VOLUME 74 □ NUMBER 1 □ JANUARY 1988

FEDERAL RESERVE BULLETIN

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

The FEDERAL RESERVE BULLETIN is issued monthly under the direction of the staff publications committee. This committee is responsible for opinions expressed except in official statements and signed articles. It is assisted by the Economic Editing Section headed by Mendelle T. Berenson, the Graphic Communications Section under the direction of Peter G. Thomas, and Publications Services supervised by Linda C. Kyles.

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Developments in the U.S. Financial System since the Mid-1970s

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Since the mid-1970s, the United States has seen some of the most profound financial change in its history. New kinds of investment and credit arrangements have proliferated at a bewildering pace, accompanied by derivative instruments such as financial futures, options, and swaps. Underlying many of these developments has been an economy buffeted by inflation and disinflation and by large fiscal and external deficits. At the same time, competition in the financial marketplace has become more intense, the U.S. financial system has become more integrated with those abroad, and some parts of the financial system have been deregulated.

A perspective on this change can be gained by examining the expansion of debt owed by domestic nonfinancial sectors, shown in table 1. Between 1976 and mid-1987, aggregate debt (line 6) more than tripled, while the gross national product, a very rough index of the capacity to service this debt, rose much less. As a consequence, the ratio of debt to GNP, which had been relatively stable for most of the postwar period before the early 1980s, has climbed markedly in recent years. Pacing the expansion in total debt has been the indebtedness of the U.S. government (line 1), which grew nearly $1½ trillion over the 10½-year period, with the bulk of the expansion occurring during the 1980s. The share of outstanding federal debt held by commercial banks (line 1a) fell from about a fifth to only a little more than a tenth—implying a massive absorption by the nonbank public, including foreign purchasers. The rise in state and local debt over this period (line 2) was less dramatic, again with most of it accumulated by nonbank holders.

1. Debt owed by domestic nonfinancial sectors

Billions of dollars

Sector	Amount outstanding 1976:4	Amount outstanding 1987:2
1. U.S. government (Treasury)	515.8	1,873.9
a. Held by commercial banks	105.7	194.4
b. Held by others	409.1	1,679.5
2. State and local governments	233.5	535.1
a. Held by commercial banks	99.8	127.0e
b. Held by others	145.6	408.1
3. Nonfinancial corporations	586.2	1,767.8
a. Banks	171.3	526.5
b. Commercial paper	11.0	67.9
c. Corporate bonds	277.2	714.6
d. Other[1]	127.2	458.8
MEMO		
Equity (market value)	787.6	2,834.7
4. Farms and unincorporated businesses	322.5	1,094.4
a. Bank loans	32.8	67.0
b. Mortgages and other	289.7	982.4
5. Households	851.7	2,704.6
a. Consumer debt	243.9	719.3
Owed to commercial banks	118.0	317.6
Owed to others	125.9	401.7
b. Home mortgages	529.4	1,724.2
c. Other debt	78.4	261.1
6. Total domestic nonfinancial debt	2,509.7	7,930.8
MEMO		
GNP	1,843.7	4,457.1
Debt as a percentage of GNP	136.1	177.9

1. Includes mortgages and industrial development bonds.
e Estimated.

The private sectors—households and nonfinancial businesses—also have been heavy borrowers, especially in recent years. Businesses (line 3) have tapped commercial banks and the bond market in volume; also of note is the sharp rise in commercial paper, a nonbank source of short-term funds used by a growing number of firms.

Growth of household indebtedness (line 5), including mortgages and consumer credit, also has been substantial. A surge in revolving consumer credit—mostly at commercial banks—associated with a proliferation and growing use of credit cards captured much attention around the mid-1980s. The trillion-dollar-plus advance in home mortgages (line 5b) has provided the raw material for a growing array of mortgage securities; in addition, a portion of the buildup of mortgage debt has reflected borrowing against accumulated home equity, a type of credit that has become popular of late while other forms of household debt have been losing their tax deductibility.

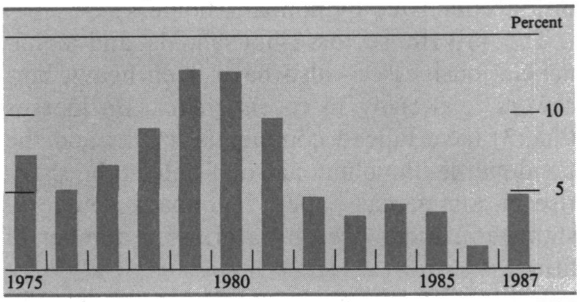
Because this period of rapid debt expansion also has been one of unrealized expectations and severe hardship for many, certain parts of the financial system, especially in the commercial bank and thrift (or savings) sectors have experienced severe strains. These strains have been evident in the earnings performance of the bank and thrift industries, including massive losses by many thrift institutions and impairment of the industry's insurance fund. The financial system has been responding to financial losses by developing new ways of shifting risk. A better understanding of trends in the U.S. financial system over the past ten years can be gained by reviewing the overall economic and financial background.

Economic and Financial Background

A major feature of the economic setting over the past decade or so has been the inflation–disinflation process. As chart 1 shows, inflation—as measured by the consumer price index—picked up in the late 1970s from already advanced levels; reached a peak of about 13 percent in 1979 and 1980; and then fell off sharply. This inflationary experience profoundly affected the public's expectations of inflation, which were a primary factor in boosting interest rates in this period and in influencing wage negotiations in the labor markets. Many consumers borrowed large sums, which they expected to repay in greatly inflated dollars: real estate investments, which had been performing well in the inflationary setting, were especially favored. In the event, after 1981, earnings and prices, including real estate prices, grew much less rapidly than expected, placing debt-servicing strains on many borrowers.

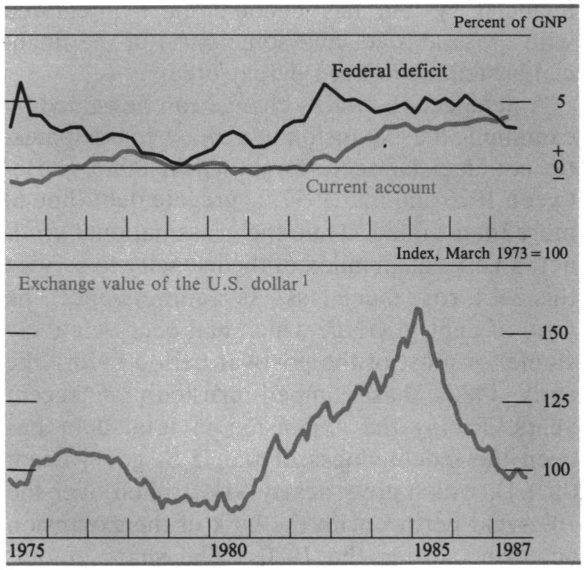
Fiscal deficits widened sharply in the early 1980s, reaching the $200 billion area (5 percent of GNP) in the expansion years 1985 and 1986 (chart 2). The resulting pressures on financial markets are widely thought to have contributed to the dollar's strength over much of the first half of the 1980s, and to a worsening current account position (chart 2). The growing availability of savings from abroad likely acted to limit upward

1. Consumer price index



1. Growth from fourth quarter to fourth quarter, except for 1987, when data shown are through the third quarter.

2. Current account deficit, federal deficit, and exchange value of the U.S. dollar



1. Index of weighted average exchange value of the U.S. dollar against currencies of other Group of Ten countries plus Switzerland. Weights are global trade from 1972 through 1976 for each of the G-10.

movements in domestic interest rates. Foreign sources of funds thus reduced the extent to which interest-sensitive sectors of the economy, such as housing and investment, were constrained by resource transfers necessitated by large fiscal deficits. Conversely, export industries and those competing with imports bore more of the burden of the adjustment, and weaker earnings in these industries added to debt-servicing strains.

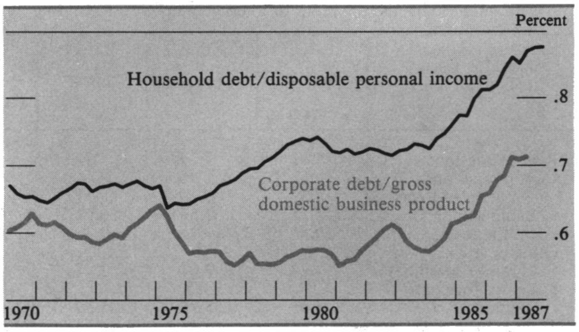
The agricultural sector was particularly hard hit. Prices paid to U.S. farmers over the first half of the 1980s were depressed by the strong dollar and enlarged supplies of non-U.S. producers. Weak output prices contributed to the sharp decline in farm income. Weaker income, together with historically high interest rates over much of this period, placed heavy debt-servicing strains on farm borrowers and stress on many of their creditors. A plunge in the value of farmland used as collateral exacerbated the situation.

Energy producers, especially around the mid-1980s, also were adversely affected by external developments, in particular the decline in oil prices. Although lower energy prices enabled the incomes of many borrowers to stretch further, energy producers experienced a sharp drop in their earnings and in their ability to service their debts. Owing to the geographic concentration of the energy industry, this development contributed to a generalized weakness in the so-called oil patch, most notably Texas.

Bank loans to several heavily indebted developing countries also have soured. These countries have had difficulties servicing their external debt because of weak markets for their exports, high interest costs on these loans over much of this period, and their macroeconomic and structural policies. While much progress has been made by these countries as a group, interest payments on some loans have been disrupted, and banks in the United States and elsewhere have made large provisions for losses on developing-country debt.

Meanwhile, debt growth in the household and business sectors has greatly outpaced income in recent years (chart 3), adding to concerns about credit quality. The degree to which the surge in household debt has strained the household sector is somewhat uncertain because, in the aggregate,

3. Debt ratios



it has for most of this period been accompanied by a massive buildup of financial assets. Those household units that have accumulated large amounts of assets along with debt have built a cushion in the event that debt-servicing strains become excessive. The large buildup of debt in the corporate sector has been associated with a wave of mergers, acquisitions, and corporate restructurings, in which equity has been retired with the proceeds of debt issuance. Corporations that have increased their leverage in this way are viewed as more vulnerable to an earnings disruption, although many analysts believe that such higher levels of corporate leveraging impose more discipline on management to maximize earnings from the corporation's assets and thereby to enlarge the cash flow available for debt service.

In reflection of the various debt strains, delinquency rates on bank loans have been very high in recent years (table 2). In particular, farm loan delinquencies have been on the order of 10 percent or higher. Delinquencies on commercial and industrial loans, real estate loans, and consumer loans, while distinctly lower than on farm loans, have been at historically high levels. Loan charge-offs, which generally follow delinquencies, have risen considerably in recent years, with increases evident in all major categories.

Downgradings of corporate debt in relation to upgradings (chart 4) are another indicator of credit quality in the business sector. Over the 1980s, the number of downgradings has been very high. Indeed, in the economic expansion since the 1981–82 recession, an unusually high number of bonds have been downgraded in that the number of downgradings typically falls as an

2. Delinquency rates at large insured commercial banks, by type of loan[1]

Delinquent loans as a percent of average amount outstanding, annual rate

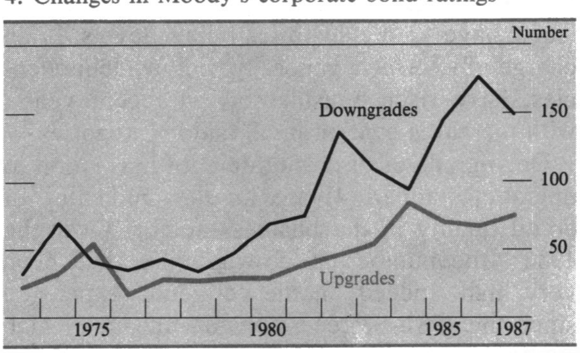
Type of loan	1983[2]	1984[2]	1985[2]	1986				1987[3]	
				Q1	Q2	Q3	Q4	Q1	Q2
Real estate loans	6.61	5.79	5.25	5.46	5.30	5.02	5.19	5.44	5.08
Commercial and industrial loans	7.39	6.18	5.59	5.55	5.72	5.79	5.52	6.45	6.33
Consumer loans	2.65	2.59	3.01	3.38	3.20	3.17	3.33	3.44	3.29
Farm loans	10.85	11.14	9.39	12.60	12.52	10.58	10.36	13.87	12.66
Other loans in domestic offices[4]	3.78	2.64	2.47	2.22	2.10	2.04	2.03	7.14	6.77
Loans in foreign offices	4.95	5.76	5.50	4.62	4.55	4.39	4.52	n.a.	n.a.
Total	5.74	5.11	4.73	4.59	4.55	4.44	4.46	5.82	5.57
MEMO									
Total for all banks	5.54	5.01	4.78	4.84	4.79	4.62	4.61	5.72	5.45

1. Delinquent loans include nonaccrual loans, as well as those past due 30 days or more and still accruing. These data are for banks with at least $300 million in assets, except the last row, which is calculated for all insured U.S.-chartered commercial banks.
2. Figures for 1983, 1984, and 1985 are averages of quarterly data.
3. Series break: Beginning in March 1987, banks report delinquent loans in domestic offices and foreign offices on a consolidated basis. Thus, loans previously reported for foreign offices are now included in loans by type. Also, in contrast to earlier data, which are averages of quarter ends, first-quarter data for 1987 are calculated on an end-of-quarter basis.
4. Beginning in 1987, includes other loans booked in foreign offices.
n.a. Not available.

expansion matures. In part, downgradings in recent years have reflected the sharp rise in corporate leveraging.

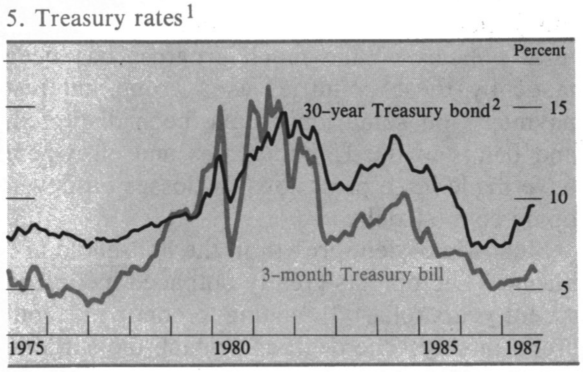
Overall, the period since the mid-1970s has been one of greater interest rate risk. Interest rate volatility increased greatly at the end of the 1970s—at a time of higher interest rates (chart 5)—an event widely associated with the Federal Reserve's shift to a reserves-based operating procedure in October 1979. The objective of the operating procedure was to obtain tighter control over the money stock in order to curb inflationary pressures more effectively. A by-product of this change was more scope for movements in short-term interest rates. As shown in table 3, both short-term and long-term rates became much more volatile beginning in late 1979 and continuing through the early 1980s. Volatility diminished subsequently, but it remains above that of the 1970s. These events heightened the sensitivity of financial market participants to interest rate risk, leading to many behavioral adaptations and new financial products—including financial futures and options. In particular, savings institutions that traditionally had raised short-term funds to hold long-term assets sought various ways to control and limit exposure to interest rate risk; some did so through changes in portfo-

4. Changes in Moody's corporate bond ratings



Data for 1987 plotted through the second quarter.
SOURCE. Moody's Investors Service.

5. Treasury rates[1]



1. Monthly data.
2. Before February 1977, data shown are for 20-year Treasury bonds.

3. Interest rate volatility measured as the standard deviation of daily changes

Basis points

Period	Treasury bills (3-month)	Certificates of deposit (3-month)	Treasury bonds (30-year)
1975–79[1]	7.1	6.0	2.7
1979–82[2]	28.9	32.4	14.4
1982–87[3]	8.1	8.9	8.0

1. September 1975 through August 1979 for 3-month bills and CDs. For the 30-year bond, the period is September 1977 through August 1979.
2. October 1979 through September 1982.
3. October 1982 through September 1987.

lio management, including the use of interest rate futures and other hedging instruments.

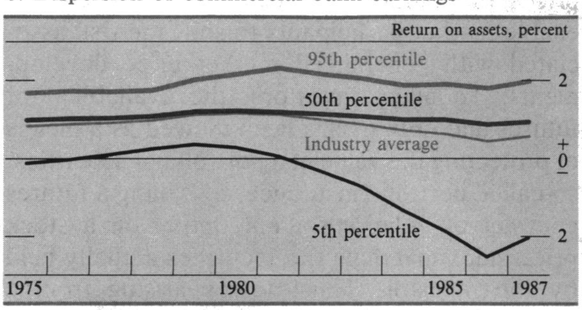
Other developments have had a significant impact on the financial system since the mid-1970s. The deregulation of deposit rates began in mid-1978, when a new retail deposit instrument, the six-month money market certificate, was introduced with a regulatory rate ceiling that adjusted with rates in the open market. In early 1980, the Congress enacted the Depository Institutions Deregulation and Monetary Control Act, landmark legislation that mandated the removal of all interest rate ceilings in an orderly fashion by April 1986. In practice, rate ceilings were taken off in stages, with the final measures occurring in early 1986. At present, banks are prohibited from paying interest only on demand deposits.

Asset quality problems of U.S. banks have taken their toll on bank earnings, especially for some institutions (chart 6). Earnings as a percentage of assets weakened over much of the 1980s, with the erosion being highly pronounced at the poorer-performing institutions (the lowest 5 percent in earnings). In the thrift industry (chart 7), earnings were depressed in the early 1980s by the adverse movement in interest margins accompanying the sharp rise in rate levels. Subsequently, the top half of the industry has recovered, while the poorer earners have slipped dramatically. The bottom segment of the industry has created extraordinary difficulties for the Federal Savings and Loan Insurance Corporation, which has recently required legislative action to provide more financial resources to deal with insolvent institutions.

The earnings problems faced by U.S. banking and thrift organizations added to their costs of raising funds in the wholesale markets. Moreover, regulatory policy has shifted toward increased capital requirements for banks and thrift institutions. As capital requirements have become more binding, banks and thrift institutions have sought new ways of conducting business without adding to their assets that are subject to such requirements and have turned to so-called off-balance-sheet activities and loan sales.

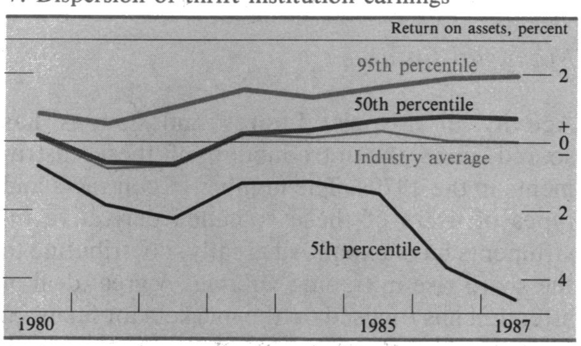
The increasing sophistication of borrowers and lenders in the financial marketplace is another important factor contributing to change in the financial system. Against the backdrop of the computer revolution and vast improvements in telecommunications, investors have become more aware of alternatives and more sensitized to differentials in yields and risk, while borrowers have become more aware of alternative borrowing opportunities. Closely related to the growing awareness of investment and borrowing alternatives has been a rising level of competition

6. Dispersion of commercial bank earnings



Annual data. For 1987, data are for the first half (annual rate).

7. Dispersion of thrift institution earnings



Annual data for FSLIC-insured institutions. For 1987, data are for the first quarter (annual rate).

in the financial marketplace. In the banking sector, foreign banks have gained a presence in U.S. credit markets by establishing a large number of banking offices, mainly in major money centers, and have aggressively pursued U.S. customers by emphasizing credit services and offering attractive terms. The number of branches and agencies of foreign banks has more than tripled over the past decade, while their share of the loan market—especially business loans—has climbed.

Access by businesses to the open markets has improved over this period, most visibly in the commercial paper market, which has expanded several-fold from only about $10 billion outstanding in the mid-1970s. Many borrowers have entered this market, aided by bank credit lines supporting their paper issuance or by bank standby letters of credit. Also, a growing number of firms has been able to tap the bond market for long-term credit as the high-yield or "junk bond" market mushroomed in the mid-1980s.

Responses of the U.S. Financial System

Against the background of heightened interest rate and credit risk and growing competition, financial institutions and markets have responded in many ways, only some of which can be highlighted in this article. Among the more important have been the increasing reliance on futures markets as a means of shifting risk, generally more prompt adjustment of deposit and loan rates to changes in open market rates, off-balance-sheet activities and asset sales by depositories, and securitization of credit.

Financial Futures

Activity in financial futures and options has soared since the introduction of these instruments in the 1970s. The number of contracts and types of users of these so-called derivative instruments have expanded greatly, contributing to the sharp rise in trading volume. A great deal of attention has focused on the markets for financial futures and options in the wake of the stock market crash in October 1987. Public scrutiny has centered on the possible contribution of these instruments to market volatility—including the collapse on October 19—while users of these instruments have been reassessing the degree to which they satisfy hedging needs, especially in the event of extreme market turbulence.

Interest rate futures were introduced in 1976 and have figured prominently in efforts to shift interest rate risk in the more volatile rate environment of the late 1970s and early 1980s. Interest rate futures are one means available to commercial banks and savings institutions to limit their exposure to interest rate risk associated with maturity mismatches, traditionally a more serious problem for thrift institutions, which have depended on short-term deposits to fund long-term mortgages. Interest rate futures also have been used by underwriters of credit market instruments to limit their exposure to interest rate risk while they are originating and distributing new issues. Perhaps the major users of interest rate futures, however, have been securities dealers with large trading-account positions.

While many types of interest rate futures are available, those on Treasury bills, Eurodollar deposits, and Treasury bonds have come to dominate the market. Because the correlation between prices for these instruments and those on other securities is less than perfect, market participants using such futures contracts to cover positions in other securities are left with some risk, so-called basis risk. On occasion, hedgers using contracts in these instruments, especially futures on Treasury bonds, to cover positions in other securities, such as mortgage securities, have incurred appreciable losses owing to differential movements in prices.

Futures and options on stock indexes were introduced around the time of the advance in prices of equities in 1982. These instruments enable market participants to shift the risk associated with generalized market price developments. To many investors, the availability of futures and options has been viewed as a means of protecting the value of a portfolio of securities, so-called portfolio insurance, by selling a futures contract or acquiring a put option on a stock price index matching the securities actually held by the investor. Thus, losses arising from a market decline can be limited. Others have come to view the futures and options markets as a low-cost means of participating in general advances or declines in markets; transactions costs associated with positions in options and futures typically have been lower than those for cash positions. As a consequence, price movements frequently occur in futures and options contracts before they appear in the cash market; indeed, many sophisticated arbitrage strategies have been developed to profit from this disparity. Particularly controversial have been computer-driven "program trading" strategies involving the purchase or sale of a diversified basket of stocks. Some believe that program trading, including arbitrage strategies, has contributed to stock market volatility in recent years, especially to the collapse in mid-October 1987. Studies have been undertaken to examine the causes of that collapse, with particular emphasis on the role of portfolio insurance and arbitrage strategies. In addition, difficulties in getting prompt execution of orders in the cash market and the apparent tendency for index futures to trade below comparable prices in the cash market at that time have led to a reexamination of the use of index futures and options for hedging or arbitrage by many in the market.

In principle, financial futures and options have enabled market participants to shift interest rate and market risk toward economic units that may be better positioned and more willing to absorb it. As previously noted, the availability of financial futures and options probably has encouraged more underwriting and trading, tending to enhance liquidity and affording borrowers greater access to the markets. On the other hand, hedgers using these instruments still are left with the risk that the price of the hedging instrument and the underlying position being hedged can diverge, especially under turbulent market conditions. In addition, futures and options contracts enable those who are ill-equipped to handle the risk to engage more easily in speculation, with adverse consequences for other participants as well as for the functioning of the financial markets.

Pricing of Loans and Deposits

At commercial banks, the process of deregulation of retail deposit rates, together with competitive forces, has led to prompter adjustment of deposit rates to movements in open market rates. The resulting pressures on costs also have contributed to the faster adjustment of loan rates to open market rates. This development has been especially significant for small and medium-sized banks. Larger banks traditionally have relied more on wholesale funds and have long been under more pressure to keep loan rates in alignment with those in the open market: their wholesale borrowing costs, primarily the rates on CDs and federal funds, tend to move closely with other open market rates, and their customers tend to have better access to competing sources of credit. Before the late 1970s, when the deregulation process began, deposit and loan rates at small and medium-sized banks moved very little, even when open market rates swung quite sharply. Since deregulation began, such rates at small- and medium-sized banks have become more responsive to market developments.

The pricing of business loans also became more directly tied to open market rates over this period, especially at larger banks. Contributing to the shift from the prime rate, an administered rate, to an open market reference rate were foreign banks that were seeking a market share in the United States through their branches and agencies. Today, business loan customers commonly have loan commitments with both prime and open market base-rate options. In practice, customers of the money center banks elect loans with a money market reference rate more often than they choose prime rate loans, as table 4 shows. In May 1987, only a fifth of business loans extended by the very large money center banks

4. Pricing of business loan extensions at U.S. banks, May 1987

Percent of loan extensions

Reference rate	Nine money center banks	Other large banks[1]	Other banks
Prime rate	21.1	29.0	54.0
Federal funds rate	37.7	25.8	16.7
Other domestic money market rate	25.5	20.7	12.0
Foreign rate	4.3	9.4	6.2
Other	11.4	15.1	11.0

1. Banks with assets of about $5 billion or more.

were linked to the prime rate, while nearly two-fifths were linked to the federal funds rate and another one-fourth were tied to other domestic money market rates, such as the CD or Treasury bill rate. Loans linked to interest rates outside the United States (including the LIBOR) and priced in other ways represented only a small fraction of the total. At other large banks, the prime-based share is a little larger, and the open-market-based share, smaller but still well above that of a decade earlier. Most business loans made by the smaller banks continue to be tied to the prime, although market-based lending by these institutions has become significant.

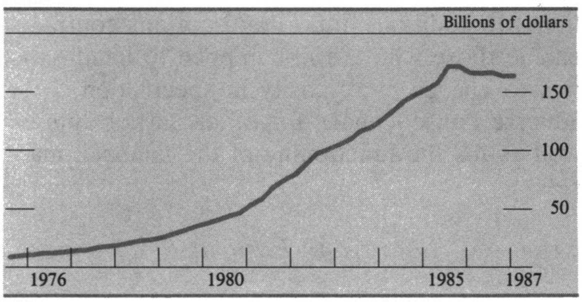
Meanwhile, some larger banks have sought to use deregulated retail deposits as a means of reducing their dependence on wholesale funds. Retail deposits generally have been viewed as a more stable source of funds than are wholesale or managed liabilities, especially at a time when the availability of funds in the wholesale market appears to be sensitive to shifts in sentiment about the strength of banking organizations. Moreover, some institutions evidently have viewed the substitution of core deposits for wholesale funds as a means of lowering interest costs over the long run; at times, banks have used their freedom to set retail deposit rates to bid aggressively for such balances, apparently expecting to reduce their rates after an introductory period or roll them over at lower rates. For example, the share of assets funded by retail core deposits rose appreciably from a very low level at large money center banks in late 1982, after a major deregulatory measure that introduced the money market deposit account, and it has subsequently edged higher.

Viewed somewhat differently, the concern about the quality of large bank loan portfolios, heightened since 1982 by events involving developing-country debt, has added to the premium over open market rates that banks, some highly vulnerable banks in particular, have had to pay on wholesale deposits, while also adding to the attractiveness of federally insured retail deposits. The added premium that many banks now pay has put upward pressure on bank costs, and therefore more high-grade corporate borrowers have gone directly to the open market for credit. In essence, the attractiveness of credit offered by banking organizations has fallen for many premium customers, as open market credit has become relatively less costly to them.

Capital Requirements, Standby Letters of Credit, and Loan Sales

In the midst of the profound changes taking place in the financial system, the capital requirements on the large banks have been stiffened, in recognition of the increased risk exposure of these banks and a desire to limit exposure of the federal deposit insurance fund. Capital requirements for the large banks were tightened both formally, by specifying a minimum primary capital ratio, and informally, through the examination and applications process. Because off-balance-sheet activities were initially excluded from formal capital requirements, banks had an incentive to expand such activities in lieu of placing loans on their books. In particular, standby letters of credit soared from about $40 billion in 1980 to almost $170 billion in 1985 (chart 8). Through a standby letter of credit (SLC), a bank could support the commercial paper, notes, or bonds of a customer without maintaining the level of capital that would be required if the customer's obligation had been booked as a loan. The market regards the customer's obligation backed by the SLC much as it regards the bank's obligation, thereby securing the customer access to markets on terms comparable with those for the bank. This development has encouraged the separation of the credit support function of commercial banks from the funding function. Since 1985, however, the volume of SLCs has leveled off as regulators have increasingly taken SLCs

8. Standby letters of credit at all insured commercial banks



Quarterly data.

into account informally in the examination and applications review processes, as the credit ratings of some banks deteriorated relative to their top customers, and as support grew for a proposed risk-based capital standard that would include such off-balance-sheet activities in the formal computation of capital requirements. That proposal took on an international dimension when authorities of the United States and the United Kingdom proposed common treatment of capital standards and, subsequently, when other nations became involved.

Larger banks also have increasingly originated loans with a view to selling them or offering participations. In this way, they can collect origination and servicing fees by advancing credit to an established customer yet need not hold capital against it, provided the buyer of the loan does not have recourse to the bank in the event of default (through a standby letter of credit or other guarantee). To date, banks—including foreign banks—presumably with less binding capital requirements have bought a good portion of such loans sold by large banks. This development further unbundles the traditional banking relationship by separating the lending function, in this case into origination and funding components. Although most of these asset sales have taken the form of business loans, a few banks, with the aid of investment bankers, have structured sales of automobile loans and other receivables, most notably credit card receivables, in the form of pass-through participations in a pool of such claims or bonds backed by receivables.

Adaptations by Savings Institutions

Savings institutions better appreciated the extent of their vulnerability to interest rate risk in the early 1980s after the rise in the level of interest rates across the maturity spectrum. This increase in interest rates quickly added to the cost of funds at thrift institutions, predominantly for shorter-term deposits, while returns on holdings of fixed-rate mortgages did not register a compensating increase. Indeed, under these circumstances mortgage borrowers with relatively low fixed rates became less inclined to prepay, leading to an even more sluggish upward adjustment of asset returns to the new higher level of market rates. As a consequence, savings institutions incurred record losses in the early 1980s and failures soared.

Many of the surviving institutions have devoted greater effort to managing interest rate risk. These institutions and their supervisors now follow more closely their exposure to interest rate risk by monitoring gaps between the maturities of assets and liabilities. Several methods have been used to shorten the repricing interval on assets and to lengthen the repricing interval on liabilities. One is the adjustable-rate mortgage (ARM). Such mortgages typically have the same maturity as the standard fixed-rate mortgage but carry interest rates that adjust at regular intervals to a benchmark rate. Commonly used benchmark rates are the yield on one-year Treasury securities and a published measure of the cost of funds to savings institutions. The share of conventional mortgages with adjustable-rate features was one-half or more of the total originated from mid-1983 to late 1985, a time when initial rates on these mortgages were low compared with those on fixed-rate mortgages. Borrowers nonetheless continue to show a preference for fixed-rate mortgages. Strong borrower interest in ARMs has been evident only when rather large rate differentials between ARMs and fixed-rate mortgages have prevailed, with such differentials enlarged at times by concessionary terms granted by the lender in the first year of the mortgage. Moreover, data on refinancings in 1986 and early 1987 indicate that many ARM borrowers are quick to refinance with fixed-rate mortgage credit when such rates fall markedly.

Another method used by savings institutions to shorten the effective maturity of their assets is the collateralized mortgage obligation (CMO). The CMO is a multiclass pay-through bond secured by mortgages or mortgage securities. Repayments (including prepayments) are applied to different classes of bondholders at different rates. The CMO enables the cash flow from a pool of mortgages, which is inherently uncertain because of the prepayment option to be structured into various broad maturity classes. Savings institutions have found the short maturity classes of CMOs an attractive form in which to hold mortgage assets because such CMOs have effective maturities more in line with maturities on deposit liabilities and because they have yields that exceed those on highly liquid money market instruments. Recently, CMOs have been offered with an adjustable-rate feature, further enhancing the appeal to many thrift institutions. As noted below, CMO issuance has soared in recent years, with savings institutions thought to be important holders of the short maturity classes. In some cases, thrift institutions retain the shorter maturity classes of CMOs that they themselves issue while in others they acquire these classes from other issuers.

Savings institutions also have attempted to lengthen effective maturities of liabilities. A technique used by many savings institutions is the interest rate swap, in which the thrift in effect trades an adjustable-rate obligation—that is, a regularly repriced obligation—for a fixed-rate obligation. The overall swap market has grown dramatically from virtually nothing in the early 1980s to several hundred billion dollars recently, with savings institutions holding a significant share of the fixed-rate component.

Savings institutions also compete aggressively for longer-term retail deposits. In relation to commercial banks they typically offer a larger premium for time deposit balances than for more liquid accounts and generally have been more successful than commercial banks in attracting time deposits, despite adverse publicity about the financial condition of the thrift industry.

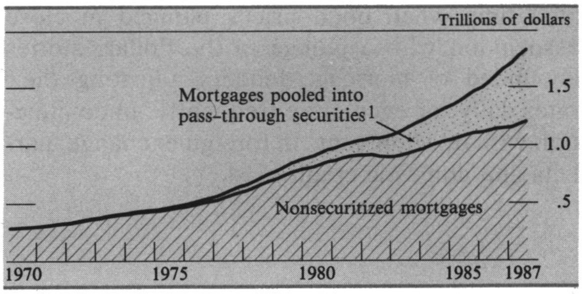
Another device recently developed by savings institutions to reduce risk is the mortgage strip, in which the interest flow from a pool of mortgages and the principal are divided and sold as separate interest-only and principal-only securities. For the interest-only security, the average length of the interest flow depends on the level of interest rates. As interest rates fall and principal prepayments pick up, cash flow on the interest-only security declines. Conversely, if interest rates rise and prepayment activity slows, cash flow on the interest-only security improves. As a consequence, the interest-only security is thought to be a hedge against a rise in market rates for an institution with a maturity mismatch in the form of more long-term assets than liabilities. Some thrift institutions reportedly have acquired interest-only portions of mortgage pools as a hedge.

Meanwhile, the savings industry has responded to maturity imbalances, higher capital requirements, and borrower preferences for fixed-rate mortgages by originating fixed-rate mortgages for sale. In this way, thrift institutions can meet customer demands for mortgages and earn an origination and servicing fee while not aggravating maturity mismatches or adding to capital requirements. Fixed-rate mortgages are sold to other depository institutions but most often to the Federal National Mortgage Association (FNMA) or the Federal Home Loan Mortgage Corporation (FHLMC), two federally related agencies that play a central role in the secondary mortgage market. These institutions pool such mortgages and issue pass-throughs, by which holders receive an undivided interest in the pool. Savings institutions also swap mortgages for mortgage pass-through securities that contain the mortgages sold. Pass-through securities are more liquid than the underlying mortgages and can be used as collateral for certain kinds of borrowing. Another federal institution, the Government National Mortgage Association (GNMA), guarantees payments on pass-through securities issued against pools of federally insured mortgage loans.

Securitization

The securitization of loans, another major recent development in financial markets, has been most evident for mortgages. The most prominent instrument is the mortgage pass-through security. As chart 9 illustrates, mortgage pass-throughs have grown from miniscule proportions of all residential mortgage debt in the early 1970s to about one-third, or $600 billion, in mid-1987. The strong growth in mortgages in 1985 and 1986 and borrower preference for fixed-rate mortgages helped to boost pass-through volume substantially. Federally related mortgage pass-throughs—those guaranteed or issued by GNMA, FNMA, and FHLMC—account for all but a small portion of mortgage pass-throughs. The standardization requirements for underlying mortgages, the liquidity generated by the size of

9. Home mortgage debt outstanding



1. Pools include GNMA, FHLMC, and FNMA pass-throughs only.

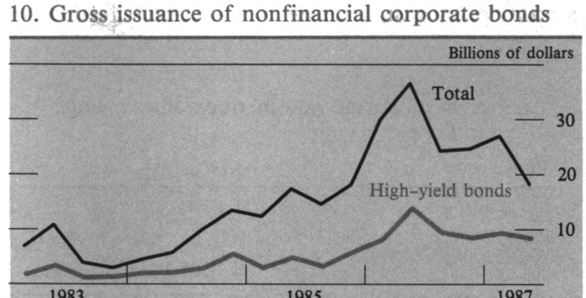
the market, and the federal support of the pools have led to their dominance in the market. Nevertheless, even though such securities are not viewed as entailing much, if any, credit risk to investors, they do embody a significant amount of prepayment risk. As already noted, mortgage prepayments tend to rise as mortgage rates fall—reflecting refinancing of existing mortgages and more turnover of homes—and to decline as mortgage rates increase; this relationship is a relatively loose one, however, and thus the slippages add to prepayment uncertainty and risk. Consequently, mortgage pass-through yields contain a premium over federal government securities, with comparable expected maturities, that reflects such prepayment uncertainty. This premium tends to vary directly with interest rate volatility.

Mortgage pass-through securities have become the raw material for various derivative products. These include the CMOs and interest-only and principal-only obligations issued by private entities. Such instruments represent an alternative for dealing with prepayments and prepayment uncertainty. In view of the complexity of administering mortgage securities—such as assembling and maintaining records on the underlying mortgages, principal and interest payments, and prepayments—the introduction of these instruments and development of these markets have been highly dependent on advances in computer and information technology.

The concept of the pass-through subsequently has been extended to other kinds of loans, mainly automobile loans and credit card receivables. The latter represent unsecured loans while the former, like mortgages, are collateralized by the automobiles being financed; letters of credit have been used to enhance both types of pass-throughs. Banks selling off such loans are able to relieve some pressure on capital positions while collecting origination and servicing fees. For such consumer receivables, prepayment uncertainty is minimal, in part because the incentive to prepay when interest rates change is relatively small. At present, the amount of securitized automobile and credit card receivables is rather small, on the order of $15 billion, mostly in the form of automobile securities. While banks have been the only issuers of credit card pass-through securities, automobile finance subsidiaries are thought to have a larger share in the securitization of automobile paper.

The term "securitization" has been applied to much more than pools of mortgages and consumer loans and their derivative instruments. Some have viewed as securitization the sale of business loans and the growing reliance on the commercial paper market by firms that had been heavily dependent on commercial banks; such loans and paper may be enhanced by bank standby letters of credit or loan commitments. In addition, the growing ability of many lower-rated firms to tap the bond market as an alternative to long-term bank financing has been regarded as securitization. Clearly, the wider availability of information on such credits and in the case of low-rated bonds, the recognition of the benefits of diversification (including through mutual funds), have reinforced the securitization trend. Issuance of high-yield (or below-investment-grade) bonds roughly doubled from mid-1985 to mid-1987, at a time when investors also absorbed a larger volume of bonds offered by investment-grade issuers (see chart 10). The market for

10. Gross issuance of nonfinancial corporate bonds



Quarterly data, not seasonally adjusted.

low-grade bonds, however, received a setback following the mid-October stock market crash—as investors evidently reassessed the prospects for debt service in the event of an economic slowdown or a less favorable climate for asset sales—and the volume of offerings has fallen markedly. Whether the market can regain its earlier momentum remains an open question.

As securitized assets work their way into investor portfolios and compete with traditional securities, the linkage between interest rates on loans that can be securitized and those on open market instruments becomes tighter. Not only does investor behavior directed toward maximizing yield—adjusted for credit, interest rate, and prepayment risk—act to bring rates on loans that can be securitized into line, but the originators of loans and the underwriters of securitized assets must keep a close eye on yields on competing assets in investor portfolios when they make loans or acquire them for securitization. Table 5 illustrates the tightening linkages between the commitment rate on fixed-rate home loans and the 10-year Treasury bond yield, a maturity that is roughly comparable with the expected life of 30-year mortgages. The change in the mortgage rate measured in basis points in the week following a change in the Treasury yield (standardized to be a 10-basis-point change) has quadrupled from the 1975–79 period to the 1986–87 period. In the late 1970s, the short-run responsiveness of mortgage rates was minimal: a change of only 2 basis points on average per each change of 10 basis points in Treasury yields. Responsiveness picked up a little over the first half of the 1980s, and in the past couple of years, with the surge in the volume of mortgage pass-throughs, the change in the mortgage rate climbed to more than 8 basis points on average per change of 10 basis points in the Treasury rate. In the spring of 1987, at a time when bond prices plunged in close association with a plunge in the dollar, stories abounded of mortgage lenders adjusting their rates daily, or even more frequently, in conjunction with developments in foreign exchange markets and domestic credit markets.

5. Change in mortgage rate in week after change in 10-year Treasury yield[1]

Basis points

1975–79	2.0
1980–82	3.2
1983–85	4.0
1986–87	8.2

1. The mortgage rate is the commitment rate on fixed-rate home loans. Both rates are weekly averages; 1987 observations are through mid-November.

Conclusion

The financial system in the United States has been affected greatly over the past decade or so by drastic alterations in the economic setting. Interest rates have swung widely over this period, in large part reflecting changing inflation experience and expectations; in addition, interest rates have come to be viewed as inherently more volatile than was thought in the mid-1970s. While the U.S. economy has been expanding steadily since late 1982 and overall slack in resource utilization has diminished, debt-servicing strains on many borrowers have been substantial. These strains have reflected not only a much-diminished rate of inflation, including that on real estate acquired as an inflation hedge, but also a depressed agricultural sector, weakness in the energy sector, and other imbalances associated with large fiscal deficits and a massive erosion in the U.S. net export position. Bank lenders also have been affected by the debt problems of some developing countries.

The confluence of these events—resulting to an important degree from disinflation, global economic slack, and a strong dollar—clearly was not envisioned by financial institutions and markets. Nevertheless, it has had a pronounced effect on attitudes and behavior. Participants in financial markets generally have become more aware and sensitive to interest rate and credit risk. Against this background, a growing array of financial products have been developed to enable financial institutions and others to adjust and shift risk exposure to better suit their preferences and absorption capacities. The degree to which risk can be limited through derivative products, however, has been called into question by events surrounding the stock market crash in October 1987.

Commercial banks and savings institutions have experienced large loan losses, owing to the concentration of debt-servicing strains on their customers. Measures taken by these institutions in recent years to limit risk exposure are expected to reduce their vulnerability to economic shocks in the future. The growing use of hedging instruments is one such development. However, many of these instruments, especially those involving mortgages and their uncertain prepayments, contain elements of risk that are not fully known and may not be fully understood by all users.

The securitization of loans is another method developed by depository institutions to manage risk. Commercial banks and savings institutions have been able to continue to originate and service credit by selling loans, while avoiding losses associated with changes in credit or interest rate risk, provided that these loans are not sold with recourse to the originator. When recourse is provided, however, the capital positions of these institutions and their federal deposit insurance funds are exposed. Also of some concern are the consequences for bank and thrift portfolios of selling loans if they represent higher-quality credits. In these circumstances, the average quality of loans remaining in the loan portfolios could decline.

Federal exposure continues to be important in the market for mortgage pass-through securities, the largest area of securitization thus far. Indeed, in this period of heightened concern about credit quality and financial stability, investors seem to have sought the protection of a direct or indirect federal credit enhancement. Nevertheless, many investors are adding riskier securities to their portfolios, such as below-investment-grade bonds. The associated risks of borrower default are thus passed directly to investor portfolios rather than to the capital positions of banks and thrift institutions.

These developments, by affecting the incidence of economic losses and the exposure of the financial system, may influence spending behavior and the way the economy functions. Spending behavior may change if economic losses are absorbed directly into the public's portfolios rather than being absorbed by the capital positions of banks and thrift institutions. More important, the securitization process has hastened the effect of interest rate and credit market developments on loan markets. Moreover, in this era of tighter integration of U.S. financial markets with those abroad, international influences on domestic credit markets, including loan markets, are growing. □

Treasury and Federal Reserve Foreign Exchange Operations

This quarterly report, covering the period August through October 1987, provides information on Treasury and System foreign exchange operations. It was prepared by Sam Y. Cross, Manager of Foreign Operations of the System Open Market Account and Executive Vice President in charge of the Foreign Group of the Federal Reserve Bank of New York.[1]

The dollar came under heavy downward pressure in mid-August and again in October to close the three-month period under review down 7 to 8 percent on balance against major foreign currencies. There were three episodes of U.S. intervention in the exchange markets during this period. The U.S. authorities intervened first to restrain the dollar's rise in early August and then to support the dollar in late August–early September and again in late October.

As the period opened, the dollar was extending an advance that had begun in late spring. Market participants had been impressed by official efforts to stabilize dollar rates earlier in the year, both through heavy intervention and through coordination of economic policies among the major nations. The dollar had shown increasing resilience to potentially adverse developments. The U.S. external performance finally appeared to be improving, with U.S. net exports in real terms rising for three consecutive quarters. The U.S. economy was relatively bouyant, with output and employment up significantly, especially in the manufacturing sector. Thus market participants bid for dollar-denominated assets, believing that they offered attractive investment opportunities with limited exchange rate risk.

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

Meanwhile, the dollar benefited from developments abroad. Doubts persisted that the German economy had shaken off the weakness so apparent early in the year. Disappointing figures for German industrial production and employment stood in sharp contrast with indicators from the United States and Japan that pointed to a brighter outlook. Against this background, there were substantial long-term capital outflows from Germany during the summer. Also, increasing hostilities in the Persian Gulf raised the possibility of a disruption of oil shipments, which would have greater adverse effects on Europe where oil inventories stood at relative low levels. When, in addition, reports of a violent riot in Mecca on August 1 revived interest in the dollar as a safe haven, the dollar rose abruptly. As it passed its highs of March against the mark, market participants began to sense that the dollar might advance much further. The demand for dollars became intense, and commercial and other interests began defensively to bid for dollars.

On August 4, with the dollar's rise against the mark accelerating, the Trading Desk at the Federal Reserve Bank of New York intervened on behalf of the U.S. authorities to resist the upward pressure. In keeping with the Louvre accord, the U.S. authorities continued to intervene to foster greater exchange rate stability on subsequent days, selling a total of $631 million against marks by August 10. The intervention by the U.S. authorities was undertaken in cooperation with the authorities in Germany and other countries. On August 11, the dollar touched a seven-month high of DM1.9030 against the mark, up 2¼ percent from the end of July.

On August 14, the report of a U.S. trade deficit of $15.7 billion for June brought into question the view that the U.S. trade performance was on an improving trend. Not only was the deficit larger than in any previous month in 1987, but also deterioration was pervasive, appearing in every regional and commodity group. The exchange market response to this disappointing news was limited initially. Many market participants temporarily postponed selling dollars in the expectation that the resilience the dollar had shown to negative news earlier in the summer would reappear, and that they could avoid taking any significant exchange rate loss. But a few days later, when the dollar failed to show signs of renewed buoyancy, heavy selling emerged as many market participants perceived that further postponement of dollar sales could expose them to substantial exchange rate risk. A decline in dollar rates began. By early September the dollar had declined to lows of ¥140.35 against the yen and DM1.7880 against the mark, levels not seen since late spring.

The dollar's decline was accompanied by a rise in inflation expectations. Although there was little evidence of a generalized increase in inflation, the U.S. economy was operating at relatively high levels of employment and capacity utilization, and there were some signs of upward pressure on materials prices. Against this background, some market participants worried that a further dollar depreciation would quickly be reflected in price increases for a wide range of imports and import-competing products. In these circumstances, U.S. market interest rates, particularly at the long end of the market, moved sharply upward. Some also argued that U.S. interest rates would have to be higher to compensate investors for the risk that the dollar might decline further.

In late August and early September, when dollar rates moved toward levels that had not been tested since the period of dollar weakness of the late spring, the U.S. authorities intervened on several occasions. The Desk purchased a total of $389.5 million against Japanese yen on five occasions between August 24 and September 2. After the dollar moved through DM1.80 against the mark on September 2, trading conditions deteriorated briefly not only in the foreign exchange market but also in the domestic securities markets, and the Desk purchased $50 million against marks along with its continuing operations in yen. The Desk's operations in late August and early September were undertaken in coordination with the Bank of Japan, the German Bundesbank, and several other central banks.

The announcement of an increase of ½ percentage point in the Federal Reserve's discount rate to 6 percent on September 4 helped to interrupt the dollar's decline. This action, which was undertaken to signal the intent of the Federal Reserve "to deal effectively and in a timely way with potential inflationary pressures," helped reassure market participants. As the month progressed, the dollar benefited in addition from further increases in U.S. market interest rates. The dollar also firmed in anticipation of, and then following, meetings in Washington late in September at which the Finance Ministers and Central Bank Governors of the Group of Seven (G-7) reaffirmed their commitment to cooperate closely to foster the stability of exchange rates around current levels. News that President Reagan would sign legislation mandating further reductions in the U.S. fiscal deficit also encouraged the market's sense of progress in the G-7's efforts to coordinate economic policies to promote the adjustment of external imbalances.

Against this background, demand for dollars increased, particularly on the part of some foreign investors who reportedly bought dollars to remove hedges on their U.S. investments, given the renewed expectation that the dollar would remain reasonably stable. Even the report on September 11 of a U.S. trade deficit for July of $16.5 billion had only a limited effect on exchange rates. By the beginning of October, the dollar recovered to DM1.8500 against the mark and ¥147.60 against the yen.

At the same time, however, market participants began to feel that, in view of the diminished pressures on exchange rates, foreign monetary authorities would place more emphasis on other policy objectives. Officials of both the German and Japanese central banks had for some time been publicly emphasizing the importance of responding promptly to a possible renewal of inflationary pressures. In both countries, money supply growth was well above official targets or projections. In Japan, price rises in equity and real estate markets were interpreted as indicating excess liquidity and potential inflationary pressures. Moreover, in both countries the beneficial effects of declining oil prices and currency appreciation on domestic prices were wearing off, so that price indexes were beginning to tilt upward. Notwithstanding the continued disappointment about economic growth in Germany, market participants expected the monetary authorities of both countries to take advantage of any opportunity to absorb liquidity. As operators moved to secure their funding needs, long-term interest rates remained under upward pressure and short-term interest rates started to rise as well. Then, Japanese officials announced new curbs on commercial bank lending for the October–December quarter; rumors began to circulate that the Bank of Japan would soon raise its discount rate; and Japan's long-term credit banks raised their prime lending rate by more than had been expected. In Germany, the key interest rate on the Bundesbank's repurchase agreements moved progressively to moderately higher levels, from 3.60 percent in mid-September to 3.85 percent by mid-October, following sharp increases in short-term money market rates.

As interest rates moved higher abroad, market participants took the view that, given the commitment to exchange rate stability, interest rates in the United States must move up at least as much to maintain sufficient interest rate differentials. In this context, the announcement on October 14 of another large U.S. trade deficit for August at first had a much more pronounced impact on securities and equities markets than on the exchange markets.

But over the following days, the exchange markets grew more concerned about the lack of adjustment in the U.S. trade performance and perceived greater scope for a further downward movement of the dollar. Then, comments by Secretary of the Treasury Baker—to the effect that surplus countries should not raise interest rates in the expectation that U.S. interest rates would surely follow, and that the Louvre framework could accomodate further currency adjustments—imparted new uncertainties to the markets. A press article asserting that Secretary Baker wanted to see the dollar decline was widely assumed to be true, despite his express denial of its accuracy. In these circumstances, some market participants questioned the depth of international cooperation, and others speculated that, in the context of the Louvre accord, the authorities had decided to let the dollar depreciate to a lower level. Consequently, the dollar, which had moved down to around the DM1.80 level in the days immediately following the release of the trade figures, moved decisively below this level during the weekend of October 17. In the turmoil immediately surrounding the sharp decline in world equity markets on October 19, dollar rates moved without clear direction as market participants positioned themselves defensively. The dollar then gained temporary support from news that Secretary Baker and German officials had met in Frankfurt and had agreed to continue economic cooperation under the Louvre agreement.

1. Federal Reserve reciprocal currency arrangements

Millions of dollars

Institution	Amount of facility, October 31, 1987
Austrian National Bank	250
National Bank of Belgium	1,000
Bank of Canada	2,000
National Bank of Denmark	250
Bank of England	3,000
Bank of France	2,000
German Federal Bank	6,000
Bank of Italy	3,000
Bank of Japan	5,000
Bank of Mexico	700
Netherlands Bank	500
Bank of Norway	250
Bank of Sweden	300
Swiss National Bank	4,000
Bank for International Settlements	
Dollars against Swiss francs	600
Dollars against other authorized European currencies	1,250
Total	**30,100**

But soon strong downward pressure on the dollar resumed. Press commentary about the U.S.–German discussions in Frankfurt suggested that an agreement had been reached on a lower range for the dollar. In addition, all interest rates in the United States fell sharply after the stock market decline, as investors shifted back into securities with fixed interest rates, particularly Treasury bills and bonds. While interest rates abroad also declined, they declined less than U.S. interest rates so that interest rate differentials favoring the dollar contracted sharply. Later on, pessimism about efforts to reduce the U.S. fiscal deficit weighed on the dollar. Also, there was widespread commentary in the press ques-

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

Millions of dollars

Period	Federal Reserve	U.S. Treasury Exchange Stabilization Fund
August 1, 1987– October 31, 1987	92.6	117.2
Valuation profits and losses on outstanding assets and liabilities as of October 31, 1987	2,099.9	1,790.7

1. Data are on a value-date basis.

tioning the priority for the United States of stabilizing exchange rates in view of concerns that the stock market decline might seriously weaken U.S. economic activity.

Selling pressure on the dollar became intense on October 27 when the dollar declined below its lows of last May against the mark. In order to resist a further decline in the dollar–mark rate, the Desk entered the market on behalf of the U.S. authorities. While these operations for a time stabilized the rate, the dollar again moved sharply lower following commentary that the U.S. authorities were prepared to allow the dollar to decline considerably further. Although the U.S. Treasury denied that the remarks reflected U.S. government policies, strong selling pressure persisted, and the Desk continued to intervene, operating in yen as well as in marks. Over the three days, the U.S. authorities bought a total of $395 million against marks and $65 million against yen. These operations were conducted in cooperation with the Bank of Japan, the German Bundesbank, and other central banks. On October 29, the dollar traded as low as DM1.7220 against the mark, close to its previous all-time low of eight years earlier, and ¥137.15 against the yen, its lowest level in 40 years. The dollar closed the period only slightly higher at DM1.7275 and ¥138.30, down 7 percent and 7¾ percent respectively, from levels at the end of July.

In summary, over the three months U.S. monetary authorities intervened both to sell and to buy foreign currencies. They sold a total of $899.5 million equivalent of German marks and Japanese yen. The Treasury and Federal Reserve intervened in equal amounts. The Treasury sold $284.75 million equivalent of yen and $165.0 million equivalent of marks. The Federal Reserve sold $169.75 million equivalent of yen and $280.0 million equivalent of German marks. In the intervention activity early in the period, the Federal Reserve and Treasury each bought $315.5 million equivalent of German marks. The Federal Reserve also bought from customers $85.3 million equivalent of Japanese yen during the period.

From August 1 through October 31, the Federal Reserve and the Treasury's Exchange Stabilization Fund (ESF) realized profits of $92.6 million and $117.2 million respectively. Valued at exchange rates at the end of October, the valuation gains on outstanding foreign currency balances were $2,099.9 million for the Federal Reserve and $1,790.7 million for the Treasury's ESF. These valuation gains represent the increase in the dollar value of outstanding currency assets valued at end-of-period exchange rates compared with the rates prevailing at the time the foreign currencies were acquired.

The Federal Reserve and the ESF invest foreign currencies acquired in the market as a result of their foreign operations in a variety of instruments that yield market-related rates of return and that have a high degree of quality and liquidity. Under the Monetary Control Act of 1980, the Federal Reserve is authorized to invest in securities issued by foreign governments, and as of October 31, 1987, $980.1 million equivalent of its foreign currency holdings were invested in such securities. In addition, the Treasury held the equivalent of $2,473.5 million of its foreign currency holdings in such securities as of the end of October.

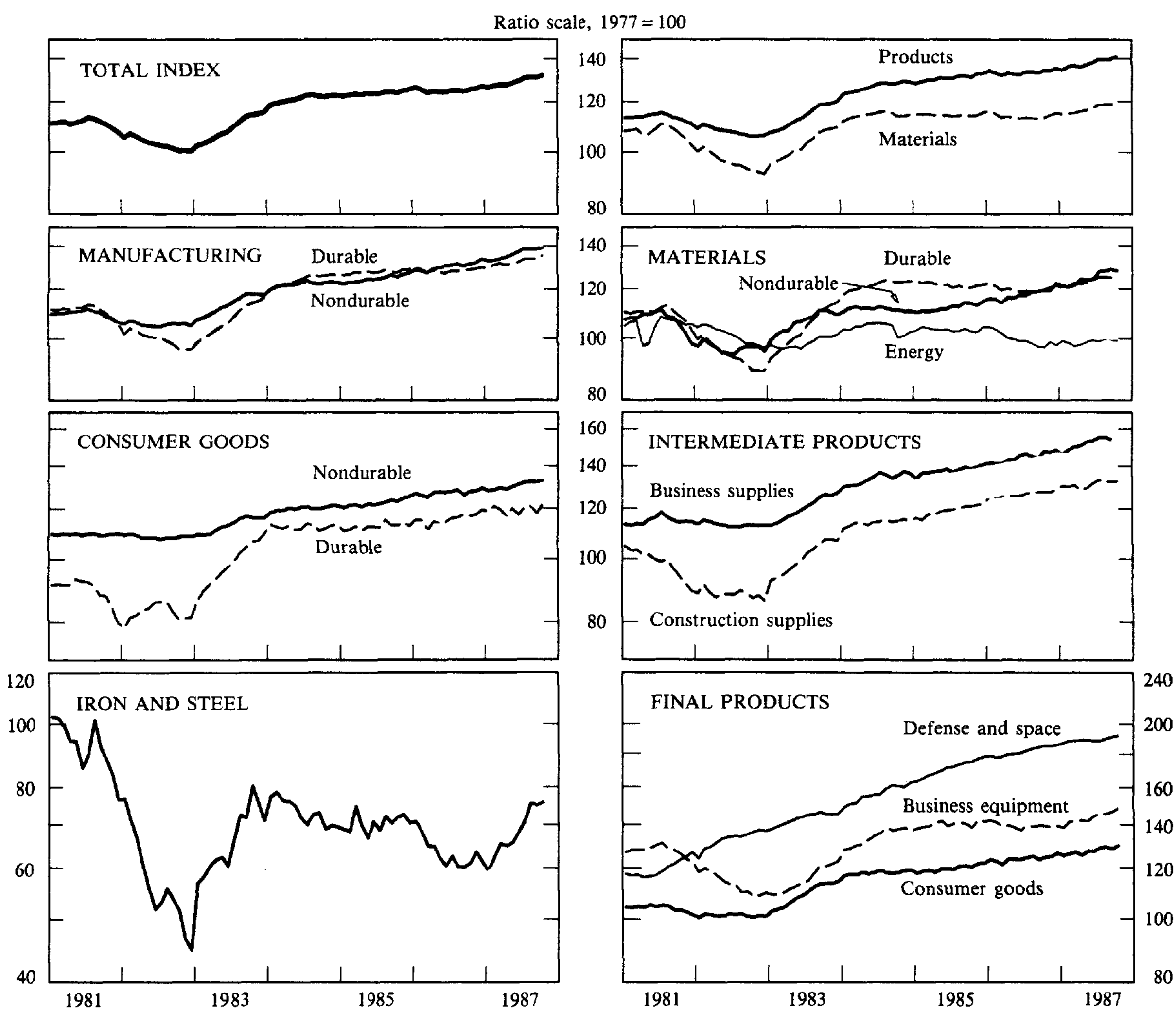
On October 30, the Treasury Department through the ESF joined with several central banks to provide a multilateral near-term credit facility totaling $500 million for the Central Bank of the Argentine Republic. The ESF's portion of the facility was $200 million. No drawing was made during the period under review.

Industrial Production

Released for publication November 16

Industrial production increased 0.6 percent in October, with more than half of the gain related to an increase in production of motor vehicles. Revised data now indicate that industrial production was unchanged in September; the total index for August and July was not revised. At 131.7 percent of the 1977 average, total industrial production in October was about 5 percent higher than it was a year earlier.

In market groups, output of consumer goods picked up again in October after little change in September. Auto assemblies, which had been noticeably depressed in August and September to annual rates of about 6.0 million units, rose to a rate of 7.3 million units in October. In additon, assemblies of both light and heavyweight trucks



All series are seasonally adjusted. Latest figures: October.

Group	1977 = 100		Percentage change from preceding month					Percentage change, Oct. 1986 to Oct. 1987
	1987		1987					
	Sept.	Oct.	June	July	Aug.	Sept.	Oct.	
	Major market groups							
Total industrial production	**130.9**	**131.7**	**.7**	**1.2**	**.3**	**.0**	**.6**	**5.1**
Products, total	139.7	141.0	.7	1.2	.2	.0	.9	5.1
Final products	138.4	139.9	.5	1.2	.3	.1	1.1	5.3
Consumer goods	128.4	129.9	−.1	1.3	.2	−.6	1.2	4.1
Durable	118.1	122.1	−2.3	2.5	.5	−2.3	3.3	4.5
Nondurable	132.3	132.8	.7	.9	.2	.0	.4	4.0
Business equipment	146.6	148.4	1.8	1.0	−.1	.7	1.3	6.5
Defense and space	191.3	192.1	−.3	.0	.7	.7	.4	3.5
Intermediate products	144.2	144.6	1.1	1.2	−.2	−.4	.3	4.6
Construction supplies	132.4	132.4	1.8	1.2	−.7	.2	.0	4.0
Materials	118.8	119.0	.8	1.1	.4	−.1	.1	5.1
	Major industry groups							
Manufacturing	135.7	136.8	.6	1.2	.1	.0	.9	5.5
Durable	133.6	135.3	.4	1.2	.1	.0	1.3	5.2
Nondurable	138.6	139.0	.9	1.1	.1	.0	.3	5.9
Mining	101.0	101.5	.0	.0	1.1	.7	.5	5.5
Utilities	111.0	110.8	−.2	1.6	1.2	−1.4	−.1	2.0

NOTE. Indexes are seasonally adjusted.

increased sharply in October. However, production of home goods—especially furniture and appliances—fell slightly after having dropped sharply in the preceding month. The index for home goods, which had risen rapidly in the last part of 1986, has declined at an annual rate of about 1½ percent during the first 10 months of the year. Outside the consumer goods sector, production of business equipment increased 1.3 percent further in October; so far this year, production of business equipment has been rising about 7¾ percent at an annual rate. In October, gains were widespread, with an especially large increase in transit equipment, which includes autos and trucks for business use. Among intermediate products, construction supplies were unchanged during the month, but output of supplies for business rose 0.6 percent. Materials output was little changed in October as a gain in durables—mainly metals and parts for consumer durable goods and equipment—was about offset by declines in nondurable and energy materials.

In industry groups, manufacturing output rose 0.9 percent in October with a gain of 1.3 percent in durables and a rise of 0.3 percent in nondurables. Mining output increased 0.5 percent, but production by utilities edged down.

Total industrial production—Revisions

Estimates as shown last month and current estimates

Month	Index (1977=100)		Percentage change from previous months	
	Previous	Current	Previous	Current
July	130.6	130.6	1.1	1.2
August	131.0	131.0	.3	.3
September	131.2	130.9	.2	.0
October	...	131.7	...	.6

Statements to Congress

Statement by Alan Greenspan, Chairman, Board of Governors of the Federal Reserve System, before the Subcommittee on Financial Institutions Supervision, Regulation and Insurance of the Committee on Banking, Finance and Urban Affairs, U.S. House of Representatives, November 18, 1987.

It is my pleasure today to present the Federal Reserve Board's views on modernizing our financial system to adapt it to the important changes in technology and competition that have already transformed financial markets here and abroad. You have set an agenda for a searching inquiry into the proper organization and functions of depository institutions, and it is important that this work be completed promptly so that the process of evolutionary development of our financial system may go forward in an orderly way. The foundation now being laid in this committee and in the Senate Banking Committee provides an historic opportunity to take a crucial first step that can set our course for the future.

The Board has for some years taken the position that our laws regarding financial structure need substantial revision. Developments have significantly eroded the ability of the present structure to sustain competition and safe and sound financial institutions in a fair and equitable way. It is essential that the Congress put in place a new, more flexible framework.

Recently a great deal of attention has been focused, properly we think, on revising the laws that govern our financial structure. The aim of these proposals is to permit the affiliation of a broader variety of financial and commercial organizations with banks, while attempting to assure that affiliated banks are not adversely affected by this relationship. Much of this thinking has now centered on a specific proposal by Senate Banking Committee Chairman Proxmire to permit the affiliation of banking organizations with securities firms that is now prohibited by the Glass–Steagall Act.

Our own analysis of the broader proposals leads us to the conclusion that they have many positive elements that deserve continuing attention, but that it would be appropriate at this time to concentrate attention on the specific suggestion to repeal the Glass–Steagall Act. It is our view that this action would respond effectively to the marked changes that have taken place in the financial marketplace here and abroad, and would permit banks to operate in areas in which they already have considerable experience and expertise. Moreover, repeal of Glass–Steagall would provide significant public benefits consistent with a manageable increase in risk. Accordingly, we would suggest that the attention of the committee should focus on the Glass–Steagall Act, and we recommend that this law should be repealed insofar as it prevents bank holding companies from being affiliated with firms engaged in securities underwriting and dealing activities. We prefer this comprehensive approach to the piecemeal removal of restrictions on underwriting and dealing in specific types of securities such as revenue bonds or commercial paper. This limited approach would artificially distort capital markets and prevent financial institutions from assuring benefits to customers by maximizing their competitive advantage in particular markets.

A very persuasive case has been made for adoption of the repeal proposal. It would allow lower costs and expanded services for consumers of financial services through enhanced competition in an area in which additional competition would be highly desirable. It would strengthen banking institutions, permitting them to compete more effectively at home and abroad in their natural markets for credit that have been transformed by revolutionary developments in computer and communications technology. It could be expected to result in attracting more equity capital to the banking industry when more capital is needed. In sum, the securities activities of banking organizations can provide important public benefits without impairing the safety and soundness of banks if they are conducted by experienced managers, in adequately capitalized companies, and in a framework that insulates the bank from its securities affiliates.

In reaching these conclusions, we are guided by the principles set down in the Bank Holding Company Act of 1970, which requires the Board to consider, in determining the appropriateness of new activities for bank holding companies, whether they will produce benefits to the public such as greater convenience, increased competition, or gains in efficiency. It also asks us to evaluate whether these gains may be outweighed by possible adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interest, or unsound banking practices.

These are the principles that the Congress has set down to guide the evolution of the banking system. They made good sense then and they make good sense today. Over the years we have interpreted these principles to be consistent with our efforts to promote competitive and efficient capital markets and to protect impartiality in the granting of credit, to avoid the risk of systemic failure of the insured depository system, and to prevent the extension of the federal safety net to nonbanking activities. In our view, achieving these goals is fully consistent with permitting bank holding companies to engage in securities activities. In short, in my testimony today I will explain why we believe that changes in the Glass–Steagall Act will have major public benefits. I will also explain why we believe that with the right structure and careful implementation, the changes in the law that we support can be accomplished without adverse effects.

The major public benefit of Glass–Steagall modification would be lower customer costs and increased availability of investment banking services, both resulting from increased competition and the realization of possible economies of scale and scope from coordinated provision of commercial and investment banking services. We believe that the entry of bank holding companies into securities underwriting would, in fact, reduce underwriting spreads and, in the process, lower financing costs to businesses large and small, as well as to state and local governments. In addition, participation by bank holding company subsidiaries in dealing in currently ineligible securities is likely to enhance secondary market liquidity to the benefit of both issuers and investors. These, we believe, are important public benefits that will assist in making our economy more efficient and competitive.

Studies of the market structure of investment banking suggest that at least portions of this industry are concentrated. The most recent evidence in this regard is provided in the September report of the House Committee on Government Operations, which presented data supporting its conclusion that corporate securities underwriting is highly concentrated. The five largest underwriters of commercial paper account for more than 90 percent of the market; the five largest underwriters of all domestic corporate debt account for almost 70 percent of the market; and the five largest underwriters of public stock issues account for almost half of the market.

I would emphasize that concentration per se need not lead to higher consumer costs because the possibility that new firms will enter a market may be sufficient to achieve competitive prices. However, it is just in this regard that the Glass–Steagall Act is particularly constraining because bank holding companies with their existing expertise in many securities activities and their broad financial skills and industry network more generally would be the most likely potential competitors of investment banks if not constrained by law.

It is also important to emphasize that the changes in the Glass–Steagall Act that we support would be likely to yield cost savings in local and regional corporate underwriting and dealing markets. At a minimum, local and regional firms would acquire access to capital markets that is similar not only to the access now available to large corporations, but also to that currently available to municipalities whose general obligation bonds are underwritten by local banks.

Another area of substantial expected public benefit is the encouragement of the free flow of investment capital. Both we at the Board and the Congress have stressed the importance of improving the capital ratios of banking organizations, and it can reasonably be assumed that expansion of banking organizations into securities markets would make them more attractive investments. Equally important, banks and securities firms would be free to deploy their capital over a wider range of activities designed to serve the public better.

There is another important reason why the Glass–Steagall Act should be changed. Developments in computer and communications technology have reduced the economic role of commercial banks and enhanced the function of investment banking. These permanent and fundamental changes in the environment for conducting financial business cannot be halted by statutory prohibitions, and the longer the law refuses to recognize that fundamental and permanent changes have occurred the less relevant it will be as a force for stability and competitive fairness in our financial markets. Attempts to hold the present structure in place will be defeated through the inevitable loopholes that innovation forced by competitive necessity will develop, although there will be heavy costs in terms of competitive fairness and respect for law that are so critical to a safe and sound financial system.

The significance of the technological developments to which I have referred is that the key role of banks as financial intermediaries has been undermined. The heart of financial intermediation is the ability to obtain and use information. The high cost of gathering and using facts in the past meant that banks and other intermediaries could profit from their cumulative store of knowledge about borrowers by making significantly more informed credit decisions than most other market participants. These other market participants were thus obliged to permit depository intermediaries to make credit decisions in financial markets and therefore allow bank credit to substitute for what would otherwise be their own direct acquisition of credit market instruments.

Computer and telecommunications technology have altered this process dramatically. The real cost of recording, transmitting, and processing information has fallen sharply in recent years, lowering the cost of information processing and communication for banks. But it has also made it possible for borrowers and lenders to deal with each other more directly in an informed way. On-line data bases, coupled with powerful computers and wide-ranging telecommunication facilities, can now provide potential investors with virtually the same timely credit and market information that was once available only to the intermediaries.

These developments mean that investors are increasingly able to make their own evaluations of credit risk, to deal directly with borrowers, and, especially with the increasing institutionalization of individuals' savings, creditors are in a position to develop their own portfolios and strategies to balance and hedge risk. Thus, the franchise of bank intermediation, the core element of a bank's comparative advantage, and its main contribution to the economic process—credit evaluation and the diversification of risk—have been made less valuable by this information revolution. Examples of new financial products that have resulted from this technological innovation and that challenge traditional bank loans abound—the explosion in the use of commercial paper, the rapid growth of mortgage-backed securities, and the recent development of consumer-loan-backed securities or consumer-receivable-related (CRR) securities. There are many others. Our concern is that these real changes in the way that providers of credit utilize financial intermediaries have reduced the basic competitiveness of banks and that the trend toward direct investor–borrower linkages will continue.

Banks, of course, have not stood still while these vast changes were taking place around them. Indeed, they have responded to the technological revolution by participating in it. Loan guarantees and other off-balance-sheet arrangements, private placement of corporate debt, commercial paper placement, loan participations and sales, and interest rate and currency swaps are examples. Similarly, the foreign offices of U.S. banks and their foreign subsidiaries and affiliates have been actively engaging abroad in a wide variety of securities activities. These activities include securities that are ineligible in the United States for banks to underwrite and deal, such as corporate debt and equity. In the corporate debt market, for example, U.S. banks' foreign subsidiaries served lead roles in underwritings approaching $17 billion in 1986, or about 10 percent of the volume of such debt managed by the 50 firms most active in the Eurosecurities market last year. These and other essentially investment banking activities have permitted banks to continue to service those customers seeking to rely increasingly on securities markets. Nevertheless, in their home market, banks are sharply limited by the Glass–Steagall Act in competing for the business of acting as intermediaries in the process of providing credit, in the new financial environment a process that has been transformed by technological change and one that is a natural extension of the banking business.

In short, the Congress should modify the financial structure to conform to these changes. If the Congress does not act, but rather maintains the existing barriers of the Glass–Steagall Act, banking organizations will continue to seek ways to service customers who have increasingly direct access to capital markets. But banking organizations are nearing the limits of their ability to act within existing law; and spending real resources to interpret outmoded law creatively is hardly wise. Without the repeal of Glass–Steagall, banks' share of credit markets is likely to decline—as it already has in our measures of short- and intermediate-term business credit. A soundly structured change in the law will allow financial markets to serve us better by lowering costs to users while strengthening financial institutions within a framework that will protect the financial integrity of banks.

The basic principles that I outlined at the outset require us to take into account not only public benefits but also possible adverse effects, including unsound banking practices, which clearly include the concept of excessive risk, conflicts of interest, impairment of competition, and undue concentration of resources. These concerns have been heightened by the unprecedented stock market decline that occurred on October 19, 1987, and the subsequent market volatility.

We had reached our decision to endorse repeal of the Glass–Steagall Act before these events occurred. When we made our decision, we had very much in mind that there are risks involved in underwriting and dealing in securities and we decided that we would recommend the necessary changes only because we believe that a framework can be put in place that can assure that the potential risks from securities activities can be effectively managed. The events since October 19 have not altered our view that it is both necessary to proceed to modernize our financial system and that it is possible to do so in a way that will maintain the safety and soundness of depository institutions.

The Congress adopted the Glass–Steagall Act more than 50 years earlier because it believed that banks had suffered serious losses as a result of their participation in investment banking. The Congress also thought that bank involvement in the promotional aspects of the investment banking business would produce a variety of "subtle hazards" to the banking system, such as conflicts of interest and loss of public confidence. In answer to these concerns we believe that experience has shown that the risks of investment banking to depository institutions are containable, that the regulatory framework established in the securities laws minimizes the impact of conflicts of interest, that the federal safety net implemented through deposit insurance and access to Federal Reserve credit will avoid the potential for panic withdrawals from banks if affiliated securities firms experience losses, and that banks can be effectively insulated from their securities affiliates through an appropriate structural framework.

Bank holding company examinations indicate that U.S. banking organizations have generally shown an ability to manage the inherent risks of both their domestic and foreign securities activities in a prudent and responsible manner. Of all the domestic bank failures in the 1980s, to our knowledge none has been attributed to underwriting losses. Indeed, we are unaware of any significant losses in recent years owing to underwriting of domestically eligible securities. For that matter, research over the past 50 years concludes, contrary to the Congress' view at the time, that the securities activities of banks were not a cause of the Great Depression and that banks with securities affiliates did not fail in proportionately greater numbers than banks more generally.

The investment banking experience of U.S.

banking organizations in foreign markets has been favorable, and their operations have been generally profitable in the last decade or so. This is not to say that there have been no problems. In the mid-1970s some large U.S. banks encountered problems with their London merchant bank subsidiaries in connection with venture capital investments and the development of the Eurobond market. More recently, in the post-Big Bang era, U.S. banks' securities affiliates and subsidiaries have shared in the transitional difficulties that arose in the London securities market. All of these problems appear to have been in the nature of "start-up" difficulties rather than long-term safety and soundness concerns. In these situations, and even in the perspective of the unprecedented stock market decline, risks have been contained and losses have been small relative to the capital of the bank or the holding company parent.

Finally, I would note that empirical studies invariably find that underwriting and dealing are riskier than the total portfolio of other banking functions in the sense that the variability of returns to securities activities exceeds that of the returns to the combination of other banking functions. It is also important to note, however, that the average return to securities activities is also usually found to exceed the average return to the combination of other banking functions. In addition, there is evidence of some potential for limited diversification gains, or overall bank risk reduction, for banks being allowed increased securities powers.

The preliminary evidence on the limited effects of recent stock market events on securities firms reinforces several conclusions drawn previously. First, while securities activities are clearly risky, the risks can be managed prudently. Second, securities activities of bank holding companies should be monitored and supervised in such a way as to control the risk to an affiliated bank. Third, the events of recent weeks highlight the need to have capital adequate to absorb unexpected shocks and to maintain an institutional and legal structure that minimizes the degree to which securities underwriting and dealing risk could be passed to affiliated banks. As I have stressed, such a system can be established. I would now like to turn to what we see as the major elements of such a system.

Fundamental to our recommendation on Glass–Steagall is the view that the safe and sound operation of banks requires that securities activities involving significant risk be conducted behind walls designed to separate, insofar as possible, the bank from the risks associated with the securities activities. Let me note at this point, that some have argued that insulating walls cannot completely protect a bank from the risks of its affiliates. Management has a natural incentive in periods of stress to assist endangered components of what it sees as one entity, and depositors are free to withdraw their funds from the bank if they perceive—correctly or incorrectly—a threat to the bank's safety from losses at affiliates. The task before you is to reduce the risk, taking into account public benefits relative to the risk, to acceptable levels. This effort will require clear rules and a firm expression of public policy that corporate conduct that passes on the risks of securities activities to insured depository institutions is unacceptable.

We see two major elements to an approach to developing a practical insulating structure:

1. The holding company structure should be used to institutionalize separation between a bank and a securities affiliate.

2. The resulting institutional fire walls should be strengthened by limiting transactions, particularly credit transactions, between the bank and a securities affiliate.

First, we would take maximum advantage of the legal doctrine of corporate separateness. Under this rule, a separately incorporated company normally is not held liable for the actions of other companies even if they are commonly owned or there is a parent–subsidiary relationship. If effective separation can be achieved, a bank would not be liable for the actions of its securities affiliate and the benefits of the federal safety net would not be conferred on the securities affiliate.

We believe that this goal is most effectively achieved if securities activities take place in a direct subsidiary of a holding company rather than in a bank or a subsidiary of a bank. The Board has long supported the holding company framework as the most effective method of accomplishing separation, and it was with these goals in mind that, in 1984, the Board joined the

Department of the Treasury in supporting legislation to use the holding company framework to broaden the securities and other powers of affiliates of banks. The Board believes that the holding company approach, reinforced by the measures I will outline below, has several important advantages over other methods of expanding the powers of banking organizations. First, any losses that may be incurred by the securities affiliate would not be reflected in the balance sheets or income statements of the bank, as they would under normal accounting rules if the bank conducted the securities activities directly or through a subsidiary of the bank. A bank affiliated with a securities firm through a holding company structure thereby obtains the advantages of the holding company's diversification into securities activities without the disadvantages that necessarily flow from the bank conducting the securities activities directly or through a subsidiary of the bank.

Second, it is difficult, if not impossible from a practical standpoint, for a bank to avoid assuming responsibility and liability for the obligations of its direct subsidiaries. Experience has shown that the direct ownership link between a bank and its subsidiaries creates a powerful public perception that the condition of the bank is tied to the condition and financial success of its subsidiaries.

Third, because of the direct ownership link between the bank and its subsidiary, any breach of insulating walls that may be constructed between the bank and its subsidiary would be more likely to result in the loss of protection from the legal doctrine of corporate separateness than would the same breach in the wall between a bank holding company and a securities affiliate. This is simply a function of the fact that there is no direct ownership link between the bank and the securities affiliate.

Fourth, separation of a bank and an affiliated securities firm through a holding company helps promote competitive equity. Securities activities that are conducted directly within a depository institution or in a subsidiary of a depository institution are much more likely to benefit from association with the federal safety net through increased public confidence in securities offerings made by the insured banks and their subsidiaries than would be the case if these activities were conducted in a holding company affiliate.

Similarly, the holding company technique would be more effective in minimizing any competitive advantage banks would have in raising funds because of their association with the federal safety net and their ability to collect deposits.

The second major element of the separateness structure is to assure that corporate separateness fire walls are not impaired and that the risks of securities activities are not passed on to an affiliated bank. We suggest several measures to accomplish this goal:

- Bank lending to, and purchase of assets from, a securities affiliate should be prohibited.
- Banks should not be able to enhance the creditworthiness of securities underwritten by a securities affiliate through guarantees or other techniques.
- Banks should not lend to issuers of securities underwritten by a securities affiliate for the purpose of paying interest or principal on such securities.
- Banks should not be able to lend to customers for the purpose of purchasing securities underwritten by a securities affiliate.
- Appropriate rules should limit interlocks between the officers and directors of banks and those of affiliated securities firms.
- A securities affiliate should be required to prominently disclose that its obligations or the securities that it underwrites are not the obligations of any bank and are not insured by a federal agency.
- A securities affiliate should be adequately capitalized.

Under this approach, rules should be put in place that will prevent use of the credit facilities of the bank for the benefit of the securities affiliate, and to this end, in constructing these walls, a premium should be placed on arrangements that are simple, clear, and easy to apply, and that will not be subject to erosion by interpretation.

It is with these principles in mind that we approach one of the most important issues in separating banks from their securities affiliates—the question of whether a bank should be able to lend to or purchase assets from its securities affiliates. We considered that lending may be appropriate as a way of taking maximum advantage of the synergies that can be achieved between a bank and securities affiliates to the benefit of customers and that, as we have described here today, securities activities are the natural extension of the credit facilities provided by banks. We also considered that rules now exist limiting the amount of credit that a bank can provide to an affiliate and requiring that this lending be at arms-length and adequately collateralized.

Nevertheless, our experience indicates that these limitations, embodied in sections 23A and 23B of the Federal Reserve Act, do not work as effectively as we would like and, because of their complexity, are subject to avoidance by creative interpretation, particularly in times of stress. On the other hand, a prohibition on an affiliated bank's loans to and purchases of assets from its securities affiliate would sharply limit the transfer of the risk of securities activities to the federal safety net and would eliminate one of the key factors viewed by the courts as justifying "piercing the corporate veil" between the bank and its nonbank affiliates— that operations of the securities affiliate are financed and supported by the resources of the affiliated bank. For these reasons, and because of the desirability of having a clear rule that is not subject to avoidance, we decided to recommend to you that we have a simple rule that banks should not be permitted to lend to, or purchase assets from, their securities affiliates. A securities affiliate would, however, be free under our proposal, to borrow from its holding company parent—an entity that is not protected by the safety net.

A similar limitation was proposed in the recent study by the House Government Operations Committee. We would support only one very limited exception to this rule. We propose allowing fully collateralized intraday borrowing by a securities underwriter and dealer from an affiliated bank to support U.S. government and agency securities clearing operations.

For similar reasons and as I have already outlined, we would recommend that a bank should not be able to guarantee or extend its letter of credit, or otherwise support securities issued by a securities affiliate. Allowing such practices would not only raise the question of competitive fairness, but also would permit a transferring of the risks of securities activities to the federal safety net. For the same reasons, loans to customers for the purpose of buying securities underwritten by a securities affiliate or to a company whose securities have been underwritten by a securities affiliate for the purpose of repaying interest or principal due on such securities should not be permitted. Prohibiting these transactions will establish a sound fire wall.

Another major purpose of fire walls is to prevent conflicts of interest that are competitively unfair and that can impair confidence in banking institutions. As I mentioned, this problem is effectively dealt with by the disclosure requirements and other provisions of the securities laws. The already built-in protection of these laws should be strengthened by other provisions. We would recommend that a securities affiliate must disclose its relationship to an affiliated bank and plainly state that the securities it sells are not deposits and are not insured by a federal agency. In addition, we should reinforce the requirements of existing law by providing that a securities affiliate cannot sell securities to an affiliated bank or its trust accounts during an underwriting period or 30 days thereafter or otherwise sell securities to the bank or its trust accounts unless the sale is at established market prices.

We would also recommend that neither banks nor their securities affiliates be able to share confidential customer information without the customer's consent and that a bank cannot express an opinion on securities being sold by its securities affiliate without disclosing that its affiliate is selling that security. As another step to prevent conflicts of interest, we would suggest that a securities affiliate could not sell securities backed by loans originated by its affiliate bank unless the securities are rated by an independent rating organization.

We believe that the fire walls that are proposed will substantially augment the existing insulation of banks from affiliates that is now provided by the Bank Holding Company Act. Besides these measures, perhaps the best insulator is adequate capital for both banks and securities affiliates. Adequate authority should be provided to assure that holding companies involving banks and securities activities should be adequately capitalized. In particular, investments by bank holding companies in securities firms should not be permitted if the investment would cause the holding company to fall below minimum capital requirements.

With these safeguards in place, we do not believe it is necessary to prevent a bank and a securities affiliate from jointly marketing banking and securities products or from using a similar corporate name. Here we believe that an analysis of the trade-off between corporate separateness on the one hand, and taking advantage of the efficiency and convenience to customers that can be achieved through coordinated marketing on the other, indicates that the gains to separateness would be small and the losses to efficiency would be high. The requirement of separate names would be artificial, particularly because securities law disclosure would, in any event, require an affiliate to inform the users of its services of its association with a banking enterprise. Similarly, as I pointed out at the outset, the market for securities is only an extension of the market for other banking products and to deny a banking organization the ability to sell both products would lose much of the gains for the economy that we seek to achieve through the association between the two. Moreover, there would be no competitive unfairness in this arrangement since the broad relaxation of the Glass–Steagall requirements that we propose would enable securities firms to own banks as well as bank holding companies to own securities affiliates.

The important point is whether these measures would cause the risks of securities activities to be passed on to banking institutions and to the federal safety net. As I indicated, the Board believes that the corporate separateness measures that we recommend should be put in place to effectively deal with these problems.

The guidelines that the Congress has established for expansion of banking activities require a concern for whether expansion of securities powers will lead to a concentration of resources in the securities or banking industries. We believe that repeal of Glass–Steagall should have the opposite effect. As I have stressed today it will increase the number of viable competitors in both the banking and securities industries, enhancing competition in both. As a result, we doubt that the Congress need go beyond the requirements of the antitrust laws to anticipate a problem with concentration of resources in the emerging financial services industry. However, because we see as one of the major advantages to repeal to be an expected increase in competition, and because we could understand anxieties that this goal might be impaired by a combination of the largest banking and securities firms, the Board would not oppose a limited provision aimed at preventing the largest banking and securities organizations from consolidating.

We commend this committee for its active role in considering one of the most important issues that now faces our financial markets. We strongly recommend that you adopt legislation to repeal the Glass–Steagall Act and to put in its place a new framework allowing the affiliation of banking organizations and securities firms. We urge you to allow the moratorium on banking activities contained in Title II of the Competitive Equality Banking Act (CEBA) to expire on March 1, 1988, as the law now provides. We believe that these measures will ensure a more responsive, competitive, and safe financial system. □

Statement by Martha R. Seger, Member, Board of Governors of the Federal Reserve System, before the Subcommittee on Consumer Affairs of the Committee on Banking, Housing, and Urban Affairs, U.S. Senate, November 18, 1987.

I appreciate the opportunity to appear before this subcommittee to discuss home equity lines of credit, a subject that has received increased attention lately. There has been a substantial growth in this type of credit since 1984, with outstanding balances totaling approximately $40 billion at the end of 1986. We believe that the total may now be as high as $70 billion and could reach $80 billion by year-end.

This rapid expansion in home equity lines is probably attributable to several factors. For example, the plans have provided consumers convenient access to credit at interest rates that are relatively low compared with other means of financing consumer spending. Tax laws phasing out the deductibility of interest for nonmortgage consumer debt have made home equity loans more desirable to tax-conscious borrowers. In addition, competition among financial institutions to offer diverse financial services to their customers has resulted in vigorous marketing of home equity lines, often at low introductory interest rates and discounted fees.

Recently, the Board and other bank regulatory agencies changed the reporting requirements for credit secured by real estate to provide more complete and accurate information on household borrowing through home equity lines of credit. This change should provide more accurate information for an important segment of the market, and enable us to better gauge the growth of this type of credit and the effect it is having on other consumer borrowing.

In addition, the Board has conducted consumer surveys this year to gather information that will allow us to better understand consumer usage of home equity lines of credit. These surveys, which were conducted in March and April of this year, included 1,300 families, 930 of whom were homeowners. As of April 1987, 6 percent of the homeowners surveyed had established home equity lines of credit, and an additional 1 percent had applied for these credit lines. The surveys indicated that consumer awareness of home equity lines of credit is high. Eighty percent of all the homeowners surveyed stated that they were aware of the existence of such credit plans, although a majority of the respondents who had not yet opened such credit accounts indicated no interest in establishing a home equity credit line in the future.

The surveys also revealed that those homeowners who had established home equity lines tended to have higher family incomes, more equity in their homes, and were younger and better educated than the average homeowner. Besides these findings, the surveys showed that, relative to other types of credit lines, home equity accounts tended to be for larger amounts, with the median size of an account approximately $25,000. The most common reasons given for using home equity accounts were to pay off other debts and to finance home improvements. Forty-five percent of account holders had no balances outstanding on their home equity lines, while the median amount outstanding for account holders with unpaid balances was $14,800.

During the past year, the Board has received inquiries from financial institutions, trade associations, consumer groups, and the Congress concerning home equity lines of credit. Much of the discussion has focused on the current disclosure requirements for these loans, and whether these requirements are adequate. In response to these inquiries, the Board has been reviewing its current regulatory requirements, with the goal of ensuring that consumers receive sufficient information before contracting for this type of credit.

Possible Regulatory Actions

Since home equity programs are more complex than other types of open-end credit plans and pose a greater risk to consumers if they fail to understand the terms and conditions of the plan, the Board, like the Congress, is concerned about whether the existing disclosure requirements under the Truth in Lending Act and Regulation Z ensure that consumers receive adequate information about these types of loans when they contract for a particular plan.

During the past year, Board staff has been considering the issue of home equity lending within the context of Truth in Lending disclosure requirements. The staff's analysis indicates that the current regulatory requirements for open-end credit may not adequately reflect the complexities that are present in most home equity programs. Specifically, the staff has focused on the content, timing, and format of the disclosures required under Regulation Z as possible candidates for regulatory change. At this time, our staff is preparing a proposal that would amend Regulation Z to address these issues and expects to present their recommendations to the Board within a few weeks. Although the review is still in process, and neither the staff nor the Board has made any firm decisions about what can and should be done, I would like to share with you some of the particular issues we have been considering.

Under current requirements, when a home equity plan is opened, a creditor need only give general disclosures about how the finance charge will be determined, what other charges will be imposed, the security interest being taken, and the consumer's billing rights. Creditors are not required to disclose certain items, such as their right to unilaterally change the terms and conditions of the plan, or the possibility that a balloon payment may be required as part of the plan. It is conceivable that Regulation Z could be amended to require disclosure of these features. There also may be a need to require more disclosures in home equity line advertisements. A question raised in this regard is whether disclosing a payment term in an advertisement should require disclosure of other material terms, such as the annual percentage rate or fees to be charged under the plan. In considering any additional disclosure requirements, however, the Board is guided by the principle that disclosures should provide consumers with essential information, without overloading them with less important information or unnecessarily raising creditors' compliance costs.

Another area that we have identified as one to look into concerns the timing of disclosures. Regulation Z currently permits open-end credit disclosures to be given anytime before the first transaction. In the case of home equity lines of credit, therefore, consumers may not receive disclosures about the terms and conditions of the plan until closing. Since many home equity credit plans involve large application fees and tend to be more complex than other types of open-end credit, an argument can be made for requiring disclosure of the fees, terms, and conditions of such plans at an earlier time in the credit process.

Finally, concern has been expressed that consumers may not fully understand the terms and conditions of the programs. This concern may be due, in part, to the complexity of these plans and the fact that the underlying contracts could run several pages in length. Currently, Regulation Z does not require any special format for open-end disclosures. As a result, in most cases, the disclosures given for these plans are not segregated from the contractual provisions or highlighted in any standard manner. We believe that consumers should be alerted to the most important terms and conditions of the plans for which they contract. To the extent that the current regulatory requirements fail to meet this goal, it might be necessary to require that disclosures about these plans be segregated from other information.

At this point, I would like to mention that at its meeting in October 1987 the Board's Consumer Advisory Council generally endorsed the idea of requiring additional disclosures for home equity lines in advertisements and in initial account disclosure statements. The Council also supported the idea of requiring creditors to provide disclosures for these loans at an earlier stage of the credit-granting process than is currently required. In addition, Council members saw the need to have these disclosures highlighted in a manner that would alert consumers to material information about the terms and conditions of these programs.

Legislative Proposals

The subcommittee has asked that we comment on legislation concerning home equity lines that was introduced in the House. H.R. 3011, which was introduced by Congressman Price, would amend the Truth in Lending Act to establish additional disclosure and advertising requirements for open-end credit plans secured by the consumer's dwelling. The bill would change the requirements concerning the content, timing, and format of the Truth in Lending disclosures that are now required for home equity lines of credit. Currently, the Truth in Lending Act and Regulation Z treat home equity lines of credit like other types of open-end credit plans. As a result, creditors only are required to give the disclosures that I previously outlined. H.R. 3011 would require creditors to give more extensive detailed disclosures about home equity loans. For example, it would require more disclosures concerning the annual percentage rate, including disclosure of the maximum amount that the rate could change in a one-year period, and if no limit exists on annual rate increases, a statement to that effect. The bill would also add an example, based on an amount outstanding of $10,000 showing the payment terms under the plan and would require creditors to disclose their ability to unilaterally change the terms and conditions of the plan. These disclosures, among others, would generally have to be given at the time of application, which is earlier than current requirements, and would have to be segregated from other disclosures, which is also a departure from current requirements. H.R. 3011 would also add a new advertising section to the Truth in Lending Act for home equity lines.

The Board generally supports the approach taken in H.R. 3011 to require additional disclosures for home equity plans at an earlier stage of the credit-granting process. The Board also believes that material information about these plans should be presented in a manner that will alert consumers to the most important information about the cost of their credit transaction. To the extent that H.R. 3011 addresses these concerns about the content, timing, and format of disclosures given to consumers, the Board generally favors the bill's intent.

H.R. 3468, which was introduced by Congressman Schumer, would also amend the Truth in Lending Act to require additional disclosure and advertising requirements for home equity loans. The bill would require certain disclosures to be given with each home equity application. For example, creditors would have to disclose more information about the annual percentage rate and fees charged under a particular plan, as well as provide more information about a plan's payment terms. Creditors would also have to give an example of the periodic payments that would have been required under the plan over a 15-year period. The bill would also impose additional disclosure requirements for advertisements of home equity loans. Perhaps the most significant feature of H.R. 3468, however, is the fact that it would impose additional substantive requirements on home equity loans, such as prohibiting the establishment of rate floors and payment schedules that would permit interest-only payments, and prohibiting credit extensions in excess of 75 percent of a dwelling's fair market value.

As I indicated in my comments on H.R. 3011, the Board generally supports the idea of increased disclosures for home equity loans. To the extent that H.R. 3468 would require creditors to provide consumers with more information about the cost of a credit transaction, the Board would generally support this goal. The Board, however, generally opposes the imposition of substantive restrictions on a particular loan product absent sufficient evidence that such restrictions are necessary to prevent misleading or abusive practices. At this time, we are unaware of any evidence that such practices exist. Moreover, to the extent that imposing substantive restrictions could affect a creditor's ability to offer this type of loan product, consumers who might otherwise enjoy the advantages that such a product offers could be adversely affected. For example, H.R. 3468 would prohibit plans that allow interest-only payments, a feature that might be attractive to consumers who prefer the lower monthly payments offered by these plans and who fully understand that a balloon payment may result. In addition, the bill would prohibit rate floors for home equity loans with a variable rate feature. Such a restriction could adversely affect a creditor's ability to offer a home equity product, since creditors have fixed operating costs that may necessitate their placing limits on the minimum rate that can be offered to consumers. Moreover, prohibiting creditors from setting rate floors may be ineffective since creditors may be obliged to seek alternative sources of revenue through increased fees and transaction charges, or through the imposition of higher maximum interest rates or greater interest rate margins. The Board, therefore, urges the Congress not to adopt legislation that might unnecessarily restrict the offering of products that, in many cases, benefit consumers, particularly absent sufficient evidence that such restrictions are necessary to prevent misleading or abusive practices.

CONCLUSION

I can assure you that the Federal Reserve Board shares the goal that consumers receive adequate information at a relevant stage of the credit-granting process when they contract for home equity loans. We believe that it is particularly important that consumers understand these programs since they may pose a greater risk because of their complexity, the large credit lines generally involved, and the possibility of losing one's home. On the other hand, I want to urge the Congress not to restrict the terms and conditions of home equity programs without sufficient evidence of a clear and unequivocal need for such action.

We look forward to working with you on this important subject. □

Statement by H. Robert Heller, Member, Board of Governors of the Federal Reserve System, before the Subcommittee on Commerce, Consumer, and Monetary Affairs of the Committee on Government Operations, U.S. House of Representatives, November 19, 1987.

I welcome the opportunity to appear before you on behalf of the Federal Reserve System to discuss criminal misconduct and insider abuse in our nation's financial institutions. Let me assure you at the outset that the Federal Reserve shares this committee's continuing interest in seeing that necessary arrangements are in place to facilitate the effective detection, referral, and prosecution of white-collar crime involving financial institutions, arrangements that we hope and expect will also help to prevent such crimes.

In my judgment, many positive steps have already been taken by federal regulatory and law enforcement agencies, in large measure in response to the recommendations of this committee, and I want to begin by reviewing them with you. Thereafter, I intend to discuss what we have learned from the data on criminal referral and enforcement actions that we have been collecting in the past couple of years and then to address other questions that the committee raised in its letter inviting me to appear here today.

Actions Taken to Date

Actions that have been taken to deal with criminal offenses that involve financial institutions in large part have been set in motion through the efforts of the Interagency Bank Fraud Enforcement Working Group, which is comprised of representatives from each of the federal financial institution regulatory agencies, the Department of Justice, the Federal Bureau of Investigation, and the Farm Credit Administration. The principal accomplishments of this Working Group, which, of course, required substantial follow-up efforts by the individual agencies, include the following:

- The Working Group developed, and then each of the banking agencies implemented, a uniform criminal referral form for use by all financial institutions subject to the regulatory jurisdiction of the agencies. Based on our initial experience in using this criminal referral form, the Working Group recently reviewed and modified it to enhance its effectiveness.
- Each agency has developed, or is in the final stages of developing, an automated system to monitor and track criminal referral information submitted to the agency by its examiners and the financial institutions that it regulates. The statistical information that will be detailed later was made possible by the use of the Federal Reserve's new computer system.
- The Department of Justice developed and implemented the "significant" referral tracking system. This system keeps track of all referrals from the regulatory agencies that involve amounts in excess of $200,000 or in which the following occur: (1) a senior officer or director of a financial institution is suspected or (2) there is concern that an activity might undermine the integrity of the supervisory process or have systemic implications.
- Lists of contact persons with responsibilities for criminal referral, investigation, and prosecution at each of the banking and criminal justice agencies have been prepared and disseminated throughout the regulatory agencies' staffs and those of the FBI and the U.S. Attorneys' Offices.
- Examiner training has been greatly enhanced through the expansion of the Examination Council's White Collar Crime course and joint FBI and banking agency training courses that are held throughout the country. I will discuss these initiatives in greater detail later in my testimony.
- The members of the Working Group are now developing a series of uniform instructions for all

agency examiners who are assigned to assist in criminal investigations to better prepare them for their duties.

• Guidelines for the Uniform Bank Bribery Act were developed by the members of the Working Group in compliance with recent legislation.

• With the encouragement of the Working Group, the Department of Justice has made white-collar crime involving financial institutions a top priority for investigation and prosecution by the FBI and the various Offices of the U.S. Attorneys.

I believe this record demonstrates that the Federal Reserve and the other regulatory and law enforcement agencies have worked diligently over the past few years to improve their abilities to address the problems of criminal misconduct and insider abuse. These efforts have led to a dramatic increase in the number of cases—into the thousands—that have been identified and referred to the FBI for investigation, and, when the evidence warrants, to the Offices of U.S. Attorneys for prosecution. One important result of the improvements in this process is that a substantially larger number of criminal cases has been investigated by the FBI. Despite the concerted efforts of the law enforcement agencies, however, the very substantial increase in the numbers of suspected criminal offenses that have been detected and referred has led to the creation of a tremendous backlog of cases to be processed by the FBI and the Department of Justice. Thus, much remains to be done before it can be said that the problem of white-collar crime in our financial institutions has been brought under effective control, and that will no doubt require the allocation of additional resources to the task, particularly at the law enforcement agencies.

Scope and Nature of Problems at State Member Banks and Bank Holding Companies

As I have indicated, the Federal Reserve has put in place an automated system to track referrals from state member banks and bank holding companies. I believe the committee will find of interest a review of this information. While its focus is on information pertaining to state member banks and bank holding companies, it will shed light on the nature of the problems of criminal misconduct or insider abuse that are being encountered by all regulatory and law enforcement agencies.

As is true for other agencies, our data for state member banks and bank holding companies show large increases in the volume of criminal referrals. During the last few months of 1985 (when the new criminal referral form was introduced and in use for the first time), the Federal Reserve received only 111 such referrals. But in 1986 the total number of referrals jumped to 1,154; and in the first half of 1987 alone, the Federal Reserve received 1,044 such referrals. It is also noteworthy that the number of "significant" referrals that were submitted by the Federal Reserve to the Fraud Section of the Criminal Division of the Department of Justice has risen from 18 in the latter part of 1985 to 49 in 1986 and to 74 so far this year. About one-half of the significant referrals involve insiders, such as officers and directors; and the other half, outsiders, such as bank customers.

Cases of insider abuse that do not involve a criminal offense but instead involve violations of banking laws, rules, and regulations or unsafe or unsound practices and are addressed by formal enforcement actions on our part have also gone up over this period. Moreover, in keeping with our objective of focusing a greater part of our efforts on ridding the system of individuals who cause harm, an increasing percentage of our total enforcement actions has been taken against people in their individual capacities rather than against their banks and holding companies. For example, the Federal Reserve staff between 1984 and the present date issued 38 suspension, removal, and prohibition orders, compared with only three such actions in the period from 1980 to 1983.

While the statistics emphasize the growth that has occurred in the number of problems of criminal misconduct and insider abuse, it is important to put them in the proper perspective by providing a breakdown of their nature and the extent to which they have affected banking organizations. Our data show the following:

1. Out of the total of 2,300 referrals, 80 percent related to alleged criminal misconduct involving losses or potential losses of less than $10,000.

The vast majority of these small crime-related referrals involved teller defalcations, credit card fraud, and mysterious disappearances. An additional 16 percent pertained to losses in the $10,000 to $200,000 range. Thus, "significant" referrals, which either involve crimes in excess of $200,000 or involve senior financial institution insiders, accounted for about 5 percent of the total.

2. The 2,300 referrals involving individuals received by the Federal Reserve since the new uniform criminal referral form was put into use in August 1985 were submitted by 255 state member banks and 29 bank holding companies. Or, put differently, approximately 23 percent of all state member banks and about one-half of 1 percent of all bank holding companies filed criminal referrals during this period. I might note that the relatively low incidence of referrals involving bank holding companies reflects the fact that banks, rather than bank holding companies, hold the majority of liquid assets—particularly cash—the object of many smaller criminal offenses.

3. Of the 37 state member banks that have failed since 1984, a review of our records revealed that criminal misconduct was principally responsible in 5 cases.

Assuming our statistics are generally representative of the experience of all agencies, their implications are that the great majority of the cases of criminal misconduct that have been detected and referred to the FBI and Justice Department have involved relatively small sums of money that did not, in any material manner, affect the safety or soundness of financial institutions. In addition, the great majority of state member banks and bank holding companies have not suffered from any instances of criminal misconduct. But, while the cases involving significant offenses constitute a relatively small proportion of all offenses detected, it is important to remember that their absolute number appears to have been growing rapidly and that criminal misconduct and insider abuse have played a significant role in the failure of some state member banks. Thus, there is obvious need to decisively address the problems.

We would emphasize to the committee that such actions will require a heavy commitment of resources. All referrals, large and small, must be processed by the FBI and Offices of U.S. Attorneys, and such processing and the investigative follow-up, we know from our own experience in carrying out enforcement actions, place a large burden on limited staff resources. As just one example, in a very recent removal action undertaken by the Board, several staff lawyers worked for a month preparing a suspension case, litigating the action in federal court (with the assistance of a U.S. Attorney's Office) and finally negotiating a settlement of the matter. While the Board successfully removed the individual from the bank where he had caused great harm, the effort placed a relatively extensive claim on our limited resources. I am certain that the level of resources needed to investigate and then prosecute an individual under the criminal laws in just one case must be at least as large—a matter that I am sure representatives from the Department of Justice can confirm.

Thus, it is clear that the FBI and the Justice Department are facing a very difficult challenge. We in the Federal Reserve are prepared to provide our assistance in helping to meet this challenge, and indeed have been providing such assistance recently. For example, in one case involving two bank holding companies, two insured banks, an insured federal savings bank, and 10 insiders, the legal and examination staffs of the Board and a Reserve Bank uncovered extensive fraudulent schemes being directed by the individuals through the bank holding companies. As a first step, our staff convened a meeting with representatives from the state banking department, the Federal Home Loan Bank Board (FHLBB), the Office of the Comptroller of the Currency (OCC), and the Federal Deposit Insurance Corporation (FDIC) to coordinate civil enforcement actions, and then they worked with the FBI and the U.S. Attorney to explain the complex schemes, which have already lead to the failure of the savings bank and substantial losses to the several financial institutions, including a Federal Land Bank. We expect indictments in this case very shortly.

In another case, one of our most senior Reserve Bank examiners has been assigned, for the past 18 months, to assist federal and state prosecutors in connection with the failures of several state insured thrift associations. To date, the state has won eight convictions of some of the customers and officers and directors of the financial institutions, and extremely long prison sentences have been set as punishments in recognition of the serious nature of the crimes.

Areas of Concern

The committee has asked me to comment on a number of areas of concern. I will address several of these, but time and space limitations prevent me from giving in-depth answers to each of the questions you raised in your letter. We will provide written responses to all questions not fully covered in my formal remarks.

The Right to Financial Privacy Act and Rule 6(e)

The first area involves the Right to Financial Privacy Act and Rule 6(e) of the Federal Rules of Criminal Procedure. As Board staff reported to the committee in response to your October 15 inquiries, we have not found the Right to Financial Privacy Act to be an impediment to the criminal referral process from the point of view of individual banks. Out of the 2,300 referrals received at the Federal Reserve between August 1985 and June 1987, in only one case did a referring bank fail to identify the name of a suspect and in only five others did banks limit the amount of information provided in their forms because of perceived problems with the Right to Financial Privacy Act.

The Right to Financial Privacy Act, however, does place limitations and restrictions on the banking agencies in their ability to transfer certain information to the FBI and the Department of Justice. When Federal Reserve examiners find information in the account records of a bank customer that relate to criminal misconduct, the examiners cannot freely provide the information to the criminal justice agencies. We can, by law, tell the OCC and the FDIC, but we cannot tell the FBI without following the cumbersome notification procedures of the Right to Financial Privacy Act.

A recent case demonstrates this problem. Federal Reserve examiners found extensive evidence of reciprocal loans between a state member bank and the officers and directors of several other financial institutions in its area. Several million dollars of poorly documented and apparently fraudulent loans were made by the bank's president to the officers and directors of the other banks and thrift associations in return for a like amount of loans to the president and perhaps other bank officers and directors. Our examiners immediately contacted the FBI and the U.S. Attorney in order to alert them to the problem; but, we could not relay any account information without the notification of the bank's insiders or the issuance of a Grand Jury subpoena. Since there was no sitting Grand Jury, the FBI could not act quickly because the notification procedures would have alerted the wrongdoers and had a negative impact on the investigation of the fraudulent loans.

Interestingly, in connection with this matter, the FBI could not provide information about an important ongoing investigation of the bank's president to us because of the limitations and restrictions of Rule 6(e) of the Federal Rules of Criminal Procedure. Because of these Grand Jury secrecy rules, we had not been advised about an extensive investigation of this individual's activities.

The committee should consider whether the relevant laws need to be amended. With respect to the Right to Financial Privacy Act, the staffs of the banking agencies recently completed an interagency package of proposed amendments. This legislative proposal was approved by the Board of Governors a few weeks earlier and, once it has been approved by the other agencies, it will be submitted to the Congress by all of us. Simply, the Right to Financial Privacy Act amendments would permit the free transfer of information that is lawfully in the hands of bank examiners, such as through a bank examination, to the criminal justice agencies.

Availability of Reports of Examination

The committee is also interested in the recent proposed amendment to the Board's Rules Regarding Availability of Information that deals with the release of reports of examination and inspection of state member banks and bank holding companies to the bank's agents, such as accountants or counsel. The proposed revision to the Board's regulations in this area would permit the routine release of such reports to a bank's or holding company's agents, if certain procedures are followed by the financial institutions and the agents—procedures that are principally designed to maintain the confidential nature of the reports of examination and inspection prepared by the Federal Reserve.

A final version of the regulation has not been prepared by Board staff because they are still examining public comments. It seems to me that the final regulation should enable the accountants of a financial institution to review the findings of an examination during the course of an audit and should make the release of the report as simple as possible.

I am aware of the letter of October 9, 1987, you sent to us on this matter that recommended that the regulatory agencies be required to make their examination reports directly available to the auditors of a banking organization. I will make sure that your position is given careful consideration by the Board when it reviews this matter. I might note in this connection that it is our experience that almost all independent public accountants request access to an institution's examination reports and are routinely granted such access.

Audits

The Federal Reserve is well aware of the important role that auditors play in promoting the safe and sound operation of banks. Their reports provide needed information to managers and directors of banking institutions and also to their creditors and stockholders, thus facilitating the influence that market discipline can exert on the operation of institutions. Our examiners also review the reports of auditors when they begin an examination.

Most, if not all, banking organizations of medium and larger size, as well as a great many smaller organizations, employ the service of outside auditors. Most of the very smallest organizations, on the other hand, rely on internal auditors to provide needed reports to management and to the directors. While the Board encourages the use of outside auditors, we are reluctant to endorse a requirement that all organizations must have an outside audit, because of the added costs that would impose on smaller organizations and because, in general, we believe internal audits can serve adequately the needs of these smaller organizations. In cases in which our examiners find internal audit systems to be deficient, we instruct banks to improve them and, under appropriate circumstances, to seek outside audit assistance as well.

Examiner Training and Manpower Levels

Since the committee first started its examination of the problems associated with criminal misconduct and insider abuse, the Federal Reserve, in cooperation with the other banking agencies, the FBI, and the Department of Justice, has greatly expanded its training of examiners to enhance their abilities to detect, refer, and, when necessary, assist criminal investigations and prosecutions. Between 1985 and this date, more than 25 training sessions of the joint FBI-banking agency bank fraud course and the Examination Council's White Collar Crime course have been held. The Federal Reserve has sent more than 100 of its most senior examiners through these courses and has provided very experienced examiners and attorneys to teach them.

With regard to the level of the Federal Reserve's examiner manpower, I am pleased to report that since the implementation of the Federal Reserve's enhanced supervision program over the last two years, examiner levels have increased substantially. We require the annual examination of all state member banks and the semiannual examination of all "problem" state member banks. These additional resources, together with cooperative alternative examination arrangements we have with state banking agencies, have enabled us to meet our major examination goals.

Interagency Sharing of Information and Coordination with Law Enforcement Agencies

The Federal Reserve recognizes the great importance of sharing information with other regulatory agencies and in cooperating with and assisting law enforcement agencies to carry out their duties. Since the Federal Reserve often takes enforcement actions against bank holding companies with national and state nonmember bank subsidiaries, it is particularly important that the OCC and the FDIC be advised of these actions. Likewise, information concerning all removal and prohibition actions taken by the Board is sent to each of the other federal financial institution supervisory agencies to ensure that the individual subject to the Board's order does not reenter the banking industry at another non-Federal Reserve supervised institution.

Information concerning criminal referrals is shared with the other agencies on a periodic basis. Our current system for the sharing of information about all referrals received by the Federal Reserve is not meant to be a long-term solution to the problem of disseminating such information among all of the banking and criminal justice agencies. We are awaiting the implementation of the FBI's Field Office Information Management System, which is expected to keep track of *all* criminal referrals submitted to each of the banking agencies, correlate the information, and highlight those repeat offenders who move from one institution to another after having committed relatively small crimes.

Obviously, in making and following up on criminal referrals, communication and cooperation among the agencies are vital. Our examination and supervisory staffs have worked closely with the FBI and the Justice Department and are not aware of any situations in which these agencies have been dissatisfied with the timeliness and adequacy of information provided by the Federal Reserve or our response to requests for assistance. Within the Federal Reserve System, it is our policy that all examiners make all necessary referrals as soon as suspected criminal activities are uncovered, rather than wait until the conclusion of an examination. Moreover, the work papers of our examiners are always maintained at their Reserve Banks and are available to the criminal justice agencies upon request.

Role of Directors

The board of directors plays a critical role in assuring that a banking organization is operated in a safe and sound manner and is in full compliance with laws and regulations. For this reason, it has long been a fundamental tenant of the law and Federal Reserve policy that directors are accountable for carrying out their legal and fiduciary responsibilities. We have also taken a number of steps to make sure that directors are properly informed of the condition of their institutions. For example, in accordance with procedures that were implemented under the Board's recently enhanced supervision program, a senior official of a Reserve Bank meets with the board of directors of all problem financial institutions immediately following the conclusion of the Reserve Bank's examination. In addition, when informal or formal enforcement action is necessary, the Federal Reserve requires each director of the institution to sign the supervisory enforcement action.

Finally, upon completion of an examination or inspection in which significant problems are uncovered, the Federal Reserve sends a summary report to each director of the institution setting forth in clear and precise language the nature and severity of the bank's and bank holding company's weaknesses and the responsibilities of the directors to take action to correct them.

We have also supported the FDIC in its efforts to develop guidelines on the responsibility of directors for overseeing the activities of their institutions, and the Board recently approved having the Federal Reserve join with the FDIC and the OCC in issuing such guidelines. This action underscores the Federal Reserve's view of the critical importance of informed and responsible directors for the health of financial institutions.

Conclusion

To sum up, we recognize that insider abuse and criminal misconduct are serious problems that require a timely and effective response by regulators of depository institutions and criminal justice agencies. And, of course, it is also important to stress the critical role of the directors of such institutions in assuring that their institutions are operated in a safe and sound manner and in full compliance with laws and regulations. I believe that it is fair to say that we have made significant progress in dealing with these problems. The steps I have outlined today have improved our ability to identify and refer questionable activities in a timely fashion, and we have also strengthened our ability to assist law enforcement agencies in investigating criminal activities. The support and encouragement of this committee, it should be pointed out, have been important in our efforts to make these improvements. Moreover, while we recognize that much has been done, we also know that we have a considerable way to go before we can be fully satisfied with our accomplishments.

Besides improving our ability to identify and refer questionable practices, the actions we have taken should have another benefit. Over time, we believe that these actions as they are improved and strengthened, together with our more frequent on-site examination schedule, will increase the likelihood that perpetrators of questionable acts will be caught. In the long run, it is our hope that this deterrent effect will serve to discourage or prevent the kinds of illegal or questionable activities that this committee and the regulatory agencies are working so hard to address. □

Announcements

FEE SCHEDULES ANNOUNCED FOR SERVICES OF FEDERAL RESERVE BANKS

The Federal Reserve Board announced on November 9, 1987, the 1988 fee schedules for services provided by the Reserve Banks. The majority of the 1988 fees are the same as those currently imposed, and they become effective January 1, 1988.

The fee schedules apply to check collection, automated clearinghouse, wire transfer of funds and net settlement, definitive safekeeping, noncash collection, and book-entry services for non-Treasury securities. Fee schedules for the check collection service will be distributed by the Reserve Banks; fee schedules for the remaining services are available from Publications Services, Board of Governors of the Federal Reserve System, Washington, D.C. 20551.

In 1988, total costs for priced services, including the Private Sector Adjustment Factor (PSAF), are projected to be $647.1 million. Total revenue is estimated at $658.8 million, resulting in a recovery rate of 101.8 percent. However, the recovery rate for wire transfers of funds and net settlement services may be lower due to additional expenses associated with improving services and implementing new contingency backup arrangements.

As a result of the Expedited Funds Availability provision in the Competitive Equality Banking Act, Reserve Banks will offer beginning September 1, 1988, new services to speed the return of unpaid checks. The costs and revenues associated with these services are not included in the 1988 check collection fees.

At the same time, the Board approved the 1988 PSAF for Reserve Bank priced services of $76.2 million—an increase of 7.5 percent over the 1986 level. The PSAF is an allowance for the taxes that would have been paid and the return on capital that would have been provided had the Federal Reserve's priced services been furnished by a private business firm.

REGULATION Z: AMENDMENT

The Federal Reserve Board approved on November 6, 1987, a final rule that amends Regulation Z (Truth in Lending) to implement a provision of the Competitive Equality Banking Act of 1987 regarding adjustable-rate mortgage caps.

The amendment requires creditors that offer adjustable-rate mortgages, for both open- and closed-end credit, to set a limit on the maximum interest rate that may be charged. Determination of the maximum rate is within the creditor's discretion.

The amendment applies only to closed-end transactions (such as a traditional second mortgage) or open-end plans (such as home equity lines of credit) entered into on or after December 9, 1987, the effective date of the law. Under the amendment, creditors are required to specify in their credit contracts the maximum interest rate that may be imposed during the term of the obligation.

PROPOSED ACTIONS

The Federal Reserve Board requested comment on proposals affecting real estate investment and development activities in a holding company framework. Comment was requested by December 4, 1987, on whether the Board, in evaluating bank holding company proposals, should prohibit banks and savings banks in a holding company from engaging in real estate and development activities and whether these activities should be confined to nonbank subsidiaries of bank holding companies.

The Board also requests comment on (1)

whether member banks, not in a holding company system, should be subject to interaffiliate lending restrictions and (2) whether the Board should impose special capital requirements on real estate subsidiaries of holding company banks.

Contract Awarded for Automated Currency-Processing Equipment

The Federal Reserve announced on November 30, 1987, the award of a contract for the manufacture of new automated currency-processing equipment that is expected to meet the nation's needs through the rest of this century.

Acting on behalf of the 12 Federal Reserve Banks, the Federal Reserve Bank of Cleveland awarded the contract to Recognition Equipment, Inc. of Irving, Texas, to provide a second-generation system that will replace current equipment. The first unit is to be delivered in two years.

The $39.5 million contract was approved by the Board of Governors. The equipment counts and sorts currency, detects counterfeit, and destroys unfit currency by shredding. The increased speed of the second-generation equipment and the automation of functions previously done by hand will contribute substantially to a reduction in the cost of processing currency and will increase the productivity of the cash operations areas in the Reserve Banks.

Among the expected advantages of the second-generation equipment are a reduction of 40 percent in labor costs; an increase of 20 percent in output; improved accuracy, fitness, authentication detectors, and security; and reduction in the size of shredded material to facilitate disposal.

The purchase is a major step in a continuing effort by the Federal Reserve Banks to reduce the cost of providing the public with fit currency.

Record of Policy Actions of the Federal Open Market Committee

MEETING HELD ON SEPTEMBER 22, 1987

Domestic Policy Directive

The information reviewed at this meeting suggested that economic activity was expanding in the current quarter at a pace similar to that in the first half of the year. Output and employment appeared to have registered solid gains in the third quarter, with particular strength in the industrial sector of the economy. On the spending side, outlays for consumption and business equipment have risen noticeably this quarter, but construction has been weak. Price advances have eased in recent months after a sharp rise earlier in the year, and wage increases have remained subdued.

Industrial production rose further in August after large gains in other recent months; the August level was more than 7 percent (annual rate) above the second-quarter average. Business equipment and materials have been the strongest components of industrial output in recent months, but advances have been widespread among major market groupings.

Nonfarm payroll employment increased again in August; although the gain was half the size of the July increase, the average change in the two months was close to the pace of the first half of the year. The average workweek also rose in August and, coupled with the employment gains, pushed up aggregate hours of production and nonsupervisory workers significantly. Hiring remained strong in services, but employment leveled off in manufacturing after a large gain in July. The unemployment rate was unchanged at 6.0 percent in August, about three-quarters of a percentage point lower than at the beginning of the year.

Retail sales have increased considerably in recent months. Auto sales have been boosted by end-of-model-year discounts and financing incentives. However, a considerable decrease in domestic car sales in the first ten days of September suggested that the effectiveness of the incentive programs might be waning. Retail spending on consumer goods excluding autos and gasoline continued to advance at a moderate pace in July and August to a level slightly above the second-quarter average. Housing starts edged down to an annual rate of 1.58 million units, as a decline in single-family starts more than offset some increase in multifamily construction. The run-up in mortgage interest rates during April and May has damped housing demand, as reflected in the reduced pace of housing starts and sales in recent months. Multifamily starts have remained close to the average rate in the second quarter but substantially below that recorded during the first three months of the year. Business fixed investment appeared to be strengthening, particularly for equipment. In July, shipments of nondefense capital goods were 2½ percent above the second-quarter average, and orders for these goods rose substantially in recent months. Spending for nonresidential structures has continued to trend lower, albeit at a slower rate than over the past couple of years, partly because of renewed strength in petroleum drilling. Inventories in midsummer appeared to be moderate in most segments of the nonfarm business sector. At auto dealers, the quickened selling pace in August, combined with scaled-back production, reduced inventories to more comfortable levels. For retailers other than auto dealers, stocks increased at a relatively slow rate, and the inventory–sales ratio edged down in August. As a result of the apparently conservative inventory stance in manufacturing, factory stocks have remained generally lean, with the July inventory–shipments ratio near its lowest point in the current cycle.

Preliminary data suggested that the nominal

U.S. merchandise trade deficit was essentially unchanged in July from its June level despite substantial increases in the quantity and prices of oil imports. However, the July deficit was larger than the second-quarter average. In real terms, the second-quarter deficit on goods in the GNP accounts narrowed only slightly further because a rebound in the quantity of oil and non-oil imports largely offset a substantial rise in the quantity of exports. The surplus on services in the GNP accounts narrowed in real terms. The average pace of economic growth in the major foreign industrial economies increased in the second quarter after a very weak first quarter. A rebound in German GNP in the second quarter reversed a first-quarter decline but left GNP no higher than its third-quarter 1986 level. Real GNP also resumed growing in the second quarter in France and Italy, while real GNP in Canada and the United Kingdom showed continued strength. In Japan, real GNP did not grow in the second quarter on average as a more rapid rise in domestic demand was offset by the negative contribution of the external sector; however, industrial production picked up in June and July. While cumulative surpluses in the trade and current accounts of Japan and Germany for the year to date remained at or near a record rate, data for recent months indicate some adjustment, especially for Japan.

Price increases have eased in recent months; the CPI and PPI for finished goods both rose 0.2 percent in July, and the August PPI was unchanged. The deceleration in these price measures from the pace in the first half of the year largely reflected a downturn in food prices and smaller energy price increases. Producer prices for finished foods fell sharply in August, and although the effect of rising oil prices continued to be evident, declines in both spot and contract prices were likely to damp retail energy prices by early autumn. Excluding food and energy, the CPI rose in July at around the reduced pace of the second quarter and the comparable PPI increased moderately over the first two months of the current quarter.

At its meeting on August 18, the Committee adopted a directive that called for maintaining the existing degree of pressure on reserve positions. The members decided that somewhat greater reserve restraint would, or slightly lesser reserve restraint might, be acceptable depending on indications of inflationary pressures, the strength of the business expansion, developments in foreign exchange markets, as well as the behavior of the monetary aggregates. M2 and M3 were expected to grow at annual rates of around 5 percent from June through September, while growth in M1 was expected to pick up from the much reduced pace of recent months. The intermeeting range for federal funds was left unchanged at 4 to 8 percent.

Total and nonborrowed reserves resumed expansion in August, primarily because of higher levels of excess reserves. In the maintenance period after the August meeting, federal funds generally traded in a 6½ to 6¾ percent range, though the rate moved a bit higher around the end of August when markets began to expect that the System would tighten policy. In light of the potential for greater inflation, associated in part with weakness in the dollar, a decision was made in early September to reduce marginally the availability of reserves through open market operations. On September 4 the discount rate was raised from 5½ percent to 6 percent. After the discount rate increase, federal funds traded mainly in the 7 to 7¼ percent area. In the two maintenance periods completed since the August meeting, adjustment plus seasonal borrowing averaged about $530 million.

Other interest rates rose substantially over the intermeeting period. Market interest rates moved up early in the period amid pressures on the dollar, concerns about inflation, and expectations of policy-firming actions by the Federal Reserve. Rates rose further after the increase in the discount rate, particularly short-term rates; also, commercial banks raised the prime rate by ½ percentage point. On balance, market rates were up ½ to ¾ percentage point over the intermeeting period. Most stock price indexes reached new highs in late August but subsequently retreated to levels 2½ to 6 percent below those at the time of the August meeting.

The weighted-average foreign exchange value of the dollar in terms of the other G-10 currencies declined about 2½ percent in the weeks immediately following the August meeting. The main factor in the dollar's depreciation appeared to be greater pessimism about the pace of adjustment of external imbalances, following the release of U.S. merchandise trade data that were worse than market participants had expected. Moreover, prospects for growth abroad relative to that in the United States suggested only a limited contribution from this source to external adjustment. The dollar rose somewhat later in the period after the increase in the discount rate, reducing its net decline over the intermeeting period to about 1½ percent.

Growth in the monetary aggregates increased in August from the sluggish pace of previous months. The acceleration of M2 in August partly reflected faster growth in its M1 component as the runoff in demand deposits ended and the growth of other checkable deposits accelerated slightly. The strongest growth among nontransactions components of M2 occurred in RP liabilities at banks, which rose sharply in association with a surge in acquisitions of Treasury securities for trading accounts, and in money market mutual funds. Bolstered by the expansion in M2 and by faster growth in managed liabilities, M3 expanded at a 7½ percent annual rate in August. Over July and August the broader monetary aggregates increased at annual rates of 4 to 5 percent, and for the year through August their cumulative growth remained below the low ends of their target ranges for 1987, with M2 substantially below its range.

The staff economic projections had changed only marginally since the August FOMC meeting. Somewhat stronger growth was anticipated over the near term, but real GNP still was expected to expand at a moderate rate through the end of 1988. Improvement in the external sector was projected to provide substantial impetus for real growth as changes in the foreign exchange value of the dollar boosted U.S. exports and damped import growth. In contrast, growth in domestic spending would probably be relatively subdued. Rising import prices associated with the fall in the value of the dollar were likely to limit increases in real income and consumer spending; budgetary pressures probably would constrain government purchases; and rising mortgage rates and high vacancy rates were expected to damp construction activity. As in previous forecasts, inflation was projected to moderate in the second half of 1987, but to move back up in 1988, reflecting pressures from rising import prices. Moreover, with the civilian unemployment rate projected to edge lower, the pickup in prices was expected to push up labor costs and compensation gains next year.

In the Committee's discussion of the economic situation and outlook, members commented that current indicators of business activity were generally favorable and pointed on balance to continuing expansion at a moderate pace. A number of members believed that any deviation from current expectations was likely to be in the direction of faster growth. However, some saw factors in the outlook that would be likely to restrain any potential for a substantially stronger expansion, and one view stressed the vulnerability of the expansion to a slowdown. With regard to the outlook for inflation, members noted that developments in financial markets suggested some buildup in inflationary expectations, but they also stressed that there was no current evidence of an upturn in broad measures of inflation. Nonetheless, several expressed concern about the risks of some intensification in price and wage pressures. Others saw greater prospects that the rate of inflation might hold around current levels or possibly decline.

In their discussion of specific developments bearing on the outlook for domestic business activity, members observed that key economic indicators provided evidence of appreciable momentum in the business expansion. Individual members also reported that local business conditions appeared to be strengthening in many parts of the country, although recovery in some previously depressed areas or sectors of the economy was still quite modest or tentative, with current activity still well below earlier peaks. It was suggested that the expansion could be characterized currently as better balanced than earlier, with favorable implications for its sustainability. At the same time, some members believed that the risks of appreciably more rapid expansion were relatively limited in the context of considerable progress in reducing the federal budget deficit, restrained monetary expansion, and an increased level of interest rates. Some members also noted that increasing domestic demands and the prospects for improvement in the foreign trade balance had greatly reduced the odds of a shortfall in the expansion from current expectations.

The members continued to view the very large deficits in the federal budget and in the foreign trade balance as issues of fundamental concern. Although a great deal of progess had been made in reducing the federal deficit in the current fiscal year, the outlook for needed further progress was uncertain. The trade deficit also had improved in real terms, though not in nominal terms, over the course of recent quarters. The members generally expected at least some progress to be made on the latter basis as foreign trade patterns and prices were adjusted over time to the reduced value of the dollar in foreign exchange markets. However, the timing and extent of such improvement remained subject to considerable uncertainty, and differing views were expressed regarding the most likely prospects for net exports and the underlying pressures on the dollar. The members agreed that the vigor of the domestic expansion would depend to a substantial extent on foreign trade developments. Some members noted that with shrinking margins of excess capacity in labor markets, overall domestic demands would need to remain relatively moderate to provide room for growth in export production; in that regard continuing progress in reducing the federal budget deficit was essential.

Turning to the outlook for inflation, members commented that the sharp decline in unemployment this year together with anecdotal evidence of labor shortages in many areas of the country had not triggered any general increases in wage rates thus far. Additionally, the members did not see in recent indicators any evidence of an upturn in the general level of prices. However, several expressed concern that the economy might have reached the point where employment and production levels would tend to be associated with stronger pressures on wages and prices, particularly if the business expansion proved to be more vigorous than was generally anticipated. Of particular concern was the prospect that rising prices of internationally traded goods could foster a more general increase in domestic prices and lead to higher wages. Because such developments would reflect broader and more permanent cost factors, the inflation problem would become much more difficult for policymakers. A number of other members saw a lesser risk that inflation would intensify over the period ahead. Highly competitive conditions continued to characterize many markets, both domestic and international, and businessmen were persisting in their efforts to curb their costs of production. It also was noted that a portion of the gains in output and employment was occurring in previously depressed industries where the availability of labor and other production resources was concentrated. In this view monetary policy had been sufficiently tight, with relatively low monetary growth, and in the context of a less expansionary fiscal policy, the economy was not seen as likely to generate excessive demand pressures over the next several quarters.

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

In the Committee's discussion of policy implementation for the weeks immediately ahead, most of the members indicated that they were in favor of directing open market operations, at least initially, toward achieving the increased degree of reserve pressure that had been sought in recent weeks. No change in policy would be involved, given the decision in early September to reduce the availability of reserves; however, because implementation of that decision had not yet been reflected in actual pressures on reserves or in money markets, an unchanged policy at this meeting would imply some slight firming from the actual reserve conditions that had prevailed recently. A few members expressed a preference for maintaining the existing degree of reserve pressure. The members agreed that the differences in question were slight and that, against the background of earlier policy-firming actions, significant further changes in policy were not desirable at this time. In the latter connection, some members urged that particular caution be exercised in implementing policy following today's meeting in order not to convey a misleading impression of the System's policy intentions.

In reaching their decisions the members took account of a staff analysis that suggested that even without any increase in reserve pressures money growth was likely to remain fairly subdued over the months ahead. This outlook reflected in large measure the expected effects on money demand of the increase in market interest rates associated in part with the decisions in early September to achieve slightly firmer reserve conditions and to raise the discount rate. In the circumstances, growth of M2 might continue at about its average pace of recent months and on a cumulative basis remain appreciably below the Committee's range for the year. Growth in M3 might pick up marginally from its recent pace, ending the year around the lower limit of its range for 1987. Given its particular sensitivity to interest rates, growth in M1 for the balance of the year was expected to slow further from its considerably reduced pace thus far in 1987. The members recognized that projections of monetary growth necessarily involved a wide range of uncertainty. In particular, developments in the months ahead would depend importantly on the unknown extent to which holders of money assets would respond to the higher market interest rates that had emerged and also on the extent to which depository institutions would adjust their offering rates on interest-bearing deposits. In light of the uncertainties that were involved, judgments about appropriate rates of monetary growth would need to rely on accompanying economic and financial developments.

With regard to possible adjustments in policy implementation during the intermeeting period, the members generally felt that there should be no presumptions about the likely direction of such adjustments, if any. A number of members commented that, taking account of earlier policy firming decisions, monetary policy was now appropriately positioned under the circumstances that were most likely to prevail. While a few members felt that the Committee should remain especially alert to developments that might call for somewhat firmer reserve conditions, others did not want the directive to lean in the direction of still further firming, given the slight initial firming that was already contemplated. The members generally agreed that in addition to developments relating to the outlook for inflation, any reserve adjustments during the intermeeting period should give weight to ongoing business developments and the performance of the dollar in foreign exchange markets. In keeping with the Committee's usual approach, it also was understood that any decision to alter reserve objectives during the intermeeting period would take account of the behavior of monetary aggregates.

The members generally supported a proposal to raise the existing intermeeting range for the federal funds rate by 1 percentage point to 5 to 9 percent. One member expressed concern that the higher range might be misinterpreted as signaling future firming action. Others pointed out, however, that the increase was a technical adjustment intended to take account of the rise in the federal funds rate over the course of recent weeks and to provide a more symmetrical range around the current rate. By itself the increase would have no significance for policy. The federal funds range provides a mechanism for initiating consultation of the Committee when its boundaries are persistently exceeded.

At the conclusion of the Committee's discussion, all of the members indicated that they preferred or could accept a directive that called for maintaining the slightly firmer degree of reserve pressure that had been sought in recent weeks. With regard to possible adjustments during the intermeeting period, the members indicated that somewhat greater reserve restraint or somewhat lesser reserve restraint would be acceptable depending on developments relating to inflation, the strength of the business expansion, the performance of the dollar in foreign exchange markets, while also taking account of the behavior of the monetary aggregates. The contemplated provision of reserves was expected to be consistent with growth in M2 and M3 at annual rates of around 4 percent and around 6 percent respectively, for the four-month period from August to December. Growth in M1 was expected to remain relatively slow over the same period. Because of the unusual uncertainty relating to the behavior of M1 and in keeping with the decision not to set a longer-run target for this aggregate, the Committee decided to continue the practice of not specifying a numerical expectation for its short-run growth. The members agreed that the intermeeting range for the federal funds rate should be raised from 4 to 8 percent to 5 to 9 percent.

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

The information reviewed at this meeting suggests on balance that economic activity is expanding in the current quarter at a pace similar to that in the first half of the year. Total nonfarm payroll employment rose further in August after a large increase in July. The civilian unemployment rate remained at 6.0 percent, well below its level at the start of the year. Industrial production increased further in August following large gains in other recent months. Consumer spending, bolstered by a rise in auto sales, posted a large increase in August. Recent indicators of business capital spending point to some strength, particularly in equipment outlays. Housing starts fell in August to a level a little below their average in other recent months. Preliminary data suggest that the nominal U.S. merchandise trade deficit was unchanged in July from its June level but larger than the second-quarter average. The rise in consumer and producer prices has slowed in recent months, reflecting favorable price developments in food and energy.

Growth of the monetary aggregates strengthened in August, but for 1987 through August, expansion of both M2 and M3 remained below the lower ends of the ranges established by the Committee for the year; growth in M1 has been at a much reduced pace in 1987. Expansion in total domestic nonfinancial debt has moderated this year. Interest rates have risen considerably since the meeting on August 18. On September 4, the Federal Reserve Board approved an increase in the discount rate from 5½ to 6 percent. In foreign exchange markets, the trade-weighted value of the dollar in terms of the other G-10 currencies has depreciated on balance since the latest meeting; some of the decline in the dollar early in the intermeeting period was later reversed.

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

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

With respect to M1, the Committee recognized that, based on experience, the behavior of that aggregate must be judged in the light of other evidence relating to economic activity and prices; fluctuations in M1 have become much more sensitive in recent years to changes in interest rates, among other factors. Because of this sensitivity, which has been reflected in a sharp slowing of the decline in M1 velocity over the first half of the year, the Committee again decided at the July meeting not to establish a specific target for growth in M1 over the remainder of 1987 and no tentative range was set for 1988. The appropriateness of changes in M1 this year will continue to be evaluated in the light of the behavior of its velocity, developments in the economy and financial markets, and the nature of emerging price pressures. The Committee welcomes substantially slower growth of M1 in 1987 than in 1986 in the context of continuing economic expansion and some evidence of greater inflationary pressures. The Committee in reaching operational decisions over the balance of the year will take account of growth in M1 in the light of circumstances then prevailing. The issues involved with establishing a target for M1 will be carefully appraised at the beginning of 1988.

In the implementation of policy for the immediate future, the Committee seeks to maintain the degree of pressure on reserve positions sought in recent weeks. Somewhat greater reserve restraint or somewhat lesser reserve restraint would be acceptable depending on indications of inflationary pressures, the strength of the business expansion, developments in foreign exchange markets, as well as the behavior of the aggregates. This approach is expected to be consistent with growth in M2 and M3 over the period from August through December at annual rates of around 4 percent and around 6 percent, respectively. M1 is expected to continue to grow relatively slowly. The Chairman may call for Committee consultation if it appears to the Manager for Domestic Operations that reserve conditions during the period before the next meeting are likely to be associated with a federal funds rate persistently outside a range of 5 to 9 percent.

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

On every business day from October 19 to 30, 1987, the Committee conferred by telephone and reviewed the extremely volatile conditions that had developed in financial markets. The members agreed on the need for special flexibility in open market operations during this period for meeting the liquidity requirements of the economic and financial system. Such an approach to policy implementation was deemed to be consistent with the directive adopted at the meeting on September 22, but it was understood that policy would have to be kept under particularly close review.

Legal Developments

AMENDMENT TO REGULATION Z

The Board of Governors is amending 12 C.F.R. Part 226, its Regulation Z, by issuing a final rule to implement section 1204 of the Competitive Equality Banking Act of 1987 (Pub. L. No. 100–86, 101 State. 552). Section 1204 provides that, effective December 9, 1987, any adjustable rate mortgage loan originated by a creditor must include a limitation on the maximum interest rate that may apply during the term of the loan. The final rule, incorporating the new law into Regulation Z, limits the scope of section 1204 to dwelling-secured consumer credit, that is subject to the Truth in Lending Act and Regulation Z, in which a creditor may make interest rate changes during the term of the credit obligation—whether those changes are tied to an index or formula or are within the creditor's discretion. The rule applies the statutory requirement to both closed-end and open-end credit. As a result, effective December 9, 1987, creditors are required to set a lifetime maximum interest rate on all credit obligations secured by a dwelling that require variable-rate disclosures under Regulation Z, where the interest rate may increase. In addition, creditors offering open-end lines of credit secured by a dwelling in which the creditor has the contractual right to change the interest rate—the periodic rate and corresponding annual percentage rate—on an account are also required to set a lifetime maximum interest rate applicable during the plan. The rule applies only to credit obligations entered into on or after December 9, 1987.

Creditors must specify the lifetime maximum rate of interest that may be imposed on obligations subject to section 1204 in their credit contracts (the instrument signed by the consumer that imposes personal liability). Determination of the maximum rate is within the creditor's discretion. Until October 1, 1988, compliance with section 1204—specifying the maximum interest rate in credit contracts—meets the requirement in Regulation A that creditors disclose limitations on rate increases as part of the variable rate disclosures for open-end credit plans and closed-end credit transactions.

Effective December 9, 1987, the Board amends 12 C.F.R. Part 226 as follows:

Part 226—Truth in Lending

1. The authority citation for 12 C.F.R. Part 226 is revised to read as follows:

Authority: Section 105, Truth in Lending Act, as amended by section 605, Pub. L. 96-221, 94 Stat. 170 (15 U.S.C. 1604 *et seq.*); section 1204(c), Competitive Equality Banking Act, Pub. L. 100–86, 101 Stat. 552.

2. Part 226 is amended by revising paragraphs 226.1(a), (d)(4) and (e) to read as follows:

Subpart A—General

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

(a) *Authority:* This regulation, known as Regulation Z, is issued by the Board of Governors of the Federal Reserve System to implement the federal Truth in Lending and Fair Credit Billing Acts, which are contained in title I of the Consumer Credit Protection Act, as amended (15 U.S.C. 1601 *et seq.*). This regulation also implements title XII, section 1204 of the Competitive Equality Banking Act of 1987 (Pub. L. 100–86, 101 Stat. 552). Information-collection requirements contained in this regulation have been approved by the Office of Management and Budget under the provisions of 44 U.S.C. 3501 *et seq.* and have been assigned OMB No. 7100-0199.

* * * * *

(d) * * *

(4) Subpart D contains rules on oral disclosures. Spanish language disclosure in Puerto Rico, record retention, effect on state laws, state exemptions, and rate limitations.

* * * * *

(e) *Enforcement and liability.* Section 108 of the act contains the administrative enforcement provisions. Sections 112, 113, 130, 131, and 134 contain provisions relating to liability for failure to comply with the requirements of the act and the regulation. Section

1204(c) of Title XII of the Competitive Equality Banking Act of 1987, Pub. L. No. 100-86, 101 Stat. 552, incorporates by reference administrative enforcement and civil liability provisions of sections 108 and 130 of the act.

* * * * *

3. A new section 226.30 is added to Subpart D to read as follows:

Subpart D—Miscellaneous

Section 226.30—Limitation on rates

A creditor shall include in any consumer credit contract secured by a dwelling and subject to the act and this regulation the maximum interest rate that may be imposed during the term of the obligation [50] when:
(a) In the case of closed-end credit, the annual percentage rate may increase after consummation, or
(b) In the case of open-end credit, the annual percentage rate may increase during the plan.

Amendment to Rules Regarding Delegation of Authority

The Secretary of the Board of Governors has approved technical amendments to 12 C.F.R. Part 265, its Rules Regarding Delegation of Authority, to reflect changes in titles of Board officials exercising delegated authority.

Effective June 17, 1987, the Secretary of the Board amends 12 C.F.R. Part 265 as follows:

Part 265—Rules Regarding Delegation of Authority

1. The authority citation for Part 265 continues to read as follows:

Authority: Sec. 11(k), 38 Stat. 261 and 80 Stat. 1314 (12 U.S.C. 248(k).

2. The following sections are amended by removing the words indicated below and inserting in their place the words "Staff Director of the Division of Banking Supervision and Regulation":
(a) Section 265.1a(a)(2): "Director of the Division of Banking Supervision and Regulation";
(b) Sections 265.2(b)(10) and 265.2(f)(48): "Director of Banking Supervision and Regulation";
(c) Section 265.2(f)(26): "Director of the Board's Division of Banking Supervision and Regulation".
3. The following sections are amended by removing the words indicated below and inserting in their place the words "directors and staff directors":
(a) Section 265.2(b)(11): "directors";
(b) Section 265.2(c)(29): "Directors".

4. The introductory text of section 265.2(c) is revised to read as follows:
(c) The Staff Director of the Division of Banking Supervision and Regulation (or, in the Staff Director's absence, the Acting Staff Director) is authorized:

* * * * *

5. Sections 265.2(c)(26), 265.2(c)(29), and 265.2(c)(34) are amended by removing the word "Director", which appears once in section (c)(26), once in section (c)(34), and twice in section (c)(29), and inserting in its place the words "Staff Director".
6. Section 265.2(g) is revised to read as follows:
(g) The Staff Director of the Division of International Finance (or, in the Staff Director's absence, the Acting Staff Director) is authorized, under the provisions of the sixth paragraph of section 14 of the Federal Reserve Act (12 U.S.C. 358), to approve the establishment of foreign accounts with the Federal Reserve Bank of New York.

Orders Issued Under Bank Holding Company Act and Bank Merger Act

Orders issued Under Section 3 of the Bank Holding Act

CBTC Holding Company, Inc.
Paris, Tennessee

Order Approving Formation of a Bank Holding Company

CBTC Holding Company, Inc., Paris, Tennessee ("Applicant"), has applied for the Board's approval under section 3(a)(1) of the Bank Holding Company Act, as amended (12 U.S.C. § 1842(a)(1)) ("BHC Act"), to become a bank holding company by acquiring 100 percent of the voting shares of Commercial Holding Company, Inc., Paris, Tennessee ("Company"), and thereby indirectly acquire control of Commercial Bank and Trust Company, Paris, Tennessee ("Bank").

50. Compliance with this section will constitute compliance with the disclosure requirements on limitations on increases in footnote 12 to sections 226.6(a)(2) and 226.18(f)(2) until October 4, 1988.

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

Applicant, a non-operating corporation with no subsidiaries, was organized for the purpose of becoming a bank holding company by acquiring Company and thereby indirectly acquiring Bank, which holds deposits of $110.3 million.[1] Upon acquisition of Bank, Applicant would control the 45th largest bank in Tennessee, representing .034 percent of total deposits in commercial banks in the state.

Bank is the largest of three banking organizations in the relevant market and holds 70 percent of the total deposits in commercial banks in that market.[2] Principals of Applicant and Bank are not affiliated with any other depository organizations in the market. Based on the facts of record, consummation of the proposed transaction would not result in any adverse effects upon competition or increase concentration of banking resources in any relevant area. Accordingly, the Board concludes that competitive considerations under the BHC Act are consistent with approval of the application.

Applicant will become a bank holding company by acquiring control of Company. By the instant proposal, Applicant's principals propose to place acquisition debt in Applicant. The Board has previously indicated that a bank holding company should serve as a source of financial and managerial strength for its subsidiary banks.[3] Although Applicant will incur debt in connection with this proposal, it appears that Applicant will be able to service its debt, particularly in view of Bank's favorable earnings record and sound financial condition. In light of the above, the Board views the financial and managerial resources of Applicant, Company, and Bank as consistent with approval. Considerations relating to the convenience and needs of the communities to be served are also consistent with approval.

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

By order of the Board of Governors, effective November 23, 1987.

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

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

1. All banking data are as of December 31, 1986.
2. The relevant banking market is approximated by Henry County, Tennessee.
3. *See*, CNB Bancorp, Danville, Illinois (73 FEDERAL RESERVE BULLETIN 598 (1987)).

Eastern Michigan Financial Corporation Croswell, Michigan

Order Approving Acquisition of a Bank

Eastern Michigan Financial Corporation ("Eastern Michigan"), Croswell, Michigan, a bank holding company within the meaning of the Bank Holding Company Act ("Act"), 12 U.S.C. § 1842 *et seq.*, has applied pursuant to section 3(a)(3) of the Act, 12 U.S.C. § 1843(a)(3), to acquire Sanilac County Bank, Deckerville, Michigan ("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, 52 *Federal Register* 30,251 (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.

Eastern Michigan is the 78th largest commercial banking organization in Michigan, controlling deposits of $56.6 million, representing 0.1 percent of total deposits in commercial banking organizations in the state.[1] Bank is the 118th largest commercial banking organization in Michigan, controlling deposits of $35.4 million, representing less than one percent of total deposits in commercial banking organizations in the state. Upon consummation of this proposal, Eastern Michigan would become the 47th largest commercial banking organization in the state, controlling $92 million in deposits, representing less than one percent of total deposits in commercial banking organizations in the state. Consummation of the proposal would not increase significantly the concentration of banking resources in Michigan.

Eastern Michigan's subsidiary bank competes directly with Bank in the Sanilac County banking

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

market.[2] Eastern Michigan is the second largest commercial banking organization in the market, with deposits of $44.2 million, representing 17.2 percent of total deposits in commercial banks in the market. Bank is the fourth largest commercial banking organization in the market, with $35.4 million in deposits, representing 13.8 percent of total deposits in commercial banks in the market. Upon consummation of this proposal, Eastern Michigan would remain the second largest commercial banking organization in the market, with $79.6 million in deposits, representing 31.0 percent of the total commercial banking deposits in the market. The market is considered highly concentrated, with a four-firm concentration ratio of 82.3 percent. The Herfindahl–Hirschman Index ("HHI") of the market is 2142 and would increase by 475 points to 2617 upon consummation of this proposal.[3]

Although consummation of this proposal would eliminate existing competition between Eastern Michigan and Bank in the Sanilac County banking market, numerous other commercial banks would continue to operate in the market after consummation of this proposal. In addition, the Board has considered the presence of thrift institutions in the banking market in its analysis of this proposal. The Board previously has indicated that thrift institutions have become, or have the potential to become, major competitors of commercial banks.[4] Thrift institutions already exert a considerable competitive influence in the market as providers of NOW accounts and consumer loans, and many are engaged in the business of making commercial loans. Based upon the number, size, market share and commercial lending activities of thrift institutions in the market, the Board has concluded that thrift institutions exert a significant competitive influence that mitigates the anticompetitive effects of this proposal in the Sanilac County banking market.[5]

In addition, Bank has faced severe financial and managerial problems in recent years that have resulted in a decline in Bank's ability to perform as a strong competitor in the market.[6] Moreover, the Sanilac County banking market is not an attractive market for entry by an outside firm, having lagged behind similar Michigan counties in terms of deposit and population growth. Accordingly, in view of all of the facts of record, the Board has determined that consummation of this proposal would not have a significant adverse effect on existing competition in the Sanilac County banking market.

The financial and managerial resources of Eastern Michigan and its subsidiary bank are consistent with approval. The Board has considered the fact that Bank has experienced some managerial and financial difficulties, and consummation of this proposal will improve the prospects of Bank by providing Bank with the financial and managerial resources to continue to serve the convenience and needs of the community. 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. The acquisition shall not be consummated before the thirtieth calendar day following the effective date of this Order or later than three months after the effective date of this Order, unless such period is extended for good cause by the Board, or by the Federal Reserve Bank of Chicago, acting pursuant to delegated authority.

By order of the Board of Governors, effective November 23, 1987.

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

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

2. The Sanilac County banking market is approximated by Sanilac County, Michigan.

3. Under the revised Department of Justice Merger Guidelines (49 *Federal Register* 26,823 (June 29, 1984)), any market in which the post-merger HHI is over 1800 is considered highly concentrated, and the Department is likely to challenge a merger that increases the HHI by more than 50 points unless other factors indicate that the merger will not substantially lessen competition. The Department of Justice has informed the Board that a bank merger or acquisition is not likely to be challenged (in the absence of other factors indicating an anticompetitive effect) unless the post-merger HHI is at least 1800 and the merger increases the HHI by at least 200 points. The Justice Department has stated that the higher than normal HHI thresholds for screening bank acquisitions for anti-competitive effects implicitly recognizes the competitive effects of limited purpose lenders and other non-depository financial entities.

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

5. If 50 percent of the deposits controlled by thrift institutions were included in the calculation of market concentrations, Eastern Michigan and Bank would control 15.7 percent and 12.5 percent of total market deposits, respectively. The HHI would increase by 393 points to 2204 upon consummation of the proposal.

6. In this regard, the Michigan Department of Commerce has opined that the "advantages offered by the proposed transaction far outweigh the disadvantages created by the elimination of competition" in the market.

Meridian Bancorp, Inc.
Reading, Pennsylvania

Order Approving Acquisition of a Bank

Meridian Bancorp, Inc., Reading, Pennsylvania ("Meridian"), a bank holding company within the meaning of the Bank Holding Company Act (the "Act") (12 U.S.C. § 1841 *et seq.),* has applied for the Board's approval pursuant to section 3(a)(3) of the Act, to acquire all of the voting shares of Delaware Trust Company, Wilmington, Delaware ("Delaware Trust").

Notice of the application, affording interested persons an opportunity to submit comments, has been published (52 *Federal Register* 27,460 (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.

Section 3(d) of the Act (12 U.S.C. § 1842(d)), the Douglas Amendment, prohibits the Board from approving an application by a bank holding company to acquire control of any bank located outside of the bank holding company's home state unless the acquisition is "specifically authorized by the statute laws of the state in which such bank is located, by language to that effect and not merely by implication."[1]

Meridian's home state is Pennsylvania and Delaware Trust's home state is Delaware. Effective January 1, 1988, the interstate banking statutes of Delaware will authorize bank holding companies located in "eligible states" to acquire a Delaware bank with the approval of the Delaware State Commissioner, provided the bank holding company's aggregate deposits in all eligible states exceeds its aggregate deposits in states not designated as eligible states. An "eligible state" is defined as a state that authorizes the acquisition of banks in that state by a Delaware bank holding company on substantially the same terms and conditions, and is limited to Maryland, New Jersey, Ohio, Pennsylvania, the District of Columbia, and Virginia.[2]

Effective August 24, 1986, Pennsylvania interstate banking statutes authorize bank holding companies in a region including Delaware, to acquire banks and bank holding companies in Pennsylvania on terms and conditions substantially similar to those imposed by Delaware law.[3] In addition, Meridian's aggregate deposits in all eligible states exceeds its aggregate deposits in states not designated as eligible states. Based on the foregoing, the Board has determined that, as of January 1, 1988, the proposed acquisition is specifically authorized by the statute laws of Delaware and thus Board approval is not prohibited by the Douglas Amendment, subject to Applicant's obtaining the approval required pursuant to section 843(a) of the Delaware Statutes.[4]

Meridian is the fifth largest commercial banking organization in Pennsylvania, controlling deposits of $5.4 billion, representing 5.3 percent of the deposits in commercial banking organizations in the state.[5] Delaware Trust is the third largest commercial banking organization in Delaware, controlling deposits of $951.8 million, representing 16 percent of the deposits in the state. Consummation of this proposal would not have any significant adverse effect upon the concentration of banking resources in either Pennsylvania or Delaware.

Meridian and Delaware Trust do not compete directly in any banking market. Accordingly, consummation of this proposal would not result in any adverse effect upon existing competition in any relevant banking market. The Board has also considered the effects of the proposed acquisition on probable future competition in the markets in which Meridian or Delaware Trust, but not both, compete. In light of the existence of numerous potential entrants into the relevant banking markets, the Board has concluded that consummation of this proposal would not have any significant adverse effect on probable future competition in any relevant market.

The financial and managerial resources of Meridian, its subsidiary banks, and Delaware Trust are considered satisfactory and consistent with approval. In considering the convenience and needs of the communities to be served, the Board has taken into account the records of Meridian and Delaware Trust under the Community Reinvestment Act, 12 U.S.C. § 2901 *et seq.* ("CRA"). 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 low- and moderate-income neighborhoods, consistent with safe

1. A bank holding company's home state is the state in which the operations of the bank holding company's subsidiary banks were principally located on July 1, 1966, or on the date on which the company became a bank holding company, whichever is later.

2. Del. Code Ann. tit. 5, § 841 *et seq* as added by The Delaware Interstate Banking Act of 1987, 66 Del. Laws Ch. 32 (1987).

3. Pa. Stat. Ann. tit. 7, § 116 (Purdon Supp. 1987).

4. In addition to obtaining approval from the Delaware State Commissioner, Meridian must obtain approval from the Pennsylvania Department of Banking. Pa. Stat. Ann. 7 § 116(h).

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

and sound operation. The Board has received comments from the COLT Coalition, the Community Development Coalition, Inc., and the Delaware Community Reinvestment Action Council (collectively "Protestants"), organizations that represent low- and moderate-income and minority individuals and groups in Philadelphia and Delaware, regarding Meridian's and Delaware Trust's CRA performances. Protestants contend that Meridian's subsidiary, Meridian Bank, Reading, Pennsylvania, and Delaware Trust have failed to adequately assess the credit needs of low- and moderate-income persons in their communities, and that both Meridian Bank and Delaware Trust engage in discriminatory credit practices.

In accordance with the Board's practice and procedures for handling protested applications,[6] the Board reviewed the allegations made by the Protestants and Meridian's response to the allegations. In an attempt to resolve the concerns raised by the protests, Meridian has met privately with the Protestants on several occasions to discuss the issues raised by the Protestants. Moreover, Meridian, the Community Development Coalition, Inc., and the Delaware Community Reinvestment Action Council have announced that they have reached an agreement in principle that will resolve many of the issues raised by these protestants. Meridian anticipates that the preliminary agreement will be formalized, in writing, as soon as practicable.

Initially, the Board notes that Meridian Bank and Delaware Trust have received satisfactory CRA assessments from their primary supervisory agencies. Both Delaware Trust and Meridian Bank have a compliance officer and a specialist who monitor the banks' compliance with CRA and other consumer laws. With regard to Meridian Bank, the Board notes that although there is some disparity between real estate credit extensions that the bank has made to low- to moderate-income areas and other areas in Philadelphia, Meridian Bank has, overall, a favorable record in meeting the credit needs of the communities it serves. Meridian Bank actively ascertains the credit needs of its communities by officer call programs and participating in a wide variety of community groups, and offers a wide range of credit services. In particular, Meridian Bank is especially active in providing credit for 1–4 family residential housing, agricultural, and small business lending throughout Pennsylvania.

With regard to Delaware Trust, the Board notes that the bank is active in determining the needs of its community by participating in a variety of community groups and trade fairs. A review of Delaware Trust's lending programs indicates that the bank does not engage in discriminatory practices and is active in lending to the low- to moderate-income segments of its service areas in terms of real estate, student, and commercial loans. In addition, Meridian has indicated that Delaware Trust will enhance its service to its community by advertising in a free local newspaper, as part of its regular advertising activities, as well as by advertising in Spanish.

Furthermore, Meridian has informed the Board of its intentions to improve its CRA record by undertaking a number of specific measures, including the following:

1. Develop a plan that addresses ways to meet credit needs in low- and moderate-income areas of the Philadelphia community and the prospective Wilmington community;
2. Increase awareness and marketing of special credit programs that can be utilized by residents who fall outside the bank's traditional lending criteria;
3. Relocate CRA statements in branch locations to make them more accessible to the public;
4. Develop a mechanism for more effective monitoring of CRA-related efforts and needs across regions in the bank's service area;
5. Expand participation in local reinvestment programs relative to residential real estate loans;
6. Expand the CRA statement to include special credit programs currently being offered which enhance the affordability of credit products;
7. Enhance training of branch personnel with respect to the disclosure requirements of the Home Mortgage Disclosure Act; and
8. Adopt a Spanish CRA notice for use in Hispanic communities in Reading and Philadelphia.

The Board expects that all these measures will be implemented in a timely fashion.

In addition, the agreement in principle that has been reached between the Community Development Coalition, Inc., the Delaware Community Reinvestment Action Council and Meridian provides the following:

1. $700,000 is to be earmarked by Meridian and Delaware Trust over a five-year period in Wilmington and Philadelphia for economic and community development, and mortgage programs including credit counseling;
2. Establishment of local advisory committees in both cities to make recommendations to the banks on specific economic development projects in their respective communities. Those requests might include monies to be used in matching funds programs, specific projects, or projects tied to city and state economic development programs;

6. *See* 12 C.F.R. § 262.25(c).

3. $10 million in loans to be made annually, on a noncumulative basis, over a five-year period in low- and moderate-income areas in Delaware. The credit will be in the form of residential mortgages, home improvement and residential and community development loans, state and regional authority debt issues, and loans to small businesses;
4. $2 million in loans to be made annually, on a noncumulative basis, will be made available in Philadelphia over the same five-year period for similar types of lending programs; and
5. The banks have agreed to place deposits up to $750,000 into interest-bearing accounts of qualifying community-based neighborhood credit unions in Wilmington and Philadelphia to be used for small loans to residents in those communities.

Based on the overall satisfactory CRA record of Meridian Bank and Delaware Trust, and all the facts of record, the Board concludes that convenience and needs considerations in this case are consistent with approval of the application.[7]

Based on the foregoing and other facts of record, the Board has determined that the application should be, and hereby is, approved. The acquisition of Delaware Trust 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 Philadelphia acting pursuant to delegated authority.

By order of the Board of Governors, effective November 30, 1987.

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

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

7. The Community Development Coalition, Inc., and the Delaware Community Reinvestment Action Council requested that the Board order a public meeting and public hearing. Under the Board's rules, the Board may hold a public meeting or hearing on an application to clarify factual issues related to the application and to provide an opportunity for testimony, if appropriate. 12 C.F.R. §§ 262.3(d) and 262.25(d). In this case the Federal Reserve Bank of Philadelphia has arranged private meetings for this purpose and the parties have reached an agreement in principle regarding the CRA issues. Based on this and other facts of record, the Board has determined that a public meeting or hearing would serve no useful purpose. Accordingly, the request for a public meeting or hearing is denied.

NBD Bancorp, Inc.
Detroit, Michigan

NBD Northern Corporation
Detroit, Michigan

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

NBD Bancorp, Inc., Detroit, Michigan ("NBD"), a bank holding company within the meaning of the Bank Holding Company Act of 1956, as amended ("BHC Act") (12 U.S.C. § 1841 *et seq.),* and its wholly owned nonoperating subsidiary, NBD Northern Corporation, Detroit, Michigan ("NBD Northern") (together, "Applicants"), have applied for the Board's approval under section 3 of the BHC Act (12 U.S.C. § 1842) to merge NBD Northern with State National Corporation, Evanston, Illinois ("State National"), and thereby acquire State National's two subsidiary banks: State National Bank, Evanston, Illinois ("Evanston Bank"), and The Bank and Trust Company of Arlington Heights, Arlington Heights, Illinois ("Arlington Bank").

Notice of the applications, affording an opportunity for interested persons 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 applications 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)).

Section 3(d) of the BHC Act (12 U.S.C. § 1842(d)), the Douglas Amendment, prohibits the Board from approving an application by a bank holding company to acquire a bank located outside of the bank holding company's home state, unless the acquisition is specifically authorized by the statute laws of the state in which such bank is located, by language to that effect and not merely by implication.[1] NBD's home state is Michigan. The Board has previously determined that the statute laws of Illinois specifically authorize Michigan bank holding companies, such as NBD, to acquire an Illinois bank or bank holding company.[2] Accordingly, approval of NBD's proposal is not barred by the Douglas Amendment.

1. A bank holding company's home state for the purposes of the Douglas Amendment is that state in which the total deposits of its banking subsidiaries were largest on July 1, 1966, or on the date it became a bank holding company, whichever date is later. 12 U.S.C. § 1842(d).
2. *First America Bank Corporation,* 73 FEDERAL RESERVE BULLETIN 175 (1987); *NBD Bancorp, Inc.,* 73 FEDERAL RESERVE BULLETIN 316 (1987).

NBD, with 33 subsidiary banks in Michigan, Illinois, and Indiana, holds total domestic deposits of $14.2 billion.[3] NBD is the seventh largest commercial banking organization in Illinois with deposits of $1.6 billion, representing 1.5 percent of the total deposits in commercial banks in that state. NBD Northern is a nonoperating subsidiary formed for the purpose of acquiring State National. State National, with 2 subsidiary banks holding total domestic deposits of $563 million, is the 27th largest commercial banking organization in Illinois holding 0.5 percent of the total deposits in commercial banks in that state. Upon consummation of this proposal, NBD would become the fifth largest commercial banking organization in Illinois holding 2.0 percent of the total deposits in commercial banks in that state. Consummation of this proposal would not have any significant adverse effects on the concentration of banking resources in Illinois.

NBD operates in the Chicago banking market,[4] where it is the fifth largest of 256 commercial banking organizations, controlling 2.3 percent of total deposits in commercial banks. State National also operates in the Chicago market where it is the 18th largest commercial banking organization, controlling 0.9 percent of total deposits in commercial banks. Upon consummation of this proposal, NBD would remain the fifth largest commercial banking organization in the market, controlling 3.2 percent of total deposits in commercial banks.

The Chicago banking market is, and would continue to be after consummation of the proposed acquisitions, an unconcentrated market.[5] In view of the market shares and small increase in concentration resulting from the proposal, the Board concludes that consummation of these acquisitions would not have a significant adverse effect on existing competition in the Chicago banking market.

The financial and managerial resources of NBD, its subsidiary banks, NBD Northern, Evanston Bank and Arlington Bank are considered generally satisfactory and consistent with approval of these applications.

In considering the convenience and needs of the communities to be served, the Board has taken into account the records of the subsidiary banks of NBD and State National under the Community Reinvestment Act ("CRA") (12 U.S.C. § 2901 *et seq.*).[6] The Board has received comments regarding the CRA record of Evanston Bank from the Evanston Neighborhood Conference, a coalition of Evanston neighborhood and public interest groups (collectively, "protestants").[7] Protestants allege, *inter alia,* that Evanston Bank has not met the credit needs of Evanston's low- and moderate-income and minority communities and has not taken adequate measures to ascertain the credit needs of the community it serves.

In accordance with the Board's practice and procedure for handling protested applications,[8] the Board has reviewed the protestants' allegations and the responses of Applicants and Evanston Bank. In an attempt to resolve the concerns addressed in the protest, the parties met on two occasions to discuss the issues raised by protestants. The parties, however, were unable to come to a resolution of their differences.

Initially, the Board notes that NBD's and State National's subsidiary banks have received satisfactory CRA assessments from their primary supervisory agencies. Further, the Board has reviewed Evanston Bank's lending record in Evanston's low- and moderate-income and minority neighborhoods and concludes that Evanston Bank does not discriminate in its lending to such neighborhoods.[9]

Evanston Bank has represented to protestants the steps it will take to adequately ascertain and meet the convenience and needs of the communities it serves. In particular, Evanston Bank has stated its intent to work with NBD's mortgage lending subsidiary to provide FHA and VA financing which it does not currently provide. Applicants have represented to the Board that they will support and monitor Evanston Bank's efforts to ascertain and meet the credit needs of the Evanston community. Based on Applicants' and Evanston Bank's representations, the overall satisfac-

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

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

5. Consummation of the proposed transaction would increase the market's Herfindahl–Hirschman Index ("HHI") by 4 points, from 777 to 781. The market is considered unconcentrated under the Department of Justice Merger Guidelines, 49 *Federal Register* 26,823 (1984), and the increase in the HHI resulting from the transaction is not within the parameters the Department of Justice has stated are likely to result in its challenging the transaction.

6. The CRA requires the Board, in its evaluation of a bank holding company application, to take into account the record of an applicant in meeting the credit needs of the entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation. 12 U.S.C. § 2903.

7. The comments submitted by the Evanston Neighborhood Conference were joined by several Aldermen of the City of Evanston and several neighborhood associations.

8. *See* 12 C.F.R. § 262.25(c).

9. Only one of 19 census tracts in Evanston is considered low- and moderate-income. Evanston Bank in 1984–86 made 5.4 percent of its total home purchase loans in Evanston and 8.9 percent of its total home improvement loans in Evanston in that census tract. Three census tracts in Evanston are considered to be predominately minority. In those census tracts, Evanston Bank in 1984–86 made 23.6 percent of its total home purchase loans in Evanston and 30.4 percent of its total home improvement loans. Accordingly, Evanston Bank's lending in Evanston low- and moderate-income and predominately minority census tracts has been proportionate with its lending in other Evanston census tracts.

tory CRA record of NBD's and State National's subsidiary banks, and other facts of record, the Board has determined that convenience and needs considerations are consistent with approval of these applications.[10]

Based on the foregoing and other facts of record, the Board has determined that these applications should be, and hereby are, approved. 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 the Federal Reserve Bank of Chicago, acting pursuant to delegated authority.

By order of the Board of Governors, effective November 13, 1987.

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

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

Riley County Bancshares, Inc. Riley, Kansas

Order Approving Formation of a Bank Holding Company

Riley County Bancshares, Inc., Riley, Kansas, has applied for the Board's approval under section 3(a)(1) of the Bank Holding Company Act of 1956, as amended (the "Act") (12 U.S.C. § 1842(a)(1)), to become a bank holding company by acquiring 97 percent of the outstanding voting shares of Riley State Bank, Riley, Kansas ("Bank").

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

Applicant is a nonoperating corporation formed to acquire Bank. Bank is the 373rd largest commercial banking organization in Kansas, with total deposits of $13.3 million, representing 0.6 percent of the total deposits in commercial banks in the state.[1] Consummation of the transaction would not result in an increase in the concentration of banking resources in Kansas.

Bank operates in the Riley County banking market,[2] where it is the fifth largest of seven commercial banks, controlling 3.9 percent of total deposits in commercial banks in the market. Principals of Applicant are not affiliated with any other commercial banking 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 area. Accordingly, the Board concludes that competitive considerations under the Act are consistent with approval.

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

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

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

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

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

10. Protestants have requested that the Board conduct a public hearing to receive testimony on the issues presented by these applications. Under the Board's rules, the Board may hold a public hearing on an application to clarify factual issues related to the application and to provide an opportunity for testimony, if appropriate. 12 C.F.R. § 262.25(d). In the Board's view, the parties have had ample opportunity to present their arguments in writing and to respond to one another's submissions. Based on Applicants' and Evanston Bank's representations concerning Evanston Bank's future efforts to ascertain and meet the convenience and needs of Evanston, and other facts of record, the Board has determined that a hearing will serve no useful purpose. Accordingly, protestants' request for a public hearing is denied.

1. All banking data are as of December 31, 1985.
2. The Riley County banking market is defined as Riley County, Kansas.

SouthTrust Corporation
Birmingham, Alabama

Order Approving Acquisition of Bank Holding Companies

SouthTrust Corporation, Birmingham, Alabama, has applied for the Board's approval under section 3(a)(3) of the Bank Holding Company Act of 1956, as amended ("BHC Act") (12 U.S.C. § 1841 *et seq.),* to acquire the shares of Vista Banks, Inc. ("Vista"), Ormond Beach, Florida, and its subsidiary banks, Vista Bank of Volusia County, De Leon Springs, Florida, and Vista Bank of Marion County, Belleview, Florida; and to acquire Bank of Florida Corporation ("BFC"), St. Petersburg, Florida, and its bank subsidiary, Bank of Florida, St. Petersburg, Florida.[1]

Notice of these applications, affording interested persons an opportunity to submit comments, has been published. The time for filing comments has expired, and the Board has considered the applications and all comments received, including comments submitted by Neighborhood Services Inc., and the Greater Birmingham Ministries ("Protestants"), in light of the factors set forth in section 3(c) of the BHC Act.

The Douglas Amendment to the BHC Act prohibits the Board from approving an application by any bank holding company to acquire a bank located outside of the bank holding company's home state unless the state law in which the target bank is located specifically authorizes such an acquisition. 12 U.S.C. § 1842(d). The Florida state law permits a bank holding company located in the Southeastern region, which includes Alabama, to acquire a Florida bank or bank holding company provided that Florida bank holding companies are permitted to acquire banks in the home state of the acquiring bank holding company on a reciprocal basis. 19 FLA. STAT. ANN. § 658.295(3) (West 1984). Florida law also requires that the banking organization to be acquired must have been in existence and continuously operating for more than two years prior to the acquisition.

Effective July 1, 1987, Alabama state law permits a bank holding company located in the Southern region, including Florida, to acquire an Alabama bank or bank holding company upon approval of an application by the Alabama Superintendent of Banks. 4 ALA. CODE § 5-13A-3 (1986). Like Florida, Alabama state law requires that the home state of the acquiring bank holding company permit acquisitions of banks in that state by Alabama bank holding companies on a reciprocal basis.

Based on its review of the relevant Florida and Alabama statutes, the Board has determined that the Alabama statute satisfies the conditions of the Florida regional interstate banking statute and that Florida has by statute expressly authorized an Alabama bank holding company, such as Applicant, to acquire a Florida bank or bank holding company, such as Vista and BFC. In this regard, each of the banks to be acquired in this case satisfies the longevity requirement in the Florida statute. The Office of the Florida State Comptroller agrees that the Alabama statute satisfies the reciprocity requirements of the Florida interstate banking provisions. Accordingly, the Board concludes that approval of Applicant's proposal to acquire banks in Florida is authorized under Florida law and is not barred by the Douglas Amendment.

Applicant, a multi-bank holding company controlling 27 banks throughout Alabama with total assets of approximately $5.8 billion, is the second largest banking organization in Alabama.[2] Applicant currently owns two bank subsidiaries, with total assets of approximately $111 million, in Florida.

Vista, with total assets of approximately $112.3 million, and BFC, with total assets of approximately $120 million, are among the smaller commercial banking organizations in Florida, each controlling less than one percent of total deposits in commercial banking organizations in Florida. Upon consummation of the proposal, Applicant would control less than one percent of the total deposits in commercial banking organizations in Florida. Based on the facts of this case, the Board believes that consummation of the proposal would have no significantly adverse effect on the concentration of banking resources in Florida.

Vista Bank of Volusia County operates in the West Volusia County banking market;[3] Vista Bank of Marion County operates in the Marion County banking market;[4] and Bank of Florida operates in the Pinellas County banking market.[5] Each of these banks is among the smaller banking organizations in their respective markets, and neither of Applicant's Florida bank subsidiaries operates in any of these three banking markets. Based on the facts of record in this case, consummation of this proposal would not result in any adverse effect upon existing or future competition, or

1. BFC also owns Bank of Florida, N.A., Chiefland, Florida. Applicant has committed to divest this bank prior to consummation of this proposal.

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

3. The West Volusia County banking market is comprised of the cities of De Bary, De Land, Deltona, Orange City, Lake Helen and De Leon Springs, Florida.

4. The Marion County banking market is approximated by Marion County, Florida.

5. The Pinellas County banking market is approximated by Pinellas County, Florida.

increase the concentration of banking resources, in any relevant market. Accordingly, the Board concludes that competitive factors are consistent with approval.

The financial and managerial resources of Applicant and Bank are considered satisfactory and consistent with approval. In considering the convenience and needs of the communities to be served, the Board has taken into account Applicant's record under the Community Reinvestment Act (12 U.S.C. § 2901 *et seq.*) ("CRA"). 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 low- to moderate-income neighborhoods, consistent with safe and sound operation. The Board has received comments from the Protestants, which represent low-income and minority groups and individuals in Birmingham, Alabama, regarding the CRA record of Applicant and one of its subsidiary banks, SouthTrust Bank of Alabama, N.A. ("Bank"), Birmingham, Alabama. Protestants contend that Applicant and Bank have failed to serve the convenience and needs of low-income and minority persons in the Birmingham area.[6]

The Board has carefully reviewed the record of Applicant and Bank in meeting the convenience and needs of all segments of its community and the comments submitted by Protestants. The Board notes that Applicant has received satisfactory CRA ratings at its most recent examination in May, 1987. Bank and its mortgage company subsidiary are active in making home improvement loans in low- to moderate-income areas of Birmingham, with 26 percent of their home improvement loans originating in low- to moderate-income neighborhoods in 1986. Home improvement loans by Bank accounted for nearly 50 percent of all home improvement loans extended in predominantly minority neighborhoods in Birmingham by commercial banking organizations operating in this metropolitan area in 1984 and 1985. Bank and its mortgage company subsidiary have also participated in several community development projects to construct and renovate housing in low- to moderate-income neighborhoods in Birmingham. The Board also notes that Bank has sought approval to open an additional branch office that would serve primarily low-income neighborhoods in Birmingham.

6. Protestants contend that Applicant has not done enough to help meet the credit needs of low income and minority individuals in Birmingham, particularly in the area of housing finance; that Applicant may be impeding the flow of credit to low-income and primarily minority neighborhoods; that Applicant's participation in local development and redevelopment projects has not been adequate; and that Applicant's CRA statement indicates that Applicant does not adequately assess the credit needs of the community.

Based on these and all of the other facts of record in this case, the Board concludes that convenience and needs considerations are consistent with approval of these applications.

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

By order of the Board of Governors, effective November 13, 1987.

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

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

Valley National Corporation
Phoenix, Arizona

Order Approving the Acquisition of a Bank

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

Notice of the application, affording an opportunity for interested persons to submit comments, has been given in accordance with section 3(b) of the BHC Act (52 *Federal Register* 26,083 (1987)). The time for filing comments has expired, and the Board has considered the application and all comments received, including comments in opposition to the application from the PPEP Housing Development Corporation ("PPEP"), Tucson, Arizona, and the Salt Lake Citizens Congress, Salt Lake City, Utah (collectively, the "Protestants"), in light of the factors set forth in section 3(c) of the BHC Act (12 U.S.C. § 1842(c)).

Section 3(d) of the BHC 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."[1] The statute laws of California authorize an out-of-state bank holding company, with the approval of the California Superintendent of Banks, to acquire a California bank or bank holding company provided that the state laws of the acquiring institution has substantial reciprocity with California law and that the transaction will not have an adverse effect on the public's convenience in California.[2]

The California Superintendent of Banks has found that Arizona has an interstate banking statute that has substantial reciprocity with California.[3] Based on its own review of the record, the Board has determined, as required by the Douglas Amendment, that the proposed acquisition is specifically authorized by the statute laws of California, subject to Valley National's obtaining the approval of the California Superintendent of Banks pursuant to section 3776 of California Financial Code.

Valley National is the largest banking organization in Arizona, operating one subsidiary bank with total deposits of $9.2 billion, representing approximately 38.8 percent of the total deposits in commercial banks in Arizona.[4] Valley National also operates commercial banks in Utah. Bank is the 170th largest of 432 commercial banking organizations in California, controlling total deposits of $73.0 million, representing less than 1 percent of total deposits in commercial banks in California. Consummation of the proposal would not have any significant adverse effect upon the concentration of banking resources in Arizona or California.

Valley National and Bank do not compete directly in any banking market. Accordingly, consummation of the proposal would not eliminate any significant existing competition in any relevant banking market. The Board has also considered the effects of the proposed acquisition on probable future competition in the markets in which Valley National or Bank, but not both, compete. In light of the existence of numerous potential entrants into the relevant markets, the Board concludes that consummation of the proposed transaction would not have any significant adverse effect on probable future competition in any relevant banking market.

The financial and managerial resources of Valley National, its subsidiaries, and Bank are considered satisfactory and consistent with approval.

In considering the convenience and needs of the communities to be served, the Board has also taken into account the record of Valley National under the Community Reinvestment Act (12 U.S.C. § 2901 *et seq.*) ("CRA"). 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 low- and moderate-income neighborhoods, consistent with safe and sound operation.

With regard to Valley National's CRA record, the Board has considered the extensive comments from both Salt Lake Citizens Congress and PPEP. Salt Lake Citizens Congress requests that the Board not approve the application until Valley National's Utah subsidiary, Valley Bank & Trust ("VB&T"), provides loans to low- and moderate-income areas and cashes government checks for persons with valid identification. PPEP requests that the Board not approve the application until Valley National's Arizona subsidiary, Valley National Bank ("VNB"), demonstrates that it is meeting the credit needs of low- and moderate-income residents in rural service areas and that Valley National has a satisfactory CRA performance in rural service areas.

In accordance with the Board's practice and procedures for handling protested applications,[5] the Board reviewed the CRA record of VB&T and VNB, the allegations made by Protestants, and Valley National's response. Valley National has met with Protestants in an attempt to address their concerns. The parties, however, were unable to come to a resolution of their differences.

With regard to VB&T's performance, the Board notes that the bank has a number of programs in place that are monitored by an executive vice president who reports directly to the President of VB&T. VB&T is active in providing home purchase and home improvement loans to most of the low- and moderate-income census tracts served by VB&T. In addition, the record indicates that VB&T participates in several community development activities, including serving as an SBA preferred lender, participating in a home improvement loan program initiated by a local development agency, investing in municipal bonds, supporting Utah's guaranteed student loan program, and collaborating with many neighborhood groups.

The Board has also considered the CRA record of VNB. A full-time CRA compliance officer monitors

1. A bank holding company's home state is the state in which the operations of the bank holding company's subsidiary banks were principally conducted on July 1, 1966, or the date on which the company became a bank holding company, whichever is later. 12 U.S.C. § 1842(d). Valley National's home state is Arizona.

2. Cal. Financial Code § 3770 *et seq.* (West 1968 and Supp. 1987).

3. *See* December 23, 1986, letter to Valley National Corporation from the California Superintendent of Banks.

4. All state banking data are as of December 31, 1986.

5. *See* 12 C.F.R. § 265.25(c).

the CRA activities of VNB and reports directly to an officer of VNB who is a member of the executive committee of VNB and the executive committee of Valley National. VNB has an existing program to ascertain community credit needs which involves using marketing and other surveys to determine the credit needs of the communities it serves, as well as having its officers and directors participate in a variety of community organizations. VNB advertises its services through radio, television, print, and billboard media; is active in providing mortgage and home improvement loans; participates in FHA Title I lending programs; and has a CRA loan program designed to offer extended-term loans to residents of federally designated low- to-moderate-income level census tracts.

With respect to the Protestants' assertions, a review of VNB's loan portfolio indicates that there is a reasonable distribution of loans between urban and rural areas, given the fact that over 75 percent of the state's population resides in Phoenix and Tucson. In order to strengthen its CRA performance in certain low- and moderate-income census tracts within the Phoenix and Tuscon MSAs, VNB has agreed to strengthen its marketing and consumer education efforts in all segments of its service area. VNB will expand throughout the state its special lending programs geared to low- and moderate-income persons, especially in rural areas. Based on all the facts of record, the Board concludes that the convenience and needs of the communities to be served are consistent with approval.[6]

Based on the foregoing and other facts of record, the Board has determined that the application should be, and hereby is, approved, subject to the express condition that Valley National obtain the approval of the California Superintendent of Banks pursuant to section 3776 of the California Financial Code. 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 San Francisco, acting pursuant to delegated authority.

By order of the Board of Governors, effective November 30, 1987.

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

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

6. PPEP has also requested the Board to order a public meeting or hearing to receive public testimony on the issues presented by this application. Although section 3(b) of the BHC Act does not require a public meeting or formal hearing in this instance, the Board may, in any case, order a public meeting or formal hearing. *See* 12 C.F.R. § 262.3(e). The Board's Rules of Procedure also provide that a public meeting may be held to clarify factual issues related to an application or to provide an opportunity for interested persons to testify. 12 C.F.R. § 262.25(d). However, in its request for a hearing or a meeting, PPEP does not present any material questions of fact that are in dispute. In accordance with the Board's guidelines, Valley National and PPEP have met privately to discuss this application and have exchanged extensive correspondence. In the Board's view, the parties have had ample opportunity to present their arguments in writing and to respond to one another's submissions. In light of these facts and other facts of record, the Board has determined that a public hearing or public meeting is not necessary to clarify the factual record in this

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

Comerica Incorporated
Detroit, Michigan

Order Approving the Acquisition of a Bank

Comerica Incorporated, Detroit, Michigan ("Comerica"), 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(a)(3) of the Act (12 U.S.C. § 1842(a)(3)) to convert Comerica-Midwest, N.A., Toledo, Ohio, to a full service bank ("Bank").[1] Bank currently operates as a credit card bank, pursuant to section 4(c)(8) of the Act (12 U.S.C. § 1843(c)(8)).[2]

Notice of the applications, affording an opportunity for interested persons to submit comments, has been published (52 *Federal Register* 29,727 (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 section 3(c) of the Act (12 U.S.C. § 1842(c)).

Section 3(d) of the Act (12 U.S.C. § 1842(d)), the Douglas Amendment, prohibits the Board from approving an application by a bank holding company to acquire control of any bank located outside of the bank holding company's home state unless the acquisition is "specifically authorized by the statute laws of the

1. Comerica Bank-Detroit, a state member bank of the Federal Reserve System, also has applied to establish an off-site electronic facility at 445 State Street, Detroit, Michigan, pursuant to section 9 of the Federal Reserve Act, 12 U.S.C. § 321.

2. 69 FEDERAL RESERVE BULLETIN 923 (1983).

State in which such bank is located, by language to that effect and not merely by implication."[3] Applicant's home state is Michigan. The statute laws of Ohio authorize the acquisition of a bank or bank holding company in Ohio by a bank holding company located in a contiguous state, if the contiguous state has a reciprocal agreement.[4] The Board has previously determined that the Michigan and Ohio banking laws are reciprocal and has allowed Ohio bank holding companies to acquire Michigan banks.[5] Accordingly, consummation of the proposal is not barred by section 3(d) of the Act.

Comerica is the second largest commercial banking organization in Michigan, with deposits of $8.2 billion, representing 13.2 percent of the total deposits in commercial banks in the state.[6] Because Comerica does not operate a full service bank in Ohio, consummation of this proposal would have no substantial effect on the concentration of banking resources in that state.

Bank will operate in the Toledo banking market.[7] Because Comerica currently does not operate in this market, consummation of this proposal would have no significant adverse effect on competition in this market.

The financial and managerial resources of Comerica and its subsidiary banks are consistent with approval of this application.

In considering the convenience and needs of the communities to be served, the Board has taken into account Comerica's record under the Community Reinvestment Act (12 U.S.C. § 2901 *et seq.*) ("CRA"),[8] and two individual comments ("Protestants") received from residents of Detroit, Michigan. The Protestants have requested that the Board not approve the application until Comerica provides adequate assurances that it will meet the convenience and needs of the low- and moderate-income individuals within the city limits of Detroit, an area that Comerica currently services. Protestants allege that Comerica engages in a pattern of racial discrimination in granting credit in Detroit. The Protestants also request that the Board order a public hearing, and use of discovery.

In accordance with the Board's practice and procedure for handling protested applications,[9] the Federal Reserve Bank of Chicago encouraged the parties to meet to clarify the issues under the CRA. The parties met and were unable to come to a resolution of their differences.

In response to the Protestants' comments, the Board notes that Comerica's subsidiary banks, specifically its lead bank, Comerica Bank-Detroit, has received a satisfactory CRA assessment from the Board during its most recent CRA examination. Comerica has also informed the Board that Bank has instituted a CRA Committee, which is composed of senior officers from each business division of Bank, that will meet regularly to monitor Bank's CRA compliance. The CRA Committee will report directly to the Public Responsibility Committee of Comerica's Board of Directors.

Bank has a program in place to ascertain community credit needs through the involvement of its officers in several community and professional organizations. Comerica also advertises its services through newspapers of general circulation, as well as through minority-owned publications, television, and local radio announcements. Bank is active in providing mortgage and home improvement loans, in state and federal housing programs. Moreover, there is no evidence in the record to indicate that borrowers in low- to moderate-income neighborhoods were unjustifiably denied credit.

Accordingly, based upon all the evidence, including the programs and measures Comerica has undertaken to serve the convenience and needs of the community, including low- and moderate-income segments of that community, the Board concludes that convenience and needs considerations are consistent with approval of these applications.[10] The Federal Reserve Bank of Chicago will monitor Comerica's CRA program to

3. 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 the largest on July 1, 1966, or on the date it became a bank holding company, whichever date is later. 12 U.S.C. § 1842(d).

4. Ohio Rev. Code Ann. § 1101.05 (Anderson 1986).

5. *See* Order approving the application by Ameritrust, Cleveland, Ohio, and First Indiana Bancorp, Elkhart, Indiana, to acquire First National Bank & Trust Company, Sturgis, Michigan. (Order by the Federal Reserve Bank of Cleveland dated July 25, 1986).

6. Deposit data are as of December 31, 1986.

7. The Toledo banking market is defined as Lucas and Wood Counties, except for the city of Fostoria, Fulton County, Ottawa County, and Sandusky County, all in Ohio; and Whiteford, Bedford, and Erie townships in Monroe County, Michigan.

8. The CRA requires the Board, in its evaluation of bank holding company applications and applications for domestic branches of state member banks, to assess the record of an applicant in meeting the credit needs of the entire community, including low- and moderate-income neighborhoods consistent with safe and sound operation of the bank.

9. *See* 12 C.F.R. § 262.25(c).

10. Although section 3(b) of the Act does not require a formal hearing in this instance, the Board may, in any case, order a formal or informal hearing. In the Board's view, the parties have had ample opportunity to present their arguments in writing and to respond to one another's submissions. In light of these facts, the Board has determined that a hearing would serve no useful purpose. Accordingly, Protestants' request for a public hearing is hereby denied.

ensure compliance with the Community Reinvestment Act.

Based on the foregoing and other facts of record, the Board has determined that the applications should be, and hereby are, approved. The conversion shall not take place before the thirtieth calendar day following the effective date of this Order, or later than three months after the effective date of this Order, and the proposed off-site automated teller machine should not be established later than three months after the effective date of the Order, unless such period is extended for good cause by the Board or by the Federal Reserve Bank of Chicago, acting pursuant to delegated authority.

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

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

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

Equimark Corporation
Pittsburgh, Pennsylvania

Order Approving the Acquisition of a Bank Holding Company

Equimark Corporation, Pittsburgh, Pennsylvania ("Equimark"), a bank holding company within the meaning of the Bank Holding Company Act (12 U.S.C. § 1841 *et seq.)* (the "BHC Act"), has applied for the Board's approval under section 3(a)(3) of the BHC Act (12 U.S.C. § 1842(a)(3)) to acquire Liberty Financial Group, Inc., Horsham, Pennsylvania ("Liberty"), and thereby indirectly to acquire Liberty Savings Bank, Horsham, Pennsylvania ("Liberty Bank"), an FDIC-insured savings bank.[1] Applicant has also applied under section 4(c)(8) of the BHC Act (12 U.S.C. § 1843(c)(8)) to acquire Liberty Service Corporation, Horsham, Pennsylvania ("LSC"), and thereby engage in the activities of making, acquiring and servicing loans or other extensions of credit. These activities are authorized for bank holding companies pursuant to the Board's Regulation Y (12 C.F.R. § 225.25(b)(1)).

Notice of the applications, affording interested persons an opportunity to submit comments, has been published (52 *Federal Register* 37,013 (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 BHC Act.

Equimark is the eleventh largest commercial banking organization in Pennsylvania, with approximately $2.1 billion in deposits, representing 2.0 percent of the total deposits in commercial banking organizations in the state.[2] Liberty is the 33rd largest commercial banking organization in Pennsylvania, with deposits of approximately $357.8 million, representing less than 1 percent of the total deposits in commercial banks in the state. Upon consummation of the proposal, Equimark will become the tenth largest commercial banking organization in Pennsylvania, controlling deposits of approximately $2.5 billion, representing 2.3 percent of the total deposits in commercial banks in the state.

Equimark and Liberty compete in the Philadelphia/Trenton banking market.[3] Equimark is the 29th largest of 52 commercial banking organizations in the market,[4] controlling less than 1 percent of the total deposits in commercial banks in the market. Liberty is the sixteenth largest commercial banking organization in the market, controlling less than 1 percent of the total deposits in commercial banks in the market. Upon consummation of the proposal, Equimark would become the thirteenth largest commercial banking organization in the market, controlling 1.2 percent of the total deposits in commercial banks in the market. The Philadelphia/Trenton banking market is considered unconcentrated, with a Herfindahl–Hirschman Index ("HHI") of 965. Upon consummation, the HHI would increase by 1 point to 966.[5] Accordingly, the Board concludes that consummation of the proposal would not have a substantial adverse competitive effect in the Philadelphia/Trenton banking market.

1. As an FDIC-insured institution, Bank would qualify as a "bank" under section 2(c) of the BHC Act, as amended by section 101(a) of the Competitive Equality Banking Act of 1987 ("CEBA"), Pub. L. No. 100–86, 100 Stat. 552, 554 (1987) (to be codified at 12 U.S.C. § 1841(c)).

2. State banking data are as of March 31, 1987.

3. The Philadelphia/Trenton banking market is approximated by the Pennsylvania Counties of Bucks, Chester, Delaware, Montgomery and Philadelphia; and the New Jersey Counties of Burlington, Camden, Gloucester and Mercer.

4. Market banking data are as of June 30, 1986.

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 less than 1000 is considered unconcentrated and the Department will not challenge a merger or acquisition resulting in an HHI of less than 1000, except in extraordinary circumstances. The Department has informed the Board that a bank merger or acquisition generally will not be challenged (in the absence of other factors indicating anticompetitive effects) unless the post-merger HHI is at least 1800 and the merger increases the HHI by at least 200 points.

Based upon a review of all the facts of record, the Board has determined that the financial and managerial resources of Equimark and Liberty 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.

Equimark has also applied, pursuant to section 4(c)(8) of the BHC Act, to acquire Liberty Bank's nonbanking subsidiary, LSC, and engage in the activities of commercial and consumer finance. The markets for these activities have numerous competitors and are regional or national in scope. Accordingly, the Board concludes that this proposal would not have any significant adverse effect upon competition in any relevant market.

Liberty Bank engages, through LSC and its subsidiary, Wynnewood Plaza, Inc., in real estate investment and development activities authorized by state law. Equimark has committed that, upon consummation, Liberty Bank will not engage directly or indirectly in real estate investment or development activities impermissible under the BHC Act, except to complete its existing projects. Equimark has committed to complete these projects and divest of them within two years of consummation of the proposal, unless during such period Equimark receives approval pursuant to an application under section 4(c)(8) of the BHC Act to retain such activities, or the Board otherwise determines that these activities are permissible under the BHC Act.

Liberty Bank's nonbanking subsidiary, Liberty Service Insurance Agency, Inc., although currently inactive, is authorized to engage in general insurance activities that generally are impermissible for bank holding companies. Equimark has committed that Liberty Service Insurance Agency, Inc. will remain inactive and will be dissolved as soon as practicable, following consummation of the proposal.

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 Liberty 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 Cleveland acting pursuant to delegated authority.

By order of the Board of Governors, effective November 30, 1987.

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

JAMES MCAFEE
Associate Secretary of the Board

[SEAL]

Fleet Financial Group, Inc.
Providence, Rhode Island

Order Approving the Merger of Bank Holding Companies and the Acquisition of Banking and Nonbanking Subsidiaries

Fleet Financial Group, Inc., Providence, Rhode Island ("Fleet"), 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 merge with Norstar Bancorp, Inc., Albany, New York ("Norstar"), and thereby to acquire its subsidiary banks: Norstar Bank of Upstate New York, Albany, New York; Norstar Bank, N.A., Buffalo, New York; LI Holding Company, and its subsidiary, Norstar Bank of Long Island, Hempstead, New York; Norstar Bank of the Hudson Valley, N.A., Newburgh, New York; Norstar Bank of Commerce, New York, New York; Norstar Bank of Maine, Portland, Maine; Norstar Bank of Central New York, Syracuse, New York; and United National Bank, Callicoon, New York.[1]

Fleet also seeks approval to acquire the successor to the merger of its bank holding company subsidiary, Merrill Bankshares Company, Bangor, Maine, with Norstar Bankshare Association of Maine, Lewiston, Maine. In conjunction with this application, The Merrill Trust Company, a state member bank, has applied for the Board's approval under section 18(c) of the Federal Deposit Insurance Act and section 9 of the Federal Reserve Act (12 U.S.C. § 321) to merge with Norstar Bank of Maine, Portland, Maine.

Fleet has also applied under section 4(c)(8) of the Act (12 U.S.C. § 1843(c)(8)) to acquire the nonbanking subsidiaries of Norstar listed in Appendix A to this Order.

Notice of the applications, affording interested persons an opportunity to submit comments, has been published (52 *Federal Register* 29,435 (1987) and 52 *Federal Register* 31,814 (1987)). The time for filing comments has expired, and the Board has considered

1. As a result of the merger, the resulting institution will operate under the charter of Fleet and with the title Fleet/Norstar Financial Group, Inc.

In connection with the transaction, Fleet and Norstar have granted to each other an option to purchase up to 24.99 percent of the outstanding common stock of their respective organizations. Applicant has also applied for approval to exercise its option if any of several preconditions occur.

Fleet and Norstar individually own 4.9 percent of the voting capital stock of Indian Head Banks, Inc., Nashua, New Hampshire. Fleet and Norstar have committed to reduce the aggregate investment in this company to below 5 percent prior to consummation of the proposal.

the applications and all comments received in light of the factors set forth in sections 3(c) and 4(c)(8) of the Act and the Bank Merger Act.[2]

Fleet controls five banking subsidiaries located in Rhode Island, Maine, Connecticut, and Massachusetts. Fleet is the largest commercial banking organization in Rhode Island, controlling deposits of $3.6 billion, representing 43.5 percent of the total deposits in commercial banks in Rhode Island.[3] Fleet also is the fifth largest commercial banking organization in Maine, controlling deposits of $658.8 million, which represents 13.0 percent of the total deposits in commercial banks in the state. Norstar operates seven banking subsidiaries in New York and Maine. Norstar is the tenth largest commercial banking organization in New York, controlling deposits of $8.9 billion, representing 3.3 percent of the total deposits in commercial banks in New York. Norstar is the fourth largest commercial banking organization in Maine, controlling deposits of $680.5 million, representing 13.4 percent of the total deposits in commercial banks in Maine. Upon consummation of the proposed acquisition and all planned divestitures, Fleet would become the largest commercial banking organization in Maine, and its share of total deposits in commercial banks would increase to $1.2 billion, representing approximately 24.0 percent of the deposits in that state. Consummation of this proposal would have no significant adverse effect upon the concentration of commercial banking resources in Maine.

Section 3(d) of the Act (12 U.S.C. § 1842(d)), the Douglas Amendment, prohibits the Board from approving an application by a bank holding company to acquire control of any bank located outside of the holding company's home state, 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." Fleet's home state is Rhode Island.[4] The statute laws of New York expressly authorize the acquisition of a banking institution in New York by a bank holding company that controls a bank located in another state, if that state authorizes the acquisition of a financial institution in that state on a reciprocal basis by a New York bank holding company.[5] Under recently enacted legislation, Rhode Island will allow New York bank holding companies to acquire Rhode Island banks after January 1, 1988, on a reciprocal basis. The Office of the New York Superintendent of Banks has informed the Board that it has no objection to this proposal. Moreover, the Board has previously determined that Fleet's and Norstar's acquisitions in Maine were authorized by the Douglas Amendment.[6] Accordingly, Fleet's proposal to acquire Norstar's New York and Maine subsidiaries is not barred by the Douglas Amendment.

Fleet currently owns two banks in Connecticut. Under Connecticut law, Fleet, a New England bank holding company authorized to make acquisitions in Connecticut, ceases to be a New England bank holding company if it acquires subsidiary banks with their principal places of business outside the New England region.[7] Once a bank holding company ceases to be a New England bank holding company, the Connecticut Banking Commissioner is required to order the immediate divestiture of all Connecticut banking institutions.[8] The Connecticut Banking Commissioner has informed the Board that Connecticut law would not bar consummation of the proposal but that he would thereafter be required by statute to order Fleet to divest its Connecticut subsidiaries. Fleet has provided to the Banking Commissioner a draft that addresses the divestiture requirements to the satisfaction of the Connecticut Banking Commissioner.[9]

Unlike Connecticut law, Massachusetts law contains no express divestiture requirement. Accordingly, the Board's authorization for Fleet's acquisition of its Massachusetts banking subsidiaries continues unaffected by Fleet's proposed merger and acquisition of banking subsidiaries located outside of the New England region.

Based on the foregoing and other facts of record, the Board has determined that the proposed acquisition is specifically authorized by the statute laws of New York and Maine and is not inconsistent with the laws of Connecticut and Massachusetts. Thus, Board approval of the proposal is not prohibited by the Douglas Amendment.

2. The Board received one comment in opposition to this proposal based on a customer's problem with a checking account in Fleet's bank in Rhode Island. The Comptroller of the Currency currently is investigating this complaint. In light of the facts in the record in this case, the Board has determined that this comment does not warrant denial of this application.

3. State deposit data are as of March 31, 1987, and market deposit data are as of June 30, 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. N.Y. Banking Law § 142-b (McKinney 1987).

6. *Fleet Financial Group, Inc.*, 70 FEDERAL RESERVE BULLETIN 834 (1984) (Maine and Connecticut statutes); *Norstar Bancorp Inc.*, 69 FEDERAL RESERVE BULLETIN 306 (1983). The Rhode Island Department of Business Regulation, Banking Division, has informed the Board that the application raises no issues under Rhode Island law.

7. Conn. Gen. Stat. Ann. § 36–552(j) (West 1987). For purposes of this provision, the New England region includes Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, and Vermont.

8. Conn. Gen. Stat. Ann. § 36–553 (West 1987).

9. Fleet is required, of course, to comply with any divestiture ordered by the Connecticut Banking Commissioner.

Fleet and Norstar compete directly in the following nine Maine banking markets: Bangor, Augusta, Farmington, Machias, Guilford, Calais, Lincoln, Millinocket, and Portland.

In the Bangor banking market,[10] Fleet is the largest of six commercial banking organizations, controlling $273.8 million in deposits, which represents 55.1 percent of the total deposits in that area. Norstar is the second largest commercial banking organization in the Bangor market, controlling $77.1 million in deposits, which represents 15.5 percent of total deposits in commercial banks in the market. The Bangor market is highly concentrated, with the four largest commercial banking organizations controlling 91.1 percent of the deposits in commercial banks in this market. Upon consummation of this proposal, Fleet would remain the largest commercial banking organization, controlling $350.9 million in deposits, representing 70.6 percent of market share. The four-firm concentration ratio in Bangor would increase 6 points to 97.1 percent and the Herfindahl–Hirschman Index ("HHI") would increase by 1708 points to 5272.[11]

In order to mitigate the adverse competitive effects that would otherwise result from consummation of this proposal, Fleet has committed to divest, on or before consummation of the merger, three offices in the Bangor market to a competitor that currently competes in this market.[12] In addition to Fleet's proposed divestiture, the Board has considered the unusually strong competition from the three state-chartered savings banks in the Bangor market. These factors and other market characteristics substantially mitigate the anticompetitive effects of the combination of Fleet and Norstar in this market.

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. The three state-chartered savings banks operating in the Bangor banking market are sizable and provide substantial competition to the six commercial banks in the market for a full range of financial services. These thrifts control 45.8 percent of the market's deposits and rank as the second, third, and fourth largest depository institutions in the market.

Moreover, all three savings banks in the Bangor market conduct a commercial banking business as authorized under Maine law and offer a full range of financial services. In particular, thrifts provide a full array of commercial banking services in addition to offering traditional thrift products. 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 6.1 percent, well above the 2.2 percent average for thrifts on a nationwide basis. Moreover, the number of commercial demand deposit accounts in the savings banks is significant.

Thrifts in the Bangor market have commercial lending officers and active commercial lending departments. A significant portion of small businesses in the Bangor market recently secured financing from a savings bank located in the Bangor market. On the basis of these factors, particularly the competition offered by savings banks in the commercial market, the Board finds that consummation of this proposal will not have a signifcant effect on competition in this banking market.[14]

In the Augusta banking market,[15] Fleet is the second

10. The Bangor banking market includes the Bangor Metropolitan Statistical Area ("MSA") plus Alton, Amherst, Argyle, Bradford, Bradley, Carmel, Charlestown, Clifton, Corinth/East Corinth, Dixmont, Etna, Greenbush, Greenfield, Hudson, LaGrange, Levant, Milford, Newburgh and Stetson in Penobscot County; Bucksport, Castine, Dedham, Orland, Otis and Verona in Hancock County; and Frankfort, Prospect and Stockton Springs in Waldo County.

11. Under the revised Department of Justice Merger Guidelines, 49 *Federal Register* 26,823 (June 29, 1984), a market in which the post-merger HHI is above 1800 is considered highly concentrated. In such markets, the Department is likely to challenge a merger that increases the HHI by more than 50 points. The Department has informed the Board that a bank merger or acquisition generally will not be challenged (in the absence of other factors indicating anticompetitive effects) unless the post-merger HHI is at least 1800 and the merger increases the HHI by at least 200 points. The Justice Department has stated that the higher than normal HHI thresholds for screening bank mergers for anticompetitive effects implicitly recognizes the competitive effect of limited-purpose lenders and other non-depository financial entities.

12. The Board's Policy with regard to divestitures intended to remedy the anticompetitive effects resulting from a merger or acquisition proposal requires that divestitures must occur on or before consummation. *Barnett Banks of Florida, Inc.*, 68 FEDERAL RESERVE BULLETIN 190 (1982); *InterFirst Corporation*, 68 FEDERAL RESERVE BULLETIN 243 (1982).

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. The Board previously has indicated the appropriateness of considering market factors in a specific market, including thrift deposits at a level greater than 50 percent, when analyzing the anticompetitive effects of a proposal. *Hartford National Corporation*, 73 FEDERAL RESERVE BULLETIN 720 (1987).

If 75 percent of the deposits controlled by thrift institutions in the Bangor market were included with the proposed divestiture, Fleet would rank first among banks and thrifts in the market, controlling a combined 36.5 percent of the market's deposits. The HHI would increase 200 points to 2128.

15. The Augusta banking market consists of Kennebec County plus the Somerset County townships of Canaan, Fairfield and Smithfield; the Waldo County townships of Freedom, Palermo, Thorndike, Troy and Unity; the Lincoln County townships of Jefferson, Somerville, and Whitefield; the Kennebec County townships of Hibbets Gore; and the Knox County township of Washington.

largest of six commercial banking organizations, controlling $106.0 million in deposits, which represents 24.3 percent of total deposits in commercial banks in the market. Norstar is the third largest commercial banking organization in Augusta, controlling $88.6 million in deposits, which represents 20.3 percent of total deposits in commercial banks in that market. The Augusta banking market is highly concentrated with the four largest commercial banks controlling 92.0 percent of deposits in that area. Following acquisition of Norstar, Fleet would be the largest commercial banking organization in the market, controlling 44.6 percent of the deposits in commercial banks in the market. The four-firm concentration ratio would increase by 7.3 points to 99.3 percent and the HHI for the market would increase by 983 points to 3600. As in the Bangor market, however, thrift institutions are significant competitors in the market. Accordingly, on the basis of thrift competition in the Augusta market, the Board concludes that consummation of the proposal would not have a substantial adverse competitive effect in this banking market.[16]

In the Farmington[17] and Machias[18] banking markets, Fleet would become the largest commercial banking organization in the market upon consummation of the proposal. Each market is highly concentrated, with the four largest banks controlling 95.4 and 100 percent respectively of the deposits in commercial banks in the market. In Guilford,[19] Fleet would be the only commercial banking organization in the market. In order to alleviate the anticompetitive effects that would otherwise result from consummation of this proposal, Fleet has committed to divest some of its or Norstar's offices in these markets on or prior to the proposed merger. These divestitures and the significant influence of thrift institutions in these markets mitigate the anticompetitive effect of this proposal.[20]

The adverse competitive effects of this proposal in the Calais, Lincoln, and Millinocket markets are mitigated by Fleet's commitment to divest either its offices or Norstar's offices in these markets prior to or concurrent with consummation of the proposal. On the basis of these divestiture commitments, the Board concludes that consummation of the proposal would have no significant adverse effect in any of these banking markets.

In the Portland market, consummation of the proposal would result in an increase of less than 50 points in the HHI and Fleet/Norstar would control less than 10 percent of the deposits in commercial banks in the market.[21] Accordingly, the Board concludes that consummation of the proposal would have no significant adverse effect in this market.

On the basis of the above facts and other facts of record, the Board finds that consummation of Fleet's proposal would not have a significant adverse effect on existing competition in any relevant market. The Board also has considered the effects of Fleet's proposal on probable future competition in markets in which Fleet and Norstar do not both compete. In light of the market concentration and the number of probable future entrants into the markets, the Board concludes that consummation of this proposal would not have a significant adverse effect on probable future competition in any relevant market.

The financial and managerial resources of Fleet and Norstar are consistent with approval. No additional debt will be incurred in connection with the proposal. In addition, Fleet's existing and *pro forma* consolidated capital levels are above the Board's minimum guidelines and exceed peer group averages.[22] Considerations relating to the convenience and needs of the communities to be served by Fleet's and Norstar's subsidiary banks also are consistent with approval of this application.

Fleet also has applied, pursuant to section 4(c)(8), to acquire certain nonbanking subsidiaries of Norstar. Fleet operates leasing, mortgage banking, discount

16. If thrift institutions are included in the analysis at 50 percent, Fleet and Norstar would control 28.5 percent of the total market deposits. The HHI would increase by 418 points to 1773.

17. The Farmington banking market consists of Livermore and Livermore Falls in Androscoggin County; Avon, Carrabasset Valley, Chesterville, Crockertown, Farmington, Freeman, Industry, Jay, Jerusalem, Kingfield, Madrid, Mount Abraham, New Sharon, New Vineyard, Perkins, Phillips, Salem, Strong, Temple, Washington, Weld and Wilton in Franklin County; and the township of New Portland in Somerset County.

18. The Machias banking market is comprised of the southern portion of Washington County.

19. The Guilford banking market consists of the southern portion of Piscataquis County.

20. The following data indicates the market share and the change in the HHI if 50 percent of the deposits controlled by thrift institutions and the described divestitures were included in the calculation of market concentration in these banking markets:

In the Farmington market, Fleet and Norstar would control 22.4 percent of the total market deposits. The HHI would increase by 207 points to 1941. However, Fleet proposes to divest to the most commercially active thrift institution in Maine.

In the Machias market, Fleet and Norstar would control 19.0 percent of the total market deposits. The HHI would increase by 42 points to 2651.

In the Guilford market, Fleet and Norstar would control 46.9 percent of the total market deposits. The HHI would increase by 97 points to 3618. Fleet proposes to divest to a company that does not currently operate in the market.

21. The Portland banking market consists of the Portland Ranally Metropolitan Area ("RMA") plus Baldwin, Casco, Naples, Pownal, and Sebago in Cumberland County; and Dayton, Hollis, Kennebunk, Kennebunkport, Limington, Lyman, and North Kennebunkport in York County.

22. *Capital Adequacy Guidelines for Bank Holding Companies and State Member Banks*, 12 C.F.R. Part 225, Appendix A.

brokerage services, and consumer and commercial lending subsidiaries that directly compete with Norstar and its subsidiaries in these activities. Consummation of the proposal, however, would have a *de minimis* effect on existing competition in each of these markets and there are numerous competitors for these services. Accordingly, the Board concludes that the proposal would not have any significant adverse effect on existing or probable future competition in any relevant market. Furthermore, there is no evidence in the record to indicate that approval of this proposal would result in undue concentration of resources, decreased or unfair competition, conflicts of interest, 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 the nonbanking subsidiaries of Norstar.

Based on the foregoing and other facts of record, the Board has determined that the applications under sections 3 and 4 of the Act and the Bank Merger Act should be and hereby are approved, subject to Fleet's commitments and divestiture proposals. This approval is also subject to the condition that Fleet obtain all required state approvals and comply with any required divestitures under state law. The acquisition of Norstar shall not be consummated before the thirtieth calendar day following the effective date of this Order, or later than three months after the effective date of this Order, unless such period is extended for good cause by the Board or by the Federal Reserve Bank of Boston, acting pursuant to delegated authority. The determinations as to Fleet'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 November 9, 1987.

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

JAMES MCAFEE
Associate Secretary of the Board

[SEAL]

APPENDIX A

Nonbanking Subsidiaries To Be Acquired

Norstar Leasing Services, Inc., and thereby engage in equipment leasing and certain commercial lending activities; Norstar Auto Lease, Inc., and thereby engage in automobile leasing; Norstar Investment Advisory Services, Inc., and thereby engage in activities providing portfolio management, investment advice, and consumer financial counseling; Norstar Trust Company, and thereby engage in trust and financial management services; Norstar Mortgage Corporation, and thereby engage in residential mortgage loan origination and servicing and the provision of related advisory services; Chapdelaine & Company Government Securities, Inc., and thereby engage in acting as a broker of government securities on behalf of other brokers who are principal dealers in such securities; Norlife Reinsurance Company, and thereby engage in acting as a reinsurer of credit life, credit accident and health insurance and mortgage life and mortgage accident and health insurance sold in connection with extensions of credit to consumers; Adams, McEntee & Company, Inc., and thereby engage in the sale and underwriting of state and municipal securities and brokerage of certain mutual fund shares; Altman, Brown & Everett, Inc., and thereby engage in actuarial and employee benefits consulting services; Norstar Brokerage Corporation and its wholly owned subsidiary, NB Clearing Corporation, and thereby engage in retail discount brokerage services; Norstar Data Services, Inc., and thereby provide data processing services to affiliates of parent company and, in the past, to third persons; and Norstar Trust Company of Florida, N.A., and thereby engage in general trust services. The Board has determined that these activities are closely related to banking and permissible for bank holding companies. 12 C.F.R. §§ 225.23(b)(1), (3), (4), (5), (7), (8), (15), (16), (20) and the Board's Orders dated June 19, 1985 and August 19, 1986.

Dissenting Statement of Governor Angell

I believe this application raises serious questions concerning the sufficiency of the research data used in analyzing the anticompetitive effects of mergers and acquisitions especially in those markets with a small number of financial competitors. Without adequate empirical research, I am concerned that the Board will approve transactions with substantial anticompetitive effects especially in the areas of small business and agricultural lending. I believe it is important for the Board to determine the extent and nature of the services that actually are provided by the competitors of banks in these markets, and I would encourage applicants to provide this information in the future.

November 10, 1987

Orders Issued Under the Bank Merger Act

Valley Bank of Nevada
Las Vegas, Nevada

Order Approving the Merger of Banks

Valley Bank of Nevada, Las Vegas, Nevada ("Valley"), the sole subsidiary of Valley Capital Corporation, Las Vegas, Nevada, a bank holding company within the meaning of the Bank Holding Company Act, has applied for the Board's approval under the Bank Merger Act (12 U.S.C. § 1828(c)) to merge with Security Bank of Nevada, Reno, Nevada ("Security"), under the charter and title of Valley.

Notice of this application, affording interested persons an opportunity to submit comments and views, has been given in accordance with the Bank Merger Act and the Board's Rules of Procedure (12 C.F.R. § 262.3(b)). As required by the Bank Merger Act, reports of the competitive effects of the merger were requested from the United States Attorney General, the Comptroller of the Currency, and the Federal Deposit Insurance Corporation. The time for filing comments has expired and the Board has considered the application and all comments received in light of the factors and considerations set forth in the Bank Merger Act.

Valley is the second largest of fifteen banking organizations in Nevada, controlling $1.3 billion in deposits, which represents 21.3 percent of the total deposits in commercial banks in the state.[1] Security is the fifth largest commercial banking organization in Nevada, controlling $429.0 million in deposits, which represents 7.3 percent of the total deposits in commercial banks in the state. Upon consummation of the proposed merger, Valley will remain the second largest commercial banking organization in Nevada, controlling $1.7 billion in deposits, representing 28.6 percent of total deposits in commercial banks in the state. Consummation of this proposal would not have any significant adverse effect on the concentration of banking resources in Nevada.

Valley and Security compete directly in the Las Vegas, Douglas County, Reno and Carson City banking markets.[2] In the Las Vegas banking market,[3] Valley is the second largest of eleven commercial banking organizations, controlling $743.0 million in deposits, which represents 31.8 percent of total deposits in commercial banks in the market. Security is the seventh largest commercial banking organization in the Las Vegas market, controlling $60 million in deposits, which represents 2.6 percent of total deposits in commercial banks in the market. The Las Vegas banking market is highly concentrated, with the four largest commercial banks controlling 90.9 percent of the total deposits in commercial banks in the market. Following the proposed merger, Valley would remain the second largest commercial banking organization in the market, controlling 34.4 percent of total deposits in commercial banks. The Las Vegas market would remain highly concentrated and the Herfindahl–Hirschman Index ("HHI")[4] would increase by 163 points to 3175.

In the Douglas County banking market,[5] Valley is the smallest of five commercial banking organizations, controlling $8.0 million in deposits, which represents 5.2 percent of total deposits in commercial banks in the market. Security is the fourth largest commercial banking organization in the market, controlling $17.0 million in deposits, which represents 11.0 percent of total deposits in commercial banks in the market. The Douglas County banking market is highly concentrated, with the four largest commercial banks controlling 94.9 percent of total deposits in commercial banks in the market. Following the proposed merger, Valley would become the second largest commercial banking organization in the market, controlling 16.2 percent of total deposits in commercial banks. The Douglas County market would remain highly concentrated, and the HHI would increase by 114 points to 3745.

In the Reno banking market,[6] Valley is the third largest of five commercial banking organizations, controlling $148 million in deposits, which represents 9.9 percent of total deposits in commercial banks in the market. Security is the second largest commercial

1. State deposit data are as of December 31, 1986.
2. Market data are as of June 30, 1986.

3. The Las Vegas, Nevada banking market is approximated by the Las Vegas Rand McNally Metropolitan Area ("RMA").
4. Under the revised Department of Justice Merger Guidelines (49 *Federal Register* 26,823 (1984)) a market in which the post-merger HHI is over 1800 is considered concentrated. In such markets, the Department is likely to challenge a merger that increases the HHI by more than 50 points. The Department has informed the Board that a bank merger or acquisition generally will not be challenged (in the absence of other factors indicating anti-competitive effects) unless the post-merger HHI is at least 1800 and the merger increases the HHI by at least 200 points. The Justice Department has stated that the higher than normal HHI thresholds for screening bank mergers for anti-competitive effects implicitly recognize the competitive effect of limited purpose lenders and other non-depository financial entities.
5. The Douglas County banking market is approximated by Douglas County, Nevada.
6. The Reno, Nevada banking market is approximated by the Reno RMA.

banking organization in the Reno market, controlling $237 million in deposits, which represents 15.8 percent of total deposits in commercial banks in the market. The Reno banking market is highly concentrated, with the four largest commercial banks controlling 95.5 percent of total deposits in commercial banks in the market. Following the proposed merger, Valley would become the second largest commercial banking organization in the market, controlling 25.7 percent of total deposits in commercial banks. The Reno market would remain highly concentrated and the HHI would increase by 313 points to 3871.

In the Carson City banking market,[7] Valley is the second largest of six commercial banking organizations, controlling $71.0 million in deposits, which represents 25.1 percent of the deposits in commercial banks. Security is the third largest commercial banking organization in the market, controlling $39.0 million in deposits, which represents 13.9 percent of total deposits in commercial banks in the market. The Carson City market is highly concentrated, with the four largest commercial banks controlling 87.6 percent of total deposits there. Upon consummation of this proposal, Valley would become the largest commercial banking organization in the market, controlling $110.0 million in deposits, representing 39.0 percent of the market share. The market would remain highly concentrated, and the HHI would increase by 698 points to 3029.

Consummation of the proposed merger would eliminate some existing competition between Valley and Security in all four markets in which these banks compete. The Board notes, however, that several other commercial banking organizations would continue to operate in each market after consummation of Valley's proposal. In addition, the Board has considered the presence of thrift institutions in these markets in its analysis of the proposal. Thrift institutions account for a significant percentage of the total deposits in each of these banking markets. The Board previously has indicated that thrift institutions have become, or have the potential to become, major competitors of commercial banks.[8] Thrift institutions already exert a considerable competitive influence in the market as providers of NOW accounts and consumer loans, and many are engaged in the business of making commercial loans. Based upon the number, size, market shares and commercial lending activities of thrift institutions in their markets, the Board has concluded that thrift institutions exert a significant competitive influence that mitigates the anti-competitive effects of this proposal in all four banking markets.[9]

On the basis of the above facts and other facts of record, the Board concludes that consummation of Valley's proposal would not have a significantly adverse effect on existing competition in any relevant market.

The Board also has considered the effects of Valley's proposal on probable future competition in the markets in which Valley and Security do not compete.[10] In light of the attractiveness of a given market for entry on a *de novo* basis, the Board concludes that consummation of this proposal would not have a significant adverse effect on probable future competition in any relevant market.

The Board also has considered Valley's managerial resources, particularly with regard to previous violations of the Currency and Foreign Transactions Reporting Act (31 U.S.C. § 5311 *et seq.)* ("CFTRA") uncovered at Valley's report of examination in June 1985. When reporting violations were discovered, Valley initiated a comprehensive internal audit of CFTRA compliance at each of its branch offices.[11] Valley also undertook comprehensive remedial and preventative

7. The Carson City, Nevada banking market is approximated by the Carson City RMA.

8. *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).

9. The following data indicate the market share and the change in the HHI if 50 percent of the deposits controlled by thrift institutions were included in the calculation of market concentration after consummation of this proposal:

In the Las Vegas market, Valley and Security would control 19.7 percent and 1.6 percent of total market deposits, respectively, and the HHI would increase by 63 points to 1639.

In the Douglas County market, Valley and Security would control 4.1 percent and 8.4 percent of total deposits, respectively, and the HHI would increase by 34 points to 2415.

In the Reno County market, Valley and Security would control 7.6 percent and 12.1 percent of total market deposits, respectively, and the HHI would increase by 182 points to 2530.

In addition to the market share that thrift institutions have in the Carson City market, the Board notes that 70 percent of Valley's deposits is represented by state government deposits. Valley's market share in that market (25.1 percent) drops significantly if only individual, partnership and corporation ("IPC") deposits are included in the analysis. The Board has previously determined that IPC deposits may be the proper focus of the competitive analysis in mergers and acquisitions in markets, such as those including state capitals, in which government deposits constitute a relatively large share of total deposits. *See*, for example, *United Bank Corporation of New York*, 66 FEDERAL RESERVE BULLETIN 61 (1980). Based on IPC deposits only, and with the inclusion of the deposits of the market's four thrift institutions included at 50 percent, Valley and Security would control 6.7 percent and 12.7 percent of total deposits, respectively, and the HHI would increase by 168 points to 1711.

10. "Policy Statement of the Board of Governors of the Federal Reserve System for Assessing Competitive Factors Under the Bank Merger Act and the Bank Holding Company Act," 47 *Federal Register* 9017 (March 3, 1982).

11. Based on a report of this audit, the Department of Treasury has assessed $192,000 in civil money penalties against Valley.

actions. It installed an updated computer software package which aggregates cash transactions among all of Valley's branches and also provides a mechanism for centralized verification of currency transaction reports. Valley also established CFTRA training for all bank employees and included CFTRA compliance as a topic in all officer continuing education programs. In addition, Valley appointed a CFTRA compliance officer for each branch and charged its Audit Department with the ongoing assessment of the bank's exempt lists and currency transaction reports. The Board has considered these measures as well as Valley's improved CFTRA performance and its ongoing cooperation with all law enforcement and regulatory authorities. Based on these considerations, Valley's assurances, and all other facts of record, the Board concludes that Valley's overall compliance with CFTRA is satisfactory and that Valley's managerial resources therefore are consistent with approval of this proposal.

The financial resources of Valley and Security are consistent with approval of this merger proposal. In addition, considerations relating to the convenience and needs of the communities to be served by Valley and Security also are consistent with approval.

Based on the foregoing and all other facts of record, and subject to Valley's assurances and commitments, the Board has determined that this application under the Bank Merger Act should be and hereby is approved. The merger of Security with Valley 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, pursuant to delegated authority.

By order of the Board of Governors, effective November 30, 1987.

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

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

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
A & P Holding Co., North Branch, Minnesota	Community National Bank, North Branch, Minnesota	Minneapolis	November 25, 1987
A T Acquisition Corporation, Cleveland, Ohio	Midwest National Bank, Indianapolis, Indiana	Cleveland	November 6, 1987
Ameritrust Corporation, Cleveland, Ohio	Midwest National Bank, Indianapolis, Indiana	Cleveland	November 5, 1987
Ameritrust Indiana Corporation, Cleveland, Ohio	A T Acquisition Corporation, Cleveland, Ohio	Cleveland	November 6, 1987

Section 3—Continued

Applicant	Bank(s)	Reserve Bank	Effective date
Atlantic Bancorporation, Voorhees, New Jersey	Glendale Bank of Pennsylvania, Philadelphia, Pennsylvania	Philadelphia	November 16, 1987
Bank of Montreal, Montreal, Quebec, Canada Bankmont Financial Corp., New York, New York Harris Bankcorp, Inc., Chicago, Illinois	Commercial State Bank, Phoenix, Arizona	Chicago	November 4, 1987
BankFirst Corp., McLean, Virginia	Bank First, N.A., McLean, Virginia	Richmond	November 10, 1987
BCB Financial Services Corporation, Reading, Pennsylvania	Berks County Bank (In Organization), Reading, Pennsylvania	Philadelphia	October 30, 1987
BMR Bancorp, Inc., Atlanta, Georgia	Citizens Bank of Americus, Americus, Georgia	Atlanta	October 27, 1987
Bankworcester Corporation, Worcester, Massachusetts	Worcester County Institution for Savings, Worcester, Massachusetts	Boston	November 12, 1987
Berthoud Bancorp Employee Stock Ownership Plan, Berthoud, Colorado	Berthoud Bancorp, Inc., Berthoud, Colorado	Kansas City	October 23, 1987
C & L Banking Corporation, Bristol, Florida	C & L Bank of Bristol, Bristol, Florida	Atlanta	November 13, 1987
CNB Bancorp, Inc., Danville, Illinois	Lake Shore National Bank, Danville, Illinois	Chicago	October 26, 1987
Cardinal Bancshares, Inc., Lexington, Kentucky	Union Bank and Trust Company, Irvine, Kentucky	Cleveland	November 19, 1987
Chillicothe Bancshares, Inc., Chillicothe, Missouri	Bosworth Bancshares, Inc., Chillicothe, Missouri	Kansas City	November 25, 1987
Citizens Financial Corporation Employee Stock Ownership Plan and Trust, Fort Atkinson, Wisconsin	Citizens Financial Corporation, Fort Atkinson, Wisconsin	Chicago	November 25, 1987
Dublin Bancshares, Inc., Dublin, Texas	First National Bank of Dublin, Dublin, Texas	Dallas	November 20, 1987
Eldorado Bancorp, Tustin, California	American Merchant Bank, Newport Beach, California	San Francisco	November 24, 1987
Elkcorp., Inc., Clyde, Kansas	The Elk State Bank, Clyde, Kansas	Kansas City	October 21, 1987
Embry Bankshares, Inc., Atlanta, Georgia	Embry National Bank, Atlanta, Georgia	Atlanta	October 29, 1987
ENB Holding Company, Escondido, California	San Marcos National Bank, San Marcos, California	San Francisco	October 26, 1987
F & M Financial Services Corporation, Menomonee Falls, Wisconsin	Citizens Community Bankshares, Inc., Wittenberg, Wisconsin	Chicago	October 28, 1987
Fifth Third Bancorp, Cincinnati, Ohio	Firstbancorporation of Batesville, Batesville, Indiana	Cleveland	November 6, 1987
1st American Bancorp, Inc., Boston, Massachusetts	1st American Bank for Savings, Boston, Massachusetts	Boston	November 19, 1987

Section 3—Continued

Applicant	Bank(s)	Reserve Bank	Effective date
First Business Bancshares of Kansas City, Inc., Kansas City, Missouri	First Business Bank of Kansas City, National Association, Kansas City, Missouri	Kansas City	November 25, 1987
First City, Inc., Memphis, Tennessee	First City, A Federal Savings Bank, Memphis, Tennessee	St. Louis	November 2, 1987
First Empire State Corporation, Buffalo, New York	The East New York Savings Bank, New York, New York	New York	October 30, 1987
First Financial Corporation, Terre Haute, Indiana	FSB Corporation, Sullivan, Indiana	Chicago	November 13, 1987
First Mid-Illinois Bancshares, Inc., Mattoon, Illinois	Eagle Bank of Charleston, Charleston, Illinois	Chicago	November 20, 1987
First National Cincinnati Corporation, Cincinnati, Ohio	First Sidney Banc Corp., Sidney, Ohio	Cleveland	October 28, 1987
First National Hayes Center Corp., Hayes Center, Nebraska	American State Bank, McCook, Nebraska	Kansas City	November 19, 1987
First of America Bank Corporation, Kalamazoo, Michigan	Erie Financial Corp., Monroe, Michigan	Chicago	November 23, 1987
First Peoples Financial Corporation, Haddon Township, New Jersey	First Bank of Philadelphia, Philadelphia, Pennsylvania	Philadelphia	November 6, 1987
First Security Corporation of Kentucky, Lexington, Kentucky First Security Affiliates, Inc., Lexington, Kentucky	State Financial Bancshares, Inc., Richmond, Kentucky	Cleveland	November 25, 1987
First Southern Bancorp, Inc., Stanford, Kentucky	Nabanco, Inc., Lancaster, Kentucky Lincoln County National Bank, Stanford, Kentucky First State Bank of Wayne County, Monticello, Kentucky	Cleveland	November 19, 1987
First Sun Capital Corporation, Columbia, South Carolina	Columbia Bancorp, Inc., Columbia, South Carolina	Richmond	November 6, 1987
First Union Corporation, Charlotte, North Carolina	Bank of Bellevue, Nashville, Tennessee	Richmond	November 20, 1987
FMB Financial Holdings, Inc., Fayetteville, Georgia	Farmers and Merchants Bank, Fayetteville, Georgia	Atlanta	November 6, 1987
FNB Financial Corp., Scottsville, Kentucky	Farmers National Bank, Scottsville, Kentucky	St. Louis	November 18, 1987
FNB Financial Corporation, McConnellsburg, Pennsylvania	The First National Bank of McConnellsburg, McConnellsburg, Pennsylvania	Philadelphia	October 26, 1987
Golden Bancshares, Inc., Golden, Illinois	Golden State Bank, Golden, Illinois	St. Louis	November 4, 1987

Section 3—Continued

Applicant	Bank(s)	Reserve Bank	Effective date
Gower Bancshares, Inc., Gower, Missouri	Farmers Bank of Gower, Gower, Missouri	Kansas City	November 19, 1987
Heritage Enterprises II, Fayetteville, Georgia	FMB Financial Holdings, Inc., Fayetteville, Georgia	Atlanta	November 6, 1987
Intrex Financial Services, Inc., Lawrence, Massachusetts	Lawrence Savings Bank, Lawrence, Massachusetts	Boston	November 12, 1987
Kanbanc, Inc., Shawnee Mission, Kansas	Farmers State Bank of Walnut, Walnut, Kansas	Kansas City	November 25, 1987
Laddonia State Bancshares, Inc., Laddonia, Missouri	Laddonia State Bank, Laddonia, Missouri	St. Louis	November 2, 1987
Langdon Bank Holding Company, Walhalla, North Dakota	First Bank of Langdon, Langdon, North Dakota	Minneapolis	October 26, 1987
Lincoln Financial Corporation, Fort Wayne, Indiana	Harbor Country Banking Corporation, Three Oaks, Michigan	Chicago	November 17, 1987
Linton Bancshares, Inc., Bismarck, North Dakota	The First National Bank of Linton, Linton, North Dakota	Minneapolis	November 24, 1987
Litchfield Bancshares Company, Litchfield, Illinois	Litchfield National Bank, Litchfield, Illinois	St. Louis	November 20, 1987
Magna Group, Inc., Belleville, Illinois	The First National Bank of Wood River, Wood River, Illinois	St. Louis	November 3, 1987
Magna Group, Inc., Belleville, Illinois MCB Acquisition Company, Belleville, Illinois	McLean County Bancshares, Inc., Bloomington, Illinois	St. Louis	November 3, 1987
Marine Corporation, Springfield, Illinois	Commercial Bancshares, Inc., Champaign, Illinois	Chicago	October 22, 1987
Marion Bancshares Inc., Marion, Alabama	Marion Bank & Trust Company, Marion, Alabama	Atlanta	October 30, 1987
Maryville Bancshares, Inc., Chillicothe, Missouri	Savannah Bancshares, Inc., Chillicothe, Missouri	Kansas City	November 25, 1987
Merchants Bancshares, Inc., Bay St. Louis, Mississippi	Merchants Bank & Trust Company, Bay St. Louis, Mississippi	Atlanta	October 23, 1987
Mid-Mo Bancshares, Inc., Auxvasse, Missouri	Security Bank of Auxvasse, Auxvasse, Missouri	St. Louis	October 23, 1987
Minonk Bancshares, Inc., Minonk, Illinois	Washburn Bancshares, Inc., Washburn, Illinois	Chicago	November 5, 1987
National Bancorp, Inc., Melrose Park, Illinois	The American National Bank of DeKalb, DeKalb, Illinois	Chicago	November 20, 1987
New Bank of Mora, Mora, Minnesota	Kanabec State Bank, Mora, Minnesota	Minneapolis	November 24, 1987
North Arkansas Bancshares, Inc., Jonesboro, Arkansas	First State Bank of Newport, Newport, Arkansas	St. Louis	November 16, 1987
Northern Financial, Inc., Rogers City, Michigan	Presque Isle Bank, Rogers City, Michigan	Chicago	November 12, 1987
Northland Insurance Agency, Inc., Chicago, Illinois	Selin Corporation, Chicago, Illinois	Chicago	November 10, 1987

Section 3—Continued

Applicant	Bank(s)	Reserve Bank	Effective date
Old National Bancorp, Evansville, Indiana	Farmers Bank & Trust Co., Madisonville, Kentucky	St. Louis	November 20, 1987
Pikeville National Corporation, Pikeville, Kentucky	Commercial Bank of West Liberty, West Liberty, Kentucky	Cleveland	November 6, 1987
Riggs National Corporation, Washington, D.C.	The Riggs National Bank of Maryland, Rockville, Maryland	Richmond	October 26, 1987
Roseville Bankshares, Inc., Roseville, Illinois	Roseville State Bank, Roseville, Illinois	Chicago	November 20, 1987
Royal Bancshares, Inc., Farmers Branch, Texas	Centre National Bank-Farmers Branch, Farmers Branch, Texas	Dallas	November 20, 1987
St. Croix Banco, Inc., New Richmond, Wisconsin Polk County Banco, Inc., Balsam Lake, Wisconsin	Stanley Bancorporation, Inc., Stanley, Wisconsin	Minneapolis	November 19, 1987
Salem Bancorp, Inc., Salem, Kentucky	Salem Bank, Inc., Salem, Kentucky	St. Louis	November 10, 1987
Sandy Spring Bancorp, Inc., Olney, Maryland	Sandy Spring National Bank of Maryland, Olney, Maryland	Richmond	November 3, 1987
Security Bancshares of Marion County, Inc., Springfield, Kentucky	Peoples Bank, Gravel Switch, Kentucky	St. Louis	October 30, 1987
Security Chicago Corp., Chicago, Illinois	OSWEGO BANCSHARES, INC., Oswego, Illinois	Chicago	November 19, 1987
Selin Corporation, Chicago, Illinois	American National Bank, South Chicago Heights, Illinois American National Bank and Trust Company of Waukegan, Waukegan, Illinois First National Bank of Crystal Lake, Crystal Lake, Illinois Gurnee National Bank, Gurnee, Illinois Wauconda National Bank and Trust Company, Wauconda, Illinois	Chicago	November 10, 1987
Shelby Bancshares, Inc., Bartlett, Tennessee	Shelby Bank, Bartlett, Tennessee	St. Louis	November 24, 1987
South Banking Company, Alma, Georgia	Georgia Peoples Bankshares, Baxley, Georgia	Atlanta	November 20, 1987
SouthTrust Corporation, Birmingham, Alabama	First Bancshares, Inc., Marianna, Florida	Atlanta	November 13, 1987
SouthTrust Corporation, Birmingham, Alabama	Gulf/Bay Financial Corporation, Tampa, Florida	Atlanta	November 19, 1987
The Summit Bancorporation, Summit, New Jersey	Yardville National Bancorp, Yardville, New Jersey	New York	October 30, 1987

Section 3—Continued

Applicant	Bank(s)	Reserve Bank	Effective date
TJM Financial Corporation, Lexington, Kentucky	First Farmers Bank and Trust Co., Owenton, Kentucky	St. Louis	November 10, 1987
Trustcorp, Inc., Toledo, Ohio Trustcorp of Michigan, Inc., Adrian, Michigan	Ypsilanti Savings Bank, Ypsilanti, Michigan	Cleveland	November 16, 1987
United Community Corporation, Oklahoma City, Oklahoma	Kiamichi Bancshares, Inc., Hugo, Oklahoma First Madill Bancorporation, Madill, Oklahoma First Prague Bancorporation, Inc., Prague, Oklahoma Arbuckle Corporation, Inc., Sulphur, Oklahoma	Kansas City	October 27, 1987
Walhalla Bank Holding Company, Walhalla, North Dakota	Langdon BHC, Langdon, North Dakota	Minneapolis	October 26, 1987
Washburn Bancshares, Inc., Washburn, Illinois	The Washburn Bank, Washburn, Illinois	Chicago	November 5, 1987
Whitley City Bancshares, Inc., Whitley City, Kentucky	McCreary Bancshares, Inc., Whitley City, Kentucky	Cleveland	November 5, 1987

Section 4

Applicant	Nonbanking Company/Activity	Reserve Bank	Effective date
Centerre Bancorporation, St. Louis, Missouri	engage in the purchase, issuance and servicing of consumer loans through the issuance of credit cards establish Centerre Bank of Delaware, New Castle, Delaware	St. Louis	November 2, 1987
Cook Investment, Inc., Beatrice, Nebraska	Gage, Inc., Beatrice, Nebraska	Kansas City	October 30, 1987
Dakota Bankshares, Inc., Fargo, North Dakota	provide data processing and data transmission services, data bases, and facilities that are for financial, banking, and economic purposes	Minneapolis	October 23, 1987
First Bancorp of Tonkawa, Inc., Tonkawa, Oklahoma	retain indirect control of Burton Insurance Trust, Tonkawa, Oklahoma	Kansas City	October 28, 1987
First Bank System, Inc., Minneapolis, Minnesota	Erickson Agency, Inc., Minot, North Dakota	Minneapolis	October 23, 1987
First Union Corporation, Charlotte, North Carolina	acquire certain assets of Ashley Securities Corporation, Naples, Florida	Richmond	November 10, 1987

Section 4—Continued

Applicant	Nonbanking Company/Activity	Reserve Bank	Effective date
First Western Bancorporation, La Jara, Colorado	continue to engage in general insurance activities	Kansas City	November 13, 1987
Independent Bankshares, Inc., Abilene, Texas	First Independent Computers, Inc., Abilene, Texas provide data processing and data transmission services through a joint venture with CCS Processing Services, Inc., Maitland, Florida	Dallas	November 12, 1987
Midwest Financial Group, Inc., Peoria, Illinois	Central Computing Company, Decatur, Illinois	Chicago	October 29, 1987
Republic Bancorp, Inc., Ann Arbor, Michigan	Mayflower Mortgage Corporation, Plymouth, Michigan	Chicago	October 27, 1987
Security Pacific Corporation, Los Angeles, California SPC/RAB Acquisition Corporation, Los Angeles, California	retain certain insurance agency activities of Rainier Mortgage Company, Seattle, Washington	San Francisco	November 9, 1987
Selin Corporation, Chicago, Illinois	data processing and data transmission services	Chicago	November 10, 1987
Signal Bancshares, Inc., West St. Paul, Minnesota	certain assets of Hampton Agency, Inc., Hampton, Minnesota	Minneapolis	November 20, 1987
Sovran Financial Corporation, Norfolk, Virginia	Dresser Leasing Corporation, Pittsburgh, Pennsylvania	Richmond	October 26, 1987

Sections 3 and 4

Applicant	Banks/Nonbanking Company/Activity	Reserve Bank	Effective date
Cumberland Valley Bancshares, Inc., Goodlettsville, Tennessee First Cumberland Bank, Madison, Tennessee	Garrett Financial Services, Inc., Goodlettsville, Tennessee	Atlanta	November 16, 1987
First National Agency, Inc., of Cold Spring, Cold Spring, Minnesota	First BancShares, Inc., of Cold Spring, Cold Spring, Minnesota retain its general insurance agency activities First National Bank of Cold Spring, Cold Spring, Minnesota	Minneapolis	November 17, 1987
Old Kent Financial Corporation, Grand Rapids, Michigan	Illinois Regional Bancorp, Inc., Elmhurst, Illinois	Chicago	October 29, 1987

ORDERS ISSUED UNDER BANK MERGER ACT

Applicant	Bank(s)	Reserve Bank	Effective date
Bank One, Mansfield, Mansfield, Ohio	acquire certain assets and assume certain liabilities of the Galion, Ohio branch of Chase Bank of Ohio, Mentor, Ohio	Cleveland	November 4, 1987
Central Bank of the South, Birmingham, Alabama	Central Bank, Cahaba Heights, Alabama	Atlanta	October 23, 1987
Chemical Bank Bay Area, Bay City, Michigan	Chemical Bank Cass City, Cass City, Michigan	Chicago	November 17, 1987
Citizens Trust and Savings Bank, South Haven, Michigan	CB Bank, South Haven, Michigan	Chicago	November 9, 1987
Comerica Bank—Detroit, Detroit, Michigan	Comerica Bank—Livonia, Livonia, Michigan Comerica Bank—Metro East, National Association, Sterling Heights, Michigan Comerica Bank—Metro West, National Association, Novi, Michigan Comerica Bank—Southfield, Southfield, Michigan Comerica Bank—Troy, Troy, Michigan Comerica Bank—Warren, N.A., Warren, Michigan	Chicago	November 25, 1987
The Commercial Bank, Bel Air, Maryland	acquire three branches of Maryland National Bank, Baltimore, Maryland	Richmond	October 23, 1987
First Community Bank—Adrian Buckhannon, Inc., Buckhannon, West Virginia	First Community Bank, Inc., Princeton, West Virginia	Richmond	November 13, 1987
Johnstown Bank and Trust Company, Johnstown, Pennsylvania	The First National Bank of Avonmore, Avonmore, Pennsylvania	Philadelphia	November 6, 1987
Newco Bank, Ypsilanti, Michigan	Ypsilanti Savings Bank, Ypsilanti, Michigan	Cleveland	November 16, 1987
Old Kent Bank and Trust Company, Grand Rapids, Michigan	Old Kent Bank of Greenville, Greenville, Michigan Old Kent Bank of Fremont, Fremont, Michigan	Chicago	October 30, 1987
Old Kent Bank and Trust Company, Grand Rapids, Michigan	Old Kent Bank of Kentwood, Kentwood, Michigan	Chicago	November 12, 1987
Peoples Bank of Bloomington, Bloomington, Illinois	The First National Bank of Normal, Normal, Illinois	Chicago	October 27, 1987
State Bank of Freeport, Freeport, Illinois	Rock City Bank, Rock City, Illinois	Chicago	November 19, 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 and Surety Agents, et al., v. Board of Governors, No. 87–1644 (D.C. Cir., filed Nov. 4, 1987).

Teichgraeber v. Board of Governors, No. 87–2505–0 (D. Kan., filed Oct. 16, 1987).

Securities Industry Association v. Board of Governors, No. 87–4135 (2d Cir., filed Oct. 8, 1987).

Independent Insurance Agents of America, Inc. v. Board of Governors, No. 87–4118 (2d Cir., filed Sept. 17, 1987).

Citicorp v. Board of Governors, No. 87–1475 (D.C. Cir., filed Sept. 9, 1987).

Securities Industry Association v. Board of Governors, No. 87–4115 (2d Cir., filed Sept. 9, 1987)

Board of Trade of the City of Chicago, et al. v. Board of Governors, No. 87–2389 (7th Cir., filed Sept. 1, 1987).

Barrett v. Volcker, No. 87–2280 (D.D.C., filed August 17, 1987).

Northeast Bancorp v. Board of Governors, No. 87–1365 (D.C. Cir., filed July 31, 1987).

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

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

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

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

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

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

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

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).

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

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

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

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

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

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

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

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

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

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

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

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. 86–5692 (D.C. Cir., filed Apr. 30, 1984).

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

Monetary and credit aggregates (annual rates of change, seasonally adjusted in percent)[1]

Item	1986 Q4	1987 Q1	1987 Q2	1987 Q3r	1987 June	1987 Julyr	1987 Aug.r	1987 Sept.r	1987 Oct.
Reserves of depository institutions[2]									
1 Total	24.3	16.4	8.0	−1.6	−13.3	−2.2	5.7	−1.0	13.7
2 Required	22.8	16.5	8.4	−.5	−15.9	6.9	.1	4.0	7.1
3 Nonborrowed	25.3	18.5	5.4	−.4	−8.1	*	6.3	−7.2	13.9
4 Monetary base[3]	11.0	11.3	6.8	4.7	.5	4.7	6.5	5.0	11.9
Concepts of money, liquid assets, and debt[4]									
5 M1	17.0	13.1	6.4	.0	−10.4	1.6	5.6	.3	15.0
6 M2	9.3	6.4	2.3	3.1	.5	2.7	6.5	5.7	6.8
7 M3	8.3	6.5	4.3r	5.2	5.8r	2.7	7.7	6.0	7.9
8 L	8.4	6.3	3.3r	4.2	4.1r	−1.6	7.9	8.7	n.a.
9 Debt	12.7r	10.4r	8.3r	7.7	7.9	6.0	8.1	9.4	n.a.
Nontransaction components									
10 In M2[5]	6.7	4.1	.9r	4.2	4.4	3.1	6.9	7.5	4.0
11 In M3 only[6]	4.3	6.9	12.4r	13.4	26.7r	2.6	12.4	7.2	11.8
Time and savings deposits									
Commercial banks									
12 Savings[7]	36.9	37.3	24.1	7.8	6.9	7.5	9.5	.0	−3.4
13 Small-denomination time[8]	−10.7	−4.9	−4.6	8.0	10.1	11.0	6.6	6.2	18.6
14 Large-denomination time[9,10]	.1	9.7	18.3	4.1	16.2	−4.6	.0	−.4	13.4
Thrift institutions									
15 Savings[7]	23.2	27.3	25.9	7.1	12.6	2.0	8.5	−2.5	−9.9
16 Small-denomination time	−6.4	−4.2	1.0	10.1	9.6	12.5	12.1	10.1	12.8
17 Large-denomination time[9]	−7.0	−9.5	−8.4	10.7	8.9	9.6	13.5	17.2	29.4
Debt components[4]									
18 Federal	11.7	12.2	8.8	5.9	7.5	1.9	8.8	6.5	n.a.
19 Nonfederal	13.0	9.8r	8.1	8.2	8.0	7.3	7.9	10.3	n.a.
20 Total loans and securities at commercial banks[11]	8.8	10.1	7.0	5.6	3.6r	1.3	10.8	9.7	10.4

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						
	Aug.	Sept.	Oct.	Sept. 16	Sept. 23	Sept. 30	Oct. 7	Oct. 14	Oct. 21	Oct. 28
SUPPLYING RESERVE FUNDS										
1 **Reserve Bank credit**	**231,606**	**240,591**	**241,841**	**236,459**	**251,912**	**241,835**	**237,908**	**236,547**	**242,444**	**248,500**
2 U.S. government securities[1]	206,708	214,298	214,787	211,026	223,407	214,861	211,909	210,880	215,059	220,197
3 Bought outright	206,187	211,468	210,822	211,026	214,425	211,713	211,909	210,880	210,168	210,726
4 Held under repurchase agreements	521	2,830	3,965	0	8,982	3,148	0	0	4,891	9,471
5 Federal agency obligations	7,764	8,399	8,747	7,623	10,013	8,558	7,623	7,623	8,860	10,165
6 Bought outright	7,623	7,623	7,601	7,623	7,623	7,623	7,623	7,623	7,607	7,567
7 Held under repurchase agreements	141	776	1,146	0	2,390	935	0	0	1,253	2,598
8 Acceptances	0	0	0	0	0	0	0	0	0	0
9 Loans	630	956	959	1,026	976	1,197	1,193	902	1,111	751
10 Float	702	774	751	770	822	877	877	707	879	494
11 Other Federal Reserve assets	15,802	16,164	16,597	16,014	16,694	16,717	16,305	16,435	16,535	16,893
12 Gold stock[2]	11,068	11,068	11,084	11,068	11,068	11,068	11,079	11,086	11,086	11,086
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	17,930	17,981	18,028	17,977	17,987	17,997	18,004	18,018	18,032	18,046
ABSORBING RESERVE FUNDS										
15 Currency in circulation	216,805	217,718	218,734	218,742	217,459	216,549	217,420	218,958	219,087	218,978
16 Treasury cash holdings[2]	471	459	470	458	460	459	464	475	472	469
Reserve Banks										
17 Treasury	3,409	10,585	8,828	4,207	21,647	14,355	5,341	3,281	12,191	13,822
18 Foreign	237	248	259	255	198	263	287	208	251	298
19 Service-related balances and adjustments	1,937	1,930	2,029	1,908	1,965	1,999	2,070	1,943	1,926	1,960
20 Other	331	390	402	371	376	484	447	350	385	391
21 Other Federal Reserve liabilities and capital	6,667	7,213	7,236	7,053	7,668	7,094	6,971	7,034	7,342	7,365
22 Reserve balances with Federal Reserve Banks[3]	35,765	36,115	38,014	37,527	36,214	34,716	39,010	38,421	34,924	39,365

Factors	End-of-month figures			Wednesday figures						
	1987			1987						
	Aug.	Sept.	Oct.	Sept. 16	Sept. 23	Sept. 30	Oct. 7	Oct. 14	Oct. 21	Oct. 28
SUPPLYING RESERVE FUNDS										
23 **Reserve Bank credit**	**231,689**	**238,823**	**246,896**	**241,092**	**261,278**	**238,823**	**237,931**	**239,536**	**243,453**	**251,276**
24 U.S. government securities[1]	207,238	211,941	217,614	215,220	231,599	211,941	210,942	212,094	213,804	219,707
25 Bought outright	207,238	211,941	209,319	215,220	214,370	211,941	210,942	212,094	210,208	211,453
26 Held under repurchase agreements	0	0	8,295	0	17,229	0	0	0	3,596	8,254
27 Federal agency obligations	7,623	7,623	10,483	7,623	11,073	7,623	7,623	7,623	8,706	11,646
28 Bought outright	7,623	7,623	7,567	7,623	7,624	7,623	7,623	7,623	7,567	7,568
29 Held under repurchase agreements	0	0	2,916	0	3,449	0	0	0	1,139	4,078
30 Acceptances	0	0	0	0	0	0	0	0	0	0
31 Loans	566	1,941	587	672	935	1,941	1,382	929	3,160	753
32 Float	510	248	609	877	522	248	1,300	2,138	1,134	2,031
33 Other Federal Reserve assets	15,752	17,070	17,603	16,700	17,149	17,070	16,684	16,752	16,649	17,139
34 Gold stock[2]	11,068	11,075	11,085	11,068	11,068	11,075	11,085	11,086	11,085	11,085
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	17,956	18,006	18,058	17,986	17,996	18,006	18,016	18,030	18,044	18,058
ABSORBING RESERVE FUNDS										
37 Currency in circulation	216,471	216,776	219,842	218,365	217,010	216,776	218,176	219,523	219,053	219,427
38 Treasury cash holdings[2]	463	460	467	460	459	460	473	472	472	468
Deposits, other than reserve balances, with Federal Reserve Banks										
39 Treasury	3,763	9,120	8,898	9,479	25,657	9,120	2,816	3,745	14,323	14,324
40 Foreign	295	456	236	282	218	456	220	200	221	301
41 Service-related balances and adjustments	1,709	1,706	1,733	1,718	1,719	1,706	1,705	1,714	1,713	1,732
42 Other	284	419	477	503	324	419	372	348	309	371
43 Other Federal Reserve liabilities and capital	6,964	6,663	7,950	7,180	7,996	6,663	6,948	6,884	7,076	7,167
44 Reserve balances with Federal Reserve Banks[3]	35,782	37,321	41,454	37,177	41,976	37,321	41,338	40,783	34,436	41,647

1. *Includes* securities loaned—fully guaranteed by U.S. government securities pledged with Federal Reserve Banks—and *excludes* any securities sold and scheduled to be bought back under matched sale-purchase transactions.
2. Revised for periods between October 1986 and April 1987. At times during this interval, outstanding gold certificates were inadvertently in excess of the gold stock. Revised data not included in this table are available from the Division of Research and Statistics, Banking Section.
3. Excludes required clearing balances and adjustments to compensate for float.

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

1.12 RESERVES AND BORROWINGS Depository Institutions

Millions of dollars

Reserve classification	Monthly averages[8]									
	1984	1985	1986	1987						
	Dec.	Dec.	Dec.	Mar.	Apr.	May	June	July	Aug.	Sept.
1 Reserve balances with Reserve Banks[1]	21,738	27,620	37,360	35,318	37,807	36,466	36,309	36,110	35,616	36,685
2 Total vault cash[2]	22,313	22,953	24,071	23,759	23,353	23,693	24,380	24,631	24,649	24,860
3 Vault[3]	18,958	20,522	22,199	21,743	21,587	21,873	22,475	22,728	22,745	23,128
4 Surplus[4]	3,355	2,431	1,872	2,016	1,767	1,820	1,905	1,903	1,904	1,732
5 Total reserves[5]	40,696	48,142	59,560	57,061	59,393	58,339	58,784	58,838	58,361	59,813
6 Required reserves	39,843	47,085	58,191	56,146	58,566	57,260	57,594	58,078	57,329	59,020
7 Excess reserve balances at Reserve Banks[6]	853	1,058	1,369	916	827	1,079	1,190	761	1,032	793
8 Total borrowings at Reserve Banks	3,186	1,318	827	527	993	1,035	776	672	647	940
9 Seasonal borrowings at Reserve Banks	113	56	38	91	120	196	259	283	279	231
10 Extended credit at Reserve Banks[7]	2,604	499	303	264	270	288	273	194	132	409

Reserve classification	Biweekly averages of daily figures for weeks ending									
	1987									
	July 15	July 29	Aug. 12	Aug. 26	Sept. 9	Sept. 23	Oct. 7	Oct. 21	Nov. 4	Nov. 18p
11 Reserve balances with Reserve Banks[1]	37,083	35,221	35,850	35,173	36,294	36,866	36,826	36,672	38,324	37,558
12 Total vault cash[2]	24,238	25,029	24,306	25,074	24,288	25,146	25,026	26,183	25,174	25,188
13 Vault[3]	22,470	23,002	22,439	23,115	22,446	23,475	23,313	24,410	23,464	23,623
14 Surplus[4]	1,769	2,027	1,867	1,959	1,842	1,672	1,713	1,773	1,710	1,565
15 Total reserves[5]	59,553	58,223	58,289	58,288	58,740	60,340	60,139	61,082	61,788	61,181
16 Required reserves	59,081	57,240	57,488	57,116	57,546	59,825	59,306	60,115	60,256	60,665
17 Excess reserve balances at Reserve Banks[6]	472	983	801	1,173	1,194	515	833	967	1,532	516
18 Total borrowings at Reserve Banks	696	652	564	719	647	1,001	1,195	1,007	677	561
19 Seasonal borrowings at Reserve Banks	271	294	289	286	241	226	230	183	169	125
20 Extended credit at Reserve Banks[7]	261	133	120	128	173	531	469	482	390	334

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								
	June 8	June 15	June 22	June 29	July 6	July 13	July 20	July 27	Aug. 3
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	74,810	72,633	68,755	66,856	73,997	74,109	69,704	68,682	68,983
2 For all other maturities	9,362	9,325	8,719	8,430	11,099	8,691	8,626	8,829	9,624
From other depository institutions, foreign banks and foreign official institutions, and United States government agencies									
3 For one day or under continuing contract	35,114	34,380	31,698	33,067	26,568	33,873	31,478	31,316	32,783
4 For all other maturities	8,503	8,508	8,378	8,502	11,895	8,167	7,384	7,122	7,206
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	10,497	10,459	9,664	9,958	8,076	10,541	11,515	13,115	13,711
6 For all other maturities	14,421	14,413	13,794	12,793	12,327	11,214	10,797	11,725	12,209
All other customers									
7 For one day or under continuing contract	24,985	25,470	24,139	25,518	22,802	25,558	26,375	26,482	27,082
8 For all other maturities	8,561	8,289	8,882	9,029	11,456[r]	8,278[r]	8,373	8,363	8,123
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	28,156[r]	25,759[r]	26,713[r]	27,376[r]	35,382[r]	33,375[r]	31,101	28,293	29,247
10 To all other specified customers[2]	13,824[r]	14,086[r]	14,672[r]	12,656[r]	13,031[r]	13,702[r]	13,109	13,347	13,690

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

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

1.14 FEDERAL RESERVE BANK INTEREST RATES

Percent per year

Current and previous levels

Federal Reserve Bank	Adjustment Credit and Seasonal Credit[1]			Extended Credit[2]						
				First 30 days of Borrowing			After 30 days of Borrowing[3]			
	On 11/27/87	Effective Date	Previous Rate	On 11/27/87	Effective Date	Previous Rate	On 11/27/87	Effective Date	Previous Rate	Effective Date
Boston	6	9/9/87	5½	6	9/9/87	5½	7.45	11/19/87	7.55	11/5/87
New York		9/4/87			9/4/87			11/19/87		11/5/87
Philadelphia		9/4/87			9/4/87			11/19/87		11/5/87
Cleveland		9/4/87			9/4/87			11/19/87		11/5/87
Richmond		9/5/87			9/5/87			11/19/87		11/5/87
Atlanta		9/4/87			9/4/87			11/19/87		11/5/87
Chicago		9/4/87			9/4/87			11/19/87		11/5/87
St. Louis		9/9/87			9/9/87			11/19/87		11/5/87
Minneapolis		9/8/87			9/8/87			11/19/87		11/5/87
Kansas City		9/4/87			9/4/87			11/19/87		11/5/87
Dallas		9/11/87			9/11/87			11/19/87		11/5/87
San Francisco	6	9/9/87	5½	6	9/9/87	5½	7.45	11/19/87	7.55	11/5/87

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

Effective date	Range (or level)—All F.R. Banks	F.R. Bank of N.Y.
In effect Dec. 31, 1977	6	6
1978—Jan. 9	6–6½	6½
20	6½	6½
May 11	6½–7	7
12	7	7
July 3	7–7¼	7¼
10	7¼	7¼
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

Effective date	Range (or level)—All F.R. Banks	F.R. Bank of N.Y.
1980—July 28	10–11	10
29	10	10
Sept. 26	11	11
Nov. 17	12	12
Dec. 5	12–13	13
1981—May 5	13–14	14
8	14	14
Nov. 2	13–14	13
6	13	13
Dec. 4	12	12
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

Effective date	Range (or level)—All F.R. Banks	F.R. Bank of N.Y.
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
July 11	6	6
Aug. 12	5½–6	5½
22	5½	5½
1987—Sept. 4	5½–6	6
11	6	6
In effect November 27, 1987	6	6

1. Adjustment credit is available on a short-term basis to help depository institutions meet temporary needs for funds that cannot be met through reasonable alternative sources. After May 19, 1986, the highest rate established for loans to depository institutions may be charged on adjustment credit loans of unusual size that result from a major operating problem at the borrower's facility.

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

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

3. For extended-credit loans outstanding more than 30 days, a flexible rate somewhat above rates on market sources of funds ordinarily will be charged, but in no case will the rate charged be less than the basic discount rate plus 50 basis points. The flexible rate is re-established on the first business day of each two-week reserve maintenance period. At the discretion of the Federal Reserve Bank, the time period for which the basic discount rate is applied may be shortened.

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

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

1.15 RESERVE REQUIREMENTS OF DEPOSITORY INSTITUTIONS[1]

Percent of deposits

Type of deposit, and deposit interval[2]	Depository institution requirements after implementation of the Monetary Control Act	
	Percent of deposits	Effective date
Net transaction accounts[3,4]		
$0 million–$40.5 million	3	12/30/86
More than $40.5 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, 1987. Required reserves must be held in the form of deposits with Federal Reserve Banks or vault cash. Nonmembers may maintain reserve balances with a Federal Reserve Bank indirectly on a pass-through basis with certain approved institutions. For previous reserve requirements, see earlier editions of the *Annual Report* and of the FEDERAL RESERVE BULLETIN. Under provisions of the Monetary Control Act, depository institutions include commercial banks, mutual savings banks, savings and loan associations, credit unions, agencies and branches of foreign banks, and Edge corporations.

2. The Garn–St Germain Depository Institutions Act of 1982 (Public Law 97–320) requires that $2 million of reservable liabilities (transaction accounts, nonpersonal time deposits, and Eurocurrency liabilities) of each depository institution be subject to a zero percent reserve requirement. The Board is to adjust the amount of reservable liabilities subject to this zero percent reserve requirement each year for the succeeding calendar year by 80 percent of the percentage increase in the total reservable liabilities of all depository institutions, measured on an annual basis as of June 30. No corresponding adjustment is to be made in the event of a decrease. On Dec. 29, 1987, the exemption was raised from $2.9 million to $3.2 million. In determining the reserve requirements of depository institutions, the exemption shall apply in the following order: (1) net NOW accounts (NOW accounts less allowable deductions); (2) net other transaction accounts; and (3) nonpersonal time deposits or Eurocurrency liabilities starting with those with the highest reserve ratio. With respect to NOW accounts and other transaction accounts, the exemption applies only to such accounts that would be subject to a 3 percent reserve requirement.

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

4. The Monetary Control Act of 1980 requires that the amount of transaction accounts against which the 3 percent reserve requirement applies be modified annually by 80 percent of the percentage increase in transaction accounts held by all depository institutions, determined as of June 30 each year. Effective Dec. 29, 1987, the amount was increased from $36.7 million to $40.5 million.

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

1.17 FEDERAL RESERVE OPEN MARKET TRANSACTIONS[1]

Millions of dollars

Type of transaction	1984	1985	1986	1987 Mar.	1987 Apr.	1987 May	1987 June	1987 July	1987 Aug.	1987 Sept.
U.S. TREASURY SECURITIES										
Outright transactions (*excluding matched transactions*)										
Treasury bills										
1 Gross purchases	20,036	22,214	22,602	1,062	4,226	1,697	575	575	499	4,528
2 Gross sales	8,557	4,118	2,502	0	653	0	22	912	0	0
3 Exchange	0	0	0	0	0	0	0	0	0	0
4 Redemptions	7,700	3,500	1,000	0	0	0	0	4,572	0	3,657
Others within 1 year										
5 Gross purchases	1,126	1,349	190	0	1,232	0	535	0	0	443
6 Gross sales	0	0	0	0	0	0	0	0	0	300
7 Maturity shift	16,354	19,763	18,673	1,762	1,375	4,063	1,715	1,437	2,723	1,500
8 Exchange	−20,840	−17,717	−20,179	−1,799	−522	−1,336	−1,812	−613	−1,787	−917
9 Redemptions	0	0	0	0	0	0	0	0	0	*
1 to 5 years										
10 Gross purchases	1,638	2,185	893	0	3,642	0	1,394	0	5	2,551
11 Gross sales	0	0	0	0	0	0	0	200	0	0
12 Maturity shift	−13,709	−17,459	−17,058	−1,762	−1,373	−1,804	−1,715	−1,397	−2,122	−1,500
13 Exchange	16,039	13,853	16,984	1,799	522	1,111	1,812	613	1,612	917
5 to 10 years										
14 Gross purchases	536	458	236	0	914	0	312	0	0	619
15 Gross sales	300	100	0	0	0	0	0	0	0	0
16 Maturity shift	−2,371	−1,857	−1,620	0	−3	−2,259	0	−40	−601	0
17 Exchange	2,750	2,184	2,050	0	0	150	0	0	100	0
Over 10 years										
18 Gross purchases	441	293	158	0	669	0	251	0	0	493
19 Gross sales	0	0	0	0	0	0	0	0	0	0
20 Maturity shift	−275	−447	0	0	0	0	0	0	0	0
21 Exchange	2,052	1,679	1,150	0	0	75	0	0	75	0
All maturities										
22 Gross purchases	23,776	26,499	24,078	1,062	10,683	1,697	3,066	575	504	8,633
23 Gross sales	8,857	4,218	2,502	0	653	0	22	1,112	0	300
24 Redemptions	7,700	3,500	1,000	0	0	0	0	4,572	0	3,657
Matched transactions										
25 Gross sales	808,986	866,175	927,997	72,306	83,822	91,642	87,228	80,304	60,731	61,321
26 Gross purchases	810,432	865,968	927,247	73,476	82,494	92,137	87,128	80,037	62,594	61,347
Repurchase agreements[2]										
27 Gross purchases	127,933	134,253	170,431	5,657	37,653	59,340	24,167	3,298	9,013	34,080
28 Gross sales	127,690	132,351	160,268	5,657	23,881	73,111	22,108	2,058	12,311	34,080
29 Net change in U.S. government securities	8,908	20,477	29,989	2,231	22,474	−11,580	5,002	−4,136	−931	4,702
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	0	37	*	0	59	0	0
Repurchase agreements[2]										
33 Gross purchases	11,509	22,183	31,142	897	9,265	16,071	3,907	929	2,369	7,174
34 Gross sales	11,328	20,877	30,522	897	5,908	19,428	2,910	996	3,298	7,174
35 Net change in federal agency obligations	−76	1,144	222	0	3,320	−3,357	997	−126	−929	0
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**	**2,231**	**25,794**	**−14,936**	**5,999**	**−4,262**	**−1,861**	**4,702**

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		
	Sept. 30	Oct. 7	Oct. 14	Oct. 21	Oct. 28	Aug.	Sept.	Oct.
	Consolidated condition statement							
Assets								
1 Gold certificate account	11,075	11,085	11,086	11,085	11,085	11,068	11,075	11,085
2 Special drawing rights certificate account	5,018	5,018	5,018	5,018	5,018	5,018	5,018	5,018
3 Coin	449	454	456	465	455	446	449	461
Loans								
4 To depository institutions	1,941	1,382	929	3,160	753	566	1,941	587
5 Other	0	0	0	0	0	0	0	0
6 Acceptances held under repurchase agreements	0	0	0	0	0	0	0	0
Federal agency obligations								
7 Bought outright	7,623	7,623	7,623	7,567	7,568	7,623	7,623	7,567
8 Held under repurchase agreements	0	0	0	1,139	4,078	0	0	2,916
U.S. Treasury securities								
Bought outright								
9 Bills	105,785	104,786	105,938	103,752	104,998	104,888	105,785	102,863
10 Notes	78,544	78,544	78,544	78,844	78,844	75,252	78,544	78,844
11 Bonds	27,612	27,612	27,612	27,612	27,611	27,098	27,612	27,612
12 Total bought outright[2]	211,941	210,942	212,094	210,208	211,453	207,238	211,941	209,319
13 Held under repurchase agreements	0	0	0	3,596	8,254	0	0	8,295
14 Total U.S. Treasury securities	211,941	210,942	212,094	213,804	219,707	207,238	211,941	217,614
15 **Total loans and securities**	**221,505**	**219,947**	**220,646**	**225,670**	**232,106**	**215,427**	**221,505**	**228,684**
16 Items in process of collection	6,287	7,758	11,716	7,777	7,870	5,025	7,532	7,197
17 Bank premises	688	693	696	696	694	686	688	698
Other assets								
18 Denominated in foreign currencies[3]	8,038	8,044	8,059	8,065	8,071	8,244	8,038	8,268
19 All other[4]	8,344	7,947	7,997	7,888	8,374	6,822	8,344	8,637
20 **Total assets**	**261,404**	**260,946**	**265,674**	**266,664**	**273,673**	**252,736**	**262,649**	**270,048**
Liabilities								
21 Federal Reserve notes	199,680	201,089	202,422	201,943	202,292	199,424	199,680	202,712
Deposits								
22 To depository institutions	39,027	43,043	42,497	36,149	43,379	37,491	39,027	43,187
23 U.S. Treasury—General account	9,120	2,816	3,745	14,323	14,324	3,763	9,120	8,898
24 Foreign—Official accounts	456	220	200	221	301	295	456	236
25 Other	419	372	348	309	371	284	419	477
26 **Total deposits**	**49,022**	**46,451**	**46,790**	**51,002**	**58,375**	**41,833**	**49,022**	**52,798**
27 Deferred credit items	6,039	6,458	9,578	6,643	5,839	4,515	7,284	6,588
28 Other liabilities and accrued dividends[5]	2,386	2,626	2,540	2,725	2,807	2,280	2,386	3,134
29 **Total liabilities**	**257,127**	**256,624**	**261,330**	**262,313**	**269,313**	**248,052**	**258,372**	**265,232**
Capital Accounts								
30 Capital paid in	2,009	2,009	2,012	2,015	2,017	1,984	2,009	2,019
31 Surplus	1,873	1,873	1,873	1,873	1,873	1,874	1,873	1,873
32 Other capital accounts	395	440	459	463	470	826	395	924
33 **Total liabilities and capital accounts**	**261,404**	**260,946**	**265,674**	**266,664**	**273,673**	**252,736**	**262,649**	**270,048**
34 Memo: Marketable U.S. Treasury securities held in custody for foreign and international account	182,078	187,437	189,376	188,315	188,156	183,931	182,078	188,247
	Federal Reserve note statement							
35 Federal Reserve notes outstanding issued to bank	252,932	253,305	253,419	253,470	253,666	250,354	252,932	253,538
36 Less: Held by bank	53,252	52,216	50,995	51,527	51,374	50,930	53,252	50,826
37 Federal Reserve notes, net	199,680	201,089	202,422	201,943	202,292	199,424	199,680	202,712
Collateral held against notes net:								
38 Gold certificate account	11,075	11,085	11,086	11,085	11,085	11,068	11,075	11,085
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	183,587	184,986	186,318	185,840	186,189	183,338	183,587	186,609
42 **Total collateral**	**199,680**	**201,089**	**202,422**	**201,943**	**202,292**	**199,424**	**199,680**	**202,712**

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		
	Sept. 30	Oct. 7	Oct. 14	Oct. 21	Oct. 28	Aug. 31	Sept. 30	Oct. 30
1 Loans—Total	1,941	1,382	929	3,160	753	566	1,941	587
2 Within 15 days	1,878	1,282	836	3,122	715	466	1,878	525
3 16 days to 90 days	61	98	93	38	38	100	61	62
4 91 days to 1 year	2	2	0	0	0	0	2	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	211,941	210,942	212,094	213,804	219,707	207,238	211,941	217,614
10 Within 15 days[1]	12,767	7,861	10,594	13,269	19,528	8,671	12,767	13,609
11 16 days to 80 days	49,795	52,544	50,961	49,702	51,179	53,685	49,795	51,679
12 91 days to 1 year	67,296	68,454	68,456	68,727	66,894	65,878	67,296	70,220
13 Over 1 year to 5 years	42,435	42,435	42,435	42,513	42,513	40,467	42,435	42,513
14 Over 5 years to 10 years	14,819	14,819	14,819	14,764	14,764	14,201	14,819	14,764
15 Over 10 years	24,829	24,829	24,829	24,829	24,829	24,336	24,829	24,829
16 Federal agency obligations—Total	7,623	7,623	7,623	8,706	11,646	7,623	7,623	10,483
17 Within 15 days[1]	359	145	101	1,324	4,218	315	359	3,056
18 16 days to 90 days	602	751	746	606	757	726	602	757
19 91 days to 1 year	1,446	1,511	1,476	1,546	1,474	1,353	1,446	1,474
20 Over 1 year to 5 years	3,615	3,615	3,673	3,603	3,574	3,663	3,615	3,574
21 Over 5 years to 10 years	1,321	1,371	1,396	1,411	1,407	1,286	1,321	1,407
22 Over 10 years	280	230	231	216	216	280	280	215

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

1.20 AGGREGATE RESERVES OF DEPOSITORY INSTITUTIONS AND MONETARY BASE

Billions of dollars, averages of daily figures

Item	1983 Dec.	1984 Dec.	1985 Dec.	1986 Dec.	1987 Mar.	1987 Apr.	1987 May	1987 June	1987 July	1987 Aug.	1987 Sept.	1987 Oct.
	Seasonally adjusted											
ADJUSTED FOR CHANGES IN RESERVE REQUIREMENTS[1]												
1 **Total reserves[2]**	**36.11**	**39.91**	**46.06**	**56.17**	**56.85**	**57.95**	**58.35**	**57.71**	**57.60**	**57.88**	**57.83**	**58.49**
2 Nonborrowed reserves	35.33	36.72	44.74	55.34	56.32	56.96	57.32	56.93	56.93	57.23	56.89	57.54
3 Nonborrowed reserves plus extended credit[3]	35.33	39.33	45.24	55.64	56.59	57.23	57.60	57.20	57.12	57.36	57.29r	57.99
4 Required reserves	35.55	39.06	45.00	54.80	55.94	57.13	57.27	56.52	56.84	56.84	57.03	57.37
5 Monetary base[4]	185.23	199.60	217.32	239.51	244.56	246.59	248.37	248.48	249.46	250.80	251.85r	254.34
	Not seasonally adjusted											
6 **Total reserves[2]**	**36.81**	**40.94**	**47.24**	**57.64**	**56.07**	**58.37**	**57.30**	**57.63**	**57.74**	**57.39**	**57.50**	**58.03**
7 Nonborrowed reserves	36.04	37.75	45.92	56.81	55.54	57.38	56.26	56.85	57.07	56.74	56.56	57.08
8 Nonborrowed reserves plus extended credit[3]	36.04	40.35	46.42	57.11	55.80	57.65	56.55	57.12	57.27	56.88	56.96r	57.53
9 Required reserves	36.25	40.08	46.18	56.27	55.15	57.54	56.22	56.43	56.98	56.36	56.70	56.91
10 Monetary base[4]	188.50	202.70	220.82	243.63	241.92	246.07	246.83	249.29	251.42	251.42	251.60r	253.28
NOT ADJUSTED FOR CHANGES IN RESERVE REQUIREMENTS[5]												
11 **Total reserves[2]**	**38.89**	**40.70**	**48.14**	**59.56**	**57.06**	**59.39**	**58.34**	**58.78**	**58.84**	**58.36**	**59.81r**	**61.10**
12 Nonborrowed reserves	38.12	37.51	46.82	58.73	56.53	58.40	57.30	58.01	58.17	57.71	58.87r	60.15
13 Nonborrowed reserves plus extended credit[3]	38.12	40.09	47.41	59.04	56.82	58.19	58.03	58.34	58.37	57.76	58.85	61.21
14 Required reserves	38.33	39.84	47.08	58.19	56.15	58.57	57.26	57.59	58.08	57.33	59.02	59.98
15 Monetary base[4]	192.26	204.18	223.53	247.71	244.98	249.24	249.94	252.54	254.67	254.36	255.69	258.07

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

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

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

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

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

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

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

1.21 MONEY STOCK, LIQUID ASSETS, AND DEBT MEASURES

Billions of dollars, averages of daily figures

Item[1]	1983 Dec.	1984 Dec.	1985 Dec.	1986 Dec.	1987 June	1987 July[r]	1987 Aug.[r]	1987 Sept.[r]
	Seasonally adjusted							
1 M1	526.9	557.5	627.0	730.5	747.6	751.1	751.3	760.7
2 M2	2,184.6	2,369.1	2,569.5	2,801.2	2,848.0	2,863.4	2,876.9	2,893.3
3 M3	2,692.8	2,985.4	3,205.2	3,492.2[r]	3,585.5	3,608.5	3,626.5	3,650.3
4 L	3,154.6	3,528.1	3,837.6	4,139.9	4,223.7	4,251.6	4,282.3	n.a.
5 Debt	5,195.5	5,932.9	6,746.9	7,601.6[r]	7,956.6	8,010.6	8,073.2	n.a.
M1 components								
6 Currency[2]	148.3	158.5	170.6	183.5	192.1	193.2	194.5	196.2
7 Travelers checks[3]	4.9	5.2	5.9	6.4	6.8	6.9	7.0	7.0
8 Demand deposits[4]	242.3	248.3	272.2	308.3	296.2	296.4	294.1	300.4
9 Other checkable deposits[5]	131.4	145.5	178.3	232.2	252.6	254.6	255.6	257.2
Nontransactions components								
10 In M2[6]	1,657.7	1,811.5	1,942.5	2,070.7[r]	2,100.4	2,112.4	2,125.6	2,132.6
11 In M3 only[7]	508.2	616.3	635.7	691.0[r]	737.5	745.1	749.6	757.0
Savings deposits[8]								
12 Commercial Banks	133.2	122.2	124.6	154.5	176.6	178.0	178.0	177.5
13 Thrift institutions	173.0	166.6	179.0	211.8	240.1	241.8	241.3	239.3
Small denomination time deposits[9]								
14 Commercial Banks	350.9	386.6	383.9	364.7	363.4	365.4	367.3	373.0
15 Thrift institutions	432.9	498.6	500.3	488.7	495.1	500.1	504.3	509.7
Money market mutual funds								
16 General purpose and broker/dealer	138.2	167.5	176.5	207.6	209.8	212.8	216.5	219.3
17 Institution-only	43.2	62.7	65.1	84.1	83.4	83.4	80.7	81.6
Large denomination time deposits[10]								
18 Commercial Banks[11]	230.0	269.6	284.1	291.8	313.7	313.7	313.6	317.1
19 Thrift institutions	96.2	147.3	152.1	155.3	151.4	153.1	155.3	159.1
Debt components								
20 Federal debt	1,170.8	1,365.3	1,584.3	1,803.9	1,888.6	1,902.5	1,912.9	n.a.
21 Nonfederal debt	4,024.6	4,567.6	5,162.6	5,797.8[r]	6,068.0	6,108.1	6,160.3	n.a.
	Not seasonally adjusted							
22 M1	538.3	570.3	641.0	746.5	751.5	749.4	749.4	757.7
23 M2	2,191.6	2,378.3	2,580.5	2,814.7	2,855.1	2,861.5	2,869.7	2,889.3
24 M3	2,702.4	2,997.2	3,218.4	3,507.5	3,585.3	3,604.0	3,621.3	3,646.0
25 L	3,163.1	3,538.8	3,849.4	4,153.3[r]	4,223.9	4,248.2	4,277.1	n.a.
26 Debt	5,189.7	5,927.1	6,740.7	7,594.9	7,933.1	7,989.0	8,057.1	n.a.
M1 components								
27 Currency[2]	150.6	160.8	173.1	186.2	193.8	194.1	194.3	195.9
28 Travelers checks[3]	4.6	4.9	5.5	6.0	7.7	7.9	7.6	7.0
29 Demand deposits[4]	251.0	257.2	282.0	319.5	298.6	294.8	293.3	299.8
30 Other checkable deposits[5]	132.2	147.4	180.4	235.0	251.4	252.6	254.3	255.0
Nontransactions components								
31 M2[6]	1,653.3	1,808.0	1,939.5	2,068.2	2,103.6	2,112.1	2,120.2	2,131.6
32 M3 only[7]	510.8	618.9	637.9	692.8	730.2	742.5	751.6	756.7
Money market deposit accounts								
33 Commercial Banks	230.4	267.4	332.5	379.0	365.3	364.1	362.5	359.1
34 Thrift institutions	148.5	150.0	180.7	192.4	182.9	179.6	176.8	173.6
Savings deposits[8]								
35 Commercial Banks	132.2	121.4	123.9	153.8	178.4	178.2	177.9	178.3
36 Thrift institutions	172.4	166.2	178.8	211.8	241.8	240.0	239.2	239.4
Small denomination time deposits[9]								
37 Commercial Banks	351.1	386.7	383.8	364.4	363.9	366.8	369.0	374.0
38 Thrift institutions	433.5	499.6	501.5	489.8	494.7	499.3	503.6	511.0
Money market mutual funds								
39 General purpose and broker/dealer	138.2	167.5	176.5	207.6	209.8	212.8	216.5	219.3
40 Institution-only	43.2	62.7	65.1	84.1	83.4	83.4	80.7	81.6
Large denomination time deposits[10]								
41 Commercial Banks[11]	231.6	271.2	285.6	293.2	310.4	313.1	314.9	318.3
42 Thrift institutions	96.3	147.3	151.9	154.9	150.7	153.2	155.7	159.5
Debt components								
43 Federal debt	1,170.2	1,364.7	1,583.7	1,803.3	1,872.4	1,887.4	1,899.9	n.a.
44 Nonfederal debt	4,019.5	4,562.4	5,156.9	5,791.6	6,060.7	6,101.6	6,157.2	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. Smnall-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[1]

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

Bank group, or type of customer	1984[2,r]	1985[2,r]	1986[2,r]	1987 Mar.[r]	Apr.[r]	May[r]	June[r]	July	Aug.
DEBITS TO	Seasonally adjusted								
Demand deposits[3]									
1 All insured banks	131,463.1	156,091.6	188,345.9	217,241.7	217,788.4	217,393.9	212,421.0	219,492.2	221,725.9
2 Major New York City banks	57,327.3	70,585.8	91,397.6	106,103.9	105,174.7	107,719.8	103,031.9	106,415.1	109,060.6
3 Other banks	74,135.9	85,505.9	96,948.3	111,137.8	112,613.7	109,674.0	109,389.1	113,077.1	112,665.3
4 ATS-NOW accounts[4]	1,549.1	1,823.5	2,182.5	2,297.8	2,384.3	2,310.5	2,417.4	2,498.7	2,333.3
5 Savings deposits[5]	414.7	384.9	403.5	498.4	508.1	488.5	565.7	548.2	518.9
DEPOSIT TURNOVER									
Demand deposits[3]									
6 All insured banks	441.0	500.3	556.5	615.5	607.0	598.4	601.6	628.6	623.3
7 Major New York City banks	1,837.2	2,196.9	2,497.8	2,766.0	2,670.0	2,627.8	2,673.2	2,836.0	2,718.8
8 Other banks	277.8	305.7	321.2	353.3	352.6	340.3	347.8	362.8	357.0
9 ATS-NOW accounts[4]	15.3	15.8	15.6	13.5	13.8	13.3	13.9	14.3	13.2
10 Savings deposits[5]	3.3	3.2	3.0	3.0	3.0	2.8	3.3	3.1	3.0
DEBITS TO	Not seasonally adjusted								
Demand deposits[3]									
11 All insured banks	131,450.6	156,052.3	188,506.5	222,225.4	228,142.6	208,310.0	221,038.4	228,764.2	214,145.9
12 Major New York City banks	57,282.4	70,559.3	91,500.0	108,971.4	111,399.0	101,203.2	106,171.3	111,157.7	103,822.8
13 Other banks	74,164.2	85,493.1	97,006.6	113,254.1	116,743.5	107,106.7	114,867.0	117,606.5	110,323.1
14 ATS-NOW accounts[4]	1,552.2	1,826.4	2,184.6	2,269.8	2,564.0	2,262.9	2,466.9	2,466.0	2,226.4
15 MMDA[6]	862.3	1,223.9	1,609.4	1,800.1	2,175.9	1,851.2	1,987.9	2,002.7	1,752.7
16 Savings deposits[5]	415.2	385.3	404.1	479.1	563.3	483.7	565.2	576.5	524.2
DEPOSIT TURNOVER									
Demand deposits[3]									
17 All insured banks	441.1	499.9	556.7	643.2	634.8	584.0	625.0	651.7	612.5
18 Major New York City banks	1,838.6	2,196.3	2,499.1	2,813.0	2,825.8	2,556.8	2,801.5	2,928.4	2,721.9
19 Other banks	277.9	305.6	321.2	369.2	364.9	337.8	363.8	375.7	354.2
20 ATS-NOW accounts[4]	15.4	15.8	15.6	13.3	14.4	13.2	14.3	14.3	12.8
21 MMDA[6]	3.5	4.0	4.5	4.8	5.8	5.1	5.4	5.5	4.8
22 Savings deposits[5]	3.3	3.2	3.0	2.9	3.3	2.8	3.3	3.3	3.0

1. These series have been revised to reflect new benchmark adjustments and revised seasonal factors as well as some revisions of reported data. Historical tables containing revised data for earlier periods may be obtained from the Banking Section, Division of Monetary Affairs, Board of Governors of the Federal Reserve System, Washington, D.C. 20551.

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

2. Annual averages of monthly figures.

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

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

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

6. Money market deposit accounts.

1.23 LOANS AND SECURITIES All Commercial Banks[1]

Billions of dollars; averages of Wednesday figures

Category	1986 Nov.	1986 Dec.	1987 Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.
	Seasonally adjusted											
1 **Total loans and securities[2]**	**2,063.5**	**2,089.8**	**2,118.3**	**2,119.7**	**2,126.2**	**2,147.3**	**2,160.6**	**2,167.1**	**2,169.5**	**2,189.0**	**2,206.7**	**2,225.8**
2 U.S. government securities	304.1	309.9	316.3	315.2	314.3	315.8	320.1	316.9	319.8	328.6	331.7r	332.3
3 Other securities	197.9	196.9	190.2	193.8	195.5	197.2	197.6	198.5	196.9	194.9	194.6r	194.2
4 Total loans and leases[2]	1,561.5	1,583.0	1,611.8	1,610.7	1,616.4	1,634.3	1,642.9	1,651.7	1,652.8	1,665.5	1,680.4	1,699.3
5 Commercial and industrial	525.7	541.4	554.1	553.8	551.7	553.9	555.9	558.0	555.5	555.6	560.5r	565.7
6 Bankers acceptances held[3]	6.4	6.4	6.8	6.8	6.2	6.5	6.8	6.8	6.7	7.5	7.5r	7.7
7 Other commercial and industrial	519.2	535.0	547.2	546.9	545.5	547.4	549.0	551.2	548.9	548.1	553.1r	558.0
8 U.S. addressees[4]	510.7	525.7	537.8	537.9	536.9	539.0	540.9	542.8	540.6	540.0	545.0r	550.0
9 Non-U.S. addressees[4]	8.5	9.3	9.4	9.0	8.6	8.4	8.1	8.4	8.3	8.1	8.1	7.9
10 Real estate	479.6	489.0	499.2	504.0	511.0	517.9	526.3	537.2	544.1	551.3	556.2	564.3
11 Individual	312.6	314.2	314.9	315.2	315.7	316.6	316.7	314.5	314.6	316.9	318.9	320.4
12 Security	40.1	38.7	37.7	38.5	38.3	43.6	42.0	42.2	41.7	44.0	45.0	45.4
13 Nonbank financial institutions	34.9	35.2	35.7	34.7	35.0	35.4	35.4	33.9	31.9	30.9	30.8r	31.5
14 Agricultural	32.2	31.8	31.4	30.8	30.0	29.8	29.9	29.9	30.0	30.2	30.2	30.4
15 State and political subdivisions	58.7	57.9	57.8	57.2	57.0	56.0	55.2	54.4	53.2	52.6	52.5r	52.6
16 Foreign banks	10.0	10.4	10.6	10.3	9.7	9.9	9.9	10.3	9.4	9.5	9.8	11.1
17 Foreign official institutions	5.9	5.8	5.9	6.1	6.7	6.7	5.8	5.3	5.2	5.1	5.1	5.5
18 Lease financing receivables	22.0	22.2	22.1	22.2	22.3	22.6	22.9	23.1	23.2	23.3	23.8	23.8
19 All other loans	39.9	36.4	42.4	38.0	38.9	41.9	43.1	42.9r	44.0	46.1	47.6	48.7
	Not seasonally adjusted											
20 **Total loans and securities[2]**	**2,064.2**	**2,105.2**	**2,123.7**	**2,121.6**	**2,127.8**	**2,148.4**	**2,157.9**	**2,166.8**	**2,164.5**	**2,180.5**	**2,204.2r**	**2,216.1**
21 U.S. government securities	303.2	308.3	314.6	318.9	317.2	317.7	319.7	317.4	321.0	327.5	330.4r	328.4
22 Other securities	198.3	198.1	193.7	194.1	194.4	195.2	196.8	197.1	194.8	195.3	195.5	194.8
23 Total loans and leases[2]	1,562.6	1,598.7	1,615.4	1,608.6	1,616.2	1,635.4	1,641.4	1,652.4	1,648.7	1,657.7	1,678.2r	1,692.9
24 Commercial and industrial	525.2	544.3	552.4	551.7	554.5	556.5	557.5	559.1	554.6	552.7	559.3	563.0
25 Bankers acceptances held[3]	6.6	6.7	6.7	6.7	6.2	6.4	6.7	6.9	6.8	7.4	7.6r	7.5
26 Other commercial and industrial	518.5	537.6	545.8	545.0	548.3	550.0	550.8	552.3	547.8	545.3	551.7r	555.5
27 U.S. addressees[4]	509.5	528.8	537.1	536.3	539.9	541.6	542.5	543.7	539.0	536.8	543.3	547.2
28 Non-U.S. addressees[4]	9.1	8.8	8.7	8.7	8.4	8.4	8.3	8.6	8.8	8.5	8.4	8.3
29 Real estate	480.7	489.9	499.3	503.1	509.8	516.7	525.4	536.8	544.3	551.5	557.3	565.3
30 Individual	313.7	317.8	317.9	314.7	313.3	314.4	314.8	313.2	313.5	316.7	319.8	321.4
31 Security	40.4	41.0	39.4	37.5	38.6	45.1	42.0	43.0	40.9	41.5	43.4	43.8
32 Nonbank financial institutions	35.4	36.3	35.7	33.8	33.8	34.8	34.9	33.9	31.9	31.1	31.5r	31.7
33 Agricultural	32.3	31.5	30.7	29.9	29.1	29.1	29.7	30.3	30.7	31.0	31.1	31.1
34 State and political subdivisions	58.7	57.9	57.8	57.2	57.0	56.0	55.2	54.4	53.2	52.6	52.5r	52.6
35 Foreign banks	10.1	10.9	10.7	10.5	9.7	9.5	9.6	10.0	9.4	9.3	10.0	11.1
36 Foreign official institutions	5.9	5.8	5.9	6.1	6.7	6.7	5.8	5.3	5.2	5.1	5.1	5.5
37 Lease financing receivables	21.8	22.2	22.4	22.4	22.5	22.7	22.9	23.2	23.1	23.2	23.6	23.5
38 All other loans	38.5	41.2	43.1	41.5	41.2	43.9	43.6	43.2	42.0	42.9	44.6r	43.9

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

1.24 MAJOR NONDEPOSIT FUNDS OF COMMERCIAL BANKS[1]

Monthly averages, billions of dollars

Source	1986		1987									
	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June	July^r	Aug.	Sept.	Oct.
Total nondeposit funds												
1 Seasonally adjusted[2]	145.3	146.5	155.2^r	159.6	164.1	160.9^r	169.6^r	165.8^r	158.8	165.6^r	176.9^r	175.8
2 Not seasonally adjusted	146.9	146.6	154.7^r	162.3	166.5	161.0^r	170.4^r	163.0^r	155.6	165.6^r	176.3^r	174.8
Federal funds, RPs, and other borrowings from nonbanks[3]												
3 Seasonally adjusted	167.2	165.5^r	171.0	171.6	170.4	171.3^r	169.6	167.7	166.5	166.9^r	166.0^r	165.4
4 Not seasonally adjusted	168.7^r	165.7	170.5	174.3	172.7	171.4	170.4	165.0	163.3	167.0^r	165.3^r	164.5
5 Net balances due to foreign-related institutions, not seasonally adjusted	−21.9	−19.0	−15.7	−12.0	−6.3	−10.4^r	.0^r	−1.9^r	−7.8	−1.3	10.9	10.4
MEMO												
6 Domestically chartered banks' net positions with own foreign branches, not seasonally adjusted[4]	−28.7	−30.6	−26.1	−23.8	−21.1	−23.0	−15.5	−15.5	−22.2	−17.7	−11.8	−14.7
7 Gross due from balances	70.8	73.3	71.5	68.3	66.0	70.5	68.5	67.1	66.4	64.5	64.3	68.1
8 Gross due to balances	42.1	42.7	45.4	44.5	44.9	47.5	53.0	51.5	44.2	46.8	52.5	53.5
9 Foreign-related institutions' net positions with directly related institutions, not seasonally adjusted[5]	6.9	11.5	10.4	11.8	14.8	12.6^r	15.5^r	13.6^r	14.5	16.4	22.7	25.0
10 Gross due from balances	68.8	70.9	75.1	72.9^r	71.1	72.7^r	75.5^r	77.2^r	77.2	77.5^r	77.1	79.6
11 Gross due to balances	75.6	82.5	85.5	84.7	85.9^r	85.3	91.0	90.8	91.7	93.8	99.8	104.6
Security RP borrowings												
12 Seasonally adjusted[6]	98.1	98.5	101.1	97.7	95.1	98.6	99.2	101.4^r	102.5	105.2^r	108.6^r	108.6
13 Not seasonally adjusted	99.7	98.6	100.6	100.4	97.4	98.7	100.0	98.7	99.4	105.3^r	107.9^r	107.7
U.S. Treasury demand balances[7]												
14 Seasonally adjusted	23.2	21.2	21.3	23.2	17.7	20.7	26.1	27.9	24.7	29.1	23.3	35.6
15 Not seasonally adjusted	15.3	19.2	27.5	28.6	17.1	21.6	30.8	25.5	26.6	21.6	25.5	30.7
Time deposits, $100,000 or more[8]												
16 Seasonally adjusted	343.2	345.6	350.1	351.1	354.1	359.8	366.2	372.9	371.8	370.9^r	370.5^r	377.8
17 Not seasonally adjusted	343.9	347.0	351.3	353.2	356.4	357.2	364.8	369.8	368.6	370.2	371.7^r	379.0

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	1987									
	Dec.	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.[r]	Oct.
ALL COMMERCIAL BANKING INSTITUTIONS[2]											
1 Loans and securities	2,314.3	2,284.8	2,279.4	2,279.2	2,306.2	2,318.9	2,313.4	2,324.3	2,342.2	2,368.8	2,215.2
2 Investment securities	479.6	482.2	484.7	486.2	492.5	495.4	493.2	497.7	501.7	502.6	480.4
3 U.S. government securities	292.6	296.1	298.8	299.5	305.1	307.0	303.4	308.2	312.7	312.7	304.8
4 Other	187.0	186.1	185.9	186.7	187.5	188.4	189.8	189.4	189.0	189.9	175.6
5 Trading account assets	27.8	26.4	29.0	25.2	23.3	21.4	20.2	20.4	20.0	19.5	19.7
6 Total loans	1,807.0	1,776.3	1,765.6	1,767.8	1,790.3	1,802.1	1,800.0	1,806.2	1,820.5	1,846.7	1,715.1
7 Interbank loans	168.9	160.1	156.7	154.3	151.8	160.4	150.9	157.5	162.5	158.3	133.1
8 Loans excluding interbank	1,638.1	1,616.2	1,608.9	1,613.5	1,638.5	1,641.7	1,649.1	1,648.7	1,658.0	1,688.3	1,582.0
9 Commercial and industrial	568.2	551.1	551.5	555.3	555.5	558.2	558.0	551.8	551.6	564.6	471.9
10 Real estate	497.5	499.9	503.5	510.7	519.0	527.4	539.1	547.3	552.7	559.1	566.7
11 Individual	320.4	317.0	314.7	313.1	315.2	314.8	312.6	314.5	317.2	321.0	322.5
12 All other	252.0	248.3	239.2	234.4	248.9	241.3	239.5	235.2	236.6	243.6	220.8
13 Total cash assets	273.7	214.4	206.3	203.8	209.7	230.8	213.1	207.1	209.3	221.6	205.1
14 Reserves with Federal Reserve Banks	41.2	33.4	28.4	31.1	29.8	37.9	33.8	32.8	37.6	33.3	36.5
15 Cash in vault	25.7	23.7	23.5	22.9	24.0	25.1	24.2	24.4	24.6	24.4	24.9
16 Cash items in process of collection	111.3	74.5	71.4	68.1	74.5	81.3	74.4	68.6	65.6	81.3	78.2
17 Demand balances at U.S. depository institutions	43.3	34.0	33.0	32.7	33.9	37.2	31.1	31.6	31.4	32.6	31.1
18 Other cash assets	52.3	48.8	50.1	49.0	47.5	49.3	49.7	49.6	50.0	50.0	34.4
19 Other assets	224.8	201.3	201.1	202.1	204.0	208.7	203.8	189.0	190.7	200.6	131.1
20 Total assets/total liabilities and capital	**2,812.8**	**2,700.5**	**2,686.8**	**2,685.2**	**2,719.9**	**2,758.3**	**2,730.4**	**2,720.4**	**2,742.2**	**2,791.0**	**2,551.3**
21 Deposits	2,018.0	1,898.3	1,895.5	1,899.6	1,919.5	1,939.1	1,923.4	1,924.6	1,926.4	1,968.4	1,905.3
22 Transaction deposits	691.1	577.8	569.2	568.8	590.7	596.9	578.2	573.7	572.6	610.7	587.8
23 Savings deposits	535.0	532.3	535.9	539.7	535.1	538.6	535.0	536.0	535.2	532.7	527.0
24 Time deposits	791.9	788.2	790.3	791.2	793.6	803.6	810.1	814.9	818.6	825.0	790.5
25 Borrowings	414.5	432.7	425.6	414.9	422.7	435.6	428.3	424.0	435.1	424.6	346.7
26 Other liabilities	199.6	188.0	184.6	188.7	195.2	200.3	201.3	201.1	209.2	225.0	129.1
27 Residual (assets less liabilities)	180.6	181.5	181.2	181.9	182.5	183.3	177.4	170.7	171.4	172.9	170.2
MEMO											
28 U.S. government securities (including trading account)	308.4	314.5	320.1	316.7	318.9	320.6	315.8	322.6	326.3	326.6	318.8
29 Other securities (including trading account)	198.9	194.1	193.7	194.7	196.9	196.1	197.6	195.5	195.4	195.5	181.3
DOMESTICALLY CHARTERED COMMERCIAL BANKS[3]											
30 Loans and securities	2,154.4	2,136.7	2,130.3	2,121.7	2,146.9	2,156.2	2,151.9	2,157.7	2,174.9	2,191.8	2,215.2
31 Investment securities	459.3	461.5	463.3	463.6	470.0	471.5	469.8	473.8	478.1	478.2	480.4
32 U.S. Treasury securities	283.0	286.8	289.2	289.4	295.2	296.7	294.0	298.4	302.7	302.1	304.8
33 Other	176.3	174.8	174.1	174.2	174.8	174.8	175.9	175.4	175.3	176.1	175.6
34 Trading account assets	27.8	26.4	29.0	25.2	23.3	21.4	20.2	20.4	20.0	19.5	19.7
35 Total loans	1,667.3	1,648.8	1,638.0	1,632.9	1,653.6	1,663.3	1,661.8	1,663.5	1,676.9	1,694.1	1,715.1
36 Interbank loans	137.9	134.3	130.5	124.1	124.2	128.6	121.5	122.9	129.5	124.8	133.1
37 Loans excluding interbank	1,529.5	1,514.5	1,507.5	1,508.8	1,529.3	1,534.7	1,540.4	1,540.6	1,547.4	1,569.3	1,582.0
38 Commercial and industrial	488.2	475.5	474.1	474.6	473.5	475.3	471.7	466.0	464.7	471.1	471.9
39 Real estate	490.3	493.2	497.0	504.1	512.0	520.3	532.1	539.9	544.9	551.1	558.9
40 Individual	320.1	316.7	314.4	312.7	314.9	314.5	312.3	314.2	316.8	320.6	322.2
41 All other	230.9	229.2	221.9	217.4	229.0	224.7	224.3	220.6	221.0	226.4	229.0
42 Total cash assets	253.5	196.6	188.9	186.5	192.5	213.2	195.3	189.1	190.1	201.4	205.1
43 Reserves with Federal Reserve Banks	39.7	31.2	27.1	29.7	27.2	35.9	32.1	31.4	36.2	31.0	36.5
44 Cash in vault	25.7	23.6	23.5	22.8	24.0	25.0	24.1	24.4	24.6	24.4	24.9
45 Cash items in process of collection	110.9	74.0	71.0	67.7	74.0	80.9	73.9	68.1	65.1	80.7	78.2
46 Demand balances at U.S. depository institutions	40.8	32.2	31.1	31.1	31.9	35.1	29.3	29.8	29.8	30.6	31.1
47 Other cash assets	36.4	35.6	36.4	35.2	35.4	36.2	35.9	35.4	34.4	34.7	34.4
48 Other assets	165.0	141.5	144.0	143.4	144.4	143.1	134.4	121.8	121.5	135.9	131.1
49 Total assets/liabilities and capital	**2,572.8**	**2,474.8**	**2,463.2**	**2,451.5**	**2,483.8**	**2,512.5**	**2,481.5**	**2,468.7**	**2,486.5**	**2,529.1**	**2,551.3**
50 Deposits	1,957.0	1,840.8	1,838.2	1,840.7	1,857.1	1,876.5	1,861.5	1,863.9	1,864.7	1,906.3	1,905.3
51 Transaction deposits	682.2	569.4	561.3	560.5	582.2	588.4	569.7	565.6	564.3	602.0	587.8
52 Savings deposits	533.0	530.3	533.9	537.7	533.1	536.6	533.0	533.9	533.0	530.6	527.0
53 Time deposits	741.8	741.1	743.0	742.5	741.8	751.4	758.8	764.4	767.3	773.7	790.5
54 Borrowings	322.9	341.7	336.1	319.1	328.2	337.1	328.6	321.1	335.8	326.5	346.7
55 Other liabilities	115.5	114.0	110.8	113.0	119.1	118.8	117.1	116.1	117.6	126.5	129.1
56 Residual (assets less liabilities)	177.5	178.3	178.1	178.8	179.4	180.2	174.3	167.6	168.3	169.8	170.2

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								
	Sept. 2[r]	Sept. 9[r]	Sept. 16[r]	Sept. 23[r]	Sept. 30[r]	Oct. 7	Oct. 14	Oct. 21	Oct. 28
1 Cash and balances due from depository institutions	97,724	110,655	106,601	104,115	104,707	100,228	117,582	98,119	110,800
2 **Total loans, leases and securities, net**	**1,004,227**	**1,006,962**	**1,009,732**	**1,012,246**	**1,015,438**	**1,009,371**	**1,011,601**	**1,030,019**	**1,025,503**
3 U.S. Treasury and government agency	116,822	119,128	117,293	117,401	115,655	114,569	113,784	115,461	116,726
4 Trading acount	13,257	14,088	13,307	14,236	13,860	13,222	12,405	14,775	13,977
5 Investment account, by maturity	103,564	105,040	103,986	103,165	101,796	101,347	101,378	100,686	102,748
6 One year or less	17,103	17,101	17,064	16,948	16,980	16,936	17,019	16,740	16,028
7 Over one through five years	46,993	47,951	47,795	47,322	45,412	44,922	44,795	44,151	45,184
8 Over five years	39,468	39,987	39,128	38,895	39,403	39,490	39,564	39,794	41,536
9 Other securities	67,924	67,384	67,264	67,256	68,199	67,189	67,098	67,015	67,564
10 Trading account	3,050	2,720	2,960	3,083	2,930	2,361	2,390	2,470	2,645
11 Investment account	64,875	64,664	64,304	64,173	65,269	64,828	64,708	64,546	64,919
12 States and political subdivisions, by maturity	49,550	49,422	49,087	48,976	48,807	48,345	48,294	48,178	48,212
13 One year or less	5,492	5,436	5,155	5,129	5,163	5,184	5,189	5,109	5,120
14 Over one year	44,058	43,986	43,932	43,846	43,644	43,161	43,105	43,068	43,092
15 Other bonds, corporate stocks, and securities	15,324	15,243	15,217	15,197	16,462	16,483	16,414	16,368	16,707
16 Other trading account assets	3,330	3,250	2,856	2,927	2,694	3,177	3,137	2,804	3,024
17 Federal funds sold[1]	65,531	64,744	66,609	69,426	65,828	64,936	66,166	74,333	69,364
18 To commercial banks	36,142	39,639	39,414	41,139	40,156	40,267	40,702	46,976	41,389
19 To nonbank brokers and dealers in securities	21,310	18,246	19,212	20,748	17,585	17,098	18,094	19,449	19,416
20 To others	8,079	6,858	7,983	7,539	8,086	7,572	7,369	7,907	8,560
21 Other loans and leases, gross	789,894	791,776	795,026	794,536	802,053	798,384	800,329	809,252	807,762
22 Other loans, gross	770,375	772,236	775,533	774,999	782,846	779,155	781,124	790,000	788,472
23 Commercial and industrial	269,578	269,688	271,293	272,221	275,452	274,473	274,095	273,657	275,123
24 Bankers acceptances and commercial paper	2,359	2,372	2,346	2,179	2,168	2,203	2,348	2,234	2,404
25 All other	267,218	267,315	268,948	270,042	273,284	272,270	271,746	271,423	272,720
26 U.S. addressees	264,114	264,249	265,861	267,032	270,354	269,148	268,776	268,428	269,690
27 Non-U.S. addressees	3,104	3,066	3,087	3,010	2,930	3,122	2,970	2,994	3,030
28 Real estate loans	234,302	234,890	236,317	236,629	237,063	239,253	240,040	240,590	240,583
29 To individuals for personal expenditures	143,007	143,083	143,290	143,550	143,209	142,857	142,928	143,179	143,669
30 To depository and financial institutions	49,592	51,075	50,086	48,180	48,925	47,728	50,160	50,491	51,581
31 Commercial banks in the United States	21,897	22,508	21,176	21,033	20,560	20,236	21,446	22,322	22,751
32 Banks in foreign countries	5,019	5,510	5,606	4,586	4,757	4,515	5,696	5,296	5,566
33 Nonbank depository and other financial institutions	22,676	23,057	23,304	22,560	23,608	22,977	23,019	22,873	23,264
34 For purchasing and carrying securities	15,678	14,626	16,406	16,111	17,089	16,130	14,994	22,089	18,088
35 To finance agricultural production	5,604	5,634	5,620	5,625	5,712	5,744	5,725	5,681	5,645
36 To states and political subdivisions	31,496	31,455	31,517	31,486	31,686	31,738	31,622	31,449	31,322
37 To foreign governments and official institutions	2,912	2,781	2,777	2,843	2,841	2,830	2,938	2,881	2,997
38 All other	18,206	19,004	18,226	18,353	20,868	18,402	18,622	19,982	19,462
39 Lease financing receivables	19,519	19,540	19,493	19,537	19,206	19,229	19,206	19,252	19,291
40 LESS: Unearned income	4,726	4,739	4,726	4,755	4,716	4,691	4,713	4,714	4,737
41 Loan and lease reserve	34,548	34,581	34,590	34,545	34,276	34,194	34,200	34,132	34,200
42 Other loans and leases, net	750,619	752,456	755,710	755,236	763,061	759,499	761,416	770,406	768,825
43 All other assets	118,602	119,930	116,917	115,991	126,716	123,766	122,693	123,987	126,758
44 **Total assets**	**1,220,553**	**1,237,546**	**1,233,250**	**1,232,351**	**1,246,862**	**1,233,366**	**1,251,876**	**1,252,125**	**1,263,061**
45 Demand deposits	225,016	226,271	227,180	214,715	240,176	216,205	237,498	225,552	230,413
46 Individuals, partnerships, and corporations	175,618	175,704	174,713	166,684	185,413	168,924	185,413	176,610	178,260
47 States and political subdivisions	6,022	5,098	5,761	5,731	6,165	4,862	4,999	5,490	5,335
48 U.S. government	1,530	2,476	4,771	2,873	3,113	2,748	1,918	1,410	2,077
49 Depository institutions in United States	24,642	26,808	24,588	21,277	27,326	23,745	27,651	25,272	24,378
50 Banks in foreign countries	6,536	6,833	7,162	6,103	6,872	6,118	7,291	6,654	7,174
51 Foreign governments and official institutions	1,189	984	935	1,026	973	840	976	966	922
52 Certified and officers' checks	9,479	8,367	9,250	11,021	10,313	8,968	9,250	9,150	12,267
53 Transaction balances other than demand deposits	62,351	62,916	62,428	59,809	60,364	62,050	61,455	60,995	60,103
54 Nontransaction balances	525,982	525,084	524,854	524,514	526,443	531,057	530,669	532,822	533,817
55 Individuals, partnerships and corporations	489,182	488,297	488,185	487,580	488,792	493,347	493,074	495,671	496,316
56 States and political subdivisions	25,678	25,652	25,478	25,729	25,824	25,527	25,693	25,662	25,569
57 U.S. government	777	832	813	631	816	802	811	620	795
58 Depository institutions in the United States	9,536	9,496	9,587	9,758	10,226	10,562	10,289	10,082	10,347
59 Foreign governments, official institutions and banks	809	806	790	817	786	819	802	786	790
60 Liabilities for borrowed money	243,481	258,354	255,511	259,749	247,201	254,729	253,656	262,588	263,678
61 Borrowings from Federal Reserve Banks	0	787	161	330	1,148	980	580	2,720	275
62 Treasury tax-and-loan notes	9,252	8,634	23,448	22,009	21,129	19,312	18,870	22,928	22,857
63 All other liabilities for borrowed money[2]	234,229	248,932	231,902	237,409	224,924	234,437	234,206	236,940	240,546
64 Other liabilities and subordinated note and debentures	86,432	87,228	85,842	96,107	94,698	90,701	89,317	91,014	95,943
65 **Total liabilities**	**1,143,262**	**1,159,853**	**1,155,814**	**1,154,894**	**1,168,883**	**1,154,742**	**1,172,595**	**1,172,971**	**1,183,954**
66 Residual (total assets minus total liabilities)[3]	77,290	77,693	77,435	77,457	77,979	78,624	79,281	79,154	79,107
MEMO									
67 Total loans and leases (gross) and investments adjusted[4]	985,463	984,134	988,459	989,373	993,713	987,753	988,366	999,567	1,000,300
68 Total loans and leases (gross) adjusted[4]	797,386	794,372	801,045	801,790	807,164	802,817	804,348	814,287	812,987
69 Time deposits in amounts of $100,000 or more	163,917	162,866	163,376	164,695	165,016	168,973	168,518	170,013	171,715
70 Loans sold outright to affiliates—total[5]	1,739	1,692	1,661	1,720	1,731	1,760	1,835	1,843	1,780
71 Commercial and industrial	1,201	1,159	1,150	1,224	1,243	1,249	1,333	1,333	1,271
72 Other	537	533	511	495	488	511	503	510	510
73 Nontransaction savings deposits (including MMDAs)	228,807	228,941	227,946	226,343	227,123	227,240	227,168	226,879	224,998

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								
	Sept. 2	Sept. 9	Sept. 16	Sept. 23	Sept. 30	Oct. 7	Oct. 14	Oct. 21	Oct. 28
1 Cash balances due from depository institutions	21,515	29,498	25,771	29,470	24,899r	25,586	32,338	23,613	31,405
2 **Total loans, leases and securities, net**[1]	**215,139**	**215,157**	**215,393**	**219,799**	**218,796r**	**213,240**	**215,854**	**226,060**	**221,491**
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	13,871	14,465	14,206	13,991	14,003	13,863	13,975	13,874	14,486
6 One year or less	1,962	1,981	2,112	1,921	1,950	1,912	1,982	1,922	1,427
7 Over one through five years	5,128	5,125	4,718	4,683	4,666	4,573	4,570	4,377	4,442
8 Over five years	6,781	7,359	7,376	7,386	7,387	7,378	7,424	7,574	8,618
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	16,644	16,548	16,532	16,477	16,491	16,520	16,480	16,444	16,518
12 States and political subdivisions, by maturity	13,707	13,661	13,646	13,607	13,528	13,567	13,558	13,526	13,510
13 One year or less	1,017	971	942	933	944	921	929	874	863
14 Over one year	12,689	12,690	12,703	12,674	12,584	12,646	12,629	12,652	12,647
15 Other bonds, corporate stocks and securities	2,938	2,886	2,886	2,870	2,963	2,953	2,922	2,918	3,008
16 Other trading account assets[2]	0	0	0	0	0	0	0	0	0
Loans and leases									
17 Federal funds sold[3]	30,411	28,349	27,471	32,844	29,068	26,783	27,532	32,036	28,582
18 To commercial banks	11,240	13,428	11,360	15,008	12,688	11,713	11,369	14,353	11,572
19 To nonbank brokers and dealers in securities	13,105	10,194	10,496	12,477	10,674	9,736	11,359	12,364	11,472
20 To others	6,065	4,727	5,616	5,360	5,706	5,335	4,804	5,319	5,538
21 Other loans and leases, gross	170,080	171,725	173,098	172,392	175,071r	171,781	173,630	179,406	177,641
22 Other loans, gross	165,209	166,841	168,188	167,457	170,585r	167,287	169,170	174,951	173,148
23 Commercial and industrial	57,121	57,390	58,221	58,705	59,370r	58,976	59,111	58,055	59,197
24 Bankers acceptances and commercial paper	473	503	494	463	475r	496	550	456	441
25 All other	56,648	56,887	57,727	58,242	58,894r	58,480	58,561	57,599	58,756
26 U.S. addressees	56,144	56,433	57,241	57,808	58,474r	57,882	58,084	57,138	58,249
27 Non-U.S. addressees	503	454	486	435	421	598	477	462	507
28 Real estate loans	44,176	44,330	44,668	44,794	44,675	44,752	44,680	44,677	44,457
29 To individuals for personal expenditures	21,696	21,749	21,832	21,939	21,931r	21,964	22,075	22,155	22,214
30 To depository and financial institutions	19,808	21,371	20,685	19,740	20,409r	19,568	21,499	21,863	22,955
31 Commercial banks in the United States	10,901	11,818	10,839	10,879	11,184r	10,876	11,697	12,267	12,609
32 Banks in foreign countries	2,731	3,309	3,485	2,493	2,710r	2,516	3,480	3,286	3,498
33 Nonbank depository and other financial institutions	6,176	6,244	6,361	6,367	6,515	6,176	6,321	6,310	6,849
34 For purchasing and carrying securities	7,494	6,610	7,993	7,432	7,897	6,986	6,585	12,041	8,839
35 To finance agricultural production	284	300	302	304	328	320	323	324	337
36 To states and political subdivisions	7,727	7,714	7,741	7,731	7,839	7,847	7,821	7,781	7,737
37 To foreign governments and official institutions	768	634	647	724	745	734	797	747	855
38 All other	6,134	6,742	6,098	6,087	7,390	6,139	6,278	7,306	6,556
39 Lease financing receivables	4,871	4,883	4,909	4,935	4,486	4,494	4,460	4,456	4,493
40 Less: Unearned income	1,511	1,526	1,527	1,546	1,528	1,532	1,547	1,552	1,560
41 Loan and lease reserve	14,356	14,404	14,386	14,359	14,309r	14,176	14,217	14,149	14,176
42 Other loans and leases, net	154,213	155,795	157,184	156,487	159,234r	156,074	157,865	163,705	161,905
43 All other assets[4]	56,629	55,895	53,305	52,752	57,077r	57,030	56,632	59,526	60,634
44 **Total assets**	**293,283**	**300,550**	**294,470**	**302,021**	**300,772r**	**295,856**	**304,824**	**309,199**	**313,530**
Deposits									
45 Demand deposits	58,230	59,013	58,501	59,535	65,610r	55,632	62,241	61,314	66,510
46 Individuals, partnerships, and corporations	40,388	40,667	40,374	40,715	44,795r	37,682	43,303	42,725	44,896
47 States and political subdivisions	956	776	842	788	890	831	766	861	991
48 U.S. government	179	407	616	512	547	476	269	196	314
49 Depository institutions in the United States	6,192	7,169	5,683	5,275	8,159r	6,845	6,588	7,187	7,040
50 Banks in foreign countries	5,420	5,647	6,027	4,984	5,642r	4,991	6,170	5,532	5,773
51 Foreign governments and official institutions	1,035	828	783	882	837r	699	844	843	788
52 Certified and officers' checks	4,060	3,518	4,177	6,378	4,740	4,108	4,300	3,971	6,709
53 Transaction balances other than demand deposits (ATS, NOW, Super NOW, telephone transfers)	8,146	8,196	8,183	7,909	8,012	8,159	8,034	8,025	7,888
54 Nontransaction balances	100,360	99,921	100,493	99,342	99,769	102,090	101,897	101,635	102,270
55 Individuals, partnerships and corporations	91,566	91,162	91,774	90,623	91,017	93,120	92,734	92,362	93,095
56 States and political subdivisions	6,696	6,695	6,660	6,664	6,686	6,736	6,956	6,990	6,895
57 U.S. government	47	59	48	49	53	47	54	68	70
58 Depository institutions in the United States	1,658	1,603	1,619	1,609	1,629	1,780	1,759	1,832	1,832
59 Foreign governments, official institutions and banks	392	401	392	398	383	407	394	382	378
60 Liabilities for borrowed money	67,833	75,446	68,936	71,111	64,145	70,906	74,108	78,348	75,705
61 Borrowings from Federal Reserve Banks	0	0	0	0	410	450	0	2,400	0
62 Treasury tax-and-loan notes	2,185	2,124	5,566	5,720	4,736r	4,811	4,830	5,840	5,792
63 All other liabilities for borrowed money[5]	65,648	73,321	63,370	65,391	58,999r	65,644	69,278	70,108	69,913
64 Other liabilities and subordinated note and debentures	36,371	35,544	36,085	41,810	40,614r	36,335	35,350	36,691	38,192
65 **Total liabilities**	**270,940**	**278,119**	**272,198**	**279,707**	**278,151r**	**273,123**	**281,630**	**286,013**	**290,565**
66 Residual (total assets minus total liabilities)[6]	22,344	22,430	22,271	22,315	22,620r	22,733	23,194	23,186	22,966
Memo									
67 Total loans and leases (gross) and investments adjusted[1,7]	208,865	205,840	209,108	209,817	210,760r	206,359	208,552	215,141	213,046
68 Total loans and leases (gross) adjusted[7]	178,350	174,828	178,370	179,349	180,266r	175,976	178,096	184,823	182,042
69 Time deposits in amounts of $100,000 or more	37,178	36,767	37,312	36,701	36,891	38,952	38,628	38,832	38,751

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								
	Sept. 2	Sept. 9	Sept. 16	Sept. 23	Sept. 30r	Oct. 7	Oct. 14	Oct. 21	Oct. 28
1 Cash and due from depository institutions	9,187	10,762	10,253	10,248	11,738	9,864	9,451	9,800	9,695
2 Total loans and securities	93,941	96,792	98,290	99,592	99,614	97,165	98,710	101,124	101,145
3 U.S. Treasury and govt. agency securities	7,425	7,204	7,391	7,970	7,318	7,389	7,330	7,441	6,946
4 Other securities	7,913	7,915	7,914	7,860	8,029	8,019	7,958	7,853	7,753
5 Federal funds sold[2]	7,472	8,891	8,078	9,224	7,196	7,298	9,041	10,787	12,234
6 To commercial banks in the United States	6,090	7,271	6,206	7,296	5,691	5,858	7,744	8,900	10,399
7 To others	1,382	1,620	1,872	1,927	1,505	1,440	1,297	1,887	1,835
8 Other loans, gross	71,131	72,782	74,907	74,539	77,070	74,459	74,382	75,043	74,212
9 Commercial and industrial	46,454	47,598	49,447	49,183	50,165	49,018	48,871	49,487	49,415
10 Bankers acceptances and commercial paper	3,834	3,986	4,116	3,951	3,827	3,876	3,996	3,912	3,916
11 All other	42,620	43,612	45,331	45,232	46,338	45,142	44,875	45,575	45,499
12 U.S. addressees	40,248	41,114	42,913	42,825	43,912	42,756	42,468	43,150	43,120
13 Non-U.S. addressees	2,371	2,498	2,418	2,407	2,426	2,386	2,407	2,425	2,379
14 To financial institutions	15,222	15,204	15,748	16,047	16,769	16,485	16,336	15,798	15,360
15 Commercial banks in the United States	11,340	11,280	11,850	11,986	12,521	12,230	11,994	11,292	11,304
16 Banks in foreign countries	986	1,042	1,079	1,138	1,340	1,196	1,299	1,465	1,117
17 Nonbank financial institutions	2,896	2,881	2,818	2,923	2,908	3,059	3,042	3,041	2,938
18 To foreign govts. and official institutions	355	424	356	342	385	395	409	387	385
19 For purchasing and carrying securities	2,379	2,805	2,765	2,184	2,876	1,685	1,750	2,505	2,287
20 All other	6,721	6,750	6,592	6,783	6,875	6,876	7,016	6,866	6,766
21 Other assets (claims on nonrelated parties)	27,887	27,771	27,718	28,140	28,787	28,690	28,487	28,872	28,513
22 Net due from related institutions	17,145	15,632	16,690	16,138	14,893	15,746	15,414	15,940	14,019
23 Total assets	148,160	150,958	152,950	154,120	155,032	151,466	152,063	155,736	153,372
24 Deposits or credit balances due to other than directly related institutions	43,044	43,744	43,601	44,098	43,652	42,133	42,504	42,285	42,811
25 Transaction accounts and credit balances[3]	3,360	3,658	3,394	3,536	3,644	3,193	3,433	3,337	3,531
26 Individuals, partnerships, and corporations	2,129	2,302	2,163	2,114	2,029	2,217	2,045	2,215	1,984
27 Other	1,231	1,356	1,230	1,422	1,616	976	1,388	1,121	1,547
28 Nontransaction accounts[4]	39,684	40,086	40,207	40,562	40,007	38,941	39,071	38,949	39,280
29 Individuals, partnerships, and corporations	32,244	32,569	32,788	33,323	32,399	31,663	31,840	31,880	32,118
30 Other	7,440	7,517	7,419	7,238	7,608	7,278	7,231	7,069	7,163
31 Borrowings from other than directly related institutions	53,897	53,023	56,222	54,777	55,302	56,947	55,804	58,085	53,854
32 Federal funds purchased[5]	25,347	24,419	26,872	25,092	25,328	27,613	26,372	28,002	25,454
33 From commercial banks in the United States	12,817	13,103	14,356	12,190	13,630	14,839	15,082	16,902	16,093
34 From others	12,530	11,315	12,516	12,902	11,698	12,774	11,289	11,101	9,361
35 Other liabilities for borrowed money	28,549	28,604	29,349	29,684	29,974	29,334	29,432	30,082	28,400
36 To commercial banks in the United States	22,368	22,452	22,283	22,975	23,674	23,001	22,971	23,297	22,054
37 To others	6,181	6,152	7,066	6,710	6,300	6,332	6,461	6,785	6,345
38 Other liablities to nonrelated parties	31,132	31,489	31,264	32,646	32,498	32,674	32,563	32,929	33,127
39 Net due to related institutions	20,088	22,702	21,863	22,599	23,580	19,711	21,191	22,437	23,580
40 Total liabilities	148,160	150,958	152,950	154,120	155,032	151,466	152,063	155,736	153,372
MEMO									
41 Total loans (gross) and securities adjusted[6]	76,511	78,241	80,234	80,310	81,402	79,077	78,972	80,932	79,442
42 Total loans (gross) ajdusted[6]	61,172	63,121	64,929	64,481	66,054	63,669	63,685	65,638	64,742

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									
	1982 Dec.	1983 Dec.	1984 Dec.	1985 Dec.[3,4]	1986 June	1986 Sept.	1986 Dec.	1987 Mar.	1987 June	1987 Sept.
1 **All holders—Individuals, partnerships, and corporations**	**291.8**	**293.5**	**302.7**	**321.0**	**322.4**	**333.6**	**363.6**	**335.9**	**340.2**	n.a.
2 Financial business	35.4	32.8	31.7	32.3	32.3	35.9	41.4	35.9	36.6	n.a.
3 Nonfinancial business	150.5	161.1	166.3	178.5	180.0	185.9	202.0	183.0	187.2	n.a.
4 Consumer	85.9	78.5	81.5	85.5	86.4	86.3	91.1	88.9	90.1	n.a.
5 Foreign	3.0	3.3	3.6	3.5	3.0	3.3	3.3	2.9	3.2	n.a.
6 Other	17.0	17.8	19.7	21.2	20.7	22.2	25.8	25.2	23.1	n.a.
	Weekly reporting banks									
	1982 Dec.	1983 Dec.	1984 Dec.[2]	1985 Dec.[3,4]	1986 June	1986 Sept.	1986 Dec.	1987 Mar.	1987 June	1987 Sept.
7 **All holders—Individuals, partnerships, and corporations**	**144.2**	**146.2**	**157.1**	**168.6**	**168.5**	**174.7**	**195.1**	**178.1**	**179.3**	**179.1**
8 Financial business	26.7	24.2	25.3	25.9	25.7	28.9	32.5	28.7	29.3	29.3
9 Nonfinancial business	74.3	79.8	87.1	94.5	93.1	94.8	106.4	94.4	94.8	96.0
10 Consumer	31.9	29.7	30.5	33.2	34.9	35.0	37.5	36.8	37.5	37.2
11 Foreign	2.9	3.1	3.4	3.1	2.9	3.2	3.3	2.8	3.1	3.1
12 Other	8.4	9.3	10.9	12.0	11.9	12.8	15.4	15.5	14.6	13.5

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.	1987 Apr.	1987 May	1987 June	1987 July	1987 Aug.	1987 Sept.
	Commercial paper (seasonally adjusted unless noted otherwise)										
1 **All issuers**	**166,436**	**187,658**	**237,586**	**300,899**	**331,016**	**346,769**	**354,249**	**348,741**	**348,247**	**352,737**	**358,828**
Financial companies[3]											
Dealer-placed paper[4]											
2 Total	34,605	44,455	56,485	78,443	100,207	103,957	105,397	108,691	107,709	110,714	115,570
3 Bank-related (not seasonally adjusted)	2,516	2,441	2,035	1,602	2,265	2,307	2,429	2,430	2,311	2,404	2,590
Directly placed paper[5]											
4 Total	84,393	97,042	110,543	135,504	152,385	163,421	169,225	161,921	162,185	163,620	166,169
5 Bank-related (not seasonally adjusted)	32,034	35,566	42,105	44,778	40,860	48,604	48,401	47,862	46,354	45,487	46,815
6 Nonfinancial companies[6]	47,437	46,161	70,558	86,952	78,424	79,391	79,627	78,129	78,353	78,403	77,089
	Bankers dollar acceptances (not seasonally adjusted)[7]										
7 **Total**	**79,543**	**78,309**	**78,364**	**68,413**	**64,974**	**66,752**	**67,790**	**69,622**	**68,495**	**68,645r**	**68,771**
Holder											
8 Accepting banks	10,910	9,355	9,811	11,197	13,423	11,180	11,201	11,234	10,664	10,870r	10,521
9 Own bills	9,471	8,125	8,621	9,471	11,707	9,783	9,569	9,661	9,630	9,905r	9,400
10 Bills bought	1,439	1,230	1,191	1,726	1,716	1,396	1,631	1,573	1,035	965	1,121
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	1,519	1,547	1,717	1,463	1,397	1,467
13 Others	66,204	67,807	67,881	56,279	50,234	54,052	55,032	56,671	56,367	56,379r	56,784
Basis											
14 Imports into United States	17,683	15,649	17,845	15,147	14,670	15,116	15,361	16,179	17,431	17,087r	17,198
15 Exports from United States	16,328	16,880	16,305	13,204	12,960	13,836	14,028	14,161	14,659	14,967r	15,046
16 All other	45,531	45,781	44,214	40,062	37,344	37,838	38,401	39,281	36,405	36,590r	36,526

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	1987—Apr. 1	7.75	1985—Jan.	10.61	July	8.16
May 20	10.00	May 1	8.00	Feb.	10.50	Aug.	7.90
June 18	9.50	15	8.25	Mar.	10.50	Sept.	7.50
		Sept. 4	8.75	Apr.	10.50	Oct.	7.50
1986—Mar. 7	9.00	Oct. 7	9.25	May	10.31	Nov.	7.50
Apr. 21	8.50	22	9.00	June	9.78	Dec.	7.50
July 11	8.00	Nov. 5	8.75	July	9.50		
Aug. 20	7.50			Aug.	9.50	1987—Jan.	7.50
				Sept.	9.50	Feb.	7.50
				Oct.	9.50	Mar.	7.50
				Nov.	9.50	Apr.	7.75
				Dec.	9.50	May	8.14
						June	8.25
				1986—Jan.	9.50	July	8.25
				Feb.	9.50	Aug.	8.25
				Mar.	9.10	Sept.	8.70
				Apr.	8.83	Oct.	9.07
				May	8.50	Nov.	8.49
				June	8.50		

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				
					July	Aug.	Sept.	Oct.	Oct. 2	Oct. 9	Oct. 16	Oct. 23	Oct. 30
	MONEY MARKET RATES												
1	Federal funds[1,2]	10.22	8.10	6.80	6.58	6.73	7.22	7.29	7.56	7.43	7.59	7.37	7.03
2	Discount widow borrowing[1,2,3]	8.80	7.69	6.33	5.50	5.50	5.95	6.00	6.00	6.00	6.00	6.00	6.00
	Commercial paper[4,5]												
3	1-month	10.05	7.94	6.62	6.57	6.62	7.26	7.38	7.45	7.52	7.86	7.26	6.95
4	3-month	10.10	7.95	6.49	6.65	6.71	7.37	7.89	7.64	8.02	8.55	7.82	7.33
5	6-month	10.16	8.01	6.39	6.72	6.81	7.55	7.96	7.82	8.13	8.64	7.90	7.35
	Finance paper, directly placed[4,5]												
6	1-month	9.97	7.91	6.58	6.53	6.56	7.20	7.28	7.41	7.48	7.83	7.05	6.83
7	3-month	9.73	7.77	6.38	6.48	6.49	7.08	7.40	7.30	7.45	8.04	7.25	7.03
8	6-month	9.65	7.75	6.31	6.35	6.34	6.90	7.17	7.12	7.25	7.63	7.14	6.80
	Bankers acceptances[5,6]												
9	3-month	10.14	7.92	6.39	6.59	6.64	7.31	7.85	7.63	8.04	8.59	7.73	7.25
10	6-month	10.19	7.96	6.29	6.65	6.75	7.48	7.92	7.81	8.17	8.66	7.79	7.24
	Certificates of deposit, secondary market[7]												
11	1-month	10.17	7.97	6.61	6.60	6.63	7.25	7.39	7.46	7.53	7.81	7.32	6.96
12	3-month	10.37	8.05	6.52	6.70	6.75	7.37	8.02	7.80	8.19	8.73	7.90	7.42
13	6-month	10.68	8.25	6.51	6.87	7.02	7.74	8.19	8.11	8.41	8.95	8.05	7.50
14	Eurodollar deposits, 3-month[8]	10.73	8.28	6.71	6.87	6.91	7.51	8.29	7.79	8.24	8.69	8.81	7.73
	U.S. Treasury bills[5]												
	Secondary market[9]												
15	3-month	9.52	7.48	5.98	5.69	6.04	6.40	6.13	6.62	6.65	6.98	5.70	5.17
16	6-month	9.76	7.65	6.03	5.76	6.15	6.64	6.69	6.86	7.08	7.52	6.33	5.93
17	1-year	9.92	7.81	6.08	6.24	6.54	7.11	7.05	7.30	7.50	7.70	6.72	6.30
	Auction average[10]												
18	3-month	9.57	7.49	5.97	5.78	6.00	6.32	6.40	6.59	6.49	6.96	6.84	5.12
19	6-month	9.80	7.66	6.02	5.86	6.14	6.57	6.86	6.83	6.96	7.34	7.21	5.98
20	1-year	9.94	7.81	6.07	6.22	6.52	6.74	6.89	7.32	n.a.	n.a.	n.a.	6.45
	CAPITAL MARKET RATES												
	U.S. Treasury notes and bonds[11]												
	Constant maturities[12]												
21	1-year	10.89	8.43	6.46	6.68	7.03	7.67	7.59	7.88	8.10	8.33	7.22	6.73
22	2-year	11.65	9.27	6.87	7.44	7.75	8.34	8.40	8.58	8.83	9.13	8.09	7.60
23	3-year	11.89	9.64	7.06	7.74	8.03	8.67	8.75	8.89	9.10	9.43	8.54	8.01
24	5-year	12.24	10.13	7.31	8.01	8.32	8.94	9.08	9.17	9.39	9.73	8.90	8.38
25	7-year	12.40	10.51	7.55	8.27	8.59	9.26	9.37	9.48	9.65	9.97	9.23	8.71
26	10-year	12.44	10.62	7.68	8.45	8.76	9.42	9.52	9.61	9.78	10.11	9.36	8.90
27	20-year	12.48	10.97	7.85	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
28	30-year	12.39	10.79	7.80	8.64	8.97	9.59	9.61	9.75	9.84	10.13	9.49	9.05
	Composite[13]												
29	Over 10 years (long-term)	11.99	10.75	8.14	8.70	8.97	9.58	9.61	9.72	9.82	10.10	9.49	9.07
	State and local notes and bonds												
	Moody's series[14]												
30	Aaa	9.61	8.60	6.95	7.18	7.24	7.66	7.90	7.85	7.95	8.45	7.65	7.60
31	Baa	10.38	9.58	7.76	8.37	8.31	8.67	8.85	8.70	8.85	9.40	8.70	8.60
32	*Bond Buyer* series[15]	10.10	9.11	7.32	7.72	7.81	8.26	8.70	8.53	8.66	9.17	8.72	n.a.
	Corporate bonds												
	Seasoned issues[16]												
33	All industries	13.49	12.05	9.71	9.92	10.24	10.64	10.97	10.79	10.91	11.13	11.13	10.75
34	Aaa	12.71	11.37	9.02	9.42	9.67	10.18	10.52	10.34	10.48	10.73	10.68	10.25
35	Aa	13.31	11.82	9.47	9.64	9.86	10.35	10.74	10.48	10.63	10.91	10.95	10.56
36	A	13.74	12.28	9.95	10.00	10.20	10.72	10.98	10.85	10.91	11.11	11.13	10.84
37	Baa	14.19	12.72	10.39	10.61	10.80	11.31	11.62	11.49	11.61	11.78	11.77	11.35
38	A-rated, recently-offered utility bonds[17]	13.81	12.06	9.61	10.17	10.37	10.84	11.07	11.08	11.24	11.50	10.75	10.60
	MEMO: Dividend/price ratio[18]												
39	Preferred stocks	11.59	10.49	8.76	8.25	8.32	8.64	8.99	8.70	8.76	8.91	9.09	9.18
40	Common stocks	4.64	4.25	3.48	2.83	2.69	2.78	3.25	2.76	2.78	2.92	3.46	3.84

1. Weekly and monthly figures are averages of all calendar days, where the rate for a weekend or holiday is taken to be the rate prevailing on the preceding business day. The daily rate is the average of the rates on a given day weighted by the volume of transactions at these rates.
2. Weekly figures are averages for statement week ending Wednesday.
3. Rate for the Federal Reserve Bank of New York.
4. Unweighted average of offering rates quoted by at least five dealers (in the case of commercial paper), or finance companies (in the case of finance paper). Before November 1979, maturities for data shown are 30–59 days, 90–119 days, and 120–179 days for commercial paper; and 30–59 days, 90–119 days, and 150–179 days for finance paper.
5. Yields are quoted on a bank-discount basis, rather than in an investment yield basis (which would give a higher figure).
6. Dealer closing offered rates for top-rated banks. Most representative rate (which may be, but need not be, the average of the rates quoted by the dealers).
7. Unweighted average of offered rates quoted by at least five dealers early in the day.
8. Calendar week average. For indication purposes only.
9. Unweighted average of closing bid rates quoted by at least five dealers.
10. Rates are recorded in the week in which bills are issued. Beginning with the Treasury bill auction held on Apr. 18, 1983, bidders were required to state the percentage yield (on a bank discount basis) that they would accept to two decimal places. Thus, average issuing rates in bill auctions will be reported using two rather than three decimal places.
11. Yields are based on closing bid prices quoted by at least five dealers.
12. Yields adjusted to constant maturities by the U.S. Treasury. That is, yields are read from a yield curve at fixed maturities. Based on only recently issued, actively traded securities.
13. Averages (to maturity or call) for all outstanding bonds neither due nor callable in less than 10 years, including one very low yielding "flower" bond.
14. General obligations based on Thursday figures; Moody's Investors Service.
15. General obligations only, with 20 years to maturity, issued by 20 state and local governmental units of mixed quality. Based on figures for Thursday.
16. Daily figures from Moody's Investors Service. Based on yields to maturity on selected long-term bonds.
17. Compilation of the Federal Reserve. This series is an estimate of the yield on recently-offered, A-rated utility bonds with a 30-year maturity and 5 years of call protection. Weekly data are based on Friday quotations.
18. Standard and Poor's corporate series. Preferred stock ratio based on a sample of ten issues: four public utilities, four industrials, one financial, and one transportation. Common stock ratios on the 500 stocks in the price index.

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

1.36 STOCK MARKET Selected Statistics

Indicator	1984	1985	1986	1987 Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.
	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	160.23	166.43	163.88	163.00	169.58	174.28	184.18	178.39	157.13
2 Industrial	108.01	123.79	155.85	189.17	198.95	199.03	198.78	206.61	214.12	226.49	219.52	189.86
3 Transportation	85.63	104.11	119.87	135.49	138.55	137.91	141.30	150.39	157.49	164.02	158.58	140.95
4 Utility	46.44	56.75	71.36	78.19	77.15	72.74	71.64	74.25	74.18	78.20	76.13	73.27
5 Finance	89.28	114.21	147.19	158.41	162.41	150.52	145.97	152.73	152.27	160.94	154.08	137.35
6 Standard & Poor's Corporation (1941–43 = 10)[1]	160.50	186.84	236.34	280.93	292.47	289.32	289.12	301.36	310.09	329.36	318.66	280.16
7 American Stock Exchange[2] (Aug. 31, 1973 = 50)	207.96	229.10	264.38	315.60	332.55	330.65	328.77	334.49	348.68	361.52	353.72	306.34
Volume of trading (thousands of shares)												
8 New York Stock Exchange	91,084	109,191	141,385	183,478	180,251	187,135	170,898	163,380	180,356	193,477	177,319	277,026
9 American Stock Exchange	6,107	8,355	11,846	14,962	15,678	14,420	11,655	12,813	12,857	13,604	12,381	18,173
	Customer financing (end-of-period balances, in millions of dollars)											
10 **Margin credit at broker-dealers**[3]	**22,470**	**28,390**	**36,840**	**35,740**	**38,080**	**39,820**	**38,890**	**38,420**	**40,250**	**41,640**	**44,170**	**38,250**
Free credit balances at brokers[4]												
11 Margin-account[5]	1,755	2,715	4,880	4,470	4,730	4,660	4,355	3,680	4,095	4,240	4,270	8,415
12 Cash-account	10,215	12,840	19,000	17,325	17,370	17,285	16,985	15,405	15,930	16,195	15,895	18,455

Margin requirements (percent of market value and effective date)[6]

Indicator	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 Oct.	1986 Nov.	1986 Dec.	1987 Jan.	1987 Feb.	1987 Mar.	1987 Apr.	1987 May	1987 June	1987 July	1987 Aug.
	Savings and loan associations												
1 **Assets**	**903,488**	**948,781**	**961,894**	**964,096**	**963,316**	**935,516**	**936,877**	**939,722r**	**944,291r**	**952,729r**	**949,058r**	**949,239r**	**955,254**
2 Mortgage-backed securities	......	97,303	121,606	122,682	123,257	129,340	128,856	129,279r	134,743r	141,030r	140,448r	140,711r	143,881
3 Cash and investment securities[1]	124,801	126,712	138,213	141,510	142,700	132,733	135,884	138,727r	136,370r	138,293	138,040r	138,447r	137,280
4 Other	223,396	238,833	250,781	250,297	251,769	261,869	263,782	266,407r	274,834r	283,680r	285,395r	287,465r	292,682
5 **Liabilities and net worth**	**903,488**	**948,781**	**961,894**	**964,096**	**963,316**	**935,516**	**936,877**	**939,722r**	**944,291r**	**952,729r**	**949,058r**	**949,239r**	**955,254**
6 Savings capital	725,045	750,071	742,747	740,066	741,081	721,759	722,276	722,601	716,830	718,662	715,659	761,391	717,298
7 Borrowed money	125,666	138,798	152,567	156,920	159,742	153,373	152,173	158,175	165,881	171,277	175,073	174,153	178,553
8 FHLBB	64,207	73,888	75,295	75,626	80,194	75,552	75,671	76,469	77,857	78,583	79,188r	80,111r	79,546
9 Other	61,459	64,910	77,272	81,294	79,548	77,821	76,502	81,706	88,024	92,694	95,990r	95,295r	98,966
10 Other	17,944	19,045	23,255	24,078	20,071	19,773	21,823	18,958r	20,870r	22,631r	19,582r	20,680r	21,848
11 Net worth[2]	34,833	41,064	43,326	43,034	42,423	40,606	40,601	40,040r	40,741r	40,190r	38,635r	37,985r	37,534
	FSLIC-insured federal savings banks												
12 **Assets**	**98,559**	**131,868**	**202,106**	**204,918**	**210,562**	**235,428**	**235,763**	**241,418r**	**246,277**	**253,007**	**264,099r**	**268,808r**	**272,081**
13 Mortgages	57,429	72,355	110,826	112,117	113,638	136,770	136,489	138,882r	140,854r	144,581r	150,420r	152,880r	154,053
14 Mortgage-backed securities	9,949	15,676	27,516	28,324	29,766	33,570	34,634	36,088r	37,500r	39,371r	40,992r	42,712r	43,531
15 Other	10,971	11,723	18,697	19,266	19,034	15,769	16,060	16,605r	17,034r	17,200	17,936r	17,557r	17,790
16 **Liabilities and net worth**	**98,559**	**131,868**	**202,106**	**204,918**	**210,562**	**235,428**	**235,763**	**241,418r**	**246,277**	**253,007**	**264,099r**	**268,808r**	**272,081**
17 Savings capital	79,572	103,462	152,834	154,447	157,872	176,741	178,676	178,672r	180,637	182,802	189,998	193,890	194,853
18 Borrowed money	12,798	19,323	33,430	33,937	37,329	40,614	39,777	43,915	46,125	49,896	53,214	53,700	55,641
19 FHLBB	7,515	10,510	17,382	17,863	19,897	20,730	20,226	21,104	21,718	22,788	24,486	24,981	25,546
20 Other	5,283	8,813	16,048	16,074	17,432	19,884	19,551	22,815r	24,407	27,108	28,753	28,654r	30,095
21 Other	1,903	2,732	5,330	5,652	4,263	5,304	5,480	5,265	5,547	6,044	5,983	6,143	6,455
22 Net worth	4,286	6,351	10,511	10,883	11,098	12,774	13,151	13,564	13,978	14,272	14,884	15,146r	15,135
	Savings banks												
23 **Assets**	**203,898**	**216,776**	**230,919**	**232,577**	**236,866**	**235,603**	**238,074**	**240,739**	**243,454**	**245,906**	**244,760**	**246,833**	**249,888**
Loans													
24 Mortgage	102,895	110,448	116,648	117,612	118,323	119,199	119,737	121,178	122,769	124,936	128,217	129,624	130,721
25 Other	24,954	30,876	36,130	36,149	35,167	36,122	37,207	38,012	37,136	37,313	35,200	35,591	36,793
Securities													
26 U.S. government	14,643	13,111	12,585	13,037	14,209	13,332	13,525	13,631	13,743	13,650	13,549	13,498	13,720
27 Mortgage-backed securities	19,215	19,481	23,437	24,051	25,836	26,220	26,893	27,463	28,700	28,739	27,785	28,252	28,913
28 State and local government	2,077	2,323	2,347	2,290	2,185	2,180	2,168	2,041	2,063	2,053	2,059	2,050	2,038
29 Corporate and other	23,747	21,199	21,156	20,749	20,459	19,795	19,770	19,598	19,768	19,956	18,803	18,821	18,573
30 Cash	4,954	6,225	5,195	5,052	6,894	5,239	5,143	5,703	5,308	5,176	4,939	4,806	4,823
31 Other assets	11,413	13,113	13,421	13,637	13,793	13,516	13,631	13,713	13,967	14,083	14,208	14,191	14,307
32 **Liabilities**	**203,898**	**216,776**	**230,919**	**232,577**	**236,866**	**235,603**	**238,074**	**240,739**	**243,454**	**245,906**	**244,760**	**246,833**	**249,888**
33 Deposits	180,616	185,972	190,334	190,858	192,194	191,441	192,559	193,693	193,347	194,742	193,274	194,549	195,895
34 Regular[3]	177,418	181,921	185,254	185,958	186,345	186,385	187,597	188,432	187,791	189,048	187,669	188,783	190,335
35 Ordinary savings	33,739	33,018	36,165	36,739	37,717	38,467	39,370	40,558	41,326	41,967	42,178	41,928	41,767
36 Time	104,732	103,311	101,125	101,240	100,809	100,604	100,922	100,896	100,308	100,607	100,604	102,603	105,133
37 Other	3,198	4,051	5,080	4,900	5,849	5,056	4,962	5,261	5,556	5,694	5,605	5,766	5,560
38 Other liabilities	12,504	17,414	23,319	24,254	25,274	24,710	25,663	27,003	29,105	30,436	30,515	31,655	32,467
39 General reserve accounts	10,510	12,823	16,896	17,146	18,105	18,236	18,486	18,830	19,423	19,603	19,549	19,718	20,471

1.37—Continued

Account	1984	1985	1986 Oct.	1986 Nov.	1986 Dec.	1987 Jan.	1987 Feb.	1987 Mar.	1987 Apr.	1987 May	1987 June	1987 July	1987 Aug.
						Credit unions[4]							
40 **Total assets/liabilities and capital**	**93,036**	**118,010**	**143,662**	**145,653**	**147,726**	**149,383**	**149,751**	**153,253**	**154,549**	**156,086**	**160,644**		
41 Federal	63,205	77,861	93,257	94,638	95,483	96,801	96,753	98,799	99,751	100,153	104,150		
42 State	29,831	40,149	50,405	51,015	52,243	52,586	52,998	54,454	54,798	55,933	56,494		
43 Loans outstanding	62,561	73,513	83,388	84,635	86,137	85,984	85,651	86,101	87,089	87,765	90,912	n.a.	n.a.
44 Federal	42,337	47,933	53,434	53,877	55,304	55,313	54,912	55,118	55,740	55,952	58,432r		
45 State	20,224	25,580	29,954	30,758	30,833	30,671	30,739	30,983	31,349	31,813	32,480		
46 Savings	84,348	105,963	130,483	131,778	134,327	135,907	136,441	138,810	140,014	141,635	148,283		
47 Federal	57,539	70,926	86,158	87,009	87,954	89,717	89,485	91,042	92,012	97,189	96,137		
48 State	26,809	35,037	44,325	44,769	46,373	46,130	46,956	47,768	48,002	49,248	52,146		
						Life insurance companies							
49 **Assets**	**722,979**	**825,901**	**914,223r**	**925,475r**	**937,551**	**948,665**	**961,937**	**978,455**	**978,455**	**985,942**	**995,576**	**1,005,592**	
Securities													
50 Government	63,899	75,230	81,344r	83,736r	84,640	84,923	88,003	90,337	89,711	89,554	87,279	88,199	
51 United States[5]	42,204	51,700	55,402r	57,533r	59,033	59,596	62,724	65,661	64,621	64,201	61,405	62,461	
52 State and local	8,713	9,708	11,776r	11,988r	11,659	11,245	11,315	10,860	11,068	11,208	11,485	11,277	
53 Foreign[6]	12,982	13,822	14,166r	14,215r	13,948	14,082	13,964	13,816	14,022	14,145	14,389	14,461	n.a.
54 Business	359,333	423,712	482,040r	490,091r	492,807	504,582	514,328	519,766	522,097	528,789	537,507	555,423	
55 Bonds	295,998	346,216	393,286r	399,986r	401,943	408,788	415,004	417,933	420,474	425,788	432,095	448,146	
56 Stocks	63,335	77,496	88,754r	90,105r	90,864	95,794	99,324	101,833	101,623	103,001	105,412	107,277	
57 Mortgages	156,699	171,797	187,775r	190,243r	193,842	194,213	194,935	195,743	197,315	198,760	200,382	201,297	
58 Real estate	25,767	28,822	31,464r	31,759r	31,615	31,718	32,003	31,834	32,011	32,149	32,357	32,699	
59 Policy loans	54,505	54,369	54,249r	54,222r	54,055	53,832	53,806	53,652	53,572	53,468	53,378	53,338	
60 Other assets	63,776	71,971	77,351r	75,424r	80,592	79,397	78,842	82,105	83,749	83,222	84,390	85,420	

1. Holdings of stock of the Federal Home Loan Banks are in "other assets."
2. Includes net undistributed income accrued by most associations.
3. Excludes checking, club, and school accounts.
4. Data include all federally insured credit unions, both federal and state chartered, serving natural persons.
5. Direct and guaranteed obligations. Excludes federal agency issues not guaranteed, which are shown in the table under "Business" securities.
6. Issues of foreign governments and their subdivisions and bonds of the International Bank for Reconstruction and Development.

NOTE: *Savings and loan associations:* Estimates by the FHLBB for all associations in the United States based on annual benchmarks for non-FSLIC-insured associations and the experience of FSLIC-insured associations.

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

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

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

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

1.38 FEDERAL FISCAL AND FINANCING OPERATIONS

Millions of dollars

Type of account or operation	Fiscal year 1985	Fiscal year 1986	Fiscal year 1987	Calendar year 1987 May	June	July	Aug.	Sept.	Oct.
U.S. budget[1]									
1 Receipts, total	734,057	769,091	854,143	47,691	82,945	64,223	60,213	92,410	62,354
2 On-budget	547,886	568,862	640,741	30,205	64,222	47,880	43,511	73,755	45,992
3 Off-budget	186,171	200,228	213,402	17,486	18,723	16,343	16,703	18,656	16,362
4 Outlays, total	946,316	990,231[r]	1,002,147	83,435	83,366	86,491	81,940	77,140	93,095
5 On-budget	769,509	806,733[r]	808,315	66,389	66,221	70,806	65,071	60,497	76,910
6 Off-budget	176,807	183,498	193,832	17,046	17,145	15,685	16,869	16,643	16,185
7 Surplus, or deficit (−), total	−212,260	−221,140[r]	−148,005	−35,744	−420	−22,268	−21,727	15,270	−30,741
8 On-budget	−221,623	−237,871[r]	−167,575	−36,184	−1,998	−22,926	−21,561	13,257	−30,918
9 Off-budget	9,363	16,731[r]	19,570	440	1,578	658	−166	2,013	176
Source of financing (total)									
10 Borrowing from the public	197,269	236,187	150,070	13,005	9,655	−3,103	33,060	−8,060	27,282
11 Operating cash (decrease, or increase (−))	13,367	−14,324	−5,052	22,638	−6,966	20,655	−3,219	−13,800	−1,879
12 Other[2]	1,630	−723	2,986	−1,478	−2,801	4,716	−8,115	6,590	5,338
MEMO									
13 Treasury operating balance (level, end of period)	17,060	31,384	36,436	33,106	40,072	19,417	22,635	36,436	38,315
14 Federal Reserve Banks	4,174	7,514	9,120	6,383	13,774	5,365	3,764	9,120	8,898
15 Tax and loan accounts	12,886	23,870	27,316	26,723	26,298	14,052	18,872	27,316	29,416

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

2. Includes SDRs; reserve position on the U.S. quota in the IMF; loans to international monetary fund; other cash and monetary assets; accrued interest payable to the public; allocations of special drawing rights; deposit funds; miscellaneous liability (including checks outstanding) and asset accounts; seigniorage; increment on gold; net gain/loss for U.S. currency valuation adjustment; net gain/loss for IMF valuation adjustment; and profit on the sale of gold.

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

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

1.39 U.S. BUDGET RECEIPTS AND OUTLAYS

Millions of dollars

Source or type	Fiscal year 1986	Fiscal year 1987	Calendar year 1985 H2	1986 H1	1986 H2	1987 H1	1987 Aug.	1987 Sept.	1987 Oct.
RECEIPTS									
1 **All sources**	**769,091**	**854,143**	**364,790**	**394,345**	**387,524**	**447,282**	**60,213**	**92,410**	**62,354**
2 Individual income taxes, net	348,959	392,557	169,987	169,444	183,156	205,157	26,884	39,797	32,429
3 Withheld	314,803	322,463	155,725	153,919	164,071	156,760	25,008	24,569	30,122
4 Presidential Election Campaign Fund	36	33	6	31	4	30	1	0	1
5 Nonwithheld	105,994	142,957	22,295	78,981	27,733	112,421	3,108	17,127	3,563
6 Refunds	71,873	72,896	8,038	63,488	8,652	64,052	1,233	1,899	1,256
Corporation income taxes									
7 Gross receipts	80,442	102,859	36,528	41,946	42,108	52,396	2,549	21,636	3,633
8 Refunds	17,298	18,933	7,751	9,557	8,230	10,881	983	1,129	1,778
9 Social insurance taxes and contributions, net	283,901	303,318	128,017	156,714	134,006	163,519	25,712	25,403	22,177
10 Employment taxes and contributions[1]	255,062	273,185	116,276	139,706	122,246	146,696	21,447	23,788	20,797
11 Self-employment taxes and contributions[2]	11,840	13,987	985	10,581	1,338	12,020	0	1,590	0
12 Unemployment insurance	24,098	25,418	9,281	14,674	9,328	14,514	3,912	1,246	950
13 Other net receipts[3]	4,742	4,715	2,458	2,333	2,429	2,310	354	368	430
14 Excise taxes	32,919	32,510	18,470	15,944	15,947	15,845	2,698	2,808	2,574
15 Customs deposits	13,327	15,032	6,354	6,369	7,282	7,129	1,370	1,278	1,317
16 Estate and gift taxes	6,958	7,493	3,323	3,487	3,649	3,818	587	587	608
17 Miscellaneous receipts[4]	19,884	19,307	9,861	10,002	9,605	10,299	1,396	2,032	1,392
OUTLAYS									
18 **All types**	**990,231**	**1,002,147**	**487,201[r]**	**486,058[r]**	**505,448[r]**	**502,983[r]**	**81,940**	**77,140**	**93,095**
19 National defense	273,375	282,016	134,675	135,367	138,544	142,886[r]	24,387	22,132	25,928
20 International affairs	14,152	11,761	8,367	5,384	8,876	4,374[r]	146	1,712	1,004
21 General science, space, and technology	8,976	9,188	4,727	12,519	4,594	4,324	823	860	1,118
22 Energy	4,735	4,176	3,305	2,484	2,735	2,335	341	−197	499
23 Natural resources and environment	13,639	13,225	7,553	6,245	7,141	6,175[r]	1,075	1,157	1,336
24 Agriculture	31,449	26,493	15,412	14,482	16,160	11,824	1,336	1,383	5,177
25 Commerce and housing credit	4,823	5,235	644	860	3,647	4,893	355	−547	1,625
26 Transportation	28,117	26,228	15,360	12,658	14,745	12,113	2,405	2,505	2,306
27 Community and regional development	7,233	5,334	3,901	3,169	3,494	3,108	464	−602	742
28 Education, training, employment, social services	30,585	28,721	14,481	14,712	15,287[r]	14,182	2,757	2,178	2,455
29 Health	35,935	39,968	17,237	17,872	18,795[r]	20,318	3,419	3,332	3,613
30 Social security and medicare	268,921	282,473	129,037	135,214	138,299[r]	142,864	22,929[r]	23,425[r]	26,320
31 Income security	119,796	123,499	59,457	60,786	60,628[r]	62,248	8,788	9,880	10,241
32 Veterans benefits and services	26,356	26,801	14,527	12,193	14,447[r]	12,264	1,121	2,168	3,645
33 Administration of justice	6,603	7,507	3,212	3,352	3,360	3,626	634	766	674
34 General government	6,104	6,005	3,634	3,566	2,786	3,344[r]	598	379	−231
35 General-purpose fiscal assistance	6,431	1,621	3,391	2,179	2,886[r]	337[r]	62	428	241
36 Net interest[5]	136,008	138,519	67,448	68,054	65,816[r]	70,110	13,064	10,284	11,431
37 Undistributed offsetting receipts[6]	−33,007	−36,622	−17,953	−17,193	−17,376[r]	−18,104[r]	−2,764	−4,106	−2,688

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

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

1.40 FEDERAL DEBT SUBJECT TO STATUTORY LIMITATION

Billions of dollars

Item	1985			1986				1987	
	June 30	Sept. 30	Dec. 31	Mar. 31	June 30	Sept. 30	Dec. 31	Mar. 31	June 30
1 **Federal debt outstanding**	**1,779.0**	**1,827.5**	**1,950.3**	**1,991.1**	**2,063.6**	**2,129.5**	**2,218.9**	**2,250.7**	**2,313.1**
2 Public debt securities	1,774.6	1,823.1	1,945.9	1,986.8	2,059.3	2,125.3	2,214.8	2,246.7	2,309.3
3 Held by public	1,460.5	1,506.6	1,597.1	1,634.3	1,684.9	1,742.4	1,811.7	1,839.3	1,871.1
4 Held by agencies	314.2	316.5	348.9	352.6	374.4	382.9	403.1	407.5	438.1
5 Agency securities	4.4	4.4	4.4	4.3	4.3	4.2	4.0	4.0	3.8
6 Held by public	3.3	3.3	3.3	3.2	3.2	3.2	3.0	2.9	2.8r
7 Held by agencies	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.0r
8 **Debt subject to statutory limit**	**1,775.3**	**1,823.8**	**1,932.4**	**1,973.3**	**2,060.0**	**2,111.0**	**2,200.5**	**2,232.4**	**2,295.0**
9 Public debt securities	1,774.0	1,822.5	1,931.1	1,972.0	2,058.7	2,109.7	2,199.3	2,231.1	2,293.7
10 Other debt[1]	1.3	1.3	1.3	1.3	1.3	1.3	1.3	1.3	1.3
11 MEMO: Statutory debt limit	1,823.8	1,823.8	2,078.7	2,078.7	2,078.7	2,111.0	2,300.0	2,300.0	2,320.0

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

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

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

Billions of dollars, end of period

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

1. Includes (not shown separately): Securities issued to the Rural Electrification Administration; depository bonds, retirement plan bonds, and individual retirement bonds.
2. Nonmarketable dollar-denominated and foreign currency-denominated series held by foreigners.
3. Held almost entirely by U.S. Treasury agencies and trust funds.
4. Data for Federal Reserve Banks and U.S. Treasury agencies and trust funds are actual holdings; data for other groups are Treasury estimates.
5. Consists of investments of foreign and international accounts. Excludes non-interest-bearing notes issued to the International Monetary Fund.
6. Includes savings and loan associations, nonprofit institutions, credit unions, mutual savings banks, corporate pension trust funds, dealers and brokers, certain U.S. Treasury deposit accounts, and federally-sponsored agencies.

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

1.42 U.S. GOVERNMENT SECURITIES DEALERS Transaction[1]

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

	Item	1984	1985	1986	1987			1987					
					Aug.	Sept.r	Oct.	Sept. 23	Sept. 30r	Oct. 7	Oct. 14	Oct. 21	Oct. 28
	Immediate delivery[2]												
1	**U.S. Treasury securities**	**52,778**	**75,331**	**95,447**	**104,958r**	**108,185**	**138,937**	**88,093r**	**109,455**	**113,184**	**114,587**	**172,975**	**155,441**
	By maturity												
2	Bills	26,035	32,900	34,249	35,761	35,683	41,000	25,521	38,150	33,760	33,508	51,411	45,443
3	Other within 1 year	1,305	1,811	2,115	2,937	2,992	4,405	2,809	3,660	3,439	3,219	4,680	5,378
4	1–5 years	11,733	18,361	24,667	28,363	27,377	41,107	20,543r	31,013	31,329	33,932	50,106	48,013
5	5–10 years	7,606	12,703	20,455	20,400r	25,973	34,061	23,663	22,720	29,536	29,127	42,385	36,646
6	Over 10 years	6,099	9,556	13,961	17,497	16,160	18,365	15,559	13,912	15,120	14,802	24,393	19,961
	By type of customer												
7	U.S. government securities dealers	2,919	3,336	3,646	3,074	2,478	2,688	1,905	3,233	2,784	2,502	2,765	2,581
8	U.S. government securities brokers	25,580	36,222	49,368	57,430r	63,814	81,144	53,427	62,887	67,820	69,745	101,567	90,832
9	All others[3]	24,278	35,773	42,218	43,778	41,240	54,085	32,761r	43,334	42,579	42,339	68,642	62,029
10	Federal agency securities	7,846	11,640	16,746	16,079	15,797	18,586	15,312r	13,229	15,839	15,095	21,460	20,205
11	Certificates of deposit	4,947	4,016	4,355	3,475	3,234	4,927	2,833	3,163	4,841	4,879	4,922	5,142
12	Bankers acceptances	3,243	3,242	3,272	2,765	2,799	3,362	2,426	2,773	3,565	3,066	3,466	3,320
13	Commercial paper	10,018	12,717	16,660	15,606	16,155	19,394	15,711	16,725	20,359	17,441	20,631	18,752
	Futures contracts[4]												
14	Treasury bills	6,947	5,561	3,311	2,786	2,748	4,056	1,889	2,926	1,756	2,575	7,183	4,072
15	Treasury coupons	4,533	6,085	7,175	8,953r	11,981	11,462	11,651r	9,647	9,413	11,834	13,892	11,876
16	Federal agency securities	264	252	16	10	1	8	0	0	0	0	2	30
	Forward transactions[5]												
17	U.S. Treasury securities	1,364	1,283	1,876	1,697	788	2,653	503r	1,369	2,502	1,229	4,475	2,084
18	Federal agency securities	2,843	3,857	7,830	8,448r	8,292	7,676	8,437	6,146	5,877	8,602	9,783	7,054

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

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

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

3. Includes, among others, all other dealers and brokers in commodities and securities, nondealer departments of commercial banks, foreign banking agencies, and the Federal Reserve System.

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

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

1.43 U.S. GOVERNMENT SECURITIES DEALERS Positions and Financing[1]

Averages of daily figures, in millions of dollars

Item	1984	1985	1986	1987 Aug.	1987 Sept.[r]	1987 Oct.	1987 Sept. 30	1987 Oct. 7	1987 Oct. 14	1987 Oct. 21	1987 Oct. 28
					Positions						
Net immediate[2]											
1 **U.S. Treasury securities**	**5,429**	**7,391**	**13,055**	**−10,684[r]**	**−23,337**	**−15,435**	**−28,447[r]**	**−20,140**	**−19,751**	**−18,222**	**−7,332**
2 Bills	5,500	10,075	12,723	5,586	2,404	7,257	−423	3,915	4,107	7,151	12,428
3 Other within 1 year	63	1,050	3,699	461	−760	−620	−825	−796	−819	−679	−349
4 1–5 years	2,159	5,154	9,297	−6,009	−10,137	−4,931	−10,856[r]	−8,748	−8,695	−6,776	965
5 5–10 years	−1,119	−6,202	−9,504	−5,718[r]	−8,100	−8,724	−9,043[r]	−7,571	−7,293	−8,887	−10,335
6 Over 10 years	−1,174	−2,686	−3,161	−5,004	−6,745	−8,418	−7,300	−6,941	−7,050	−9,030	−10,041
7 Federal agency securities	15,294	22,860	33,066	33,311	33,679	34,002	33,326	32,164	34,849	36,157	34,242
8 Certificates of deposit	7,369	9,192	10,533	7,862	7,968	7,537	7,859	7,618	7,466	7,223	7,714
9 Bankers acceptances	3,874	4,586	5,535	3,444	3,016	2,879	2,799	3,243	2,760	2,282	2,950
10 Commercial paper	3,788	5,570	8,087	5,800	6,388	7,426	5,821	6,170	6,154	7,317	9,299
Futures positions											
11 Treasury bills	−4,525	−7,322	−18,062	−2,013	−200	2,489	222	1,527	2,319	3,825	2,320
12 Treasury coupons	1,794	4,465	3,489	6,275[r]	7,295	8,812	6,085[r]	7,481	8,896	10,051	8,815
13 Federal agency securities	233	−722	−153	−95	−96	−100	−96	−96	−96	−104	−105
Forward positions											
14 U.S. Treasury securities	−1,643	−911	−2,304	−1,873	−191	228	240[r]	933	−220	−1,580	1,079
15 Federal agency securities	−9,205	−9,420	−11,909	−22,436	−21,797	−22,774	−21,092	−22,471	−23,343	−23,511	−22,871
					Financing[3]						
Reverse repurchase agreements[4]											
16 Overnight and continuing	44,078	68,035	98,954	128,059	139,783	131,194	144,143	135,485	131,605	133,620	126,850
17 Term	68,357	80,509	108,693	160,684	164,707	164,441	154,291	161,075	160,506	163,829	171,642
Repurchase agreements[5]											
18 Overnight and continuing	75,717	101,410	141,735	174,219	182,494	177,013	179,279	178,623	175,346	181,217	175,048
19 Term	57,047	70,076	102,640	127,429	125,741	123,372	120,288	121,016	117,922	122,567	131,033

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

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

2. Immediate positions are net amounts (in terms of par values) of securities owned by nonbank dealer firms and dealer departments of commercial banks on a commitment, that is, trade-date basis, including any such securities that have been sold under agreements to repurchase (RPs). The maturities of some repurchase agreements are sufficiently long, however, to suggest that the securities involved are not available for trading purposes. Immediate positions include reverses to maturity, which are securities that were sold after having been obtained under reverse repurchase agreements that mature on the same day as the securities. Data for immediate positions do not include forward positions.

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

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

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

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

1.44 FEDERAL AND FEDERALLY SPONSORED CREDIT AGENCIES Debt Outstanding

Millions of dollars, end of period

Agency	1984	1985	1986	1987 Apr.	1987 May	1987 June	1987 July	1987 Aug.	1987 Sept.
1 **Federal and federally sponsored agencies**	**271,220**	**293,905**	**307,361**	**306,909**	**308,547**	**310,854**	**313,859**	**316,940**	
2 Federal agencies	35,145	36,390	36,958	36,531	36,587	36,968	36,963	37,845	
3 Defense Department[1]	142	71	33	23	21	20	18	16	
4 Export-Import Bank[2,3]	15,882	15,678	14,211	13,813	13,813	13,416	13,416	13,416	
5 Federal Housing Administration[4]	133	115	138	165	168	169	175	174	n.a.
6 Government National Mortgage Association participation certificates[5]	2,165	2,165	2,165	1,965	1,965	1,965	1,965	1,965	
7 Postal Service[6]	1,337	1,940	3,104	3,104	3,104	3,718	3,718	4,603	
8 Tennessee Valley Authority	15,435	16,347	17,222	17,376	17,431	17,595	17,586	17,586	
9 United States Railway Association[6]	51	74	85	85	85	85	85	85	
10 Federally sponsored agencies[7]	237,012	257,515	270,553	270,378	271,960	273,886	276,896	279,095	
11 Federal Home Loan Banks	65,085	74,447	88,752	94,606	95,931	99,680	100,976	102,422	104,380
12 Federal Home Loan Mortgage Corporation	10,270	11,926	13,589	14,850	14,637	12,097	12,309	14,150	n.a.
13 Federal National Mortgage Association	83,720	93,896	93,563	89,741	90,514	91,039	91,637	91,568	92,618
14 Farm Credit Banks	72,192	68,851	62,478	57,251	56,648	56,648	55,715	55,408	55,276
15 Student Loan Marketing Association[8]	5,745	8,395	12,171	13,930	14,230	14,422	16,259	15,547	16,389
MEMO									
16 **Federal Financing Bank debt**[9]	**145,217**	**153,373**	**157,510**	**157,177**	**157,331**	**157,506**	**157,302**	**158,117**	n.a.
Lending to federal and federally sponsored agencies									
17 Export-Import Bank[3]	15,852	15,670	14,205	13,807	13,807	13,410	13,410	13,410	
18 Postal Service[6]	1,087	1,690	2,854	2,854	2,854	3,468	3,468	4,353	
19 Student Loan Marketing Association	5,000	5,000	4,970	4,970	4,970	4,970	4,970	4,970	
20 Tennessee Valley Authority	13,710	14,622	15,797	15,996	16,051	16,215	16,206	16,206	n.a.
21 United States Railway Association[6]	51	74	85	85	85	85	85	85	
Other Lending[10]									
22 Farmers Home Administration	58,971	64,234	65,374	65,254	65,304	65,199	65,049	65,069	
23 Rural Electrification Administration	20,693	20,654	21,680	21,487	21,525	21,539	21,529	21,503	
24 Other	29,853	31,429	32,545	32,724	32,735	32,620	32,585	32,521	

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	1987 Mar.	Apr.	May	June	July	Aug.	Sept.[r]	Oct.
1 **All issues, new and refunding**[1]	**106,641**	**214,189**	**147,011**	**14,591**	**6,708**	**6,037**	**10,718**	**6,967**	**6,500**	**5,510**	**5,905**
Type of issue											
2 General obligation	26,485	52,622	46,346	3,853	3,363	2,872	3,329	2,238	1,975	1,755	1,213
3 Revenue	80,156	161,567	100,664	10,738	3,345	3,165	7,389	4,729	4,525	3,755	4,691
Type of issuer											
4 State	9,129	13,004	14,474	1,217	419	1,002	1,138	834	398	535	385
5 Special district and statutory authority[2]	63,550	134,363	89,997	10,004	4,665	3,019	6,453	3,951	4,508	3,712	4,502
6 Municipalities, counties, townships	33,962	78,754	42,541	3,370	1,624	2,017	3,127	2,182	1,594	1,263	1,017
7 **Issues for new capital, total**	**94,050**	**156,050**	**83,490**	**4,480**	**3,117**	**3,848**	**7,552**	**4,478**	**5,084**	**4,340**	**3,981**
Use of proceeds											
8 Education	7,553	16,658	16,948	659	774	789	1,554	773	869	653	454
9 Transportation	7,552	12,070	11,666	111	98	194	705	647	226	311	137
10 Utilities and conservation	17,844	26,852	35,383	444	571	561	1,410	835	462	603	662
11 Social welfare	29,928	63,181	17,332	991	468	454	1,082	465	903	647	945
12 Industrial aid	15,415	12,892	5,594	368	33	161	401	457	1,591	300	532
13 Other purposes	15,758	24,398	47,433	1,907	1,295	1,689	2,399	1,301	1,033	1,826	1,251

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

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

1.46 NEW SECURITY ISSUES U.S. Corporations

Millions of dollars

Type of issue or issuer, or use	1984	1985	1986	1987 Feb.	Mar.	Apr.	May	June	July	Aug.[r]	Sept.
1 **All issues**[1]	**155,741**[r]	**239,015**	**423,726**	**27,048**	**37,953**	**23,735**	**19,969**	**28,445**	**27,394**[r]	**21,869**	**29,069**
2 **Bonds**[2]	**133,113**[r]	**203,500**	**355,293**	**23,281**	**28,143**	**19,518**	**13,431**	**22,093**	**22,054**[r]	**17,666**	**23,449**
Type of offering											
3 Public, domestic	74,175[r]	119,559	231,936	20,274	23,388	17,634	11,394	20,564	19,028[r]	14,833[r]	21,800
4 Private placement, domestic[3]	36,324	46,195	80,761	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
5 Sold abroad	22,613	37,781	42,596	3,007	4,755	1,884	2,037	1,530	3,026	2,833	1,649
Industry group											
6 Manufacturing	32,804	63,973	91,548	4,253	7,180	2,734	5,035	4,104	5,552	3,337	3,506
7 Commercial and miscellaneous	14,792	17,066	40,124	1,884	4,261	1,683	754	2,061	1,037	1,281	1,479
8 Transportation	4,784	6,020	9,971	176	521	168	21	0	343	296	25
9 Public utility	10,996	13,649	31,426	2,715	794	1,370	572	2,091	1,654	1,533	1,652
10 Communication	3,400	10,832	16,659	410	710	175	138	205	119	856	930
11 Real estate and financial	66,336[r]	91,958	165,564	13,844	14,678	13,389	6,912	13,632	13,350	10,358	15,857
12 **Stocks**[3]	**22,628**	**35,515**	**68,433**	**3,767**	**9,810**	**4,217**	**6,538**	**6,352**	**5,340**	**4,203**[r]	**5,620**
Type											
13 Preferred	4,118	6,505	11,514	905	2,257	526	1,170	1,202	1,157	906	1,078
14 Common	18,510	29,010	50,316	2,862	7,553	3,691	5,368	5,150	4,183	3,297	4,542
15 Private placement[3]	....	....	6,603	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Industry group											
16 Manufacturing	4,054	5,700	15,027	814	2,016	653	1,066	1,438	1,046	370	948
17 Commercial and miscellaneous	6,277	9,149	10,617	437	2,366	2,203	1,516	1,353	879	996	681
18 Transportation	589	1,544	2,427	191	299	230	3	492	379	0	11
19 Public utility	1,624	1,966	4,020	509	907	297	374	329	472	85	522
20 Communication	419	978	1,825	9	57	18	200	199	294	277	75
21 Real estate and financial	9,665	16,178	34,517	1,807	4,165	816	3,379	2,541	2,270	2,475	3,383

1. Figures which represent gross proceeds of issues maturing in more than one year, are principal amount or number of units multiplied by offering price. Excludes secondary offerings, employee stock plans, investment companies other than closed-end, intracorporate transactions, equities sold abroad, and Yankee bonds. Stock data include ownership securities issued by limited partnerships.
2. Monthly data include only public offerings.
3. Data are not available on a monthly basis.

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

1.47 OPEN-END INVESTMENT COMPANIES Net Sales and Asset Position

Millions of dollars

Item	1985	1986	1987 Feb.	Mar.	Apr.	May	June	July	Aug.r	Sept.
INVESTMENT COMPANIES[1]										
1 **Sales of own shares**[2]	**222,670**	**411,751r**	**36,307**	**40,378**	**42,857**	**28,295**	**28,637**	**27,970**	**26,455**	**24,834**
2 Redemptions of own shares[3]	132,440	239,394	21,576	24,730	37,448	23,453	23,693	22,807	22,561	28,323
3 Net sales	90,230	172,357r	14,731	15,648	5,409	4,842	4,944	5,763	3,894	−3,489
4 **Assets**[4]	**251,695**	**424,156**	**490,643**	**506,752**	**502,487**	**500,634**	**516,866**	**531,022**	**539,171**	**521,007**
5 Cash position[5]	20,607	30,716	35,279	37,090	43,009	39,158	41,467	41,587	40,802	42,371
6 Other	231,088	393,440	455,364	469,662	459,478	461,476	475,099	489,435	498,369	478,636

1. Excluding money market funds.
2. Includes reinvestment of investment income dividends. Excludes reinvestment of capital gains distributions and share issue of conversions from one fund to another in the same group.
3. Excludes share redemption resulting from conversions from one fund to another in the same group.
4. Market value at end of period, less current liabilities.
5. Also includes all U.S. government securities and other short-term debt securities.

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

1.48 CORPORATE PROFITS AND THEIR DISTRIBUTION

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

Account	1984	1985	1986	1985 Q4	1986 Q1	1986 Q2	1986 Q3	1986 Q4	1987 Q1	1987 Q2	1987 Q3
1 Corporate profits with inventory valuation and capital consumption adjustment	266.9	277.6	284.4	277.8	288.0	282.3	286.4	281.1	294.0	296.8	313.7
2 Profits before tax	239.9	224.8	231.9	233.5	218.9	224.4	236.3	247.9	257.0	268.7	282.1
3 Profits tax liability	93.9	96.7	105.0	99.1	98.1	102.1	106.1	113.9	128.0	134.2	140.6
4 Profits after tax	146.1	128.1	126.8	134.4	120.9	122.3	130.2	134.0	129.0	134.5	141.5
5 Dividends	79.0	81.3	86.8	81.7	84.3	86.6	87.7	88.6	90.3	92.4	95.2
6 Undistributed profits	67.0	46.8	40.0	52.7	36.6	35.7	42.5	45.4	38.7	42.1	46.3
7 Inventory valuation	−5.8	−.8	6.5	−9.8	17.8	11.3	6.0	−8.9	−11.3	−20.0	−16.1
8 Capital consumption adjustment	32.8	53.5	46.0	54.2	51.3	46.7	44.0	42.1	48.2	48.0	47.7

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

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

2. Ratio of total current assets to total current liabilities.

SOURCE. Federal Trade Commission and Bureau of the Census.

1.50 TOTAL NONFARM BUSINESS EXPENDITURES on New Plant and Equipment ▲

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

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

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

1. Anticipated by business.

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

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

1.51 DOMESTIC FINANCE COMPANIES Assets and Liabilities

Billions of dollars, end of period

Account	1983	1984	1985	1986				1987		
				Q1	Q2	Q3	Q4	Q1	Q2	Q3
ASSETS										
Accounts receivable, gross										
1 Consumer	83.3	89.9	113.4	117.2	125.1	137.1	136.5	133.9	138.0[r]	144.4
2 Business	113.4	137.8	158.3	165.9	167.7	161.0	174.8	182.8	189.0	188.7
3 Real estate	20.5	23.8	28.9	29.9	30.8	32.1	33.7	35.1	36.9[r]	38.3
4 Total	217.3	251.5	300.6	312.9	323.6	330.2	345.0	351.8	363.9[r]	371.5
Less:										
5 Reserves for unearned income	30.3	33.8	39.2	40.0	40.7	42.4	41.4	40.4	41.2	42.8
6 Reserves for losses	3.7	4.2	4.9	5.0	5.1	5.4	5.8	5.9	6.2	6.6
7 Accounts receivable, net	183.2	213.5	256.5	268.0	277.8	282.4	297.8	305.5	316.5[r]	322.1
8 All other	34.4	35.7	45.3	48.8	48.8	59.9	57.9	59.0	57.7[r]	65.0
9 Total assets	**217.6**	**249.2**	**301.9**	**316.8**	**326.6**	**342.3**	**355.6**	**364.5**	**374.2[r]**	**387.1**
LIABILITIES										
10 Bank loans	18.3	20.0	20.6	19.0	19.2	20.2	22.2	17.3	17.2	16.2
11 Commercial paper	60.5	73.1	99.2	104.3	108.4	112.8	117.8	119.1	120.4[r]	123.5
Debt										
12 Other short-term	11.1	12.9	12.5	13.4	15.4	16.0	17.2	21.6	24.4[r]	26.9
13 Long-term	67.7	77.2	93.1	101.0	105.2	109.8	115.6	118.4	121.5[r]	128.0
14 All other liabilities	31.2	34.5	40.9	42.3	40.1	44.1	43.4	46.3	48.3[r]	48.7
15 Capital, surplus, and undivided profits	28.9	31.5	35.7	36.7	38.4	39.4	39.4	41.8	42.3[r]	43.8
16 Total liabilities and capital	**217.6**	**249.2**	**301.9**	**316.8**	**326.6**	**342.3**	**355.6**	**364.5**	**374.2[r]**	**387.1**

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 Sept. 30 1987[1]	Changes in accounts receivable			Extensions			Repayments		
		1987			1987			1987		
		July	Aug.	Sept.	July	Aug.	Sept.	July	Aug.	Sept.
1 Total	**188,711**	**3,403**	**1,400**	**1,754**	**29,883**	**29,862**	**30,294**	**26,480**	**28,282**	**28,540**
Retail financing of installment sales										
2 Automotive (commercial vehicles)	32,181	879	1,206	−16	1,318	1,351	1,365	438	145	1,382
3 Business, industrial, and farm equipment	24,070	502	65	529	1,865	1,644	1,688	1,363	1,579	1,158
Wholesale financing										
4 Automotive	21,901	−173	−1,572	−1,029	10,704	11,335	10,810	10,877	12,907	11,839
5 Equipment	5,517	94	73	−1	624	601	710	530	528	711
6 All other	8,782	127	152	223	3,186	3,251	3,251	3,059	3,100	3,028
Leasing										
7 Automotive	21,556	410	560	561	1,357	1,086	1,340	947	526	779
8 Equipment	40,682	332	280	422	1,128	1,403	952	796	1,123	530
9 Loans on commercial accounts receivable and factored commercial accounts receivable	18,110	853	331	248	8,344	7,712	8,488	7,490	7,382	8,240
10 All other business credit	15,912	379	306	817	1,358	1,298	1,690	979	992	873

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

1. Not seasonally adjusted.

1.53 MORTGAGE MARKETS

Millions of dollars; exceptions noted.

Item	1984	1985	1986	1987 Apr.	1987 May	1987 June	1987 July	1987 Aug.	1987 Sept.	1987 Oct.
	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	136.9	132.9	131.8	134.6	141.2	140.2	143.9
2 Amount of loan (thousands of dollars)	73.7	77.4	86.2	100.9	99.0	97.5	99.4	102.6	100.8	105.3
3 Loan/price ratio (percent)	78.7	77.1	75.2	75.2	76.1	75.9	75.4	75.0	74.6	75.1
4 Maturity (years)	27.8	26.9	26.6	27.1	28.0	28.0	27.9	27.8	27.3	28.4
5 Fees and charges (percent of loan amount)[2]	2.64	2.53	2.48	2.23	2.26	2.40	2.42	2.19	2.08	2.36
6 Contract rate (percent per annum)	11.87	11.12	9.82	8.84	8.99	9.05	9.01	9.01	9.03	8.87
Yield (percent per year)										
7 FHLBB series[3]	12.37	11.58	10.25	9.21	9.37	9.45	9.41	9.38	9.37	9.26
8 HUD series[4]	13.80	12.28	10.07	10.11	10.44	10.29	10.22	10.37	10.86r	n.a.
SECONDARY MARKETS										
Yield (percent per year)										
9 FHA mortgages (HUD series)[5]	13.81	12.24	9.91	10.02	10.61	10.33	10.38	10.55	10.71r	n.a.
10 GNMA securities[6]	13.13	11.61	9.30	8.85	9.40	9.50	9.59	9.77	10.40	10.53
	Activity in secondary markets									
FEDERAL NATIONAL MORTGAGE ASSOCIATION										
Mortgage holdings (end of period)										
11 Total	83,339	94,574	98,048	94,404	94,064	94,064	94,154	94,600	94,884	95,097
12 FHA/VA-insured	35,148	34,244	29,683	21,765	21,999	21,892	21,730	21,555	21,620	21,481
13 Conventional	48,191	60,331	68,365	72,639	72,065	72,173	72,424	73,045	73,264	73,617
Mortgage transactions (during period)										
14 Purchases	16,721	21,510	30,826	2,118	1,718	1,690	1,569	1,613	1,743	1,278
Mortgage commitments[7]										
15 Contracted (during period)	21,007	20,155	32,987	3,208	1,726	1,745	2,373	2,276	1,842	1,566
16 Outstanding (end of period)	6,384	3,402	3,386	4,421	4,410	4,448	5,071	5,690	5,627	5,046
FEDERAL HOME LOAN MORTGAGE CORPORATION										
Mortgage holdings (end of period)[8]										
17 Total	9,283	12,399	13,517	12,492	12,442	12,598	12,834	12,924r	↑	↑
18 FHA/VA	910	841	746	708	688	382	684	679r		
19 Conventional	8,373	11,559	12,771	11,784	11,754	11,903	12,150	12,245r		
Mortgage transactions (during period)										
20 Purchases	21,886	44,012	103,474	9,777	7,995	7,864	7,252	5,031r	n.a.	n.a.
21 Sales	18,506	38,905	100,236	9,848	7,767	7,447	6,831	4,723r		
Mortgage commitments[9]										
22 Contracted (during period)	32,603	48,989	110,855	8,408	7,182	7,330	5,611	4,506r	↓	↓

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		
					Q3	Q4	Q1	Q2r	Q3r
1	**All holders**	**2,035,238**	**2,269,173**	**2,566,734r**	**2,471,574**	**2,566,734r**	**2,662,331r**	**2,754,471**	**2,827,622**
2	1- to 4-family	1,318,545	1,467,409	1,666,421r	1,607,799	1,666,421r	1,712,109r	1,778,306	1,830,432
3	Multifamily	185,604	214,045	246,984r	237,661	246,984r	257,286r	266,383	272,757
4	Commercial	419,444	482,029	556,569r	526,535	556,569r	599,384r	617,627	633,167
5	Farm	111,645	105,690	96,760r	99,579	96,760r	93,552r	92,155	91,266
6	Selected financial institutions	1,269,702	1,390,394	1,507,289r	1,464,213	1,507,289r	1,560,403r	1,607,771	1,646,764
7	Commercial banks[2]	379,498	429,196	502,534	474,658	502,534	519,474r	544,381	563,553
8	1- to 4-family	196,163	213,434	235,814	228,593	235,814	243,518r	255,672	264,983
9	Multifamily	20,264	23,373	31,173	28,623	31,173	29,515r	30,496	30,995
10	Commercial	152,894	181,032	222,799	204,996	222,799	233,234r	244,385	253,261
11	Farm	10,177	11,357	12,748	12,446	12,748	13,207r	13,828	14,314
12	Savings institutions[3]	709,718	760,499	777,312	772,175	777,312	810,099r	826,110	840,251
13	1- to 4-family	528,791	554,301	558,412	557,938	558,412	557,234r	569,594	580,605
14	Multifamily	75,567	89,739	97,059	94,227	97,059	103,791r	105,871	107,629
15	Commercial	104,896	115,771	121,236	119,406	121,236	148,274r	149,842	151,213
16	Farm	464	688	605	604	605	800r	803	804
17	Life insurance companies	156,699	171,797	193,842r	185,269	193,842r	195,743r	200,382	204,632
18	1- to 4-family	14,120	12,381	12,827r	12,927	12,827r	12,903r	12,745	12,745
19	Multifamily	18,938	19,894	20,952r	20,709	20,952r	20,934r	21,663	21,863
20	Commercial	111,175	127,670	149,111r	140,213	149,111r	151,420r	155,611	159,811
21	Farm	12,466	11,852	10,952r	11,420	10,952r	10,486r	10,363	10,213
22	Finance companies[4]	23,787	28,902	33,601	32,111	33,601	35,087	36,898	38,328
23	Federal and related agencies	158,993	166,928	203,800	159,505	203,800	199,509	196,514	191,561
24	Government National Mortgage Association	2,301	1,473	889	887	889	687	667	654
25	1- to 4-family	585	539	47	48	47	46	45	44
26	Multifamily	1,716	934	842	839	842	641	622	610
27	Farmers Home Administration[5]	1,276	733	48,421	457	48,421	48,203	48,085	42,978
28	1- to 4-family	213	183	21,625	132	21,625	21,390	21,157	18,111
29	Multifamily	119	113	7,608	57	7,608	7,710	7,808	7,903
30	Commercial	497	159	8,446	115	8,446	8,463	8,553	6,592
31	Farm	447	278	10,742	153	10,742	10,640	10,567	10,372
32	Federal Housing and Veterans Administration	4,816	4,920	5,047	4,966	5,047	5,177	5,268	5,175
33	1- to 4-family	2,048	2,254	2,386	2,331	2,386	2,447	2,531	2,435
34	Multifamily	2,768	2,666	2,661	2,635	2,661	2,730	2,737	2,740
35	Federal National Mortgage Association	87,940	98,282	97,895	97,717	97,895	95,140	94,064	94,884
36	1- to 4-family	82,175	91,966	90,718	90,508	90,718	88,106	87,013	87,901
37	Multifamily	5,765	6,316	7,177	7,209	7,177	7,034	7,051	6,983
38	Federal Land Banks	52,261	47,498	39,984	42,119	39,984	37,362	35,833	34,930
39	1- to 4-family	3,074	2,798	2,353	2,478	2,353	2,198	2,108	2,055
40	Farm	49,187	44,700	37,631	39,641	37,631	35,164	33,725	32,875
41	Federal Home Loan Mortgage Corporation	10,399	14,022	11,564	13,359	11,564	12,940	12,597	12,940
42	1- to 4-family	9,654	11,881	10,010	11,127	10,010	11,774	11,172	11,570
43	Multifamily	745	2,141	1,554	2,232	1,554	1,166	1,425	1,370
44	Mortgage pools or trusts[6]	332,057	415,042	529,763	522,721	529,763	571,705	612,340	641,239
45	Government National Mortgage Association	179,981	212,145	260,869	241,230	260,869	277,386	290,444	302,016
46	1- to 4-family	175,589	207,198	255,132	235,664	255,132	271,065	283,357	294,647
47	Multifamily	4,392	4,947	5,737	5,566	5,737	6,321	7,087	7,369
48	Federal Home Loan Mortgage Corporation	70,822	100,387	171,372	146,871	171,372	186,295	200,284	208,350
49	1- to 4-family	70,253	99,515	166,667	143,734	166,667	180,602	194,238	201,786
50	Multifamily	569	872	4,705	3,137	4,705	5,693	6,046	6,564
51	Federal National Mortgage Association	36,215	54,987	97,174	86,359	97,174	107,673	121,270	130,540
52	1- to 4-family	35,965	54,036	95,791	85,171	95,791	106,068	119,617	128,770
53	Multifamily	250	951	1,383	1,188	1,383	1,605	1,653	1,770
54	Farmers Home Administration[5]	45,039	47,523	348	48,261	348	351	342	333
55	1- to 4-family	21,813	22,186	142	21,782	142	154	149	144
56	Multifamily	5,841	6,675	0	7,353	0	0	0	0
57	Commercial	7,559	8,190	132	8,409	132	127	126	124
58	Farm	9,826	10,472	74	10,717	74	70	67	65
59	Individuals and others[7]	274,486	296,809	325,882	325,135	325,882	330,714	337,846	348,058
60	1- to 4-family	154,315	165,835	180,896	183,255	180,896	179,517	182,010	186,308
61	Multifamily	48,670	55,424	66,133	63,886	66,133	70,146	73,924	76,961
62	Commercial	42,423	49,207	54,845	53,396	54,845	57,866	59,110	62,166
63	Farm	29,078	26,343	24,008	24,598	24,008	23,185	22,802	22,623

1. Based on data from various institutional and governmental sources, with some quarters estimated in part by the Federal Reserve. Multifamily debt refers to loans on structures of five or more units.
2. Includes loans held by nondeposit trust companies but not bank trust departments.
3. Includes savings banks and savings and loan associations. Beginning 1987:1, data reported by FSLIC-insured institutions include loans in process and other contra assets.
4. Assumed to be entirely 1- to 4-family loans.
5. FmHA-guaranteed securities sold to the Federal Financing Bank were reallocated from FmHA mortgage pools to FmHA mortgage holdings in 1986: 4, because of accounting changes by the Farmers Home Administration.
6. Outstanding principal balances of mortgage pools backing securities insured or guaranteed by the agency indicated.
7. Other holders include mortgage companies, real estate investment trusts, state and local credit agencies, state and local retirement funds, noninsured pension funds, credit unions, and other U.S. agencies.

1.55 CONSUMER INSTALLMENT CREDIT[1,4] Total Outstanding, and Net Change, seasonally adjusted

Millions of dollars

Holder, and type of credit	1985	1986	1987 Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.[r]	Sept.
	Amounts outstanding (end of period)										
1 **Total**	**522,805**	**577,784**	**578,578**	**579,591**	**579,913**	**583,595**	**583,276**	**587,821**	**591,175**	**596,182**	**602,243**
By major holder											
2 Commercial banks	242,084	261,604	261,694	262,105	261,933	263,433	263,463	264,396	265,085	265,893	269,132
3 Finance companies[2]	113,070	136,494	135,802	136,009	136,050	137,091	136,398	138,038	138,745	140,689	142,648
4 Credit unions	72,119	77,857	78,284	78,492	78,569	79,255	79,476	80,585	81,492	82,486	83,084
5 Retailers[3]	38,864	40,586	40,617	40,644	40,469	40,467	40,318	40,287	40,364	40,391	40,482
6 Savings institutions	52,433	58,037	58,906	59,031	59,488	59,826	60,045	60,983	61,910	63,080	63,193
7 Gasoline companies	4,235	3,205	3,276	3,311	3,405	3,522	3,576	3,532	3,580	3,643	3,703
By major type of credit											
8 Automobile	208,057	245,055	245,472	246,064	246,290	247,663	247,578	250,130	250,980	254,013	257,255
9 Commercial banks	93,003	100,709	101,389	101,688	101,528	101,781	102,189	102,810	102,829	103,382	104,593
10 Credit unions	35,635	39,029	39,243	39,347	39,386	39,730	39,841	40,396	40,851	41,349	41,649
11 Finance companies	70,091	93,274	92,617	92,780	93,032	93,738	93,089	94,270	94,455	96,193	97,900
12 Savings institutions	9,328	12,043	12,223	12,249	12,344	12,414	12,459	12,654	12,846	13,089	13,113
13 Revolving	122,021	134,938	134,916	135,663	135,166	136,706	136,869	137,401	138,741	139,837	141,861
14 Commercial banks	75,866	85,652	85,395	86,053	85,567	86,929	87,133	87,590	88,685	89,535	91,401
15 Retailers	34,695	36,240	36,277	36,308	36,141	36,139	36,009	35,971	36,021	36,022	36,087
16 Gasoline companies	4,235	3,205	3,276	3,311	3,405	3,522	3,576	3,532	3,580	3,643	3,703
17 Savings institutions	5,705	7,713	7,829	7,845	7,906	7,951	7,980	8,105	8,228	8,383	8,398
18 Credit unions	1,520	2,128	2,139	2,145	2,147	2,166	2,172	2,202	2,227	2,254	2,271
19 Mobile home	25,488	25,710	25,852	25,789	25,614	25,626	25,542	25,685	25,860	25,695	25,600
20 Commercial banks	9,538	8,812	8,787	8,739	8,725	8,698	8,615	8,609	8,626	8,518	8,450
21 Finance companies	9,391	9,028	9,077	9,045	8,823	8,816	8,785	8,807	8,839	8,623	8,580
22 Savings institutions	6,559	7,870	7,988	8,005	8,067	8,112	8,142	8,269	8,395	8,554	8,569
23 Other	167,239	172,081	172,338	172,076	172,844	173,600	173,287	174,605	175,594	176,637	177,527
24 Commercial banks	63,677	66,431	66,122	65,625	66,113	66,026	65,527	65,387	64,945	64,458	64,687
25 Finance companies	33,588	34,192	34,108	34,183	34,196	34,537	34,524	34,962	35,452	35,874	36,168
26 Credit unions	34,964	36,700	36,901	36,999	37,036	37,359	37,463	37,986	38,413	38,882	39,164
27 Retailers	4,169	4,346	4,340	4,336	4,327	4,328	4,310	4,315	4,343	4,369	4,395
28 Savings institutions	30,841	30,412	30,867	30,932	31,172	31,349	31,463	31,955	32,441	33,054	33,113
	Net change (during period)										
29 **Total**	**76,622**	**54,979**	**794**	**1,013**	**322**	**3,682**	**−319**	**4,545**	**3,354**	**5,007**	**6,061**
By major holder											
30 Commercial banks	32,926	19,520	90	411	−172	1,500	30	933	689	808	3,239
31 Finance companies[2]	23,566	23,424	−692	207	41	1,041	−693	1,640	707	1,944	1,959
32 Credit unions	6,493	5,738	427	208	77	686	221	1,109	907	994	598
33 Retailers[3]	1,660	1,722	31	27	−175	−2	−149	−31	77	27	91
34 Savings institutions	12,103	5,604	869	125	457	338	219	938	927	1,170	113
35 Gasoline companies	−126	−1,030	71	35	94	117	54	−44	48	63	60
By major type of credit											
36 Automobile	35,705	36,998	417	592	226	1,373	−85	2,552	850	3,033	3,242
37 Commercial banks	9,103	7,706	680	299	−160	253	408	621	19	553	1,211
38 Credit unions	5,330	3,394	214	104	39	344	111	555	455	498	300
39 Finance companies	17,840	23,183	−657	163	252	706	−649	1,181	185	1,738	1,707
40 Savings institutions	3,432	2,715	180	26	95	70	45	195	192	243	24
41 Revolving	22,401	12,917	−22	747	−497	1,540	163	532	1,340	1,096	2,024
42 Commercial banks	17,721	9,786	−257	658	−486	1,362	204	457	1,095	850	1,866
43 Retailers	1,488	1,545	37	31	−167	−2	−130	−38	50	1	65
44 Gasoline companies	−126	−1,030	71	35	94	117	54	−44	48	63	60
45 Savings institutions	2,771	2,008	116	16	61	45	29	125	123	155	15
46 Credit unions	547	608	11	6	2	19	6	30	25	27	17
47 Mobile home	778	222	142	−63	−175	12	−84	143	175	−165	−95
48 Commercial banks	−85	−726	−25	−48	−14	−27	−83	−6	17	−108	−68
49 Finance companies	−405	−363	49	−32	−222	−7	−31	22	32	−216	−43
50 Savings institutions	1,268	1,311	118	17	62	45	30	127	126	159	15
51 Other	17,738	4,842	257	−262	768	756	−313	1,318	989	1,043	890
52 Commercial banks	6,187	2,754	−309	−497	488	−87	−499	−140	−442	−487	229
53 Finance companies	6,131	604	−84	75	13	341	−13	438	490	422	294
54 Credit unions	616	1,736	201	98	37	323	104	523	427	469	282
55 Retailers	172	177	−6	−4	−9	1	−18	5	28	26	26
56 Savings institutions	4,632	−429	455	65	240	177	114	492	486	613	59

1. The Board's series cover most short– and intermediate–term credit extended to individuals that is scheduled to be repaid (or has the option of repayment) in two or more installments.
2. More detail for finance companies is available in the G.20 statistical release.
3. Excludes 30–day charge credit held by travel and entertainment companies.
4. All data have been revised.

1.56 TERMS OF CONSUMER INSTALLMENT CREDIT

Percent unless noted otherwise

	Item	1984	1985	1986	1987 Mar.	1987 Apr.	1987 May	1987 June	1987 July	1987 Aug.	1987 Sept.
	INTEREST RATES										
	Commercial banks[1]										
1	48-month new car[2]	13.71	12.91	11.33	n.a.	n.a.	10.23	n.a.	n.a.	10.37	n.a.
2	24-month personal	16.47	15.94	14.82	n.a.	n.a.	14.00	n.a.	n.a.	14.22	n.a.
3	120-month mobile home[2]	15.58	14.96	13.99	n.a.	n.a.	13.23	n.a.	n.a.	13.24	n.a.
4	Credit card	18.77	18.69	18.26	n.a.	n.a.	17.92	n.a.	n.a.	17.85	n.a.
	Auto finance companies										
5	New car	14.62	11.98	9.44	10.59	10.81	10.69	10.64	10.52	9.63	8.71
6	Used car	17.85	17.59	15.95	14.40	14.49	14.45	14.47	14.53	14.53	14.58
	OTHER TERMS[3]										
	Maturity (months)										
7	New car	48.3	51.5	50.0	53.7	54.3	53.5	53.6	53.4	52.1	50.7
8	Used car	39.7	41.4	42.6	44.9	45.0	45.2	45.4	45.5	45.4	45.2
	Loan-to-value ratio										
9	New car	88	91	91	94	94	93	93	93	93	93
10	Used car	92	94	97	99	98	98	98	98	98	98
	Amount financed (dollars)										
11	New car	9,333	9,915	10,665	10,641	10,946	11,176	11,214	11,267	11,374	11,455
12	Used car	5,691	6,089	6,555	7,145	7,234	7,373	7,479	7,527	7,763	7,476

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	1982	1983	1984	1985	1986	1984 H1	1984 H2	1985 H1	1985 H2	1986 H1	1986 H2	1987 H1
	Nonfinancial sectors											
1 **Total net borrowing by domestic nonfinancial sectors**	**388.9**	**550.2**	**753.9**	**854.8**	**833.4**	**717.3**	**790.4**	**722.7**	**986.8**	**676.9**	**989.9**	**568.3**
By sector and instrument												
2 U.S. government	161.3	186.6	198.8	223.6	214.3	190.4	207.2	204.8	242.5	207.2	221.5	151.4
3 Treasury securities	162.1	186.7	199.0	223.7	214.7	190.7	207.3	204.9	242.5	207.4	222.0	151.7
4 Agency issues and mortgages	−.9	−.1	−.2	−.1	−.3	−.2	−.1	−.1	−.1	−.1	−.5	−.4
5 Private domestic nonfinancial sectors	227.6	363.6	555.1	631.1	619.0	526.9	583.3	518.0	744.3	469.6	768.4	417.0
6 Debt capital instruments	148.3	253.4	313.6	447.8	445.0	284.7	342.5	350.4	545.2	363.4	546.7	407.1
7 Tax-exempt obligations	44.2	53.7	50.4	136.4	35.4	33.8	67.0	67.0	205.8	−16.9	87.7	20.0
8 Corporate bonds	18.7	16.0	46.1	73.8	121.7	22.5	69.8	62.2	85.3	135.3	108.1	89.0
9 Mortgages	85.4	183.6	217.1	237.7	298.0	228.5	205.7	221.2	254.2	245.0	350.9	298.1
10 Home mortgages	50.5	117.5	129.7	151.9	199.4	139.5	119.9	139.2	164.7	163.8	234.9	217.5
11 Multifamily residential	5.4	14.2	25.1	29.2	33.0	27.8	22.4	25.0	33.4	31.2	34.8	27.7
12 Commercial	25.2	49.3	63.2	62.5	73.9	62.6	63.8	59.5	65.5	58.9	88.9	62.5
13 Farm	4.2	2.6	−.9	−6.0	−8.3	−1.4	−.4	−2.5	−9.5	−8.9	−7.7	−9.6
14 Other debt instruments	79.3	110.2	241.5	183.3	164.0	242.2	240.8	167.5	199.1	106.2	221.8	9.9
15 Consumer credit	19.3	56.6	90.4	94.6	65.8	94.7	86.2	95.3	93.9	71.0	60.6	15.7
16 Bank loans n.e.c.	50.4	23.2	67.1	38.6	66.5	71.2	63.0	21.0	56.2	12.2	120.8	−40.2
17 Open market paper	−6.1	−.8	21.7	14.6	−9.3	26.6	16.8	14.4	14.8	−13.1	−5.5	4.5
18 Other	15.8	31.3	62.2	35.5	41.0	49.7	74.7	36.8	34.2	36.2	45.9	29.9
19 By borrowing sector	227.6	363.6	555.1	631.1	619.0	526.9	583.3	518.0	744.3	469.6	768.4	417.0
20 State and local governments	21.5	34.0	27.4	91.8	46.4	16.2	38.6	56.3	127.2	3.1	89.7	28.6
21 Households	90.0	188.2	234.6	293.4	279.9	235.0	234.2	259.8	327.1	232.8	326.9	224.0
22 Farm	6.8	4.1	−.1	−13.9	−15.1	−.5	.4	−7.0	−20.8	−16.8	−13.3	−19.5
23 Nonfarm noncorporate	40.2	77.0	97.0	93.1	115.9	101.8	92.2	85.7	100.5	96.2	135.5	92.8
24 Corporate	69.0	60.3	196.0	166.7	192.0	174.3	217.8	123.2	210.3	154.3	229.7	91.2
25 Foreign net borrowing in United States	16.0	17.3	8.3	1.2	9.0	36.1	−19.4	−5.8	8.2	21.5	−3.5	−12.6
26 Bonds	6.6	3.1	3.8	3.8	2.6	1.3	6.3	5.5	2.1	6.2	−1.1	−1.1
27 Bank loans n.e.c.	−5.5	3.6	−6.6	−2.8	−1.0	−1.3	−11.9	−5.8	.1	1.5	−3.5	−3.5
28 Open market paper	1.9	6.5	6.2	6.2	11.5	16.6	−4.3	2.8	9.6	19.1	3.9	−5.3
29 U.S. government loans	13.0	4.1	5.0	−6.0	−4.0	19.5	−9.6	−8.2	−3.7	−5.3	−2.7	−2.8
30 **Total domestic plus foreign**	**404.8**	**567.5**	**762.2**	**856.0**	**842.4**	**753.4**	**771.0**	**716.9**	**995.0**	**698.3**	**986.4**	**555.7**
	Financial sectors											
31 **Total net borrowing by financial sectors**	**90.3**	**99.3**	**151.9**	**199.0**	**291.1**	**153.0**	**150.7**	**175.1**	**222.8**	**238.8**	**343.4**	**317.5**
By instrument												
32 U.S. government related	64.9	67.8	74.9	101.5	174.3	72.5	77.3	96.8	106.3	133.8	214.8	180.2
33 Sponsored credit agency securities	14.9	1.4	30.4	20.6	13.2	29.4	31.5	26.6	14.6	6.4	20.0	7.8
34 Mortgage pool securities	49.5	66.4	44.4	79.9	161.4	43.1	45.8	70.3	89.5	126.6	196.3	171.8
35 Loans from U.S. government	.4	.....	.....	1.1	−.4	.....	.....	.....	2.2	.8	−1.5	.5
36 Private financial sectors	25.4	31.5	77.0	97.4	116.8	80.5	73.5	78.3	116.5	105.0	128.6	137.4
37 Corporate bonds	12.7	17.4	36.2	48.6	68.7	30.8	41.5	48.9	48.3	70.9	66.5	92.5
38 Mortgages	.1	*	.4	.1	.1	.4	.4	*	.1	.6	−.5	.2
39 Bank loans n.e.c.	1.9	−.1	.7	2.6	4.0	.6	.7	2.3	2.9	4.0	4.0	−7.4
40 Open market paper	9.9	21.3	24.1	32.0	24.2	32.1	16.0	14.6	49.4	15.1	33.4	38.3
41 Loans from Federal Home Loan Banks	.8	−7.0	15.7	14.2	19.8	16.5	14.9	12.5	15.9	14.4	25.2	13.6
By sector												
42 Sponsored credit agencies	15.3	1.4	30.4	21.7	12.9	29.4	31.5	26.6	16.8	7.2	18.5	8.3
43 Mortgage pools	49.5	66.4	44.4	79.9	161.4	43.1	45.8	70.3	89.5	126.6	196.3	171.8
44 Private financial sectors	25.4	31.5	77.0	97.4	116.8	80.5	73.5	78.3	116.5	105.0	128.6	137.4
45 Commercial banks	11.7	5.0	7.3	−4.9	−3.6	19.8	−5.3	−4.7	−5.0	−2.7	−4.6	4.4
46 Bank affiliates	6.8	12.1	15.6	14.5	4.6	20.4	10.8	10.2	18.9	−1.7	10.9	21.6
47 Savings and loan associations	2.5	−2.1	22.7	22.3	29.3	22.0	23.3	14.2	30.4	25.5	33.1	30.7
48 Finance companies	4.5	12.9	18.9	53.9	50.2	8.2	29.6	49.7	58.1	53.1	47.2	27.2
49 REITs	−.2	−.1	.1	−.7	−.3	.2	.1	−.6	−.8	.6	−1.3	−.2
50 CMO Issuers	.2	3.7	12.4	12.2	36.7	9.8	15.0	9.5	14.9	30.2	43.3	53.7
	All sectors											
51 **Total net borrowing**	**495.1**	**666.8**	**914.1**	**1,054.9**	**1,133.5**	**906.4**	**921.8**	**892.1**	**1,217.8**	**937.1**	**1,329.8**	**873.2**
52 U.S. government securities	225.9	254.4	273.8	324.2	389.0	263.1	284.5	301.7	346.6	340.2	437.8	331.0
53 State and local obligations	44.2	53.7	50.4	136.4	35.4	33.8	67.0	67.0	205.8	−16.9	87.7	20.0
54 Corporate and foreign bonds	38.0	36.5	86.1	126.1	192.9	54.6	117.6	116.6	135.7	212.4	173.5	180.5
55 Mortgages	85.4	183.6	217.4	237.7	298.0	228.8	206.0	221.2	254.2	245.6	350.4	298.3
56 Consumer credit	19.3	56.6	90.4	94.6	65.8	94.7	86.2	95.3	93.9	71.0	60.6	15.7
57 Bank loans n.e.c.	46.7	26.7	61.1	38.3	69.5	70.4	51.8	17.5	59.2	17.7	121.3	−51.0
58 Open market paper	5.7	26.9	52.0	52.8	26.4	75.4	28.6	31.8	73.7	21.0	31.7	37.5
59 Other loans	30.0	28.4	82.9	44.8	56.5	85.7	80.0	41.1	48.6	46.1	66.9	41.1
	External corporate equity funds raised in United States											
60 **Total new share issues**	**25.8**	**61.8**	**−36.4**	**19.9**	**91.6**	**−47.9**	**−24.9**	**3.0**	**36.7**	**100.8**	**82.3**	**61.8**
61 Mutual funds	8.8	27.2	29.3	85.7	163.3	26.5	32.2	64.2	107.1	155.5	171.1	123.3
62 All other	17.0	34.6	−65.7	−65.8	−71.7	−74.4	−57.1	−61.2	−70.4	−54.7	−88.7	−61.5
63 Nonfinancial corporations	11.4	28.3	−74.5	−81.5	−80.8	−79.5	−69.4	−75.5	−87.5	−68.7	−92.7	−70.0
64 Financial corporations	4.2	2.6	7.8	12.0	8.3	6.8	8.8	11.2	12.8	7.5	9.1	6.7
65 Foreign shares purchased in United States	1.4	3.7	.9	3.7	.7	−1.6	3.5	3.1	4.3	6.6	−5.1	1.9

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	1982	1983	1984	1985	1986	1984		1985		1986		1987
						H1	H2	H1	H2	H1	H2	H1
1 Total funds advanced in credit markets to domestic nonfinancial sectors	**388.9**	**550.2**	**753.9**	**854.8**	**833.4**	**717.3**	**790.4**	**722.7**	**986.8**	**676.9**	**989.9**	**568.3**
By public agencies and foreign												
2 Total net advances	114.9	114.0	157.6	202.3	317.3	132.7	182.5	195.8	208.7	264.1	370.6	241.3
3 U.S. government securities	22.3	26.3	39.3	47.1	84.8	27.6	51.0	50.3	43.9	74.0	95.6	46.3
4 Residential mortgages	61.0	76.1	56.5	94.6	158.5	55.5	57.4	88.6	100.7	123.8	193.2	164.9
5 FHLB advances to savings and loans	.8	−7.0	15.7	14.2	19.8	16.5	14.9	12.5	15.9	14.4	25.2	13.6
6 Other loans and securities	30.8	18.6	46.2	46.3	54.2	33.2	59.2	44.4	48.2	52.0	56.5	16.5
Total advanced, by sector												
7 U.S. government	15.9	9.7	17.1	16.8	9.5	7.5	26.6	25.1	8.4	10.8	8.2	−4.1
8 Sponsored credit agencies	65.5	69.8	74.3	101.5	175.5	73.3	75.2	96.4	106.7	128.2	222.8	167.7
9 Monetary authorities	9.8	10.9	8.4	21.6	30.2	12.0	4.8	27.5	15.8	13.2	47.2	10.8
10 Foreign	23.7	23.7	57.9	62.3	102.1	39.8	75.9	46.8	77.8	111.9	92.3	66.9
Agency and foreign borrowing not in line 1												
11 Sponsored credit agencies and mortgage pools	64.9	67.8	74.9	101.5	174.3	72.5	77.3	96.8	106.3	133.8	214.8	180.2
12 Foreign	16.0	17.3	8.3	1.2	9.0	36.1	−19.4	−5.8	8.2	21.5	−3.5	−12.6
Private domestic funds advanced												
13 Total net advances	354.8	521.3	679.5	755.2	699.3	693.2	665.7	618.0	892.5	568.0	830.6	494.6
14 U.S. government securities	203.6	228.1	234.5	277.0	304.2	235.5	233.5	251.3	302.7	266.3	342.2	284.7
15 State and local obligations	44.2	53.7	50.4	136.4	35.4	33.8	67.0	67.0	205.8	−16.9	87.7	20.0
16 Corporate and foreign bonds	14.7	14.5	35.1	40.8	84.3	17.3	53.0	39.7	42.0	100.8	67.8	61.6
17 Residential mortgages	−5.3	55.0	98.2	86.4	73.8	111.7	84.8	75.5	97.4	71.3	76.4	80.3
18 Other mortgages and loans	98.3	162.4	276.9	228.8	221.4	311.5	242.3	197.0	260.6	161.0	281.8	61.6
19 LESS: Federal Home Loan Bank advances	.8	−7.0	15.7	14.2	19.8	16.5	14.9	12.5	15.9	14.4	25.2	13.6
Private financial intermediation												
20 Credit market funds advanced by private financial institutions	274.2	395.8	559.8	579.5	726.1	587.5	532.1	483.8	675.2	638.9	813.2	485.1
21 Commercial banking	110.2	144.3	168.9	186.3	194.7	192.2	145.5	143.3	229.4	117.2	272.3	49.9
22 Savings institutions	22.9	135.6	150.2	83.0	105.8	167.0	133.5	54.5	111.4	94.5	117.2	85.7
23 Insurance and pension funds	96.6	100.1	121.8	156.0	175.9	148.3	95.3	139.4	172.5	170.6	181.2	213.3
24 Other finance	44.5	15.8	118.9	154.2	249.6	80.0	157.8	146.5	161.9	256.7	242.4	136.2
25 Sources of funds	274.2	395.8	559.8	579.5	726.1	587.5	532.1	483.8	675.2	638.9	813.2	485.1
26 Private domestic deposits and RPs	196.2	215.4	316.9	213.2	272.8	280.2	353.5	191.4	235.0	252.2	293.4	15.1
27 Credit market borrowing	25.4	31.5	77.0	97.4	116.8	80.5	73.5	78.3	116.5	105.0	128.6	137.4
28 Other sources	52.6	148.9	165.9	268.9	336.4	226.8	105.1	214.1	323.6	281.7	391.1	332.6
29 Foreign funds	−31.4	16.3	5.4	17.7	12.4	10.9	−.1	21.3	14.2	12.3	12.5	41.8
30 Treasury balances	6.1	−5.3	4.0	10.3	1.7	−2.8	10.8	13.9	6.6	−4.2	7.6	−4.4
31 Insurance and pension reserves	106.0	109.7	118.6	141.0	152.5	162.5	74.6	118.6	163.4	138.6	166.4	234.4
32 Other, net	−28.1	28.2	37.9	99.9	169.8	56.1	19.7	60.3	139.4	134.9	204.6	60.8
Private domestic nonfinancial investors												
33 Direct lending in credit markets	106.0	157.0	196.7	273.2	90.1	186.2	207.1	212.5	333.9	34.1	146.1	146.9
34 U.S. government securities	68.5	99.3	123.6	145.3	43.4	162.8	84.3	156.2	134.5	37.4	49.4	69.9
35 State and local obligations	25.0	40.3	30.4	47.6	−.8	10.4	50.4	14.8	80.4	−68.7	67.2	21.7
36 Corporate and foreign bonds	*	−11.6	5.2	11.8	34.4	−26.4	36.9	15.4	8.2	68.1	.8	39.0
37 Open market paper	−5.7	12.0	9.3	43.9	−4.8	15.6	3.0	3.5	84.2	−16.3	6.7	7.7
38 Other	18.2	17.0	28.1	24.6	17.9	23.8	32.5	22.6	26.6	13.6	22.1	8.5
39 Deposits and currency	205.5	232.8	320.4	223.5	293.2	286.8	354.0	198.3	248.7	262.0	324.4	10.2
40 Currency	9.7	14.3	8.6	12.4	14.4	13.7	3.6	15.9	8.8	10.7	18.2	10.0
41 Checkable deposits	18.0	28.6	27.9	41.4	97.7	26.0	29.8	14.6	68.2	79.9	115.5	−28.5
42 Small time and savings accounts	136.0	215.7	150.1	139.1	122.5	129.0	171.2	161.5	116.7	115.4	129.5	33.9
43 Money market fund shares	33.5	−39.0	49.0	8.9	43.8	24.5	73.4	10.6	7.1	46.9	40.6	−4.6
44 Large time deposits	−2.4	−8.4	84.9	7.2	−9.3	92.0	77.9	−7.6	21.9	*	−18.7	1.5
45 Security RPs	11.1	18.5	5.0	16.6	18.3	8.7	1.2	12.2	21.1	10.0	26.5	12.7
46 Deposits in foreign countries	−.4	3.1	−5.1	−2.1	5.9	−7.1	−3.1	−9.0	4.9	−.9	12.8	−14.9
47 Total of credit market instruments, deposits and currency	**311.5**	**389.9**	**517.1**	**496.7**	**383.3**	**473.0**	**561.1**	**410.7**	**582.6**	**296.0**	**470.5**	**157.1**
48 Public holdings as percent of total	28.4	20.1	20.7	23.6	37.7	17.6	23.7	27.3	21.0	37.8	37.6	43.4
49 Private financial intermediation (in percent)	77.3	75.9	82.4	76.7	103.8	84.7	79.9	78.3	75.6	112.5	97.9	98.1
50 Total foreign funds	−7.7	40.0	63.3	80.1	114.5	50.7	75.8	68.1	92.0	124.2	104.9	108.7
MEMO: Corporate equities not included above												
51 Total net issues	**25.8**	**61.8**	**−36.4**	**19.9**	**91.6**	**−47.9**	**−24.9**	**3.0**	**36.7**	**100.8**	**82.3**	**61.8**
52 Mutual fund shares	8.8	27.2	29.3	85.7	163.5	26.5	32.2	64.2	107.1	155.5	171.1	123.3
53 Other equities	17.0	34.6	−65.7	−65.8	−71.7	−74.4	−57.1	−61.2	−70.4	−54.7	−88.7	−61.5
54 Acquisitions by financial institutions	25.9	51.1	19.7	42.8	48.2	−.2	39.7	58.8	26.8	56.6	39.7	65.5
55 Other net purchases	−.1	10.7	−56.1	−22.9	43.4	−47.7	−64.6	−55.8	10.0	44.2	42.6	−3.6

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 dedposits 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	1987 Feb.	Mar.	Apr.	May	June	July	Aug.r	Sept.r	Oct.
1 **Industrial production**	**121.4**	**123.8**	**125.1**	**127.1**	**127.4**	**127.4**	**128.2**	**129.1**	**130.6**	**131.0**	**130.9**	**131.7**
Market groupings												
2 Products, total	126.7	130.8	133.2	136.0	136.4	135.8	136.9	137.8	139.5r	139.7	139.7	141.0
3 Final, total	127.3	131.1	132.3	134.8	135.1	134.5	135.5	136.2	137.9r	138.3	138.4	139.9
4 Consumer goods	118.0	120.2	124.5	126.4	126.7	125.5	127.3	127.2	128.9r	129.2	128.4	129.9
5 Equipment	139.6	145.4	142.7	146.0	146.2	146.4	146.3	148.1	149.7r	150.3	151.7	153.2
6 Intermediate	124.7	130.0	136.4	139.9	140.9	140.3	141.8	143.3	145.0r	144.8	144.2	144.6
7 Materials	114.2	114.2	113.9	114.9	115.2	115.9	116.3	117.2	118.5r	119.0	118.8	119.0
Industry groupings												
8 Manufacturing	123.4	126.4	129.1	131.6	132.4	132.4	133.2	134.0	135.6r	135.7	135.7	136.8
Capacity utilization (percent)[2]												
9 Manufacturing	80.5	80.1	79.8	80.0	80.3	80.2	80.4	80.8	81.5	81.4	81.2	81.7
10 Industrial materials industries	82.0	80.2	78.5	78.7	78.7	79.1	79.3	79.8	80.6r	80.8	80.6	80.6
11 Construction contracts (1982 = 100)[3]	135.0	148.0	155.0	151.0	165.0	162.0	149.0	161.0	163.0	171.0	157.0	166.0
12 Nonagricultural employment, total[4]	114.6	118.3	120.8	122.7	122.9	123.2	123.3	123.5	123.8	124.0	124.2	124.8
13 Goods-producing, total	101.6	102.4	102.4	101.6	101.7	101.7	101.7	101.7	102.1	102.2	102.3	102.8
14 Manufacturing, total	98.4	97.8	96.5	96.4	96.5	96.6	96.6	96.6	97.0	97.2	97.4	97.7
15 Manufacturing, production-worker	94.1	92.9	91.2	91.4	91.4	91.5	91.6	91.6	92.1	92.2	92.5	92.9
16 Service-producing	120.0	125.0	128.9	131.5	131.8	132.2	132.4	132.6	132.9	133.1	133.3	134.1
17 Personal income, total	193.4	207.0	219.9	228.4	229.1	230.3	230.7	231.1	232.5	233.7	235.0	238.9
18 Wages and salary disbursements	185.0	198.7	210.2	218.0	218.6	219.5	220.7	221.2	222.3	224.2	225.5	227.1
19 Manufacturing	164.6	172.8	176.4	179.1	179.2	178.9	179.9	180.0	180.1	182.0	183.4	184.3
20 Disposable personal income[5]	193.5	206.0	219.1	227.5	228.1	222.5	229.6	228.9	230.3	231.3	232.5	236.8
21 Retail sales[6]	179.0	190.6	199.9	206.3	206.8	207.4	207.3	209.6	210.9	214.0	211.7	211.5
Prices[7]												
22 Consumer (1967 = 100)	311.1	322.2	328.4	334.4	335.9	337.7	338.7	340.1	340.8	342.7	344.4	345.3
23 Producer finished goods (1967 = 100)	291.1	293.7	289.7r	292.3	292.6	294.9	295.8	296.2r	297.8	297.2	296.7	298.2

1. A major revision of the industrial production index and the capacity utilization rates was released in July 1985. See "A Revision of the Index of Industrial Production" and accompanying tables that contain revised indexes (1977=100) through December 1984 in the FEDERAL RESERVE BULLETIN, vol. 71 (July 1985), pp. 487–501. The revised indexes for January through June 1985 were shown in the September BULLETIN.
2. Ratios of indexes of production to indexes of capacity. Based on data from Federal Reserve, McGraw-Hill Economics Department, Department of Commerce, and other sources.
3. Index of dollar value of total construction contracts, including residential, nonresidential and heavy engineering, from McGraw-Hill Information Systems Company, F. W. Dodge Division.
4. Based on data in *Employment and Earnings* (U.S. Department of Labor). Series covers employees only, excluding personnel in the Armed Forces.
5. Based on data in *Survey of Current Business* (U.S. Department of Commerce).
6. Based on Bureau of Census data published in *Survey of Current Business*.
7. Data without seasonal adjustment, as published in *Monthly Labor Review*. Seasonally adjusted data for changes in the price indexes may be obtained from the Bureau of Labor Statistics, U.S. Department of Labor.

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

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

2.11 LABOR FORCE, EMPLOYMENT, AND UNEMPLOYMENT

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

Category	1984	1985	1986	1987							
				Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.
HOUSEHOLD SURVEY DATA											
1 **Noninstitutional population**[1]	**178,602**	**180,440**	**182,822**	**184,436**	**184,597**	**184,777**	**184,941**	**185,127**	**185,264**	**185,428**	**185,575**
2 Labor force (including Armed Forces)[1]	115,763	117,695	120,078	121,479	121,588	122,237	121,755	122,194	122,564	122,128	122,625
3 Civilian labor force	113,544	115,461	117,834	119,222	119,335	119,993	119,517	119,952	120,302	119,861	120,361
Employment											
4 Nonagricultural industries[2]	101,685	103,971	106,434	108,084	108,545	109,112	109,079	109,508	109,989	109,602	109,903
5 Agriculture	3,321	3,179	3,163	3,284	3,290	3,335	3,178	3,219	3,092	3,170	3,283
Unemployment											
6 Number	8,539	8,312	8,237	7,854	7,500	7,546	7,260	7,224	7,221	7,089	7,174
7 Rate (percent of civilian labor force)	7.5	7.2	7.0	6.6	6.3	6.3	6.1	6.0	6.0	5.9	6.0
8 Not in labor force	62,839	62,745	62,744	62,957	63,009	62,540	63,186	62,933	62,700	63,300	62,950
ESTABLISHMENT SURVEY DATA											
9 **Nonagricultural payroll employment**[3]	**94,496**	**97,519**	**99,610**	**101,329**	**101,598**	**101,708**	**101,818**	**102,126**	**102,275**[r]	**102,396**[r]	**102,945**
10 Manufacturing	19,378	19,260	18,994	18,995	19,011	19,018	19,015	19,104	19,129[r]	19,174[r]	19,237
11 Mining	966	927	783	722	729	735	738	744	751[r]	758[r]	762
12 Contract construction	4,383	4,673	4,904	5,032	5,019	4,999	5,008	5,002	5,006[r]	4,978[r]	5,019
13 Transportation and public utilities	5,159	5,238	5,244	5,333	5,348	5,344	5,350	5,363	5,377	5,406[r]	5,422
14 Trade	22,100	23,073	23,580	23,902	23,969	23,980	24,007	24,071	24,063[r]	24,132[r]	24,212
15 Finance	5,689	5,955	6,297	6,526	6,558	6,576	6,586	6,608	6,624[r]	6,626	6,633
16 Service	20,797	22,000	23,099	23,842	23,926	24,025	24,083	24,214	24,279[r]	24,274[r]	24,424
17 Government	16,023	16,394	16,710	16,977	17,038	17,031	17,031	17,020	17,046[r]	17,048[r]	17,236

2.12 OUTPUT, CAPACITY, AND CAPACITY UTILIZATION

Seasonally adjusted

Series	1986	1987			1986	1987			1986	1987		
	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
	Output (1977 = 100)				Capacity (percent of 1977 output)				Utilization rate (percent)			
1 **Total industry**	**125.9**	**126.9**	**128.2**	**130.9**	**158.7**	**159.5**	**160.4**	**161.3**	**79.4**	**79.5**	**79.9**	**81.2**
2 Mining	96.9	98.8	99.0	100.0	130.8	130.4	129.7	129.0	74.1	75.8	76.3	77.5
3 Utilities	109.1	108.1	108.3	110.1	137.3	137.7	138.3	138.8	79.4	78.5	78.3	79.3
4 **Manufacturing**	**130.4**	**131.6**	**133.2**	**135.9**	**163.4**	**164.5**	**165.6**	**166.7**	**79.8**	**80.0**	**80.5**	**81.5**
5 Primary processing	113.4	114.3	116.1	119.1	137.5	138.2	139.0	139.8	82.5	82.7	83.5	85.2
6 Advanced processing	140.6	142.0	143.5	146.1	179.1	180.3	181.6	182.9	78.5	78.7	79.0	79.9
7 **Materials**	**114.3**	**115.0**	**116.5**	**118.7**	**145.8**	**146.1**	**146.7**	**147.2**	**78.5**	**78.7**	**79.4**	**80.7**
8 Durable goods	120.7	121.4	122.9	125.8	162.2	162.3	163.1	163.9	74.7	74.8	75.4	76.8
9 Metal materials	75.4	74.7	77.0	83.1	113.4	110.6	110.0	109.4	67.7	67.5	70.0	76.0
10 Nondurable goods	120.3	121.2	124.0	126.8	140.4	142.9	143.8	144.7	84.7	84.8	86.2	87.7
11 Textile, paper, and chemical	120.9	122.3	125.1	128.7	139.6	142.4	143.4	144.4	85.4	85.9	87.2	89.2
12 Paper	137.0	136.4	137.7	......	139.7	142.8	143.9	......	96.7	95.5	95.7	......
13 Chemical	120.3	122.9	125.3	......	145.0	148.8	149.8	......	81.4	82.6	83.6	......
14 Energy materials	97.8	98.3	98.7	99.2	121.6	120.3	120.2	120.1	81.2	81.7	82.1	82.7

Series	Previous cycle[1]		Latest cycle[2]		1986	1987								
	High	Low	High	Low	Oct.	Feb.	Mar.	Apr.	May	June	July[r]	Aug.[r]	Sept.[r]	Oct.
	Capacity utilization rate (percent)													
15 **Total industry**	**88.6**	**72.1**	**86.9**	**69.5**	**79.1**	**79.7**	**79.7**	**79.6**	**79.9**	**80.3**	**81.1**	**81.2**	**81.0**	**81.3**
16 Mining	92.8	87.8	95.2	76.9	73.4	75.8	75.5	75.9	76.5	76.6	76.8	77.7	78.4	78.9
17 Utilities	95.6	82.9	88.5	78.0	79.2	78.8	78.2	76.8	79.2	79.0	80.2	81.0	79.8	79.6
18 **Manufacturing**	**87.7**	**69.9**	**86.5**	**68.0**	**79.5**	**80.0**	**80.3**	**80.2**	**80.4**	**80.8**	**81.5**	**81.4**	**81.2**	**81.7**
19 Primary processing	91.9	68.3	89.1	65.1	81.6	82.4	83.1	83.5	83.2	84.0	85.4	85.4	84.9	85.3
20 Advanced processing	86.0	71.1	85.1	69.5	80.1	79.0	79.1	78.7	79.2	79.2	79.8	79.7	79.5	80.2
21 **Materials**	**92.0**	**70.5**	**89.1**	**68.5**	**77.9**	**78.7**	**78.7**	**79.1**	**79.3**	**79.8**	**80.6**	**80.8**	**80.6**	**80.6**
22 Durable goods	91.8	64.4	89.8	60.9	74.2	74.7	75.2	75.0	75.1	75.9	76.5	76.5	76.1	76.5
23 Metal materials	99.2	67.1	93.6	45.7	76.9	67.8	68.7	68.8	69.7	71.5	73.9	77.3	77.1	78.0
24 Nondurable goods	91.1	66.7	88.1	70.7	84.1	84.6	84.8	86.5	86.2	86.1	88.4	88.5	88.7	88.2
25 Textile, paper, and chemical	92.8	64.8	89.4	68.8	84.7	85.4	85.8	87.5	87.1	87.1	90.0	90.4	90.5	89.9
26 Paper	98.4	70.6	97.3	79.9	94.9	95.6	94.6	95.1	95.7	96.3	100.5	99.9	99.1	......
27 Chemical	92.5	64.4	87.9	63.5	81.2	82.3	82.2	83.9	83.9	83.1	85.1	86.1	86.6	......
28 Energy materials	94.6	86.9	94.0	82.3	80.4	81.9	80.8	81.3	82.1	82.8	82.4	83.2	83.0	82.7

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 Oct.	1986 Nov.	1986 Dec.	1987 Jan.	1987 Feb.	1987 Mar.	1987 Apr.	1987 May	1987 June	1987 July[r]	1987 Aug.	1987 Sept.[p]	1987 Oct.[e]
			Index (1977 = 100)												
MAJOR MARKET															
1 **Total index**	**100.00**	**125.0**	**125.3**	**126.0**	**126.7**	**126.5**	**127.2**	**127.3**	**127.4**	**128.4**	**129.1**	**130.6**	**131.0**	**130.9**	**131.7**
2 Products	57.72	133.2	134.0	134.5	135.0	134.9	136.1	136.2	137.2	137.2	137.8	139.5	139.7	139.7	141.0
3 Final products	44.77	132.3	132.7	133.1	133.7	133.6	135.0	135.0	134.5	135.8	136.2	137.9	138.3	138.4	139.9
4 Consumer goods	25.52	124.5	124.7	125.6	127.2	126.8	127.5	127.5	126.6	128.2	127.2	128.9	129.2	128.4	129.9
5 Equipment	19.25	142.7	143.3	143.1	142.2	142.8	144.9	145.0	144.9	145.8	148.1	149.7	150.3	151.7	153.2
6 Intermediate products	12.94	136.4	138.7	139.2	139.7	139.1	139.7	140.4	139.9	142.1	143.3	145.0	144.8	144.2	144.6
7 Materials	42.28	113.9	113.3	114.3	115.2	115.2	115.1	115.2	116.2	116.3	117.2	118.5	119.0	118.8	119.0
Consumer goods															
8 Durable consumer goods	6.89	116.2	116.3	118.4	121.5	120.0	122.4	121.2	118.1	120.2	117.4	120.4	120.9	118.1	122.1
9 Automotive products	2.98	115.1	112.7	114.6	117.7	117.6	123.5	121.2	115.7	118.0	114.9	117.5	118.0	114.0	123.4
10 Autos and trucks	1.79	112.9	107.7	107.6	115.6	117.9	125.2	121.6	111.5	113.1	107.9	112.3	112.4	107.2	122.2
11 Autos, consumer	1.16	97.3	91.9	92.3	99.5	94.3	105.3	100.9	91.8	91.0	87.4	86.4	76.8	79.1	94.7
12 Trucks, consumer	.63	141.8	137.1	136.0	145.6	161.9	162.1	159.9	148.1	154.2	146.0	160.4	178.4	....	....
13 Auto parts and allied goods	1.19	118.4	120.1	125.2	120.8	117.1	121.0	120.5	121.9	125.3	125.4	125.3	126.4	124.1	125.3
14 Home goods	3.91	117.1	119.0	121.2	124.4	121.9	121.6	121.2	119.9	121.8	119.3	122.5	123.2	121.3	121.0
15 Appliances, A/C and TV	1.24	139.5	142.6	148.1	153.2	146.9	145.2	142.9	137.7	142.2	133.4	141.7	147.1	141.7	141.6
16 Appliances and TV	1.19	141.6	144.3	150.0	155.1	148.9	146.7	143.8	139.2	142.3	133.4	142.6	145.5	140.5	....
17 Carpeting and furniture	.96	125.8	128.8	131.1	132.0	129.1	130.8	131.3	133.5	133.3	132.3	134.1	130.8	130.8	....
18 Miscellaneous home goods	1.71	96.0	96.5	96.3	99.4	99.8	99.3	99.8	99.4	100.7	101.8	102.2	101.6	101.2	....
19 Nondurable consumer goods	18.63	127.5	127.8	128.3	129.4	129.2	129.4	129.8	129.8	131.1	130.9	132.1	132.3	132.3	132.8
20 Consumer staples	15.29	97.0	134.4	135.0	136.0	135.9	135.9	136.5	136.4	137.7	137.6	138.9	139.2	139.3	139.9
21 Consumer foods and tobacco	7.80	134.1	131.6	132.6	133.9	132.9	134.0	134.8	134.4	135.6	136.0	137.2	137.3	138.0	....
22 Nonfood staples	7.49	131.9	137.2	137.4	138.2	139.0	137.9	138.2	138.5	139.9	139.2	140.6	141.2	140.7	141.2
23 Consumer chemical products	2.75	136.5	161.7	161.0	163.1	165.9	164.7	165.7	164.7	165.9	164.4	165.7	167.1	166.3	....
24 Consumer paper products	1.88	161.2	150.3	151.5	150.1	149.4	147.8	147.5	148.9	152.9	153.1	153.8	153.7	153.9	....
25 Consumer energy	2.86	147.4	105.2	105.5	106.4	106.3	105.7	105.8	106.5	106.4	105.9	108.0	108.2	107.4	....
26 Consumer fuel	1.44	105.7	90.8	91.7	92.2	95.0	92.5	94.1	94.5	92.1	91.9	92.7	91.4	91.5	....
27 Residential utilities	1.42	92.8	119.8	119.6	120.8	117.8	119.2	117.7	118.7	121.0	120.2	123.6	125.3	....	....
Equipment															
28 Business and defense equipment	18.01	147.1	148.4	148.1	147.0	147.7	150.1	150.1	150.0	150.8	153.2	154.4	154.6	155.7	157.3
29 Business equipment	14.34	138.6	139.1	138.6	137.1	138.1	140.8	140.8	140.8	141.7	144.2	145.6	145.5	146.6	148.4
30 Construction, mining, and farm	2.08	59.8	58.0	56.6	58.2	57.2	56.8	58.1	58.6	61.2	63.0	65.0	66.0	66.2	66.4
31 Manufacturing	3.27	112.0	112.7	109.6	108.8	110.1	111.5	110.9	111.1	111.5	117.2	120.4	120.9	120.9	121.7
32 Power	1.27	81.6	80.5	79.5	80.2	79.6	81.2	81.7	82.4	84.0	84.0	81.8	83.3	82.8	83.3
33 Commercial	5.22	214.6	215.4	217.3	213.7	215.9	218.4	219.7	220.9	222.0	226.7	227.9	227.4	230.0	230.9
34 Transit	2.49	109.2	111.8	110.7	108.9	109.5	117.4	114.0	110.4	110.1	105.4	106.1	104.5	105.2	112.7
35 Defense and space equipment	3.67	180.3	184.6	184.9	185.8	185.2	186.5	186.6	186.1	186.5	188.6	188.7	190.1	191.3	192.1
Intermediate products															
36 Construction supplies	5.95	124.7	126.3	126.8	127.9	128.3	128.4	128.5	127.3	128.3	131.5	133.1	132.2	132.4	132.4
37 Business supplies	6.99	146.4	149.3	149.7	149.8	148.3	149.4	150.5	150.5	153.8	153.4	155.2	155.5	154.2	....
38 General business supplies	5.67	150.6	154.1	153.7	154.3	153.3	154.1	155.2	155.5	158.2	158.5	160.5	160.3	159.3	....
39 Commercial energy products	1.31	128.3	128.8	132.4	130.3	126.8	128.8	130.3	129.0	135.0	131.1	132.3	135.0	132.0	....
Materials															
40 Durable goods materials	20.50	119.7	119.2	120.4	120.7	120.5	121.5	121.8	122.2	121.6	124.0	125.2	125.3	125.0	125.8
41 Durable consumer parts	4.92	98.5	97.0	98.0	98.8	99.0	100.0	98.9	96.2	95.2	99.2	98.5	99.3	98.8	99.3
42 Equipment parts	5.94	153.9	153.5	154.5	154.2	154.0	155.6	155.8	157.1	156.0	158.3	159.3	159.4	159.3	160.4
43 Durable materials n.e.c.	9.64	109.4	109.4	110.7	111.2	110.8	111.5	112.6	114.1	113.9	115.5	117.7	117.7	117.2	118.0
44 Basic metal materials	4.64	80.0	78.8	82.1	80.3	79.2	80.3	80.8	81.8	81.9	83.6	86.6	90.2	89.8	....
45 Nondurable goods materials	10.09	118.3	120.3	120.2	123.2	123.2	122.5	122.8	125.4	125.3	124.1	127.6	128.1	128.7	128.1
46 Textile, paper, and chemical materials	7.53	118.9	121.3	121.0	124.7	125.0	123.6	124.0	126.9	126.5	125.1	129.6	130.4	131.0	130.4
47 Textile materials	1.52	110.6	114.3	115.6	116.1	116.5	115.8	118.5	125.0	....	111.9	117.8	117.0	117.8	....
48 Pulp and paper materials	1.55	132.1	133.5	134.2	140.2	137.9	136.7	134.7	137.4	137.4	139.0	145.4	145.0	144.2	....
49 Chemical materials	4.46	117.1	119.5	118.5	122.3	123.4	121.8	122.1	125.0	125.0	124.9	128.1	130.0	130.9	....
50 Miscellaneous nondurable materials	2.57	116.5	117.5	117.6	118.5	118.0	119.0	119.2	121.1	122.0	120.9	122.0	121.1	....	....
51 Energy materials	11.69	99.9	96.9	98.7	98.8	98.9	97.6	97.0	97.5	99.3	99.4	99.0	99.9	99.6	99.3
52 Primary energy	7.57	105.5	102.7	104.8	105.1	104.1	102.6	101.5	102.3	103.6	104.0	102.5	103.8	103.7	....
53 Converted fuel materials	4.12	89.6	86.2	87.6	87.3	89.4	88.5	88.9	88.7	91.4	91.0	92.5	92.8	92.2	....

2.13 INDUSTRIAL PRODUCTION Indexes and Gross Value—Continued

Groups	SIC code	1977 proportion	1986 avg.	1986 Oct.	1986 Nov.	1986 Dec.	1987 Jan.	1987 Feb.	1987 Mar.
				Index (1977 = 100)					
MAJOR INDUSTRY									
1 Mining and utilities	.....	15.79	103.4	100.9	102.0	101.6	102.6	102.4	101.9
2 Mining	.....	9.83	99.6	96.2	97.5	97.1	99.4	98.8	98.3
3 Utilities	.....	5.96	109.6	108.6	109.6	109.0	108.0	108.5	107.9
4 Manufacturing	.....	84.21	129.1	129.7	130.1	131.3	130.7	131.6	132.4
5 Nondurable	.....	35.11	130.9	131.2	131.7	133.4	132.7	132.9	133.7
6 Durable	.....	49.10	127.9	128.6	129.0	129.7	129.3	130.8	131.5
Mining									
7 Metal	10	.50	......	70.9	71.1	76.2	74.1	73.6	71.2
8 Coal	11.12	1.60	124.2	123.6	129.8	125.4	136.4	131.7	122.3
9 Oil and gas extraction	13	7.07	94.7	89.2	89.6	89.8	91.2	90.9	92.4
10 Stone and earth minerals	14	.66	113.9	123.9	123.2	122.5	116.1	122.1	123.8
Nondurable manufactures									
11 Foods	20	7.96	133.6	133.7	135.3	136.7	134.6	136.4	137.3
12 Tobacco products	21	.62	96.6	98.2	96.4	93.4	89.9	99.9	101.1
13 Textile mill products	22	2.29	113.2	110.2	112.2	113.4	109.2	110.8	112.6
14 Apparel products	23	2.79	103.6	103.9	103.8	104.9	106.1	106.5	105.4
15 Paper and products	26	3.15	136.4	138.8	139.6	141.1	139.7	139.9	139.9
16 Printing and publishing	27	4.54	163.4	164.4	164.8	166.4	166.3	164.4	167.6
17 Chemicals and products	28	8.05	133.0	133.3	132.3	135.7	136.4	135.7	135.3
18 Petroleum products	29	2.40	92.1	92.4	92.5	93.5	95.6	91.6	92.1
19 Rubber and plastic products	30	2.80	153.3	154.2	155.2	157.1	155.3	156.2	158.6
20 Leather and products	31	.53	61.3	59.4	61.0	60.2	58.9	59.8	59.4
Durable manufactures									
21 Lumber and products	24	2.30	123.4	124.6	130.3	133.5	128.5	129.6	128.9
22 Furniture and fixtures	25	1.27	146.7	145.4	145.6	148.8	143.5	145.0	149.9
23 Clay, glass, stone products	32	2.72	120.2	117.3	118.7	119.4	121.9	118.8	119.8
24 Primary metals	33	5.33	75.8	73.1	75.5	73.4	72.8	75.1	77.0
25 Iron and steel	331.2	3.49	63.4	61.0	63.5	61.3	59.5	62.3	65.4
26 Fabricated metal products	34	6.46	107.4	108.9	108.3	109.6	108.4	108.3	110.5
27 Nonelectrical machinery	35	9.54	141.9	145.0	144.5	144.8	143.4	145.5	148.5
28 Electrical machinery	36	7.15	166.5	167.3	167.9	170.4	170.4	171.0	168.5
29 Transportation equipment	37	9.13	125.8	127.6	126.9	126.8	129.0	132.7	132.2
30 Motor vehicles and parts	371	5.25	110.9	110.3	109.1	109.7	112.0	117.7	116.5
31 Aerospace and miscellaneous transportation equipment	372–6.9	3.87	146.1	151.2	151.1	150.1	151.9	153.0	153.4
32 Instruments	38	2.66	141.3	139.1	139.3	140.2	139.5	142.0	140.3
33 Miscellaneous manufactures	39	1.46	99.3	100.0	100.9	103.8	101.6	101.6	103.9
Utilities									
34 Electric	.....	4.17	122.2	124.0	124.4	122.6	121.6	122.3	123.6
				Gross value (billions of 1982 dollars, annual rates)					
MAJOR MARKET									
35 **Products, total**	.....	**517.5**	**1,702.2**	**1,687.3**	**1,686.7**	**1,700.7**	**1,701.6**	**1,718.7**	**1,725.2**
36 Final	.....	405.7	1,314.5	1,296.9	1,296.6	1,307.3	1,310.9	1,329.2	1,330.3
37 Consumer goods	.....	272.7	853.8	843.5	846.5	857.1	860.0	865.3	868.1
38 Equipment	.....	133.0	458.2	453.4	450.0	450.2	450.9	463.9	462.2
39 Intermediate	.....	111.9	387.6	390.3	390.2	393.4	390.7	389.5	394.9

Groups	1987 Apr.	1987 May	1987 June	1987 July[r]	1987 Aug.	1987 Sept.[p]	1987 Oct.[e]
	Index (1977 = 100)						
MAJOR INDUSTRY							
1 Mining and utilities	101.4	103.1	103.0	103.7	104.9	104.8	105.0
2 Mining	98.6	99.2	99.2	99.2	100.3	101.0	101.5
3 Utilities	106.0	109.6	109.4	111.2	112.5	111.0	110.8
4 Manufacturing	132.4	133.2	134.0	135.6	135.7	135.7	136.8
5 Nondurable	134.6	135.7	136.9	138.5	138.6	138.6	139.0
6 Durable	130.9	131.4	132.0	133.5	133.7	133.6	135.3
Mining							
7 Metal	65.7	71.7	70.7	71.4	79.2	......	......
8 Coal	121.9	127.2	128.8	127.9	130.5	133.3	136.0
9 Oil and gas extraction	93.1	92.1	91.8	91.8	92.2	92.5	92.5
10 Stone and earth minerals	125.4	127.6	128.5	130.7	130.0	129.6	......
Nondurable manufactures							
11 Foods	136.0	137.4	137.7	138.5	138.8	139.4	......
12 Tobacco products	99.6	106.6	107.0	......	......	......	......
13 Textile mill products	116.6	115.7	117.2	118.3	119.5	119.3	......
14 Apparel products	105.3	106.4	107.7	109.7	107.8	......	......
15 Paper and products	140.5	141.3	142.6	148.8	148.9	148.0	......
16 Printing and publishing	169.2	171.4	174.1	174.0	174.1	173.9	174.0
17 Chemicals and products	137.3	138.1	139.3	140.8	142.0	142.4	......
18 Petroleum products	94.0	92.6	92.3	94.1	93.1	93.4	93.9
19 Rubber and plastic products	160.5	162.2	165.4	167.2	165.6	164.2	......
20 Leather and products	60.2	61.4	60.8	59.2	61.3	60.2	......
Durable manufactures							
21 Lumber and products	127.8	130.3	131.1	132.8	131.1	130.9	......
22 Furniture and fixtures	148.2	150.5	153.9	156.2	153.1	153.3	......
23 Clay, glass, stone products	120.6	117.2	117.9	118.8	116.7	116.6	......
24 Primary metals	76.1	77.0	78.8	81.4	84.8	84.5	85.1
25 Iron and steel	65.0	65.7	68.3	70.9	75.5	......	......
26 Fabricated metal products	109.9	108.5	111.1	111.1	109.9	110.1	111.1
27 Nonelectrical machinery	150.4	149.7	151.8	155.3	154.1	156.4	157.3
28 Electrical machinery	168.4	171.1	170.5	172.5	174.0	173.5	173.6
29 Transportation equipment	127.8	129.4	126.5	127.6	128.0	125.8	132.0
30 Motor vehicles and parts	109.8	112.0	107.4	109.4	109.1	105.8	115.7
31 Aerospace and miscellaneous transportation equipment	152.3	153.1	152.4	152.3	153.7	153.0	154.1
32 Instruments	142.8	142.1	144.5	143.8	146.1	144.8	146.2
33 Miscellaneous manufactures	101.4	101.9	101.2	100.5	100.4	100.5	......
Utilities							
34 Electric	122.3	128.8	128.8	131.0	132.6	130.1	......
	Gross value (billions of 1982 dollars, annual rates)						
MAJOR MARKET							
35 **Products, total**	**1,710.0**	**1,723.0**	**1,720.4**	**1,732.5**	**1,739.2**	**1,737.2**	**1,767.4**
36 Final	1,316.5	1,324.7	1,320.1	1,326.6	1,333.9	1,334.4	1,360.7
37 Consumer goods	857.1	862.8	855.1	863.2	865.6	860.1	876.1
38 Equipment	459.4	461.9	465.0	463.5	468.3	474.3	484.7
39 Intermediate	393.6	398.4	400.3	405.9	405.3	402.8	406.6

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

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

2.14 HOUSING AND CONSTRUCTION

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

Item	1984	1985	1986	1986	1987								
				Dec.	Jan.	Feb.	Mar.	Apr.	May	June	July[r]	Aug.[r]	Sept.
	Private residential real estate activity (thousands of units)												
NEW UNITS													
1 Permits authorized	1,682	1,733	1,750	1,862	1,652	1,676	1,719	1,598	1,493	1,517	1,487	1,502	1,502
2 1-family	922	957	1,071	1,184	1,085	1,204	1,150	1,058	1,009	1,039	993	1,023	992
3 2-or-more-family	759	777	679	678	567	472	569	540	484	478	494	479	510
4 Started	1,749	1,742	1,805	1,813	1,816	1,838	1,730	1,643	1,606	1,586	1,598	1,585	1,648
5 1-family	1,084	1,072	1,179	1,233	1,253	1,303	1,211	1,208	1,130	1,088	1,143	1,111	1,186
6 2-or-more-family	665	669	626	580	563	535	519	435	476	498	455	474	462
7 Under construction, end of period[1]	1,051	1,063	1,074	1,104	1,089	1,096	1,085	1,070	1,061	1,059	1,053	1,050	1,057
8 1-family	556	539	583	610	609	621	618	623	621	620	623	626	635
9 2-or-more-family	494	524	490	494	480	476	467	446	441	439	430	424	422
10 Completed	1,652	1,703	1,756	1,894	1,956	1,726	1,689	1,830	1,621	1,601	1,698	1,665	1,540
11 1-family	1,025	1,072	1,120	1,184	1,217	1,107	1,141	1,148	1,158	1,101	1,120	1,064	1,073
12 2-or-more-family	627	631	637	710	739	619	548	682	463	500	578	601	467
13 Mobile homes shipped	296	284	244	251	242	231	228	227	222	231	245	233	244
Merchant builder activity in 1-family units													
14 Number sold	639	688	748	768	712	740	720	733	649	641	675	692	656
15 Number for sale, end of period[1]	358	350	361	357	358	358	358	359	355	359	358	360	359
Price (thousands of dollars)[2]													
Median													
16 Units sold	80.0	84.3	92.2	95.0	98.5	95.2	98.4	96.5	104.9	109.0	104.0	106.5	115.6
Average													
17 Units sold	97.5	101.0	112.2	118.9	122.1	121.3	119.5	118.1	126.6	135.8	128.7	129.6	139.8
EXISTING UNITS (1-family)													
18 Number sold	2,868	3,217	3,566	4,060	3,480	3,690	3,680	3,560	3,770	3,500	3,430	3,410	3,450
Price of units sold (thousands of dollars)[2]													
19 Median	72.3	75.4	80.3	80.8	82.1	85.0	85.6	85.0	85.2	85.2	86.2	85.1	85.1
20 Average	85.9	90.6	98.3	100.6	100.1	104.3	104.9	105.0	106.3	106.0	107.6	105.3	106.2
	Value of new construction[3] (millions of dollars)												
CONSTRUCTION													
21 Total put in place	**328,643**	**355,995**	**388,815**	**380,175**	**384,716**	**401,644**	**388,303**	**396,222**	**396,680**	**397,191[r]**	**399,674**	**400,067**	**406,337**
22 Private	270,978	291,665	316,589	306,826	310,170	326,453	312,203	320,483	321,414	324,256[r]	324,954	328,180	329,711
23 Residential	153,849	158,475	187,147	181,682	187,813	203,115	190,812	199,523	195,871	200,864	198,063	199,440	200,733
24 Nonresidential, total	117,129	133,190	129,442	125,144	122,357	123,338	121,391	120,960	125,543	123,392[r]	126,891	128,740	128,978
Buildings													
25 Industrial	13,746	15,769	13,747	13,207	12,094	12,112	11,354	11,492	13,376	13,023[r]	12,953	13,568	13,790
26 Commercial	39,357	51,315	48,592	54,809	50,881	53,071	52,285	50,924	53,224	51,831[r]	52,768	53,404	53,493
27 Other	12,547	12,619	13,216	14,231	14,755	14,776	15,143	14,950	14,926	14,769[r]	15,338	14,875	15,586
28 Public utilities and other	51,479	53,487	53,887	42,897	44,627	43,379	42,609	43,594	44,017	43,769[r]	45,832	46,893	46,109
29 Public	57,662	64,326	72,225	73,348	74,546	75,191	76,100	75,739	75,266	72,917[r]	74,720	71,887	76,626
30 Military	2,839	3,283	3,919	4,313	4,100	2,806	3,893	3,403	4,397	4,352	4,316	3,961	4,030
31 Highway	18,772	21,756	23,360	21,935	23,508	23,260	23,575	22,673	22,607	21,704	23,167	21,132	23,800
32 Conservation and development	4,654	4,746	4,668	4,954	5,155	4,883	4,792	5,551	4,839	5,498	5,295	5,096	4,866
33 Other	31,397	34,541	40,278	42,146	41,783	44,242	43,840	44,112	43,423	41,363[r]	41,942	41,698	43,930

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 Oct. 1987 (1967 = 100)[1]
	1986 Oct.	1987 Oct.	1986	1987			1987					
			Dec.	Mar.	June^{r}	Sept.^{r}	June^{r}	July^{r}	Aug.	Sept.	Oct	
CONSUMER PRICES[2]												
1 **All items**	**1.5**	**4.5**	**2.5**	**6.2**	**4.6**	**3.6**	**.4**	**.2**	**.5**	**.2**	**.4**	**345.3**
2 Food	4.5	3.6	4.1	2.5	6.5	1.4	.7	−.2	.0	.5	.4	335.3
3 Energy items	−18.4	8.1	−9.9	26.1	7.9	5.0	1.5	.1	1.7	−.5	−.9	376.7
4 All items less food and energy	4.0	4.4	3.7	5.2	4.0	3.7	.2	.3	.4	.2	.5	346.1
5 Commodities	1.3	3.8	1.4	5.1	3.8	3.0	.0	.3	.1	.3	.5	275.6
6 Services	5.5	4.7	5.1	5.3	3.8	4.2	.2	.4	.5	.1	.5	422.6
PRODUCER PRICES												
7 Finished goods	−1.4	2.6	1.8	4.3	3.9	2.7	.2	.4	.0	.3	−.2	298.2
8 Consumer foods	5.7	.2	1.0	−6.7	12.7	−1.7	.1	−.2	−1.3	1.1	−.1	284.1
9 Consumer energy	−36.9	13.8	−12.5	59.8	5.5	2.0	1.5	2.7	1.5	−3.7	−1.0	514.5
10 Other consumer goods	3.0	2.5	4.4	4.2	−.2	4.9	.1	.3	.3	.6	.0	269.1
11 Capital equipment	2.1	1.5	3.4	.4	1.2	4.4	−.1	.2	.2	.7	−.4	314.7
12 Intermediate materials[3]	−4.2	5.0	−1.2	7.8	5.7	4.6	.6	.7	.5	.0	.5	325.9
13 Excluding energy	.1	4.3	1.2	3.3	4.6	5.0	.5	.5	.3	.5	.9	317.8
Crude materials												
14 Foods	4.6	1.1	−2.7	−10.3	34.8	−6.2	−1.4	−2.2	.1	.5	1.3	237.7
15 Energy	−28.1	13.2	−.5	50.0	11.4	6.1	1.5	3.8	.5	−2.7	−1.7	604.9
16 Other	−1.7	23.9	8.5	15.9	31.9	37.1	3.9	3.2	1.0	3.8	4.1	300.1

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	1985	1986	1986		1987		
				Q3	Q4	Q1	Q2	Q3[r]
GROSS NATIONAL PRODUCT								
1 **Total**	**3,772.2**	**4,010.3**	**4,235.0**	**4,265.9**	**4,288.1**	**4,377.7**	**4,445.1**	**4,520.5**
By source								
2 Personal consumption expenditures	2,430.5	2,629.4	2,799.8	2,837.1	2,858.6	2,893.8	2,943.7	3,006.7
3 Durable goods	335.5	368.7	402.4	427.6	419.8	396.1	409.0	434.8
4 Nondurable goods	867.3	913.1	939.4	940.0	946.3	969.9	982.1	987.2
5 Services	1,227.6	1,347.5	1,458.0	1,469.5	1,492.4	1,527.7	1,552.6	1,584.7
6 Gross private domestic investment	664.8	641.6	671.0	660.8	660.2	699.9	702.6	707.4
7 Fixed investment	597.1	631.6	655.2	657.3	666.6	648.2	662.3	684.9
8 Nonresidential	416.0	442.6	436.9	433.5	439.7	422.8	434.6	456.8
9 Structures	141.1	152.5	137.4	131.1	132.9	128.7	129.7	136.6
10 Producers' durable equipment	274.9	290.1	299.5	302.4	306.7	294.1	304.9	320.2
11 Residential structures	181.1	189.0	218.3	223.8	226.9	225.4	227.7	228.1
12 Change in business inventories	67.7	10.0	15.7	3.5	−6.4	51.6	40.3	22.5
13 Nonfarm	60.5	13.6	16.8	−.9	5.1	48.7	27.3	8.6
14 Net exports of goods and services	−58.9	−79.2	−105.5	−110.5	−116.9	−112.2	−118.4	−119.8
15 Exports	383.5	369.9	376.2	376.6	383.3	397.3	416.5	434.6
16 Imports	442.4	449.2	481.7	487.1	500.2	509.5	534.8	554.4
17 Government purchases of goods and services	735.9	818.6	869.7	878.5	886.3	896.2	917.1	926.1
18 Federal	310.5	353.9	366.2	371.2	368.6	366.9	379.6	378.8
19 State and local	425.3	464.7	503.5	507.3	517.7	529.3	537.6	547.3
By major type of product								
20 Final sales, total	3,704.5	4,000.3	4,219.3	4,262.4	4,294.6	4,326.0	4,404.8	4,497.9
21 Goods	1,581.3	1,637.9	1,693.8	1,703.6	1,698.9	1,738.7	1,763.5	1,794.9
22 Durable	681.5	704.3	726.8	735.8	737.3	747.0	756.7	780.6
23 Nondurable	899.9	933.6	967.0	967.8	961.6	991.7	1,006.8	1,014.3
24 Services	1,813.9	1,969.2	2,116.2	2,136.6	2,160.0	2,212.0	2,252.2	2,289.7
25 Structures	376.9	403.1	425.0	425.7	429.3	426.9	429.4	435.8
26 Change in business inventories	67.7	10.0	15.7	3.5	−6.4	51.6	40.3	22.5
27 Durable goods	40.2	7.3	4.8	−12.1	−4.5	35.2	22.1	−3.0
28 Nondurable goods	27.5	2.7	10.9	15.6	−1.9	16.5	18.2	25.6
29 MEMO								
Total GNP in 1982 dollars	**3,501.4**	**3,607.5**	**3,713.3**	**3,718.0**	**3,731.5**	**3,772.2**	**3,795.3**	**3,833.4**
NATIONAL INCOME								
30 **Total**	**3,028.6**	**3,229.9**	**3,422.0**	**3,438.7**	**3,471.0**	**3,548.3**	**3,593.3**	**3,654.2**
31 Compensation of employees	2,213.9	2,370.8	2,504.9	2,515.1	2,552.0	2,589.9	2,623.4	2,663.8
32 Wages and salaries	1,838.8	1,974.7	2,089.1	2,097.9	2,128.5	2,163.3	2,191.4	2,226.8
33 Government and government enterprises	346.1	372.3	394.8	397.7	403.8	412.2	418.1	424.2
34 Other	1,492.5	1,602.6	1,694.3	1,700.2	1,724.7	1,751.1	1,773.3	1,802.6
35 Supplement to wages and salaries	375.1	396.1	415.8	417.2	423.5	426.6	432.0	437.0
36 Employer contributions for social insurance	192.2	203.8	214.7	214.9	219.1	220.0	222.5	225.9
37 Other labor income	182.9	192.3	201.1	202.3	204.4	206.7	209.5	211.1
38 Proprietors' income[1]	234.5	257.3	289.8	292.5	297.8	320.9	323.1	321.4
39 Business and professional[1]	204.0	227.6	252.6	256.2	261.2	269.7	275.8	282.1
40 Farm[1]	30.5	29.7	37.2	36.3	36.6	51.3	47.3	39.3
41 Rental income of persons[2]	8.5	9.0	16.7	17.2	18.4	20.0	18.9	17.3
42 Corporate profits[1]	266.9	277.6	284.4	286.4	281.1	294.0	296.8	313.7
43 Profits before tax[3]	240.0	224.8	231.9	236.3	247.9	257.0	268.7	282.1
44 Inventory valuation adjustment	−5.8	−.7	6.5	6.0	−8.9	−11.3	−20.0	−16.1
45 Capital consumption adjustment	32.7	53.5	46.0	44.0	42.1	48.2	48.0	47.7
46 Net interest	304.8	315.3	326.1	327.5	321.7	323.6	331.1	338.0

1. With inventory valuation and capital consumption adjustments.
2. With capital consumption adjustment.
3. For after-tax profits, dividends, and the like, see table 1.48.

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

2.17 PERSONAL INCOME AND SAVING

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

Account	1984	1985	1986	1986		1987		
				Q3	Q4	Q1	Q2	Q3[r]
PERSONAL INCOME AND SAVING								
1 **Total personal income**	**3,108.7**	**3,327.0**	**3,534.3**	**3,553.6**	**3,593.6**	**3,662.0**	**3,708.6**	**3,756.7**
2 Wage and salary disbursements	1,838.6	1,974.9	2,089.1	2,097.9	2,128.5	2,163.3	2,191.4	2,226.6
3 Commodity-producing industries	577.6	609.2	623.3	622.8	628.4	632.9	635.0	641.5
4 Manufacturing	439.1	460.9	470.5	470.0	474.5	477.2	479.0	484.9
5 Distributive industries	442.8	473.0	497.1	498.6	504.7	511.5	518.9	526.6
6 Service industries	472.1	520.4	573.9	578.8	591.6	606.7	619.3	634.3
7 Government and government enterprises	346.1	372.3	394.8	397.7	403.8	412.2	418.1	424.2
8 Other labor income	182.9	192.3	201.1	202.3	204.4	206.7	209.5	211.1
9 Proprietors' income[1]	234.5	257.3	289.8	292.5	297.8	320.9	323.1	321.4
10 Business and professional[1]	204.0	227.6	252.6	256.2	261.2	269.7	275.8	282.1
11 Farm[1]	30.5	29.7	37.2	36.3	36.6	51.3	47.3	39.3
12 Rental income of persons[2]	8.5	9.0	16.7	17.2	18.4	20.0	18.9	17.3
13 Dividends	75.5	76.3	81.2	82.1	82.9	84.5	86.3	88.7
14 Personal interest income	444.7	476.5	497.6	498.1	496.8	499.8	506.3	516.6
15 Transfer payments	456.6	489.7	518.3	523.6	526.6	533.7	541.5	545.7
16 Old-age survivors, disability, and health insurance benefits	235.7	253.4	269.2	272.4	273.5	278.0	282.3	284.4
17 LESS: Personal contributions for social insurance	132.7	148.9	159.6	160.1	161.8	166.7	168.4	170.7
18 EQUALS: Personal income	3,108.7	3,327.0	3,534.3	3,553.6	3,593.6	3,662.0	3,708.6	3,756.7
19 LESS: Personal tax and nontax payments	440.2	485.9	512.2	515.3	532.0	536.1	578.0	565.6
20 EQUALS: Disposable personal income	2,668.6	2,841.1	3,022.1	3,038.2	3,061.6	3,125.9	3,130.6	3,191.1
21 LESS: Personal outlays	2,504.5	2,714.1	2,891.5	2,929.4	2,952.6	2,987.5	3,037.4	3,102.1
22 EQUALS: Personal saving	164.1	127.1	130.6	108.9	109.0	138.4	93.2	89.0
MEMO								
Per capita (1982 dollars)								
23 Gross national product	14,770.6	15,073.7	15,368.3	15,369.9	15,387.6	15,523.4	15,586.4	15,704.2
24 Personal consumption expenditures	9,488.6	9,830.2	10,141.9	10,241.8	10,228.8	10,188.9	10,215.6	10,312.1
25 Disposable personal income	10,419.0	10,622.0	10,947.0	10,968.0	10,956.0	11,008.0	10,865.0	10,945.0
26 Saving rate (percent)	6.1	4.5	4.3	3.6	3.6	4.4	3.0	2.8
GROSS SAVING								
27 **Gross saving**	**568.5**	**531.3**	**532.0**	**516.2**	**515.3**	**554.3**	**551.3**	**558.6**
28 Gross private saving	673.5	664.2	679.8	660.4	653.4	683.8	639.9	650.1
29 Personal saving	164.1	127.1	130.6	108.9	109.0	138.4	93.2	89.0
30 Undistributed corporate profits[1]	94.0	99.6	92.6	92.6	78.5	75.6	70.1	77.9
31 Corporate inventory valuation adjustment	−5.8	−.7	6.5	6.0	−8.9	−11.3	−20.0	−16.1
Capital consumption allowances								
32 Corporate	254.5	269.1	282.8	284.3	289.3	291.8	294.5	297.8
33 Noncorporate	160.9	168.5	173.8	174.6	176.6	178.0	182.1	185.3
34 Government surplus, or deficit (−), national income and product accounts	−105.0	−132.9	−147.8	−144.1	−138.1	−129.5	−88.6	−91.5
35 Federal	−169.6	−196.0	−204.7	−203.7	−188.7	−170.5	−139.2	−137.2
36 State and local	64.6	63.1	56.8	59.6	50.6	41.0	50.6	45.7
37 **Gross investment**	**573.9**	**525.7**	**527.1**	**510.1**	**503.7**	**552.1**	**548.1**	**547.6**
38 Gross private domestic	664.8	641.6	671.0	660.8	660.2	699.9	702.6	707.4
39 Net foreign	−90.9	−115.9	−143.9	−150.7	−156.5	−147.7	−154.5	−159.8
40 **Statistical discripancy**	**5.4**	**−5.6**	**−4.9**	**−6.1**	**−11.6**	**−2.2**	**−3.1**	**−11.1**

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

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

3.10 U.S. INTERNATIONAL TRANSACTIONS Summary

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

Item credits or debits	1984	1985	1986	1986			1987	
				Q2	Q3	Q4	Q1	Q2[p]
1 Balance on current account	−107,013	−116,394	−141,352	−33,755	−36,583	−37,977	−36,784	−41,097
2 Not seasonally adjusted	....	....	....	−34,634	−40,230	−36,398	−33,435	−41,956
3 Merchandise trade balance[2]	−112,522	−122,148	−144,339	−33,651	−37,115	−38,595	−38,757	−39,525
4 Merchandise exports	219,900	215,935	224,361	56,928	56,534	57,021	56,992	59,975
5 Merchandise imports	−332,422	−338,083	−368,700	−90,579	−93,649	−95,616	−95,749	−99,500
6 Military transactions, net	−1,942	−3,338	−3,662	−1,054	−815	−495	−37	111
7 Investment income, net[3]	18,490	25,398	20,844	4,587	5,339	4,492	5,500	1,608
8 Other service transactions, net	1,138	−1,005	1,463	530	342	759	−387	−387
9 Remittances, pensions, and other transfers	−3,637	−4,079	−3,885	−918	−875	−1,151	−1,017	−913
10 U.S. government grants (excluding military)	−8,541	−11,222	−11,772	−3,249	−3,459	−2,987	−2,086	−1,991
11 Change in U.S. government assets, other than official reserve assets, net (increase, −)	−5,476	−2,831	−1,920	−242	−1,454	15	225	−182
12 Change in U.S. official reserve assets (increase, −)	−3,130	−3,858	312	16	280	132	1,956	3,419
13 Gold	0	0	0	0	0	0	0	0
14 Special drawing rights (SDRs)	−979	−897	−246	−104	163	−31	76	−171
15 Reserve position in International Monetary Fund	−995	908	1,500	366	508	283	606	335
16 Foreign currencies	−1,156	−3,869	−942	−246	−391	−120	1,274	3,255
17 Change in U.S. private assets abroad (increase, −)[3]	−13,685	−24,711	−94,374	−25,303	−23,304	−32,351	13,352	−24,747
18 Bank-reported claims	−11,127	−1,323	−59,039	−14,734	−18,878	−31,800	25,686	−20,195
19 Nonbank-reported claims	5,019	1,361	−3,986	−1,894	685	170	−1,163	....
20 U.S. purchase of foreign securities, net	−4,756	−7,481	−3,302	−1,149	620	3,113	−1,345	93
21 U.S. direct investments abroad, net[3]	−2,821	−17,268	−28,047	−7,526	−5,731	−3,834	−9,826	−4,645
22 Change in foreign official assets in the United States (increase, +)	2,987	−1,140	34,698	15,568	15,551	1,003	13,953	9,389
23 U.S. Treasury securities	4,690	−838	34,515	14,538	12,167	4,572	12,145	11,082
24 Other U.S. government obligations	13	−301	−1,214	−644	−276	−117	−62	256
25 Other U.S. government liabilities[4]	586	823	1,723	925	999	−607	−1,381	−1,501
26 Other U.S. liabilities reported by U.S. banks	555	645	554	1,280	2,963	−2,435	3,611	−135
27 Other foreign official assets[5]	−2,857	−1,469	−880	−531	−302	−410	−360	−313
28 Change in foreign private assets in the United States (increase, +)[3]	99,481	131,012	178,689	33,475	54,040	57,428	12,802	35,661
29 U.S. bank-reported liabilities	33,849	41,045	77,350	3,899	30,360	34,604	−13,614	15,150
30 U.S. nonbank-reported liabilities	4,704	−450	−2,791	−1,553	−80	1,035	1,761	....
31 Foreign private purchases of U.S. Treasury securities, net	23,001	20,433	8,275	3,705	609	−3,074	−1,570	−2,562
32 Foreign purchases of other U.S. securities, net	12,568	50,962	70,802	22,888	17,074	12,269	18,499	15,858
33 Foreign direct investments in the United States, net[3]	25,359	19,022	25,053	4,536	6,077	12,594	7,726	7,215
34 Allocation of SDRs	0	0	0	0	0	0	0	0
35 Discrepancy	26,837	17,920	23,947	10,241	−8,530	11,750	−5,504	17,557
36 Owing to seasonal adjustments	....	....	....	−2,044	−4,153	3,904	2,652	−1,987
37 Statistical discrepancy in recorded data before seasonal adjustment	26,837	17,920	23,947	12,285	−4,377	7,846	−8,156	19,544
MEMO								
Changes in official assets								
38 U.S. official reserve assets (increase, −)	−3,130	−3,858	312	16	280	132	1,956	3,419
39 Foreign official assets in the United States (increase, +) excluding line 25	2,401	−1,963	32,975	14,643	14,552	1,610	15,334	10,890
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	−2,166	−3,023	−5,195	−2,901	−2,626
41 Transfers under military grant programs (excluded from lines 4, 6, and 10 above)	153	46	101	11	19	53	8	26

1. Seasonal factors are not calculated for lines 6, 10, 12–16, 18–20, 22–34, and 38–41.
2. Data are on an international accounts (IA) basis. Differs from the Census basis data, shown in table 3.11, for reasons of coverage and timing. Military exports are excluded from merchandise data and are included in line 6.
3. Includes reinvested earnings.
4. Primarily associated with military sales contracts and other transactions arranged with or through foreign official agencies.
5. Consists of investments in U.S. corporate stocks and in debt securities of private corporations and state and local governments.

NOTE. Data are from Bureau of Economic Analysis, *Survey of Current Business* (Department of Commerce).

3.11 U.S. FOREIGN TRADE[1]

Millions of dollars; monthly data are not seasonally adjusted.

Item	1984	1985	1986	1987 Mar.	Apr.	May	June	July	Aug.	Sept.
1 EXPORTS of domestic and foreign merchandise excluding grant-aid shipments, f.a.s. value	223,976	218,815	226,808	21,776	20,496	20,784	21,126	21,008	20,222	20,986
2 GENERAL IMPORTS including merchandise for immediate consumption plus entries into bonded warehouses, c.i.f. value	346,364	352,463	382,964	34,694	33,459	34,822	36,838	37,483	35,905	35,062
3 **Trade balance**	**−122,389**	**−133,648**	**−156,156**	**−12,918**	**−12,963**	**−14,039**	**−15,711**	**−16,475**	**−15,683**	**−14,076**

1. The Census basis data differ from merchandise trade data shown in table 3.10, U.S. International Transactions Summary, for reasons of coverage and timing. On the *export side*, the largest adjustment is the exclusion of military sales (which are combined with other military transactions and reported separately in the "service account" in table 3.10, line 6). On the *import side*, additions are made for gold, ship purchases, imports of electricity from Canada, and other transactions; military payments are excluded and shown separately as indicated above. As of Jan. 1, 1987 census data are released 45 days after the end of the month. Total exports and the trade balance reflect adjustments for undocumented exports to Canada.

SOURCE. FT900 "Summary of U.S. Export and Import Merchandise Trade" (Department of Commerce, Bureau of the Census).

3.12 U.S. RESERVE ASSETS

Millions of dollars, end of period

Type	1984	1985	1986	1987 Apr.	May	June	July	Aug.	Sept.	Oct.^{p}
1 **Total**	**34,934**	**43,186**	**48,517**	**46,591**	**45,913**	**45,140**	**44,318**	**45,944**	**45,070**	**46,200**
2 Gold stock, including Exchange Stabilization Fund[1]	11,096	11,090	11,064	11,076	11,070	11,069	11,069	11,068	11,075	11,085
3 Special drawing rights[2,3]	5,641	7,293	8,395	8,879	8,904	8,856	8,813	9,174	9,078	9,373
4 Reserve position in International Monetary Fund[2]	11,541	11,947	11,730	11,745	11,517	11,313	10,964	11,116	10,918	11,157
5 Foreign currencies[4]	6,656	12,856	17,328	14,891	14,422	13,902	13,472	14,586	13,999	14,585

1. Gold held under earmark at Federal Reserve Banks for foreign and international accounts is not included in the gold stock of the United States; see table 3.13. Gold stock is valued at $42.22 per fine troy ounce.
2. Beginning July 1974, the IMF adopted a technique for valuing the SDR based on a weighted average of exchange rates for the currencies of member countries. From July 1974 through December 1980, 16 currencies were used; from January 1981, 5 currencies have been used. The U.S. SDR holdings and reserve position in the IMF also are valued on this basis beginning July 1974.
3. Includes allocations by the International Monetary Fund of SDRs as follows: $867 million on Jan. 1, 1970; $717 million on Jan. 1, 1971; $710 million on Jan. 1, 1972; $1,139 million on Jan. 1, 1979; $1,152 million on Jan. 1, 1980; and $1,093 million on Jan. 1, 1981; plus transactions in SDRs.
4. Valued at current market exchange rates.

3.13 FOREIGN OFFICIAL ASSETS HELD AT FEDERAL RESERVE BANKS

Millions of dollars, end of period

Assets	1984	1985	1986	1987 Apr.	May	June	July	Aug.	Sept.	Oct.^{p}
1 Deposits	267	480	287	342	319	318	261	294	456	236
Assets held in custody										
2 U.S. Treasury securities[1]	118,000	121,004	155,835	172,929	175,849	176,657	171,269	179,484	179,097	182,072
3 Earmarked gold[2]	14,242	14,245	14,048	14,031	14,031	14,034	14,010	14,022	14,015	13,998

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	1984	1985	1986	1987 Mar.	1987 Apr.	1987 May	1987 June	1987 July	1987 Aug.	1987 Sept.[p]
					All foreign countries					
1 **Total, all currencies**	**453,656**	**458,012**	**456,628**	**457,180r**	**485,343r**	**487,598r**	**475,188r**	**470,391r**	**473,540r**	**489,838**
2 Claims on United States	113,393	119,706	114,563	112,163r	128,722r	127,009r	123,400r	123,687r	124,759r	137,048
3 Parent bank	78,109	87,201	83,492	81,677	94,444	92,217	89,395	89,816	89,981	101,618
4 Other banks in United States	13,664	13,057	13,685	13,113r	15,366r	17,084r	16,021r	14,290r	14,682r	15,890
5 Nonbanks	21,620	19,448	17,386	17,373	18,912	17,708	17,984	19,581	20,096	19,540
6 Claims on foreigners	320,162	315,676	312,955	310,927r	321,344r	328,280r	319,546r	314,078r	314,747r	318,766
7 Other branches of parent bank	95,184	91,399	96,281	89,200	93,669	101,309	101,232	96,582	97,988	103,553
8 Banks	100,397	102,960	105,237	109,626r	114,997r	114,101r	107,747r	110,124r	108,088r	108,418
9 Public borrowers	23,343	23,478	23,706	22,666	22,892	23,295	22,684	21,412	21,537	21,205
10 Nonbank foreigners	101,238	97,839	87,731	89,435r	89,786r	89,575r	87,883r	85,960r	87,134r	85,590
11 Other assets	20,101	22,630	29,110	34,090r	35,277r	32,309r	32,242r	32,626r	34,034r	34,024
12 **Total payable in U.S. dollars**	**350,636**	**336,520**	**317,487**	**306,297r**	**329,457r**	**336,415r**	**329,499r**	**322,300r**	**322,286r**	**340,684**
13 Claims on United States	111,426	116,638	110,620	107,314r	122,932r	121,552r	118,411r	118,563r	118,964r	131,514
14 Parent bank	77,229	85,971	82,082	79,817	92,490	90,182	87,559	87,802	87,867	99,759
15 Other banks in United States	13,500	12,454	12,830	11,976r	13,557r	15,448r	14,709r	12,781r	12,793r	13,883
16 Nonbanks	20,697	18,213	15,708	15,521	16,885	15,922	16,143	17,980	18,304	17,872
17 Claims on foreigners	228,600	210,129	195,063	185,649r	192,360r	201,451r	198,465r	190,590r	189,958r	194,484
18 Other branches of parent bank	78,746	72,727	72,197	63,983	66,916	75,014	75,771	72,515	73,327	77,699
19 Banks	76,940	71,868	66,421	66,043r	69,244r	69,525r	67,287r	65,673r	64,106r	64,438
20 Public borrowers	17,626	17,260	16,708	16,347	16,639	16,812	16,271	15,062	15,115	14,940
21 Nonbank foreigners	55,288	48,274	39,737	39,276r	39,561r	40,100r	39,136r	37,340r	37,410r	37,407
22 Other assets	10,610	9,753	11,804	13,334r	14,165r	13,412r	12,623r	13,147r	13,364r	14,686
					United Kingdom					
23 **Total, all currencies**	**144,385**	**148,599**	**140,917**	**145,486**	**149,998**	**154,371**	**146,678**	**149,760**	**148,039**	**149,836**
24 Claims on United States	27,675	33,157	24,599	28,503	31,001	34,427	30,859	32,694	31,377	32,581
25 Parent bank	21,862	26,970	19,085	23,303	25,315	28,935	25,944	27,288	25,627	27,128
26 Other banks in United States	1,429	1,106	1,612	1,288	1,564	1,507	1,194	1,537	1,585	1,349
27 Nonbanks	4,384	5,081	3,902	3,912	4,122	3,985	3,721	3,869	4,165	4,104
28 Claims on foreigners	111,828	110,217	109,508	109,297	111,113	112,997	107,407r	108,732	108,293	108,562
29 Other branches of parent bank	37,953	31,576	33,422	28,782	29,936	33,412	32,641	31,241	30,794	33,610
30 Banks	37,443	39,250	39,468	42,537	42,961	41,241	37,745r	41,219	40,082	38,390
31 Public borrowers	5,334	5,644	4,990	4,897	4,964	5,234	4,684	4,617	4,761	4,725
32 Nonbank foreigners	31,098	33,747	31,628	33,081	33,252	33,110	32,337r	31,655	32,656	31,837
33 Other assets	4,882	5,225	6,810	7,686	7,884	6,947	8,412r	8,334	8,369	8,693
34 **Total payable in U.S. dollars**	**112,809**	**108,626**	**95,028**	**95,007**	**99,398**	**104,622**	**97,672**	**99,170**	**96,510**	**99,736**
35 Claims on United States	26,868	32,092	23,193	26,665	29,066	32,542	29,252	31,076	29,519	30,791
36 Parent bank	21,495	26,568	18,526	22,662	24,689	28,228	25,286	26,661	24,853	26,423
37 Other banks in United States	1,363	1,005	1,475	980	1,192	1,157	950	1,294	1,309	1,105
38 Nonbanks	4,010	4,519	3,192	3,023	3,185	3,157	3,016	3,121	3,357	3,263
39 Claims on foreigners	82,945	73,475	68,138	64,466	66,257	68,469	64,676	64,024	63,265	64,561
40 Other branches of parent bank	33,607	26,011	26,361	21,785	22,339	25,921	25,409	23,827	23,155	25,600
41 Banks	26,805	26,139	23,251	24,225	24,962	23,263	21,355	22,975	22,646	21,522
42 Public borrowers	4,030	3,999	3,677	3,660	3,712	3,785	3,470	3,400	3,473	3,377
43 Nonbank foreigners	18,503	17,326	14,849	14,796	15,244	15,500	14,442	13,822	13,991	14,062
44 Other assets	2,996	3,059	3,697	3,876	4,075	3,611	3,744	4,070	3,726	4,384
					Bahamas and Caymans					
45 **Total, all currencies**	**146,811**	**142,055**	**142,592**	**134,367r**	**146,954r**	**141,831r**	**142,170r**	**140,512r**	**139,986r**	**151,909**
46 Claims on United States	77,296	74,864	78,048	67,655r	78,902r	73,445	72,541	72,772	72,558	81,526
47 Parent bank	49,449	50,553	54,575	44,502	52,778	46,486	45,910	46,279	45,720	53,668
48 Other banks in United States	11,544	11,204	11,156	10,924r	12,738r	14,588r	13,724r	11,811r	12,074r	13,479
49 Nonbanks	16,303	13,107	12,317	12,229	13,386	12,371	12,907	14,682	14,764	14,379
50 Claims on foreigners	65,598	63,882	60,005	60,874r	62,293r	63,089r	65,280r	63,027r	62,336r	65,030
51 Other branches of parent bank	17,661	19,042	17,296	16,529	16,562	15,775	18,873	17,493	18,228	18,698
52 Banks	30,246	28,192	27,476	28,673r	30,310r	31,417r	30,987r	30,372r	29,160r	31,622
53 Public borrowers	6,089	6,458	7,051	7,038	7,247	7,304	7,025	7,046	6,873	6,985
54 Nonbank foreigners	11,602	10,190	8,182	8,634r	8,174r	8,593r	8,395r	8,116r	8,075r	7,725
55 Other assets	3,917	3,309	4,539	5,838r	5,759r	5,297r	4,349r	4,713r	5,092r	5,353
56 **Total payable in U.S. dollars**	**141,562**	**136,794**	**136,813**	**127,338r**	**138,962r**	**133,483r**	**135,323r**	**131,636r**	**130,985r**	**142,385**

1. Beginning with June 1984 data, reported claims held by foreign branches have been reduced by an increase in the reporting threshold for "shell" branches from $50 million to $150 million equivalent in total assets, the threshold now applicable to all reporting branches.

3.14 Continued

Liability account	1984	1985	1986	1987 Mar.	Apr.	May	June	July	Aug.	Sept.[p]
	All foreign countries									
57 **Total, all currencies**	**453,656**	**458,012**	**456,628**	**457,180[r]**	**485,343[r]**	**487,598[r]**	**475,188[r]**	**470,391[r]**	**473,540[r]**	**489,838**
58 Negotiable CDs	37,725	34,607	31,629	34,873	33,155	34,360	31,776	32,993	33,648	35,724
59 To United States	147,583	155,538	151,632	141,891[r]	152,875[r]	149,970[r]	150,115[r]	143,434[r]	141,067[r]	152,895
60 Parent bank	78,739	83,914	82,561	71,183[r]	75,164[r]	74,644[r]	78,444[r]	71,609[r]	73,677[r]	79,688
61 Other banks in United States	18,409	16,894	15,646	13,695	16,913	16,898	16,575[r]	14,982	15,249[r]	17,263
62 Nonbanks	50,435	54,730	53,425	57,013[r]	60,798[r]	58,428[r]	55,096[r]	56,843[r]	52,141[r]	55,944
63 To foreigners	247,907	245,939	253,775	260,635	278,022	284,307	274,061[r]	274,407[r]	278,888[r]	280,643
64 Other branches of parent bank	93,909	89,529	95,146	88,276	94,590	101,774	100,826	95,376	97,908	103,921
65 Banks	78,203	76,814	77,809	84,543	92,704	90,333	81,229[r]	87,734	87,449	85,512
66 Official institutions	20,281	19,520	17,835	20,591	21,293	23,058	22,264[r]	21,528	21,016	20,116
67 Nonbank foreigners	55,514	60,076	62,985	67,225	69,435	69,142	69,742	69,769[r]	72,515[r]	71,094
68 Other liabilities	20,441	21,928	19,592	19,781	21,291	18,961	19,236[r]	19,557	19,937	20,576
69 **Total payable in U.S. dollars**	**367,145**	**353,712**	**336,406**	**321,883[r]**	**340,584[r]**	**347,311[r]**	**340,985[r]**	**334,218[r]**	**333,673[r]**	**352,082**
70 Negotiable CDs	35,227	31,063	28,466	31,148	29,505	30,763	27,929	28,781	29,634	31,120
71 To United States	143,571	150,162	143,650	132,943[r]	141,641[r]	141,151[r]	141,667[r]	134,731[r]	132,061[r]	142,844
72 Parent bank	76,254	80,888	78,472	66,052[r]	68,486[r]	70,159[r]	74,301[r]	66,940[r]	68,897[r]	74,411
73 Other banks in United States	17,935	16,264	14,609	12,593	15,455	15,732	15,363[r]	13,872[r]	14,046[r]	15,846
74 Nonbanks	49,382	53,010	50,569	54,298[r]	57,700[r]	55,260[r]	52,003[r]	53,919[r]	49,118[r]	52,587
75 To foreigners	178,260	163,583	156,806	149,949	161,216	167,761	163,505[r]	162,766[r]	163,728[r]	169,284
76 Other branches of parent bank	77,770	71,078	71,181	62,172	67,278	74,769	74,202	70,911	72,620	77,985
77 Banks	45,123	37,365	33,850	35,116	39,111	36,226	31,812[r]	35,250	35,104	35,202
78 Official institutions	15,773	14,359	12,371	13,392	14,318	16,068	15,985[r]	15,806	15,527	14,209
79 Nonbank foreigners	39,594	40,781	39,404	39,269	40,509	40,698	41,506	40,799[r]	40,477[r]	41,888
80 Other liabilities	10,087	8,904	7,484	7,843	8,222	7,636	7,884	7,940	8,250	8,834
	United Kingdom									
81 **Total all currencies**	**144,385**	**148,599**	**140,917**	**145,486**	**149,998**	**154,371**	**146,678**	**149,760**	**148,039**	**149,836**
82 Negotiable CDs	34,413	31,260	27,781	30,968	29,311	30,226	27,511	28,590	29,363	31,451
83 To United States	25,250	29,422	24,657	21,457	23,936	26,204	24,512	24,347	22,197	22,469
84 Parent bank	14,651	19,330	14,469	12,356	13,170	15,145	14,745	14,010	13,234	13,357
85 Other banks in United States	3,125	2,974	2,649	1,816	2,205	2,273	2,109	2,021	1,875	2,073
86 Nonabnks	7,474	7,118	7,539	7,285	8,561	8,786	7,658	8,316	7,088	7,039
87 To foreigners	77,424	78,525	79,498	83,699	87,381	89,760	86,041	87,942	87,750	86,806
88 Other branches of parent bank	21,631	23,389	25,036	21,780	22,421	26,367	25,350	23,572	23,379	26,094
89 Banks	30,436	28,581	30,877	35,538	37,562	35,282	32,036[r]	35,647	34,414	31,681
90 Official institutions	10,154	9,676	6,836	7,827	8,871	10,004	9,748[r]	9,241	9,670	10,387
91 Nonbank foreigners	15,203	16,879	16,749	18,554	18,527	18,107	18,907	19,482	20,287	18,644
92 Other liabilities	7,298	9,392	8,981	9,362	9,370	8,181	8,614	8,881	8,729	9,110
93 **Total payable in U.S. dollars**	**117,497**	**112,697**	**99,707**	**98,967**	**101,793**	**106,093**	**100,031**	**101,593**	**99,459**	**102,325**
94 Negotiable CDs	33,070	29,337	26,169	28,868	27,189	28,345	25,695	26,397	27,264	28,776
95 To United States	24,105	27,756	22,075	18,940	21,144	23,474	21,850	21,689	19,573	19,535
96 Parent bank	14,339	18,956	14,021	11,606	12,352	14,528	14,252	13,399	12,608	12,609
97 Other banks in United States	2,980	2,826	2,325	1,602	2,021	2,027	1,899	1,776	1,694	1,883
98 Nonbanks	6,786	5,974	5,729	5,732	6,771	6,919	5,699	6,514	5,271	5,043
99 To foreigners	56,923	51,980	48,138	47,531	49,708	51,116	49,089	50,294	49,484	50,379
100 Other branches of parent bank	18,294	18,493	17,951	14,471	14,367	18,430	17,654	16,171	15,565	17,994
101 Banks	18,356	14,344	15,203	18,027	19,498	15,555	13,566[r]	16,330	15,767	14,359
102 Official institutions	8,871	7,661	4,934	4,924	5,786	7,214	7,283[r]	7,203	7,872	8,060
103 Nonbank foreigners	11,402	11,482	10,050	10,109	10,057	9,917	10,586	10,590	10,280	9,966
104 Other liabilities	3,399	3,624	3,325	3,628	3,752	3,158	3,397	3,213	3,138	3,635
	Bahamas and Caymans									
105 **Total, all currencies**	**146,811**	**142,055**	**142,592**	**134,367[r]**	**146,954[r]**	**141,831[r]**	**142,170[r]**	**140,512[r]**	**139,986[r]**	**151,909**
106 Negotiable CDs	615	610	847	813	883	1,092	1,067	1,119	975	886
107 To United States	102,955	103,813	105,248	99,090[r]	107,545[r]	101,695[r]	103,007[r]	99,240[r]	97,244[r]	107,246
108 Parent bank	47,162	44,811	48,648	39,922[r]	43,400[r]	40,146[r]	43,580[r]	39,908[r]	41,046[r]	45,890
109 Other banks in United States	13,938	12,778	11,715	10,568	13,345	13,175	13,143	11,966	12,236[r]	13,613
110 Nonbanks	41,855	46,224	44,885	48,600[r]	50,800[r]	48,374[r]	46,284[r]	47,366[r]	43,962[r]	47,743
111 To foreigners	40,320	35,053	34,400	32,501	36,491	36,835	36,004	37,988[r]	39,437[r]	41,276
112 Other branches of parent bank	16,782	14,075	12,631	11,673	13,891	13,359	14,023	14,803	16,465	16,925
113 Banks	12,405	10,669	8,617	8,140	9,452	9,895	7,943	9,395	9,514	10,395
114 Official institutions	2,054	1,776	2,719	2,836	2,937	3,072	3,185	3,263	2,935	1,786
115 Nonbank foreigners	9,079	8,533	10,433	9,852	10,211	10,509	10,853	10,527[r]	10,523[r]	12,170
116 Other liabilities	2,921	2,579	2,097	1,963	2,035	2,209	2,092	2,165	2,330	2,501
117 **Total payable in U.S. dollars**	**143,582**	**138,322**	**138,774**	**129,578[r]**	**140,974[r]**	**136,842[r]**	**137,763[r]**	**135,376[r]**	**134,354[r]**	**145,354**

3.15 SELECTED U.S. LIABILITIES TO FOREIGN OFFICIAL INSTITUTIONS

Millions of dollars, end of period

Item	1985	1986	1987						
			Mar.	Apr.	May	June	July	Aug.	Sept.[p]
1 **Total**[1]	**178,380**	**211,782**	**226,840**	**236,137**	**236,439**	**238,418**	**232,193**[r]	**237,501**[r]	**239,020**
By type									
2 Liabilities reported by banks in the United States[2]	26,734	27,868	31,207	33,034	31,896	31,754	31,391[r]	29,465[r]	31,070
3 U.S. Treasury bills and certificates[3]	53,252	75,650	79,629	84,640	81,553	80,663	73,435	78,210	75,701
U.S. Treasury bonds and notes									
4 Marketable	77,154	91,368	99,530	102,019	106,465	110,184	112,435	115,047	116,747
5 Nonmarketable[4]	3,550	1,300	1,300	1,300	1,300	700	500	300	300
6 U.S. securities other than U.S. Treasury securities[5]	17,690	15,596	15,174	15,144	15,225	15,117	14,432	14,479	15,202
By area									
7 Western Europe[1]	74,447	88,623	99,822	106,171	108,677	111,405	107,695[r]	106,735[r]	107,901
8 Canada	1,315	2,004	5,110	3,922	3,482	3,502	3,559	4,189	4,529
9 Latin America and Caribbean	11,148	8,372	8,246	9,295	7,923	7,519	7,918[r]	8,710	8,558
10 Asia	86,448	105,868	108,450	109,842	109,464	108,654	105,495	109,484[r]	109,369
11 Africa	1,824	1,503	1,192	1,284	1,628	1,405	1,590	1,837	1,619
12 Other countries[6]	3,199	5,412	4,020	5,621	5,265	5,933	5,937	6,547	7,044

1. Includes the Bank for International Settlements.
2. Principally demand deposits, time deposits, bankers acceptances, commercial paper, negotiable time certificates of deposit, and borrowings under repurchase agreements.
3. Includes nonmarketable certificates of indebtedness (including those payable in foreign currencies through 1974) and Treasury bills issued to official institutions of foreign countries.
4. Excludes notes issued to foreign official nonreserve agencies. Includes bonds and notes payable in foreign currencies.
5. Debt securities of U.S. government corporations and federally sponsored agencies, and U.S. corporate stocks and bonds.
6. Includes countries in Oceania and Eastern Europe.

NOTE. Based on Treasury Department data and on data reported to the Treasury Department by banks (including Federal Reserve Banks) and securities dealers in the United States.

3.16 LIABILITIES TO AND CLAIMS ON FOREIGNERS Reported by Banks in the United States Payable in Foreign Currencies[1]

Millions of dollars, end of period

Item	1983	1984	1985	1986		1987	
				Sept.	Dec.	Mar.	June[r]
1 Banks' own liabilities	5,219	8,586	15,368	29,528	29,556	36,905	36,083
2 Banks' own claims	7,231	11,984	16,294	24,134	25,920	32,613	32,884
3 Deposits	2,731	4,998	8,437	13,241	13,923	14,077	10,935
4 Other claims	4,501	6,986	7,857	10,893	11,997	18,536	21,949
5 Claims of banks' domestic customers[1]	1,059	569	580	1,589	2,507	2,012	889

1. Data on claims exclude foreign currencies held by U.S. monetary authorities.
2. Assets owned by customers of the reporting bank located in the United States that represent claims on foreigners held by reporting banks for the accounts of the domestic customers.

3.17 LIABILITIES TO FOREIGNERS Reported by Banks in the United States Payable in U.S. dollars

Millions of dollars, end of period

Holder and type of liability	1984	1985	1986	1987 Mar.	1987 Apr.	1987 May	1987 June	1987 July	1987 Aug.	1987 Sept.[p]
1 **All foreigners**	**407,306**	**435,726**	**539,238**	**531,086**	**553,980**	**557,735**	**541,039**	**542,849[r]**	**553,209**	**583,185**
2 Banks' own liabilities	306,898	341,070	406,075	395,976	413,735	417,889	401,903	409,547[r]	415,686	445,257
3 Demand deposits	19,571	21,107	23,788	22,282	22,350	23,223	23,219	20,598[r]	22,127	21,426
4 Time deposits[1]	110,413	117,278	131,691	125,109	131,794	132,973	133,186	134,209[r]	138,574	148,180
5 Other[2]	26,268	29,305	41,462	44,424	47,986	47,718	41,512	43,294[r]	40,343	47,449
6 Own foreign offices[3]	150,646	173,381	209,134	204,162	211,605	213,975	203,986	211,446[r]	214,642	228,202
7 Banks' custody liabilities[4]	100,408	94,656	133,163	135,110	140,245	139,846	139,135	133,302	137,523	137,928
8 U.S. Treasury bills and certificates[5]	76,368	69,133	90,392	93,153	97,928	95,959	93,688	88,193	92,705	89,747
9 Other negotiable and readily transferable instruments[6]	18,747	17,964	15,417	14,695	14,590	15,790	16,371	15,632	15,259	16,042
10 Other	5,293	7,558	27,354	27,262	27,727	28,098	29,076	29,477	29,559	32,140
11 **Nonmonetary international and regional organizations[7]**	**4,454**	**5,821**	**5,272**	**5,281**	**8,230**	**5,199**	**3,979**	**5,660[r]**	**4,945**	**7,509**
12 Banks' own liabilities	2,014	2,621	3,423	3,901	6,636	3,535	2,489	2,081[r]	2,111	4,338
13 Demand deposits	254	85	199	246	334	106	72	76[r]	46	299
14 Time deposits[1]	1,267	2,067	2,066	1,227	3,094	944	967	584	816	1,430
15 Other[2]	493	469	1,158	2,428	3,207	2,486	1,451	1,420	1,249	2,609
16 Banks' custody liabilities[4]	2,440	3,200	1,849	1,379	1,594	1,664	1,490	3,579	2,834	3,171
17 U.S. Treasury bills and certificates	916	1,736	259	154	428	440	266	2,339	1,635	1,793
18 Other negotiable and readily transferable instruments[6]	1,524	1,464	1,590	1,225	1,152	1,224	1,224	1,240	1,193	1,378
19 Other	0	0	0	0	14	0	0	0	6	0
20 **Official institutions[8]**	**86,065**	**79,985**	**103,518**	**110,836**	**117,675**	**113,449**	**112,416**	**104,826[r]**	**107,675**	**106,771**
21 Banks' own liabilities	19,039	20,835	25,376	28,060	30,060	29,034	28,364	28,221[r]	26,169	27,371
22 Demand deposits	1,823	2,077	2,267	1,923	1,829	2,089	1,745	1,711[r]	1,907	1,798
23 Time deposits[1]	9,374	10,949	11,009	10,806	12,277	11,277	13,042	13,540[r]	13,799	13,341
24 Other[2]	7,842	7,809	12,100	15,331	15,954	15,668	13,577	12,970[r]	10,464	12,231
25 Banks' custody liabilities[4]	67,026	59,150	78,142	82,776	87,614	84,415	84,052	76,605	81,505	79,401
26 U.S. Treasury bills and certificates[5]	59,976	53,252	75,650	79,629	84,640	81,553	80,663	73,435	78,210	75,701
27 Other negotiable and readily transferable instruments[6]	6,966	5,824	2,347	3,015	2,819	2,715	3,141	2,950	3,151	3,540
28 Other	84	75	145	132	154	147	248	220	144	160
29 **Banks[9]**	**248,893**	**275,589**	**350,637**	**338,946**	**350,635**	**359,093**	**346,818**	**355,782[r]**	**361,405**	**389,154**
30 Banks' own liabilities	225,368	252,723	310,400	299,990	311,654	319,495	305,679	313,948[r]	320,244	345,415
31 Unaffiliated foreign banks	74,722	79,341	101,266	95,828	100,049	105,520	101,693	102,501[r]	105,602	117,213
32 Demand deposits	10,556	10,271	10,303	9,503	9,782	10,808	10,298	8,588[r]	9,911	9,781
33 Time deposits[1]	47,095	49,510	64,516	62,138	64,296	67,725	67,097	67,280[r]	69,916	78,384
34 Other[2]	17,071	19,561	26,447	24,187	25,970	26,986	24,299	26,634[r]	25,775	29,049
35 Own foreign offices[3]	150,646	173,381	209,134	204,162	211,605	213,975	203,986	211,446[r]	214,642	228,202
36 Banks' custody liabilities[4]	23,525	22,866	40,237	38,956	38,981	39,598	41,139	41,834	41,161	43,739
37 U.S. Treasury bills and certificates	11,448	9,832	9,984	9,759	9,545	9,774	9,066	9,142	9,100	9,206
38 Other negotiable and readily transferable instruments[6]	7,236	6,040	5,165	4,171	4,090	4,213	5,611	5,850	5,320	5,221
39 Other	4,841	6,994	25,089	25,026	25,346	25,611	26,462	26,841	26,742	29,312
40 **Other foreigners**	**67,894**	**74,331**	**79,810**	**76,023**	**77,441**	**79,994**	**77,825**	**76,582[r]**	**79,184**	**79,751**
41 Banks' own liabilities	60,477	64,892	66,876	64,025	65,385	65,825	65,371	65,298[r]	67,162	68,133
42 Demand deposits	6,938	8,673	11,019	10,609	10,404	10,220	11,104	10,223[r]	10,263	9,548
43 Time deposits	52,678	54,752	54,099	50,938	52,126	53,027	52,081	52,805[r]	54,044	55,025
44 Other[2]	861	1,467	1,757	2,479	2,854	2,578	2,185	2,270	2,855	3,560
45 Banks' custody liabilities[4]	7,417	9,439	12,935	11,998	12,056	14,169	12,454	11,284	12,022	11,617
46 U.S. Treasury bills and certificates	4,029	4,314	4,500	3,610	3,315	4,192	3,694	3,276	3,761	3,046
47 Other negotiable and readily transferable instruments[6]	3,021	4,636	6,315	6,285	6,529	7,638	6,395	5,592	5,594	5,904
48 Other	367	489	2,120	2,103	2,212	2,340	2,366	2,415	2,667	2,668
49 MEMO: Negotiable time certificates of deposit in custody for foreigners	10,476	9,845	7,496	7,854	8,134	8,694	7,356	6,313	6,458	6,501

1. Excludes negotiable time certificates of deposit, which are included in "Other negotiable and readily transferable instruments."
2. Includes borrowing under repurchase agreements.
3. U.S. banks: includes amounts due to own foreign branches and foreign subsidiaries consolidated in "Consolidated Report of Condition" filed with bank regulatory agencies. Agencies, branches, and majority-owned subsidiaries of foreign banks: principally amounts due to head office or parent foreign bank, and foreign branches, agencies or wholly owned subsidiaries of head office or parent foreign bank.
4. Financial claims on residents of the United States, other than long-term securities, held by or through reporting banks.
5. Includes nonmarketable certificates of indebtedness and Treasury bills issued to official institutions of foreign countries.
6. Principally bankers acceptances, commercial paper, and negotiable time certificates of deposit.
7. Principally the International Bank for Reconstruction and Development, and the Inter-American and Asian Development Banks.
8. Foreign central banks and foreign central governments, and the Bank for International Settlements.
9. Excludes central banks, which are included in "Official institutions."

3.17 Continued

	Area and country	1984	1985	1986	1987						
					Mar.	Apr.	May	June	July	Aug.	Sept.[p]
1	**Total**	**407,306**	**435,726**	**539,238**	**531,086**	**553,980**	**557,735**	**541,039**	**542,849[r]**	**553,209**	**583,185**
2	**Foreign countries**	**402,852**	**429,905**	**533,965**	**525,806**	**545,750**	**552,536**	**537,059**	**537,190[r]**	**548,264**	**575,676**
3	Europe	153,145	164,114	180,491	186,086	192,008	207,149	204,713	204,810[r]	208,225	213,978
4	Austria	615	693	1,181	799	1,058	921	974	795	1,066	1,276
5	Belgium-Luxembourg	4,114	5,243	6,729	7,232	7,906	9,335	9,558	9,154[r]	9,755	10,495
6	Denmark	438	513	482	623	425	459	425	486	576	597
7	Finland	418	496	580	947	942	909	616	497[r]	545	512
8	France	12,701	15,541	22,862	23,853	27,457	27,870	27,955	25,481[r]	26,995	27,864
9	Germany	3,358	4,835	5,752	7,477	6,779	10,619	8,024	7,105[r]	7,666	6,267
10	Greece	699	666	700	642	603	643	691	667	636	690
11	Italy	10,762	9,667	10,875	10,094	11,338	11,726	11,943	10,032[r]	7,671	8,411
12	Netherlands	4,731	4,212	5,600	4,970	5,880	5,442	5,367	5,104[r]	5,457	6,106
13	Norway	1,548	948	735	490	567	571	502	562[r]	593	661
14	Portugal	597	652	699	686	660	607	704	586	700	684
15	Spain	2,082	2,114	2,407	2,237	2,244	2,194	2,322	2,103[r]	2,267	2,542
16	Sweden	1,676	1,422	884	1,065	1,251	1,496	1,296	1,235	1,411	1,627
17	Switzerland	31,740	29,020	30,533	27,545	26,533	26,869	27,852	24,735[r]	28,351	27,323
18	Turkey	584	429	454	412	833	378	455	365	514	405
19	United Kingdom	68,671	76,728	85,284	91,903	91,742	102,261	99,682	107,978[r]	106,946	109,776
20	Yugoslavia	602	673	630	564	526	429	433	459	491	519
21	Other Western Europe[1]	7,192	9,635	3,322	3,902	4,572	3,849	5,208	6,282[r]	5,888	7,563
22	U.S.S.R.	79	105	80	30	32	37	36	550	45	51
23	Other Eastern Europe[2]	537	523	702	616	659	532	671	632[r]	650	610
24	Canada	16,059	17,427	26,345	26,595	25,306	24,522	21,914	21,232[r]	22,556	26,250
25	Latin America and Caribbean	153,381	167,856	209,184	196,521	207,228	204,694	195,058	199,107[r]	200,389	214,681
26	Argentina	4,394	6,032	4,757	4,730	4,412	4,786	4,795	5,123	5,246	4,675
27	Bahamas	56,897	57,657	73,619	62,978	72,102	69,428	66,325	62,518[r]	62,392	71,556
28	Bermuda	2,370	2,765	2,922	2,294	2,181	2,594	2,172	2,317[r]	2,285	2,298
29	Brazil	5,275	5,373	4,325	3,702	3,619	3,960	3,673	3,783[r]	3,965	4,383
30	British West Indies	36,773	42,674	70,919	70,438	69,426	70,354	65,297	72,229[r]	71,645	78,157
31	Chile	2,001	2,049	2,054	2,061	2,255	2,034	1,972	2,035	2,560	2,248
32	Colombia	2,514	3,104	4,285	4,275	4,353	4,289	4,363	4,431	4,449	4,187
33	Cuba	10	11	7	6	6	6	8	8	7	7
34	Ecuador	1,092	1,239	1,236	1,015	1,045	1,093	1,121	1,090	1,101	1,098
35	Guatemala	896	1,071	1,123	1,083	1,165	1,167	1,123	1,110	1,086	1,073
36	Jamaica	183	122	136	230	149	189	158	146	171	156
37	Mexico	12,303	14,060	13,745	13,256	15,104	13,955	13,857	14,160[r]	14,547	14,264
38	Netherlands Antilles	4,220	4,875	4,916	5,650	5,797	5,171	5,183	5,291	5,338	5,218
39	Panama	6,951	7,514	6,886	6,695	7,111	7,341	7,131	6,988[r]	7,323	7,196
40	Peru	1,266	1,167	1,163	1,063	1,086	1,095	1,137	1,145	1,200	1,203
41	Uruguay	1,394	1,552	1,537	1,642	1,533	1,507	1,504	1,536	1,607	1,492
42	Venezuela	10,545	11,922	10,439	10,368	10,592	10,292	10,164	10,082[r]	10,285	10,003
43	Other Latin America and Caribbean	4,297	4,668	5,114	5,035	5,289	5,432	5,078	5,105	5,181	5,467
44	Asia	71,187	72,280	108,806	109,138	112,296	107,774	106,737	102,971[r]	106,969	110,139
	China										
45	Mainland	1,153	1,607	1,476	1,947	1,889	1,842	1,737	1,744	2,011	1,755
46	Taiwan	4,990	7,786	18,902	20,107	19,461	17,333	16,346	16,436	15,377	15,197
47	Hong Kong	6,581	8,067	9,390	9,184	9,367	9,365	9,122	8,595	9,012	8,342
48	India	507	712	674	512	527	569	714	572	902	771
49	Indonesia	1,033	1,466	1,547	1,415	1,460	1,243	1,774	1,404	1,541	1,435
50	Israel	1,268	1,601	1,892	1,670	1,305	1,084	1,229	928	1,036	1,115
51	Japan	21,640	23,077	47,410	49,166	53,381	50,434	49,494	46,722[r]	49,871	51,936
52	Korea	1,730	1,665	1,141	1,119	1,178	1,343	1,397	1,410	1,388	1,622
53	Philippines	1,383	1,140	1,866	1,740	1,427	1,312	1,222	1,148	1,208	1,111
54	Thailand	1,257	1,358	1,119	1,248	1,118	1,180	1,144	1,096[r]	1,186	1,118
55	Middle-East oil-exporting countries[3]	16,804	14,523	12,352	11,572	11,363	10,860	11,448	11,676[r]	12,676	14,039
56	Other Asia	12,841	9,276	11,036	9,459	9,821	11,209	11,111	11,241[r]	10,761	11,697
57	Africa	3,396	4,883	4,021	3,486	3,732	4,003	3,759	4,018	4,197	4,012
58	Egypt	647	1,363	706	775	871	1,052	1,011	1,113	1,162	1,118
59	Morocco	118	163	92	99	101	86	106	75	74	81
60	South Africa	328	388	270	184	288	198	188	229	227	199
61	Zaire	153	163	74	40	39	74	58	64	69	81
62	Oil-exporting countries[4]	1,189	1,494	1,519	1,106	1,212	1,267	1,111	1,275	1,331	1,178
63	Other Africa	961	1,312	1,360	1,281	1,221	1,326	1,286	1,262	1,335	1,356
64	Other countries	5,684	3,347	5,118	3,980	5,181	4,394	4,878	5,052	5,928	6,616
65	Australia	5,300	2,779	4,196	3,023	4,293	3,589	4,113	4,333	4,998	5,641
66	All other	384	568	922	957	888	805	765	718[r]	929	975
67	Nonmonetary international and regional organizations	4,454	5,821	5,272	5,281	8,230	5,199	3,979	5,660[r]	4,945	7,509
68	International	3,747	4,806	4,086	4,294	6,966	3,717	2,577	4,200[r]	3,432	5,792
69	Latin American regional	587	894	1,033	783	845	994	1,047	1,075	1,070	1,126
70	Other regional[5]	120	121	154	204	420	488	356	384	443	591

1. Includes the Bank for International Settlements. Beginning April 1978, also includes Eastern European countries not listed in line 23.
2. Beginning April 1978 comprises Bulgaria, Czechoslovakia, the German Democratic Republic, Hungary, Poland, and Romania.
3. Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).
4. Comprises Algeria, Gabon, Libya, and Nigeria.
5. Asian, African, Middle Eastern, and European regional organizations, except the Bank for International Settlements, which is included in "Other Western Europe."

3.18 BANKS' OWN CLAIMS ON FOREIGNERS Reported by Banks in the United States Payable in U.S. Dollars

Millions of dollars, end of period

Area and country	1984	1985	1986	1987						
				Mar.	Apr.	May	June	July[r]	Aug.	Sept.[p]
1 **Total**	**400,162**	**401,608**	**444,265**	**417,290**	**439,509**	**438,135**	**432,208**	**423,424**	**426,159**	**445,492**
2 **Foreign countries**	**399,363**	**400,577**	**441,244**	**415,349**	**434,240**	**437,304**	**430,076**	**421,396**	**424,127**	**441,421**
3 Europe	99,014	106,413	107,446	99,409	108,052	116,501	114,132	108,093	104,201	105,541
4 Austria	433	598	728	656	746	669	758	698	785	679
5 Belgium-Luxembourg	4,794	5,772	7,498	8,081	8,542	9,920	9,792	10,239	9,550	9,470
6 Denmark	648	706	688	623	546	541	716	614	878	742
7 Finland	898	823	947	993	1,116	1,036	1,035	1,037	1,031	1,320
8 France	9,157	9,124	11,356	9,864	10,817	12,075	12,036	11,673	12,530	12,719
9 Germany	1,306	1,267	1,820	1,648	1,379	1,508	1,548	2,009	1,325	1,434
10 Greece	817	991	648	535	460	457	456	433	375	406
11 Italy	9,119	8,848	9,038	6,987	7,536	8,329	8,404	6,784	6,413	6,582
12 Netherlands	1,356	1,258	3,299	2,326	3,030	2,946	5,744	4,429	3,071	3,127
13 Norway	675	706	654	667	683	776	774	830	803	722
14 Portugal	1,243	1,058	739	742	615	641	659	645	667	638
15 Spain	2,884	1,908	1,492	1,807	1,977	2,107	1,848	1,830	1,945	2,204
16 Sweden	2,230	2,219	1,945	2,461	2,414	2,614	2,330	2,287	2,473	2,739
17 Switzerland	2,123	3,171	3,049	2,338	2,905	3,593	2,611	2,464	2,664	2,600
18 Turkey	1,130	1,200	1,543	1,579	1,559	1,623	1,785	1,753	1,796	1,689
19 United Kingdom	56,185	62,566	58,337	54,105	59,876	64,001	59,748	56,565	54,117	54,588
20 Yugoslavia	1,886	1,964	1,836	1,840	1,763	1,803	1,755	1,764	1,742	1,740
21 Other Western Europe[1]	596	998	540	759	648	493	559	647	548	619
22 U.S.S.R.	142	130	345	367	375	357	582	420	521	549
23 Other Eastern Europe[2]	1,389	1,107	944	1,029	1,065	1,012	993	974	966	973
24 Canada	16,109	16,482	20,958	19,807	20,177	19,294	18,450	18,596	18,441	21,384
25 Latin America and Caribbean	207,862	202,674	208,832	199,245	209,524	204,272	201,887	200,885	202,550	214,594
26 Argentina	11,050	11,462	12,104	12,181	12,129	12,335	12,256	12,158	12,227	11,948
27 Bahamas	58,009	58,258	59,342	53,474	62,634	58,314	56,463	53,034	54,784	65,175
28 Bermuda	592	499	418	532	740	592	300	387	359	334
29 Brazil	26,315	25,283	25,703	26,059	26,006	25,690	25,493	25,992	26,586	25,879
30 British West Indies	38,205	38,881	46,306	43,226	43,592	44,355	43,782	44,755	43,428	47,595
31 Chile	6,839	6,603	6,562	6,425	6,412	6,321	6,328	6,500	6,510	6,469
32 Colombia	3,499	3,249	2,826	2,698	2,686	2,650	2,649	2,743	2,784	2,732
33 Cuba	0	0	0	6	9	9	0	0	0	0
34 Ecuador	2,420	2,390	2,449	2,338	2,381	2,372	2,354	2,396	2,384	2,362
35 Guatemala[3]	158	194	140	135	120	115	109	107	105	124
36 Jamaica[3]	252	224	198	192	189	184	182	268	202	198
37 Mexico	34,885	31,799	30,660	29,846	30,125	30,055	30,293	31,141	31,851	30,599
38 Netherlands Antilles	1,350	1,340	1,039	965	1,175	1,045	1,344	1,083	992	1,058
39 Panama	7,707	6,645	5,436	5,460	5,771	4,730	4,977	4,633	4,616	4,548
40 Peru	2,384	1,947	1,661	1,600	1,601	1,599	1,565	1,567	1,549	1,474
41 Uruguay	1,088	960	940	959	957	962	950	949	966	946
42 Venezuela	11,017	10,871	11,112	11,304	11,086	11,044	10,956	11,306	11,366	11,312
43 Other Latin America and Caribbean	2,091	2,067	1,938	1,844	1,910	1,900	1,884	1,868	1,839	1,840
44 Asia	66,316	66,212	96,070	89,133	88,738	89,534	87,903	86,515	91,429	92,412
China										
45 Mainland	710	639	787	1,373	1,360	1,175	993	929	919	894
46 Taiwan	1,849	1,535	2,678	2,914	3,278	3,592	3,301	2,487	2,772	2,980
47 Hong Kong	7,293	6,797	8,307	8,261	7,779	7,727	7,658	7,495	6,556	6,886
48 India	425	450	321	486	314	379	429	416	565	539
49 Indonesia	724	698	723	662	627	657	677	639	624	621
50 Israel	2,088	1,991	1,635	1,543	1,509	1,459	1,450	1,413	1,450	1,548
51 Japan	29,066	31,249	59,620	53,579	54,300	55,167	55,097	54,596	61,072	59,384
52 Korea	9,285	9,226	7,182	6,031	5,352	6,076	5,314	4,954	4,589	4,564
53 Philippines	2,555	2,224	2,217	2,282	2,121	2,064	2,109	2,211	2,148	2,122
54 Thailand	1,125	845	578	490	461	540	552	565	545	451
55 Middle East oil-exporting countries[4]	5,044	4,298	4,122	5,152	4,496	3,697	3,808	3,914	4,315	4,819
56 Other Asia	6,152	6,260	7,901	6,361	7,142	7,001	6,514	6,897	5,875	7,606
57 Africa	6,615	5,407	4,650	4,871	4,800	4,876	4,707	4,705	4,739	4,687
58 Egypt	728	721	567	618	574	585	599	572	586	541
59 Morocco	583	575	598	584	565	566	563	568	603	582
60 South Africa	2,795	1,942	1,550	1,558	1,578	1,598	1,506	1,479	1,497	1,503
61 Zaire	18	20	28	42	41	43	39	38	35	40
62 Oil-exporting countries[5]	842	630	694	861	801	840	818	866	862	875
63 Other	1,649	1,520	1,213	1,209	1,241	1,246	1,184	1,182	1,156	1,147
64 Other countries	3,447	3,390	3,289	2,884	2,949	2,828	2,996	2,601	2,766	2,803
65 Australia	2,769	2,413	1,944	1,992	2,065	1,897	1,980	1,693	1,686	1,846
66 All other	678	978	1,345	892	884	931	1,016	908	1,080	957
67 Nonmonetary international and regional organizations[6]	800	1,030	3,021	1,941	5,268	830	2,132	2,029	2,032	4,071

1. Includes the Bank for International Settlements. Beginning April 1978, also includes Eastern European countries not listed in line 23.
2. Beginning April 1978 comprises Bulgaria, Czechoslovakia, the German Democratic Republic, Hungary, Poland, and Romania.
3. Included in "Other Latin America and Caribbean" through March 1978.
4. Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).
5. Comprises Algeria, Gabon, Libya, and Nigeria.
6. Excludes the Bank for International Settlements, which is included in "Other Western Europe."

3.19 BANKS' OWN AND DOMESTIC CUSTOMERS' CLAIMS ON FOREIGNERS Reported by Banks in the United States Payable in U.S. Dollars

Millions of dollars, end of period

Type of claim	1984	1985	1986	1987						
				Mar.	Apr.	May	June	July^r	Aug.	Sept.^p
1 **Total**	**433,078**	**430,489**	**478,187**	**448,730**	**439,509**	**438,135**	**465,267**	**423,424**	**426,159**	**445,492**
2 Banks' own claims on foreigners	400,162	401,608	444,265	417,290	439,509	438,135	432,208	423,424	426,159	445,492
3 Foreign public borrowers	62,237	60,507	64,112	64,029	66,942	62,788	63,512	64,778	64,782	66,149
4 Own foreign offices[1]	156,216	174,261	211,615	191,620	207,042	203,682	199,273	189,797	196,581	210,247
5 Unaffiliated foreign banks	124,932	116,654	122,715	117,503	120,926	127,155	125,148	123,888	121,735	126,151
6 Deposits	49,226	48,372	57,484	54,121	57,450	61,659	60,447	59,655	56,831	60,220
7 Other	75,706	68,282	65,232	63,382	63,476	65,495	64,701	64,233	64,904	65,931
8 All other foreigners	56,777	50,185	45,823	44,138	44,599	44,511	44,275	44,961	43,061	42,945
9 Claims of banks' domestic customers[2]	32,916	28,881	33,922	31,439	....	....	33,059	....	....	....
10 Deposits	3,380	3,335	4,413	3,400	....	....	3,474	....	....	....
11 Negotiable and readily transferable instruments[3]	23,805	19,332	24,044	20,551	....	....	21,384	....	....	....
12 Outstanding collections and other claims	5,732	6,214	5,465	7,488	....	....	8,202	....	....	....
13 MEMO: Customer liability on acceptances	37,103	28,487	25,631	25,449	....	....	23,731^r	....	....	....
Dollar deposits in banks abroad, reported by nonbanking business enterprises in the United States[4]	40,714	38,102	42,129	43,575	45,521	44,860	38,046^r	40,203	40,627	n.a.

1. *U.S. banks:* includes amounts due from own foreign branches and foreign subsidiaries consolidated in "Consolidated Report of Condition" filed with bank regulatory agencies. *Agencies, branches, and majority-owned subsidiaries of foreign banks:* principally amounts due from head office or parent foreign bank, and foreign branches, agencies, or wholly owned subsidiaries of head office or parent foreign bank.
2. Assets owned by customers of the reporting bank located in the United States that represent claims on foreigners held by reporting banks for the account of their domestic customers.
3. Principally negotiable time certificates of deposit and bankers acceptances.
4. Includes demand and time deposits and negotiable and nonnegotiable certificates of deposit denominated in U.S. dollars issued by banks abroad. For description of changes in data reported by nonbanks, see July 1979 BULLETIN, p. 550.

NOTE. Beginning April 1978, data for banks' own claims are given on a monthly basis, but the data for claims of banks' own domestic customers are available on a quarterly basis only.

3.20 BANKS' OWN CLAIMS ON UNAFFILIATED FOREIGNERS Reported by Banks in the United States Payable in U.S. Dollars

Millions of dollars, end of period

Maturity; by borrower and area	1983	1984	1985	1986		1987	
				Sept.	Dec.	Mar.	June^r
1 **Total**	**243,715**	**243,952**	**227,903**	**225,119**	**231,433**	**226,760**	**235,320**
By borrower							
2 Maturity of 1 year or less[1]	176,158	167,858	160,824	155,610	159,790	155,239	166,260
3 Foreign public borrowers	24,039	23,912	26,302	22,528	24,723	23,496	23,290
4 All other foreigners	152,120	143,947	134,522	133,083	135,068	131,743	142,970
5 Maturity over 1 year[1]	67,557	76,094	67,078	69,509	71,643	71,521	69,060
6 Foreign public borrowers	32,521	38,695	34,512	38,350	39,898	40,718	39,465
7 All other foreigners	35,036	37,399	32,567	31,159	31,745	30,803	29,594
By area							
Maturity of 1 year or less[1]							
8 Europe	56,117	58,498	56,585	59,664	61,346	58,001	68,141
9 Canada	6,211	6,028	6,401	6,204	5,845	5,559	5,552
10 Latin America and Caribbean	73,660	62,791	63,328	58,363	56,174	54,321	55,326
11 Asia	34,403	33,504	27,966	26,444	29,291	30,969	30,875
12 Africa	4,199	4,442	3,753	3,090	2,882	3,148	2,980
13 All other[2]	1,569	2,593	2,791	1,845	4,252	3,240	3,385
Maturity of over 1 year[1]							
14 Europe	13,576	9,605	7,634	7,237	6,851	6,764	6,422
15 Canada	1,857	1,882	1,805	1,930	1,930	1,873	1,631
16 Latin America and Caribbean	43,888	56,144	50,674	54,149	56,415	56,540	55,524
17 Asia	4,850	5,323	4,502	3,978	4,120	4,151	3,340
18 Africa	2,286	2,033	1,538	1,479	1,539	1,630	1,522
19 All other[2]	1,101	1,107	926	736	787	564	621

1. Remaining time to maturity.
2. Includes nonmonetary international and regional organizations.

3.21 CLAIMS ON FOREIGN COUNTRIES Held by U.S. Offices and Foreign Branches of U.S.-Chartered Banks[1,2]

Billions of dollars, end of period

Area or country	1984	1985	1985			1986				1987	
			June	Sept.	Dec.	Mar.	June	Sept.	Dec.	Mar.	June
1 **Total**	**433.9**	**405.7**	**396.8**	**394.9**	**391.9**	**393.7**	**390.3**	**389.8**	**390.0**	**398.9[r]**	**388.0[r]**
2 G-10 countries and Switzerland	167.8	148.1	146.7	152.0	148.5	156.9	160.1	158.9	157.6	165.1[r]	158.8[r]
3 Belgium-Luxembourg	12.4	8.7	8.9	9.5	9.3	8.4	9.0	8.5	8.4	9.1	8.5
4 France	16.2	14.1	13.5	14.8	12.3	13.8	15.1	14.7	13.8	13.4	12.6
5 Germany	11.3	9.0	9.6	9.8	10.5	11.3	11.5	12.5	11.7	12.8[r]	11.3[r]
6 Italy	11.4	10.1	8.6	8.4	9.8	8.5	9.3	8.1	9.0	8.6	7.5
7 Netherlands	3.5	3.9	3.7	3.4	3.7	3.5	3.4	3.9	4.6	4.4	7.3
8 Sweden	5.1	3.2	2.9	3.1	2.8	2.9	2.9	2.7	2.4	3.0	2.4
9 Switzerland	4.3	3.9	4.0	4.1	4.4	5.4	5.6	4.8	5.5	5.8	5.7
10 United Kingdom	65.3	60.3	65.7	67.1	64.6	68.8	69.2	70.3	71.9	74.3	72.4
11 Canada	8.3	7.9	8.1	7.6	7.0	6.4	6.9	6.1	5.4	5.2	4.6
12 Japan	29.9	27.1	21.7	24.3	24.2	28.0	27.2	27.4	25.0	28.5	26.4
13 Other developed countries	36.0	33.6	32.3	32.0	30.4	31.6	30.7	29.5	26.1	26.0	25.7
14 Austria	1.9	1.6	1.6	1.7	1.6	1.6	1.7	1.7	1.7	1.9	1.8[r]
15 Denmark	3.4	2.2	1.9	2.1	2.4	2.5	2.4	2.3	1.7	1.7	1.6
16 Finland	2.4	1.9	1.8	1.8	1.6	1.9	1.6	1.7	1.4	1.4	1.5
17 Greece	2.8	2.9	2.9.	2.8	2.6	2.5	2.6	2.3	2.3	2.1	2.0
18 Norway	3.3	3.0	2.9	3.4	2.9	2.7	3.0	2.7	2.4	2.2	2.2
19 Portugal	1.5	1.4	1.3	1.4	1.3	1.1	1.1	1.0	.8	.9	.8
20 Spain	7.1	6.5	5.9	6.1	5.8	6.5	6.4	6.7	5.8	6.3	6.0
21 Turkey	1.7	1.9	2.0	2.1	1.9	2.3	2.5	2.1	2.0	1.9	2.1
22 Other Western Europe	1.8	1.7	1.8	1.7	2.0	2.4	2.1	1.6	1.4	1.4	1.5
23 South Africa	4.7	4.5	3.9	3.3	3.2	3.2	3.1	3.1	3.1	3.1	3.1
24 Australia	5.4	6.0	6.2	5.6	5.0	4.9	4.2	4.1	3.5	3.2	3.1
25 OPEC countries[3]	28.4	24.9	22.8	22.7	21.6	20.7	20.6	20.0	19.6	20.4	19.2
26 Ecuador	2.2	2.2	2.2	2.2	2.1	2.2	2.1	2.2	2.2	2.1	2.1
27 Venezuela	9.9	9.3	9.3.	9.0	8.9	8.7	8.8	8.7	8.6	8.7	8.7
28 Indonesia	3.4	3.3	3.1	3.1	3.0	3.3	3.0	2.8	2.5	2.4	2.2
29 Middle East countries	9.8	7.9	6.1	6.2	5.5	4.7	5.0	4.6	4.5	5.5	4.5
30 African countries	3.0	2.3	2.2	2.3	2.0	1.8	1.7	1.7	1.7	1.7	1.7
31 Non-OPEC developing countries	110.8	111.8	110.0	107.8	105.1	103.9	102.0	100.0	99.7	100.2[r]	100.1[r]
Latin America											
32 Argentina	9.5	8.7	8.6	8.9	8.9	8.9	9.2	9.3	9.5	9.6	9.5
33 Brazil	23.1	26.3	26.6	25.5	25.6	25.8	25.5	25.4	25.3	25.6	24.5
34 Chile	6.4	7.0	6.9	6.6	7.0	7.0	7.1	7.2	7.1	7.3	7.2
35 Colombia	3.2	2.9	2.7	2.6	2.7	2.3	2.2	2.0	2.1	2.0	2.0
36 Mexico	25.8	25.7	25.3	24.4	24.2	24.1	24.0	24.0	23.9	23.9	25.3
37 Peru	2.4	2.2	2.1	1.9	1.8	1.7	1.6	1.5	1.5	1.4	1.4
38 Other Latin America	4.2	3.9	3.7	3.5	3.4	3.3	3.3	3.3	3.1	3.0	2.9[r]
Asia											
China											
39 Mainland	.3	.7	.3	1.1	.5	.6	.6	.6	.4	.9	.6
40 Taiwan	5.2	5.1	5.5	5.1	4.5	4.3	3.7	4.3	4.9	5.5	6.6
41 India	.9	.9	.9	1.1	1.2	1.2	1.3	1.3	1.2	1.7	1.7
42 Israel	1.9	1.8	2.3	1.5	1.6	1.3	1.6	1.4	1.5	1.4	1.3
43 Korea (South)	11.2	10.6	10.0	10.4	9.4	9.5	8.7	7.3	6.7	6.3	5.6
44 Malaysia	2.8	2.7	2.8	2.7	2.4	2.2	2.0	2.1	2.1	1.9	1.7
45 Philippines	6.1	6.0	6.0	6.0	5.7	5.6	5.7	5.4	5.4	5.4	5.4
46 Thailand	2.2	1.8	1.6	1.7	1.4	1.3	1.1	1.0	.9	.9	.8
47 Other Asia	1.0	1.1	.9	.9	1.0	.9	.8	.7	.7	.6	.8
Africa											
48 Egypt	1.5	1.2	1.0	1.0	1.0	.9	.9	.7	.7	.6	.6
49 Morocco	.8	.8	.8	.9	.9	.9	.9	.9	.9	.9	.9
50 Zaire	.1	.1	.1	.1	.1	.1	.1	.1	.1	.1	.1
51 Other Africa[4]	2.3	2.1	2.0	2.0	1.9	1.9	1.7	1.6	1.6	1.4	1.3
52 Eastern Europe	5.3	4.4	4.3	4.6	4.2	4.0	4.0	3.4	3.2	3.1	3.4
53 U.S.S.R.	.2	.1	.3	.2	.1	.3	.3	.1	.1	.1	.3
54 Yugoslavia	2.4	2.3	2.2	2.4	2.2	2.0	2.0	1.9	1.7	1.6	1.7
55 Other	2.8	2.0	1.8	1.9	1.8	1.7	1.7	1.4	1.4	1.3	1.4
56 Offshore banking centers	68.9	65.6	63.9	58.8	65.4	60.1	56.2	60.9	64.0	65.6	62.7[r]
57 Bahamas	21.7	21.5	21.1	16.6	21.4	21.4	17.1	19.9	22.3	23.6	19.5[r]
58 Bermuda	.9	.9	.9	.8	.7	.7	.5	.4	.7	.8	.6
59 Cayman Islands and other British West Indies	12.2	11.8	12.1	12.3	13.4	11.4	13.0	13.2	14.5	13.6	15.0
60 Netherlands Antilles	4.2	3.4	3.2	2.3	2.3	2.3	2.3	1.9	1.8	1.7	1.3
61 Panama[5]	5.8	6.7	5.4	6.1	6.0	4.4	4.2	5.1	4.1	5.4	5.3
62 Lebanon	.1	.1	.1	.0	.1	.1	.1	.1	.1	.1	.1
63 Hong Kong	13.8	11.4	11.4	11.4	11.5	11.5	9.5	10.5	11.2	11.5	12.5
64 Singapore	10.3	9.8	9.7	9.4	9.9	8.5	9.3	9.7	9.4	8.8	8.4
65 Others[6]	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
66 Miscellaneous and unallocated[7]	16.8	17.3	16.9	17.3	16.9	16.4	16.8	17.2	19.8	18.6[r]	18.1[r]

1. The banking offices covered by these data are the U.S. offices and foreign branches of U.S.-owned banks and of U.S. subsidiaries of foreign-owned banks. Offices *not* covered include (1) U.S. agencies and branches of foreign banks, and (2) foreign subsidiaries of U.S. banks. To minimize duplication, the data are adjusted to exclude the claims on foreign branches held by a U.S. office or another foreign branch of the same banking institution. The data in this table combine foreign branch claims in table 3.14 (the sum of lines 7 through 10) with the claims of U.S. offices in table 3.18 (excluding those held by agencies and branches of foreign banks and those constituting claims on own foreign branches).

2. Beginning with June 1984 data, reported claims held by foreign branches have been reduced by an increase in the reporting threshold for "shell" branches from $50 million to $150 million equivalent in total assets, the threshold now applicable to all reporting branches.

3. This group comprises the Organization of Petroleum Exporting Countries shown individually, other members of OPEC (Algeria, Gabon, Iran, Iraq, Kuwait, Libya, Nigeria, Qatar, Saudi Arabia, and United Arab Emirates), and Bahrain and Oman (not formally members of OPEC).

4. Excludes Liberia.

5. Includes Canal Zone beginning December 1979.

6. Foreign branch claims only.

7. Includes New Zealand, Liberia, and international and regional organizations.

3.22 LIABILITIES TO UNAFFILIATED FOREIGNERS Reported by Nonbanking Business Enterprises in the United States[1]

Millions of dollars, end of period

Type, and area or country	1983	1984	1985	1986			1987	
				June	Sept.	Dec.	Mar.	June
1 **Total**	**25,346**	**29,357**	**27,685**	**25,126**	**26,117**	**25,478**	**27,020**	**28,646**
2 Payable in dollars	22,233	26,389	24,296	21,440	22,278	21,759	21,611	23,717
3 Payable in foreign currencies	3,113	2,968	3,389	3,686	3,839	3,719	5,408	4,929
By type								
4 Financial liabilities	10,572	14,509	13,460	11,808	13,219	12,140	12,997	13,970
5 Payable in dollars	8,700	12,553	11,257	9,717	10,947	9,782	10,397	10,625
6 Payable in foreign currencies	1,872	1,955	2,203	2,091	2,272	2,358	2,600	3,345
7 Commercial liabilities	14,774	14,849	14,225	13,318	12,899	13,338	14,023	14,676
8 Trade payables	7,765	7,005	6,685	5,670	5,723	6,357	6,813	7,147
9 Advance receipts and other liabilities	7,009	7,843	7,540	7,648	7,175	6,981	7,210	7,530
10 Payable in dollars	13,533	13,836	13,039	11,723	11,331	11,977	11,215	13,092
11 Payable in foreign currencies	1,241	1,013	1,186	1,595	1,567	1,361	2,808	1,585
By area or country								
Financial liabilities								
12 Europe	5,742	6,728	7,560	7,126	8,625	7,917	8,258	9,202
13 Belgium-Luxembourg	302	471	329	390	424	245	205	257
14 France	843	995	857	686	501	644	742	812
15 Germany	502	489	434	280	319	270	368	305
16 Netherlands	621	590	745	635	708	704	693	669
17 Switzerland	486	569	620	505	537	615	678	703
18 United Kingdom	2,839	3,297	4,254	4,333	5,705	5,148	5,312	6,194
19 Canada	764	863	839	367	362	399	431	907
20 Latin America and Caribbean	2,596	5,086	3,184	2,463	2,283	1,964	2,369	1,747
21 Bahamas	751	1,926	1,123	854	842	614	669	398
22 Bermuda	13	13	4	14	4	4	0	0
23 Brazil	32	35	29	27	28	32	26	22
24 British West Indies	1,041	2,103	1,843	1,426	1,291	1,163	1,545	1,223
25 Mexico	213	367	15	30	18	22	30	29
26 Venezuela	124	137	3	3	5	3	3	5
27 Asia	1,424	1,777	1,815	1,735	1,881	1,792	1,869	2,046
28 Japan	991	1,209	1,198	1,264	1,446	1,377	1,459	1,666
29 Middle East oil-exporting countries[2]	170	155	82	43	3	8	7	7
30 Africa	19	14	12	12	4	1	3	1
31 Oil-exporting countries[3]	0	0	0	0	2	1	1	0
32 All other[4]	27	41	50	104	63	67	67	66
Commercial liabilities								
33 Europe	3,245	4,001	4,074	3,817	4,367	4,457	4,383	4,956
34 Belgium-Luxembourg	62	48	62	58	75	100	85	111
35 France	437	438	453	358	370	340	278	419
36 Germany	427	622	607	561	637	722	589	591
37 Netherlands	268	245	364	586	613	493	372	339
38 Switzerland	241	257	379	284	361	385	484	554
39 United Kingdom	732	1,095	976	864	1,138	1,301	1,287	1,367
40 Canada	1,841	1,975	1,449	1,367	1,312	1,389	1,350	1,250
41 Latin America and Caribbean	1,473	1,871	1,088	1,242	846	873	1,075	1,025
42 Bahamas	1	7	12	10	37	32	28	13
43 Bermuda	67	114	77	294	172	129	296	244
44 Brazil	44	124	58	45	43	59	81	87
45 British West Indies	6	32	44	35	45	48	88	64
46 Mexico	585	586	430	235	197	211	182	154
47 Venezuela	432	636	212	488	207	215	223	202
48 Asia	6,741	5,285	6,046	5,273	4,807	5,020	5,681	5,839
49 Japan	1,247	1,256	1,799	2,100	2,136	2,047	2,437	2,517
50 Middle East oil-exporting countries[2,5]	4,178	2,372	2,829	1,985	1,492	1,668	1,931	1,842
51 Africa	553	588	587	567	585	622	520	523
52 Oil-exporting countries[3]	167	233	238	215	176	196	170	166
53 All other[4]	921	1,128	982	1,053	982	977	1,014	1,083

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	
					June	Sept.	Dec.	Mar.	June
1	**Total**	**34,911**	**29,901**	**28,760**	**33,851**	**34,007**	**33,292**	**33,778**	**30,994**
2	Payable in dollars	31,815	27,304	26,457	31,669	31,302	30,771	30,716	27,897
3	Payable in foreign currencies	3,096	2,597	2,302	2,182	2,706	2,521	3,062	3,097
	By type								
4	Financial claims	23,780	19,254	18,774	24,709	24,795	23,461	24,192	21,487
5	Deposits	18,496	14,621	15,526	21,401	18,986	18,018	18,142	15,398
6	Payable in dollars	17,993	14,202	14,911	20,846	18,422	17,461	17,315	14,214
7	Payable in foreign currencies	503	420	615	555	565	556	827	1,183
8	Other financial claims	5,284	4,633	3,248	3,308	5,808	5,444	6,050	6,090
9	Payable in dollars	3,328	3,190	2,213	2,287	4,435	4,089	4,700	4,815
10	Payable in foreign currencies	1,956	1,442	1,035	1,021	1,374	1,354	1,350	1,275
11	Commercial claims	11,131	10,646	9,986	9,142	9,213	9,831	9,586	9,507
12	Trade receivables	9,721	9,177	8,696	7,802	8,030	8,680	8,579	8,507
13	Advance payments and other claims	1,410	1,470	1,290	1,341	1,183	1,151	1,007	1,000
14	Payable in dollars	10,494	9,912	9,333	8,537	8,445	9,220	8,701	8,868
15	Payable in foreign currencies	637	735	652	606	767	611	886	639
	By area or country								
	Financial claims								
16	Europe	6,488	5,762	6,812	10,144	10,501	8,759	9,342	9,814
17	Belgium-Luxembourg	37	15	10	11	67	41	15	6
18	France	150	126	184	257	418	138	172	154
19	Germany	163	224	223	148	129	111	163	92
20	Netherlands	71	66	61	17	44	86	69	75
21	Switzerland	38	66	74	167	138	182	74	95
22	United Kingdom	5,817	4,864	6,007	9,328	9,478	7,957	8,496	9,192
23	Canada	5,989	3,988	3,260	4,422	3,970	4,063	3,873	3,329
24	Latin America and Caribbean	10,234	8,216	7,846	9,258	9,438	9,208	9,548	7,486
25	Bahamas	4,771	3,306	2,698	3,315	2,807	2,624	3,945	2,572
26	Bermuda	102	6	6	17	19	6	3	6
27	Brazil	53	100	78	75	105	73	71	103
28	British West Indies	4,206	4,043	4,571	5,402	6,060	6,078	5,128	4,296
29	Mexico	293	215	180	176	173	174	164	167
30	Venezuela	134	125	48	42	40	24	23	22
31	Asia	764	961	731	776	715	1,323	1,205	785
32	Japan	297	353	475	499	365	1,001	941	445
33	Middle East oil-exporting countries[2]	4	13	4	2	2	11	11	10
34	Africa	147	210	103	89	84	85	84	58
35	Oil-exporting countries[3]	55	85	29	25	18	28	19	9
36	All other[4]	159	117	21	20	86	22	140	16
	Commercial claims								
37	Europe	3,670	3,801	3,533	3,304	3,385	3,665	3,612	3,715
38	Belgium-Luxembourg	135	165	175	131	126	133	143	135
39	France	459	440	426	391	415	395	411	431
40	Germany	349	374	346	418	405	441	444	524
41	Netherlands	334	335	284	230	184	200	163	174
42	Switzerland	317	271	284	228	233	215	193	186
43	United Kingdom	809	1,063	898	674	853	926	1,012	984
44	Canada	829	1,021	1,023	965	950	919	909	897
45	Latin America and Caribbean	2,695	2,052	1,753	1,611	1,687	1,880	1,797	1,741
46	Bahamas	8	8	13	24	29	28	11	14
47	Bermuda	190	115	93	148	132	158	130	126
48	Brazil	493	214	206	193	207	236	211	198
49	British West Indies	7	7	6	29	23	48	22	14
50	Mexico	884	583	510	323	316	391	415	316
51	Venezuela	272	206	157	181	192	224	157	183
52	Asia	3,063	3,073	2,982	2,574	2,487	2,653	2,604	2,520
53	Japan	1,114	1,191	1,016	845	792	862	914	934
54	Middle East oil-exporting countries[2]	737	668	638	622	600	509	467	391
55	Africa	588	470	437	450	469	494	431	377
56	Oil-exporting countries[3]	139	134	130	170	168	135	141	122
57	All other[4]	286	229	257	237	234	220	233	256

1. For a description of the changes in the International Statistics tables, see July 1979 BULLETIN, p. 550.
2. Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).
3. Comprises Algeria, Gabon, Libya, and Nigeria.
4. Includes nonmonetary international and regional organizations.

3.24 FOREIGN TRANSACTIONS IN SECURITIES

Millions of dollars

Transactions, and area or country	1985	1986	1987 Jan.–Sept.	1987 Mar.	Apr.	May	June	July	Aug.	Sept.[p]
	U.S. corporate securities									
STOCKS										
1 Foreign purchases	81,995	148,101	191,343	23,064	20,735	19,632	18,682	23,645	24,774	22,468
2 Foreign sales	77,054	129,382	167,835	18,001	17,390	15,956	17,054	21,883	24,554	19,435
3 **Net purchases, or sales (−)**	**4,941**	**18,719**	**23,508**	**5,063**	**3,345**	**3,676**	**1,628**	**1,763**	**220**	**3,033**
4 **Foreign countries**	**4,857**	**18,927**	**23,463**	**5,026**	**3,282**	**3,711**	**1,673**	**1,749**	**117**	**2,944**
5 Europe	2,057	9,559	10,004	1,841	1,060	1,474	669	717	81	1,305
6 France	−438	459	1,787	656	332	123	107	66	−69	−15
7 Germany	730	341	−121	19	−101	118	−155	−96	28	−12
8 Netherlands	−123	936	1,068	69	124	120	232	153	135	79
9 Switzerland	−75	1,560	860	177	306	351	−206	−80	−325	−435
10 United Kingdom	1,665	4,826	5,503	783	211	670	671	635	125	763
11 Canada	356	817	577	343	252	48	−238	255	−21	−46
12 Latin America and Caribbean	1,718	3,030	2,432	372	36	363	290	387	188	157
13 Middle East[1]	238	976	−1,398	−230	21	−90	−26	−913	−255	135
14 Other Asia	296	3,876	11,069	2,638	1,790	1,686	1,009	1,290	171	1,242
15 Africa	24	297	111	1	59	45	−30	−14	16	20
16 Other countries	168	373	668	61	65	185	−1	27	−63	132
17 **Nonmonetary international and regional organizations**	**84**	**−208**	**−45**	**37**	**62**	**−36**	**−45**	**14**	**102**	**90**
BONDS[2]										
18 Foreign purchases	86,587	123,149	83,992	12,127	9,857	8,963	10,364	9,407	7,015	8,647
19 Foreign sales	42,455	72,499	59,967	8,274	6,559	6,823	8,305	6,509[r]	5,592	4,839
20 **Net purchases, or sales (−)**	**44,132**	**50,650**	**24,025**	**3,853**	**3,297**	**2,140**	**2,060**	**2,898[r]**	**1,423**	**3,809**
21 **Foreign countries**	**44,227**	**49,803**	**23,979**	**4,000**	**3,107**	**2,270**	**1,968**	**2,889[r]**	**1,582**	**3,769**
22 Europe	40,047	39,323	20,233	3,607	2,833	1,682	2,204	2,346[r]	1,647	3,140
23 France	210	389	187	81	−22	7	43	65	26	−37
24 Germany	2,001	−251	98	198	−121	−29	80	116	−22	−56
25 Netherlands	222	387	249	69	47	38	37	−65	44	116
26 Switzerland	3,987	4,529	1,764	558	50	182	105	247	312	166
27 United Kingdom	32,762	33,902	17,731	2,941	2,809	1,544	1,795	1,913[r]	1,343	2,819
28 Canada	190	548	810	190	161	23	49	87	−8	47
29 Latin America and Caribbean	498	1,468	1,614	65	123	254	−4	305	46	624
30 Middle East[1]	−2,648	−2,961	−482	−12	62	59	−128	−166	−14	−87
31 Other Asia	6,091	11,270	1,824	169	−73	252	−169	300	−93	52
32 Africa	11	16	−1	3	1	7	8	1	−17	−6
33 Other countries	38	139	−19	−22	0	−6	8	15	20	−1
34 **Nonmonetary international and regional organizations**	**−95**	**847**	**45**	**−147**	**190**	**−130**	**92**	**9**	**−159**	**40**
	Foreign securities									
35 Stocks, net purchases, or sales (−)	−3,941	−1,912	−2,279	−785	−1,174	636	−257	−11	−375	451
36 Foreign purchases	20,861	48,787	68,922	7,015	7,124	8,016	8,778	8,583	8,672	8,655
37 Foreign sales	24,803	50,699	71,201	7,799	8,297	7,379	9,035	8,593	9,047	8,204
38 Bonds, net purchases, or sales (−)	−3,999	−3,356	−1,320	−632	−581	−1,117	2,281	−586[r]	−263	−666
39 Foreign purchases	81,216	166,786	150,277	16,650	19,020	20,049	25,799	16,314[r]	12,306	12,891
40 Foreign sales	85,214	170,142	151,598	17,281	19,601	21,166	23,518	16,900[r]	12,569	13,558
41 **Net purchases, or sales (−), of stocks and bonds**	**−7,940**	**−5,268**	**−3,599**	**−1,416**	**−1,755**	**−481**	**2,024**	**−597[r]**	**−637**	**−215**
42 **Foreign countries**	**−9,003**	**−6,352**	**−4,892**	**−1,683**	**−1,889**	**−499**	**1,980**	**−323[r]**	**−1,231**	**−504**
43 Europe	−9,887	−17,893	−8,879	−748	−2,704	−1,990	−31	−568	−918	−471
44 Canada	−1,686	−875	−3,439	−226	−3	−418	−489	−596[r]	−484	−263
45 Latin America and Caribbean	1,797	3,484	646	−416	259	204	106	−62	81	−20
46 Asia	659	10,858	7,613	290	637	1,692	2,513	1,079	224	85
47 Africa	75	52	61	−1	8	20	6	5	5	14
48 Other countries	38	−1,977	−893	−583	−86	−8	−124	−182	−140	151
49 **Nonmonetary international and regional organizations**	**1,063**	**1,084**	**1,293**	**267**	**135**	**18**	**44**	**−274**	**594**	**288**

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.–Sept.	1987 Mar.	Apr.	May	June	July	Aug.	Sept.[p]
	Transactions, net purchases or sales (−) during period[1]									
1 **Estimated total**[2]	**29,208**	**20,117**	**18,535**	**7,040**	**−2,985**	**−281**	**12,279**	**878**	**1,110**	**808**
2 Foreign countries[2]	28,768	21,220	24,982	4,149	−1,405	3,731	8,646	3,680	2,787	989
3 Europe[2]	4,303	17,056	17,268	5,837	375	1,695	3,640	4,519	−1,007	−919
4 Belgium–Luxembourg	476	349	659	−35	−35	4	58	54	366	−25
5 Germany[2]	1,917	7,670	10,337	2,141	1,106	1,417	1,534	1,516	780	145
6 Netherlands	269	1,283	−194	−212	−22	352	111	204	−254	−49
7 Sweden	976	132	−5	334	32	−166	−183	76	−153	−156
8 Switzerland[2]	773	329	3,354	1,641	652	413	585	512	−688	−99
9 United Kingdom	−1,810	4,681	230	328	−1,089	−524	617	1,115	−431	−999
10 Other Western Europe	1,701	2,613	2,909	1,640	−230	198	913	1,042	−631	258
11 Eastern Europe	0	0	−22	0	−40	1	5	0	4	5
12 Canada	−188	881	3,525	709	703	37	413	654	378	203
13 Latin America and Caribbean	4,315	926	−2,366	−62	−30	−381	780	−673	−675	−29
14 Venezuela	248	−95	177	102	14	11	−17	−4	30	55
15 Other Latin America and Caribbean	2,336	1,129	−1,409	−156	−176	−302	−514	15	−49	−155
16 Netherlands Antilles	1,731	−108	−1,133	−8	133	−90	1,311	−684	−656	72
17 Asia	19,919	1,345	6,139	−2,379	−2,880	2,136	3,531	−671	4,318	1,797
18 Japan	17,909	−22	2,371	−2,457	−2,561	−541	4,199	−597	1,839	799
19 Africa	112	−54	−38	12	−15	11	−18	20	−24	3
20 All other	308	1,067	453	32	442	233	300	−168	−204	−67
21 Nonmonetary international and regional organizations	442	−1,102	−6,449	2,890	−1,580	−4,013	3,633	−2,802	−1,677	−181
22 International	−436	−1,430	−5,393	2,841	−1,342	−3,147	3,515	−2,875	−1,722	111
23 Latin American regional	18	157	3	11	0	0	3	0	0	−10
Memo										
24 Foreign countries[2]	28,768	21,220	24,982	4,149	−1,405	3,731	8,646	3,680	2,787	989
25 Official institutions	8,135	14,214	25,379	5,852	2,489	4,447	3,719	2,251	2,612	1,700
26 Other foreign[2]	20,631	7,010	−398	−1,702	−3,894	−715	4,927	1,428	175	−711
Oil-exporting countries										
27 Middle East[3]	−1,547	−1,529	−1,858	225	−120	636	−857	112	329	−479
28 Africa[4]	7	5	19	17	0	0	1	0	0	0

1. Estimated official and private transactions in marketable U.S. Treasury securities with an original maturity of more than 1 year. Data are based on monthly transactions reports. Excludes nonmarketable U.S. Treasury bonds and notes held by official institutions of foreign countries.
2. Includes U.S. Treasury notes publicly issued to private foreign residents denominated in foreign currencies.
3. Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).
4. Comprises Algeria, Gabon, Libya, and Nigeria.

3.26 DISCOUNT RATES OF FOREIGN CENTRAL BANKS

Percent per annum

Country	Rate on Oct. 31, 1987		Country	Rate on Oct. 31, 1987		Country	Rate on Oct. 31, 1987	
	Percent	Month effective		Percent	Month effective		Percent	Month effective
Austria	3.5	Jan. 1987	France[1]	7.5	July 1987	Norway	8.0	June 1983
Belgium	7.25	July 1987	Germany, Fed. Rep. of	3.0	Jan. 1987	Switzerland	3.5	Jan. 1987
Brazil	49.0	Mar. 1981	Italy	12.0	Aug. 1987	United Kingdom[2]	....	....
Canada	8.26	Oct. 1987	Japan	2.5	Feb. 1987	Venezuela	8.0	Oct. 1985
Denmark	7.0	Oct. 1983	Netherlands	4.5	Mar. 1986			

1. As of the end of February 1981, the rate is that at which the Bank of France discounts Treasury bills for 7 to 10 days.
2. Minimum lending rate suspended as of Aug. 20, 1981.
NOTE. Rates shown are mainly those at which the central bank either discounts or makes advances against eligible commercial paper and/or government commercial banks or brokers. For countries with more than one rate applicable to such discounts or advances, the rate shown is the one at which it is understood the central bank transacts the largest proportion of its credit operations.

3.27 FOREIGN SHORT-TERM INTEREST RATES

Percent per annum, averages of daily figures

Country, or type	1984	1985	1986	1987						
				Apr.	May	June	July	Aug.	Sept.	Oct.
1 Eurodollars	10.75	8.27	6.70	6.73	7.25	7.11	6.87	6.91	7.51	8.29
2 United Kingdom	9.91	12.16	10.87	9.72	8.79	8.85	9.17	9.95	10.12	9.92
3 Canada	11.29	9.64	9.18	7.62	8.22	8.40	8.61	9.11	9.32	9.12
4 Germany	5.96	5.40	4.58	3.85	3.73	3.67	3.83	3.93	3.98	4.70
5 Switzerland	4.35	4.92	4.19	3.65	3.63	3.77	3.60	3.55	3.51	4.03
6 Netherlands	6.08	6.29	5.56	5.31	5.11	5.15	5.21	5.27	5.31	5.63
7 France	11.66	9.91	7.68	7.87	8.09	8.18	7.83	7.88	7.85	8.15
8 Italy	17.08	14.86	12.60	10.03	10.15	10.67	10.92	11.96	12.36	11.85
9 Belgium	11.41	9.60	8.04	7.21	7.13	6.78	6.54	6.55	6.56	6.84
10 Japan	6.32	6.47	4.96	3.92	3.77	3.71	3.74	3.71	3.77	3.89

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					
				May	June	July	Aug.	Sept.	Oct.
1 Australia/dollar[1]	87.937	70.026	67.093	71.42	71.79	70.79	70.72	72.68	71.12
2 Austria/schilling	20.005	20.676	15.260	12.574	12.793	12.996	13.041	12.765	12.674
3 Belgium/franc	57.749	59.336	44.662	37.091	37.712	38.329	38.528	37.657	37.494
4 Canada/dollar	1.2953	1.3658	1.3896	1.3411	1.338	1.3262	1.3256	1.3154	1.3097
5 China, P.R./yuan	2.3308	2.9434	3.4615	3.7314	3.7314	3.7314	3.7314	3.7314	3.7314
6 Denmark/krone	10.354	10.598	8.0954	6.7333	6.8555	7.0179	7.1279	6.9893	6.9262
7 Finland/markka	6.0007	6.1971	5.0721	4.3604	4.4281	4.4882	4.5017	4.3954	4.3570
8 France/franc	8.7355	8.9799	6.9256	5.9748	6.0739	6.1530	6.1934	6.0555	6.0160
9 Germany/deutsche mark	2.8454	2.9419	2.1704	1.7881	1.8189	1.8482	1.8553	1.8134	1.8006
10 Greece/drachma	112.73	138.40	139.93	133.35	136.06	139.313	140.63	138.40	138.61
11 Hong Kong/dollar	7.8188	7.7911	7.8037	7.8049	7.8080	7.8090	7.8091	7.8035	7.8077
12 India/rupee	11.348	12.332	12.597	12.666	12.837	13.01	13.085	12.993	12.995
13 Ireland/pound[1]	108.64	106.62	134.14	149.59	147.25	144.99	144.18	147.54	148.72
14 Italy/lira	1756.10	1908.90	1491.16	1290.80	1316.50	1337.96	1344.18	1310.86	1302.58
15 Japan/yen	237.45	238.47	168.35	140.48	144.55	150.29	147.33	143.29	143.32
16 Malaysia/ringgit	2.3448	2.4806	2.5830	2.4759	2.5078	2.5414	2.5361	2.5189	2.5308
17 Netherlands/guilder	3.2083	3.3184	2.4484	2.0154	2.0490	2.0814	2.0903	2.0413	2.0267
18 New Zealand/dollar[1]	57.837	49.752	52.456	57.639	58.686	59.644	58.923	63.352	64.031
19 Norway/krone	8.1596	8.5933	7.3984	6.6632	6.7147	6.7632	6.7911	6.6505	6.6311
20 Portugal/escudo	147.70	172.07	149.80	139.18	142.12	144.51	145.57	142.94	142.82
21 Singapore/dollar	2.1325	2.2008	2.1782	2.1202	2.1176	2.1183	2.1082	2.0924	2.0891
22 South Africa/rand[1]	69.534	45.57	43.952	49.87	49.41	48.52	48.16	48.86	48.79
23 South Korea/won	807.91	861.89	884.61	832.53	818.39	811.81	811.87	810.07	808.47
24 Spain/peseta	160.78	169.98	140.04	125.28	126.33	126.97	125.57	121.34	118.60
25 Sri Lanka/rupee	25.428	27.187	27.933	28.988	29.171	29.405	29.643	29.902	30.347
26 Sweden/krona	8.2706	8.6031	7.1272	6.2606	6.3482	6.4466	6.4898	6.3844	6.3560
27 Switzerland/franc	2.3500	2.4551	1.7979	1.4705	1.5085	1.5365	1.5364	1.5029	1.4940
28 Taiwan/dollar	39.633	39.889	37.837	32.354	31.226	31.114	30.290	30.151	30.036
29 Thailand/baht	23.582	27.193	26.314	25.629	25.779	26.041	25.926	25.765	25.783
30 United Kingdom/point[1]	133.66	129.74	146.77	166.66	162.88	160.90	159.96	164.46	166.20
MEMO									
31 United States/dollar[2]	138.19	143.01	112.22	96.05	97.78	99.36	99.43	97.23	96.65

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
e	Estimated
p	Preliminary
r	Revised (Notation appears on column heading when about half of the figures in that column are changed.)
*	Amounts insignificant in terms of the last decimal place shown in the table (for example, less than 500,000 when the smallest unit given is millions)
0	Calculated to be zero
n.a.	Not available
n.e.c.	Not elsewhere classified
IPCs	Individuals, partnerships, and corporations
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, August 3–7, 1987[1]

A. Commercial and Industrial Loans[2]

Characteristic	Amount of loans (thousands of dollars)	Average size (thousands of dollars)	Weighted average maturity[3]	Loan rate (percent): Weighted average effective[4]	Loan rate (percent): Standard error[5]	Loan rate (percent): Inter-quartile range[6]	Loans made under commitment (percent)	Participation loans (percent)	Most common base pricing rate[7]
			Days						
ALL BANKS									
1 Overnight[8]	15,529,996	8,127	*	7.53	.04	7.25–7.79	78.5	5.6	Fed funds
2 One month and under	6,707,864	622	16	7.87	.16	7.25–8.12	81.9	7.0	Domestic
3 Fixed rate	5,502,495	811	14	7.68	.16	7.19–7.93	81.7	6.7	Domestic
4 Floating rate	1,205,369	302	21	8.71	.15	7.76–9.66	82.7	8.4	Prime
5 Over one month and under a year	10,387,888	138	119	8.81	.18	7.84–9.65	76.2	13.8	Prime
6 Fixed rate	5,400,259	151	74	8.54	.23	7.59–9.38	74.7	19.6	Foreign
7 Floating rate	4,987,630	127	167	9.09	.19	8.48–9.65	77.9	7.6	Prime
8 Demand[9]	11,085,901	234	*	8.79	.12	7.76–9.65	80.1	5.9	Prime
9 Fixed rate	1,099,847	442	*	7.55	.17	6.94–7.65	91.6	2.1	Fed funds
10 Floating rate	9,986,053	222	*	8.93	.12	8.51–9.65	78.9	6.3	Prime
11 Total short term	**43,711,649**	**323**	**42**	**8.20**	**.15**	**7.36–8.75**	**78.9**	**7.8**	**Fed funds**
12 Fixed rate (thousands of dollars)	27,515,318	586	19	7.76	.12	7.26–7.97	78.9	8.4	Fed funds
13 1–24	226,738	7	107	11.22	.17	10.25–12.19	19.0	.2	Prime
14 25–49	124,988	31	114	10.55	.22	9.84–11.57	30.4	.1	Prime
15 50–99	134,771	62	90	10.20	.19	9.57–10.94	24.6	.8	Prime
16 100–499	488,361	177	70	9.49	.18	8.42–10.47	46.9	3.4	Prime
17 500–999	305,991	646	56	8.20	.08	7.58–8.64	77.9	4.2	Domestic
18 1000 and over	26,234,470	8,765	16	7.66	.06	7.25–7.89	80.5	8.7	Fed funds
19 Floating rate (thousands of dollars)	16,196,331	184	138	8.96	.12	8.31–9.65	78.9	6.8	Prime
20 1–24	413,423	10	144	10.32	.10	9.58–10.86	68.5	.9	Prime
21 25–49	496,363	34	134	10.19	.11	9.38–10.75	70.7	4.8	Prime
22 50–99	770,480	65	143	9.94	.07	9.14–10.65	81.0	4.1	Prime
23 100–499	2,936,644	198	175	9.53	.02	8.75–10.20	82.2	5.6	Prime
24 500–999	1,385,636	666	164	9.22	.05	8.57–9.69	83.3	7.4	Prime
25 1000 and over	10,193,785	4,253	120	8.57	.11	7.65–9.31	78.0	7.7	Prime
			Months						
26 Total long term	**4,107,851**	**226**	**52**	**8.78**	**.24**	**7.56–9.65**	**72.3**	**5.7**	**Prime**
27 Fixed rate (thousands of dollars)	1,631,886	209	57	8.68	.31	7.56–9.31	74.8	5.6	Fed funds
28 1–99	124,599	18	50	12.11	.34	10.25–12.75	14.7	1.5	Other
29 100–499	68,226	206	54	10.41	.18	9.17–11.30	44.7	4.7	Prime
30 500–999	133,674	598	45	9.49	.62	8.99–10.20	37.9	53.7	Other
31 1000 and over	1,305,388	7,515	59	8.18	.38	7.43–8.69	85.9	1.1	Fed funds
32 Floating rate (thousands of dollars)	2,475,965	239	48	8.84	.19	7.72–9.65	70.6	5.8	Prime
33 1–99	191,560	24	41	10.54	.18	9.65–11.63	38.2	1.5	Prime
34 100–499	358,589	193	51	10.14	.17	9.38–10.75	49.7	3.1	Prime
35 500–999	120,155	661	47	9.24	.13	8.57–9.65	64.4	3.3	Prime
36 1000 and over	1,805,660	5,039	48	8.38	.15	7.51–9.01	78.6	6.9	Domestic
			Days	Loan rate (percent): Effective[4]	Loan rate (percent): Nominal[10]	Prime rate[11]			
LOANS MADE BELOW PRIME[12]									
37 Overnight[8]	14,789,118	9,862	*	7.47	7.20	8.25	80.1	6.5	
38 One month and under	5,581,887	3,995	14	7.53	7.26	8.26	84.2	6.3	
39 Over one month and under a year	4,314,622	974	102	7.70	7.45	8.36	79.2	10.8	
40 Demand[9]	3,416,337	1,796	*	7.47	7.25	8.30	58.9	3.8	
41 Total short term	**28,101,964**	**3,045**	**22**	**7.51**	**7.26**	**8.27**	**78.2**	**6.8**	
42 Fixed rate	23,810,304	3,880	14	7.49	7.24	8.26	80.9	6.8	
43 Floating rate	4,291,661	1,389	120	7.62	7.37	8.33	63.0	6.9	
			Months						
44 Total long term	**1,942,217**	**1,752**	**46**	**7.65**	**7.46**	**8.31**	**90.1**	**5.4**	
45 Fixed rate	960,376	1,578	51	7.68	7.52	8.35	84.1	7.3	
46 Floating rate	981,842	1,963	42	7.62	7.40	8.28	96.0	3.4	

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]	Loan rate (percent): Weighted average effective[4]	Loan rate (percent): Standard error[5]	Loan rate (percent): Inter-quartile range[6]	Loans made under commitment (percent)	Participation loans (percent)	Most common base pricing rate[7]
			Days						
LARGE BANKS									
1 Overnight[8]	13,559,929	10,061	*	7.50	.07	7.25–7.72	76.0	3.6	Fed funds
2 One month and under	5,221,946	2,491	15	7.70	.10	7.19–7.93	83.1	6.0	Domestic
3 Fixed rate	4,516,988	4,488	14	7.57	.09	7.17–7.87	82.9	6.4	Domestic
4 Floating rate	704,958	647	19	8.52	.20	7.62–9.49	84.8	3.4	Domestic
5 Over one month and under a year	6,520,728	783	98	8.42	.11	7.59–9.11	82.7	17.2	Foreign
6 Fixed rate	4,210,278	2,724	66	8.32	.17	7.59–8.94	82.1	22.1	Foreign
7 Floating rate	2,310,450	341	157	8.58	.21	7.89–9.17	83.7	8.4	Prime
8 Demand[9]	6,782,199	531	*	8.71	.21	7.63–9.65	75.9	4.0	Prime
9 Fixed rate	462,720	1,734	*	7.61	.32	7.37–7.57	90.3	4.4	Domestic
10 Floating rate	6,319,479	505	*	8.79	.22	7.83–9.65	74.9	3.9	Prime
11 Total short term	**32,084,802**	**1,307**	**29**	**7.98**	**.11**	**7.32–8.57**	**78.5**	**6.8**	**Fed funds**
12 Fixed rate (thousands of dollars)	22,740,014	5,468	16	7.67	.09	7.25–7.89	78.8	7.6	Fed funds
13 1–24	7,126	10	104	10.18	.16	9.38–11.02	32.0	5.1	Prime
14 25–49	8,051	33	91	9.92	.43	9.58–10.67	21.4	1.2	Prime
15 50–99	15,679	66	88	9.44	.22	9.04–10.11	39.6	2.0	Prime
16 100–499	124,586	222	62	8.80	.11	8.21–9.58	63.1	2.6	Prime
17 500–999	160,198	673	50	8.34	.12	7.65–8.65	83.7	3.0	Domestic
18 1000 and over	22,424,374	10,361	16	7.66	.09	7.25–7.86	78.9	7.7	Fed funds
19 Floating rate (thousands of dollars)	9,344,787	458	124	8.72	.18	7.81–9.58	77.9	5.0	Prime
20 1–24	82,032	11	143	10.08	.12	9.20–10.75	83.0	.3	Prime
21 25–49	98,881	34	139	9.97	.13	9.11–10.75	82.0	.7	Prime
22 50–99	195,510	65	138	9.73	.07	9.11–10.20	83.2	1.1	Prime
23 100–499	1,020,245	209	145	9.45	.02	8.60–9.96	86.7	2.9	Prime
24 500–999	655,438	678	138	9.16	.08	8.57–9.66	84.8	6.7	Prime
25 1000 and over	7,292,681	5,421	119	8.52	.20	7.57–9.14	75.7	5.3	Prime
			Months						
26 Total long term	**2,752,198**	**1,450**	**52**	**8.28**	**.22**	**7.43–8.84**	**81.5**	**2.2**	**Domestic**
27 Fixed rate (thousands of dollars)	1,113,028	2,241	58	8.06	.29	7.43–8.57	87.9	.0	Foreign
28 1–99	7,666	27	49	11.54	.32	10.35–12.40	41.3	1.0	Other
29 100–499	13,900	255	52	10.65	.24	10.20–11.30	46.5	.0	Domestic
30 500–999	25,119	715	48	9.95	1.17	8.02–10.52	77.3	.0	Fed funds
31 1000 and over	1,066,343	8,876	59	7.96	.23	7.43–8.53	89.1	.0	Foreign
32 Floating rate (thousands of dollars)	1,639,170	1,169	47	8.42	.21	7.53–9.31	77.2	3.6	Domestic
33 1–99	24,517	34	40	10.19	.28	9.14–10.75	58.4	.2	Prime
34 100–499	77,910	226	47	9.59	.12	9.11–9.92	65.5	4.8	Prime
35 500–999	58,101	643	52	9.19	.22	8.57–9.73	77.7	.0	Prime
36 1000 and over	1,478,642	6,201	47	8.30	.23	7.44–8.84	78.1	3.8	Domestic
			Days	Loan rate (percent): Effective[4]	Loan rate (percent): Nominal[10]	Prime rate[11]			
LOANS MADE BELOW PRIME[12]									
37 Overnight[8]	12,854,344	11,398	*	7.44	7.17	8.25	77.8	3.8	
38 One month and under	4,635,102	5,903	14	7.50	7.24	8.25	83.9	5.9	
39 Over one month and under a year	3,376,213	5,819	92	7.58	7.34	8.25	82.1	9.5	
40 Demand[9]	2,280,917	4,426	*	7.50	7.27	8.25	40.0	1.5	
41 Total short term	**23,146,576**	**7,694**	**19**	**7.47**	**7.22**	**8.25**	**75.9**	**4.8**	
42 Fixed rate	19,910,195	8,559	12	7.46	7.20	8.25	79.4	4.9	
43 Floating rate	3,236,381	4,745	115	7.56	7.32	8.25	54.2	4.6	
			Months						
44 Total long term	**1,664,677**	**7,236**	**46**	**7.58**	**7.40**	**8.25**	**93.7**	**0.3**	
45 Fixed rate	784,716	9,026	54	7.56	7.43	8.25	90.1	0.6	
46 Floating rate	879,961	6,149	40	7.60	7.39	8.25	96.8	0.0	

For notes see end of table.

4.23 TERMS OF LENDING AT COMMERCIAL BANKS Survey of Loans Made, August 3–7, 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]	1,970,067	3,498	*	7.69	.06	7.45–7.90	95.5	19.1	Fed funds
2 One month and under	1,485,918	171	18	8.45	.18	7.57–8.81	77.7	10.7	Prime
3 Fixed rate	985,508	170	14	8.18	.23	7.50–8.24	76.6	8.3	Fed funds
4 Floating rate	500,410	172	24	8.97	.21	8.04–9.66	79.7	15.5	Prime
5 Over one month and under a year	3,867,161	58	153	9.46	.11	8.53–10.20	65.3	8.1	Prime
6 Fixed rate	1,189,981	35	104	9.31	.14	7.97–10.47	48.6	10.9	Prime
7 Floating rate	2,677,180	83	175	9.53	.15	8.57–10.20	72.8	6.9	Prime
8 Demand[9]	4,303,702	124	*	8.92	.12	8.30–9.65	86.7	8.9	Prime
9 Fixed rate	637,128	286	*	7.50	.14	6.90–7.80	92.5	.4	Fed funds
10 Floating rate	3,666,574	113	*	9.16	.09	8.57–9.65	85.7	10.4	Prime
11 Total short term	**11,626,848**	**105**	**85**	**8.83**	**.10**	**7.72–9.65**	**79.9**	**10.6**	**Prime**
12 Fixed rate (thousands of dollars)	4,775,304	112	34	8.17	.14	7.39–8.19	79.5	12.4	Fed funds
13 1–24	219,611	6	107	11.26	.09	10.25–12.19	18.6	.1	Prime
14 25–49	116,937	31	116	10.60	.17	9.84–11.57	31.0	.1	Prime
15 50–99	119,092	62	90	10.30	.18	9.58–11.20	22.7	.6	Prime
16 100–499	363,775	165	73	9.73	.11	8.51–10.97	41.4	3.6	Prime
17 500–999	145,793	618	63	8.04	.11	7.56–8.60	71.6	5.6	Other
18 1000 and over	3,810,096	4,597	20	7.70	.07	7.33–7.96	90.2	14.9	Fed funds
19 Floating rate (thousands of dollars)	6,851,544	101	151	9.29	.09	8.57–9.92	80.2	9.4	Prime
20 1–24	331,391	9	144	10.38	.14	9.65–10.97	65.0	1.1	Prime
21 25–49	397,482	34	133	10.25	.18	9.58–10.75	67.9	5.9	Prime
22 50–99	574,970	65	145	10.01	.11	9.38–10.75	80.3	5.2	Prime
23 100–499	1,916,399	192	187	9.57	.03	8.84–10.20	79.8	7.0	Prime
24 500–999	730,198	655	180	9.27	.04	8.57–9.92	81.9	8.0	Prime
25 1000 and over	2,901,104	2,758	122	8.72	.13	8.10–9.58	83.5	13.6	Prime
			Months						
26 Total long term	**1,355,652**	**83**	**52**	**9.80**	**.14**	**8.87–10.53**	**53.5**	**12.9**	**Prime**
27 Fixed rate (thousands of dollars)	518,858	71	55	10.00	.29	8.99–10.53	46.7	17.7	Other
28 1–99	116,932	17	50	12.14	.62	10.25–12.75	12.9	1.5	Other
29 100–499	54,326	197	55	10.34	.27	9.07–11.07	44.2	5.9	Prime
30 500–999	108,555	577	44	9.39	.20	8.99–9.87	28.7	66.1	Other
31 1000 and over	239,045	4,462	63	9.16	.52	7.56–9.92	72.0	6.2	Fed funds
32 Floating rate (thousands of dollars)	836,795	93	50	9.68	.10	8.77–10.52	57.8	10.0	Prime
33 1–99	167,043	23	42	10.59	.16	9.65–11.85	35.2	1.6	Prime
34 100–499	280,679	185	52	10.30	.28	9.65–10.75	45.3	2.6	Prime
35 500–999	62,054	679	43	9.29	.09	8.57–9.65	51.9	6.5	Prime
36 1000 and over	327,018	2,727	53	8.75	.19	7.81–9.38	81.2	21.2	Prime
			Days	Loan rate (percent) Effective[4]	Loan rate (percent) Nominal[10]	Prime rate[11]			
LOANS MADE BELOW PRIME[12]									
37 Overnight[8]	1,934,775	5,203	*	7.67	7.39	8.25	95.4	24.5	
38 One month and under	946,784	1,546	15	7.67	7.40	8.29	85.7	8.2	
39 Over one month and under a year	938,409	244	136	8.13	7.85	8.75	68.7	15.3	
40 Demand[9]	1,135,420	819	*	7.40	7.23	8.40	96.8	8.3	
41 Total short term	**4,955,388**	**797**	**38**	**7.70**	**7.44**	**8.39**	**88.8**	**15.9**	
42 Fixed rate	3,900,108	1,023	23	7.67	7.42	8.34	88.6	16.5	
43 Floating rate	1,055,280	438	133	7.80	7.54	8.57	89.8	14.0	
			Months						
44 Total long term	**277,541**	**316**	**46**	**8.03**	**7.78**	**8.70**	**68.9**	**36.0**	
45 Fixed rate	175,660	337	39	8.21	7.95	8.81	57.1	37.6	
46 Floating rate	101,881	285	58	7.72	7.49	8.51	89.0	33.2	

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) Weighted average effective[4]	Standard error[5]	Interquartile range[6]	Loans made under commitment (percent)	Participation loans (percent)
ALL BANKS								
1 **Total**	**3,679,913**	**236**	**5**	**9.30**	**.11**	**8.75–9.65**	**88.4**	**16.0**
2 Fixed rate (thousands of dollars)	1,944,077	327	3	9.23	.31	8.75–9.28	92.0	6.8
3 1–24	40,789	12	6	11.04	.25	10.47–12.13	41.6	36.8
4 25–49	40,700	34	18	11.12	.36	10.47–12.03	31.6	14.2
5 50–99	63,707	71	9	10.56	.50	10.47–10.97	12.7	11.3
6 100–499	36,819	175	9	10.13	.71	10.47–10.78	81.7	5.2
7 500 and over	1,762,062	11,236	2	9.08	.26	8.75–9.28	97.6	5.8
8 Floating rate (thousands of dollars)	1,735,836	180	8	9.38	.13	8.57–9.92	84.4	26.3
9 1–24	50,856	10	8	10.35	.12	9.66–10.75	84.3	1.6
10 25–49	52,673	36	7	9.85	.09	9.42–10.24	89.5	1.9
11 50–99	68,682	72	10	10.01	.10	9.65–10.75	78.9	3.6
12 100–499	306,440	200	13	9.55	.15	9.11–10.20	62.6	19.7
13 500 and over	1,257,185	3,256	7	9.25	.15	8.57–9.92	89.8	31.2
By type of construction								
14 Single family	621,561	63	9	9.75	.15	9.17–10.47	67.1	19.1
15 Multifamily	218,765	177	5	9.65	.12	9.21–10.34	89.8	6.0
16 Nonresidential	2,839,587	626	4	9.18	.11	8.73–9.32	93.0	16.1
LARGE BANKS[13]								
1 **Total**	**2,814,435**	**1,512**	**3**	**9.14**	**.14**	**8.73–9.32**	**95.0**	**16.6**
2 Fixed rate (thousands of dollars)	1,753,481	5,094	2	9.07	.36	8.75–9.28	97.5	5.9
3 1–24	1,510	11	9	10.20	.18	9.92–10.75	67.1	4.7
4 25–49	1,054	37	11	9.99	.51	9.92–10.75	54.8	.0
5 50–99	*	*	*	*	*	*	*	*
6 100–499	3,829	215	18	7.23	1.06	1.13–10.75	71.8	50.4
7 500 and over	1,746,234	11,832	2	9.08	.34	8.75–9.28	97.6	5.8
8 Floating rate (thousands of dollars)	1,060,953	699	5	9.25	.18	8.57–9.79	91.0	34.4
9 1–24	5,701	11	10	9.80	.15	9.52–10.20	93.1	5.2
10 25–49	7,393	34	9	9.60	.09	9.11–9.92	88.1	5.9
11 50–99	14,718	73	8	9.71	.12	9.38–9.92	90.7	8.6
12 100–499	85,785	232	9	9.63	.13	9.31–9.92	76.8	7.5
13 500 and over	947,357	4,438	4	9.20	.23	8.51–9.69	92.3	37.6
By type of construction								
14 Single family	189,325	355	6	9.24	.20	8.12–9.65	97.1	14.7
15 Multifamily	148,590	642	4	9.67	.15	9.21–10.34	96.4	4.2
16 Nonresidential	2,476,519	2,257	3	9.10	.16	8.73–9.28	94.8	17.5
OTHER BANKS[13]								
1 **Total**	**865,478**	**63**	**12**	**9.83**	**.09**	**9.11–10.47**	**66.9**	**13.8**
2 Fixed rate (thousands of dollars)	190,596	34	10	10.66	.21	10.47–10.97	41.4	14.6
3 1–24	39,280	12	6	11.07	.40	10.47–12.13	40.6	38.0
4 25–49	39,646	34	18	11.15	.18	10.47–12.03	30.9	14.6
5 50–99	62,853	71	9	10.58	.30	10.47–10.97	12.0	11.2
6 100–499	32,990	171	8	10.47	.22	10.47–10.78	82.9	.0
7 500 and over	*	*	*	*	*	*	*	*
8 Floating rate (thousands of dollars)	674,883	83	13	9.60	.20	9.11–10.20	74.1	13.6
9 1–24	45,155	9	8	10.42	.11	9.92–10.75	83.1	1.1
10 25–49	45,279	36	7	9.89	.13	9.42–10.61	89.8	1.3
11 50–99	53,965	71	10	10.09	.14	9.65–10.75	75.6	2.2
12 100–499	220,656	190	14	9.51	.29	8.84–10.20	57.1	24.5
13 500 and over	309,828	1,795	13	9.41	.20	8.87–10.20	82.2	11.5
By type of construction								
14 Single family	432,236	47	11	9.97	.16	9.58–10.65	53.9	21.1
15 Multifamily	70,175	70	8	9.60	.21	8.59–10.20	75.8	10.0
16 Nonresidential	363,068	106	14	9.71	.08	9.11–10.20	80.6	6.0

Note: 41.2 percent of construction and land development loans were priced relative to the prime rate.

For notes see end of table.
*Fewer than 10 sample loans.

4.23 TERMS OF LENDING AT COMMERCIAL BANKS Survey of Loans Made, August 3–7, 1987[1]—Continued

C. Loans to Farmers[13]

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)	$972,091	$113,363	$107,665	$96,060	$140,093	$162,069	$352,841
2 Number of loans	46,944	33,550	7,292	2,797	1,981	989	336
3 Weighted average maturity (months)[3]	8.0	7.0	6.9	7.3	15.3	8.6	5.4
4 Weighted average interest rate (percent)[4]	10.41	11.54	11.19	11.09	10.98	10.59	9.32
5 Standard error[5]	.57	.39	.26	.48	.41	.53	.79
6 Interquartile rante[6]	9.50–11.33	10.77–12.31	10.34–12.13	10.36–12.13	10.52–11.83	10.11–11.07	8.60–10.38
By purpose of loan							
7 Feeder livestock	9.92	11.88	11.42	11.19	11.19	10.56	8.93
8 Other livestock	11.05	12.25	12.04	10.27	11.95	*	*
9 Other current operating expenses	10.82	11.40	11.19	11.21	10.63	10.83	10.08
10 Farm machinery and equipment	10.77	11.39	10.22	*	*	*	*
11 Farm real estate	10.88	11.59	11.76	*	*	*	*
12 Other	9.77	12.04	10.24	11.57	10.79	9.93	9.00
Percentage of amount of loans							
13 With floating rates	55.9	52.2	55.9	65.7	55.2	45.4	59.6
14 Made under commitment	59.9	46.9	50.6	51.8	47.2	52.3	77.7
By purpose of loan							
15 Feeder livestock	29.6	14.7	10.9	20.8	36.8	17.7	45.2
16 Other livestock	3.8	4.3	6.4	2.4	7.0	*	*
17 Other current operating expenses	46.8	68.4	69.2	57.5	30.7	54.4	32.9
18 Farm machinery and equipment	2.8	6.4	2.1	*	*	*	*
19 Farm real estate	2.6	1.2	3.2	*	*	*	*
20 Other	14.4	5.1	8.1	8.6	11.8	19.3	19.8
Large Banks[13]							
1 Amount of loans (thousands of dollars)	$374,132	$8,197	$12,060	$16,781	$24,929	$43,127	$269,038
2 Number of loans	4,194	2,050	818	483	387	296	161
3 Weighted average maturity (months)[3]	5.1	5.3	6.2	6.4	6.5	7.8	4.7
4 Weighted average interest rate (percent)[4]	9.30	10.53	10.15	10.02	9.94	9.92	9.02
5 Standard error[5]	.55	.38	.16	.42	.35	.37	.74
6 Interquartile rante[6]	8.60–10.20	10.00–10.83	9.58–10.74	9.50–10.52	9.24–10.47	9.14–10.52	8.60–9.84
By purpose of loan							
7 Feeder livestock	8.98	10.35	9.94	9.99	10.13	10.03	8.79
8 Other livestock	9.40	10.54	*	10.46	*	*	*
9 Other current operating expenses	9.84	10.46	10.16	9.98	9.81	9.81	9.75
10 Farm machinery and equipment	10.28	11.09	*	*	*	*	*
11 Farm real estate	10.19	11.86	*	*	*	*	*
12 Other	9.05	10.47	10.18	10.08	9.97	9.87	8.73
Percentage of amount of loans							
13 With floating rates	59.6	90.5	91.8	92.2	95.3	90.0	47.0
14 Made under commitment	93.2	82.4	85.3	84.7	91.8	91.7	94.7
By purpose of loan							
15 Feeder livestock	42.5	9.7	15.2	19.3	22.2	27.2	50.5
16 Other livestock	3.0	1.4	*	7.5	*	*	*
17 Other current operating expenses	32.5	68.0	60.6	53.7	46.7	44.2	25.6
18 Farm machinery and equipment	.6	5.2	*	*	*	*	*
19 Farm real estate	.9	3.2	*	*	*	*	*
20 Other	20.5	12.6	16.3	14.8	22.6	19.7	21.2
Other Banks[13]							
1 Amount of loans (thousands of dollars)	$597,959	$105,166	$95,604	$79,279	$115,165	$118,942	*
2 Number of loans	42,750	31,500	6,474	2,313	1,594	693	*
3 Weighted average maturity (months)[3]	9.4	7.1	7.0	7.4	16.6	8.8	*
4 Weighted average interest rate (percent)[4]	11.11	11.62	11.32	11.32	11.20	10.84	*
5 Standard error[5]	.12	.10	.20	.22	.19	.37	*
6 Interquartile rante[6]	10.47–11.91	10.79–12.31	10.50–12.19	10.52–12.17	10.79–11.83	10.21–11.80	*
By purpose of loan							
7 Feeder livestock	11.09	11.96	11.69	11.42	11.32	*	*
8 Other livestock	11.77	12.29	*	*	*	*	*
9 Other current operating expenses	11.18	11.47	11.31	11.44	10.93	*	*
10 Farm machinery and equipment	10.82	11.41	*	*	*	*	*
11 Farm real estate	10.99	*	*	*	*	*	*
12 Other	10.64	12.38	*	*	*	*	*

For notes see end of table.

*Fewer than 10 sample loans.

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	53.6	49.2	51.3	60.0	46.5	29.2	*
14 Made under commitment	39.1	44.2	46.3	44.8	37.6	38.0	*
By purpose of loan							
15 Feeder livestock	21.6	15.1	10.3	21.1	39.9	*	*
16 Other livestock	4.3	4.5	*	*	*	*	*
17 Other current operating expenses	55.7	68.4	70.3	58.3	27.2	*	*
18 Farm machinery and equipment	4.1	6.5	*	*	*	*	*
19 Farm real estate	3.6	*	*	*	*	*	*
20 Other	10.6	4.5	*	*	*	*	*

*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. 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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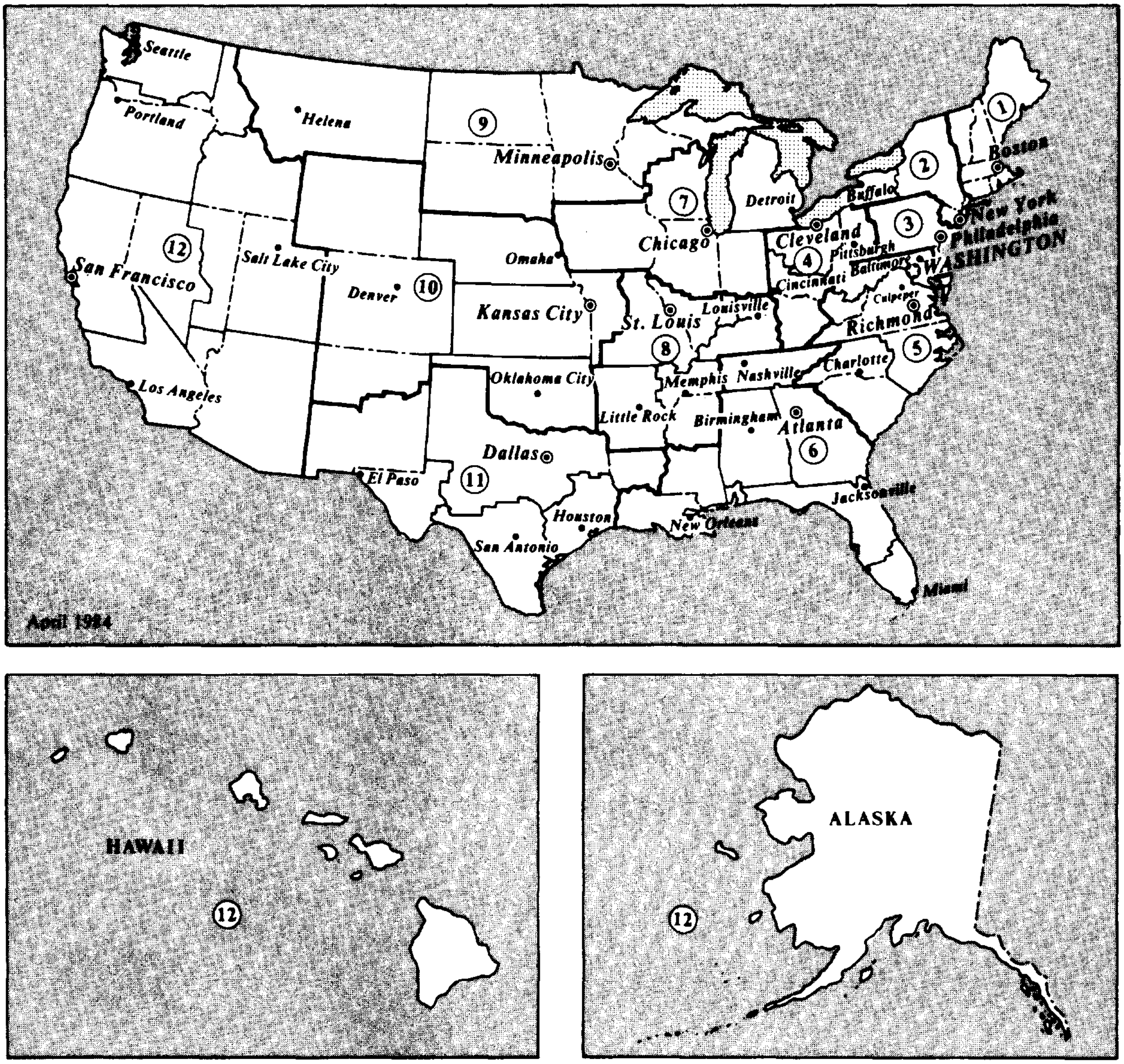

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