,316	180,119	185,876	184,658
5 Bank-related (not seasonally adjusted)	35,566	42,105	44,778	40,860	43,173	45,425	43,987	43,681	45,703	47,719	45,294
6 Nonfinancial companies[5]	46,161	70,558	85,016	77,099	81,232	83,942	88,384	89,309	92,419	90,598	90,808
	Bankers dollar acceptances (not seasonally adjusted)[6]										
7 **Total**	**78,309**	**78,364**	**68,413**	**64,974**	**70,565**	**63,152r**	**62,419**	**63,454**	**64,111**	**63,332**	**64,259**
Holder											
8 Accepting banks	9,355	9,811	11,197	13,423	10,943	8,646r	9,629	10,243	10,295	9,342	9,614
9 Own bills	8,125	8,621	9,471	11,707	9,464	7,804r	8,561	8,825	8,929	8,518	8,741
10 Bills bought	1,230	1,191	1,726	1,716	1,479	843	1,067	1,417	1,366	825	873
Federal Reserve Banks											
11 Own account	418	0	0	0	0	0	0	0	0	0	0
12 Foreign correspondents	729	671	937	1,317	965	831	833	795	803	1,050	1,273
13 Others	67,807	67,881	56,279	50,234	58,658	53,674r	51,958	52,417	53,013	52,940	53,371
Basis											
14 Imports into United States	15,649	17,845	15,147	14,670	16,483	14,469r	14,354	14,575	14,735r	14,044	14,244
15 Exports from United States	16,880	16,305	13,204	12,960	15,227	14,054	13,891	13,899	14,724r	14,520	14,606
16 All other	45,781	44,214	40,062	37,344	38,855	34,629r	34,173	34,980	34,651r	34,768	35,410

1. Data reflect a break in series resulting from additions to the reporting panel and from the correction of a misclassification that had understated dealer-placed financial and overstated nonfinancial outstandings.
2. 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.
3. Includes all financial company paper sold by dealers in the open market.
4. As reported by financial companies that place their paper directly with investors.
5. Includes public utilities and firms engaged primarily in such activities as communications, construction, manufacturing, mining, wholesale and retail trade, transportation, and services.
6. Beginning January 1988, the number of respondents in the bankers acceptance survey were reduced from 155 to 111 institutions—those with $100 million or more in total acceptances. The new reporting group accounts for over 90 percent of total acceptances activity.

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

Percent per year

Effective date	Rate	Effective Date	Rate	Month	Average rate	Month	Average rate
1985—Jan. 15	10.50	1987—Apr. 1	7.75	1985—Jan.	10.61	1986—Nov.	7.50
May 20	10.00	May 1	8.00	Feb.	10.50	Dec.	7.50
June 18	9.50	15	8.25	Mar.	10.50		
		Sept. 4	8.75	Apr.	10.50	1987—Jan.	7.50
1986—Mar. 7	9.00	Oct. 7	9.25	May	10.31	Feb.	7.50
Apr. 21	8.50	22	9.00	June	9.78	Mar.	7.50
July 11	8.00	Nov. 5	8.75	July	9.50	Apr.	7.75
Aug. 26	7.50			Aug.	9.50	May	8.14
		1988—Feb. 2	8.50	Sept.	9.50	June	8.25
		May 11	9.00	Oct.	9.50	July	8.25
		July 14	9.50	Nov.	9.50	Aug.	8.25
		Aug. 11	10.00	Dec.	9.50	Sept.	8.70
						Oct.	9.07
				1986—Jan.	9.50	Nov.	8.78
				Feb.	9.50	Dec.	8.75
				Mar.	9.10		
				Apr.	8.83	1988—Jan.	8.75
				May	8.50	Feb.	8.51
				June	8.50	Mar.	8.50
				July	8.16	Apr.	8.50
				Aug.	7.90	May	8.84
				Sept.	7.50	June	9.00
				Oct.	7.50	July	9.29

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 year; weekly and monthly figures are averages of business day data unless otherwise noted.

Instrument	1985	1986	1987	1988				1988, week ending				
				Apr.	May	June	July	July 1	July 8	July 15	July 22	July 29
MONEY MARKET RATES												
1 Federal funds[1,2]	8.10	6.80	6.66	6.87	7.09	7.51	7.75	7.63	7.81	7.59	7.83	7.80
2 Discount window borrowing[1,2,3]	7.69	6.32	5.66	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00
Commercial paper[4,5]												
3 1-month	7.93	6.61	6.74	6.80	7.07	7.41	7.72	7.56	7.60	7.68	7.79	7.82
4 3-month	7.95	6.49	6.82	6.86	7.19	7.49	7.82	7.59	7.64	7.79	7.91	7.95
5 6-month	8.00	6.39	6.85	6.92	7.31	7.53	7.90	7.60	7.67	7.88	8.01	8.07
Finance paper, directly placed[4,5]												
6 1-month	7.90	6.57	6.61	6.71	6.96	7.23	7.62	7.43	7.48	7.61	7.69	7.76
7 3-month	7.77	6.38	6.54	6.67	7.00	7.25	7.55	7.32	7.37	7.55	7.64	7.70
8 6-month	7.74	6.31	6.37	6.51	6.75	7.01	7.19	7.08	7.09	7.19	7.26	7.28
Bankers acceptances[5,6]												
9 3-month	7.91	6.38	6.75	6.79	7.12	7.38	7.77	7.48	7.59	7.76	7.86	7.92
10 6-month	7.95	6.28	6.78	6.86	7.25	7.41	7.85	7.48	7.62	7.84	7.94	8.02
Certificates of deposit, secondary market[7]												
11 1-month	7.96	6.61	6.75	6.80	7.04	7.41	7.73	7.54	7.64	7.69	7.78	7.82
12 3-month	8.04	6.51	6.87	6.92	7.24	7.51	7.94	7.62	7.76	7.91	8.03	8.08
13 6-month	8.24	6.50	7.01	7.14	7.52	7.69	8.18	7.76	7.92	8.17	8.30	8.38
14 Eurodollar deposits, 3-month[8]	8.28	6.71	7.06	7.05	7.40	7.61	8.09	7.69	7.79	8.00	8.18	8.24
U.S. Treasury bills[5]												
Secondary market[9]												
15 3-month	7.47	5.97	5.78	5.91	6.26	6.46	6.73	6.57	6.58	6.70	6.72	6.93
16 6-month	7.65	6.02	6.03	6.21	6.56	6.71	6.99	6.75	6.78	7.00	7.07	7.12
17 1-year	7.81	6.07	6.33	6.56	6.90	6.99	7.22	7.01	7.11	7.25	7.25	7.31
Auction average[10]												
18 3-month	7.47	5.98	5.82	5.92	6.27	6.50	6.73	6.59	6.57	6.72	6.76	6.88
19 6-month	7.64	6.03	6.05	6.21	6.53	6.76	6.97	6.75	6.71	6.99	7.09	7.09
20 1-year	7.80	6.18	6.33	6.57	6.74	7.08	7.04	n.a.	7.04	n.a.	n.a.	n.a.
CAPITAL MARKET RATES												
U.S. Treasury notes and bonds[11]												
Constant maturities[12]												
21 1-year	8.42	6.45	6.77	7.01	7.40	7.49	7.75	7.52	7.62	7.79	7.79	7.85
22 2-year	9.27	6.86	7.42	7.59	8.00	8.03	8.28	8.04	8.12	8.29	8.34	8.39
23 3-year	9.64	7.06	7.68	7.83	8.24	8.22	8.44	8.21	8.27	8.45	8.51	8.56
24 5-year	10.12	7.30	7.94	8.19	8.58	8.49	8.66	8.46	8.51	8.67	8.72	8.74
25 7-year	10.50	7.54	8.23	8.52	8.89	8.78	8.91	8.73	8.80	8.94	8.97	8.97
26 10-year	10.62	7.67	8.39	8.72	9.09	8.92	9.06	8.86	8.93	9.08	9.13	9.12
27 20-year	10.97	7.85	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
28 30-year	10.79	7.78	8.59	8.95	9.23	9.00	9.14	8.90	8.99	9.14	9.23	9.22
Composite[13]												
29 Over 10 years (long-term)	10.75	8.14	8.64	8.91	9.24	9.04	9.20	8.99	9.09	9.23	9.27	9.24
State and local notes and bonds												
Moody's series[14]												
30 Aaa	8.60	6.95	7.14	7.33	7.56	7.51	7.50	7.50	7.45	7.51	7.55	7.48
31 Baa	9.58	7.76	8.17	7.82	7.90	7.86	7.86	8.00	7.85	7.90	7.90	7.80
32 *Bond Buyer* series[15]	9.11	7.32	7.64	7.81	7.90	7.78	7.76	7.74	7.75	7.77	7.77	7.76
Corporate bonds												
Seasoned issues[16]												
33 All industries	12.05	9.71	9.91	10.15	10.37	10.36	10.47	10.31	10.37	10.46	10.52	10.55
34 Aaa	11.37	9.02	9.38	9.67	9.90	9.86	9.96	9.82	9.84	9.95	10.03	10.03
35 Aa	11.82	9.47	9.68	9.86	10.10	10.13	10.26	10.09	10.17	10.24	10.31	10.34
36 A	12.28	9.95	9.99	10.17	10.41	10.42	10.55	10.37	10.43	10.53	10.61	10.63
37 Baa	12.72	10.39	10.58	10.90	11.04	11.00	11.11	10.97	11.02	11.11	11.14	11.20
38 A-rated, recently-offered utility bonds[17]	12.06	9.61	9.95	10.23	10.61	10.41	10.40	10.25	10.39	10.44	10.44	10.41
MEMO: Dividend/price ratio[18]												
39 Preferred stocks	10.49	8.76	8.37	9.19	9.25	9.32	9.34	9.38	9.41	9.29	9.30	9.36
40 Common stocks	4.25	3.48	3.08	3.57	3.80	3.58	3.65	3.60	3.59	3.63	3.63	3.75

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	1985	1986	1987	1987 Nov.	1987 Dec.	1988 Jan.	1988 Feb.	1988 Mar.	1988 Apr.	1988 May	1988 June	1988 July
	Prices and trading (averages of daily figures)											
Common stock prices												
1 New York Stock Exchange (Dec. 31, 1965 = 50)	108.09	136.00	161.70	137.21	134.88	140.55	145.13	149.88	148.46	144.99	152.72	152.12
2 Industrial	123.79	155.85	195.31	163.42	162.19	168.47	173.44	181.57	181.01	176.02	184.92	184.09
3 Transportation	104.11	119.87	140.39	117.57	115.85	121.20	126.09	135.15	133.40	127.63	136.02	136.49
4 Utility	56.75	71.36	74.29	69.86	67.39	70.01	72.89	71.16	69.35	68.66	72.25	71.49
5 Finance	114.21	147.19	146.48	118.30	111.47	119.40	124.36	125.27	121.66	120.35	129.04	129.99
6 Standard & Poor's Corporation (1941–43 = 10)[1]	186.84	236.34	286.83	245.01	240.96	250.48	258.13	265.74	262.61	256.12	270.68	269.05
7 American Stock Exchange (Aug. 31, 1973 = 50)[2]	229.10	264.38	316.61	249.42	248.52	267.29	276.54	295.78	300.43	296.30	306.13	307.48
Volume of trading (thousands of shares)												
8 New York Stock Exchange	109,191	141,385	188,647	179,513	178,517	174,755	184,688	176,189	162,518	153,906	195,772	166,916
9 American Stock Exchange	8,355	11,846	13,832	11,268	13,422	9,853	9,961	12,442	10,706	8,931	11,348	9,938
	Customer financing (end-of-period balances, in millions of dollars)											
10 **Margin credit at broker-dealers**[3]	**28,390**	**36,840**	**31,990**	**34,180**	**31,990**	**31,320**	**31,990**	**32,660**	**33,270**	**33,070**	**32,300**	**31,770**
Free credit balances at brokers[4]												
11 Margin-account[5]	2,715	4,880	4,750	6,700	4,750	4,675	4,555	4,615	4,395	4,380	4,580	4,485
12 Cash-account	12,840	19,000	15,640	15,360	15,640	15,270	14,695	14,355	13,965	14,150	14,460	14,340

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.

1.37 SELECTED FINANCIAL INSTITUTIONS Selected Assets and Liabilities

Millions of dollars, end of period

Account	1985	1986	1987					1988				
			Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.r	Apr.r	May
	FSLIC-insured institutions											
1 **Assets**	**1,070,012**	**1,163,851**	**1,216,995**	**1,218,829**	**1,239,883r**	**1,246,983r**	**1,250,855r**	**1,254,785r**	**1,257,367r**	**1,261,438**	**1,274,318**	**1,284,893**
2 Mortgages	690,717	697,451	704,815	708,433	713,488r	717,933r	721,593r	722,945r	723,852r	725,511	728,880	733,522
3 Mortgage-backed securities	115,525	158,193	186,101	191,829	197,131r	200,039r	201,828r	201,604r	197,676r	197,586	202,252	204,751
4 Contra-assets to mortgage assets[1]	45,219	41,799	42,023	42,438	42,182r	41,396	42,344r	41,269r	40,812r	41,247	39,293	39,715
5 Commercial loans	17,424	23,683	23,174	23,300	23,256	23,294	23,163r	23,530	23,333r	24,125	24,349	24,308
6 Consumer loans	45,809	51,622	56,079	56,118	56,548	57,465	57,902r	58,336r	58,681r	58,399	59,114	60,240
7 Contra-assets to nonmortgage loans[2]	2,521	3,041	3,242	3,442	3,373	3,430	3,467	3,578r	3,524r	3,630	3,510	3,402
8 Cash and investment securities	143,538	164,844	170,071	164,034	173,121r	170,713r	169,717r	169,937r	174,075	176,461	178,150	179,729
9 Other[3]	104,739	112,898	122,020	120,995	121,894r	122,367r	122,462	123,291r	124,085r	124,233	124,375	125,460
10 **Liabilities and net worth**	**1,070,012**	**1,163,851**	**1,216,995**	**1,218,829**	**1,239,883r**	**1,246,983r**	**1,250,855r**	**1,254,785r**	**1,257,367r**	**1,261,438**	**1,274,318**	**1,284,893**
11 Savings capital	843,932	890,664	904,441	908,907	916,843	922,340	932,616r	939,079	946,790	958,470	962,250	963,694
12 Borrowed money	157,666	196,929	232,332	234,941	246,370r	247,461r	249,917r	245,954r	239,319r	237,467	244,762	250,462
13 FHLBB	84,390	100,025	104,191	106,250	109,736	111,283	116,363	114,053	112,725	112,388	113,029	114,994
14 Other	73,276	96,904	128,141	128,691	136,634r	136,178r	133,554r	131,901r	126,594r	125,079	131,733	135,468
15 Other	21,756	23,975	28,170	24,599	27,098r	27,404r	21,941r	23,871r	25,816r	22,489	24,597	27,191
16 Net worth	46,657	52,282	52,052	50,382	49,573r	49,777r	46,382r	45,881r	45,442r	43,012	42,708	43,548
	FSLIC-insured federal savings banks											
17 **Assets**	**131,868**	**210,562**	**272,134**	**272,834**	**276,560**	**279,221**	**284,272**	**284,303**	**295,952**	**307,758**	**311,424**	**323,018**
18 Mortgages	72,355	113,638	156,048	156,705	158,507	161,014	164,013	163,915r	171,592r	178,142	180,464	186,681
19 Mortgage-backed securities	15,676	29,766	43,532	44,421	45,117	45,237	45,826	46,171	46,687	48,004	49,231	51,247
20 Contra-assets to mortgage assets[1]	.....	.....	8,853	8,700	8,787	8,809	9,100r	8,909	9,175	9,458	9,344	9,720
21 Commercial loans	.....	.....	6,213	6,188	6,275	6,540	6,504	6,496	6,971	7,503	7,663	7,774
22 Consumer loans	8,361	13,180	16,549	16,582	16,563	17,343	17,696	17,649	18,795	19,137	19,610	20,417
23 Contra-assets to nonmortgage loans[2]	.....	.....	704	702	690	712	678	698	737	800	724	708
24 Finance leases plus interest	.....	.....	577	552	550	566	591	604	584	611	615	652
25 Cash and investment	.....	.....	34,267	33,589	34,902	33,965	35,347	34,645	35,718	38,199	38,288	39,917
26 Other	11,723	19,034	24,506	24,199	24,122	24,078	24,070	24,428	25,516	26,418	25,822	26,757
27 **Liabilities and net worth**	**131,868**	**210,562**	**272,134**	**272,834**	**276,560**	**279,221**	**284,272**	**284,303**	**295,952**	**307,758**	**311,424**	**323,018**
28 Savings capital	103,462	157,872	194,853	195,213	197,298	199,114	203,196	204,329	214,169	224,168	226,469	232,582
29 Borrowed money	19,323	37,329	55,660	56,549	57,551	58,277	60,716	59,206	59,704	61,553	62,555	66,805
30 FHLBB	10,510	19,897	25,546	26,287	27,350	27,947	29,617	28,280	29,169	30,456	30,075	31,682
31 Other	8,813	17,432	30,114	30,262	30,201	30,330	31,099	30,926	30,535	31,097	32,480	35,123
32 Other	2,732	4,263	6,450	5,631	6,293	6,350	5,324	5,838	6,602	6,084	6,459	7,188
33 Net worth	6,351	11,098	15,172	15,444	15,416	15,481	15,036	14,930	15,478	15,963	16,098	16,598
	Savings banks											
34 **Assets**	**216,776**	**236,866**	**249,888**	**251,472**	**255,989**	**260,600**	**259,643**	**258,628**	**259,224**	**262,100**	**262,269**	**264,507**
Loans												
35 Mortgage	110,448	118,323	130,721	133,298	135,317	137,044	138,494	137,858	139,108	140,835	139,691	143,235
36 Other	30,876	35,167	36,793	36,134	36,471	37,189	33,871	35,095	35,752	36,476	37,471	35,927
Securities												
37 U.S. government	13,111	14,209	13,720	13,122	13,817	15,694	13,510	12,776	12,269	12,225	13,203	12,490
38 Mortgage-backed securities	19,481	25,836	28,913	29,655	30,202	31,144	32,772	32,241	32,423	32,272	31,072	31,861
39 State and local government	2,323	2,185	2,038	2,023	2,034	2,046	2,003	1,994	2,053	2,033	2,013	1,933
40 Corporate and other	21,199	20,459	18,573	18,431	18,062	17,583	18,772	18,780	18,271	18,336	18,549	18,298
41 Cash	6,225	6,894	4,823	4,484	5,529	5,063	5,864	4,841	5,002	4,881	5,237	5,383
42 Other assets	13,113	13,793	14,307	14,325	14,557	14,837	14,357	15,043	14,346	15,042	15,033	15,380
43 **Liabilities**	**216,776**	**236,866**	**249,888**	**251,472**	**255,989**	**260,600**	**259,643**	**258,628**	**259,224**	**262,100**	**262,269**	**264,507**
44 Deposits	185,972	192,194	195,895	196,824	199,336	202,030	201,497	199,545	200,391	203,407	203,273	205,692
45 Regular[4]	181,921	186,345	190,335	191,376	193,777	196,724	196,037	194,322	195,336	198,273	197,801	200,098
46 Ordinary savings	33,018	37,717	41,767	41,773	42,045	42,493	41,959	41,047	41,234	41,867	41,741	42,403
47 Time	103,311	100,809	105,133	107,063	109,486	112,231	112,429	112,781	113,751	115,529	115,887	117,297
48 Other	4,051	5,849	5,560	5,448	5,559	5,306	5,460	5,223	5,055	5,134	5,472	5,594
49 Other liabilities	17,414	25,274	32,467	32,827	34,226	36,167	35,720	36,836	35,787	35,737	35,827	35,836
50 General reserve accounts	12,823	18,105	20,471	20,407	20,365	21,133	20,633	20,514	20,894	21,024	21,109	21,179

1.37—Continued

Account	1985	1986	1987 Aug.	1987 Sept.	1987 Oct.	1987 Nov.	1987 Dec.	1988 Jan.	1988 Feb.	1988 Mar.[r]	1988 Apr.[r]	1988 May
	Credit unions[5]											
51 **Total assets/liabilities and capital**	**118,010**	**147,726**	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	**169,111**	**169,175**	**172,456**
52 Federal	77,861	95,483	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	109,797	109,913	112,595
53 State	40,149	52,243	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	59,314	59,262	59,855
54 Loans outstanding	73,513	86,137	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	101,965	103,271	105,704
55 Federal	47,933	55,304	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	65,732	66,431	68,213
56 State	25,580	30,833	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	36,233	36,840	37,491
57 Savings	105,963	134,327	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	156,045	155,105	157,764
58 Federal	70,926	87,954	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	101,847	101,048	103,129
59 State	35,037	46,373	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	54,198	54,057	54,635
	Life insurance companies											
60 **Assets**	**825,901**	**937,551**	**1,017,018**	**1,026,919**	**1,021,148**	**1,024,460**	**1,033,170**	**1,042,350**	**1,052,645**	**1,065,549**	**1,075,541**	n.a.
Securities												
61 Government	75,230	84,640	89,924	89,408	90,782	91,227	91,302	91,682	92,497	92,408	93,946	n.a.
62 United States[6]	51,700	59,033	64,150	63,352	64,880	65,186	64,551	64,922	65,534	65,218	66,749	n.a.
63 State and local	9,708	11,659	11,190	11,087	11,363	11,539	11,758	11,749	11,859	12,033	11,976	n.a.
64 Foreign[7]	13,822	13,948	14,584	14,969	14,539	14,502	14,993	15,011	15,104	15,157	15,221	n.a.
65 Business	423,712	492,807	551,701	558,787	549,426	548,767	553,486	563,019	571,070	580,392	587,846	n.a.
66 Bonds	346,216	401,943	442,604	451,453	455,678	459,537	461,942	469,207	476,448	484,403	490,285	n.a.
67 Stocks	77,496	90,864	109,097	107,334	93,748	89,230	91,544	93,812	94,622	95,989	97,561	n.a.
68 Mortgages	171,797	193,842	202,241	204,264	206,507	208,839	212,375	212,637	213,182	214,815	215,383	n.a.
69 Real estate	28,822	31,615	32,992	33,048	33,235	33,538	34,016	34,178	34,503	34,845	34,964	n.a.
70 Policy loans	54,369	54,055	53,330	53,422	53,413	53,334	53,313	53,265	52,720	52,604	52,568	n.a.
71 Other assets	71,971	80,592	86,830	87,991	87,785	88,755	88,678	87,569	88,673	90,499	90,834	n.a.

1. Contra-assets are credit-balance accounts that must be subtracted from the corresponding gross asset categories to yield net asset levels. Contra-assets to mortgage loans, contracts, and pass-through securities include loans in process, unearned discounts and deferred loan fees, valuation allowances for mortgages "held for sale," and specific reserves and other valuation allowances.

2. Contra-assets are credit-balance accounts that must be subtracted from the corresponding gross asset categories to yield net asset levels. Contra-assets to nonmortgage loans include loans in process, unearned discounts and deferred loan fees, and specific reserves and valuation allowances.

3. Holding of stock in Federal Home Loan Bank and Finance leases plus interest are included in "Other" (line 9).

4. Excludes checking, club, and school accounts.

5. Data include all federally insured credit unions, both federal and state chartered, serving natural persons.

6. Direct and guaranteed obligations. Excludes federal agency issues not guaranteed, which are shown in the table under "Business" securities.

7. Issues of foreign governments and their subdivisions and bonds of the International Bank for Reconstruction and Development.

NOTE. *FSLIC-insured institutions:* Estimates by the FHLBB for all institutions insured by the FSLIC and based on the FHLBB thrift Financial Report.

FSLIC-insured federal savings banks: Estimates by the FHLBB for federal savings banks insured by the FSLIC and based on the FHLBB thrift Financial Report.

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 1986	Fiscal year 1987	Calendar year 1988 Feb.	Mar.	Apr.	May	June	July
	U.S. budget[1]								
1	Receipts, total	769,091	854,143	60,355	65,730	109,323	59,711	99,205r	60,690
2	On-budget	568,862	640,741	40,610	44,958	81,993	39,764	77,643r	40,980
3	Off-budget	200,228	213,402	19,745	20,772	27,330	19,947	21,562	19,710
4	Outlays, total	990,258	1,004,586	84,382r	95,013r	95,554r	82,295r	89,862r	83,634
5	On-budget	806,760	810,754	66,629r	76,994r	79,629r	64,688r	72,678r	66,818
6	Off-budget	183,498	193,832	17,753	18,020	15,925	17,607	17,184	16,816
7	Surplus, or deficit (−), total	−221,167	−150,444	−24,027r	−29,283r	13,769r	−22,583r	9,343r	−22,944
8	On-budget	−237,898	−170,014	−26,019r	−32,036r	2,364r	−24,924r	4,965r	−25,838
9	Off-budget	16,731	19,570	1,992	2,752	11,405	2,340	4,379	2,894
	Source of financing (total)								
10	Borrowing from the public	236,187	150,070	20,157	17,160	−334	7,559	11,391	3,665
11	Operating cash (decrease, or increase (−))	−14,324	−5,052	11,002	6,009	−23,276	27,223	−20,638	15,696
12	Other[2]	−696	5,426	−7,257	5,979	9,719	−12,321	−244	3,583
	MEMO								
13	Treasury operating balance (level, end of period)	31,384	36,436	28,922	22,913	46,189	18,966	39,604	23,908
14	Federal Reserve Banks	7,514	9,120	2,473	2,403	16,186	2,871	9,762	3,910
15	Tax and loan accounts	23,870	27,316	26,450	20,510	30,003	16,095	29,842	19,998

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; seigniorage; increment on gold; net gain/loss for U.S. currency valuation adjustment; net gain/loss for IMF valuation adjustment; and profit on the sale of gold.

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

1.39 U.S. BUDGET RECEIPTS AND OUTLAYS[1]

Millions of dollars

Source or type	Fiscal year 1986	Fiscal year 1987	Calendar year 1986 H2	1987 H1	1987 H2	1988 H1	1988 May	1988 June	1988 July
RECEIPTS									
1 **All sources**	**769,091**	**854,143**	**387,524**	**447,282**	**421,712**	**476,115[r]**	**59,711**	**99,205[r]**	**60,690**
2 Individual income taxes, net	348,959	392,557	183,156	205,157	192,575	207,801	17,958	46,234	25,791
3 Withheld	314,803	322,463	164,071	156,760	170,203	169,300	27,071	30,995	25,567
4 Presidential Election Campaign Fund	36	33	4	30	4	28	7	3	2
5 Nonwithheld	105,994	142,957	27,733	112,421	31,223	101,614	9,714	16,667	2,300
6 Refunds	71,873	72,896	8,652	64,052	8,853	63,283[r]	18,834	1,573[r]	2,078
Corporation income taxes									
7 Gross receipts	80,442	102,859	42,108	52,396	52,821	58,002	2,748	19,213	3,101
8 Refunds	17,298	18,933	8,230	10,881	7,119	8,706	1,136	866	1,602
9 Social insurance taxes and contributions, net	283,901	303,318	134,006	163,519	143,755	181,058	33,396	27,967	26,915
10 Employment taxes and contributions[2]	255,062	273,185	122,246	146,696	130,388	164,412	24,948	27,200	24,964
11 Self-employment taxes and contributions[3]	11,840	13,987	1,338	12,020	1,889	14,839	974	1,965	0
12 Unemployment insurance	24,098	25,418	9,328	14,514	10,977	14,363	8,073	352	1,598
13 Other net receipts[4]	4,742	4,715	2,429	2,310	2,390	2,284	375	415	353
14 Excise taxes	32,919	32,510	15,947	15,845	17,680	16,440	3,055	3,136	3,250
15 Customs deposits	13,327	15,032	7,282	7,129	7,993	7,851	1,282	1,430	1,343
16 Estate and gift taxes	6,958	7,493	3,649	3,818	3,610	3,863	751	644	627
17 Miscellaneous receipts[5]	19,884	19,307	9,605	10,299	10,399	9,950	1,657	1,590	1,265
OUTLAYS									
18 **All types**	**990,231**	**1,004,586**	**506,556**	**503,112[r]**	**532,839[r]**	**513,001[r]**	**82,295[r]**	**89,862[r]**	**83,634**
19 National defense	273,375	281,999	138,544	142,886	146,995	143,080	20,967	25,317	24,449
20 International affairs	14,152	11,649	8,938	4,374	4,487	7,150	907	1,602	1,568
21 General science, space, and technology	8,976	9,216	4,594	4,324	5,469	5,361	911	1,023	961
22 Energy	4,735	4,115	2,446	2,335	1,468	555	507	516	257
23 Natural resources and environment	13,639	13,363	7,141	6,175	7,590	6,776	1,133	1,458	1,096
24 Agriculture	31,449	27,356	15,660	11,824	14,640	7,872	1,304	20	311
25 Commerce and housing credit	4,890	6,182	3,764	4,893	3,852	5,951	163	1,826	−337
26 Transportation	28,117	26,228	14,745	12,113	14,096	12,700	2,427	2,397	2,335
27 Community and regional development	7,233	5,051	3,651	3,108	2,075	2,765	296	468	−109
28 Education, training, employment, and social services	30,585	29,724	16,209	14,182	15,592	15,451	2,410	2,431	1,984
29 Health	35,935	39,968	18,795	20,318	20,750	22,643	3,741	4,119	3,502
30 Social security and medicare	268,921	282,473	138,299	142,864	158,469	135,322	24,487	28,234	23,475
31 Income security	119,796	123,250	59,979	62,248	61,201	65,555	10,214	8,203	10,907
32 Veterans benefits and services	26,356	26,782	14,190	12,264	14,956	13,241	1,441	2,120	2,354
33 Administration of justice	6,603	7,548	3,413	3,626	4,291	4,761	831	827	735
34 General government	6,104	5,948	1,860	3,344	3,560	4,337	1,017	1,486	174
35 General-purpose fiscal assistance	6,431	1,621	2,886	337	1,175	448	0	0	0
36 Net interest[6]	136,008	138,570	66,226	70,110	71,933	76,098	12,719	11,061	12,677
37 Undistributed offsetting receipts[7]	−33,007	−36,455	−16,475	−19,102	−17,684	−17,766	−3,303	−3,251	−2,706

1. Functional details do not add to total outlays for calendar year data because revisions to monthly totals have not been distributed among functions. Fiscal year total for outlays does not correspond to calendar year data because revisions from the *Budget* have not been fully distributed across months.
2. Old-age, disability, and hospital insurance, and railroad retirement accounts.
3. Old-age, disability, and hospital insurance.
4. Federal employee retirement contributions and civil service retirement and disability fund.
5. Deposits of earnings by Federal Reserve Banks and other miscellaneous receipts.
6. Net interest function includes interest received by trust funds.
7. Consists of rents and royalties on the outer continental shelf and U.S. government contributions for employee retirement.

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.*

1.40 FEDERAL DEBT SUBJECT TO STATUTORY LIMITATION

Billions of dollars

Item	1986				1987				1988
	Mar. 31	June 30	Sept. 30	Dec. 31	Mar. 31	June 30	Sept. 30	Dec. 31	Mar. 31
1 **Federal debt outstanding**	**1991.1**	**2,063.6**	**2,129.5**	**2,218.9**	**2,250.7**	**2,313.1**	**2,354.3**	**2,435.2**	**2,493.2**
2 Public debt securities	1986.8	2,059.3	2,125.3	2,214.8	2,246.7	2,309.3	2,350.3	2,431.7	2,487.6
3 Held by public	1,634.3	1,684.9	1,742.4	1,811.7	1,839.3	1,871.1	1,893.1	1,954.1	1,996.7
4 Held by agencies	352.6	374.4	382.9	403.1	407.5	438.1	457.2	477.6	490.8
5 Agency securities	4.3	4.3	4.2	4.0	4.0	3.8	4.0	3.5	5.6
6 Held by public	3.2	3.2	3.2	3.0	2.9	2.8r	3.0	2.7	5.1
7 Held by agencies	1.1	1.1	1.1	1.1	1.1	1.0	1.0	.8	.6
8 **Debt subject to statutory limit**	**1,973.3**	**2,060.0**	**2,111.0**	**2,200.5**	**2,232.4**	**2,295.0**	**2,336.0**	**2,417.4**	**2,487.0**
9 Public debt securities	1,972.0	2,058.7	2,109.7	2,199.3	2,231.1	2,293.7	2,334.7	2,416.3	2,486.7
10 Other debt[1]	1.3	1.3	1.3	1.3	1.3	1.3	1.3	1.1	.3
11 MEMO: Statutory debt limit	2,078.7	2,078.7	2,111.0	2,300.0	2,300.0	2,320.0	2,800.0	2,800.0	2,800.0

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	1984	1985	1986	1987	1987			1988
					Q2	Q3	Q4	Q1
1 **Total gross public debt**	**1,663.0**	**1,945.9**	**2,214.8**	**2,431.7**	**2,309.3**	**2,350.3**	**2,431.7**	**2,487.6**
By type								
2 Interest-bearing debt	1,660.6	1,943.4	2,212.0	2,428.9	2,306.7	2,347.7	2,428.9	2,484.9
3 Marketable	1,247.4	1,437.7	1,619.0	1,724.7	1,659.0	1,676.0	1,724.7	1,758.7
4 Bills	374.4	399.9	426.7	389.5	391.0	378.3	389.5	392.6
5 Notes	705.1	812.5	927.5	1,037.9	984.4	1,005.1	1,037.9	1,059.9
6 Bonds	167.9	211.1	249.8	282.5	268.6	277.6	282.5	291.3
7 Nonmarketable[1]	413.2	505.7	593.1	704.2	647.7	671.8	704.2	726.2
8 State and local government series	44.4	87.5	110.5	139.3	125.4	129.0	139.3	142.9
9 Foreign issues[2]	9.1	7.5	4.7	4.0	5.1	4.3	4.0	6.1
10 Government	9.1	7.5	4.7	4.0	5.1	4.3	4.0	6.1
11 Public	.0	.0	.0	.0	.0	.0	.0	.0
12 Savings bonds and notes	73.1	78.1	90.6	99.2	95.2	97.0	99.2	102.3
13 Government account series[3]	286.2	332.2	386.9	461.3	421.6	440.7	461.3	474.4
14 Non-interest-bearing debt	2.3	2.5	2.8	2.8	2.6	2.5	2.8	2.6
By holder[4]								
15 U.S. government agencies and trust funds	289.6	348.9	403.1	477.6	438.1	457.2	477.6	n.a.
16 Federal Reserve Banks	160.9	181.3	211.3	222.6	212.3	211.9	222.6	n.a.
17 Private investors	1,212.5	1,417.2	1,602.0	1,745.2	1,657.7	1,682.6	1,745.2	1,778.2
18 Commercial banks	183.4	192.2	238.3r	253.3r	238.4r	251.3r	253.3r	260.7
19 Money market funds	25.9	25.1	28.0	14.3	20.6	15.2	14.3	14.9
20 Insurance companies	88.7r	115.4	135.4	n.a.	140.0	143.0	n.a.	n.a.
21 Other companies	50.1	59.0	68.8	84.6	79.7	81.8	84.6	n.a.
22 State and local Treasurys	173.0	224.0	260.0	n.a.	n.a.	n.a.	n.a.	n.a.
Individuals								
23 Savings bonds	74.5	79.8	92.3	101.1	96.8	98.5	101.1	104.0
24 Other securities	69.3	75.0	70.5	n.a.	68.6	70.4	n.a.	n.a.
25 Foreign and international[5]	192.9	212.5	251.6	287.3	268.6	267.0	287.3	323.5
26 Other miscellaneous investors[6]	354.7	434.2	467.1	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 Transactions[1]

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

	Item	1985	1986	1987	1988			1988					
					May[r]	June[r]	July	June 22	June 29[r]	July 6	July 13	July 20	July 27
	Immediate delivery[2]												
1	**U.S. Treasury securities**	**75,331**	**95,445**	**110,052**	**105,200**	**111,010**	**92,209**	**122,109**	**113,014**	**91,759**	**100,880**	**89,812**	**89,824**
	By maturity												
2	Bills	32,900	34,247	37,924	30,344	28,060	29,211	28,985	30,147	30,303	30,301	28,518	29,045
3	Other within 1 year	1,811	2,115	3,272	3,848	3,826	2,941	3,940	4,202	3,612	3,014	2,800	2,890
4	1–5 years	18,361	24,667	27,918	30,825	31,292	23,139	39,533	34,441	20,747	23,368	21,789	24,966
5	5–10 years	12,703	20,456	24,014	23,925	28,079	23,292	30,013	24,092	23,242	29,661	22,645	20,061
6	Over 10 years	9,556	13,961	16,923	16,259	19,753	13,627	19,637	20,132	13,856	14,536	14,060	12,863
	By type of customer												
7	U.S. government securities dealers	3,336	3,670	2,936	2,620	2,766	2,257	2,917	3,369	2,350	2,171	1,827	2,685
8	U.S. government securities brokers	36,222	49,558	61,539	63,549	66,145	55,142	75,418	65,044	51,532	60,669	54,649	54,551
9	All others[3]	35,773	42,218	45,576	39,031	42,097	34,808	43,773	44,600	37,877	38,039	33,335	32,587
10	Federal agency securities	11,640	16,748	18,087	15,182	15,660	14,273	11,913	14,930	13,186	15,659	15,515	12,094
11	Certificates of deposit	4,016	4,355	4,112	2,910	3,193	3,313	3,282	3,465	3,085	3,273	3,574	3,244
12	Bankers acceptances	3,242	3,272	2,965	2,125	2,114	2,400	2,006	2,169	2,630	2,354	2,408	2,215
13	Commercial paper	12,717	16,660	17,135	17,765	24,139	26,729	27,976	24,765	29,250	27,325	26,128	25,095
	Futures contracts[4]												
14	Treasury bills	5,561	3,311	3,233	3,193	2,205	1,886	3,111	1,615	1,471	2,516	1,781	2,053
15	Treasury coupons	6,085	7,175	8,964	9,081	11,565	8,540	12,423	11,657	8,477	9,420	8,437	8,401
16	Federal agency securities	252	16	5	0	0	0	0	0	0	0	0	0
	Forward transactions[5]												
17	U.S. Treasury securities	1,283	1,876	2,029	2,516	2,330	1,673	4,186	2,203	965	1,640	1,348	2,613
18	Federal agency securities	3,857	7,831	9,290	8,598	9,370	7,088	9,957	7,148	5,271	9,166	8,071	5,182

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.

1.43 U.S. GOVERNMENT SECURITIES DEALERS Positions and Financing[1]

Averages of daily figures, in millions of dollars

	Item	1985	1986	1987	1988			1988				
					May[r]	June[r]	July	June 29[r]	July 6	July 13	July 20	July 27
		Positions										
	Net immediate[2]											
1	**U.S. Treasury securities**	**7,391**	**12,912**	**−6,216**	**−26,408**	**−25,186**	**−30,235**	**−20,164**	**−24,726**	**−27,532**	**−31,634**	**−34,120**
2	Bills	10,075	12,761	4,317	86	1,723	32	967	1,395	1,071	−1,183	−510
3	Other within 1 year	1,050	3,706	1,557	−2,613	−983	−2,634	−587	−2,491	−3,192	−2,703	−2,233
4	1–5 years	5,154	9,146	649	−6,785	−7,541	−4,668	−2,559	−2,165	−3,037	−5,403	−7,582
5	5–10 years	−6,202	−9,505	−6,564	−8,649	−10,274	−13,892	−11,070	−13,477	−14,160	−13,111	−14,042
6	Over 10 years	−2,686	−3,197	−6,174	−8,446	−8,112	−9,074	−6,915	−7,988	−8,214	−9,234	−9,754
7	Federal agency securities	22,860	32,984	31,910	26,785	29,417	31,002	30,131	29,531	31,200	32,924	29,703
8	Certificates of deposit	9,192	10,485	8,188	6,075	8,066	8,843	8,502	9,679	8,888	8,791	8,447
9	Bankers acceptances	4,586	5,526	3,661	2,395	2,618	2,734	2,917	3,094	2,715	2,770	2,520
10	Commercial paper	5,570	8,089	7,496	4,519	5,561	5,846	5,612	6,290	5,120	5,931	5,952
	Futures positions											
11	Treasury bills	−7,322	−18,059	−3,373	−2,027	−2,695	909	−2,024	−1,176	338	1,944	1,733
12	Treasury coupons	4,465	3,473	5,988	4,460	4,136	7,518	3,805	6,724	6,251	8,483	7,946
13	Federal agency securities	−722	−153	−95	0	0	0	0	0	0	0	0
	Forward positions											
14	U.S. Treasury securities	−911	−2,144	−1,211	2,191	1,114	1,356	1,838	623	910	1,415	2,083
15	Federal agency securities	−9,420	−11,840	−18,817	−14,977	−17,820	−18,777	−18,567	−18,348	−19,585	−19,716	−17,152
		Financing[3]										
	Reverse repurchase agreements[4]											
16	Overnight and continuing	68,035	98,954	124,791	133,373	139,006	132,912	141,251	130,391	133,643	133,835	132,327
17	Term	80,509	108,693	148,033	173,858	168,069	173,938	163,380	162,655	171,138	174,307	179,198
	Repurchase agreements[5]											
18	Overnight and continuing	101,410	141,735	170,840	169,031	176,017	170,062	180,348	172,365	171,418	173,896	165,821
19	Term	70,076	102,640	120,980	139,537	131,104	130,220	130,217	119,605	128,451	128,207	136,480

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.

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.

2. 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.

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

4. 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.

5. 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	1988 Feb.	1988 Mar.	1988 Apr.	1988 May	1988 June
1 **Federal and federally sponsored agencies**	**271,220**	**293,905**	**307,361**	**341,386**	**346,901**	**351,356**	**348,273**	**352,216**	**n.a.**
2 Federal agencies	35,145	36,390	36,958	37,981	37,286	36,844	36,672	36,430	36,361
3 Defense Department[1]	142	71	33	13	12	12	11	11	11
4 Export-Import Bank[2,3]	15,882	15,678	14,211	11,978	11,978	11,494	11,494	11,494	11,232
5 Federal Housing Administration[4]	133	115	138	183	101	100	103	105	116
6 Government National Mortgage Association participation certificates[5]	2,165	2,165	2,165	1,615	1,165	1,165	830	830	830
7 Postal Service[6]	1,337	1,940	3,104	6,103	6,103	6,103	6,103	5,842	5,842
8 Tennessee Valley Authority	15,435	16,347	17,222	18,089	17,927	17,970	18,131	18,148	18,330
9 United States Railway Association[6]	51	74	85	0	0	0	0	0	0
10 Federally sponsored agencies[7]	237,012	257,515	270,553	303,405	309,615	314,512	311,601	315,786	n.a.
11 Federal Home Loan Banks	65,085	74,447	88,752	115,725	117,569	118,250	118,153	117,864	117,773
12 Federal Home Loan Mortgage Corporation	10,270	11,926	13,589	17,645	19,405	20,143	17,199	19,495	n.a.
13 Federal National Mortgage Association	83,720	93,896	93,563	97,057	98,593	99,853	100,911	102,515	104,757
14 Farm Credit Banks	72,192	68,851	62,478	55,275	55,275	56,145	54,311	54,578	55,779
15 Student Loan Marketing Association[8]	5,745	8,395	12,171	16,503	16,923	18,271	18,877	18,434	19,257
16 Financing Corporation[9]	n.a.	n.a.	n.a.	1,200	1,850	1,850	2,150	2,900	2,900
MEMO									
17 **Federal Financing Bank debt[10]**	**145,217**	**153,373**	**157,510**	**152,417**	**150,178**	**149,721**	**150,044**	**149,986**	**149,833**
Lending to federal and federally sponsored agencies									
18 Export-Import Bank[3]	15,852	15,670	14,205	11,972	11,972	11,488	11,488	11,488	11,226
19 Postal Service[6]	1,087	1,690	2,854	5,853	5,853	5,853	5,853	5,592	5,592
20 Student Loan Marketing Association	5,000	5,000	4,970	4,940	4,940	4,940	4,940	4,940	4,940
21 Tennessee Valley Authority	13,710	14,622	15,797	16,709	16,547	16,590	16,751	16,768	16,950
22 United States Railway Association[6]	51	74	85	0	0	0	0	0	0
Other Lending[11]									
23 Farmers Home Administration	58,971	64,234	65,374	59,674	59,674	59,674	59,674	59,674	59,674
24 Rural Electrification Administration	20,693	20,654	21,680	21,191	19,193	19,184	19,203	19,218	19,204
25 Other	29,853	31,429	32,545	32,078	31,999	31,992	32,135	32,306	32,247

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 Financing Corporation, established in August 1987 to recapitalize the Federal Savings and Loan Insurance Corporation, undertook its first borrowing in October 1987.
10. 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.
11. Includes FFB purchases of agency assets and guaranteed loans; the latter contain loans guaranteed by numerous agencies with the guarantees of any particular agency being generally small. The Farmers Home Administration item consists exclusively of agency assets, while the Rural Electrification Administration entry contains both agency assets and guaranteed loans.

1.45 NEW SECURITY ISSUES Tax-Exempt State and Local Governments

Millions of dollars

Type of issue or issuer, or use	1985	1986	1987	1987	1988						
				Dec.	Jan.	Feb.	Mar.	Apr.	May[r]	June[r]	July
1 **All issues, new and refunding**[1]	**214,189**	**147,011**	**102,407**	**8,385**	**5,412**	**8,585**	**9,821**	**5,847**	**7,846**	**13,912**	**8,057**
Type of issue											
2 General obligation	52,622	46,346	30,589	1,995	1,259	2,880	2,776	1,707	3,085	4,237	1,816
3 Revenue	161,567	100,664	71,818	6,390	4,153	5,705	7,045	4,140	4,761	9,675	6,241
Type of issuer											
4 State	13,004	14,474	10,102	550	423	1,197	739	441	913	1,349	143
5 Special district and statutory authority[2]	134,363	89,997	65,460	5,447	3,220	5,154	6,310	4,078	4,625	8,629	5,216
6 Municipalities, counties, and townships	66,822	42,541	26,845	2,388	1,769	2,234	2,772	1,328	2,308	3,934	2,698
7 **Issues for new capital, total**	**156,050**	**83,490**	**56,789**	**5,913**	**2,862**	**5,773**	**6,044**	**3,948**	**5,190**	**8,935**	**7,178**
Use of proceeds											
8 Education	16,658	16,948	9,525	931	841	754	933	911	1,316	1,320	1,345
9 Transportation	12,070	11,666	3,677	455	189	826	559	215	452	858	1,446
10 Utilities and conservation	26,852	35,383	7,912	377	326	655	1,016	429	580	635	194
11 Social welfare	63,181	17,332	11,107	1,278	740	650	1,218	1,099	694	2,060	1,078
12 Industrial aid	12,892	5,594	6,551	1,297	153	2,473	105	298	248	434	188
13 Other purposes	24,398	47,433	18,020	1,575	613	415	2,213	996	1,900	3,628	2,927

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

SOURCES. Securities Data/Bond Buyer Municipal Data Base beginning 1986. Public Securities Association for earlier data.

1.46 NEW SECURITY ISSUES U.S. Corporations

Millions of dollars

Type of issue or issuer, or use	1985	1986	1987	1987		1988					
				Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May[r]	June
1 **All issues**[1]	**239,015**	**423,726**	**392,156**	**14,322**	**11,872**	**22,175**	**22,394**	**25,902**	**21,202**[r]	**23,413**	**29,168**
2 **Bonds**[2]	**203,500**	**355,293**	**325,648**	**13,624**	**11,098**	**19,485**	**18,504**	**20,815**	**18,490**[r]	**19,382**	**24,995**
Type of offering											
3 Public, domestic	119,559	231,936	209,279	12,891	10,763	18,246	16,713	19,827	16,177	17,496	22,000
4 Private placement, domestic[3]	46,200	80,760	92,070	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
5. Sold abroad	37,781	42,596	24,299	733	335	1,239	1,791	988[r]	2,313[r]	1,886	2,995
Industry group											
6 Manufacturing	63,973	91,548	61,666	1,280	928	3,053	3,151	3,482	4,503[r]	4,206	5,284
7 Commercial and miscellaneous	17,066	40,124	49,327	483	2,577	2,084	1,396	1,007	771	1,446	2,136
8 Transportation	6,020	9,971	11,974	0	226	0	200	1,017	890	184	580
9 Public utility	13,649	31,426	23,004	895	1,570	1,142	1,718	2,259	1,170	1,929	1,700
10 Communication	10,832	16,659	7,340	290	510	206	101	115	411	69	910
11 Real estate and financial	91,958	165,564	172,343	10,676	5,287	13,000	11,937	12,935	10,746[r]	11,546	14,384
12 **Stocks**[3]	**35,515**	**68,433**	**66,508**	**698**	**774**	**2,690**	**3,890**	**5,087**	**2,712**	**4,031**	**4,173**
Type											
13 Preferred	6,505	11,514	10,123	162	61	1,388	376	625	241	285	501
14 Common	29,010	50,316	43,228	533	713	1,302	3,534	4,490	2,471	3,746	3,672
15 Private placement[3]	...	6,603	13,157	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Industry group											
16 Manufacturing	5,700	15,027	13,880	237	76	268	296	256	318	1,080	1,695
17 Commercial and miscellaneous	9,149	10,617	12,888	86	14	360	44	99	276	157	466
18 Transportation	1,544	2,427	2,439	149	1	1	474	32	150	15	51
19 Public utility	1,966	4,020	4,322	25	0	100	142	93	238	59	188
20 Communication	978	1,825	1,458	1	11	60	0	63	109	78	13
21 Real estate and financial	16,178	34,517	31,521	200	672	1,901	2,933	4,544	1,621	2,642	1,760

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. Before 1987, annual totals include underwritten issues only.

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	1986	1987	1987		1988					
			Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May[r]	June
INVESTMENT COMPANIES[1]										
1 **Sales of own shares[2]**	**411,751**	**381,260**	**21,927**	**26,494**	**30,343**	**23,265**	**24,589**	**23,162**	**19,579**	**22,516**
2 Redemptions of own shares[3]	239,394	314,252	20,400	28,099	22,324	20,914	23,968	25,000	21,412	23,201
3 Net sales	172,357	67,008	1,507	−1,605	8,019	2,351	620	−1,828	−1,833	−685
4 **Assets[4]**	**424,156**	**453,842**	**446,479**	**453,842**	**468,998**	**481,232**	**473,206**	**473,321**	**468,735**	**483,574**
5 Cash position[5]	30,716	38,006	41,432	38,006	40,157	41,232	43,561	45,307	45,003	43,691
6 Other	393,440	415,836	405,047	415,836	428,841	439,995	426,645	428,014	423,732	439,883

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	1985	1986	1987	1986		1987				1988	
				Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2[p]
1 Corporate profits with inventory valuation and capital consumption adjustment	282.3	298.8	310.4	301.2	293.9	298.3	305.2	322.0	316.1	316.2	332.0
2 Profits before tax	224.2	236.3	276.7	240.5	252.1	261.8	273.7	289.4	281.9	286.2	310.7
3 Profits tax liability	96.4	106.6	133.8	107.9	114.3	126.3	132.6	140.0	136.2	136.9	144.1
4 Profits after tax	127.8	129.8	142.9	132.6	137.9	135.5	141.1	149.5	145.7	149.4	166.6
5 Dividends	83.2	88.2	95.5	88.9	89.8	91.7	94.0	97.0	99.3	101.3	103.1
6 Undistributed profits	44.5	41.5	47.4	43.7	48.1	43.8	47.0	52.4	46.4	48.1	63.5
7 Inventory valuation	−1.7	8.3	−18.0	8.7	−8.1	−14.4	−20.0	−19.5	−18.2	−19.4	−27.1
8 Capital consumption adjustment	59.8	54.1	51.7	52.0	49.8	50.8	51.5	52.1	52.4	49.4	48.4

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

1.50 TOTAL NONFARM BUSINESS EXPENDITURES on New Plant and Equipment ▲

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

Industry	1986	1987	1988[1]	1986	1987				1988		
				Q4	Q1	Q2	Q3	Q4	Q1	Q2[1]	Q3[1]
1 **Total nonfarm business**	**379.47**	**388.60**	**430.23**	**386.09**	**374.23**	**377.65**	**393.13**	**409.37**	**409.73**	**429.01**	**438.22**
Manufacturing											
2 Durable goods industries	69.14	70.91	163.01	69.87	70.47	68.76	71.78	72.64	75.33	79.00	79.30
3 Nondurable goods industries	73.56	74.55	85.39	74.20	70.18	72.03	75.78	80.20	82.45	83.82	86.43
Nonmanufacturing											
4 Mining	11.22	11.34	12.39	10.31	10.31	11.02	11.64	12.39	12.50	12.87	12.51
Transportation											
5 Railroad	6.66	5.91	6.65	6.41	5.55	5.77	6.21	6.10	6.76	6.78	6.81
6 Air	6.26	6.55	7.62	6.84	7.46	5.72	5.91	7.12	6.90	7.44	8.43
7 Other	5.89	6.39	6.97	6.25	5.97	6.19	7.05	6.35	6.94	6.58	7.37
Public utilities											
8 Electric	33.91	31.58	32.90	33.78	30.85	31.13	31.31	33.01	29.94	32.55	34.31
9 Gas and other	12.47	13.18	14.28	12.34	12.75	12.35	13.58	14.06	14.37	13.81	14.63
10 Commercial and other[2]	160.38	168.19	186.40	166.08	160.70	164.69	169.87	177.50	174.54	186.15	188.44

▲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[1]

Billions of dollars, end of period

Account	1983	1984	1985	1986			1987			
				Q2	Q3	Q4	Q1	Q2	Q3	Q4
ASSETS										
Accounts receivable, gross										
1 Consumer	83.3	89.9	111.9	123.4	135.3	134.7	131.1	134.7	141.6	141.1
2 Business	113.4	137.8	157.5	166.8	159.7	173.4	181.4	188.1	188.3	207.6
3 Real estate	20.5	23.8	28.0	29.8	31.0	32.6	34.7	36.5	38.0	39.5
4 Total	217.3	251.5	297.4	320.0	326.0	340.6	347.2	359.3	367.9	388.2
Less:										
5 Reserves for unearned income	30.3	33.8	39.2	40.7	42.4	41.5	40.4	41.2	42.5	45.3
6 Reserves for losses	3.7	4.2	4.9	5.1	5.4	5.8	5.9	6.2	6.5	6.8
7 Accounts receivable, net	183.2	213.5	253.3	274.2	278.2	293.3	300.9	311.9	318.9	336.1
8 All other	34.4	35.7	45.3	49.5	60.0	58.6	59.0	57.7	64.5	58.2
9 **Total assets**	**217.6**	**249.2**	**298.6**	**323.7**	**338.2**	**351.9**	**359.9**	**369.6**	**383.4**	**394.3**
LIABILITIES										
10 Bank loans	18.3	20.0	18.0	16.3	16.8	18.6	17.2	17.3	15.9	16.4
11 Commercial paper	60.5	73.1	99.2	108.4	112.8	117.8	119.1	120.4	124.2	128.4
Debt										
12 Other short-term	11.1	12.9	12.7	15.8	16.4	17.5	21.8	24.8	26.9	28.0
13 Long-term	67.7	77.2	94.4	106.9	111.7	117.5	118.7	121.8	128.2	137.1
14 All other liabilities	31.2	34.5	41.5	40.9	45.0	44.1	46.5	49.1	48.6	52.8
15 Capital, surplus, and undivided profits	28.9	31.5	32.8	35.4	35.6	36.4	36.6	36.3	39.5	31.5
16 **Total liabilities and capital**	**217.6**	**249.2**	**298.6**	**323.7**	**338.2**	**351.9**	**359.9**	**369.6**	**383.4**	**394.3**

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

1.52 DOMESTIC FINANCE COMPANIES Business Credit Outstanding and Net Change[1]

Millions of dollars, seasonally adjusted

Type	1985	1986	1987	1988					
			Dec.	Jan.	Feb.	Mar.	Apr.	May	June
1 **Total**	**156,297**	**171,966**	**205,869**	**206,755**	**213,337**	**216,007**	**218,914**	**220,304**	**222,133**
Retail financing of installment sales									
2 Automotive (commercial vehicles)	20,660	25,952	35,674	36,419	36,318	36,914	37,619	37,219	37,519
3 Business, industrial, and farm equipment	22,483	22,950	24,987	25,474	26,976	27,081	27,263	27,081	27,548
Wholesale financing									
4 Automotive	23,988	23,419	31,059	30,115	28,654	27,329	27,361	28,260	28,731
5 Equipment	4,568	5,423	5,693	5,308	5,323	5,251	5,429	5,237	5,557
6 All other	6,809	7,079	8,408	8,454	8,331	8,347	8,311	8,414	8,481
Leasing									
7 Automotive	16,275	19,783	21,943	22,943	23,100	23,493	23,458	23,690	24,076
8 Equipment	34,768	37,833	43,002	43,245	48,175	50,411	51,092	52,126	52,365
9 Loans on commercial accounts receivable and factored commercial accounts receivable	15,765	15,959	18,024	18,506	17,862	17,895	18,789	18,700	18,595
10 All other business credit	10,981	13,568	17,079	16,291	17,062	19,287	19,592	19,578	19,260
	Net change (during period)								
11 **Total**	**19,607**	**15,669**	**3,040**	**886**	**549**	**2,670**	**2,907**	**1,390**	**1,829**
Retail financing of installment sales									
12 Automotive (commercial vehicles)	5,067	5,292	1,220	745	−101	596	705	−400	300
13 Business, industrial, and farm equipment	−363	467	223	487	−232	105	182	−181	467
Wholesale financing									
14 Automotive	5,423	−569	158	−944	−1,461	−1,325	32	899	471
15 Equipment	−867	855	−101	−385	14	−72	178	−192	320
16 All other	1,069	270	257	46	−123	16	−36	103	67
Leasing									
17 Automotive	3,896	3,508	−70	1,000	157	393	−34	231	386
18 Equipment	2,685	3,065	1,038	243	632	2,236	681	1,034	239
19 Loans on commercial accounts receivable and factored commercial accounts receivable	2,161	194	−477	482	−643	−643	894	−88	−105
20 All other business credit	536	2,587	792	−788	770	689	305	−14	−318

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

1.53 MORTGAGE MARKETS

Millions of dollars; exceptions noted.

Item	1985	1986	1987	1988						
				Jan.	Feb.	Mar.	Apr.	May[r]	June	July
	Terms and yields in primary and secondary markets									
PRIMARY MARKETS										
Conventional mortgages on new homes										
Terms[1]										
1 Purchase price (thousands of dollars)	104.1	118.1	137.0	150.1	139.4	147.2	151.4	145.3	152.0[r]	152.9
2 Amount of loan (thousands of dollars)	77.4	86.2	100.5	108.4	104.3	106.3	112.1	108.0	110.2[r]	111.9
3 Loan/price ratio (percent)	77.1	75.2	75.2	74.0	76.4	75.0	76.2	76.4	73.8[r]	75.2
4 Maturity (years)	26.9	26.6	27.8	28.2	28.1	27.3	27.7	28.1	27.5[r]	28.4
5 Fees and charges (percent of loan amount)[2]	2.53	2.48	2.26	2.17	2.23	2.28	2.20	2.15	2.16[r]	2.24
6 Contract rate (percent per year)	11.12	9.82	8.94	8.75	8.76	8.77	8.76	8.59	8.90[r]	8.80
Yield (percent per year)										
7 FHLBB series[3]	11.58	10.25	9.31	9.10	9.12	9.15	9.13	8.95	9.26[r]	9.17
8 HUD series[4]	12.28	10.07	10.13	10.09	9.80	9.99	10.19	10.48	n.a.	n.a.
SECONDARY MARKETS										
Yield (percent per year)										
9 FHA mortgages (HUD series)[5]	12.24	9.91	10.12	10.17	9.86	10.28	10.46	10.84	n.a.	n.a.
10 GNMA securities[6]	11.61	9.30	9.42	9.83	9.53	9.53	9.67	9.93	9.88	9.91
	Activity in secondary markets									
FEDERAL NATIONAL MORTGAGE ASSOCIATION										
Mortgage holdings (end of period)										
11 Total	94,574	98,048	95,030	97,159	98,358	99,787	100,796	101,747	102,368	102,540
12 FHA/VA-insured	34,244	29,683	21,660	20,237	20,181	20,094	19,932	19,805	19,765	19,677
13 Conventional	60,331	68,365	73,370	76,923	78,177	79,693	80,864	81,941	82,603	82,864
Mortgage transactions (during period)										
14 Purchases	21,510	30,826	20,531	1,267	2,629	2,776	2,409	2,138	2,372	1,960
Mortgage commitments[7]										
15 Contracted (during period)	20,155	32,987	25,415	2,254	2,516	3,823	2,555	2,142	2,179	1,108
16 Outstanding (end of period)	3,402	3,386	4,886	5,542	4,966	6,149	6,033	5,777	5,365	4,277
FEDERAL HOME LOAN MORTGAGE CORPORATION										
Mortgage holdings (end of period)[8]										
17 Total	12,399	13,517	12,802	13,090	13,926	14,386	14,822	15,228	n.a.	n.a.
18 FHA/VA	841	746	686	632	646	641	635	633	n.a.	n.a.
19 Conventional	11,559	12,771	12,116	12,458	13,280	13,745	14,187	14,595	n.a.	n.a.
Mortgage transactions (during period)										
20 Purchases	44,012	103,474	76,845	2,168	3,293	2,932	2,772	2,877	n.a.	n.a.
21 Sales	38,905	100,236	75,082	1,832	2,414	2,312	2,271	2,325	n.a.	n.a.
Mortgage commitments[9]										
22 Contracted (during period)	48,989	110,855	71,467	3,868	4,910	4,262	6,437	5,159	n.a.	n.a.

1. Weighted averages based on sample surveys of mortgages originated by major institutional lender groups; compiled by the Federal Home Loan Bank Board in cooperation with the Federal Deposit Insurance Corporation.
2. Includes all fees, commissions, discounts, and "points" paid (by the borrower or the seller) to obtain a loan.
3. Average effective interest rates on loans closed, assuming prepayment at the end of 10 years.
4. Average contract rates on new commitments for conventional first mortgages; from Department of Housing and Urban Development.
5. Average gross yields on 30-year, minimum-downpayment, Federal Housing Administration-insured first mortgages for immediate delivery in the private secondary market. Based on transactions on first day of subsequent month. Large monthly movements in average yields may reflect market adjustments to changes in maximum permissable contract rates.
6. Average net yields to investors on Government National Mortgage Association guaranteed, mortgage-backed, fully modified pass-through securities, assuming prepayment in 12 years on pools of 30-year FHA/VA mortgages carrying the prevailing ceiling rate. Monthly figures are averages of Friday figures from the *Wall Street Journal*.
7. Includes some multifamily and nonprofit hospital loan commitments in addition to 1- to 4-family loan commitments accepted in FNMA's free market auction system, and through the FNMA-GNMA tandem plans.
8. Includes participation as well as whole loans.
9. Includes conventional and government-underwritten loans. FHLMC's mortgage commitments and mortgage transactions include activity under mortgage/securities swap programs, while the corresponding data for FNMA exclude swap activity.

1.54 MORTGAGE DEBT OUTSTANDING[1]

Millions of dollars, end of period

	Type of holder, and type of property	1985	1986	1987	1987 Q2	1987 Q3	1987 Q4	1988 Q1r	1988 Q2
1	**All holders**	**2,269,173**	**2,568,562**	**2,908,970**	**2,756,502r**	**2,832,537r**	**2,908,970r**	**2,952,881**	**3,024,144**
2	1- to 4-family	1,467,409	1,668,209	1,889,198	1,780,662r	1,837,209r	1,889,198r	1,919,364	1,972,195
3	Multifamily	214,045	247,024	273,556	263,560r	268,519r	273,556r	277,262	282,811
4	Commercial	482,029	556,569	656,305	620,159r	635,897r	656,305r	667,036	680,400
5	Farm	105,690	96,760	89,911	92,121r	90,912r	89,911r	89,219	88,738
6	Selected financial institutions	1,390,394	1,507,289	1,700,820	1,607,000r	1,648,328r	1,700,820r	1,722,742	1,762,742
7	Commercial banks[2]	429,196	502,534	591,151	544,759r	567,000r	591,151r	603,408	622,237
8	1- to 4-family	213,434	235,814	275,761	252,813r	263,762r	275,761r	279,977	289,029
9	Multifamily	23,373	31,173	33,296	30,543r	32,114r	33,296r	33,585	34,347
10	Commercial	181,032	222,799	267,663	247,576r	256,981r	267,663r	275,081	283,678
11	Farm	11,357	12,748	14,431	13,827r	14,143r	14,431r	14,765	15,183
12	Savings institutions[3]	760,499	777,312	856,945	824,961	838,737	856,945r	863,110	878,972
13	1- to 4-family	554,301	558,412	598,886	572,075	583,432	598,886r	603,532	617,121
14	Multifamily	89,739	97,059	106,359	102,933	104,609	106,359r	107,687	109,854
15	Commercial	115,771	121,236	150,943	149,183	149,938	150,943r	151,136	151,245
16	Farm	688	605	....	....	....	....	....	....
17	Life insurance companies	171,797	193,842	212,375	200,382	204,263	212,375	214,815	219,015
18	1- to 4-family	12,381	12,827	13,226	12,745	12,742	13,226	13,653	14,053
19	Multifamily	19,894	20,952	22,524	21,663	21,968	22,524	22,723	22,823
20	Commercial	127,670	149,111	166,722	155,611	159,464	166,722	168,774	172,624
21	Farm	11,852	10,952	9,903	10,363	10,089	9,903	9,665	9,515
22	Finance companies[4]	28,902	33,601	40,349	36,898	38,328	40,349	41,409	42,518
23	Federal and related agencies	166,928	203,800	192,721	196,514	191,520	192,721	196,909	199,780
24	Government National Mortgage Association	1,473	889	444	667	458	444	434	425
25	1- to 4-family	539	47	25	45	25	25	25	24
26	Multifamily	934	842	419	622	433	419	409	401
27	Farmers Home Administration[5]	733	48,421	43,051	48,085	42,978	43,051	43,076	42,767
28	1- to 4-family	183	21,625	18,169	21,157	18,111	18,169	18,185	18,248
29	Multifamily	113	7,608	8,044	7,808	7,903	8,044	8,115	8,213
30	Commercial	159	8,446	6,603	8,553	6,592	6,603	6,640	6,288
31	Farm	278	10,742	10,235	10,567	10,372	10,235	10,136	10,018
32	Federal Housing and Veterans Administration	4,920	5,047	5,574	5,268	5,330	5,574	5,660	5,544
33	1- to 4-family	2,254	2,386	2,557	2,531	2,452	2,557	2,608	2,452
34	Multifamily	2,666	2,661	3,017	2,737	2,878	3,017	3,052	3,092
35	Federal National Mortgage Association	98,282	97,895	96,649	94,064	94,884	96,649	99,787	102,368
36	1- to 4-family	91,966	90,718	89,666	87,013	87,901	89,666	92,828	95,404
37	Multifamily	6,316	7,177	6,983	7,051	6,983	6,983	6,959	6,964
38	Federal Land Banks	47,498	39,984	34,131	35,833	34,930	34,131	33,566	33,048
39	1- to 4-family	2,798	2,353	2,008	2,108	2,055	2,008	1,975	1,945
40	Farm	44,700	37,631	32,123	33,725	32,875	32,123	31,591	31,103
41	Federal Home Loan Mortgage Corporation	14,022	11,564	12,872	12,597	12,940	12,872	14,386	15,628
42	1- to 4-family	11,881	10,010	11,430	11,172	11,570	11,430	12,749	13,768
43	Multifamily	2,141	1,554	1,442	1,425	1,370	1,442	1,637	1,860
44	Mortgage pools or trusts[6]	415,042	531,591	670,394	615,142	648,084	670,394	683,114	703,960
45	Government National Mortgage Association	212,145	262,697	317,555	293,246	308,339	317,555	322,976	329,976
46	1- to 4-family	207,198	256,920	309,806	286,091	300,815	309,806	315,095	321,924
47	Multifamily	4,947	5,777	7,749	7,155	7,524	7,749	7,881	8,052
48	Federal Home Loan Mortgage Corporation	100,387	171,372	212,634	200,284	208,872	212,634	214,724	216,440
49	1- to 4-family	99,515	166,667	205,977	194,238	202,308	205,977	208,138	209,900
50	Multifamily	872	4,705	6,657	6,046	6,564	6,657	6,586	6,540
51	Federal National Mortgage Association	54,987	97,174	139,960	121,270	130,540	139,960	145,242	157,438
52	1- to 4-family	54,036	95,791	137,988	119,617	128,770	137,988	142,330	153,253
53	Multifamily	951	1,383	1,972	1,653	1,770	1,972	2,912	4,185
54	Farmers Home Administration[5]	47,523	348	245	342	333	245	172	106
55	1- to 4-family	22,186	142	121	149	144	121	65	23
56	Multifamily	6,675	....	....	....	....	....	....	....
57	Commercial	8,190	132	63	126	124	63	58	41
58	Farm	10,472	74	61	67	65	61	49	42
59	Individuals and others[7]	296,809	325,882	345,035	337,846	344,605	345,035	350,116	357,662
60	1- to 4-family	165,835	180,896	183,229	182,010	184,794	183,229	186,795	192,533
61	Multifamily	55,424	66,133	75,094	73,924	74,403	75,094	75,716	76,480
62	Commercial	49,207	54,845	64,311	59,110	62,798	64,311	65,347	66,524
63	Farm	26,343	24,008	22,401	22,802	22,610	22,401	22,258	22,125

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 (credit balance accounts that must be subtracted from the corresponding gross asset categories to yield net asset levels).
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] Total Outstanding, and Net Change, seasonally adjusted

Millions of dollars

Holder, and type of credit	1986	1987	1987			1988					
			Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.[r]	May[r]	June
	Amounts outstanding (end of period)										
1 **Total**	**571,833**	**613,022**	**606,926**	**608,728**	**613,022**	**619,258**	**624,294**	**629,485**	**633,336**	**636,318**	**641,752**
By major holder											
2 Commercial banks	262,139	281,564	278,855	279,550	281,564	284,753	287,344	290,831	293,166	295,546	300,108
3 Finance companies[2]	133,698	140,072	139,236	138,928	140,072	141,695	142,946	144,053	144,516	144,454	144,748
4 Credit unions	76,191	81,065	80,672	80,923	81,065	81,662	81,897	82,595	83,204	83,881	84,679
5 Retailers[3]	39,660	42,782	42,012	42,291	42,782	42,926	43,080	43,271	43,295	43,162	43,450
6 Savings institutions	56,881	63,949	62,457	63,412	63,949	64,633	65,396	65,078	65,387	65,509	65,054
7 Gasoline companies	3,264	3,590	3,694	3,624	3,590	3,590	3,631	3,657	3,769	3,765	3,713
By major type of credit											
8 Automobile	246,109	267,180	263,823	264,474	267,180	269,883	273,133	276,762	278,567	279,418	281,834
9 Commercial banks	100,907	108,438	107,414	107,727	108,438	109,298	111,021	113,593	114,868	115,951	117,640
10 Credit unions	38,413	43,474	42,612	43,071	43,474	43,959	44,251	44,795	45,293	45,831	46,438
11 Finance companies	92,350	98,026	97,261	96,733	98,026	99,147	100,123	100,669	100,564	99,708	99,900
12 Savings institutions	14,439	17,242	16,536	16,943	17,242	17,479	17,738	17,705	17,841	17,928	17,856
13 Revolving	136,381	159,307	155,196	156,425	159,307	162,065	163,462	165,643	167,356	169,154	172,001
14 Commercial banks	86,757	98,808	97,416	97,378	98,808	100,879	101,537	103,152	104,250	105,742	108,021
15 Retailers	34,320	36,959	36,270	36,501	36,959	37,087	37,231	37,408	37,414	37,259	37,526
16 Gasoline companies	3,264	3,590	3,694	3,624	3,590	3,590	3,631	3,657	3,769	3,765	3,713
17 Savings institutions	8,366	13,279	11,922	12,636	13,279	13,601	13,945	14,059	14,309	14,518	14,599
18 Credit unions	3,674	6,671	5,894	6,286	6,671	6,908	7,117	7,368	7,614	7,870	8,140
19 Mobile home	26,883	25,957	26,698	26,604	25,957	25,926	25,857	25,732	25,764	25,703	25,498
20 Commercial banks	8,926	9,101	9,174	9,169	9,101	9,064	9,035	8,993	9,047	8,966	8,889
21 Finance companies	8,822	7,771	8,228	8,211	7,771	7,753	7,679	7,640	7,575	7,578	7,513
22 Savings institutions	9,135	9,085	9,296	9,224	9,085	9,109	9,143	9,099	9,142	9,159	9,095
23 Other	162,460	160,578	161,209	161,225	160,578	161,384	161,842	161,348	161,649	162,043	162,419
24 Commercial banks	65,549	65,217	64,851	65,276	65,217	65,512	65,750	65,094	65,001	64,887	65,557
25 Finance companies	32,526	34,275	33,747	33,984	34,275	34,795	35,144	35,744	36,376	37,168	37,335
26 Credit unions	34,104	30,920	32,166	31,566	30,920	30,795	30,529	30,432	30,297	30,180	30,101
27 Retailers	5,340	5,823	5,742	5,790	5,823	5,839	5,849	5,863	5,880	5,903	5,923
28 Savings institutions	24,941	24,343	24,703	24,609	24,343	24,444	24,570	24,216	24,095	23,904	23,503
	Net change (during period)										
29 **Total**	**54,078**	**41,189**	**3,949**	**1,802**	**4,294**	**6,236**	**5,036**	**5,191**	**3,851**	**2,982**	**5,434**
By major holder											
30 Commercial banks	20,495	19,425	2,050	695	2,014	3,189	2,591	3,487	2,335	2,380	4,562
31 Finance companies[2]	22,670	6,374	841	−308	1,144	1,623	1,251	1,107	463	−62	294
32 Credit unions	4,268	4,874	321	251	142	597	235	698	609	677	798
33 Retailers[3]	466	3,122	380	279	491	144	154	191	24	−133	288
34 Savings institutions	7,223	7,068	359	955	537	684	763	−318	309	122	−455
35 Gasoline companies	−1,044	326	−2	−70	−34	0	41	26	112	−4	−52
By major type of credit											
36 Automobile	36,473	21,071	1,921	651	2,706	2,703	3,250	3,629	1,805	851	2,416
37 Commercial banks	8,178	7,531	729	313	711	860	1,723	2,572	1,275	1,083	1,689
38 Credit unions	2,388	5,061	494	459	403	485	292	544	498	538	607
39 Finance companies	22,823	5,676	452	−528	1,293	1,121	976	546	−105	−856	192
40 Savings institutions	3,084	2,803	246	407	299	237	259	−33	136	87	−72
41 Revolving	14,368	22,926	2,643	1,229	2,882	2,758	1,397	2,181	1,713	1,798	2,847
42 Commercial banks	11,150	12,051	1,333	−38	1,430	2,071	658	1,615	1,098	1,492	2,279
43 Retailers	47	2,639	329	231	458	128	144	177	6	−155	267
44 Gasoline companies	−1,044	326	−2	−70	−34	0	41	26	112	−4	−52
45 Savings institutions	2,078	4,913	589	714	643	322	344	114	250	209	81
46 Credit unions	2,137	2,997	394	392	385	237	209	251	246	256	270
47 Mobile home	49	−926	−147	−94	−647	−31	−69	−125	32	−61	−205
48 Commercial banks	−627	175	17	−5	−68	−37	−29	−42	54	−81	−77
49 Finance companies	−472	−1,051	−7	−17	−440	−18	−74	−39	−65	3	−65
50 Savings institutions	1,148	−50	−157	−72	−139	24	34	−44	43	17	−64
51 Other	3,188	−1,882	−468	16	−647	806	458	−494	301	394	376
52 Commercial banks	1,794	−332	−29	425	−59	295	238	−656	−93	−114	670
53 Finance companies	319	1,749	396	237	291	520	349	600	632	792	167
54 Credit unions	−257	−3,184	−567	−600	−646	−125	−266	−97	−135	−117	−79
55 Retailers	419	483	51	48	33	16	10	14	17	23	20
56 Savings institutions	913	−598	−319	−94	−266	101	126	−354	−121	−191	−401

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.

These data also appear in the Board's G.19 (421) release. For address, see inside front cover.

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.

1.56 TERMS OF CONSUMER INSTALLMENT CREDIT[1]

Percent unless noted otherwise

	Item	1985	1986	1987	1987	1988					
					Dec.	Jan.	Feb.	Mar.	Apr.	May	June
	INTEREST RATES										
	Commercial banks[2]										
1	48-month new car[3]	12.91	11.33	10.45	n.a.	n.a.	10.72	n.a.	n.a.	10.55	n.a.
2	24-month personal	15.94	14.82	14.22	n.a.	n.a.	14.46	n.a.	n.a.	14.40	n.a.
3	120-month mobile home[3]	14.96	13.99	13.38	n.a.	n.a.	13.45	n.a.	n.a.	13.49	n.a.
4	Credit card	18.69	18.26	17.92	n.a.	n.a.	17.80	n.a.	n.a.	17.78	n.a.
	Auto finance companies										
5	New car	11.98	9.44	10.73	12.23	12.19	12.26	12.24	12.29	12.29	12.32
6	Used car	17.59	15.95	14.60	14.97	14.56	14.75	14.77	14.82	14.81	14.83
	OTHER TERMS[4]										
	Maturity (months)										
7	New car	51.5	50.0	53.5	55.5	55.5	55.9	56.0	56.2	56.2	56.3
8	Used car	41.4	42.6	45.2	45.3	47.2	46.8	46.9	46.9	46.9	46.9
	Loan-to-value ratio										
9	New car	91	91	93	93	93	94	94	94	94	94
10	Used car	94	97	98	99	98	99	98	98	99	99
	Amount financed (dollars)										
11	New car	9,915	10,665	11,203	11,645	11,534	11,447	11,493	11,553	11,624	11,626
12	Used car	6,089	6,555	7,420	7,718	7,612	7,619	7,587	7,662	7,778	7,899

1. These data also appear in the Board's G.19 (421) release. For address, see inside front cover.
2. Data for midmonth of quarter only.
3. Before 1983 the maturity for new car loans was 36 months, and for mobile home loans was 84 months.
4. At auto finance companies.

1.57 FUNDS RAISED IN U.S. CREDIT MARKETS

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

Transaction category, sector	1983	1984	1985	1986	1987	1984	1985		1986		1987	
						H2	H1	H2	H1	H2	H1	H2
						Nonfinancial sectors						
1 **Total net borrowing by domestic nonfinancial sectors**	**550.2**	**753.9**	**854.8**	**831.7**	**672.2**	**790.4**	**722.7**	**986.8**	**679.1**	**984.4**	**623.1**	**721.4**
By sector and instrument												
2 U.S. government	186.6	198.8	223.6	215.0	143.8	207.2	204.8	242.5	207.2	222.8	152.8	134.9
3 Treasury securities	186.7	199.0	223.7	214.7	142.3	207.3	204.9	242.5	207.4	222.0	151.7	132.9
4 Agency issues and mortgages	−.1	−.2	−.1	.4	1.5	−.1	-.1	−.1	−.1	.9	1.0	2.0
5 Private domestic nonfinancial sectors	363.6	555.1	631.1	616.7	528.4	583.3	518.0	744.3	471.8	761.6	470.3	586.4
6 Debt capital instruments	253.4	313.6	447.8	452.7	435.6	342.5	350.4	545.2	365.6	539.8	443.6	427.7
7 Tax-exempt obligations	53.7	50.4	136.4	30.8	34.5	67.0	67.0	205.8	−15.6	77.2	34.9	34.1
8 Corporate bonds	16.0	46.1	73.8	121.3	99.4	69.8	62.2	85.3	135.3	107.3	97.3	101.6
9 Mortgages	183.6	217.1	237.7	300.6	301.7	205.7	221.2	254.2	245.9	355.4	311.4	291.9
10 Home mortgages	117.5	129.7	151.9	201.2	211.4	119.9	139.2	164.7	163.9	238.6	221.0	201.9
11 Multifamily residential	14.2	25.1	29.2	33.1	25.0	22.4	25.0	33.4	31.3	34.9	30.0	20.1
12 Commercial	49.3	63.2	62.5	74.6	71.5	63.8	59.5	65.5	59.7	89.6	69.8	73.1
13 Farm	2.6	−.9	−6.0	−8.4	−6.3	−.4	−2.5	−9.5	−9.0	−7.7	−9.3	−3.2
14 Other debt instruments	110.2	241.5	183.3	164.0	92.8	240.8	167.5	199.1	106.3	221.7	26.7	158.8
15 Consumer credit	56.6	90.4	94.6	65.8	41.8	86.2	95.3	93.9	71.0	60.6	28.3	55.2
16 Bank loans n.e.c.	23.2	67.1	38.6	66.5	9.3	63.0	21.0	56.2	12.2	120.8	−32.6	51.2
17 Open market paper	−.8	21.7	14.6	−9.3	2.3	16.8	14.4	14.8	−13.1	−5.5	4.5	.1
18 Other	31.3	62.2	35.5	41.0	39.4	74.7	36.8	34.2	36.2	45.8	26.6	52.2
19 By borrowing sector	363.6	555.1	631.1	616.7	528.4	583.3	518.0	744.3	471.8	761.6	470.3	586.4
20 State and local governments	34.0	27.4	91.8	44.3	33.9	38.6	56.3	127.2	4.3	84.3	33.2	34.7
21 Households	188.2	234.6	293.4	281.1	248.9	234.2	259.8	327.1	233.0	329.3	231.1	266.8
22 Farm	4.1	−.1	−13.9	−15.1	−11.7	.4	−7.0	−20.8	−16.9	−13.3	−17.8	−5.6
23 Nonfarm noncorporate	77.0	97.0	93.1	116.2	103.3	92.2	85.7	100.5	96.7	135.6	104.5	102.1
24 Corporate	60.3	196.0	166.7	190.2	153.9	217.8	123.2	210.3	154.7	225.8	119.4	188.5
25 Foreign net borrowing in United States	17.3	8.3	1.2	9.0	3.8	−19.4	−5.8	8.2	21.5	−3.5	−7.4	15.0
26 Bonds	3.1	3.8	3.8	2.6	6.3	6.3	5.5	2.1	6.2	−1.1	−1.7	14.3
27 Bank loans n.e.c.	3.6	−6.6	−2.8	−1.0	−3.6	−11.9	−5.8	.1	1.5	−3.5	−3.2	−4.1
28 Open market paper	6.5	6.2	6.2	11.5	2.1	−4.3	2.8	9.6	19.1	3.9	−5.3	9.5
29 U.S. government loans	4.1	5.0	−6.0	−4.0	−1.0	−9.6	−8.2	−3.7	−5.3	−2.7	2.7	−4.7
30 **Total domestic plus foreign**	**567.5**	**762.2**	**856.0**	**840.7**	**676.0**	**771.0**	**716.9**	**995.0**	**700.5**	**980.9**	**615.7**	**736.3**
						Financial sectors						
31 **Total net borrowing by financial sectors**	**99.3**	**151.9**	**199.0**	**295.3**	**284.2**	**150.7**	**175.1**	**222.8**	**242.3**	**348.2**	**319.3**	**249.7**
By instrument												
32 U.S. government related	67.8	74.9	101.5	178.1	168.3	77.3	96.8	106.3	136.1	220.1	180.5	156.5
33 Sponsored credit agency securities	1.4	30.4	20.6	15.2	30.2	31.5	26.6	14.6	8.7	21.7	8.1	52.3
34 Mortgage pool securities	66.4	44.4	79.9	163.3	138.8	45.8	70.3	89.5	126.5	200.0	174.0	104.1
35 Loans from U.S. government	.....	.....	1.1	−.4	−.8	.....	.....	2.2	.8	−1.5	−1.5	.....
36 Private financial sectors	31.5	77.0	97.4	117.2	116.0	73.5	78.3	116.5	106.2	128.1	138.7	93.2
37 Corporate bonds	17.4	36.2	48.6	69.0	65.8	41.5	48.9	48.3	72.1	66.0	80.2	51.4
38 Mortgages	*	.4	.1	.1	.3	.4	*	.1	.6	−.5	.2	.3
39 Bank loans n.e.c.	−.1	.7	2.6	4.0	−3.3	.7	2.3	2.9	4.0	4.0	−4.7	−1.9
40 Open market paper	21.3	24.1	32.0	24.2	28.8	16.0	14.6	49.4	15.1	33.4	49.4	8.2
41 Loans from Federal Home Loan Banks	−7.0	15.7	14.2	19.8	24.4	14.9	12.5	15.9	14.4	25.2	13.6	35.2
By sector												
42 Sponsored credit agencies	1.4	30.4	21.7	14.9	29.5	31.5	26.6	16.8	9.5	20.2	6.6	52.3
43 Mortgage pools	66.4	44.4	79.9	163.3	138.8	45.8	70.3	89.5	126.5	200.0	174.0	104.1
44 Private financial sectors	31.5	77.0	97.4	117.2	116.0	73.5	78.3	116.5	106.2	128.1	138.7	93.2
45 Commercial banks	5.0	7.3	−4.9	−3.6	7.1	−5.3	−4.7	−5.0	−2.7	−4.6	14.1	.1
46 Bank affiliates	12.1	15.6	14.5	4.6	3.0	10.8	10.2	18.9	−1.7	10.9	11.5	−5.6
47 Savings and loan associations	−2.1	22.7	22.3	29.8	35.7	23.3	14.2	30.4	25.5	34.0	27.7	43.8
48 Finance companies	12.9	18.9	53.9	49.7	30.8	29.6	49.7	58.1	53.1	46.3	32.9	28.7
49 REITs	−.1	.1	−.7	−.3	1.4	.1	−.6	−.8	.6	−1.3	*	2.9
50 CMO Issuers	3.7	12.4	12.2	37.1	38.0	15.0	9.5	14.9	31.4	42.8	52.6	23.3
						All sectors						
51 **Total net borrowing**	**666.8**	**914.1**	**1,054.9**	**1,136.0**	**960.2**	**921.8**	**892.1**	**1,217.8**	**942.8**	**1,329.1**	**935.0**	**986.0**
52 U.S. government securities	254.4	273.8	324.2	393.5	312.9	284.5	301.7	346.6	342.5	444.5	334.8	291.4
53 State and local obligations	53.7	50.4	136.4	30.8	34.5	67.0	67.0	205.8	−15.6	77.2	34.9	34.1
54 Corporate and foreign bonds	36.5	86.1	126.1	192.9	171.5	117.6	116.6	135.7	213.6	172.1	175.8	167.3
55 Mortgages	183.6	217.4	237.7	300.7	301.9	206.0	221.2	254.2	246.5	354.9	311.6	292.2
56 Consumer credit	56.6	90.4	94.6	65.8	41.8	86.2	95.3	93.9	71.0	60.6	28.3	55.2
57 Bank loans n.e.c.	26.7	61.1	38.3	69.5	2.4	51.8	17.5	59.2	17.7	121.3	−40.5	45.3
58 Open market paper	26.9	52.0	52.8	26.4	33.2	28.6	31.8	73.7	21.0	31.7	48.6	17.8
59 Other loans	28.4	82.9	44.8	56.5	62.1	80.0	41.1	48.6	46.1	66.8	41.5	82.7
						External corporate equity funds raised in United States						
60 **Total new share issues**	**61.8**	**−36.4**	**19.9**	**91.6**	**1.6**	**−24.9**	**3.0**	**36.7**	**100.8**	**82.3**	**84.5**	**−81.3**
61 Mutual funds	27.2	29.3	85.7	163.3	75.4	32.2	64.2	107.1	155.5	171.1	147.2	3.6
62 All other	34.6	−65.7	−65.8	−71.7	−73.8	−57.1	−61.2	−70.4	−54.7	−88.7	−62.7	−84.9
63 Nonfinancial corporations	28.3	−74.5	−81.5	−80.8	−76.5	−69.4	−75.5	−87.5	−68.7	−92.7	−70.0	−83.0
64 Financial corporations	2.6	7.8	12.0	8.3	5.4	8.8	11.2	12.8	7.5	9.1	5.4	5.3
65 Foreign shares purchased in United States	3.7	.9	3.7	.7	−2.7	3.5	3.1	4.3	6.6	−5.1	1.9	−7.2

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	1983	1984	1985	1986	1987	1984	1985		1986		1987	
						H2	H1	H2	H1	H2	H1	H2
1 **Total funds advanced in credit markets to domestic nonfinancial sectors**	**550.2**	**753.9**	**854.8**	**831.7**	**672.2**	**790.4**	**722.7**	**986.8**	**679.1**	**984.4**	**623.1**	**721.4**
By public agencies and foreign												
2 Total net advances	114.0	157.6	202.3	319.7	231.6	182.5	195.8	208.7	264.7	374.6	237.0	226.3
3 U.S. government securities	26.3	39.3	47.1	84.8	58.2	51.0	50.3	43.9	74.0	95.6	45.4	71.0
4 Residential mortgages	76.1	56.5	94.6	160.3	135.6	57.4	88.6	100.7	123.7	196.9	166.8	104.6
5 FHLB advances to savings and loans	−7.0	15.7	14.2	19.8	24.4	14.9	12.5	15.9	14.4	25.2	13.6	35.2
6 Other loans and securities	18.6	46.2	46.3	54.7	13.4	59.2	44.4	48.2	52.6	56.9	11.1	15.4
Total advanced, by sector												
7 U.S. government	9.7	17.1	16.8	9.5	−13.7	26.6	25.1	8.4	10.8	8.2	−16.6	−11.2
8 *Sponsored credit agencies*	69.8	74.3	101.5	177.3	166.2	75.2	96.4	106.7	128.2	226.5	168.1	164.7
9 Monetary authorities	10.9	8.4	21.6	30.2	10.0	4.8	27.5	15.8	13.2	47.2	10.8	9.1
10 Foreign	23.7	57.9	62.3	102.6	69.2	75.9	46.8	77.8	112.5	92.7	74.6	63.8
Agency and foreign borrowing not in line 1												
11 Sponsored credit agencies and mortgage pools	67.8	74.9	101.5	178.1	168.3	77.3	96.8	106.3	136.1	220.1	180.5	156.5
12 Foreign	17.3	8.3	1.2	9.0	3.8	−19.4	−5.8	8.2	21.5	−3.5	−7.4	15.0
Private domestic funds advanced												
13 Total net advances	521.3	679.5	755.2	699.2	612.6	665.7	618.0	892.5	571.9	826.4	559.3	666.5
14 U.S. government securities	228.1	234.5	277.0	308.7	254.7	233.5	251.3	302.7	268.6	348.9	289.5	220.4
15 State and local obligations	53.7	50.4	136.4	30.8	34.5	67.0	67.0	205.8	−15.6	77.2	34.9	34.1
16 Corporate and foreign bonds	14.5	35.1	40.8	83.4	85.5	53.0	39.7	42.0	100.2	66.6	70.3	100.7
17 Residential mortgages	55.0	98.2	86.4	74.0	100.8	84.8	75.5	97.4	71.5	76.5	84.1	117.3
18 Other mortgages and loans	162.4	276.9	228.8	222.1	161.6	242.3	197.0	260.6	161.7	282.4	94.1	229.2
19 LESS: Federal Home Loan Bank advances	−7.0	15.7	14.2	19.8	24.4	14.9	12.5	15.9	14.4	25.2	13.6	35.2
Private financial intermediation												
20 Credit market funds advanced by private financial institutions	395.8	559.8	579.5	726.9	558.7	532.1	483.8	675.2	638.5	815.3	578.5	538.9
21 Commercial banking	144.3	168.9	186.3	194.7	136.6	145.5	143.3	229.4	117.2	272.3	99.1	173.6
22 Savings institutions	135.6	150.2	83.0	105.5	135.8	133.5	54.5	111.4	94.5	116.6	106.4	165.1
23 Insurance and pension funds	100.1	121.8	156.0	176.7	177.2	95.3	139.4	172.5	169.0	184.4	210.2	144.2
24 Other finance	15.8	118.9	154.2	249.9	109.4	157.8	146.5	161.9	257.9	241.9	162.8	56.0
25 Sources of funds	395.8	559.8	579.5	726.9	558.7	532.1	483.8	675.2	638.5	815.3	578.5	538.9
26 Private domestic deposits and RPs	215.4	316.9	213.2	271.4	163.8	353.5	191.4	235.0	252.2	290.6	60.0	265.4
27 Credit market borrowing	31.5	77.0	97.4	117.2	116.0	73.5	78.3	116.5	106.2	128.1	138.7	93.2
28 Other sources	148.9	165.9	268.9	338.3	279.0	105.1	214.1	323.6	280.1	396.5	379.8	180.3
29 Foreign funds	14.6	8.8	19.7	12.9	44.0	1.7	10.8	28.6	11.9	14.0	24.5	63.5
30 Treasury balances	−5.3	4.0	10.3	1.7	−5.8	10.8	13.9	6.6	−4.2	7.6	4.3	−16.0
31 Insurance and pension reserves	109.7	118.6	141.0	152.8	147.8	74.6	118.6	163.4	136.6	168.9	175.2	120.3
32 Other, net	30.0	34.5	98.1	170.9	93.0	18.0	71.4	124.7	135.8	206.1	175.7	12.5
Private domestic nonfinancial investors												
33 Direct lending in credit markets	157.0	196.7	273.2	89.4	169.9	207.1	212.5	333.9	39.7	139.2	119.5	220.8
34 U.S. government securities	99.3	123.6	145.3	47.1	69.4	84.3	156.2	134.5	42.2	51.9	72.9	66.3
35 State and local obligations	40.3	30.4	47.6	−5.4	58.7	50.4	14.8	80.4	−67.6	56.8	25.6	91.8
36 Corporate and foreign bonds	−11.6	5.2	11.8	34.7	23.0	36.9	15.4	8.2	68.8	.7	−8.0	53.9
37 Open market paper	12.0	9.3	43.9	−4.8	6.8	3.0	3.5	84.2	−17.3	7.7	19.0	−5.5
38 Other	17.0	28.1	24.6	17.9	12.1	32.5	22.6	26.6	13.6	22.1	9.9	14.3
39 Deposits and currency	232.8	320.4	223.5	291.8	180.6	354.0	198.3	248.7	261.9	321.6	45.1	313.9
40 Currency	14.3	8.6	12.4	14.4	19.0	3.6	15.9	8.8	10.7	18.2	9.6	28.4
41 Checkable deposits	28.8	28.0	41.5	100.1	−.2	29.9	13.8	69.2	82.5	117.8	−21.6	21.3
42 Small time and savings accounts	215.4	150.7	138.6	120.8	78.8	169.9	162.1	115.1	112.6	129.0	51.7	105.9
43 Money market fund shares	−39.0	49.0	8.9	43.8	27.2	73.4	10.6	7.1	46.9	40.6	3.1	51.3
44 Large time deposits	−8.3	84.3	7.6	−11.6	31.0	79.1	−7.3	22.5	.2	−23.3	4.0	55.9
45 Security RPs	18.5	5.0	16.6	18.3	26.9	1.2	12.2	21.1	10.0	26.5	22.7	31.0
46 Deposits in foreign countries	3.1	−5.1	−2.1	5.9	−2.2	−3.1	−9.0	4.9	−.9	12.8	−24.5	20.1
47 **Total of credit market instruments, deposits, and currency**	**389.9**	**517.1**	**496.7**	**381.2**	**350.5**	**561.1**	**410.7**	**582.6**	**301.6**	**460.9**	**164.6**	**534.7**
48 Public holdings as percent of total	20.1	20.7	23.6	38.0	34.3	23.7	27.3	21.0	37.8	38.2	38.5	30.7
49 Private financial intermediation (in percent)	75.9	82.4	76.7	104.0	91.2	79.9	78.3	75.6	111.6	98.7	103.4	80.8
50 Total foreign funds	38.2	66.7	82.0	115.5	113.2	77.6	57.7	106.4	124.4	106.7	99.2	127.2
MEMO: Corporate equities not included above												
51 **Total net issues**	**61.8**	**−36.4**	**19.9**	**91.6**	**1.6**	**−24.9**	**3.0**	**36.7**	**100.8**	**82.3**	**84.5**	**−81.3**
52 Mutual fund shares	27.2	29.3	85.7	163.3	75.4	32.2	64.2	107.1	155.5	171.1	147.2	3.6
53 Other equities	34.6	−65.7	−65.8	−71.7	−73.8	−57.1	−61.2	−70.4	−54.7	−88.7	−62.7	−84.9
54 Acquisitions by financial institutions	51.1	19.7	43.4	50.6	43.0	39.7	59.5	27.3	46.5	54.6	67.4	18.5
55 Other net purchases	10.7	−56.1	−22.9	41.0	−41.4	−64.6	−55.8	9.5	54.3	27.7	17.1	−99.9

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

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

Measure	1985	1986	1987	1987		1988						
				Nov.	Dec.	Jan.	Feb.	Mar.	Apr.[r]	May[r]	June	July[p]
1 ***Industrial production***	***123.7***	***125.1***	***129.8***	***133.2***	***133.9***	***134.4***	***134.4***	***134.7***	***135.4***	***136.1***	***136.6***	***137.7***
Market groupings												
2 Products, total	130.6	133.3	138.3	141.0	141.3	142.7	143.4	143.6	144.1	144.9	145.4	146.1
3 Final, total	131.0	132.5	136.8	139.2	139.8	141.1	141.6	141.8	142.5	143.3	143.9	144.8
4 Consumer goods	119.8	124.0	127.7	129.4	129.8	131.2	131.3	131.2	131.9	132.5	133.0	133.4
5 Equipment	145.8	143.6	148.8	152.2	153.1	154.3	155.3	155.9	156.5	157.6	158.5	159.8
6 Intermediate	129.3	136.2	143.5	147.3	146.5	148.1	149.4	149.9	149.6	150.1	150.6	150.8
7 Materials	114.3	113.8	118.2	122.5	123.7	123.0	122.1	122.5	123.6	124.2	124.7	126.2
Industry groupings												
8 Manufacturing	126.4	129.1	134.6	137.9	138.9	139.4	139.5	140.0	140.8	141.7	142.0	143.1
Capacity utilization (percent)[2]												
9 Manufacturing	80.1	79.7	81.1	82.2	82.6	82.7	82.6	82.7	82.9	83.2	83.2	83.7
10 Industrial materials industries	80.3	78.6	80.5	82.9	83.6	83.0	82.3	82.4	82.9	83.2	83.4	84.2
11 Construction contracts (1982 = 100)[3]	150.0	158.0	161.0	157.0	157.0	145.0	159.0	154.0	144.0	157.0	165.0	156.0
12 Nonagricultural employment, total[4]	118.3	120.7	124.1	125.7	126.1	126.4	127.0	127.3	127.7	127.9	128.6	128.9
13 Goods-producing, total	102.1	100.9	101.8	103.2	103.5	103.4	103.8	104.1	104.5	104.6	105.1	105.5
14 Manufacturing, total	97.8	96.3	96.8	98.0	98.3	98.4	98.5	98.6	98.8	99.0	99.3	99.6
15 Manufacturing, production-worker	92.6	91.2	92.1	93.2	93.5	93.5	93.7	93.7	93.9	94.1	94.4	94.8
16 Service-producing	125.0	129.0	133.4	135.1	135.6	136.1	136.7	137.1	137.4	137.7	138.4	138.7
17 Personal income, total	206.9	219.7	235.1	241.6	245.0	244.0	245.5	248.0	248.8	250.1	251.7	253.3
18 Wages and salary disbursements	198.8	210.7	226.2	233.3	236.8	235.7	237.3	238.9	240.9	242.3	244.2	246.7
19 Manufacturing	172.8	177.4	183.8	188.3	188.2	189.4	190.2	193.6	192.8	193.8	195.4	196.9
20 Disposable personal income[5]	205.8	218.9	232.7	239.0	242.1	242.4	244.8	247.0	243.3	249.5	251.3	252.8
21 Retail sales[6]	189.6	199.5	209.3	211.9	214.2	214.5	216.7	220.3	219.4	221.2	222.1	223.2
Prices[7]												
22 Consumer (1982–84 = 100)	107.6	109.6	113.6	115.4	115.4	115.7	116.0	116.5	117.1	117.5	118.0	118.5
23 Producer finished goods (1982 = 100)	104.7	103.2	105.4	106.3	105.8	106.3	106.1	106.2	106.9	107.5	107.9	108.5

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	1985	1986	1987	1987	1988						
				Dec.	Jan.	Feb.	Mar.	Apr.	May[r]	June[r]	July
HOUSEHOLD SURVEY DATA											
1 **Noninstitutional population**[1]	**180,440**	**182,822**	**185,010**	**185,882**	**186,083**	**186,219**	**186,361**	**186,478**	**186,600**	**186,755**	**186,911**
2 Labor force (including Armed Forces)[1]	117,695	120,078	122,122	122,984	123,436	123,598	123,153	123,569	123,204	123,665	123,866
3 Civilian labor force	115,461	117,834	119,865	120,722	121,175	121,348	120,903	121,323	120,978	121,472	121,684
Employment											
4 Nonagricultural industries[2]	103,971	106,434	109,232	110,529	110,836	111,182	110,899	111,485	111,160	111,933	112,014
5 Agriculture	3,179	3,163	3,208	3,215	3,293	3,228	3,204	3,228	3,035	3,085	3,046
Unemployment											
6 Number	8,312	8,237	7,425	6,978	7,046	6,938	6,801	6,610	6,783	6,455	6,625
7 Rate (percent of civilian labor force)	7.2	7.0	6.2	5.8	5.8	5.7	5.6	5.4	5.6	5.3	5.4
8 Not in labor force	62,745	62,744	62,888	62,898	62,647	62,621	63,208	62,909	63,396	63,090	63,045
ESTABLISHMENT SURVEY DATA											
9 **Nonagricultural payroll employment**[3]	***97,519***	***99,525***	***102,310***	***104,001***	***104,262***	***104,729***	***105,020***	***105,281***	***105,489***	***106,021***	***106,304***
10 Manufacturing	19,260	18,965	19,065	19,348	19,369	19,390	19,405	19,460	19,490	19,545	19,613
11 Mining	927	777	721	735	728	731	733	737	739	740	740
12 Contract construction	4,673	4,816	4,998	5,118	5,083	5,150	5,192	5,238	5,237	5,305	5,319
13 Transportation and public utilities	5,238	5,255	5,385	5,481	5,499	5,513	5,530	5,543	5,556	5,578	5,593
14 Trade	23,073	23,683	24,381	24,768	24,937	25,080	25,111	25,182	25,245	25,358	25,464
15 Finance	5,955	6,283	6,549	6,619	6,633	6,636	6,651	6,650	6,656	6,676	6,678
16 Service	22,000	23,053	24,196	24,725	24,795	24,975	25,078	25,163	25,216	25,459	25,522
17 Government	16,394	16,693	17,015	17,207	17,218	17,254	17,320	17,308	17,350	17,360	17,375

1. Persons 16 years of age and over. Monthly figures, which are based on sample data, relate to the calendar week that contains the 12th day; annual data are averages of monthly figures. By definition, seasonality does not exist in population figures. Based on data from *Employment and Earnings* (U.S. Department of Labor).

2. Includes self-employed, unpaid family, and domestic service workers.

3. Data include all full- and part-time employees who worked during, or received pay for, the pay period that includes the 12th day of the month, and exclude proprietors, self-employed persons, domestic servants, unpaid family workers, and members of the Armed Forces. Data are adjusted to the March 1984 benchmark and only seasonally adjusted data are available at this time. Based on data from *Employment and Earnings* (U.S. Department of Labor).

2.12 OUTPUT, CAPACITY, AND CAPACITY UTILIZATION[1]

Seasonally adjusted

Series	1987ʳ		1988ʳ		1987		1988		1987		1988	
	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2ʳ
	Output (1977 = 100)				Capacity (percent of 1977 output)				Utilization rate (percent)			
1 **Total industry**	**131.0**	**133.2**	**134.5**	**136.1**	**161.3**	**162.2**	**163.1**	**164.2**	**81.2**	**82.1**	**82.4**	**82.9**
2 Mining	100.7	104.3	102.5	103.8	129.0ʳ	128.4	127.7	127.0	78.0	81.2	80.3	81.7
3 Utilities	111.8	112.3	114.7	112.8	138.8	139.4	139.8	140.1	80.5	80.6	82.0	80.5
4 **Manufacturing**	**135.7**	**138.1**	**139.6**	**141.5**	**166.7**	**167.7**	**168.9**	**170.2**	**81.4**	**82.3**	**82.7**	**83.1**
5 Primary processing	119.2	122.2	123.0	123.9	139.8	140.6	141.6ʳ	142.7	85.3	86.9	86.9	86.9
6 Advanced processing	145.8	147.6	149.7	152.1	182.9	184.1	185.6	186.7	79.7	80.1	80.7	81.5
7 **Materials**	**119.2**	**122.5**	**122.5**	**124.1**	**147.2**	**147.8**	**148.5**	**149.3**	**81.0**	**82.9**	**82.5**	**83.1**
8 Durable goods	125.7	130.3	131.5	134.2	163.9	164.7ʳ	165.7	166.8	76.7	79.1	79.4	80.5
9 Metal materials	83.8	91.4	86.2	88.3	109.4	108.9	108.8	109.1	76.5	84.0	79.2	80.9
10 Nondurable goods	128.2	130.1	129.4	130.6	144.7	145.6	146.8	148.3	88.6	89.3	88.1	88.1
11 Textile, paper, and chemical	130.5	133.0	131.6	132.4	144.4	145.4	146.7ʳ	148.5	90.4ʳ	91.5	89.7ʳ	89.2
12 Paper	144.6	145.1	145.7	145.4	145.1	146.2	147.6	149.2ʳ	99.6	99.2	98.7	97.5
13 Chemical	130.2	135.5	133.5	135.7	150.9	152.0ʳ	153.5ʳ	155.4ʳ	86.3	89.1	87.0	87.3
14 Energy materials	100.0	102.1	100.9	100.9	120.1	119.9	119.7	119.4	83.3	85.2	84.3	84.5

Series	Previous cycle[2]		Latest cycle[3]		1987	1987		1988						
	High	Low	High	Low	July	Nov.	Dec.ʳ	Jan.	Feb.	Mar.ʳ	Apr.ʳ	Mayʳ	Juneʳ	July
	Capacity utilization rate (percent)													
15 **Total industry**	**88.6**	**72.1**	**86.9**	**69.5**	**81.1**	**82.1**	**82.4**	**82.5**	**82.4**	**82.4**	**82.7**	**82.9**	**83.1**	**83.5**
16 Mining	92.8	87.8	95.2	76.9	76.8	81.5	81.5	80.7	79.5	80.6	82.3	81.1	81.7	82.3
17 Utilities	95.6	82.9	88.5	78.0	80.2	81.2	80.0	82.4	82.6	81.0	79.3	80.2	82.1	82.5
18 **Manufacturing**	**87.7**	**69.9**	**86.5**	**68.0**	**81.5**	**82.2**	**82.6**	**82.7**	**82.6**	**82.7**	**82.9**	**83.2**	**83.2**	**83.7**
19 Primary processing	91.9	68.3	89.1	65.0	85.4	87.0	87.6	87.1	86.6	86.9	86.9	87.0	86.6	87.3
20 Advanced processing	86.0	71.1	85.1	69.5	79.8	80.0	80.3	80.7	80.7	80.7	81.2	81.6	81.7	82.0
21 **Materials**	**92.0**	**70.5**	**89.1**	**68.5**	**80.6**	**82.9**	**83.6**	**83.0**	**82.3**	**82.4**	**82.9**	**83.2**	**83.4**	**84.2**
22 Durable goods	91.8	64.4	89.8	60.9	76.5	79.0	80.0	79.7	79.3	79.1	79.7	80.9	80.8	81.6
23 Metal materials	99.2	67.1	93.6	45.7	73.8	83.3	86.3	80.1	79.3	78.3	79.3	82.0	81.4	84.6
24 Nondurable goods	91.1	66.7	88.1	70.7	88.4	89.0	90.8	88.8	87.3	88.3	88.7	87.9	87.6	88.2
25 Textile, paper, and chemical	92.8	64.8	89.4	68.8	90.0	91.0	93.1	90.8	88.5	89.9	90.1	88.7	88.6	89.3
26 Paper	98.4	70.6	97.3	79.9	101.6	98.7	101.6	100.6	97.8	97.8	98.1	98.1	96.3	......
27 Chemical	92.5	64.4	87.9	63.5	90.9	88.6	90.9	87.8	85.7	87.5	88.0	86.9	87.0	......
28 Energy materials	94.6	86.9	94.0	82.3	82.4	85.7	84.8	84.7	84.1	84.1	84.5	83.7	85.2	86.3

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

2. Monthly high 1973; monthly low 1975.

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

2.13 INDUSTRIAL PRODUCTION Indexes and Gross Value[1]

Monthly data are seasonally adjusted

Groups	1977 proportion	1987 avg.	1987						1988						
			July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.[r]	May	June[p]	July[e]
			Index (1977 = 100)												
MAJOR MARKET															
1 **Total index**	**100.00**	**129.8**	**130.6**	**131.2**	**131.0**	**132.5**	**133.2**	**133.9**	**134.4**	**134.4**	**134.7**	**135.4**	**136.1**	**136.6**	**137.7**
2 Products	57.72	138.3	139.5	139.9	139.4	140.9	141.0	141.3	142.7	143.4	143.6	144.1	144.9	145.4	146.1
3 Final products	44.77	136.8	137.9	138.4	137.8	139.3	139.2	139.8	141.1	141.6	141.8	142.5	143.3	143.9	144.8
4 Consumer goods	*25.52*	*127.7*	*128.9*	*129.4*	*127.7*	*129.0*	*129.4*	*129.8*	*131.2*	*131.3*	*131.2*	*131.9*	*132.5*	*133.0*	*133.4*
5 Equipment	19.25	148.8	149.7	150.2	151.2	153.0	152.2	153.1	154.3	155.3	155.9	156.5	157.6	158.5	159.8
6 Intermediate products	12.94	143.4	145.0	145.3	144.9	146.1	147.3	146.5	148.1	149.4	149.9	149.6	150.1	150.6	150.8
7 Materials	42.28	118.2	118.5	119.4	119.7	121.2	122.5	123.7	123.0	122.1	122.5	123.6	124.2	124.7	126.2
Consumer goods															
8 Durable consumer goods	6.89	120.2	120.4	121.2	118.6	124.3	123.9	120.3	121.7	120.6	120.4	123.3	125.7	125.2	124.8
9 Automotive products	2.98	118.5	117.5	118.0	114.2	124.3	121.3	115.4	118.7	117.6	120.6	121.9	127.1	126.5	123.7
10 Autos and trucks	1.79	115.1	112.3	112.4	107.2	122.2	118.7	110.2	112.8	111.8	116.4	118.0	126.9	125.3	120.1
11 Autos, consumer	1.16	90.7	86.4	76.8	79.1	94.7	91.9	83.7	77.5	79.5	86.3	91.0	98.9	99.0	93.8
12 Trucks, consumer	.63	160.5	160.4	178.4	159.4	173.2	168.5	159.5	178.3	171.6	172.2	168.2	178.9	174.1	....
13 Auto parts and allied goods	1.19	123.5	125.3	126.6	124.8	127.5	125.2	123.3	127.7	126.4	126.9	127.8	127.3	128.3	129.1
14 *Home goods*	*3.91*	*121.6*	*122.5*	*123.6*	*121.9*	*124.3*	*125.8*	*123.9*	*124.0*	*122.8*	*120.2*	*124.3*	*124.7*	*124.1*	*125.6*
15 Appliances, A/C and TV	1.24	141.5	141.7	147.1	141.8	145.7	150.1	142.7	142.2	140.6	132.8	143.2	142.4	138.8	141.4
16 Appliances and TV	1.19	142.1	142.6	145.5	140.6	146.1	150.5	142.6	140.9	141.4	132.7	142.2	143.0	137.9	....
17 Carpeting and furniture	.96	130.7	134.1	132.0	131.6	132.9	133.5	133.9	134.2	132.3	133.1	133.1	135.7	136.4	....
18 Miscellaneous home goods	*1.71*	102.0	*102.2*	*102.0*	*102.2*	*104.1*	*103.9*	*104.8*	*105.2*	*104.7*	*103.9*	*105.7*	*105.7*	*106.7*	....
19 Nondurable consumer goods	18.63	130.5	132.1	132.5	131.0	130.8	131.5	133.3	134.7	135.3	135.1	135.1	135.1	135.8	136.6
20 Consumer staples	15.29	137.3	138.9	139.2	137.8	137.4	138.3	140.7	142.3	142.9	142.5	142.5	142.7	143.4	144.4
21 Consumer foods and tobacco	7.80	136.2	137.2	137.4	137.0	137.5	137.3	139.2	140.3	140.8	139.4	138.3	139.4	140.2	....
22 Nonfood staples	7.49	138.5	140.6	141.2	138.6	137.2	139.4	142.2	144.3	145.0	145.7	146.8	146.1	146.8	148.0
23 Consumer chemical products	2.75	162.9	165.7	167.4	163.6	160.0	163.5	167.7	170.7	171.7	172.7	175.6	176.1	176.0	....
24 Consumer paper products	1.88	151.8	153.8	153.9	153.2	151.8	152.8	157.0	157.1	157.5	159.1	161.4	161.5	162.8	....
25 Consumer energy	2.86	106.3	108.0	107.7	105.0	105.8	107.4	108.0	110.6	111.3	111.0	109.6	107.3	108.2	....
26 Consumer fuel	1.44	93.1	92.7	91.4	91.6	92.4	93.2	95.4	95.4	97.0	97.9	98.9	94.3	92.1	....
27 Residential utilities	1.42	119.8	123.6	124.3	118.7	119.4	121.8	120.7	126.0	125.8	124.5	120.5	120.6	....	....
Equipment															
28 Business and defense equipment	18.01	153.6	154.4	154.5	155.2	157.2	156.6	157.8	159.2	160.3	160.8	161.4	162.7	163.5	164.8
29 Business equipment	14.34	144.5	145.6	145.6	146.3	148.7	148.3	149.8	151.2	152.4	153.3	154.6	156.8	158.2	159.7
30 Construction, mining, and farm	2.08	62.2	65.0	66.4	66.1	66.5	66.3	67.4	67.1	67.6	68.3	70.8	71.1	72.3	72.9
31 Manufacturing	3.27	117.9	120.4	120.9	122.0	120.5	120.6	122.2	125.4	124.9	127.0	127.7	128.6	129.6	131.8
32 Power	1.27	82.6	81.8	82.8	81.1	83.0	83.1	84.2	86.2	88.3	87.8	87.0	87.1	88.3	89.3
33 Commercial	5.22	226.5	227.9	227.7	229.1	232.4	232.1	235.5	238.0	240.3	239.9	241.5	245.5	247.4	249.9
34 Transit	2.49	108.4	106.1	104.7	105.1	112.5	111.2	109.1	106.5	108.2	111.1	112.3	115.2	116.3	115.9
35 Defense and space equipment	3.67	188.9	188.7	189.1	189.8	190.3	188.7	188.9	190.6	191.0	189.9	187.9	185.6	184.3	185.0
Intermediate products															
36 Construction supplies	5.95	131.5	133.1	132.5	132.3	133.3	134.2	133.8	136.8	137.7	137.3	137.6	138.3	138.2	137.8
37 Business supplies	6.99	153.5	155.2	156.3	155.6	157.1	158.4	157.4	157.8	159.4	160.7	159.9	160.2	161.1	....
38 General business supplies	5.67	158.6	160.5	161.0	160.9	162.3	164.3	163.3	163.1	165.0	166.6	165.7	165.4	165.9	....
39 Commercial energy products	1.31	131.1	132.3	135.8	132.7	134.6	132.9	131.8	135.0	135.3	135.3	134.6	137.8	140.3	....
Materials															
40 Durable goods materials	20.50	125.0	125.2	125.5	126.4	128.7	130.2	132.0	131.8	131.4	131.3	132.7	134.9	135.0	136.7
41 Durable consumer parts	4.92	100.9	98.5	99.6	99.0	102.3	103.1	104.6	104.7	104.4	103.5	106.2	109.6	109.8	110.0
42 Equipment parts	5.94	159.0	159.3	159.5	161.1	162.2	163.2	165.3	167.4	167.6	167.3	168.9	170.7	171.1	172.9
43 Durable materials n.e.c.	9.64	116.4	117.7	117.9	118.9	121.6	123.6	125.5	123.7	123.0	123.4	124.0	125.7	125.6	128.0
44 *Basic metal materials*	*4.64*	*86.7*	*86.6*	*90.4*	*91.3*	*95.3*	*96.5*	*100.0*	*92.9*	*91.4*	*90.5*	*91.6*	*94.6*	*94.3*	*98.1*
45 Nondurable goods materials	10.09	125.8	127.6	128.3	128.6	128.2	129.6	132.5	129.9	128.1	130.1	131.1	130.4	130.4	131.7
46 Textile, paper, and chemical materials	7.53	127.6	129.6	130.6	131.2	131.0	132.3	135.6	132.7	129.9	132.4	133.3	131.7	132.1	133.6
47 Textile materials	1.52	111.7	117.8	116.7	116.0	113.0	112.7	113.6	112.6	110.2	112.7	111.9	107.0	109.5	....
48 Pulp and paper materials	1.55	141.0	145.4	145.0	143.3	142.0	144.4	149.0	148.0	144.4	144.8	145.8	146.4	144.1	....
49 Chemical materials	4.46	128.4	128.1	130.4	132.2	133.4	134.7	138.4	134.2	131.5	134.8	136.2	135.1	135.7	....
50 Miscellaneous nondurable materials	2.57	120.4	122.0	121.4	120.9	119.7	121.7	123.3	121.8	123.0	123.2	124.6	126.5	....	....
51 Energy materials	11.69	99.8	99.0	100.9	100.2	101.8	102.8	101.7	101.4	100.6	100.6	101.0	100.0	101.6	102.8
52 Primary energy	7.57	105.0	102.5	104.6	104.6	106.8	108.4	107.7	107.3	104.8	105.0	106.7	104.3	105.6	....
53 Converted fuel materials	4.12	90.3	92.5	94.1	92.2	92.7	92.6	90.7	90.6	93.0	92.6	90.5	92.1	94.3	....

2.13 INDUSTRIAL PRODUCTION Indexes and Gross Value[1]—Continued

Groups	SIC code	1977 proportion	1987 avg.	1987 July	1987 Aug.	1987 Sept.	1987 Oct.	1987 Nov.	1987 Dec.	1988 Jan.	1988 Feb.	1988 Mar.	1988 Apr.[r]	1988 May	1988 June[p]	1988 July[e]
				Index (1977 = 100)												
MAJOR INDUSTRY																
1 Mining and utilities	.....	15.79	104.3	103.7	105.4	105.4	106.8	107.9	107.3	107.8	106.8	106.7	107.1	106.5	107.9	108.5
2 Mining	.....	9.83	100.7	99.2	100.9	101.9	103.6	104.6	104.6	103.3	101.5	102.7	104.7	103.0	103.5	104.1
3 Utilities	.....	5.96	110.3	111.2	112.9	111.2	112.1	113.2	111.7	115.2	115.6	113.3	111.0	112.3	115.2	115.8
4 Manufacturing	.....	84.21	134.6	135.6	135.9	135.7	137.3	137.9	138.9	139.4	139.5	140.0	140.8	141.7	142.0	143.1
5 Nondurable	.....	35.11	136.7	138.5	138.8	138.6	138.1	139.6	141.3	141.4	141.1	141.7	142.3	141.9	142.5	143.6
6 Durable	.....	49.10	133.1	133.5	133.8	133.7	136.8	136.7	137.3	137.9	138.4	138.8	139.7	141.5	141.7	142.8
Mining																
7 Metal	10	.50	77.5	71.4	79.3	86.5	85.6	90.4	96.5	91.5	83.9	84.9	86.9	84.9	......	......
8 Coal	11.12	1.60	131.8	127.9	130.5	133.3	140.3	142.9	140.6	140.2	133.7	129.1	136.0	127.8	126.9	132.6
9 Oil and gas extraction	13	7.07	92.7	91.8	93.0	93.3	94.1	94.2	94.1	93.1	92.4	94.8	95.5	95.0	96.0	95.3
10 Stone and earth minerals	14	.66	128.2	130.7	130.3	130.0	131.0	134.1	135.6	132.1	134.3	136.9	141.2	142.4	140.1	......
Nondurable manufactures																
11 Foods	20	7.96	137.7	138.5	138.8	139.5	138.0	138.9	140.1	141.2	141.9	141.1	140.3	141.4	142.0	......
12 Tobacco products	21	.62	103.4	106.8	110.4	101.7	103.7	106.5	110.5	105.8	107.0	107.2	107.2	106.8	......	......
13 Textile mill products	22	2.29	115.8	118.3	119.8	118.2	116.8	117.3	118.2	116.2	115.3	117.0	117.3	114.2	115.9	......
14 Apparel products	23	2.79	107.4	109.7	108.4	107.6	108.0	109.4	107.8	108.7	108.5	108.7	109.2	108.6	......	......
15 Paper and products	26	3.15	144.4	148.8	148.9	147.4	146.0	148.3	150.6	149.9	148.0	149.1	149.2	149.5	146.9	......
16 Printing and publishing	27	4.54	172.0	174.0	174.7	174.9	175.2	175.7	176.9	177.5	178.7	180.4	181.8	180.1	182.2	183.2
17 Chemicals and products	28	8.05	140.1	140.8	142.3	142.4	141.5	144.4	147.9	147.9	145.4	146.4	148.9	148.4	149.1	......
18 Petroleum products	29	2.40	93.5	94.1	92.9	93.5	94.6	93.3	96.1	96.3	95.9	98.4	98.5	95.0	94.2	94.7
19 Rubber and plastic products	30	2.80	163.6	167.2	164.8	165.2	166.7	169.9	170.6	170.5	172.3	172.2	172.3	173.8	174.8	......
20 Leather and products	31	.53	60.0	59.2	61.3	60.7	59.6	60.7	57.5	58.3	59.7	59.5	58.0	57.1	57.6	......
Durable manufactures																
21 Lumber and products	24	2.30	130.3	132.8	131.1	126.9	129.8	134.0	133.6	136.3	139.0	137.8	138.0	139.9	138.6	......
22 Furniture and fixtures	25	1.27	152.8	156.2	155.2	155.9	156.0	158.5	159.4	158.0	158.3	159.4	159.2	159.6	160.9	......
23 Clay, glass, and stone products	32	2.72	119.1	118.8	116.5	118.6	118.9	120.5	120.1	120.4	121.6	122.5	121.4	121.5	122.4	......
24 Primary metals	33	5.33	81.5	81.4	85.1	84.5	90.6	90.2	90.6	86.5	86.4	85.1	85.3	89.2	87.6	91.4
25 Iron and steel	331.2	3.49	70.8	70.9	76.0	74.6	82.0	79.7	81.9	77.8	77.4	74.2	74.5	78.6	75.0	......
26 Fabricated metal products	34	6.46	111.0	111.1	110.1	111.1	113.5	113.6	115.8	117.1	117.6	118.8	118.8	120.0	120.6	121.1
27 Nonelectrical machinery	35	9.54	152.7	155.3	154.3	156.6	158.0	157.2	161.0	162.9	163.6	164.6	167.2	170.0	171.3	173.5
28 Electrical machinery	36	7.15	172.3	172.5	174.3	173.4	175.5	175.6	175.9	177.4	177.8	176.6	178.7	179.0	179.4	181.0
29 Transportation equipment	37	9.13	129.2	127.6	128.1	125.5	132.0	130.4	128.1	128.6	128.4	130.0	130.4	133.1	132.4	132.3
30 Motor vehicles and parts	371	5.25	111.8	109.4	109.1	105.6	116.0	114.0	110.2	109.7	109.3	113.0	114.8	119.6	119.0	116.9
31 Aerospace and miscellaneous transportation equipment	372–6.9	3.87	152.8	152.3	153.9	152.5	153.7	152.7	152.4	154.2	154.5	153.0	151.5	151.5	150.6	153.3
32 Instruments	38	2.66	143.9	143.8	146.3	145.6	146.7	147.8	145.5	148.2	149.2	149.7	150.5	151.3	152.8	154.4
33 Miscellaneous manufactures	39	1.46	102.6	100.5	102.2	102.1	104.6	104.5	105.6	105.0	104.4	105.1	105.9	106.8	107.7	......
Utilities																
34 Electric	.....	4.17	126.6	131.0	132.0	127.5	126.8	127.5	125.6	130.3	130.7	129.0	127.6	129.7	133.7	......
		Gross value (billions of 1982 dollars, annual rates)														
MAJOR MARKET																
35 Products, total	.....	**517.5**	**1,735.8**	**1,732.5**	**1,741.7**	**1,735.9**	**1,774.1**	**1,772.4**	**1,778.8**	**1,790.6**	**1,797.5**	**1,807.5**	**1,812.2**	**1,819.2**	**1,816.9**	**1,809.5**
36 Final	.....	405.7	1,333.8	1,326.6	1,334.9	1,330.3	1,360.9	1,359.9	1,359.4	1,375.5	1,381.1	1,385.9	1,393.9	1,397.1	1,396.8	1,389.5
37 Consumer goods	.....	272.7	866.0	863.2	866.4	856.9	876.6	879.8	881.2	893.6	893.7	893.2	899.1	898.5	894.0	892.4
38 Equipment	.....	133.0	467.8	463.5	468.5	473.4	484.4	480.1	478.2	481.9	487.3	492.7	494.7	498.7	502.7	497.2
39 Intermediate	.....	111.9	402.0	405.9	406.8	405.6	413.2	412.5	419.4	415.1	416.5	421.6	418.4	422.0	420.1	419.8

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

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.

2.14 HOUSING AND CONSTRUCTION

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

Item	1985	1986	1987	1987 Sept.	1987 Oct.	1987 Nov.	1987 Dec.	1988 Jan.	1988 Feb.	1988 Mar.	1988 Apr.[r]	1988 May[r]	1988 June
	Private residential real estate activity (thousands of units)												
NEW UNITS													
1 Permits authorized	1,733	1,750	1,535	1,501	1,453	1,459	1,372	1,248	1,429	1,476	1,449	1,436	1,493
2 1-family	957	1,071	1,024	983	962	971	957	918	1,003	1,030	960	982	1,002
3 2-or-more-family	777	679	511	518	491	488	415	330	426	446	489	454	491
4 Started	1,742	1,805	1,621	1,679	1,538	1,661	1,399	1,382	1,519	1,529	1,584	1,393	1,454
5 1-family	1,072	1,179	1,146	1,211	1,105	1,129	1,035	1,016	1,102	1,172	1,093	1,004	1,089
6 2-or-more-family	669	626	474	468	433	532	364	366	417	357	491	389	365
7 Under construction, end of period[1]	1,063	1,074	987	1,046	1,044	1,042	1,016	1,008	983	999	999	984	984
8 1-family	539	583	591	627	627	625	618	614	596	617	622	610	612
9 2-or-more-family	524	490	397	419	417	417	398	394	387	382	377	374	372
10 Completed	1,703	1,756	1,669	1,591	1,565	1,571	1,624	1,550	1,452	1,598	1,665	1,455	1,485
11 1-family	1,072	1,120	1,123	1,100	1,114	1,088	1,104	1,098	1,043	1,094	1,059	1,093	1,080
12 2-or-more-family	631	637	546	491	451	483	520	452	409	504	606	362	405
13 Mobile homes shipped	284	244	233	240	234	222	227	200	208	212	213	216	230
Merchant builder activity in 1-family units													
14 Number sold	688	748	672	644	653	625	586	579	648	664	681	677	734
15 Number for sale, end of period[1]	350	361	370	361	360	362	365	368	359	372	368	372	370
Price (thousands of dollars)[2]													
Median													
16 Units sold	84.3	92.2	104.7	106.5	106.5	117.0	111.8	119.0	110.9	108.9	111.0	110.0	117.8
Average													
17 Units sold	101.0	112.2	127.9	133.5	125.8	139.2	136.2	144.4	137.6	133.2	135.6	133.6	141.2
EXISTING UNITS (1-family)													
18 Number sold	3,217	3,566	3,530	3,430	3,470	3,370	3,330	3,170	3,250	3,330	3,520	3,590	3,780
Price of units sold (thousands of dollars)[2]													
19 Median	75.4	80.3	85.6	85.5	84.6	85.0	85.4	87.4	88.1	87.9	87.3	88.8	90.6
20 Average	90.6	98.3	106.2	106.9	106.1	106.6	107.1	108.7	110.4	110.7	108.7	111.9	115.1
	Value of new construction[3] (millions of dollars)												
CONSTRUCTION													
21 Total put in place	**355,735**	**386,093**	**398,848**	**405,375**	**400,818**	**407,066**	**410,870**	**395,264**	**392,456**	**403,555**	**399,163**	**402,269**	**402,771**
22 Private	291,665	314,651	323,819	327,131	325,915	331,497	331,641	321,550	317,754	324,257	319,979	322,545	324,166
23 Residential	158,475	187,147	194,772	194,801	194,547	195,599	195,822	195,168	192,097	195,554	191,665	189,936	188,144
24 Nonresidential, total	133,190	127,504	129,047	132,330	131,368	135,898	135,819	126,382	125,657	128,703	128,314	132,609	136,022
Buildings													
25 Industrial	15,769	13,747	13,707	15,332	13,968	14,512	14,130	13,480	13,489	14,546	15,235	15,753	16,742
26 Commercial	59,629	56,762	55,448	56,531	56,890	59,374	55,831	53,555	53,571	54,843	56,023	57,419	57,308
27 Other	12,619	13,216	15,464	15,497	16,018	16,692	17,708	16,954	17,101	17,301	16,409	16,972	17,199
28 Public utilities and other	45,173	43,779	44,428	44,970	44,492	45,320	48,150	42,393	41,496	42,013	40,647	42,465	44,773
29 Public	64,070	71,437	75,028	78,244	74,903	75,569	79,228	73,715	74,702	79,298	79,184	79,724	78,604
30 Military	3,235	3,868	4,327	6,048	4,010	5,080	4,879	4,172	3,280	4,216	4,414	4,273	4,633
31 Highway	21,540	22,681	22,758	23,145	24,374	23,439	25,274	24,808	25,348	26,963	27,276	25,254	24,919
32 Conservation and development	4,777	4,646	5,162	5,023	5,144	4,871	5,759	4,038	4,535	4,899	4,470	4,744	4,774
33 Other	34,518	40,242	42,781	44,028	41,375	42,179	43,316	40,697	41,539	43,220	43,024	45,453	44,278

1. Not at annual rates.
2. Not seasonally adjusted.
3. Value of new construction data in recent periods may not be strictly comparable with data in prior periods because of changes by the Bureau of the Census in its estimating techniques. For a description of these changes see *Construction Reports* (C–30–76–5), issued by the Bureau in July 1976.

NOTE. Census Bureau estimates for all series except (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.

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 July 1988[1]
	1987 July	1988 July	1987 Dec.	1988 Mar.[r]	1988 June[r]	1988 July	1988 Mar.[r]	1988 Apr.[r]	1988 May	1988 June	1988 July	
CONSUMER PRICES[2] (1982–84=100)												
1 **All items**	**3.9**	**4.1**	**3.9**	**3.2**	**4.2**	**4.5**	**.5**	**.4**	**.3**	**.3**	**.4**	**118.5**
2 Food	4.2	4.5	2.1	2.8	1.4	7.1	.3	.7	.4	.6	1.0	118.8
3 Energy items	4.4	.3	6.0	−3.9	−4.9	4.2	.0	.8	.5	−.2	.3	91.4
4 All items less food and energy	4.0	4.5	3.8	4.4	5.4	4.3	.6	.4	.2	.4	.3	123.3
5 Commodities	2.9	3.6	2.9	2.5	4.7	3.9	.7	.6	.2	.2	.3	115.2
6 Services	4.6	4.9	4.3	5.0	5.9	4.5	.5	.2	.4	.5	.4	128.0
PRODUCER PRICES (1982=100)												
7 Finished goods	3.4	2.4	3.8	−1.9	2.7	4.6	.6	.3	.5	.4	.5	108.5
8 Consumer foods	2.5	2.5	−1.8	−5.7	6.0	9.4	.8	.3	.9	1.1	.4	113.7
9 Consumer energy	13.0	−4.3	16.5	−9.6	−18.5	4.8	1.2	2.7	.2	−1.6	.0	60.7
10 Other consumer goods	2.7	4.1	4.6	1.7	5.7	2.4	.3	−.1	.3	.3	.9	118.9
11 Capital equipment	1.8	2.3	4.0	−.7	3.2	3.6	.2	.2	.4	.4	.1	114.2
12 Intermediate materials[3]	4.0	5.4	5.6	4.3	4.3	7.4	.5	.7	.6	.6	.6	107.7
13 Excluding energy	3.0	7.2	5.3	7.2	8.2	6.9	.6	.6	.5	.5	.7	115.7
Crude materials												
14 Foods	4.0	11.7	−4.8	−4.8	17.7	30.5	.8	.2	2.4	4.2	1.5	109.9
15 Energy	17.9	−14.0	5.9	−15.2	−24.1	12.2	−2.4	2.6	1.3	−1.0	−5.4	66.9
16 Other	10.2	14.8	39.4	18.0	15.9	−7.0	1.1	−.3	−1.7	.2	1.9	132.8

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	1985	1986	1987	1987			1988	
				Q2	Q3	Q4	Q1	Q2[r]
GROSS NATIONAL PRODUCT								
1 **Total**	**4,014.9**	**4,240.3**	**4,526.7**	**4,484.2**	**4,568.0**	**4,662.8**	**4,724.5**	**4,819.7**
By source								
2 Personal consumption expenditures	2,629.0	2,807.5	3,012.1	2,992.2	3,058.2	3,076.3	3,128.1	3,189.1
3 Durable goods	372.2	406.5	421.9	420.5	441.4	422.0	437.8	448.2
4 Nondurable goods	911.2	943.6	997.9	995.3	1,006.6	1,012.4	1,016.2	1,035.7
5 Services	1,345.6	1,457.3	1,592.3	1,576.4	1,610.2	1,641.9	1,674.1	1,705.2
6 Gross private domestic investment	643.1	665.9	712.9	698.5	702.8	764.9	763.4	758.2
7 Fixed investment	631.8	650.4	673.7	665.8	688.3	692.9	698.1	715.3
8 Nonresidential	442.9	433.9	446.8	438.2	462.1	464.1	471.5	488.2
9 Structures	153.2	138.5	139.5	134.4	143.0	147.7	140.1	145.4
10 Producers' durable equipment	289.7	295.4	307.3	303.8	319.1	316.3	331.3	342.8
11 Residential structures	188.8	216.6	226.9	227.6	226.2	228.8	226.6	227.1
12 Change in business inventories	11.3	15.5	39.2	32.7	14.5	72.0	65.3	42.9
13 Nonfarm	14.6	17.4	40.7	31.4	17.8	72.8	49.4	32.5
14 Net exports of goods and services	−78.0	−104.4	−123.0	−122.2	−125.2	−125.7	−112.1	−88.6
15 Exports	370.9	378.4	428.0	416.8	440.4	459.7	487.8	508.0
16 Imports	448.9	482.8	551.1	539.0	565.6	585.4	599.9	596.6
17 Government purchases of goods and services	820.8	871.2	924.7	915.7	932.2	947.3	945.2	961.0
18 Federal	355.2	366.2	382.0	377.5	386.3	391.4	377.7	381.6
19 State and local	465.6	505.0	542.8	538.2	546.0	555.9	567.5	579.4
By major type of product								
20 Final sales, total	4,003.6	4,224.7	4,487.5	4,451.5	4,553.5	4,590.7	4,659.2	4,776.9
21 Goods	1,641.2	1,697.9	1,792.5	1,774.6	1,812.9	1,849.4	1,879.4	1,924.8
22 Durable	706.5	725.3	776.3	767.1	792.2	808.7	819.3	846.7
23 Nondurable	934.6	972.6	1,016.3	1,007.5	1,020.7	1,040.7	1,060.1	1,078.1
24 Services	1,968.3	2,118.3	2,295.7	2,276.2	2,314.4	2,363.9	2,405.2	2,447.5
25 Structures	405.4	424.0	438.4	433.4	440.6	449.5	439.9	447.4
26 Change in business inventories	11.3	15.5	39.2	32.7	14.5	72.0	65.3	42.9
27 Durable goods	6.4	4.2	26.6	24.3	2.9	50.5	26.6	17.4
28 Nondurable goods	4.9	11.3	12.6	8.4	11.6	21.6	38.6	25.5
29 MEMO								
Total GNP in 1982 dollars	**3,618.7**	**3,721.7**	**3,847.0**	**3,823.0**	**3,865.3**	**3,923.0**	**3,956.1**	**3,988.1**
NATIONAL INCOME								
30 **Total**	**3,234.0**	**3,437.1**	**3,678.7**	**3,631.8**	**3,708.0**	**3,802.0**	**3,850.8**	**3,933.9**
31 Compensation of employees	2,367.5	2,507.1	2,683.4	2,652.0	2,702.8	2,769.9	2,816.4	2,874.0
32 Wages and salaries	1,975.2	2,094.0	2,248.4	2,220.6	2,265.3	2,324.8	2,358.7	2,410.0
33 Government and government enterprises	372.0	393.7	420.1	416.9	423.2	429.2	437.1	443.0
34 Other	1,603.4	1,700.3	1,828.3	1,803.7	1,842.1	1,895.6	1,921.6	1,967.0
35 Supplement to wages and salaries	392.4	413.1	435.0	431.3	437.5	445.1	457.7	464.0
36 Employer contributions for social insurance	204.8	217.0	227.1	225.0	228.2	232.7	243.1	247.5
37 Other labor income	187.6	196.1	207.9	206.4	209.3	212.4	214.6	216.5
38 Proprietors' income[1]	255.9	286.7	312.9	308.9	306.8	326.0	323.9	328.2
39 Business and professional[1]	225.6	250.3	270.0	265.9	271.5	279.0	279.2	285.4
40 Farm[1]	30.2	36.4	43.0	43.0	35.2	47.0	44.7	42.7
41 Rental income of persons[2]	9.2	12.4	18.4	17.8	18.1	20.5	20.5	19.0
42 Corporate profits[1]	282.3	298.9	310.4	305.2	322.0	316.1	316.2	332.0
43 Profits before tax[3]	224.3	236.4	276.7	273.7	289.4	281.9	286.2	310.7
44 Inventory valuation adjustment	−1.7	8.3	−18.0	−20.0	−19.5	−18.2	−19.4	−27.1
45 Capital consumption adjustment	59.7	54.2	51.7	51.5	52.1	52.4	49.4	48.4
46 Net interest	319.0	331.9	353.6	348.1	358.3	369.5	373.9	380.8

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	1985	1986	1987	1987 Q2	1987 Q3	1987 Q4	1988 Q1	1988 Q2[r]
PERSONAL INCOME AND SAVING								
1 **Total personal income**	**3,325.3**	**3,531.1**	**3,780.0**	**3,736.1**	**3,801.0**	**3,906.8**	**3,951.4**	**4,021.9**
2 Wage and salary disbursements	1,975.4	2,094.0	2,248.4	2,220.6	2,265.1	2,325.1	2,358.7	2,410.0
3 Commodity-producing industries	608.9	625.5	649.8	642.8	652.8	665.5	676.0	689.1
4 Manufacturing	460.9	473.1	490.3	484.6	492.6	501.3	509.6	517.4
5 Distributive industries	473.2	498.9	531.7	526.1	536.8	547.3	558.2	572.2
6 Service industries	521.3	575.9	646.8	634.8	652.4	682.8	687.4	705.7
7 Government and government enterprises	372.0	393.7	420.1	416.9	423.0	429.5	437.1	443.0
8 Other labor income	187.6	196.1	207.9	206.4	209.3	212.4	214.6	216.5
9 Proprietors' income[1]	255.9	286.7	312.9	308.9	306.8	326.0	323.9	328.2
10 Business and professional[1]	225.6	250.3	270.0	265.9	271.5	279.0	279.2	285.4
11 Farm[1]	30.2	36.4	43.0	43.0	35.2	47.0	44.7	42.7
12 Rental income of persons[2]	9.2	12.4	18.4	17.8	18.1	20.5	20.5	19.0
13 Dividends	78.7	82.8	88.6	87.3	89.9	91.9	93.5	95.0
14 Personal interest income	478.0	499.1	527.0	517.9	533.0	550.0	554.2	563.7
15 Transfer payments	489.8	521.1	548.8	547.8	551.7	556.8	576.3	583.0
16 Old-age survivors, disability, and health insurance benefits	253.4	269.3	282.9	282.8	284.5	286.5	298.1	300.4
17 LESS: Personal contributions for social insurance	149.3	161.1	172.0	170.5	172.7	175.9	190.2	193.5
18 EQUALS: Personal income	3,325.3	3,531.1	3,780.0	3,736.1	3,801.0	3,906.8	3,951.4	4,021.9
19 LESS: Personal tax and nontax payments	486.6	511.4	570.3	582.0	576.2	591.0	575.8	601.0
20 EQUALS: Disposable personal income	2,838.7	3,019.6	3,209.7	3,154.1	3,224.9	3,315.8	3,375.6	3,421.0
21 LESS: Personal outlays	2,713.3	2,898.0	3,105.5	3,084.7	3,152.3	3,171.8	3,225.7	3,288.3
22 EQUALS: Personal saving	125.4	121.7	104.2	69.5	72.6	144.0	149.9	132.6
MEMO								
Per capita (1982 dollars)								
23 Gross national product	15,122.0	15,398.0	15,772.8	15,700.2	15,834.9	16,031.8	16,127.6	16,224.9
24 Personal consumption expenditures	9,840.3	10,158.0	10,336.2	10,335.1	10,426.8	10,346.1	10,435.4	10,484.9
25 Disposable personal income	10,625.0	10,929.0	11,012.0	10,889.0	10,989.0	11,145.0	11,260.0	11,247.0
26 Saving rate (percent)	4.4	4.0	3.2	2.2	2.3	4.3	4.4	3.9
GROSS SAVING								
27 **Gross saving**	**533.5**	**537.2**	**560.4**	**542.4**	**556.8**	**603.4**	**627.0**	**645.3**
28 Gross private saving	665.3	681.6	665.3	625.0	642.2	714.1	726.3	720.0
29 Personal saving	125.4	121.7	104.2	69.5	72.6	144.0	149.9	132.6
30 Undistributed corporate profits[1]	102.6	104.1	81.1	78.5	85.0	80.5	78.1	84.8
31 Corporate inventory valuation adjustment	−1.7	8.3	−18.0	−20.0	−19.5	−18.2	−19.4	−27.1
Capital consumption allowances								
32 Corporate	268.6	282.4	297.5	295.4	299.7	303.7	309.8	312.9
33 Noncorporate	168.7	173.5	182.5	181.6	184.9	185.8	188.5	189.7
34 Government surplus, or deficit (−), national income and product accounts	−131.8	−144.4	−104.9	−82.6	−85.5	−110.7	−99.2	−74.7
35 Federal	−196.9	−205.6	−157.8	−144.0	−138.3	−160.4	−155.1	−130.9
36 State and local	65.1	61.2	52.9	61.4	52.9	49.7	55.8	56.2
37 **Gross investment**	**528.7**	**523.6**	**552.3**	**539.9**	**541.7**	**597.0**	**612.0**	**631.0**
38 Gross private domestic	643.1	665.9	712.9	698.5	702.8	764.9	763.4	758.2
39 Net foreign	−114.4	−142.4	−160.6	−158.6	−161.1	−167.8	−151.3	−127.2
40 **Statistical discrepancy**	**−4.8**	**−13.6**	**−8.1**	**−2.5**	**−15.1**	**−6.4**	**−15.0**	**−14.3**

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	1985	1986	1987	1987				1988
				Q1	Q2	Q3	Q4	Q1[p]
1 Balance on current account	−115,102	−138,827	−153,964	−37,624	−40,852	−41,967	−33,523	−39,751
2 Not seasonally adjusted	....	....	....	−33,032	−41,799	−47,330	−31,803	−34,937
3 Merchandise trade balance[2]	−122,148	−144,547	−160,280	−39,871	−39,552	−39,665	−41,192	−35,945
4 Merchandise exports	215,935	223,969	249,570	56,791	59,864	64,902	68,013	74,672
5 Merchandise imports	−338,083	−368,516	−409,850	−96,662	−99,416	−104,567	−109,205	−110,617
6 Military transactions, net	−3,431	−4,372	−2,369	−78	−179	−851	−1,261	−899
7 Investment income, net[3]	25,936	23,143	20,374	5,076	1,692	1,067	12,539	−595
8 Other service transactions, net	−449	2,257	1,755	−143	13	87	479	735
9 Remittances, pensions, and other transfers	−3,786	−3,571	−3,434	−867	−884	−855	−828	−868
10 U.S. government grants (excluding military)	−11,223	−11,738	−10,011	−2,100	−2,241	−2,125	−3,545	−2,283
11 Change in U.S. government assets, other than official reserve assets, net (increase, −)	−2,829	−2,000	1,162	67	−170	252	1,012	−780
12 Change in U.S. official reserve assets (increase, −)	−3,858	312	9,149	1,956	3,419	32	3,741	1,503
13 Gold	0	0	0	0	0	0	0	0
14 Special drawing rights (SDRs)	−897	−246	−509	76	−171	−210	−205	155
15 Reserve position in International Monetary Fund	908	1,500	2,070	606	335	407	722	446
16 Foreign currencies	−3,869	−942	7,588	1,274	3,255	−165	3,225	901
17 Change in U.S. private assets abroad (increase, −)[3]	−25,949	−96,303	−86,298	9,049	−26,127	−25,576	−43,645	8,169
18 Bank-reported claims	−1,323	−59,975	−40,531	21,870	−22,422	−16,519	−23,460	17,402
19 Nonbank-reported claims	923	−4,220	3,145	−491	2,603	−215	1,248	....
20 U.S. purchase of foreign securities, net	−7,481	−4,297	−4,456	−1,639	−88	−972	−1,757	−4,388
21 U.S. direct investments abroad, net[3]	−18,068	−27,811	−44,456	−10,691	−6,220	−7,870	−19,676	−4,845
22 Change in foreign official assets in the United States (increase, +)	−1,196	35,507	44,968	13,977	10,332	611	20,047	24,372
23 U.S. Treasury securities	−838	34,364	43,361	12,193	11,083	842	19,243	27,568
24 Other U.S. government obligations	−301	−1,214	1,570	−62	256	714	662	−116
25 Other U.S. government liabilities[4]	767	2,054	−2,824	−1,337	−1,309	−287	108	−251
26 Other U.S. liabilities reported by U.S. banks	645	1,187	3,901	3,543	615	−34	−223	−1,996
27 Other foreign official assets[5]	−1,469	−884	−1,040	−360	−313	−624	257	−833
28 Change in foreign private assets in the United States (increase, +)[3]	131,096	185,746	166,521	19,122	40,327	71,047	36,025	3,504
29 U.S. bank-reported liabilities	41,045	79,783	87,778	−6,100	17,961	46,153	29,764	−15,994
30 U.S. nonbank-reported liabilities	−366	−2,906	2,150	1,696	1,570	−116	−1,000	....
31 Foreign private purchases of U.S. Treasury securities, net	20,433	3,809	−7,596	−2,826	−2,431	−2,835	496	7,001
32 Foreign purchases of other U.S. securities, net	50,962	70,969	42,213	18,373	15,998	12,819	−4,977	2,328
33 Foreign direct investments in the United States, net[3]	19,022	34,091	41,976	7,979	7,229	15,026	11,742	10,169
34 Allocation of SDRs	0	0	0	0	0	0	0	0
35 Discrepancy	17,839	15,566	18,461	−6,547	13,071	−4,399	16,342	2,984
36 Owing to seasonal adjustments	....	....	....	4,141	−2,615	−4,658	3,138	3,925
37 Statistical discrepancy in recorded data before seasonal adjustment	17,839	15,566	18,461	−10,688	15,686	259	13,204	−941
MEMO								
Changes in official assets								
38 U.S. official reserve assets (increase, −)	−3,858	312	9,149	1,956	3,419	32	3,741	1,503
39 Foreign official assets in the United States (increase, +) excluding line 25	−1,963	33,453	47,792	15,314	11,641	898	19,939	24,623
40 Change in Organization of Petroleum Exporting Countries official assets in the United States (part of line 22 above)	−6,709	−9,327	−9,956	−2,801	−2,681	−1,723	−2,750	−1,331
41 Transfers under military grant programs (excluded from lines 4, 6, and 10 above)	46	101	58	8	26	13	12	15

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 TRADE[1]

Millions of dollars; monthly data are not seasonally adjusted.

Item	1985	1986	1987	1987	1988					
				Dec.	Jan.	Feb.	Mar.	Apr.	May[r]	June
1 EXPORTS of domestic and foreign merchandise excluding grant-aid shipments, f.a.s. value	218,815	227,159	254,122	24,314	22,990	24,139	29,106	26,335	28,143	27,385
2 GENERAL IMPORTS including merchandise for immediate consumption plus entries into bonded warehouses, c.i.f. value	352,463	382,295	424,442	37,340	34,523	37,133	38,633	36,528	37,657	40,008
3 **Trade balance**	**−133,648**	**−155,137**	**−170,320**	**−13,026**	**−11,533**	**−12,994**	**−9,528**	**−10,193**	**−9,514**	**−12,624**

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 transactions; 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	1985	1986	1987	1988						
				Jan.	Feb.	Mar.	Apr.	May	June	July[p]
1 **Total**	**43,186**	**48,511**	**45,798**	**42,955**	**43,064**	**43,186**	**42,730**	**41,949**	**41,028**	**43,876**
2 Gold stock, including Exchange Stabilization Fund[1]	11,090	11,064	11,078	11,068	11,063	11,063	11,063	11,063	11,063	11,063
3 Special drawing rights[2,3]	7,293	8,395	10,283	9,765	9,761	9,899	9,589	9,543	9,180	8,984
4 Reserve position in International Monetary Fund[2]	11,947	11,730	11,349	10,804	10,445	10,645	10,803	10,431	9,992	9,773
5 Foreign currencies[4]	12,856	17,322	13,088	11,318	11,795	11,579	11,275	10,912	10,793	14,056

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 holdiings 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[1]

Millions of dollars, end of period

Assets	1985	1986	1987	1988						
				Jan.	Feb.	Mar.	Apr.	May	June	July
1 Deposits	480	287	244	355	343	534	215	297	381	269
Assets held in custody										
2 U.S. Treasury securities[2]	121,004	155,835	195,126	206,675	215,308	222,407	224,725	226,341	223,127	223,296
3 Earmarked gold[3]	14,245	14,048	13,919	13,882	13,824	13,773	13,719	13,654	13,662	13,666

1. Excludes deposits and U.S. Treasury securities held for international and regional organizations.
2. Marketable U.S. Treasury bills, notes, and bonds; and nonmarketable U.S. Treasury securities payable in dollars and in foreign currencies.
3. Earmarked gold and the gold stock are valued at $42.22 per fine troy ounce. Earmarked gold is gold held for foreign and international accounts and is not included in the gold stock of the United States.

3.14 FOREIGN BRANCHES OF U.S. BANKS Balance Sheet Data[1]

Millions of dollars, end of period

Asset account	1984	1985	1986	1987	1988					
				Dec.	Jan.	Feb.	Mar.	Apr.	May	June[p]
					All foreign countries					
1 **Total, all currencies**	**453,656**	**458,012**	**456,628**	**518,604**	**503,254**	**495,003**	**502,398**	**488,939**	**492,844**	**487,822**
2 Claims on United States	113,393	119,706	114,563	138,034	131,376	131,012	135,514[r]	139,186	141,789	141,076
3 Parent bank	78,109	87,201	83,492	105,845	95,482	94,348	99,109[r]	102,957	104,299	104,568
4 Other banks in United States	13,664	13,057	13,685	16,416	14,910	15,008	14,587[r]	13,271[r]	14,483	14,283
5 Nonbanks	21,620	19,448	17,386	15,773	20,984	21,656	21,818[r]	22,958[r]	23,007	22,225
6 Claims on foreigners	320,162	315,676	312,955	342,506	334,074	326,653	328,153[r]	314,338	315,303	311,322
7 Other branches of parent bank	95,184	91,399	96,281	122,155	115,275	111,671	108,972	103,090	102,931	106,722
8 Banks	100,397	102,960	105,237	108,856	108,161	105,604	106,761[r]	101,226	103,429	100,686
9 Public borrowers	23,343	23,478	23,706	21,828	21,329	21,331	21,748	20,827	20,991	20,439
10 Nonbank foreigners	101,238	97,839	87,731	89,667	89,309	88,047	90,672	89,195	87,952	83,475
11 Other assets	20,101	22,630	29,110	38,064	37,804	37,338	38,731	35,415	35,752	35,424
12 **Total payable in U.S. dollars**	**350,636**	**336,520**	**317,487**	**350,106**	**335,313**	**330,726**	**333,874**	**327,736**	**334,112**	**335,207**
13 Claims on United States	111,426	116,638	110,620	132,023	124,893	124,786	128,945[r]	133,299	136,077	135,492
14 Parent bank	77,229	85,971	82,082	103,251	92,466	91,271	95,844[r]	100,320	101,578	101,585
15 Other banks in United States	13,500	12,454	12,830	14,657	13,439	13,886	13,270[r]	12,257[r]	13,458	13,520
16 Nonbanks	20,697	18,213	15,708	14,115	18,988	19,629	19,831[r]	20,722[r]	21,041	20,387
17 Claims on foreigners	228,600	210,129	195,063	202,427	196,154	190,922	190,583[r]	179,712	182,981	183,641
18 Other branches of parent bank	78,746	72,727	72,197	88,284	84,468	83,063	81,692	75,654	76,136	79,774
19 Banks	76,940	71,868	66,421	63,706	61,359	58,181	58,099[r]	54,578	57,102	55,234
20 Public borrowers	17,626	17,260	16,708	14,730	14,720	14,645	14,853	14,407	14,342	13,924
21 Nonbank foreigners	55,288	48,274	39,737	35,707	35,607	35,033	35,939	35,073	35,401	34,709
22 Other assets	10,610	9,753	11,804	15,656	14,266	15,018	14,346	14,725	15,054	16,074
					United Kingdom					
23 **Total, all currencies**	**144,385**	**148,599**	**140,917**	**158,695**	**160,244**	**157,634**	**155,657**	**152,592**	**156,184**	**151,835**
24 Claims on United States	27,675	33,157	24,599	32,518	32,464	32,869	29,581[r]	31,618	32,832	33,852
25 Parent bank	21,862	26,970	19,085	27,350	26,923	27,484	24,580[r]	26,155	27,506	28,535
26 Other banks in United States	1,429	1,106	1,612	1,259	1,558	1,527	1,191[r]	1,013	1,360	1,322
27 Nonbanks	4,384	5,081	3,902	3,909	3,983	3,858	3,810[r]	4,450	3,966	3,995
28 *Claims on foreigners*	111,828	110,217	109,508	115,700	118,407	115,489	116,975[r]	112,261	114,452	107,856
29 Other branches of parent bank	37,953	31,576	33,422	39,903	39,702	38,077	34,278	33,019	33,849	32,446
30 Banks	37,443	39,250	39,468	36,735	39,697	38,654	40,247[r]	38,790	39,883	37,108
31 Public borrowers	5,334	5,644	4,990	4,752	4,639	4,613	5,312	4,914	4,987	4,742
32 Nonbank foreigners	31,098	33,747	31,628	34,310	34,369	34,145	37,138	35,538	35,733	33,560
33 Other assets	4,882	5,225	6,810	10,477	9,373	9,276	9,101	8,713	8,900	10,127
34 **Total payable in U.S. dollars**	**112,809**	**108,626**	**95,028**	**100,574**	**102,148**	**101,642**	**95,972**	**93,214**	**97,188**	**95,326**
35 Claims on United States	26,868	32,092	23,193	30,439	30,156	30,971	27,388[r]	29,555	30,736	31,855
36 Parent bank	21,495	26,568	18,526	26,304	25,854	26,565	23,285[r]	25,137	26,608	27,672
37 Other banks in United States	1,363	1,005	1,475	1,044	1,132	1,273	1,025[r]	781	1,068	1,069
38 Nonbanks	4,010	4,519	3,192	3,091	3,170	3,133	3,078[r]	3,637	3,060	3,114
39 Claims on foreigners	82,945	73,475	68,138	64,560	67,458	66,313	64,247[r]	59,434	62,018	57,969
40 Other branches of parent bank	33,607	26,011	26,361	28,635	29,336	29,813	26,812	24,867	25,448	23,843
41 Banks	26,805	26,139	23,251	19,188	20,814	19,516	19,656[r]	18,065	19,555	17,477
42 Public borrowers	4,030	3,999	3,677	3,313	3,313	3,347	3,864	3,412	3,252	3,188
43 Nonbank foreigners	18,503	17,326	14,849	13,424	13,995	13,637	13,915	13,090	13,763	13,461
44 Other assets	2,996	3,059	3,697	5,575	4,534	4,358	4,337	4,225	4,434	5,502
					Bahamas and Caymans					
45 **Total, all currencies**	**146,811**	**142,055**	**142,592**	**160,321**	**148,718**	**143,630**	**153,254**	**152,930**	**156,353**	**159,747**
46 Claims on United States	77,296	74,864	78,048	85,318	79,893	78,015	85,847	88,293	90,896	88,144
47 Parent bank	49,449	50,553	54,575	60,048	51,249	48,402	56,330	59,240	60,419	58,626
48 Other banks in United States	11,544	11,204	11,156	14,277	12,472	12,662	12,400	11,409	12,348	12,122
49 Nonbanks	16,303	13,107	12,317	10,993	16,172	16,951	17,117	17,644	18,129	17,396
50 Claims on foreigners	65,598	63,882	60,005	70,162	63,469	60,111	61,952	58,808	59,374	65,856
51 Other branches of parent bank	17,661	19,042	17,296	21,277	19,802	18,486	19,368	17,790	18,463	24,745
52 Banks	30,246	28,192	27,476	33,751	29,340	27,687	28,637	26,690	27,019	27,650
53 Public borrowers	6,089	6,458	7,051	7,428	7,257	7,063	6,891	6,849	6,955	6,836
54 Nonbank foreigners	11,602	10,190	8,182	7,706	7,070	6,875	7,056	7,479	6,937	6,625
55 Other assets	3,917	3,309	4,539	4,841	5,356	5,504	5,455	5,829	6,083	5,747
56 **Total payable in U.S. dollars**	**141,562**	**136,794**	**136,813**	**151,434**	**141,135**	**135,916**	**145,050**	**145,398**	**148,545**	**152,248**

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	1988					
				Dec.	Jan.	Feb.	Mar.	Apr.	May	June[p]
	All foreign countries									
57 **Total, all currencies**	**453,656**	**458,012**	**456,628**	**518,604**	**503,254**	**495,003**	**502,398**	**488,939**	**492,844**	**487,822**
58 Negotiable CDs	37,725	34,607	31,629	30,929	29,277	31,158	31,854	31,585	32,175	29,485
59 To United States	147,583	156,281	152,465	161,390	150,676	149,402	157,063	155,381[r]	162,002	156,351
60 Parent bank	78,739	84,657	83,394	87,606	78,590	85,142	91,628	85,586[r]	86,944	87,431
61 Other banks in United States	18,409	16,894	15,646	20,559	15,801	14,237	14,806	16,246[r]	15,389	14,625
62 Nonbanks	50,435	54,730	53,425	53,225	56,285	50,023	50,629	53,549	59,669	54,295
63 To foreigners	247,907	245,939	253,775	304,790	302,042	293,360	290,064	281,162[r]	277,106	281,027
64 Other branches of parent bank	93,909	89,529	95,146	124,601	116,434	111,949	109,071	105,148[r]	104,667	110,418
65 Banks	78,203	76,814	77,809	87,261	89,552	88,400	88,257	85,097	82,499	82,494
66 Official institutions	20,281	19,520	17,835	19,564	21,130	20,373	18,608	18,006	17,700	17,159
67 Nonbank foreigners	55,514	60,076	62,985	73,364	74,926	72,638	74,128	72,911	72,240	70,956
68 Other liabilities	20,441	21,185	18,759	21,495	21,259	21,083	23,417	20,811	21,561	20,959
69 **Total payable in U.S. dollars**	**367,145**	**353,712**	**336,406**	**361,438**	**344,805**	**341,536**	**344,395**	**337,122**	**341,729**	**341,556**
70 Negotiable CDs	35,227	31,063	28,466	26,768	24,785	26,386	26,869	26,596	27,233	25,015
71 To United States	143,571	150,905	144,483	148,442	139,185	138,737	144,983	144,783[r]	149,576	144,514
72 Parent bank	76,254	81,631	79,305	81,783	73,064	79,363	84,801	79,904[r]	80,378	80,927
73 Other banks in United States	17,935	16,264	14,609	19,155	14,433	12,918	13,501	15,035[r]	13,999	13,186
74 Nonbanks	49,382	53,010	50,569	47,504	51,688	46,456	46,681	49,844	55,199	50,401
75 To foreigners	178,260	163,583	156,806	177,711	172,285	167,623	163,275	156,848[r]	155,519	162,151
76 Other branches of parent bank	77,770	71,078	71,181	90,469	84,298	82,996	81,073	76,708[r]	76,920	83,482
77 Banks	45,123	37,365	33,850	35,065	33,315	32,278	30,688	29,924	28,712	29,014
78 Official institutions	15,773	14,359	12,371	12,409	12,736	12,071	10,489	10,539	10,028	9,571
79 Nonbank foreigners	39,594	40,781	39,404	39,768	41,936	40,278	41,025	39,677	39,859	40,084
80 Other liabilities	10,087	8,161	6,651	8,517	8,550	8,790	9,268	8,895	9,401	9,876
	United Kingdom									
81 **Total, all currencies**	**144,385**	**148,599**	**140,917**	**158,695**	**160,244**	**157,634**	**155,657**	**152,592**	**156,184**	**151,835**
82 Negotiable CDs	34,413	31,260	27,781	26,988	25,184	26,786	27,279	27,090	27,659	25,390
83 To United States	25,250	29,422	24,657	23,470	25,209	26,382	22,725	23,868	27,145	25,120
84 Parent bank	14,651	19,330	14,469	13,223	14,177	15,527	14,506	14,904	15,518	15,996
85 Other banks in United States	3,125	2,974	2,649	1,740	1,596	1,615	1,768	1,508	2,408	1,791
86 Nonbanks	7,474	7,118	7,539	8,507	9,436	9,240	6,451	7,456	9,219	7,333
87 To foreigners	77,424	78,525	79,498	98,689	100,001	94,235	95,049	92,219	91,995	91,691
88 Other branches of parent bank	21,631	23,389	25,036	33,078	33,344	30,350	30,211	27,383	28,743	28,967
89 Banks	30,436	28,581	30,877	34,290	34,820	33,520	33,316	32,970	31,995	33,125
90 Official institutions	10,154	9,676	6,836	11,015	11,571	11,048	9,624	10,181	9,672	8,893
91 Nonbank foreigners	15,203	16,879	16,749	20,306	20,266	19,317	21,898	21,685	21,585	20,706
92 Other liabilities	7,298	9,392	8,981	9,548	9,850	10,231	10,604	9,415	9,385	9,634
93 **Total payable in U.S. dollars**	**117,497**	**112,697**	**99,707**	**102,550**	**105,138**	**105,162**	**98,982**	**96,532**	**99,378**	**97,555**
94 Negotiable CDs	33,070	29,337	26,169	24,926	22,875	24,281	24,716	24,392	24,994	22,960
95 To United States	24,105	27,756	22,075	17,752	20,799	23,019	19,116	20,310	22,405	20,889
96 Parent bank	14,339	18,956	14,021	12,026	13,307	14,626	13,622	13,947	14,134	14,712
97 Other banks in United States	2,980	2,826	2,325	1,512	1,398	1,401	1,556	1,306	2,184	1,512
98 Nonbanks	6,786	5,974	5,729	4,214	6,094	6,992	3,938	5,057	6,087	4,665
99 To foreigners	56,923	51,980	48,138	55,919	57,620	53,444	50,590	47,589	47,969	48,777
100 Other branches of parent bank	18,294	18,493	17,951	22,334	22,870	21,753	21,292	18,060	18,902	20,303
101 Banks	18,356	14,344	15,203	15,580	16,119	14,401	13,106	12,889	12,860	12,957
102 Official institutions	8,871	7,661	4,934	7,530	7,993	7,045	5,181	5,918	5,470	4,700
103 Nonbank foreigners	11,402	11,482	10,050	10,475	10,638	10,245	11,011	10,722	10,737	10,817
104 Other liabilities	3,399	3,624	3,325	3,953	3,844	4,418	4,560	4,241	4,010	4,929
	Bahamas and Caymans									
105 **Total, all currencies**	**146,811**	**142,055**	**142,592**	**160,321**	**148,718**	**143,630**	**153,254**	**152,930**	**156,353**	**159,747**
106 Negotiable CDs	615	610	847	885	851	940	1,069	1,038	1,096	941
107 To United States	102,955	104,556	106,081	113,950	105,147	99,821	110,451	109,199	112,605	109,424
108 Parent bank	47,162	45,554	49,481	53,239	46,594	48,976	55,981	50,623	51,792	52,280
109 Other banks in United States	13,938	12,778	11,715	17,224	13,017	11,455	11,829	13,621	11,684	11,451
110 Nonbanks	41,855	46,224	44,885	43,487	45,536	39,390	42,641	44,955	49,129	45,693
111 To foreigners	40,320	35,053	34,400	43,815	40,822	41,234	40,038	40,953	40,369	47,390
112 Other branches of parent bank	16,782	14,075	12,631	19,185	18,629	18,604	17,260	19,420	18,909	24,755
113 Banks	12,405	10,669	8,617	10,769	9,344	9,825	9,404	9,162	9,080	9,803
114 Official institutions	2,054	1,776	2,719	1,504	1,377	1,179	1,873	1,164	1,053	1,850
115 Nonbank foreigners	9,079	8,533	10,433	12,357	11,472	11,626	11,501	11,207	11,327	10,982
116 Other liabilities	2,921	1,836	1,264	1,671	1,898	1,635	1,696	1,740	2,283	1,992
117 **Total payable in U.S. dollars**	**143,582**	**138,322**	**138,774**	**152,927**	**141,750**	**136,636**	**145,366**	**146,134**	**148,923**	**151,713**

3.15 SELECTED U.S. LIABILITIES TO FOREIGN OFFICIAL INSTITUTIONS

Millions of dollars, end of period

Item	1985	1986	1987	1988					
			Dec.	Jan.	Feb.	Mar.	Apr.	May	June[p]
1 **Total**[1]	**178,380**	**211,834**	**259,517**	**266,925**	**276,233**	**286,547**	**286,547**[r]	**294,747**	**290,733**
By type									
2 Liabilities reported by banks in the United States[2]	26,734	27,920	31,833	32,528	32,121	29,879	29,683[r]	31,460	30,714
3 U.S. Treasury bills and certificates[3]	53,252	75,650	88,829	90,635	93,407	95,624	94,974	96,604	95,300
U.S. Treasury bonds and notes									
4 Marketable	77,154	91,368	122,432	127,550	134,719	142,865	145,940	150,002	149,272
5 Nonmarketable[4]	3,550	1,300	300	300	300	792	795	499	502
6 U.S. securities other than U.S. Treasury securities[5]	17,690	15,596	16,123	15,912	15,686	15,170	15,155	15,182	14,945
By area									
7 Western Europe[1]	74,447	88,629	124,620	127,753	127,614	129,376	129,791[r]	131,457	126,609
8 Canada	1,315	2,004	4,961	6,182	6,839	7,954	8,314	9,372	10,773
9 Latin America and Caribbean	11,148	8,417	8,328	7,950	8,296	8,734	8,520	9,145	9,319
10 Asia	86,448	105,868	116,060	119,139	127,304	131,423	132,016	135,086	134,427
11 Africa	1,824	1,503	1,402	1,458	1,495	1,512	1,417	1,418	1,266
12 Other countries[6]	3,199	5,412	4,147	4,442	4,682	4,839	5,993	7,773	7,837

1. Includes the Bank for International Settlements.
2. Principally demand deposits, time deposits, bankers acceptances, commercial paper, negotiable time certificates of deposit, and borrowings under repurchase agreements.
3. Includes nonmarketable certificates of indebtedness (including those payable in foreign currencies through 1974) and Treasury bills issued to official institutions of foreign countries.
4. Excludes notes issued to foreign official nonreserve agencies. Includes bonds and notes payable in foreign currencies.
5. Debt securities of U.S. government corporations and federally sponsored agencies, and U.S. corporate stocks and bonds.
6. Includes countries in Oceania and Eastern Europe.

NOTE. Based on Treasury Department data and on data reported to the Treasury Department by banks (including Federal Reserve Banks) and securities dealers in the United States.

3.16 LIABILITIES TO AND CLAIMS ON FOREIGNERS Reported by Banks in the United States Payable in Foreign Currencies[1]

Millions of dollars, end of period

Item	1984	1985	1986	1987			1988
				June	Sept.	Dec.	Mar.
1 Banks' own liabilities	8,586	15,368	29,702	39,487	46,800	55,688	55,871
2 Banks' own claims	11,984	16,294	26,180	34,209	41,239	50,486	51,344
3 Deposits	4,998	8,437	14,129	12,043	14,535	18,109	17,463
4 Other claims	6,986	7,857	12,052	22,166	26,704	32,377	33,881
5 Claims of banks' domestic customers[2]	569	580	2,507	923	1,067	551	810

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	1988					
				Dec.	Jan.	Feb.	Mar.	Apr.	May	June[p]
1 **All foreigners**	**407,306**	**435,726**	**540,996**	**618,903**	**601,332**	**605,301**	**607,023**	**611,259r**	**628,668**	**635,190**
2 Banks' own liabilities	306,898	341,070	406,485	469,829	446,391	446,235	444,887	449,323r	464,797	475,168
3 Demand deposits	19,571	21,107	23,789	22,718	20,740	21,129	21,889	20,777	23,259	24,360
4 Time deposits[1]	110,413	117,278	130,891	148,401	138,964	140,178	137,890	134,335r	138,164	140,468
5 Other[2]	26,268	29,305	42,705	51,120	52,694	52,661	46,997	45,642r	47,351	47,656
6 Own foreign offices[3]	150,646	173,381	209,100	247,590	233,993	232,268	238,110	248,570r	256,022	262,684
7 Banks' custody liabilities[4]	100,408	94,656	134,511	149,074	154,941	159,066	162,136	161,935	163,871	160,022
8 U.S. Treasury bills and certificates[5]	76,368	69,133	90,398	101,743	103,861	107,087	109,233	107,881	108,803	107,649
9 Other negotiable and readily transferable instruments[6]	18,747	17,964	15,417	16,791	16,727	15,650	16,121	16,017	16,595	16,504
10 Other	5,293	7,558	28,696	30,540	34,353	36,328	36,783	38,038	38,472	35,869
11 **Nonmonetary international and regional organizations[7]**	**4,454**	**5,821**	**5,807**	**4,387**	**5,875**	**8,640**	**6,033**	**4,575**	**6,889**	**7,879**
12 Banks' own liabilities	2,014	2,621	3,958	2,626	4,052	6,629	4,031	2,412	4,898	5,142
13 Demand deposits	254	85	199	249	70	74	134	67	695	1,202
14 Time deposits[1]	1,267	2,067	2,065	1,538	1,583	2,481	2,061	335	1,981	1,873
15 Other[2]	493	469	1,693	839	2,398	4,074	1,836	2,010	2,223	2,068
16 Banks' custody liabilities[4]	2,440	3,200	1,849	1,761	1,823	2,011	2,002	2,163	1,991	2,737
17 U.S. Treasury bills and certificates	916	1,736	259	265	613	415	635	587	132	745
18 Other negotiable and readily transferable instruments[6]	1,524	1,464	1,590	1,497	1,210	1,521	1,351	1,564	1,852	1,989
19 Other	0	0	0	0	0	75	16	11	7	3
20 **Official institutions[8]**	**86,065**	**79,985**	**103,569**	**120,662**	**123,163**	**125,527**	**125,503**	**124,657r**	**128,065**	**126,013**
21 Banks' own liabilities	19,039	20,835	25,427	28,698	29,901	29,234	26,928	26,623r	28,451	27,979
22 Demand deposits	1,823	2,077	2,267	1,949	1,605	1,861	2,021	1,660	2,351	1,860
23 Time deposits[1]	9,374	10,949	10,497	12,843	11,913	11,654	11,749	11,753r	12,860	12,012
24 Other[2]	7,842	7,809	12,663	13,906	16,383	15,719	13,158	13,209	13,240	14,107
25 Banks' custody liabilities[4]	67,026	59,150	78,142	91,965	93,262	96,294	98,575	98,033	99,613	98,034
26 U.S. Treasury bills and certificates[5]	59,976	53,252	75,650	88,829	90,635	93,407	95,624	94,974	96,604	95,300
27 Other negotiable and readily transferable instruments[6]	6,966	5,824	2,347	2,990	2,442	2,592	2,750	2,939	2,775	2,528
28 Other	84	75	145	146	185	295	201	120	234	207
29 **Banks[9]**	**248,893**	**275,589**	**351,745**	**414,152**	**391,750**	**390,848**	**395,463**	**401,972r**	**413,092**	**421,514**
30 Banks' own liabilities	225,368	252,723	310,166	371,471	345,597	344,040	347,937	353,971r	364,747	374,399
31 Unaffiliated foreign banks	74,722	79,341	101,066	123,880	111,605	111,773	109,827	105,402r	108,725	111,715
32 Demand deposits	10,556	10,271	10,303	10,915	9,786	9,759	10,000	9,438	10,260	11,060
33 Time deposits[1]	47,095	49,510	64,232	79,710	71,130	71,709	70,171	68,128r	69,543	71,724
34 Other[2]	17,071	19,561	26,531	33,256	30,689	30,305	29,655	27,835r	28,923	28,931
35 Own foreign offices[3]	150,646	173,381	209,100	247,590	233,993	232,268	238,110	248,570r	256,022	262,684
36 Banks' custody liabilities[4]	23,525	22,866	41,579	42,682	46,152	46,808	47,526	48,000	48,345	47,115
37 U.S. Treasury bills and certificates	11,448	9,832	9,984	9,134	8,979	9,526	9,597	8,889	8,872	8,173
38 Other negotiable and readily transferable instruments[6]	7,236	6,040	5,165	5,392	5,580	4,436	4,627	4,637	4,341	4,747
39 Other	4,841	6,994	26,431	28,156	31,594	32,846	33,303	34,474	35,132	34,196
40 **Other foreigners**	**67,894**	**74,331**	**79,875**	**79,701**	**80,544**	**80,285**	**80,024**	**80,055**	**80,622**	**79,784**
41 Banks' own liabilities	60,477	64,892	66,934	67,034	66,841	66,332	65,990	66,317	66,700	67,648
42 Demand deposits	6,938	8,673	11,019	9,605	9,279	9,435	9,734	9,612	9,953	10,239
43 Time deposits	52,678	54,752	54,097	54,310	54,338	54,334	53,909	54,118	53,781	54,859
44 Other[2]	861	1,467	1,818	3,119	3,224	2,563	2,347	2,586	2,966	2,551
45 Banks' custody liabilities[4]	7,417	9,439	12,941	12,666	13,703	13,953	14,034	13,739	13,922	12,136
46 U.S. Treasury bills and certificates	4,029	4,314	4,506	3,515	3,633	3,740	3,378	3,430	3,196	3,432
47 Other negotiable and readily transferable instruments[6]	3,021	4,636	6,315	6,914	7,495	7,102	7,393	6,876	7,628	7,240
48 Other	367	489	2,120	2,238	2,575	3,112	3,263	3,433	3,099	1,464
49 MEMO: Negotiable time certificates of deposit in custody for foreigners	10,476	9,845	7,496	7,314	7,647	7,370	7,325	7,480	8,261	7,650

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. Data exclude "holdings of dollars" of the International Monetary Fund.
8. Foreign central banks, 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	1988					
					Dec.	Jan.	Feb.	Mar.	Apr.	May	June[p]
1	**Total**	**407,306**	**435,726**	**540,996**	**618,903**	**601,332**	**605,301**	**607,023**	**611,259[r]**	**628,668**	**635,190**
2	**Foreign countries**	**402,852**	**429,905**	**535,189**	**614,516**	**595,457**	**596,660**	**600,990**	**606,684[r]**	**621,779**	**627,311**
3	Europe	153,145	164,114	180,556	234,651	225,552	226,517	213,023	218,567[r]	227,853	226,527
4	Austria	615	693	1,181	920	992	964	958	1,172	1,090	941
5	Belgium-Luxembourg	4,114	5,243	6,729	9,347	9,433	9,832	8,804	9,629[r]	9,893	10,358
6	Denmark	438	513	482	760	551	659	930	1,034	1,164	1,363
7	Finland	418	496	580	377	401	369	405	504	478	431
8	France	12,701	15,541	22,862	29,954	28,198	28,868	28,449	27,040	28,189	26,964
9	Germany	3,358	4,835	5,762	7,047	7,701	8,872	6,594	6,893[r]	6,483	5,095
10	Greece	699	666	700	689	638	639	656	656	675	653
11	Italy	10,762	9,667	10,875	12,073	11,259	11,001	10,076	10,040	9,285	10,690
12	Netherlands	4,731	4,212	5,600	5,014	5,272	5,302	5,399	5,154[r]	5,757	5,351
13	Norway	1,548	948	735	1,362	1,196	828	917	1,101	1,239	1,171
14	Portugal	597	652	699	801	725	780	877	917	910	910
15	Spain	2,082	2,114	2,407	2,621	2,359	2,433	2,618	2,415[r]	2,839	4,120
16	Sweden	1,676	1,422	884	1,379	1,393	1,719	1,836	1,692[r]	2,280	1,535
17	Switzerland	31,740	29,020	30,534	33,765	31,932	32,006	31,815	30,523[r]	31,343	30,213
18	Turkey	584	429	454	703	674	541	616	518	628	1,477
19	United Kingdom	68,671	76,728	85,334	116,717	111,845	112,207	101,590	109,547[r]	115,434	114,428
20	Yugoslavia	602	673	630	710	541	557	550	566	586	690
21	Other Western Europe[1]	7,192	9,635	3,326	9,798	9,683	8,340	9,244	8,473[r]	8,984	9,275
22	U.S.S.R.	79	105	80	31	37	49	66	44	136	246
23	Other Eastern Europe[2]	537	523	702	582	721	549	623	649[r]	460	615
24	Canada	16,059	17,427	26,345	30,084	28,691	25,967	27,330	27,010[r]	27,875	30,055
25	Latin America and Caribbean	153,381	167,856	210,318	220,365	212,097	212,731	222,136	225,890[r]	229,548	231,879
26	Argentina	4,394	6,032	4,757	5,006	4,902	5,092	5,101	5,307	5,219	5,875
27	Bahamas	56,897	57,657	73,619	74,590	69,205	64,964	70,266	69,970[r]	74,123	73,522
28	Bermuda	2,370	2,765	2,922	2,335	2,187	2,021	2,214	2,402	2,927	1,998
29	Brazil	5,275	5,373	4,325	4,003	3,937	3,747	4,074	3,992	4,119	4,646
30	British West Indies	36,773	42,674	72,263	81,675	78,503	82,625	88,344	92,722[r]	91,188	93,924
31	Chile	2,001	2,049	2,054	2,210	2,122	2,361	2,314	2,251	2,184	2,378
32	Colombia	2,514	3,104	4,285	4,208	3,947	3,897	3,833	3,843	4,395	4,502
33	Cuba	10	11	7	12	8	9	8	13	9	10
34	Ecuador	1,092	1,239	1,236	1,082	1,115	1,133	1,169	1,174	1,206	1,206
35	Guatemala	896	1,071	1,123	1,082	1,098	1,098	1,182	1,209	1,191	1,208
36	Jamaica	183	122	136	160	150	148	208	209	152	156
37	Mexico	12,303	14,060	13,745	14,480	15,024	15,186	15,783	15,347	15,866	15,680
38	Netherlands Antilles	4,220	4,875	4,970	4,972	4,987	5,231	5,207	5,345	5,348	5,306
39	Panama	6,951	7,514	6,886	7,414	7,329	6,983	4,306	4,059	4,005	4,156
40	Peru	1,266	1,167	1,163	1,275	1,235	1,328	1,364	1,424	1,423	1,441
41	Uruguay	1,394	1,552	1,537	1,580	1,670	1,753	1,763	1,743	1,715	1,879
42	Venezuela	10,545	11,922	10,171	9,048	9,174	9,729	9,411	9,564	9,255	8,728
43	Other	4,297	4,668	5,119	5,234	5,502	5,426	5,591	5,315	5,221	5,264
44	Asia	71,187	72,280	108,831	121,401	121,245	122,973	129,265	125,649[r]	125,587	127,866
	China										
45	Mainland	1,153	1,607	1,476	1,162	1,336	1,352	1,562	1,814[r]	1,921	1,725
46	Taiwan	4,990	7,786	18,902	21,503	22,878	23,884	24,005	23,982	23,874	23,064
47	Hong Kong	6,581	8,067	9,393	10,196	9,579	10,010	10,011	9,631	10,209	9,240
48	India	507	712	674	582	571	879	659	675	619	940
49	Indonesia	1,033	1,466	1,547	1,399	1,474	1,583	1,547	1,063[r]	1,016	1,049
50	Israel	1,268	1,601	1,892	1,292	1,270	1,333	1,400	1,292	1,190	1,334
51	Japan	21,640	23,077	47,410	54,418	55,221	56,346	60,334	58,567	58,021	60,759
52	Korea	1,730	1,665	1,141	1,637	1,709	1,502	1,593	1,574	1,476	1,561
53	Philippines	1,383	1,140	1,866	1,085	1,035	1,009	1,095	1,015	975	951
54	Thailand	1,257	1,358	1,119	1,345	1,433	1,354	1,189	1,181	1,448	1,095
55	Middle-East oil-exporting countries[3]	16,804	14,523	12,352	13,994	12,503	12,408	12,735	12,647[r]	12,412	12,099
56	Other	12,841	9,276	11,058	12,788	12,237	11,311	13,135	12,208	12,426	14,048
57	Africa	3,396	4,883	4,021	3,945	3,758	3,756	4,034	3,878	4,054	4,028
58	Egypt	647	1,363	706	1,151	1,142	1,119	1,099	1,218	1,196	1,186
59	Morocco	118	163	92	194	71	69	75	68	65	73
60	South Africa	328	388	270	202	214	194	387	195	266	245
61	Zaire	153	163	74	67	89	86	81	82	63	60
62	Oil-exporting countries[4]	1,189	1,494	1,519	1,014	981	1,047	1,062	1,008	1,090	1,121
63	Other	961	1,312	1,360	1,316	1,261	1,241	1,330	1,307	1,373	1,343
64	Other countries	5,684	3,347	5,118	4,070	4,114	4,717	5,203	5,689	6,862	6,956
65	Australia	5,300	2,779	4,196	3,327	3,319	3,814	4,154	4,885	5,943	6,016
66	All other	384	568	922	744	795	903	1,048	804	919	940
67	Nonmonetary international and regional organizations	4,454	5,821	5,807	4,387	5,875	8,640	6,033	4,575	6,889	7,879
68	International[5]	3,747	4,806	4,620	2,754	4,301	6,600	4,330	2,691	4,955	5,924
69	Latin American regional	587	894	1,033	1,272	1,181	1,505	1,305	1,528	1,727	1,769
70	Other regional[6]	120	121	154	362	393	536	397	356	207	186

1. Includes the Bank for International Settlements and Eastern European countries that are not listed in line 23.
2. 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. Excludes "holdings of dollars" of the International Monetary Fund.
6. 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	1988					
				Dec.	Jan.	Feb.	Mar.	Apr.	May	June[p]
1 **Total**	**400,162**	**401,608**	**444,745**	**460,261**	**443,890**	**442,204**	**442,486**	**431,724r**	**449,881**	**457,633**
2 **Foreign countries**	**399,363**	**400,577**	**441,724**	**456,857**	**441,191**	**439,980**	**440,360**	**430,412r**	**448,735**	**455,088**
3 Europe	99,014	106,413	107,823	102,324	97,437	100,441	94,574	93,236r	100,668	100,901
4 Austria	433	598	728	793	762	800	846	893r	867	805
5 Belgium-Luxembourg	4,794	5,772	7,498	9,382	9,626	9,793	8,254	8,792r	8,726	7,887
6 Denmark	648	706	688	717	852	746	874	612r	632	640
7 Finland	898	823	987	1,010	876	835	729	993	1,106	954
8 France	9,157	9,124	11,356	13,475	11,680	12,268	12,226	10,791	12,145	12,192
9 Germany	1,306	1,267	1,816	2,061	2,195	1,927	1,881	1,610r	1,894	2,839
10 Greece	817	991	648	461	576	711	696	513	558	590
11 Italy	9,119	8,848	9,043	7,467	6,508	6,164	6,453	6,211	6,606	7,053
12 Netherlands	1,356	1,258	3,296	2,619	2,902	2,879	2,780	2,865r	2,766	2,644
13 Norway	675	706	672	934	842	746	627	650	886	589
14 Portugal	1,243	1,058	739	477	471	499	425	439	400	358
15 Spain	2,884	1,908	1,492	1,849	1,628	1,965	1,761	1,766r	1,911	1,864
16 Sweden	2,230	2,219	1,964	2,269	2,106	2,274	2,229	2,347r	2,480	2,087
17 Switzerland	2,123	3,171	3,352	2,689	2,569	3,086	2,237	2,452	3,093	3,274
18 Turkey	1,130	1,200	1,543	1,681	1,637	1,660	1,593	1,733	1,543	1,495
19 United Kingdom	56,185	62,566	58,335	50,839	48,753	50,493	47,430	47,133r	51,657	52,037
20 Yugoslavia	1,886	1,964	1,835	1,700	1,694	1,702	1,658	1,618r	1,586	1,623
21 Other Western Europe[1]	596	998	539	660	578	725	747	573	598	662
22 U.S.S.R.	142	130	345	389	386	380	328	377	339	506
23 Other Eastern Europe[2]	1,389	1,107	948	852	795	790	802	866r	876	800
24 Canada	16,109	16,482	21,006	25,284	23,457	21,930	21,155	22,044r	23,796	24,582
25 Latin America and Caribbean	207,862	202,674	208,825	214,807	208,046	203,500	209,103	199,557r	203,036	201,596
26 Argentina	11,050	11,462	12,091	11,990	12,032	11,977	12,226	12,288r	12,312	12,345
27 Bahamas	58,009	58,258	59,342	64,744	60,879	57,415	58,264	54,625r	59,239	56,365
28 Bermuda	592	499	418	474	375	311	1,471	669	366	1,302
29 Brazil	26,315	25,283	25,716	25,879	25,932	25,905	25,993	26,099r	26,119	26,263
30 British West Indies	38,205	38,881	46,284	49,944	47,882	47,340	52,529	47,486r	47,997	49,516
31 Chile	6,839	6,603	6,558	6,305	6,327	6,260	6,099	6,132r	5,998	5,856
32 Colombia	3,499	3,249	2,821	2,740	2,709	2,668	2,652	2,721r	3,082	3,088
33 Cuba	0	0	0	1	0	0	0	1	0	1
34 Ecuador	2,420	2,390	2,439	2,286	2,339	2,238	2,239	2,883r	2,197	2,140
35 Guatemala[3]	158	194	140	144	134	140	149	141	149	144
36 Jamaica[3]	252	224	198	188	202	191	201	212	177	184
37 Mexico	34,885	31,799	30,698	29,534	29,139	29,217	27,974	27,303r	26,670	26,239
38 Netherlands Antilles	1,350	1,340	1,041	980	1,009	1,146	1,159	1,304	1,434	1,229
39 Panama	7,707	6,645	5,436	4,739	4,304	3,818	3,108	2,749	2,586	2,483
40 Peru	2,384	1,947	1,661	1,323	1,316	1,336	1,277	1,283	1,277	1,145
41 Uruguay	1,088	960	940	968	961	955	929	913	880	885
42 Venezuela	11,017	10,871	11,108	10,834	10,753	10,872	11,005	10,944	10,833	10,778
43 Other Latin America and Caribbean	2,091	2,067	1,936	1,735	1,753	1,710	1,831	1,805	1,719	1,631
44 Asia	66,316	66,212	96,126	106,472	105,025	106,870	108,148	108,480r	113,729	120,115
China										
45 Mainland	710	639	787	968	886	887	1,096	1,140	841	1,065
46 Taiwan	1,849	1,535	2,681	4,577	3,877	3,813	3,554	3,807	3,805	3,957
47 Hong Kong	7,293	6,797	8,307	8,216	7,593	7,948	8,473	6,328r	8,341	9,618
48 India	425	450	321	510	495	548	565	542	507	499
49 Indonesia	724	698	723	580	566	632	645	643	631	695
50 Israel	2,088	1,991	1,634	1,363	1,282	1,211	1,238	1,284	1,259	1,213
51 Japan	29,066	31,249	59,674	69,113	71,229	73,215	72,797	75,434r	78,395	82,372
52 Korea	9,285	9,226	7,182	5,094	4,943	4,777	5,011	4,769	5,041	4,985
53 Philippines	2,555	2,224	2,217	2,069	1,961	1,966	2,074	1,959r	2,012	2,055
54 Thailand	1,125	845	578	493	520	521	541	516	596	576
55 Middle East oil-exporting countries[4]	5,044	4,298	4,122	4,858	3,567	3,454	3,538	3,922r	3,541	4,573
56 Other Asia	6,152	6,260	7,901	8,633	8,108	7,897	8,616	8,136	8,760	8,508
57 Africa	6,615	5,407	4,650	4,742	4,807	4,865	4,881	4,879r	5,092	5,418
58 Egypt	728	721	567	521	513	469	483	484r	503	603
59 Morocco	583	575	598	542	491	490	487	495r	483	484
60 South Africa	2,795	1,942	1,550	1,507	1,520	1,461	1,458	1,439r	1,496	1,694
61 Zaire	18	20	28	15	36	82	46	47	42	41
62 Oil-exporting countries[5]	842	630	694	1,003	1,019	1,086	1,142	1,137	1,244	1,274
63 Other	1,649	1,520	1,213	1,153	1,229	1,276	1,265	1,276	1,324	1,322
64 Other countries	3,447	3,390	3,294	3,228	2,419	2,375	2,499	2,216r	2,413	2,477
65 Australia	2,769	2,413	1,949	2,189	1,428	1,430	1,481	1,360r	1,405	1,593
66 All other	678	978	1,345	1,039	991	945	1,019	856r	1,008	884
67 Nonmonetary international and regional organizations[6]	800	1,030	3,021	3,404	2,700	2,224	2,126	1,312r	1,147	2,545

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[1]
Payable in U.S. Dollars

Millions of dollars, end of period

Type of claim	1984	1985	1986	1987	1988					
				Dec.	Jan.	Feb.	Mar.	Apr.[r]	May	June[p]
1 **Total**	**433,078**	**430,489**	**478,650**	**497,977**	....	....	**479,638**[r]	....	....	**457,633**
2 Banks' own claims on foreigners	400,162	401,608	444,745	460,261	443,890	442,204	442,486	431,724	449,881	457,633
3 Foreign public borrowers	62,237	60,507	64,095	64,660	63,766	62,687	61,822	61,065	61,395	62,756
4 Own foreign offices[2]	156,216	174,261	211,533	224,934	217,579	218,758	220,882	210,862	224,203	229,018
5 Unaffiliated foreign banks	124,932	116,654	122,946	127,713	120,467	118,918	118,282	117,293	123,000	123,450
6 Deposits	49,226	48,372	57,484	60,618	55,437	55,801	55,927	55,806	57,012	58,751
7 Other	75,706	68,282	65,462	67,095	65,030	63,117	62,355	61,487	65,988	64,698
8 All other foreigners	56,777	50,185	46,171	42,955	42,079	41,842	41,500	42,504	41,283	42,410
9 Claims of banks' domestic customers[3]	32,916	28,881	33,905	37,716	....	....	37,152[r]	....	....	....
10 Deposits	3,380	3,335	4,413	3,650	....	....	5,011	....	....	....
11 Negotiable and readily transferable instruments[4]	23,805	19,332	24,044	26,696	....	....	23,451[r]	....	....	....
12 Outstanding collections and other claims	5,732	6,214	5,448	7,370	....	....	8,689[r]	....	....	....
13 MEMO: Customer liability on acceptances	37,103	28,487	25,706	23,828	....	....	18,769	....	....	....
Dollar deposits in banks abroad, reported by nonbanking business enterprises in the United States[5]	40,714	38,102	41,396	38,090	34,258	39,504	37,637[r]	42,992	41,851	n.a.

1. 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.
2. *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.
3. 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.
4. Principally negotiable time certificates of deposit and bankers acceptances.
5. Includes demand and time deposits and negotiable and nonnegotiable certificates of deposit denominated in U.S. dollars issued by banks abroad. For description of changes in data reported by nonbanks, see July 1979 BULLETIN, p. 550.

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	1984	1985	1986	1987			1988
				June	Sept.	Dec.	Mar.[r]
1 **Total**	**243,952**	**227,903**	**232,295**	**237,608**	**237,521**	**235,447**	**219,327**
By borrower							
2 Maturity of 1 year or less[1]	167,858	160,824	160,555	168,238	167,187	164,396	152,592
3 Foreign public borrowers	23,912	26,302	24,842	23,702	26,914	25,986	24,300
4 All other foreigners	143,947	134,522	135,714	144,537	140,273	138,410	128,291
5 Maturity over 1 year[1]	76,094	67,078	71,740	69,370	70,334	71,051	66,735
6 Foreign public borrowers	38,695	34,512	39,103	39,372	39,476	38,626	35,763
7 All other foreigners	37,399	32,567	32,637	29,997	30,858	32,425	30,972
By area							
Maturity of 1 year or less[1]							
8 Europe	58,498	56,585	61,784	69,138	62,941	59,123	51,522
9 Canada	6,028	6,401	5,895	5,773	5,890	5,712	4,939
10 Latin America and Caribbean	62,791	63,328	56,271	55,691	58,387	56,410	55,472
11 Asia	33,504	27,966	29,457	31,184	32,161	36,436	35,992
12 Africa	4,442	3,753	2,882	2,989	2,871	2,824	2,605
13 All other[2]	2,593	2,791	4,267	3,463	4,937	3,891	2,062
Maturity of over 1 year[1]							
14 Europe	9,605	7,634	6,737	6,479	6,753	6,831	6,011
15 Canada	1,882	1,805	1,925	1,664	1,579	2,661	2,233
16 Latin America and Caribbean	56,144	50,674	56,719	55,609	55,089	53,788	51,609
17 Asia	5,323	4,502	4,043	3,495	3,497	3,649	3,627
18 Africa	2,033	1,538	1,539	1,512	1,622	1,746	2,192
19 All other[2]	1,107	926	777	611	1,794	2,375	1,063

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	1986				1987				1988
			Mar.	June	Sept.	Dec.	Mar.	June	Sept.	Dec.	Mar.
1 **Total**	**405.7**	**385.3**	**385.6**	**389.7**	**389.5**	**389.6**	**395.2r**	**384.8**	**387.5r**	**381.5r**	**371.4r**
2 G-10 countries and Switzerland	148.1	146.0	152.8	160.3	159.0	158.0	162.7	158.1r	155.6	160.3r	157.2r
3 Belgium-Luxembourg	8.7	9.2	8.2	9.0	8.5	8.4	9.1	8.3	8.2	10.1	9.4
4 France	14.1	12.1	13.6	15.1	14.7	13.8	13.3	12.5	13.7	13.8	11.5
5 Germany	9.0	10.5	11.2	11.5	12.5	11.7	12.7	11.2	10.5	12.6	11.8
6 Italy	10.1	9.6	8.3	9.3	8.1	9.0	8.6	7.5	6.6	7.3	7.4
7 Netherlands	3.9	3.7	3.5	3.4	3.9	4.6	4.4	7.3	4.8	4.1	3.3
8 Sweden	3.2	2.7	2.8	2.9	2.7	2.4	3.0	2.4	2.6	2.1	2.1
9 Switzerland	3.9	4.4	5.3	5.6	4.8	5.8	5.8	5.7	5.4	5.6	5.1
10 United Kingdom	60.3	63.0	67.4	69.2	70.3	71.9	73.7r	72.0r	72.1	69.1	71.2r
11 Canada	7.9	6.8	6.0	7.0	6.2	5.4	5.3	4.7r	4.7	5.6	5.0
12 Japan	27.1	23.9	26.5	27.2	27.4	25.0	26.9	26.3	27.0	30.1r	30.3
13 Other developed countries	33.6	29.9	31.1	30.7	29.5	26.2	25.7	25.2	25.9	26.2	26.2r
14 Austria	1.6	1.5	1.5	1.7	1.7	1.7	1.9	1.8	1.9	1.9	1.6
15 Denmark	2.2	2.3	2.5	2.4	2.3	1.7	1.7	1.5	1.6	1.7	1.4
16 Finland	1.9	1.6	1.9	1.6	1.7	1.4	1.4	1.4	1.4	1.3	1.0
17 Greece	2.9	2.6	2.5	2.6	2.3	2.3	2.1	2.0	1.9	2.0	2.3
18 Norway	3.0	2.9	2.7	3.0	2.7	2.4	2.2	2.1	2.0	2.3	2.0
19 Portugal	1.4	1.2	1.0	1.1	1.0	.8	.8	.8	.8	.5	.4
20 Spain	6.5	5.8	6.4	6.4	6.7	5.8	6.3	6.1	7.4	8.0	9.0
21 Turkey	1.9	1.8	2.1	2.5	2.1	2.0	1.7	1.7	1.5	1.6	1.6
22 Other Western Europe	1.7	2.0	2.4	2.1	1.6	1.4	1.4	1.5	1.6	1.6r	1.9
23 South Africa	4.5	3.2	3.1	3.1	3.1	3.1	3.0	3.0	2.9	2.9	2.8
24 Australia	6.0	5.0	4.9	4.2	4.1	3.5	3.2	3.1	2.9	2.5	2.1r
25 OPEC countries[3]	24.9	21.3	20.4	20.6	20.0	19.6	20.0	18.8	18.9	17.1	17.1
26 Ecuador	2.2	2.1	2.2	2.1	2.2	2.2	2.1	2.1	2.0	1.9	1.9
27 Venezuela	9.3	8.9	8.7	8.8	8.7	8.6	8.5	8.4	8.2	8.0	8.0
28 Indonesia	3.3	3.0	3.3	3.0	2.8	2.5	2.4	2.2	2.0	1.9	1.9
29 Middle East countries	7.9	5.3	4.5	5.0	4.6	4.5	5.4	4.4	4.9	3.6	3.6r
30 African countries	2.3	2.0	1.8	1.7	1.7	1.7	1.6	1.7	1.7	1.7	1.7
31 Non-OPEC developing countries	111.8	104.2	102.9	102.0	100.0	99.7	100.2r	100.1r	97.4r	97.3r	94.0r
Latin America											
32 Argentina	8.7	8.8	8.8	9.2	9.3	9.5	9.5	9.5	9.3	9.4	9.5
33 Brazil	26.3	25.4	25.6	25.5	25.4	25.3	26.0	25.0	25.1	24.7	23.9
34 Chile	7.0	6.9	7.0	7.1	7.2	7.1	7.2	7.2	7.0	6.9	6.6
35 Colombia	2.9	2.6	2.3	2.2	2.0	2.1	2.0	1.9	1.9	2.0	1.9
36 Mexico	25.7	23.9	23.9	24.0	24.0	24.0	23.9	25.3	24.7	23.6	22.5
37 Peru	2.2	1.8	1.7	1.6	1.5	1.5	1.4	1.3	1.2	1.1	1.1
38 Other Latin America	3.9	3.4	3.3	3.3	3.3	3.1	3.0	2.9	2.8	2.7	2.8
Asia											
China											
39 Mainland	.7	.5	.6	.6	.6	.4	.9	.6	.3	.3	.4
40 Taiwan	5.1	4.5	4.3	3.7	4.3	4.9	5.5	6.6	5.9	8.2	6.1r
41 India	.9	1.2	1.2	1.3	1.3	1.2	1.7	1.7	1.9	1.9	2.1
42 Israel	1.8	1.6	1.3	1.6	1.4	1.5	1.4	1.3	1.3	1.0	1.0r
43 Korea (South)	10.6	9.2	9.2	8.7	7.3	6.7	6.2	5.6	4.9	4.9r	5.6r
44 Malaysia	2.7	2.4	2.2	2.0	2.1	2.1	1.9	1.7	1.6	1.5	1.5
45 Philippines	6.0	5.7	5.6	5.7	5.4	5.4	5.4	5.4	5.4	5.1	5.1
46 Thailand	1.8	1.4	1.3	1.1	1.0	.9	.9	.8	.7	.7	1.0
47 Other Asia	1.1	1.0	.9	.8	.7	.7	.6	.7	.7	.7	.7
Africa											
48 Egypt	1.2	1.0	.9	.9	.7	.7	.6	.6	.6	.5	.5
49 Morocco	.8	.9	.9	.9	.9	.9	.9	.9	.8	.9	.9
50 Zaire	.1	.1	.1	.1	.1	.1	.1	.1	.1	.0	.1
51 Other Africa[4]	2.1	1.9	1.9	1.7	1.6	1.6	1.4r	1.1	1.3r	1.1	1.0
52 Eastern Europe	4.4	4.1	4.0	4.0	3.4	3.2	3.0	3.3	3.3	3.0	2.9
53 U.S.S.R.	.1	.1	.3	.3	.1	.1	.1	.3	.5	.4	.3
54 Yugoslavia	2.3	2.2	2.0	2.0	1.9	1.7	1.6	1.7	1.7	1.6	1.7
55 Other	2.0	1.8	1.7	1.7	1.4	1.4	1.3	1.3	1.2	1.0r	.9r
56 Offshore banking centers	65.6	62.9	57.5	55.4	60.5	63.2	63.5	61.1r	64.4r	54.4r	52.7r
57 Bahamas	21.5	21.2	21.2	17.1	19.9	22.3	24.0	20.1r	25.7	17.3	15.9
58 Bermuda	.9	.7	.7	.4	.4	.7	.8	.6	.6	.6	1.8
59 Cayman Islands and other British West Indies	11.8	11.6	9.2	12.2	12.8	13.6	12.5r	14.3r	12.7r	13.2r	11.7r
60 Netherlands Antilles	3.4	2.2	2.2	2.4	1.9	1.8	1.7	1.3	1.2	1.2	1.3
61 Panama[5]	6.7	6.0	4.3	4.2	5.1	4.1	4.2r	3.9r	3.7r	3.7r	3.2
62 Lebanon	.1	.1	.1	.1	.1	.1	.1	.1	.1	.1	.1
63 Hong Kong	11.4	11.4	11.4	9.5	10.5	11.2	11.4	12.5	12.3	11.2r	11.3
64 Singapore	9.8	9.8	8.4	9.3	9.7	9.4	8.6	8.3r	8.1	7.0	7.4
65 Others[6]	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
66 Miscellaneous and unallocated[7]	17.3	16.9	16.8	16.8	17.2	19.8	20.1	18.1	21.9	23.2	21.4r

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. This group comprises the Organization of Petroleum Exporting Countries shown individually, other members of OPEC (Algeria, Gabon, Iran, Iraq, Kuwait, Libya, Nigeria, Qatar, Saudi Arabia, and United Arab Emirates), and Bahrain and Oman (not formally members of OPEC).
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 States[1]

Millions of dollars, end of period

	Type, and area or country	1984	1985	1986	1987				1988
					Mar.	June	Sept.	Dec.	Mar.
1	**Total**	**29,357**	**27,825**	**25,779**	**27,568**	**29,019**	**28,669**	**27,641**	**29,632**
2	Payable in dollars	26,389	24,296	21,980	23,410	24,565	24,141	22,304	23,198
3	Payable in foreign currencies	2,968	3,529	3,800	4,158	4,454	4,528	5,337	6,434
	By type								
4	Financial liabilities	14,509	13,600	12,312	13,183	14,096	13,034	11,625	13,972
5	Payable in dollars	12,553	11,257	9,827	10,446	11,197	10,080	8,148	9,447
6	Payable in foreign currencies	1,955	2,343	2,485	2,737	2,899	2,954	3,477	4,526
7	Commercial liabilities	14,849	14,225	13,467	14,386	14,923	15,635	16,016	15,659
8	Trade payables	7,005	6,685	6,462	7,073	7,286	7,548	7,425	6,619
9	Advance receipts and other liabilities	7,843	7,540	7,004	7,313	7,637	8,086	8,591	9,040
10	Payable in dollars	13,836	13,039	12,153	12,964	13,368	14,061	14,157	13,751
11	Payable in foreign currencies	1,013	1,186	1,314	1,422	1,555	1,574	1,859	1,909
	By area or country								
	Financial liabilities								
12	Europe	6,728	7,700	8,079	8,434	9,713	9,298	7,845	9,850
13	Belgium-Luxembourg	471	349	270	232	257	230	202	241
14	France	995	857	661	758	822	615	415	365
15	Germany	489	376	368	463	402	505	583	586
16	Netherlands	590	861	704	693	669	641	1,014	1,013
17	Switzerland	569	610	646	663	655	685	493	775
18	United Kingdom	3,297	4,305	5,140	5,365	6,646	6,357	4,946	6,689
19	Canada	863	839	399	431	441	397	400	467
20	Latin America and Caribbean	5,086	3,184	1,961	2,366	1,744	961	847	1,310
21	Bahamas	1,926	1,123	614	669	398	280	278	264
22	Bermuda	13	4	4	0	0	0	0	0
23	Brazil	35	29	32	26	22	22	25	23
24	British West Indies	2,103	1,843	1,163	1,545	1,223	580	476	924
25	Mexico	367	15	22	30	29	17	13	15
26	Venezuela	137	3	0	0	2	3	0	2
27	Asia	1,777	1,815	1,805	1,882	2,131	2,300	2,429	2,260
28	Japan	1,209	1,198	1,398	1,480	1,751	1,830	2,042	1,868
29	Middle East oil-exporting countries[2]	155	82	8	7	7	7	8	12
30	Africa	14	12	1	3	1	2	4	5
31	Oil-exporting countries[3]	0	0	1	1	0	0	1	3
32	All other[4]	41	50	67	67	66	76	100	80
	Commercial liabilities								
33	Europe	4,001	4,074	4,447	4,498	4,966	4,951	5,626	5,748
34	Belgium-Luxembourg	48	62	101	85	111	56	125	144
35	France	438	453	352	380	423	437	451	441
36	Germany	622	607	714	582	585	674	916	817
37	Netherlands	245	364	424	356	324	336	421	483
38	Switzerland	257	379	387	484	557	556	559	529
39	United Kingdom	1,095	976	1,341	1,309	1,380	1,473	1,668	1,797
40	Canada	1,975	1,449	1,405	1,407	1,371	1,399	1,301	1,402
41	Latin America and Caribbean	1,871	1,088	924	1,128	1,069	1,082	865	886
42	Bahamas	7	12	32	28	13	22	19	17
43	Bermuda	114	77	156	325	266	252	168	325
44	Brazil	124	58	61	82	88	40	46	59
45	British West Indies	32	44	49	93	67	47	19	14
46	Mexico	586	430	217	189	214	231	189	161
47	Venezuela	636	212	216	223	203	176	162	77
48	Asia	5,285	6,046	5,091	5,814	5,919	6,511	6,573	5,881
49	Japan	1,256	1,799	2,052	2,468	2,481	2,422	2,580	2,518
50	Middle East oil-exporting countries[2,5]	2,372	2,829	1,679	1,943	1,867	2,104	1,964	1,067
51	Africa	588	587	619	520	524	572	574	551
52	Oil-exporting countries[3]	233	238	197	170	166	151	135	133
53	All other[4]	1,128	982	980	1,019	1,074	1,119	1,078	1,193

1. For a description of the changes in the International Statistics tables, see July 1979 BULLETIN, p. 550.
2. Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).
3. Comprises Algeria, Gabon, Libya, and Nigeria.
4. Includes nonmonetary international and regional organizations.
5. Revisions include a reclassification of transactions, which also affects the totals for Asia and the grand totals.

3.23 CLAIMS ON UNAFFILIATED FOREIGNERS Reported by Nonbanking Business Enterprises in the United States[1]

Millions of dollars, end of period

Type, and area or country	1984	1985	1986	1987				1988
				Mar.	June	Sept.	Dec.	Mar.
1 **Total**	**29,901**	**28,876**	**33,399**	**34,094**	**31,628**	**31,405**	**30,055**	**30,372**
2 Payable in dollars	27,304	26,574	31,031	31,446	28,686	28,880	26,965	28,393
3 Payable in foreign currencies	2,597	2,302	2,367	2,649	2,941	2,525	3,089	1,979
By type								
4 Financial claims	19,254	18,891	23,424	24,235	21,736	21,068	19,571	19,584
5 Deposits	14,621	15,526	17,283	16,955	14,687	15,796	13,673	12,238
6 Payable in dollars	14,202	14,911	16,726	16,112	13,482	14,919	12,246	11,684
7 Payable in foreign currencies	420	615	557	842	1,205	877	1,426	555
8 Other financial claims	4,633	3,364	6,141	7,280	7,048	5,271	5,899	7,346
9 Payable in dollars	3,190	2,330	4,792	5,937	5,773	4,151	4,790	6,294
10 Payable in foreign currencies	1,442	1,035	1,349	1,343	1,275	1,120	1,109	1,051
11 Commercial claims	10,646	9,986	9,975	9,859	9,892	10,338	10,483	10,788
12 Trade receivables	9,177	8,696	8,783	8,803	8,849	9,385	9,476	9,739
13 Advance payments and other claims	1,470	1,290	1,192	1,056	1,043	953	1,007	1,049
14 Payable in dollars	9,912	9,333	9,513	9,397	9,431	9,810	9,929	10,415
15 Payable in foreign currencies	735	652	462	463	461	528	554	373
By area or country								
Financial claims								
16 Europe	5,762	6,929	8,827	9,421	9,975	9,475	9,066	9,432
17 Belgium-Luxembourg	15	10	41	15	6	26	6	15
18 France	126	184	138	181	169	171	359	328
19 Germany	224	223	111	163	92	99	69	85
20 Netherlands	66	161	151	132	140	157	282	334
21 Switzerland	66	74	185	77	98	44	76	56
22 United Kingdom	4,864	6,007	7,957	8,500	9,271	8,783	8,040	8,369
23 Canada	3,988	3,260	3,965	3,828	3,344	2,895	2,796	2,840
24 Latin America and Caribbean	8,216	7,846	9,209	9,574	7,554	7,502	6,757	6,397
25 Bahamas	3,306	2,698	2,628	3,968	2,589	3,328	1,865	2,253
26 Bermuda	6	6	6	3	6	2	7	43
27 Brazil	100	78	73	71	103	102	53	86
28 British West Indies	4,043	4,571	6,078	5,157	4,425	3,687	4,378	3,482
29 Mexico	215	180	174	164	167	173	172	154
30 Venezuela	125	48	21	20	20	18	19	35
31 Asia	961	731	1,316	1,188	789	1,105	830	841
32 Japan	353	475	999	931	452	737	550	673
33 Middle East oil-exporting countries[2]	13	4	7	7	6	10	10	8
34 Africa	210	103	85	84	58	71	65	53
35 Oil-exporting countries[3]	85	29	28	19	9	14	7	7
36 All other[4]	117	21	22	140	16	20	58	21
Commercial claims								
37 Europe	3,801	3,533	3,708	3,690	3,845	4,115	4,116	4,132
38 Belgium-Luxembourg	165	175	133	145	137	169	177	192
39 France	440	426	414	419	439	416	593	484
40 Germany	374	346	444	447	526	545	555	629
41 Netherlands	335	284	164	154	172	190	132	150
42 Switzerland	271	284	217	196	187	206	185	173
43 United Kingdom	1,063	898	999	1,072	1,074	1,227	1,086	1,088
44 Canada	1,021	1,023	934	977	1,046	1,049	927	1,169
45 Latin America and Caribbean	2,052	1,753	1,857	1,818	1,728	1,709	1,907	1,969
46 Bahamas	8	13	28	11	14	12	19	14
47 Bermuda	115	93	193	180	169	143	159	171
48 Brazil	214	206	234	216	202	230	226	215
49 British West Indies	7	6	39	25	19	20	25	24
50 Mexico	583	510	412	451	346	368	363	373
51 Venezuela	206	157	237	173	203	192	297	324
52 Asia	3,073	2,982	2,755	2,703	2,642	2,796	2,892	2,871
53 Japan	1,191	1,016	881	927	952	1,026	1,150	1,105
54 Middle East oil-exporting countries[2]	668	638	563	525	452	434	450	402
55 Africa	470	437	500	432	378	407	400	418
56 Oil-exporting countries[3]	134	130	139	141	123	124	144	154
57 All other[4]	229	257	222	240	255	262	240	229

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	1986	1987	1988 Jan.–June	1987 Dec.	1988 Jan.	1988 Feb.	1988 Mar.	1988 Apr.	1988 May	1988 June[p]
	U.S. corporate securities									
STOCKS										
1 Foreign purchases	148,114	249,113	96,007	13,627	12,923	16,344	18,068	15,022[r]	13,654	19,996
2 Foreign sales	129,395	232,849	96,178	16,630	12,891	16,720	18,482	13,705[r]	14,723	19,657
3 **Net purchases, or sales (–)**	**18,719**	**16,264**	**–171**	**–3,004**	**32**	**–376**	**–414**	**1,317[r]**	**–1,069**	**339**
4 **Foreign countries**	**18,927**	**16,313**	**–103**	**–2,943**	**64**	**–344**	**–444**	**1,300[r]**	**–976**	**297**
5 Europe	9,559	1,928	–1,541	–2,329	–222	–323	–360	481	–1,151	33
6 France	459	905	–165	–393	–96	–29	–7	–1	–153	121
7 Germany	341	-74	203	–149	67	–37	171	104	–66	–36
8 Netherlands	936	892	–480	34	–72	59	–223	–145	–43	–56
9 Switzerland	1,560	–1,123	–862	–743	–110	–252	–32	–17	–247	–204
10 United Kingdom	4,826	630	–734	–959	–136	–130	–331	429	–711	146
11 Canada	816	1,048	90	111	147	–167	–61	241	102	–172
12 Latin America and Caribbean	3,031	1,314	247	–50	–143	261	98	230[r]	–82	–116
13 Middle East[1]	976	–1,360	–1,398	–448	104	–251	–788	24	62	–549
14 Other Asia	3,876	12,896	2,332	–160	159	70	577	372	106	1,049
15 Africa	297	123	39	–6	7	–18	5	19	23	3
16 Other countries	373	365	130	–61	12	85	84	–67	–35	51
17 **Nonmonetary international and regional organizations**	**–208**	**–48**	**–68**	**–61**	**–32**	**–33**	**31**	**17**	**–92**	**42**
BONDS[2]										
18 Foreign purchases	123,169	105,856	41,057	6,807	5,024	6,453	7,799	5,618	7,810	8,352
19 Foreign sales	72,520	78,312	29,372	5,432	5,193	6,039	5,594	4,433	3,518	4,594
20 **Net purchases, or sales (–)**	**50,648**	**27,544**	**11,685**	**1,375**	**–169**	**414**	**2,206**	**1,185**	**4,292**	**3,757**
21 **Foreign countries**	**49,801**	**26,804**	**12,206**	**975**	**458**	**532**	**2,201**	**1,186**	**4,262**	**3,567**
22 Europe	39,313	21,989	7,114	576	272	263	1,462	658	2,256	2,202
23 France	389	194	125	–13	51	13	57	7	–18	15
24 Germany	–251	33	1,024	87	61	118	260	347	11	226
25 Netherlands	387	269	308	1	–13	–1	30	58	180	55
26 Switzerland	4,529	1,587	55	–208	–56	60	–14	–15	152	–71
27 United Kingdom	33,900	19,770	5,210	713	333	49	976	228	1,886	1,738
28 Canada	548	1,296	505	114	29	–29	87	104	98	216
29 Latin America and Caribbean	1,476	2,473	930	292	–22	316	245	100	134	157
30 Middle East[1]	–2,961	–548	–238	–16	–164	–76	144	–61	10	–92
31 Other Asia	11,270	1,638	3,905	–7	347	88	270	377	1,749	1,075
32 Africa	16	16	–14	3	0	–22	3	4	–2	4
33 Other countries	139	–61	5	0	–4	–8	–11	5	17	5
34 **Nonmonetary international and regional organizations**	**847**	**740**	**–521**	**400**	**–627**	**–119**	**5**	**–1**	**31**	**191**
	Foreign securities									
35 Stocks, net purchases, or sales (–)	–1,853	1,149	292	840	511	–678	–724	372	963	–152
36 Foreign purchases	49,149	95,263	35,569	4,897	4,989	5,717	6,693	5,797	5,983	6,389
37 Foreign sales	51,002	94,114	35,277	4,057	4,478	6,396	7,417	5,425	5,020	6,542
38 Bonds, net purchases, or sales (–)	–3,685	–7,830	–3,875	–1,490	–1,326	–1,433	–1,179	–137	873	–673
39 Foreign purchases	166,992	199,010	92,802	12,322	12,812	15,858	16,561	15,593	15,119	16,860
40 Foreign sales	170,677	206,840	96,677	13,812	14,137	17,291	17,740	15,730	14,246	17,533
41 **Net purchases, or sales (–), of stocks and bonds**	**–5,538**	**–6,682**	**–3,583**	**–650**	**–814**	**–2,111**	**–1,903**	**235**	**1,836**	**–825**
42 **Foreign countries**	**–6,493**	**–6,713**	**–3,896**	**–336**	**–879**	**–2,131**	**–1,944**	**179**	**1,620**	**–741**
43 Europe	–18,026	–12,083	–3,396	–493	–326	–1,627	–1,541	483	719	–1,104
44 Canada	–876	–4,065	–2,422	107	–654	–648	–366	–406	–162	–186
45 Latin America and Caribbean	3,476	828	1,355	2	126	–64	138	538	322	295
46 Asia	10,858	9,338	511	159	–197	37	–154	–407	716	515
47 Africa	52	89	74	10	9	3	48	14	–1	1
48 Other countries	–1,977	–820	–19	–121	163	169	–70	–43	24	–262
49 **Nonmonetary international and regional organizations**	**955**	**31**	**313**	**–314**	**65**	**20**	**41**	**56**	**216**	**–84**

1. Comprises oil-exporting countries as follows: Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).
2. Includes state and local government securities, and securities of U.S. government agencies and corporations. Also includes issues of new debt securities sold abroad by U.S. corporations organized to finance direct investments abroad.

3.25 MARKETABLE U.S. TREASURY BONDS AND NOTES Foreign Transactions

Millions of dollars

Country or area	1986	1987	1988	1987	1988					
			Jan.–June	Dec.	Jan.	Feb.	Mar.	Apr.	May	June[p]
	Transactions, net purchases or sales (–) during period[1]									
1 **Estimated total[2]**	**19,388**	**25,587**	**38,952**	**2,507**	**4,645**	**12,083**	**9,980**	**3,433**	**11,013**	**–2,202**
2 Foreign countries[2]	20,491	30,889	37,863	4,121	5,740	12,832	9,017	3,728	9,923	–3,377
3 Europe[2]	16,326	23,716	15,885	1,387	4,321	5,878	3,471	2,332	3,108	–3,226
4 Belgium–Luxembourg	–245	653	1,302	–103	469	242	454	47	159	–68
5 Germany[2]	7,670	13,330	2,776	1,157	3,045	1,397	919	1,576	79	–4,241
6 Netherlands	1,283	–913	–327	–78	–337	334	378	117	–22	–796
7 Sweden	132	210	–501	28	–61	26	–245	–93	104	–232
8 Switzerland[2]	329	1,917	262	–530	118	–1,188	643	344	–309	654
9 United Kingdom	4,546	3,975	5,696	1,220	–101	4,373	–244	97	1,523	47
10 Other Western Europe	2,613	4,563	6,645	–307	1,179	678	1,570	238	1,560	1,420
11 Eastern Europe	0	–19	32	1	9	16	–3	5	14	–10
12 Canada	881	4,526	3,505	711	356	559	372	133	1,415	669
13 Latin America and Caribbean	926	–2,192	903	–188	219	630	198	75	360	–580
14 Venezuela	–96	150	37	1	0	–1	20	15	1	2
15 Other Latin America and Caribbean	1,130	–1,142	815	120	184	320	169	97	–17	63
16 Netherlands Antilles	–108	–1,200	51	–309	36	311	10	–36	376	–645
17 Asia	1,345	4,488	16,874	2,210	772	5,921	5,463	713	4,427	–422
18 Japan	–22	868	15,719	2,012	2,979	4,996	4330	687	2,820	–92
19 Africa	–54	–56	–23	49	–38	25	5	0	–13	–1
20 All other	1,067	407	720	–48	110	–182	–492	475	626	183
21 Nonmonetary international and regional organizations	–1,104	–5,300	1,091	–1,614	–1,095	–748	963	–295	1,091	1,175
22 International	–1,430	–4,387	1,432	–1,620	–1,023	–879	968	–334	1,155	1,546
23 Latin American regional	157	3	–29	0	8	–2	–5	0	7	–38
Memo										
24 Foreign countries[2]	20,491	30,889	37,863	4,121	5,740	12,832	9,017	3,728	9,923	–3,377
25 Official institutions	14,214	31,064	26,840	1,670	5,118	7,169	8,146	3,075	5,062	–1,730
26 Other foreign[2]	6,283	–181	11,021	2,451	622	5,663	871	653	4,860	–1,648
Oil-exporting countries										
27 Middle East[3]	–1,529	–3,142	–827	338	–809	–296	578	514	–612	–201
28 Africa[4]	5	16	1	–1	0	0	0	0	0	0

1. Estimated official and private transactions in marketable U.S. Treasury securities with an original maturity of more than 1 year. Data are based on monthly transactions reports. Excludes nonmarketable U.S. Treasury bonds and notes held by official institutions of foreign countries.
2. Includes U.S. Treasury notes publicly issued to private foreign residents denominated in foreign currencies.
3. Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).
4. Comprises Algeria, Gabon, Libya, and Nigeria.

3.26 DISCOUNT RATES OF FOREIGN CENTRAL BANKS

Percent per year

Country	Rate on Aug. 31, 1988		Country	Rate on Aug. 31, 1988		Country	Rate on Aug. 31, 1988	
	Percent	Month effective		Percent	Month effective		Percent	Month effective
Austria	4.0	Aug. 1988	France[1]	7.0	Aug. 1988	Norway	8.0	June 1983
Belgium	7.5	Aug. 1988	Germany, Fed. Rep. of	3.5	Aug. 1988	Switzerland	3.0	Aug. 1988
Brazil	49.0	Mar. 1981	Italy	12.5	Aug. 1988	United Kingdom[2]	....	....
Canada	9.80	Aug. 1988	Japan	2.5	Feb. 1987	Venezuela	8.0	Oct. 1985
Denmark	7.0	Oct. 1983	Netherlands	4.0	Aug. 1988			

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 year, averages of daily figures

Country, or type	1985	1986	1987	1988						
				Feb.	Mar.	Apr.	May	June	July	Aug.
1 Eurodollars	8.27	6.70	7.07	6.73	6.74	7.05	7.40	7.61	8.09	8.47
2 United Kingdom	12.16	10.87	9.65	9.18	8.83	8.25	8.00	8.91	10.45	11.29
3 Canada	9.64	9.18	8.38	8.58	8.63	8.90	9.07	9.44	9.42	9.92
4 Germany	5.40	4.58	3.97	3.29	3.38	3.37	3.51	3.88	4.88	5.28
5 Switzerland	4.92	4.19	3.67	1.48	1.61	1.83	2.23	2.82	3.67	3.57
6 Netherlands	6.29	5.56	5.24	3.98	3.97	3.98	4.07	4.10	4.85	4.50
7 France	9.91	7.68	8.14	7.54	7.89	7.99	7.81	7.27	7.32	7.58
8 Italy	14.86	12.60	11.15	10.80	11.11	10.54	10.57	10.90	11.02	11.02
9 Belgium	9.60	8.04	7.01	6.19	6.09	6.08	6.05	6.04	6.84	7.25
10 Japan	6.47	4.96	3.87	3.82	3.82	3.80	3.80	3.82	3.84	3.98

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[1]

Currency units per dollar

Country/currency	1985	1986	1987	1988 Mar.	1988 Apr.	1988 May	1988 June	1988 July	1988 Aug.
1 Australia/dollar[2]	70.026	67.093	70.136	73.29	74.80	77.74	80.76	80.00	80.57
2 Austria/schilling	20.676	15.260	12.649	11.767	11.744	11.912	12.380	12.991	13.281
3 Belgium/franc	59.336	44.662	37.357	35.126	34.962	35.381	36.786	38.649	39.562
4 Canada/dollar	1.3658	1.3896	1.3259	1.2492	1.2353	1.2373	1.2176	1.2075	1.2237
5 China, P.R./yuan	2.9434	3.4615	3.7314	3.7314	3.7314	3.7314	3.7314	3.7314	3.7314
6 Denmark/krone	10.598	8.0954	6.8477	6261	6.4207	6.4938	6.6893	7.0266	7.2280
7 Finland/markka	6.1971	5.0721	4.4036	4.0483	4.0064	4.0297	4.1761	4.3896	4.4720
8 France/franc	8.9799	6.9256	6.0121	5.6893	5.6704	5.7348	5.9310	6.2241	6.3919
9 Germany/deutsche mark	2.9419	2.1704	1.7981	1.6770	1.6710	1.6935	1.7579	1.8466	1.8880
10 Greece/drachma	138.40	139.93	135.47	134.60	133.86	135.75	140.69	147.85	151.62
11 Hong Kong/dollar	7.7911	7.8037	7.7985	7.8028	7.8166	7.8156	7.8073	7.8135	7.8050
12 India/rupee	12.332	12.597	12.943	12.979	13.158	13.315	13.785	14.079	14.217
13 Ireland/punt[2]	106.62	134.14	148.79	159.33	159.81	157.78	152.65	145.49	142.17
14 Italy/lira	1908.90	1491.16	1297.03	1240.67	1240.99	1258.81	1305.56	1367.26	1397.93
15 Japan/yen	238.47	168.35	144.60	127.11	124.90	124.79	127.47	133.02	133.77
16 Malaysia/ringgit	2.4806	2.5830	2.5185	2.5689	2.5743	2.5847	2.5860	2.6267	2.6520
17 Netherlands/guilder	3.3184	2.4484	2.0263	1.8837	1.8749	1.8987	1.9767	2.0827	2.1319
18 New Zealand/dollar[2]	49.752	52.456	59.327	66.239	66.143	68.889	69.996	66.832	64.815
19 Norway/krone	8.5933	7.3984	6.7408	6.3337	6.2140	6.1875	6.3951	6.7207	6.9016
20 Portugal/escudo	172.07	149.80	141.20	137.48	136.77	138.44	143.54	150.42	153.72
21 Singapore/dollar	2.2008	2.1782	2.1059	2.0133	2.0044	2.0109	2.0285	2.0459	2.0417
22 South Africa/rand	2.2343	2.2918	2.0385	2.1330	2.1428	2.2114	2.2716	2.3985	2.4531
23 South Korea/won	861.89	884.61	825.93	757.37	745.31	739.44	732.88	728.67	725.74
24 Spain/peseta	169.98	140.04	123.54	112.38	110.80	112.04	116.25	122.27	124.122
25 Sri Lanka/rupee	27.187	27.933	29.471	30.892	30.939	30.993	31.133	31.782	32.807
26 Sweden/krona	8.6031	7.1272	6.3468	5.9497	5.8892	5.9091	6.1074	6.3542	6.4878
27 Switzerland/franc	2.4551	1.7979	1.4918	1.3863	1.3823	1.4111	1.4629	1.5343	1.5837
28 Taiwan/dollar	39.889	37.837	31.756	28.687	28.695	28.666	28.723	28.726	28.693
29 Thailand/baht	27.193	26.314	25.774	25.232	25.171	25.170	25.280	25.523	25.560
30 United Kingdom/pound[2]	129.74	146.77	163.98	183.30	187.82	186.95	177.68	170.51	169.65
MEMO									
31 United States/dollar[3]	143.01	112.22	96.94	89.73	88.95	89.74	92.58	96.53	98.29

1. Averages of certified noon buying rates in New York for cable transfers. Data in this table also appear in the Board's G.5 (405) release. For address, see inside front cover.
2. Value in U.S. cents.
3. Index of weighted-average exchange value of U.S. dollar against the currencies of 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).

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

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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.

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List Published Semiannually, with Latest Bulletin Reference

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Anticipated schedule of release dates for periodic releases	July 1988	A87

Special Tables

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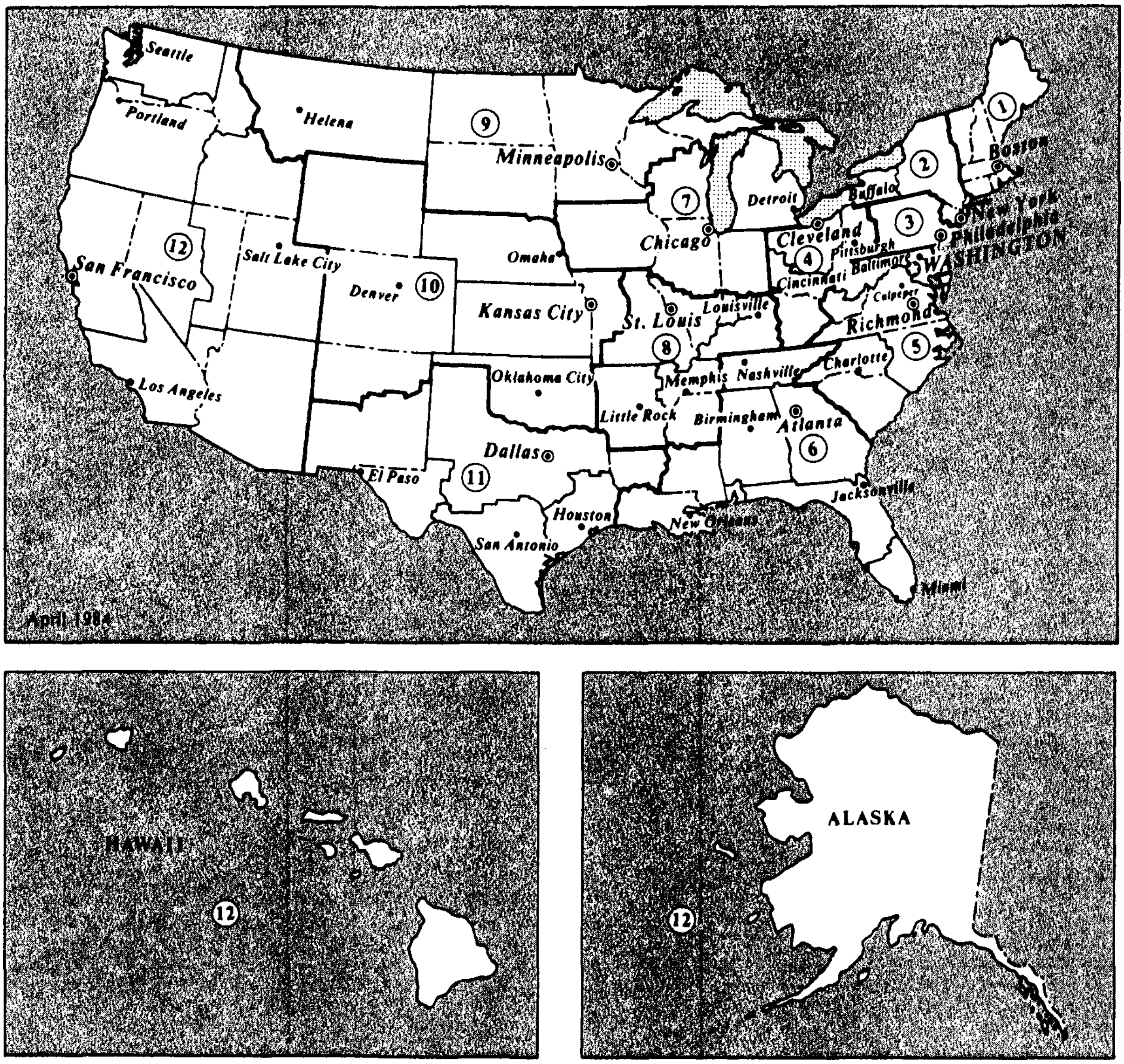

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- Boundaries of Federal Reserve Branch Territories
- Board of Governors of the Federal Reserve
- Federal Reserve Bank Cities
- Federal Reserve Branch Cities
- Federal Reserve Bank Facility