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Arthur F. Burns

The Anguish of Central Banking

Arthur F. Burns, who died on June 26, 1987, was Chairman of the Board of Governors of the Federal Reserve System from 1970 to 1978. The following article is a reprint of the address Dr. Burns gave as the sixteenth Per Jacobsson Lecture, at Belgrade, Yugoslavia, on September 30, 1979. The Federal Reserve reprints the lecture as a memorial to Dr. Burns.

The international monetary system, which has been in almost constant turmoil during this decade, has benefited recently from several developments. Under the amended Articles of Agreement, the International Monetary Fund can exercise firm surveillance over the exchange rate policies of its members and is therefore now in a position to move the nations of the world toward a rule of law in international monetary affairs. Another promising development is the establishment of the European Monetary System, with the aim of maintaining relatively stable exchange rates within the Common Market.

A third positive development is recognition by the United States that the persisting deficits in its international current account must be eliminated, and that in the meantime decisive intervention to protect the external value of the dollar may well be needed. The conventional theory that a depreciating currency is beneficial to a nation's foreign trade and to its overall economic activity has lost its appeal within the American government. The officials concerned with economic policy have learned that whatever merit may in some circumstances attach to this theory, it is a dangerous guide for a country whose currency is still the centerpiece of the international monetary system. "Benign neglect" of the external value of the dollar came to an end dramatically, and I would hope irrevocably, in November 1978.

This and other constructive developments suggested earlier in 1979 that a closer approach to international equilibrium was under way, and calm returned for a while to foreign exchange markets. But uneasiness about the monetary system, particularly about the future of the dollar, has continued and in fact intensified this summer. There have been ample reasons for concern—among them, the political convulsions in Iran, the enormous new increases in oil prices by OPEC, the narrowing at times of interest rate differentials between New York and foreign money market centers, and the limited progress in developing an effective energy policy in the United States. While all these factors contributed to nervousness, what has been most disturbing to foreign exchange markets in recent months is the reacceleration of inflation in the United States and in much of the rest of the world. Even Germany and Switzerland no longer qualify as islands of stability.

This unhappy development is one more indication, if any were needed, that the current instability in international finance is largely a consequence of the chronic inflation of our times and that stability will not return to the international monetary system until reasonably good control over inflationary forces has been achieved in the major industrial nations—and especially in the United States. This critical consideration at once raises serious questions: Why is the worldwide disease of inflation proving so stubborn? Why is it not yielding to the various efforts of the affected nations, including some determined efforts, to bring it to an end? Why, in particular, have central bankers, whose main business one might suppose is to fight inflation, been so ineffective in dealing with this worldwide problem?

To me, as a former central banker, the last of these questions is especially intriguing. One of the time-honored functions of a central bank is to protect the integrity of its nation's currency, both domestically and internationally. In mone-

NOTE. Permission to reprint this address was given by the Per Jacobsson Foundation. Dr. Burns acknowledged the counsel and assistance of Dr. Arthur Broida.

tary policy central bankers have a potent means for fostering stability of the general price level. By training, if not also by temperament, they are inclined to lay great stress on price stability, and their abhorrence of inflation is continually reinforced by contacts with one another and with like-minded members of the private financial community. And yet, despite their antipathy to inflation and the powerful weapons they could wield against it, central bankers have failed so utterly in this mission in recent years. In this paradox lies the anguish of central banking.

My aim today is to consider the causes of this paradox and its implications for the future. Much of what I say will inevitably reflect lessons that I learned during my service as Chairman of the Federal Reserve Board over an eight-year period that ended about eighteen months ago. This may be a good time to reflect on that experience; a year ago I was probably too close to it to have the necessary perspective, and a year from now the sharpness of my impressions may have begun to fade.

I shall focus mainly, although not exclusively, on the United States. That is the area that I know best, and I also believe the American experience—despite some unique aspects—is fairly representative of that of other industrial countries. The developing nations have their own characteristic sources and patterns of inflation. Nevertheless, in our interdependent world, economic conditions in the United States and other industrial countries are bound to have a significant bearing on the fortunes of developing countries.

By way of introduction, I might note that during much of the period since the end of World War II, overall economic developments were, in the main, satisfactory. By prewar standards, recessions were brief and mild through the mid-1960s, both in the United States and in other industrial countries; world trade expanded rapidly under a beneficent regime of stable exchange rates; and living standards rose impressively throughout the developed world. In most industrial countries inflationary pressures were troublesome from time to time—as in the immediate postwar years, during the Korean hostilities, and for a couple of years after the mid-1950s. These pressures were more substantial in some countries than in the United States, but in none did inflation appear to be out of control.

From 1958 through 1964, the United States enjoyed a remarkable degree of price stability. During that stretch of six years, the wholesale price index remained virtually unchanged and the consumer price index rose at an annual rate of only a little more than 1 percent. And then the inflation that has ever since been plaguing the American economy got under way. Average wholesale prices rose at an annual rate of 2 percent from 1964 to 1968, 4 percent from 1968 to 1972, and 10 percent from 1972 to 1978. This pattern of accelerating price increases is found in other countries also, although rates of increase have varied widely, and in most industrial nations the acceleration began later—typically in 1969 or 1970.

Analyses of the inflation that the United States has experienced over the past fifteen years frequently proceed in three stages. First are considered the factors that launched inflation in the mid-1960s, particularly the governmental fine tuning inspired by the New Economics and the loose financing of the war in Vietnam. Next are considered the factors that led to subsequent strengthening of inflationary forces, including further policy errors, the devaluations of the dollar in 1971 and 1973, the worldwide economic boom of 1972–73, the crop failures and resulting surge in world food prices in 1973–74, the extraordinary increases in oil prices that became effective in 1974, and the sharp deceleration of productivity growth from the late 1960s onward. Finally, attention is turned to the process whereby protracted experience with inflation has led to widespread expectations that it will continue in the future, so that inflation has acquired a momentum of its own.

I have no quarrel with analyses of this type. They are distinctly helpful in explaining the American inflation and, with changes here and there, that in other nations also. At the same time, I believe that such analyses overlook a more fundamental factor: the persistent inflationary bias that has emerged from the philosophic and political currents that have been transforming economic life in the United States and elsewhere since the 1930s. The essence of the unique inflation of our times and the reason central bankers have been ineffective in dealing with it can be understood only in terms of those currents of thought and the political environment they have created.

Historically, Americans have had deep faith in the concept of progress—in the idea that it was realistic to expect to better one's own lot and that of one's family in the course of a lifetime. During the greater part of America's history, government intervention in economic life was only peripheral. Personal progress was generally viewed as a reward for personal effort—assisted, perhaps, by good fortune. Provision for bad times or other contingencies of life was deemed prudent, but that was a private responsibility. The American's way through life lay along the road of self-reliance; only in extremity did he look to government or his neighbors for economic assistance.

This tradition of individualism was shattered by the cataclysmic events of the 1930s and 1940s. The breakdown of economic order during the Great Depression was unprecedented in its scale and scope, and it strained the precept of self-reliance beyond the breaking point. With one-quarter of the labor force unemployed, personal courage and moral stamina could guarantee neither a job nor a livelihood. Succor finally came through a political idea that was novel to a majority of the American people but compelling nonetheless—namely, that the federal government had a far larger responsibility in the economic sphere than it had hitherto assumed.

Under the New Deal the federal government undertook extensive projects of public construction and offered work relief as well. It gave direct relief to the needy—a function previously performed only by local authorities or private charity. It established unemployment insurance and old-age pensions. It took steps to raise wages and prices with a view to fostering economic recovery. And beyond these innovative actions, the federal government greatly extended the range of its regulatory activities. It intervened massively in the securities market, in banking, in the public utilities industry, in the housing market, and in the farm sector; and it gave labor unions broad new rights and powers. Together, these and other New Deal measures laid the foundations of an activist government—a government responsible not only for relieving suffering and insuring against economic adversity, but also for limiting "harmful" competition, subsidizing "worthwhile" activities, and redressing unequal balances of market power. In less than a decade the government became a leading actor on the economic stage.

Just as Americans were persuaded during the depression that the federal government should help the unemployed, so they were taught by the experience of World War II to look to government to prevent unemployment in the first place. Under the compulsions of war, the government had demonstrated that it could assure gainful employment for every willing hand. It therefore seemed reasonable—and not only to the followers of Keynes—to expect government to do the same in a time of peace. In 1944, when President Roosevelt set forth the basis of his postwar domestic program in an "Economic Bill of Rights," he put "the right to a useful and remunerative job" at the head of the list. With the war ended, the Employment Act of 1946 explicitly proclaimed the federal government's responsibility to promote "maximum employment," and this came to mean "full employment" as a matter of law as well as popular usage.

Armed with the Employment Act of 1946, the government sought to demonstrate that it could combat unemployment with preventive as well as curative measures. In fact, the period from World War II to the mid-1960s was marked not only by a dampening of the business cycle but also by persistent increases in the prosperity of American families. On the one side, rising incomes, reflecting substantial gains in labor productivity, made possible rising consumption, greater leisure, and better provision for retirement. On the other side, a steady stream of new and often improved consumer goods tended to sustain the growth of aggregate demand. The extensive development of consumer credit institutions made it easier for people to acquire automobiles, household appliances, and other goods and services, the desire for which was continually being whetted by alluring advertisements and the illustrations of potential life styles broadcast by television and the movies. The seemingly inexorable rise in living standards for the bulk of the population was reflected in upward trends in the proportion of families that owned their own home, that owned a summer home, that possessed one, two, and even three automobiles, that had telephones, that owned televison sets, clothes washers, and food freezers; also in the proportion of the population that had graduated from high school and from college, that traveled abroad, that owned corporate stock, that carried life insurance, and so on.

This experience of economic progress strengthened the public's expectations of progress. What had once been a quiet personal feeling that the long future would be better than the past, particularly for one's children, was transformed during the postwar years into an articulate and widespread expectation of steady improvement in living standards—indeed, into a feeling of entitlement to annual increases in real income.

But the rapid rise in national affluence did not create a mood of contentment. On the contrary, the 1960s were years of social turmoil in the United States, as they were in other industrial democracies. In part, the unrest reflected discontent by blacks and other minorities with prevailing conditions of social discrimination and economic deprivation—a discontent that erupted during the "hot summers" of the middle 1960s in burning and looting. In part, the social unrest reflected growing feelings of injustice by or on behalf of other groups—the poor, the aged, the physically handicapped, ethnics, farmers, blue-collar workers, women, and so forth. In part, the unrest reflected a growing rejection by middle-class youth of prevailing institutions and cultural values. In part, it reflected the more or less sudden *recognition* by broad segments of the population that the economic reforms of the New Deal and the more recent rise in national affluence had left untouched problems in various areas of American life—social, political, economic, and environmental. And interacting with all these sources of social disturbance were the heightening tensions associated with the Vietnam War.

In the innocence of the day, many Americans came to believe that all of the new or newly discovered ills of society should be addressed promptly by the federal government. And in the innocence of the day, the administration in office attempted to respond to the growing demands for social and economic reform while waging war in Vietnam on a rising scale. Under the rubric of the New Economics, a more activist policy was adopted for the purpose of increasing the rate of economic growth and reducing the level of unemployment. Under the rubrics of the New Frontier and the Great Society, broad-scale efforts were made to stitch up open seams in the fabric of affluence—inadequate or unequal education, housing, medical care, nutrition. Under the rubrics of civil rights and citizen participation, minorities and other disadvantaged groups were given political weapons to maintain, consolidate, and extend their gains.

The interplay of governmental action and private demands had an internal dynamic that led to their concurrent escalation. When the government undertook in the mid-1960s to address such "unfinished tasks" as reducing frictional unemployment, eliminating poverty, widening the benefits of prosperity, and improving the quality of life, it awakened new ranges of expectation and demand. Once it was established that the key function of government was to solve problems and relieve hardships—not only for society at large but also for troubled industries, regions, occupations, or social groups—a great and growing body of problems and hardships became candidates for governmental solution. New techniques for bringing pressure on the Congress—and also on the state legislatures and other elected officials—were developed, refined, and exploited. The Congress responded by pouring out a broad stream of measures that involved government spending, special tax relief, or regulations mandating private spending. Every *demonstration of a successful tactic in securing* rights, establishing entitlements, or extracting other benefits from government led to new applications of that tactic. Various groups found a powerful ally in the federal courts, which repeatedly struck down legislative or administrative limitations on access to government benefits. Even government employees, particularly at the state and municipal levels, discovered the pecuniary rewards of shedding genteel notions of public service and pressing economic demands with a strident militancy.

Many results of this interaction of government and citizen activism proved wholesome. Their cumulative effect, however, was to impart a strong inflationary bias to the American economy. The proliferation of government programs led to progressively higher tax burdens on both individuals and corporations. Even so, the willingness of government to levy taxes fell distinctly short of its propensity to spend. Since 1950, the federal budget has been in balance in only five years. Since 1970, a deficit has occurred in every year. Not only that, but the deficits have been mounting in size. Budget deficits have thus become a chronic condition of federal finance; they have been incurred when business conditions were poor and also when business was booming. But when the government runs a budget deficit, it pumps more money into the pocketbooks of people than it withdraws from their pocketbooks; the demand for goods and services therefore tends to increase all around. That is the way the inflation that has been raging since the mid-1960s first got started and later kept being nourished.

The pursuit of costly social reforms often went hand in hand with the pursuit of full employment. In fact, much of the expanding range of government spending was prompted by the commitment to full employment. Inflation came to be widely viewed as a temporary phenomenon—or, provided it remained mild, as an acceptable condition. "Maximum" or "full" employment, after all, had become the nation's major economic goal—not stability of the price level. That inflation ultimately brings on recession and otherwise nullifies many of the benefits sought through social legislation was largely ignored. Even conservative politicians and businessmen began echoing Keynesian teachings. It therefore seemed only natural to federal officials charged with economic responsibilities to respond quickly to any slackening of economic activity—at times, in fact, as in the early days of 1977, to sheer illusions of such slackening—but to proceed very slowly and cautiously in responding to evidence of increasing pressure on the nation's resources of labor and capital. Fear of immediate unemployment—rather than fear of current or eventual inflation—thus came to dominate economic policymaking.

This weighting of the scales of government policy inevitably gave an inflationary twist to the economy, and so too did the expanding role of government regulation. Traditional ways of protecting particular groups against competition—such as raising farm price supports, increasing minimum wages, and imposing import quotas—did not lose their appeal as inflation kept soaring. On the contrary, all these devices of raising costs and prices were liberally employed even in the face of accelerating inflation during 1977 and 1978. Also troublesome were the newer social regulations—those concerned with health, safety, and the environment—that kept multiplying during the 1970s. However laudable in purpose, much of this regulatory apparatus was conceived in haste and with little regard to the costs being imposed on producers. Substantial amounts of capital that might have gone into productivity-enhancing investments by private industry were thus diverted into uses mandated by the regulators. Improvements in productivity were also slowed by the discouragement of business investment that resulted from the increasing burden of income and capital gains taxes. Progress in equipping the work force with new plant and equipment proceeded much less rapidly during the 1970s than during the 1950s or 1960s, and this shortfall contributed to the productivity slump and thus to the escalation of costs and prices.

Additional forces on the side of supply contributed to the inflationary bias. As the income-maintenance programs established by government were liberalized, incentives to work tended to diminish. Some individuals, both young and old, found it agreeable to live much of the time off unemployment insurance, food stamps, and welfare checks—perhaps supplemented by intermittent jobs in an expanding underground economy. Even enterprising and ambitious individuals who sought permanent jobs could be more leisurely or more discriminating in their search when the government, besides pursuing a full-employment policy, provided a protective income umbrella during jobless periods. In such an environment, employed workers could demand and often achieve longer vacations with pay and more frequent holidays and sick leave, besides enjoying coffee breaks and other social rites on the job. In such an environment, they could afford to reject a pay cut or a small wage increase when their employer pleaded serious financial difficulties. Thus the number of individuals counted as unemployed could rise even at times when job vacancies, wages, and the consumer price level were rising.

The philosophic and political currents that transformed economic life and brought on secular *inflation in the United States have run* strong also in other industrial countries. Rising economic expectations of people, wider citizen participation in the political arena, governmental commitments to full employment, liberal income-maintenance programs, expanding governmental regulations, and increasingly pressing demands on government for the solution of economic and social problems—all these became common features of the industrial democracies. And just as the rapid expansion of government activities in the United States was accompanied by persistent budget deficits and inflation, that too happened in other industrial countries. Indeed, other countries have often practiced loose governmental finance and inflation on a more intensive scale than has the United States.

And so I finally come to the role of central bankers in the inflationary process. The worldwide philosophic and political trends on which I have been dwelling inevitably affected their attitudes and actions. In most countries, the central bank is an instrumentality of the executive branch of government—carrying out monetary policy according to the wishes of the head of government or the ministry of finance. Some industrial democracies, to be sure, have substantially independent central banks, and that is certainly the case in the United States. Viewed in the abstract, the Federal Reserve System had the power to abort the inflation at its incipient stage fifteen years ago or at any later point, and it has the power to end it today. At any time within that period, it could have restricted the money supply and created sufficient strains in financial and industrial markets to terminate inflation with little delay. It did not do so because the Federal Reserve was itself caught up in the philosophic and political currents that were transforming American life and culture.

The Employment Act of 1946 prescribes that "it is the continuing policy and responsibility of the Federal Government to . . . utilize all its plans, functions, and resources . . . to promote maximum employment." The Federal Reserve is subject to this provision of law, and that has limited its practical scope for restrictive actions—quite apart from the fact that some members of the Federal Reserve family had themselves been touched by the allurements of the New Economics. Every time the government moved to enlarge the flow of benefits to the population at large, or to this or that group, the assumption was implicit that monetary policy would somehow accommodate the action. A similar tacit assumption was embodied in every pricing decision or wage bargain arranged by private parties or the government. The fact that such actions could in combination be wholly incompatible with moderate rates of monetary expansion was seldom considered by those who initiated them, despite the frequent warnings by the Federal Reserve that new fires of inflation were being ignited. If the Federal Reserve then sought to create a monetary environment that fell seriously short of accommodating the upward pressures on prices that were being released or reinforced by governmental action, severe difficulties could be quickly produced in the economy. Not only that, the Federal Reserve would be frustrating the will of the Congress, to which it was responsible—a Congress that was intent on providing additional services to the electorate and on assuring that jobs and incomes were maintained, particularly in the short run.

Facing these political realities, the Federal Reserve was still willing to step hard on the monetary brake at times—as in 1966, 1969, and 1974—but its restrictive stance was not maintained long enough to end inflation. By and large, monetary policy came to be governed by the principle of undernourishing the inflationary process while still accommodating a good part of the pressures in the marketplace. The central banks of other industrial countries, functioning as they did in a basically similar political environment, appear to have behaved in much the same fashion.

In describing as I just have the anguish of central banking in a modern democracy, I do not mean to suggest that central bankers are free from responsibility for the inflation that is our common inheritance. After all, every central bank has some room for discretion, and the range is considerable in the more independent central banks. As the Federal Reserve, for example, kept testing and probing the limits of its freedom to undernourish the inflation, it repeatedly evoked violent criticism from both the Executive Branch and the Congress and therefore had to devote much of its energy to warding off legislation that could destroy any hope of ending inflation. This testing process necessarily involved political judgments, and the Federal Reserve may at times have overestimated the risks attaching to additional monetary restraint.

Any such errors of political judgment are extremely hard to identify; but I believe, in any event, that errors of economic or financial judgment have in practice been far more significant. In a rapidly changing world the opportunities for making mistakes are legion. Even facts about current conditions are often subject to misinterpretation. Statistics on unemployment in the United States provide a good example. Even before World War II ended, some economists were trying to determine how much frictional and structural unemployment would exist when the demand for labor and the supply of labor were in balance; in other words, the rate of unemployment that would reflect a state of full employment. Before long, a broad consensus developed that an unemployment rate of about 4 percent corresponded to a practical condition of full employment, and that figure became enshrined in economic writing and policymaking. Conditions in labor markets, however, did not stand still. A huge influx of women and young people into the labor force, the liberalization of unemployment insurance, the spread of welfare programs, the progressive lifting of statutory minimum wages, the increasing proportion of families having more than one worker, and the increase of national affluence itself—all these changes in the economic and social environment served to render the conventional 4 percent figure obsolete. The unemployment rate corresponding to full employment is now widely believed to be about 5½ or 6 percent, and the 1979 report of the Council of Economic Advisers appears to concur in that judgment. But governmental policymakers, while generally aware of what was happening in the labor market, were slow to recognize the changing meaning of unemployment statistics, whether viewed as a measure of economic performance or as a measure of hardship. The Federal Reserve did not escape this lag of recognition, and, once again, I believe that other central banks at times have made similar mistakes.

While misinterpretations of unemployment statistics or other current information have consequences for all public policymaking, there are other problems of interpretation to which the central banker's calling is peculiarly subject. Monetary theory is a controversial area. It does not provide central bankers with decision rules that are at once firm and dependable. To be sure, every central banker has learned from the world's experience that an expanding economy requires expanding supplies of money and credit, that excessive creation of money will over the longer run cause or validate inflation, and that declining interest rates will tend to stimulate economic expansion while rising interest rates will tend to restrict it; but this knowledge stops short of mathematical precision.

Partly as a result of the chronic inflation of our times, central bankers have been giving closer attention to the money supply than did their predecessors; but they continue to be seriously concerned with the behavior of interest rates. They face difficult questions about the relative weight to be given to measures of money and interest rates in the short run and long run; about the concept or concepts of money that are most significant for policy purposes; about the interpretation of such developments as the growth of Eurocurrency deposits and credits; about the length and regularity of the lags with which changes in monetary growth rates influence business activity and prices; about the likely changes in monetary velocity as a consequence of institutional innovations and business cycle developments; and so on and on—as any student of central banking and monetary theory well knows. And there are more fundamental problems about potential conflicts between domestic and international objectives, about the appropriate response to exceptional events not encompassed by theory, and about the precise relevance of any theory based on past experience to a world where behavioral patterns are continually evolving.

It is clear, therefore, that central bankers can make errors—or encounter surprises—at practically every stage of the process of making monetary policy. In some respects, their capacity to err has become larger in our age of inflation. They are accustomed, as are students of finance generally, to think of high and rising market interest rates as a restraining force on economic expansion. That rule of experience, however, tends to break down once expectations of inflation become widespread in a country. At such a time, lenders expect to be paid back in cheaper currency, and they are therefore apt to demand higher interest rates. Since borrowers have similar expectations, they are willing to comply. An "inflation premium" thus gets built into nominal interest rates. In principle, no matter how high the nominal interest rate may be, as long as it stays below or only slightly above the inflation rate, it very likely will have perverse effects on the economy; that is, it will run up costs of doing business but do little or nothing to restrain overall spending. In practice, since inflationary expectations, and therefore the real interest rates implied by any given nominal rate, vary among individuals, central bankers cannot be sure of the magnitude of the inflation premium that is built into nominal rates. In many countries, however, these rates have at times in recent years been so clearly below the ongoing inflation rate that one can hardly escape the impression that, however high or outrageous the nominal rates may appear to observers accustomed to judging them by a historical yardstick, they have utterly failed to accomplish the restraint that central bankers sought to achieve. In other words, inflation has often taken the sting out of interest rates—especially, as in the United States, where interest payments can be deducted for income tax purposes.

In addition to these direct effects of inflation, there are other effects that raise doubts about the meaning of particular growth rates of the monetary aggregates. I have in mind changes in financial practices that evolved in the United States during the 1960s—particularly during the bouts with tight money in 1966 and 1969—and that culminated in an explosion of financial innovations in the 1970s.

Many of these changes were facilitated by regulatory actions or the development of new computer technology. But the driving force behind them was the incentive that sharply rising market interest rates gave to financial institutions and their customers to change their ways of doing business. Commercial banks responded to rising rates by economizing on non-interest-bearing reserves, and their customers responded by economizing on non-interest-bearing demand deposits. Both banks and large corporations developed new sources of funds in the Eurodollar market and the domestic commercial paper market. Banks developed new techniques of liability management by exploiting these sources as well as the vast potential of the federal funds market and the market for negotiable certificates of deposit. Other financial institutions—including savings banks, savings and loan associations, credit unions, and money market mutual funds—developed new transactions services in connection with customer accounts on which they paid interest. Banks fought this competition for transactions balances by offering large depositors special services that reduced the average level of balances they had to carry and by employing various ingenious means to pay interest on balances that were held in large part for transactions purposes.

Developments of these kinds have had profound consequences for the environment in which American monetary policy operates. Not long ago, the thrust of monetary restraint was conveyed more by reductions in the availability of credit—particularly residential mortgage credit—than by rising interest rates; at present, rising interest rates are the primary channel of restraint. This means that a higher level of interest rates is required to achieve any given degree of restraint—quite apart from the effects of inflation premiums that I discussed earlier. But how much higher is not clear; only time will tell. Not long ago, changes in M1, the familiar monetary aggregate confined to currency and demand deposits, reflected reasonably well changes in the aggregate volume of transactions balances; at present, with new alternatives to bank demand deposits emerging all the time, a lower rate of growth in M1 is required to achieve any given degree of restraint. But how much lower is not clear; only time will tell. Nor is it clear what other monetary aggregate, if any would be more serviceable than the traditional M1 as a monetary indicator. As a result of these effects of inflation, central banking has lost its moorings not only in interest rates: that has happened to a large extent also in the case of the monetary aggregates—certainly in the United States and perhaps in other countries as well.

There is no need to expand further on the opportunities for misjudgment that in recent years have surrounded policymaking at central banks. Some uncertainty, of course, has always characterized monetary policy, just as it has characterized policy decisions generally, whether in public or private life. It should be noted, however, that lags in recognizing some of the developments I have been discussing—with respect to unemployment rates, interest rates, and growth rates of the monetary aggregates—would tend to bias policy toward monetary ease. Moreover, the emergence of an inflationary psychology in industrial countries has imparted an asymmetry to the consequences of monetary errors, even if the errors themselves occurred as often in one direction as the other.

There is a profound difference between the effects of mistaken judgments by a central bank in our age of inflation and the effects of such judgments a generation or two ago. In earlier times, when a central bank permitted excessive creation of money and credit in times of prosperity, the price level would indeed tend to rise. But the resulting inflation was confined to the expansion phase of the business cycle; it did not persist or gather force beyond that phase. Therefore, people generally took it for granted that the advance of prices would be followed by a decline once a business recession got under way. That is no longer the case.

Nowadays, businessmen, farmers, bankers, trade union leaders, factory workers, and housewives generally proceed on the expectation that inflation will continue in the future, whether economic activity is booming or receding. Once such a psychology has become dominant in a country, the influence of a central bank error that intensified inflation may stretch out over years, even after a business recession has set in. For in our modern environment, any rise in the general price level tends to develop a momentum of its own. It stimulates higher wage demands, which are accommodated by employers who feel they can recover the additional costs through higher prices; it results in labor agreements in key industries that call for substantial wage increases in later years without regard to the state of business then; and through the use of indexing formulas, it leads to automatic increases in other wages as well as in social security payments, various other pensions, and welfare benefits, in rents on many properties, and in the prices of many commodities acquired under long-term contracts. On the other hand, unintended central bank effects of a restrictive type do not ramify in similar fashion. To develop any significant momentum in unwinding inflation, they would need to be both large and repetitive—a combination that can hardly occur under prevailing conditions in the industrial democracies.

If my analysis of central banking in the modern environment is anywhere near the mark, two conclusions immediately follow. First, central banks have indeed been participants in the inflationary process in which the industrial countries have been enmeshed, but their role has been subsidiary. Second, while the making of monetary policy requires continuing scrutiny and can stand considerable improvement, we would look in vain to technical reforms as a way of eliminating the inflationary bias of industrial countries. What is unique about our inflation is its stubborn persistence, not the behavior of central bankers. This persistence reflects the fundamental forces on which I dwelt earlier in this address—namely, the philosophic and political currents of thought that have impinged on economic life since the Great Depression and particularly since the mid-1960s.

My conclusion that it is illusory to expect central banks to put an end to the inflation that now afflicts the industrial democracies does not mean that central banks are incapable of stabilizing actions; it simply means that their practical capacity for curbing an inflation that is continually driven by political forces is very limited. Historically, central banks have helped to slow down the pace of economic activity at certain times and to stimulate economic activity at other times. They have also contributed to economic stability by serving as lenders of last resort or even going beyond that traditional function. During this decade alone, the Federal Reserve moved on at least two occasions to prevent financial crises that otherwise could easily have occurred. I have in mind particularly the failure of the Penn Central Transportation Company in June 1970 and the failure of the Franklin National Bank in October 1974. In the former case, the inability of Penn Central to refinance its outstanding commercial paper caused consternation among holders of commercial paper generally. To prevent a financial panic the Federal Reserve put aside its monetary targets for a while, opened the discount window wide, and changed its regulations so that commercial banks could raise funds in the open market to finance firms unable to renew their maturing commercial paper. In the Franklin National case, the Federal Reserve loaned to that troubled international bank almost $2 billion; and while these advances were outstanding it was possible to arrange a takeover by another bank that protected the interests of Franklin's depositors and customers. These actions were influenced by a feeling of responsibility for the financial system as a whole—international as well as domestic. The central banks of some other countries, notably the Bank of England, have likewise discharged constructively the function of serving as lenders of last resort, and the entire concept of central bank responsibility has been both widened and clarified through discussions in recent years at the Bank for International Settlements.

All this and much more deserves to be noted about central banks—especially their tireless efforts to awaken the citizens of their respective countries to the economic and social dangers posed by inflation. But whatever the virtues or shortcomings of central banks may be, the fact remains that alone they will be able to cope only marginally with the inflation of our times. The persistent inflation that plagues the industrial democracies will not be vanquished—or even substantially curbed—until new currents of thought create a political environment in which the difficult adjustments required to end inflation can be undertaken.

There are some signs, as yet tenuous and inconclusive, that such a change in the intellectual and political climate of the democracies is getting under way. One of the characteristic features of a democracy is that it encourages learning from experience. Recent disturbing trends in economic and social life, particularly the persistence and acceleration of inflation, have led to much soul-searching by leaders of thought and opinion. Among economists, the Keynesian school has lost much of its erstwhile vigor, self-confidence, and influence. Economists are no longer focusing so exclusively on unemployment and governmental management of aggregate demand. They are paying more attention to the management of aggregate supply—to the need to strengthen incentives to work and innovate, to ways of stimulating saving and investment, to the importance of eliminating barriers to competition, to ways of reducing the regulatory burdens imposed on industry, and to other means of bolstering business confidence. Many economists now recognize that much of reported unemployment is voluntary, that curbing inflation and reducing involuntary unemployment are complementary rather than competitive goals, that persistent governmental deficits and excessive creation of money tend to feed the fires of inflation, that the high savings rate that usually prevails in the early stages of inflation is eventually succeeded by minimal savings, and that when this stage is reached it becomes very much harder to bring inflation under control.

The intellectual ferment in the world's democracies is having its influence not only on businessmen and investors, but also on politicians, trade union leaders, and even housewives; for all of them have been learning from experience and from one another. In the United States, for example, people have come to feel in increasing numbers that much of the government spending sanctioned by their compassion and altruism was falling short of its objectives: that urban blight was continuing, that the quality of public schools was deteriorating, that crime and violence were increasing, that welfare cheating was still widespread, that collecting unemployment insurance was becoming a way of life for far too many—in short, that the relentless increases of government spending were not producing the social benefits expected from them and yet were adding to the taxes of hard-working people and to the already high prices they had to pay at the grocery store and everywhere else. In my judgment, such feelings of resentment and frustration are largely responsible for the conservative political trend that has developed of late in the United States. And I gather from the results of recent elections elsewhere that concern about inflation and disenchantment with socialist solutions are increasing also in other industrial countries. Fighting inflation is therefore being accorded a higher priority by policymakers in Europe and in much of the rest of the world.

In the United States a great majority of the public now regard inflation as the Number One problem facing the country, and this judgment is accepted by both the Congress and the Executive Branch. Some steps have therefore been taken within the past year to check the rapid rise of federal spending, to lower certain taxes in the interest of encouraging business investment, and yet to bring down the still large budget deficit. Pressures to augment the privileges of trade unions have been resisted by the Congress. Some government regulations—as in the case of airlines and crude oil—have been eased. And even restrictive moves by the Federal Reserve, which not long ago would have stirred anger and anxiety in government circles, have been accepted with equanimity. Symbolic of the changed political atmosphere was the announcement of an increase in the Federal Reserve discount rate on the very day this July when a sizable decline of the nation's overall production was being reported for the spring quarter.

The present widespread concern about inflation in the United States is an encouraging development, but no one can yet be sure how far it will go or how lasting it will prove. The changes that have thus far occurred in fiscal, monetary, and structural policies have been marginal adjustments. American policymakers tend to see merit in a gradualist approach because it promises a return to general price stability—perhaps with a delay of five or more years but without requiring significant sacrifices on the part of workers or their employers. But the very caution that leads politically to a policy of gradualism may well lead also to its premature suspension or abandonment in actual practice. Economic life is subject to all sorts of surprises and disturbances: business recessions, labor unrest, foreign troubles, monopolistic shocks, elections, and governmental upsets. One or another such development, especially a business recession, could readily overwhelm and topple a gradualist timetable for curbing inflation. That has happened in the past, and it may happen again.

If the United States and other industrial countries are to make real headway in the fight against inflation it will first be necessary to rout inflationary psychology—that is, to make people feel that inflation can be, and probably will be, brought under control. Such a change in national psychology is not likely to be accomplished by marginal adjustments of public policy. In view of the strong and widespread expectations of inflation that prevail at present, I have therefore reluctantly come to believe that fairly drastic therapy will be needed to turn inflationary psychology around.

The precise therapy that can serve a nation best is not easy to identify, and what will work well in one country may work poorly in another. In the case of the American inflation, which has become a major threat to the well-being of much of the world as well as of the American people, it would seem wise to me at this juncture of history for the government to adopt a basic program consisting of four parts. The first of these would be a legislative revision of the federal budgetary process that would make it more difficult to run budget deficits and that would serve as the initial step toward a constitutional amendment directed to the same end. The second part would be a commitment to a comprehensive plan for dismantling regulations that have been impeding the competitive process and for modifying others that have been running up costs and prices unnecessarily. The third part would be a binding endorsement of restrictive monetary policies until the rate of inflation has become substantially lower. And the fourth part would consist of legislation scheduling reductions of business taxes in each of the next five years—the reduction to be quite small in the first two years but to become substantial in later years. This sort of tax legislation would release powerful forces to improve the nation's productivity and thereby exert downward pressure on prices; and it would also help in the more immediate future to ease the difficult adjustments forced on many businesses and their employees by the adoption of the first three parts of the suggested program.

I wish I could close this long address by expressing confidence that a program along the lines I have just sketched, or any other constructive and forceful program for dealing with inflation, will be undertaken in the near future in the United States or elsewhere. That I cannot do today. I am not even sure that many of the central bankers of the world, having by now become accustomed to gradualism, would be willing to risk the painful economic adjustments that I fear are ultimately unavoidable. I would therefore not be surprised if the return to reasonable price stability in the industrial democracies and thereby to an orderly international monetary system is postponed by more false starts. But if political patience in individual countries is severely tested as that happens, the learning process will also be speeded. The conservative trend that now appears to be under way in many of the industrial democracies will then gather strength; and unless political leadership falls into irresponsible hands, the inflationary bias that has been sapping the economic and moral vitality of the democracies can finally be routed. □

Staff Studies

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

The analyses and conclusions set forth are those of the authors and do not necessarily indicate concurrence by the Board of Governors, by the Federal Reserve Banks, or by the members of their staffs.

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

STUDY SUMMARY

STOCK MARKET VOLATILITY

Carolyn D. Davis and Alice P. White—Staff, Board of Governors

Prepared as a staff study in the spring of 1987

Dramatic changes in stock market indexes during the past year have generated questions about fundamental shifts in the volatility of share prices. Although volatility in stock prices inevitably results when investors' expectations about corporate earnings and interest rates change, some observers maintain that innovations in trading techniques have introduced additional volatility into equity markets. This study reviews these innovations—arbitrage trading, program trading, and portfolio insurance—and examines several aspects of volatility in share prices to determine whether it has changed measurably since the techniques were put into active use.

Traders use arbitrage techniques to generate profits from price discrepancies between related financial instruments. Such trading has been criticized because arbitrageurs need consider only relative prices and costs and do not necessarily base their decisions on economic information. Nonetheless, prices must change in at least one market before arbitrage opportunities develop; and if other market participants are buying and selling financial instruments based on fundamental economic information, price movements will reflect that information.

Advances in computer technology have facilitated the development of computerized procedures that process information for use by market participants, produce buy and sell orders, and send these orders to exchanges for execution. This technique, program trading, permits large portfolios to be traded as though they were individual stocks. The simultaneous execution of large program trades can increase volatility if prices overshoot new equilibrium values. An analysis of the behavior of prices during periods of heavy program trading suggests that changes in prices have resulted from shifts in investors' perceptions but that these shifts may have occurred more quickly than otherwise because of program trading.

The third innovation in trading, portfolio insurance, refers to hedging strategies designed to protect portfolios of securities against declines in prices. Its development has been facilitated by the existence of stock-index futures markets. The use of portfolio insurance techniques is controversial because it may precipitate sales of stocks in declining markets. If stocks became underpriced in light of economic conditions, however, opportunities for buying would be created for speculators and other market participants, and the price spiral would end.

Despite changes in the methods of trading stock-related instruments, little evidence links these innovations to volatility in the stock market. The authors examine changes in aggregate indexes, which represent portfolios of stocks, for various time periods, holding periods, and measures of volatility. The movements of stock indexes suggest that the dispersion of daily returns in 1986 and 1987, when index-related trading is believed to have been heavy, was typical of that observed since 1970. The 1970s and 1980s appear to be somewhat more volatile than the 1950s and 1960s. However, this increase in volatility began well before the extensive use of derivative instruments and new trading techniques in the 1980s. An analysis of returns on stock issues of individual companies supports the conclusion that the recent volatility of these issues does not appear to be cause for concern.

Unexpected changes in fundamental macroeconomic conditions, particularly fluctuations in business activity and interest rates, appear relatively important in explaining changes in the volatility of share prices throughout recent decades. The largest fluctuations in share prices during the postwar era occurred in the mid-1970s, a time of highly uncertain economic conditions. When one controls for variability in economic and financial conditions, however, the movements in stock prices appear similar over time.

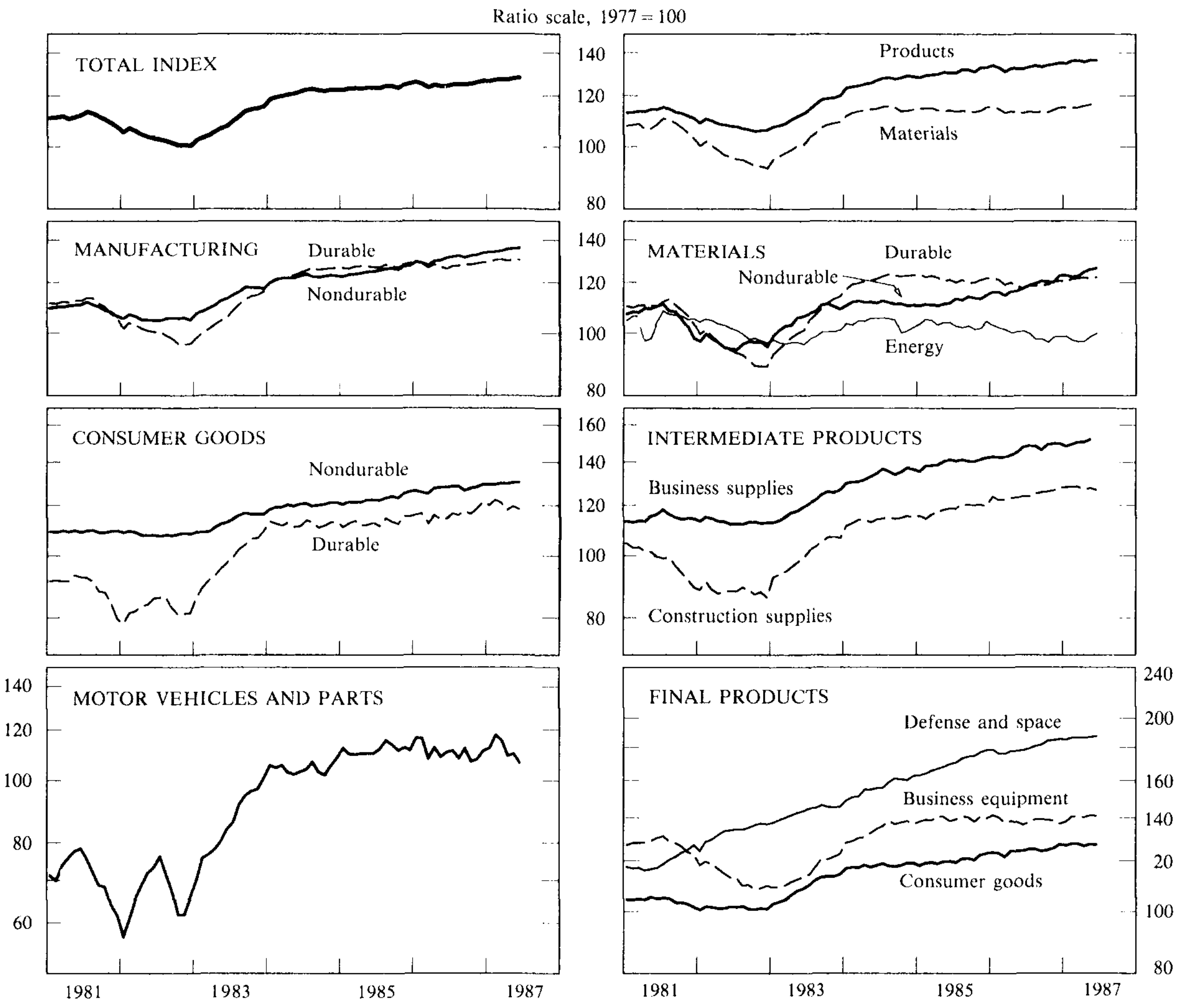
The empirical evidence presented in this study provides little support for the position that the behavior of stock prices in the aggregate has changed substantially as the use of stock-related instruments has expanded. Measures of volatility range widely from year to year, and shifts in volatility are most noticeable in the longer term when underlying macroeconomic conditions also have been more volatile.

Industrial Production

Released for publication July 15

Industrial production increased 0.2 percent in June, after having risen 0.5 percent in May. Revisions to the March, April, and May indexes indicate slightly higher production levels than were previously published. The June increase was paced by gains in the production of materials. So far this year, industrial production has risen at an annual rate of 2.4 percent compared with a gain of less than 1 percent over the 12 months of 1986. The current level of the index is 128.2 percent of the 1977 average.

In market groups, total output of consumer goods was about unchanged in June; slight gains in the output of home goods and nondurable consumer items were offset by reduced production of motor vehicles. Autos were assembled at



All series are seasonally adjusted. Latest figures: June.

Group	1977 = 100, 1987: May	1977 = 100, 1987: June	Percentage change from preceding month, 1987: Feb.	Mar.	Apr.	May	June	Percentage change, June 1986 to June 1987
			Major market groups					
Total industrial production	**128.0**	**128.2**	**.5**	**.1**	**.0**	**.5**	**.2**	**3.2**
Products, total	136.5	136.4	.9	.1	−.5	.6	−.1	3.0
Final products	135.2	135.1	1.0	.0	−.5	.6	−.1	3.1
Consumer goods	127.3	127.1	.6	.0	−.7	.6	−.1	2.2
Durable	119.6	118.3	2.0	−1.0	−2.6	1.3	−1.0	3.5
Nondurable	130.2	130.4	.2	.3	.0	.3	.2	1.8
Business equipment	141.3	141.1	1.9	.0	.2	.6	−.1	3.3
Defense and space	187.1	187.6	.7	.0	.0	.3	.3	5.2
Intermediate products	140.9	140.8	.4	.5	−.4	.8	.1	2.8
Construction supplies	127.9	127.1	.1	.1	−1.0	.6	−.6	2.4
Materials	116.4	117.2	.0	.1	.6	.4	.7	3.6
			Major industry groups					
Manufacturing	132.8	132.8	.7	.2	.0	.4	.0	3.6
Durable	130.4	130.4	1.1	.1	−.5	.4	.0	3.4
Nondurable	136.1	136.2	.1	.4	.7	.3	.1	3.8
Mining	97.0	97.7	−1.0	.3	.1	.4	.7	−1.2
Utilities	110.7	112.2	.1	−.1	.8	1.9	1.3	3.2

NOTE. Indexes are seasonally adjusted.

an annual rate of 6.9 million units, compared with a rate of 7.1 million in May; output of lightweight trucks also was reduced in June.

Production of business equipment also was little changed in June; further gains occurred in commercial, manufacturing, and construction and farm machinery, but output of transit equipment fell—owing largely to the reduced volume of motor vehicle assemblies. Output of defense equipment posted another small gain in June—so far in 1987 this sector has shown more moderate gains than in recent years. Production of construction supplies retreated in June after having increased in May and was slightly below levels at the end of last year; the recent sluggishness probably reflects weaker construction activity so far in 1987.

In June, gains occurred in the production of durable, nondurable, and energy materials as well. In the nondurable category advances continued in the output of textiles, paper, and chemicals. Energy materials advanced sharply in June due largely to increased electricity generation.

In industry groups, manufacturing output was unchanged overall in June at a level about 3½ percent higher than it was a year earlier. Mining output increased in June—in particular, coal and metal mining. Output by utilities rose sharply.

Total industrial production—Revisions

Estimates as shown last month and current estimates

Month	Index (1977 = 100): Previous	Index (1977 = 100): Current	Percentage change from previous months: Previous	Percentage change from previous months: Current
March	127.3	127.3	.0	.1
April	127.2	127.3	−.1	.0
May	127.8	128.0	.5	.5
June	....	128.2	....	.2

Statement to Congress

Statement by Paul A. Volcker, Chairman, Board of Governors of the Federal Reserve System, before the Committee on Banking, Finance and Urban Affairs, U.S. House of Representatives, July 21, 1987.

I appreciate this, my last, opportunity to appear before you as Chairman of the Federal Reserve Board in connection with the semiannual review of monetary policy. You have the official Report of the Board of Governors before you, and I will be blessedly brief in touching upon some of the main points. (See "Monetary Policy Report to the Congress," *Federal Reserve Bulletin*, August 1987, pages 633–46.)

As you know, the economy has continued to grow this year, carrying the expansion well into its fifth year. At the same time, however, the inflation rate has accelerated appreciably relative to the low rate prevailing in 1986.

A change in that direction has been widely anticipated in response to the rebound in oil prices and the depreciation of the dollar. Nevertheless, the size and pervasiveness of the price increases—which have included many nonenergy materials as well as services—affected the psychology and expectations in financial markets, particularly in April and early May. Recurrent concerns about the dollar internationally also at times affected the mood of domestic markets, and interest rates rose rather sharply for a time.

Through the early part of the year, Federal Reserve operations placed minimal pressure on bank reserve positions. As reported earlier, however, beginning in late April definite but modest steps were taken to increase reserve pressures somewhat. Perceptions of that action appeared to help calm concerns about the future course of the dollar and inflation.

Most interest rates, long- and short-term, have retraced part of the earlier rise. However, long-term interest rates and prices of sensitive commodities, some of which had been deeply depressed, remain well above their levels of earlier this year.

The approach of the Federal Reserve toward the provision of reserves has not changed since May. However, growth in the various monetary aggregates slowed further in the second quarter. A reduction in the rate of growth of those aggregates from the relatively high levels of 1986 had been both anticipated and desired by the Federal Open Market Committee, as reported to you in February. However, it is also true that, with institutional and market developments importantly affecting the relationships between the various measures of money and the variables we ultimately care about, judgments about the appropriate growth of the aggregates have become both more difficult and more dependent on prevailing economic and market circumstances.

For that reason, the Committee did not set forth a particular target range for M1 this year in February. That judgment was reaffirmed at the meeting earlier this month. M2 is currently running below, and M3 around, the lower ends of their 5½ to 8½ percent ranges established in February. The Committee decided not to change those ranges for 1987. In doing so, however, there was agreement that, depending on further evidence with respect to emerging trends in economic activity, inflation, and domestic and international financial markets, actual growth around the lower ends of those ranges may well remain appropriate.

In judging appropriate monetary growth during the course of the year, or from year to year, account needs to be be taken of the apparent increase in the sensitivity of demands for money, and for money-like assets, to absolute and relative changes in market interest rates. Interest rates administered by institutions, especially those on transaction accounts, tend to lag market rates both when interest rates are rising and when they are falling (of course, no explicit interest can be paid on demand deposits). At the same time, the cost and effort involved in shifting funds between types of accounts, or into and out of market instruments, has greatly diminished. Experience suggests that, as a result of these factors, demand deposits, negotiable order of withdrawal (NOW) accounts, and money market deposit accounts all tend to grow relatively slowly, if at all, when market rates are rising (as during the second quarter) but much faster than normally as market rates fall, as during 1985 and 1986. Those differences in growth rates in money will tend to be reflected in inverse movements in the velocity (that is, the measured rate of turnover) of money rather than commensurate changes in economic activity or prices.

The sensitivity of velocity to changes in interest rates makes it more difficult to judge the appropriate rate of monetary growth—particularly over periods as short as a quarter or a year—and impossible without reference to the stream of available evidence on economic activity, prices, and other factors. This year, too, concerns about the international performance of the dollar have at times had a significant bearing on operational decisions. Specifically, the tightening of reserve availability in the spring was related in substantial part to the desirability, in light of the substantial cumulative depreciation over the previous two years and other economic policy undertakings here and abroad, of maintaining reasonable stability in the external value of the dollar. That judgment is, as you know, shared with the administration and the finance ministers and central bank governors of other leading industrialized countries.

Looking ahead to 1988, the Open Market Committee decided tentatively to reduce the target ranges for M2 and M3 ½ percentage point to 5 to 8 percent. While recognizing the inevitable range of uncertainty I referred to earlier, some reduction in the target ranges clearly appeared appropriate in recognition of the importance of assuring that the temporary bulge in price increases foreseen for this year not become a base for a renewed inflationary process. The appropriate range for 1988 will, of course, again be reviewed with care at the start of the year.

More broadly, policy has to be judged against progress toward the more basic goals of growth and stability—and it seems to me fatuous to think the first could long be sustained without the latter. At the same time, now and for some years ahead, we will need to work to narrow and ultimately correct the large imbalances in our internal and external economic positions—adjustments that necessarily have implications for the policies and prospects of other countries as well. What is at issue is whether we can make those necessary adjustments while sustaining progress toward the broader goals.

In some areas, developments in the past six months have been strongly encouraging in that respect.

- The evidence by now is pretty clear that, in real terms, our trade balance is improving, even in the face of continuing sluggish growth, high unemployment, and excess capacity abroad.
- While growth in domestic consumption has slowed—one essential part of the adjustment process—the expansion of domestic output and employment has been well maintained, and unemployment, at close to 6 percent, has dropped to the lowest level in this decade. Manufacturing has picked up and prospects for business investment may be improving.
- Helped by some large unanticipated capital gains tax receipts, this year's budget deficit will apparently be driven even below earlier expectations, and thus very substantially below the fiscal 1986 level.
- Internationally, leading nations are not only agreed upon the desirability of greater exchange rate stability but appear to be working more effectively to that end.
- In another area demanding a high level of international cooperation, the basic approach for dealing with the international debt problems has continued to be implemented with substantial success despite doubts and challenges by some.

Of central importance, there has been continuing evidence of restraint and discipline on costs and wages in much of American industry, offering the prospect of lower rates of inflation in the months ahead. Over time, that must be an absolutely essential element in maintaining our international competitiveness as well as in restoring domestic stability after the bulge in prices this year.

At the same time, it would be nonsense for me to claim that all is safely and securely on path. The remaining risks and problems are apparent.

Even the otherwise satisfying fall in the unemployment rate this year implicitly has a discouraging aspect. Outside of manufacturing, the statistics suggest that productivity growth is quite dismal—so slow, in fact, that I cannot dismiss the thought that the reported statistics may partly reflect measurement error.

But no error of measurement can entirely explain away that our private saving, in historical or in international context, remains so low, or that our federal deficit remains so large, or that we, the putative leader of the western world, are so dependent on other people's capital. Despite the better news on this year's federal deficit, some projections of future deficits are *assuming current programs* are being raised rather than reduced and the political impasse over doing something about it apparently remains. In the circumstances, the Gramm–Rudman–Hollings targets are threatening to become pie in the sky.

The already slow growth in other industrialized countries appears to have slowed further this year, working against the adjustments needed in trade and current account positions among Japan, Western Europe, and the United States. And, in that environment the dangers of protectionist trade legislation and a breakdown in the servicing of international debts are enlarged.

For all those reasons and more, my very able successor, and the Federal Reserve generally, will have challenge aplenty. But I, as I have spelled out earlier, would like to think there is something upon which to build as well.

Finally, I would like to acknowledge specifically the usefulness from my standpoint of these regular semiannual hearings on monetary policy.

You and I are both conscious of the special position of the Federal Reserve System within the overall framework of government. The long terms of members of the Board of Governors, the participation of the regional Federal Reserve Banks in the policy process, our budgetary autonomy, and the professionalism of our staff are all designed to provide some insulation, in deciding upon money creation, against partisan or passing political pressures.

In our system of government, however, insulation cannot be equated to isolation, and particularly isolation from reporting and accountability to the Congress and to the public. These hearings are an important element in that discipline. I have welcomed the opportunity they have provided for us to consult with the Congress and to explain our purposes, our approaches, and our problems in dealing with a complicated, changing economic environment. And I want to express my appreciation as well for the many courtesies you have extended me personally over these past eight years as we have worked together to foster economic stability and growth. □

Chairman Volcker presented identical testimony before the Senate Committee on Banking, Housing, and Urban Affairs, July 23, 1987.

Announcements

ALAN GREENSPAN BECOMES CHAIRMAN OF THE BOARD OF GOVERNORS

At a White House ceremony on August 11, 1987, Alan Greenspan took the oath of office as Chairman and a member of the Board of Governors. The oath was administered by Vice President George Bush.

The Senate confirmed Dr. Greenspan for the positions on August 3 following a hearing on July 21 by the Senate Committee on Banking, Housing, and Urban Affairs.

At the ceremony, Dr. Greenspan made the following remarks:

Mr. President, Mr. Vice President, Friends: A little more than than two months ago in the White House Press Room down the hall the President announced that he was nominating me to replace Paul Volcker. At that time I indicated to the President, and today I repeat, how much I appreciate his confidence in me to act as a replacement for Paul whose career at the Fed has been one with few parallels in the history of this nation's public service.

Since the nomination I have received innumerable best wishes from friends, new and old, from all over the world. I am particularly saddened, however, that Dr. Arthur F. Burns, former Council of Economic Advisers and Federal Reserve Board Chairman, and my mentor for 35 years through graduate school and thereafter, is not able to be with us today.

I would particularly like to thank the staff of the Federal Reserve who along with Paul have been exceptionally gracious with their time and efforts to bring me up to speed for this extraordinary challenge. I also wish to thank the Senate Banking Committee and the Senate as a whole who confirmed my nomination.

Perhaps I should also thank in advance the creators of all those events that will make the next four years easy going: inflation which always stays put, a stock market which is always a bull, a dollar which is always stable, interest rates which stay low, and employment which stays high. But, most assuredly, I would be thankful to those who have the capability of repealing the laws of arithmetic which would make all of the foregoing possible.

Earlier, Chairman Volcker submitted his resignation as a member of the Board of Governors. His August 3 letter to President Reagan follows:

August 3, 1987

The President
The White House
Washington, D.C.

Dear Mr. President:

I understand that Senate confirmation of Alan Greenspan as Chairman and Governor of the Federal Reserve Board is likely this week. What technically remains is for me to submit my formal resignation as Governor so that he can take office for the unexpired portion of my term. I do so now, effective upon his swearing-in, which I understand is tentatively scheduled for the week of August 10.

As we agreed informally, I will continue to serve as Chairman through that date.

May I also thank you again, Mr. President, and Mrs. Reagan, for your gracious presence and remarks at my "farewell dinner" at the State Department last week. Barbara and I will gratefully remember the occasion as the highlight of my rite of passage back to private life.

Faithfully yours,

Paul A. Volcker

RESTRUCTURING OF INTEREST RATE CHARGES ON DISCOUNT WINDOW BORROWING

In the interest of simplification, the Federal Reserve Board on July 27, 1987, announced a restructuring of interest rates that are charged on borrowings from the discount window for extended credit. The new structure will apply a flexible rate that will vary with market interest rates to extended credit outstanding for more than 30 days.

No change is being made in the basic discount rate for adjustment credit, which remains at 5½ percent.

The new simplified structure of rates for extended credit provides for use of the basic discount rate for the first 30 days of borrowing, followed by a flexible rate for borrowings of more than 30 days. The flexible rate will be somewhat above the rates on market sources of funds to depository institutions but in no case will the rate charged be less than the basic discount rate plus 50 basis points. Under the extended credit program, credit is made available to institutions experiencing exceptional financial strains over a prolonged period of time.

Currently, the structure of rates applied to extended credit is a complex mixture of fixed and flexible rates that depends on the time that credit has been outstanding and on the size of the borrowing institution. Under this structure, the basic rate generally has applied to the first 60 days of extended credit borrowing and the basic rate plus 1 percentage point to the next 90 days. After 150 days, Reserve Banks have charged a rate equal to the basic rate plus 2 percentage points or a flexible rate related to market rates. This flexible rate has been subject to a floor of the basic rate plus 1 percentage point.

In taking this action, the Board approved requests from the Boards of Directors of all 12 Reserve Banks to establish the new structure. The new rates will take effect on July 30.

Interim Statement on Reducing Risks on Large-Dollar Transfer Systems[1]

The Federal Reserve Board adopted on July 30, 1987, an interim statement of its policy on reducing risks on large-dollar transfer systems. This interim policy supersedes the policy statement adopted by the Board on May 17, 1985, and will remain in effect pending reevaluation of the Board's risk reduction program.

Large-dollar-funds-transfer networks are an integral part of the payments and clearing mechanism. A daylight overdraft occurs when a depository institution sends funds over Fedwire in excess of the balance in its reserve or clearing account or sends more funds over a private network than it has received.

The Board's May 1985 policy statement required privately owned large dollar payment networks using Federal Reserve net settlement services to achieve the following: (1) require each participant to establish a limit on the maximum net transfer amount that it is willing to receive from each other participant ("bilateral net credit limit") and (2) establish for each participant a maximum amount of net transfers ("sender net debit cap") that the participant can transfer over that network. The policy also strongly encouraged each depository institution incurring daylight overdrafts on Fedwire or participating on a private network to adopt a cross-system sender net debit cap designed to limit the amount of risk an institution presents across all systems combined.

The interim policy statement modifies the May 1985 policy as follows:

- Reduces in two stages the current sender net debit cap by 25 percent—15 percent on January 14, 1988, and the balance on May 19, 1988, unless subsequent events suggest that the second step would disrupt the payments system or financial markets.
- Exempts depository institutions from self-evaluation guidelines if their board of directors approves a de minimis net debit cap of the smaller of 20 percent of adjusted primary capital or $500,000. Implementation of this provision would be no later than December 3, 1987, or earlier at the discretion of Reserve Banks.
- Imposes a $50 million limit on book-entry securities transfers over Fedwire.
- Subjects the clearing procedures of primary dealers to review by the Federal Reserve Bank of New York.
- Permits interaffiliate Fedwire transfers resulting in daylight overdrafts, provided certain safeguards are observed.
- Permits depository institution holding compa-

1. The text of the interim policy statement is available on request from Publications Services, Board of Governors of the Federal Reserve System, Washington, D.C. 20551.

nies to centralize their wire transfer operations at one or more of their subsidiaries, provided certain safeguards are observed.

New Members Appointed to Large Dollar Payments System Advisory Group

The Federal Reserve Board announced on July 30, 1987, the appointment of new members to the Large Dollar Payments System Advisory Group for terms of three years to replace members whose terms have expired.

The Large Dollar Payments System Advisory Group reports to the Board of Governors—through the Board's Payments System Policy Committee—and is responsible for suggestions on all matters associated with the Boards's desire to further reduce risk on large-dollar transfer systems.

The four new members are the following:

Charles J. Buchta
Executive Vice President
Operating Service Group
First Interstate Bank of California
Los Angeles, California

James T. Byrne
Senior Vice President
Morgan Guaranty Trust Company
New York, New York

Kerby Crowell
Executive Vice President
and Chief Financial Officer
Stillwater National Bank
Stillwater, Oklahoma

Michael Urkowitz
Executive Vice President
Chase Manhattan Bank, N.A.
New York, New York

Other members of the Advisory Group include the following:

Roland K. Bullard, II (Chairman of the Advisory Group)
Vice Chairman
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Philadelphia, Pennsylvania

William P. Ballard
Senior Executive Vice President
Citizens & Southern Georgia Corporation
Atlanta, Georgia

Nathan C. Collins
Executive Vice President
Valley National Bank of Arizona
Phoenix, Arizona

Donald R. Hollis
Executive Vice President
First Chicago Corporation
Chicago, Illinois

Roger K. Lindland
Senior Executive Vice President
and Chief Financial Officer
Great American First Savings Bank
San Diego, California

David O. Nordby
Executive Vice President
Continental Illinois Corporation
Chicago, Illinois

Peter C. Palmieri
Vice Chairman
Irving Trust Company
New York, New York

Seymour R. Rosen
Vice President
Citibank, N.A.
New York, New York

Flavian E. Zeugin
First Vice President
Swiss Bank Corporation
New York, New York

Establishment of Office of Inspector General

The Board of Governors announced on July 8, 1987, the establishment of an independent Office of Inspector General. This action, consistent with policies and approaches being adopted more generally in government in recent years, is designed to focus responsibility more appropriately for certain auditing and operations review functions.

The purpose of the Office, as well as its duties, responsibilities, authorities, and protections, is explained in its charter. It is hoped that the Office will work in such a way as to further enhance the administrative effectiveness and the high reputation of the Board for probity, evenhandedness, and discretion in the exercise of its responsibilities. The Inspector General will report to the Board under the general supervision of the Chairman.

On July 21, 1987, the Board announced the promotion of Brent L. Bowen, Assistant Controller, Office of the Controller, to fill the recently established position of Inspector General.

PROPOSED ACTIONS

The Federal Reserve Board has extended through August 7, 1987, the period for comment on its revised proposal to charge assessments and fees for certain supervisory activities, specifically for inspection and supervision of the parent company and nondepository subsidiaries of bank holding companies as well as for supervising Edge act corporations and for processing applications.

AVAILABILITY OF REVISED LIST OF OTC STOCKS SUBJECT TO MARGIN REGULATIONS

The Federal Reserve Board published on July 24, 1987, a revised list of over-the-counter (OTC) stocks that are subject to its margin regulations, effective August 11, 1987.

This List of Marginable OTC Stocks supersedes the revised list that was effective on May 12, 1987. Changes that have been made in the list, which now includes 3,237 OTC stocks, are as follows: 224 stocks have been included for the first time, 195 under national market system (NMS) designation; 28 stocks previously on the list have been removed for substantially failing to meet the requirements for continued listing; 61 stocks have been removed for reasons such as listing on a national securities exchange or involvement in an acquisition.

The list includes all OTC securities designated by the Board pursuant to its established criteria as well as all securities qualified for trading in the NMS. This list includes all securities qualified for trading in tier 1 of the NMS through August 11 and those in tier 2 through July 21, 1987. Additional OTC securities may be designated as NMS securities in the interim between the Board's quarterly publications and will be immediately marginable. The next publication of the Board's list is scheduled for October 1987.

Besides NMS-designated securities, the Board will continue to monitor the market activity of other OTC stocks to determine which stocks meet the requirements for inclusion and continued inclusion on the list.

Record of Policy Actions of the Federal Open Market Committee

MEETING HELD ON MAY 19, 1987

Domestic Policy Directive

The information reviewed at this meeting suggested that economic activity has been expanding at a moderate pace, despite some weakness in the industrial sector. However, the rate of inflation has risen in recent months, reflecting especially the impact of higher prices for energy and non-oil imports.

Labor demands grew at a brisk pace in April. The household survey indicated a sharp increase in employment and an unusually large decline in unemployment. As a result, the unemployment rate fell to 6.3 percent, 0.4 percentage point below its first-quarter average. Payroll employment rose considerably in April with gains concentrated again in trade and services. Manufacturing employment has changed little on balance so far this year, and the factory workweek dropped sharply in April, partly because of the observance of religious holidays during the survey week.

The industrial production index declined 0.4 percent in April following a smaller drop in March. Most of the decline in output in April was associated with cutbacks in motor vehicles, although small but widespread reductions were evident in other areas. Cutbacks in auto production and a pickup in sales slowed the growth in dealer stocks, but the level of stocks remained high. Outside of autos, trade inventories did not appear excessive, while inventory–sales ratios in manufacturing were near record lows.

As a result of the higher auto sales, real consumer spending appeared to be strong. Excluding autos and nonconsumer items, retail sales rose moderately in April. Housing starts were down somewhat from their first-quarter average. Total starts were at an annual rate of 1.7 million units in April. Single-family starts rose during the month, but multifamily starts fell sharply as high vacancy rates and the elimination of some tax advantages for investment in income properties continued to depress apartment construction.

Business fixed investment has shown signs of improvement from the depressed level early in the year. Shipments of nondefense capital goods rose and orders inched up in February and March. Outlays for construction of commercial and industrial structures have continued trending down in recent months. New commitments, however, have firmed recently.

Inflation rates have been higher so far this year. The CPI rose at a 6.2 percent annual rate between December and March, compared with a rate of 2.5 percent in the fourth quarter. Much of the first-quarter acceleration was caused by the rebound in energy prices, which now appear to have adjusted to the bulk of the year-end runup in the price of imported crude. Larger price increases also were posted for a number of consumer goods, probably reflecting the influence of higher import prices. At the producer level, too, large price increases were posted in a few industries that had been subject to strong import competition, such as chemicals and paper. Commodity prices began moving higher in the latter part of 1986 and have risen noticeably since the Committee's meeting on March 31. However, wage growth has continued at relatively moderate rates, with the index for average hourly earnings rising at about the same pace as in 1986.

In foreign exchange markets, the dollar was under heavy downward pressure over much of the intermeeting period, and intervention purchases were substantial. In the latter part of the period, the dollar was bolstered by slightly firmer monetary conditions in the United States and by easier conditions in Japan, Germany, and the United Kingdom. On balance, the dollar dropped 1 percent, with declines of about 4 percent against the yen and 3½ percent against sterling, the two strongest major currencies over this interval. Economic activity in most major foreign industrial nations continued to be relatively sluggish in the first quarter, except in the United Kingdom and Italy. In March, the merchandise trade deficit was close to the average for January and February and about the same as the fourth-quarter rate.

At its meeting in March, the Committee adopted a directive that called initially for maintaining the existing degree of pressure on reserve positions. The members decided that somewhat greater reserve restraint might be acceptable depending on developments in foreign exchange markets, taking into account the behavior of the monetary aggregates, the strength of the business expansion, progress against inflation, and conditions in domestic credit markets. M2 and M3 were expected to grow at annual rates of about 6 percent or less from March through June, while growth in M1 was expected to slow substantially from the pace in 1986. The intermeeting range for federal funds was left unchanged at 4 to 8 percent.

In light of downward pressures on the dollar, the provision of reserves was cautious at times during the intermeeting period, and open market operations were adjusted in a slightly less accommodative direction in late April. At the same time, uncertainty associated with transactions related to a huge volume of tax payments in mid-April complicated the management of reserves during the intermeeting period. Demands for reserves strengthened substantially, reflecting increases in required reserves associated with a steep rise in transactions balances near mid-month. In the second half of the month, as these payments cleared, Treasury balances at Federal Reserve Banks rose sharply and absorbed reserves, at times more rapidly than had been estimated. This decline in reserves was largely offset by a sizable volume of outright purchases of U.S. government securities, which necessitated two temporary increases in the intermeeting limit on changes in the System's portfolio, as well as by large temporary injections of reserves through repurchase agreements. Nevertheless, partly reflecting technical factors, borrowing at the discount window rose substantially, averaging around $800 million over the intermeeting period.

The federal funds rate firmed somewhat over the period. Most other interest rates also rose, with the largest increases occurring in long-term markets. The downward pressures on the dollar created uncertainty among market participants about private demands for dollar assets, the prospects for U.S. inflation, and the response of monetary policy. In addition, rising commodity and producer prices both reflected and added to concerns about the inflation outlook. Most bond yields increased slightly over a percentage point since the March meeting. Commitment rates for fixed-rate mortgages rose somewhat more, reflecting increased lender caution in a volatile rate environment. Short-term rates were up ¼ to 1 percentage point, including three ¼ percentage point increases in the prime rate.

Growth of all of the monetary aggregates picked up substantially in April. M1 was boosted by the tax-related surge in transactions balances. Partly reflecting these tax effects, growth in M2 also picked up, though remaining fairly moderate. Growth in M3 was boosted by the need to fund stronger expansion in bank credit. The growth of the broader aggregates was consistent with the Committee's expectations for the March to June period and left these aggregates in April just below the lower ends of their ranges established by the Committee for the year. Liquid deposits ran off at the end of April and in early May as the tax payments cleared, reversing much of the previous bulge in M1.

The staff projections continued to suggest that real GNP would grow at a moderate rate through the end of 1987. A primary contributor to the projected growth remained the foreign sector. The decline in the value of the dollar was expected to make American products more competitive, boosting exports despite the effects of relatively weak foreign economic growth and damping expansion in the volume of imports. The growth in domestic purchases was likely to be restrained by constraints on government spending, high vacancy rates in the office and rental housing markets, and increased mortgage rates. In addition, rising import prices were expected to moderate the growth of real personal incomes and thus consumer expenditures, especially in the light of an already low personal saving rate. However, business equipment spending was projected to resume a moderate uptrend partly in response to a growing export market. Inflation was expected to moderate after accelerating in the first quarter but to remain appreciably above the average pace in 1986. With output growing at a rate approximating that of potential GNP, the unemployment rate was expected to remain close to the lower level achieved recently.

In the Committee's discussion of current and prospective business conditions, the members gave attention to indications that inflationary expectations had worsened in recent weeks. Some commented that the somewhat faster rise of various price measures thus far in 1987 was not unexpected, given the depreciation of the dollar, the energy situation, and supply conditions for some agricultural products. To a considerable extent, those developments appeared to involve special factors that might normally be expected to result in one-time adjustments to the general level of prices. However, it also was noted that the rising prices, including the upturn in commodity prices in recent weeks, had become associated with an appreciable deterioration in inflationary attitudes, judging from conditions in financial markets and contacts with many business executives around the country. There were regional differences in inflationary expectations, to be sure, and some members observed that reactions in financial markets had probably been overdone. Nonetheless, most of the members believed that there was an increased risk of more inflation than they had expected earlier, particularly if inflationary attitudes became imbedded in future wage settlements. On the other hand, some members pointed out that underlying pressures on resources could remain damped and inflation relatively subdued, given the outlook for less than robust economic growth in the United States and abroad and a worldwide oversupply of some commodities.

The prospective behavior of the dollar in foreign exchange markets was a key uncertainty bearing on the outlook for inflation and on that for overall business activity. Earlier declines in the exchange value of the dollar had resulted in higher import prices—an adjustment process that undoubtedly was still under way—and further dollar depreciation, if it occurred, would add to future inflation pressures. In this regard, members noted that some domestic producers were raising their prices as those of competing imports went up, thereby adding to the inflation impact of a lower dollar. In general, however, while the depreciation of the dollar had undoubtedly contributed to inflationary expectations, direct evidence of an inflation impact on domestic pricing was still fairly limited.

With respect to the course of domestic business activity, a number of members commented that developments in recent months were in line with earlier projections, and while there were both domestic and foreign risks to sustained expansion, further growth at a moderate pace remained a reasonable expectation. As at previous meetings, the members generally expected domestic demands to be relatively sluggish over the quarters ahead, and they felt that significant progress in reducing the nation's foreign trade deficit was needed to support the expansion. Some members expressed concern that the improvement in the trade balance would be limited over the quarters ahead. While further progress could be anticipated as exporters and importers continued to adjust to a lower value of the dollar, such progress might be restrained in particular by sluggish economic growth in foreign industrial nations. Nonetheless, the members generally expected continuing improvement in net exports and many felt that it would provide considerable impetus for domestic growth.

On the domestic side no sector of the economy was believed likely to contribute much strength to the expansion, and weaknesses persisted in a number of key sectors such as energy, agriculture, and nonresidential construction. Moreover, the recent rise in mortgage rates was likely to have some impact on housing demand. However, in their review of business developments in different parts of the country, several members reported on indications of some improvement recently in local conditions and others noted that difficulties in the agriculture and energy sectors were, at the least, no longer intensifying. Business sentiment also appeared to have improved in many parts of the country. More generally, while the members recognized the risks of a shortfall from current projections, especially given the persisting weaknesses and financial problems in some sectors of the economy, current developments on the whole appeared to be consistent with continuing moderate growth in overall business activity.

At its meeting in February the Committee had agreed on policy objectives that called for monetary growth ranges for the period from the fourth quarter of 1986 to the fourth quarter of 1987 of 5½ to 8½ percent for both M2 and M3. The associated range for growth in total domestic nonfinancial debt was set at 8 to 11 percent. The Committee anticipated that growth in M1 would slow in 1987 from its very rapid pace in 1986, but the members decided not to establish a numerical target for the year; instead, the appropriateness of M1 changes would be evaluated during the year in the light of the behavior of M1 velocity, developments in the economy and financial markets, and the nature of emerging price pressures.

In the Committee's discussion of policy implementation for the weeks immediately ahead, members noted that unsettled reserve conditions associated with tax payments and related flows of funds had produced a greater degree of pressure on reserve positions from time to time in recent weeks than had deliberately been sought, even after the slight firming move of late April. Market expectations about Federal Reserve policy intentions also seemed to contribute to higher short-term interest rates at times. All but one of the members indicated that they wished at least to maintain the generally firmer reserve conditions that had prevailed most recently, even though such conditions had not been fully anticipated in Desk operations, and a number felt that some slight further firming might be appropriate. The members generally agreed that some firming of reserve conditions had been desirable to counter the apparent intensification of inflationary expectations in recent weeks and to help stabilize the dollar in the foreign exchange markets. In another view any monetary restraint beyond what had been sought recently would not be desirable because additional tightening would incur an undue risk of stalling the economic expansion at a time when, in this view, underlying inflation pressures were likely to remain in check. Most members saw a lesser and relatively limited risk to the expansion under current economic conditions and one that needed to be accepted given the pressures on the dollar and the potential for inflation.

In the view of several Committee members, the desired reserve restraint might be more appropriately achieved by means of an immediate increase in the discount rate, providing a more overt means of reassuring financial markets with regard to the System's continuing commitment to an anti-inflationary policy; others felt a possible discount rate increase should, in effect, be held in reserve for use if a more visible signal became desirable. In any event, any decision with respect to the discount rate lay with the Board of Governors, and all but one of the Committee members agreed that, in the absence of a near-term rise in the discount rate, open market operations would be directed toward some increase in the degree of reserve pressure beyond that sought in recent weeks (but not necessarily greater than that prevailing recently). If the discount rate were increased shortly after the meeting, such firming through open market operations would not be necessary, at least in the early part of the intermeeting period.

With regard to factors that might trigger some adjustment in open market operations during the intermeeting period, the members generally agreed that both inflationary developments and the dollar should receive special emphasis. In particular, should inflation or inflationary expectations seem to be intensifying or the dollar come under renewed downward pressure, the Committee would be ready to see some prompt further firming of reserve conditions. At the same time, the members did not rule out the possibility of some easing during the period ahead, but they viewed the potential need for a correction in that direction as less likely. In keeping with the Committee's usual approach toward policy implementation, any decision to alter reserve objectives during the intermeeting period should take account of the behavior of the monetary aggregates and the overall performance of the economy.

In their consideration of the near-term outlook for growth of the monetary aggregates, the members took note of an analysis, which suggested that the broader aggregates would expand at moderate rates over the balance of the second quarter. The outsized tax payments of mid-April had continued to affect the broad aggregates as well as M1 through early May. Beyond that, M2 was likely to grow a little more slowly than income, given the slight restraining effects of the recent rise in interest rates that would be felt in coming months. M3 expansion was less likely to be affected by interest rate movements, at least in the near term, and was expected to be sustained by issuance of managed liabilities to support credit growth at depository institutions. On a cumulative basis through June, growth in M2 would remain somewhat below the lower bound of the growth "cone" representing the Committee's 5½ to 8½ percent range for the year, though within the parallel lines associated with the end points of that range; growth in M3 would be very near the lower bound of its growth cone and well within its parallel band. Under prevailing circumstances, Committee members indicated that they were willing to accept relatively limited growth in the broader aggregates, at least for now, but a few observed that such growth signaled the need for caution. Growth in M1 also was believed likely to moderate greatly on average in May and June, after its surge in April. However, because of the persisting uncertainties about the behavior of M1, most of the members indicated a continuing preference for not specifying a numerical growth expectation for this aggregate in the Committee's policy directive.

At the conclusion of the Committee's discussion, all but one of the members indicated that they favored or could accept a directive that called for some increase in the degree of reserve pressure beyond that sought in recent weeks, taking account of the possibility that such firming might be accomplished through an increase in the discount rate. Subsequent to some initial firming in reserve conditions through a reduced availability of reserves or through an increase in the discount rate, the members indicated that somewhat greater reserve restraint would be acceptable, and somewhat lesser reserve restraint might be acceptable, over the intermeeting period depending on developments relating to inflation and the performance of the dollar in foreign exchange markets, while also giving consideration to the behavior of the monetary aggregates and the strength of the business expansion. This approach to policy implementation was expected to be consistent with growth in M2 and M3 at annual rates of around 6 percent or less for the three-month period from March to June. Over the same period growth in M1 was expected to remain well below its pace in 1986; the members would continue to evaluate this aggregate in the light of the performance of the broader monetary aggregates and other factors. The members agreed that the intermeeting range for the federal funds rate, which provides a mechanism for initiating consultation of the Committee when its boundaries are persistently exceeded, should be left unchanged at 4 to 8 percent.

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

The information reviewed at this meeting suggests on balance that economic activity is expanding at a moderate pace in the current quarter. Total nonfarm payroll employment rose considerably further in April, with most of the gains continuing to be in the service-producing sectors. The civilian unemployment rate fell to 6.3 percent from 6.6 percent in March. In April, industrial production declined after increasing at a moderate rate in the first quarter. Total retail sales changed little but were up somewhat from their average level in the first quarter. Housing starts were down somewhat in April from their first-quarter average. Recent indicators of business capital spending point to some recovery over the near term from a depressed level in the first quarter. Consumer and producer prices have risen more rapidly this year, primarily reflecting sizable increases in prices of energy and non-oil imports. Labor cost increases have remained relatively moderate in recent months.

Growth of M2 and M3 strengthened in April from a sluggish pace in February and March, but for 1987 to date expansion of these two aggregates has been slightly below the lower ends of their respective ranges established by the Committee for the year. M1 surged in April prompted by exceptionally large tax payments. Expansion in total domestic nonfinancial debt has moderated somewhat thus far this year. Most interest rates have risen considerably since the March 31 meeting of the Committee, with the largest increases occurring in longer-term markets.

In foreign exchange markets, the dollar was under heavy downward pressure over most of the intermeeting period and intervention purchases of dollars were substantial. Recently the dollar has tended to stabilize, but on balance its trade-weighted value against the other G-10 currencies declined over the period. In March the merchandise trade deficit was close to the average for January and February.

The Federal Open Market Committee seeks monetary and financial conditions that will foster reasonable price stability over time, promote growth in output on a sustainable basis, and contribute to an improved pattern of international transactions. In furtherance of these objectives the Committee at its February meeting established growth ranges of 5½ to 8½ percent for both M2 and M3, measured from the fourth quarter of 1986 to the fourth quarter of 1987. The associated range for growth in total domestic nonfinancial debt was set at 8 to 11 percent for 1987.

With respect to M1, the Committee recognized that, based on experience, the behavior of that aggregate must be judged in the light of other evidence relating to economic activity and prices; fluctuations in M1 have become much more sensitive in recent years to changes in interest rates, among other factors. During 1987, the Committee anticipates that growth in M1 should slow. However, in the light of its sensitivity to a variety of influences, the Committee decided at the February meeting not to establish a precise target for its growth over the year as a whole. Instead, the appropriateness of changes in M1 during the course of the year will be evaluated in the light of the behavior of its velocity, developments in the economy and financial markets, and the nature of emerging price pressures.

In that connection, the Committee believes that, particularly in the light of the extraordinary expansion of this aggregate in recent years, much slower monetary growth would be appropriate in the context of continuing economic expansion accompanied by signs of intensifying price pressures, perhaps related to significant weakness of the dollar in exchange markets, and relatively strong growth in the broad monetary aggregates. Conversely, continuing sizable increases in M1 could be accommodated in circumstances characterized by sluggish business activity, maintenance of progress toward underlying price stability, and progress toward international equilibrium. As this implies, the Committee in reaching operational decisions during the year might target appropriate growth in M1 from time to time in the light of circumstances then prevailing, including the rate of growth of the broader aggregates.

In the implementation of policy for the immediate future, the Committee seeks to increase somewhat the degree of reserve pressure sought in recent weeks, taking into account the possibility of a change in the discount rate. Somewhat greater reserve restraint would, or somewhat lesser reserve restraint might, be acceptable depending on indications of inflationary pressures and on developments in foreign exchange markets, as well as the behavior of the aggregates and the strength of the business expansion. This approach is expected to be consistent with growth in M2 and M3 over the period from March through June at annual rates of around 6 percent or less. Growth in M1 is expected to remain well below its pace during 1986. The Chairman may call for Committee consultation if it appears to the Manager for Domestic Operations that reserve conditions during the period before the next meeting are likely to be associated with a federal funds rate persistently outside a range of 4 to 8 percent.

Votes for this action: Messrs. Volcker, Corrigan, Angell, Boehne, Boykin, Heller, Johnson, Keehn, and Stern. Vote against this action: Ms. Seger.

Ms. Seger dissented because she did not want to lean on the side of any tightening of reserve conditions beyond the firming that had occurred since the March meeting. She was concerned that the degree of reserve pressure prevailing recently, which was somewhat greater than intended, represented a risk to an already weak economic expansion. She noted that the negative effects of recent increases in interest rates had not yet been felt in the economy. She also referred to recent indications of moderating growth in the monetary aggregates, and she did not expect inflationary pressures to persist in the context of excess production capacity and commodity surpluses worldwide.

Legal Developments

Orders Issued Under Bank Holding Company Act, Bank Merger Act, Bank Service Corporation Act, and Federal Reserve Act

Orders Issued Under Section 3 of the Bank Holding Company Act

Atico Financial Corporation
Miami, Florida

Order Approving Formation of a Bank Holding Company

Atico Financial Corporation, Miami, Florida, has applied for the Board's approval pursuant to section 3(a)(1) of the Bank Holding Company Act ("Act") (12 U.S.C. § 1842(a)(1)) to become a bank holding company by acquiring 99 percent of the voting shares of Atico Savings Bank ("Atico") and 94 percent of the voting shares of Intercontinental Bank ("Intercontinental"), both of Miami, Florida.

Notice of the application, affording interested persons an opportunity to submit comments, has been duly published (52 *Federal Register* 10,931 (1987)). The time for filing comments has expired, and the Board has considered the application and all comments received in light of the factors set forth in section 3(c) of the Act.

Applicant, a unitary savings and loan holding company, is the parent company of Atico, a state-chartered savings bank, the accounts of which are insured by the Federal Savings and Loan Insurance Corporation ("FSLIC"). Intercontinental is a state-chartered commercial bank, the accounts of which are insured by the Federal Deposit Insurance Corporation ("FDIC"). Applicant proposes to become a multibank holding company by acquiring Intercontinental and by converting Atico to a state-chartered commercial bank, the accounts of which would be insured by the FDIC. Because Atico, at the time of its conversion to an FDIC insured institution, will accept demand deposits and makes commercial loans, Atico would be a "bank" for purposes of the Act. Accordingly, Applicant properly has applied to become a bank holding company under section 3 of the Act, which governs the acquisition of banks by bank holding companies.

Applicant, with deposits of $386.3 million[1] after the conversion of Atico, would be the seventeenth largest commercial banking organization in Florida, controlling 0.5 percent of the total deposits of commercial banking organizations in the state. Intercontinental is the fifteenth largest commercial banking organization in the state, controlling deposits of $476.2 million, representing 0.6 percent of the total deposits in commercial banking organizations in the state. Upon consummation of this proposal, Applicant will become the ninth largest commercial banking organization in Florida and will control deposits of $862.5 million, representing 1.1 percent of the total deposits in commercial banking organizations in the state. Consummation of this proposal would not have any significant adverse effect upon the concentration of banking resources in the state.

Applicant competes directly with Intercontinental in the Miami-Fort Lauderdale banking market.[2] Upon conversion of Atico, Applicant would be the fourteenth largest of 84 commercial banking organizations, controlling 1.8 percent[3] of the total deposits in commercial banks in the market. Intercontinental is the tenth largest commercial banking organization in the market, controlling 2.2 percent of the total deposits in commercial banking organizations in the market. Upon consummation of this proposal, Applicant would become the sixth largest commercial banking organization and would control 4.0 percent of the total deposits in commercial banking organizations in the market. The Herfindahl–Hirschman Index ("HHI") would increase by 8 points to 921[4] and the market would remain unconcentrated. Accordingly, consummation of this proposal is unlikely to lessen substantially competition in the Miami-Fort Lauderdale banking market.

1. State banking data are as of June 30, 1986. State banking data do not include the deposits of a recently acquired branch in Orlando, Florida.
2. The Miami-Fort Lauderdale banking market is approximated by Dade and Broward Counties, Florida.
3. Market banking data are as of June 30, 1985.
4. 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 less than 1000 is considered unconcentrated, and the Department generally will not challenge a bank merger or acquisition resulting in a post-merger HHI of less than 1000.

Atico currently engages through wholly owned subsidiaries in certain real estate investment activities that are authorized by state law. Applicant has agreed that Atico will divest the real estate investment activities of its subsidiaries within two years of consummation of this proposal in accordance with section 4(a)(2) of the Act.

In evaluating these applications, the Board has considered the financial resources of Applicant and the effect on those resources of the proposed acquisitions. The Board has stated and continues to believe that capital adequacy is an especially important factor in the analysis of bank holding company proposals. In this regard, Applicant has committed that upon formation of the bank holding company, it will maintain the tangible primary capital ratios of each of the two subsidiary depository institutions and of the consolidated organization at a level well in excess of the Board's minimum capital guidelines. Additionally, Applicant intends to further strengthen the capital position of the organization through the sale of capital stock in the near future.

Based upon these and other facts of record, the Board concludes that the financial and managerial resources of Applicant's resulting organization are consistent with approval. In reaching this decision, the Board has considered carefully the recommendations for approval of the transaction by the State of Florida and, in particular, that this proposal will address Intercontinental's financial condition. Considerations relating to the convenience and needs of the communities to be served are consistent with approval of this application.

The Board expects that Applicant will comply with all state and federal requirements necessary for consummation of the acquisition, and the Board's approval of this application under the Act is not intended to preempt any such requirements.[5] The Board has previously stated that its approval of transactions under section 3 of the Act does not relieve an applicant or the bank involved of the responsibility to obtain approval under other federal or state laws and regulations and does not shield an applicant from the consequences of violations of other laws.[6]

Based on the foregoing, the Board has determined that consummation of the proposal would be in the public interest and that the application should be and hereby is approved. In light of the comments of the Comptroller of Florida concerning the condition of Intercontinental and the need for expeditious Board action, the acquisition of Intercontinental may be consummated at any time on or after the fifth calendar day following the effective date of this Order. Applicant's acquisition of Atico in connection with its conversion to an FDIC insured commercial bank shall not be consummated before the thirtieth calendar day following the effective date of this Order.[7] Neither acquisition shall 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 Atlanta acting pursuant to delegated authority.

By order of the Board of Governors, effective July 20, 1987.

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

JAMES MCAFEE
[SEAL] *Associate Secretary of the Board*

First Empire State Corporation
Buffalo, New York

Order Approving Acquisition of a Bank

First Empire State Corporation, Buffalo, New York, a bank holding company within the meaning of the Bank Holding Company Act ("Act") (12 U.S.C. § 1842 (a)(1)), 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 up to 100 percent of the voting shares of Bank of Richmondville, Richmondville, New York ("Bank").

Notice of the application, affording interested persons an opportunity to submit comments, has been duly published (52 *Federal Register* 10,265 (1987)). The time for filing comments has expired, and the Board has considered the application and all comments received in light of the factors set forth in section 3(c) of the Act.

Applicant is the sixteenth largest commercial banking organization in New York, holding deposits of $2.3 billion, representing less than one percent of the total deposits in commercial banking organizations in the

5. The Board may not approve an application that would result in a violation of federal or state law. *Whitney National Bank v. Bank of New Orleans & Trust Co.*, 379 U.S. 411 (1965).

6. *Hartford National Corporation*, (Order dated June 1, 1987); *Comerica Inc.*, 73 FEDERAL RESERVE BULLETIN 599 (1987).

7. In the event that Applicant acquires Intercontinental without consummating the proposed conversion of Atico from a thrift institution to an FDIC-insured bank, Applicant would have two years under section 4(a)(2) of the Act to divest the shares of the subsidiary thrift institution.

state.[1] Bank is among the smallest commercial banking organizations in the state, controlling deposits of $34.6 million, representing less than one percent of the total deposits in commercial banking organizations in the state. Upon consummation of this proposal, Applicant would remain the sixteenth largest commercial banking organization in New York and would control less than one percent of the total deposits in commercial banking organizations in the state. Consummation of this proposal would not result in a significant increase in the concentration of banking resources in New York.

Bank is the nineteenth largest of 21 commercial banking organizations in the Albany banking market,[2] controlling less than one percent of the total deposits in the market. Applicant does not operate in the Albany banking market. Accordingly, consummation of the proposal would not have any significant adverse effect on existing competition in the market.

The Board also has considered the effect of the proposed acquisition on probable future competition in the Albany banking market. In view of the numerous potential entrants into the market, the Board concludes that consummation of the proposed transaction would not have any significant adverse effect on probable future competition in any relevant market.

In its evaluation of Applicant's managerial resources, the Board has considered certain violations by Applicant's lead bank, Manufacturers and Traders Trust Company, Buffalo, New York ("M&T"), of the Currency and Foreign Transactions Reporting Act ("CFTRA") and the regulations thereunder.[3]

In this regard, the Board notes that Applicant voluntarily brought the subject violations to the attention of the appropriate supervisory authorities after they were discovered through Applicant's internal audit program. Moreover, Applicant has voluntarily reported these previously unreported currency transactions, and has implemented new compliance procedures to prevent similar violations from occurring in the future. In addition, an examination conducted by the appropriate supervisory authority has determined that M&T's new compliance procedures are sufficient to ensure future compliance with the CFTRA.

The Board also has considered certain violations by Bank of the CFTRA. Bank has corrected these violations and has implemented new compliance procedures to prevent a recurrence of similar violations. The record reflects that Bank's primary regulator has advised the Board that Bank's new procedures adequately address concerns raised by the prior violations.

For the foregoing reasons and based upon a review of all of the facts of record, the Board concludes that the managerial resources of Applicant and Bank are consistent with approval. The Board also finds that the financial resources of Applicant and Bank are consistent with approval.

Existing management of Bank has submitted comments opposing this proposal. In addition, the Board has received more than 60 comment letters and petitions in opposition to this proposal from certain community members, as well as certain customers and shareholders of Bank.

These commenters are concerned that Bank will cease to be an independent bank characterized by a friendly, small town orientation if this application is approved, because Applicant is a large non-local bank holding company. In addition, the commenters argue that this proposed transaction will not serve the needs of the community. They argue that small depositors, currently able to maintain accounts at Bank due to Bank's low minimum balance requirements, will not be able to maintain those accounts if Applicant acquires Bank and implements its policies. Some commenters also suggest that customers will terminate their relationships with Bank if ownership and management change.

The Board has carefully considered the comments in opposition to this proposal. The commenters primarily extol the virtues of Bank and do not raise issues that reflect adversely on the management of Applicant or its record in meeting the convenience and needs of the communities it serves.

There is no evidence in the record to support the commenters' suggestion that Bank may not adequately serve the needs of small depositors if the application is approved. Moreover, Applicant has indicated that, upon achieving control of Bank, it will continue Bank's record of service to the community and, in particular, to small depositors. Indeed, Applicant proposes new services for Bank, including home equity loans, variable-rate installment loans, ATM machines, discount brokerage services, variable-rate credit cards and international banking, which would serve to enhance the Bank's provision of services to its community. Accordingly, after careful review of all the comments submitted and the facts of record in this case, the Board has determined that the comments do not warrant denial of this application. The Board therefore concludes that convenience and needs considerations are consistent with approval of this application.

1. Statewide banking data are as of December 31, 1986.
2. The Albany banking market is approximated by the following counties: Albany, Columbia, Fulton, Greene, Hamilton, Montgomery, Rensselaer, Saratoga, Schenectady, Schoharie, Warren, and Washington, all in New York. Market data are as of June 30, 1985.
3. 31 U.S.C. § 5311 *et seq.*; 31 C.F.R. § 103.

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

By order of the Board of Governors, effective July 6, 1987.

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

JAMES MCAFEE
[SEAL] *Associate Secretary of the Board*

Hartford National Corporation
Hartford, Connecticut

Order Approving Acquisition of a Bank

Hartford National Corporation, Hartford, Connecticut, a bank holding company within the meaning of the Bank Holding Company Act ("Act") (12 U.S.C. § 1841 *et seq.*), has applied for the Board's approval under section 3(a)(3) of the Act (12 U.S.C. § 1842(a)(3)), to acquire Chester Bank, Chester, Connecticut ("Bank").

Notice of this application, affording an opportunity for interested persons to submit comments, has been given in accordance with section 3 of the Act (52 *Federal Register* 10,265 (1987)). The time for filing comments has expired, and the Board has considered this application and all comments received in light of the factors set forth in section 3(c) of the Act.

Applicant controls six banking subsidiaries located in Massachusetts and Connecticut. Applicant is the second largest commercial banking organization in Connecticut, with deposits of $7.0 billion,[1] representing approximately 26 percent of the total deposits in commercial banks in the state. Bank is the 23rd largest commercial banking institution in Connecticut, with deposits of $89.5 million, representing less than one percent of the total deposits in commercial banks in the state. Upon consummation of this proposal, Applicant would remain the second largest commercial banking organization in Connecticut, controlling 26.4 percent of total deposits in the state. Consummation of this proposal would not result in a significant increase in the concentration of banking resources in Connecticut.

Applicant and Bank both compete in the Hartford and Old Saybrook banking markets. In the Hartford banking market,[2] Applicant is the second largest of 17 commercial banking institutions, controlling deposits of $2.5 billion,[3] which represents 36.4 percent of total deposits in commercial banks in the market. Bank is among the smaller commercial banking institutions in the Hartford market, controlling deposits of $6.2 million, which represents less than one percent of the market's total commercial bank deposits. Upon consummation of this proposal, Applicant would remain the second largest commercial banking institution in Hartford, and would control 37 percent of the market's total deposits in commercial banks. The Herfindahl–Hirschman Index ("HHI")[4] would increase by only 6 points to 3079, and the Hartford market would remain highly concentrated. In view of the small amount of competition that would be eliminated, consummation of this proposal would not have a significant adverse effect on existing competition in the Hartford banking market.[5]

Applicant and Bank also compete in the Old Saybrook banking market.[6] Applicant is the second largest of six commercial banking institutions in the Old Saybrook market, controlling deposits of $49.5 million, which represents 25.7 percent of total deposits in commercial banks in the market. Bank is the largest commercial banking institution in the Old Saybrook banking market, controlling deposits of $62.2 million, which represents 32.3 percent of the market's total commercial bank deposits. Upon consummation of this proposal, Applicant would become the largest commercial banking institution in the Old Saybrook

1. State deposit data are as of December 31, 1986, and do not reflect Applicant's pending acquisition of the successor to The Savings and Loan Association of Southington, Southington, Connecticut, approved by the Board on June 1, 1987.

2. The Hartford banking market is approximated by the Hartford Rand McNally Area ("RMA") minus the Tolland County township of Mansfield and the Windham County township of Windham, plus the Windham County township of Ashford, the Hartford County township of Hartland and the Tolland County township of Union, and the remaining portions of Plymouth and East Haddam not already included in the RMA.

3. Market deposit data are as of June 30, 1985.

4. 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 likely to be challenged (in the absence of other factors indicating an anticompetitive effect) if the post-merger HHI is at least 1800 and the merger increases the HHI by at least 200 points.

5. The Board also has considered the competitive effects of thrifts in the Hartford banking market.

6. The Old Saybrook banking market is approximated by the Middlesex County townships of Old Saybrook, Chester, Essex, Westbrook and Deep River.

market, and would control \$111.7 million in deposits, representing 58.0 percent of the total deposits in commercial banks in the market. The HHI in the Old Saybrook market would increase 1661 points to 4049 and the four-firm concentration ratio would increase from 89.1 percent to 96.0 percent.

The potential adverse competitive effects of this proposal are substantially mitigated, however, by consideration of certain unique facts and circumstances present in this case: the large number of remaining competitors relative to the size of the market, the very substantial commercial banking services provided by savings banks and savings and loan associations, and the unusual location and configuration of the Old Saybrook market. These three factors, taken together, substantially mitigate the anticompetitive effects of the combination of Applicant and Bank in the Old Saybrook market.

First, ten other depository institutions (four commercial banks and six thrift institutions) would remain in the Old Saybrook market, a large number of independent competitors relative to the size of the market. Together, these institutions account for \$314.7 million (73.8 percent) of the \$426.4 million of total deposits in the market. These institutions, along with nondepository financial service providers, would continue to compete with Applicant after consummation of its proposal.

Second, thrift institutions[7] currently exert a considerable competitive influence in the Old Saybrook market as providers of transaction accounts and consumer loans. All six thrifts also are exercising the liberal commercial lending powers authorized under state law to thrift institutions.[8] These thrifts control deposits of \$233.9 million, which represent approximately 55 percent of the total deposits in all banks and thrifts in the market. The first and third ranked depository institutions in the Old Saybrook market are thrift institutions, and together account for 33.2 percent of total deposits in banks and thrifts in the market.

Moreover, all six thrifts in the Old Saybrook market conduct, in effect, a commercial banking business as authorized under Connecticut law.[9] Four of the six thrifts in the market (including the market's first and third largest depository institutions) are chartered as savings banks, which traditionally in Connecticut have offered significant competition to local commercial banks in the provision of a full range of financial services. In particular, thrifts in the Old Saybrook market (savings banks and S&L's alike) provide a full array of commercial banking services in addition to offering traditional thrift products — characteristics which are reflected in the asset composition of their portfolios. For example, the ratio of commercial and industrial loans (other than those secured by real estate) to total assets for thrifts in the market is approximately 9.0 percent, well above the 1.6 percent national average for thrifts on a nationwide basis. The ratio of commercial loans secured by real estate to total assets for thrifts in the Old Saybrook market is 11.2 percent, the same as that for commercial banks in the market. In addition, the ratio of consumer loans to total assets for thrifts in the market, at 12.9 percent, is nearly equivalent to the 14 percent ratio for commercial banks in the market. Moreover, all thrift institutions in the Old Saybrook market offer commercial demand deposit accounts, and 5 of the six institutions offer personal demand deposit accounts.

Third, the facts of record show that the potential anticompetitive effects of this acquisition are lessened by certain unique characteristics of the Old Saybrook banking market. The Board previously has indicated that the relevant banking market should reflect commercial and banking realities and should consist of the localized area where customers can practically turn for alternatives.[10] The Board therefore has considered the geographic setting of the Old Saybrook banking market, labor force commuting patterns, and the ease of access to, as well as ready availability of, financial

7. The Board previously has 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); *The Chase Manhattan Corporation*, 70 FEDERAL RESERVE BULLETIN 529 (1984); *NCNB Bancorporation*, 69 FEDERAL RESERVE BULLETIN 802 (1983); *First Tennessee Corporation*, 69 FEDERAL RESERVE BULLETIN 298 (1983).

8. If 50 percent of the deposits controlled by thrift institutions in the Old Saybrook market were included in the calculation of market concentration, the four-firm concentration ratio would be 63.9 percent, and the HHI would increase 644 points to 1901. Applicant would rank first among banks and thrifts in the market, controlling 36.1 percent of the market's deposits.

If 100 percent of the deposits controlled by thrift institutions in the Old Saybrook market were included in the calculation of market concentration, the four-firm concentration ratio would be 59.4 percent, and the HHI would increase 338 points to 1527. Applicant would rank first among banks and thrifts in the market, controlling 26.2 percent of the market's deposits.

9. In 1983, Connecticut statutes were amended to remove limitations on personal and business demand deposit activity and increase permissible commercial loan activity. Currently, 30 percent of the assets of Connecticut thrifts can be invested in commercial loans. On October 1, 1987, the permissible level increases to 40 percent. On October 1, 1988, all limitations will be removed and thrifts will be authorized to transact, in effect, a general banking business.

10. *Pikeville National Corporation*, 71 FEDERAL RESERVE BULLETIN 240 (1985); *Dacotah Bank Holding Company*, 70 FEDERAL RESERVE BULLETIN 347 (1984); *Wyoming Bancorporation*, 68 FEDERAL RESERVE BULLETIN 313 (1982), aff'd, 729 F.2d 687 (10th Cir. 1984); *Independent Bank Corporation*, 67 FEDERAL RESERVE BULLETIN 436 (1981).

services provided by out-of-market institutions, in terms of assessing the competitive effects of Applicant's proposal.

The Old Saybrook banking market is characterized by a highly unusual location and configuration unlike any market previously considered by the Board. The market is one of 12 designated markets in Connecticut and encompasses a seven by 15 mile strip in the south-central portion of the state. Old Saybrook also is among the smallest of 97 commercial banking markets designated in the entire New England area. Of the five towns in the market, Old Saybrook is the only business center, and it is located at the market's southernmost tip. The Old Saybrook banking market is surrounded by three RMAs,[11] but none of the five towns in the market is included in any of these areas. The Old Saybrook banking market lies in close proximity to the central business districts of New London (15 miles), New Haven (27 miles), and Hartford (40 miles). The Old Saybrook banking market is influenced to an unusual degree by each of these surrounding communities, but the facts of record suggest that it is not strongly tied to any one central business area so as to render it an integal part of one of these markets.

In addition to the market's geographic configuration, commuting patterns traditionally have provided important indications of economic and commercial integration in defining market areas.[12] In the Old Saybrook banking market, a large portion of the daily work force (29 percent) commutes to surrounding communities. The distribution of total commuters is diffuse, however (11.3 percent to New Haven, 8.6 percent to New London and 9.3 percent to Hartford), and thus fails to definitively tie the Old Saybrook market to any one business center.

Applicant also has provided local advertising information, which suggests that consumer and commercial customers in the Old Saybrook banking market are readily exposed to and solicited by financial service providers in surrounding market areas. The Old Saybrook market has a weekly newspaper, but receives local daily newspaper service from the surrounding New Haven and New London markets. Information supplied by Applicant shows that eight commercial banks located outside the Old Saybrook market regularly advertise their services in the New Haven and New London papers distributed in the Old Saybrook market. All local television stations, and two of three radio stations, servicing the Old Saybrook market also originate from the surrounding New Haven or New London market areas. Out-of-market commercial banks advertising their products and services over these stations would, of necessity, be directing their solicitations at Old Saybrook banking customers. Finally, Applicant has compiled data which show that small businesses in the Old Saybrook market have designated over a dozen out-of-market banking institutions to serve as their primary commercial lender.

Applicant also has identified 26 non-depository institutions offering credit services that solicit customers in the Old Saybrook banking market. Eighteen of these institutions specialize in mortgage credit. In addition, at least 23 securities and bond brokers actively solicit customers in the market. Of these 49 institutions, only 6 are physically located in the market.

In sum, the unusual geographic characteristics of the Old Saybrook market, the strong influence on the market of the three surrounding business centers, the significant exposure of customers in the Old Saybrook market to the financial services offered by out-of-market institutions, and evidence that Old Saybrook customers turn to out-of-market institutions for certain financial services, all contribute to the unique attributes of the Old Saybrook market. In the Board's view, these factors, along with the significant competitive influence of thrifts in the market, and the existence of numerous remaining providers of financial services to both consumer and commercial customers, substantially mitigate the anticompetitive effects of this proposal in the Old Saybrook market and render competitive factors consistent with approval. The Board therefore concludes that consummation of Applicant's proposal would not have a significant adverse effect upon existing competition in any relevant market.

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 also are consistent with approval of this application.

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

11. Rand McNally, Inc., delineates RMAs for the business community and can be used to indicate areas of economic and social integration. An RMA includes a central city or cities, any adjacent continuously built-up area, and other communities not connected to the city by continuously built-up territory if the bulk of their population is supported by commuters to the central city and its adjacent built-up areas, and provided their population density is fairly high. A place generally meets the commuting requirement if at least 20 percent of its labor force commutes to the central city or its adjacent areas. *1987 Rand McNally Commercial Atlas & Marketing Guide*, 118th Edition.

12. *Sunwest Financial Services, Inc.*, 73 Federal Reserve Bulletin 463 (1987).

by the Federal Reserve Bank of Boston, acting pursuant to delegated authority.

By order of the Board of Governors, effective July 14, 1987.

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

JAMES MCAFEE
[SEAL] *Associate Secretary of the Board*

Houston Bancorporation, Inc.
St. Paul, Minnesota

Order Approving Acquisition of Bank Holding Companies and a Bank

Houston Bancorporation, Inc., St. Paul, Minnesota, a bank holding company within the meaning of the Bank Holding Company Act (12 U.S.C. § 1841 *et seq.*) ("Act"), has applied for the Board's approval under section 3 of the Act (12 U.S.C. § 1842) to acquire Citizens State Bank of Hayfield ("Citizens"), Hayfield, Minnesota, and to merge with Ladysmith Corporation ("Ladysmith"), St. Paul, Minnesota, and Cottage Grove Bancorporation, Inc. ("CGB"), St. Paul, Minnesota, and thus indirectly acquire The Pioneer National Bank of Ladysmith ("Pioneer"), Ladysmith, Wisconsin, and Minnesota National Bank of Cottage Grove, Cottage Grove, Minnesota.

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

Applicant, CGB and Citizens are among the smaller commercial banking organizations in the state of Minnesota. Upon consummation of this proposal, Applicant would become the 31st largest commercial banking organization in the state of Minnesota, controlling total deposits of $90.1 million, representing 0.25 percent of total deposits in commercial banking organizations in the state.[1] Consummation of this proposal would not result in a significant increase in the concentration of banking resources in Minnesota.

Since Applicant and the banks to be acquired do not operate in the same banking markets, consummation of the proposal would not eliminate any existing competition.

Applicant also seeks to acquire Ladysmith, and thus indirectly to acquire Pioneer, a Wisconsin bank. Section 3(d) of the Act (12 U.S.C. § 1842(d)), the Douglas Amendment, prohibits the Board from approving an application by a bank holding company to acquire a bank located outside the holding company's home state, unless such acquisition is "specifically authorized by the statute laws of the state in which such bank is located, by language to that effect and not merely by implication."[2] The statute laws of Wisconsin, Wis. Stat. Ann. § 221.58 (West Supp. 1986), authorize an out-of-state bank holding company with its principal place of business in one of eight "regional states," including Minnesota, to acquire a Wisconsin bank that operated in Wisconsin prior to May 9, 1986, if the Wisconsin Commissioner of Banks determines that the "regional state" permits Wisconsin bank holding companies to acquire banks or bank holding companies located in that state.

The Wisconsin Commissioner of Banks and the Minnesota Commissioner of Commerce have concluded that the statute laws of Minnesota and Wisconsin "appear to be compatible and to permit interstate acquisitions of banks and bank holding companies between two states."[3] Based on the foregoing, including the Board's review of the statutes involved, the Board has determined that the proposed acquisition is specifically authorized by the statute laws of Wisconsin and is thus permissible under the Douglas Amendment, subject to the decision of the Wisconsin Commissioner of Banks not to disapprove this transaction pursuant to subsections 221.58(4)(b) and (6) of the Wisconsin Statutes, Wis. Stat. Ann. §§ 221.58(4)(b) and 221.58(6). The Board's Order is specifically conditioned upon satisfaction of the state regulatory requirement that the Wisconsin Commissioner of Banks not disapprove this application.

Applicant has no subsidiaries in the state of Wisconsin and does not compete in any market in the state. Accordingly, consummation of this proposal would not eliminate any significant competition in the relevant market in Wisconsin.

The Board concludes that the financial and managerial resources of Applicant, its subsidiary bank and the banking organizations to be acquired are consistent with approval of these applications. In reaching this

1. All banking data are as of June 30, 1986.

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

3. Cooperative Agreement Between the State of Wisconsin and the State of Minnesota, dated February 6, 1987.

conclusion, the Board notes that these transactions involve a restructuring of the existing ownership interests of Applicant's principal, and no new acquisition debt is involved in the proposal. The Board has also considered, in its assessment of capital adequacy, that actions taken in conjunction with these applications will improve the capital position of Applicant and its subsidiary banks, as well as the chain banking organization controlled by Applicant's principal shareholder. In addition, Applicant has submitted a plan to further improve the tangible primary capital ratio of the chain banking organization. On the basis of the foregoing, banking factors are consistent with approval of these applications. Considerations relating to the convenience and needs of the communities to be served also are consistent with approval of these transactions.

Based on the foregoing and other facts of record, the Board has determined that the applications should be, and hereby are, approved, subject to the express condition, with regard to the Wisconsin acquisition, that the Wisconsin Commissioner of Banks not disapprove the proposed acquisition. The transactions 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 July 15, 1987.

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

JAMES MCAFEE
[SEAL] *Associate Secretary of the Board*

McLeod Bancshares, Inc. Hutchinson, Minnesota

Order Approving Acquisition of a Bank

McLeod Bancshares, Inc., Hutchinson, Minnesota, has applied pursuant to section 3(a)(3) of the Bank Holding Company Act ("BHC Act" or "Act"), 12 U.S.C. § 1841 *et seq.*, to acquire 24.5 percent of the voting shares of Exchange State Bank, St. Paul, Minnesota ("Bank").

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

Applicant controls two subsidiary banks with total deposits of $54.7 million, representing approximately 0.1 percent of the total deposits in commercial banks in Minnesota.[1] Bank is the 506th largest commercial banking organization in Minnesota, controlling deposits of $8.4 milliion representing approximately .02 percent of the total deposits in commercial banking organizations in the state. Consummation of this proposal would not significantly increase the concentration of banking resources in the state of Minnesota.

Applicant's subsidiary banks and Bank compete in the Minneapolis/St. Paul banking market.[2] Applicant's subsidiary banks control 0.4 percent of the deposits in commercial banks in the market.[3] Bank, with deposits of $8.4 million, is the 121st largest of 124 banks in the market, controlling .03 percent of deposits in commercial banks in the market. Upon consummation of this proposal, Applicant would control less than 0.5 percent of total deposits in commercial banks in the Minneapolis/St. Paul market, and the Herfindahl–Hirschman Index would increase by one point to 2153. Consummation of this proposal would not have any significant adverse effect upon competition in any banking market, and competitive considerations are consistent with approval.

Bank's majority shareholder, Anchor Bancorp, Inc. ("Anchor"), and Anchor's principal shareholder ("Protestants"), filed comments opposing this proposal, arguing that the proposed acquisition of less than an absolute majority of the voting shares of Bank will result in the failure of Applicant to serve as a source of financial and managerial strength to Bank.[4] Protestants also challenge whether such a minority investment in Bank will weaken Applicant's financial condition.

The Board has evaluated the financial and managerial resources of Applicant and Bank and finds them to be consistent with approval. This transaction will be accomplished through an exchange of shares, and Applicant will incur no acquisition debt as a result of

1. All banking data are as of December 31, 1986.
2. The Minneapolis/St. Paul banking market is approximated by the Minneapolis/St. Paul RMA adjusted to include all of Carver and Scott Counties and Lanesburgh Township in Le Sueur County.
3. As of June 30, 1985.
4. Protestants also argue that the value of Applicant's stock to be received by Applicant's principal is excessive compared to the value of Bank stock Applicant's principal will exchange with Applicant. In questioning the appropriate ratio of shares to be exchanged, Anchor's principal shareholder argues that as a minority shareholder of Applicant his interest in Applicant will be diluted. The price to be set for the purchase of bank stock and, in particular, the proper ratio for exchange of shares is a matter appropriately left to the parties to the transaction, who in this case have already sought recourse to the courts to resolve these issues. Further, it does not appear that such issues are within the scope of factors the Board may consider. *See Western Bancshares, Inc. v. Board of Governors*, 480 F.2d 749 (10th Cir. 1973).

the transaction. Consequently, Applicant will not rely upon dividends of Bank to service any debt. Based upon this fact and the fact that the condition of Bank is satisfactory, this proposed investment, which is actually a transfer to a holding company of an interest held by Applicant's majority shareholder for seven years, will not impair Applicant's financial resources. Consequently, this case can be distinguished from the Board's decision in the case of *NBC Co.*, 60 FEDERAL RESERVE BULLETIN 782 (1974), in which the Board denied the acquisition of a minority interest in a bank to which the bank's absolute majority shareholder objected. Moreover, unlike the *NBC Co.* case, the majority shareholder of Bank, Anchor, is itself a bank holding company to which the Board may look as a source of strength for Bank.

Applicant's principal has no representation on Bank's board of directors and it is not anticipated that Applicant will be so represented. As a result, this transaction will not "perpetuate or aggravate dissension in Bank's management" — a basis cited by the Board for denial of an application to acquire a minority interest in *NBC Co.* Id. 784. Applicant also has the necessary resources to serve as a source of financial strength to Bank. Moreover, Bank's condition is satisfactory and Anchor is considered to be a source of strength to Bank, particularly in view of its recent injection of capital into Bank. Accordingly, there is no extraordinary need for Applicant to play a more active role as a source of financial strength to Bank. After careful review of the comments submitted and all of the facts of record in this case, the Board has determined that the comments submitted do not warrant denial of this application. Financial and managerial factors and future prospects of Applicant, its subsidiary banks, and Bank are consistent with approval. Considerations relating to the convenience and needs of the community to be served are also 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. This transaction shall not be consummated before the thirtieth calendar day following the effective date of this Order, or later than three months after the effective date of this Order, unless such period is extended for good cause by the Board, or by the Federal Reserve Bank of Minneapolis pursuant to delegated authority.

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

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

JAMES MCAFEE
Associate Secretary of the Board

[SEAL]

Northeast Bancorp, Inc.
North East, Maryland

Order Approving Formation of a Bank Holding Company

Northeast Bancorp, Inc., North East, Maryland, has applied for the Board's approval under section 3(a)(1) of the Bank Holding Company Act of 1956, as amended ("BHC Act") (12 U.S.C. § 1842(a)(1)), to become a bank holding company by acquiring 80 percent or more of the outstanding voting stock of First National Bank of North East, North East, Maryland ("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. 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 is a nonoperating corporation with no subsidiaries formed for the purpose of acquiring Bank. Bank is the 48th largest commercial banking organization in the State of Maryland, with total deposits of $40.8 million, representing less than 0.2 percent of the total deposits in commercial banks in the state.[1]

Bank is the 39th largest of 57 commercial banking organizations in the Wilmington banking market,[2] controlling 0.3 percent of the total deposits in commercial banks.[3] Principals of Applicant are not affiliated with any other depository organization in the market. Consummation of this proposal would not result in any adverse effects upon competition or increase the concentration of banking resources in any relevant market. Accordingly, the Board concludes that competitive considerations under the BHC Act are consistent with approval.

In its evaluation of Applicant's managerial resources, the Board has considered certain violations by Bank of the Currency and Foreign Transactions Reporting Act ("CFTRA") and the regulations thereunder.[4] Applicant has taken appropriate remedial action to correct such violations and prevent their recurrence. The corrective measures include the development of a new compliance policy, enhanced audit procedures, and additional training for Bank's personnel. In addition, Bank's primary regulator, the

1. All banking data are as of June 30, 1986, unless otherwise indicated.
2. The Wilmington banking market is defined as Cecil County, Maryland; Chester County, Pennsylvania; Salem County, New Jersey; and New Castle County, Delaware.
3. Market data are as of June 30, 1985.
4. 31 U.S.C. § 5311, *et seq.*; 31 C.F.R. § 103.

Office of the Comptroller of the Currency, has indicated that all CFTRA violations were corrected and that a subsequent examination did not reveal any additional violations.

The financial and managerial resources and future prospects of Applicant and Bank are considered consistent with approval of the proposal. 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 the application should be, and hereby is, approved. This transaction shall not be consummated before the thirtieth calendar day following the effective date of this Order, or later than three months after the effective date of this Order, unless such period is extended for good cause by the Board or the Federal Reserve Bank of Richmond, acting pursuant to delegated authority.

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

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

JAMES MCAFEE
[SEAL] *Associate Secretary of the Board*

Orders Issued Under Section 4 of the Bank Holding Company Act

Amsterdam-Rotterdam Bank N.V. Amsterdam, The Netherlands

Order Approving Application to Acquire Amsterdam Pacific Corporation

Amsterdam-Rotterdam Bank N.V., Amsterdam, The Netherlands, a foreign bank subject to the provisions of the Bank Holding Company Act (12 U.S.C. § 1841 *et seq.*) (the "Act"), has applied for the Board's approval pursuant to section 4(c)(8) of the Act (12 U.S.C. § 1843(c)(8)) to acquire up to 100 percent of the voting shares of Amsterdam Pacific Corporation, San Francisco, California ("Company"), and thereby to engage *de novo* in certain nonbanking activities.

Notice of the application, affording interested persons an opportunity to submit comments, has been published (52 *Federal Register* 13,521 (1987)). The time for filing comments has expired, and the Board has considered the application and all comments received in light of the factors set forth in section 4(c)(8) of the Act.

Applicant, with total assets of approximately $63.2 billion,[1] is the second largest bank in the Netherlands and the 48th largest banking organization worldwide. Through its subsidiaries, Applicant engages in various permissible banking and nonbanking activities.

Company will engage in the following nonbanking activities:

(1) portfolio investment advisory services for a small number of investment partnerships;
(2) feasibility studies for corporations; and
(3) valuation services (including valuations of companies or one or more integral parts) for purposes of acquisitions, mergers or divestitures; tender offer evaluations; advice for management or for bankruptcy court on the viability and capital adequacy of financially troubled companies (and on the fairness of bankruptcy reorganization); valuation opinions on transactions in publicly held securities; valuations on the fair market value of employee stock ownership trusts; periodic valuation of stock of privately owned companies; and valuations of large blocks of securities of publicly owned companies.

Portfolio investment advisory services have been determined by the Board to be closely related to banking and permissible for bank holding companies. (12 C.F.R. § 225.25(b)(4)(iii)). The Board previously has determined by Order that the activities of providing feasibility studies for corporations and valuation services are closely related to banking and permissible for bank holding companies.[2]

In order to approve this application, the Board must also find that the performance of the proposed activities "can reasonably be expected to produce benefits to the public, such as greater convenience, increased competition, or gains in efficiency, that outweigh possible adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interests, or unsound banking practices." In this regard, Company will be a *de novo* entrant into the financial services market and will enhance competition by widening the range of firms from which companies may choose.

The Board notes that the primary capital ratio of Applicant, as publicly reported, is below the minimum capital guidelines established by the Board for U.S. bank holding companies. The Board has also considered all of the information available to the Board

1. Data are as of December 31, 1986.
2. *Security Pacific Corporation*, 71 FEDERAL RESERVE BULLETIN 118 (1985); *Signet Banking Corporation*, 73 FEDERAL RESERVE BULLETIN 59 (1987).

regarding the financial condition of Applicant and made adjustments in accordance with U.S. regulatory and accounting practices. In light of these facts and the fact that Company will be established *de novo*, will be small in comparison to Applicant, and will engage in permissible nonbanking activities, the Board has determined that the financial resources of Applicant are consistent with approval of this application. The managerial resources of Applicant also are consistent with approval.

The Board believes that concerns regarding conflicts of interest and related adverse effects that may be associated with financial feasibility studies can be substantially mitigated through the imposition of conditions designed to prevent such adverse effects. The Board finds that the appropriate conditions to mitigate such adverse effects are as follows:

(1) Company's financial advisory activities shall not encompass the performance of routine tasks or operations for a customer on a daily or continuous basis;

(2) Disclosure will be made to each potential customer of Company that Company is an affiliate of Applicant;

(3) Advice will be rendered by Company on an explicit fee basis without regard to correspondent balances maintained by a customer of Company at Applicant or any depository subsidiary of Applicant; and

(4) Company will not make available to Applicant or any of its subsidiaries confidential information received from Company's clients.

Under these conditions, the Board concludes that Applicant's performance of financial feasibility studies is unlikely to result in any undue concentration of resources, decreased or unfair competition, unsound banking practices, or other adverse effects.

The Board has also considered whether adverse effects such as conflicts of interest or unsound banking practices may be associated with the conduct of valuation services by a bank holding company subsidiary and has determined that no significant adverse effects would result from the Board's approval of these activities.

Based on the foregoing analysis and all the facts of record, the Board has determined that the balance of the public interest factors it is required to consider under section 4(c)(8) of the Act is favorable. Accordingly, the application should be and hereby is approved. This determination is subject to the conditions set forth in this Order for the avoidance of conflicts of interest and the conditions set forth in the Board's Regulation Y, including those in sections 225.4(d) and 225.23(b)(3) (12 C.F.R. §§ 225.4(d) and 225.23(b)(3)). The approval is also subject to the Board's authority to require such modification or termination of the activities of a bank holding company or any of its subsidiaries as the Board finds necessary to assure compliance with the provisions and purposes of the Act and the Board's regulations and orders issued thereunder, or to prevent evasion thereof.

The 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 July 30, 1987.

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

JAMES MCAFEE
[SEAL] *Associate Secretary of the Board*

BankAmerica Corporation
San Francisco, California

Order Approving the Issuance and Sale of Payment Instruments

BankAmerica Corporation, San Francisco, California ("BAC"), a bank holding company within the meaning of the Bank Holding Company Act ("Act") (12 U.S.C. § 1841(c)) has applied for the Board's approval under section 4(c)(8) of the Act and sections 225.23 and 225.25(b)(12) of the Board's Regulation Y (12 C.F.R. §§ 225.23 and 225.25(b)(12)), to engage *de novo* in the issuance and sale of general purpose, variably denominated payment instruments with a maximum face value of $10,000. BAC proposes to market these instruments to consumer and business customers through financial institutions including its lead bank and certain other subsidiaries across the United States and abroad.[1]

Notice of the application, affording interested persons an opportunity to submit comments has been published (52 *Federal Register* 12,250 (April 15, 1987)). The time for filing comments has expired, and

1. This application is substantially similar to one that the Board approved on March 16, 1984. BAC never issued instruments above the $1,000 limit, however.

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 Act.

BAC controls total consolidated assets of $99.1 billion and total deposits of $82.2 billion, and is the second largest bank holding company in the United States.[2] BAC's lead bank, Bank of America N.T. & S.A. ("Bank"), controls deposits of $56.8 million and is the largest commercial banking organization in California.[3] BAC also engages, through various non-bank subsidiaries, in mortgage banking, commercial lending and leasing, credit-related insurance, investment advisory, and financial management consulting activities.

BAC proposes to engage *de novo* in the issuance and sale of general purpose, variably denominated payment instruments drawn on BAC with a maximum face value of $10,000. These instruments will include domestic and international money orders and two types of official checks. BAC proposes to market these instruments to consumer and business customers through foreign and domestic financial institutions, including Bank and certain other of BAC's subsidiaries. BAC also proposes to use these instruments in lieu of certain internal payments, including payroll and dividend checks currently drawn on Bank.[4]

The Board previously has determined that the issuance and sale of money orders and similar payment instruments with a maximum face value of $1,000 is closely related to banking. 12 C.F.R. § 225.25(b)(12). The Board also has approved by order a limited number of applications to engage in the issuance of payment instruments with a $10,000 maximum face value.[5] In each case, the Board determined that an increase in the maximum denomination of payment instruments would not affect the fundamental nature of the activity as otherwise permitted under Regulation Y.

In order to approve this application under section 4(c)(8), the Board must find that BAC's performance of the proposed activity could "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." 12 U.S.C. § 4(c)(8).

The type of money orders and official checks that BAC proposes to issue are marketed locally on the retail level by a variety of financial and non-financial firms.[6] Only a few large institutions market these instruments on a national basis, however. The international payment instruments market also is highly concentrated because few organizations have the established network and operational resources necessary to conduct a worldwide payment instruments business. There are further barriers to entry on a worldwide scale, in that the issuance and sale of payment instruments typically is a low unit price, high volume business that requires extensive management expertise combined with an efficient sales and servicing operation. BAC indicates that it already has these systems and resources in place by virtue of its prior application to engage in the issuance of payment instruments activity.

BAC seeks to increase the maximum denomination on its payment instruments in order to generate additional revenue from existing business. BAC maintains that such expanded authority is essential for it to successfully compete with other bank and nonbank issuers of payment instruments. As an additional benefit of its proposal, BAC expects improved parent company liquidity through an increase in investable funds. The record shows that BAC's sale and issuance of larger denominated money orders would increase competition in this field and enhance the convenience of the purchaser. BAC contends that these instruments would enjoy ready acceptability, and thus would provide benefits to the public. BAC also contends that its proposed activity would not lead to unsound banking practices or other adverse effects. In this respect, BAC states that it already has reduced significantly the risk of loss associated with these instruments by adopting extensive system-wide control procedures.

In considering previous applications regarding variably denominated payment instruments, the Board expressed concern that the issuance of instruments in denominations larger than $1,000 would result in an adverse effect on the reserve base. The Board noted that reserve requirements serve as an essential tool of monetary policy, and that the soundness of that policy would be jeopardized by the erosion of reservable deposits in the banking system. The Board therefore conditioned its grant of approval on the requirement

2. Asset data for BAC are as of March 31, 1987, and deposit data are as of December 31, 1986.

3. Deposit data for Bank are as of June 30, 1986.

4. As an incident to this activity, BAC proposes that its wholly owned subsidiary BA Cheque Corporation will continue to provide marketing and distribution services.

5. *BankAmerica Corporation*, 70 FEDERAL RESERVE BULLETIN 364 (1984); *See also, RepublicBank Corporation*, 71 FEDERAL RESERVE BULLETIN 724 (1985); *Citicorp*, 71 FEDERAL RESERVE BULLETIN 58 (1985).

6. Money orders typically are used to transmit funds of consumers who do not or cannot maintain checking accounts.

that a bank holding company applicant submit weekly reports of its daily payment instruments operations. The Board deemed this requirement as essential to monitor the effects of such proposals on the reserve base. The Board also underscored its authority under section 19 of the Federal Reserve Act (12 U.S.C. § 461(a)), to impose reserve requirements if necessary to avoid a significant reduction in the reserve base, or to avoid other adverse effects that might result from such proposals. In keeping with this policy determination, BAC has committed to submit to the Board weekly reports of its daily payment instruments activity. Accordingly, in light of this commitment, the Board believes that public benefits outweigh potential adverse effects of BAC's expanded payment instruments proposal.

Based upon the foregoing and other considerations reflected in the record of this application, the Board has determined that the balance of the public interest factors it is required to consider under section 4(c)(8) is favorable. This determination is subject to all of the considerations set forth in Regulation Y, including sections 225.4(d) and 225.23(b), and to the Board's authority to require such modification or termination of the activities of a holding company or any of its subsidiaries as the Board finds necessary to assure compliance with, or prevent evasion of, the provisions and purposes of the Act and the Board's regulations and orders issued thereunder.

The activity approved hereby shall be commenced not 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 July 21, 1987.

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

JAMES MCAFEE
Associate Secretary of the Board

[SEAL]

The Chase Manhattan Corporation
New York, New York

Order Conditionally Approving Application to Underwrite and Deal in Mortgage-Related Securities to a Limited Extent

The Chase Manhattan Corporation, New York, New York, 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, 12 U.S.C. § 1843(c)(8), 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, Chase Home Mortgage Corporation ("Company"), Montvale, New Jersey, in underwriting and dealing in, to a limited extent, certain residential mortgage-related securities that are ineligible for underwriting and dealing in by state member banks under the Glass–Steagall Act.[1]

Applicant has previously received approval under section 4(c)(8) of the BHC Act for Company to engage in mortgage banking activity encompassing originating, pooling, and servicing mortgage loans.[2] The proposed new underwriting and dealing activities would be provided in addition to the previously approved mortgage banking activities, with Company serving customers through offices in New Jersey, New York, Florida, Maryland, Massachusetts, New Hampshire, Pennsylvania, Texas, and Virginia.

Applicant, with consolidated assets of $94.8 billion,[3] is the third largest banking organization in the nation. It operates seven subsidiary banks in New York, Maryland, Ohio, Delaware, Florida, and Arizona 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 published (52 *Federal Register* 7,026 (1987)). The time for filing comments has expired, and the Board has considered the application and all comments received in light of the factors set forth in section 3(c) of the BHC Act (12 U.S.C. § 1842(c)).

The Board has previously authorized Applicant to underwrite, place and deal in commercial paper to a limited extent through a separate commercial finance subsidiary on the basis that the subsidiary would not be "engaged principally" in underwriting and dealing in securities within the meaning of section 20 of the Glass–Steagall Act.[4] *The Chase Manhattan Corporation*, 73 FEDERAL RESERVE BULLETIN 367 (1987). In that case, Applicant agreed to limit its commercial paper activity so that the gross revenues derived from

1. 12 U.S.C. §§ 24 Seventh and 335.
2. These activities are authorized for bank holding companies under section 225.25(b)(1) of Regulation Y, 12 C.F.R. § 225.25(b)(1).
3. Banking data are as of December 31, 1986.
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 . . . ." Company is a member bank affiliate for purposes of section 20.

the subsidiary's commercial paper underwriting, placement and dealing service did not in any year exceed 5 percent of its gross revenues from commercial lending activity and that its underwriting, dealing and placement activities did not exceed 5 percent of the commercial paper market. In this case, Applicant proposes the same quantitative limitations on Company's underwriting and dealing activity in the mortgage-related securities proposed by Applicant.[5] For the reasons set forth in the *Chase* Order, the Board has determined that Applicant's proposal to underwrite and deal in 1–4 family mortgage-related securities would not violate section 20 of the Glass–Steagall Act.

In every application under section 4(c)(8) of the BHC Act, the Board must find that the proposed activity is "so closely related to banking . . . as to be a proper incident thereto." This statutory standard requires that two separate tests be met for an activity to be permissible for a bank holding company. First, the Board must determine that the activity is, as a general matter, "closely related to banking." Second, the Board must find in a particular case that the performance of the activity by the applicant bank holding company may reasonably be expected to produce public benefits that outweigh possible adverse effects.

In several recent decisions, the Board has determined that underwriting and dealing in, to a limited extent, 1–4 family mortgage-related securities is closely related to banking for purposes of section 4(c)(8). For the reasons stated in these prior decisions, the Board finds that Company's proposed activities which are the same as those involved in these previous decisions are closely related to banking.[6]

For the reasons set forth in the Board's *Citicorp/Morgan/Bankers Trust* Order, the Board also concludes that Applicant's proposal to engage through Company in underwriting and dealing in 1–4 family mortgage-related securities is a proper incident to banking within the meaning of section 4(c)(8) of the BHC Act provided Applicant limits Company's activities as described in the *Citicorp/Morgan/Bankers Trust* Order.[7]

Accordingly, the Board has determined to approve the application subject to the revenue and market share limitations proposed by Applicant and to the prudential framework of terms and conditions established in the *Citicorp/Morgan/Bankers Trust* Order relating to underwriting and dealing in ineligible mortgage-related securities, including limitations to address conflicts of interest and other possible adverse effects addressed in that Order. The Board hereby adopts and incorporates herein by reference the reasoning and analysis contained in the *Chase* and *Citicorp/Morgan/Bankers Trust* Orders.

The Board's approval of this application extends only to proposed activities conducted within the limitations of the *Chase* and *Citicorp/Morgan/Bankers Trust* Orders, including the Board's reservation of authority to establish additional limitations to ensure that the subsidiary's activities are consistent with safety and soundness, conflict of interest and other relevant considerations under the BHC Act. Underwriting and dealing in the approved securities in any manner other than as approved in those Orders[8] is not within the scope of the Board's approval and is not authorized for Company.

As the Board noted in the *Citicorp/Morgan/Bankers Trust* Order, Congress has under consideration legislation that would prohibit Board approval of an underwriting application, such as this, between March 6, 1987, and March 1, 1988. While this moratorium legislation has not yet been enacted into law, the Board calls to Applicant's attention that it may be required by subsequent Congressional action to cease its underwriting and dealing activities approved in this Order. The Board retains jurisdiction over the application to act to carry out the requirements of any legislation adopted by Congress that would affect Applicant's conduct of underwriting and dealing activities under this Order and the BHC Act.

5. Specifically, Applicant has agreed to limit Company's proposed activities so that the gross revenues from Company's underwriting and dealing in ineligible mortgage-related securities do not exceed 5 percent of Company's gross revenues during any two calendar year period and Company's underwriting and dealing activity does not account for more than 5 percent of the total amount of that type of security underwritten or dealt in domestically during the previous year.

6. *Citicorp/J.P. Morgan & Co. Incorporated/Bankers Trust New York Corporation*, 73 FEDERAL RESERVE BULLETIN 473 (1987). *See also, Chemical New York Corporation*, 73 FEDERAL RESERVE BULLETIN 616 (1987); *The Chase Manhattan Corporation*, 73 FEDERAL RESERVE BULLETIN 607 (1987); *Manufacturers Hanover Corporation*, 73 FEDERAL RESERVE BULLETIN 620 (1987); *Security Pacific Corporation*, 73 FEDERAL RESERVE BULLETIN 622 (1987); *PNC Financial Corporation*, 73 FEDERAL RESERVE BULLETIN 742 (Order dated July 1, 1987); and *Marine Midland Banks, Incorporated*, 73 FEDERAL RESERVE BULLETIN 738 (Order dated July 14, 1987).

7. Applicant has also proposed to underwrite and deal in certain mortgage-related securities backed by whole mortgage loans originated by its banking affiliates. The Board considered at length whether to permit an underwriting subsidiary to underwrite and deal in its affiliates' securities in its *Citicorp/Morgan/Bankers Trust* Order. For the reasons set forth in that Order, the Board has determined that Applicant may not underwrite and deal in its affiliates' securities.

8. 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 subsidiary's 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 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.

While the U.S. Court of Appeals for the Second Circuit has stayed the *Citicorp/Morgan/Bankers Trust* Order as well as subsequent Board orders approving the underwriting applications of a number of other bank holding companies, the Board has determined not to stay this Order. The Board notes that the court's actions were in response to a request by the Securities Industry Association (the "SIA") which was based solely on the grounds that the approved activities would be conducted by bank holding company subsidiaries that are engaged principally in underwriting and dealing in those kinds of securities that banks may underwrite and deal in directly, an issue not presented by the instant application. In this case, the Board notes that the SIA has not requested that the court stay, and no court has stayed, the Board's Orders approving the applications of Chase, to underwrite, place and deal in commercial paper or Bankers Trust, to place commercial paper,[9] both through commercial finance subsidiaries.

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

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

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

JAMES MCAFEE
[SEAL] *Associate Secretary of the Board*

Concurring Statement by Chairman Volcker and Governor Angell

We join with the majority of the Board in giving approval for the Chase application to underwrite and deal in 1–4 family mortgage-related securities to a limited extent in a mortgage lending affiliate. This application, like the Bankers Trust and Chase applications to place, underwrite and deal in commercial paper through commercial lending affiliates, does not raise the issue under section 20 of the Glass–Steagall Act of using a bank-eligible securities underwriting affiliate for ineligible underwriting and dealing. As we indicated previously, we agree generally with the nature of the limitations placed upon the securities activities approved by the Board in the Citicorp, J.P. Morgan and Bankers Trust applications. Our point of difference involved the type of underwriting subsidiary proposed in those cases, an issue that does not arise in this case.

July 17, 1987

9. *Bankers Trust New York Corporation*, 73 FEDERAL RESERVE BULLETIN 138 (1987).

Chemical New York Corporation
New York, New York

The Chase Manhattan Corporation
New York, New York

Bankers Trust New York Corporation
New York, New York

Citicorp
New York, New York

Manufacturers Hanover Corporation
New York, New York

Security Pacific Corporation
Los Angeles, California

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

Chemical New York Corporation, The Chase Manhattan Corporation, Bankers Trust New York Corporation, Citicorp, Manufacturers Hanover Corporation, all of New York, New York, and Security Pacific Corporation, Los Angeles, California (collectively "Applicants"), bank holding companies within the meaning of the Bank Holding Company Act ("BHC Act"), have each 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 wholly owned subsidiaries, Chemical Securities, Inc., Chase Manhattan Securities, Inc., BT Securities Corporation, Citicorp Securities, Inc., Manufacturers Hanover Securities Corporation, and Security Pacific Securities, Inc., respectively, in underwriting and dealing in, on a limited basis, consumer-receivable-related securities ("CRRs"). The Board has not previously approved the proposed underwriting and dealing activity in CRRs for a bank holding company.

CRRs are a new type of security, first issued in 1985, consisting of debt obligations that are secured by or represent an interest in a diversified pool of loans to or receivables from consumers, such as loans to individuals to finance the purchase of automobiles or personal credit card accounts. Although most of the CRRs underwritten to date have been collateralized by automobile receivables, CRRs backed by credit card receivables recently have been distributed.

The mechanisms and techniques applied to the securitization and distribution of CRRs resemble those used for mortgage-related securities. Both types of securities generally use either a pass-through or a pay-through structure. In both structures, consumer receivables from many individual borrowers are sold to an issuing vehicle like a trust. Principal and interest payments on the underlying receivables are collected by a servicing agent, typically the originator of the receivables, and remitted to the issuer or a trustee for the issuer. The transaction with investors is generally structured so that the aggregate payments expected to be collected on the underlying receivables will exceed the payment obligation to investors. The excess funds constitute the residual value of the pool of receivables, which may be retained by the originator or servicer, become a reserve fund that serves as credit support or recourse for an issuer of a letter of credit or bond supporting the CRRs, or which, in some cases, may be sold separately to investors.

Applicants previously received Board approval under section 4(c)(8) of the BHC Act for the above mentioned subsidiaries (collectively the "underwriting subsidiaries") to underwrite and deal in U.S. government and agency and state and municipal securities that state member banks are authorized to underwrite and deal in under section 16 of the Glass–Steagall Act (12 U.S.C. §§ 24 Seventh and 335) (hereinafter "bank-eligible securities"). The Applicants previously applied to engage through those underwriting subsidiaries in underwriting, dealing or placing commercial paper, 1–4 family mortgage-related securities, certain municipal revenue bonds (including "public-ownership" industrial development bonds), and CRRs (hereinafter "bank-ineligible securities").

Notice of the applications for underwriting and dealing activity in bank-ineligible securities including CRRs, affording interested persons an opportunity to submit comments on the proposals, has been published (51 *Federal Register* 42,300 (1986), 52 *Federal Register* 1,380 (1987), 51 *Federal Register* 16,590 (1986), 50 *Federal Register* 20,847 (1985), 52 *Federal Register* 6,218 and 8,365 (1987)). Most of the public comments on the applications were favorable. Four commenters, including the Securities Industry Association ("SIA"), a trade association of the investment banking industry, and the Investment Company Institute, a trade association of the mutual fund industry, opposed one or more of the applications (collectively the "protestants"). The protestants objected to the proposed activity for CRRs for the reasons they opposed the types of underwriting and dealing in the bank-ineligible securities previously approved by the Board. In addition, the SIA expressed the view that the proposed activity differs from previously approved activity and could lead to adverse effects.

In April and May, 1987, the Board authorized Applicants to underwrite and deal in, to a limited extent, commercial paper, 1–4 family mortgage-related securities, and certain municipal revenue bonds.[1] In its Orders, 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,[2] provided they derived no more than 5 percent of their total gross revenues from underwriting and dealing in ineligible securities over any two year period and their underwriting and dealing activities did not exceed 5 percent of the market for each particular type of security involved. 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. In the case of CRRs, the Board concluded that the record then before it did not provide a sufficient evidentiary basis for it to make the formal findings required by the BHC Act, but stated that it would reconsider the matter within 60 days of its Order on the basis of fuller submissions.

In every application under section 4(c)(8) of the BHC Act, the Board must find that the proposed

1. *Citicorp, J.P. Morgan & Co. Incorporated and Bankers Trust New York Corporation*, 73 FEDERAL RESERVE BULLETIN 473 (1987); *Chemical New York Corporation*, 73 FEDERAL RESERVE BULLETIN 616 (1987); *The Chase Manhattan Corporation*, 73 FEDERAL RESERVE BULLETIN 607 (1987); *Citicorp* (commercial paper), 73 FEDERAL RESERVE BULLETIN 618 (1987); *Manufacturers Hanover Corporation*, 73 FEDERAL RESERVE BULLETIN 620 (1987); *Security Pacific Corporation*, 73 FEDERAL RESERVE BULLETIN 622 (1987); and *PNC Financial Corporation*, 73 FEDERAL RESERVE BULLETIN 742 (Order dated July 1, 1987).

2. Section 20 (12 U.S.C. § 377) provides that

> . . . no member bank shall be affiliated . . . with any . . . organization 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. . . .

activity is "so closely related to banking . . . as to be a proper incident thereto." This statutory standard requires that two separate tests be met for an activity to be permissible for a bank holding company. First, the Board must determine that the activity is, as a general matter, "closely related to banking." Second, the Board must find in a particular case that the performance of the activity by the applicant bank holding company may reasonably be expected to produce public benefits that outweigh possible adverse effects.

A. Closely Related to Banking Analysis

Based on guidelines established in the *National Courier* decision, a particular activity may be found to meet the "closely related to banking" test if it is demonstrated that:

(1) banks generally have in fact provided the proposed activity;

(2) banks generally provide services that are operationally or functionally so similar to the proposed activity so as to equip them particularly well to provide the proposed activity; or

(3) banks generally provide services that are so integrally related to the proposed activity as to require their provision in a specialized form.[3]

The Board concludes that underwriting and dealing in CRRs is closely related to banking on the basis that banks provide services that are operationally and functionally so similar to the proposed services that banking organizations are particularly well equipped to provide them. In accordance with section 16 of the Glass–Steagall Act, banks underwrite and deal in certain mortgage-related securities that are issued or guaranteed by the United States or by agencies. Included among these bank-eligible securities are securities that represent interests in pools of mortgage loans for residential housing purposes made by banks and other financial institutions. These kinds of securities are very similar to CRRs. Both CRRs and bank-eligible mortgage-related securities represent interests in pools of loans made by financial institutions to individuals to finance the purchase of housing or consumer goods and services.

The techniques involved in underwriting and dealing in bank-eligible mortgage-related securities are the same, or substantially the same, as those that would be involved in conducting the proposed activity with respect to CRRs. In each case the underwriter must perform substantially identical functions of evaluating prepayment risk, analyzing credit and cash flow from a pool of numerous individuals' loans, negotiation or bidding, distribution and dealing.

In addition, banks also now directly perform some of the functions involved in the proposed activity, since banks now perform the function of selecting the consumer loans that form the pool of interests which are then sold to investors. Banks also advise issuers of CRRs and assist issuers in privately placing these securities.

The SIA maintains there are differences between the proposed activity and the previously approved securities underwriting and dealing activity, such as the newness of the market for CRRs and distinctions between consumer loans and mortgages that banks are eligible to underwrite. The Board has concluded, however, that these differences do not detract significantly from the functional and operational similarities between the proposed activity in CRRs and activities conducted by banks involving bank-eligible mortgage-related securities. In this regard, the Board notes that banks were active in the early stages of the analogous market for residential mortgage-related securities and have substantial expertise with regard to the characteristics of consumer receivables that may vary from the characteristics of mortgage loans.

B. Proper Incident to Banking Analysis

In order to approve an application to engage in a nonbanking activity under section 4(c)(8) of the Act, the Board must determine that a proposed activity is a "proper incident" to banking by determining whether the performance of the activity by the applicant bank holding company may reasonably be expected to produce public benefits, 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 interest, or unsound banking practices. 12 U.S.C. § 1843(c)(8). Based upon the facts of record and for the reasons and subject to the limitations set out below, the Board finds that underwriting and dealing in CRRs may reasonably be expected to result in substantial public benefits that outweigh possible adverse effects.

1. Public Benefits

In *Citicorp/Morgan/Bankers Trust*, the Board concluded that Applicant's bank-ineligible securities underwriting and dealing activities would result in significant benefits to the public in the form of increased

3. *National Courier Association v. Board of Governors of the Federal Reserve System*, 516 F.2d 1229, 1237 (D.C. Cir. 1975). The *National Courier* guidelines are not the exclusive basis for a closely related determination. *Id.* at 1237. The Board may consider any other basis that may demonstrate that the activity has a close relationship to banking. 49 *Federal Register* 806 (1984).

competition in the bank-ineligible securities market, greater convenience to customers and gains in efficiency in the provision of services. Applicants' proposals with respect to CRRs also represent a *de novo* expansion into a new market, and thus may be expected to increase competition. Public benefits in the form of reduced financing costs, increased availability of services to issuers and investors, market innovation, and increased market efficiency may also be expected to result.

2. Adverse Effects

In *Citicorp/Morgan/Bankers Trust*, the Board considered at length whether adverse effects would be associated with a limited amount of underwriting and dealing in bank-ineligible 1–4 family mortgage-related securities, municipal revenue bonds and commercial paper performed by a bank holding company subsidiary under the prudential framework adopted by the Board in the Order. The Board concluded that under the safeguards imposed in those cases there was no evidence that the activity would be likely to result in any significant adverse effects. Although the market for CRRs is relatively new, there has not been any evidence that underwriting and dealing in CRRs would involve greater risk or other adverse effects than underwriting and dealing in the bank-ineligible securities previously approved by the Board, or that the possible adverse effects from underwriting and dealing in the CRRs type of security would be substantially different from those the Board identified and analyzed with respect to the previously approved bank-ineligible securities. In view of the similarity between the securities involved in these proposals and the bank-ineligible 1–4 family mortgage-related securities involved in activities the Board has previously approved, and for the reasons set forth in the *Citicorp/Morgan/Bankers Trust* Order, the Board believes it is appropriate to require the proposed activity to be conducted in accordance with the same requirements established in that Order. These include the requirement that the securities be rated as investment quality (*i.e.*, in one of the top four categories) by a nationally recognized rating agency.[4]

For the reasons set forth above and in the Board's *Citicorp/Morgan/Bankers Trust* Order, the Board concludes that Applicants' proposals to engage through subsidiaries in underwriting and dealing in CRRs 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 Applicants limit their underwriting subsidiaries' activities in all bank-ineligible securities as set forth in the *Citicorp/Morgan/Bankers Trust* Order.[5] Accordingly, the Board has determined to approve the proposals subject to all of the terms and conditions established in the *Citicorp/Morgan/Bankers Trust* Order. The Board hereby adopts and incorporates herein by reference the reasoning and analysis contained in the *Citicorp/Morgan/Bankers Trust* Order. The Board's approval in this case is limited to underwriting and dealing in securities representing an interest in or backed by a diversified pool of loans to or receivables from individuals for the purpose of financing the purchase of consumer goods and services.

The Board's approval of these proposals 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* Order, including the Board's reservation of authority to establish additional limitations to ensure that the subsidiaries activities are consistent with safety and soundness, conflict of interest and other relevant considerations under the BHC Act. Underwriting and dealing in the approved securities in any manner other than as approved in that Order[6] is not within the scope of the Board's approval and is not authorized for the underwriting subsidiaries.

4. The Board notes that Standard & Poor's has indicated that in assessing CRRs it would rely on: the ability of the pool to generate sufficient cash flow so that holders are paid principal and interest as scheduled; the historical performance of the portfolio in relation to industry or product norms and portfolio characteristics (such as delinquency, loss and repayment statistics, audit procedures and accounting systems); the originating and servicing operations and the development and maintenance of stringent lending criteria and credit policies; the geographic diversity in the pool to reduce risks associated with regional economic downturns; the pool selection (with underwriting standards designed to eliminate high risk accounts); whether the originators have low levels of delinquency and loss performance; the structural characteristics of the transaction; and the credit enhancement to protect investors. "Asset-Backed Securitization CreditReview," Standard & Poor's CreditWeek (March 16, 1987).

5. For the reasons set forth in the *Citicorp/Morgan/Bankers Trust* Order, the Board concludes that the Applicants' proposals to underwrite and deal in CRRs through their underwriting subsidiaries would not result in a violation of the Glass–Steagall Act, provided these subsidiaries derive no more than 5 percent of their total gross revenues from underwriting and dealing in the approved bank-ineligible securities, including CRRs, over any two-year period, and their underwriting and dealing activities do not exceed 5 percent of the market for each particular type of security involved during the previous calendar year. With respect to the market limitation established in that Order, the Board believes it is appropriate to treat CRRs and 1–4 family mortgage-related securities as a single category for the time being, in view of the similarity between CRRs and these mortgage-related securities.

6. The underwriting subsidiaries may also provide services that are necessary incidents to the 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.

As the Board noted in the *Citicorp/Morgan/Bankers Trust* Order, Congress has under consideration legislation that would prohibit Board approval of underwriting applications, such as these, between March 6, 1987 and March 1, 1988. While this moratorium legislation has not yet been enacted into law, the Board calls to Applicants' attention that they may be required by subsequent Congressional action to cease their underwriting and dealing activities approved in this Order. The Board retains jurisdiction over the applications to act to carry out the requirements of any legislation adopted by Congress that would affect Applicants' conduct of underwriting and dealing activities under this Order and the BHC Act.

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

The Board notes that the SIA has sought judicial review in the U.S. Court of Appeals for the Second Circuit of the *Citicorp/Morgan/Bankers Trust* Order as well as subsequent Board Orders approving the underwriting applications of Chemical, Chase, Manufacturers Hanover and Security Pacific to which this Order pertains. The Board notes that the court has stayed the effectiveness of the Board Orders pending judicial review. In light of the pendency of this litigation, the Board has determined that this Order should be stayed for such time as the stay of the prior decisions is effective.

By order of the Board of Governors, effective July 14, 1987.

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

JAMES MCAFEE
[SEAL] *Associate Secretary of the Board*

Dissenting Statement of Chairman Volcker and Governor Angell

As a matter of policy, we believe that bank holding companies should be permitted to underwrite and deal in consumer-receivable-related securities within the limitations established by the Board, and we would approve these proposals in subsidiaries other than subsidiaries whose predominant activity was underwriting and dealing in government securities. However, for the reasons set forth in our dissenting statement in the *Citicorp/Morgan/Bankers Trust* Order, we regret we are unable to join the majority in approving these applications to engage in the activity through government securities affiliates.

July 14, 1987

Manufacturers National Corporation
Detroit, Michigan

Order Approving Expansion of Activities of Trust Company to Include Deposit-Taking and Consumer Lending

Manufacturers National Corporation, Detroit, Michigan, a bank holding company within the meaning of the Bank Holding Company Act (12 U.S.C. § 1841 *et seq.*) (the "BHC Act" or "Act"), has applied for the Board's approval under section 4(c)(8) of the Act (12 U.S.C. § 1843(c)(8)) and section 225.23(a)(1) of the Board's Regulation Y (12 C.F.R. § 225.23(a)(1)), to expand the activities of its subsidiary, Manufacturers National Trust Company of Florida, North Palm Beach, Florida ("Company"), to include the acceptance of savings, time, and demand deposits and the making of consumer loans. These activities have been previously determined by the Board to be closely related to banking. 12 C.F.R. § 225.25(b)(1); *U.S. Trust Corporation*, 70 FEDERAL RESERVE BULLETIN 371 (1984).

Notice of the application, affording an opportunity for interested persons to comment, has been published (52 *Federal Register* 9,541 (1987)). The time for filing comments and views has expired, and the Board has considered the application and all comments received in light of the factors set forth in section 4(c)(8) of the Act (12 U.S.C. § 1843(c)(8)).

Applicant, with total consolidated assets of $7.7 billion,[1] is the fourth largest commercial banking organization in Michigan. Company is a national banking organization chartered by the Office of the Comptroller of the Currency ("OCC") in 1984 as a limited-purpose trust company. It engages in activities normally performed by a trust company, such as the provision of fiduciary, investment advisory, agency and custody services. Its original charter did not authorize Company to engage in deposit-taking or lending activities.

1. Asset data are as of March 31, 1987.

Company now proposes to expand its trust company activities to offer various forms of savings, time, and demand deposits. Company also intends to offer loans to individuals for personal, family, household, or charitable purposes. Company has received the permission of the OCC to engage in the proposed expanded list of activities.

Applicant has stated that because Company will not engage in the business of making commercial loans, Company will not be a "bank" as defined in section 2 of the BHC Act,[2] and thus Board approval of the application is not barred by the interstate banking limitations of the Douglas Amendment to the BHC Act.[3]

In approving an application by U.S. Trust Corporation to expand the powers of its Florida trust company subsidiary to include certain deposit-taking and consumer lending activities, the Board concluded that a bank holding company could acquire, on an interstate basis, a nationally chartered nonbank bank that would accept demand deposits but not make commercial loans.[4] The Board's determination has been upheld in a decision by the U.S. Court of Appeals for the Eleventh Circuit.[5]

State Law Considerations

In approving an application by Chemical New York Corporation ("Chemical"), to expand the powers of its Florida trust company subsidiary to include certain deposit-taking and consumer lending activities,[6] the Board considered a 1984 Florida statute that prohibits the acquisition of nonbank banks in Florida.[7] The statute generally prevents a bank holding company, whether headquartered in Florida or outside Florida, from acquiring an institution located in Florida that takes deposits insured by the FDIC unless the institution qualifies as a "bank" under the BHC Act. In addition, the statute prohibits a nonbanking company from acquiring a bank in Florida unless the company is a bank holding company. In the Chemical Order, the Board concluded that the Florida statute, as it applies to bank holding companies, was not consistent with the Commerce Clause of the U.S. Constitution and was not authorized under the Douglas Amendment to the BHC Act. Thus, for the reasons explained in the Board's Order in Chemical, the Board concludes that the Florida statute does not bar Board approval of this application under the BHC Act.[8]

Limitations on Nonbank Banks

Applicant intends to operate Company as a nonbank bank in accordance with the Board's *U.S. Trust* decision. As in the *U.S. Trust* case, the Board believes it is appropriate to take action to ensure that Company is not used as a vehicle for evasion of the Act's bank definition. In *U.S. Trust*, the Board conditioned its approval on the following limitations and is likewise requiring them in this proposal:

1. Applicant will not operate the demand-deposit taking activities of the nonbank bank in tandem with any other subsidiary or other financial institution;
2. Applicant will not link in any way the demand deposit and commercial lending services that define a bank under the Act; and
3. The nonbank bank will not engage in any transactions with affiliates, other than the payment of dividends to Applicant or the infusion of capital by Applicant into the nonbank bank, without the Board's approval.

In the Board's view, these conditions preclude the type of linked or integrated operations that could otherwise render Company a bank for purposes of the Act. On the basis of Applicant's proposed adherence

2. The BHC Act defines the term "bank" to include any institution chartered under the laws of the United States or any state that accepts deposits that the depositor has a legal right to withdraw on demand and that engages in the business of making commercial loans. 12 U.S.C. § 1841(c). An institution that is chartered as a bank but that does not perform one of the two essential functions required for "bank" status under the BHC Act has been referred to as a "nonbank bank."

3. 12 U.S.C. § 1842(d). The Douglas Amendment prohibits Board approval of an application by a bank holding company to acquire a bank outside the holding company's home state unless the state in which the bank is located has by statute authorized the acquisition.

The Douglas Amendment applies only to the acquisition of banks as defined in the Act and has no applicability in the case of nonbanking companies. *Lewis v. BT Investment Managers, Inc.*, 447 U.S. 27, 47, 49 (1980).

4. *U.S. Trust Corporation*, 70 FEDERAL RESERVE BULLETIN 371 (1984) ("*U.S. Trust*"). Applicant states that Company's excess funds will be invested in investment securities permitted for national banks under 12 U.S.C. section 24 (seventh). Applicant further has committed that Company will not channel funds into any commercial lending affiliate of Company. Accordingly, it appears that Company will not engage in the business of making commercial loans, either directly or indirectly.

5. *Florida Dept. of Banking & Finance v. Board of Governors*, 760 F.2d 1135 (11th Cir. 1985), *vacated and remanded* for further consideration in light of *Dimension*, U.S. , 106 S. Ct. 875 (1986), *on remand*, 800 F.2d 1534 (11th Cir. 1986), *cert. denied*, 55 U.S.L.W. 3706 (U.S. April 21, 1987) (No. 86-1024).

6. *Chemical New York Corporation*, 73 FEDERAL RESERVE BULLETIN 731 (Order dated May 29, 1987).

7. Fla. Stat. Ann. § 658.296 (West 1984 and Supp. 1987).

8. The Board notes that Chemical brought an action in the U.S. District Court for the Northern District of Florida on June 1, 1987, challenging the constitutionality of the Florida law.

to these conditions and for the reasons set out more fully in the Board's decision in *U.S. Trust*, the Board concludes that Company will not be a bank as that term is defined in the Act.

Applicant has requested Board approval pursuant to the third *U.S. Trust* condition to engage in certain transactions with affiliates. Applicant, through its lead bank, Manufacturers National Bank, currently provides certain services to Company on an arm's-length basis, and has requested that it be permitted to continue to provide these services upon consummation of the proposal. They involve securities custodial arrangements, investment advisory services, as well as certain internal support services. These services are conducted in such a manner that customers of Company would not have direct contact with Applicant or any of its affiliates providing the services.

In the Chemical proposal, the Board permitted Chemical to conduct these activities. For the reasons stated in the Board's Chemical Order, the Board has determined that it is appropriate to permit Applicant to conduct these activities.

The Board finds no evidence that consummation of this proposal, subject to the limitations and conditions described above, would result in any conflicts of interest, unfair competition, unsound banking practices or other adverse effects. Due to the *de novo* nature of this proposal, there will not be any decrease in competition. Indeed, consummation of the proposal may reasonably be expected to result in increased competition.

Need for Congressional Action

The Board has previously indicated its reluctance to approve nonbank bank acquisitions in view of the potential presented by such acquisitions to alter significantly the nation's banking structure without Congressional action on the underlying policy issues.[9] For the reasons stated in the Board's previous orders, the Board continues to believe that Congressional action to close the nonbank bank loophole is imperative. The fact that the Board is required by the technical aspects of the bank definition in the BHC Act to approve this application should not be construed as encouragement to Applicant to consummate this proposal or to others to pursue similar acquisitions.

In this regard, the Board notes that the United States Senate has recently passed legislation that would eliminate the nonbank bank loophole in the BHC Act by redefining the term "bank" to include FDIC-insured banks.[10] While this legislation has not yet been enacted, the Board calls to Applicant's attention that it may be required by subsequent Congressional action to limit the activities of Company. The Board retains jurisdiction over the application to act to carry out the requirements of any legislation adopted by Congress that would affect Company's activities.

Based upon the foregoing and other facts of record, the Board has determined that the Florida statute, as it applies to bank holding companies seeking to acquire nonbank banks in Florida, is inconsistent with the Commerce Clause and is not a bar to approval of this application, and that the balance of public interest factors the Board is required to consider under section 4(c)(8) of the Act is favorable. Accordingly, the application is hereby approved. Consummation of the proposal is subject to the conditions set forth in this Order and the conditions set forth in the Board's Regulation Y, including those in sections 225.4(d) and 225.23(b). In addition, Company may not engage directly or indirectly in any activity other than those explicitly approved by the Board in this Order.[11]

Approval is also subject 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 Act and the Board's regulations and orders issued thereunder, or to prevent evasion thereof. The activity shall be commenced not 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. In accordance with the provisions of section 225.23(b)(iii) of Regulation Y, the Board's approval is required for additional acquisitions by Applicant of nonbank banks or for the establishment of offices of Company located in a state other than Florida.

By order of the Board of Governors, effective July 1, 1987.

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

JAMES MCAFEE
[SEAL] *Associate Secretary of the Board*

9. *See, e.g., U.S. Trust, supra.*

10. S.790 (The Competitive Equality Banking Act of 1987), 100th Cong., 1st Sess. (1987).

11. In this regard, the Board notes that because Company is not considered a bank under the BHC Act, the provisions of section 225.22(d)(1) of Regulation Y would not be applicable to exempt the acquisition or activities of Company from Board approval under section 4 of the Act.

Marine Midland Banks, Incorporated
Buffalo, New York

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

Marine Midland Banks, Incorporated, Buffalo, New York, a bank holding company within the meaning of the Bank Holding Company Act, 12 U.S.C. § 1841 *et seq.* ("BHC Act"), and parent bank holding companies: The Hongkong and Shanghai Banking Corporation, Hong Kong, B.C.C.; Kellett N.V., Curacao, Netherlands Antilles; and HSBC Holdings B.V., Amsterdam, The Netherlands; have 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, Marine Midland Capital Markets Corporation ("Company"), in underwriting and dealing in, on a limited basis, the following securities:

(1) municipal revenue bonds, including certain industrial development bonds;
(2) residential mortgage-related securities;
(3) consumer-receivable-related securities ("CRRs"); and
(4) commercial paper.[1]

In addition, Applicants have applied for approval under section 4(c)(8) of the BHC Act for Company to underwrite and deal in U.S. government and agency and state and municipal securities that state member banks are authorized to underwrite and deal in under section 16 of the Banking Act of 1933 (the "Glass–Steagall Act") (12 U.S.C. § 24 Seventh) (hereinafter "bank-eligible securities"). Company would engage in the proposed underwriting and dealing activities through offices in New York, New York.

Marine Midland Banks, Incorporated, with consolidated assets of $22.2 billion,[2] is the nineteenth largest banking organization in the nation. It operates two banking subsidiaries in New York and Delaware 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 published (52 *Federal Register* 17,829 (1987)). The Securities Industry Association ("SIA"), 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 Bank Capital Markets 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, Applicants 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, 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 each particular type of security involved. 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

1. Applicant proposes to limit Company's underwriting and dealing activity in these securities in the same manner and to the same extent as proposed by Bankers Trust in its application to underwrite and deal in these securities. *See Citicorp, J.P. Morgan & Co. Incorporated, Bankers Trust New York Corporation*, 73 Federal Reserve Bulletin 473, 477 n.11 (1987).

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

3. *Citicorp/Morgan/Bankers Trust, supra.* The Board subsequently approved similar applications by a number of other bank holding companies. *Chemical New York Corporation*, 73 Federal Reserve Bulletin 616 (1987); *The Chase Manhattan Corporation*, 73 Federal Reserve Bulletin 607 (1987); *Citicorp* (to underwrite and deal in commercial paper), 73 Federal Reserve Bulletin 618 (1987); *Manufacturers Hanover Corporation*, 73 Federal Reserve Bulletin 620 (1987); *Security Pacific Corporation*, 73 Federal Reserve Bulletin 622 (1987); and *PNC Financial Corporation*, 73 Federal Reserve Bulletin 742 (Order dated July 1, 1987).

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 . . . ."

meaning of section 4(c)(8) of the BHC Act. On July 14, 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.[5]

For the reasons set forth in the Board's *Citicorp/Morgan/Bankers Trust* and *Chemical* Orders, the Board concludes that Applicants' proposal to engage through Company in underwriting and dealing in municipal revenue bonds,[6] 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 Applicants limit Company's activities as provided in those Orders. 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. 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* and *Chemical* Orders, including the Board's reservation of authority to establish additional limitations to ensure that the subsidiary's activities are consistent with safety and soundness, conflict of interest and other relevant considerations under the BHC Act. Underwriting and dealing in the approved securities in any manner other than as approved in those Orders[7] is not within the scope of the Board's approval and is not authorized for Company.

As the Board noted in the *Citicorp/Morgan/Bankers Trust* Order, Congress has under consideration legislation that would prohibit Board approval of an underwriting application, such as this, between March 6, 1987 and March 1, 1988. While this moratorium legislation has not yet been enacted into law, the Board calls to Applicants' attention that they may be required by subsequent Congressional action to cease their underwriting and dealing activities approved in this Order. The Board retains jurisdiction over the application to act to carry out the requirements of any legislation adopted by Congress that would affect Applicants' conduct of underwriting and dealing activities under this Order and the BHC Act.

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

The Board notes that the SIA has sought judicial review in the U.S. Court of Appeals for the Second Circuit of the *Citicorp/Morgan/Bankers Trust* Order as well as subsequent Board orders approving the underwriting applications of a number of other bank holding companies. The Board notes that the court has stayed the effectiveness of the Board Orders pending judicial review. In light of the pendency of the litigation, the Board has determined that this Order should be stayed for such time as the stay of the prior decisions is effective.

By order of the Board of Governors, effective July 14, 1987.

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

JAMES MCAFEE

[SEAL] *Associate Secretary of the Board*

Dissenting Statement of Chairman Volcker and Governor Angell

For the reasons set forth in our dissenting statement in the *Citicorp/Morgan/Bankers Trust* Order and the Order approving the applications of a number of bank holding companies to engage in underwriting and dealing in consumer-receivable-related securities, we regret we are unable to join the majority in approving this application.

July 14, 1987

5. *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 (Order dated July 14, 1987) (hereinafter the "*Chemical* Order").

6. The industrial development bonds approved in those applications and for Applicants 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.

7. 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.

MNC Financial, Inc.
Baltimore, Maryland

Order Approving Application to Retain Insurance Agency Activities

MNC Financial, Inc., Baltimore, Maryland, a registered 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)(D) of the BHC Act (12 U.S.C. § 1843(c)(8)(D)) and section 225.25(b)(8)(iv) of Regulation Y (12 C.F.R. § 225.25(b)(8)(iv)) to retain the insurance agency activities of its subsidiary, American Security Corporation, Washington, D.C. ("Company"), which is also a bank holding company. These activities primarily include comprehensive lines of property and casualty insurance and exclude general life insurance sales. Company currently conducts these insurance activities in the District of Columbia and Virginia through an unincorporated division, and in Maryland, through a separate subsidiary corporation, American Security Insurance Corporation of Maryland ("ASI").

Applicant is the largest commercial banking organization in Maryland with 19.4 percent of the total deposits in commercial banks in that state. Applicant's lead bank subsidiary operates 203 branch offices in Maryland and controls total domestic deposits of $5.2 billion. Applicant, through Company, is the second largest commercial banking organization in the District of Columbia, with 24.7 percent of the total deposits in commercial banks there. Applicant's sole bank subsidiary in the District of Columbia operates 31 branches and controls total domestic deposits of $2.5 billion.[1] Applicant also engages through wholly owned subsidiaries in various nonbanking activities which the Board previously has determined are permissible for bank holding companies.

On February 13, 1987, the Board approved Applicant's application under section 3 of the BHC Act to acquire Company, subject to the condition that it divest within two years certain otherwise impermissible nonbanking activities previously conducted by Company pursuant to grandfather privileges granted under section 4(a)(2) of the BHC Act.[2] The Board noted, however, that it would not require divestiture of all nonbanking operations if, within that two-year interval, Applicant secured approval under section 4(c)(8) of the BHC Act to retain any of Company's previously grandfathered activities. Soon thereafter, Applicant filed this application for approval to retain Company's and ASI's general insurance agency activities pursuant to Title VI of the Garn–St Germain Depository Institutions Act of 1982 ("Garn–St Germain Act"), codified at sections 4(c)(8)(A) through (G) of the BHC Act. (12 U.S.C. §§ 1843(c)(8)(A) through (G)).

Notice of this application, affording opportunity for interested persons to submit comments, has been duly published (52 *Federal Register* 9,215 (1987)). The time for filing comments has expired, and the Board has considered the application and all comments received[3] in light of the public interest factors set forth in section 4(c)(8) of the BHC Act.

Title VI of the Garn–St Germain Act amended the nonbanking prohibitions in section 4 of the BHC Act to provide that insurance agency and underwriting activities are not permissible for bank holding companies. Title VI provided seven specific exceptions to this prohibition, however, including grandfather rights under one of the exemptions for "any insurance agency activity which was engaged in by the bank holding company or any of its subsidiaries on May 1, 1982" (hereinafter "exemption D"), 12 U.S.C. § 1843(c)(8)(D).[4] Applicant claims that Company and ASI were engaged lawfully in general insurance agency activities on May 1, 1982, the applicable grandfather date under exemption D, and that Company and ASI therefore may be permitted to continue these insurance agency operations even after their recent acquisition by Applicant.

Protestants argue that Company and ASI were not engaged lawfully in insurance on May 1, 1982, because they never received formal Board approval pursuant to an application filed under section 4(c)(8) of the BHC Act. Protestants argue that exemption D extends only to credit-related property and casualty insurance, and limits subsequent activities to those states where such

1. State deposit data are as of December 31, 1986, and exclude Applicant's credit card bank in Delaware.

2. *Maryland National Corporation*, 73 FEDERAL RESERVE BULLETIN 310 (1987). The Board concluded that grandfather rights under section 4(a)(2) of the BHC Act accrue only to one-bank holding companies, like Company, that first became subject to the BHC Act by enactment of the 1970 Amendments, and that MNC is not such a company. 12 U.S.C. § 1843(a)(2).

3. The Board received comments in opposition to Applicant's proposal from the Independent Insurance Agents of America, Inc.; National Association of Life Underwriters; National Association of Professional Insurance Agents; National Association of Casualty & Surety Agents; and National Association of Surety Bond Producers ("Protestants").

4. On October 3, 1986, the Board amended Regulation Y to include the insurance agency activities delineated in the seven exemptions to the Garn–St Germain Act in the list of activities that the Board has found to be closely related to banking within the meaning of section 4(c)(8) of the Act and thus permissible for bank holding companies. 51 *Federal Register* 36,201 (1986), codified at 12 C.F.R. § 225.25(b)(8) (1987).

insurance was conducted on the grandfather date. In any event, Protestants contend that exemption D rights expire upon the acquisition of a grandfathered company by another bank holding company.

Eligibility under Exemption D. The record demonstrates that on May 1, 1982, Company and ASI were engaged lawfully in general insurance agency activities. Company and ASI therefore meet the literal qualifications for grandfather rights under exemption D. Company began conducting a general insurance agency in the District of Columbia and Virginia in 1957, and in Maryland in 1978. In 1976, the Board determined that Company was entitled to conduct these activities by virtue of grandfather rights granted under section 4(a)(2) of the BHC Act to bank holding companies, such as Company, which were brought within the coverage of the BHC Act by enactment of the 1970 Amendments. 12 U.S.C. § 1843(a)(2).[5] ASI, Company's insurance subsidiary in Maryland, was established pursuant to section 4(c)(11) of the BHC Act, which allows any banking organization that qualifies for grandfather rights under the 1970 Amendments to establish a subsidiary company, as long as the new company engages only in activities permitted for its grandfathered parent organization. 12 U.S.C. § 1843(c)(11). The insurance activities of Company and ASI in Virginia, Maryland and the District of Columbia therefore are eligible for exemption D grandfather privileges. As the Board determined in the *Sovran* case,[6] neither the language of exemption D nor its legislative history supports Protestants' contention that grandfather privileges under exemption D are limited to credit-related property and casualty insurance or to activities previously approved by Board order under section 4(c)(8) of the BHC Act.

Retention of Grandfather Privileges. In its *Sovran* decision, the Board also concluded that any company that is entitled to engage in insurance agency activities under exemption D does not lose those rights upon its acquisition by another bank holding company, provided that the grandfathered entity retains its separate corporate structure, and its insurance activities are not conducted by other companies within the acquiring banking organization.[7] In the instant case, following its acquisition by Applicant, Company would remain as a separate bank holding company, and ASI would remain a separate nonbank subsidiary thereof, and their grandfathered insurance activities would not be conducted by Applicant or other entities within Applicant's organization. Company and ASI therefore may retain their exemption D grandfather privileges after acquisition by Applicant.[8]

Geographic Scope of Activities. Under the terms of section 4(c)(8)(D),[9] however, Company and ASI may continue to conduct grandfathered insurance activities only in Company's home state, the District of Columbia, the adjacent states of Maryland and Virginia, and any other state in which either Company or ASI was engaged in insurance activities on May 1, 1982. Contrary to Applicant's view, then, the scope of grandfather authority granted to Company and ASI does not extend nationwide.[10] The facts of record show that Company and ASI have confined their grandfathered insurance operations to the District of Columbia, Virginia and Maryland, and that neither Company or ASI has ever received approval from the insurance commission in any other state to conduct insurance operations. Because Company and ASI were authorized on May 1, 1982, to engage in insurance only in the District of Columbia, Virginia and Maryland, they may not now expand their grandfathered insurance activities under exemption D to other states.

Proper Incident to Banking. In considering any application under section 4(c)(8) of the BHC Act, the Board must determine whether the proposed activity is a proper incident to banking; that is, whether performance of the activity can reasonably be expected to produce benefits to the public that outweigh possible adverse effects. As a result of Applicant's proposal, consumers in the District of Columbia, Virginia and Maryland would benefit from ongoing access to Company and ASI as a source of insurance products and services. The continuation of grandfathered operations by Company and ASI thus would serve to

5. *See American Security Corporation*, Order dated July 21, 1976.
6. *Sovran Financial Corporation*, Order dated June 29, 1987.
7. *See also, BankAmerica Corporation*, 69 FEDERAL RESERVE BULLETIN 568 (1983); *Fuji Bank, Limited*, 69 FEDERAL RESERVE BULLETIN 50 (1983).

8. The Board incorporates herein by reference the findings and analysis in its *Sovran* decision regarding the types of insurance agency activities covered by exemption D and regarding the retention of grandfather privileges under exemption D following acquisition of the grandfathered company by another banking organization.
9. Specifically, exemption D limits the geographic scope of permitted activities to:

> sales of insurance at new locations of the same bank holding company or the same subsidiary or subsidiaries with respect to which insurance was sold on May 1, 1982, or approved to be sold on or before May 1, 1982, if such new locations are confined to the State in which the principal place of business of the bank holding company is located, any State or States immediately adjacent to such State, and any State or States in which insurance activities were conducted by the bank holding company or any of its subsidiaries on May 1, 1982, or were approved to be conducted by the bank holding company or any of its subsidiaries on or before May 1, 1982.

10. This conclusion is unaltered by the absence of a geographic limitation in the Board's July 21, 1976 Order regarding Company's section 4(a)(2) grandfather privileges. Applicant has applied to retain the insurance activities under section 4(c)(8)(D), which limits the geographic scope of the activities conducted. As noted, Applicant's application to retain Company's insurance activities under section 4(a)(2) was denied by the Board.

maintain existing business relationships and expectations, and also would preserve Company and ASI as viable competitors in the insurance agency industry. Conversely, there is no evidence to suggest that Applicant's proposal would result in undue concentration of resources, unfair or decreased competition, conflicts of interest or other adverse effects. The balance of public interest factors therefore is favorable in terms of Company's and ASI's ability to continue their grandfathered insurance operations in the District of Columbia, Virginia and Maryland following acquisition by Applicant.

Based on the foregoing and other facts of record, the Board has determined that the application under section 4 should be, and hereby is, approved. This determination is subject to all of the conditions set forth in Regulation Y, and provided that the insurance activities are conducted solely by Company and ASI, which must remain as independent subsidiaries of Applicant. It is also subject to the Board's authority to require such modifications or termination of activities of the bank holding company or any of its subsidiaries as the Board finds necessary to assure compliance with, and prevent evasions of, the provisions and purposes of the Act and the Board's regulations and orders issued thereunder.

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

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

JAMES MCAFEE
[SEAL] *Associate Secretary of the Board*

PNC Financial Corp
Pittsburgh, Pennsylvania

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

PNC Financial Corp, Pittsburgh, Pennsylvania, 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 Regualtion Y, 12 C.F.R § 225.21(a), to engage through a wholly owned subsidiary, PNC Investment Company, Pittsburgh , Pennsylvania ("Company"), in underwriting and dealing in, on a limited basis, municipal revenue bonds, including certain industrial development bonds, and commercial paper.[1]

In addition, Applicant has applied under section 4(c)(8) of the BHC Act for Company to underwrite and deal in U.S. government and agency and state and municipal securities that state member banks are authorized 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 "eligible securities"). Company would engage in the proposed underwriting and dealing activities through offices in Pittsburgh.

Applicant, with consolidated assets of $27.0 billion,[2] is the twenty-second largest banking organization in the nation. It operates 17 subsidiary banks in Pennsylvania, Kentucky, Indiana and Delaware and engages in a broad range of permissible nonbanking activities in the United States.

Notice of the application, affording interested persons an opportunity to submit comments on the proposal, has been published (52 *Federal Register* 13,757 (1987)). The Board received two comments on the proposal. The Securities Industry Association ("SIA"), 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 Bank Capital Markets Association commented in favor of the application.

The Board has previously determined that underwriting and dealing in 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 eligible securities to the extent that state member banks are authorized by section 16 of the Glass-Steagall Act.

On April 30, the Board approved applications by Citicorp, J.P. Morgan and Bankers Trust to underwrite and deal in, through their eligible securities underwriting subsidiaries, 1-4 family mortgage-backed securities, municipal revenue bonds (and certain industrial development bonds) and (except for

1. Applicant proposes to limit Company's underwriting and dealing activity in these securities in the same manner and to the same extent as proposed by J.P. Morgan in its application to underwrite and deal in these securities as well as mortage-backed securities. *See Citicorp/J.P. Morgan & Co. Incorporated/Bankers Trust New York Corporation*, 73 FEDERAL RESERVE BULLETIN 473, 477 n.11 (1987).

2. Banking data are as of March 31, 1986.

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 each particular type of security involved. 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.

For the reasons set forth in the Board's *Citicorp/Morgan/Bankers Trust* Order, the Board concludes that Applicant's proposal to engage through Company in underwriting and dealing in municipal revenue bonds[5] and commercial paper 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 limits Company's activities as provided in the *Citicorp/Morgan/Bankers Trust* Order. 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* Order. The Board hereby adopts and incorporates herein by reference the reasoning and analysis contained in the *Citicorp/Morgan/Bankers Trust* Order.

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* Order, including the Board's reservation of authority to establish additional limitations to ensure that the subsidiary's activities are consistent with safety and soundness, conflict of interest and other relevant considerations under the BHC Act. Underwriting or dealing in the approved securities in any manner other than as approved in that Order[6] is not within the scope of the Board's approval and is not authorized for Company.

As the Board noted in the *Citicorp/Morgan/Bankers Trust* Order, Congress has under consideration legislation that would prohibit Board approval of an underwriting application, such as this, between March 6, 1987, and March 1, 1988. While this moratorium legislation has not yet been enacted into law, the Board calls to Applicant's attention that it may be required by subsequent Congressional action to cease its underwriting and dealing activities approved in this Order. The Board retains jurisdiction over the application to act to carry out the requirements of any legislation adopted by Congress that would affect Applicant's conduct of underwriting and dealing activities under this Order and the BHC Act.

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

The Board notes that the SIA has sought judicial review in the U.S. Court of Appeals for the Second Circuit of the *Citicorp/Morgan/Bankers Trust* Order, as well as subsequent Board Orders approving the underwriting applications of a number of other bank holding companies. The Board notes that the court has stayed the effectiveness of the Board Orders pending judicial review. In light of the pendency of the litigation, the Board has determined that this Order should be stayed for such time as the stay of the prior decisions is effective.

By order of the Board of Governors, effective July 1, 1987.

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

JAMES MCAFEE
[SEAL] *Associate Secretary of the Board*

3. *Citicorp/Morgan/Bankers Trust, supra*. The Board subsequently approved similar applications by Chemical New York Corporation, The Chase Manhattan Corporation, Citicorp (to underwrite and deal in commercial paper), Manufacturers Hanover Corporation and Security Pacific Corporation. Orders dated May 18, 1987.

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 . . . ."

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.

6. 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.

Dissenting Statement of Chairman Volcker and Governor Angell

For the reasons set forth in our dissenting statement in the *Citicorp/Morgan/Bankers Trust* Order, we regret we are unable to join the majority in approving this application.

July 1, 1987

Sovran Financial Corporation
Norfolk, Virginia

Order Approving an Application to Provide Certain Investment Advisory Services

Sovran Financial Corporation, Norfolk, Virginia, a bank holding company within the meaning of the Bank Holding Company Act of 1956, as amended (12 U.S.C. § 1841 *et seq.*) (the "Act"), has applied for the Board's approval under section 4(c)(8) of the 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 activities of its subsidiary, Sovran Investment Corporation, Richmond, Virginia ("SIC"), to include certain investment advisory services.[1]

Notice of the application, affording interested persons an opportunity to submit comments on the proposal, has been duly published (52 *Federal Register* 16,312 (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 Act.

Applicant, a multibank holding company, has total consolidated assets of approximately $14.6 billion.[2] Applicant also engages through certain subsidiaries in other nonbanking activities permissible for bank holding companies.[3]

Applicant proposes to transfer certain activities currently being conducted by its largest subsidiary bank, Sovran Bank, N.A., to SIC and to engage in one new activity through SIC. These activities are:

(1) acting as an investment advisor to a registered investment company;[4]
(2) providing portfolio investment advice;
(3) providing financial advice to state and local governments;
(4) providing advice in connection with financing transactions for non-affiliated financial and nonfinancial institutions; and
(5) providing, on an explicit fee basis, discretionary management of short-term monies for a small number of corporate or other institutional clients.

The first three activities are permissible under Regulation Y (12 C.F.R. § 225.25(b)(4)(ii), (iii), (v)).

The Board previously has determined by Order that the fourth activity is closely related to banking and permissible for bank holding companies.[5] In these cases, however, the Board noted concerns regarding conflicts of interest and related adverse effects that may be associated with financial feasibility studies. Applicant has committed to abide by the conditions established in these cases to avoid adverse effects. Specifically, Applicant has agreed that:

(1) SIC's financial advisory activities shall not encompass the performance of routine tasks or operations for a customer on a daily or continuous basis;
(2) Disclosure will be made to each potential customer of SIC that SIC is an affiliate of Applicant;
(3) Advice rendered by SIC on an explicit fee basis will be without regard to correspondent balances maintained by a customer of SIC at Applicant or any depository subsidiary of Applicant; and
(4) SIC will not make available to Applicant or any of its subsidiaries confidential information received from SIC's clients.

Under these conditions, the Board concludes that Applicant's performance of financial feasibility studies is unlikely to result in any undue concentration of resources, decreased or unfair competition, unsound banking practices, or other adverse effects.

The fifth activity, providing, on an explicit fee basis,

1. SIC previously has received authorization from the Board to: (1) provide discount securities brokerage services; (2) buy and sell, as agent on behalf of unaffiliated persons, options on securities issued or guaranteed by the U.S. Government and its agencies, and options on U.S. and foreign money market instruments; (3) purchase and sell gold and silver bullion and gold coins solely for the account of customers; (4) underwrite and deal in government obligations and money market instruments; (5) provide investment advice relating solely to government obligations and money market instruments; (6) provide certain fiduciary services; and (7) provide cash management services.

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

3. Applicant previously has been authorized to engage through Sovran Capital Management, Richmond, Virginia ("SCM"), in the provision of investment or financial advice on a fee basis.

4. This is the only activity of the five activities not currently being conducted by Sovran Bank, N.A.

5. *Security Pacific Corporation* (Duff & Phelps, Inc.), 71 Federal Reserve Bulletin 118 (1985); *Signet Banking Corporation*, 73 Federal Reserve Bulletin 59 (1987). In both *Security Pacific Corporation* and *Signet Banking Corporation*, a broader form of financial feasibility studies was approved, which included providing advice in connection with mergers, acquisitions, and divestitures, as well as providing advice in connection with financing transactions. Sovran has not requested authority to provide advice in connection with mergers, acquisitions, and divestitures, only advice in connection with financing transactions.

discretionary management of short-term monies for a small number of corporate or other institutional clients, is a trust-type function that has been provided by banks and that is authorized under Regulation Y (12 C.F.R. §§ 225.25(b)(3) and (4)). The Comptroller of the Currency specifically has concluded that accounts of this type may be managed through the commercial department of a national bank, and such accounts are treated as subject to Part 9 of the Comptroller's Regulations regarding fiduciary powers of national banks.[6]

Applicant currently conducts this activity at one of its subsidiary banks, Sovran Bank, N.A., and proposes to transfer the activity to SIC. In performing this activity, SIC will hold funds of a particular customer in a separate account and will not pool or commingle such funds with any other account handled by SIC or any affiliate of SIC. Investment criteria will be specified by each individual customer, and SIC will select specific investments according to that criteria. The only discretion exercised by SIC will be with regard to choosing specific issuers within the type of investments specified by the customer and with regard to choosing the maturity of certain investments. The customer will be charged an explicit fee for the management which will be based on assets under management.

In order to approve this application, the Board must also find that the performance of the proposed activity "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 interest, or unsound banking practices." Applicant's proposal represents a corporate reorganization wherein activities currently performed by one of its subsidiary banks, Sovran Bank, N.A., and one new activity will be conducted by SIC. Because the proposal essentially would result in a transfer of the activities within the same corporate structure, approval of the application would have no adverse competitive effects.

With regard to the possibility of any conflicts of interest, SIC will register with the Securities and Exchange Commission as a registered investment advisor in connection with this activity and thereby will be subject to applicable requirements of both state and federal securities laws. Further, SIC will observe the standards of care and conduct applicable to fiduciaries. In addition, SIC will use the best method of execution for transactions and will not utilize the brokerage or execution capabilities of SIC for any transaction without the written consent of the customer.

All of the activities sought to be approved by this application are to be provided, with one exception, through separate SIC employees who will not themselves handle brokerage transactions for any customers, and who will not be involved in underwriting or dealing activities.[7] All of the activities sought to be approved by this application will be conducted by SIC personnel whose office will be maintained separate and apart from any retail banking offices of any of Applicant's banking affiliates. SIC will be maintained and will hold itself out to the public as a separate and distinct corporate entity with its own name, properties, assets, liabilities, books, and records. Except for the provision of investment advice and execution services to other affiliates (as a permissible servicing activity under 12 C.F.R. § 225.22(a)) and the receipt by SIC of certain operational support from its affiliates under one or more service contracts, SIC will conduct its business separate from that of its bank affiliates, and its agreements with customers will indicate that SIC is solely responsible for its contractual obligations and commitments. All of SIC's notices, tickets, advices, confirmations, correspondence and similar documentation will be clearly imprinted so as to avoid confusion on the part of customers or others between SIC's business and that of its bank affiliates. In addition, SIC offices will be located in areas separate from areas utilized by the retail functions of its bank affiliates.

Based upon a consideration of all the relevant facts, the Board concludes that the balance of the public interest factors that the Board is required to consider under section 4(c)(8) is favorable. The financial and managerial resources of Applicant are consistent with approval. Accordingly, the application is hereby approved. This determination is subject to the conditions set forth in sections 225.4(d) and 225.23(b)(3) of Regulation Y, and to the Board's authority to require such modification or termination of the activities of a bank holding company or any of its subsidiaries as the Board finds necessary to assure compliance with the

6. 12 C.F.R. § 9. These regulations include a requirement that a national bank exercising investment discretion with respect to an account shall adopt and follow written policies and procedures intended to ensure that its brokerage placement practices comply with all applicable laws and regulations (12 C.F.R. § 9.5).

7. The one exception is that individuals who handle the small number of short-term discretionary accounts will handle brokerage transactions for those accounts as well as for certain other nondiscretionary corporate accounts.

provisions and purposes of the Act and the Board's regulations and orders issued thereunder, or to prevent evasion thereof.

The 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 Richmond, pursuant to delegated authority.

By order of the Board of Governors, effective July 15, 1987.

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

JAMES MCAFEE
[SEAL] *Associate Secretary of the Board*

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

Security Pacific Corporation
Los Angeles, California

Order Approving Acquisition of a Bank Holding Company and Its Banking and Nonbanking Subsidiaries

Security Pacific Corporation, Los Angeles, California, a bank holding company within the meaning of the Bank Holding Company Act of 1956, as amended (the "Act") (12 U.S.C. § 1841 *et seq.*), has applied for the Board's approval under section 3 of the Act (12 U.S.C. § 1842) to acquire Rainier Bancorporation, Seattle, Washington ("Rainier"), and thereby to acquire indirectly Rainier National Bank, Seattle, Washington, Rainier Bank Oregon, N.A., Portland, Oregon, United Bank, A Savings Bank, Tacoma, Washington, and Rainier Bank Alaska, N.A., Anchorage, Alaska.[1] Applicant also has applied for the Board's approval under section 4(c)(8) of the Act (12 U.S.C. § 1843(c)(8)) to acquire Rainier Mortgage Company, Seattle, Washington, and thereby engage in mortgage banking; Rainier Real Estate Advisers, Inc., Seattle, Washington, and thereby engage in investment advice; Rainier Credit Life Insurance Company, Seattle, Washington, and thereby engage in the sale of credit-related insurance; and Rainier Brokerage Services, Inc., Seattle, Washington, and thereby engage in securities brokerage.[2] These activities are authorized for bank holding companies pursuant to the Board's Regulation Y, 12 C.F.R. §§ 225.25(b)(1), (4), (8), (15). Applicant also has provided notice to the Board under section 4(c)(14) of the Act of its intention to invest in Rainier International Trading Company, an export trading company. Finally, Applicant has provided notice to the Board under 12 C.F.R. § 211.4(b)(3) of its intention to indirectly acquire control of the Edge Act corporation subsidiaries of Rainier, Rainier International Bank and Rainier Bank International.

Notice of the applications, affording opportunity for interested persons to submit comments and views, has been duly published (52 *Federal Register* 16,312 (1987)). The time for filing comments has expired, and the Board has considered the applications and all comments received in light of the factors set forth in sections 3(c) and 4(c)(8) of the Act.

Applicant, with approximately $28 billion in domestic deposits, is the third largest commercial banking organization in California, controlling approximately 13.5 percent of total deposits in commercial banks in California.[3] Rainier is the second largest commercial banking organization in Washington with domestic deposits of approximately $5.7 billion, controlling approximately 22.1 percent of the total deposits in commercial banks in Washington.

Section 3(d) of the Act (12 U.S.C. § 1842(d)), the Douglas Amendment, prohibits the Board from approving any application by a bank holding company to acquire control of any bank located outside of the holding company's home state,[4] unless such acquisition is "specifically authorized by the statute laws of the State in which [the] bank is located, by language to that effect and not merely by implication." Effective July 1, 1987, Washington law permits an out-of-state banking organization that meets the requirements of Washington law, including a reciprocity requirement, to acquire a bank located in Washington.[5] The Washington Supervisor of Banking has indicated that Applicant has satisfied the requirements of Washington law. Oregon law permits a California bank holding company, with the permission of the Oregon Banking Supervisor, to acquire an Oregon bank.[6] The Oregon Bank-

1. Applicant will acquire Rainier through the merger of Rainier into SPC/RAB Acquisition, Inc. ("SPC/RAB"), a Delaware corporation and a wholly owned, special purpose subsidiary of Applicant. In connection with this application, SPC/RAB has applied to become a bank holding company by acquiring Rainier.

2. In connection with this application, SPC/RAB also has applied to acquire these nonbanking subsidiaries and has provided notice of investment in Rainier International Trading Company and the Edge Act corporation subsidiaries of Rainier.

3. Statewide banking data are as of December 31, 1986.

4. A bank holding company's home state is that state in which the operations of the bank holding company's banking subsidiaries were principally conducted on July 1, 1966, or the date on which the company became a bank holding company, whichever is later.

5. Wash. Rev. Code § 30.04.232 (1986).

6. Or. Rev. Stat. § 715.065(b)(A) (1985).

ing Supervisor has indicated that Applicant's acquisition of Rainier Bank Oregon, N.A., Portland, Oregon, is permissible. An out-of-state bank holding company may acquire an Alaska bank unless the bank is a "recently formed bank."[7] Rainier Bank Alaska, N.A., Anchorage, Alaska, is not, under the statute, a "recently formed bank,"[8] and the Alaska Director of Banking and Securities has indicated that Applicant's acquisition of Rainier Bank Alaska, N.A. is permissible. Based on the foregoing factors and its own review of the record, the Board has determined that the proposed acquisition is specifically authorized by the statute laws of Washington, Oregon, and Alaska, and thus Board approval is not prohibited by the Douglas Amendment.

Applicant competes with Rainier in three banking markets in Oregon and Washington.[9]

In the Portland banking market, Applicant is the third largest of 22 commercial banking organizations with deposits of approximately $483 million, controlling approximately 7.6 percent of total deposits in commercial banks in the market.[10] Rainier is the ninth largest banking organization with deposits of approximately $80 million, controlling approximately 1.3 percent of total deposits in commercial banks in the market. Upon consummation, Applicant would continue to be the third largest organization, with deposits of approximately $563 million, controlling approximately 8.9 percent of total deposits in commercial banks in the market. The Portland banking market is considered highly concentrated, with a Herfindahl–Hirschman Index ("HHI") of 2540. However, upon consummation, the HHI would increase by only 20 points to 2560.

In the Longview banking market, Applicant is the sixth largest of eight commercial banking organizations with deposits of approximately $11 million, controlling approximately 5.0 percent of total deposits in commercial banks in the market.[11] Rainier is the second largest banking organization with deposits of approximately $63 million, controlling approximately 28.7 percent of total deposits in commercial banks in the market. Upon consummation, Applicant would become the largest organization, with deposits of approximately $74 million, controlling approximately 33.9 percent of total deposits in commercial banks in the market. The HHI would increase by 287 points to 2418.

In the Grays Harbor County banking market, Applicant is the seventh largest of eight commercial banking organizations with deposits of approximately $15 million, controlling approximately 5.3 percent of total deposits in commercial banks in the market.[12] Rainier is the largest banking organization, with deposits of approximately $106 million, controlling approximately 37.5 percent of total deposits in commercial banking organizations in the market. Upon consummation, Applicant would become the largest organization in the market, with deposits of approximately $121 million, controlling approximately 42.8 percent of total deposits in commercial banks in the market. The Grays Harbor County banking market is considered highly concentrated, with an HHI of 2164. Upon consummation, the HHI would increase by 398 points to 2562.

Although consummation of this proposal would eliminate some existing competition between Applicant and Rainier in these banking markets, certain facts of record mitigate the adverse competitive effects of the proposal in these markets. Numerous other commercial banking organizations would continue to operate in each market after consummation of the proposal. In addition, the Board has considered the presence of thrift institutions in these markets 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.[13] Thrift institutions already exert a considerable competitive influence in the market as providers of a wide array of deposit and lending services to consumer and commercial customers. In view of these facts, the Board has concluded that thrift institutions exert a significant competitive influence that mitigates the anticompetitive effects of this proposal in the Grays Harbor County and Longview markets.[14]

On the basis of the foregoing, the Board concludes

7. Alaska Stat. § 06.05.235(e) (1986).

8. Alaska Stat. § 06.05.235(g).

9. All local banking market data are as of June 30, 1985.

10. The Portland banking market is approximated by the Portland RMA, which consists of Multnomah County and parts of Clackamas, Columbia, Marion, Washington, and Yamhill Counties, all in Oregon, and part of Clark County, Washington.

11. The Longview banking market is approximated by the Longview, Washington, RMA, which consists of parts of Cowlitz County, Washington, and Columbia County, Oregon.

12. The Grays Harbor County banking market is approximated by Grays Harbor County, Washington.

13. *National City Corporation*, 70 FEDERAL RESERVE BULLETIN 743 (1984); *The Chase Manhattan Corporation*, 70 FEDERAL RESERVE BULLETIN 529 (1984); *NCNB Bancorporation*, 70 FEDERAL RESERVE BULLETIN 225 (1984); *General Bancshares Corporation*, 69 FEDERAL RESERVE BULLETIN 802 (1983); *First Tennessee Corporation*, 69 FEDERAL RESERVE BULLETIN 298 (1983).

14. If thrift institutions are included in the analysis at 50 percent, Applicant is the ninth largest of 15 depository organizations in the Longview market, with approximately 3.5 percent of market deposits. Rainier is the second largest depository organization in the market, with approximately 19.9 percent of market deposits. Upon consummation, Applicant would become the largest depository organization in the market, with a market share of approximately 23.4 percent. The

that consummation of the proposal would not have a substantial adverse competitive effect in any of these banking markets.

The Board also has considered the effects of Applicant's proposal on probable future competition in markets in which Applicant and Rainier do not compete. In light of the number of probable future entrants into these markets, the Board concludes that consummation of this proposal would not have a significant adverse effect on probable future competition in any relevant banking market.

In evaluating this application, the Board has considered the financial resources of Applicant and the effect on these resources of the proposed acquisition. The Board has stated and continues to believe that capital adequacy is an especially important factor in the analysis of bank holding company proposals, particularly in transactions where a significant acquisition is proposed.[15]

In this regard, the Board expects that banking organizations experiencing substantial growth internally and by acquisition, such as Applicant, should maintain a strong capital position substantially above the minimum levels specified in the Capital Adequacy Guidelines without significant reliance on intangibles, particularly goodwill.[16] The Board will carefully analyze the effect of expansion proposals on the preservation or achievement of such capital positions.

The Board has reviewed this case in the light of Applicant's capital and asset position. The Board notes that this transaction is a share-for-share exchange which involves no acquisition debt, and that Applicant has recently strengthened its capital position through the issuance of primary capital instruments. In addition, Applicant recognizes the desirability of continuing to strengthen its capital base. The Board intends to monitor Applicant's progress toward this objective. Accordingly, on the basis of the above considerations, the Board concludes that financial factors are consistent with approval of the application. Managerial factors also are consistent with approval.

In considering the convenience and needs of the communities to be served, the Board has taken into account the records of Applicant and Rainier under the Community Reinvestment Act ("CRA"), 12 U.S.C. § 2901 *et seq.*[17] The Board has received comments from the South End Seattle Community Organization ("SESCO"), Seattle, Washington, regarding the CRA records of Applicant and Rainier.[18] In an attempt to resolve the concerns raised by the protest, Applicant and Rainier have met with SESCO to discuss the issues raised by SESCO.

SESCO's comments are similar to comments filed by SESCO in connection with Rainier's applications to acquire Mount Hood Security Bank, Gresham, Oregon (now Rainier Bank Oregon, N.A., Portland, Oregon), and United Bank, A Savings Bank, Tacoma, Washington.[19] SESCO's basic assertion is that Rainier is not meeting the credit needs of the South End neighborhood of Seattle, Washington. The Board has reviewed the record of Rainier in serving the credit and deposit needs of the South End community of Seattle. The Board's analysis indicates that Rainier's record in lending to low- and moderate-income areas compares favorably to its record in other portions of the Seattle MSA. In addition, in connection with the Mount Hood application, Rainier made a number of CRA-related commitments, and Rainier's progress in meeting these commitments is reasonable considering the short period of time since they went into effect. Further, Applicant has committed that SPC/RAB, as successor to Rainier, will abide by these commitments.

The Board also notes that both Applicant and Rainier have satisfactory CRA records. Accordingly, based on all the facts of record, the Board concludes that

HHI would increase by 139 points, from 1315 to 1454.

In the Grays Harbor County market, thrifts control 66.0 percent of the combined deposits of bank and thrifts. If thrift institutions are included in the analysis at 50 percent, Applicant is the eleventh largest of 12 depository organizations, with approximately 2.7 percent of market deposits. Rainier is the largest depository organization in the market, with approximately 19.1 percent of deposits. Upon consummation, Applicant would become the largest depository organization in the market and control approximately 21.8 percent of deposits in the market. The HHI would increase by 103 points, from 1269 to 1372.

15. *See e.g., Chase Manhattan Corporation*, 70 FEDERAL RESERVE BULLETIN 529 (1984); *NCNB Corporation*, 69 FEDERAL RESERVE BULLETIN 49 (1983).

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

17. 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.

18. SESCO generally alleges: (1) the South End neighborhood of Seattle, Washington, is a low- and moderate-income neighborhood; (2) SESCO is an effective community organization working for reinvestment in the South End; (3) Rainier has a poor history of lending in the South End; (4) Rainier unreasonably has refused to work with SESCO to improve its South End lending; and (5) Applicant has a dubious commitment to community reinvestment, especially in Washington.

19. *Rainier Bancorporation* (Mount Hood Security Bank), 73 FEDERAL RESERVE BULLETIN 55 (1987); *Rainier Bancorporation* (United Bank), 73 FEDERAL RESERVE BULLETIN 216 (1987).

convenience and needs considerations are consistent with approval of the applications.[20]

As indicated earlier, Applicant also has applied, pursuant to section 4(c)(8), to acquire the nonbanking subsidiaries of Rainier. Applicant operates nonbanking subsidiaries that compete with Rainier in the activities of residential and commercial mortgage banking, commercial finance and factoring, automobile floor finance and indirect leasing, consumer finance, manufactured housing finance, and equipment leasing. The markets for these activities have numerous competitors and are regional or national in scope. Accordingly, the Board concludes that 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 Act is favorable and consistent with approval of the applications to acquire Company's nonbanking subsidiaries and activities.

The Board also has considered the notice of Applicant's proposed investment in Rainier International Trading Company under section 4(c)(14) of the Act and the acquisition of control of Rainier International Bank and Rainier Bank International under the Edge Act. Based on the facts of record, the Board has determined that disapproval of the proposed investments is not warranted.

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 Rainier 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. The determinations as to Applicant's nonbanking activities are subject to all of the conditions contained in Regulation Y, including those in sections 225.4(d) and 225.23(b)(3) (12 C.F.R. §§ 225.4(d) and 225.23(b)(3)), and to the Board's authority to require such modification or termination of the activities of a holding company or any of its subsidiaries as the Board finds necessary to assure compliance with the provisions and purposes of the Act and the Board's regulations and orders issued thereunder, or to prevent evasion thereof.

By order of the Board of Governors, effective July 20, 1987.

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

JAMES MCAFEE
[SEAL] *Associate Secretary of the Board*

20. SESCO has also requested that the Board order a public hearing to enable SESCO and other interested persons to present evidence substantiating its allegations. Although section 3(b) of the Act does not require a formal hearing in this instance, the Board may, in any case, order an informal or formal hearing. In light of the commitment made by Applicant and other facts of record, the Board has determined that a hearing would serve no useful purpose. Accordingly, SESCO's request for a public hearing is denied.

The Sumitomo Trust & Banking Co., Ltd. Osaka, Japan

Order Approving Formation of a Bank Holding Company and a Nonbanking Joint Venture

The Sumitomo Trust & Banking Co., Ltd., Osaka, Japan 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 voting shares of Sumitomo Trust & Banking Co. (U.S.A.) ("Bank"), New York, New York, a *de novo* bank. Applicant also has applied for the Board's approval, pursuant to section 4(c)(8) of the BHC Act (12 U.S.C. § 1843(c)(8)) and section 225.23(a) of the Board's Regulation Y (12 C.F.R. § 225.23(a)), to engage in investment advisory activities that are permissible for bank holding companies under section 225.25(b)(4) of Regulation Y (12 C.F.R. § 225.25(b)(4)) through a joint venture between Applicant and Security Pacific Corporation ("Security Pacific"), Los Angeles, California. Applicant and Security Pacific would each acquire 50 percent of the voting shares of Sumitrust Security Pacific Investment Managers, Inc. ("Company"), Los Angeles, California, a *de novo* corporation serving customers throughout the United States and Japan.

Notice of the applications, affording an opportunity for interested persons to submit comments, has been given in accordance with sections 3 and 4 of the BHC Act. 51 *Federal Register* 28,982, 32,962 (1986). 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) as well as the considerations specified in section 4(c) of the BHC Act (12 U.S.C. §§ 1842(c) and 1843(c)).

Applicant, with total assets of approximately $113.6 billion, is the 22nd largest bank world-wide and the second largest trust company in Japan.[1] Applicant engages in a variety of banking and trust activities on a world-wide basis. Applicant operates a branch in New York and an agency in Los Angeles, which have total assets of $5.6 billion and $1.2 billion, respectively. Applicant has selected New York as its home state under the Board's Regulation K (12 C.F.R. § 211.22(b)).

Bank will serve the Metropolitan New York-New Jersey banking market[2] and will seek business primarily from domestic corporate and public sector customers with emphasis on specialized lending, fiduciary and other banking services not currently provided by Applicant's existing New York branch or Los Angeles agency. Based upon the facts of record, including the *de novo* status of Bank, the Board concludes that the proposed transaction would have no adverse effects on competition. Accordingly, competitive considerations are consistent with approval.

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

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

In the present instance, the primary capital ratio of Applicant, as publicly reported, is well below the Board's capital adequacy guidelines.[4] In similar cases, the Board has considered mitigating factors, including adjustments to an applicant's capital to reflect differences in accounting and regulatory practices. After certain adjustments to account for Japanese banking and accounting practices, including consideration of a modest portion of the unrealized appreciation in Applicant's portfolio of equity securities (after taking into account possible fluctuations in valuation and the effects of taxation), Applicant's capital ratio more nearly approximates U.S. standards. The Board also has considered additional factors that mitigate its concern. The Board has placed considerable emphasis on the fact that Applicant will establish Bank *de novo*, and that Bank will be strongly capitalized and small in relationship to Applicant. The Board notes further that Applicant is in compliance with the capital and other financial requirements of Japanese banking organizations, and that Applicant has given the Board certain assurances regarding its capital.

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

Applicant also has applied under section 4(c)(8) of the Act to engage through Company, a joint venture subsidiary of Applicant and Security Pacific, in certain

1. Banking data are as of March 31, 1987, based on the dollar/yen exchange rate as of that date. Applicant's market rank is as of December 31, 1985.

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

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

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

investment advisory nonbanking activities which the Board previously has approved for bank holding companies under Regulation Y. Initially, Applicant proposes to provide through Company investment advice to Japan-based and United States-based investment advisors, including Applicant and a subsidiary of Security Pacific, Security Pacific Investment Managers, Inc. ("SPIM"),[5] regarding investments in United States and Japanese debt and equity securities. Applicant expects that United States and Japanese pension funds initially will be the primary recipients of Company's services. In the future, Company may provide users its investment advice directly. The Board previously has determined that the proposed nonbanking activity is closely related and a proper incident to banking under section 4(c)(8) in deciding to add it to the list of activities permissible for bank holding companies under section 225.25(b)(4) of Regulation Y (12 C.F.R. § 225.25(b)(4)).

Section 4(c)(8) requires the Board to consider whether the Applicant's performance of the proposed activities through Sumitrust would result in 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 interest, or unsound banking practices. In its analysis of the public benefits and possible adverse effects of this proposal, the Board has taken into consideration the fact that Applicant would engage in the proposed activity through a joint venture. Prior decisions of the Board indicate a concern that joint ventures not lead to a matrix of relationships between co-venturers which could erode the legally mandated separation of banking and commerce through a mingling of permissible and impermissible activities, lead to conflicts of interest, result in an undue concentration of resources, or compromise the impartiality of a banking organization in the performance of credit evaluation or fiduciary services.[6]

Applicant states that the purpose of its proposed joint venture with Security Pacific is to allow the parties to offer a broader range of investment options to their respective customers that neither joint venturer could provide alone. Applicant operates and manages funds entrusted by a large number of pension funds in Japan, but does not currently offer investment advisory services in the United States. Similarly, Security Pacific has substantial experience in providing investment advice to U.S. investors regarding U.S. securities, but believes that entry by a U.S. investor into the Japanese market would be facilitated by the assistance of a Japanese partner. By establishing Company, Applicant and Security Pacific will be able to draw upon the investment expertise of each joint venture partner as to securities traded in their respective countries. The proposed joint venture will allow Applicant and Security Pacific to expand advisory services to, and broaden the investment options of, their United States and Japanese institutional customers. Accordingly, the Board finds that the proposed joint venture may be expected to produce public benefits in the form of greater convenience to customers and increased efficiency in the provision of investment advisory services.

The Board finds no evidence in the record that the proposed joint venture would lead Applicant into impermissible nonbanking activities. Both joint venturers in this case are banking organizations subject to the requirements of section 4 of the BHC Act with respect to this proposal. Moreover, Applicant and Security Pacific will each control 50 percent of the voting shares of Company so that no change in Company's activities may be effected without the consent of both co-venturers.

The Board also has considered the possible adverse effects upon existing or potential competition as a result of this proposal. The Board notes that the likelihood of such effects is substantially mitigated by the following factors. First, the market for investment advice is highly competitive. Numerous banks, bank holding companies, investment banking firms and others provide this service. In addition, Applicant currently does not engage in investment advisory activity in the United States and Company is being organized *de novo*. The Board therefore finds that consummation of this proposal would not have a significant adverse effect on either existing or potential competition in any relevant market.

There is no evidence that the proposed joint venture involving Sumitrust would result in unfair competition, unsound banking practices, conflicts of interest, or undue concentration of resources. In this regard, the Board notes that the provision of investment advice as permitted under section 225.25(b)(4)(iii) of Regulation Y is subject to fiduciary standards and the anti-tying provisions of the BHC Act (12 U.S.C. §§ 1971 and 1972(1)), which the Board believes substantially address the possibility of conflicts of interest or anti-competitive effects that could arise from Applicant's proposal.

5. SPIM, an investment advisor registered under the Investment Company Act of 1940, offers investment advisory services to institutional customers.

6. *See, e.g., Independent Bankers Financial Corporation*, 71 FEDERAL RESERVE BULLETIN 651, 653 (1985); *The Maybaco Company and Equitable Bancorporation*, 69 FEDERAL RESERVE BULLETIN 375, 377 (1983), and *Deutsche Bank AG*, 67 FEDERAL RESERVE BULLETIN 449, 451 (1981).

Based on the foregoing and other facts of record, the Board has determined that the balance of public interest factors it must consider under section 4(c)(8) of the Act is favorable. The Board also has determined that considerations relating to the convenience and needs of the community to be served are consistent with approval.

Accordingly, the Board has determined that the applications under sections 3 and 4 of the Act should be, and hereby are, approved. The proposed acquisition of Bank shall not be consummated before the thirtieth calendar day following the effective date of this Order. The 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 New York, pursuant to delegated authority. The determination as to Applicant's nonbanking activities is subject to the conditions set forth in section 225.25(b)(4) of Regulation Y (12 C.F.R. § 225.22(b)(4)), and the Board's authority to require such modification or termination of the activities of a holding company or any of its subsidiaries as the Board finds necessary to assure compliance with the provisions and purposes of the Act and the Board's regulations and orders issued thereunder, or to prevent evasion thereof.

By order of the Board of Governors, effective July 16, 1987.

Voting for this action: Chairman Volcker and Governors Johnson, Angell, Heller, and Kelley. Voting against this action: Governor Seger.

JAMES MCAFEE
Associate Secretary of the Board

[SEAL]

Dissenting Statement of Governor Seger

I dissent from the Board's action in this case. I believe that foreign banking organizations whose publicly reported capital is well below the Board's capital guidelines for U.S. banking organizations have an unfair competitive advantage in the United States over domestic banking organizations and should therefore be judged against the same financial and managerial standards, including the Board's capital adequacy guidelines, as are applied to domestic 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.

July 17, 1987

Errata:

Hartford National Corporation
Hartford, Connecticut

The following order which appeared on page 661 of the August 1987 BULLETIN was incorrectly printed. The corrected order is reprinted below.

Hartford National Corporation, Hartford, Connecticut, a bank holding company within the meaning of the Bank Holding Company Act ("Act"), 12 U.S.C. § 1841 *et seq.*, has applied for the Board's approval under section 3(a)(3) of the Act (12 U.S.C. § 1842(a)(3)) to acquire the successor to the Savings and Loan Association of Southington, Southington, Connecticut ("Southington").

Notice of the application, affording interested persons an opportunity to submit comments, has been given in accordance with section 3(b) of the Act, 52 *Federal Register* 7,487 (1987). The time for filing comments has expired, and the Board has considered the application and all comments received in light of the factors set forth in section 3(c) of the Act.

Southington is a state chartered, stock savings and loan association, the accounts of which are insured by the Federal Savings and Loan Insurance Corporation ("FSLIC"). Applicant proposes to merge Southington with and into a de novo subsidiary of Applicant, State Savings Bank (In Organization) ("Bank"), a state stock savings bank the accounts of which would be insured by the Federal Deposit Insurance Corporation ("FDIC").

Since Bank, at the time of acquisition by Applicant, will be a state chartered bank that accepts demand deposits and makes commercial loans, Bank is a "bank" for purposes of the Act, and Applicant properly has applied to acquire Bank under section 3 of the Act, which governs the acquisition of banks by bank holding companies.

Applicant, with deposits of $7 billion, is the second largest commercial banking organization in Connecticut, controlling 25.8 percent of the total deposits in commercial banks in the state.[1] After the merger of Southington into Bank, Bank will control deposits of $76.7 million, representing less than 1 percent of the total deposits in commercial banking organizations in the state.[2] Upon consummation of this proposal, Ap-

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

plicant will continue to be the second largest commercial banking organization in Connecticut, with no significant change in its market share or deposit size. Consummation of this proposal therefore would not have any significant adverse effect upon the concentration of banking resources in the state.

Bank is located in the Hartford banking market, where Applicant also competes.[3] In the Hartford banking market, Applicant is the second largest of 17 commercial banking organizations, controlling deposits of $2.5 billion, which represents 35.8 percent of total deposits in commercial banks in the market.[4] Following the proposed merger, Bank will be the 13th largest of 18 commercial banking organizations in Hartford, controlling deposits of $48.5 million, representing less than 1 percent of the market share. Following acquisition of Bank, Applicant would remain the second largest commercial banking organization in the Hartford banking market, controlling 36.5 percent of the market's total commercial bank deposits. The Herfindahl–Hirschman Index ("HHI")[5] would increase by only 8 points to 3079. Consummation of this proposal therefore is unlikely to substantially lessen competition in the Hartford banking market.

Based upon a review of all facts of record, the Board has determined that the financial and managerial resources of Applicant, its subsidiary banks and Bank are consistent with approval. Considerations relating to the convenience and needs of the communities to be served also are consistent with approval of this proposal.

The Board notes that this application involves the acquisition of a bank that results from the merger of a non-failing, FSLIC-insured state savings and loan association into an FDIC-insured state savings bank. The acquisition proposed here, however, does not fall within the scope of the Board's policy and rulings regarding acquisitions of thrift institutions under section 4 of the Act[6] or the provisions of the 1982 Garn–St Germain Depository Institution Act regarding acquisitions of thrift institutions. Upon its acquisition by Applicant, Bank will accept demand deposits and engage in commercial lending, and will be subject to all the banking standards of the Act.

In addition, the Board expects that Applicant will comply with all state and federal requirements necessary for consummation of the acquisition, and the Board's approval of this application under the Act is not intended to preempt any such requirements.[7] The Board has previously stated that its approval of transactions under section 3 of the Act does not relieve an applicant or the bank involved of the responsibility to obtain approval under other federal or state laws and regulations and does not shield an applicant from the consequences of violations of other laws.[8]

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

By order of the Board of Governors, effective June 1, 1987.

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

JAMES MCAFEE
[SEAL] *Associate Secretary of the Board*

2. Deposit data for Bank are calculated on a commercial banks only basis, based on financial information reported prior to Bank's conversion.

3. The Hartford banking market is approximated by the Hartford Rand McNally Area ("RMA"), minus the Windham County township of Windham and the Tolland County township of Mansfield, plus the Windham County township of Ashford, the Hartford County township of Hartland, the Tolland County township of Union, and the remaining portions of Plymouth and East Haddam not already included in the RMA.

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

5. 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 generally will not be challenged (in the absence of other facts indicating an anticompetitive effect) unless the post-merger HHI is at least 1800 and the merger increases the HHI by at least 200 points.

6. *D.H. Baldwin Company*, 63 FEDERAL RESERVE BULLETIN 280 (1977).

7. The Board may not approve an application that would result in a violation of federal or state law. *Whitney National Bank v. Bank of New Orleans*, 379 U.S. 411 (1964).

8. *The One Bancorp*, 73 FEDERAL RESERVE BULLETIN 55, 135 (1987); *SafraCorp*, 73 FEDERAL RESERVE BULLETIN 137 (1987); *Comerica Incorporated* (Order dated May 4, 1987).

Orders Approved Under Bank Holding Company Act

By Federal Reserve Banks

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

Section 3

Applicant	Bank(s)	Reserve Bank	Effective date
Adairsville Bancshares, Inc. Adairsville, Georgia	Bank of Adairsville Adairsville, Georgia	Atlanta	July 20, 1987
Alvarado Bankshares, Inc. Alvarado, Texas	Alvarado National Bank Alvarado, Texas	Dallas	July 20, 1987
American Bancorporation Wheeling, West Virginia	Citizens National Bank Flushing — St. Clairsville St. Clairsville, Ohio	Cleveland	July 8, 1987
Asia Bancshares, Inc. Flushing, New York	Asia Bank, N.A. Flushing, New York	New York	June 26, 1987
Baron II Bancshares, Inc. White Bear Lake, Minnesota	Security State Bank of Deer Creek Deer Creek, Minnesota	Minneapolis	July 27, 1987
BayBanks, Inc. Boston, Massachusetts	BayBank Connecticut, National Association Farmington, Connecticut	Boston	July 15, 1987
Bellbrook Bancorp, Inc. Bellbrook, Ohio	The Bellbrook Community Bank Bellbrook, Ohio	Cleveland	July 2, 1987
Boatmen's Bancshares, Inc. St. Louis, Missouri	Boatment's Bank of Delaware New Castle, Delaware	St. Louis	July 24, 1987
Brazos Bancshares, Inc. Joshua, Texas	The First National Bank in Joshua Joshua, Texas	Dallas	July 17, 1987
Brown Deer Bank Profit Sharing Plan Brown Deer, Wisconsin	Capital One Corp. Brown Deer, Wisconsin	Chicago	July 7, 1987
Camino Real Bancshares, Inc. Carrizo Springs, Texas	Frio National Bank Pearsall, Texas	Dallas	July 21, 1987
CapitalBanc Corporation New York, New York	Capital National Bank New York, New York	New York	July 15, 1987
Cenvest, Inc. Meriden, Connecticut	The Central Bank for Savings Meriden, Connecticut	Boston	July 17, 1987
Citizens Equity Corporation Weatherford, Texas	The Citizens National Bank of Weatherford Weatherford, Texas	Dallas	July 20, 1987
CommerceBancorp Newport Beach, California	CommerceBank Newport Beach, California	San Francisco	June 25, 1987
Commonwealth Bancshares Corporation Williamsport, Pennsylvania	Liberty State Bank Mount Carmel Pennsylvania	Philadelphia	July 9, 1987
CoreStates Financial Corp. Philadelphia, Pennsylvania	The Montgomery National Bank Rocky Hill, New Jersey	Philadelphia	July 9, 1987

Section 3—Continued

Applicant	Bank(s)	Reserve Bank	Effective date
Credit and Commerce American Holdings, N.V. Curacao, Netherlands Antilles Credit and Commerce American Investment, B.V. Amsterdam, Netherlands First American Corporation Washington, D.C. First American Bankshares, Inc. Washington, D.C.	NBG Financial Corporation Atlanta, Georgia	Richmond	June 26, 1987
Crews Banking Corporation Wauchula, Florida	Charlotte State Bank Port Charlotte, Florida	Atlanta	July 29, 1987
EMF Corporation Blue Grass, Iowa	Blue Grass Savings Bank Blue Grass, Iowa	Chicago	June 25, 1987
Farmers Bancorp, Inc. of Marion, Kentucky Marion, Kentucky	Farmers Bank and Trust Company of Marion, Kentucky Marion, Kentucky	St. Louis	July 17, 1987
Fillmore County Bancshares, Inc. Canton, Minnesota	Canton State Bank Canton, Minnesota	Minneapolis	July 15, 1987
First Capital Corporation Jackson, Mississippi	Gateway Capital Corporation Jackson, Mississippi	Atlanta	July 28, 1987
First Citizens BancStock, Inc. Morgan City, Louisiana	The First National Bank in St. Mary Parish Morgan City, Louisiana	Atlanta	July 23, 1987
FirstMorrill Co. Omaha, Nebraska	First National Bank in Morrill Morrill, Nebraska	Kansas City	June 26, 1987
First Northwest Bancshares, Inc. Kenton, Tennessee	First State Bank Kenton, Tennessee	St. Louis	July 21, 1987
1st Source Corporation South Bend, Indiana	The Hamlet State Bank Hamlet, Indiana	Chicago	July 15, 1987
First South Bancshares, Inc. Morgan City, Louisiana	Morgan City Bank & Trust Company Morgan City, Louisiana	Atlanta	July 10, 1987
First Virginia Banks, Inc. Falls Church, Virginia	United Bancorp of Maryland, Inc. Upper Marlboro, Maryland	Richmond	July 16, 1987
Greenfield Bancshares, Inc. Greenfield, Tennessee	Greenfield Banking Company Greenfield, Tennessee	St. Louis	July 3, 1987
Illini Community Bancorp, Inc. Springfield, Tennessee	Banc Shares, Inc. Greenview, Illinois	Chicago	June 30, 1987
Jefferson Bancorp, Inc. Miami Beach, Florida	Broward Bancorp Lauderdale Lakes, Florida	Atlanta	July 10, 1987
Key Pacific Bancorp Anchorage, Alaska	First NorthWest Bancorporation Seattle, Washington	New York	June 26, 1987
Lockwood Banc Group, Inc. Houston, Texas	Lockwood National Bank of Houston Houston, Texas	Dallas	July 1, 1987

Section 3—Continued

Applicant	Bank(s)	Reserve Bank	Effective date
Magna Group, Inc. Belleville, Illinois FGB Acquisition Company Belleville, Illinois	First Granite Bancorporation, Inc. Granite City, Illinois	St. Louis	July 21, 1987
Mountain Bank System, Inc. Whitefish, Montana	Valley Bank of Belgrade Belgrade, Montana	Minneapolis	July 9, 1987
New Hampshire Savings Bank Corp. Concord, New Hampshire	Seashore Bank Shares, Inc. Seabrook, New Hampshire	Boston	July 24, 1987
North Star Holding Company, Inc. Jamestown, North Dakota	Stutsman County State Bank Jamestown, North Dakota	Minneapolis	July 16, 1987
Northern Plains Investment, Inc. Jamestown, North Dakota	North Star Holding Company, Inc. Jamestown, North Dakota	Minneapolis	July 16, 1987
Peoples Bancorporation Rocky Mount, North Carolina	Citizens National Bank Winston-Salem, North Carolina	Richmond	July 17, 1987
Peoples First Corporation Paducah, Kentucky	First National Bank of La Center La Center, Kentucky	St. Louis	July 14, 1987
Security Bancorp of Tennessee, Inc. Halls, Tennessee	Bank of Crockett Bells, Tennessee	St. Louis	July 13, 1987
Southlake Bancshares, Inc. Southlake, Texas	Texas National Bank Southlake, Texas	Dallas	July 7, 1987
Susquehanna Bancshares, Inc. Lititz, Pennsylvania	Spring Grove National Bank Spring Grove, Pennsylvania	Philadelphia	July 1, 1987
Tara Bankshares Corporation Riverdale, Georgia	Tara State Bank Riverdale, Georgia	Atlanta	June 29, 1987
United Valley Financial Lemoore, California	Farmers State Bank Farmersville, California	San Francisco	June 25, 1987
Wonder Bancorp, Inc. Wonder Lake, Illinois	Wonder Lake State Bank Wonder Lake, Illinois	Chicago	July 10, 1987

Section 4

Applicant	Nonbanking Company/Activity	Reserve Bank	Effective date
Midwest Commerce Corporation Elkhart, Indiana	Independent Leasing Services, Inc. Indianapolis, Indiana	Chicago	July 7, 1987
Montana Bancsystem, Inc. Billings, Montana	general insurance activities	Minneapolis	July 24, 1987
Security Pacific Corporation Los Angeles, California	Sumitrust Security Pacific Investment Managers, Inc. Los Angeles, California investment advisory activities	San Francisco	July 20, 1987

Section 4—Continued

Applicant	Nonbanking Company/Activity	Reserve Bank	Effective date
Signet Banking Corporation Richmond, Virginia	Ford Brothers Finance Co., Inc. Mount Rainier, Maryland	Richmond	July 29, 1987
Standard Chartered PLC London, England Standard Chartered Bank London, England Standard Chartered Overseas Holdings, Limited London, England Standard Chartered Inc. Los Angeles, California Union Bancorp Los Angeles, California	Union Bancsystems, Inc. Sherman Oaks, California management consulting and data processing	San Francisco	June 25, 1987
Valley Bancorporation Appleton, Wisconsin	Valley Systems, Inc. Appleton, Wisconsin data processing activities	Chicago	July 3, 1987

Sections 3 and 4

Applicant	Bank(s)/Nonbanking Company	Reserve Bank	Effective date
Key Atlantic Bancorp Albany, New York	Key Bancshares of New York, Inc. Albany, New York Key Bancshares of Maine, Inc. Augusta, Maine	New York	June 26, 1987
Valley Bancorporation Appleton, Wisconsin	Community Banks, Inc. Middleton, Wisconsin CBI Trust and Financial Services, Inc. Madison, Wisconsin	Chicago	July 16, 1987

ORDERS APPROVED UNDER BANK MERGER ACT

By Federal Reserve Banks

Applicant	Bank(s)	Reserve Bank	Effective Date
First of America Bank—Central Lansing, Michigan	First of America Bank—Charlotte Charlotte, Michigan	Chicago	July 15, 1987
First of America Bank—Central, Lansing, Michigan	First of America Bank—Grand Ledge, Grand Ledge, Michigan	Chicago	July 15, 1987

PENDING CASES INVOLVING THE BOARD OF GOVERNORS

This list of pending cases does not include suits against the Federal Reserve Banks in which the Board of Governors is not named a party.

National Association of Casualty & Insurance Agents v. Board of Governors, Nos. 87–1354, 87–1355 (D.C. Cir. filed July 29, 1987).

Air Continental, Inc. v. Federal Reserve Board of Boston, et. al., No. 87–1877-N (D. Massachusetts filed July 23, 1987).

The Chase Manhattan Corporation v. Board of Governors, No. 87–1333 (D.C. Cir. filed July 20, 1987).

Securities Industry Association v. Board of Governors, Nos. 87–4091, 87–4093, 87–4095 (2d Cir. filed July 1 and July 15, 1987).

Lewis v. Board of Governors, No. 87–3455 (11th Cir. filed June 25, 1987).

Securities Industry Association v. Board of Governors, et al. No. 87–4041 and consolidated cases (2d Cir., filed May 1, 1987).

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

Jones v. Volcker, No. 87–0427 (D.D.C., filed Feb. 19, 1987).

Bankers Trust New York Corp. v. Board of Governors, No. 87–1035 (D.C. Cir., filed Jan. 23, 1987).

Securities Industry Association v. Board of Governors, et al., No. 87–1030 (D.C.Cir., filed Jan. 20, 1987).

Grimm v. Board of Governors, No. 87–4006 (2d Cir., filed Jan. 16, 1987).

Independent Insurance Agents of America, et al. v. Board of Governors, Nos. 86–1572, 1573, 1576 (D.C. Cir., filed Oct. 24, 1986).

Independent Community Bankers Association of South Dakota v. Board of Governors, No. 86–5373 (8th Cir., filed Oct. 3, 1986).

Jenkins v. Board of Governors, No. 86–1419 (D.C. Cir., filed July 18, 1986).

Securities Industry Association v. Board of Governors, No. 86–1412 (D.C. Cir., filed July 14, 1986).

Optical Coating Laboratory, Inc. v. United States, No. 288–86C (U.S. Claims Ct., filed May 6, 1986).

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

Myers, et al. v. Federal Reserve Board, No. 85–1427 (D. Idaho, filed Nov. 18, 1985).

Souser, et al. v. Volcker, et al., No. 85-C-2370, *et al.* (D. Colo., filed Nov. 1, 1985).

Podolak v. Volcker, No. C85–0456, *et al.* (D. Wyo., filed Oct. 28, 1985).

Kolb v. Wilkinson, et al., No. C85–4184 (N.D. Iowa, filed Oct. 22, 1985).

Farmer v. Wilkinson, et al., No. 4–85-CIVIL-1448 (D. Minn., filed Oct. 21, 1985).

Kurkowski v. Wilkinson, et al., No. CV-85–0-916 (D. Neb., filed Oct. 16, 1985).

Alfson v. Wilkinson, et al., No. A1–85–267 (D. N.D., filed Oct. 8, 1985).

Independent Community Bankers Associaton of South Dakota v. Board of Governors, No. 84–1496 (D.C. Cir., filed Aug. 7, 1985).

Urwyler, et al. v. Internal Revenue Service, et al., No. 85–2877 (9th Cir., filed July 18, 1985).

Wight, et al. v. Internal Revenue Service, et al., No. 85–2826 (9th Cir., filed July 12, 1985).

Florida Bankers Association v. Board of Governors, No. 84–3883 and No. 84–3884 (11th Cir., filed Feb. 15, 1985).

Florida Department of Banking v. Board of Governors, No. 84–3831 (11th Cir., filed Feb. 15, 1985), and No. 84–3832 (11th Cir., filed Feb. 15, 1985).

Lewis v. Volcker, et al., No. 86–3210 (6th Cir., filed Jan. 14, 1985).

Brown v. United States Congress, et al., No. 84–2887–6(IG) (S.D. Cal., filed Dec. 7, 1984).

Melcher v. Federal Open Market Committee, No. 84–1335 (D.D.C., filed Apr. 30, 1984).

Membership of the Board of Governors of the Federal Reserve System, 1913–87

APPOINTIVE MEMBERS[1]

Name	Federal Reserve District	Date of initial oath of office	Other dates and information relating to membership[2]
Charles S. Hamlin	Boston	Aug. 10, 1914	Reappointed in 1916 and 1926. Served until Feb. 3, 1936.[3]
Paul M. Warburg	New York	do	Term expired Aug. 9, 1918.
Frederic A. Delano	Chicago	do	Resigned July 21, 1918.
W.P.G. Harding	Atlanta	do	Term expired Aug. 9, 1922.
Adolph C. Miller	San Francisco	do	Reappointed in 1924. Reappointed in 1934 from the Richmond District. Served until Feb. 3, 1936.[3]
Albert Strauss	New York	Oct. 26, 1918	Resigned Mar. 15, 1920.
Henry A. Moehlenpah	Chicago	Nov. 10, 1919	Term expired Aug. 9, 1920.
Edmund Platt	New York	June 8, 1920	Reappointed in 1928. Resigned Sept. 14, 1930.
David C. Wills	Cleveland	Sept. 29, 1920	Term expired Mar. 4, 1921.
John R. Mitchell	Minneapolis	May 12, 1921	Resigned May 12, 1923.
Milo D. Campbell	Chicago	Mar. 14, 1923	Died Mar. 22, 1923.
Daniel R. Crissinger	Cleveland	May 1, 1923	Resigned Sept. 15, 1927.
George R. James	St. Louis	May 14, 1923	Reappointed in 1931. Served until Feb. 3, 1936.[4]
Edward H. Cunningham	Chicago	do	Died Nov. 28, 1930.
Roy A. Young	Minneapolis	Oct. 4, 1927	Resigned Aug. 31, 1930.
Eugene Meyer	New York	Sept. 16, 1930	Resigned May 10, 1933.
Wayland W. Magee	Kansas City	May 18, 1931	Term expired Jan. 24, 1933.
Eugene R. Black	Atlanta	May 19, 1933	Resigned Aug. 15, 1934.
M.S. Szymczak	Chicago	June 14, 1933	Reappointed in 1936 and 1948. Resigned May 31, 1961.
J.J. Thomas	Kansas City	do	Served until Feb. 10, 1936.[3]
Marriner S. Eccles	San Francisco	Nov. 15, 1934	Reappointed in 1936, 1940, and 1944. Resigned July 14, 1951.
Joseph A. Broderick	New York	Feb. 3, 1936	Resigned Sept. 30, 1937.
John K. McKee	Cleveland	do	Served until Apr. 4, 1946.[3]
Ronald Ransom	Atlanta	do	Reappointed in 1942. Died Dec. 2, 1947.
Ralph W. Morrison	Dallas	Feb. 10, 1936	Resigned July 9, 1936.
Chester C. Davis	Richmond	June 25, 1936	Reappointed in 1940. Resigned Apr. 15, 1941.
Ernest G. Draper	New York	Mar. 30, 1938	Served until Sept. 1, 1950.[3]
Rudolph M. Evans	Richmond	Mar. 14, 1942	Served until Aug. 13, 1954.[3]
James K. Vardaman, Jr.	St. Louis	Apr. 4, 1946	Resigned Nov. 30, 1958.
Lawrence Clayton	Boston	Feb. 14, 1947	Died Dec. 4, 1949.
Thomas B. McCabe	Philadelphia	Apr. 15, 1948	Resigned Mar. 31, 1951.
Edward L. Norton	Atlanta	Sept. 1, 1950	Resigned Jan. 31, 1952.
Oliver S. Powell	Minneapolis	do	Resigned June 30, 1952.
Wm. McC. Martin, Jr.	New York	April 2, 1951	Reappointed in 1956. Term expired Jan. 31, 1970.
A.L. Mills, Jr.	San Francisco	Feb. 18, 1952	Reappointed in 1958. Resigned Feb. 28, 1965.
J.L. Robertson	Kansas City	do	Reappointed in 1964. Resigned Apr. 30, 1973.
C. Canby Balderston	Philadelphia	Aug. 12, 1954	Served through Feb. 28, 1966.
Paul E. Miller	Minneapolis	Aug. 13, 1954	Died Oct. 21, 1954.
Chas. N. Shepardson	Dallas	Mar. 17, 1955	Retired Apr. 30, 1967.
G.H. King, Jr.	Atlanta	Mar. 25, 1959	Reappointed in 1960. Resigned Sept. 18, 1963.
George W. Mitchell	Chicago	Aug. 31, 1961	Reappointed in 1962. Served until Feb. 13, 1976.[3]

Name	Federal Reserve District	Date of initial oath of office	Other dates and information relating to membership[2]
J. Dewey Daane	Richmond	Nov. 29, 1963	Served until Mar. 8, 1974.[3]
Sherman J. Maisel	San Francisco	Apr. 30, 1965	Served through May 31, 1972.
Andrew F. Brimmer	Philadelphia	Mar. 9, 1966	Resigned Aug. 31, 1974.
William W. Sherrill	Dallas	May 1, 1967	Reappointed in 1968. Resigned Nov. 15, 1971.
Arthur F. Burns	New York	Jan. 31, 1970	Term began Feb. 1, 1970. Resigned Mar. 31, 1978.
John E. Sheehan	St. Louis	Jan. 4, 1972	Resigned June 1, 1975.
Jeffrey M. Bucher	San Francisco	June 5, 1972	Resigned Jan. 2, 1976.
Robert C. Holland	Kansas City	June 11, 1973	Resigned May 15, 1976.
Henry C. Wallich	Boston	Mar. 8, 1974	Resigned Dec. 15, 1986
Philip E. Coldwell	Dallas	Oct. 29, 1974	Served through Feb. 29, 1980.
Philip C. Jackson, Jr.	Atlanta	July 14, 1975	Resigned Nov. 17, 1978.
J. Charles Partee	Richmond	Jan. 5, 1976	Served until Feb. 7, 1986.[3]
Stephen S. Gardner	Philadelphia	Feb. 13, 1976	Died Nov. 19, 1978.
David M. Lilly	Minneapolis	June 1, 1976	Resigned Feb. 24, 1978.
G. William Miller	San Francisco	Mar. 8, 1978	Resigned Aug. 6, 1979.
Nancy H. Teeters	Chicago	Sept. 18, 1978	Served through June 27, 1984.
Emmett J. Rice	New York	June 20, 1979	Resigned Dec. 31, 1986.
Frederick H. Schultz	Atlanta	July 27, 1979	Served through Feb. 11, 1982.
Paul A. Volcker	Philadelphia	Aug. 6, 1979	Resigned August 11, 1987.
Lyle E. Gramley	Kansas City	May 28, 1980	Resigned Sept. 1, 1985.
Preston Martin	San Francisco	Mar. 31, 1982	Resigned April 30, 1986.
Martha R. Seger	Chicago	July 2, 1984	
Wayne D. Angell	Kansas City	Feb. 7, 1986	
Manuel H. Johnson	Richmond	Feb. 7, 1986	
H. Robert Heller	San Francisco	Aug. 19, 1986	
Edward W. Kelley, Jr.	Dallas	May 26, 1987	
Alan Greenspan,	New York	Aug. 11, 1987	

Chairmen[4]

Charles S. Hamlin	Aug. 10, 1914–Aug. 9, 1916
W.P.G. Harding	Aug. 10, 1916–Aug. 9, 1922
Daniel R. Crissinger	May 1, 1923–Sept. 15, 1927
Roy A. Young	Oct. 4, 1927–Aug. 31, 1930
Eugene Meyer	Sept. 16, 1930–May 10, 1933
Eugene R. Black	May 19, 1933–Aug. 15, 1934
Marriner S. Eccles	Nov. 15, 1934–Jan. 31, 1948
Thomas B. McCabe	Apr. 15, 1948–Mar. 31, 1951
Wm. McC. Martin, Jr.	Apr. 2, 1951–Jan. 31, 1970
Arthur F. Burns	Feb. 1, 1970–Jan. 31, 1978
G. William Miller	Mar. 8, 1978–Aug. 6, 1979
Paul A. Volcker	Aug. 6, 1979–Aug. 11, 1987
Alan Greenspan	Aug. 11, 1987–

Vice Chairmen[4]

Frederic A. Delano	Aug. 10, 1914–Aug. 9, 1916
Paul M. Warburg	Aug. 10, 1916–Aug. 9, 1918
Albert Strauss	Oct. 26, 1918–Mar. 15, 1920
Edmund Platt	July 23, 1920–Sept. 14, 1930
J.J. Thomas	Aug. 21, 1934–Feb. 10, 1936
Ronald Ransom	Aug. 6, 1936–Dec. 2, 1947
C. Canby Balderston	Mar. 11, 1955–Feb. 28, 1966
J.L. Robertson	Mar. 1, 1966–Apr. 30, 1973
George W. Mitchell	May 1, 1973–Feb. 13, 1976
Stephen S. Gardner	Feb. 13, 1976–Nov. 19, 1978
Frederick H. Schultz	July 27, 1979–Feb. 11, 1982
Preston Martin	Mar. 31, 1982–Mar. 31, 1986
Manuel H. Johnson	Aug. 22, 1986–

Ex-Officio Members[1]

Secretaries of the Treasury

W.G. McAdoo	Dec. 23, 1913–Dec. 15, 1918
Carter Glass	Dec. 16, 1918–Feb. 1, 1920
David F. Houston	Feb. 2, 1920–Mar. 3, 1921
Andrew W. Mellon	Mar. 4, 1921–Feb. 12, 1932
Ogden L. Mills	Feb. 12, 1932–Mar. 4, 1933
William H. Woodin	Mar. 4, 1933–Dec. 31, 1933
Henry Morgenthau, Jr.	Jan. 1, 1934–Feb. 1, 1936

Comptrollers of the Currency

John Skelton Williams	Feb. 2, 1914–Mar. 2, 1921
Daniel R. Crissinger	Mar. 17, 1921–Apr. 30, 1923
Henry M. Dawes	May 1, 1923–Dec. 17, 1924
Joseph W. McIntosh	Dec. 20, 1924–Nov. 20, 1928
J.W. Pole	Nov. 21, 1928–Sept. 20, 1932
J.F.T. O'Connor	May 11, 1933–Feb. 1, 1936

1. Under the provisions of the original Federal Reserve Act, the Federal Reserve Board was composed of seven members, including five appointive members, the Secretary of the Treasury, who was ex-officio chairman of the Board, and the Comptroller of the Currency. The original term of office was ten years, and the five original appointive members had terms of two, four, six, eight, and ten years respectively. In 1922 the number of appointive members was increased to six, and in 1933 the term of office was increased to twelve years. The Banking Act of 1935, approved Aug. 23, 1935, changed the name of the Federal Reserve Board to the Board of Governors of the Federal Reserve System and provided that the Board should be composed of seven appointive members; that the Secretary of the Treasury and the Comptroller of the Currency should continue to serve as members until Feb. 1, 1936, or until their successors were appointed and had qualified; and that thereafter the terms of members should be fourteen years and that the designation of Chairman and Vice Chairman of the Board should be for a term of four years.

2. Date after words "Resigned" and "Retired" denotes final day of service.

3. Successor took office on this date.

4. Chairman and Vice Chairman were designated Governor and Vice Governor before Aug. 23, 1935.

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

Item	Monetary and credit aggregates (annual rates of change, seasonally adjusted in percent)[1]								
	1986		1987		1987				
	Q3	Q4	Q1	Q2	Feb.r	Mar.	Apr.	May	June
Reserves of depository institutions[2]									
1 Total	21.0	24.3	16.4	8.0	-.2	.4	23.3	8.2	-13.0
2 Required	21.9	22.8	16.5	8.4	3.3	5.9	25.5	3.1r	-15.9
3 Nonborrowed	21.3	25.3	18.5	5.4	.3	.2	13.6	7.5r	-7.9
4 Monetary base[3]	9.7	11.0	11.3	6.8	7.6	2.9	9.9	8.7	.6
Concepts of money, liquid assets, and debt[4]									
5 M1	16.5	17.0	13.1	6.4	-.3	3.3r	17.7	4.5	-10.2
6 M2	10.6	9.2	6.3	2.6	-.3	1.4	6.1r	.4r	1.3
7 M3	9.7	8.0	6.3r	4.1	1.3	1.6r	5.8r	4.8r	5.4
8 L	8.1	8.2	6.4r	n.a.	2.4	2.9r	4.2r	9.2	n.a.
9 Debt	12.5r	12.1r	10.4r	9.0	5.2	8.2r	9.7r	10.2	n.a.
Nontransaction components									
10 M2[5]	8.6	6.6	4.0r	1.2	-.3	.6	2.1r	-1.0r	5.5
11 M3 only[6]	6.2	3.2r	6.4r	10.3	7.5	2.6r	4.3r	22.6r	21.8
Time and savings deposits									
Commercial banks									
12 Savings[7]	25.0	36.9	37.3	24.1	34.5	28.5	27.8	16.0	6.9
13 Small-denomination time[8]	-7.5	-10.7	-4.9	-4.6	-6.9	-8.6	-8.3	-1.3	10.1
14 Large-denomination time[9,10]	-1.5	.1	9.7	18.3	1.2	12.2	27.7	18.4	17.0
Thrift institutions									
15 Savings[7]	21.0	23.2	27.3	25.7	32.1	28.6r	30.5	16.9	12.7
16 Small-denomination time	-3.4	-6.4	-4.3r	1.5	-2.7	.2	1.5r	-.2r	11.8
17 Large-denomination time[9]	2.8	-7.0	-9.5r	-8.4	-13.2	-9.5r	-19.1	2.4	8.9
Debt components[4]									
18 Federal	14.7r	11.5r	9.7r	9.5	3.0	5.9r	8.4r	15.1	n.a.
19 Nonfederal	11.9r	12.3r	10.6r	8.8	5.9	9.0r	10.1r	8.7	n.a.
20 Total loans and securities at commercial banks[11]	10.6	9.1	10.1	7.0	.9	3.8	11.9	7.4	3.2

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

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

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

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

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

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

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

7. Excludes MMDAs.

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

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

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

11. Changes calculated from figures shown in table 1.23.

1.11 RESERVES OF DEPOSITORY INSTITUTIONS AND RESERVE BANK CREDIT

Millions of dollars

Factors	Monthly averages of daily figures			Weekly averages of daily figures for week ending						
	1987			1987						
	Apr.	May	June	May 13	May 20	May 27	June 3	June 10	June 17	June 24
SUPPLYING RESERVE FUNDS										
1 **Reserve Bank credit outstanding**	**230,049**	**241,800**	**235,851**	**245,284**	**239,658**	**237,479**	**231,027**	**231,672**	**231,766**	**240,768**
2 U.S. government securities[1]	203,630	213,797	210,941	216,195	212,250	210,803	206,629	207,889	207,434	215,306
3 Bought outright	201,662	206,318	208,728	206,051	205,674	206,414	206,629	207,889	206,895	210,886
4 Held under repurchase agreements	1,968	7,479	2,213	10,144	6,576	4,389	0	0	539	4,420
5 Federal agency obligations	8,220	10,065	8,030	10,785	10,011	9,446	7,683	7,683	7,726	8,132
6 Bought outright	7,703	7,683	7,683	7,683	7,683	7,683	7,683	7,683	7,683	7,683
7 Held under repurchase agreements	517	2,382	347	3,102	2,328	1,763	0	0	43	449
8 Acceptances	0	0	0	0	0	0	0	0	0	0
9 Loans	872	1,179	737	768	891	1,427	760	619	651	823
10 Float	604	645	724	210	1,016	674	928	493	821	757
11 Other Federal Reserve assets	16,723	16,114	15,419	17,327	15,491	15,129	15,026	14,988	15,134	15,750
12 Gold stock[2]	11,079	11,073	11,069	11,074	11,072	11,072	11,070	11,070	11,069	11,069
13 Special drawing rights certificate account	5,018	5,018	5,018	5,018	5,018	5,018	5,018	5,018	5,018	5,018
14 Treasury currency outstanding	17,744	17,795	17,866	17,783	17,797	17,811	17,835	17,849	17,863	17,877
ABSORBING RESERVE FUNDS										
15 Currency in circulation	209,684	212,064	214,465	211,745	212,004	212,890	213,783	214,502	214,795	214,356
16 Treasury cash holdings[2]	530	523	507	528	525	520	513	514	511	502
Deposits, other than reserve balances, with Federal Reserve Banks										
17 Treasury	7,163	16,028	8,776	21,006	14,940	12,684	5,067	3,712	3,879	14,570
18 Foreign	279	314	246	317	286	258	282	223	228	237
19 Service-related balances and adjustments	2,211	2,095	2,072	1,951	2,041	1,955	2,206	2,103	2,239	2,036
20 Other	424	407	404	375	374	362	385	364	361	333
21 Other Federal Reserve liabilities and capital	6,896	6,910	6,814	6,988	6,932	6,848	6,507	6,613	6,891	6,950
22 Reserve balances with Federal Reserve Banks[3]	36,701	37,344	36,520	36,248	36,443	35,863	36,207	37,577	36,811	35,748

Factors	End-of-month figures			Wednesday figures						
	1987			1987						
	Apr.	May	June	May 13	May 20	May 27	June 3	June 10	June 17	June 24
SUPPLYING RESERVE FUNDS										
23 **Reserve Bank credit outstanding**	**249,706**	**231,880**	**239,216**	**245,848**	**230,812**	**241,687**	**229,511**	**220,591**	**235,159**	**242,395**
24 U.S. government securities[1]	218,883	207,304	212,306	215,517	203,105	214,754	204,230	206,811	210,326	216,671
25 Bought outright	205,112	207,304	210,248	205,862	200,054	205,853	204,230	206,811	206,555	210,712
26 Held under repurchase agreements	13,771	0	2,058	9,655	3,051	8,901	0	0	3,771	5,959
27 Federal agency obligations	11,039	7,683	8,679	11,669	9,116	9,109	7,683	7,683	7,985	8,394
28 Bought outright	7,683	7,683	7,683	7,683	7,683	7,683	7,683	7,683	7,683	7,683
29 Held under repurchase agreements	3,356	0	996	3,986	1,433	1,426	0	0	302	711
30 Acceptances	0	0	0	0	0	0	0	0	0	0
31 Loans	2,464	832	972	751	1,591	797	653	582	716	760
32 Float	126	922	1,579	364	1,846	1,557	1,624	452	772	645
33 Other Federal Reserve assets	17,914	15,139	15,680	17,547	15,154	15,470	15,321	15,063	15,360	15,925
34 Gold stock[2]	11,076	11,070	11,069	11,073	11,071	11,070	11,070	11,069	11,068	11,069
35 Special drawing rights certificate account	5,018	5,018	5,018	5,018	5,018	5,018	5,018	5,018	5,018	5,018
36 Treasury currency outstanding	17,767	17,823	17,889	17,795	17,809	17,823	17,847	17,861	17,875	17,889
ABSORBING RESERVE FUNDS										
37 Currency in circulation	210,265	213,547	215,201	212,077	212,355	213,706	214,218	214,941	214,807	214,300
38 Treasury cash holdings[2]	531	514	492	526	520	512	511	514	503	499
Deposits, other than reserve balances with Federal Reserve Banks										
39 Treasury	29,688	6,383	13,774	19,914	12,608	10,832	4,359	2,811	8,126	16,356
40 Foreign	343	320	318	258	297	355	296	234	232	208
41 Service-related balances and adjustments	1,812	1,779	1,775	1,791	1,793	1,778	1,779	1,822	1,823	1,771
42 Other	533	372	458	394	298	446	375	378	389	374
43 Other Federal Reserve liabilities and capital	7,057	6,511	6,847	6,676	6,579	6,789	6,285	6,514	6,785	6,832
44 Reserve balances with Federal Reserve Banks[3]	33,337	36,365	34,327	38,097	30,260	41,179	35,623	37,327	36,456	36,031

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 June 1987. At times during this interval, outstanding gold certificates were inadvertently in excess of the gold stock. Revised data not included in this table are available from the Division of Research and Statistics, Banking Section.

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

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

1.12 RESERVES AND BORROWINGS Depository Institutions

Millions of dollars

Reserve classification	Monthly averages[8]									
	1984	1985	1986	1986		1987				
	Dec.	Dec.	Dec.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May
1 Reserve balances with Reserve Banks[1]	21,738	27,620	37,360	34,803	37,360	36,584	33,625	35,318	37,807	36,466
2 Total vault cash[2]	22,313	22,953	24,071	23,543	24,071	25,049	25,889	23,759	23,353	23,693
3 Vault[3]	18,958	20,522	22,199	21,595	22,199	23,084	23,435	21,743	21,587	21,873
4 Surplus[4]	3,355	2,431	1,872	1,947	1,872	1,965	2,454	2,016	1,767	1,820
5 Total reserves[5]	40,696	48,142	59,560	56,399	59,560	59,668	57,060	57,061	59,393	58,339
6 Required reserves	39,843	47,085	58,191	55,421	58,191	58,600	55,849	56,146	58,566	57,260
7 Excess reserve balances at Reserve Banks[6]	853	1,058	1,369	978	1,369	1,068	1,211	916	827	1,079
8 Total borrowings at Reserve Banks	3,186	1,318	827	752	827	580	556	527	993	1,035
9 Seasonal borrowings at Reserve Banks	113	56	38	70	38	34	71	91	120	196
10 Extended credit at Reserve Banks[7]	2,604	499	303	418	303	225	283	264	270	288
	Biweekly averages of daily figures for weeks ending									
	1987									
	Mar. 11	Mar. 25	Apr. 8	Apr. 22	May 6	May 20	June 3	June 17	July 1[p]	July 15[pe]
11 Reserve balances with Reserve Banks[1]	35,400	34,809	36,358	38,746	37,612	36,327	36,022	37,189	35,496	37,117
12 Total vault cash[2]	23,662	24,077	23,198	23,479	23,289	23,552	24,094	23,668	25,215	24,238
13 Vault[3]	21,582	22,038	21,350	21,761	21,519	21,801	22,151	21,976	23,092	22,466
14 Surplus[4]	2,080	2,039	1,848	1,719	1,770	1,751	1,943	1,692	2,123	1,773
15 Total reserves[5]	56,982	56,847	57,708	60,506	59,131	58,128	58,173	59,165	58,588	59,583
16 Required reserves	56,021	55,866	57,029	59,703	58,115	57,066	57,048	58,307	56,941	59,066
17 Excess reserve balances at Reserve Banks[6]	961	981	679	804	1,016	1,063	1,125	858	1,647	517
18 Total borrowings at Reserve Banks	466	528	641	956	1,410	830	1,094	635	856	696
19 Seasonal borrowings at Reserve Banks	83	96	98	110	159	190	226	233	298	271
20 Extended credit at Reserve Banks[7]	275	263	248	267	299	276	297	254	289	261

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

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

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

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

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

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

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

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

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

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								
	Mar. 16	Mar. 23	Mar. 30	Apr. 6	Apr. 13	Apr. 20r	Apr. 27	May 4	May 11
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	78,545	76,854	74,628	80,467	81,639	80,380	72,677	74,589	72,245
2 For all other maturities	8,385	8,387	8,312	8,639	8,974	9,877	8,966	8,951	9,378
From other depository institutions, foreign banks and foreign official institutions, and United States government agencies									
3 For one day or under continuing contract	42,569r	39,346r	39,666r	38,912r	42,536r	35,818r	35,509	36,261	37,474
4 For all other maturities	7,108r	7,001r	7,487r	7,996r	8,039r	8,381r	8,384	9,872	9,708
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	12,226	11,325	12,120	12,806	12,556	12,495	12,713	12,815	11,755
6 For all other maturities	9,638	10,345	10,525	9,347	9,869	13,167	13,596	15,000	14,898
All other customers									
7 For one day or under continuing contract	26,848	25,636	25,813	26,223	26,048r	21,149	24,810	24,187	23,189
8 For all other maturities	9,209	9,399	9,874	9,940	10,332	12,483	9,038	8,796	8,702
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	26,854	25,703	23,914	29,107	28,649	30,933	29,588	32,481	27,347
10 To all other specified customers[2]	11,485	11,926	10,282	11,329	11,124	11,615	13,656	12,864	11,449

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

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

1.14 FEDERAL RESERVE BANK INTEREST RATES

Percent per annum

Current and previous levels

Federal Reserve Bank	Short-term adjustment credit and seasonal credit[1]			Extended credit[2]						
				First 60 days of borrowing		Next 90 days of borrowing		After 150 days		Effective date for current rates
	Rate on 7/28/87	Effective date	Previous rate	Rate on 7/28/87	Previous rate	Rate on 7/28/87	Previous rate	Rate on 7/28/87	Previous rate	
Boston	5½	8/21/86	6	5½	6	6½	7	7½	8	8/21/86
New York		8/21/86								8/21/86
Philadelphia		8/22/86								8/22/86
Cleveland		8/21/86								8/21/86
Richmond		8/21/86								8/21/86
Atlanta		8/21/86								8/21/86
Chicago		8/21/86								8/21/86
St. Louis		8/22/86								8/22/86
Minneapolis		8/21/86								8/21/86
Kansas City		8/21/86								8/21/86
Dallas		8/21/86								8/21/86
San Francisco	5½	8/21/86	6	5½	6	6½	7	7½	8	8/21/86

Range of rates in recent years[3]

Effective date	Range (or level)—All F.R. Banks	F.R. Bank of N.Y.
In effect Dec. 31, 1973	7½	7½
1974—Apr. 25	7½–8	8
30	8	8
Dec. 9	7¾–8	7¾
16	7¾	7¾
1975—Jan. 6	7¼–7¾	7¾
10	7¼–7¾	7¼
24	7¼	7¼
Feb. 5	6¾–7¼	6¾
7	6¾	6¾
Mar. 10	6¼–6¾	6¼
14	6¼	6¼
May 16	6–6¼	6
23	6	6
1976—Jan. 19	5½–6	5½
23	5½	5½
Nov. 22	5¼–5½	5¼
26	5¼	5¼
1977—Aug. 30	5¼–5¾	5¼
31	5¼–5¾	5¾
Sept. 2	5¾	5¾
Oct. 26	6	6
1978—Jan. 9	6–6½	6½
20	6½	6½
May 11	6½–7	7
12	7	7
July 3	7–7¼	7¼
July 10	7¼	7¼

Effective date	Range (or level)—All F.R. Banks	F.R. Bank of N.Y.
1978—Aug. 21	7¾	7¾
Sept. 22	8	8
Oct. 16	8–8½	8½
20	8½	8½
Nov. 1	8½–9½	9½
3	9½	9½
1979—July 20	10	10
Aug. 17	10–10½	10½
20	10½	10½
Sept. 19	10½–11	11
21	11	11
Oct. 8	11–12	12
10	12	12
1980—Feb. 15	12–13	13
19	13	13
May 29	12–13	13
30	12	12
June 13	11–12	11
16	11	11
July 28	10–11	10
29	10	10
Sept. 26	11	11
Nov. 17	12	12
Dec. 5	12–13	13
8	13	13
1981—May 5	13–14	14
8	14	14
Nov. 2	13–14	13
6	13	13
Dec. 4	12	12

Effective date	Range (or level)—All F.R. Banks	F.R. Bank of N.Y.
1982—July 20	11½–12	11½
23	11½	11½
Aug. 2	11–11½	11
3	11	11
16	10½	10½
27	10–10½	10
30	10	10
Oct. 12	9½–10	9½
13	9½	9½
Nov. 22	9–9½	9
26	9	9
Dec. 14	8½–9	9
15	8½–9	8½
17	8½	8½
1984—Apr. 9	8½–9	9
13	9	9
Nov. 21	8½–9	8½
26	8½	8½
Dec. 24	8	8
1985—May 20	7½–8	7½
24	7½	7½
1986—Mar. 7	7–7½	7
10	7	7
Apr. 21	6½–7	6½
23	6½	6½
July 11	6	6
Aug. 21	5½–6	5½
22	5½	5½
In effect July 28, 1987	5½	5½

1. After May 19, 1986, the highest rate within the structure of discount rates may be charged on adjustment credit loans of unusual size that result from a major operating problem at the borrower's facility.

A temporary simplified seasonal program was established on Mar. 8, 1985, and the interest rate was a fixed rate ½ percent above the rate on adjustment credit. The program was re-established on Feb. 18, 1986 and again on Jan. 28, 1987; the rate may be either the same as that for adjustment credit or a fixed rate ½ percent higher.

2. Applicable to advances when exceptional circumstances or practices involve only a particular depository institution and to advances when an institution is under sustained liquidity pressures. As an alternative, for loans outstanding for more than 150 days, a Federal Reserve Bank may charge a flexible rate that takes into account rates on market sources of funds, but in no case will the rate charged be less than the basic rate plus one 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 time period in which each rate under this structure is applied may be shortened. See section 201.3(b)(2) of Regulation A.

3. Rates for short-term adjustment credit. For description and 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, 1980, 1981*, and *1982*.

In 1980 and 1981, the Federal Reserve applied a surcharge to short-term adjustment credit borrowings by institutions with deposits of $500 million or more that had borrowed in successive weeks or in more than 4 weeks in a calendar quarter. A 3 percent surcharge was in effect from Mar. 17, 1980, through May 7, 1980. There was no surcharge until Nov. 17, 1980, when a 2 percent surcharge was adopted; the surcharge was subsequently raised to 3 percent on Dec. 5, 1980, and to 4 percent on May 5, 1981. The surcharge was reduced to 3 percent effective Sept. 22, 1981, and to 2 percent effective Oct. 12. As of Oct. 1, 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–$36.7 million	3	12/30/86
More than $36.7 million	12	12/30/86
Nonpersonal time deposits[5]		
By original maturity		
Less than 1½ years	3	10/6/86
1½ years or more	0	10/6/83
Eurocurrency liabilities		
All types	3	11/13/80

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

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

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

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

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

1.17 FEDERAL RESERVE OPEN MARKET TRANSACTIONS[1]

Millions of dollars

Type of transaction	1984	1985	1986	1986 Nov.	1986 Dec.	1987 Jan.	1987 Feb.	1987 Mar.	1987 Apr.	1987 May
U.S. TREASURY SECURITIES										
Outright transactions (*excluding matched transactions*)										
Treasury bills										
1 Gross purchases	20,036	22,214	22,602	3,318	5,422	997	191	1,062	4,226	1,697
2 Gross sales	8,557	4,118	2,502	0	0	583	3,581	0	653	0
3 Exchange	0	0	0	0	0	0	0	0	0	0
4 Redemptions	7,700	3,500	1,000	0	0	0	800	0	0	0
Others within 1 year										
5 Gross purchases	1,126	1,349	190	190	0	0	0	0	1,232	0
6 Gross sales	0	0	0	0	0	0	0	0	0	0
7 Maturity shift	16,354	19,763	18,673	2,974	1,280	611	1,855	1,762	1,375	4,063
8 Exchange	-20,840	-17,717	-20,179	-1,810	-1,502	0	-4,954	-1,799	-522	-1,336
9 Redemptions	0	0	0	0	0	0	0	0	0	0
1 to 5 years										
10 Gross purchases	1,638	2,185	893	893	0	0	0	0	3,642	0
11 Gross sales	0	0	0	0	0	0	252	0	0	0
12 Maturity shift	-13,709	-17,459	-17,058	-2,414	-1,280	-591	-1,650	-1,762	-1,373	-1,804
13 Exchange	16,039	13,853	16,984	1,510	1,502	0	4,354	1,799	522	1,111
5 to 10 years										
14 Gross purchases	536	458	236	236	0	0	0	0	914	0
15 Gross sales	300	100	0	0	0	0	0	0	0	0
16 Maturity shift	-2,371	-1,857	-1,620	-560	0	-20	-204	0	-3	-2,259
17 Exchange	2,750	2,184	2,050	200	0	0	400	0	0	150
Over 10 years										
18 Gross purchases	441	293	158	158	0	0	0	0	669	0
19 Gross sales	0	0	0	0	0	0	0	0	0	0
20 Maturity shift	-275	-447	0	0	0	0	0	0	0	0
21 Exchange	2,052	1,679	1,150	100	0	0	200	0	0	75
All maturities										
22 Gross purchases	23,776	26,499	24,078	4,795	5,422	997	191	1,062	10,683	1,697
23 Gross sales	8,857	4,218	2,502	0	0	583	3,833	0	653	0
24 Redemptions	7,700	3,500	1,000	0	0	0	800	0	0	0
Matched transactions										
25 Gross sales	808,986	866,175	927,997	60,146	91,404	63,865	82,086	72,306	83,822	91,642
26 Gross purchases	810,432	865,968	927,247	60,232	88,730	65,145	81,387	73,476	82,494	92,137
Repurchase agreements[2]										
27 Gross purchases	127,933	134,253	170,431	16,888	44,303	36,373	0	5,657	37,653	59,340
28 Gross sales	127,690	132,351	160,268	15,471	32,028	46,897	3,168	5,657	23,881	73,111
29 Net change in U.S. government securities	8,908	20,477	29,989	6,298	15,023	-8,830	-8,307	2,231	22,474	-11,580
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	256	162	398	125	0	110	0	0	37	*
Repurchase agreements[2]										
33 Gross purchases	11,509	22,183	31,142	1,622	5,488	4,714	0	897	9,265	16,071
34 Gross sales	11,328	20,877	30,522	1,274	3,522	6,171	857	897	5,908	19,428
35 Net change in federal agency obligations	-76	1,144	222	223	1,965	-1,567	-857	0	3,320	-3,357
BANKERS ACCEPTANCES										
36 Repurchase agreements, net	-418	0	0	0	0	0	0	0	0	0
37 Total net change in System Open Market Account	**8,414**	**21,621**	**30,211**	**6,522**	**16,988**	**-10,397**	**-9,165**	**2,231**	**25,794**	**-14,936**

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		
	1987					1987		
	May 27	June 3	June 10	June 17	June 24	Apr.	May	June
	Consolidated condition statement							
ASSETS								
1 Gold certificate account	11,072	11,070	11,069	11,068	11,069	11,076	11,070	11,069
2 Special drawing rights certificate account	5,018	5,018	5,018	5,018	5,018	5,018	5,018	5,018
3 Coin	484	466	463	469	463	517	476	451
Loans								
4 To depository institutions	797	653	582	716	760	2,464	832	972
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	7,683	7,683	7,683	7,683	7,683	7,683	7,683	7,683
8 Held under repurchase agreements	1,426	0	0	302	711	3,356	0	996
U.S. Treasury securities								
Bought outright								
9 Bills	105,799	104,176	106,757	106,501	108,166	105,058	107,250	107,702
10 Notes	73,303	73,303	73,303	73,303	73,522	73,378	73,303	75,522
11 Bonds	26,751	26,751	26,751	26,751	276,024	26,676	26,751	27,024
12 Total bought outright[2]	205,853	204,230	206,811	206,555	210,712	205,112	207,304	210,248
13 Held under repurchase agreements	8,901	0	0	3,771	5,959	13,771	0	2,058
14 Total U.S. Treasury securities	214,754	204,230	206,811	210,326	216,671	218,883	207,304	212,306
15 **Total loans and securities**	**224,660**	**212,566**	**215,076**	**219,027**	**225,825**	**232,386**	**215,819**	**221,957**
16 Items in process of collection	9,379	8,242	6,209	7,527	6,440	6,203	6,356	9,801
17 Bank premises	678	679	679	683	680	675	678	683
Other assets								
18 Denominated in foreign currencies[3]	8,195	8,036	7,850	7,858	7,863	8,283	8,035	7,782
19 All other[4]	6,597	6,606	6,534	6,813	7,382	8,236	6,426	7,183
20 **Total assets**	**266,083**	**252,683**	**252,898**	**258,463**	**264,740**	**272,394**	**253,878**	**263,944**
LIABILITIES								
21 Federal Reserve notes	196,882	197,348	198,055	197,903	197,373	193,547	196,714	198,255
Deposits								
22 To depository institutions	42,957	37,402	39,149	38,279	37,802	35,149	38,144	36,102
23 U.S. Treasury—General account	10,832	4,359	2,811	8,126	16,356	29,688	6,383	13,774
24 Foreign—Official accounts	355	296	234	232	208	343	320	318
25 Other	446	375	378	389	374	533	372	458
26 **Total deposits**	**54,590**	**42,432**	**42,572**	**47,026**	**54,740**	**65,713**	**45,219**	**50,652**
27 Deferred credit items	7,822	6,618	5,757	6,749	5,795	6,077	5,434	8,190
28 Other liabilities and accrued dividends[5]	2,588	2,228	2,302	2,573	2,604	2,696	2,300	2,356
29 **Total liabilities**	**261,882**	**248,626**	**248,686**	**254,251**	**260,512**	**268,033**	**249,667**	**259,453**
CAPITAL ACCOUNTS								
30 Capital paid in	1,950	1,952	1,953	1,954	1,956	1,921	1,950	1,961
31 Surplus	1,873	1,873	1,873	1,873	1,873	1,873	1,873	1,873
32 Other capital accounts	378	232	386	385	399	567	388	657
33 **Total liabilities and capital accounts**	**266,083**	**252,683**	**252,898**	**258,463**	**264,740**	**272,394**	**253,878**	**263,944**
34 MEMO: Marketable U.S. Treasury securities held in custody for foreign and international account	179,473	182,495	178,565	179,846	177,808	174,715	181,247	183,125
	Federal Reserve note statement							
35 Federal Reserve notes outstanding issued to bank	241,622	241,896	242,158	243,010	243,945	240,164	241,604	244,360
36 LESS: Held by bank	44,740	44,548	44,103	45,107	46,572	46,617	44,890	46,105
37 Federal Reserve notes, net	196,882	197,348	198,055	197,903	197,373	193,547	196,714	198,255
Collateral held against notes net:								
38 Gold certificate account	11,072	11,070	11,069	11,068	11,068	11,076	11,070	11,069
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	180,792	181,260	181,968	181,817	181,287	177,453	180,626	182,168
42 **Total collateral**	**196,882**	**197,348**	**198,055**	**197,903**	**197,373**	**193,547**	**196,714**	**198,255**

1. Some of these data also appear in the Board's H.4.1 (503) release. For address, see inside front cover.
2. Includes securities loaned—fully guaranteed by U.S. Treasury securities pledged with Federal Reserve Banks—and excludes securities sold and scheduled to be bought back under matched sale-purchase transactions.
3. Valued monthly at market exchange rates.
4. Includes special investment account at the Federal Reserve Bank of Chicago in Treasury bills maturing within 90 days.
5. Includes exchange-translation account reflecting the monthly revaluation at market exchange rates of foreign-exchange commitments.

1.19 FEDERAL RESERVE BANKS Maturity Distribution of Loan and Security Holdings

Millions of dollars

Type and maturity groupings	Wednesday					End of month		
	1987					1987		
	May 27	June 3	June 10	June 17	June 24	Apr. 30	May 29	June 30
1 Loans—Total	797	653	582	716	760	2,464	832	972
2 Within 15 days	781	548	460	689	742	2,413	752	887
3 16 days to 90 days	16	105	122	27	18	51	80	85
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	214,754	204,230	206,811	210,326	216,671	218,883	207,304	212,306
10 Within 15 days[1]	21,002	9,440	10,860	11,801	17,979	21,640	8,970	8,789
11 16 days to 80 days	47,788	48,411	51,710	50,807	48,208	48,780	51,848	51,563
12 91 days to 1 year	66,364	66,838	64,700	68,177	68,987	66,830	66,885	70,995
13 Over 1 year to 5 years	41,160	41,100	41,100	41,100	42,494	41,159	41,160	41,956
14 Over 5 years to 10 years	14,430	14,430	14,430	14,430	14,742	16,538	14,430	14,742
15 Over 10 years	24,010	24,011	24,011	24,011	24,261	23,936	24,011	24,261
16 Federal agency obligations—Total	9,109	7,683	7,683	7,985	8,394	11,039	7,683	8,679
17 Within 15 days[1]	1,707	73	18	531	939	3,487	281	1,229
18 16 days to 90 days	532	777	759	618	619	669	532	614
19 91 days to 1 year	1,521	1,484	1,509	1,439	1,439	1,547	1,521	1,449
20 Over 1 year to 5 years	3,763	3,763	3,824	3,824	3,824	3,750	3,763	3,814
21 Over 5 years to 10 years	1,306	1,306	1,293	1,293	1,293	1,306	1,306	1,293
22 Over 10 years	280	280	280	280	280	280	280	280

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

1.20 AGGREGATE RESERVES OF DEPOSITORY INSTITUTIONS AND MONETARY BASE

Billions of dollars, averages of daily figures

Item	1983 Dec.	1984 Dec.	1985 Dec.	1986 Dec.	1986 Nov.	1986 Dec.	1987 Jan.	1987 Feb.	1987 Mar.	1987 Apr.	1987 May	1987 June
ADJUSTED FOR CHANGES IN RESERVE REQUIREMENTS[1]	Seasonally adjusted											
1 **Total reserves[2]**	**36.16**	**39.51**	**46.06**	**56.17**	**54.49**	**56.17**	**56.88**	**56.87**	**56.85**	**57.95**	**58.35**	**57.72**
2 Nonborrowed reserves	35.38	36.32	44.74	55.34	53.74	55.34	56.30	56.32	56.32[r]	56.96	57.32	56.94
3 Nonborrowed reserves plus extended credit[3]	35.38	38.93	45.24	55.64	54.16	55.64	56.53	56.60	56.59	57.23	57.60	57.21
4 Required reserves	35.59	38.66	45.00	54.80	53.51	54.80	55.82	55.66	55.94	57.13	57.27[r]	56.52
5 Monetary base[4]	185.38	199.20	217.32	239.51	236.88	239.51	242.43	243.97	244.56	246.59	248.37	248.49
	Not seasonally adjusted											
6 **Total reserves[2]**	**36.87**	**40.57**	**47.24**	**57.64**	**54.59**	**57.64**	**58.73**	**56.09**	**56.07**	**58.37**	**57.30**	**57.64**
7 Nonborrowed reserves	36.09	37.38	45.92	56.81	53.84	56.81	58.15	55.53	55.54	57.38	56.26	56.86
8 Nonborrowed reserves plus extended credit[3]	36.10	39.98	46.42	57.11	54.26	57.11	58.38	55.82	55.81	57.65	56.55	57.13
9 Required reserves	36.31	39.71	46.18	56.27	53.61	56.27	57.66	54.88	55.15	57.54	56.22	56.43
10 Monetary base[4]	188.65	202.34	220.82	243.63	237.50	243.63	243.42	240.82	241.93	246.07	246.83	249.30
NOT ADJUSTED FOR CHANGES IN RESERVE REQUIREMENTS[5]												
11 **Total reserves[2]**	**38.89**	**40.70**	**48.14**	**59.56**	**56.40**	**59.56**	**59.67**	**57.06**	**57.06**	**59.39**	**58.34**	**58.79**
12 Nonborrowed reserves	38.12	37.51	46.82	58.73	55.65	58.73	59.09	56.50	56.53	58.40	57.30	58.02
13 Nonborrowed reserves plus extended credit[3]	38.12	40.09	47.41	59.04	56.15	59.04	59.32	56.74	56.82	58.19	58.03[r]	58.35
14 Required reserves	38.33	39.84	47.08	58.19	55.42	58.19	58.60	55.85	56.15	58.57	57.26	57.59
15 Monetary base[4]	192.26	204.18	223.53	247.71	241.27	247.71	246.75	244.22	244.98	249.24	249.94[r]	252.55

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

2. Total reserves not adjusted for discontinuities consist of reserve balances with Federal Reserve Banks, which exclude required clearing balances and adjustments to compensate for float, plus vault cash 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.

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

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

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

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

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

1.21 MONEY STOCK, LIQUID ASSETS, AND DEBT MEASURES

Billions of dollars, averages of daily figures

Item[1]	1983 Dec.	1984 Dec.	1985 Dec.	1986 Dec.	1987 Mar.	1987 Apr.	1987 May	1987 June
	Seasonally adjusted							
1 M1	526.9	557.5	627.0	730.5	739.5	750.4	753.2	746.8
2 M2	2,184.6	2,369.1	2,569.5	2,800.1r	2,824.7r	2,839.1r	2,840.1r	2,843.2
3 M3	2,692.8	2,985.4	3,205.5	3,489.1r	3,523.1r	3,540.1r	3,554.2r	3,570.2
4 L	3,154.6	3,529.0	3,838.9	4,141.1r	4,172.4r	4,187.0r	4,219.2	n.a.
5 Debt	5,206.3	5,946.2r	6,774.9	7,630.4r	7,781.7r	7,844.6r	7,911.3	n.a.
M1 components								
6 Currency[2]	148.3	158.5	170.6	183.5	187.7	188.9	190.2	191.1
7 Travelers checks[3]	4.9	5.2	5.9	6.4	6.8	6.8	6.7	6.8
8 Demand deposits[4]	242.3	248.3	272.2	308.3	299.3	304.0	304.0	297.5
9 Other checkable deposits[5]	131.4	145.5	178.3	232.2r	245.7	250.8	252.3	251.3
Nontransactions components								
10 In M2[6]	1,657.7	1,811.5	1,942.5	2,069.7	2,085.1r	2,088.7r	2,086.9r	2,096.4
11 In M3 only[7]	508.2	616.3	636.1	689.0r	698.4r	700.9r	714.1r	727.1
Savings deposits[8]								
12 Commercial Banks	133.2	122.2	124.6	154.5	168.3	172.2	174.5	175.5
13 Thrift institutions	173.0	166.6	179.0	211.8	228.0r	233.8r	237.1r	239.6
Small denomination time deposits[9]								
14 Commercial Banks	350.9	386.6	383.9	364.7	360.0	357.5	357.1	360.1
15 Thrift institutions	432.9	498.6	500.3	488.7	485.9r	486.5r	486.4r	491.2
Money market mutual funds								
16 General purpose and broker/dealer	138.2	167.5	176.5	207.6	211.6	211.8	210.3	211.3
17 Institution-only	43.2	62.7	65.1	84.1	84.9	83.1	81.8	81.3
Large denomination time deposits[10]								
18 Commercial Banks[11]	230.0	269.6	284.1	291.8	299.0	305.9	310.6	315.0
19 Thrift institutions	96.2	147.3	152.1	155.3	151.1	148.7	149.0	150.1
Debt components								
20 Federal debt	1,170.5r	1,365.3r	1,584.6r	1,804.5r	1,828.2r	1,841.1r	1,864.2	n.a.
21 Nonfederal debt	4,033.5	4,580.9r	5,190.3r	5,826.0r	5,953.5r	6,003.5r	6,047.0	n.a.
	Not seasonally adjusted							
22 M1	538.3	570.3	641.0	746.5	729.0	757.6	745.0	749.3
23 M2	2,191.6	2,378.3	2,580.5	2,813.6r	2,818.4r	2,847.8r	2,829.1r	2,844.3
24 M3	2,702.4	2,997.2	3,218.8	3,504.4r	3,520.2r	3,548.2r	3,544.4r	3,568.1
25 L	3,163.1	3,539.7	3,850.7	4,154.5r	4,175.7r	4,195.1r	4,203.6	n.a.
26 Debt	5,200.7	5,940.6r	6,768.3	7,623.0r	7,759.7r	7,817.2r	7,875.1	n.a.
M1 components								
27 Currency[2]	150.6	160.8	173.1	186.2	186.0	188.0	190.1	191.9
28 Travelers checks[3]	4.6	4.9	5.5	6.0	6.4	6.4	6.5	7.1
29 Demand deposits[4]	251.0	257.2	282.0	319.5	291.5	305.8	298.9	299.0
30 Other checkable deposits[5]	132.2	147.4	180.4	235.0	245.1	257.5	249.5	251.4
Nontransactions components								
31 M2[6]	1,653.3	1,808.0	1,939.5	2,067.1	2,089.4r	2,090.2r	2,084.0r	2,095.0
32 M3 only[7]	510.8	618.9	638.3	690.7r	701.8r	700.4r	715.3r	723.8
Money market deposit accounts								
33 Commercial banks	230.4	267.4	332.5	379.0	378.2	375.4	368.8	367.5
34 Thrift institutions	148.5	150.0	180.7	192.4	192.3	190.1	188.3	186.0
Savings deposits[8]								
35 Commercial Banks	132.2	121.4	123.9	153.8	167.2	172.1	174.9	176.7
36 Thrift institutions	172.4	166.2	178.8	211.8	227.9r	233.9	237.7	240.7
Small denomination time deposits[9]								
37 Commercial Banks	351.1	386.7	383.8	364.4	359.6	355.6	355.6	359.7
38 Thrift institutions	433.5	499.6	501.5	489.8	486.1r	484.9r	483.1r	488.5
Money market mutual funds								
39 General purpose and broker/dealer	138.2	167.5	176.5	207.6	211.6	211.8	210.3	211.3
40 Institution-only	43.2	62.7	65.1	84.1	84.9	83.1	81.8	81.3
Large denomination time deposits[10]								
41 Commercial Banks[11]	231.6	271.2	285.6	293.2	301.3	303.2	309.2	311.9
42 Thrift institutions	96.3	147.3	151.9	154.9	151.2	148.0	149.0	149.8
Debt components								
43 Federal debt	1,170.2	1,364.7	1,583.7	1,803.3	1,838.2r	1,846.7	1,857.8	n.a.
44 Nonfederal debt	4,030.5	4,575.8r	5,184.5r	5,819.7r	5,921.4r	5,970.5r	6,017.3	n.a.

For notes see following page.

NOTES TO TABLE 1.21

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

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

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

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

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

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

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

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

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

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

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

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

8. Savings deposits exclude MMDAs.

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

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

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

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

1.22 BANK DEBITS AND DEPOSIT TURNOVER

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

Bank group, or type of customer	1984[1]	1985[1]	1986[1]	1986	1987				
				Dec.	Jan.	Feb.	Mar.	Apr.	May
Debits to	Seasonally adjusted								
Demand deposits[2]									
1 All insured banks	128,440.8	154,556.0	189,534.1	206,689.6	210,574.2	211,169.4	217,019.7	224,603.0	222,774.5
2 Major New York City banks	57,392.7	70,445.1	91,212.9	95,831.3	99,357.1	98,712.3	104,224.5	107,159.2	106,599.1
3 Other banks	71,048.1	84,110.9	98,321.4	110,858.4	111,217.1	112,457.1	112,795.2	117,443.7	116,175.4
4 ATS–NOW accounts[3]	1,588.7	1,920.8	2,351.1	2,960.8	2,255.7	2,306.0	2,344.6	2,384.7	2,425.1
5 Savings deposits[4]	633.1	539.0	410.3	533.7	459.2	477.7	468.6	528.0	508.9
Deposit Turnover									
Demand deposits[2]									
6 All insured banks	434.4	496.5	561.8	560.7	580.3	594.7	613.8	627.0	613.0
7 Major New York City banks	1,843.0	2,168.9	2,460.6	2,251.6	2,426.4	2,461.0	2,707.8	2,711.5	2,660.3
8 Other banks	268.6	301.8	327.4	340.0	345.5	357.0	358.0	368.5	359.3
9 ATS–NOW accounts[3]	15.8	16.7	16.8	18.3	13.4	13.5	13.6	13.6	13.9
10 Savings deposits[4]	5.0	4.5	3.1	3.5	2.9	2.9	2.8	3.1	2.9
Debits to	Not seasonally adjusted								
Demand deposits[2]									
11 All insured banks	128,059.1	154,108.4	189,443.3	226,263.1	216,638.7	191,572.9	222,532.0	229,095.0	209,229.8
12 Major New York City banks	57,282.4	70,400.9	91,294.4	106,935.2	102,274.2	89,866.7	106,161.2	108,597.8	98,828.3
13 Other banks	70,776.9	83,707.8	98,149.0	119,327.9	114,364.5	101,706.2	116,370.8	120,497.3	110,401.5
14 ATS–NOW accounts[3]	1,579.5	1,903.4	2,338.4	2,841.5	2,679.2	2,173.2	2,422.7	2,735.8	2,420.5
15 MMDA[5]	848.8	1,179.0	1,599.3	2,058.2	1,913.3	1,600.7	1,754.4	2,071.1	1,786.2
16 Savings deposits[4]	632.9	538.7	404.3	503.6	499.0	434.6	476.2	570.8	492.4
Deposit Turnover									
Demand deposits[2]									
17 All insured banks	433.5	497.4	564.0	600.3r	579.9r	550.0	641.0	635.1	582.7
18 Major New York City banks	1,838.6	2,191.1	2,494.3	2,483.2r	2,345.5r	2,273.2r	2,742.6	2,755.6	2,496.3
19 Other banks	267.9	301.6	327.9	357.4	346.6	329.4	377.3	375.0	345.6
20 ATS–NOW accounts[3]	15.7	16.6	16.8	17.4	15.7	12.9	14.1	15.2	14.0
21 MMDA[5]	3.5	3.8	4.5	5.5r	5.1r	4.3r	4.7	5.6	4.9
22 Savings deposits[4]	5.0	4.5	3.1	3.3	3.1	2.7	2.9	3.4	2.8

1. Annual averages of monthly figures.
2. Represents accounts of individuals, partnerships, and corporations and of states and political subdivisions.
3. Accounts authorized for negotiable orders of withdrawal (NOW) and accounts authorized for automatic transfer to demand deposits (ATS). ATS data are available beginning December 1978.
4. Excludes ATS and NOW accounts, MMDA and special club accounts, such as Christmas and vacation clubs.
5. Money market deposit accounts.

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

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

1.23 LOANS AND SECURITIES All Commercial Banks[1]

Billions of dollars; averages of Wednesday figures

Category	1986 July	1986 Aug.	1986 Sept.	1986 Oct.	1986 Nov.	1986 Dec.	1987 Jan.	1987 Feb.	1987 Mar.	1987 Apr.	1987 May	1987 June
	Seasonally adjusted											
1 **Total loans and securities**[2]	**1,998.2**	**2,022.6**	**2,044.6**	**2,052.4**	**2,063.5**	**2,089.8**	**2,118.3**	**2,119.7**	**2,126.2**	**2,147.3**	**2,160.6**	**2,166.3**
2 U.S. government securities	284.7	291.5	294.9	299.6	304.1	309.9	316.3	315.2	314.3	315.8	320.1	316.7
3 Other securities	189.7	196.0	204.2	199.8	197.9	196.9	190.2	193.8	195.5	197.2	197.6	198.5
4 Total loans and leases[2]	1,523.7	1,535.1	1,545.4	1,553.0	1,561.5	1,583.0	1,611.8	1,610.7	1,616.4	1,634.3	1,642.9	1,651.2
5 Commercial and industrial	512.6	515.2	517.3	520.0	525.7	541.4	554.1	553.8	551.7	553.9	555.9r	558.1
6 Bankers acceptances held[3]	6.1	6.5	6.6	6.7	6.4	6.4	6.8	6.8	6.2	6.5	6.8	6.8
7 Other commercial and industrial	506.5	508.7	510.7	513.3	519.2	535.0	547.2	546.9	545.5	547.4	549.0	551.3
8 U.S. addressees[4]	497.7	499.8	501.7	504.6	510.7	525.7	537.8	537.9	536.8	538.9	540.8	542.8
9 Non-U.S. addressees[4]	8.9	8.9	9.0	8.8	8.5	9.4	9.5	9.1	8.7	8.5	8.2	8.5
10 Real estate	458.3	464.8	468.9	474.2	479.6	489.0	499.2	504.0	511.0	517.9	526.3	536.8
11 Individual	306.3	308.1	309.9	311.2	312.6	314.2	314.9	315.2	315.7	316.6	316.7	314.6
12 Security	43.7	43.1	42.8	39.1	40.1	38.6	37.7	38.5	38.3	43.6	42.0	42.5
13 Nonbank financial institutions	34.5	34.5	34.9	35.5	34.9	35.2	35.7	34.7	35.0	35.4	35.4	33.9
14 Agricultural	33.2	33.0	32.7	32.4	32.1	31.7	31.2	30.7	30.1	29.5	29.3	29.2
15 State and political subdivisions	59.9	60.1	60.0	59.3	58.7	57.9	57.8	57.2	56.9	56.0	55.2	54.4
16 Foreign banks	10.3	10.1	10.1	10.0	10.0	10.4	10.6	10.3	9.7	9.9	9.9	10.3
17 Foreign official institutions	6.1	6.1	6.0	6.0	5.9	5.8	5.9	6.1	6.7	6.7	5.8	5.3
18 Lease financing receivables	20.5	20.7	21.1	21.8	22.0	22.2	22.1	22.2	22.3	22.6	22.9	23.0
19 All other loans	38.3	39.6	41.8	43.4	40.0	36.6	42.6	38.1	38.8	42.3r	43.6	43.2
	Not seasonally adjusted											
20 **Total loans and securities**[2]	**1,993.7**	**2,015.1**	**2,042.3**	**2,044.0**	**2,064.2**	**2,105.2**	**2,123.7**	**2,121.6**	**2,127.8**	**2,148.4**	**2,157.9**	**2,166.1**
21 U.S. government securities	285.6	290.5	293.8	296.1	303.2	308.3	314.6	318.9	317.2	317.7	319.7r	317.1
22 Other securities	187.5	196.2	205.0	200.1	198.3	198.1	193.7	194.1	194.4	195.2	196.8	197.0
23 Total loans and leases[2]	1,520.6	1,528.4	1,543.5	1,547.8	1,562.6	1,598.7	1,615.4	1,608.6	1,616.2	1,635.4	1,641.4	1,651.9
24 Commercial and industrial	512.1	512.8	516.1	517.8	525.2	544.3	552.4	551.7	554.5	556.5	557.5	559.3
25 Bankers acceptances held[3]	6.2	6.3	6.7	6.6	6.6	6.7	6.7	6.7	6.2	6.4	6.7	6.9
26 Other commercial and industrial	506.0	506.5	509.4	511.2	518.5	537.6	545.8	545.0	548.3	550.0	550.8	552.4
27 U.S. addressees[4]	496.8	497.3	500.2	502.1	509.5	528.8	537.1	536.3	539.9	541.6	542.4	543.7
28 Non-U.S. addressees[4]	9.2	9.1	9.2	9.1	9.1	8.8	8.7	8.7	8.4	8.4	8.4	8.7
29 Real estate	458.4	464.9	469.9	475.1	480.7	489.9	499.3	503.1	509.8	516.7	525.4	536.5
30 Individual	305.2	307.9	310.8	312.3	313.7	317.8	317.9	314.7	313.3	314.4	314.8	313.2
31 Security	42.7	40.7	41.3	37.8	40.4	40.9	39.4	37.5	38.6	45.1	42.1	43.2
32 Nonbank financial institutions	34.5	34.8	35.6	35.6	35.4	36.4	35.7	33.8	33.8	34.8r	34.9	34.0
33 Agricultural	34.0	33.9	33.7	33.1	32.2	31.4	30.5	29.8	29.2	28.8	29.1	29.6
34 State and political subdivisions	59.9	60.1	60.0	59.3	58.7	57.9	57.8	57.2	56.9	56.0	55.2	54.4
35 Foreign banks	10.3	9.9	10.3	10.0	10.1	10.9	10.7	10.5	9.7	9.5	9.6	10.0
36 Foreign official institutions	6.1	6.1	6.0	6.0	5.9	5.8	5.9	6.1	6.7	6.7	5.8	5.3
37 Lease financing receivables	20.5	20.6	21.0	21.5	21.8	22.2	22.4	22.4	22.5	22.7	22.9	23.0
38 All other loans	36.8	36.8	39.0	39.1	38.6	41.3	43.3	41.6	41.1	44.2	44.1	43.5

1. These data also appear in the Board's G.7 (407) release.
2. Excludes loans to commercial banks in the United States.
3. Includes nonfinancial commercial paper held.
4. United States includes the 50 states and the District of Columbia.

1.24 MAJOR NONDEPOSIT FUNDS OF COMMERCIAL BANKS[1]

Monthly averages, billions of dollars

Source	1986						1987					
	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.r	Feb.	Mar.r	Apr.	May	June
Total nondeposit funds												
1 Seasonally adjusted[2]	136.1	137.9	142.6	140.5	144.2	144.9	153.5	157.5r	161.6	157.5r	165.4r	160.7
2 Not seasonally adjusted	132.9	137.8	141.9	139.5	145.7	145.0	153.0	160.1r	163.9	157.6r	166.2r	158.1
Federal funds, RPs, and other borrowings from nonbanks[3]												
3 Seasonally adjusted	165.5	167.4	166.9	167.8	166.0	164.0	169.1	169.4r	167.8	167.7	165.5r	162.6
4 Not seasonally adjusted	162.4	167.3	166.2	166.9	167.5	164.1	168.6	172.0r	170.1	167.8	166.2	160.0
5 Net balances due to foreign-related institutions, not seasonally adjusted	−29.5	−29.5	−24.3	−27.3	−21.8	−19.1	−15.6	−11.9r	−6.2	−10.2r	.0	1.9
MEMO												
6 Domestically chartered banks' net positions with own foreign branches, not seasonally adjusted[4]	−33.8	−31.2	−29.2	−31.9	−28.7	−30.7	−26.1	−23.7r	−21.1	−22.9r	−15.6r	−15.6
7 Gross due from balances	73.9	75.2	74.0	73.5	70.8	73.4	71.6	68.3r	66.1	70.5r	68.5r	67.1
8 Gross due to balances	40.1	44.0	44.8	41.6	42.1	42.7	45.5	44.6	45.0	47.6	52.9r	51.5
9 Foreign-related institutions' net positions with directly related institutions, not seasonally adjusted[5]	4.3	1.7	4.9	4.6	6.9	11.6	10.5	11.8	14.9	12.7	15.5	13.7
10 Gross due from balances	64.2	66.3	67.9	68.3	68.7	70.8	75.0	72.9	71.1	72.6	75.4	77.1
11 Gross due to balances	68.6	67.9	72.7	72.9	75.6	82.5	85.5	84.7r	86.0	85.3	90.9	90.8
Security RP borrowings												
12 Seasonally adjusted[6]	95.2	95.9	95.9	97.0	96.9	97.0	99.2	95.5	92.5	95.3	95.1	96.4
13 Not seasonally adjusted	92.0	95.8	95.2	96.1	98.5	97.1	98.7	98.1	94.8	95.4	95.9	93.8
U.S. Treasury demand balances[7]												
14 Seasonally adjusted	15.4	14.5	16.5	17.1	23.2	21.2	21.3	23.2	17.7	20.7	26.1	27.8
15 Not seasonally adjusted	16.8	11.1	18.2	15.3	15.3	19.2	27.5	28.6	17.1	21.6	30.8	25.5
Time deposits, $100,000 or more[8]												
16 Seasonally adjusted	341.1	344.3	344.1r	342.5r	343.2r	345.6	350.1	351.1	354.1	359.8	366.2	372.8
17 Not seasonally adjusted	338.3	344.0	345.5	343.7r	343.9r	347.0r	351.3	353.2	356.4	357.1	364.7	369.7

1. Commercial banks are those in the 50 states and the District of Columbia with national or state charters plus agencies and branches of foreign banks, New York investment companies majority owned by foreign banks, and Edge Act corporations owned by domestically chartered and foreign banks.
2. Includes seasonally adjusted federal funds, RPs, and other borrowings from nonbanks and not seasonally adjusted net Eurodollars.
3. Other borrowings are borrowings on any instrument, such as a promissory note or due bill, given for the purpose of borrowing money for the banking business. This includes borrowings from Federal Reserve Banks and from foreign banks, term federal funds, overdrawn due from bank balances, loan RPs, and participations in pooled loans.
4. Averages of daily figures for member and nonmember banks.
5. Averages of daily data.
6. Based on daily average data reported by 122 large banks.
7. Includes U.S. Treasury demand deposits and Treasury tax-and-loan notes at commercial banks. Averages of daily data.
8. Averages of Wednesday figures.

1.25 ASSETS AND LIABILITIES OF COMMERCIAL BANKING INSTITUTIONS Last-Wednesday-of-Month Series[1]

Billions of dollars

Account	1986 Aug.	Sept.	Oct.	Nov.	Dec.	1987 Jan.	Feb.	Mar.	Apr.	May	June
ALL COMMERCIAL BANKING INSTITUTIONS[2]											
1 Loans and securities	2,164.8	2,179.7	2,183.2	2,227.3	2,314.3	2,284.8	2,279.4	2,279.2	2,306.2	2,318.9	2,312.6
2 *Investment securities*	460.0	469.4	471.9	475.4	479.6	482.2	484.7	486.2	492.5	495.4	493.0
3 U.S. Treasury securities	272.9	276.6	282.8	287.3	292.6	296.1	298.8	299.5	305.1	307.0	303.2
4 Other	187.1	192.8	189.1	188.0	187.0	186.1	185.9	186.7	187.5	188.4	189.8
5 Trading account assets	29.3	27.9	26.0	28.1	27.8	26.4	29.0	25.2	23.3	21.4	20.1
6 Total loans	1,675.6	1,682.4	1,685.3	1,723.8	1,807.0	1,776.3	1,765.6	1,767.8	1,790.3	1,802.1	1,799.6
7 Interbank loans	145.5	139.8	141.2	154.7	168.9	160.1	156.7	154.3	151.8	160.4	151.0
8 Loans excluding interbank	1,530.1	1,542.5	1,544.1	1,569.1	1,638.1	1,616.2	1,608.9	1,613.5	1,638.5	1,641.7	1,648.6
9 Commercial and industrial	513.8	515.9	517.2	524.9	568.2	551.1	551.5	555.3	555.5	558.2	558.3
10 Real estate	466.5	470.5	476.2	481.8	497.5	499.9	503.5	510.7	519.0	527.4	538.5
11 Individual	308.8	311.2	312.8	314.1	320.4	317.0	314.7	313.1	315.2	314.8	312.8
12 All other	241.0	244.9	237.8	248.2	252.0	248.3	239.2	234.4	248.9	241.3	239.0
13 Total cash assets	208.3	199.3	203.5	227.0	273.7	214.4	206.3	203.8	209.7	230.8	213.2
14 Reserves with Federal Reserve Banks	28.3	28.2	31.6	32.2	41.2	33.4	28.4	31.1	29.8	37.9	33.8
15 *Cash in vault*	23.7	22.9	23.5	22.2	25.7	23.7	23.5	22.9	24.0	25.1	24.2
16 Cash items in process of collection	73.5	66.2	66.2	86.5	111.3	74.5	71.4	68.1	74.5	81.3	74.4
17 Demand balances at U.S. depository institutions	34.0	32.8	33.1	38.3	43.3	34.0	33.0	32.7	33.9	37.2	31.1
18 Other cash assets	48.7	49.2	49.0	47.9	52.3	48.8	50.1	49.0	47.5	49.3	49.7
19 Other assets	194.8	201.4	198.6	202.2	224.8	201.3	201.1	202.1	204.0	208.7r	204.1
20 **Total assets/total liabilities and capital**	**2,567.8**	**2,580.4**	**2,585.3**	**2,656.5**	**2,812.8**	**2,700.5**	**2,686.8**	**2,685.2**	**2,719.9**	**2,758.3r**	**2,729.9**
21 Deposits	1,837.6	1,834.5	1,847.1	1,900.2	2,018.0	1,898.3	1,895.5	1,899.6	1,919.5	1,939.1	1,923.8
22 Transaction deposits	545.7	538.9	548.8	596.3	691.1	577.8	569.2	568.8	590.7	596.9	578.3
23 Savings deposits	499.2	505.5	516.0	522.9	535.0	532.3	535.9	539.7	535.1	538.6	535.0
24 Time deposits	792.6	790.1	782.2	781.1	791.9	788.2	790.3	791.2	793.6	803.6	810.5
25 *Borrowings*	379.8	391.6	383.3	397.4	414.5	432.7	425.6	414.9	422.7	435.6	428.2
26 Other liabilities	173.8	176.3	175.7	180.0	199.6	188.0	184.6	188.7	195.2	200.3r	200.5
27 Residual (assets less liabilities)	176.7	178.1	179.2	178.9	180.6	181.5	181.2	181.9	182.5	183.3	177.4
MEMO											
28 U.S. government securities (including trading account)	290.6	293.2	299.5	304.8	308.4	314.5	320.1	316.7	318.9	320.6	315.5
29 Other securities (including trading account)	198.7	204.1	198.4	198.8	198.9	194.1	193.7	194.7	196.9	196.1	197.6
DOMESTICALLY CHARTERED COMMERCIAL BANKS[3]											
30 Loans and securities	2,034.6	2,044.8	2,052.1	2,094.7	2,154.4	2,136.7	2,130.3	2,121.7	2,146.9	2,156.2	2,151.0
31 Investment securities	443.0	450.5	452.9	457.1	459.3	461.5	463.3	463.6	470.0	471.5	469.6
32 U.S. Treasury securities	265.0	267.9	273.6	279.0	283.0	286.8	289.2	289.4	295.2	296.7	293.8
33 Other	178.0	182.5	179.3	178.2	176.3	174.8	174.1	174.2	174.8	174.8	175.8
34 Trading account assets	29.3	27.9	26.0	28.1	27.8	26.4	29.0	25.2	23.3	21.4	20.1
35 Total loans	1,562.3	1,566.4	1,573.2	1,609.5	1,667.3	1,648.8	1,638.0	1,632.9	1,653.6	1,663.3	1,661.3
36 Interbank loans	119.7	115.6	118.8	133.0	137.9	134.3	130.5	124.1	124.2	128.6	121.5
37 Loans excluding interbank	1,442.7	1,450.8	1,454.3	1,476.4	1,529.5	1,514.5	1,507.5	1,508.8	1,529.3	1,534.7	1,539.7
38 Commercial and industrial	449.4	448.1	449.0	455.7	488.2	475.5	474.1	474.6	473.5	475.3	471.9
39 Real estate	460.4	464.3	470.0	475.1	490.3	493.2	497.0	504.1	512.0	520.3	531.5
40 Individual	308.5	310.9	312.5	313.8	320.1	316.7	314.4	312.7	314.9	314.5	312.5
41 All other	224.4	227.5	222.7	231.8	230.9	229.2	221.9	217.4	229.0	224.7	223.8
42 Total cash assets	191.2	182.5	185.6	210.0	253.5	196.6	188.9	186.5	192.5	213.2	195.4
43 Reserves with Federal Reserve Banks	26.6	26.9	29.7	29.8	39.7	31.2	27.1	29.7	27.2	35.9	32.1
44 Cash in vault	23.7	22.9	23.5	22.2	25.7	23.6	23.5	22.8	24.0	25.0	24.1
45 Cash items in process of collection	73.1	65.8	65.6	86.1	110.9	74.0	71.0	67.7	74.0	80.9	73.9
46 Demand balances at U.S. depository institutions	32.3	30.9	31.3	36.3	40.8	32.2	31.1	31.1	31.9	35.1	29.4
47 Other cash assets	35.5	36.0	35.5	35.6	36.4	35.6	36.4	35.2	35.4	36.2	35.9
48 Other assets	139.3	143.5	141.0	141.6	165.0	141.5	144.0	143.4	144.4	143.1r	134.8
49 **Total assets/total liabilities and capital**	**2,365.0**	**2,370.8**	**2,378.7**	**2,446.3**	**2,572.8**	**2,474.8**	**2,463.2**	**2,451.5**	**2,483.8**	**2,512.5r**	**2,481.1**
50 Deposits	1,784.2	1,779.3	1,792.8	1,844.8	1,957.0	1,840.8	1,838.2	1,840.7	1,857.1	1,876.5	1,861.9
51 Transaction deposits	537.6	530.6	540.9	588.2	682.2	569.4	561.3	560.5	582.2	588.4	569.8
52 Savings deposits	497.4	503.7	514.1	520.8	533.0	530.3	533.9	537.7	533.1	536.6	533.0
53 Time deposits	749.3	745.0	737.7	735.8	741.8	741.1	743.0	742.5	741.8	751.4r	759.1
54 Borrowings	296.8	306.9	301.3	314.1	322.9	341.7	336.1	319.1	328.2	337.1	328.5
55 Other liabilities	110.5	109.6	108.6	111.7	115.5	114.0	110.8	113.0	119.1	118.8r	116.4
56 Residual (assets less liabilities)	173.5	174.9	176.0	175.8	177.5	178.3	178.1	178.8	179.4	180.2	174.3

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

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

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

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

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

Millions of dollars, Wednesday figures

Account	1987								
	Apr. 29	May 6	May 13	May 20	May 27	June 3	June 10	June 17	June 24
1 Cash and balances due from depository institutions	99,258	99,093r	100,312	94,589r	114,368r	105,389	100,069	103,833	102,919
2 ***Total loans, leases and securities, net***	***1,016,966***	***1,019,493r***	***1,007,593***	***1,021,292***	***1,014,493r***	***1,019,250***	***1,008,491***	***1,008,924***	***999,225***
3 U.S. Treasury and government agency	110,969	111,298r	110,477	112,136	111,722	111,940	110,809	109,782	107,910
4 Trading account	13,847	13,695r	12,705	14,496	13,612	13,449	12,900	13,102	12,286
5 Investment account, by maturity	97,123	97,603r	97,772	97,640	98,110	98,490	97,909	96,680	95,624
6 One year or less	15,293	15,261	15,062	15,095	14,817	15,566	15,396	14,956	15,547
7 *Over one through five years*	42,055	43,314	43,348	44,825	44,760	44,422	44,201	44,118	43,106
8 Over five years	39,774	39,028r	39,361	37,720	38,533	38,503	38,312	37,606	36,970
9 Other securities	69,313	69,160r	68,619	68,245	68,180r	67,805	68,013	68,203	68,888
10 Trading account	4,946	4,617	4,164	3,801	3,681r	3,189	3,369	3,547	4,161r
11 Investment account	64,367	64,543r	64,456	64,444	64,499	64,616	64,644	64,655	64,726
12 States and political subdivisions, by maturity	51,528	51,333	51,348	51,338	51,394	51,188	51,096	51,038	50,920
13 One year or less	6,629	6,604	6,566	6,515	6,501	6,428	6,360	6,347	6,248
14 Over one year	44,899	44,729	44,782	44,823	44,893	44,760	44,736	44,691	44,672
15 Other bonds, corporate stocks, and securities	12,840	13,210r	13,107	13,106	13,105	13,428	13,548	13,617	13,807
16 Other trading account assets	4,535	4,385r	4,819	4,469	4,045	3,875	4,208	4,315	3,622
17 Federal funds sold[1]	60,379	64,006r	56,248r	64,060r	61,706r	69,204	60,292	61,583	59,545
18 To commercial banks	35,833	37,788r	32,242r	35,865r	35,849r	41,147	32,054	35,604	33,816
19 To nonbank brokers and dealers in securities	16,539	18,006	16,655	18,588	17,494	20,485	20,378	19,099	18,892
20 To others	8,007	8,212	7,351	9,607	8,364	7,573	7,860	6,880	6,837
21 Other loans and leases, gross	793,930	792,924r	789,791r	794,863r	792,906r	794,123	792,899	795,132	790,412
22 Other loans, gross	775,326	774,333r	771,196r	776,263r	774,228r	775,372	774,102	776,065	771,304
23 Commercial and industrial	277,296	278,633r	277,168r	280,512r	278,852r	278,671	278,113	277,273	275,444
24 Bankers acceptances and commercial paper	2,247	2,475	2,415	2,514	2,214	2,162	2,500	2,507	2,456
25 All other	275,049	276,158r	274,753r	277,998r	276,638r	276,509	275,613	274,767	272,988
26 U.S. addressees	271,734	272,816r	271,460r	274,653r	273,342r	273,321	272,408	271,596	269,821
27 Non-U.S. addressees	3,315	3,341	3,293	3,344	3,296	3,188	3,204	3,171	3,167
28 Real estate loans	221,383	222,344r	223,827r	225,816r	225,897r	226,902	227,862	230,323	230,075
29 To individuals for personal expenditures	141,928	141,467r	141,409r	141,114r	141,126r	141,142	141,210	140,701	141,032
30 To depository and financial institutions	53,490	54,628r	54,353r	54,154r	53,714r	52,729	53,134	52,914	51,072
31 Commercial banks in the United States	23,356	23,097r	23,233r	22,835r	23,645r	22,451	22,142	21,468	20,870
32 Banks in foreign countries	4,561	5,109	4,556	4,920	4,949	5,035	5,338	5,266	5,159
33 Nonbank depository and other financial institutions	25,573	26,422	26,564	26,398	25,121	25,243	25,655	26,180	25,042
34 For purchasing and carrying securities	20,435	16,577	15,234	15,299	14,465	15,771	15,162	14,835	14,377
35 To finance agricultural production	5,318	5,367	5,389	5,478	5,475	5,525	5,522	5,604	5,638
36 To states and political subdivisions	33,533	33,288r	33,232r	33,261r	33,207r	33,042	32,933	33,097	32,633
37 To foreign governments and official institutions	3,045	3,111	2,984	2,990	2,905	2,969	2,967	3,084	2,980
38 All other	18,897	18,918r	17,601	17,640	18,585r	18,620	17,198	18,233	18,054
39 Lease financing receivables	18,604	18,590	18,594	18,599	18,678	18,751	18,798	19,067	19,109
40 LESS: Unearned income	4,495	4,455	4,470	4,480	4,473	4,443	4,462	4,468	4,487
41 Loan and lease reserve	17,667	17,824	17,891	18,001	19,594	23,255	23,269	25,623	26,665
42 Other loans and leases, net	771,769	770,644r	767,430r	772,381r	768,839r	766,426	765,169	765,041	759,261
43 *All other assets*	*125,988*	*124,878r*	*124,043r*	*120,838r*	*126,350r*	*125,030*	*119,834*	*120,582*	*123,222*
44 **Total assets**	**1,242,212**	**1,243,464r**	**1,231,948r**	**1,236,719r**	**1,255,211r**	**1,249,670**	**1,228,394**	**1,233,340**	**1,225,365**
45 Demand deposits	228,895	226,205r	217,924r	227,900r	231,733r	232,077	221,688	229,294	221,676
46 Individuals, partnerships, and corporations	176,883	174,649	172,111r	176,980r	179,457r	177,630	173,787	178,798	167,345
47 States and political subdivisions	5,585	5,913	4,763r	5,226	5,478	5,042	4,961	6,228	5,476
48 U.S. government	4,378	2,335	1,253r	4,083	1,288	4,555	2,578	1,875	3,030
49 Depository institutions in United States	23,857	25,570	23,355r	24,988	27,648r	26,695	24,292	24,815	23,444
50 Banks in foreign countries	6,338	6,846	5,892	6,324	6,774	6,358	6,502	5,889	7,776
51 Foreign governments and official institutions	1,076	1,148	959	922	1,128	1,012	1,059	1,262	979
52 Certified and officers' checks	10,777	9,743	9,591r	9,377	9,960	10,784	8,507	10,427	13,627
53 Transaction balances other than demand deposits	60,280	60,165	58,996	59,331	59,148	61,650	60,902	60,568	58,552
54 *Nontransaction balances*	516,208	517,195	518,242	520,744	523,201	526,378	526,835	526,483	525,447
55 Individuals, partnerships and corporations	478,130	478,411	479,174	480,996	483,352	486,341	487,047	487,083	486,308
56 States and political subdivisions	26,698	27,313	27,514	28,099	28,107	28,303	28,205	27,749	27,522
57 U.S. government	791	876	880	896	897	920	897	897	888
58 Depository institutions in the United States	9,698	9,722	9,791	9,860	9,934	9,900	9,778	9,770	9,890
59 Foreign governments, official institutions and banks	890	873	883	892	911	914	907	983	839
60 Liabilities for borrowed money	253,928	264,402	257,996	254,111	261,301r	255,757	247,797	250,416	248,635
61 Borrowings from Federal Reserve Banks	156	1,075	0	844	0	0	0	0	0
62 Treasury tax-and-loan notes	20,764	20,980	20,633	20,865	20,549	13,364	11,330	20,240	20,766
63 All other liabilities for borrowed money[2]	233,008	242,347	237,364	232,402	240,752r	242,393	236,467	230,176	227,869
64 Other liabilities and subordinated note and debentures	94,408	86,587r	89,491r	85,533r	90,796r	89,354	86,130	84,013	88,725
65 **Total liabilities**	**1,153,720**	**1,154,554r**	**1,142,650r**	**1,147,619r**	**1,166,179r**	**1,165,216**	**1,143,351**	**1,150,776**	**1,143,035**
66 Residual (total assets minus total liabilities)[3]	88,492	88,910r	89,299	89,100	89,032	84,454	85,043	82,564	82,330
MEMO									
67 Total loans and leases (gross) and investments adjusted[4]	979,939	980,888r	974,478	985,074	979,066r	983,351	982,025	981,943	975,690
68 Total loans and leases (gross) adjusted[4]	795,121	796,044r	790,563	800,223	795,119r	799,730	798,995	799,643	795,271
69 Time deposits in amounts of $100,000 or more	159,599	159,952	160,485r	162,880	164,502	165,648	165,823	165,979	166,684
70 Loans sold outright to affiliates—total[5]	1,685	1,722	1,698	1,703	1,677	1,581	1,568	1,597	1,621
71 Commercial and industrial	1,215	1,177r	1,141r	1,116r	1,090r	1,023	1,009	1,032	1,051
72 Other	470	546r	558r	588r	588r	558	559	564	570
73 Nontransaction savings deposits (including MMDAs)	230,211	230,838	230,884r	230,901	231,157	232,488	232,182	231,262	229,087

1. Includes securities purchased under agreements to resell.
2. Includes federal funds purchased and securities sold under agreements to repurchase; for information on these liabilities at banks with assets of $1 billion or more on Dec. 31, 1977, see table 1.13.
3. This is not a measure of equity capital for use in capital-adequacy analysis or for other analytic uses.
4. Exclusive of loans and federal funds transactions with domestic commercial banks.
5. Loans sold are those sold outright to a bank's own foreign branches, nonconsolidated nonbank affiliates of the bank, the bank's holding company (if not a bank), and nonconsolidated nonbank subsidiaries of the holding company.

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

Millions of dollars, Wednesday figures except as noted

Account	1987								
	Apr. 29	May 6	May 13	May 20	May 27	June 3	June 10	June 17	June 24
1 Cash and balances due from depository institutions	24,078	23,225	22,904	21,202	28,872	25,602	26,669	23,217	29,880
2 **Total loans, leases and securities, net**[1]	**226,815**	**229,013**	**221,084**	**227,461**	**223,290**	**223,501**	**219,222**	**218,048**	**216,253**
Securities									
3 U.S. Treasury and government agency[2]	0	0	0	0	0	0	0	0	0
4 Trading account[2]	0	0	0	0	0	0	0	0	0
5 Investment account, by maturity	14,218	14,100	14,038	14,382	14,081	14,483	13,931	13,863	13,865
6 One year or less	1,535	1,532	1,483	1,791	1,388	1,786	1,348	1,259	1,249
7 Over one through five years	5,135	5,178	5,170	5,687	5,680	5,616	5,638	5,712	5,666
8 Over five years	7,547	7,390	7,385	6,904	7,013	7,080	6,946	6,892	6,950
9 Other securities[2]	0	0	0	0	0	0	0	0	0
10 Trading account[2]	0	0	0	0	0	0	0	0	0
11 *Investment account*	16,527	16,471	16,453	16,428	16,496	16,507	16,494	16,533	16,550
12 States and political subdivisions, by maturity	13,955	13,920	13,966	13,963	14,010	14,036	13,989	13,970	13,939
13 One year or less	1,395	1,404	1,392	1,388	1,386	1,380	1,348	1,328	1,262
14 Over one year	12,560	12,516	12,574	12,575	12,625	12,656	12,640	12,641	12,677
15 Other bonds, corporate stocks and securities	2,572	2,550	2,487	2,465	2,486	2,471	2,505	2,563	2,610
16 Other trading account assets[2]	0	0	0	0	0	0	0	0	0
Loans and leases									
17 Federal funds sold[3]	26,681	30,730	24,226	28,361	26,007	28,358	26,984	25,812	26,621
18 To commercial banks	11,837	13,796	8,895	10,919	9,432	10,875	8,838	10,305	10,861
19 To nonbank brokers and dealers in securities	8,456	9,974	9,338	10,500	10,235	12,100	12,759	11,153	11,455
20 To others	6,388	6,960	5,992	6,942	6,340	5,383	5,386	4,354	4,305
21 Other loans and leases, gross	175,959	174,314	173,037	174,972	174,979	175,252	172,978	173,931	171,637
22 Other loans, gross	171,302	169,643	168,375	170,289	170,238	170,487	168,193	169,203	166,888
23 Commercial and industrial	61,118	61,790	61,721	63,360	62,272	62,101	61,489	61,367	59,784
24 Bankers acceptances and commercial paper	590	677	706	744	538	532	606	557	538
25 All other	60,527	61,113	61,014	62,616	61,734	61,569	60,883	60,810	59,246
26 U.S. addressees	60,096	60,656	60,554	62,136	61,240	61,096	60,384	60,325	58,740
27 Non-U.S. addressees	431	458	460	479	494	474	499	485	506
28 Real estate loans	40,895	41,201	41,599	42,297	42,427	43,060	43,228	43,497	43,676
29 To individuals for personal expenditures	20,908	20,940	20,949	20,716	20,781	20,777	20,827	20,939	20,948
30 To depository and financial institutions	21,792	22,275	22,086	21,435	22,224	21,112	21,073	21,356	21,226
31 Commercial banks in the United States	12,311	12,259	12,294	12,028	12,747	11,694	11,261	11,327	11,422
32 Banks in foreign countries	2,365	2,667	2,255	2,429	2,556	2,703	2,929	3,007	2,792
33 Nonbank depository and other financial institutions	7,117	7,349	7,536	6,979	6,920	6,716	6,884	7,022	7,012
34 For purchasing and carrying securities	11,265	7,902	7,512	7,825	7,418	8,340	7,464	7,130	6,310
35 To finance agricultural production	248	252	257	257	273	270	273	290	279
36 To states and political subdivisions	8,088	8,024	8,024	8,036	8,075	8,027	7,987	7,888	7,876
37 To foreign governments and official institutions	882	926	787	828	737	794	824	918	806
38 All other	6,108	6,333	5,440	5,533	6,031	6,004	5,026	5,817	5,981
39 Lease financing receivables	4,657	4,671	4,662	4,683	4,741	4,765	4,785	4,728	4,750
40 LESS: Unearned income	1,485	1,467	1,470	1,479	1,482	1,479	1,487	1,492	1,499
41 Loan and lease reserve	5,085	5,135	5,199	5,203	6,790	9,620	9,678	10,599	10,920
42 Other loans and leases, net	169,389	167,712	166,368	168,290	166,706	164,153	161,813	161,840	159,218
43 All other assets[4]	62,900	61,003	59,961	59,002	63,854	59,339	56,655	57,570	59,263
44 **Total assets**	**313,793**	**313,242**	**303,950**	**307,665**	**316,016**	**308,442**	**302,546**	**298,835**	**305,397**
Deposits									
45 Demand deposits	59,405	58,373	52,845	59,437	60,741	58,091	56,444	59,130	62,713
46 Individuals, partnerships, and corporations	41,385	40,351	37,095	41,469	42,065	39,131	39,400	41,208	40,254
47 States and political subdivisions	556	848	515	682	615	636	667	704	689
48 U.S. government	713	370	112	809	189	869	417	170	525
49 Depository institutions in the United States	5,771	6,130	5,120	6,484	6,550	6,201	6,100	5,947	6,084
50 Banks in foreign countries	5,176	5,674	4,763	5,140	5,558	5,210	5,375	4,789	5,647
51 Foreign governments and official institutions	917	1,008	797	798	965	880	927	1,120	837
52 Certified and officers' checks	4,886	3,990	4,441	4,053	4,800	5,164	3,558	5,191	8,676
53 Transaction balances other than demand deposits ATS, NOW, Super NOW, telephone transfers)	8,135	8,023	7,865	7,950	7,858	8,210	8,137	8,197	7,868
54 Nontransaction balances	98,093	98,562	98,342	99,425	99,940	100,106	99,279	99,024	98,586
55 *Individuals, partnerships and corporations*	89,705	89,866	89,563	90,350	90,799	91,118	90,351	90,222	89,880
56 States and political subdivisions	6,123	6,494	6,558	6,838	6,908	6,833	6,850	6,807	6,698
57 U.S. government	31	25	25	32	28	26	24	24	26
58 Depository institutions in the United States	1,752	1,712	1,722	1,729	1,714	1,633	1,566	1,512	1,536
59 Foreign governments, official institutions and banks	482	465	473	476	492	496	488	458	446
60 Liabilities for borrowed money	73,209	78,771	73,061	71,971	75,998	76,753	76,569	72,216	73,082
61 Borrowings from Federal Reserve Banks	0	500	0	430	0	0	0	0	0
62 Treasury tax-and-loan notes	5,244	5,242	4,995	5,219	5,154	3,132	2,853	4,939	5,115
63 All other liabilities for borrowed money[5]	67,965	73,029	68,065	66,322	70,844	73,620	73,716	67,277	67,966
64 Other liabilities and subordinated note and debentures	45,586	39,900	42,134	39,153	41,760	39,780	36,498	35,628	38,195
65 **Total liabilities**	**284,429**	**283,630**	**274,246**	**277,936**	**286,297**	**282,940**	**276,926**	**274,195**	**280,443**
66 Residual (total assets minus total liabilities)[6]	29,365	29,612	29,704	29,729	29,719	25,502	25,620	24,640	24,954
MEMO									
67 Total loans and leases (gross) and investments adjusted[1,7]	209,237	209,560	206,565	211,196	209,384	212,032	210,288	208,507	206,389
68 Total loans and leases (gross) adjusted[7]	178,492	178,989	176,074	180,386	178,806	181,042	179,863	178,110	175,975
69 Time deposits in amounts of $100,000 or more	35,955	36,465	36,431	37,326	37,289	37,386	36,664	36,374	36,301

1. Excludes trading account securities.
2. Not available due to confidentiality.
3. Includes securities purchased under agreements to resell.
4. Includes trading account securities.
5. Includes federal funds purchased and securities sold under agreements to repurchase.
6. Not a measure of equity capital for use in capital adequacy analysis or for other analytic uses.
7. Exclusive of loans and federal funds transactions with domestic commercial banks.

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

1.30 LARGE WEEKLY REPORTING U.S. BRANCHES AND AGENCIES OF FOREIGN BANKS[1] Assets and Liabilities

Millions of dollars, Wednesday figures

Account	1987 Apr. 29	May 6	May 13	May 20	May 27	June 3	June 10	June 17	June 24
1 Cash and due from depository institutions	10,282	10,654	9,951	9,863	10,168	10,217	9,552	9,725	9,957
2 Total loans and securities	92,318	91,055	90,421	92,540	94,518	90,194	92,276	92,581	93,071
3 U.S. Treasury and govt. agency securities	6,728	6,716	6,461	6,712	7,051	6,913	6,670	6,772	6,487
4 Other securities	7,493	7,884	7,921	8,070	8,100	8,279	8,300	8,263	8,325
5 Federal funds sold[2]	7,223	7,007	6,532	7,793	8,370	4,599	5,933	5,971	5,924
6 To commercial banks in the United States	5,759	5,930	5,701	6,872	7,820	4,006	5,284	5,155	5,208
7 To others	1,464	1,077	832	922	550	593	649	816	716
8 Other loans, gross	70,874	69,448	69,507	69,964	70,997	70,403	71,372	71,574	72,335
9 Commercial and industrial	44,208	43,894	43,876	44,583	44,519	44,145	45,271	45,920	46,224
10 Bankers acceptances and commercial paper	3,112	3,184	3,139	3,270	3,237	3,114	3,238	3,470	3,321
11 All other	41,096	40,710	40,737	41,313	41,282	41,031	42,033	42,450	42,903
12 U.S. addressees	38,835	38,438	38,467	38,945	39,006	38,516	39,525	39,860	40,258
13 Non-U.S. addressees	2,261	2,271	2,270	2,368	2,275	2,516	2,508	2,590	2,646
14 To financial institutions	15,922	15,397	16,452	16,536	16,953	17,514	17,414	17,062	17,506
15 Commercial banks in the United States	12,173	11,650	12,729	12,666	13,116	13,922	13,700	13,520	13,870
16 Banks in foreign countries	953	908	924	1,061	950	922	1,099	998	1,108
17 Nonbank financial institutions	2,795	2,839	2,799	2,809	2,887	2,670	2,616	2,543	2,528
18 To foreign govts. and official institutions	839	746	657	572	595	372	359	416	367
19 For purchasing and carrying securities	4,412	3,900	2,968	2,697	3,105	2,496	2,588	2,243	2,291
20 All other	5,493	5,511	5,554	5,576	5,825	5,877	5,740	5,933	5,948
21 Other assets (claims on nonrelated parties)	23,587	23,847	24,447	24,613	24,208	25,312	25,044	25,891	26,748
22 Net due from related institutions	13,753	14,863	14,246	16,921	16,283	17,704	17,167	16,626	16,431
23 Total assets	139,940	140,419	139,065	143,937	145,178	143,427	144,038	144,824	146,208
24 Deposits or credit balances due to other than directly related institutions	43,556	43,491	43,684	43,389	43,949	43,628	43,457	42,636	42,743
25 Transaction accounts and credit balances[3]	3,786	3,442	3,275	3,322	3,781	3,612	3,329	3,251	3,281
26 Individuals, partnerships, and corporations	2,035	2,019	1,993	2,066	2,046	2,191	2,083	2,029	1,969
27 Other	1,750	1,423	1,282	1,256	1,735	1,422	1,247	1,222	1,312
28 Nontransaction accounts[4]	39,771	40,048	40,409	40,067	40,169	40,015	40,128	39,385	39,462
29 Individuals, partnerships, and corporations	32,299	32,480	32,849	32,492	32,887	32,828	32,951	31,707	31,777
30 Other	7,471	7,569	7,559	7,575	7,282	7,188	7,177	7,678	7,685
31 Borrowings from other than directly related institutions	54,106	53,936	50,976	58,021	55,359	57,340	56,515	56,605	55,199
32 Federal funds purchased[5]	23,451	25,553	21,121	27,050	24,053	26,274	25,071	23,759	24,010
33 From commercial banks in the United States	12,771	15,394	10,997	15,121	14,509	16,366	13,894	13,866	13,253
34 From others	10,680	10,159	10,124	11,929	9,544	9,908	11,177	9,894	10,757
35 Other liabilities for borrowed money	30,655	28,383	29,855	30,971	31,305	31,065	31,444	32,846	31,189
36 To commercial banks in the United States	26,439	24,322	25,671	26,037	26,670	26,242	26,448	27,594	25,971
37 To others	4,216	4,061	4,184	4,933	4,635	4,823	4,996	5,252	5,217
38 Other liabilities to nonrelated parties	27,024	27,271	27,828	28,044	27,630	28,723	28,660	29,857	30,299
39 Net due to related institutions	15,254	15,721	16,576	14,483	18,239	13,737	15,405	15,725	17,967
40 Total liabilities	139,940	140,419	139,065	143,937	145,178	143,427	144,038	144,824	146,208
MEMO									
41 Total loans (gross) and securities adjusted[6]	74,386	73,475	71,991	73,002	73,582	72,266	73,292	73,905	73,993
42 Total loans (gross) adjusted[6]	60,165	58,875	57,609	58,220	58,431	57,074	58,322	58,870	59,181

1. Effective Jan. 1, 1986, the reporting panel includes 65 U.S. branches and agencies of foreign banks that include those branches and agencies with assets of $750 million or more on June 30, 1980, plus those branches and agencies that had reached the $750 million asset level on Dec. 31, 1984.
2. Includes securities purchased under agreements to resell.
3. Includes credit balances, demand deposits, and other checkable deposits.
4. Includes savings deposits, money market deposit accounts, and time deposits.
5. Includes securities sold under agreements to repurchase.
6. Exclusive of loans to and federal funds sold to commercial banks in the United States.

1.31 GROSS DEMAND DEPOSITS Individuals, Partnerships, and Corporations[1]

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

Type of holder	Commercial banks									
	1981	1982	1983	1984	1985	1986				1987
	Dec.	Dec.	Dec.	Dec.	Dec.[3,4]	Mar.	June	Sept.	Dec.	Mar.[p]
1 **All holders—Individuals, partnerships, and corporations**	**288.9**	**291.8**	**293.5**	**302.7**	**321.0**	**307.4**	**322.4**	**333.6**	**363.6**	**335.9**
2 Financial business	28.0	35.4	32.8	31.7	32.3	31.8	32.3	35.9	41.4	35.9
3 Nonfinancial business	154.8	150.5	161.1	166.3	178.5	166.6	180.0	185.9	202.0	183.0
4 Consumer	86.6	85.9	78.5	81.5	85.5	84.0	86.4	86.3	91.1	88.9
5 Foreign	2.9	3.0	3.3	3.6	3.5	3.4	3.0	3.3	3.3	2.9
6 Other	16.7	17.0	17.8	19.7	21.2	21.6	20.7	22.2	25.8	25.2
	Weekly reporting banks									
	1981	1982	1983	1984	1985	1986				1987
	Dec.	Dec.	Dec.	Dec.[2]	Dec.[3,4]	Mar.	June	Sept.	Dec.	Mar.
7 **All holders—Individuals, partnerships, and corporations**	**137.5**	**144.2**	**146.2**	**157.1**	**168.6**	**159.7**	**168.5**	**174.7**	**195.1**	**178.2**
8 Financial business	21.0	26.7	24.2	25.3	25.9	25.5	25.7	28.9	32.5	28.7
9 Nonfinancial business	75.2	74.3	79.8	87.1	94.5	86.8	93.1	94.8	106.4	94.4
10 Consumer	30.4	31.9	29.7	30.5	33.2	32.6	34.9	35.0	37.5	36.8
11 Foreign	2.8	2.9	3.1	3.4	3.1	3.3	2.9	3.2	3.3	2.8
12 Other	8.0	8.4	9.3	10.9	12.0	11.5	11.9	12.8	15.4	15.5

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

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

3. Beginning March 1985, financial business deposits and, by implication, total gross demand deposits have been redefined to exclude demand deposits due to thrift institutions. Historical data have not been revised. The estimated volume of such deposits for December 1984 is $5.0 billion at all insured commercial banks and $3.0 billion at weekly reporting banks.

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

1.32 COMMERCIAL PAPER AND BANKERS DOLLAR ACCEPTANCES OUTSTANDING

Millions of dollars, end of period

Instrument	1982 Dec.	1983 Dec.	1984 Dec.	1985 Dec.	1986 Dec.	1986 Dec.	1987 Jan.	1987 Feb.	1987 Mar.	1987 Apr.	1987 May
	Commercial paper (seasonally adjusted unless noted otherwise)										
1 **All issuers**	**166,436**	**187,658**	**237,586**	**300,899**	**331,016**	**331,016**	**337,189r**	**336,678r**	**338,797**	**346,769**	**354,249**
Financial companies[3]											
Dealer-placed paper[4]											
2 Total	34,605	44,455	56,485	78,443	100,207	100,207	101,964r	102,939	102,889	103,957	105,397
3 Bank-related (not seasonally adjusted)	2,516	2,441	2,035	1,602	2,265	2,265	2,284	2,174	2,116	2,307	2,429
Directly placed paper[5]											
4 Total	84,393	97,042	110,543	135,504	152,385	152,385	157,252	158,955r	159,333	163,421	169,225
5 Bank-related (not seasonally adjusted)	32,034	35,566	42,105	44,778	40,860	40,860	45,085	45,722	46,634	48,604	48,401
6 Nonfinancial companies[6]	47,437	46,161	70,558	86,952	78,424	78,424	77,973	74,784	76,575	79,391	79,627
	Bankers dollar acceptances (not seasonally adjusted)[7]										
7 **Total**	**79,543**	**78,309**	**78,364**	**68,413**	**64,974**	**64,974**	**65,049**	**65,144**	**66,125r**	**66,752r**	**67,695**
Holder											
8 Accepting banks	10,910	9,355	9,811	11,197	13,423	13,423	13,224	11,828	12,294r	11,180r	11,176
9 Own bills	9,471	8,125	8,621	9,471	11,707	11,707	10,662	10,006	10,516	9,784r	9,548
10 Bills bought	1,439	1,230	1,191	1,726	1,716	1,716	2,561	1,821	1,730	1,396	1,628
Federal Reserve Banks											
11 Own account	1,480	418	0	0	0	0	0	0	0	0	0
12 Foreign correspondents	949	729	671	937	1,317	1,317	983	1,230	1,453	1,519	1,547
13 Others	66,204	67,807	67,881	56,279	50,234	50,234	50,843	52,087	52,255	54,053r	54,972
Basis											
14 Imports into United States	17,683	15,649	17,845	15,147	14,670	14,670	14,459	14,615	14,711	15,116r	15,374
15 Exports from United States	16,328	16,880	16,305	13,204	12,960	12,960	12,783	12,876	13,083	13,836r	13,946
16 All other	45,531	45,781	44,214	40,062	37,344	37,344	37,807	37,654	38,159	37,800r	38,375

1. Effective Dec. 1, 1982, there was a break in the commercial paper series. The key changes in the content of the data involved additions to the reporting panel, the exclusion of broker or dealer placed borrowings under any master note agreements from the reported data, and the reclassification of a large portion of bank-related paper from dealer-placed to directly placed.
2. Correction of a previous misclassification of paper by a reporter has created a break in the series beginning December 1983. The correction adds some paper to nonfinancial and to dealer-placed financial paper.
3. Institutions engaged primarily in activities such as, but not limited to, commercial, savings, and mortgage banking; sales, personal, and mortgage financing; factoring, finance leasing, and other business lending; insurance underwriting; and other investment activities.
4. Includes all financial company paper sold by dealers in the open market.
5. As reported by financial companies that place their paper directly with investors.
6. Includes public utilities and firms engaged primarily in such activities as communications, construction, manufacturing, mining, wholesale and retail trade, transportation, and services.
7. Beginning October 1984, the number of respondents in the bankers acceptance survey were reduced from 340 to 160 institutions—those with $50 million or more in total acceptances. The new reporting group accounts for over 95 percent of total acceptances activity.

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

Percent per annum

Effective date	Rate	Effective Date	Rate	Month	Average rate	Month	Average rate
1985—Jan. 15	10.50	1986—July 11	8.00	1985—Jan.	10.61	1986—May	8.50
May 20	10.00	Aug. 26	7.50	Feb.	10.50	June	8.50
June 18	9.50			Mar.	10.50	July	8.16
		1987—Apr. 1	7.75	Apr.	10.50	Aug.	7.90
1986—Mar. 7	9.00	May 1	8.00	May	10.31	Sept.	7.50
Apr. 21	8.50	15	8.25	June	9.78	Oct.	7.50
				July	9.50	Nov.	7.50
				Aug.	9.50	Dec.	7.50
				Sept.	9.50		
				Oct.	9.50	1987—Jan.	7.50
				Nov.	9.50	Feb.	7.50
				Dec.	9.50	Mar.	7.50
						Apr.	7.75
				1986—Jan.	9.50	May	8.14
				Feb.	9.50	June	8.25
				Mar.	9.10	July	8.25
				Apr.	8.83		

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

1.35 INTEREST RATES Money and Capital Markets

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

	Instrument	1984	1985	1986	1987				1987, week ending				
					Mar.	Apr.	May	June	May 29	June 5	June 12	June 19	June 26
	Money Market Rates												
1	Federal funds[1,2]	10.22	8.10	6.80	6.13	6.37	6.85	6.73	6.80	6.65	6.70	6.75	6.79
2	Discount window borrowing[1,2,3]	8.80	7.69	6.33	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50
	Commercial paper[4,5]												
3	1-month	10.05	7.94	6.62	6.22	6.39	6.83	6.86	6.88	6.87	6.86	6.85	6.87
4	3-month	10.10	7.95	6.49	6.16	6.45	6.93	6.92	6.99	6.95	6.94	6.90	6.90
5	6-month	10.16	8.01	6.39	6.10	6.50	7.04	7.00	7.12	7.06	7.06	6.94	6.94
	Finance paper, directly placed[4,5]												
6	1-month	9.97	7.91	6.58	6.11	6.28	6.78	6.80	6.81	6.78	6.83	6.79	6.78
7	3-month	9.73	7.77	6.38	5.95	6.22	6.74	6.77	6.76	6.78	6.82	6.78	6.71
8	6-month	9.65	7.75	6.31	5.88	6.14	6.47	6.50	6.47	6.51	6.52	6.53	6.48
	Bankers acceptances[5,6]												
9	3-month	10.14	7.92	6.39	6.09	6.41	6.91	6.83	6.98	6.90	6.83	6.79	6.81
10	6-month	10.19	7.96	6.29	6.02	6.44	7.03	6.91	7.10	7.05	6.97	6.81	6.82
	Certificates of deposit, secondary market[7]												
11	1-month	10.17	7.97	6.61	6.18	6.42	6.81	6.84	6.86	6.85	6.84	6.81	6.86
12	3-month	10.37	8.05	6.52	6.17	6.52	6.99	6.94	7.03	6.99	6.98	6.88	6.91
13	6-month	10.68	8.25	6.51	6.18	6.65	7.24	7.15	7.33	7.25	7.26	7.06	7.05
14	Eurodollar deposits, 3-month[8]	10.73	8.28	6.71	6.37	6.73	7.25	7.11	7.36	7.21	7.18	7.08	7.06
	U.S. Treasury bills[5]												
	Secondary market[9]												
15	3-month	9.52	7.48	5.98	5.59	5.64	5.66	5.67	5.67	5.70	5.55	5.65	5.77
16	6-month	9.76	7.65	6.03	5.60	5.90	6.05	5.99	6.17	6.10	5.89	5.93	6.05
17	1-year	9.92	7.81	6.08	5.68	6.09	6.52	6.35	6.48	6.44	6.36	6.29	6.32
	Auction average[10]												
18	3-month	9.57	7.49	5.97	5.56	5.76	5.75	5.69	5.88	5.81	5.59	5.70	5.64
19	6-month	9.80	7.66	6.02	5.56	5.93	6.11	5.99	6.49	6.10	5.99	5.95	5.93
20	1-year	9.91	7.76	6.07	5.68	5.92	6.56	6.54	n.a.	n.a.	6.54	n.a.	n.a.
	Capital Market Rates												
	U.S. Treasury notes and bonds[11]												
	Constant maturities[12]												
21	1-year	10.89	8.43	6.46	6.03	6.50	7.00	6.80	6.95	6.91	6.80	6.73	6.77
22	2-year	11.65	9.27	6.87	6.42	7.02	7.76	7.57	7.78	7.74	7.65	7.45	7.49
23	3-year	11.89	9.64	7.06	6.58	7.32	8.02	7.82	8.01	8.00	7.89	7.68	7.72
24	5-year	12.24	10.13	7.31	6.79	7.57	8.26	8.02	8.23	8.19	8.10	7.87	7.91
25	7-year	12.40	10.51	7.55	7.06	7.83	8.47	8.27	8.42	8.44	8.38	8.14	8.14
26	10-year	12.44	10.62	7.68	7.25	8.02	8.61	8.40	8.55	8.58	8.50	8.27	8.28
27	20-year	12.48	10.97	7.85	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
28	30-year	12.39	10.79	7.80	7.55	8.25	8.78	8.57	8.71	8.75	8.66	8.46	8.44
	Composite[13]												
29	Over 10 years (long-term)	11.99	10.75	8.14	7.62	8.31	8.79	8.63	8.73	8.79	8.70	8.49	8.52
	State and local notes and bonds												
	Moody's series[14]												
30	Aaa	9.61	8.60	6.95	6.25	7.20	7.61	7.48	7.60	7.70	7.55	7.25	7.40
31	Baa	10.38	9.58	7.76	7.25	8.29	8.78	8.68	8.80	8.90	8.75	8.45	8.60
32	*Bond Buyer* series[15]	10.10	9.11	7.32	6.66	7.55	8.00	7.79	8.03	7.97	7.83	7.63	7.72
	Corporate bonds												
	Seasoned issues[16]												
33	All industries	13.49	12.05	9.71	8.99	9.35	9.82	9.87	9.93	9.94	9.91	9.84	9.80
34	Aaa	12.71	11.37	9.02	8.36	8.85	9.33	9.32	9.40	9.38	9.36	9.30	9.25
35	Aa	13.31	11.82	9.47	8.84	9.15	9.59	9.65	9.73	9.74	9.70	9.60	9.59
36	A	13.74	12.28	9.95	9.13	9.36	9.83	9.98	9.98	10.01	10.00	9.97	9.94
37	Baa	14.19	12.72	10.39	9.61	10.04	10.51	10.52	10.58	10.61	10.58	10.48	10.43
38	A-rated, recently-offered utility bonds[17]	13.81	12.06	9.61	8.84	9.51	10.05	10.05	10.05	10.14	10.04	10.00	10.03
	Memo: Dividend/price ratio[18]												
39	Preferred stocks	11.59	10.49	8.76	7.52	7.94	8.41	8.31	8.55	8.37	8.34	8.29	8.22
40	Common stocks	4.64	4.25	3.48	2.90	2.99	3.02	2.92	3.03	2.98	2.94	2.88	2.86

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 an investment yield basis (which would give a higher figure).
6. Dealer closing offered rates for top-rated banks. Most representative rate (which may be, but need not be, the average of the rates quoted by the dealers).
7. Unweighted average of offered rates quoted by at least five dealers early in the day.
8. Calendar week average. For indication purposes only.
9. Unweighted average of closing bid rates quoted by at least five dealers.
10. Rates are recorded in the week in which bills are issued. Beginning with the Treasury bill auction held on Apr. 18, 1983, bidders were required to state the percentage yield (on a bank discount basis) that they would accept to two decimal places. Thus, average issuing rates in bill auctions will be reported using two rather than three decimal places.
11. Yields are based on closing bid prices quoted by at least five dealers.
12. Yields adjusted to constant maturities by the U.S. Treasury. That is, yields are read from a yield curve at fixed maturities. Based on only recently issued, actively traded securities.
13. Averages (to maturity or call) for all outstanding bonds neither due nor callable in less than 10 years, including one very low yielding "flower" bond.
14. General obligations based on Thursday figures; Moody's Investors Service.
15. General obligations only, with 20 years to maturity, issued by 20 state and local governmental units of mixed quality. Based on figures for Thursday.
16. Daily figures from Moody's Investors Service. Based on yields to maturity on selected long-term bonds.
17. Compilation of the Federal Reserve. This series is an estimate of the yield on recently-offered, A-rated utility bonds with a 30-year maturity and 5 years of call protection. Weekly data are based on Friday quotations.
18. Standard and Poor's corporate series. Preferred stock ratio based on a sample of ten issues: four public utilities, four industrials, one financial, and one transportation. Common stock ratios on the 500 stocks in the price index.

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

1.36 STOCK MARKET Selected Statistics

Indicator	1984	1985	1986	1986 Oct.	1986 Nov.	1986 Dec.	1987 Jan.	1987 Feb.	1987 Mar.	1987 Apr.	1987 May	1987 June
	Prices and trading (averages of daily figures)											
Common stock prices												
1 New York Stock Exchange (Dec. 31, 1965 = 50)	92.46	108.09	136.00	136.74	140.84	142.12	151.17	160.23	166.43	163.88	163.00	169.58
2 Industrial	108.01	123.79	155.85	156.56	162.10	163.85	175.60	189.17	198.95	199.03	198.78	206.61
3 Transportation	85.63	104.11	119.87r	120.04	122.27	121.26	126.61	135.49	138.55	137.91	141.30	150.39
4 Utility	46.44	56.75	71.36r	73.38	75.77	76.07	78.54	78.19	77.15	72.74	71.64	74.25
5 Finance	89.28	114.21	147.19r	143.89	142.97	144.29	153.32	158.41	162.41	150.52	145.97	152.73
6 Standard & Poor's Corporation (1941–43 = 10)[1]	160.50	186.84	236.34	237.36	245.09	248.61	264.51	280.93	292.47	289.32	289.12	301.36
7 American Stock Exchange[2] (Aug. 31, 1973 = 50)	207.96	229.10	264.38	257.82	265.14	264.65	289.02	315.60	332.55	330.65	328.77	334.49
Volume of trading (thousands of shares)												
8 New York Stock Exchange	91,084	109,191	141,385r	131,155	154,776r	148,228	192,419	183,478	180,251	187,135	170,898	163,380
9 American Stock Exchange	6,107	8,355	11,846	8,930	10,513	12,272	14,755	14,962	15,678	14,420	11,655	12,813
	Customer financing (end-of-period balances, in millions of dollars)											
10 Margin credit at broker–dealers[3]	**22,470**	**28,390**	**36,840**	**36,310**	**37,090**	**36,840**	**34,960**	**35,740**	**38,080**	**39,820**	**38,890**	**38,420**
Free credit balances at brokers[4]												
11 Margin-account[5]	1,755	2,715	4,880	3,805	3,765	4,880	5,060	4,470	4,730	4,660	4,355	3,680
12 Cash-account	10,215	12,840	19,000	14,445	15,045	19,000	17,395	17,325	17,370	17,285	16,985	15,405

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	1984	1985	1986 June	1986 July	1986 Aug.	1986 Sept.	1986 Oct.	1986 Nov.	1986 Dec.	1987 Jan.	1987 Feb.	1987 Mar.	1987 Apr.
	Savings and loan associations												
1 **Assets**	**903,488**	**948,781**	**954,226**	**957,945**	**965,032**	**957,229**	**961,894**	**964,096**	**963,316**	**935,557[r]**	**937,274[r]**	**940,318**	**944,378**
2 Mortgages	555,291	583,235	565,037	565,353	566,438	557,137	557,303	556,780	553,552	n.a.	n.a.	n.a.	n.a.
3 Mortgage-backed securities	....	97,303	113,158	113,100	113,621	117,617	121,606	122,682	123,257	129,338[r]	128,508[r]	129,007	134,886
4 Cash and investment securities[1]	124,801	126,712	130,877	132,787	138,863	138,619	138,213	141,510	142,700	133,011[r]	136,221[r]	138,787	136,170
5 Other	223,396	238,833	258,310	259,798	259,726	261,415	250,781	250,297	251,769	261,739[r]	263,473[r]	266,540	274,951
6 **Liabilities and net worth**	**903,488**	**948,781**	**954,226**	**957,945**	**965,032**	**957,229**	**961,894**	**964,096**	**963,316**	**935,557[r]**	**937,274[r]**	**940,318**	**944,378**
7 Savings capital	725,045	750,071	744,026	747,020	749,020	743,518	742,747	740,066	741,081	721,765[r]	722,283[r]	722,767	717,100
8 Borrowed money	125,666	138,798	148,054	146,578	148,541	155,748	152,567	156,920	159,742	153,361[r]	152,163[r]	158,119	165,926
9 FHLBB	64,207	73,888	73,553	75,058	75,594	80,364	75,295	75,626	80,194	75,552	75,673[r]	76,478	77,870
10 Other	61,459	64,910	74,501	71,520	72,947	75,384	77,272	81,294	79,548	77,809[r]	76,490[r]	81,641	88,056
11 Other	17,944	19,045	20,792	22,785	24,706	15,461	23,255	24,078	20,071	19,756[r]	21,820[r]	18,758	20,456
12 Net worth[2]	34,833	41,064	41,353	41,560	42,764	42,503	43,326	43,034	42,423	40,672[r]	41,002[r]	40,673	40,887
MEMO													
13 Mortgage loan commitments outstanding[3]	61,305	54,475	57,200	55,687	53,180	51,163	49,887	48,222	41,650	n.a.	n.a.	n.a.	n.a.
	FSLIC-insured federal savings banks												
14 **Assets**	**98,559**	**131,868**	**180,124**	**183,317**	**186,810**	**196,225**	**202,106**	**204,918**	**210,562**	**235,430[r]**	**235,764[r]**	**241,448**	**246,299**
15 Mortgages	57,429	72,355	99,758	101,755	103,019	108,627	110,826	112,117	113,638	136,773[r]	136,493[r]	138,707	140,861
16 Mortgage-backed securities	9,949	15,676	21,598	23,247	24,097	26,431	27,516	28,324	29,766	33,570[r]	34,634[r]	36,105	37,511
17 Other	10,971	11,723	16,774	17,027	17,056	18,509	18,697	19,266	19,034	15,776[r]	16,066[r]	16,745	17,040
18 **Liabilities and net worth**	**98,559**	**131,868**	**180,124**	**183,317**	**186,810**	**196,225**	**202,106**	**204,918**	**210,562**	**235,430[r]**	**235,764[r]**	**241,448**	**246,299**
19 Savings capital	79,572	103,462	138,168	140,610	142,858	149,074	152,834	154,447	157,872	176,744[r]	177,362[r]	178,693	180,646
20 Borrowed money	12,798	19,323	28,502	28,722	29,390	32,319	33,430	33,937	37,329	40,614[r]	39,777[r]	43,915	46,125
21 FHLBB	7,515	10,510	15,301	15,866	16,123	16,853	17,382	17,863	19,897	20,730	20,226[r]	21,104	21,718
22 Other	5,283	8,813	13,201	12,856	13,267	15,466	16,048	16,074	17,432	19,884[r]	19,551[r]	22,811	24,407
23 Other	1,903	2,732	4,279	4,564	4,914	4,666	5,330	5,652	4,263	5,301[r]	5,478[r]	5,250	5,538
24 Net worth	4,286	6,351	9,175	9,422	9,647	10,165	10,511	10,883	11,098	12,775[r]	13,152[r]	13,591	13,999
MEMO													
25 Mortgage loan commitments outstanding[3]	3,234	5,355	9,410	10,139	9,770	10,221	9,356	9,952	8,686	n.a.	n.a.	n.a.	n.a.
	Savings banks												
26 **Assets**	**203,898**	**216,776**	**223,367**	**224,569**	**227,011**	**228,854**	**230,919**	**232,577**	**236,866**	**235,603**	**238,074**	**240,739**	**243,405**
Loans													
27 Mortgage	102,895	110,448	110,958	111,971	113,265	114,188	116,648	117,612	118,323	119,199	119,737	121,178	122,726
28 *Other*	24,954	30,876	36,692	36,421	37,350	37,298	36,130	36,149	35,167	36,122	37,207	38,012	37,141
Securities													
29 U.S. government	14,643	13,111	12,115	12,297	12,043	12,357	12,585	13,037	14,209	13,332	13,525	13,631	13,741
30 Mortgage-backed securities	19,215	19,481	22,413	22,954	21,161	23,216	23,437	24,051	25,836	26,220	26,893	27,463	28,697
31 State and local government	2,077	2,323	2,281	2,309	2,400	2,407	2,347	2,290	2,185	2,180	2,168	2,041	2,062
32 Corporate and other	23,747	21,199	2,036	20,862	20,602	20,902	21,156	20,749	20,459	19,795	19,770	19,598	19,768
33 Cash	4,954	6,225	5,301	4,651	5,018	4,811	5,195	5,052	6,894	5,239	5,143	5,703	5,305
34 Other assets	11,413	13,113	13,244	13,104	13,172	13,675	13,421	13,637	13,793	13,516	13,631	13,713	13,965
35 **Liabilities**	**203,898**	**216,776**	**223,367**	**224,569**	**227,011**	**228,854**	**230,919**	**232,577**	**236,866**	**235,603**	**238,074**	**240,739**	**243,405**
36 Deposits	180,616	185,972	189,109	188,615	189,937	190,210	190,334	190,858	192,194	191,441	192,559	193,693	193,349
37 Regular[4]	177,418	181,921	183,970	183,433	184,764	185,002	185,254	185,958	186,345	186,385	187,597	188,432	187,796
38 Ordinary savings	33,739	33,018	34,008	34,166	34,530	35,227	36,165	36,739	37,717	38,467	39,370	40,558	41,322
39 Time	104,732	103,311	103,083	102,374	102,668	102,191	101,125	101,240	100,809	100,604	100,922	100,896	100,311
40 Other	3,198	4,051	5,139	5,182	5,173	5,208	5,080	4,900	5,849	5,056	4,962	5,261	5,553
41 *Other liabilities*	12,504	17,414	19,226	20,641	21,360	21,947	23,319	24,254	25,274	24,710	25,663	27,003	29,059
42 General reserve accounts	10,510	12,823	14,731	15,084	15,427	16,319	16,896	17,146	18,105	18,236	18,486	18,830	19,422

1.37—Continued

Account	1984	1985	1986 June	July	Aug.	Sept.	Oct.	Nov.	Dec.	1987 Jan.	Feb.	Mar.	Apr.
	Credit unions[5]												
43 **Total assets/liabilities and capital**	**93,036**	**118,010**	**134,703**	**137,901**	**139,233**	**140,496**	**143,662**	**145,653**	**147,726**	n.a.	n.a.	n.a.	n.a.
44 Federal	63,205	77,861	87,579	89,539	90,367	91,981	93,257	94,638	95,483	n.a.	n.a.	n.a.	n.a.
45 State	29,831	40,149	47,124	48,362	48,866	48,515	50,405	51,015	52,243	n.a.	n.a.	n.a.	n.a.
46 Loans outstanding	62,561	73,513	77,847	79,647	80,656	81,820	83,388	84,635	86,137	n.a.	n.a.	n.a.	n.a.
47 Federal	42,337	47,933	50,613	51,331	52,007	53,042	53,434	53,877	55,304	n.a.	n.a.	n.a.	n.a.
48 State	20,224	25,580	27,234	28,316	28,649	28,778	29,954	30,758	30,833	n.a.	n.a.	n.a.	n.a.
49 Savings	84,348	105,963	122,952	125,331	126,268	128,125	130,483	131,778	134,327	n.a.	n.a.	n.a.	n.a.
50 Federal	57,539	70,926	80,975	82,596	83,132	84,607	86,158	87,009	87,954	n.a.	n.a.	n.a.	n.a.
51 State	26,809	35,037	41,977	42,735	43,136	43,518	44,325	44,769	46,373	n.a.	n.a.	n.a.	n.a.
	Life insurance companies												
52 **Assets**	**722,979**	**825,901**	**872,359**	**877,919**	**887,255**	**892,304**	**860,682**	**910,691**	**920,771**	**931,962**	**943,421**	n.a.	n.a.
Securities													
53 Government	63,899	75,230	78,284	78,722	79,188	81,636	82,047	84,858	85,849	85,000	87,678	n.a.	n.a.
54 United States[6]	42,204	51,700	54,197	54,321	54,487	56,698	57,511	59,802	61,494	61,014	63,580	n.a.	n.a.
55 State and local	8,713	9,708	10,114	10,350	10,472	10,606	10,212	10,712	10,267	10,048	10,264	n.a.	n.a.
56 Foreign[7]	12,982	13,822	13,973	14,051	14,229	14,332	14,324	14,344	14,088	13,938	13,834	n.a.	n.a.
57 Business	359,333	423,712	455,119	455,013	463,135	462,540	467,433	473,860	474,485	487,837	497,143	n.a.	n.a.
58 Bonds	295,998	346,216	367,966	369,704	374,670	378,267	381,381	386,293	386,994	395,994	401,231	n.a.	n.a.
59 Stocks	63,335	77,496	87,153	85,309	88,465	84,273	86,052	87,567	87,491	91,843	95,912	n.a.	n.a.
60 Mortgages	156,699	171,797	180,041	182,542	183,943	185,268	186,976	189,460	192,975	193,395	193,957	n.a.	n.a.
61 Real estate	25,767	28,822	30,350	31,151	31,844	31,725	31,918	32,184	32,079	32,229	32,061	n.a.	n.a.
62 Policy loans	54,505	54,369	57,342	54,249	54,247	54,273	54,199	54,152	54,016	53,692	53,696	n.a.	n.a.
63 Other assets	63,776	71,971	74,223	76,214	74,898	76,862	77,798	76,177	81,367	79,809	78,886	n.a.	n.a.

1. Holdings of stock of the Federal Home Loan Banks are in "other assets."
2. Includes net undistributed income accrued by most associations.
3. As of July 1985, data include loans in process.
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. *Savings and loan associations:* Estimates by the FHLBB for all associations in the United States based on annual benchmarks for non-FSLIC-insured associations and the experience of FSLIC-insured associations.

FSLIC-insured federal savings banks: Estimates by the FHLBB for federal savings banks insured by the FSLIC and based on monthly reports of federally insured institutions.

Savings banks: Estimates by the National Council of Savings Institutions for all savings banks in the United States and for FDIC-insured savings banks that have converted to federal savings banks.

Credit unions: Estimates by the National Credit Union Administration for federally chartered and federally insured state-chartered credit unions serving natural persons.

Life insurance companies: Estimates of the American Council of Life Insurance for all life insurance companies in the United States. Annual figures are annual-statement asset values, with bonds carried on an amortized basis and stocks at year-end market value. Adjustments for interest due and accrued and for differences between market and book values are not made on each item separately but are included, in total, in "other assets."

1.38 FEDERAL FISCAL AND FINANCING OPERATIONS

Millions of dollars

Type of account or operation	Fiscal year 1984	Fiscal year 1985	Fiscal year 1986	Calendar year 1987 Jan.	Feb.	Mar.	Apr.	May	June
U.S. budget[1]									
1 Receipts, total	666,457	734,057	769,091	81,771	55,463	56,515	122,897	47,691	82,945
2 On-budget	500,382	547,886	568,862	62,981	37,919	38,469	99,083	30,205	64,222
3 Off-budget	166,075	186,171	200,228	18,790	17,544	18,046	23,814	17,486	18,723
4 Outlays, total	851,781	946,316	989,815	83,942	83,828	84,527	84,240	83,435	83,366
5 On-budget	685,968	769,509	806,318	68,176	67,138	67,872	69,215	66,389	66,221
6 Off-budget	165,813	176,807	183,498	15,766	16,690	16,655	15,025	17,046	17,145
7 Surplus, or deficit (−), total	−185,324	212,260	220,725	2,170	−28,366	−28,012	38,657	−35,744	−420
8 On-budget	−185,586	−221,623	−237,455	−5,195	−29,219	−29,403	29,867	−36,184	−1,998
9 Off-budget	262	9,363	16,371	3,024	854	1,391	8,790	440	1,578
Source of financing (total)									
10 Borrowing from the public	170,817	197,269	236,284	4,353	15,248	7,884	9,075	13,005	9,655
11 Cash and monetary assets (decrease, or increase (−))[2]	6,631	13,367	−14,324	−9,564	16,574	15,621	−47,189	24,217	−6,434
12 Other[3]	7,875	1,630	−1,235	7,381	−3,456	4,506	543	−1,478	−2,801
MEMO									
13 Treasury operating balance (level, end of period)	30,426	17,060	31,384	41,307	24,816	8,969	55,744	33,106	40,072
14 Federal Reserve Banks	8,514	4,174	7,514	15,746	3,482	3,576	29,688	6,383	13,774
15 Tax and loan accounts	21,913	12,886	23,870	25,561	21,334	5,394	26,056	26,723	26,298

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 U.S. Treasury operating cash accounts; SDRs; reserve position on the U.S. quota in the IMF; loans to International Monetary Fund; and other cash and monetary assets.

3. Includes 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

Millions of dollars

Source or type	Fiscal year 1985	Fiscal year 1986	Calendar year						
			1985	1986		1987	1987		
			H2	H1	H2	H1	Apr.	May	June
RECEIPTS									
1 **All sources**	**734,057**	**769,091**	**364,790**	**394,345**	**387,524**	**447,282**	**122,897**	**47,691**	**82,945**
2 Individual income taxes, net	334,531	348,959	169,987	169,444	183,156	205,157	71,850	9,275	40,521
3 Withheld	298,941	314,838	155,725	153,919	164,071	156,760	26,943	24,823	25,525
4 Presidential Election Campaign Fund	35	36	6	31	4	30	7	7	4
5 Nonwithheld	101,328	105,994	22,295	78,981	27,733	112,421	62,939	7,228	16,574
6 Refunds	65,743	71,873	8,038	63,488	8,652	64,052	18,039	22,782	1,583
Corporation income taxes									
7 Gross receipts	77,413	80,442	36,528	41,946	42,108	52,396	13,290	2,885	13,572
8 Refunds	16,082	17,298	7,751	9,557	8,230	10,881	2,101	1,042	2,599
9 Social insurance taxes and contributions, net	265,163	283,901	128,017	156,714	134,006	163,519	33,646	30,218	24,712
10 Employment taxes and contributions[1]	234,646	255,062	116,276	139,706	122,246	146,696	30,457	22,270	23,981
11 Self-employment taxes and contributions[2]	10,468	11,840	985	10,581	1,338	12,020	7,403	732	1,612
12 Unemployment insurance	25,758	24,098	9,281	14,674	9,328	14,514	2,827	7,529	315
13 Other net receipts[3]	4,759	4,742	2,458	2,333	2,429	2,310	361	419	416
14 Excise taxes	35,992	32,919	18,470	15,944	15,947	15,845	2,471	2,633	3,099
15 Customs deposits	12,079	13,323	6,354	6,369	7,282	7,129	1,165	1,142	1,415
16 Estate and gift taxes	6,422	6,958	3,323	3,487	3,649	3,818	810	726	507
17 Miscellaneous receipts[4]	18,539	19,887	9,861	10,002	9,605	10,299	1,767	1,853	1,719
OUTLAYS									
18 **All types**	**946,316**[r]	**989,815**[r]	**487,188**	**486,037**	**504,785**	**503,338**	**84,240**	**83,435**	**83,366**
19 National defense	252,748	273,369	134,675	135,367	138,544	142,846	24,407	23,471	24,694
20 International affairs	16,176	14,471	8,367	5,384	8,876	4,420	163	831	1,068
21 General science, space, and technology	8,627	9,017	4,727	12,519	4,594	4,324	653	779	836
22 Energy	5,685	4,792	3,305	2,484	2,735	2,335	361	356	598
23 Natural resources and environment	13,357	13,508	7,553	6,245	7,141	6,179	1,052	985	1,176
24 Agriculture	25,565	31,169	15,412	14,482	16,160	11,824	2,641	716	-342
25 Commerce and housing credit	4,229	4,258	644	860	3,647	4,889	1,129	997	703
26 Transportation	25,838	28,058	15,360	12,658	14,745	12,113	1,936	2,089	2,539
27 Community and regional development	7,680	7,510	3,901	3,169	3,494	3,108	592	585	584
28 Education, training, employment, social services	29,342	29,662	14,481	14,712	15,268	14,182	2,317	2,255	2,143
29 Health	33,542	35,936	17,237	17,872	19,814	20,318	3,672	3,544	3,525
30 Social security and medicare	254,446	190,850	129,037	135,214	138,296	142,864	23,615	23,782	26,339
31 Income security	128,200	120,686	59,457	60,786	59,628	62,248	11,282	10,273	7,931
32 Veterans benefits and services	26,352	26,614	14,527	12,193	14,497	12,264	2,360	2,047	2,440
33 Administration of justice	6,277	6,555	3,212	3,352	3,360	3,626	619	646	690
34 General government	5,228	6,796	3,634	3,566	2,786	3,238	196	358	1,448
35 General-purpose fiscal assistance	6,353	6,430	3,391	2,179	2,767	455	179	62	54
36 Net interest[5]	129,436	135,284	67,448	68,054	65,816	70,110	11,295	12,284	10,010
37 Undistributed offsetting receipts[6]	-32,759	-33,244	-17,953	-17,193	-17,426	-18,005	-4,230	-2,626	-3,069

1. Old-age, disability, and hospital insurance, and railroad retirement accounts.
2. Old-age, disability, and hospital insurance.
3. Federal employee retirement contributions and civil service retirement and disability fund.
4. Deposits of earnings by Federal Reserve Banks and other miscellaneous receipts.
5. Net interest function includes interest received by trust funds.
6. Consists of rents and royalties on the outer continental shelf and U.S. government contributions for employee retirement.

SOURCE. "Monthly Treasury Statement of Receipts and Outlays of the U.S. Government," and the *Budget of the U.S. Government, Fiscal Year 1988*.

1.40 FEDERAL DEBT SUBJECT TO STATUTORY LIMITATION

Billions of dollars

Item	1985 Mar. 31	1985 June 30	1985 Sept. 30	1985 Dec. 31	1986 Mar. 31	1986 June 30	1986 Sept. 30	1986 Dec. 31	1987 Mar. 31
1 **Federal debt outstanding**	**1,715.1**	**1,779.0**	**1,827.5**	**1,950.3**	**1,991.1**	**2,063.6**	**2,129.5**	**2,218.9**	**2,250.7**
2 Public debt securities	1,710.7	1,774.6	1,823.1	1,945.9	1,986.8	2,059.3	2,125.3	2,214.8	2,246.7
3 Held by public	1,415.2	1,460.5	1,506.6	1,597.1	1,634.3	1,684.9	1,742.4	1,811.7	1,839.3
4 Held by agencies	295.5	314.2	316.5	348.9	352.6	374.4	382.9	403.1	407.5
5 Agency securities	4.4	4.4	4.4	4.4	4.3	4.3	4.2	4.0	4.0
6 Held by public	3.3	3.3	3.3	3.3	3.2	3.2	3.2	3.0	2.9
7 Held by agencies	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1
8 **Debt subject to statutory limit**	**1,711.4**	**1,775.3**	**1,823.8**	**1,932.4**	**1,973.3**	**2,060.0**	**2,111.0**	**2,200.5**	**2,232.4**
9 Public debt securities	1,710.1	1,774.0	1,822.5	1,931.1	1,972.0	2,058.7	2,109.7	2,199.3	2,231.1
10 Other debt[1]	1.3	1.3	1.3	1.3	1.3	1.3	1.3	1.3	1.3
11 MEMO: Statutory debt limit	1,823.8	1,823.8	1,823.8	2,078.7	2,078.7	2,078.7	2,111.0	2,300.0	2,300.0

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

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

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

Billions of dollars, end of period

Type and holder	1983	1984	1985	1986	1986 Q2	1986 Q3	1986 Q4	1987 Q1
1 **Total gross public debt**	**1,410.7**	**1,663.0**	**1,945.9**	**2,214.8**	**2,059.3**	**2,125.3**	**2,214.8**	**2,246.7**
By type								
2 Interest-bearing debt	1,400.9	1,660.6	1,943.4	2,212.0	2,056.7	2,122.7	2,212.0	2,244.0
3 Marketable	1,050.9	1,247.4	1,437.7	1,619.0	1,498.2	1,564.3	1,619.0	1,635.7
4 Bills	343.8	374.4	399.9	426.7	396.9	410.7	426.7	406.2
5 Notes	573.4	705.1	812.5	927.5	869.3	896.9	927.5	955.3
6 Bonds	133.7	167.9	211.1	249.8	232.3	241.7	249.8	259.3
7 Nonmarketable[1]	350.0	413.2	505.7	593.1	558.5	558.4	593.1	608.3
8 State and local government series	36.7	44.4	87.5	110.5	98.2	102.4	110.5	118.5
9 Foreign issues[2]	10.4	9.1	7.5	4.7	5.3	4.1	4.7	4.9
10 Government	10.4	9.1	7.5	4.7	5.3	4.1	4.7	4.9
11 Public	.0	.0	.0	.0	.0	.0	.0	.0
12 Savings bonds and notes	70.7	73.1	78.1	90.6	82.3	85.6	90.6	93.0
13 Government account series[3]	231.9	286.2	332.2	386.9	372.3	365.9	386.9	391.4
14 Non-interest-bearing debt	9.8	2.3	2.5	2.8	2.6	2.6	2.8	2.7
By holder[4]								
15 U.S. Treasury and other federal agencies and trust funds	236.3	289.6	348.9	403.1	374.4	382.9	403.1	407.5
16 Federal Reserve Banks	151.9	160.9	181.3	211.3	183.8	190.8	211.3	n.a.
17 Private investors	1,022.6	1,212.5	1,417.2	1,602.0	1,502.7	1,553.3	1,602.0	1,641.4
18 Commercial banks	188.8	183.4	192.2	225.0	197.2	212.5	225.0	232.0
19 Money market funds	22.8	25.9	25.1	28.6	22.8	24.9	28.6	18.8
20 Insurance companies	56.7	76.4	95.8	106.9	97.7	100.9	106.9	n.a.
21 Other companies	39.7	50.1	59.0	68.8	61.2	65.7	68.8	72.1
22 State and local governments	155.1	179.4	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Individuals								
23 Savings bonds	71.5	74.5	79.8	92.3	83.8	87.1	92.3	94.7
24 Other securities	61.9	69.3	75.0	70.4	75.7	70.9	70.4	68.4
25 Foreign and international[5]	166.3	192.9	214.6	257.0	239.8	256.3	257.0	272.1
26 Other miscellaneous investors[6]	259.8	360.6	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

1. Includes (not shown separately): Securities issued to the Rural Electrification Administration, depository bonds, retirement plan bonds, and individual retirement bonds.
2. Nonmarketable dollar-denominated and foreign currency-denominated series held by foreigners.
3. Held almost entirely by U.S. Treasury agencies and trust funds.
4. Data for Federal Reserve Banks and U.S. government 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. TREASURY AND FEDERAL AGENCY SECURITIES TRANSACTIONS By Type of Transactions[1]

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

	Item	1984	1985	1986	1987			1987					
					Apr.	May	June	May 20	May 27	June 3	June 10	June 17	June 24
	Immediate delivery[2]												
1	**U.S. Treasury securities**	**52,778**	**75,331**	**95,447**	**138,007**	**116,386**r	**110,383**	**121,141**	**117,483**	**125,887**	**104,920**	**107,506**	**103,585**
	By maturity												
2	Bills	26,035	32,900	34,249	50,528	36,913	35,280	39,326	37,347	39,565	40,967	33,508	26,908
3	Other within 1 year	1,305	1,811	2,115	3,190	3,084	3,446	3,081	3,055	3,376	2,970	4,340	2,585
4	1–5 years	11,733	18,361	24,667	29,094	30,989r	26,620	35,876	33,065	28,951	22,812	24,469	30,174
5	5–10 years	7,606	12,703	20,455	31,476	22,716	27,520	20,788	23,522	32,100	22,807	28,340	25,792
6	Over 10 years	6,099	9,556	13,961	23,718	22,684	17,518	22,071	20,495	21,895	15,364	16,849	18,127
	By type of customer												
7	U.S. government securities dealers	2,919	3,336	3,646	3,113	2,801	2,816	2,939	2,007	3,862	2,930	2,455	2,243
8	U.S. government securities brokers	25,580	36,222	49,368	78,533	63,089	58,782	65,532	61,457	68,562	57,592	57,892	55,136
9	All others[3]	24,278	35,773	42,218	55,648	49,818r	47,990	52,668	54,018	53,462	44,397	47,158	46,206
10	Federal agency securities	7,846	11,640	16,746	22,184	19,694	18,627	22,630	24,729	16,429	14,186	24,095	20,413
11	Certificates of deposit	4,947	4,016	4,355	4,964	3,880	3,973	3,832	4,733	4,586	3,977	4,309	3,649
12	Bankers acceptances	3,243	3,242	3,272	3,453	2,762	2,740	2,999	3,040	2,931	2,525	2,977	2,352
13	Commercial paper	10,018	12,717	16,660	17,914	18,375	17,227	19,638	18,606	19,217	16,942	17,638	15,493
	Futures contracts[4]												
14	Treasury bills	6,947	5,561	3,311	3,575	4,128	2,810	3,891	5,406	4,672	2,873	2,089	2,021
15	Treasury coupons	4,533	6,085	7,175	12,018	10,374	8,002	11,733	9,579	11,472	8,386	7,204	6,723
16	Federal agency securities	264	252	16	1	6	13	0	13	28	16	4	19
	Forward transactions[5]												
17	U.S. Treasury securities	1,364	1,283	1,876	2,760	2,840	1,887	2,272	2,534	2,837	918	1,214	2,544
18	Federal agency securities	2,843	3,857	7,830	15,961	11,951	9,875	16,074	14,021	7,391	8,936	15,281	10,570

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 five business days from the date of the transaction for Treasury securities (Treasury bills, notes, and bonds) or after thirty 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	1984	1985	1986	1987 Apr.	1987 May[r]	1987 June	1987 May 27[r]	1987 June 3	1987 June 10	1987 June 17	1987 June 24
						Positions					
Net immediate[2]											
1 **U.S. Treasury securities**	**5,429**	**7,391**	**13,055**	**−6,965**	**−13,475**	**−7,950**	**−11,022**	**−9,363**	**−7,653**	**−6,632**	**−9,689**
2 Bills	5,500	10,075	12,723	−779	5,942	2,296	−6,020	1,851	2,021	3,505	3,397
3 Other within 1 year	63	1,050	3,699	3,076	3,526	2,105	3,496	2,977	2,432	1,671	1,991
4 1–5 years	2,159	5,154	9,297	2,519	1,072	371	3,489	899	199	677	−1,630
5 5–10 years	−1,119	−6,202	9,504	5,944	7,641	−7,524	8,555	6,797	−7,338	−7,832	8,112
6 Over 10 years	−1,174	2,686	−3,161	−5,836	−4,489	−5,197	3,433	4,592	4,967	−4,653	−5,336
7 Federal agency securities	15,294	22,860	33,066	32,863	32,760	31,981	32,688	31,245	32,370	33,295	31,669
8 Certificates of deposit	7,369	9,192	10,533	8,502	8,996	8,612	9,153	9,101	9,125	8,677	8,284
9 Bankers acceptances	3,874	4,586	5,535	3,694	3,712	3,777	3,503	3,258	3,658	3,883	3,949
10 Commercial paper	3,788	5,570	8,087	6,258	6,588	7,203	6,278	7,429	7,299	7,653	6,785
Futures positions											
11 Treasury bills	4,525	7,322	−18,062	5,004	1,779	−579	3,716	1,251	120	1,170	−1,503
12 Treasury coupons	1,794	4,465	3,489	3,936	2,609	3,182	2,183	2,555	2,633	2,551	3,763
13 Federal agency securities	233	722	153	95	−98	100	98	−99	−107	−99	99
Forward positions											
14 U.S. Treasury securities	1,643	−911	2,304	−2,386	4,305	921	−4,789	1,761	483	−1,280	600
15 Federal agency securities	9,205	−9,420	11,909	−15,767	20,339	−19,236	20,311	18,414	−19,849	−20,461	−19,411
						Financing[3]					
Reverse repurchase agreements[4]											
16 Overnight and continuing	44,078	68,035	98,954	129,443	122,078	n.a.	124,737	133,473	12,896	127,070	121,960
17 Term agreements	68,357	80,509	108,693	133,833	151,163	n.a.	150,494	146,424	148,810	150,742	155,400
Repurchase agreements[5]											
18 Overnight and continuing	75,717	101,410	141,735	176,340	165,707	n.a.	173,210	176,256	170,800	173,969	167,972
19 Term	57,047	70,076	102,640	108,841	124,599	n.a.	124,105	121,793	123,862	122,389	126,369

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. government 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	1983	1984	1985	1986	1987				
				Dec.	Jan.	Feb.	Mar.	Apr.	May
1 **Federal and federally sponsored agencies**	**240,068**	**271,220**	**293,905**	**307,361**	**305,114**	**305,603**	**305,033r**	n.a.	
2 Federal agencies	33,940	35,145	36,390	36,958	37,041	37,073	36,660	36,531	
3 Defense Department[1]	243	142	71	33	32	27	24	23	
4 Export-Import Bank[2,3]	14,853	15,882	15,678	14,211	14,211	14,211	13,813	13,813	
5 *Federal Housing Administration*[4]	194	133	115	138	136	147	158	165	n.a.
6 Government National Mortgage Association participation certificates[5]	2,165	2,165	2,165	2,165	2,165	2,165	2,165	1,965	
7 Postal Service[6]	1,404	1,337	1,940	3,104	3,104	3,104	3,104	3,104	
8 Tennessee Valley Authority	14,970	15,435	16,347	17,222	17,308	17,334	17,311	17,376	
9 United States Railway Association[6]	111	51	74	85	85	85	85	85	
10 Federally sponsored agencies[7]	206,128	236,075	257,515	270,403	268,073	268,530	268,373r	n.a.	
11 Federal Home Loan Banks	48,930	65,085	74,447	88,752	90,225	91,313	92,087	94,606	95,931
12 Federal Home Loan Mortgage Corporation	6,793	10,270	11,926	13,589	13,492	13,847	13,074r	n.a.	n.a.
13 Federal National Mortgage Association	74,594	83,720	93,896	93,563	92,588	91,522	91,618	89,741	90,514
14 Farm Credit Banks	72,816	71,193	68,851	62,328	59,984	59,367	58,364	57,251	57,051
15 Student Loan Marketing Association[8]	3,402	5,745	8,395	12,171	11,784	12,481	13,230	13,930	14,230
MEMO									
16 **Federal Financing Bank debt**[9]	**135,791**	**145,217**	**153,373**	**157,510**	**157,650**	**157,724**	**157,012**	**157,177**	
Lending to federal and federally sponsored agencies									
17 Export-Import Bank[3]	14,789	15,852	15,670	14,205	14,205	14,205	13,807	13,807	
18 Postal Service[6]	1,154	1,087	1,690	2,854	2,854	2,854	2,854	2,854	
19 Student Loan Marketing Association	5,000	5,000	5,000	4,970	4,970	4,970	4,970	4,970	n.a.
20 Tennessee Valley Authority	13,245	13,710	14,622	15,797	15,928	15,954	15,931	15,996	
21 United States Railway Association[6]	111	51	74	85	85	85	85	85	
Other Lending[10]									
22 Farmers Home Administration	55,266	58,971	64,234	65,374	65,374	65,374	65,224	65,254	
23 Rural Electrification Administration	19,766	20,693	20,654	21,680	21,719	21,749	21,473	21,487	
24 Other	26,460	29,853	31,429	32,545	32,515	32,533	32,668	32,724	

1. Consists of mortgages assumed by the Defense Department between 1957 and 1963 under family housing and homeowners assistance programs.
2. Includes participation certificates reclassified as debt beginning Oct. 1, 1976.
3. Off-budget Aug. 17, 1974, through Sept. 30, 1976; on-budget thereafter.
4. Consists of debentures issued in payment of Federal Housing Administration insurance claims. Once issued, these securities may be sold privately on the securities market.
5. Certificates of participation issued before fiscal 1969 by the Government National Mortgage Association acting as trustee for the Farmers Home Administration; Department of Health, Education, and Welfare; Department of Housing and Urban Development; Small Business Administration; and the Veterans Administration.
6. Off-budget.
7. Includes outstanding noncontingent liabilities: notes, bonds, and debentures. Some data are estimated.
8. Before late 1981, the Association obtained financing through the Federal Financing Bank (FFB).
9. The FFB, which began operations in 1974, is authorized to purchase or sell obligations issued, sold, or guaranteed by other federal agencies. Since FFB incurs debt solely for the purpose of lending to other agencies, its debt is not included in the main portion of the table in order to avoid double counting.
10. Includes FFB purchases of agency assets and guaranteed loans; the latter contain loans guaranteed by numerous agencies with the guarantees of any particular agency being generally small. The Farmers Home Administration item consists exclusively of agency assets, while the Rural Electrification Administration entry contains both agency assets and guaranteed loans.

1.45 NEW SECURITY ISSUES Tax-Exempt State and Local Governments

Millions of dollars

Type of issue or issuer, or use	1984	1985	1986	1986		1987					
				Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May^r	June
1 **All issues, new and refunding**[1]	**106,641**	**214,189**	**134,606**	**11,010**	**15,662**	**7,343**	**8,969**	**14,591**	**6,849**^r	**6,037**	**9,674**
Type of issue											
2 General obligation	26,485	52,622	44,801	1,607	4,426	1,100	3,643	3,853	3,449	2,872	3,178
3 Revenue	80,156	161,567	89,806	9,403	11,236	6,243	5,325	10,738	3,405	3,165	6,496
Type of issuer											
4 State	9,129	13,004	14,935	6	961	153	1,364	1,217	427	1,001	1,132
5 Special district and statutory authority[2]	63,550	134,363	79,291	8,124	10,431	5,275	5,825	10,004	4,790	3,019	5,559
6 Municipalities, counties, townships	33,962	66,822	40,374	2,759	4,265	1,915	1,781	3,370	1,637	2,017	2,983
7 **Issues for new capital, total**	**94,050**	**156,050**	**79,195**	**4,220**	**10,050**	**1,930**	**2,774**	**4,480**	**3,237**	**3,848**	**7,498**
Use of proceeds											
8 Education	7,553	16,658	16,948	566	925	452	448	659	774	789	1,039
9 Transportation	7,552	12,070	11,666	843	356	92	145	111	98	194	708
10 Utilities and conservation	17,844	26,852	35,383	671	1,165	681	482	444	571	561	1,476
11 Social welfare	29,928	63,181	17,332	2,931	3,944	380	527	991	468	454	1,113
12 Industrial aid	15,415	12,892	5,594	483	2,845	38	89	368	33	161	325
13 Other purposes	15,758	24,398	47,433	483	1,829	286	1,084	1,907	1,295	1,689	2,840

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

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

1.46 NEW SECURITY ISSUES Corporations

Millions of dollars

Type of issue or issuer, or use	1984	1985	1986	1986			1987				
				Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.^r	May
1 **All issues**[1]	**132,531**	**201,269**	**375,056**	**28,577**	**28,822**	**25,168**	**23,165**	**24,041**^r	**33,145**^r	**21,851**	**17,925**
2 **Bonds**[2]	**109,903**	**165,754**	**313,226**	**23,471**	**22,223**	**18,920**	**20,250**	**20,274**^r	**23,335**^r	**17,634**	**11,336**
Type of offering											
3 Public	73,579	119,559	232,465	23,471	22,223	18,920	20,250	20,274^r	23,335^r	17,634	11,336
4 Private placement[3]	36,324	46,195	80,761	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Industry group											
5 Manufacturing	24,607	52,128	78,584	2,055	3,378	3,786	4,165	3,679	6,349	2,184	3,789
6 Commercial and miscellaneous	13,726	15,140	37,277	1,067	1,213	2,067	1,074	1,714	3,756^r	1,365	467
7 Transportation	4,694	5,743	9,734	170	0	70	0	100	521	168	21
8 Public utility	10,679	12,957	31,058	2,537	2,587	2,498	1,491	2,715	694	1,370	572
9 Communication	2,997	10,456	15,489	1,255	1,158	776	65	250	310^r	100	138
10 Real estate and financial	53,199	69,332	141,086	16,387	13,888	9,723	13,455	11,817^r	11,706^r	12,448	6,349
11 **Stocks**	**22,628**	**35,515**	**61,830**	**5,106**	**6,599**	**6,248**	**2,915**	**3,767**	**9,810**	**4,217**	**6,589**
Type											
12 Preferred	4,118	6,505	11,514	817	1,390	1,293	429	905	2,257	526	1,289
13 Common	18,510	29,010	50,316	4,289	5,209	4,955	2,486	2,862	7,553	3,691	5,300
Industry group											
14 Manufacturing	4,054	5,700	14,234	570	2,565	1,781	365	814	2,016	653	1,185
15 Commercial and miscellaneous	6,277	9,149	9,252	1,271	535	709	148	437	2,366	2,203	1,424
16 Transportation	589	1,544	2,392	511	15	183	0	191	299	230	3
17 Public utility	1,624	1,966	3,791	410	218	873	237	509	907	297	374
18 Communication	419	978	1,504	59	104	101	16	9	57	18	200
19 Real estate and financial	9,665	16,178	30,657	2,285	3,162	2,601	2,149	1,807	4,165	816	3,403

1. Figures, which represent gross proceeds of issues maturing in more than one year, sold for cash in the United States, are principal amount or number of units multiplied by offering price. Excludes offerings of less than $100,000, secondary offerings, undefined or exempted issues as defined in the Securities Act of 1933, employee stock plans, investment companies other than closed-end, intracorporate transactions, and sales to foreigners.
2. Monthly data include only public offerings.
3. Data are not available on a monthly basis.

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

1.47 OPEN-END INVESTMENT COMPANIES Net Sales and Asset Position

Millions of dollars

Item	1985	1986r	1986				1987			
			Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.r
INVESTMENT COMPANIES[1]										
1 **Sales of own shares[2]**	**222,670**	**411,483**	**37,150**	**33,672**	**44,796**	**50,116**	**36,307**	**40,378**	**42,857**	**28,295**
2 Redemptions of own shares[3]	132,440	239,394	20,782	20,724	34,835	26,565	21,576	24,730	37,448	23,453
3 Net sales	90,230	172,089	16,368	12,948	9,961	23,551	14,731	15,648	5,409	4,842
4 **Assets[4]**	**251,695**	**424,156**	**402,644**	**416,939**	**424,156**	**464,415**	**490,643**	**506,752**	**502,487**	**500,669**
5 Cash position[5]	20,607	30,716	30,826	29,579	30,716	34,098	35,279	37,090	43,009	38,375
6 Other	231,088	393,440	371,818	387,360	393,440	430,317	455,364	469,662	459,478	462,294

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. Treasury 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	1984r	1985r	1986r	1985r			1986r				1987r
				Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
1 Corporate profits with inventory valuation and capital consumption adjustment	266.9	277.6	284.4	274.2	292.8	277.8	288.0	282.3	286.4	281.1	294.0
2 Profits before tax	239.9	224.8	231.9	218.0	230.2	233.5	218.9	224.4	236.3	247.9	257.0
3 Profits tax liability	93.9	96.7	105.0	93.2	100.5	99.1	98.1	102.1	106.1	113.9	128.0
4 Profits after tax	146.1	128.1	126.8	124.8	129.7	134.4	120.9	122.3	130.2	134.0	129.0
5 Dividends	79.0	81.3	86.8	81.3	81.2	81.7	84.3	86.6	87.7	88.6	90.3
6 Undistributed profits	67.0	46.8	40.0	43.5	48.5	52.7	36.6	35.7	42.5	45.4	38.7
7 Inventory valuation	-5.8	-.8	6.5	1.8	6.5	-9.8	17.8	11.3	6.0	-8.9	-11.3
8 Capital consumption adjustment	32.8	53.5	46.0	54.4	56.0	54.2	51.3	46.7	44.0	42.1	48.2

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

1.49 NONFINANCIAL CORPORATIONS Assets and Liabilities[1]

Billions of dollars, except for ratio

Account	1980	1981	1982	1983	1984	1985				1986
						Q1	Q2	Q3	Q4	Q1
1 **Current assets**	**1,328.3**	**1,419.6**	**1,437.1**	**1,575.9**	**1,703.0**	**1,722.7**	**1,734.6**	**1,763.0**	**1,784.6**	**1,795.7**
2 Cash	127.0	135.6	147.8	171.8	173.6	167.5	167.1	176.3	189.2	195.3
3 U.S. government securities	18.7	17.7	23.0	31.0	36.2	35.7	35.4	32.6	33.0	31.0
4 Notes and accounts receivable	507.5	532.5	517.4	583.0	633.1	650.3	654.1	661.0	671.5	663.4
5 Inventories	543.0	584.0	579.0	603.4	656.9	665.7	666.7	675.0	666.0	679.6
6 Other	132.1	149.7	169.8	186.7	203.2	203.5	211.2	218.0	224.9	226.3
7 **Current liabilities**	**890.6**	**971.3**	**986.0**	**1,059.6**	**1,163.6**	**1,174.1**	**1,182.9**	**1,211.9**	**1,233.6**	**1,222.3**
8 Notes and accounts payable	514.4	547.1	550.7	595.7	647.8	636.9	651.7	670.4	682.7	668.4
9 Other	376.2	424.1	435.3	463.9	515.8	537.1	531.2	541.5	550.9	553.9
10 **Net working capital**	**437.8**	**448.3**	**451.1**	**516.3**	**539.5**	**548.6**	**551.7**	**551.1**	**551.0**	**573.4**
11 MEMO: Current ratio[2]	1.492	1.462	1.458	1.487	1.464	1.467	1.466	1.455	1.447	1.469

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

2. Ratio of total current assets to total current liabilities.

SOURCE. Federal Trade Commission and Bureau of the Census.

1.50 TOTAL NONFARM BUSINESS EXPENDITURES on New Plant and Equipment ▲

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

Industry	1985	1986	1987[1]	1985	1986				1987		
				Q4	Q1	Q2	Q3	Q4	Q1	Q2[1]	Q3[1]
1 **Total nonfarm business**	**387.13**	**379.27**	**390.89**	**397.88**	**377.94**	**375.92**	**374.55**	**388.69**	**372.24**	**392.02**	**397.06**
Manufacturing											
2 Durable goods industries	73.27	69.08	70.86	75.47	68.01	68.33	69.31	70.68	69.72	73.06	71.84
3 Nondurable goods industries	80.21	73.65	75.05	82.79	76.02	73.35	69.89	75.33	69.65	73.83	76.61
Nonmanufacturing											
4 Mining	15.88	11.25	10.45	15.25	12.99	11.22	10.15	10.63	10.17	10.85	10.60
Transportation											
5 Railroad	7.08	6.63	6.06	6.74	6.22	6.77	7.31	6.25	5.29	6.32	6.84
6 Air	4.79	6.26	6.76	6.07	6.58	5.77	5.69	6.99	7.55	6.76	6.36
7 Other	6.15	5.86	6.58	6.34	5.42	5.74	6.03	6.24	5.93	6.39	6.82
Public utilities											
8 Electric	36.11	33.93	32.93	36.38	34.21	33.81	33.91	33.78	30.81	33.51	33.97
9 Gas and other	12.71	12.51	12.71	13.41	12.82	12.74	11.99	12.49	12.63	12.43	12.82
10 Commercial and other[2]	150.93	160.10	169.50	155.42	155.67	158.18	160.25	166.31	160.49	168.86	171.19

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

1. *Anticipated by business.*

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

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

1.51 DOMESTIC FINANCE COMPANIES Assets and Liabilities

Billions of dollars, end of period

Account	1982	1983	1984	1985 Q3	1985 Q4	1986 Q1	1986 Q2	1986 Q3	1986 Q4	1987 Q1
ASSETS										
Accounts receivable, gross										
1 Consumer	75.3	83.3	89.9	108.6	113.4	117.2	125.1	137.1	136.5	133.9
2 Business	100.4	113.4	137.8	143.7	158.3	165.9	167.7	161.0	174.8	182.8
3 Real estate	18.7	20.5	23.8	26.3	28.9	29.9	30.8	32.1	33.7	35.1
4 Total	194.3	217.3	251.5	278.6	300.6	312.9	323.6	330.2	345.0	351.8
Less:										
5 Reserves for unearned income	29.9	30.3	33.8	38.0	39.2	40.0	40.7	42.4	41.4	40.4
6 Reserves for losses	3.3	3.7	4.2	4.6	4.9	5.0	5.1	5.4	5.8	5.9
7 Accounts receivable, net	161.1	183.2	213.5	236.0	256.5	268.0	277.8	282.4	297.8	305.5
8 All other	30.4	34.4	35.7	46.3	45.3	48.8	48.8	59.9	57.9	59.0
9 **Total assets**	**191.5**	**217.6**	**249.2**	**282.3**	**301.9**	**316.8**	**326.6**	**342.3**	**355.6**	**364.5**
LIABILITIES										
10 Bank loans	16.5	18.3	20.0	18.9	20.6	19.0	19.2	20.2	22.2	17.3
11 Commercial paper	51.4	60.5	73.1	93.2	99.2	104.3	108.4	112.8	117.8	119.1
Debt										
12 Other short-term	11.9	11.1	12.9	12.4	12.5	13.4	15.4	16.0	17.2	21.6
13 Long-term	63.7	67.7	77.2	85.5	93.1	101.0	105.2	109.8	115.6	118.4
14 All other liabilities	21.6	31.2	34.5	38.2	40.9	42.3	40.1	44.1	43.4	46.3
15 Capital, surplus, and undivided profits	26.4	28.9	31.5	34.1	35.7	36.7	38.4	39.4	39.4	41.8
16 **Total liabilities and capital**	**191.5**	**217.6**	**249.2**	**282.3**	**301.9**	**316.8**	**326.6**	**342.3**	**355.6**	**364.5**

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

1.52 DOMESTIC FINANCE COMPANIES Business Credit

Millions of dollars, seasonally adjusted except as noted

Type	Accounts receivable outstanding May 31, 1987[1]	Changes in accounts receivable 1987 Mar.	Apr.	May	Extensions 1987 Mar.	Apr.	May	Repayments 1987 Mar.	Apr.	May
1 **Total**	**187,450**	**1,579**	**3,534**	**2,904**	**29,836**	**29,212**	**28,101**	**28,257**	**25,678**	**25,197**
Retail financing of installment sales										
2 Automotive (commercial vehicles)	28,627	570	750	739	1,138	1,200	1,507	568	449	768
3 Business, industrial, and farm equipment	22,698	−40	4	310	1,255	1,352	1,460	1,295	1,349	1,150
Wholesale financing										
4 Automotive	30,739	995	620	1,133	12,676	11,474	10,709	11,681	10,854	9,577
5 Equipment	5,464	−235	76	−16	672	690	513	907	614	530
6 All other	8,683	269	−25	75	3,064	3,056	2,964	2,795	3,082	2,889
Leasing										
7 Automotive	20,495	77	515	−78	1,148	1,136	1,455	1,071	622	1,533
8 Equipment	39,525	440	582	182	995	970	838	555	388	655
9 Loans on commercial accounts receivable and factored commercial accounts receivable	16,791	−652	723	96	7,664	8,122	7,262	8,316	7,399	7,166
10 All other business credit	14,428	155	290	464	1,224	1,211	1,394	1,069	921	929

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

1. Not seasonally adjusted.

1.53 MORTGAGE MARKETS

Millions of dollars; exceptions noted.

Item	1984	1985	1986	1986 Dec.	1987 Jan.	1987 Feb.	1987 Mar.	1987 Apr.	1987 May	1987 June
	Terms and yields in primary and secondary markets									
PRIMARY MARKETS										
Conventional mortgages on new homes										
Terms[1]										
1 Purchase price (thousands of dollars)	96.8	104.1	118.1	124.8	132.6r	135.6	130.2	136.9	132.9r	129.5
2 Amount of loan (thousands of dollars)	73.7	77.4	86.2	93.2	97.3	99.1	95.0	100.9	99.0r	95.5
3 Loan-price ratio (percent)	78.7	77.1	75.2	76.4	75.5	75.3	74.3	75.2	76.1r	75.8
4 Maturity (years)	27.8	26.9	26.6	27.4	27.7	27.6	27.1	27.1	28.0r	27.9
5 Fees and charges (percent of loan amount)[2]	2.64	2.53	2.48	2.46	2.23	2.21	2.20	2.23	2.26r	2.38
6 Contract rate (percent per annum)	11.87	11.12	9.82	9.28	9.14	8.87	8.77	8.84	8.99r	9.10
Yield (percent per year)										
7 FHLBB series[3]	12.37	11.58	10.25	9.69	9.51	9.23	9.14	9.21	9.37r	9.50
8 HUD series[4]	13.80	12.28	10.07	9.33	9.09	9.04	9.19	10.11	10.44	10.29
SECONDARY MARKETS										
Yield (percent per year)										
9 FHA mortgages (HUD series)[5]	13.81	12.24	9.91	9.21	8.79	8.81	8.94	10.02	10.61	10.33
10 GNMA securities[6]	13.13	11.61	9.30	8.62	8.46	8.28	8.18	8.85	9.40	9.50
	Activity in secondary markets									
FEDERAL NATIONAL MORTGAGE ASSOCIATION										
Mortgage holdings (end of period)										
11 Total	83,339	94,574	98,048	97,895	96,382	95,514	95,140	94,404	94,064	94,064
12 FHA/VA-insured	35,148	34,244	29,683	23,121	22,178	22,063	21,843	21,765	21,999	21,892
13 Conventional	48,191	60,331	68,365	74,774	74,204	73,451	73,297	72,639	72,065	72,173
Mortgage transactions (during period)										
14 Purchases	16,721	21,510	30,826	2,336	1,346	979	1,435	2,118	1,718	1,690
Mortgage commitments[7]										
15 Contracted (during period)	21,007	20,155	32,987	1,272	948	912	2,805	3,208	1,726	1,745
16 Outstanding (end of period)	6,384	3,402	3,386	3,386	2,258	2,175	3,539	4,421	4,410	4,448
FEDERAL HOME LOAN MORTGAGE CORPORATION										
Mortgage holdings (end of period)[8]										
17 Total	9,283	12,399	13,517	11,564	12,986r	12,911r	12,940	12,492		
18 FHA/VA	910	841	746	694	686	722r	717	708		
19 Conventional	8,373	11,559r	12,771r	10,870	12,300r	12,189r	12,223	11,784		
Mortgage transactions (during period)										
20 Purchases	21,886	44,012	103,474	11,305	7,950	7,961	9,394	9,777	n.a.	n.a.
21 Sales	18,506	38,905	100,236	11,169	8,269	7,840	9,143	9,357		
Mortgage commitments[9]										
22 Contracted (during period)	32,603	48,989	110,855	8,742	7,685	9,197	9,669	8,408		

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	1984	1985	1986	1986				1987
					Q1	Q2	Q3	Q4	Q1
1	**All holders**	**2,033,654**	**2,266,923**	**2,566,386**	**2,315,962**	**2,383,989**	**2,469,796**	**2,566,386**	**2,625,342**
2	1- to 4-family	1,317,940	1,466,773	1,667,055	1,494,603	1,543,681	1,607,113	1,667,055	1,711,106
3	Multifamily	185,414	213,816	246,925	221,587	229,145	237,410	246,925	250,254
4	Commercial	418,300	480,719	554,733	495,879	509,574	525,122	554,733	567,980
5	Farm	112,000	105,615	97,673	103,893	101,589	100,151	97,673	96,002
6	Selected financial institutions	1,269,702	1,390,394	1,508,599	1,408,665	1,435,437	1,464,213	1,508,599	1,525,130
7	Commercial banks[2]	379,498	429,196	502,534	441,096	456,163	474,658	502,534	518,998
8	1- to 4-family	196,163	213,434	235,814	216,290	221,640	228,593	235,814	241,871
9	Multifamily	20,264	23,373	31,173	25,389	26,799	28,623	31,173	31,869
10	Commercial	152,894	181,032	222,799	187,620	195,484	204,996	222,799	232,000
11	Farm	10,177	11,357	12,748	11,797	12,240	12,446	12,748	13,258
12	Savings banks	154,441	177,263	226,409	188,154	203,398	215,036	226,409	227,087
13	1- to 4-family	107,302	121,879	156,236	131,381	142,174	149,786	156,236	156,683
14	Multifamily	19,817	23,329	30,476	23,980	26,543	28,400	30,476	30,574
15	Commercial	27,291	31,973	39,592	32,707	34,577	36,762	39,592	39,725
16	Farm	31	82	105	86	104	88	105	105
17	Savings and loan associations	555,277	583,236	553,080	574,732	565,037	557,139	553,080	547,383
18	1- to 4-family	421,489	432,422	403,611	420,073	413,865	408,152	403,611	399,042
19	Multifamily	55,750	66,410	66,898	67,140	66,020	65,827	66,898	66,781
20	Commercial	77,605	83,798	82,070	86,860	84,618	82,644	82,070	81,122
21	Farm	433	606	501	659	534	516	501	438
22	Life insurance companies	156,699	171,797	192,975	174,823	180,041	185,269	192,975	196,575
23	1- to 4-family	14,120	12,381	12,763	12,605	12,608	12,927	12,763	12,763
24	Multifamily	18,938	19,894	20,847	20,009	20,181	20,709	20,847	20,997
25	Commercial	111,175	127,670	148,367	130,569	135,924	140,213	148,367	151,867
26	Farm	12,466	11,852	10,998	11,640	11,328	11,420	10,998	10,948
27	Finance companies[3]	23,787	28,902	33,601	29,860	30,798	32,111	33,601	35,087
28	Federal and related agencies	158,993	166,928	203,800	165,041	161,398	159,505	203,800	198,728
29	Government National Mortgage Association	2,301	1,473	889	1,533	876	887	889	846
30	1- to 4-family	585	539	47	527	49	48	47	46
31	Multifamily	1,716	934	842	1,006	827	839	842	800
32	Farmers Home Administration[4]	1,276	733	48,421	704	570	457	48,421	48,203
33	1- to 4-family	213	183	21,625	217	146	132	21,625	21,390
34	Multifamily	119	113	7,608	33	66	57	7,608	7,710
35	Commercial	497	159	8,446	217	111	115	8,446	8,463
36	Farm	447	278	10,742	237	247	153	10,742	10,640
37	Federal Housing and Veterans Administration	4,816	4,920	5,047	4,964	5,094	4,966	5,047	5,091
38	1- to 4-family	2,048	2,254	2,386	2,309	2,449	2,331	2,386	2,440
39	Multifamily	2,768	2,666	2,661	2,655	2,645	2,635	2,661	2,651
40	Federal National Mortgage Association	87,940	98,282	97,895	98,795	97,295	97,717	97,895	95,140
41	1- to 4-family	82,175	91,966	90,718	92,315	90,460	90,508	90,718	88,126
42	Multifamily	5,765	6,316	7,177	6,480	6,835	7,209	7,177	7,014
43	Federal Land Banks	52,261	47,498	39,984	45,422	43,369	42,119	39,984	38,684
44	1- to 4-family	3,074	2,798	2,353	2,673	2,552	2,478	2,353	2,276
45	Farm	49,187	44,700	37,631	42,749	40,817	39,641	37,631	36,408
46	Federal Home Loan Mortgage Corporation	10,399	14,022	11,564	13,623	14,194	13,359	11,564	10,764
47	1- to 4-family	9,654	11,881	10,010	12,231	11,890	11,127	10,010	9,610
48	Multifamily	745	2,141	1,554	1,392	2,304	2,232	1,554	1,154
49	Mortgage pools or trusts[5]	332,057	415,042	529,763	440,701	475,615	522,721	529,763	573,372
50	Government National Mortgage Association	179,981	212,145	260,869	220,348	229,204	241,230	260,869	277,386
51	1- to 4-family	175,589	207,198	255,132	215,148	223,838	235,664	255,132	271,065
52	Multifamily	4,392	4,947	5,737	5,200	5,366	5,566	5,737	6,321
53	Federal Home Loan Mortgage Corporation	70,822	100,387	171,372	110,337	125,903	146,871	171,372	187,962
54	1- to 4-family	70,253	99,515	166,667	108,020	123,676	143,734	166,667	182,857
55	Multifamily	569	872	4,705	2,317	2,227	3,137	4,705	5,105
56	Federal National Mortgage Association	36,215	54,987	97,174	62,310	72,377	86,359	97,174	107,673
57	1- to 4-family	35,965	54,036	95,791	61,117	71,153	85,171	95,791	106,068
58	Multifamily	250	951	1,383	1,193	1,224	1,188	1,383	1,605
59	Farmers Home Administration[4]	45,039	47,523	348	47,706	48,131	48,261	348	351
60	1- to 4-family	21,813	22,186	142	22,082	21,987	21,782	142	154
61	Multifamily	5,841	6,675	n.a.	6,943	7,170	7,353	n.a.	n.a.
62	Commercial	7,559	8,190	132	8,150	8,347	8,409	132	127
63	Farm	9,826	10,472	74	10,531	10,627	10,717	74	70
64	Individuals and others[6]	272,902	294,559	324,224	301,555	311,539	323,357	324,224	328,112
65	1- to 4-family	153,710	165,199	180,159	167,755	174,396	182,569	180,159	181,628
66	Multifamily	48,480	55,195	65,864	57,850	60,938	63,635	65,864	67,673
67	Commercial	41,279	47,897	53,327	49,756	50,513	51,983	53,327	54,676
68	Farm	29,433	26,268	24,874	26,194	25,692	25,170	24,874	24,135

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. Assumed to be entirely 1- to 4-family loans.
4. 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.
5. Outstanding principal balances of mortgage pools backing securities insured or guaranteed by the agency indicated.
6. Other holders include mortgage companies, real estate investment trusts, state and local credit agencies, state and local retirement funds, noninsured pension funds, credit unions, and 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	1985	1986	1986 Sept.	1986 Oct.	1986 Nov.	1986 Dec.	1987 Jan.	1987 Feb.	1987 Mar.	1987 Apr.[r]	1987 May
	Amounts outstanding (end of period)										
1 **Total**	**522,805**	**577,784**	**571,280**	**576,874**	**577,656**	**577,784**	**578,578**	**579,591**	**579,913**	**583,595**	**583,037**
By major holder											
2 Commercial banks	242,084	261,604	258,990	260,940	262,949	261,604	261,694	262,105	261,933	263,433	263,146
3 Finance companies[2]	113,070	136,494	135,516	138,038	136,314	136,494	135,802	136,009	136,050	137,091	136,398
4 Credit unions	72,119	77,857	76,299	76,995	77,508	77,857	78,284	78,492	78,569	79,255	79,555
5 Retailers[3]	38,864	40,586	40,455	40,565	40,496	40,586	40,617	40,644	40,469	40,467	40,318
6 Savings institutions	52,433	58,037	56,687	57,046	57,168	58,037	58,906	59,031	59,488	59,826	60,045
7 Gasoline companies	4,235	3,205	3,333	3,289	3,221	3,205	3,276	3,311	3,405	3,522	3,576
By major type of credit											
8 Automobile	208,057	245,055	239,014	243,400	243,005	245,055	245,472	246,064	246,290	247,663	247,507
9 Commercial banks	93,003	100,709	98,057	99,385	100,221	100,709	101,389	101,688	101,528	101,781	102,079
10 Credit unions	35,635	39,029	38,248	38,597	38,854	39,029	39,243	39,347	39,386	39,730	39,880
11 Finance companies	70,091	93,274	91,241	93,786	92,188	93,274	92,617	92,780	93,032	93,738	93,089
12 Savings institutions	9,328	12,043	11,468	11,632	11,742	12,043	12,223	12,249	12,344	12,414	12,459
13 Revolving	122,021	134,938	133,123	133,816	134,391	134,938	134,916	135,663	135,166	136,706	136,814
14 Commercial banks	75,866	85,652	84,430	84,868	85,426	85,652	85,395	86,053	85,567	86,929	87,075
15 Retailers	34,695	36,240	36,086	36,190	36,137	36,240	36,277	36,308	36,141	36,139	36,009
16 Gasoline companies	4,235	3,205	3,333	3,289	3,221	3,205	3,276	3,311	3,405	3,522	3,576
17 Savings institutions	5,705	7,713	7,308	7,445	7,529	7,713	7,829	7,845	7,906	7,951	7,980
18 Credit unions	1,520	2,128	1,966	2,024	2,078	2,128	2,139	2,145	2,147	2,166	2,174
19 Mobile home	25,488	25,710	25,732	25,784	25,731	25,710	25,852	25,789	25,614	25,626	25,483
20 Commercial banks	9,538	8,812	9,016	9,025	8,951	8,812	8,787	8,739	8,725	8,698	8,556
21 Finance companies	9,391	9,028	9,216	9,149	9,091	9,028	9,077	9,045	8,823	8,816	8,785
22 Savings institutions	6,559	7,870	7,500	7,610	7,689	7,870	7,988	8,005	8,067	8,112	8,142
23 Other	167,239	172,081	173,411	173,874	174,529	172,081	172,338	172,076	172,844	173,600	173,232
24 Commercial banks	63,677	66,431	67,487	67,662	68,351	66,431	66,122	65,625	66,113	66,026	65,435
25 Finance companies	33,588	34,192	35,059	35,104	35,035	34,192	34,108	34,183	34,196	34,537	34,524
26 Credit unions	34,964	36,700	36,085	36,374	36,576	36,700	36,901	36,999	37,036	37,359	37,500
27 Retailers	4,169	4,346	4,369	4,375	4,359	4,346	4,340	4,336	4,327	4,328	4,310
28 Savings institutions	30,841	30,412	30,411	30,359	30,208	30,412	30,867	30,932	31,172	31,349	31,463
	Net change (during period)										
29 **Total**	**76,622**	**54,979**	**7,620**	**5,594**	**782**	**128**	**794**	**1,013**	**322**	**3,682**	**−558**
By major holder											
30 Commercial banks	32,926	19,520	1,508	1,950	2,009	1,345	90	411	−172	1,500	−287
31 Finance companies[2]	23,566	23,424	6,251	2,522	1,724	180	−692	207	41	1,041	−693
32 Credit unions	6,493	5,738	662	696	513	349	427	208	77	686	300
33 Retailers[3]	1,660	1,722	76	110	69	90	31	27	−175	−2	−149
34 Savings institutions	12,103	5,604	−837	359	122	869	869	125	457	338	219
35 Gasoline companies	126	−1,030	−39	−44	−68	−16	71	35	94	117	54
By major type of credit											
36 Automobile	35,705	36,998	7,814	4,386	−395	2,050	417	592	226	1,373	−156
37 Commercial banks	9,103	7,706	1,186	1,328	836	488	680	299	−160	253	298
38 Credit unions	5,330	3,394	332	349	257	175	214	104	39	344	150
39 Finance companies	17,840	23,183	6,373	2,545	−1,598	1,086	−657	163	252	706	−649
40 Savings institutions	3,432	2,715	−77	164	110	301	180	26	95	70	45
41 Revolving	22,401	12,917	57	693	575	547	−22	747	−497	1,540	108
42 Commercial banks	17,721	9,786	−115	438	558	226	−257	658	−486	1,362	146
43 Retailers	1,488	1,545	58	104	−53	103	37	31	−167	−2	−130
44 Gasoline companies	−126	1,030	39	44	68	−16	71	35	94	117	54
45 Savings institutions	2,771	2,008	−17	137	84	184	116	16	61	45	29
46 Credit unions	547	608	56	58	54	50	11	6	2	19	8
47 Mobile home	778	222	−207	52	53	−21	142	63	−175	12	−143
48 Commercial banks	85	726	39	9	74	139	25	−48	−14	27	142
49 Finance companies	−405	363	−121	−67	58	−63	49	−32	222	−7	−31
50 Savings institutions	1,268	1,311	47	110	79	181	118	17	62	45	30
51 Other	17,738	4,842	70	463	655	2,448	257	−262	768	756	−368
52 Commercial banks	6,187	2,754	476	175	689	1,920	−309	−497	488	−87	−591
53 Finance companies	6,131	604	−2	45	−69	843	84	75	13	341	−13
54 Credit unions	616	1,736	274	289	202	124	201	98	37	323	141
55 Retailers	172	177	18	6	−16	−13	6	−4	−9	1	−18
56 Savings institutions	4,632	−429	−696	52	151	204	455	65	240	177	114

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

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

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

4. All data have been revised.

1.56 TERMS OF CONSUMER INSTALLMENT CREDIT

Percent unless noted otherwise

Item	1984	1985	1986	1986		1987				
				Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May
INTEREST RATES										
Commercial banks[1]										
1 48-month new car[2]	13.71	12.91	11.33	10.58	n.a.	n.a.	10.35	n.a.	n.a.	10.23
2 24-month personal	16.47	15.94	14.82	14.19	n.a.	n.a.	14.10	n.a.	n.a.	14.00
3 120-month mobile home[2]	15.58	14.96	13.99	13.49	n.a.	n.a.	13.42	n.a.	n.a.	13.18
4 Credit card	18.77	18.69	18.26	18.09	n.a.	n.a.	18.10	n.a.	n.a.	17.92
Auto finance companies										
5 New car	14.62	11.98	9.44	11.83	11.71	11.65	10.78	10.59	10.81	10.69
6 Used car	17.85	17.59	15.95	15.20	15.12	14.62	14.56	14.40	14.49	14.45
OTHER TERMS[3]										
Maturity (months)										
7 New car	48.3	51.5	50.0	53.4	53.3	53.8	53.6	53.7	54.3	53.5
8 Used car	39.7	41.4	42.6	42.6	42.7	44.8	44.7	44.9	45.0	45.2
Loan-to-value ratio										
9 New car	88	91	91	93	93	94	94	94	94	93
10 Used car	92	94	97	97	98	98	99	99	98	98
Amount financed (dollars)										
11 New car	9,333	9,915	10,665	11,160	10,835	10,902	10,602	10,641	10,946	11,176
12 Used car	5,691	6,089	6,555	6,946	7,168	7,067	7,075	7,145	7,234	7,373

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

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

1.57 FUNDS RAISED IN U.S. CREDIT MARKETS

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

Transaction category, sector	1981	1982	1983	1984	1985	1986	1984 H1	1984 H2	1985 H1	1985 H2	1986 H1	1986 H2
	Nonfinancial sectors											
1 **Total net borrowing by domestic nonfinancial sectors**	**375.8**	**387.4**	**548.8**	**756.3**	**869.3**	**834.0**	**727.8**	**784.8**	**732.6**	**1,006.1**	**706.0**	**962.5**
By sector and instrument												
2 U.S. government	87.4	161.3	186.6	198.8	223.6	214.3	181.3	216.3	201.8	245.5	211.3	217.5
3 Treasury securities	87.8	162.1	186.7	199.0	223.7	214.7	181.5	216.4	201.9	245.5	211.4	218.0
4 Agency issues and mortgages	-.5	-.9	-.1	.2	.1	.3	-.2	-.1	-.1	-.1	-.1	.5
5 Private domestic nonfinancial sectors	288.5	226.2	362.2	557.5	645.7	619.6	546.5	568.5	530.8	760.6	494.7	745.0
6 Debt capital instruments	155.5	148.3	252.8	314.0	461.7	461.7	298.4	329.6	355.4	568.0	392.3	531.2
7 Tax-exempt obligations	23.4	44.2	53.7	50.4	152.4	49.5	42.8	58.0	67.5	237.3	15.9	83.0
8 Corporate bonds	22.8	18.7	16.0	46.1	73.9	113.7	31.2	61.1	72.7	75.1	137.0	90.4
9 Mortgages	109.3	85.4	183.0	217.5	235.4	298.5	224.5	210.5	215.2	255.7	239.3	357.7
10 Home mortgages	72.2	50.5	117.1	129.9	150.3	199.2	135.2	124.7	133.1	167.5	156.1	242.3
11 Multifamily residential	4.8	5.4	14.1	25.1	29.2	33.0	27.5	22.7	24.6	33.7	30.8	35.1
12 Commercial	22.2	25.2	49.0	63.3	62.4	73.7	62.9	63.7	60.3	64.4	59.7	87.7
13 Farm	10.0	4.2	2.8	.8	-6.4	-7.4	-1.1	-.5	-2.8	10.0	-7.4	-7.4
14 Other debt instruments	133.0	77.9	109.5	243.5	184.0	157.9	248.1	238.9	175.4	192.6	102.4	213.9
15 Consumer credit	22.6	17.7	56.8	95.0	96.6	65.8	98.7	91.3	97.3	95.9	70.6	61.6
16 Bank loans n.e.c.	57.0	52.9	25.8	80.1	41.3	71.0	91.9	68.4	24.9	57.7	17.6	124.4
17 Open market paper	14.7	-6.1	-.8	21.7	14.6	9.3	24.8	18.7	12.3	16.9	15.7	-3.0
18 Other	38.7	13.4	27.7	46.6	31.4	30.3	32.7	60.5	40.9	22.0	29.9	30.7
19 By borrowing sector	288.5	226.2	362.2	557.5	645.7	619.6	546.5	568.5	530.8	760.6	494.7	745.0
20 State and local governments	6.8	21.5	34.0	27.4	107.8	59.4	25.2	29.6	56.8	158.7	35.7	83.2
21 Households	121.4	88.4	188.0	239.5	295.0	282.1	232.8	246.2	253.6	336.4	222.4	342.3
22 Farm	16.6	6.8	4.3	.1	-13.6	14.4	-.4	.5	5.9	-21.3	-15.1	-13.7
23 Nonfarm noncorporate	38.5	40.2	76.6	97.1	92.8	114.6	101.4	92.7	85.6	99.9	94.4	134.7
24 Corporate	105.2	69.2	59.3	193.4	163.7	178.0	187.4	199.5	140.7	186.8	157.3	198.6
25 Foreign net borrowing in United States	23.5	16.0	17.4	6.1	1.7	9.7	35.5	23.3	4.1	7.5	24.3	-5.0
26 Bonds	5.4	6.7	3.1	1.3	4.0	3.2	1.1	1.5	5.5	2.6	7.1	.8
27 Bank loans n.e.c.	3.0	5.5	3.6	6.6	-2.8	-1.0	-2.2	11.1	6.1	.4	1.4	-3.5
28 Open market paper	3.9	1.9	6.5	6.2	6.2	11.5	18.0	5.6	4.2	8.2	20.6	2.4
29 U.S. government loans	11.1	13.0	4.1	5.3	-5.7	-4.0	18.7	8.1	7.8	-3.6	-4.8	-3.1
30 **Total domestic plus foreign**	**399.3**	**403.4**	**566.2**	**762.4**	**871.0**	**843.6**	**763.3**	**761.5**	**728.4**	**1,013.5**	**730.3**	**957.6**
	Financial sectors											
31 **Total net borrowing by financial sectors**	**101.9**	**90.1**	**94.0**	**139.0**	**186.9**	**248.4**	**134.2**	**143.8**	**154.8**	**218.9**	**185.9**	**310.9**
By instrument												
32 U.S. government related	47.4	64.9	67.8	74.9	101.5	173.7	69.8	80.0	92.9	110.2	129.5	217.8
33 Sponsored credit agency securities	30.5	14.9	1.4	30.4	20.6	12.6	29.1	31.8	25.3	15.9	4.4	20.8
34 Mortgage pool securities	15.0	49.5	66.4	44.4	79.9	161.4	40.7	48.2	67.6	92.1	124.3	198.6
35 Loans from U.S. government	1.9	.4	.....	.....	1.1	.4	.....	.....	.....	2.2	.8	-1.5
36 Private financial sectors	54.5	25.2	26.2	64.1	85.3	74.8	64.4	63.8	61.9	108.8	56.4	93.1
37 Corporate bonds	4.4	12.5	12.1	23.3	36.5	26.6	17.3	29.3	35.3	37.7	25.5	27.7
38 Mortgages	*	.1	*	.4	.1	.1	.4	.4	*	.1	.6	-.4
39 *Bank loans n.e.c.*	1.2	1.9	-.1	.7	2.6	4.0	.1	1.4	.9	4.2	2.4	5.6
40 Open market paper	32.7	9.9	21.3	24.1	32.0	24.2	31.1	17.0	13.9	50.1	14.4	34.1
41 Loans from Federal Home Loan Banks	16.2	.8	7.0	15.7	14.2	19.8	15.7	15.7	11.7	16.7	13.5	26.2
By sector												
42 Sponsored credit agencies	32.4	15.3	1.4	30.4	21.7	12.2	29.1	31.8	25.3	18.1	5.2	19.3
43 Mortgage pools	15.0	49.5	66.4	44.4	79.9	161.4	40.7	48.2	67.6	92.1	124.3	198.6
44 Private financial sectors	54.5	25.2	26.2	64.1	85.3	74.8	64.4	63.8	61.9	108.8	56.4	93.1
45 Commercial banks	11.6	11.7	5.0	7.3	-4.9	-3.6	15.4	.9	-9.2	.6	-6.7	.5
46 Bank affiliates	9.2	6.8	12.1	15.6	14.5	4.5	23.7	7.5	13.7	15.3	1.7	7.4
47 Savings and loan associations	15.5	2.5	2.1	22.7	22.3	29.2	20.2	25.1	12.1	32.6	23.1	35.3
48 Finance companies	18.5	4.3	11.4	17.8	52.8	44.1	4.3	31.3	44.8	60.9	37.5	50.6
49 REITs	.2	*	-.2	.8	.5	.6	.8	.8	.5	.5	.9	.3
	All sectors											
50 **Total net borrowing**	**501.3**	**493.5**	**660.2**	**901.4**	**1057.8**	**1092.1**	**897.5**	**905.3**	**833.3**	**1,232.4**	**916.2**	**1268.5**
51 U.S. government securities	133.0	225.9	254.4	273.8	324.2	388.4	251.2	296.4	294.8	353.5	340.0	436.9
52 *State and local obligations*	23.4	44.2	53.7	50.4	152.4	49.5	42.8	58.0	67.5	237.3	15.9	83.0
53 Corporate and foreign bonds	32.6	37.8	31.2	70.7	114.4	143.5	49.6	91.9	113.5	115.3	169.6	117.4
54 Mortgages	109.2	85.4	183.0	217.8	235.4	298.6	224.8	210.8	215.2	255.7	239.9	357.3
55 Consumer credit	22.6	17.7	56.8	95.0	96.6	65.8	98.7	91.3	97.3	95.9	70.6	61.6
56 Bank loans n.e.c.	61.2	49.3	29.3	74.2	41.0	74.0	89.6	58.8	19.8	62.3	21.4	126.6
57 Open market paper	51.3	5.7	26.9	52.0	52.8	26.4	73.8	30.1	30.4	75.2	19.3	33.4
58 Other loans	68.0	27.6	24.8	67.6	41.0	45.8	67.1	68.1	44.8	37.3	39.4	52.3
	External corporate equity funds raised in United States											
50 **Total new share issues**	**−3.3**	**33.6**	**67.0**	**−31.1**	**37.5**	**119.5**	**−40.1**	**−22.2**	**33.3**	**41.6**	**146.8**	**92.3**
60 Mutual funds	6.0	16.8	32.1	38.0	103.4	191.7	39.3	36.6	93.6	113.1	198.7	184.6
61 All other	9.3	16.8	34.9	69.1	65.9	72.1	79.4	58.8	-60.4	71.5	-52.0	92.3
62 Nonfinancial corporations	-11.5	11.4	28.3	77.0	-81.6	80.8	84.5	-69.4	75.7	87.5	68.7	92.7
63 Financial corporations	1.9	4.0	2.7	6.7	11.7	7.0	5.9	7.6	11.0	12.4	8.3	5.7
64 Foreign shares purchased in United States	.3	1.5	3.9	1.2	4.0	1.6	.7	3.0	4.3	3.6	8.5	5.3

1.58 DIRECT AND INDIRECT SOURCES OF FUNDS TO CREDIT MARKETS

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

Transaction category, or sector	1981	1982	1983	1984	1985	1986	1984		1985		1986	
							H1	H2	H1	H2	H1	H2
1 **Total funds advanced in credit markets to domestic nonfinancial sectors**	**375.8**	**387.4**	**548.8**	**756.3**	**869.3**	**834.0**	**727.8**	**784.8**	**732.6**	**1,006.1**	**706.0**	**962.5**
By public agencies and foreign												
2 Total net advances	104.4	115.4	115.3	154.6	203.3	311.1	132.5	176.6	201.8	204.9	267.6	354.5
3 U.S. government securities	17.1	22.7	27.6	36.0	47.2	87.8	26.8	45.2	53.1	41.3	85.4	90.1
4 Residential mortgages	23.5	61.0	76.1	56.5	94.6	158.5	52.7	60.2	85.6	103.7	121.0	196.0
5 FHLB advances to savings and loans	16.2	.8	-7.0	15.7	14.2	19.8	15.7	15.7	11.7	16.7	13.5	26.2
6 Other loans and securities	47.7	30.8	18.6	46.5	47.3	45.0	37.5	55.5	51.4	43.2	47.7	42.3
Total advanced, by sector												
7 U.S. government	24.0	15.9	9.7	17.4	17.8	10.9	9.0	25.7	28.8	6.7	12.9	9.0
8 Sponsored credit agencies	48.2	65.5	69.8	73.3	101.5	176.6	74.0	72.5	98.2	104.9	135.3	217.9
9 Monetary authorities	9.2	9.8	10.9	8.4	21.6	30.2	8.8	8.0	23.7	19.5	9.8	50.6
10 Foreign	23.0	24.1	24.9	55.5	62.4	93.4	40.7	70.4	51.0	73.8	109.7	77.1
Agency and foreign borrowing not in line 1												
11 Sponsored credit agencies and mortgage pools	47.4	64.9	67.8	74.9	101.5	173.7	69.8	80.0	92.9	110.2	129.5	217.8
12 Foreign	23.5	16.0	17.4	6.1	1.7	9.7	35.5	23.3	-4.1	7.5	24.3	-5.0
Private domestic funds advanced												
13 Total net advances	342.3	352.9	518.7	682.7	769.2	706.2	700.5	664.9	619.6	918.8	592.1	820.9
14 U.S. government securities	115.9	203.1	226.9	237.8	277.0	300.6	224.4	251.2	241.7	312.2	254.5	346.8
15 State and local obligations	23.4	44.2	53.7	50.4	152.4	49.5	42.8	58.0	67.5	237.3	15.9	83.0
16 Corporate and foreign bonds	19.8	14.8	14.6	32.6	41.2	79.0	25.6	39.6	49.7	32.7	104.2	53.9
17 Residential mortgages	53.5	-5.3	55.0	98.5	84.8	73.7	109.9	87.0	72.0	97.5	65.9	81.4
18 Other mortgages and loans	145.9	96.9	161.5	279.1	228.1	223.2	313.6	244.7	200.4	255.9	165.0	281.9
19 Less: Federal Home Loan Bank advances	16.2	.8	-7.0	15.7	14.2	19.8	15.7	15.7	11.7	16.7	13.5	26.2
Private financial intermediation												
20 Credit market funds advanced by private financial institutions	320.2	261.9	391.9	550.5	554.4	647.9	581.8	519.1	471.3	637.4	572.4	724.0
21 Commercial banking	106.5	110.2	144.3	168.9	186.3	194.8	184.2	153.5	133.8	238.8	106.9	283.0
22 Savings institutions	26.2	21.8	135.6	149.2	83.4	105.3	173.5	124.9	63.0	103.9	101.4	109.3
23 Insurance and pension funds	93.5	86.2	97.8	124.0	141.0	137.2	144.5	103.5	121.8	160.1	128.6	145.9
24 Other finance	94.0	43.7	14.1	108.3	143.6	210.5	79.5	137.2	152.7	134.5	235.6	185.8
25 Sources of funds	320.2	261.9	391.9	550.5	554.4	647.9	581.8	519.1	471.3	637.4	572.4	724.0
26 Private domestic deposits and RPs	214.5	195.2	212.2	317.6	204.8	242.3	300.2	334.9	203.0	206.6	224.5	260.3
27 Credit market borrowing	54.5	25.2	26.2	64.1	85.3	74.8	64.4	63.8	61.9	108.8	56.4	93.1
28 Other sources	51.2	41.5	153.4	168.8	264.2	330.8	217.2	120.4	206.5	322.0	291.5	370.5
29 Foreign funds	-23.7	-31.4	16.3	5.4	17.7	12.4	3.0	7.8	11.2	24.3	.9	24.0
30 Treasury balances	-1.1	6.1	-5.3	4.0	10.3	1.7	.1	8.2	14.4	6.1	-5.5	9.0
31 Insurance and pension reserves	89.6	92.5	110.6	112.5	107.0	120.0	146.5	78.5	97.4	116.6	104.5	135.5
32 Other, net	-13.6	-25.7	31.8	46.8	129.2	196.6	67.8	25.9	83.5	175.0	191.5	202.1
Private domestic nonfinancial investors												
33 Direct lending in credit markets	76.6	116.3	153.0	196.4	300.2	133.1	183.1	209.6	210.2	390.2	76.1	190.0
34 U.S. government securities	37.1	69.9	95.5	132.9	150.9	81.0	142.2	123.6	130.8	171.0	41.4	120.9
35 State and local obligations	11.1	25.0	39.0	29.6	59.2	17.8	25.0	34.3	20.5	98.0	-21.8	57.4
36 Corporate and foreign bonds	-4.0	2.0	12.7	-3.4	13.2	12.3	-26.8	19.9	25.4	1.0	49.3	24.7
37 Open market paper	1.4	1.3	15.1	8.9	51.8	1.4	15.7	2.2	7.3	96.3	13.8	16.7
38 Other	31.0	20.6	16.2	28.3	25.1	20.6	26.9	29.7	26.3	24.0	21.0	19.8
39 Deposits and currency	222.4	204.5	229.7	321.1	215.1	262.7	311.3	330.9	215.9	214.3	241.6	284.0
40 Currency	9.5	9.7	14.3	8.6	12.4	14.4	13.1	4.1	15.8	9.0	10.9	17.9
41 Checkable deposits	18.5	18.6	28.8	27.8	42.0	99.4	29.4	26.3	18.2	65.8	83.1	115.9
42 Samll time and savings accounts	47.3	135.7	215.3	150.7	137.5	123.1	136.4	164.9	167.1	108.0	119.5	126.7
43 Money market fund shares	107.5	24.7	-44.1	47.2	-2.2	20.8	30.2	64.2	4.2	-8.6	29.0	12.7
44 Large time deposits	36.0	5.2	6.3	84.9	14.0	8.2	93.4	76.5	-.8	28.9	.9	-17.3
45 Security RPs	5.2	11.1	18.5	7.0	13.4	7.2	10.8	3.1	14.3	12.5	-7.9	22.3
46 Deposits in foreign countries	-1.7	-.4	3.1	-5.1	-2.1	6.0	-2.0	-8.2	2.9	1.3	6.2	5.7
47 **Total of credit market instruments, deposits and currency**	**299.0**	**320.7**	**382.7**	**517.4**	**515.3**	**395.8**	**494.4**	**540.5**	**426.0**	**604.5**	**317.8**	**474.0**
48 Public holdings as percent of total	26.2	28.6	20.4	20.3	23.3	36.9	17.4	23.2	27.7	20.2	36.6	37.0
49 Private financial intermediation (in percent)	93.6	74.2	75.5	80.6	72.1	91.7	83.1	78.1	76.1	69.4	96.7	88.2
50 Total foreign funds	-.7	-7.3	41.3	60.9	80.1	105.8	43.7	78.2	62.2	98.1	110.5	101.1
MEMO: Corporate equities not included above												
51 **Total net issues**	**−3.3**	**33.6**	**67.0**	**−31.1**	**37.5**	**119.5**	**−40.1**	**−22.2**	**33.3**	**41.6**	**146.8**	**92.3**
52 Mutual fund shares	6.0	16.8	32.1	38.0	103.4	191.7	39.3	36.6	93.6	113.1	198.7	184.6
53 Other equities	-9.3	16.8	34.9	-69.1	65.9	-72.1	-79.4	-58.8	-60.4	71.5	-52.0	-92.3
54 Acquisitions by financial institutions	19.9	27.6	46.8	8.2	33.3	25.2	-4.1	20.6	54.0	12.6	35.4	15.1
55 Other net purchases	−23.2	6.0	20.2	39.4	4.1	94.3	-36.0	42.7	20.7	29.0	111.4	77.2

NOTES BY LINE NUMBER.
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	1984	1985	1986	1986			1987					
				Oct.	Nov.	Dec.	Jan.	Feb.^r	Mar.^r	Apr.^r	May^r	June
1 **Industrial production**	**121.4**	**123.8**	**125.1**^r	**125.3**	**126.0**	**126.7**	**126.5**	**127.2**	**127.3**	**127.3**	**128.0**	**128.2**
Market groupings												
2 Products, total	126.7	130.8	133.2	134.0	134.5	135.0	134.9	136.1	136.2	135.6	136.5	136.4
3 Final, total	127.3	131.1	132.3	132.7	133.1	133.7	133.6	135.0	135.0	134.4	135.2	135.1
4 Consumer goods	118.0	120.2	124.5^r	124.7	125.6	127.2	126.8	127.5	127.5	126.6	127.3	127.1
5 Equipment	139.6	145.4	142.7	143.3	143.1	142.2	142.8	144.9	145.0	144.8	145.6	145.6
6 Intermediate	124.7	130.0	136.4	138.7	139.2	139.7	139.1	139.7	140.4	139.8	140.9	140.8
7 Materials	114.2	114.2	113.9	113.3	114.3	115.2	115.2	115.1	115.2	115.9	116.4	117.2
Industry groupings												
8 Manufacturing	123.4	126.4	129.1	129.9	130.3	131.1	131.1	132.0	132.3	132.3	132.8	132.8
Capacity utilization (percent)[2]												
9 Manufacturing	80.5	80.1	79.8	79.6	79.7	80.0	79.4^r	79.7	79.6	79.4	79.7	79.7
10 Industrial materials industries	82.0	80.2	78.5	77.8	78.8	78.9	78.8	78.7	78.7	79.0	79.3	79.7
11 Construction contracts (1982 = 100)[3]	135.0	148.0	155.0	151.0	156.0	155.0	150.0	145.0	160.0	158.0	149.0	161.0
12 Nonagricultural employment, total[4]	114.6	118.3^r	120.8^r	121.5	121.8	121.9	122.4	122.7	122.9	123.2	123.3	123.4
13 Goods-producing, total	101.6	102.4	102.4	101.1	101.2	101.2	101.5	101.6	101.7	101.7	101.7	101.8
14 Manufacturing, total	98.4	97.8^r	96.5^r	96.2	96.3	96.4	96.3	96.4	96.5	96.6	96.6	96.7
15 Manufacturing, production-worker	94.1	92.9	92.1	90.9	91.1	91.3	91.1	91.4	91.4	91.5	91.6	91.8
16 Service-producing	120.0	125.0	129.4	130.1	130.4	130.6	131.1	131.5	131.8	132.2	132.3	132.5
17 Personal income, total	193.4^r	207.0^r	219.9^r	222.6^r	223.3^r	224.8^r	225.9^r	228.4	229.1	230.2	231.3	232.1
18 Wages and salary disbursements	185.0^r	198.7^r	210.2^r	213.2^r	214.5^r	214.8^r	216.3^r	218.0	218.6	219.5	220.6	221.4
19 Manufacturing	164.6	172.8^r	176.4^r	178.8^r	177.4^r	177.7^r	178.5^r	179.1	179.2	178.9	179.8	180.0
20 Disposable personal income[5]	193.5^r	206.0^r	219.1^r	221.4^r	221.8^r	222.7^r	224.3^r	227.5	228.1	222.3	230.3	230.0
21 Retail sales[6]	179.0	190.6	199.9	201.9	200.9	211.8	196.8	206.3	206.8	207.4	206.7	206.7
Prices[7]												
22 Consumer (1967 = 100)	311.1	322.2	328.4	330.5	330.8	331.1	333.1	334.4	335.9	337.7	338.7	340.1
23 Producer finished goods (1967 = 100)	291.1	293.7	289.6	290.7	290.7	290.4	291.8^r	292.3	292.3	295.0	296.3	296.8

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

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

3. Index of dollar value of total construction contracts, including residential, nonresidential and heavy engineering, from McGraw-Hill Information Systems Company, F. W. Dodge Division.

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

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

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

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

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

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

2.11 LABOR FORCE, EMPLOYMENT, AND UNEMPLOYMENT

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

Category	1984	1985	1986	1986 Nov.	1986 Dec.	1987 Jan.	1987 Feb.	1987 Mar.	1987 Apr.	1987 May	1987 June
HOUSEHOLD SURVEY DATA											
1 **Noninstitutional population**[1]	**178,602**	**180,440**	**182,822**	**183,628**	**183,815**	**184,092**	**184,259**	**184,436**	**184,597**	**184,777**	**184,941**
2 Labor force (including Armed Forces)[1]	115,763	117,695	120,078	120,940	120,854	121,299	121,610	121,479	121,588	122,237	121,755
3 Civilian labor force	113,544	115,461	117,834	118,675	118,586	119,034	119,349	119,222	119,335	119,993	119,517
Employment											
4 Nonagricultural industries[2]	101,685	103,971	106,434	107,217	107,476	107,866	108,146	108,084	108,545	109,112	109,079
5 Agriculture	3,321	3,179	3,163	3,215	3,161	3,145	3,236	3,284	3,290	3,335	3,178
Unemployment											
6 Number	8,539	8,312	8,237	8,243	7,949	8,023	7,967	7,854	7,500	7,546	7,260
7 Rate (percent of civilian labor force)	7.5	7.2	7.0	6.9	6.7	6.7	6.7	6.6	6.3	6.3	6.1
8 Not in labor force	62,839	62,745	62,744	62,688	62,961	62,793	62,649	62,957	63,009	62,540	63,186
ESTABLISHMENT SURVEY DATA											
9 **Nonagricultural payroll employment**[3]	**94,496**	**97,519**	**99,610**	**100,415**	**100,567**	**100,919**	**101,150**	**101,329**	**101,598r**	**101,672r**	**101,788**
10 Manufacturing	19,378	19,260	18,994	18,954	18,970	18,956	18,986	18,995	19,011	19,025r	19,029
11 Mining	966	927	783	730	724	718	719	722	729r	735	732
12 Contract construction	4,383	4,673	4,904	4,946	4,936	5,034	5,038	5,032	5,019r	4,995r	5,008
13 Transportation and public utilities	5,159	5,238	5,244	5,278	5,286	5,304	5,315	5,333	5,348r	5,347r	5,352
14 Trade	22,100	23,073	23,580	23,737	23,732	23,821	23,897	23,902	23,969r	23,983r	23,996
15 Finance	5,689	5,955	6,297	6,418	6,451	6,480	6,501	6,526	6,558r	6,576r	6,585
16 Service	20,797	22,000	23,099	23,452	23,544	23,670	23,759	23,842	23,926	23,997r	24,044
17 Government	16,023	16,394	16,710	16,900	16,924	16,936	16,935	16,977	17,038r	17,014r	17,042

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 1987 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

Seasonally adjusted

Series	1986 Q3	1986 Q4	1987 Q1	1987 Q2	1986 Q3	1986 Q4	1987 Q1	1987 Q2	1986 Q3	1986 Q4	1987 Q1	1987 Q2
	Output (1977 = 100)				Capacity (percent of 1977 output)				Utilization rate (percent)			
1 **Total industry**	**125.0**	**126.0**	**127.0**	**127.8**	**157.9**	**158.8**	**159.6**	**160.5**	**79.1**	**79.3**	**79.6**	**79.6**
2 Mining	96.6	96.6	96.6	97.1	131.9	131.7	131.3	130.7	73.2	73.3[r]	73.6	74.3
3 Utilities	108.8	110.4	109.5	110.5	137.5	138.1	138.7	139.3	79.1	79.9	79.0[r]	79.3
4 **Manufacturing**	**129.4**	**130.4**	**131.8**	**132.6**	**162.4**	**163.4**	**164.4**	**165.5**	**79.7**	**79.8**	**80.2**	**80.1**
5 Primary processing	112.1	114.0	115.1	116.5	134.6	135.1	135.9	136.5	83.3	84.3	84.8[r]	85.3
6 Advanced processing	139.7	140.4	141.8	142.4	179.1	180.4	181.7	183.0	78.0	77.8	78.1	77.8
7 **Materials**	**113.4**	**114.3**	**115.1**	**116.5**	**145.3**	**145.8**	**146.3**	**146.8**	**78.1**	**78.4**	**78.7**	**79.3**
8 Durable goods	118.8	120.1	121.2	122.1	161.5	162.2	163.0	163.6	73.6	74.0	74.4	74.6
9 Metal materials	73.1	75.7	75.5	77.1	114.0	113.4	112.7	111.7	64.2	66.7	67.0	69.0
10 Nondurable goods	119.7	121.1	122.8	125.7	139.9	140.4	141.0	142.0	85.6	86.4	87.1	88.5
11 Textile, paper, and chemical	120.4	122.4	124.2	127.2	139.2	139.6	140.4	141.4	86.5	87.6	88.5	89.9
12 Paper	135.1	136.0	136.4	......	138.9	139.7	140.8	......	97.3	97.3	96.9	......
13 Chemical	117.7	120.1	122.5	......	144.7	145.0	145.6	......	81.4	82.8	84.1[r]	......
14 Energy materials	98.6	98.2	97.8	98.7	121.4	121.6	121.6	121.5	81.2	80.7	80.5	81.3

Series	Previous cycle[1] High	Previous cycle[1] Low	Latest cycle[2] High	Latest cycle[2] Low	1986 June	1986 Oct.	1986 Nov.	1986 Dec.	1987 Jan.	1987 Feb.	1987 Mar.	1987 Apr.[r]	1987 May[r]	1987 June
	Capacity utilization rate (percent)													
15 ***Total industry***	**88.6**	**72.1**	**86.9**	**69.5**	**79.0**	**79.0**	**79.4**	**79.6**	**79.4**	**79.7**	**79.6**	**79.4**	**79.7**	**79.7**
16 Mining	92.8	87.8	95.2	76.9	74.9	72.5	73.9	73.8	73.9	73.3	73.6	73.8	74.3	74.9
17 Utilities	95.6	82.9	88.5	78.0	79.2	79.3	80.5	79.5	79.1	79.0	78.9	78.1	79.5	80.4
18 **Manufacturing**	**87.7**	**69.9**	**86.5**	**68.0**	**79.3**	**79.6**	**79.8**	**80.0**	**79.9**	**80.3**	**80.3**	**80.1**	**80.2**	**80.1**
19 Primary processing	91.9	68.3	89.1	65.1	82.7	83.8	84.4	85.0	84.8	84.7	84.8	85.4	85.3	85.9
20 Advanced processing	86.0	71.1	85.1	69.5	77.7	77.8	77.7	77.9	77.8	78.3	78.1	77.8	78.0	77.7
21 **Materials**	**92.0**	**70.5**	**89.1**	**68.4**	**78.0**	**77.8**	**78.4**	**78.9**	**78.8**	**78.7**	**78.7**	**79.0**	**79.3**	**79.7**
22 Durable goods	91.8	64.4	89.8	60.9	73.2	73.6	74.2	74.3	74.0	74.6	74.7	74.8	74.4	74.7
23 Metal materials	99.2	67.1	93.6	45.7	63.2	65.2	68.4	66.5	65.9	67.3	68.0	68.6	68.7	69.7
24 *Nondurable goods*	91.1	66.7	88.1	70.6	84.3	85.8	85.7	87.7	87.5	86.8	86.8	88.0	88.6	88.9
25 Textile, paper, and chemical	92.8	64.8	89.4	68.6	85.1	87.0	86.7	89.2	89.3	88.1	88.1	89.4	90.0	90.4
26 Paper	98.4	70.6	97.3	79.9	95.9	95.7	96.0	100.2	98.3	97.1	95.4	95.8	97.2	......
27 Chemical	92.5	64.4	87.9	63.3	80.4	82.5	81.7	84.3	84.9	83.7	83.7	85.2	85.9	......
28 Energy materials	94.6	86.9	94.0	82.2	83.1	79.7	81.2	81.2	81.3	80.3	79.8	80.0	81.4	82.4

1. Monthly high 1973; monthly low 1975.
2. Monthly highs 1978 through 1980; monthly lows 1982.

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

2.13 INDUSTRIAL PRODUCTION Indexes and Gross Value ▲

Monthly data are seasonally adjusted

Groups	1977 proportion	1986 avg.	1986 June	July	Aug.	Sept.	Oct.	Nov.	Dec.	1987 Jan.	Feb.	Mar.r	Apr.	May p	June e
			Index (1977 = 100)												
MAJOR MARKET															
1 **Total index**	**100.00**	**125.0**	**124.2**	**124.9**	**125.1**	**124.9**	**125.3**	**126.0**	**126.7**	**126.5**	**127.2**	**127.3**	**127.3**	**128.0**	**128.2**
2 Products	57.72	133.2	132.4	133.2	133.8	133.3	134.0	134.5	135.0	134.9	136.1	136.2	135.6	136.5	136.4
3 Final products	44.77	132.3	131.1	132.0	132.6	132.2	132.7	133.1	133.7	133.6	135.0	135.0	134.4	135.2	135.1
4 Consumer goods	25.52	124.4	124.4	125.2	125.1	124.2	124.7	125.6	127.2	126.8	127.5	127.5	126.6	127.3	127.1
5 Equipment	19.25	142.7	140.0	141.0	142.5	142.8	143.3	143.1	142.2	142.8	144.9	145.0	144.8	145.6	145.6
6 Intermediate products	12.94	136.4	137.0	137.3	137.8	137.0	138.7	139.2	139.7	139.1	139.7	140.4	139.8	140.9	140.8
7 Materials	42.28	113.9	113.1	113.6	113.2	113.5	113.3	114.3	115.2	115.2	115.1	115.2	115.9	116.4	117.2
Consumer goods															
8 Durable consumer goods	6.89	116.2	114.3	116.3	115.7	117.4	116.3	118.4	121.5	120.0	122.4	121.2	118.0	119.6	118.3
9 Automotive products	2.98	115.1	113.7	116.4	114.5	117.0	112.7	114.6	117.7	117.6	123.5	121.2	115.8	117.5	114.5
10 Autos and trucks	1.79	112.9	112.2	114.5	110.4	116.8	107.7	107.6	115.6	117.9	125.2	121.6	111.5	113.1	107.7
11 *Autos, consumer*	1.16	97.3	99.3	95.3	87.8	96.2	91.9	92.3	99.5	94.3	105.3	100.9	91.8	91.0	87.9
12 Trucks, consumer	.63	141.8	136.1	150.3	152.4	155.1	137.1	136.0	145.6	161.9	162.1	159.9	148.1	.....	.....
13 Auto parts and allied goods	1.19	118.4	116.1	119.1	120.7	117.3	120.1	125.2	120.8	117.1	121.0	120.5	122.2	124.2	124.7
14 Home goods	3.91	117.1	114.8	116.3	116.7	117.7	119.0	121.2	124.4	121.9	121.6	121.2	119.8	121.1	121.3
15 Appliances, A/C and TV	1.24	139.5	137.5	138.9	139.4	141.2	142.6	148.1	153.2	146.9	145.2	142.9	137.7	142.2	141.6
16 *Appliances and TV*	1.19	141.6	139.1	141.6	142.5	143.5	144.3	150.0	155.1	148.9	146.7	143.8	139.2	142.3	.....
17 Carpeting and furniture	.96	125.8	122.5	126.6	125.8	126.2	128.8	131.1	132.0	129.1	130.8	131.3	133.0	132.9	.....
18 Miscellaneous home goods	1.71	96.0	94.1	94.1	95.1	96.0	96.5	96.3	99.4	99.8	99.3	99.8	99.4	99.3	.....
19 Nondurable consumer goods	18.63	127.5	128.1	128.4	128.6	126.7	127.8	128.3	129.4	129.2	129.4	129.8	129.8	130.2	130.4
20 Consumer staples	15.29	97.0	135.1	135.3	135.5	133.6	134.4	135.0	136.0	135.9	135.9	136.5	136.4	136.7	137.0
21 Consumer foods and tobacco	7.80	134.1	133.3	132.2	133.2	131.0	131.6	132.6	133.9	132.9	134.0	134.8	134.1	134.5	.....
22 Nonfood staples	7.49	131.9	137.0	138.5	137.9	136.3	137.2	137.4	138.2	139.0	137.9	138.2	138.9	138.9	139.5
23 Consumer chemical products	2.75	136.5	163.6	166.4	163.4	161.1	161.7	161.0	163.1	165.9	164.7	165.7	165.7	165.3	.....
24 *Consumer paper products*	1.88	161.2	147.1	146.4	147.7	145.7	150.3	151.5	150.1	149.4	147.8	147.5	148.9	151.4	.....
25 Consumer energy	2.86	147.4	104.8	106.6	107.1	106.3	105.2	105.5	106.4	106.3	105.7	105.8	106.5	105.4	.....
26 Consumer fuel	1.44	105.7	91.8	91.2	94.9	92.0	90.8	91.7	92.2	95.0	92.5	94.1	94.5	91.7	.....
27 Residential utilities	1.42	92.8	118.1	122.3	119.6	120.9	119.8	119.6	120.8	117.8	119.2	117.7	118.7	.....	.....
Equipment															
28 Business and defense equipment	18.01	147.1	145.1	146.4	147.8	148.0	148.4	148.1	147.0	147.7	150.1	150.1	149.9	150.6	150.6
29 Business equipment	14.34	138.6	136.6	137.9	139.3	139.3	139.1	138.6	137.1	138.1	140.8	140.8	140.5	141.3	141.1
30 Construction, mining, and farm	2.08	59.8	61.9	60.6	58.3	58.1	58.0	56.6	58.2	57.2	56.8	58.1	58.2	60.8	.....
31 Manufacturing	3.27	112.0	111.7	112.6	113.3	113.0	112.7	109.6	108.8	110.1	111.5	110.9	111.1	111.5	111.8
32 Power	1.27	81.6	83.5	81.7	81.7	80.3	80.5	79.5	80.2	79.6	81.2	81.7	82.4	83.3	83.1
33 Commercial	5.22	214.6	208.2	214.5	217.5	215.1	215.4	217.3	213.7	215.9	218.4	219.7	220.2	220.8	221.6
34 Transit	2.49	109.2	108.8	103.9	106.9	113.3	111.8	110.7	108.9	109.5	117.4	114.0	110.4	110.8	107.5
35 Defense and space equipment	3.67	180.3	178.4	179.5	181.0	182.0	184.6	184.9	185.8	185.2	186.5	186.6	186.6	187.1	187.6
Intermediate products															
36 Construction supplies	5.95	124.7	124.1	124.0	125.4	125.9	126.3	126.8	127.9	128.3	128.4	128.5	127.2	127.9	127.1
37 Business supplies	6.99	146.4	147.9	148.6	148.4	146.4	149.3	149.7	149.8	148.3	149.4	150.5	150.6	152.0	.....
38 General business supplies	5.67	150.6	151.6	153.3	152.5	151.2	154.1	153.7	154.3	153.3	154.1	155.2	155.6	156.8	.....
39 *Commercial energy products*	1.31	128.3	131.9	128.3	130.6	125.8	128.8	132.4	130.3	126.8	128.8	130.3	129.0	131.2	.....
Materials															
40 Durable goods materials	20.50	119.7	117.8	118.8	118.8	118.9	119.2	120.4	120.7	120.5	121.5	121.8	122.2	121.7	122.3
41 Durable consumer parts	4.92	98.5	96.3	96.7	95.2	95.3	97.0	98.0	98.8	99.0	100.0	98.9	96.2	95.5	95.6
42 Equipment parts	5.94	153.9	151.8	154.3	155.6	154.8	153.5	154.5	154.2	154.0	155.6	155.8	157.2	155.3	155.6
43 Durable materials n.e.c.	9.64	109.4	107.9	108.2	108.1	108.8	109.4	110.7	111.2	110.8	111.5	112.6	114.0	114.4	115.4
44 Basic metal materials	4.64	80.0	76.7	77.4	76.9	78.4	78.8	82.1	80.3	79.2	80.3	80.8	81.9	81.7	.....
45 Nondurable goods materials	10.09	118.3	117.7	118.9	119.7	120.6	120.3	120.2	123.2	123.2	122.5	122.8	124.7	125.8	126.5
46 Textile, paper, and chemical materials	7.53	118.9	118.2	119.0	120.5	121.8	121.3	121.0	124.7	125.0	123.6	124.0	126.2	127.3	128.1
47 Textile materials	1.52	110.6	109.5	111.2	113.4	116.0	114.3	115.6	116.1	116.5	115.8	118.5	121.5	120.8	.....
48 Pulp and paper materials	1.55	132.1	132.7	135.6	136.0	133.7	133.5	134.2	140.2	137.9	136.7	134.7	135.8	138.2	.....
49 *Chemical materials*	4.46	117.1	116.1	115.9	117.5	119.7	119.5	118.5	122.3	123.4	121.8	122.1	124.4	125.7	.....
50 Miscellaneous nondurable materials	2.57	116.5	116.4	118.3	117.2	117.1	117.5	117.6	118.5	118.0	119.0	119.2	120.4	.....	.....
51 Energy materials	11.69	99.9	100.8	99.9	97.9	98.0	96.9	98.7	98.8	98.9	97.6	97.0	97.2	98.9	100.0
52 Primary energy	7.57	105.5	106.5	104.8	103.7	103.8	102.7	104.8	105.1	104.1	102.6	101.5	101.9	103.2	.....
53 Converted fuel materials	4.12	89.6	90.4	90.9	87.3	87.4	86.2	87.6	87.3	89.4	88.5	88.9	88.7	90.9	.....

2.13 INDUSTRIAL PRODUCTION Indexes and Gross Value—Continued

Groups	SIC code	1977 proportion	1986 avg.	1986							1987					
				June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.[r]	Apr.	May[p]	June[e]
				Index (1977 = 100)												
MAJOR INDUSTRY																
1 Mining and utilities	.....	15.79	103.4	102.6	101.8	100.9	100.8	100.7	102.6	101.9	101.9	101.3	101.4	101.1	102.2	103.2
2 Mining	.....	9.83	99.6	98.9	97.1	96.4	96.2	95.6	97.4	96.7	97.2	96.2	96.5	96.6	97.0	97.7
3 Utilities	.....	5.96	109.6	108.6	109.7	108.3	108.3	109.3	111.2	110.6	109.5	109.6	109.5	108.6	110.7	112.2
4 Manufacturing	.....	84.21	129.1	128.3	129.2	129.5	129.5	129.9	130.3	131.1	131.1	132.0	132.3	132.3	132.8	132.8
5 Nondurable	.....	35.11	130.9	131.2	131.7	132.2	131.4	132.3	132.7	133.7	134.1	134.3	134.8	135.7	136.1	136.2
6 Durable	.....	49.10	127.9	126.2	127.4	127.5	128.1	128.1	128.6	129.2	129.0	130.4	130.5	129.9	130.4	130.4
Mining																
7 Metal	10	.50	.....	65.9	69.2	70.9	70.7	68.5	68.3	73.5	72.1	72.0	71.6	66.9	.....	.....
8 Coal	11.12	1.60	124.2	127.3	120.2	122.2	120.8	117.6	130.1	124.3	133.5	127.7	121.8	121.6	126.6	129.0
9 Oil and gas extraction	13	7.07	94.7	93.3	92.4	90.7	91.0	90.5	90.4	90.9	89.9	89.5	91.0	91.5	91.1	91.3
10 Stone and earth minerals	14	.66	113.9	114.5	111.8	114.8	111.7	116.4	115.2	109.6	107.1	110.0	113.1	113.3	111.9	.....
Nondurable manufactures																
11 Foods	20	7.96	133.6	134.6	134.3	135.1	134.3	133.7	134.4	135.3	135.3	135.7	136.1	135.8	136.5	.....
12 Tobacco products	21	.62	96.6	97.6	97.9	97.1	89.8	100.1	96.8	92.9	89.1	98.7	100.7	101.0	.....	.....
13 Textile mill products	22	2.29	113.2	112.6	113.4	114.7	116.0	116.1	117.8	118.4	118.0	118.4	119.3	123.0	121.6	.....
14 Apparel products	23	2.79	103.6	101.7	102.5	102.5	102.7	104.2	105.1	.....	107.2	107.4	107.1	106.6	.....	.....
15 Paper and products	26	3.15	136.4	137.2	138.1	138.6	136.9	137.8	139.5	141.6	139.8	140.5	139.2	139.9	140.7	.....
16 Printing and publishing	27	4.54	163.4	164.0	165.4	164.6	163.0	167.8	168.5	167.7	168.1	166.7	168.2	171.2	172.8	173.4
17 Chemicals and products	28	8.05	133.0	134.2	134.1	134.4	133.9	133.9	132.3	134.6	137.4	137.7	138.3	138.5	138.6	.....
18 Petroleum products	29	2.40	92.1	91.8	90.6	94.0	93.3	91.1	92.0	92.5	94.7	91.9	91.4	93.0	91.6	91.0
19 Rubber and plastic products	30	2.80	153.3	152.2	155.5	155.5	154.9	157.6	159.0	160.7	158.1	159.2	161.3	163.1	162.6	.....
20 Leather and products	31	.53	61.3	57.9	61.9	62.0	59.4	60.2	61.3	59.4	58.3	59.6	59.1	59.3	61.3	.....
Durable manufactures																
21 Lumber and products	24	2.30	123.4	120.9	120.8	122.5	125.0	125.9	129.5	133.1	130.2	130.0	129.5	128.9	130.0	.....
22 Furniture and fixtures	25	1.27	146.7	147.1	149.5	148.3	147.7	149.2	148.6	150.5	148.7	151.8	153.4	155.9	156.3	.....
23 Clay, glass, stone products	32	2.72	120.2	120.8	119.6	119.7	121.6	118.1	120.6	121.7	122.8	121.5	122.7	123.2	122.4	.....
24 Primary metals	33	5.33	75.8	71.4	73.6	73.4	74.1	74.2	76.8	73.5	73.6	76.3	77.5	77.0	77.9	78.7
25 Iron and steel	331.2	3.49	63.4	58.3	61.7	60.8	61.1	62.2	64.8	60.5	60.2	63.1	65.1	65.0	66.3	.....
26 Fabricated metal products	34	6.46	107.4	106.6	105.7	105.9	107.3	108.3	107.1	108.3	108.0	108.2	108.8	109.0	108.2	109.2
27 Nonelectrical machinery	35	9.54	141.9	140.4	142.6	142.6	140.9	142.2	141.2	139.9	140.3	142.3	143.7	144.2	145.7	146.2
28 Electrical machinery	36	7.15	166.5	163.2	166.8	167.2	166.9	167.7	168.3	170.2	169.2	169.3	167.6	166.5	167.7	168.2
29 Transportation equipment	37	9.13	125.8	125.1	125.6	125.1	127.7	125.2	125.6	127.0	128.1	131.8	130.6	127.2	127.9	125.9
30 Motor vehicles and parts	371	5.25	110.9	110.6	111.2	108.2	112.2	107.1	107.9	111.2	112.2	117.8	115.5	109.3	110.1	106.5
31 Aerospace and miscellaneous transportation equipment	372–6.9	3.87	146.1	144.7	145.2	148.0	148.7	149.7	149.6	148.4	149.6	150.7	151.2	151.4	152.0	152.1
32 Instruments	38	2.66	141.3	139.9	141.7	142.0	141.7	140.3	141.1	142.4	142.5	143.3	142.0	143.3	142.7	142.5
33 Miscellaneous manufactures	39	1.46	99.3	98.3	97.5	98.3	97.7	99.0	98.9	103.1	101.8	101.1	101.4	100.9	99.7	.....
Utilities																
34 Electric	.....	4.17	122.2	123.1	125.4	122.4	122.8	123.8	125.1	123.5	121.7	122.3	123.3	122.9	124.4	.....
		Gross value (billions of 1982 dollars, annual rates)														
MAJOR MARKET																
35 Products, total	.....	**517.5**	**1,702.2**	**1,676.7**	**1,669.9**	**1,681.3**	**1,677.8**	**1,683.9**	**1,690.8**	**1,701.9**	**1,707.1**	**1,721.4**	**1,724.3**	**1,712.7**	**1,721.2**	**1,708.7**
36 Final	.....	405.7	1,314.5	1,289.5	1,282.7	1,292.6	1,292.3	1,292.5	1,297.6	1,306.7	1,315.1	1,331.9	1,330.5	1,319.3	1,323.1	1,314.9
37 Consumer goods	.....	272.7	853.8	843.8	842.4	846.9	839.8	839.3	847.2	860.5	865.5	869.7	870.0	862.7	862.6	856.3
38 Equipment	.....	133.0	458.2	445.7	440.4	445.7	452.5	453.2	450.4	446.2	449.6	462.2	460.4	456.6	460.5	458.6
39 Intermediate	.....	111.9	387.6	387.2	387.1	388.7	385.5	391.4	393.2	395.3	391.9	389.5	393.9	393.3	398.1	393.9

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

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

2.14 HOUSING AND CONSTRUCTION

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

Item	1984	1985	1986	1986 Aug.	Sept.	Oct.	Nov.	Dec.	1987 Jan.	Feb.	Mar.r	Apr.r	May
	Private residential real estate activity (thousands of units)												
NEW UNITS													
1 Permits authorized	1,682	1,733	1,750	1,728	1,687	1,664	1,667	1,862	1,652	1,676	1,719	1,598	1,493
2 1-family	922	957	1,071	1,059	1,071	1,036	1,028	1,184	1,085	1,204	1,150	1,058	1,009
3 2-or-more-family	759	777	679	669	616	628	639	678	567	472	569	540	484
4 Started	1,749	1,742	1,805	1,800	1,689	1,657	1,637	1,813	1,816	1,838	1,730	1,643	1,602
5 1-family	1,084	1,072	1,179	1,180	1,123	1,114	1,129	1,233	1,253	1,303	1,211	1,208	1,119
6 2-or-more-family	665	669	626	620	566	543	508	580	563	535	519	435	483
7 Under construction, end of period[1]	1,051	1,063	1,074	1,163	1,154	1,142	1,125	1,104	1,089	1,096	1,085	1,071	1,065
8 1-family	556	539	583	628	627	625	619	610	609	621	618	624	622
9 2-or-more-family	494	524	490	534	527	518	506	494	480	476	467	447	443
10 Completed	1,652	1,703	1,756	1,757	1,740	1,745	1,774	1,894	1,956	1,726	1,689	1,824	1,602
11 1-family	*1,025*	*1,072*	*1,120*	*1,124*	*1,113*	*1,165*	*1,158*	*1,184*	*1,217*	*1,107*	*1,141*	*1,141*	*1,139*
12 2-or-more-family	627	631	637	633	627	580	616	710	739	619	548	683	463
13 Mobile homes shipped	296	284	244	231	243	241	237	251	242	231	228	227	222
Merchant builder activity in 1-family units													
14 Number sold	639	688	748	623	744	675	691	768	712	740r	717	724	616
15 Number for sale, end of period[1]	358	350	361	352	355	357	353	357	358	358	358	360	356
Price (thousands of dollars)[2]													
Median													
16 Units sold	80.0	84.3	92.2	91.5	95.0	96.4	94.0	95.0	98.5	95.2r	98.5	97.9	106.8
Average													
17 Units sold	97.5	101.0	112.2	113.2	114.0	114.9	113.6	118.9	122.1	121.3r	119.5	117.5	129.6
EXISTING UNITS (1-family)													
18 Number sold	2,868	3,217	3,566	3,590	3,710	3,760	3,850	4,060	3,480r	3,690	3,680	3,560	3,770
Price of units sold (thousands of dollars)[2]													
19 Median	72.3	75.4	80.3	82.0	80.3	79.4	80.4	80.8	82.1r	85.0	85.6	85.0	85.2
20 Average	85.9	90.6	98.3	100.3	98.2	97.3	99.1	100.6	100.1r	104.3	104.9	105.0	106.3
	Value of new construction[3] (millions of dollars)r												
CONSTRUCTION													
21 Total put in place	**328,643**	**355,995**	**388,815**	**395,292**	**400,115**	**394,871**	**390,646**	**380,175**	**384,716**	**401,644**	**388,303**	**397,262**	**398,563**
22 Private	**270,978**	**291,665**	**316,589**	**322,609**	**324,886**	**322,929**	**320,417**	**306,826**	**310,170**	326,453	312,203	320,610	322,736
23 Residential	153,849	158,475	187,147	194,010	198,786	192,592	194,463	181,682	187,813	203,115	190,812	199,249	198,923
24 Nonresidential, total	117,129	133,190	129,442	128,599	126,100	130,337	125,954	125,144	122,357	123,338	121,391	121,361	123,813
Buildings													
25 Industrial	13,746	15,769	13,747	13,217	13,015	14,634	13,404	13,207	12,094	12,112	11,354	11,504	12,030
26 Commercial	39,357	51,315	48,592	56,581	55,235	56,121	54,193	54,809	50,881	53,071	52,285	51,032	51,977
27 Other	12,547	12,619	13,216	12,900	13,026	13,820	13,787	14,231	14,755	14,776	15,143	14,999	15,462
28 Public utilities and other	51,479	53,487	53,887	45,901	44,824	45,762	44,570	42,897	44,627	43,379	42,609	43,826	44,344
29 Public	57,662	64,326	72,225	72,683	75,229	71,942	70,229	73,348	74,546	75,191	76,100	76,652	75,827
30 Military	2,839	3,283	3,919	4,158	5,076	3,566	4,007	4,313	4,100	2,806	3,893	3,749	4,180
31 Highway	18,772	21,756	23,360	23,732	22,609	22,643	19,958	21,935	23,508	23,260	23,575	22,916	23,345
32 Conservation and development	4,654	4,746	4,668	4,251	4,741	4,726	4,647	4,954	5,155	4,883	4,792	5,660	4,937
33 Other	31,397	34,541	40,278	40,542	42,803	41,007	41,617	42,146	41,783	44,242	43,840	44,327	43,365

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 June 1987 (1967 = 100)[1]
	1986 June	1987 June	1986 Sept.	1986 Dec.	1987 Mar.	1987 June	1987 Feb.[r]	1987 Mar.	1987 Apr.	1987 May	1987 June	
Consumer Prices[2]												
1 **All items**	**1.7**	**3.7**	**2.0**	**2.5**	**6.2**	**4.6**	**.4**	**.4**	**.4**	**.3**	**.4**	**340.1**
2 Food	2.5	5.4	8.4	4.1	2.5	6.5	.3	-.1	.3	.5	.7	334.1
3 Energy items	-12.9	.0	-21.0	-9.9	26.1	7.9	1.9	1.0	.3	.2	1.5	380.6
4 All items less food and energy	4.0	4.1	3.7	3.7	5.2	4.0	.3	.5	.5	.3	.2	339.1
5 Commodities	1.2	3.1	2.6	1.4	5.1	3.8	.0	.7	.6	.3	.0	270.1
6 Services	5.7	4.6	4.3	5.1	5.3	3.8	.4	.4	.4	.3	.2	414.1
Producer Prices												
7 Finished goods	-1.6	2.6	-.4	1.8	3.9	5.1	.1	.4	.7	.3	.2	296.8
8 Consumer foods	2.4	4.6	11.2	1.0	-6.7	14.3	-.1	.1[r]	1.5	1.4	.5	287.7
9 Consumer energy	-27.7	-2.9	-42.7	-12.5	57.6	12.4	2.5	1.5[r]	2.1	.0	.9	520.7
10 Other consumer goods	2.3	2.6	2.3	4.4	3.4	.5	-.2	.6[r]	.2	-.2	.1	264.5
11 Capital equipment	1.9	1.8	2.0	3.4	.1	1.7	-.2	.1	.3	.1	.0	311.6
12 Intermediate materials[3]	-4.1	2.5	-1.5	-1.2	8.0	5.0	.5	.4	.3	.4	.6	320.3
13 Excluding energy	-.7	2.6	1.5	1.2	3.3	4.5	.2	.2[r]	.2	.4	.5	311.6
Crude materials												
14 Foods	-2.8	8.5	18.1	-2.7	-11.3	35.4	.0	.1[r]	4.3	4.8	-1.4	246.5
15 Energy	-25.3	8.6	-19.6	-.5	41.2	23.1	1.1	-.5[r]	1.7	2.7	.9	612.2
16 Other	1.1	8.4	-24.1	8.5	16.3	33.3	-.4	-.2[r]	.7	2.4	4.2	271.1

1. Not seasonally adjusted.
2. Figures for consumer prices are those for all urban consumers and reflect a rental equivalence measure of homeownership after 1982.
3. Excludes intermediate materials for food manufacturing and manufactured animal feeds.

Source. Bureau of Labor Statistics.

2.16 GROSS NATIONAL PRODUCT AND INCOME

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

Account	1984[r]	1985[r]	1986[r]	1986[r] Q2	1986[r] Q3	1986[r] Q4	1987 Q1[r]	1987 Q2
GROSS NATIONAL PRODUCT								
1 **Total**	**3,772.2**	**4,010.3**	**4,235.0**	**4,211.6**	**4,265.9**	**4,288.1**	**4,377.7**	**4,448.8**
By source								
2 Personal consumption expenditures	2,430.5	2,629.4	2,799.8	2,765.8	2,837.1	2,858.6	2,893.8	2,944.0
3 Durable goods	335.5	368.7	402.4	386.4	427.6	419.8	396.1	409.7
4 Nondurable goods	867.3	913.1	939.4	934.3	940.0	946.3	969.9	977.0
5 Services	1,227.6	1,347.5	1,458.0	1,445.1	1,469.5	1,492.4	1,527.7	1,557.3
6 Gross private domestic investment	664.8	641.6	671.0	679.4	660.8	660.2	699.9	702.3
7 Fixed investment	597.1	631.6	655.2	651.9	657.3	666.6	648.2	658.8
8 Nonresidential	416.0	442.6	436.9	433.8	433.5	439.7	422.8	429.7
9 Structures	141.1	152.5	137.4	135.9	131.1	132.9	128.7	129.4
10 Producers' durable equipment	274.9	290.1	299.5	297.9	302.4	306.7	294.1	300.3
11 Residential structures	181.1	189.0	218.3	218.1	223.8	226.9	225.4	229.1
12 Change in business inventories	67.7	10.0	15.7	27.5	3.5	−6.4	51.6	43.5
13 Nonfarm	60.5	13.6	16.8	24.5	−.9	5.1	48.7	27.1
14 Net exports of goods and services	−58.9	−79.2	−105.5	−100.8	−110.5	−116.9	−112.2	−108.6
15 Exports	383.5	369.9	376.2	371.3	376.6	383.3	397.3	413.3
16 Imports	442.4	449.2	481.7	472.1	487.1	500.2	509.5	521.9
17 Government purchases of goods and services	735.9	818.6	869.7	867.2	878.5	886.3	896.2	911.2
18 Federal	310.5	353.9	366.2	368.4	371.2	368.6	366.9	371.8
19 State and local	425.3	464.7	503.5	498.8	507.3	517.7	529.3	539.4
By major type of product								
20 Final sales, total	3,704.5	4,000.3	4,219.3	4,184.0	4,262.4	4,294.6	4,326.0	4,405.3
21 Goods	1,581.3	1,637.9	1,693.8	1,689.9	1,703.6	1,698.9	1,738.7	1,764.4
22 Durable	675.0	700.2	716.8	717.0	735.8	737.3	747.0	761.1
23 Nondurable	901.7	930.0	953.7	972.9	967.8	961.6	991.7	1,003.3
24 Services	1,813.1	1,959.8	2,105.6	2,097.9	2,136.6	2,160.0	2,212.0	2,252.1
25 Structures	375.1	408.1	430.0	423.8	425.7	429.3	426.9	432.3
26 Change in business inventories	67.7	10.0	15.7	27.5	3.5	−6.4	51.6	43.5
27 Durable goods	39.2	6.6	−1.0	10.1	−12.1	−4.5	35.2	25.6
28 Nondurable goods	24.9	4.5	7.7	17.5	15.6	−1.9	16.5	17.9
29 MEMO: **Total GNP in 1982 dollars**	**3,501.4**	**3,607.5**	**3,713.3**	**3,704.7**	**3,718.0**	**3,731.5**	**3,772.2**	**3,796.4**
NATIONAL INCOME								
30 **Total**	**3,028.6**	**3,229.9**	**3,422.0**	**3,414.1**	**3,438.7**	**3,471.0**	**3,548.3**	**n.a.**
31 Compensation of employees	2,213.9	2,370.8	2,504.9	2,487.6	2,515.1	2,552.0	2,589.9	2,623.4
32 Wages and salaries	1,838.8	1,974.7	2,089.1	2,074.6	2,097.9	2,128.5	2,163.3	2,191.6
33 Government and government enterprises	346.1	372.3	394.8	391.6	397.7	403.8	412.2	418.1
34 Other	1,492.5	1,602.6	1,694.3	1,683.0	1,700.2	1,724.7	1,751.1	1,773.5
35 Supplement to wages and salaries	375.1	396.1	415.8	413.0	417.2	423.5	426.6	431.9
36 Employer contributions for social insurance	192.2	203.8	214.7	213.1	214.9	219.1	220.0	222.4
37 Other labor income	182.9	192.3	201.1	199.8	202.3	204.4	206.7	209.5
38 Proprietors' income[1]	234.5	257.3	289.8	298.1	292.5	297.8	320.9	327.6
39 Business and professional[1]	204.0	227.6	252.6	250.1	256.2	261.2	269.7	276.1
40 Farm[1]	30.5	29.7	37.2	48.1	36.3	36.6	51.3	51.5
41 Rental income of persons[2]	8.5	9.0	16.7	17.4	17.2	18.4	20.0	21.8
42 Corporate profits[1]	266.9	277.6	284.4	282.3	286.4	281.1	294.0	n.a.
43 Profits before tax[3]	240.0	224.8	231.9	224.4	236.3	247.9	257.0	n.a.
44 Inventory valuation adjustment	−5.8	−.7	6.5	11.3	6.0	−8.9	−11.3	−18.5
45 Capital consumption adjustment	32.7	53.5	46.0	46.7	44.0	42.1	48.2	48.8
46 Net interest	304.8	315.3	326.1	328.7	327.5	321.7	323.6	332.4

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	1984r	1985r	1986r	1986r Q2	1986r Q3	1986r Q4	1987 Q1r	1987 Q2
PERSONAL INCOME AND SAVING								
1 **Total personal income**	**3,108.7**	**3,327.0**	**3,534.3**	**3,526.6**	**3,553.6**	**3,593.6**	**3,662.0**	**3,716.4**
2 Wage and salary disbursements	1,838.6	1,974.9	2,089.1	2,074.6	2,097.9	2,128.5	2,163.3	2,191.6
3 Commodity producing industries	577.6	609.2	623.3	621.2	622.8	628.4	632.9	634.9
4 Manufacturing	439.1	460.9	470.5	468.7	470.0	474.5	477.2	478.9
5 Distributive industries	442.8	473.0	497.1	493.7	498.6	504.7	511.5	519.2
6 Service industries	472.1	520.4	573.9	568.1	578.8	591.6	606.7	619.4
7 Government and government enterprises	346.1	372.3	394.8	391.6	397.7	403.8	412.2	418.1
8 Other labor income	182.9	192.3	201.1	199.8	202.3	204.4	206.7	209.5
9 Proprietors' income[1]	234.5	257.3	289.8	298.1	292.5	297.8	320.9	327.6
10 Business and professional[1]	204.0	227.6	252.6	250.1	256.2	261.2	269.7	276.1
11 Farm[1]	30.5	29.7	37.2	48.1	36.3	36.6	51.3	51.5
12 Rental income of persons[2]	8.5	9.0	16.7	17.4	17.2	18.4	20.0	21.8
13 Dividends	75.5	76.3	81.2	81.0	82.1	82.9	84.5	86.3
14 Personal interest income	444.7	476.5	497.6	500.0	498.1	496.8	499.8	506.3
15 Transfer payments	456.6	489.7	518.3	514.5	523.6	526.6	533.7	541.6
16 Old-age survivors, disability, and health insurance benefits	235.7	253.4	269.2	266.4	272.4	273.5	278.0	282.5
17 LESS: Personal contributions for social insurance	132.7	148.9	159.6	158.8	160.1	161.8	166.7	168.3
18 EQUALS: Personal income	3,108.7	3,327.0	3,534.3	3,526.6	3,553.6	3,593.6	3,662.0	3,716.4
19 LESS: Personal tax and nontax payments	440.2	485.9	512.2	504.2	515.3	532.0	536.1	577.9
20 EQUALS: Disposable personal income	2,668.6	2,841.1	3,022.1	3,022.4	3,038.2	3,061.6	3,125.9	3,138.5
21 LESS: Personal outlays	2,504.5	2,714.1	2,891.5	2,856.4	2,929.4	2,952.6	2,987.5	3,037.9
22 *EQUALS: Personal saving*	164.1	127.1	130.6	166.0	108.9	109.0	138.4	100.6
MEMO								
Per capita (1982 dollars)								
23 Gross national product	14,767.6	15,075.2	15,369.6	15,353.0	15,369.9	15,387.6	15,523.4	15,590.9
24 Personal consumption expenditures	9,486.7	9,831.1	10,142.8	10,088.2	10,241.8	10,228.8	10,188.9	10,220.5
25 Disposable personal income	10,419.0	10,622.0	10,947.0	11,024.0	10,968.0	10,956.0	11,008.0	10,897.0
26 *Saving rate (percent)*	6.1	4.5	4.3	5.5	3.6	3.6	4.4	3.2
GROSS SAVING								
27 **Gross saving**	**568.5**	**531.3**	**532.0**	**538.7**	**516.2**	**515.3**	**554.3**	**n.a.**
28 Gross private saving	673.5	664.2	679.8	713.7	660.4	653.4	683.8	n.a.
29 Personal saving	164.1	127.1	130.6	166.0	108.9	109.0	138.4	100.6
30 Undistributed corporate profits[1]	94.0	99.6	92.6	93.6	92.6	78.5	75.6	n.a.
31 Corporate inventory valuation adjustment	-5.8	-.7	6.5	11.3	6.0	-8.9	-11.3	-18.5
Capital consumption allowances								
32 Corporate	254.5	269.1	282.8	280.9	284.3	289.3	291.8	293.8
33 Noncorporate	160.9	168.5	173.8	173.2	174.6	176.6	178.0	179.3
34 Government surplus, or deficit (-), national income and product accounts	-105.0	-132.9	-147.8	-175.0	-144.1	-138.1	-129.5	n.a.
35 Federal	-169.6	-196.0	-204.7	-230.2	-203.7	-188.7	-170.5	n.a.
36 State and local	64.6	63.1	56.8	55.1	59.6	50.6	41.0	n.a.
37 **Gross investment**	**573.9**	**525.7**	**527.1**	**539.6**	**510.1**	**503.7**	**552.1**	**553.5**
38 Gross private domestic	664.8	641.6	671.0	679.4	660.8	660.2	699.9	702.3
39 Net foreign	-90.9	-115.9	-143.9	-139.8	-150.7	-156.5	-147.7	-148.7
40 **Statistical discrepancy**	**5.4**	**-5.6**	**-4.9**	**.9**	**-6.1**	**-11.6**	**-2.2**	**-2.2**

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

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

3.10 U.S. INTERNATIONAL TRANSACTIONS Summary

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

Item credits or debits	1984[r]	1985[r]	1986[r]	1986[r] Q1	1986[r] Q2	1986[r] Q3	1986[r] Q4	1987 Q1[p]
1 Balance on current account	−107,013	−116,394	−141,352	−33,040	−33,755	−36,583	−37,977	−37,122
2 Not seasonally adjusted	....	....	....	−30,090	−34,634	−40,230	−36,398	−33,866
3 Merchandise trade balance[2]	−112,522	−122,148	−144,339	−34,978	−33,651	−37,115	−38,595	−38,330
4 Merchandise exports	219,900	215,935	224,361	53,878	56,928	56,534	57,021	58,212
5 Merchandise imports	−332,422	−338,083	−368,700	−88,856	−90,579	−93,649	−95,616	−96,542
6 Military transactions, net	−1,942	−3,338	−3,662	−1,298	−1,054	−815	−495	198
7 Investment income, net[3]	18,490	25,398	20,844	6,425	4,587	5,339	4,492	3,836
8 Other service transactions, net	1,138	−1,005	1,463	−168	530	342	759	264
9 Remittances, pensions, and other transfers	−3,637	−4,079	−3,885	−943	−918	−875	−1,151	−993
10 U.S. government grants (excluding military)	−8,541	−11,222	−11,772	−2,078	−3,249	−3,459	−2,987	−2,097
11 Change in U.S. government assets, other than official reserve assets, net (increase, −)	−5,476	−2,831	−1,920	−240	−242	−1,454	15	219
12 Change in U.S. official reserve assets (increase, −)	−3,130	−3,858	312	−115	16	280	132	1,956
13 Gold	0	0	0	0	0	0	0	0
14 Special drawing rights (SDRs)	−979	−897	−246	−274	−104	163	−31	76
15 Reserve position in International Monetary Fund	−995	908	1,500	344	366	508	283	606
16 Foreign currencies	−1,156	−3,869	−942	−185	−246	−391	−120	1,274
17 Change in U.S. private assets abroad (increase, −)[3]	−13,685	−24,711	−94,374	−13,415	−25,303	−23,304	−32,351	16,517
18 Bank-reported claims	−11,127	−1,323	−59,039	6,373	−14,734	−18,878	−31,800	27,802
19 Nonbank-reported claims	5,019	1,361	−3,986	−2,947	−1,894	685	170	....
20 U.S. purchase of foreign securities, net	−4,756	−7,481	−3,302	−5,886	−1,149	620	3,113	−1,317
21 U.S. direct investments abroad, net[3]	−2,821	−17,268	−28,047	−10,955	−7,526	−5,731	−3,834	−9,968
22 Change in foreign official assets in the United States (increase, +)	2,987	−1,140	34,698	2,576	15,568	15,551	1,003	14,123
23 U.S. Treasury securities	4,690	−838	34,515	3,238	14,538	12,167	4,572	11,999
24 Other U.S. government obligations	13	−301	−1,214	−177	−644	−276	−117	−51
25 Other U.S. government liabilities[4]	586	823	1,723	406	925	999	−607	−1,421
26 Other U.S. liabilities reported by U.S. banks	555	645	554	−1,254	1,280	2,963	−2,435	3,964
27 Other foreign official assets[5]	−2,857	−1,469	−880	363	−531	−302	−410	−368
28 Change in foreign private assets in the United States (increase, +)[3]	99,481	131,012	178,689	33,746	33,475	54,040	57,428	13,435
29 U.S. bank-reported liabilities	33,849	41,045	77,350	8,487	3,899	30,360	34,604	−13,836
30 U.S. nonbank-reported liabilities	4,704	−450	−2,791	−2,193	−1,553	−80	1,035	....
31 Foreign private purchases of U.S. Treasury securities, net	23,001	20,433	8,275	7,035	3,705	609	−3,074	5,445
32 Foreign purchases of other U.S. securities, net	12,568	50,962	70,802	18,571	22,888	17,074	12,269	18,454
33 Foreign direct investments in the United States, net[3]	25,359	19,022	25,053	1,846	4,536	6,077	12,594	3,372
34 Allocation of SDRs	0	0	0	0	0	0	0	0
35 Discrepancy	26,837	17,920	23,947	10,488	10,241	−8,530	11,750	−9,128
36 Owing to seasonal adjustments	....	....	....	2,294	−2,044	−4,153	3,904	2,749
37 Statistical discrepancy in recorded data before seasonal adjustment	26,837	17,920	23,947	8,194	12,285	−4,377	7,846	−11,877
MEMO								
Changes in official assets								
38 U.S. official reserve assets (increase, −)	−3,130	−3,858	312	−115	16	280	132	1,956
39 Foreign official assets in the United States (increase, +) excluding line 25	2,401	−1,963	32,975	2,170	14,643	14,552	1,610	15,544
40 Change in Organization of Petroleum Exporting Countries official assets in the United States (part of line 22 above)	−4,504	−6,709	−8,508	1,876	−2,166	−3,023	−5,195	−2,941
41 Transfers under military grant programs (excluded from lines 4, 6, and 10 above)	153	46	101	19	11	19	53	10

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

Millions of dollars; monthly data are not seasonally adjusted.

Item	1983	1984	1985	1986		1987				
				Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May
1 EXPORTS of domestic and foreign merchandise excluding grant-aid shipments	200,486	217,865	213,146	18,595	18,431	16,421	18,660	21,064	20,141	20,425
2 GENERAL IMPORTS including merchandise for immediate consumption plus entries into bonded warehouses	258,048	325,726	345,276	36,187	27,795	27,466	32,307	33,197	31,983	33,313
3 **Trade balance**	**−57,562**	***107,861***	***−132,129***	***−17,592***	**−9,364**	**−11,045**	**−13,647**	**−12,133**	**−11,842**	**−12,889**

NOTE. The data through 1981 in this table are reported by the Bureau of Census data of a free-alongside-ship (f.a.s.) value basis—that is, value at the port of export. Beginning in 1981, foreign trade of the U.S. Virgin Islands is included in the Census basis trade data; this adjustment has been made for all data shown in the table. Beginning with 1982 data, the value of imports are on a customs valuation basis.

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 adjustments are: (1) the addition of exports to Canada not covered in Census statistics, and (2) 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.

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	1983	1984	1985	1986	1987					
				Dec.	Jan.	Feb.	Mar.	Apr.	May	June[p]
1 **Total**	**33,747**	**34,934**	**43,186**	**48,517**	**49,386**	**49,358**	**48,824**	**46,591**	**45,913**	**45,140**
2 Gold stock, including Exchange Stabilization Fund[1]	11,121	11,096	11,090	11,064	11,062	11,085	11,081	11,076	11,070	11,069
3 Special drawing rights[2,3]	5,025	5,641	7,293	8,395	8,470	8,615	8,740	8,879	8,904	8,856
4 Reserve position in International Monetary Fund[2]	11,312	11,541	11,947	11,730	11,872	11,699	11,711	11,745	11,517	11,313
5 Foreign currencies[4]	6,289	6,656	12,856	17,328	17,982	17,959	17,292	14,891	14,422	13,902

1. Gold held under earmark at Federal Reserve Banks for foreign and international accounts is not included in the gold stock of the United States; see table 3.13. Gold stock is valued at $42.22 per fine troy ounce.
2. Beginning July 1974, the IMF adopted a technique for valuing the SDR based on a weighted average of exchange rates for the currencies of member countries. From July 1974 through December 1980, 16 currencies were used; from January 1981, 5 currencies have been used. The U.S. SDR holdings and reserve position in the IMF also are valued on this basis beginning July 1974.
3. Includes allocations by the International Monetary Fund of SDRs as follows: $867 million on Jan. 1, 1970; $717 million on Jan. 1, 1971; $710 million on Jan. 1, 1972; $1,139 million on Jan. 1, 1979; $1,152 million on Jan. 1, 1980; and $1,093 million on Jan. 1, 1981; plus transactions in SDRs.
4. Valued at current market exchange rates.

3.13 FOREIGN OFFICIAL ASSETS HELD AT FEDERAL RESERVE BANKS

Millions of dollars, end of period

Assets	1983	1984	1985	1986	1987					
				Dec.	Jan.	Feb.	Mar.	Apr.	May	June
1 Deposits	190	267	480	287	226	255	268	342	319	318
Assets held in custody										
2 U.S. Treasury securities[1]	117,670	118,000	121,004	155,835	159,597	160,942	167,423	172,929	175,849	176,657
3 Earmarked gold[2]	14,414	14,242	14,245	14,048	14,041	14,046	14,036	14,031	14,031	14,034

1. Marketable U.S. Treasury bills, notes, and bonds; and nonmarketable U.S. Treasury securities payable in dollars and in foreign currencies.
2. Earmarked gold is valued at $42.22 per fine troy ounce.

NOTE. Excludes deposits and U.S. Treasury securities held for international and regional organizations. Earmarked gold is gold held for foreign and international accounts and is not included in the gold stock of the United States.

3.14 FOREIGN BRANCHES OF U.S. BANKS Balance Sheet Data[1]

Millions of dollars, end of period

Asset account	1983	1984	1985	1986 Nov.	1986 Dec.	1987 Jan.	1987 Feb.	1987 Mar.	1987 Apr.	1987 May p
	All foreign countries									
1 **Total, all currencies**	**477,090**	**453,656**	**458,012**	**446,618**	**456,628**	**458,305**	**457,819**	**456,655**	**484,827**	**487,300**
2 Claims on United States	115,542	113,393	119,706	110,404r	114,685r	116,190r	114,450r	111,865	127,730	126,847
3 Parent bank	82,026	78,109	87,201	78,264r	83,492r	84,111r	82,588r	81,325	93,414	92,014
4 Other banks in United States[2]	33,516	13,664	13,057	12,034	13,685	12,714r	13,158	13,044	15,277	16,484
5 Nonbanks[2]		21,620	19,448	20,106	17,508	19,365	18,704	17,496	19,039	18,349
6 Claims on foreigners	342,689	320,162	315,676	306,338r	312,833r	310,494r	311,461r	310,618r	321,699	327,952
7 Other branches of parent bank	96,004	95,184	91,399	89,592r	96,281r	92,364r	89,656r	89,200	93,288	101,309
8 Banks	117,668	100,397	102,960	103,293	105,237	105,386r	109,748	109,580	115,942	113,946
9 Public borrowers	24,517	23,343	23,478	23,314	23,584	23,337	23,192	22,543r	22,765	23,160
10 Nonbank foreigners	107,785	101,238	97,839	90,139	87,731	89,407	88,865r	89,295r	89,704	89,537
11 Other assets	18,859	20,101	22,630	29,876	29,110	31,621	31,908	34,172r	35,398	32,501
12 **Total payable in U.S. dollars**	**371,508**	**350,636**	**336,520**	**306,683**	**317,487**	**309,719**	**311,669**	**306,079**	**328,920**	**336,031**
13 Claims on United States	113,436	111,426	116,638	106,265r	110,742r	111,522r	110,011r	107,016	121,939	121,389
14 Parent bank	80,909	77,229	85,971	76,746r	82,082r	82,349r	81,029r	79,465	91,459	89,978
15 Other banks in United States[2]	32,527	13,500	12,454	10,986	12,830	11,531	12,102	11,907	13,468	14,848
16 Nonbanks[2]		20,697	18,213	18,533	15,830	17,642	16,880	15,644	17,012	16,563
17 Claims on foreigners	247,406	228,600	210,129	188,672r	194,941r	186,370r	189,205r	185,418	192,715	201,126
18 Other branches of parent bank	78,431	78,746	72,727	65,857r	72,197r	66,553r	64,550r	63,983	66,535	75,014
19 Banks	93,332	76,940	71,868	64,920	66,421	63,610r	68,320	65,997	70,189	69,395
20 Public borrowers	17,890	17,626	17,260	16,820	16,586	16,457r	16,320	16,224	16,512	16,677
21 Nonbank foreigners	60,977	55,288	48,274	41,075	39,737	39,750r	40,015	39,214	39,479	40,040
22 Other assets	10,666	10,610	9,753	11,746	11,804	11,827	12,453	13,645	14,266	13,516
	United Kingdom									
23 **Total, all currencies**	**158,732**	**144,385**	**148,599**	**143,806**	**140,917**	**144,093**	**146,188**	**145,486**	**149,998**	**154,371**
24 Claims on United States	34,433	27,675	33,157	28,940	24,599	28,720	28,851	28,503	31,001	34,427
25 Parent bank	29,111	21,862	26,970	22,671	19,085	23,330	23,326	23,303	25,315	28,935
26 Other banks in United States[2]	5,322	1,429	1,106	1,534	1,612	1,220	1,258	1,288	1,564	1,507
27 Nonbanks[2]		4,384	5,081	4,735	3,902	4,170	4,267	3,912	4,122	3,985
28 Claims on foreigners	119,280	111,828	110,217	108,153	109,508	108,720	110,274	109,297	111,113	112,997
29 Other branches of parent bank	36,565	37,953	31,576	29,966	33,422	30,218	29,575	28,782	29,555	33,412
30 Banks	43,352	37,443	39,250	41,145	39,468	40,677	43,189	42,537	43,342	41,216
31 Public borrowers	5,898	5,334	5,644	5,038	4,990	4,942	4,983	4,897	4,964	5,234
32 Nonbank foreigners	33,465	31,098	33,747	32,004	31,628	32,883	32,527	33,081	33,252	33,135
33 Other assets	5,019	4,882	5,225	6,713	6,810	6,653	7,063	7,686	7,884	6,947
34 **Total payable in U.S. dollars**	**126,012**	**112,809**	**108,626**	**97,125**	**95,028**	**95,359**	**97,568**	**95,319**	**99,398**	**104,622**
35 Claims on United States	33,756	26,868	32,092	27,564	23,193	27,070	27,290	26,665	29,066	32,542
36 Parent bank	28,756	21,495	26,568	22,106	18,526	22,673	22,749	22,662	24,689	28,228
37 Other banks in United States[2]	5,000	1,363	1,005	1,364	1,475	996	1,061	980	1,192	1,157
38 Nonbanks[2]		4,010	4,519	4,094	3,192	3,401	3,480	3,023	3,185	3,157
39 Claims on foreigners	88,917	82,945	73,475	66,304	68,138	65,022	66,872	64,466	66,257	68,469
40 Other branches of parent bank	31,838	33,607	26,011	23,229	26,361	22,720	22,578	21,785	21,958	25,921
41 Banks	32,188	26,805	26,139	24,020	23,251	23,629r	25,685	24,225	25,343	23,263
42 Public borrowers	4,194	4,030	3,999	3,811	3,677	3,681r	3,716	3,660	3,712	3,785
43 Nonbank foreigners	20,697	18,503	17,326	15,244	14,849	14,992r	14,893	14,796	15,244	15,500
44 Other assets	3,339	2,996	3,059	3,257	3,697	3,267	3,406	4,188	4,075	3,611
	Bahamas and Caymans									
45 **Total, all currencies**	**152,083**	**146,811**	**142,055**	**131,363**	**142,592**	**135,627**	**133,229**	**133,837**	**146,437**	**141,464**
46 Claims on United States	75,309	77,296	74,864	68,062r	78,170r	73,569r	68,873r	67,357	77,909	73,282
47 Parent bank	48,720	49,449	50,553	44,207r	54,575r	48,962r	44,759r	44,150r	51,747	46,282
48 Other banks in United States[2]	26,589	11,544	11,204	9,628	11,156	10,625	10,924	10,855	12,649	13,988
49 Nonbanks[2]		16,303	13,107	14,227	12,439	13,982	13,190	12,352	13,513	13,012
50 Claims on foreigners	72,868	65,598	63,882	57,452r	59,883r	56,899r	59,036r	60,643	62,770	62,886
51 Other branches of parent bank	20,626	17,661	19,042	16,155r	17,296r	15,332r	15,481r	16,529	16,562	15,775
52 Banks	36,842	30,246	28,192	25,743	27,476	26,366	28,139	28,568	30,917	31,352
53 Public borrowers	6,093	6,089	6,458	6,697	6,929	7,026	6,974	6,915	7,120	7,169
54 Nonbank foreigners	12,592	11,602	10,190	8,857	8,182	8,175	8,442r	8,631	8,171	8,590
55 Other assets	3,906	3,917	3,309	5,849	4,539	5,159	5,320	5,837	5,758	5,296
56 **Total payable in U.S. dollars**	**145,641**	**141,562**	**136,794**	**124,801**	**136,813**	**129,474**	**126,605**	**126,808**	**138,445**	**133,119**

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.

2. Data for assets vis-à-vis other banks in the United States and vis-à-vis nonbanks are combined for dates before June 1984.

3.14 Continued

Liability account	1983	1984	1985	1986 Nov.	1986 Dec.	1987 Jan.	1987 Feb.	1987 Mar.	1987 Apr.	1987 May[p]
	All foreign countries									
57 **Total, all currencies**	**477,090**	**453,656**	**458,012**	**446,618**	**456,628**	**458,305**	**457,819**	**456,655**	**484,827**	**487,300**
58 Negotiable CDs[3]	n.a.	37,725	34,607	32,926	31,629	33,395	36,074	34,873	33,155	34,360
59 To United States	188,070	147,583	155,538	137,029	151,632	140,072[r]	140,046	141,341	152,390	149,785
60 Parent bank	81,261	78,739	83,914	75,062	82,561	70,047	73,095	70,866	74,772	74,347
61 Other banks in United States	29,453	18,409	16,894	14,532	15,646	15,051[r]	13,602	13,695	16,913	16,908
62 Nonbanks	77,356	50,435	54,730	47,435	53,425	54,974	53,349	56,780	60,705	58,530
63 To foreigners	269,685	247,907	245,939	256,611	253,775	264,480[r]	261,944	260,659[r]	277,991	284,126
64 Other branches of parent bank	90,615	93,909	89,529	87,993	95,146	90,303	88,524	87,867	94,559	101,777
65 Banks	92,889	78,203	76,814	83,784	77,809	89,216[r]	86,037[r]	84,976	92,704	90,236
66 Official institutions	18,896	20,281	19,520	18,831	17,835	19,532	19,818	20,591	21,293	23,058
67 Nonbank foreigners	68,845	55,514	60,076	66,003	62,985	65,429	67,565[r]	67,225[r]	69,435	69,055
68 Other liabilities	19,335	20,441	21,928	20,052	19,592	20,358	19,755	19,782[r]	21,291	19,029
69 **Total payable in U.S. dollars**	**388,291**	**367,145**	**353,712**	**320,348**	**336,406**	**323,900**	**326,319[r]**	**321,354**	**340,069**	**346,946**
70 Negotiable CDs[3]	n.a.	35,227	31,063	29,752	28,466	29,921	32,407	31,148	29,505	30,763
71 To United States	184,305	143,571	150,162	129,224	143,650	131,557	131,617	132,413	141,126	140,883
72 Parent bank	79,035	76,254	80,888	71,017	78,472	65,419	68,540	65,755	68,064	69,863
73 Other banks in United States	28,936	17,935	16,264	13,679	14,609	14,047	12,505	12,593	15,455	15,742
74 Nonbanks	76,334	49,382	53,010	44,528	50,569	52,091	50,572	54,065	57,607	55,278
75 To foreigners	194,139	178,260	163,583	153,972	156,806	155,182	154,711[r]	149,949	161,216	167,664
76 Other branches of parent bank	73,522	77,770	71,078	64,178	71,181	64,380	63,640[r]	62,172	67,278	74,769
77 Banks	57,022	45,123	37,365	35,306	33,850	37,159	36,816[r]	35,116	39,111	36,216
78 Official institutions	13,855	15,773	14,359	13,139	12,371	13,688	13,189	13,392	14,318	16,068
79 Nonbank foreigners	51,260	39,594	40,781	41,349	39,404	39,955	41,066[r]	39,269	40,509	40,611
80 Other liabilities	9,847	10,087	8,904	7,400	7,484	7,240	7,584	7,844	8,222	7,636
	United Kingdom									
81 **Total, all currencies**	**158,732**	**144,385**	**148,599**	**143,806**	**140,917**	**144,093**	**146,188**	**145,486**	**149,998**	**154,371**
82 Negotiable CDs[3]	n.a.	34,413	31,260	28,984	27,781	29,432	32,233	30,968	29,311	30,226
83 To United States	55,799	25,250	29,422	22,585	24,657	19,465	22,501	21,433	23,967	26,291
84 Parent bank	14,021	14,651	19,330	13,811	14,469	10,004	12,735	12,332	13,201	15,145
85 Other banks in United States	11,328	3,125	2,974	2,184	2,649	2,154	2,154	1,816	2,205	2,273
86 Nonbanks	30,450	7,474	7,118	6,590	7,539	7,307	7,612	7,285	8,561	8,873
87 To foreigners	95,847	77,424	78,525	83,455	79,498	86,229	82,418	83,723	87,350	89,673
88 Other branches of parent bank	19,038	21,631	23,389	23,739	25,036	23,595	21,230	21,371	22,390	26,367
89 Banks	41,624	30,436	28,581	34,321	30,877	36,479	35,434	35,971	37,562	35,282
90 Official institutions	10,151	10,154	9,676	7,875	6,836	8,484	7,832	7,827	8,871	10,004
91 Nonbank foreigners	25,034	15,203	16,879	17,520	16,749	17,671	17,922	18,554	18,527	18,020
92 Other liabilities	7,086	7,298	9,392	8,782	8,981	8,967	9,036	9,362	9,370	8,181
93 **Total payable in U.S. dollars**	**131,167**	**117,497**	**112,697**	**99,327**	**99,707**	**98,741**	**101,971[r]**	**98,967**	**101,793**	**106,093**
94 Negotiable CDs[3]	n.a.	33,070	29,337	27,166	26,169	27,701	30,175	28,868	27,189	28,345
95 To United States	54,691	24,105	27,756	20,055	22,075	16,829	19,894	18,940	21,144	23,561
96 Parent bank	13,839	14,339	18,956	13,438	14,021	9,451	12,157	11,606	12,352	14,528
97 Other banks in United States	11,044	2,980	2,826	1,880	2,325	1,887	1,926	1,602	2,021	2,027
98 Nonbanks	29,808	6,786	5,974	4,737	5,729	5,491	5,811	5,732	6,771	7,006
99 To foreigners	73,279	56,923	51,980	49,056	48,138	51,174	48,610[r]	47,531	49,708	51,029
100 Other branches of parent bank	15,403	18,294	18,493	16,695	17,951	16,386	14,691[r]	14,471	14,367	18,430
101 Banks	29,320	18,356	14,344	15,984	15,203	18,626	18,207	18,027	19,498	15,555
102 Official institutions	8,279	8,871	7,661	5,655	4,934	6,096	5,176	4,924	5,786	7,214
103 Nonbank foreigners	20,277	11,402	11,482	10,722	10,050	10,066	10,536	10,109	10,057	9,830
104 Other liabilities	3,197	3,399	3,624	3,050	3,325	3,037	3,292	3,628	3,752	3,158
	Bahamas and Caymans									
105 **Total, all currencies**	**152,083**	**146,811**	**142,055**	**131,363**	**142,592**	**135,627**	**133,229**	**133,837**	**146,437**	**141,464**
106 Negotiable CDs[3]	n.a.	615	610	784	847	995	855	813	883	1,092
107 To United States	111,299	102,955	103,813	94,493	105,248	98,733	95,221	98,560	107,028	101,338
108 Parent bank	50,980	47,162	44,811	43,572	48,648	40,845	40,409	39,625	42,976	39,848
109 Other banks in United States	16,057	13,938	12,778	11,131	11,715	11,687	10,151	10,568	13,345	13,185
110 Nonbanks	44,262	41,855	46,224	39,790	44,885	46,201	44,661	48,367	50,707	48,305
111 To foreigners	38,445	40,320	35,053	33,841	34,400	33,831	35,053	32,501	36,491	36,825
112 Other branches of parent bank	14,936	16,782	14,075	12,661	12,631	12,323	12,972	11,673	13,891	13,359
113 Banks	11,876	12,405	10,669	8,545	8,617	8,402	8,070[r]	8,140	9,452	9,885
114 Official institutions	1,919	2,054	1,776	2,577	2,719	2,808	3,013	2,836	2,937	3,072
115 Nonbank foreigners	11,274	9,079	8,533	10,058	10,433	10,298	10,998[r]	9,852	10,211	10,509
116 Other liabilities	2,339	2,921	2,579	2,245	2,097	2,068	2,100	1,963	2,035	2,209
117 **Total payable in U.S. dollars**	**148,278**	**143,582**	**138,322**	**127,309**	**138,774**	**131,572**	**129,183**	**129,048**	**140,457**	**136,475**

3. Before June 1984, liabilities on negotiable CDs were included in liabilities to the United States or liabilities to foreigners, according to the address of the initial purchaser.

3.15 SELECTED U.S. LIABILITIES TO FOREIGN OFFICIAL INSTITUTIONS

Millions of dollars, end of period

Item	1984	1985	1986[r]		1987[r]				
			Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May[p]
1 **Total**[1]	**180,348**	**178,380**	**211,158**	**211,706**	**213,416**	**215,512**	**227,043**	**235,824**	**235,788**
By type									
2 Liabilities reported by banks in the United States[2]	26,090	26,734	27,818	27,626	27,629	29,438	31,237	32,630	31,384
3 U.S. Treasury bills and certificates[3]	59,976	53,252	75,132	75,650	75,718	75,434	79,629	84,640	81,553
U.S. Treasury bonds and notes									
4 Marketable	69,019	77,154	91,225	91,534	93,032	93,866	99,703	102,107	106,478
5 Nonmarketable[4]	5,800	3,550	1,300	1,300	1,300	1,300	1,300	1,300	1,300
6 U.S. securities other than U.S. Treasury securities[5]	19,463	17,690	15,683	15,596	15,737	15,474	15,174	15,147	15,073
By area									
7 Western Europe[1]	69,818	74,447	87,840	88,289	89,681	90,914	99,711	105,600	107,597
8 Canada	1,528	1,315	1,892	2,004	3,383	3,761	5,110	3,922	3,482
9 Latin America and Caribbean	8,565	11,148	9,096	8,367	7,680	7,425	8,241	9,293	7,879
10 Asia	93,701	86,448	105,510	106,024	107,448	108,886	108,662	110,022	109,578
11 Africa	1,263	1,824	1,545	1,503	1,300	1,164	1,192	1,284	1,628
12 Other countries[6]	5,472	3,199	5,276	5,519	3,926	3,362	4,127	5,702	5,626

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	1983	1984	1985	1986[r]			1987[p]
				June	Sept.	Dec.	Mar.
1 Banks' own liabilities	5,219	8,586	15,368	24,314	29,467	29,404	36,436
2 Banks' own claims	7,231	11,984	16,294	20,937	24,124	25,150	31,748
3 Deposits	2,731	4,998	8,437	11,072	13,220	13,173	13,929
4 Other claims	4,501	6,986	7,857	9,865	10,904	11,977	17,819
5 Claims of banks' domestic customers[1]	1,059	569	580	1,385	1,597	2,508	2,120

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	1983	1984	1985	1986[r]		1987[r]				
				Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May[p]
1 **All foreigners**	**369,607**	**407,306**	**435,726**	**513,633**	**538,895**	**525,505**	**522,597**	**524,768**	**551,449**	**553,394**
2 Banks' own liabilities	279,087	306,898	341,070	378,439	404,760	392,094	388,147	389,715	411,333	413,895
3 Demand deposits	17,470	19,571	21,107	24,758	23,788	22,490	22,449	22,303	22,174	22,954
4 Time deposits[1]	90,632	110,413	117,278	125,429	131,136	125,207	125,728	125,129	133,278	133,878
5 Other[2]	25,874	26,268	29,305	36,448	40,880	39,549	40,611	42,458	44,826	45,673
6 Own foreign offices[3]	145,111	150,646	173,381	191,805	208,956	204,848	199,359	199,825	211,055	211,390
7 Banks' custody liabilities[4]	90,520	100,408	94,656	135,193	134,134	133,411	134,450	135,054	140,117	139,500
8 U.S. Treasury bills and certificates[5]	68,669	76,368	69,133	90,351	90,257	89,278	90,695	93,048	97,789	95,971
9 Other negotiable and readily transferable instruments[6]	17,467	18,747	17,964	15,343	16,523	14,656	13,839	14,744	14,625	15,885
10 Other	4,385	5,293	7,558	29,499	27,354	29,477	29,916	27,262	27,702	27,644
11 **Nonmonetary international and regional organizations[7]**	**5,957**	**4,454**	**5,821**	**4,565**	**4,699**	**5,081**	**4,520**	**3,889**	**6,830**	**3,819**
12 Banks' own liabilities	4,632	2,014	2,621	3,194	2,850	3,732	2,193	2,510	5,236	2,155
13 Demand deposits	297	254	85	135	199	183	157	246	159	106
14 Time deposits[1]	3,584	1,267	2,067	2,299	2,066	2,515	1,488	1,230	3,100	960
15 Other[2]	750	493	469	761	584	1,034	548	1,033	1,977	1,089
16 Banks' custody liabilities[4]	1,325	2,440	3,200	1,371	1,849	1,349	2,326	1,379	1,594	1,664
17 U.S. Treasury bills and certificates	463	916	1,736	262	259	86	1,213	154	428	440
18 Other negotiable and readily transferable instruments[6]	862	1,524	1,464	1,104	1,590	1,261	1,112	1,225	1,152	1,224
19 Other	0	0	0	5	0	2	1	0	14	0
20 **Official institutions[8]**	**79,876**	**86,065**	**79,985**	**102,951**	**103,275**	**103,346**	**104,872**	**110,866**	**117,271**	**112,937**
21 Banks' own liabilities	19,427	19,039	20,835	25,206	25,134	25,403	26,880	28,103	29,643	28,522
22 Demand deposits	1,837	1,823	2,077	2,188	2,267	1,487	1,513	1,923	1,829	2,089
23 Time deposits[1]	7,318	9,374	10,949	11,288	10,752	11,335	11,385	11,135	13,084	11,784
24 Other[2]	10,272	7,842	7,809	11,731	12,115	12,580	13,982	15,044	14,731	14,649
25 Banks' custody liabilities[4]	60,448	67,026	59,150	77,744	78,142	77,944	77,992	82,763	87,627	84,415
26 U.S. Treasury bills and certificates[5]	54,341	59,976	53,252	75,132	75,650	75,718	75,434	79,629	84,640	81,553
27 Other negotiable and readily transferable instruments[6]	6,082	6,966	5,824	2,480	2,347	2,158	2,418	3,001	2,832	2,715
28 Other	25	84	75	132	145	69	140	132	154	147
29 **Banks[9]**	**226,887**	**248,893**	**275,589**	**326,033**	**350,491**	**339,648**	**335,517**	**334,231**	**350,128**	**356,431**
30 Banks' own liabilities	205,347	225,368	252,723	282,863	309,928	297,037	293,144	295,092	311,012	317,195
31 Unaffiliated foreign banks	60,236	74,722	79,341	91,058	100,971	92,189	93,785	95,268	99,957	105,805
32 Demand deposits	8,759	10,556	10,271	11,611	10,303	10,434	10,103	9,510	9,781	10,558
33 Time deposits[1]	37,439	47,095	49,510	57,262	64,245	57,912	60,007	61,856	64,906	68,233
34 Other[2]	14,038	17,071	19,561	22,185	26,424	23,844	23,675	23,902	25,271	27,014
35 Own foreign offices[3]	145,111	150,646	173,381	191,805	208,956	204,848	199,359	199,825	211,055	211,390
36 Banks' custody liabilities[4]	21,540	23,525	22,866	43,170	40,563	42,611	42,373	39,138	39,116	39,236
37 U.S. Treasury bills and certificates	10,178	11,448	9,832	10,491	9,962	9,826	10,486	9,744	9,538	9,786
38 Other negotiable and readily transferable instruments[6]	7,485	7,236	6,040	5,550	5,513	5,433	4,340	4,367	4,256	4,293
39 Other	3,877	4,841	6,994	27,129	25,089	27,352	27,547	25,026	25,322	25,158
40 **Other foreigners**	**56,887**	**67,894**	**74,331**	**80,083**	**80,430**	**77,429**	**77,688**	**75,783**	**77,220**	**80,207**
41 Banks' own liabilities	49,680	60,477	64,892	67,176	66,849	65,923	65,929	64,009	65,440	66,023
42 Demand deposits	6,577	6,938	8,673	10,824	11,019	10,386	10,676	10,623	10,405	10,202
43 Time deposits	42,290	52,678	54,752	54,580	54,073	53,446	52,848	50,908	52,188	52,901
44 Other[2]	813	861	1,467	1,772	1,757	2,091	2,405	2,479	2,848	2,921
45 Banks' custody liabilities[4]	7,207	7,417	9,439	12,908	13,580	11,507	11,759	11,773	11,780	14,184
46 U.S. Treasury bills and certificates	3,686	4,029	4,314	4,465	4,387	3,648	3,563	3,520	3,183	4,192
47 Other negotiable and readily transferable instruments[6]	3,038	3,021	4,636	6,209	7,074	5,804	5,969	6,150	6,385	7,653
48 Other	483	367	489	2,234	2,120	2,055	2,227	2,103	2,212	2,340
49 MEMO: Negotiable time certificates of deposit in custody for foreigners	10,346	10,476	9,845	6,610	7,343	7,191	7,722	7,694	7,976	8,541

1. Excludes negotiable time certificates of deposit, which are included in "Other negotiable and readily transferable instruments."
2. *Includes borrowing under repurchase agreements.*
3. U.S. banks: includes amounts due to own foreign branches and foreign subsidiaries consolidated in "Consolidated Report of Condition" filed with bank regulatory agencies. Agencies, branches, and majority-owned subsidiaries of foreign banks: principally amounts due to head office or parent foreign bank, and *foreign branches, agencies or wholly owned subsidiaries of head office or parent* foreign bank.
4. Financial claims on residents of the United States, other than long-term securities, held by or through reporting banks.
5. Includes nonmarketable certificates of indebtedness and Treasury bills issued to official institutions of foreign countries.
6. Principally bankers acceptances, commercial paper, and negotiable time certificates of deposit.
7. Principally the International Bank for Reconstruction and Development, and the Inter-American and Asian Development Banks.
8. Foreign central banks and foreign central governments, and the Bank for International Settlements.
9. Excludes central banks, which are included in "Official institutions."

3.17 Continued

	Area and country	1983	1984	1985	1986 Nov.	1986 Dec.	1987 Jan.	1987 Feb.	1987 Mar.[r]	1987 Apr.	1987 May[p]
1	**Total**	**369,607**	**407,306**	**435,726**	**513,633[r]**	**538,895[r]**	**525,505[r]**	**522,597[r]**	**524,768**	**551,449**	**553,394**
2	**Foreign countries**	**363,649**	**402,852**	**429,905**	**509,067[r]**	**534,196[r]**	**520,424[r]**	**518,077[r]**	**520,879**	**544,619**	**549,576**
3	Europe	138,072	153,145	164,114	176,173[r]	180,871[r]	179,253[r]	181,082[r]	182,527	191,527	206,864
4	Austria	585	615	693	1,197	1,186	972	928	798	1,068	911
5	Belgium-Luxembourg	2,709	4,114	5,243	6,863	6,788	6,729	7,587[r]	7,230	7,919	9,325
6	Denmark	466	438	513	576	485	449	520	623	425	459
7	Finland	531	418	496	448	580	565	762	937	942	909
8	France	9,441	12,701	15,541	21,917	22,850[r]	21,372	22,654	23,835	27,396	27,858
9	Germany	3,599	3,358	4,835	5,856	5,823[r]	6,813	5,907[r]	7,412	6,419	9,776
10	Greece	520	699	666	755	706	745	749	641	601	643
11	Italy	8,462	10,762	9,667	9,304	10,875[r]	9,375[r]	8,489	10,101	11,342	11,726
12	Netherlands	4,290	4,731	4,212	4,410	5,558	5,155[r]	5,354[r]	4,968	5,967	5,442
13	Norway	1,673	1,548	948	512	737[r]	678	554	495	572	499
14	Portugal	373	597	652	685	700	657	709	689	660	607
15	Spain	1,603	2,082	2,114	2,197	2,393	2,238	2,333	2,224	2,233	2,194
16	Sweden	1,799	1,676	1,422	1,301	889	884	1,062	1,065	1,251	1,503
17	Switzerland	32,246	31,740	29,020	30,407[r]	30,967[r]	28,913[r]	27,555	27,544	26,505	27,062
18	Turkey	467	584	429	418	454	375	359	412	833	378
19	United Kingdom	60,683	68,671	76,728	84,968[r]	85,352[r]	87,911[r]	90,105[r]	88,390	91,776	102,316
20	Yugoslavia	562	602	673	544	631	554	565	564	526	429
21	Other Western Europe[1]	7,403	7,192	9,635	3,347[r]	3,117[r]	4,309	4,319[r]	3,902	4,395	3,950
22	U.S.S.R	65	79	105	16	80[r]	21	23	30	32	37
23	Other Eastern Europe[2]	596	537	523	452	702	535	546	669	665	839
24	Canada	16,026	16,059	17,427	25,753	26,256	26,105[r]	25,189[r]	26,553	25,294	24,522
25	Latin America and Caribbean	140,088	153,381	167,856	190,406[r]	208,949[r]	195,666[r]	191,636[r]	195,412	206,470	202,092
26	Argentina	4,038	4,394	6,032	5,188[r]	4,754	4,499[r]	4,668	4,725	4,406	4,806
27	Bahamas	55,818	56,897	57,657	63,173[r]	73,267[r]	64,998[r]	62,970[r]	62,581	71,735	69,263
28	Bermuda	2,266	2,370	2,765	2,579[r]	2,951[r]	2,282[r]	2,506[r]	2,293	2,180	2,595
29	Brazil	3,168	5,275	5,373	4,684	4,321	3,813	3,797	3,693	3,616	3,960
30	British West Indies	34,545	36,773	42,674	61,921[r]	71,151[r]	66,775[r]	65,509[r]	69,860	69,213	67,924
31	Chile	1,842	2,001	2,049	2,325	2,053	2,208	2,046	2,060	2,253	2,034
32	Colombia	1,689	2,514	3,104	3,873	4,281	4,273[r]	4,268	4,271	4,349	4,289
33	Cuba	8	10	11	6	7	6	7	6	6	26
34	Ecuador	1,047	1,092	1,239	1,199	1,235	1,049	1,120	1,014	1,044	1,093
35	Guatemala	788	896	1,071	1,129	1,122	1,124	1,081	1,082	1,164	1,167
36	Jamaica	109	183	122	153	136	149	145	230	149	189
37	Mexico	10,392	12,303	14,060	13,544[r]	13,631	13,584[r]	13,423[r]	13,207	15,053	13,909
38	Netherlands Antilles	3,879	4,220	4,875	4,706	4,914[r]	5,593	5,652[r]	5,643	5,706	5,171
39	Panama	5,924	6,951	7,514	6,729	6,865	7,361	6,475[r]	6,664	7,122	7,341
40	Peru	1,166	1,266	1,167	1,146	1,163	1,110	1,131	1,062	1,086	1,094
41	Uruguay	1,244	1,394	1,552	1,610	1,537	1,609	1,583	1,630	1,545	1,507
42	Venezuela	8,632	10,545	11,922	11,592	10,452	10,494	10,362	10,365	10,563	10,254
43	Other Latin America and Caribbean	3,535	4,297	4,668	4,848[r]	5,109[r]	4,741[r]	4,894	5,026	5,280	5,470
44	Asia	58,570	71,187	72,280	107,054	108,969[r]	112,058[r]	113,439[r]	108,942	112,472	107,717
	China										
45	Mainland	249	1,153	1,607	1,450	1,476	2,046	1,650[r]	1,973	1,899	1,841
46	Taiwan	4,051	4,990	7,786	17,540	18,903	19,553	21,127	20,106	19,460	17,305
47	Hong Kong	6,657	6,581	8,067	9,347	9,518[r]	9,388[r]	9,329[r]	9,160	9,340	9,341
48	India	464	507	712	701	673	663[r]	686	500	526	568
49	Indonesia	997	1,033	1,466	1,528	1,548	1,410	1,591	1,414	1,460	1,242
50	Israel	1,722	1,268	1,601	2,380	1,890	1,761	1,892	1,666	1,302	1,084
51	Japan	18,079	21,640	23,077	46,184	47,437[r]	49,997	50,921[r]	48,983	53,526	50,413
52	Korea	1,648	1,730	1,665	1,128	1,141[r]	1,058[r]	1,017[r]	1,129	1,177	1,343
53	Philippines	1,234	1,383	1,140	1,720	1,865	1,811	1,779	1,737	1,426	1,310
54	Thailand	747	1,257	1,358	1,083	1,120	1,282	1,224	1,235	1,131	1,172
55	Middle-East oil-exporting countries[3]	12,976	16,804	14,523	13,010	12,356	12,322[r]	12,104[r]	11,581	11,409	10,917
56	Other Asia	9,748	12,841	9,276	10,984	11,042	10,768	10,120[r]	9,456	9,815	11,182
57	Africa	2,827	3,396	4,883	4,018	4,019[r]	3,661[r]	3,499	3,457	3,702	4,003
58	Egypt	671	647	1,363	710	706	607[r]	791	753	847	1,052
59	Morocco	84	118	163	84	92	74	76	99	101	86
60	South Africa	449	328	388	264	271	341	201	178	287	198
61	Zaire	87	153	163	96	74	54	42	40	39	74
62	Oil-exporting countries[4]	620	1,189	1,494	1,593	1,518	1,336[r]	1,156	1,108	1,212	1,267
63	Other Africa	917	961	1,312	1,272	1,358	1,248[r]	1,233	1,278	1,216	1,326
64	Other countries	8,067	5,684	3,347	5,662	5,131[r]	3,680	3,232[r]	3,988	5,153	4,377
65	Australia	7,857	5,300	2,779	4,286	4,209[r]	2,683	2,465[r]	3,027	4,266	3,578
66	All other	210	384	568	1,376	922	997	767	960	888	799
67	*Nonmonetary international and regional organizations*	5,957	4,454	5,821	4,565[r]	4,699[r]	5,081	4,520	3,889	6,830	3,819
68	International	5,273	3,747	4,806	3,482[r]	3,512	3,958	3,606	2,897	5,561	2,336
69	Latin American regional	419	587	894	927	1,033	960	762	788	850	994
70	Other regional[5]	265	120	121	157	154[r]	164	152	204	420	488

1. Includes the Bank for International Settlements. Beginning April 1978, also includes Eastern European countries not listed in line 23.
2. Beginning April 1978 comprises Bulgaria, Czechoslovakia, the German Democratic Republic, Hungary, Poland, and Romania.
3. Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).
4. Comprises Algeria, Gabon, Libya, and Nigeria.
5. Asian, African, Middle Eastern, and European regional organizations, except the Bank for International Settlements, which is included in "Other Western Europe."

3.18 BANKS' OWN CLAIMS ON FOREIGNERS Reported by Banks in the United States Payable in U.S. Dollars

Millions of dollars, end of period

Area and country	1983	1984	1985	1986		1987				
				Nov.[r]	Dec.	Jan.	Feb.	Mar.[r]	Apr.	May.[p]
1 **Total**	**391,312**	**400,162**	**401,608**	**417,669**	**444,257[r]**	**421,086[r]**	**417,258[r]**	**414,321**	**437,926**	**436,471**
2 **Foreign countries**	**391,148**	**399,363**	**400,577**	**417,423**	**441,273[r]**	**421,017[r]**	**417,081[r]**	**413,777**	**434,123**	**436,276**
3 Europe	91,927	99,014	106,413	106,528	107,347[r]	100,775[r]	102,234[r]	99,393	108,064	115,370
4 Austria	401	433	598	734	728[r]	641[r]	549[r]	660	750	668
5 Belgium-Luxembourg	5,639	4,794	5,772	8,127	7,503[r]	7,556[r]	8,905[r]	8,083	8,544	9,946
6 Denmark	1,275	648	706	757	692[r]	650[r]	624[r]	651	574	569
7 Finland	1,044	898	823	1,176	947	797	1,050	1,003	1,127	1,046
8 France	8,766	9,157	9,124	9,555	11,369[r]	9,058[r]	9,960[r]	9,858	10,813	12,070
9 Germany	1,284	1,306	1,267	1,761	1,818[r]	2,269[r]	1,725[r]	1,632	1,374	1,507
10 Greece	476	817	991	792	648	635	634	535	460	457
11 Italy	9,018	9,119	8,848	8,378	9,042[r]	7,898[r]	7,337[r]	6,991	7,536	8,331
12 Netherlands	1,267	1,356	1,258	2,427	3,299[r]	2,077[r]	2,090[r]	2,371	3,075	2,989
13 Norway	690	675	706	712	654	741	766	667	683	776
14 Portugal	1,114	1,243	1,058	681	706	677	679	737	610	641
15 Spain	3,573	2,884	1,908	1,722	1,459	1,479	1,637	1,768	1,939	2,070
16 Sweden	3,358	2,230	2,219	2,335	1,945	2,280	2,422	2,464	2,417	2,618
17 Switzerland	1,863	2,123	3,171	3,574	3,049	2,622	2,413[r]	2,338	2,905	3,593
18 Turkey	812	1,130	1,200	1,539	1,541	1,469	1,436	1,577	1,559	1,623
19 United Kingdom	47,364	56,185	62,566	58,691	58,282[r]	55,856[r]	56,387[r]	54,035	59,821	62,769
20 Yugoslavia	1,718	1,886	1,964	1,816	1,836[r]	1,775	1,769	1,840	1,763	1,803
21 Other Western Europe[1]	477	596	998	600	540[r]	522[r]	477[r]	781	670	515
22 U.S.S.R	192	142	130	225	345	396	401[r]	367	378	357
23 Other Eastern Europe[2]	1,598	1,389	1,107	927	944	1,379	971	1,032	1,068	1,021
24 Canada	16,341	16,109	16,482	20,354	20,958[r]	20,749	19,186[r]	19,829	20,225	19,340
25 Latin America and Caribbean	205,491	207,862	202,674	196,441	208,852[r]	195,571[r]	196,337[r]	199,037	209,127	204,300
26 Argentina	11,749	11,050	11,462	12,028	12,089[r]	12,114	12,211	12,162	12,114	12,334
27 Bahamas	59,633	58,009	58,258	53,601	59,547[r]	52,090[r]	52,952[r]	53,679	62,753	57,778
28 Bermuda	566	592	499	447	418	415	376	532	740	1,242
29 Brazil	24,667	26,315	25,283	25,217	25,666[r]	25,798[r]	25,810[r]	26,082	26,214	25,734
30 British West Indies	35,527	38,205	38,881	40,488	46,306[r]	41,128	41,074[r]	42,774	42,946	44,011
31 Chile	6,072	6,839	6,603	6,536	6,543[r]	6,475[r]	6,603[r]	6,412	6,398	6,321
32 Colombia	3,745	3,499	3,249	2,665	2,819	2,801	2,743	2,692	2,679	2,650
33 Cuba	0	0	0	1	0	10[r]	1	6	9	9
34 Ecuador	2,307	2,420	2,390	2,413	2,449[r]	2,425	2,422	2,338	2,381	2,372
35 Guatemala[3]	129	158	194	138	140	133	145	135	120	115
36 Jamaica[3]	215	252	224	216	198	199	199	192	189	184
37 Mexico	34,802	34,885	31,799	30,776	30,607[r]	30,289[r]	29,999[r]	29,817	30,086	30,077
38 Netherlands Antilles	1,154	1,350	1,340	931	1,039	960	945[r]	992	1,202	1,072
39 Panama	7,848	7,707	6,645	5,354	5,434[r]	5,270	5,204	5,543	5,769	4,791
40 Peru	2,536	2,384	1,947	1,624	1,643[r]	1,635[r]	1,626[r]	1,593	1,595	1,599
41 Uruguay	977	1,088	960	943	940	937	932	959	957	962
42 Venezuela	11,287	11,017	10,871	11,044	11,078[r]	11,028[r]	11,185[r]	11,282	11,065	11,046
43 Other Latin America and Caribbean	2,277	2,091	2,067	2,020	1,938[r]	1,864	1,910	1,845	1,910	2,005
44 Asia	67,837	66,316	66,212	86,192	96,198[r]	95,989[r]	91,767[r]	87,783	88,967	89,571
China										
45 Mainland	292	710	639	793	787	983	873	1,373	1,450	1,177
46 Taiwan	1,908	1,849	1,535	1,811	2,675	2,617	2,890	2,910	3,194	3,592
47 Hong Kong	8,489	7,293	6,797	7,575	8,300[r]	8,443	9,225	8,254	7,922	7,725
48 India	330	425	450	327	321	333	325	486	314	379
49 Indonesia	805	724	698	722	718	699	679	652	621	657
50 Israel	1,832	2,088	1,991	1,605	1,635[r]	1,601[r]	1,521[r]	1,545	1,509	1,459
51 Japan	30,354	29,066	31,249	53,311	59,852	58,319[r]	55,594[r]	52,267	54,299	55,056
52 Korea	9,943	9,285	9,226	6,533	7,159[r]	6,783	6,161	6,011	5,331	6,119
53 Philippines	2,107	2,555	2,224	1,978	2,208[r]	2,154[r]	2,127[r]	2,282	2,121	2,064
54 Thailand	1,219	1,125	845	595	577	521	557	492	461	540
55 Middle East oil-exporting countries[4]	4,954	5,044	4,298	3,778	4,122	5,483	4,892	5,150	4,598	3,795
56 Other Asia	5,603	6,152	6,260	7,162	7,845	8,053	6,922	6,362	7,148	7,009
57 Africa	6,654	6,615	5,407	4,737	4,621	4,618[r]	4,678[r]	4,853	4,789	4,867
58 Egypt	747	728	721	560	567	577	593	618	574	585
59 Morocco	440	583	575	621	598	590	585	584	565	566
60 South Africa	2,634	2,795	1,942	1,586	1,531	1,534	1,548[r]	1,550	1,578	1,591
61 Zaire	33	18	20	27	28	36	42	42	41	43
62 Oil-exporting countries[5]	1,073	842	630	690	688	725	743	856	795	840
63 Other	1,727	1,649	1,520	1,253	1,208	1,156	1,168	1,204	1,236	1,243
64 Other countries	2,898	3,447	3,390	3,172	3,297	3,316[r]	2,878	2,882	2,950	2,828
65 Australia	2,256	2,769	2,413	1,980	1,952	2,081	1,902	1,990	2,066	1,897
66 All other	642	678	978	1,192	1,345	1,235[r]	976	892	884	931
67 Nonmonetary international and regional organizations[6]	164	800	1,030	246	2,983	69[r]	178	544	3,804	195

1. Includes the Bank for International Settlements. Beginning April 1978, also includes Eastern European countries not listed in line 23.
2. Beginning April 1978 comprises Bulgaria, Czechoslovakia, the German Democratic Republic, Hungary, Poland, and Romania.
3. Included in "Other Latin America and Caribbean" through March 1978.
4. Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).
5. Comprises Algeria, Gabon, Libya, and Nigeria.
6. Excludes the Bank for International Settlements, which is included in "Other Western Europe."

3.19 BANKS' OWN AND DOMESTIC CUSTOMERS' CLAIMS ON FOREIGNERS Reported by Banks in the United States
Payable in U.S. Dollars

Millions of dollars, end of period

Type of claim	1983	1984	1985	1986[r]		1987[r]				
				Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May[p]
1 **Total**	**426,215**	**433,078**	**430,489**	**417,669**	**478,221**	**421,086**	**417,258**	**445,903**	**437,926**	**436,471**
2 Banks' own claims on foreigners	391,312	400,162	401,608	417,669	444,257	421,086	417,258	414,321	437,926	436,471
3 Foreign public borrowers	57,569	62,237	60,507	61,305	63,950	61,794	61,709	62,737	65,450	62,354
4 Own foreign offices[1]	146,393	156,216	174,261	188,812	211,759	192,595	190,911	190,070	206,812	203,516
5 Unaffiliated foreign banks	123,837	124,932	116,654	120,313	122,747	121,036	120,287	117,063	120,636	125,916
6 Deposits	47,126	49,226	48,372	53,300	57,299	54,376	55,526	53,652	57,394	60,309
7 Other	76,711	75,706	68,282	67,013	65,447	66,660	64,760	63,411	63,241	65,607
8 All other foreigners	63,514	56,777	50,185	47,238	45,801	45,662	44,352	44,450	45,029	44,685
9 Claims of banks' domestic customers[2]	34,903	32,916	28,881	....	33,964	....	....	31,582	....	....
10 Deposits	2,969	3,380	3,335	....	4,413	....	....	3,402	....	....
11 Negotiable and readily transferable instruments[3]	26,064	23,805	19,332	....	24,044	....	....	20,551	....	....
12 Outstanding collections and other claims	5,870	5,732	6,214	....	5,508	....	....	7,630	....	....
13 MEMO: Customer liability on acceptances	37,715	37,103	28,487	....	25,616	....	....	25,449	....	....
Dollar deposits in banks abroad, reported by nonbanking business enterprises in the United States[4]	46,337	40,714	38,102	45,351	43,994	46,583	49,528	44,378	46,671	n.a.

1. *U.S. banks:* includes amounts due from own foreign branches and foreign subsidiaries consolidated in "Consolidated Report of Condition" filed with bank regulatory agencies. *Agencies, branches, and majority-owned subsidiaries of foreign banks:* principally amounts due from head office or parent foreign bank, and foreign branches, agencies, or wholly owned subsidiaries of head office or parent foreign bank.
2. Assets owned by customers of the reporting bank located in the United States that represent claims on foreigners held by reporting banks for the account of their domestic customers.
3. Principally negotiable time certificates of deposit and bankers acceptances.
4. Includes demand and time deposits and negotiable and nonnegotiable certificates of deposit denominated in U.S. dollars issued by banks abroad. For description of changes in data reported by nonbanks, see July 1979 BULLETIN, p. 550.

NOTE. Beginning April 1978, data for banks' own claims are given on a monthly basis, but the data for claims of banks' own domestic customers are available on a quarterly basis only.

3.20 BANKS' OWN CLAIMS ON UNAFFILIATED FOREIGNERS Reported by Banks in the United States
Payable in U.S. Dollars

Millions of dollars, end of period

Maturity; by borrower and area	1983	1984	1985	1986[r]			1987
				June	Sept.	Dec.	Mar.[p]
1 **Total**	**243,715**	**243,952**	**227,903**	**222,824**	**224,754**	**231,413**	**224,128**
By borrower							
2 Maturity of 1 year or less[1]	176,158	167,858	160,824	152,743	155,258	159,909	152,252
3 Foreign public borrowers	24,039	23,912	26,302	23,172	22,528	24,921	22,508
4 All other foreigners	152,120	143,947	134,522	129,571	132,731	134,988	129,744
5 Maturity of over 1 year[1]	67,557	76,094	67,078	70,081	69,496	71,504	71,876
6 Foreign public borrowers	32,521	38,695	34,512	37,582	38,350	39,783	41,005
7 All other foreigners	35,036	37,399	32,567	32,499	31,145	31,722	30,871
By area							
Maturity of 1 year or less[1]							
8 Europe	56,117	58,498	56,585	58,028	59,428	61,227	57,821
9 Canada	6,211	6,028	6,401	6,103	6,199	5,840	5,504
10 Latin America and Caribbean	73,660	62,791	63,328	57,436	58,212	56,050	54,081
11 Asia	34,403	33,504	27,966	25,796	26,505	29,476	29,603
12 Africa	4,199	4,442	3,753	3,297	3,071	2,858	3,145
13 All other[2]	1,569	2,593	2,791	2,083	1,845	4,458	2,098
Maturity of over 1 year[1]							
14 Europe	13,576	9,605	7,634	7,945	7,230	6,826	6,921
15 Canada	1,857	1,882	1,805	2,256	1,930	1,930	1,936
16 Latin America and Caribbean	43,888	56,144	50,674	53,621	54,137	56,337	56,623
17 Asia	4,850	5,323	4,502	4,043	3,976	4,081	4,197
18 Africa	2,286	2,033	1,538	1,497	1,479	1,534	1,626
19 All other[2]	1,101	1,107	926	719	744	795	573

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	1982	1983	1984	1985			1986				1987
				June	Sept.	Dec.	Mar.	June	Sept.	Dec.	Mar.
1 **Total**	**436.1**	**433.9**	**405.7**	**396.8**	**394.9**	**391.9**	**395.0[r]**	**391.7[r]**	**391.6[r]**	**391.5[r]**	**396.3[r]**
2 G-10 countries and Switzerland	179.6	167.8	148.1	146.7	152.0	148.5	156.5[r]	159.9	158.8[r]	157.9[r]	163.4[r]
3 Belgium-Luxembourg	13.1	12.4	8.7	8.9	9.5	9.3	8.3	9.0	8.5	8.4	9.1
4 France	17.1	16.2	14.1	13.5	14.8	12.3	13.8	15.1	14.6	13.8	13.4[r]
5 Germany	12.7	11.3	9.0	9.6	9.8	10.5	11.3	11.5	12.5	11.7	12.1
6 Italy	10.3	11.4	10.1	8.6	8.4	9.8	8.5	9.3	8.1	9.0	8.6
7 Netherlands	3.6	3.5	3.9	3.7	3.4	3.7	3.5	3.4	3.9	4.6	4.4
8 Sweden	5.0	5.1	3.2	2.9	3.1	2.8	2.9	2.9	2.7	2.4	3.0
9 Switzerland	5.0	4.3	3.9	4.0	4.1	4.4	5.4	5.6	4.8	5.5	5.8
10 United Kingdom	72.1	65.3	60.3	65.7	67.1	64.6	68.5	68.9	70.0	71.8[r]	74.6[r]
11 Canada	10.4	8.3	7.9	8.1	7.6	7.0	6.3[r]	6.9[r]	6.1	5.4	5.2
12 Japan	30.2	29.9	27.1	21.7	24.3	24.2	28.0[r]	27.4	27.7	25.3	27.2[r]
13 Other developed countries	33.5	36.0	33.6	32.3	32.0	30.4	31.6	30.6	29.4	26.0[r]	26.2
14 Austria	1.9	1.9	1.6	1.6	1.7	1.6	1.6	1.7	1.7	1.7	1.9
15 Denmark	2.4	3.4	2.2	1.9	2.1	2.4	2.5	2.4	2.3	1.7	1.8
16 Finland	2.2	2.4	1.9	1.8	1.8	1.6	1.9	1.6	1.7	1.4	1.4[r]
17 Greece	3.0	2.8	2.9	2.9	2.8	2.6	2.5	2.6	2.3	2.3	2.1
18 Norway	3.3	3.3	3.0	2.9	3.4	2.9	2.7	3.0	2.7	2.4	2.1
19 Portugal	1.5	1.5	1.4	1.3	1.4	1.3	1.1	1.0	1.0	.8	.9
20 Spain	7.5	7.1	6.5	5.9	6.1	5.8	6.4	6.4	6.7	5.8	6.2
21 Turkey	1.4	1.7	1.9	2.0	2.1	1.9	2.3	2.5	2.1	2.0	1.9
22 Other Western Europe	2.3	1.8	1.7	1.8	1.7	2.0	2.4	2.1	1.6	1.4[r]	1.6
23 South Africa	3.7	4.7	4.5	3.9	3.3	3.2	3.2	3.1	3.1	3.0[r]	3.1
24 Australia	4.3	5.4	6.0	6.2	5.6	5.0	4.9	4.2	4.1	3.5	3.2
25 OPEC countries[3]	26.9	28.4	24.9	22.8	22.7	21.6	20.7	20.6	20.0	19.6[r]	20.2
26 Ecuador	2.2	2.2	2.2	2.2	2.2	2.1	2.2	2.1	2.2[r]	2.2	2.1
27 Venezuela	10.5	9.9	9.3	9.3	9.0	8.9	8.7	8.8	8.7	8.6	8.7
28 Indonesia	2.9	3.4	3.3	3.1	3.1	3.0	3.3	3.0	2.8	2.5	2.2
29 Middle East countries	8.5	9.8	7.9	6.1	6.2	5.5	4.7	5.0	4.6	4.5	5.5
30 African countries	2.8	3.0	2.3	2.2	2.3	2.0	1.8	1.7	1.7	1.7	1.6
31 Non-OPEC developing countries	106.5	110.8	111.8	110.0	107.8	105.1	103.8[r]	101.7[r]	99.9[r]	99.5[r]	100.0[r]
Latin America											
32 Argentina	8.9	9.5	8.7	8.6	8.9	8.9	8.9	9.2	9.3	9.5	9.5
33 Brazil	22.9	23.1	26.3	26.6	25.5	25.6	25.7[r]	25.4[r]	25.3[r]	25.3[r]	25.6
34 Chile	6.3	6.4	7.0	6.9	6.6	7.0	7.0	7.1	7.2[r]	7.1	7.3[r]
35 Colombia	3.1	3.2	2.9	2.7	2.6	2.7	2.3	2.2	2.0	2.1	2.0
36 Mexico	24.2	25.8	25.7	25.3	24.4	24.2	24.1[r]	23.9[r]	23.9[r]	23.9[r]	23.8
37 Peru	2.6	2.4	2.2	2.1	1.9	1.8	1.7	1.6	1.5	1.4	1.4
38 Other Latin America	4.0	4.2	3.9	3.7	3.5	3.4	3.3	3.3	3.3	3.1	3.0
Asia											
China											
39 Mainland	.2	.3	.7	.3	1.1	.5	.6	.6	.6	.4	.9
40 Taiwan	5.3	5.2	5.1	5.5	5.1	4.5	4.3	3.7	4.3	4.9	5.4
41 India	.5	.9	.9	.9	1.1	1.2	1.2	1.3	1.3	1.2	1.8
42 Israel	2.3	1.9	1.8	2.3	1.5	1.6	1.3	1.6	1.4	1.5[r]	1.4
43 Korea (South)	10.7	11.2	10.6	10.0	10.4	9.4	9.5	8.7	7.3	6.7	6.2
44 Malaysia	2.1	2.8	2.7	2.8	2.7	2.4	2.2	2.0	2.1	2.1	1.9
45 Philippines	6.3	6.1	6.0	6.0	6.0	5.7	5.6	5.7	5.4	5.4	5.4
46 Thailand	1.6	2.2	1.8	1.6	1.7[r]	1.4	1.3	1.1	1.0	.9	.9
47 Other Asia	1.1	1.0	1.1	.9	.9	1.0	.9	.8	.7	.7	.6
Africa											
48 Egypt	1.2	1.5	1.2	1.0	1.0	1.0	.9	.9	.7	.7	.6
49 Morocco	.7	.8	.8	.8	.9	.9	.9	.9	.9	.9	.9
50 Zaire	.1	.1	.1	.1	.1	.1	.1	.1	.1	.1	.1
51 Other Africa[4]	2.4	2.3	2.1	2.0	2.0	1.9	1.9	1.7	1.6	1.6	1.4
52 Eastern Europe	6.2	5.3	4.4	4.3	4.6	4.2	4.0	4.0	3.4	3.2	3.1
53 U.S.S.R.	.3	.2	.1	.3	.2	.1	.3	.3	.1	.1	.1
54 Yugoslavia	2.2	2.4	2.3	2.2	2.4	2.2	2.0	2.0	1.9	1.7	1.6
55 Other	3.7	2.8	2.0	1.8	1.9	1.8	1.7	1.7	1.4	1.4	1.3
56 Offshore banking centers	66.0	68.9	65.6	63.9	58.8	65.4	61.7[r]	57.6[r]	62.7[r]	65.2[r]	65.6[r]
57 Bahamas	19.0	21.7	21.5	21.1	16.6	21.4	21.5	17.3	20.0	22.5[r]	23.7[r]
58 *Bermuda*	.9	.9	.9	.9	.8	.7	.7	.5	.4	.7	.8
59 Cayman Islands and other British West Indies	12.8	12.2	11.8	12.1	12.3	13.4	11.3	13.0	13.2	14.5	13.5[r]
60 Netherlands Antilles	3.3	4.2	3.4	3.2	2.3	2.3	2.3	2.3	1.9	1.8	1.7
61 Panama[5]	7.5	5.8	6.7	5.4	6.1	6.0	5.9	5.5	6.8	5.1	5.5
62 Lebanon	.1	.1	.1	.1	.0	.1	.1	.1	.1	.1	.1
63 Hong Kong	13.3	13.8	11.4	11.4	11.4	11.5	11.5[r]	9.5[r]	10.5[r]	11.2	11.5
64 Singapore	9.1	10.3	9.8	9.7	9.4	9.9	8.4	9.3	9.7	9.3	8.8
65 Others[6]	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
66 Miscellaneous and unallocated[7]	17.5	16.8	17.3	16.9	17.3	16.9	16.7	17.2	17.5	20.1	17.8

1. The banking offices covered by these data are the U.S. offices and foreign branches of U.S.-owned banks and of U.S. subsidiaries of foreign-owned banks. Offices *not* covered include (1) U.S. agencies and branches of foreign banks, and (2) foreign subsidiaries of U.S. banks. To minimize duplication, the data are *adjusted to exclude the claims on foreign branches held by a U.S. office or* another foreign branch of the same banking institution. The data in this table combine foreign branch claims in table 3.14 (the sum of lines 7 through 10) with the claims of U.S. offices in table 3.18 (excluding those held by agencies and branches of foreign banks and those constituting claims on own foreign branches).

2. Beginning with June 1984 data, reported claims held by foreign branches have been reduced by an increase in the reporting threshold for "shell" branches from $50 million to $150 million equivalent in total assets, the threshold now applicable to all reporting branches.

3. Besides the Organization of Petroleum Exporting Countries shown individually, this group includes other members of OPEC (Algeria, Gabon, Iran, Iraq, Kuwait, Libya, Nigeria, Qatar, Saudi Arabia, and United Arab Emirates) as well as Bahrain and Oman (nor 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	1983	1984	1985	1986				1987
					Mar.	June	Sept.[r]	Dec.	Mar.[p]
1	**Total**	**25,346**	**29,357**	**27,685[r]**	**26,346[r]**	**24,848[r]**	**25,183**	**25,385**	**25,432**
2	Payable in dollars	22,233	26,389	24,296[r]	22,589[r]	21,162[r]	21,240	21,541	20,176
3	Payable in foreign currencies	3,113	2,968	3,389	3,757	3,686[r]	3,943	3,844	5,256
	By type								
4	Financial liabilities	10,572	14,509	13,460[r]	13,017[r]	11,728[r]	12,285	12,134	12,562
5	Payable in dollars	8,700	12,553	11,257[r]	10,750[r]	9,637[r]	9,908	9,694	10,140
6	Payable in foreign currencies	1,872	1,955	2,203	2,267	2,091[r]	2,376	2,440	2,422
7	Commercial liabilities	14,774	14,849	14,225	13,329	13,120	12,899	13,250	12,870
8	Trade payables	7,765	7,005	6,685	5,618	5,472	5,723	6,289	6,050
9	Advance receipts and other liabilities	7,009	7,843	7,540	7,711	7,648	7,175	6,961	6,820
10	Payable in dollars	13,533	13,836	13,039	11,839	11,525	11,331	11,847	10,036
11	Payable in foreign currencies	1,241	1,013	1,186	1,490	1,595	1,567	1,404	2,834
	By area or country								
	Financial liabilities								
12	Europe	5,742	6,728	7,560[r]	7,456[r]	7,046[r]	7,678	7,891	7,806
13	Belgium-Luxembourg	302	471	329	440[r]	390[r]	424	245	205
14	France	843	995	857	851	686	501	737	702
15	Germany	502	489	434	388	280	319	372	342
16	Netherlands	621	590	745	630	635	708	701	690
17	Switzerland	486	569	620[r]	636[r]	505[r]	636	714	772
18	United Kingdom	2,839	3,297	4,254	4,167[r]	4,252[r]	4,660	4,830	4,834
19	Canada	764	863	839	832	367	362	402	430
20	Latin America and Caribbean	2,596	5,086	3,184	2,810	2,463	2,283	1,969	2,366
21	Bahamas	751	1,926	1,123	958	874	863	621	668
22	Bermuda	13	13	4	4	14	4	4	0
23	Brazil	32	35	29	26	27	28	32	26
24	British West Indies	1,041	2,103	1,843	1,639	1,406[r]	1,270	1,160	1,388
25	Mexico	213	367	15	20	30	18	22	30
26	Venezuela	124	137	3	3	3	5	3	3
27	Asia	1,424	1,777	1,815	1,874[r]	1,735[r]	1,881	1,792	1,869
28	Japan	991	1,209	1,198	1,267[r]	1,264[r]	1,446	1,377	1,459
29	Middle East oil-exporting countries[2]	170	155	82	78	43	3	8	7
30	Africa	19	14	12	12	12	4	1	3
31	Oil-exporting countries[3]	0	0	0	0	0	2	1	1
32	All other[4]	27	41	50	32	104[r]	76	79	88
	Commercial liabilities								
33	Europe	3,245	4,001	4,074	3,925	3,817[r]	4,367	4,420	4,414
34	Belgium-Luxembourg	62	48	62	66	58	75	99	84
35	France	437	438	453	382	358	370	338	279
36	Germany	427	622	607	546	561	637	693	598
37	Netherlands	268	245	364	545	586	613	493	374
38	Switzerland	241	257	379	261	284	361	384	481
39	United Kingdom	732	1,095	976	957	864	1,104	1,279	1,298
40	Canada	1,841	1,975	1,449	1,445	1,367[r]	1,312	1,386	1,387
41	Latin America and Caribbean	1,473	1,871	1,088	1,107	1,242	846	850	1,147
42	Bahamas	1	7	12	26	10	37	19	28
43	Bermuda	67	114	77	218	294	172	132	285
44	Brazil	44	124	58	64	45	43	59	73
45	British West Indies	6	32	44	7	35	45	48	88
46	Mexico	585	586	430	256	235	197	210	182
47	Venezuela	432	636	212	364	488	207	215	316
48	Asia	6,741	5,285	6,046	5,384	5,075	4,807	5,011	4,928
49	Japan	1,247	1,256	1,799	2,039	2,100	2,136	2,046	2,441
50	Middle East oil-exporting countries[2,5]	4,178	2,372	2,829	2,171	1,787	1,492	1,666	1,175
51	Africa	553	588	587	486	567	585	619	520
52	Oil-exporting countries[3]	167	233	238	148	215	176	197	170
53	All other[4]	921	1,128	982	983	1,053	982	963	474

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	1983	1984	1985	1986				1987
				Mar.	June	Sept.ʳ	Dec.	Mar.ᵖ
1 **Total**	**34,911**	**29,901**	**28,760ʳ**	**31,404ʳ**	**33,869ʳ**	**33,879**	**32,839**	**34,369**
2 Payable in dollars	31,815	27,304	26,457ʳ	29,217ʳ	31,687ʳ	31,186	30,245	31,358
3 Payable in foreign currencies	3,096	2,597	2,302	2,187	2,182	2,693	2,594	3,011
By type								
4 Financial claims	23,780	19,254	18,774ʳ	22,017ʳ	24,726ʳ	24,666	23,251	24,105
5 Deposits	18,496	14,621	15,526ʳ	18,633ʳ	21,418ʳ	19,262	18,167	18,327
6 Payable in dollars	17,993	14,202	14,911ʳ	18,176ʳ	20,863ʳ	18,698	17,614	17,610
7 Payable in foreign currencies	503	420	615	457	555	564	553	717
8 Other financial claims	5,284	4,633	3,248	3,384	3,308ʳ	5,404	5,083	5,778
9 Payable in dollars	3,328	3,190	2,213	2,291	2,287ʳ	4,042	3,799	4,448
10 Payable in foreign currencies	1,956	1,442	1,035	1,093	1,021	1,362	1,284	1,331
11 Commercial claims	11,131	10,646	9,986	9,387	9,142	9,213	9,588	10,264
12 Trade receivables	9,721	9,177	8,696	8,087	7,802	8,030	8,442	9,248
13 Advance payments and other claims	1,410	1,470	1,290	1,300	1,341	1,183	1,146	1,016
14 Payable in dollars	10,494	9,912	9,333	8,750	8,537	8,445	8,832	9,300
15 Payable in foreign currencies	637	735	652	637	606	767	756	964
By area or country								
Financial claims								
16 Europe	6,488	5,762	6,812ʳ	7,204ʳ	10,155ʳ	10,452	8,656	9,307
17 Belgium-Luxembourg	37	15	10	10	11	67	41	15
18 France	150	126	184	217	257	418	131	167
19 Germany	163	224	223	174	148	129	91	133
20 Netherlands	71	66	61	61	17	44	87	70
21 Switzerland	38	66	74	166	177	138	134	74
22 United Kingdom	5,817	4,864	6,007ʳ	6,331ʳ	9,328ʳ	9,429	7,925	8,486
23 Canada	5,989	3,988	3,260	4,020	4,429	3,956	4,056	3,815
24 Latin America and Caribbean	10,234	8,216	7,846ʳ	10.073	9,258ʳ	9,353	9,110	9,547
25 Bahamas	4,771	3,306	2,698	3.516	3,315ʳ	2,884	2,539	3,926
26 Bermuda	102	6	6	2	17	19	13	3
27 Brazil	53	100	78	77	75	105	67	72
28 British West Indies	4,206	4,043	4,571	6.034	5,402	5,949	6,057	5,145
29 Mexico	293	215	180	178	176	173	173	163
30 Venezuela	134	125	48	43	42	40	24	23
31 Asia	764	961	731ʳ	619	776ʳ	740	1,317	1,207
32 Japan	297	353	475	350	499	390	986	943
33 Middle East oil-exporting countries[2]	4	13	4	2	2	2	11	11
34 Africa	147	210	103	87	89	84	85	84
35 Oil-exporting countries[3]	55	85	29	27	25	18	28	19
36 All other[4]	159	117	21	14	20	81	27	145
Commercial claims								
37 Europe	3,670	3,801	3,533	3.390	3,304	3,385	3,520	3,487
38 Belgium-Luxembourg	135	165	175	148	131	126	127	138
39 France	459	440	426	384	391	415	387	411
40 Germany	349	374	346	399	418	401	428	447
41 Netherlands	334	335	284	221	230	184	199	162
42 Switzerland	317	271	284	247	228	233	213	190
43 United Kingdom	809	1,063	898	795	674	853	820	909
44 Canada	829	1,021	1,023	1,061	965	950	909	1,813
45 Latin America and Caribbean	2,695	2,052	1,753	1,592	1,611	1,687	1,861	1,697
46 Bahamas	8	8	13	27	24	29	29	11
47 Bermuda	190	115	93	82	148	132	158	125
48 Brazil	493	214	206	217	193	207	229	209
49 British West Indies	7	7	6	7	29	23	55	23
50 Mexico	884	583	510	388	323	316	388	415
51 Venezuela	272	206	157	172	181	192	219	155
52 Asia	3,063	3,073	2,982	2,609	2,574	2,487	2,619	2,602
53 Japan	1,114	1,191	1,016	801	845	792	840	927
54 Middle East oil-exporting countries[2]	737	668	638	630	622	600	506	465
55 Africa	588	470	437	491	450	469	464	425
56 Oil-exporting countries[3]	139	134	130	167	170	168	134	142
57 All other[4]	286	229	257	244	237	234	215	241

1. For a description of the changes in the International Statistics tables, see July 1979 BULLETIN, p. 550.
2. Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).
3. Comprises Algeria, Gabon, Libya, and Nigeria.
4. Includes nonmonetary international and regional organizations.

3.24 FOREIGN TRANSACTIONS IN SECURITIES

Millions of dollars

Transactions, and area or country	1985	1986	1987	1986		1987				
			Jan.–May	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	Mayp
	U.S. corporate securities									
STOCKS										
1 Foreign purchases	81,995	148,090r	101,703	12,033	14,096	17,628r	20,704	23,066r	20,704	19,602
2 Foreign sales	77,054	129,382r	84,908	12,086	12,320	15,964r	17,599	18,003r	17,391	15,951
3 **Net purchases, or sales (−)**	**4,941**	**18,708r**	**16,795**	**−52**	**1,776**	**1,664r**	**3,105**	**5,063r**	**3,312**	**3,651**
4 **Foreign countries**	**4,857**	**18,916r**	**16,911**	**−19**	**1,696**	**1,744r**	**3,204**	**5,026r**	**3,250**	**3,687**
5 Europe	2,057	9,559	7,194	−486r	557	1,061	1,786	1,841r	1,028	1,478
6 France	−438	459	1,698	−69	113	140	446	656	332	123
7 Germany	730	341	114	−3	24	62	16	19	−101	118
8 Netherlands	−123	936	458	−50	14	53	91	69	124	120
9 Switzerland	−75	1,560	1,036	−236	47	101	100	177r	306	351
10 United Kingdom	1,665	4,826	3,283	−114	363	647	996	783	181	675
11 Canada	356	807	624	41	102	100	−118	343	251	47
12 Latin America and Caribbean	1,718	3,029	1,381	367	220	308	331	372	36	334
13 Middle East[1]	238	976r	−338	−92	267	136	−175	−230	21	−90
14 Other Asia	296	3,876r	7,358	80	450	91r	1,153	2,638	1,790	1,686
15 Africa	24	297	119	23	17	−1	15	1	59	45
16 Other countries	168	373	573	48	84	49	212	61	65	185
17 **Nonmonetary international and regional organizations**	**84**	**−208**	**−116**	**−34**	**80**	**−80**	**−100**	**37**	**62**	**−36**
BONDS[2]										
18 Foreign purchases	86,587	122,953r	48,250	9,278r	11,879	9,308	8,021	12,117r	9,843	8,961
19 Foreign sales	42,455	72,499r	34,299	6,110r	7,741r	7,180r	5,457	8,281r	6,559	6,822
20 **Net purchases, or sales (−)**	**44,132**	**50,454r**	**13,951**	**3,167r**	**4,138r**	**2,127r**	**2,565**	**3,836r**	**3,283**	**2,139**
21 **Foreign countries**	**44,227**	**49,607r**	**13,764**	**2,848r**	**4,242r**	**2,216r**	**2,179**	**3,994r**	**3,107**	**2,269**
22 Europe	40,047	39,126r	10,898	2,095r	3,065r	1,372r	1,402	3,600r	2,833	1,690
23 France	210	389r	90	328	32	6	17	81	−22	7
24 Germany	2,001	−251	−20	−108	−19	−213	145	198	−121	−29
25 Netherlands	222	387	117	113	52	−7	−29	69	47	38
26 Switzerland	3,987	4,529	934	204	−117	66	78	558	50	182
27 United Kingdom	32,762	33,706r	9,823	1,411r	2,761r	1,389r	1,178	2,931r	2,809	1,516
28 Canada	190	548	634	154	153	−103	364	190	161	23
29 Latin America and Caribbean	498	1,468	633	66	102	103	98	65r	123	245
30 Middle East[1]	−2,648	−2,961	−88	−355	−258	−57	−139	−12	62	58
31 Other Asia	6,091	11,270r	1,734	902	1,174	917	469	169	−73	252
32 Africa	11	16	13	3	3	0	1	3	1	7
33 Other countries	38	139	−61	−15	3	−16	−16	−22	0	−6
34 **Nonmonetary international and regional organizations**	**−95**	**847**	**187**	**319**	**−104**	**−88**	**386**	**−157r**	**176**	**−130**
	Foreign securities									
35 Stocks, net purchases, or sales (−)	−3,941	−1,912r	−1,961	331r	63r	−204r	−561	−708r	−1156	668
36 Foreign purchases	20,861	48,787	34,227	4,095r	4,570r	4,906r	7,175	7,015r	7,120	8,011
37 Foreign sales	24,803	50,699r	36,187	3,764r	4,507r	5,110r	7,736	7,722	8,276	7,343
38 Bonds, net purchases, or sales (−)	−3,999	−3,361r	−1,594	−692r	−487r	319r	−70r	−545r	−585	−712
39 Foreign purchases	81,216	166,781r	83,131	12,666r	16,332r	11,427	15,822r	16,650r	19,012	20,221
40 Foreign sales	85,214	170,142r	84,725	13,358r	16,818r	11,108r	15,891	17,195r	19,597	20,933
41 **Net purchases, or sales (−), of stocks and bonds**	**−7,940**	**−5,273r**	**−3,555**	**−360r**	**−424r**	**114r**	**−631r**	**−1,253r**	**−1,741**	**−44**
42 **Foreign countries**	**−9,003**	**−6,357r**	**−4,196**	**−362r**	**−873r**	**27r**	**−711r**	**−1,520r**	**−1,876**	**−62**
43 Europe	−9,887	−17,893r	−6,698	−1,018r	−1,401r	−226r	−1,219r	−682r	−2,684	−1,887
44 Canada	−1,686	−875	−1,567	−106	−264	−396	−566	−202	−3	−400
45 Latin America and Caribbean	1,797	3,479r	540	16	233r	389	104	−416r	259	204
46 Asia	659	10,858r	4,041	760r	1,465r	168	925	306	636	2,007
47 Africa	75	52	31	4	3	4	0	−1	8	20
48 Other countries	38	−1,977	−542	−19	−909	34r	45	−524	−91	−6
49 **Nonmonetary international and regional organizations**	**1,063**	**1,084r**	**641**	**2**	**449**	**142r**	**80**	**267r**	**135**	**18**

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	1985	1986	1987 Jan.–May	1986 Nov.	1986 Dec.	1987 Jan.	1987 Feb.	1987 Mar.	1987 Apr.	1987 May p
	Transactions, net purchases or sales (–) during period[1]									
1 **Estimated total[2]**	**29,208**	**20,061r**	**4,312**	**–2,258r**	**1,006r**	**–436**	**961r**	**7,028r**	**–2,990**	**–252**
2 Foreign countries[2]	28,768	21,164r	8,894	300r	–474r	580	1,846r	4,145r	–1,405	3,728
3 Europe[2]	4,303	16,866r	11,030	727	1,016r	1,376	1,751r	5,832r	375	1,696
4 Belgium-Luxembourg	476	349	208	53	75	59	211	35	–35	8
5 Germany[2]	1,917	7,531	6,366	700	487	581	1,118	2,141	1,106	1,420
6 Netherlands	269	1,283	–206	38	–58	366	41	–212	–22	352
7 Sweden	976	132	411	–70	236	229	440	334	32	166
8 Switzerland[2]	773	310	3,043	498	–428	–135	473	1,641	652	413
9 United Kingdom	–1,810	4,648	89	335	1,036	1,227	15r	328r	–1,089	–540
10 Other Western Europe	1,701	2,613r	1,327	–510	1,114r	236	518	1,635	–230	204
11 Eastern Europe	0	0	31	0	0	3	0	0	–40	6
12 Canada	–188	881	1,878	19	297	846	416r	709r	703	37
13 Latin America and Caribbean	4,315	875r	1,760	76r	96r	1,006	290	–62	–30	372
14 Venezuela	248	95	113	–139	29	–33	18	102	14	11
15 Other Latin America and Caribbean	2,336	1,128r	698	7r	95r	445	373r	156	–176	–293
16 Netherlands Antilles	1,731	–159	–1,176	208	28	528	682	8	133	–90
17 Asia	19,919	1,341r	2,800	152	2,067	–922	1,231	–2,378r	2,880	2,149
18 Japan	17,909	77r	3,869	188	2,086	–76	1,767	–2,457r	2,561	–541
19 Africa	112	54	–19	2	14	6	34	12	15	11
20 All other	308	1,255	566	482	198	280	396	32	442	208
21 Nonmonetary international and regional organizations	442	–1,105	4,583	–1,958	1,478	–1,016	–885r	2,883r	–1,585	–3,980
22 International	436	–1,430	3,584	–2,010	1,412	1,070	–886	2,833r	–1,347	–3,114
23 Latin American regional	18	157	11	0	0	0	0	11	0	0
MEMO										
24 Foreign countries[2]	28,768	21,164r	8,894	300r	–474r	580	1,846r	4,145r	1,405	3,728
25 Official institutions	8,135	14,380r	14,944	133	309r	1,498	834	5,837	2,404	4,371
26 Other foreign[2]	20,631	6,787r	6,050	433r	–782	918	1,012	–1,691r	–3,810	–643
Oil-exporting countries										
27 Middle East[3]	–1,547	1473	941	–1,014	21	–721	962	226	–120	636
28 Africa[4]	7	5	19	1	0	1	1	17	0	0

1. Estimated official and private transactions in marketable U.S. Treasury securities with an original maturity of more than one year. Data are based on monthly transactions reports. Excludes nonmarketable U.S. Treasury bonds and notes held by official institutions of foreign countries.
2. Includes U.S. Treasury notes denominated in foreign residents publicly issued to private foreign residents.
3. Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).
4. Comprises Algeria, Gabon, Libya, and Nigeria.

3.26 DISCOUNT RATES OF FOREIGN CENTRAL BANKS

Percent per annum

Country	Rate on June 30, 1987		Country	Rate on June 30, 1987		Country	Rate on June 30, 1987	
	Percent	Month effective		Percent	Month effective		Percent	Month effective
Austria	3.5	Jan. 1987	France[1]	7.75	Mar. 1987	Norway	8.0	June 1983
Belgium	7.75	May 1987	Germany, Fed. Rep. of	3.5	Mar. 1986	Switzerland	3.5	Jan. 1987
Brazil	49.0	Mar. 1981	Italy	11.5	Mar. 1987	United Kingdom[2]	.....	....
Canada	8.59	June 1987	Japan	2.5	Feb. 1987	Venezuela	8.0	Oct. 1985
Denmark	7.0	Oct. 1983	Netherlands	4.5	Mar. 1986			

1. As of the end of February 1981, the rate is that at which the Bank of France discounts Treasury bills for 7 to 10 days.
2. Minimum lending rate suspended as of Aug. 20, 1981.
NOTE. Rates shown are mainly those at which the central bank either discounts or makes advances against eligible commercial paper and/or government commercial banks or brokers. For countries with more than one rate applicable to such discounts or advances, the rate shown is the one at which it is understood the central bank transacts the largest proportion of its credit operations.

3.27 FOREIGN SHORT-TERM INTEREST RATES

Percent per annum, averages of daily figures

Country, or type	1984	1985	1986	1986	1987					
				Dec.	Jan.	Feb.	Mar.	Apr.	May	June
1 Eurodollars	10.75	8.27	6.70	6.23	6.10	6.32	6.37	6.73	7.25	7.11
2 United Kingdom	9.91	12.16	10.87	11.30	10.98	10.79	9.90	9.72	8.79	8.85
3 Canada	11.29	9.64	9.18	8.34	7.95	7.44	7.14	7.62	8.22	8.40
4 Germany	5.96	5.40	4.58	4.80	4.45	3.94	3.97	3.85	3.73	3.67
5 Switzerland	4.35	4.92	4.19	4.08	3.63	3.58	3.93	3.65	3.63	3.77
6 Netherlands	6.08	6.29	5.56	6.03	5.58	5.31	5.38	5.31	5.11	5.15
7 France	11.66	9.91	7.68	7.92	8.49	8.36	7.85	7.87	8.09	8.18
8 Italy	17.08	14.86	12.60	11.40	11.39	11.13	10.65	10.03	10.15	10.67
9 Belgium	11.41	9.60	8.04	7.39	7.88	7.75	7.49	7.21	7.13	6.78
10 Japan	6.32	6.47	4.96	4.40	4.23	3.98	4.00	3.92	3.77	3.71

NOTE. Rates are for 3-month interbank loans except for Canada, finance company paper; Belgium, 3-month Treasury bills; and Japan, Gensaki rate.

3.28 FOREIGN EXCHANGE RATES

Currency units per dollar

Country/currency	1984	1985	1986	1987					
				Jan.	Feb.	Mar.	Apr.	May	June
1 Australia/dollar[1]	87.937	70.026	67.093	66.09	66.77	68.17	71.19	71.42	71.79
2 Austria/schilling	20.005	20.676	15.260	13.087	12.833	12.905	12.739	12.574	12.793
3 Belgium/franc	57.749	59.336	44.662	38.616	37.789	38.029	35.562	37.091	37.712
4 Brazil/cruzeiro	1841.50	6205.10	13.051	15.58	18.08	20.56	22.59	n.a.	n.a.
5 Canada/dollar	1.2953	1.3658	1.3896	1.3605	1.3340	1.3194	1.3183	1.3411	1.3387
6 China, P.R./yuan	2.3308	2.9434	3.4615	3.7314	3.7314	3.7314	3.7314	3.7314	3.7314
7 Denmark/krone	10.354	10.598	8.0954	7.0591	6.8939	6.9166	6.8388	6.7333	6.8555
8 Finland/markka	6.0007	6.1971	5.0721	4.6419	4.5556	4.5102	4.4227	4.3604	4.4281
9 France/franc	8.7355	8.9799	6.9256	6.2007	6.0760	6.1091	6.0332	5.9748	6.0739
10 Germany/deutsche mark	2.8454	2.9419	2.1704	1.8596	1.8239	1.8355	1.8125	1.7881	1.8189
11 Greece/drachma	112.73	138.40	139.93	134.80	133.88	134.68	133.502	133.35	136.06
12 Hong Kong/dollar	7.8188	7.7911	7.8037	7.7698	7.7952	7.8017	7.8023	7.8049	7.8080
13 India/rupee	11.348	12.332	12.597	13.029	13.062	12.924	12.8224	12.666	12.837
14 Ireland/pound[1]	108.64	106.62	134.14	143.90	145.93	145.54	147.49	149.59	147.25
15 Italy/lira	1756.10	1908.90	1491.16	1317.17	1297.74	1305.90	1292.96	1290.80	1316.50
16 Japan/yen	237.45	238.47	168.35	154.83	153.41	151.43	143.00	140.48	144.55
17 Malaysia/ringgit	2.3448	2.4806	2.5830	2.5701	2.5418	2.5230	2.4861	2.4759	2.5078
18 Netherlands/guilder	3.2083	3.3184	2.4484	2.0978	2.0592	2.0731	2.0447	2.0154	2.0490
19 New Zealand/dollar[1]	57.837	49.752	52.456	53.605	54.815	56.333	57.751	57.639	58.686
20 Norway/krone	8.1596	8.5933	7.3984	7.1731	7.0067	6.9335	6.7781	6.6632	6.7147
31 Portugal/escudo	147.70	172.07	149.80	142.90	141.62	141.48	140.339	139.18	142.12
22 Singapore/dollar	2.1325	2.2008	2.1782	2.1510	2.1410	2.1418	2.1350	2.1202	2.1176
23 South Africa/rand[1]	69.534	45.57	43.952	47.70	47.97	48.21	49.55	49.87	49.41
24 South Korea/won	807.91	861.89	884.61	862.86	857.38	856.11	845.00	832.53	818.39
25 Spain/peseta	160.78	169.98	140.04	129.54	128.62	128.86	126.975	125.28	126.33
26 Sri Lanka/rupee	25.428	27.187	27.933	28.578	28.662	28.823	28.902	28.988	29.171
27 Sweden/krona	8.2706	8.6031	7.1272	6.6188	6.5016	6.4202	6.3210	6.2606	6.3482
28 Switzerland/franc	2.3500	2.4551	1.7979	1.5616	1.5403	1.5391	1.4968	1.4705	1.5085
29 Taiwan/dollar	39.633	39.889	37.837	35.304	35.056	34.681	33.863	32.354	31.226
30 Thailand/baht	23.582	27.193	26.314	26.037	25.933	25.881	25.695	25.629	25.779
31 United Kingdom/point[1]	133.66	129.74	146.77	150.54	152.80	159.23	162.99	166.66	162.88
MEMO									
32 United States/dollar[2]	138.19	143.01	112.22	101.13	99.46	98.99	97.09	96.05	97.78

1. Value in U.S. cents.

2. Index of weighted-average exchange value of U.S. dollar against the currencies of 10 industrial countries. The weight for each of the 10 countries is the 1972–76 average world trade of that country divided by the average world trade of all 10 countries combined. Series revised as of August 1978 (see FEDERAL RESERVE BULLETIN, vol. 64, August 1978, p. 700).

3. Currency reform.

NOTE. Averages of certified noon buying rates in New York for cable transfers. Data in this table also appear in the Board's G.5 (405) release. For address, see inside front cover.

Guide to Tabular Presentation, Statistical Releases, and Special Tables

GUIDE TO TABULAR PRESENTATION

Symbols and Abbreviations

c	Corrected	0	Calculated to be zero
e	Estimated	n.a.	Not available
p	Preliminary	n.e.c.	Not elsewhere classified
r	Revised (Notation appears on column heading when about half of the figures in that column are changed.)	IPCs	Individuals, partnerships, and corporations
*	Amounts insignificant in terms of the last decimal place shown in the table (for example, less than 500,000 when the smallest unit given is millions)	REITs	Real estate investment trusts
		RPs	Repurchase agreements
		SMSAs	Standard metropolitan statistical areas
		. . . .	Cell not applicable

General Information

Minus signs are used to indicate (1) a decrease, (2) a negative figure, or (3) an outflow.

"U.S. government securities" may include guaranteed issues of U.S. government agencies (the flow of funds figures also include not fully guaranteed issues) as well as direct obligations of the Treasury. "State and local government" also includes municipalities, special districts, and other political subdivisions.

In some of the tables details do not add to totals because of rounding.

STATISTICAL RELEASES

List Published Semiannually, with Latest Bulletin Reference

SPECIAL TABLES

Published Irregularly, with Latest Bulletin Reference

Special tables begin on next page.

4.23 TERMS OF LENDING AT COMMERCIAL BANKS Survey of Loans Made, May 4–8, 1987[1]

A. Commercial and Industrial Loans[2]

Characteristic	Amount of loans (thousands of dollars)	Average size (thousands of dollars)	Weighted average maturity[3] Days	Loan rate (percent) Weighted average effective[4]	Standard error[5]	Inter-quartile range[6]	Loans made under commitment (percent)	Participation loans (percent)	Most common base pricing rate[7]
ALL BANKS									
1 Overnight[8]	12,546,920	6,226	*	7.71	.07	7.39–7.92	83.3	3.3	Fed funds
2 One month and under	8,542,289	730	15	7.91	.09	7.47–8.10	78.9	9.3	Domestic
3 Fixed rate	7,107,176	1,161	15	7.78	.07	7.45–7.99	79.1	9.9	Domestic
4 Floating rate	1,435,113	257	18	8.55	.12	7.80–9.12	77.8	6.0	Prime
5 Over one month and under a year	9,707,040	116	153	8.94	.16	8.05–9.75	71.1	7.8	Prime
6 Fixed rate	3,595,494	105	99	8.73	.22	7.83–9.38	65.0	9.6	Other
7 Floating rate	6,111,546	124	184	9.07	.14	8.30–9.75	74.6	6.7	Prime
8 Demand[9]	9,016,066	228	*	8.54	.15	7.63–9.38	68.9	4.5	Prime
9 Fixed rate	946,250	494	*	7.54	.52	7.35–8.00	91.7	10.5	Other
10 Floating rate	8,069,816	215	*	8.65	.12	7.83–9.38	66.2	3.8	Prime
11 **Total short term**	**39,812,315**	**291**	**53**	**8.24**	**.13**	**7.53–8.77**	**76.1**	**5.9**	**Prime**
12 *Fixed rate (thousands of dollars)*	24,040,604	541	21	7.87	.11	7.45–8.06	80.0	6.4	Fed funds
13 1–24	232,461	7	100	11.34	.24	10.25–12.46	20.1	.2	Prime
14 25–49	125,402	32	102	10.47	.23	9.65–11.35	18.2	.1	Prime
15 50–99	164,268	70	123	11.48	.40	9.36–11.83	23.0	7.7	Prime
16 100–499	403,193	188	83	9.40	.22	8.24–9.96	43.1	6.3	Prime
17 500–999	343,933	664	54	8.20	.14	7.76–8.87	66.3	4.4	Domestic
18 1000 and over	22,771,346	7,907	17	7.76	.05	7.45–8.01	82.3	6.5	Fed funds
19 Floating rate (thousands of dollars)	15,771,712	171	150	8.81	.13	8.17–9.58	70.1	5.3	Prime
20 1–24	441,256	10	155	10.17	.15	9.38–10.79	68.5	1.4	Prime
21 25–49	491,451	33	144	9.81	.11	9.11–10.47	71.0	1.6	Prime
22 50–99	829,119	67	169	9.57	.10	8.84–10.11	73.3	1.8	Prime
23 100–499	2,832,086	191	164	9.27	.06	8.51–9.92	76.9	3.9	Prime
24 500–999	1,276,096	642	151	9.07	.06	8.30–9.65	79.9	9.9	Prime
25 1000 and over	9,901,705	4,708	143	8.47	.12	7.59–9.11	66.6	5.7	Prime
			Months						
26 **Total long term**	**5,382,322**	**242**	**51**	**8.92**	**.14**	**8.03–9.79**	**81.7**	**11.6**	**Prime**
27 Fixed rate (thousands of dollars)	1,048,728	116	60	8.94	.33	7.60–10.24	68.5	6.6	Domestic
28 1–99	143,720	17	39	11.22	.37	10.00–11.85	13.8	3.0	Prime
29 100–499	102,823	176	51	10.20	.20	9.65–11.02	15.7	.9	Prime
30 500–999	66,977	667	49	9.24	.21	8.84–9.92	37.7	3.6	Prime
31 1000 and over	735,208	4,799	66	8.29	.37	7.38–8.75	89.4	8.4	Foreign
32 Floating rate (thousands of dollars)	4,333,595	330	48	8.92	.13	8.24–9.65	84.9	12.9	Prime
33 1–99	268,137	29	42	10.08	.13	9.31–10.75	44.5	1.3	Prime
34 100–499	588,187	203	49	9.34	.09	8.57–9.92	57.7	4.9	Prime
35 500–999	248,699	668	47	9.01	.13	8.30–9.58	84.3	17.8	Prime
36 1000 and over	3,228,572	5,285	49	8.74	.12	7.90–9.58	93.2	14.9	Prime

Characteristic	Amount of loans (thousands of dollars)	Average size (thousands of dollars)	Days	Loan rate (percent) Effective[4]	Nominal[10]	Prime rate[11]	Loans made under commitment (percent)	Participation loans (percent)
LOANS MADE BELOW PRIME[12]								
37 Overnight[8]	10,989,619	9,676	*	7.57	7.30	8.00	86.8	4.9
38 One month and under	6,713,199	4,475	14	7.62	7.35	8.00	81.5	9.6
39 Over one month and under a year	3,146,517	489	114	7.76	7.53	8.08	79.9	10.2
40 Demand[9]	3,044,396	2,389	*	7.42	7.19	8.00	38.3	2.6
41 **Total short term**	**23,893,731**	**2,311**	**23**	**7.59**	**7.33**	**8.01**	**78.2**	**6.6**
42 Fixed rate	19,885,597	3,511	13	7.59	7.33	8.00	83.5	7.4
43 Floating rate	4,008,134	857	126	7.57	7.34	8.05	52.3	3.0
			Months					
44 **Total long term**	**1,682,269**	**1,476**	**50**	**7.66**	**7.43**	**8.09**	**96.8**	**14.1**
45 Fixed rate	505,978	2,151	67	7.48	7.31	8.00	96.4	5.4
46 Floating rate	1,176,291	1,300	43	7.73	7.49	8.12	97.0	17.8

For notes see end of table.

4.23 Continued

A. Commercial and Industrial Loans — Continued

Characteristic	Amount of loans (thousands of dollars)	Average size (thousands of dollars)	Weighted average maturity[3] Days	Loan rate (percent) Weighted average effective[4]	Loan rate (percent) Standard error[5]	Loan rate (percent) Interquartile range[6]	Loans made under commitment (percent)	Participation loans (percent)	Most common base pricing rate[7]
LARGE BANKS									
1 Overnight[8]	9,774,641	9,486	*	7.75	.09	7.45–8.00	80.3	3.0	Fed funds
2 One month and under	6,271,095	2,832	15	7.80	.08	7.47–8.05	80.8	9.4	Domestic
3 Fixed rate	5,498,448	5,533	15	7.74	.07	7.46–7.98	79.7	10.1	Domestic
4 Floating rate	772,647	633	17	8.26	.10	7.70–8.32	89.1	4.5	Prime
5 Over one month and under a year	4,830,878	500	133	8.55	.12	7.75–9.20	81.8	6.5	Prime
6 Fixed rate	2,012,892	1,362	88	8.40	.13	7.76–9.20	71.7	8.5	Domestic
7 Floating rate	2,817,986	344	166	8.65	.17	7.71–9.38	89.0	5.2	Prime
8 Demand[9]	5,868,748	563	*	8.32	.25	7.50–9.04	59.9	2.0	Prime
9 Fixed rate	513,474	1,967	*	7.08	.96	7.34–7.80	88.3	6.7	Other
10 Floating rate	5,355,274	527	*	8.44	.21	7.56–9.11	57.2	1.6	Prime
11 **Total short term**	**26,745,362**	**1,146**	**36**	**8.03**	**.11**	**7.50–8.33**	**76.2**	**5.0**	**Fed funds**
12 Fixed rate (thousands of dollars)	17,644,223	4,723	16	7.79	.06	7.46–8.06	79.9	5.9	Fed funds
13 1–24	7,398	9	103	10.00	.24	9.06–10.52	39.3	1.6	Prime
14 25–49	7,156	33	84	9.71	.36	8.80–10.43	41.5	.7	Prime
15 50–99	15,582	67	69	9.17	.14	8.33–9.57	45.2	.0	Prime
16 100–499	90,627	218	47	8.62	.13	8.06–9.31	71.5	1.4	Prime
17 500–999	144,189	660	37	8.25	.08	7.79–8.60	85.1	.0	Domestic
18 1000 and over	17,379,271	9,506	15	7.78	.06	7.46–8.06	79.9	5.9	Fed funds
19 Floating rate (thousands of dollars)	9,101,140	464	128	8.50	.18	7.59–9.11	69.1	3.2	Prime
20 1–24	79,047	11	164	9.77	.21	8.84–10.47	81.0	.2	Prime
21 25–49	104,122	34	148	9.64	.17	8.84–10.47	80.3	.5	Prime
22 50–99	194,756	67	169	9.42	.15	8.58–9.96	84.2	1.0	Prime
23 100–499	886,272	203	140	9.16	.11	8.31–9.71	81.9	1.8	Prime
24 500–999	560,175	654	138	9.00	.09	8.30–9.58	85.1	3.9	Prime
25 1000 and over	7,276,768	6,100	124	8.33	.18	7.50–8.84	65.7	3.5	Prime
			Months						
26 **Total long term**	**3,649,401**	**1,284**	**52**	**8.67**	**.13**	**7.65–9.42**	**94.0**	**13.1**	**Prime**
27 Fixed rate (thousands of dollars)	561,262	1,422	70	8.36	.59	7.36–8.75	91.5	3.5	Foreign
28 1–99	5,812	25	43	10.98	.76	9.65–12.40	35.2	4.3	Prime
29 100–499	11,454	176	60	10.42	.26	9.92–10.88	37.8	.0	Other
30 500–999	7,760	650	48	8.61	.69	7.87–9.06	78.7	.0	Fed Funds
31 1000 and over	536,236	6,220	71	8.29	.62	7.36–8.75	93.5	3.7	Foreign
32 Floating rate (thousands of dollars)	3,088,138	1,261	49	8.73	.11	7.90–9.44	94.4	14.8	Prime
33 1–99	36,580	33	35	9.61	.17	8.84–10.20	71.1	3.8	Prime
34 100–499	155,661	225	45	9.11	.07	8.33–9.58	88.2	8.0	Prime
35 500–999	132,629	660	53	8.97	.27	8.30–9.44	91.9	18.4	Prime
36 1000 and over	2,763,268	6,083	49	8.69	.11	7.76–9.38	95.2	15.2	Prime
			Days	Loan rate (percent) Effective[4]	Loan rate (percent) Nominal[10]	Prime rate[11]			
LOANS MADE BELOW PRIME[12]									
37 Overnight[8]	8,342,226	11,326	*	7.60	7.33	8.00	84.6	3.6	
38 One month and under	5,202,665	6,810	15	7.62	7.36	8.00	79.9	9.7	
39 Over one month and under a year	2,282,506	2,121	115	7.68	7.45	8.00	83.5	6.7	
40 Demand[9]	2,529,629	6,112	*	7.39	7.15	8.00	26.3	1.1	
41 ***Total short term***	**18,357,026**	**6,139**	**22**	**7.59**	**7.33**	**8.00**	**75.1**	**5.3**	
42 Fixed rate	14,969,505	8,008	12	7.61	7.34	8.00	81.7	6.1	
43 Floating rate	3,387,521	3,022	133	7.50	7.27	8.00	46.1	2.0	
			Months						
44 **Total long term**	**1,372,919**	**5,304**	**51**	**7.59**	**7.37**	**8.00**	**99.7**	**12.4**	
45 Fixed rate	365,728	6,696	78	7.41	7.27	8.00	100.0	.0	
46 Floating rate	1,007,191	4,931	42	7.65	7.41	8.00	99.6	16.9	

For notes see end of table.

4.23 TERMS OF LENDING AT COMMERCIAL BANKS Survey of Loans Made, May 4–8, 1987[1]—Continued

A. Commercial and Industrial Loans — Continued[2]

Characteristic	Amount of loans (thousands of dollars)	Average size (thousands of dollars)	Weighted average maturity[3]	Loan rate (percent)			Loans made under commitment (percent)	Participation loans (percent)	Most common base pricing rate[7]
			Days	Weighted average effective[4]	Standard error[5]	Interquartile range[6]			
OTHER BANKS									
1 Overnight[8]	2,772,278	2,852	*	7.54	.10	7.32–7.79	93.7	4.2	Fed funds
2 One month and under	2,271,194	239	15	8.21	.12	7.46–8.57	73.5	8.7	Domestic
3 Fixed rate	1,608,728	314	14	7.93	.12	7.45–8.01	77.1	9.2	Domestic
4 Floating rate	662,466	152	19	8.90	.14	8.30–9.66	64.6	7.6	Prime
5 Over one month and under a year	4,876,162	66	172	9.33	.15	8.30–9.89	60.4	9.0	Prime
6 Fixed rate	1,582,602	48	114	9.16	.30	7.98–9.85	56.4	11.0	Prime
7 Floating rate	3,293,560	80	200	9.42	.09	8.77–9.89	62.3	8.1	Prime
8 Demand[9]	3,147,318	108	*	8.93	.09	8.30–9.65	85.6	9.0	Prime
9 Fixed rate	432,777	262	*	8.08	.32	7.36–8.30	95.7	14.9	Fed funds
10 Floating rate	2,714,542	99	*	9.06	.06	8.30–9.92	84.0	8.1	Prime
11 **Total short term**	**13,066,953**	**115**	**88**	**8.66**	**.16**	**7.64–9.38**	**75.8**	**8.0**	**Prime**
12 Fixed rate (thousands of dollars)	6,396,381	157	34	8.07	.19	7.45–8.13	80.5	7.9	Fed funds
13 1–24	225,064	7	100	11.38	.15	10.38–12.47	19.5	.1	Prime
14 25–49	118,246	32	103	10.52	.24	9.65–11.58	16.8	.1	Prime
15 50–99	148,686	70	128	11.72	.70	9.39–12.13	20.7	8.5	Prime
16 100–499	312,566	181	93	9.62	.31	8.26–10.47	34.8	7.7	Prime
17 500–999	199,744	667	67	8.16	.29	7.64–9.04	52.6	7.5	Prime
18 1000 and over	5,392,075	5,126	23	7.69	.07	7.42–7.96	89.7	8.4	Fed funds
19 Floating rate (thousands of dollars)	6,670,572	92	170	9.22	.06	8.32–9.89	71.4	8.0	Prime
20 1–24	362,209	9	154	10.25	.12	9.38–10.92	65.8	1.7	Prime
21 25–49	387,329	33	143	9.85	.12	9.17–10.47	68.6	1.9	Prime
22 50–99	634,363	67	168	9.61	.12	8.87–10.20	70.0	2.1	Prime
23 100–499	1,945,814	185	172	9.32	.04	8.57–9.92	74.6	4.9	Prime
24 500–999	715,920	633	159	9.13	.09	8.30–9.65	75.9	14.6	Prime
25 1000 and over	2,624,937	2,884	177	8.85	.14	8.30–9.65	69.3	11.8	Prime
			Months						
26 **Total long term**	**1,732,922**	**89**	**47**	**9.44**	**.14**	**8.30–9.96**	**55.8**	**8.6**	**Prime**
27 Fixed rate (thousands of dollars)	487,466	56	48	9.61	.30	8.06–10.75	42.0	10.1	Prime
28 1–99	137,907	17	39	11.23	.18	10.00–11.85	12.9	2.9	Prime
29 100–499	91,369	176	50	10.17	.28	9.65–11.02	13.0	1.0	Prime
30 500–999	59,217	669	49	9.32	.14	8.84–9.92	32.3	4.0	Prime
31 1000 and over	198,972	2,971	54	8.31	.33	7.58–8.75	78.4	21.1	Domestic
32 Floating rate (thousands of dollars)	1,245,456	116	46	9.38	.14	8.33–9.92	61.2	8.0	Prime
33 1–99	231,557	28	43	10.15	.19	9.38–11.02	40.3	.9	Prime
34 100–499	432,526	196	51	9.43	.15	8.83–9.92	46.8	3.8	Prime
35 500–999	116,069	678	41	9.05	.08	8.30–9.65	75.6	17.0	Prime
36 1000 and over	465,304	2,969	46	9.03	.22	8.30–9.84	81.4	13.0	Prime
			Days	Loan rate (percent)		Prime rate[11]			
				Effective[4]	Nominal[10]				
LOANS MADE BELOW PRIME[12]									
37 Overnight[8]	2,647,393	6,631	*	7.49	7.22	8.00	93.7	9.0	
38 One month and under	1,510,534	2,052	11	7.59	7.33	8.01	87.1	9.6	
39 Over one month and under a year	864,011	161	113	7.97	7.72	8.31	70.4	19.6	
40 Demand[9]	514,767	598	*	7.57	7.36	8.02	97.3	10.0	
41 **Total short term**	**5,536,705**	**753**	**24**	**7.60**	**7.34**	**8.05**	**88.6**	**10.9**	
42 Fixed rate	4,916,092	1,296	17	7.55	7.29	8.01	88.9	11.2	
43 Floating rate	620,613	175	103	7.96	7.70	8.35	85.7	8.4	
			Months						
44 **Total long term**	**309,351**	**351**	**43**	**7.97**	**7.71**	**8.47**	**84.1**	**21.7**	
45 Fixed rate	140,250	777	38	7.66	7.42	8.00	87.1	19.6	
46 Floating rate	169,101	241	48	8.23	7.94	8.85	81.6	23.4	

For notes see end of table.

4.23 Continued

B. Construction and Land Development Loans

Characteristic	Amount of loans (thousands of dollars)	Average size (thousands of dollars)	Weighted average maturity (months)[3]	Loan rate (percent)[13]			Loans made under commitment (percent)	Partici-pation loans (percent)
				Weighted average effective[4]	Standard error[5]	Inter-quartile range[6]		
ALL BANKS								
1 **Total**	**2,605,961**	**161**	**16**	**9.13**	**.15**	**8.42–9.59**	**71.7**	**20.6**
2 Fixed rate (thousands of dollars)	803,407	133	7	8.70	.36	8.03–9.59	52.7	2.5
3 1–24	35,897	9	9	11.06	.31	10.25–12.13	76.5	.0
4 25–49	33,910	38	20	10.32	.28	10.47–10.52	47.3	.8
5 50–99	69,670	80	27	11.85	.54	10.52–14.53	39.2	.0
6 100–499	27,240	187	21	9.39	.39	7.76–10.47	63.7	.0
7 500 and over	636,690	10,274	3	8.10	.36	7.10–8.84	52.6	3.1
8 Floating rate (thousands of dollars)	1,802,554	177	20	9.33	.07	9.11–9.65	80.2	28.7
9 1–24	54,012	10	9	10.15	.14	9.38–10.47	77.6	1.6
10 25–49	52,700	34	8	9.71	.10	9.23–10.38	73.1	2.4
11 50–99	100,369	70	11	9.85	.09	9.24–10.47	63.6	1.6
12 100–499	275,807	208	16	9.49	.08	9.11–9.92	69.3	12.1
13 500 and over	1,319,666	3,188	22	9.20	.09	8.84–9.38	84.1	36.4
By type of construction								
14 Single family	664,241	62	9	9.24	.21	8.06–9.92	84.8	10.3
15 Multifamily	85,342	128	16	9.38	.11	9.32–9.65	84.3	7.3
16 Nonresidential	1,856,378	387	19	9.08	.19	8.78–9.41	66.4	24.9
LARGE BANKS[14]								
1 **Total**	**1,646,333**	**1,242**	**18**	**8.76**	**.12**	**8.30–9.38**	**78.5**	**17.5**
2 Fixed rate (thousands of dollars)	617,664	3,745	1	8.04	.52	7.10–8.84	52.1	3.2
3 1–24	888	11	10	9.77	.29	11.02–9.92	79.1	1.8
4 25–49	*	*	*	*	*	*	*	*
5 50–99	*	*	*	*	*	*	*	*
6 100–499	*	*	*	*	*	*	*	*
7 500 and over	611,879	14,754	1	8.03	.63	7.10–8.84	51.9	3.2
8 Floating rate (thousands of dollars)	1,028,668	886	26	9.20	.10	8.84–9.38	94.3	26.0
9 1–24	4,027	11	10	9.67	.20	9.38–10.47	80.2	2.6
10 25–49	4,915	36	9	9.54	.18	9.38–9.92	71.3	3.8
11 50–99	10,972	75	11	9.45	.10	9.38–9.65	81.1	2.9
12 100–499	77,098	226	13	9.47	.09	9.27–9.92	92.1	9.0
13 500 and over	931,656	5,036	28	9.17	.11	8.84–9.38	94.9	27.9
By type of construction								
14 Single family	269,433	782	4	8.46	.41	8.06–9.11	95.6	12.4
15 Multifamily	59,341	251	19	9.42	.16	9.32–9.65	94.6	2.7
16 Nonresidential	1,317,558	1,769	21	8.79	.15	8.42–9.38	74.3	19.2
OTHER BANKS[14]								
1 **Total**	**959,629**	**65**	**13**	**9.77**	**.18**	**9.38–10.38**	**60.0**	**26.0**
2 Fixed rate (thousands of dollars)	185,742	32	23	10.89	.37	10.14–11.60	54.5	.0
3 1–24	35,008	9	9	11.09	.25	10.25–12.13	76.4	.0
4 25–49	33,286	38	20	10.33	.35	10.47–10.52	46.5	.0
5 50–99	69,412	80	27	11.86	.70	10.52–14.53	38.9	.0
6 100–499	23,225	185	19	9.45	.44	7.76–10.47	62.8	.0
7 500 and over	*	*	*	*	*	*	*	*
8 Floating rate (thousands of dollars)	773,886	86	11	9.50	.07	9.31–9.92	61.3	32.3
9 1–24	49,985	10	9	10.19	.15	9.38–10.47	77.4	1.5
10 25–49	47,785	34	8	9.72	.09	9.23–10.38	73.3	2.3
11 50–99	89,396	70	12	9.90	.15	9.14–10.47	61.4	1.4
12 100–499	198,709	201	17	9.50	.14	9.11–9.92	60.5	13.3
13 500 and over	388,010	1,694	8	9.29	.13	9.38–9.41	58.1	56.8
By type of construction								
14 Single family	394,808	38	13	9.77	.16	9.38–10.47	77.4	8.9
15 Multifamily	26,001	60	10	9.30	.11	8.77–9.92	60.8	17.7
16 Nonresidential	538,820	133	14	9.79	.26	9.38–9.92	47.2	39.0

For notes see end of table.

4.23 TERMS OF LENDING AT COMMERCIAL BANKS Survey of Loans Made, May 4–8, 1987[1]—Continued

C. Loans to Farmers[14]

Characteristic	Size class of loans (thousands)						
	All sizes	$1–9	$10–24	$25–49	$50–99	$100–249	$250 and over
ALL BANKS							
1 Amount of loans (thousands of dollars)	993,589	124,782	154,320	147,788	132,058	124,444	310,197
2 Number of loans	52,023	33,606	10,685	4,187	2,053	954	538
3 Weighted average maturity (months)[3]	22.8	8.2	8.7	13.1	19.1	10.6	52.5
4 Weighted average interest rate (percent)[4]	10.61	11.39	11.18	11.07	10.51	10.62	9.84
5 Standard error[5]	.61	.34	.34	.45	.42	.56	.61
6 Interquartile range[6]	9.84–11.83	10.73–12.21	10.50–12.10	10.38–11.95	9.89–11.35	9.46–12.00	9.31–10.02
By purpose of loan							
7 Feeder livestock	10.72	11.23	11.37	11.16	11.00	10.43	10.13
8 Other livestock	9.59	10.79	10.92	10.27	*	*	9.19
9 Other current operating expenses	10.94	11.46	11.25	11.21	10.35	11.03	9.72
10 Farm machinery and equipment	10.93	11.84	10.78	11.23	*	*	*
11 Farm real estate	11.02	9.95	10.89	*	*	*	*
12 Other	10.00	11.67	10.21	10.49	9.93	9.20	9.95
Percentage of amount of loans							
13 With floating rates	56.0	49.6	44.7	64.5	56.0	84.3	48.7
14 Made under commitment	52.7	44.1	42.9	42.1	33.6	61.1	70.9
By purpose of loan							
15 Feeder livestock	20.7	13.2	13.4	25.1	27.0	23.9	21.3
16 Other livestock	6.5	3.9	4.2	4.5	*	*	13.3
17 Other current operating expenses	45.8	72.6	71.6	45.2	42.7	56.8	19.5
18 Farm machinery and equipment	3.9	4.2	3.6	8.4	*	*	*
19 Farm real estate	2.5	2.2	2.8	*	*	*	*
20 Other	20.6	4.0	4.3	14.6	9.9	12.8	45.9
LARGE BANKS[14]							
1 Amount of loans (thousands of dollars)	254,080	7,227	11,850	15,256	23,248	41,874	154,625
2 Number of loans	3,925	1,843	792	461	348	279	203
3 Weighted average maturity (months)[3]	8.2	7.4	7.5	6.7	6.0	9.6	8.5
4 Weighted average interest rate (percent)[4]	9.38	10.27	9.93	9.91	9.78	9.58	9.13
5 Standard error[5]	.58	.30	.28	.39	.32	.39	.44
6 Interquartile range[6]	8.78–9.92	9.73–10.75	9.31–10.51	9.38–10.47	9.29–10.38	9.00–10.15	8.51–9.50
By purpose of loan							
7 Feeder livestock	9.49	10.09	9.71	9.70	9.69	9.76	9.31
8 Other livestock	8.64	10.56	*	*	*	*	*
9 Other current operating expenses	9.69	10.26	9.97	9.98	9.82	9.53	9.55
10 Farm machinery and equipment	10.12	10.96	*	*	*	*	*
11 Farm real estate	9.77	10.50	*	*	*	*	*
12 Other	9.25	10.10	9.73	9.91	9.83	9.43	9.03
Percentage of amount of loans							
13 With floating rates	95.0	87.5	90.2	93.6	90.2	100.0	95.1
14 Made under commitment	79.5	71.8	73.8	82.2	85.3	81.7	78.6
By purpose of loan							
15 Feeder livestock	27.3	14.7	15.5	26.9	26.8	39.9	25.5
16 Other livestock	12.9	4.0	*	*	*	*	*
17 Other current operating expenses	29.7	57.4	57.5	38.5	35.4	28.2	24.9
18 Farm machinery and equipment	1.0	5.7	*	*	*	*	*
19 Farm real estate	.7	3.5	*	*	*	*	*
20 Other	28.4	14.6	18.0	26.1	28.2	24.9	31.0
OTHER BANKS[14]							
1 Amount of loans (thousands of dollars)	739,508	117,555	142,470	132,531	108,810	82,570	*
2 Number of loans	48,098	31,763	9,893	3,726	1,705	674	*
3 Weighted average maturity (months)[3]	25.7	8.2	8.8	13.7	20.8	10.9	*
4 Weighted average interest rate (percent)[4]	11.04	11.46	11.29	11.20	10.67	11.14	*
5 Standard error[5]	.18	.16	.19	.21	.27	.40	*
6 Interquartile range[6]	10.02–12.00	10.77–12.25	10.52–12.13	10.50–11.95	10.01–11.78	10.38–12.08	*
By purpose of loan							
7 Feeder livestock	11.35	11.31	11.53	11.35	*	*	*
8 Other livestock	10.57	10.81	10.95	*	*	*	*
9 Other current operating expenses	11.18	11.52	11.34	11.33	10.44	11.33	*
10 Farm machinery and equipment	10.98	11.92	10.76	*	*	*	*
11 Farm real estate	11.13	9.89	*	*	*	*	*
12 Other	10.41	12.10	10.44	10.62	*	*	*

For notes see end of table.

4.23 Continued

C. Loans to Farmers[14]—Continued

Characteristic	Size class of loans (thousands)						
	All sizes	$1–9	$10–24	$25–49	$50–99	$100–249	$250 and over
Percentage of amount of loans							
13 With floating rates	42.6	47.2	40.9	61.1	48.6	76.4	*
14 Made under commitment	43.5	42.4	40.3	37.5	22.6	50.6	*
By purpose of loan							
15 Feeder livestock	18.4	13.1	13.2	24.9	*	*	*
16 Other livestock	4.3	3.9	4.3	*	*	*	*
17 Other current operating expenses	51.4	73.5	72.8	45.9	44.3	71.4	*
18 Farm machinery and equipment	4.9	4.1	3.7	*	*	*	*
19 Farm real estate	3.1	2.1	*	*	*	*	*
20 Other	17.9	3.3	3.2	13.3	*	*	*

*Fewer than 10 sample loans.

1. The survey of terms of bank lending to business collects data on gross loan extensions made during the first full business week in the mid-month of each quarter by a sample of 340 commercial banks of all sizes. A subsample of 250 banks also report loans to farmers. The sample data are blown up to estimate the lending terms at all insured commercial banks during that week. The estimated terms of bank lending are not intended for use in collecting the terms of loans extended over the entire quarter or residing in the portfolios of those banks. Construction and land development loans include both unsecured loans and loans secured by real estate. Thus, some of the construction and land development loans would be reported on the statement of condition as real estate loans and the remainder as business loans. Mortgage loans, purchased loans, foreign loans, and loans of less than $1,000 are excluded from the survey.

As of Dec. 31, 1985, assets of most of the large banks were at least $5.5 billion. For all insured banks total assets averaged $165 million.

2. Beginning with the August 1986 survey respondent banks provide information on the type of base rate used to price each commercial and industrial loan made during the survey week. This reporting change is reflected in the new column on the most common base pricing rate in table A and footnote 13 from table B.

3. Average maturities are weighted by loan size and exclude demand loans.

4. Effective (compounded) annual interest rates are calculated from the stated rate and other terms of the loan and weighted by loan size.

5. The chances are about two out of three that the average rate shown would differ by less than this amount from the average rate that would be found by a complete survey of lending at all banks.

6. The interquartile range shows the interest rate range that encompasses the middle 50 percent of the total dollar amount of loans made.

7. The most common base rate is that rate used to price the largest dollar volume of loans. Base pricing rates include the prime rate (sometimes referred to as a bank's "basic" or "reference" rate); the federal funds rate; domestic money market rates other than the federal funds rate; foreign money market rates; and other base rates not included in the foregoing classifications.

8. Overnight loans are loans that mature on the following business day.

9. Demand loans have no stated date of maturity.

10. Nominal (not compounded) annual interest rates are calculated from survey data on the stated rate and other terms of the loan and weighted by loan size.

11. The prime rate reported by each bank is weighted by the volume of loans extended and then averaged.

12. The proportion of loans made at rates below prime may vary substantially from the proportion of such loans outstanding in banks' portfolios.

13. 73.4 percent of construction and land development loans were priced relative to the prime rate.

14. Among banks reporting loans to farmers (Table C), most "large banks" (survey strata 1 to 3) had over $600 million in total assets, and most "other banks" (survey strata 4 to 6) had total assets below $600 million.

The survey of terms of bank lending to farmers now includes loans secured by farm real estate. In addition, the categories describing the purpose of farm loans have now been expanded to include "purchase or improve farm real estate." In previous surveys, the purpose of such loans was reported as "other."

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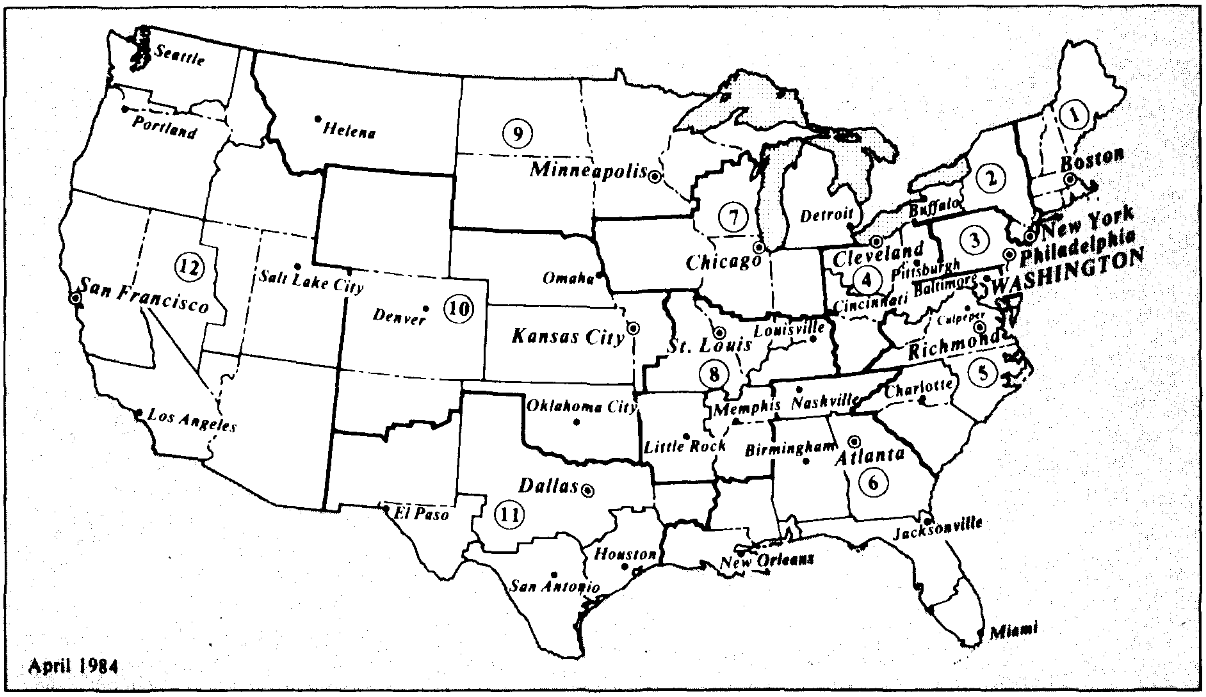
DALLAS...................75222	Bobby R. Inman Hugh G. Robinson	Robert H. Boykin William H. Wallace	Tony J. Salvaggio[1]
El Paso....................79999	Mary Carmen Saucedo		Sammie C. Clay
Houston..................77252	Walter M. Mischer, Jr.		J. Z. Rowe[1]
San Antonio.............78295	Robert F. McDermott		Thomas H. Robertson
SAN FRANCISCO......94120	Fred W. Andrew Robert F. Erburu	Robert T. Parry Carl E. Powell	
Los Angeles.............90051	Richard C. Seaver		Thomas C. Warren[2]
Portland..................97208	Paul E. Bragdon		Angelo S. Carella[1]
Salt Lake City..........84125	Don M. Wheeler		E. Ronald Liggett[1]
Seattle....................98124	John W. Ellis		Gerald R. Kelly[1]

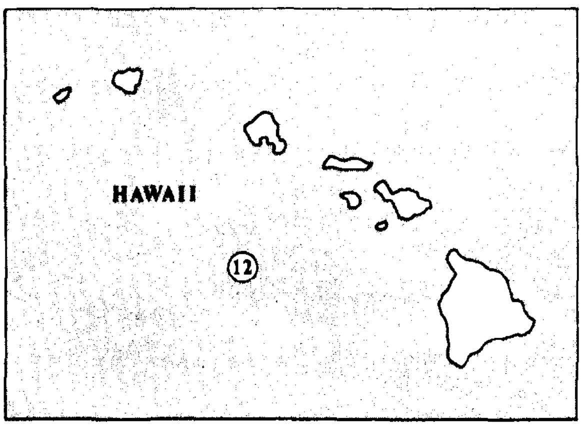
*Additional offices of these Banks are located at Lewiston, Maine 04240; Windsor Locks, Connecticut 06096; Cranford, New Jersey 07016; Jericho, New York 11753; Utica at Oriskany, New York 13424; Columbus, Ohio 43216; Columbia, South Carolina 29210; Charleston, West Virginia 25311; Des Moines, Iowa 50306; Indianapolis, Indiana 46204; and Milwaukee, Wisconsin 53202.

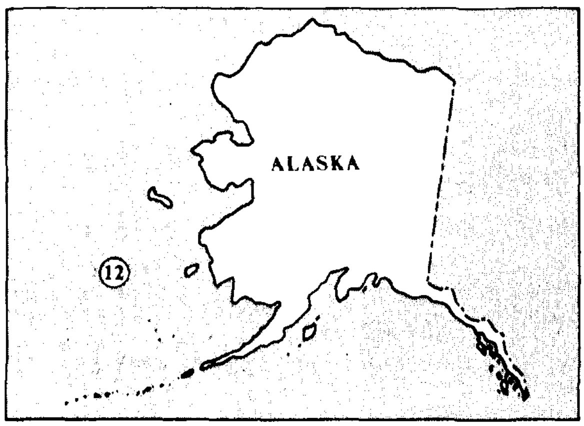
1. Senior Vice President.
2. Executive Vice President.

The Federal Reserve System

Boundaries of Federal Reserve Districts and Their Branch Territories







LEGEND

- Boundaries of Federal Reserve Districts
- Boundaries of Federal Reserve Branch Territories
- Board of Governors of the Federal Reserve System
- Federal Reserve Bank Cities
- Federal Reserve Branch Cities
- Federal Reserve Bank Facility