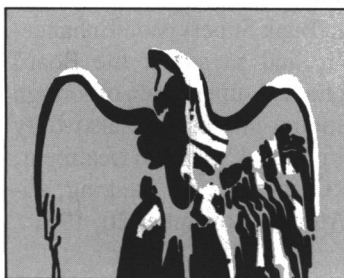

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FEDERAL RESERVE BULLETIN

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

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reserve restraint would be acceptable depending on progress toward price stability, trends in economic activity, the behavior of the monetary aggregates, and developments in foreign exchange and domestic financial markets. The reserve conditions contemplated at this meeting were expected to be consistent with growth of M2 and M3 at annual rates of around 3 percent and 1½ percent respectively over the three-month period from September through December.

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Changes in Family Finances from 1983 to 1989: Evidence from the Survey of Consumer Finances

Arthur Kennickell and Janice Shack-Marquez, of the Board's Division of Research and Statistics, prepared this article.

Between 1983 and 1989, family finances in the United States were affected by many factors. Financial deregulation altered the availability and the cost of financial services to consumers. Banks moved to explicit pricing of checking services and the payment of interest on transactions accounts, and money market accounts and other mutual funds became more available. The progressive elimination of tax deductions for consumer interest other than the deduction on home mortgages influenced the effective price of borrowing. Other tax changes, such as the elimination of general deductions for individual retirement accounts, altered the return to various forms of saving.

Macroeconomic and demographic changes also affected the financial opportunities for families. In 1983, the U.S. economy was at the end of a recession; in 1989, it was near the end of a long expansion. Over the intervening six years, aggregate real disposable personal income, as measured in the National Income and Product Accounts, increased by 21 percent; the price level, as measured by the consumer price index, rose about 25 percent; and, as measured in nominal terms by the Federal Reserve flow of funds accounts, total assets and net worth for the household sector grew 61 percent and 56 percent respectively. The overall population of households grew 9 percent; the largest growth was in families headed by individuals between the ages of 35 and 45 years, a group that tends to have a relatively high rate of saving. Other important demographic changes were an increase in the proportion of dual-earner families from 26½ percent of all families in 1983 to 29 percent in 1989 and a small increase in average family size.

With these changes came alterations in the income, assets, and liabilities of U.S. families. Using data from the 1983 and 1989 Surveys of Consumer Finances, this article looks at those alterations and analyzes them according to a variety of economic and demographic characteristics. Several findings are noteworthy. The small rise in the median values of income and net worth and the simultaneous substantial rise in the mean values indicate that the distributions of income and net worth became more concentrated between 1983 and 1989.¹ Also, the use of debt increased; much of that increase was in families reporting the most financial assets.²

1. When the observations in a set of data are arranged in order of magnitude from lowest to highest, the middle value is the median. The sum of all observed values divided by the number of observations in a set of data is the mean. The mean and the median each have advantages for describing distributions of income and other financial variables. Because of the focus on the ranking of values, the median is not influenced by extremely large values; thus it is a good indicator of the position of the "typical" family. However, the mean is a better indicator of the dollar amount of income or assets held by all families because it considers all values, the extreme as well as the typical. If the median of a distribution drops, the mean may rise or fall, as may the means of the upper and lower halves of the distribution. For the variables examined in this article, the mean of the lower half of each distribution generally drops when the median does. Thus, with before-tax family income, the near-constancy of the median plus the rise in the overall mean implies that the mean value of the distribution above the median increased—that is, the concentration of income increased in the top half of the distribution.

2. All dollar figures reported in the article are adjusted to 1989 levels using the consumer price index (CPI) for all urban consumers. There are problems with the use of any deflator to compare income, assets, and liabilities over time, particularly where changes in the interest rate implicitly change the costs of debts. The CPI is used for two reasons. First, it is widely known and applied. Second, because it is intended to reflect the relative costs of a standardized collection of goods and services, it seems a natural indicator of the importance of price level changes for most families.

1. Mean and median before-tax family income, by selected characteristics of families, 1983 and 1989

Thousands of 1989 dollars, except as noted

Family characteristic	1983			1989		
	Percent of families	Family income		Percent of families	Family income	
		Mean	Median		Mean	Median
All families	100	33.4	24.3	100	35.7	24.4
<i>Age of family head (years)</i>						
Under 35	31	25.8	22.3	26	26.4	20.0
35-44	19	40.9	33.7	23	44.2	35.0
45-54	15	41.9	32.2	14	52.8	36.5
55-64	15	40.6	27.2	15	38.5	25.8
65-74	12	29.8	16.1	13	27.6	16.0
75 and over	7	18.8	9.5	9	20.9	13.0
<i>Education of family head</i>						
0-8 grades	15	15.1	11.1	13	16.3	11.2
9-11 grades	13	21.9	17.4	11	20.2	15.0
High school diploma	31	28.6	24.7	32	27.8	22.0
Some college	18	34.2	26.6	15	35.9	27.4
College degree	23	57.9	42.0	29	59.8	40.0
<i>Current occupation of family head</i>						
Managerial and professional specialties	24	59.4	43.6	25	63.8	43.5
Technical, sales, and administrative support	12	33.7	26.3	12	36.5	28.8
Service occupations	7	20.5	17.4	7	19.9	15.0
Precision production, craft, and repair	12	33.5	31.1	12	38.2	35.0
Operators, fabricators, and laborers	12	28.1	24.9	9	28.3	24.0
Farming, forestry, and fishing	2	30.3	20.5	2	30.4	21.2
Not working	31	18.8	12.5	33	19.5	12.0
<i>Race of family head</i>						
White	82	36.0	26.2	87	38.0	26.8
Nonwhite and Hispanic	18	21.4	15.9	13	19.8	12.0
<i>Life-cycle stage of family head</i>						
Under 55 years						
Unmarried, no children	11	21.7	18.1	11	22.5	17.7
Married, no children	6	40.9	34.4	5	46.8	37.8
Unmarried, children	13	20.7	16.2	13	21.4	16.0
Married, children	35	42.1	35.0	34	49.6	39.3
55 years and over						
In labor force	14	49.9	31.0	12	49.0	28.0
Out of labor force						
Retired	18	20.9	13.7	18	24.8	16.1
Other	3	14.0	8.7	7	12.7	7.9
<i>Housing status</i>						
Own	63	40.9	31.1	65	44.4	31.5
Rent or other	37	20.6	16.2	35	19.6	13.9

THE SURVEYS

Widely regarded as a reliable source of data on family finances, the Survey of Consumer Finances (SCF) is designed specifically to gather detailed and comprehensive information on assets, liabilities, and income flows from a representative sample of the population of U.S. families. Because the ownership of some assets, such as corporate stocks, is relatively concentrated in a small number of families, the survey makes a special effort to ensure proper representation of such assets by systematically oversampling wealthier families.

Surveys of consumer finances were conducted regularly with support from the Federal Reserve

from 1946 through 1970. Another such survey was conducted in 1977 to gather information on the use of consumer credit. The current series of surveys has been ongoing on a triennial basis since 1983. However, because the SCF conducted in 1986 was limited in scope, this article uses data only from the 1983 and 1989 surveys.

The data for both these surveys were collected by the Survey Research Center at the University of Michigan. The 1983 SCF was sponsored by the Federal Reserve in cooperation with several other agencies. This survey was described and information from it was reported in previous issues of the *Federal Reserve Bulletin* (September 1984, December 1984, and March 1986). The data reported here

2. Mean and median net worth, by selected characteristics of families, 1983 and 1989

Thousands of 1989 dollars, except as noted

Family characteristic	1983			1989		
	Percent of families	Net worth		Percent of families	Net worth	
		Mean	Median		Mean	Median
All families	100	149.1	42.7	100	183.7	47.2
<i>Family income (1989 dollars)</i>						
Less than 10,000	19	30.0	3.8	20	30.1	2.3
10,000-19,999	23	53.0	19.3	20	63.1	27.1
20,000-29,999	19	69.5	36.9	17	89.6	37.0
30,000-49,999	23	117.6	67.7	23	150.2	69.2
50,000 and more	17	550.5	176.1	20	586.7	185.6
<i>Age of family head (years)</i>						
Under 35	31	40.9	8.5	26	46.9	6.8
35-44	19	110.5	49.8	23	148.3	52.8
45-54	15	215.9	69.4	14	286.4	86.7
55-64	15	242.2	84.4	15	292.5	91.3
65-74	12	272.6	76.3	13	278.3	77.6
75 and over	7	166.8	49.8	9	194.5	66.1
<i>Education of family head</i>						
0-8 grades	15	59.0	24.4	13	77.2	27.3
9-11 grades	13	68.2	23.0	11	80.5	27.3
High school diploma	31	103.6	41.8	32	109.6	37.1
Some college	18	172.2	42.3	15	171.9	46.9
College degree	23	297.8	89.5	29	364.6	104.7
<i>Current occupation of family head</i>						
Managerial and professional specialties	24	328.5	95.8	25	382.0	104.5
Technical, sales, and administrative support	12	105.1	39.1	12	139.7	32.6
Service occupations	7	33.6	12.1	7	46.1	8.4
Precision production, craft, and repair	12	70.4	40.0	12	91.5	46.0
Operators, fabricators, and laborers	12	49.3	28.6	9	67.3	18.8
Farming, forestry, and fishing	2	343.9	185.0	2	322.3	107.3
Not working	31	110.7	30.0	33	138.9	44.0
<i>Race of family head</i>						
White	82	173.0	54.3	87	203.8	58.5
Nonwhite and Hispanic	18	37.6	6.9	13	45.9	4.0
<i>Life-cycle stage of family head</i>						
Under 55 years						
Unmarried, no children	11	48.9	6.0	11	47.5	8.4
Married, no children	6	80.1	20.1	5	147.9	27.3
Unmarried, children	13	57.8	10.8	13	54.2	5.7
Married, children	35	140.6	51.3	34	196.9	62.0
55 years and over						
In labor force	14	363.1	108.0	12	438.3	104.5
Out of labor force						
Retired	18	153.6	63.9	18	211.6	94.1
Other	3	123.8	51.0	7	87.6	33.2
<i>Housing status</i>						
Own	63	219.6	80.4	65	266.9	97.3
Rent or other	37	26.8	3.0	35	31.2	2.2

for 1983 may differ from the figures reported in the earlier articles because of revisions of the data and of the sample weights. The 1989 SCF was sponsored by the Federal Reserve in cooperation with the Department of the Treasury, the Department of Health and Human Services, the National Institute on Aging, the Small Business Administration, the General Accounting Office, the Comptroller of the Currency, and the Congressional Joint Committee on Taxation. A technical description of this survey appears in the appendix to this article.

3. Composition of assets of all families 1983 and 1989
Percent

Assets	1983	1989
Financial	25.6	27.7
Nonfinancial	74.4	72.3
Vehicles	3.6	3.9
Principal residence	33.4	32.2
Real estate and land investment ..	16.0	15.1
Business investment (excluding real estate)	20.4	17.8
Other	1.0	3.3
Total	100.0	100.0

4. Ownership of selected financial assets, by selected characteristics of families, 1983 and 1989
Percent

Family characteristic	1983										
	Checking accounts	Savings accounts	Money market accounts	CDs	Retirement accounts	Stocks	Bonds	Non-taxable bonds	Trusts	Other	Total
All families	78.6	61.7	15.0	20.1	24.2	20.4	3.0	2.1	4.0	44.0	87.8
<i>Family income (1989 dollars)</i>											
Less than 10,000	49.2	36.9	2.7	8.1	1.9	4.4	*	*	2.6	22.7	64.0
10,000-19,999	71.7	53.4	9.0	18.4	8.4	10.6	1.6	*	1.9	34.5	84.5
20,000-29,999	83.7	67.2	12.0	19.4	19.8	18.0	1.9	1.0	2.7	45.8	93.7
30,000-49,999	92.4	76.6	17.4	22.7	34.5	25.2	2.4	1.0	4.4	54.5	97.5
50,000 and more	96.0	73.8	37.1	33.1	61.7	48.3	10.0	9.3	9.6	64.6	98.8
<i>Age of family head (years)</i>											
Under 35	71.9	62.6	8.5	8.6	17.2	12.9	1.0	.2	4.0	36.0	85.0
35-44	82.9	68.4	16.5	15.5	31.0	22.8	2.5	1.7	3.6	50.2	90.1
45-54	81.8	64.9	14.9	18.1	35.5	23.2	3.2	2.1	6.0	48.6	88.7
55-64	81.2	59.0	20.0	20.3	36.3	25.7	4.9	3.0	3.8	47.5	90.1
65-74	82.5	55.4	22.4	36.9	14.8	26.1	6.7	6.1	3.1	49.2	88.2
75 and over	76.2	48.9	15.3	38.3	1.7	19.9	2.2	2.2	2.9	35.4	85.9
<i>Race of family head</i>											
White	85.5	65.3	17.3	23.4	27.2	23.6	3.6	2.4	4.6	47.9	92.9
Nonwhite and Hispanic	46.4	44.9	4.0	4.2	10.2	5.8	*	*	1.4	25.8	64.5
<i>Life-cycle stage of family head</i>											
Under 55 years											
Unmarried, no children	74.7	61.4	14.6	8.6	19.5	18.2	2.7	1.1	4.6	31.6	88.9
Married, no children	86.1	67.7	20.2	15.0	29.1	19.3	*	1.3	5.8	46.0	90.6
Unmarried, children	58.9	55.2	7.4	9.0	12.8	12.4	2.3	.8	4.4	32.9	73.3
Married, children	84.1	69.2	12.4	15.4	31.9	20.4	1.8	1.2	4.0	50.3	91.7
55 years and over											
In labor force	85.1	64.9	24.6	31.2	42.0	28.9	5.0	4.7	4.3	54.2	93.1
Out of labor force											
Retired	77.5	49.9	17.1	34.8	7.9	22.6	4.9	3.6	2.6	41.5	85.8
Other	77.7	44.3	13.5	41.9	*	15.7	*	*	*	27.5	82.8
<i>Housing status</i>											
Own	87.8	67.6	18.5	26.5	30.6	25.7	3.7	2.9	4.5	52.4	93.7
Rent or other	62.6	51.4	8.9	9.0	13.0	11.4	1.9	.6	3.2	29.5	77.6

*Fewer than five families.

FAMILY INCOME

According to the SCF, real median pre-tax income for families was virtually unchanged between 1983 and 1989 (table 1). This finding is supported by data from the Current Population Survey conducted by the Bureau of the Census. Over the same period, mean real family income rose from \$33,400 to \$35,700. These findings suggest that incomes above the median grew faster than those below the median and that the distribution of family income became somewhat more concentrated among families with higher income.

Although in the aggregate median family income did not change, a breakdown of the population by demographic groups shows mixed changes. The median income for families headed by persons with at least some college experience rose, but this

increase was offset by declines in all other education categories. A moderate increase for white families was offset by a decline for nonwhite and Hispanic families. The difference by racial group may partly reflect changes in the way race was ascertained in the two surveys. In the 1983 SCF, race was based on the survey interviewer's observation, whereas in the 1989 SCF, the survey respondent reported his or her own race, the procedure routinely followed by the Census Bureau. Consequently, the 1989 SCF race classification matches Census estimates, whereas the 1983 data overstate the proportion of nonwhites and Hispanics. This difference may cast some doubt on comparisons between 1983 and 1989 SCF results based on race classifications.

Consistent with aggregate income and population data, the SCF shows that the aggregate mean family income rose. Increases for families headed by

4. Ownership of selected financial assets, by selected characteristics of families, 1983 and 1989—Continued
Percent

Family characteristic	1989										
	Checking accounts	Savings accounts	Money market accounts	CDs	Retirement accounts	Stocks	Bonds	Non-taxable bonds	Trusts	Other	Total
All families	75.4	43.5	22.2	19.6	33.3	19.0	4.4	4.4	3.4	47.7	87.5
<i>Family income (1989 dollars)</i>											
Less than 10,000	46.2	21.9	7.8	8.6	3.1	2.0	.8	*	*	16.6	59.1
10,000–19,999	69.7	40.7	14.6	21.2	14.9	10.9	2.4	*	3.1	35.6	85.6
20,000–29,999	80.3	47.6	21.0	20.6	34.4	16.9	3.0	4.2	3.0	49.4	95.2
30,000–49,999	88.8	52.9	23.2	21.0	44.9	20.8	5.0	4.2	3.6	63.5	98.2
50,000 and more	91.5	53.9	44.7	26.5	69.2	44.6	12.7	12.6	7.1	72.3	99.7
<i>Age of family head (years)</i>											
Under 35	68.4	45.0	14.9	8.5	23.0	11.4	.8	.9	2.5	39.5	82.2
35–44	76.1	50.0	20.4	15.5	44.0	21.2	3.4	3.5	2.8	56.8	88.4
45–54	78.9	44.6	27.0	21.1	45.5	23.1	3.5	4.3	3.1	52.9	90.4
55–64	76.7	38.9	23.0	20.9	42.6	22.0	5.9	7.5	3.0	49.6	87.5
65–74	79.9	37.7	28.3	31.6	30.0	20.8	9.1	9.4	6.4	48.4	91.5
75 and over	79.3	36.2	30.5	39.4	6.6	21.3	9.6	4.9	4.8	35.5	90.6
<i>Race of family head</i>											
White	79.9	44.8	24.7	21.9	36.2	21.0	4.9	5.0	3.7	50.4	91.4
Nonwhite and Hispanic	44.6	34.3	5.4	3.6	13.7	3.9	.5	*	1.4	29.0	60.9
<i>Life-cycle stage of family head</i>											
Under 55 years											
Unmarried, no children	71.9	40.2	17.2	10.7	26.7	16.8	1.8	3.0	2.4	30.3	84.7
Married, no children	78.9	52.6	31.2	16.3	40.2	26.9	4.8	5.8	2.2	50.2	92.8
Unmarried, children	54.5	35.7	9.5	9.0	21.9	8.7	1.4	1.9	.7	30.8	68.4
Married, children	80.8	52.5	22.7	16.4	43.1	19.9	2.5	2.4	3.7	61.5	92.7
55 years and over											
In labor force	83.9	44.4	25.1	23.2	49.1	26.1	7.2	9.8	4.6	57.3	95.6
Out of labor force											
Retired	81.8	37.6	31.3	35.9	25.2	23.7	10.9	8.4	6.0	45.6	93.0
Other	60.8	26.5	18.2	23.7	6.5	8.2	1.9	1.5	1.2	26.1	72.0
<i>Housing status</i>											
Own	84.9	49.2	27.2	24.6	43.6	25.2	6.1	5.8	4.6	58.0	95.6
Rent or other	57.8	32.9	13.1	10.4	14.5	7.6	1.2	2.0	1.4	28.7	72.7

persons less than 55 years old were partly offset by declines for families with heads between 55 and 74 years of age. Workers in highly skilled occupations fared better than other workers. Mean family income increased for managers; technical workers; and precision production, craft, and repair workers. Mean income of homeowners and of whites rose, whereas that of renters and of nonwhites and Hispanics fell. In the age group under 55 years, mean income rose most rapidly for married couples; among older families, mean income rose for families with retired heads and declined for other families.³

3. Calculations not reported in the tables indicate that the increase in mean income for dual-earner couples more than accounted for the overall mean increase in income for married couples.

NET WORTH

Changes in the overall real net worth of families—the difference between families' total assets and their total debts—were more dramatic than changes in family income. Mean real net worth rose more than 23 percent, whereas median real net worth rose only 11 percent (table 2).⁴ As with income, the contrast between the mean and median suggests an increase in the concentration of net worth among wealthy families.

While small increases in median net worth were widespread, some marked declines also occurred. The decline was especially sharp for single parents and for nonwhites and Hispanics. The median net

4. Data from the 1984 and 1988 Surveys of Income and Program Participation conducted by the Bureau of the Census show a similar change in real median net worth.

5. Median financial assets of families holding such assets, by selected characteristics of families,

Thousands of 1989 dollars

Family characteristic	1983										
	Checking accounts	Savings accounts	Money market accounts	CDs	Retirement accounts	Stocks	Bonds	Non-taxable bonds	Trusts	Other	Total
All families .....	.6	1.4	11.0	12.5	5.0	6.2	12.5	52.9	12.5	3.0	4.5
<i>Family income (1989 dollars)</i>											
Less than 10,000 .....	.4	.6	3.2	9.1	2.8	2.4	*	*	3.9	1.6	.9
10,000-19,999 .....	.5	.9	8.1	12.5	2.5	5.1	12.5	37.4	3.6	1.9	2.1
20,000-29,999 .....	.5	1.3	6.2	14.7	2.5	3.9	12.5	15.6	3.7	1.9	2.8
30,000-49,999 .....	.6	1.7	9.7	12.5	3.8	3.1	8.5	12.6	8.3	3.9	6.0
50,000 and more	1.4	3.4	14.9	15.5	8.1	18.7	24.9	62.3	24.9	6.2	31.9
<i>Age of family head (years)</i>											
Under 35 .....	.4	.6	5.6	5.0	2.0	1.9	12.5	149.4	3.7	1.9	1.5
35-44 .....	.6	1.4	7.5	10.0	5.0	5.0	8.7	52.9	10.0	2.9	4.4
45-54 .....	.7	1.7	17.4	10.6	5.6	5.0	12.5	54.0	12.5	3.9	5.7
55-64	1.2	2.0	12.5	15.4	7.5	11.2	18.7	56.3	32.4	6.2	11.7
65-74	1.2	2.5	16.3	23.0	12.5	16.8	31.1	62.3	95.9	2.6	17.2
75 and over	1.1	3.7	16.8	23.0	5.0	14.9	6.2	18.7	12.5	1.9	15.6
<i>Race of family head</i>											
White .....	.6	1.6	10.6	12.5	5.0	6.2	12.5	52.9	12.5	3.1	5.8
Nonwhite and Hispanic .....	.5	.8	11.9	6.2	2.3	1.2	*	*	3.6	2.6	1.1
<i>Life-cycle stage of family head</i>											
Under 55 years											
Unmarried, no children .....	.5	.6	6.8	5.0	3.1	2.5	12.5	54.0	.7	1.8	2.0
Married, no children .....	.6	1.0	7.5	6.2	3.6	3.7	*	124.5	5.0	2.8	3.5
Unmarried, children .....	.5	.8	6.2	10.6	2.5	3.7	5.0	15.6	6.2	1.5	1.7
Married, children .....	.6	1.4	9.3	7.5	5.0	4.4	12.5	47.3	10.0	3.4	3.5
55 years and over											
In labor force	1.2	2.0	14.1	16.2	10.0	11.8	12.5	56.3	62.3	5.1	15.7
Out of labor force											
Retired	1.2	3.0	14.9	19.0	5.6	14.7	24.9	18.7	32.4	2.1	12.8
Other .....	.6	1.6	10.5	23.7	*	12.5	*	*	*	1.6	8.5
<i>Housing status</i>											
Own .....	.7	1.9	12.5	13.1	5.6	6.3	18.7	52.9	13.7	3.7	7.8
Rent or other .....	.5	.7	6.2	10.0	2.5	3.1	11.3	49.8	3.8	1.6	1.5
MEMO											
Mean	2.3	4.6	27.4	28.6	19.5	75.6	80.4	147.2	114.5	10.5	48.5

*Fewer than five families.

worth of farm families fell sharply as prices for farmland plummeted in the early 1980s. (Even with an increase in the price of farmland after 1985, the price level of farmland in 1989 was about 30 percent below the level in 1983.) Among families headed by persons 55 years of age and over, those whose heads were retired had the only increase in median net worth. Families with heads in this age group who remained in the labor force experienced declines in median net worth.

The change in mean net worth varied widely across demographic groups. Families headed by persons having some higher education and married couples headed by persons under 55 years of age showed particularly large increases. In contrast to

the decline in median net worth for nonwhites and Hispanics, the mean net worth of this group rose; indeed, the percentage increase exceeded that of white families.

Changes in net worth may be attributed to changes in the value of the holdings of assets or in the amount of debt carried. The coverage of assets and liabilities in the survey is highly detailed; the aggregations presented in this article have been chosen to illustrate trends in the data.

ASSETS

The composition of assets held by all families, as recorded in the SCF, changed slightly between 1983

5. Median financial assets of families holding such assets, by selected characteristics of families,
1983 and 1989—Continued
Thousands of 1989 dollars

Family characteristic	1989										
	Checking accounts	Savings accounts	Money market accounts	CDs	Retirement accounts	Stocks	Bonds	Non-taxable bonds	Trusts	Other	Total
All families .....	.9	1.5	5.0	11.0	10.0	7.5	17.3	25.0	23.0	2.5	10.4
<i>Family income (1989 dollars)</i>											
Less than 10,000 .....	.4	1.0	4.0	10.0	3.3	30.0	13.0	*	*	1.0	1.3
10,000-19,999 .....	.7	1.0	5.0	10.0	4.0	7.0	15.0	*	20.0	2.1	4.5
20,000-29,999 .....	.8	1.2	3.5	10.0	6.0	4.0	6.2	5.0	14.0	2.0	6.8
30,000-49,999	1.0	2.0	4.0	12.0	8.5	5.5	26.0	25.0	30.0	2.8	12.2
50,000 and more	1.5	3.0	10.0	15.0	21.2	12.0	20.0	35.0	32.0	4.7	41.5
<i>Age of family head (years)</i>											
Under 35 .....	.6	.7	2.6	5.0	4.0	2.7	.1	15.0	26.0	1.0	2.5
35-44 .....	.9	1.5	5.0	10.0	8.0	3.0	6.2	11.7	10.0	2.5	11.2
45-54	1.0	1.5	2.7	9.0	14.0	6.0	12.0	10.0	10.0	3.5	14.5
55-64	1.0	4.5	11.0	12.0	22.0	18.3	20.0	25.0	32.0	5.0	20.0
65-74	1.0	2.0	10.0	17.0	15.0	25.0	20.0	32.0	48.0	3.0	18.2
75 and over	1.0	5.0	8.0	25.0	25.0	18.0	26.0	50.0	32.0	3.7	21.0
<i>Race of family head</i>											
White	1.0	1.7	5.0	11.3	10.3	7.5	16.0	25.0	30.0	2.5	11.5
Nonwhite and Hispanic .....	.6	.9	4.0	10.0	4.0	2.3	18.0	*	8.0	2.0	2.0
<i>Life-cycle stage of family head</i>											
Under 55 years											
Unmarried, no children .....	.7	1.0	4.5	10.0	5.0	3.7	30.0	11.7	40.0	1.5	4.9
Married, no children	1.0	1.6	2.7	6.2	4.9	3.6	3.0	7.0	8.0	1.0	7.1
Unmarried, children .....	.5	1.0	1.5	5.1	4.0	2.5	12.0	2.0	6.0	2.0	3.0
Married, children .....	.9	1.2	4.0	7.0	10.0	3.6	6.0	30.5	14.0	2.5	11.0
55 years and over											
In labor force	1.0	3.0	15.0	13.0	20.0	20.0	20.0	50.0	32.0	5.0	22.2
Out of labor force											
Retired	1.0	5.0	10.5	20.0	16.0	20.3	26.0	25.0	45.0	4.0	22.4
Other .....	.8	1.0	5.0	20.0	4.0	20.0	80.0	34.0	6.0	2.0	4.6
<i>Housing status</i>											
Own	1.0	2.0	6.4	13.0	12.4	8.0	16.0	30.0	20.0	3.0	16.2
Rent or other .....	.6	.9	3.0	8.0	4.0	5.0	30.0	6.3	26.0	1.5	2.3
MEMO											
Mean	3.0	6.3	28.3	30.6	40.0	57.2	75.0	137.8	125.0	10.3	68.6

and 1989 (table 3). The small shift away from nonfinancial assets reflects declines in business and real estate assets as a share of total assets.⁵

Financial Assets

Despite the increase in financial assets as a proportion of total family assets, the ownership of several types of financial assets fell sharply (tables 3 and 4). In 1983, nearly 79 percent of families owned

checking accounts—including conventional checking accounts, NOW accounts, and money market accounts used for checking—whereas by 1989 about 75 percent of families owned them. The decline was spread over virtually all groups shown here. Over this period, the movement of financial institutions toward more explicit prices for checking services may have made these accounts less attractive to many families. Nevertheless, data from the SCF indicate that only 16 percent of families without checking accounts in 1989 reported that service fees or balance requirements deterred them from maintaining an account. The proportion of families owning savings accounts also fell dramatically over this period, partly because families shifted assets to

5. Any division of assets into financial and nonfinancial categories is somewhat arbitrary. The classifications used here may differ from others, such as those in the flow of funds accounts, which are published by the Federal Reserve.

6. Family ownership of selected nonfinancial assets, by selected characteristics of families, 1983 and 1989
Percent

Family characteristic	1983					
	Vehicles	Business	Investment real estate	Other assets	Principal residence	Total
All families	84.4	14.2	20.9	7.4	64.4	90.3
<i>Family income (1989 dollars)</i>						
Less than 10,000	50.5	4.5	6.9	3.3	40.1	67.4
10,000-19,999	83.2	6.9	14.1	5.5	52.6	89.1
20,000-29,999	93.3	12.0	17.9	7.2	60.3	96.1
30,000-49,999	97.0	18.7	25.8	8.0	77.2	98.6
50,000 and more	96.4	31.5	42.7	14.3	88.9	99.4
<i>Age of family head (years)</i>						
Under 35	83.3	10.3	10.4	9.1	38.7	87.2
35-44	91.2	18.3	22.9	10.3	68.4	94.0
45-54	90.3	18.2	24.9	6.4	78.0	92.7
55-64	87.7	18.1	32.6	5.9	76.8	93.1
65-74	80.2	12.3	27.2	5.6	78.9	91.8
75 and over	57.8	6.4	16.9	1.4	69.5	79.6
<i>Race of family head</i>						
White	88.7	16.1	23.1	8.5	68.0	94.3
Nonwhite and Hispanic	64.4	5.4	10.9	2.5	42.2	71.3
<i>Life-cycle stage of family head</i>						
Under 55 years						
Unmarried, no children	71.9	9.1	10.0	13.9	23.4	79.1
Married, no children	96.4	14.3	14.6	13.0	51.8	97.0
Unmarried, children	73.1	6.4	12.0	6.2	42.7	78.3
Married, children	96.2	19.3	22.5	7.6	73.5	97.8
55 years and over						
In labor force	89.5	24.1	36.3	7.3	78.1	95.1
Out of labor force						
Retired	74.4	6.1	22.1	3.4	74.8	86.2
Other	51.7	7.7	15.9	*	73.1	85.2
<i>Housing status</i>						
Own	92.4	18.8	27.1	7.5	100.0	100.0
Rent or other	70.5	6.3	10.2	7.4	*	73.4

*Fewer than five families.

other investment vehicles. Again, the decline was pervasive. While the proportion of families holding checking and savings accounts declined over the period, the families that held these accounts in 1989 maintained them at about the same real level as that in 1983, with the median value of checking accounts rising only from \$600 to \$900 (tables 4 and 5).

The proportion of families owning money market accounts, including money market mutual funds and money market deposit accounts not used as a checking account, rose. With the increasing ownership of money market accounts, the median size of account declined from \$11,000 to \$5,000, whereas the overall mean rose slightly from \$27,400 to \$28,300. The decrease in the median amount held in these accounts, with the increase in the rate of ownership, indicates that the number of small money market accounts increased.

The proportion of families owning retirement accounts rose; these accounts include individual retirement and Keogh accounts as well as employer-sponsored pension accounts from which withdrawals could be made. The median size of retirement accounts doubled. In part, this growth reflected the overall shift in employer-provided pensions from defined-benefit plans, in which the employer pays a regular benefit beginning at retirement, to defined-contribution and 401(k)-type plans, in which employees have rights to a specific pool of funds at retirement.⁶ While the median retirement account grew in all categories shown, the increase for

6. The SCF collects financial data on all types of pensions. However, for the analysis of family finances, we include only retirement accounts from which funds can be withdrawn before retirement, even if with a penalty. These are generally defined-contribution or 401(k)-type plans.

6. Family ownership of selected nonfinancial assets, by selected characteristics of families, 1983 and 1989—Continued
Percent

Family characteristic	1989					
	Vehicles	Business	Investment real estate	Other assets	Principal residence	Total
All families	84.0	11.5	20.4	22.1	64.7	90.2
<i>Family income (1989 dollars)</i>						
Less than 10,000	51.6	2.3	5.9	12.1	36.2	66.9
10,000–19,999	82.1	8.0	14.4	18.5	57.0	90.5
20,000–29,999	94.4	10.1	15.0	23.8	63.5	96.7
30,000–49,999	95.5	12.0	27.1	25.4	76.2	98.0
50,000 and more	96.8	25.4	38.7	30.7	90.0	99.4
<i>Age of family head (years)</i>						
Under 35	80.7	8.4	8.1	20.5	36.8	84.4
35–44	89.5	17.0	20.9	24.9	65.9	92.8
45–54	90.9	16.2	28.5	25.6	76.6	93.3
55–64	86.9	11.3	31.3	23.9	82.2	92.1
65–74	81.9	7.9	25.6	20.4	80.2	93.8
75 and over	66.9	4.7	16.9	13.3	72.8	87.3
<i>Race of family head</i>						
White	87.9	12.6	21.9	23.3	67.9	93.2
Nonwhite and Hispanic	56.8	4.4	10.5	13.2	42.8	70.0
<i>Life-cycle stage of family head</i>						
Under 55 years						
Unmarried, no children	75.5	10.5	10.9	28.6	23.7	82.1
Married, no children	95.4	13.0	19.8	26.9	56.9	97.2
Unmarried, children	64.7	5.0	9.2	22.2	35.2	71.6
Married, children	96.6	17.5	22.3	21.6	74.9	97.7
55 years and over						
In labor force	91.1	17.6	34.3	28.7	82.0	94.8
Out of labor force						
Retired	82.6	4.7	25.0	17.4	82.2	93.5
Other	56.7	2.0	12.3	11.3	65.6	81.4
<i>Housing status</i>						
Own	92.7	14.4	26.0	23.0	100.0	100.0
Rent or other	67.9	6.3	10.1	20.3	*	72.3

families with incomes of \$50,000 and more was particularly dramatic. The ownership of other financial assets, which include savings bonds and the cash value of life insurance, also grew.

The financial assets discussed thus far were held in insured depository institutions—which include banks, savings banks, savings and loans, and credit unions—or in uninsured institutions. The percentage of families owning any type of account at a depository institution changed little over the period (not shown in table). The holdings of any account in an insured depository institution fell slightly; those of families with income of less than \$10,000 showed large declines. Nevertheless, for families maintaining accounts, the median value of holdings at depository institutions increased for virtually all groups.

Stock ownership, which includes holdings of publicly traded corporate stock and of equity mutual

funds, declined slightly. The median value of holdings of stocks rose overall, with a noticeable drop both in ownership and in median holdings for families with incomes of \$50,000 and more. Median stock holdings also declined for families headed by persons between 35 and 44 years of age. Aggregate mean holdings of stock fell sharply from \$75,600 to \$57,200. For all families, mean holdings of both taxable and nontaxable bonds, which include bonds held directly and bonds held through mutual funds, fell. However, median holdings of taxable bonds increased, and median holdings of tax-exempt bonds decreased. These changes in median holdings may reflect changes in the tax code that have lessened the relative advantage of nontaxable bonds.

Overall, the proportion of families owning any type of financial asset fell slightly. Nevertheless, for families still holding financial assets, median hold-

7. Median amount of nonfinancial assets of families holding such assets, by selected characteristics of families, 1983 and 1989

Thousands of 1989 dollars

Family characteristic	1983					
	Vehicles	Business	Investment real estate	Other assets	Principal residence	Total
All families	5.1	57.0	43.6	6.2	64.7	59.7
<i>Family income (1989 dollars)</i>						
Less than 10,000	1.8	41.1	13.9	2.5	32.1	15.5
10,000-19,999	3.2	31.4	27.9	2.9	49.8	31.1
20,000-29,999	4.5	24.9	31.1	3.7	54.2	45.9
30,000-49,999	6.4	44.0	39.0	6.2	74.7	81.5
50,000 and more	9.8	121.0	89.0	12.5	112.1	163.9
<i>Age of family head (years)</i>						
Under 35	4.4	24.9	31.1	2.5	56.0	13.2
35-44	5.6	55.2	47.3	6.2	80.9	77.4
45-54	6.6	67.5	36.1	10.7	74.7	88.1
55-64	6.3	93.4	49.8	12.5	74.7	81.4
65-74	3.8	94.7	49.8	12.5	57.3	65.5
75 and over	2.3	124.5	39.8	5.8	44.8	49.2
<i>Race of family head</i>						
White	5.2	59.2	44.2	6.2	68.5	65.5
Nonwhite and Hispanic	4.1	49.0	25.5	2.5	43.6	25.7
<i>Life-cycle stage of family head</i>						
Under 55 years						
Unmarried, no children	3.6	15.4	28.0	2.8	56.0	6.2
Married, no children	6.0	49.8	53.4	3.7	62.3	39.9
Unmarried, children	3.6	49.0	37.0	11.2	62.3	39.0
Married, children	6.3	50.3	39.0	5.1	74.7	74.3
55 years and over						
In labor force	6.4	93.4	56.0	18.7	74.7	91.7
Out of labor force						
Retired	3.4	99.6	43.6	8.7	49.8	55.6
Other	3.6	124.5	7.5	*	49.8	44.8
<i>Housing status</i>						
Own	6.1	62.3	43.6	8.5	64.7	85.0
Rent or other	3.4	26.6	36.1	3.1	*	4.2
MEMO						
Mean	7.0	238.7	126.7	22.3	87.5	136.7

*Fewer than five families.

ings more than doubled, whereas mean holdings increased only about 40 percent. These changes suggest a decline in concentration of financial assets.

Nonfinancial Assets

The largest single asset of most families is their principal residence. Rates of homeownership for all families were little changed between 1983 and 1989 (table 6). However, there were sizable declines in ownership for the lowest income group and for single parents. Rates of homeownership for childless married couples increased substantially as did rates for families with heads between 55 and 64 years of age. For all families, the median real home value for homeowners increased from \$64,700 to \$70,000, an

8 percent rise, whereas the mean increased from \$87,500 to \$107,400, a 23 percent rise (table 7). The increase occurred largely in the group of families with incomes of \$50,000 and more.

The ownership of investment real estate, including all properties from vacation cabins to shopping centers, also changed little over the period, whereas the median holdings fell about 11 percent. By income group, changes in ownership were mixed, with a notable decline for families with incomes of \$50,000 and more. For this group, the median size of holdings in investment real estate also declined. The median investment in real estate increased for families without children headed by persons under age 55.

Ownership of an equity interest in a business, including limited partnerships, other partnerships,

7. Median amount of nonfinancial assets of families holding such assets, by selected characteristics of families, 1983 and 1989—Continued

Thousands of 1989 dollars

Family characteristic	1989					
	Vehicles	Business	Investment real estate	Other assets	Principal residence	Total
All families	6.9	50.0	39.0	5.0	70.0	66.7
<i>Family income (1989 dollars)</i>						
Less than 10,000	2.0	14.3	16.7	1.2	33.0	11.4
10,000-19,999	4.1	5.9	18.0	3.0	50.0	39.2
20,000-29,999	5.8	40.0	30.0	3.0	57.0	48.3
30,000-49,999	8.7	45.0	35.0	5.0	75.0	84.9
50,000 and more	13.4	93.0	80.0	15.0	130.0	190.0
<i>Age of family head (years)</i>						
Under 35	5.7	11.0	31.5	1.6	65.0	15.5
35-44	8.0	50.0	46.0	5.0	80.0	81.3
45-54	9.6	61.6	50.0	8.3	85.0	105.3
55-64	7.1	80.0	39.0	8.0	75.0	93.9
65-74	5.4	53.0	34.0	10.0	58.1	63.1
75 and over	3.7	28.5	35.0	10.0	55.0	52.0
<i>Race of family head</i>						
White	7.1	50.0	40.0	6.0	75.0	71.0
Nonwhite and Hispanic	4.5	8.4	30.0	.4	42.5	30.1
<i>Life-cycle stage of family head</i>						
Under 55 years						
Unmarried, no children	4.3	8.4	45.0	2.0	84.0	8.8
Married, no children	9.0	45.0	94.0	4.0	84.0	66.3
Unmarried, children	4.8	13.4	46.0	3.0	60.0	22.7
Married, children	9.3	52.0	45.0	6.0	80.0	86.4
55 years and over						
In labor force	7.6	80.0	43.0	8.0	80.0	98.3
Out of labor force						
Retired	5.5	49.2	35.7	11.4	60.0	67.6
Other	2.6	8.9	19.0	2.5	45.0	43.0
<i>Housing status</i>						
Own	8.3	60.0	40.0	8.0	70.0	95.9
Rent or other	8.0	7.2	31.0	2.0	*	5.5
MEMO						
Mean	10.0	334.2	160.6	32.6	107.4	173.3

corporations, sole proprietorships, and other private businesses, fell substantially. The value of holdings fell for families in the top and the bottom income categories. Particularly striking was the decline of the real value of median holdings of businesses by nonwhites and Hispanics from \$49,000 to \$8,400. This decline, with a decrease in the rates of business ownership, reflects the exit of minority investors from the market.

While the overall ownership of vehicles, including automobiles, trucks, campers, boats, and other vehicles, was virtually unchanged, some individual categories did exhibit relatively large shifts. Two groups showing marked declines in rates of ownership were families with younger heads and nonwhites and Hispanics. Nevertheless, real median gross

holdings for those with vehicles rose from \$5,100 to \$6,900: This rise reflects the increase in the real cost of automobiles.

This comparison of mean and median values for individual categories of nonfinancial assets suggests

8. Composition of family debts, 1983 and 1989

Percent

Debt	1983	1989
Home mortgages	58.1	53.1
Investment real estate mortgages ..	20.5	25.0
Home equity lines of credit .....	.5	2.6
Other lines of credit	2.8	1.0
Credit cards	1.8	2.2
Car loans	6.1	8.0
Other debt	10.2	8.1
Total	100.0	100.0

9. Families carrying selected financial debts, by selected characteristics of families, 1983 and 1989

Percent

Family characteristic	1983							
	Home mortgage	Investment real estate	Home equity lines	Other lines of credit	Credit cards	Car loans	Other debt	Total
All families	36.9	7.6	.5	11.2	37.0	28.7	29.6	69.6
<i>Family income (1989 dollars)</i>								
Less than 10,000	9.9	1.0	*	3.0	11.9	8.8	24.4	41.3
10,000-19,999	20.1	2.6	*	7.2	26.3	21.7	25.1	58.2
20,000-29,999	34.0	5.4	*	10.7	45.5	32.9	31.9	76.6
30,000-49,999	56.4	9.9	.8	16.9	53.0	40.0	34.8	85.3
50,000 and more	66.8	21.3	.7	18.2	48.4	40.1	32.1	87.2
<i>Age of family head (years)</i>								
Under 35	32.6	5.3	.4	12.6	38.4	36.9	42.3	79.1
35-44	58.1	11.7	.8	17.3	51.5	38.4	38.4	87.1
45-54	53.5	10.4	.8	13.6	45.0	35.3	31.1	81.0
55-64	34.4	10.6	*	9.6	37.5	21.9	19.0	67.2
65-74	15.7	3.5	*	3.1	18.2	8.4	9.0	37.1
75 and over	3.7	1.2	*	*	6.1	*	6.2	16.8
<i>Race of family head</i>								
White	39.2	8.4	.6	11.0	37.9	29.7	29.0	70.6
Nonwhite and Hispanic	26.3	4.0	*	12.0	33.1	23.7	32.6	64.7
<i>Life-cycle stage of family head</i>								
Under 55 years								
Unmarried, no children	14.8	4.3	*	7.7	33.3	21.6	35.2	68.8
Married, no children	45.8	7.4	*	17.1	52.8	45.0	46.0	91.1
Unmarried, children	31.0	5.1	*	12.8	34.3	24.6	33.4	70.5
Married, children	60.0	11.2	.7	16.4	49.4	45.3	40.3	89.0
55 years and over								
In labor force	34.3	12.3	*	10.7	37.3	21.7	18.6	66.7
Out of labor force								
Retired	13.7	2.0	*	1.8	15.5	7.2	8.8	33.2
Other	*	*	*	*	10.9	*	7.9	21.5
<i>Housing status</i>								
Own	58.3	9.6	.8	12.0	41.6	31.0	28.5	75.1
Rent or other	*	4.2	*	9.8	29.1	24.5	31.6	60.0

*Fewer than five families.

that the concentration of all such nonfinancial assets increased. For homes and vehicles, the most widely held nonfinancial assets, both mean and median holdings grew. The median values for homes and vehicles grew 8 percent and 35 percent respectively, while the mean values grew faster—23 percent and 43 percent respectively. This difference suggests that the top half of the distribution shifted upward faster than the bottom half. In other words, nonfinancial assets became more concentrated at the top end of the distribution. For the remaining nonfinancial assets, the median values actually fell while the mean values increased, a finding that suggests even greater increases in concentration. Overall, both the median and mean values of total nonfinancial assets increased. This fact indicates that the increases in home and vehicle assets more than offset the declines in the median holdings of less widely held assets.

The largest percentage increase in the median value of holdings was for the group with incomes of \$50,000 and more. The only other sizable increase was reported for married couples with no children. Large declines were observed for single parents.

LIABILITIES

Families hold many types of debt, including mortgage and credit-card debt, lines of credit, automobile loans, and closed-end and other debts. While the largest nonfinancial asset for most families is their principal residence, their largest financial obligation is their mortgage for it. In light of changes in the tax treatment of consumer interest payments, one might expect families to increase the proportion of their

9. Families carrying selected financial debts, by selected characteristics of families, 1983 and 1989—Continued
Percent

Family characteristic	1989							
	Home mortgage	Investment real estate	Home equity lines	Other lines of credit	Credit cards	Car loans	Other debt	Total
All families	38.7	7.0	3.3	3.3	39.9	35.1	32.3	72.7
<i>Family income (1989 dollars)</i>								
Less than 10,000	8.8	1.0	*	1.5	15.0	11.1	29.6	47.2
10,000–19,999	21.3	1.5	1.3	2.2	27.3	21.8	31.0	58.7
20,000–29,999	36.8	4.7	2.4	1.6	48.9	39.4	30.0	79.5
30,000–49,999	53.1	8.8	4.5	4.1	55.0	50.9	36.1	86.5
50,000 and more	72.4	18.7	7.7	6.7	53.1	51.7	34.2	91.8
<i>Age of family head (years)</i>								
Under 35	32.8	2.6	1.0	4.5	44.0	37.4	45.0	79.5
35–44	57.7	10.2	4.3	4.7	52.4	51.5	43.0	89.6
45–54	56.3	12.3	6.3	4.0	50.0	48.7	32.9	85.9
55–64	37.5	10.7	6.1	1.9	34.1	29.3	24.2	74.0
65–74	19.9	3.9	1.0	.6	25.4	14.0	13.4	47.9
75 and over	8.6	1.4	*	*	10.6	5.3	8.1	23.8
<i>Race of family head</i>								
White	40.9	7.6	3.6	3.4	41.0	36.3	31.9	73.9
Nonwhite and Hispanic	23.7	2.9	1.1	2.4	32.4	27.0	35.1	65.0
<i>Life-cycle stage of family head</i>								
Under 55 years								
Unmarried, no children	18.1	5.0	*	5.6	37.5	29.8	37.6	72.8
Married, no children	52.0	9.8	*	11.0	57.9	50.5	49.5	89.2
Unmarried, children	26.8	4.2	1.6	2.6	33.4	29.9	38.4	70.0
Married, children	63.6	9.3	5.4	4.0	56.7	55.0	43.1	93.6
55 years and over								
In labor force	41.2	12.0	6.6	2.7	43.3	32.1	21.2	79.1
Out of labor force								
Retired	15.5	3.7	1.1	.5	15.2	12.5	11.5	37.9
Other	17.0	1.7	*	*	18.3	8.6	20.8	42.1
<i>Housing status</i>								
Own	59.8	9.0	5.0	2.9	43.8	39.0	30.7	78.0
Rent or other	*	3.4	*	4.0	32.7	27.9	35.4	63.1

debt that is secured by their principal residence. However, the real size of mortgages for principal residences plus home equity lines of credit actually declined as a proportion of total family debt between 1983 and 1989 (table 8). This decline occurred because, while the level of real total home equity debt increased, other forms of debt increased even more (tables 9 and 10). In particular, credit-card debt and automobile loans grew substantially over this period.

The proportion of families owning homes rose slightly, but the proportion of families with mortgages rose faster, from 37 percent to almost 39 percent (tables 6 and 9). The median size of a mortgage rose from \$27,000 to \$32,000 (table 10). The two lowest income groups reduced the median value of their debt outstanding. In contrast, the three highest income groups increased the median size of

their mortgage debt. The sizable decline in ownership of mortgage debt among single parents stands out from a picture of mortgage holding that otherwise shows little change.

The use of home equity lines of credit, another form of mortgage debt, rose strongly over this period; it was concentrated in the high-income groups. The median value of debt of this type increased substantially whereas the mean value of debt rose only slightly. This difference suggests that large home-equity lines of credit shrank as a proportion of all such debt. While families may have substituted home equity lines of credit for other types of credit, the overall proportion of families using any line of credit fell from 11¾ percent in 1983 to 6½ percent in 1989.

The ownership of investment real estate declined, and the proportion of families in virtually all income

10. Median debt of families carrying such debts, by selected characteristics of families, 1983 and 1989

Thousands of 1989 dollars

Family characteristic	1983							
	Home mortgage	Investment real estate	Home equity lines	Other lines of credit	Credit cards	Car loans	Other debt	Total
All families	27.0	23.3	7.5	1.2	.6	3.8	1.6	13.4
<i>Family income (1989 dollars)</i>								
Less than 10,000	13.5	2.8	*	.5	.4	1.6	.7	1.8
10,000-19,999	17.6	10.2	*	1.0	.5	2.6	.9	4.0
20,000-29,999	17.7	21.4	*	.9	.5	3.0	1.4	8.5
30,000-49,999	28.4	15.8	2.5	1.2	.7	4.0	2.1	21.8
50,000 and more	39.1	40.0	24.9	1.9	1.0	5.5	5.0	45.1
<i>Age of family head (years)</i>								
Under 35	34.0	23.0	2.5	.9	.6	3.2	1.4	8.3
35-44	31.9	24.2	30.5	1.2	.7	4.5	2.0	25.4
45-54	20.3	15.7	10.0	1.4	.6	4.0	2.3	16.1
55-64	15.9	29.6	*	1.9	.6	3.7	2.9	10.2
65-74	14.1	35.6	*	.9	.2	2.9	.7	4.9
75 and over	4.6	43.7	*	*	.4	*	.4	1.2
<i>Race of family head</i>								
White	28.5	25.1	7.5	1.2	.6	3.8	1.8	15.5
Nonwhite and Hispanic	16.3	16.9	*	1.0	.9	3.2	1.1	5.6
<i>Life-cycle stage of family head</i>								
Under 55 years								
Unmarried, no children	28.9	25.1	*	1.0	.5	3.3	1.6	3.6
Married, no children	38.4	43.3	*	.9	.6	4.4	1.2	15.3
Unmarried, children	22.5	16.4	*	1.2	.5	2.8	1.1	7.0
Married, children	29.8	20.3	5.0	1.2	.7	4.0	2.0	24.0
55 years and over								
In labor force	17.8	32.2	*	2.4	.6	3.8	3.1	12.4
Out of labor force								
Retired	11.8	35.6	*	.8	.4	3.4	.6	3.1
Other	*	*	*	*	.2	*	.6	.6
<i>Housing status</i>								
Own	27.0	23.3	7.5	1.2	.6	4.2	2.2	25.5
Rent or other	*	24.2	*	1.0	.6	2.8	1.0	2.2
MEMO								
Mean	34.7	59.3	22.8	5.5	1.1	4.7	7.6	31.7

*Fewer than five families.

groups with investment real estate debt fell. At the same time, the median debt secured by investment real estate rose; it increased in all income groups but the middle. Median debt declined substantially for families with heads over 55 years of age.

For most of the groups examined here, the proportion of families holding credit-card debt increased. A notable exception was the category of nonwhite and Hispanic families, for whom the incidence and the median holding of credit-card debt declined. In the life-cycle categories, only for single parents did the incidence of credit-card debt decrease noticeably, whereas for all groups the median level of debt grew.

Despite a tax treatment of automobile loans that was less favorable in 1989 than in 1983, with the increasing real cost of purchasing automobiles

both the incidence and the median amount of car loans increased for most groups. As with car loans, the median amount of other debt, including closed-end consumer debt other than auto loans and loans against pension plans and insurance, grew between 1983 and 1989. The increases were widespread.

The proportion of families holding any type of debt rose about 3 percentage points; the median real amount of debt held rose 13 percent; and the mean real debt rose by 42 percent, from \$31,700 to \$45,000. While the median debt rose for all income groups, the rise was most marked for those with incomes of \$20,000-\$29,000, a group for which debt increased nearly 50 percent. The median debt for childless couples with heads under 55 years of age more than doubled.

10. Median debt of families carrying such debts, by selected characteristics of families, 1983 and 1989—Continued
Thousands of 1989 dollars

Family characteristic	1989							Total
	Home mortgage	Investment real estate	Home equity lines	Other lines of credit	Credit cards	Car loans	Other debt	
All families	32.0	30.0	17.5	2.0	.9	5.8	2.0	15.2
<i>Family income (1989 dollars)</i>								
Less than 10,000	7.5	3.6	*	2.0	.3	1.8	1.2	1.9
10,000–19,999	13.0	24.0	25.0	.9	.6	3.0	1.3	5.0
20,000–29,999	21.0	13.5	8.3	.5	.8	5.5	2.0	12.5
30,000–49,999	33.0	17.5	16.0	2.5	1.0	6.5	2.3	26.2
50,000 and more	48.0	47.0	20.0	3.3	1.7	7.2	4.0	55.5
<i>Age of family head (years)</i>								
Under 35	44.0	20.0	18.9	1.7	1.0	5.1	2.0	11.0
35–44	40.0	39.0	15.0	3.3	1.2	6.6	2.0	31.1
45–54	26.0	21.0	16.0	1.3	1.0	6.4	2.5	23.7
55–64	21.0	16.3	30.0	2.0	.9	5.8	1.8	10.8
65–74	11.0	15.0	30.0	2.0	.5	4.0	1.1	5.0
75 and over	4.5	18.0	*	*	.2	3.3	2.5	3.0
<i>Race of family head</i>								
White	35.0	31.7	17.5	2.5	1.0	5.8	2.0	17.3
Nonwhite and Hispanic	15.0	9.3	18.0	1.7	.6	5.4	1.1	4.5
<i>Life-cycle stage of family head</i>								
Under 55 years								
Unmarried, no children	50.0	53.0	*	1.4	.8	5.1	2.6	5.9
Married, no children	52.5	35.0	*	1.7	.8	7.1	4.4	34.2
Unmarried, children	26.5	20.0	16.0	3.0	1.0	4.3	1.5	7.3
Married, children	38.0	31.7	15.0	3.0	1.2	6.4	2.1	31.2
55 years and over								
In labor force	21.0	17.0	30.0	2.0	.8	4.5	2.4	14.0
Out of labor force								
Retired	7.9	12.5	4.0	1.1	.5	5.8	1.8	5.8
Other	15.9	18.0	*	*	.4	3.7	1.0	2.7
<i>Housing status</i>								
Own	32.0	27.0	17.5	3.0	1.0	6.6	2.3	32.0
Rent or other	*	39.0	*	1.4	.8	4.2	1.7	3.2
MEMO								
Mean	45.0	117.5	26.3	10.2	1.8	7.5	8.2	45.0

The 1989 SCF collected data on the purpose of all loans except credit card loans and first mortgages. The 1983 SCF has no comparable data. In 1989, 44 percent of the dollar amount of this debt category was associated with purchases of vehicles; about 20 percent was used for investment. Of the remaining debt, 9 percent was for outlays associated with remodeling and repairs, and 9 percent was for education expenses.

ABILITY TO PAY

Given the magnitude of the increase in debt and the absence of change in median income between 1983 and 1989, questions arise about the ability of families to repay their loans. Indeed, data from the SCF indicate that the proportion of families reporting that

they were a month or more late in making loan payments rose from 13 percent to 15 percent between 1983 and 1989.

One measure of consumers' ability to repay loans is the ratio of nonmortgage debt payments to income; nonmortgage debt refers to loans other than those on the principal residence (table 11).⁷ For all income and demographic groups reported here, the median payment-to-income ratio shifted upward between 1983 and 1989. The shift seems fairly uniform across groups, except those regarding income.

7. Mortgage debt is excluded because those families not making mortgage payments generally pay rent. Median payments for housing (both mortgage and rent) increased from \$1,900 per year in 1983 to \$3,000 per year in 1989; these payments relative to income rose from 9 percent to 13 percent over the period.

11. Median ratio of nonmortgage debt payments to family income, by selected characteristics of families, 1983 and 1989
Percent

Family characteristic	1983			1989		
	Lowest third	Middle third	Highest third	Lowest third	Middle third	Highest third
All families .....	.4	5.9	15.0	1.2	8.2	21.0
<i>Family income (1989 dollars)</i>						
Less than 10,000 .....	.6	3.8	32.1	.8	8.5	39.7
10,000-19,999 .....	.5	6.2	16.9	1.2	7.7	19.9
20,000-29,999 .....	.3	6.7	13.9	.7	9.0	18.8
30,000-49,999 .....	.3	6.0	13.3	1.3	8.3	18.2
50,000 and more .....	.4	5.2	14.0	2.2	7.6	19.4
<i>Age of family head (years)</i>						
Under 35 .....	.4	6.3	14.6	1.3	8.2	21.5
35-44 .....	.5	5.9	15.0	1.6	8.5	21.0
45-54 .....	.5	5.7	14.6	1.1	7.9	20.1
55-64 .....	.3	5.2	15.7	.8	9.2	20.0
65-74 .....	.3	4.9	17.9	1.1	8.0	22.6
75 and over .....	.4	3.7	*	.5	5.3	17.8
<i>Race of family head</i>						
White .....	.4	5.8	14.8	1.1	8.2	21.0
Nonwhite and Hispanic .....	.4	6.6	16.4	1.7	8.8	20.1
<i>Life-cycle stage of family head</i>						
Under 55 years						
Unmarried, no children .....	.5	6.7	14.2	1.4	7.7	23.2
Married, no children .....	.3	6.1	15.9	3.0	8.7	23.5
Unmarried, children .....	.5	6.5	15.5	1.3	8.2	21.2
Married, children .....	.5	5.9	14.6	1.2	8.2	19.9
55 years and over						
In labor force .....	.4	5.2	14.7	1.1	9.3	19.5
Out of labor force						
Retired .....	.3	4.6	17.2	.6	7.3	19.4
Other .....	.2	*	*	.6	7.1	30.6
<i>Housing status</i>						
Own .....	.4	5.8	15.1	1.2	8.2	19.5
Rent or other .....	.5	6.3	14.6	1.2	8.3	23.2
<i>Asset holders</i>						
Lowest third .....	.6	6.4	16.0	1.5	8.1	24.0
Middle third .....	.4	6.0	14.3	1.2	8.6	18.6
Highest third .....	.3	5.4	14.5	.9	8.1	20.3

*Fewer than five families.

Historically, the payment-to-income ratio has tended to be lower for families with higher income. Indeed, for families in the highest third of the payment-to-income distribution, those with incomes of less than \$10,000 had a payment-to-income ratio of 32 percent in 1983 whereas those with incomes of \$50,000 and more had a ratio of only 14 percent. By 1989, however, the ratio for the lowest income group had risen to nearly 40 percent and that for the highest income group had risen to 19 percent. The relation of family income to debt payments suggests that the payment burden grew most rapidly among those families with the greatest ability to pay. Nevertheless, the aggregate risk of default could rise if the incomes of these families fell.

Consumers may repay their loans out of their financial assets. In both 1983 and 1989, only about 4 percent of all families were both among the largest nonmortgage debt holders and among the smallest financial asset holders (table 12). In addition, in 1983, only 8.6 percent of all families were both among the largest nonmortgage debt holders and among the largest financial asset holders. By 1989, this proportion had risen to 9.4 percent. Comparing the distribution of total nonmortgage debt and financial assets in 1983 with that in 1989 (not shown in the table) indicates that the largest rise in such debt occurred for families with the greatest holdings of financial assets. This group held 56 percent of all nonmortgage debt in 1983 and 67 percent in 1989.

12. Joint distribution of families by financial asset holdings and nonmortgage borrowing, 1983 and 1989
Percent of families

Amount of debt held	Financial asset holders		
	Lowest third	Middle third	Highest third
1983			
No debt	12.4	9.3	15.0
Lowest third	9.3	7.0	4.8
Middle third	7.5	8.6	5.1
Highest third	4.1	8.5	8.6
1989			
No debt	12.3	7.6	13.4
Lowest third	10.6	7.4	4.2
Middle third	6.3	9.6	6.4
Highest third	4.0	8.8	9.4

APPENDIX: DESIGN OF THE 1989 SURVEY OF CONSUMER FINANCES

The 1989 SCF was designed to gather family-level information closely comparable to that obtained in the 1983 SCF. It collected detailed data on the composition of family balance sheets, the terms of loans, and relationships with financial institutions. It also gathered information on the employment history and pension rights of the survey respondent and the spouse or partner of the respondent and on other demographic, economic, and attitudinal variables.

The survey attempts to provide an accurate representation of the distribution of these variables across U.S. families. To that end, it is distinguished from other household surveys by virtue of its sample design. Research has indicated that the distributions of income and net worth are skewed, with a relatively small proportion of families having a disproportionately large share of both income and net worth. To obtain a sufficiently large and unbiased sample of wealthier families, the SCF employs a two-part strategy for sampling families. Of the 3,143 families in the sample used in this article, 2,277 were selected by standard multistage area-probability sampling methods from the forty-eight contiguous states. The remaining 866 families in the survey were selected using tax data under the strict rules governing

confidentiality and the rights of potential respondents to refuse participation. This second group of families was selected specifically to oversample wealthier families.⁸

The definition of "family" used in the SCF differs from that commonly used by the Bureau of the Census. Census families exclude single individuals, who are separately classified as "unrelated individuals." In the SCF, a given household is divided into a primary economic unit and other economic units. The primary economic unit, which may be a single individual, is generally chosen as the unit that contains the person who either holds the title to the home or is the first person listed on the lease. The primary unit is used as the reference family.

Data for the survey were collected by the Survey Research Center at the University of Michigan between August 1989 and March 1990. The achieved sample of 3,143 families represents a response rate of about 69 percent in the area-probability sample and a rate of about 34 percent in the tax-data sample. Although the response rate for the tax-data sample may appear low by conventional standards, analysis of separate data shows that the sample provides an unbiased representation of key income variables.

In any survey, there are several potential sources of error, including inaccurate survey responses, nonresponses to the entire survey or to particular questions in the survey, and errors due to sampling. Response errors, which are difficult to measure, are best controlled through the proper training of interviewers and the careful design of questionnaires. Most nonresponse errors arise either because a respondent is uncomfortable about providing information or because the respondent does not know the information being asked. In the SCF, adjustments for nonresponse errors are made through systematic imputation of unanswered questions and through weighting adjustments based on data used in the sample design for families that refused partici-

8. A detailed description of the sample design is given in S. Heeringa and L. Woodburn, "Sample Design Documentation, 1989 Survey of Consumer Finances," memo, Institute for Social Research, University of Michigan, 1991.

pation.⁹ Sampling error arises any time survey estimates are based on a sample rather than on a census. Because of the complex design of the SCF, the estimation of potential sampling errors is not straightforward.¹⁰

The sampling weights used in the calculations reported in this article were produced by the Survey Research Center at the University of Michigan and were based on the probability design of the original sample. These weights have been adjusted with data from the Bureau of the Census to reflect aggregate information available on the age and geographic distribution and on homeownership patterns of the U.S. population. These weights were further adjusted to minimize the influence of extreme cases on the estimation of net worth.

The SCF data are available to the public. Copies of the survey are available on magnetic tape from the National Technical Information Service, Federal Computer Products Center, 5285 Port Royal Road, Springfield, VA 22161 or (703) 487-4763.

9. A description of the imputation procedures is given in A. Kennickell, "Imputation of the 1989 Survey of Consumer Finances: Stochastic Relaxation and Multiple Imputation," Proceedings of the Section on Survey Research Methods, American Statistical Association, 1991. See L. Woodburn, "Using Auxiliary Information to Investigate Nonresponse Bias," unpublished paper (1991), Statistics of Income Division, Internal Revenue Service, for a description of response bias in the SOI sample; and Heeringa and Woodburn for a description of overall weighting adjustments.

10. Selected estimates of sampling errors are given in A. Kennickell and L. Woodburn, "Estimates of the Variance of Changes in the Distribution of Net Worth," memo, Federal Reserve Board, 1991.

Treasury and Federal Reserve Foreign Exchange Operations

This quarterly report, covering the period August through October 1991, provides information on Treasury and System foreign exchange operations. It was presented by Margaret L. Greene, Senior Vice President of Foreign Exchange at the Federal Reserve Bank of New York. Roger M. Scher was primarily responsible for preparation of the report.¹

The dollar, having already come down from its post-Gulf-war highs before the beginning of August, moved irregularly and moderately lower during the August–October period under review. This development occurred as the recovery of the U.S. economy appeared both slower to emerge and less vigorous than had been anticipated in earlier months. The dollar eased during the three-month period more than 4 percent against the mark, close to 5 percent against the yen, and about 3¾ percent on a trade-weighted basis.² The U.S. monetary authorities did not intervene in the foreign exchange markets during the period.

AUGUST

As the period opened, the dollar was generally trading with a negative bias, weighed down by widening interest rate differentials adverse to the dollar. Previously, market participants had expected that the United States would emerge quickly out of recession at a time when some other economies might be slowing and that the large interest rate differentials providing a disincentive to investment in dollar-denominated assets would thereby be eliminated. But U.S. data released around the beginning of August caused a reappraisal of this

view, raising questions about the vigor of the U.S. economy and renewing talk of further declines in U.S. interest rates. At the same time, the Japanese authorities were trying to dampen expectations that a reduction of the Bank of Japan's official discount rate in early July would quickly be followed by another such move. In Germany, new data revealing rising inflation encouraged expectations that the Bundesbank would raise official interest rates to contain inflationary pressures before the start of important labor negotiations for the coming year.

Against this background, the dollar showed some vulnerability to selling pressure in early August, particularly against the mark. Publication of a weak July nonfarm payroll employment report, after a succession of other worse-than-expected U.S. statistics, prompted a 2 percent drop in the dollar from its high of DM1.7675 on August 2. Evidence that the Federal Reserve had eased the federal funds rate 25 basis points on August 6 triggered a new round of selling of the dollar against the mark that took the exchange rate briefly below DM1.70 on August 8. But around mid-August, when the Bundesbank announced that it was raising its official Lombard rate less than the market had expected, the dollar almost completely reversed its decline of the previous weeks. Against the yen, the dollar followed a similar pattern, easing from a high of ¥138 on August 2 to almost ¥135 about a week later before retracing some of its decline. But these movements were somewhat more subdued because revelations surrounding scandals in Japan's financial markets were weighing on the Japanese currency.

News early on Monday, August 19, that Soviet President Gorbachev had been removed from office sparked a sudden scramble for dollars. The prospect that the Soviet leader would be replaced by a reactionary government seeking to roll back the reforms that permitted liberalization in Eastern Europe and the unification of Germany inflamed the markets' deepest anxieties about the outlook for

1. The charts for the report are available on request from Publications Services, Board of Governors of the Federal Reserve System, mail stop 138, Washington, D.C. 20551.

2. The trade-weighted basis is as measured by the Federal Reserve Board index.

Europe, in general, and Germany, in particular. Market participants, seeking safe havens for currency, moved funds out of marks and into other currencies, including the U.S. and Canadian dollars and the Swiss franc—currencies thought to be geographically insulated from whatever potential political disruption and social unrest might ensue. In a matter of hours, the dollar rose 7 pfennigs, or about 4 percent, to touch DM1.8350, amid fears that the coup attempt would lead immediately to widespread violence. By the time New York trading began that day, the dollar had come well off its highs after reports circulated that several central banks had been intervening and as the likelihood of violence in the Soviet Union appeared to diminish. In these circumstances, no intervention was undertaken by the U.S. authorities. By Wednesday, August 21, reports circulated that the putsch had failed and that Gorbachev would return to office. Market participants were impressed by the strength of public support for a more democratic government in the Soviet Union and at the same time surmised that the threat to continued liberalization might induce Western nations to offer substantial assistance to Eastern Europe. Thus, the outlook for Germany and the mark appeared somewhat improved on balance. In response, the dollar quickly fell back below its precoup levels. By the end of August, the dollar was trading near levels that prevailed at the beginning of the month, closing at DM1.7465 and ¥136.80.

The very sharp swings in exchange rates that occurred around the time of the events in the Soviet Union, after the volatility that had been evident beforehand, had an unnerving effect on many market participants. There were numerous reports that substantial losses arising from the Soviet episode had induced many market participants subsequently to reduce their position-taking activities. The dollar's sharp rise also served as a reminder of the risk of holding short-dollar positions.

The movement of the dollar against the yen, though broadly in the same direction, had been less sharp because the developments in the Soviet Union were perceived to have a less immediate effect on Japan than on Germany. As a result, market participants became persuaded of the merits of using the Japanese yen as a vehicle for taking positions either in favor of or against the German mark because the yen might not entail as much price risk as the dollar.

EARLY SEPTEMBER

In early September, the release of a new round of monthly U.S. data reinforced doubts about the strength of the U.S. recovery and, in a context of renewed calls by U.S. officials for lower U.S. interest rates, revived the negative market sentiment toward the dollar. A steep downward revision in U.S. nonfarm payroll data was reported on September 6, after a downward revision in late August of growth in U.S. second-quarter GNP. The following week, the U.S. Bureau of Labor Statistics released price data that appeared to suggest that the risks of reigniting inflation were low. These data, along with reports of anemic growth in monetary aggregates, further intensified expectations that more aggressive easing by the Federal Reserve lay ahead. On September 13, the Federal Reserve announced a cut of 50 basis points in the discount rate to 5 percent.

At the same time, developments in Germany and Japan served to improve sentiment for the currencies of those countries. Market participants felt that, because the Bundesbank's official interest rate hike in August was at the lower end of the range of expectations, another tightening of German monetary policy could not be ruled out. The contrast in monetary policy orientation in the United States and Germany weighed on the dollar relative to the mark. With respect to the yen, the prospects for interest rates were not so divergent from those in the United States. Indeed, the Japanese authorities were seen as exerting downward pressure on Japanese short-term interest rates to shore up confidence in Japanese financial markets and to respond to evidence suggesting that the Japanese economy was losing steam. At times there was even talk in the market that the authorities in Japan and the United States might act jointly to lower interest rates. Nevertheless, the yen tended to firm relative to the dollar as the outflow of portfolio capital from Japan appeared to be slowing. Many market participants believed that Japanese firms were anxious to improve the yen liquidity of their balance sheets, particularly ahead of the fiscal half-year reporting date at the end of September. It appeared as well that domestic and foreign investors were becoming more confident that the time had come to take advantage of attractive buying opportunities in the Japanese stock market.

Under these circumstances, market participants became more willing to sell dollars, and those who

needed to buy felt content to postpone their dollar purchases. During the first two weeks of September, the dollar eased more than 3 percent against the mark to just under DM1.69 as well as 2 percent against the yen to just under ¥134.

MID-SEPTEMBER TO LATE OCTOBER

Starting in mid-September, the dollar drew support against the mark from developments in Eastern Europe. The economic and political situation there appeared vulnerable to the kind of sudden political or military crisis that could cause the dollar to appreciate substantially, as it had during the Soviet putsch. The military and social disintegration taking place in Yugoslavia was both a disturbing development in itself and an example of the risks facing countries trying to make the adjustment to democratic governance and market economies. Moreover, talk began to circulate that the Soviet Union might not be able to remain current in its international obligations, and these financial pressures were seen as posing severe strains on the Soviet economy ahead of the difficult winter season.

In early October, economic factors also came to lend more support to the dollar. Unexpectedly positive data on U.S. employment and new home sales led market participants temporarily to question their negative view of U.S. economic prospects. Furthermore, proposals then circulating in the U.S. Administration and the Congress to encourage bank lending and to cut taxes led market participants to consider that instruments other than monetary policy might be employed in efforts to spur the economy. As a result, earlier expectations that U.S. interest rates would continue to decline until economic activity picked up more decisively in the United States diminished.

This change in expectations roughly coincided with a revision of expectations concerning German interest rates. Market participants were becoming increasingly impressed with evidence of decelerating economic activity in many of Germany's neighbors.

They were also aware of the intensifying pace of negotiations within the European Community over European monetary union. As time passed and the Bundesbank did not move to raise interest rates again in September, many market participants began to consider the possibility that a combination of

1. Federal Reserve reciprocal currency arrangements Millions of dollars

Institution	Amount of facility, October 31, 1991
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
Deutsche Bundesbank	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
<i>Bank for International Settlements</i>	
Dollars against Swiss Francs	600
Dollars against other authorized European currencies	1,250
Total	30,100

domestic and international considerations might make another increase in official German rates unlikely.

Under these circumstances, the pace of the dollar's decline against the mark slowed during the second half of September, even as the exchange rate eased to its low for the period under review of DM1.6577 on September 30. Then in October, the dollar actually firmed a little against the mark and subsequently fluctuated without clear direction, trading as high as DM1.7218 on October 28.

Against the yen, by contrast, the dollar showed a more pronounced tendency to weaken, especially in early October. As market participants considered the implications of a deflation of Japan's asset-price bubble and consumer boom, the prospect loomed that Japan might once again develop a troublesome current account surplus. In fact, Japan's surplus with Europe had grown, attracting political attention in at least some European countries. With the approach of the Group of Seven (G-7) meetings in mid-October, talk developed that the major industrialized nations would agree to seek an appreciation of the yen as a means of containing Japan's growing surpluses with Europe and the United States. Statements by Japanese government officials suggesting that the yen might appreciate, in addition to a meeting between U.S. Treasury Secretary Brady and Japanese Finance Minister Hashimoto before the G-7 talks, encouraged these expectations. When the G-7 communiqué of October 12 was interpreted

2. Net profits or losses (–)
on U.S. Treasury and Federal Reserve
foreign exchange operations¹
Millions of dollars

Period and item	Federal Reserve	U.S. Treasury Exchange Stabilization Fund
Valuation profits and losses on outstanding assets and liabilities as of July 31, 1991	1,919.9	321.4
August 1, 1991–October 31, 1991 Realized	105.1	9.4
Valuation profits and losses on outstanding assets and liabilities as of October 31, 1991	2,764.8	1,132.6

1. Data are on a value-date basis.

as suggesting that the yen's recent appreciation had been appropriate, the yen advanced further against the dollar, reaching an eight-month high close to ¥128.50. But thereafter market participants focused anew on the prospects for a cut in Japan's official discount rate. Expectations of continued easing of Japanese monetary policy were reinforced in late October by several factors, including data releases showing both a further slowing of growth in Japan's money supply and a moderation of inflation, official comments promoting lower interest rates, and the accession to the prime minister's office of former Finance Minister Miyazawa—who was viewed as supporting an easier monetary policy. As a result, outflows of portfolio capital resumed, the yen gave up some of its gains, and the dollar was again trading as high as ¥132.50 on October 28.

LAST DAYS OF OCTOBER

During the last days of October, sentiment toward the dollar turned decidedly negative, and the dollar eased across the board. Market participants began to forecast an even feebler U.S. recovery than had been anticipated and to expect further easing of U.S. interest rates. A much worse-than-expected U.S. consumer confidence report, coupled with what were viewed as pessimistic comments about the economy by Federal Reserve Chairman Greenspan, revived expectations that the Federal Reserve would move soon to ease monetary policy. Meanwhile, in Germany, a combination of rising money supply growth, double-digit wage demands, and reports from the Bundesbank and German economic insti-

tutes warning of inflationary pressures appeared to market participants to give the Bundesbank reason to tighten monetary policy if it so desired.

Therefore, at the close of the period, market attention was again focused on the contrasting demands on monetary policy in the major countries. With the existing interest rate differentials also remaining adverse to the dollar, the U.S. currency moved lower. The dollar's decline against the yen was somewhat constrained in light of clear evidence that Japanese monetary policy was also on an easing trend. Yet, the dollar closed the August–October period at DM1.6713 and ¥130.75, so that the decline that had started in midsummer continued well into fall. At these closing levels, the dollar was 9 percent below its high against the mark reached in July but still 16 percent above the all-time low reached in mid-February during the Gulf war. Against the yen, the dollar had come down more than 8 percent from its high in June to trade only 3 percent above its mid-February lows.

The U.S. monetary authorities did not intervene during the period. However, the settlement of a large portion of the U.S. monetary authorities' forward dollar purchases against foreign currencies—which, as previously reported, were initiated in June and July to adjust the foreign currency reserves of the Federal Reserve and Exchange Stabilization Fund (ESF)—took place during the period.

- Three of the forward transactions, entered into with the Bundesbank on June 25, settled during the period: \$554.9 million on August 27, \$553.6 million on September 27, and \$552.3 million on October 28. For each transaction, 60 percent was executed for the account of the Federal Reserve and 40 percent for the account of the ESF. Of the original \$5,548.5 million of forward dollars purchased at that time, a remaining \$1,101 million will be settled by the end of the calendar year.

- The two remaining forward transactions of \$1,000 million each against another foreign currency settled, one on August 19 and the other on September 18. The dollars purchased were split evenly between the Federal Reserve and the ESF.

In other operations, the ESF continued to execute transactions as agreed with the International Monetary Fund (IMF) to facilitate transactions in special drawing rights (SDRs). During the period, it sold

German marks against SDRs equivalent to \$227.4 million, of which \$186.4 million was settled during the period. The ESF also purchased a total of \$324.1 million against sales of SDRs with foreign monetary authorities in need of SDRs for payment of IMF charges or for repurchases, of which \$273.6 million was settled during the period.

As previously reported, the ESF repurchased a total of \$2,500 million of foreign currency warehoused by the Federal Reserve in August. These repurchases reduced the amount of ESF foreign currency balances warehoused with the Federal Reserve from \$4,500 million equivalent to \$2,000 million equivalent.

During the August–October period, the Federal Reserve realized profits of \$105.1 million and the Treasury realized profits of \$9.4 million from the currency exchanges described above conducted directly with foreign monetary authorities. Cumulative bookkeeping or valuation gains on outstanding

foreign currency balances at the end of October were \$2,764.8 million for the Federal Reserve and \$1,132.6 million for the ESF (the latter figure includes valuation gains on warehoused funds). These valuation gains represent the increase in the dollar value of outstanding currency assets valued at end-of-period exchange rates, compared with rates prevailing at the time the foreign currencies were acquired.

The Federal Reserve and the ESF regularly invest their foreign currency balances in a variety of instruments that yield market-related rates of return and that have a high degree of quality and liquidity. A portion of the balances is invested in securities issued by foreign governments. As of the end of October, holdings of such securities by the Federal Reserve amounted to \$7,583.4 million equivalent, and holdings by the Treasury amounted to \$8,684.9 million equivalent, both valued at the end-of-period exchange rates. □

Industrial Production and Capacity Utilization

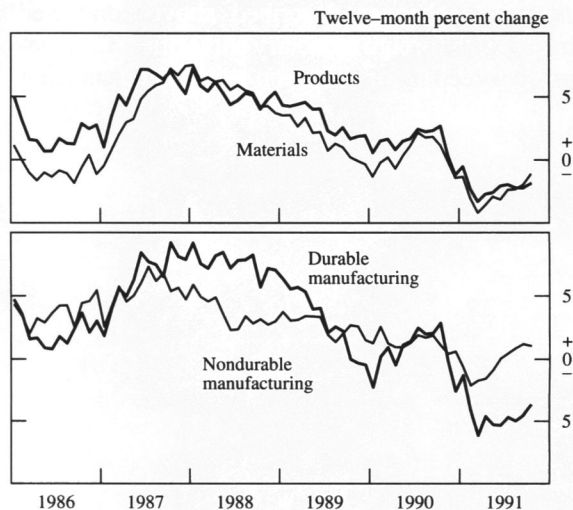
Released for publication on November 15

The index of industrial production was unchanged in October, the third consecutive month with little or no change in the total index. In October, output of consumer goods increased slightly, but output in most other major sectors posted small declines. At 108.2 percent of its 1987 annual average, industrial

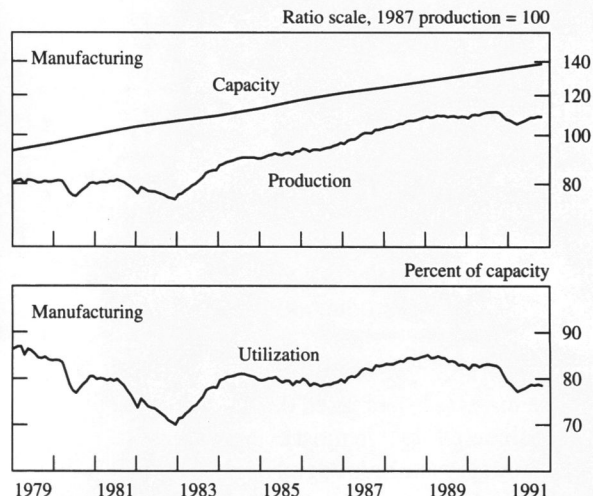
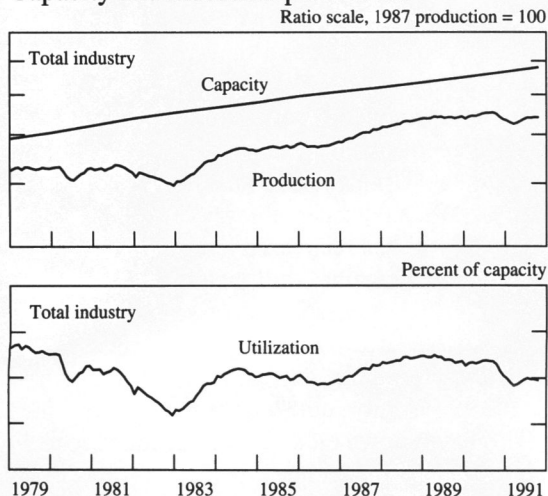
production in October was 1.6 percent below its year-ago level. Total industrial capacity utilization decreased 0.2 percentage point in October, to 79.6 percent.

Analyzing the production data by market group, output of durable consumer goods increased 0.2 percent in October, a rise principally reflecting increased production of light trucks; output of autos,

Industrial production indexes



Capacity and industrial production



All series are seasonally adjusted. Latest series, October. Capacity is an index of potential industrial production.

Industrial production and capacity utilization¹

Category	Industrial production, index, 1987 = 100								
	1991				Percentage change				
					1991 ²				Sept. 1990 to Sept. 1991
	July ^r	Aug. ^r	Sept. ^r	Oct. ^p	July ^r	Aug. ^r	Sept. ^r	Sept. ^p	
Total	108.1	108.0	108.2	108.2	.7	-.1	.2	.0	-1.6
Previous estimate	108.0	108.0	108.1	. . .	.6	.0	.1	. . .	. . .
Major market groups									
Products, total	108.7	108.5	108.9	108.9	.1	-.2	.4	.0	-1.9
Consumer goods	108.3	108.4	109.2	109.5	.3	.1	.8	.3	.9
Business equipment	122.5	121.3	122.6	122.6	.4	-1.0	1.1	.0	-2.3
Construction supplies	96.9	96.5	96.7	96.5	-.5	-.4	.2	-.2	-6.4
Materials	107.0	107.2	107.2	107.1	1.6	.1	.0	-.1	-1.2
Major industry groups									
Manufacturing	108.3	108.4	108.9	108.9	.8	.0	.5	.0	-1.7
Durable	108.1	107.9	108.6	108.3	.7	-.2	.6	-.2	-3.7
Nondurable	108.6	109.0	109.3	109.5	.9	.3	.3	.2	1.1
Mining	102.7	101.5	100.7	100.5	.5	-1.2	-.7	-.2	-2.0
Utilities	110.9	110.2	108.5	108.6	-.5	-.7	-1.5	.1	-.5
	Capacity utilization, percent								MEMO Capacity, per- centage change, Sept. 1990 to Sept. 1991
	Average, 1967-90	Low, 1982	High, 1988-89	1990	1991				
				Oct.	July ^r	Aug. ^r	Sept. ^r	Oct. ^p	
Total	82.2	71.8	85.0	83.0	80.0	79.8	79.8	79.6	2.6
Manufacturing	81.5	70.0	85.1	82.2	78.7	78.6	78.8	78.6	2.9
Advanced processing	81.1	71.4	83.6	81.8	77.8	77.5	77.8	77.5	3.2
Primary processing	82.4	66.8	89.0	84.3	81.1	81.2	81.2	81.1	2.1
Mining	87.4	80.6	87.2	89.9	89.6	88.6	87.9	87.7	.4
Utilities	86.8	76.2	92.3	85.6	86.2	85.5	84.2	84.1	1.2

1. Seasonally adjusted.

2. Change from preceding month to month indicated.

r Revised.

p Preliminary.

which rose sharply in September, fell back a bit. Because of a drop in the output of appliances, production of durable consumer goods other than motor vehicles declined in October. Production of nondurable consumer goods other than energy products rose again in October, continuing its upward trend since spring. Consumer energy products, which rose sharply in the spring, have declined in recent months.

Production of business equipment other than motor vehicles remained weak in October and has shown little improvement since its low in March. For intermediate products, which includes both construction and business supplies, output declined again in October. Production of construction supplies has fallen, on balance, since June, after having increased rapidly during the spring. Output of durable materials decreased 0.4 percent in October, with declines evident in most categories. Production of nondurable materials edged up as chemicals rose,

but textiles and paper were little changed. Output of energy materials also remained unchanged.

Analyzing the production data by industry group, manufacturing production was unchanged in October, and capacity utilization at factories fell 0.2 percentage point, to 78.6 percent. The operating rates for both mining and utilities also decreased slightly.

After having retraced only part of the sharp decline that occurred between September 1990 and March 1991, industrial production has leveled off since midyear. Utilization in advanced-processing industries, which fell 5 percentage points during the sharp downturn, has recovered less than 1 percentage point and remains well below its 1967-90 average. Operating rates for some industries, most notably nonelectrical machinery, instruments, and printing and publishing, have continued to decline since March. Many other advanced-processing industries have shown either partial or full recoveries. In particular, operating rates at motor vehicle

assembly facilities and apparel plants have retraced more than two-thirds of their drops.

The operating rate for primary-processing industries fell about 7 percentage points between September 1990 and March 1991 and has risen about

3 percentage points since then. Although utilization rates for most primary-processing industries are currently near their 1967–90 averages, operating rates in the lumber and stone, clay, and glass industries are still well below their long-run averages.

Statements to the Congress

Statement by Richard Spillenkothen, Director, Division of Banking Supervision and Regulation, before the Subcommittee on General Oversight and Investigations of the House Committee on Banking, Finance and Urban Affairs, U.S. House of Representatives, presented in Orlando, Florida, November 15, 1991

I appreciate the opportunity to be here to discuss the availability of bank credit and the possible effect of certain bank supervisory policies on the willingness of banks to lend. During the past year and a half, there has been a marked slowdown of bank lending in the Southeast as well as in many other parts of the country. This development is disturbing because an adequate flow of credit to sound borrowers is essential for a healthy and growing economy. Chairman Greenspan has cited the "credit crunch" as an impediment to a full economic recovery, and this condition is a major concern, and relieving it a high priority, of the Federal Reserve.

As I suspect these hearings will demonstrate, the problem is a difficult one that has no single cause or solution. In my remarks today, I will discuss several factors that have contributed to the slowdown in bank lending and the recent performance of commercial banks. I will also address the questions the subcommittee has raised and will describe steps the Federal Reserve has taken to encourage more bank lending.

LENDING CONDITIONS NATIONWIDE AND IN THE SOUTHEAST

Loan growth at commercial banks has, unquestionably, declined sharply during the past year or so, not only in the Southeast, but also nationwide. From June 1990 to June 1991, the volume of bank loans increased only 0.6 percent in the Southeast and actually declined 0.5 percent in

the rest of the United States. More recent estimates based on the Federal Reserve's weekly sampling of banks suggest that outstanding bank loans continued to contract nationwide during the third quarter and that recently they also have fallen in the Southeast. This experience compares with annual increases of 4 to 6 percent only a few years ago and with a growth rate of 2.7 percent reported by the industry last year.

Many factors have contributed to this situation, most notably, in my opinion, the sharp decline in commercial real estate values along the east coast and in other parts of the country and the general weakness of economic activity. These developments have severely harmed the financial condition of some banks and have caused the failure or near failure of others, including, recently, the Southeast Banking Corporation in Miami. As a result of these problems, banks throughout the country have been forced to reassess their growth strategies and pricing policies and to rebuild their financial strength. In the process, many banks have lost much of their appetite for risk and have taken steps to improve their credit standards.

Such strengthening of credit standards was entirely appropriate. During much of the 1980s, U.S. banks and other depository institutions provided what has now been shown to be excessive amounts of credit to certain sectors of the economy. Loan-pricing terms were eased and underwriting standards declined, and many borrowers found substantial financing at attractive rates. Many real estate loans, in particular, were made on the basis of exaggerated evaluations that relied, in turn, on overly optimistic assumptions or the prospects of sales at speculative price levels. Such lending activity led to overbuilding in many real estate markets, to the high debt levels of many companies and individuals, and to the high volume of nonperforming loans that banks hold today.

In recent periods, banks have been requiring more collateral or guarantees, additional borrower equity, stronger loan covenants, and wider profit margins than previously. The effect has often been most pronounced for construction loans and for other lending involving commercial real estate. This new environment has undoubtedly prevented some borrowers who may be creditworthy, or believe they are creditworthy, from obtaining or renewing needed financing. It has also, however, enabled many banks to begin to strengthen their own conditions and to improve their profit margins.

Many businesses, weakened by heavy levels of debt and by generally poor economic conditions, have also reduced their spending on fixed capital and inventories and lessened their financial leverage. As a result, their demand for bank credit has fallen off. Indeed, weak credit demand and the banks' own concerns about the economy and with industry-specific problems have been consistently cited by respondents to the Federal Reserve's quarterly surveys of senior lending officers as the principal reasons for restrained lending.

This explanation of weak demand is also consistent with the recent decline in bank credit card loans, the volume of which is, in the short run, determined largely by consumer demand. It may also be supported by the drying up of borrowings by nonfinancial companies in the U.S. commercial paper market, which have declined more than 3 percent in the first half of this year.

SUPERVISORY FACTORS

Other factors cited as contributing to the "credit crunch" and of specific interest to the subcommittee relate to the supervisory policies and procedures of the bank and thrift regulatory agencies—or to possible misunderstandings of these policies by depository institutions. Of particular concern is the effect of certain bank examination procedures and the new risk-based capital standards. Let me address the capital standards first.

As you may know, the current capital standards were adopted in early 1989 after years of international negotiations and were agreed upon

as a way to strengthen capital standards of banks around the world and to provide for more equitable international competition. In short, these standards currently require banks to have capital equal to 7.25 percent of risk-weighted assets (including off-balance-sheet obligations) and to increase that ratio to 8.0 percent by the end of 1992.

By far, most U.S. banks met the 1992 standard when it was adopted and continue to meet it now. Even some of those banks that do not meet the 1992 standard meet the current interim target ratio or have holding companies that meet it on a fully consolidated basis. Nevertheless, some banking organizations currently do not meet the minimum. Moreover, many banks that meet the minimum standard feel the need to operate above minimum levels in view of current problems or their desire to maintain a comfortable margin of safety to weather periods of adversity. As a result of all of these factors, concern about capital ratios has forced some banks to raise additional capital or curtail asset growth, or both.

The low asset and loan growth rates we have recently seen reflect, in part, the effect of this concern. It is also reflected in the record amount of equity capital the U.S. banking system has raised during the past year. Although the industry's restrained lending has been painful for many borrowers, we should recognize that a slower or more prudent rate of growth—especially by weaker banks—is consistent with an overall strengthening of the banking system. Some banks were undercapitalized relative to their risk exposure and needed to take action to improve their condition. Indeed, as noted above, the recent tightening of credit has many of its roots in the excesses of the 1980s. Many of the weaker credits extended during that period have resulted in heavy losses and have made the industry's task of achieving desired capital levels more difficult.

Examination policies—as they are implemented by examiners and understood by bankers—have, in some cases, been a matter of controversy in explaining the credit conditions. I would certainly not deny that in some cases examiners may have been too severe in their assessments of bank credits or that some bankers, in perceiving a new supervisory approach,

have been overly conservative and excessively cautious in their own lending practices. Assessing the quality of existing loans and new loan requests requires a material degree of human judgment on the part of both bankers and bank supervisor that is sometimes wrong.

I would like to emphasize, however, that the current procedures Federal Reserve examiners use to evaluate loans—and real estate loans, in particular—are not conceptually different from those they have used in the past. Both now and previously, examiners have placed substantial importance on the strength, commitment, and performance of the borrower; the ability of the collateral to generate cash flow and service debt over time; the results of recent appraisals; and current market conditions.

However, an important difference is that the lending and economic environment itself has changed. Currently, many commercial real estate markets throughout the United States are more clearly saturated with excess office space than they have been in the past, and the market values of many properties have sharply declined. In many cases, this decline has left the market value of a loan's collateral below the loan's outstanding balance. In view of these conditions, bankers themselves are identifying sizable losses even at current prices and believe that the value of collateral underlying many existing loans may continue to fail.

Once again, the importance of judgment is critical. None of us wants to worsen conditions for banks or to discourage bank lending to sound borrowers. Nor, however, do we want to overlook problems or engage in a program of forbearance that may ultimately increase the cost of bank failures. Proper balance is the key.

Because of these uncertainties, the supervisory agencies have taken special efforts to clarify their policies. We want examiners to evaluate the loans rigorously and truthfully, but we do not want them simply to extend the current unfavorable market trends indefinitely into the future. Similarly, we want banks to understand that they may and, indeed, should work with troubled borrowers and avoid foreclosures when possible. If considered necessary, these work-out efforts may involve the extension of additional financing.

EFFORTS TO EASE CREDIT CONDITIONS

I would like to review briefly some of the supervisory steps we have taken to communicate our policies and ease the problems caused by any unnecessary and excessive tightening in the availability of bank credit. First of all, as the subcommittee knows, the Federal Reserve has on several recent occasions moved to reduce short-term interest rates. Its own discount rate, which it charges on loans to depository institutions, has been lowered by the Board of Governors five times in the past twelve months, and the prime rate charged by large banks has declined 2½ percentage points over this period. In addition, the reserve requirement on nontransaction liabilities was reduced from 3 percent to 0 around the beginning of the year in an effort to encourage more lending by reducing funding costs to depository institutions.

In other actions, officials of the Federal Reserve and at other banking agencies have met on numerous occasions with bankers and with bank examiners to communicate and clarify their bank supervisory policies and to emphasize the importance of banks continuing to lend. On March 1, the agencies adopted a joint statement that spelled out their intent in greater detail. That statement specifically encouraged banks to work with troubled borrowers, consistent with sound banking practices. It also indicated that even banks that do not meet the minimum capital standard are not necessarily required to stop making sound loans to creditworthy borrowers, provided they had reasonable and effective plans in place to achieve adequate capital levels.

The statement also directed examiners to consider the stabilized capacity of real estate property to service debt and not to base their evaluation of a real estate loan solely on the current market or liquidation value of its collateral. Another provision indicated that banks with concentrations in certain economic sectors could continue making loans to borrowers in such sectors if the borrowers were sound and if prudent risk controls and programs were in place to reduce the concentrations.

The Federal Reserve has undertaken special efforts to ensure that its examiners and other supervisory personnel understand these and

other supervisory policies. Toward that purpose, the Federal Reserve issued a supplemental statement in July to its own bank supervisory personnel. That supplement elaborated on parts of the March 1 guidance but also discussed the importance of banks refinancing or renewing loans to sound borrowers (including those in the real estate sector) in the absence of well-defined weaknesses that jeopardize their repayment.

Most recently, the federal banking agencies have announced further steps to address the potential effect of supervisory policies on credit availability. This latest statement also elaborates on the statement of March 1 and emphasizes that examiners should consider factors other than a property's liquidation or current appraised value when evaluating real estate loans. In particular, the statement indicates that a performing real estate loan should not be criticized or charged off solely because the current value of the underlying collateral has declined to an amount less than the loan balance. Rather, such actions should only occur when well-defined weaknesses exist that jeopardize repayment of the loan.

In these actions, we have endeavored to develop reasonable procedures that balance consideration of current market conditions with the long-term or stabilized value of what is inherently an illiquid asset. This approach is preferable to one that relies solely on appraisals that can be exaggerated in both the upside and downside phases of the real estate cycle. The new measures also include procedures to ensure that examiners are properly applying relevant policy statements to loan evaluations as well as a proposal to provide greater flexibility for bank holding companies to include certain preferred stock in meeting risk-based capital standards. Finally, the Federal Reserve, together with the other federal banking agencies, is reviewing its existing procedures for allowing banks to appeal examiner decisions with the aim of supplementing or strengthening these procedures.

It is difficult to determine at this point what effect the recent efforts to clarify supervisory policies will have on the availability of bank credit. Many factors other than examiner actions have contributed to tighter credit conditions, and these other factors must change before conditions will materially improve. I would stress,

however, that the banking agencies have directed substantial time and effort toward the issue of credit conditions. To the extent that certain supervisory policies—or a lack of clear understanding of such policies—have created unwarranted impediments to lending by some banks, I believe that the actions we have taken should help to improve the situation, without undermining the integrity of the supervisory process.

CONCLUSION

In closing, I would like to assure the subcommittee that the Federal Reserve recognizes the need for banks to meet legitimate credit demands and that it is doing all that it believes it can do at this time to increase the availability of credit to sound borrowers in a prudent and responsible manner. Its recent efforts to lower interest rates and to clarify its supervisory policies should have positive effects in removing unnecessary obstacles to credit extension.

In recent years, a portion of the U.S. banking system has experienced substantial stress, a high rate of failure, and poor profitability. Understandably, and prudently, the industry's appetite for risk has declined, and its need to generate improved earnings has become clear. Accordingly, many banks have tightened their credit standards and are in the process of strengthening their own financial condition. Nevertheless, there remain many healthy banks with strong financial profiles that are looking to make sound loans.

This transition process is painful but—at least to a large degree—nonetheless necessary. Terms of lending have changed and generally for the better. Although we all want to minimize the harm to truly creditworthy customers, we also want strong and responsible banks—banks that have the capability to serve the long-term needs of individuals and businesses in a sound and growing economy.

In the final analysis, we should recognize that the U.S. financial sector is a highly competitive industry. Examiners are evaluating loans, but they are not preventing banks from extending them. Bankers are well aware that if they fail to meet the needs of creditworthy borrowers, they

risk losing those customers permanently to other lenders. Unless supervisory policies are unduly restrictive—and we have taken steps to prevent that—this prospect would also encourage banks to lend to borrowers that they believe are creditworthy.

We have worked hard to ensure that our supervisory policies are balanced, fair, and prudent—and that they do not artificially encourage or discourage lending. The intent of these efforts

is to contribute to a climate in which banks make loans to creditworthy borrowers and work constructively with borrowers experiencing financial difficulties, consistent with safe and sound banking practices. In all of these steps, we have been guided by the premise that prudent lending standards and effective and timely supervision should not inhibit banking organizations from playing an active role in financing the needs of sound, creditworthy borrowers. □

Statement by John P. LaWare, Member, Board of Governors of the Federal Reserve System, before the Subcommittee on Financial Institutions Supervision, Regulation and Insurance and the Subcommittee on International Development, Finance, Trade and Monetary Policy of the Committee on Banking, Finance and Urban Affairs, U.S. House of Representatives, November 20, 1991

I am pleased to appear before you this morning to present the views of the Federal Reserve Board on two legislative proposals, the Fair Trade in Financial Services Act and the Foreign Bank Supervision Enhancement Act of 1991. Each of these proposals has important ramifications for the U.S. financial system, the former because it embodies a fundamental shift in U.S. policy regarding foreign financial firms from one of national treatment to one of reciprocal national treatment and the latter because it would strengthen the existing supervisory framework governing foreign bank operations in the United States. Given our direct responsibilities for financial services generally, and foreign banks in particular, the Federal Reserve has a special interest in these two bills. I shall first discuss the Fair Trade Act and then turn to the Foreign Bank Supervision Enhancement Act.

FAIR TRADE IN FINANCIAL SERVICES ACT

I would like to focus on two major elements of the proposed Fair Trade in Financial Services Act as passed by the U.S. House of Representatives. First, the Secretary of the Treasury would

be required to submit to the Congress every two years a report identifying those countries that do not offer national treatment to U.S. banks, securities brokers and dealers, or investment advisers. A country would be considered to offer national treatment to foreign firms if it offers “the same competitive opportunities (including effective market access)” as those that are available to their domestic firms. When a significant failure to accord national treatment is found, the secretary generally would enter into negotiations with the country to end the discrimination. The secretary may, at his discretion, publish in the *Federal Register* a determination that a country does not give national treatment; if he does so, regulatory agencies would have discretionary authority to use such a determination as a basis for denying applications by financial institutions from that country to make acquisitions or start new activities.

Another proposal, H.R.3503, entitled the Fair Trade in Financial Services Act of 1991, would go a step further by eliminating the discretion available to the Secretary of the Treasury and mandating publication by the secretary when a finding is made that a country does not provide national treatment. Thus, H.R.3503 would establish standards that make it more likely that reciprocity sanctions would be imposed.

Second, if a determination with respect to a country is published in the *Federal Register*, institutions from that country that are already operating in the United States may not commence “any new line of business” or conduct business from a “new location” without obtaining prior approval from the appropriate regulators. This provision would apply even to new

U.S. activities or U.S. offices for which no approval process is currently required for either domestic or foreign banks. For example, a foreign-owned U.S. bank may decide to begin to offer consumer mortgage lending or investment advisory services. Currently, no application for regulatory approval is required for either a domestic or a foreign-owned U.S. bank to commence these activities. However, under the proposed act, such activities by a foreign-owned U.S. bank would be viewed as "new lines of business," requiring regulatory approval.

The objectives of this legislation are important, and their achievement is desirable. The Federal Reserve actively supports efforts of the U.S. government that encourage other countries to liberalize their financial markets and improve the treatment of foreign firms operating in those markets. Such liberalization and other actions would provide both improved competitive opportunities to U.S. financial institutions and greater benefits to the economies of the other countries through freer trade. In our view, however, this legislation does not guarantee that those objectives will be achieved and could have unfortunate, unintended consequences. The proposal would fundamentally change two basic elements in the foundation for participation by foreign financial firms in U.S. markets—national treatment and maintenance of rights lawfully acquired, that is, grandfather rights. Both elements are worth preserving; national treatment for the benefits it provides and grandfathering for practical and fairness reasons.

The principle of national treatment with respect to foreign banks was established as U.S. policy by the International Banking Act of 1978. Despite some individual legislative initiatives in recent years, virtually all major industrial countries acknowledge it as the principle upon which regulation of the international operations of banks ought to be based. Over many years, the U.S. government has assumed a leadership role in building a consensus around this concept. At home, our policy of national treatment seeks to ensure that foreign and domestic banks have a fair and equal opportunity to participate in our markets. The motivation is not merely a commitment to equity and nondiscrimination, although such a commitment in itself is worthy. More

fundamentally, the motivation also is to provide U.S. consumers of financial services with access to a deep, varied, competitive, and efficient banking market in which they can satisfy their financial needs on the best possible terms.

As the Federal Reserve has previously stated in connection with this proposed legislation, the U.S. policy of national treatment has served the United States well. The U.S. banking market, and U.S. financial markets more generally, are the most efficient, most innovative, and most sophisticated in the world. It is not a coincidence that our markets are also among the most open to foreign competition. Foreign banks, by their presence and with the resources they bring from their parents, make a significant contribution to our market and to our economic growth; they enhance the availability and reduce the cost of financial services to U.S. firms and individuals as well as to U.S. public sector entities.

The proposed act in its various forms would replace the U.S. policy of national treatment with a policy of reciprocal national treatment. Through this legislation, the United States would be saying that we are prepared to forgo some of the benefits of foreign banks' participation in our market, including benefits to U.S. consumers generally, if U.S. banks were not allowed to compete fully and equitably abroad.

Based on experience to date, the Federal Reserve feels strongly that there are better ways to encourage other countries to open their markets. Market forces are an important source of pressure to induce liberalization. Any country that wants to have a financial market with sufficient international stature to compete with New York and London must liberalize and open its market. Many countries, including notably—but not only—Japan and Germany, are moving inexorably in that direction.

Nevertheless, the United States has not relied solely on allowing the market to determine changes, however successful such a strategy ultimately may be. In 1979, after passage of the International Banking Act, the Treasury Department, with the help of other agencies, prepared its first National Treatment study, which has been updated several times and which will be prepared regularly in the future. Based on the findings of those reports, the Treasury has en-

gaged in bilateral talks with several countries, including Japan. Partly as a consequence of these talks, we have seen a substantial degree of liberalization in foreign financial markets.

Beyond those efforts, the Treasury, supported by the Federal Reserve and other agencies and groups, urged countries of the European Community (EC) strongly, and with some success, to modify and soften the reciprocity provisions in their proposed Second Banking Directive so that it would be clear that subsidiaries of U.S. banks and bank holding companies would have the same ability as their local competitors to branch throughout the EC. The Federal Reserve has participated in a range of committees meeting at the Bank for International Settlements in Basle and at the Organisation for Economic Co-operation and Development in Paris, where work has been aimed, in part, at establishing the legal, supervisory, and regulatory conditions that are a precondition for ensuring a "level playing field." In addition, the Federal Reserve has joined others in the U.S. government in working to reach a meaningful agreement on trade in financial services within the current Uruguay Round of multilateral trade negotiations. Consequently, other initiatives aim at the same results as this legislation but in a less confrontational and possibly more constructive manner.

I turn now to grandfathering, a practice widely accepted internationally as a means of protecting investment in existing foreign banking operations at a time of statutory change. U.S. operations of foreign banks were grandfathered in the International Banking Act. With respect to foreign operations of U.S. banks, the Federal Reserve, along with others in the U.S. government and the U.S. financial industry, objected strenuously when the EC was considering the elimination of grandfather rights for foreign banks, including U.S. banks, operating in Europe; in the end, the EC preserved those rights. Consequently, European subsidiaries of U.S. banks may continue to conduct business and expand their operations on a national treatment basis.

If, contrary to this widely accepted practice, the Congress were to adopt the proposed act, the United States could no longer hold to a principled position in advocating liberalization in international circles. By telling existing foreign-owned banks in the United States that the rules

and procedures that have applied equally to them and to all other banks operating in the United States now apply only to U.S.-owned banks, we would be denying national treatment to foreign banks. We would run the risk of introducing instability and discouraging foreign investment in our markets. We may also be inviting retaliation against our banks around the world, a result contrary to the intention of the legislation.

In an effort to address these types of concerns, H.R.3503 would provide limited grandfather rights but only for U.S. subsidiaries owned by banks from Canada and the EC. Moreover, the grandfather rights granted to banks from the EC are specifically conditioned on the EC and any member country not restricting the rights of U.S. banks and bank holding companies to operate under the Second Banking Directive. Thus, even the grandfather rights available to banks from the EC are conditioned on reciprocity. It must be recognized, however, that a potential consequence of adopting reciprocal requirements in banking legislation would be the adoption of retaliatory legislation by other countries threatening sanctions against our banks if the United States were to take some types of action affecting their banks, especially given that some countries do not perceive the U.S. market to be as open as their own due to geographic or activity limitations applicable to banks. In this regard, the Board has supported the efforts of the Congress and the Treasury to achieve reform of the U.S. banking system to make it safer, more efficient, and more competitive. Such reform is essential if U.S. banks are ever to be in a position to take advantage of opportunities both at home and in the foreign markets at which this legislation is aimed.

In sum, we have witnessed substantial liberalization and structural reform in financial markets abroad over the past decade. Like members of the Congress, we too would like to see further progress. We would not, however, wish to see additional progress jeopardized through a process of escalating retaliatory measures.

One consequence of the liberalization in financial markets over the past ten to fifteen years has been the rapid international expansion of banks. This expansion leads into the reasons that support the second legislative proposal that I would like to discuss briefly today, the Foreign Bank Supervision Enhancement Act of 1991.

FOREIGN BANK SUPERVISION ENHANCEMENT ACT OF 1991

The presence of foreign banks in the United States has grown significantly. Whereas international banking was once the domain of a few large banks from industrialized countries, many different banks from both developed and developing countries have now opened U.S. operations. As already noted, the participation by these banks in the U.S. market has contributed significantly to its liquidity and depth. More than 300 foreign banks operate in the United States holding aggregate assets of more than \$800 billion. Given this expansion and some well-known problems associated with the U.S. operations of a few foreign banks, the Board proposed strengthening the regulatory structure governing foreign bank operations in the United States.

The Foreign Bank Supervision Enhancement Act is intended to fill gaps in the supervisory and regulatory framework governing foreign bank operations in this country. The legislation is intended to help ensure that the banking policies of the United States, as established by the Congress, are implemented in a fair and uniform manner with respect to all entities conducting a banking business in the United States and that the sizable foreign bank community in this country adheres to legal requirements and operates in a safe and sound manner.

Currently no uniform nationwide standards apply to foreign banks that choose to enter through state-licensed offices. In light of the size and importance to our banking system of the foreign bank presence, that presence is rightly a matter of national banking policy. This policy, if it is to be both fair and effective, must be applied on an equitable basis not only as between domestic and foreign banks but also among foreign banks themselves. In proposing the Supervision Enhancement Act, the Board intended to establish uniform standards for entry and participation by foreign banks, whether through state or federal license, and to provide a basis for improved coordination and cooperation among state and federal supervisors in overseeing foreign bank operations in the United States.

To summarize briefly, the act's major provisions would allow the Board to do the following: (1) deny an application by a foreign bank that

proposes to establish an office or buy a bank in the United States unless the foreign bank meets the same standards regarding financial and managerial strength that apply to U.S. banks; (2) take into account various factors in approving any applications, including whether the foreign bank is subject to consolidated supervision by its home country authority and whether U.S. bank regulators will have adequate access to information from the bank and its affiliates to determine compliance with U.S. law; (3) terminate the U.S. activities of foreign banks for violations of law or unsafe or unsound practices; (4) coordinate with other regulators and supervisors in examining simultaneously the nationwide offices and subsidiaries of a foreign bank; and (5) cooperate more fully with foreign regulators in sharing information on banks that are operating internationally. The act would also require that foreign bank offices be examined on-site annually.

In sum, the act is designed to be consistent with the policy of national treatment for foreign banks and to provide the federal regulators with the same authority over the U.S. operations of foreign banks as they have with respect to domestic banks. The Board strongly urges the enactment of the Foreign Bank Supervision Enhancement Act this year.

CONCLUSION

The Board's attitude toward both the Fair Trade Act and the Supervision Enhancement Act reflects the recognition that foreign banks are, and will continue to be, important to the U.S. market. The Board believes that strengthened supervision of foreign banks is in the national interest and also fully consistent with the policy of national treatment. By keeping our market open to well-run and supervised foreign banks, we will continue to enjoy the benefits they bring to our economy.

By the same token, the Board does not think it is good policy potentially to forgo benefits that foreign institutions bring to the U.S. economy by legislative efforts to open foreign markets to our banks. The Board recognizes that the implementation of the policy of national treatment is difficult in a world in which the structures of banking markets in various countries differ sig-

nificantly. Lawmakers in each country, including the United States, must balance considerations of competitive equity with other legitimate concerns. It could prove to be a costly mistake if we were to jeopardize the gains we have made, and

are continuing to make, in improving our own markets, in opening markets abroad, and in gaining access for U.S. financial firms to those markets for the sake of trying to force others to adhere to our own timetable. □

Announcements

LAWRENCE B. LINDSEY: APPOINTMENT AS A MEMBER OF THE BOARD OF GOVERNORS

On January 14, 1991, President Bush announced his intention to nominate Lawrence B. Lindsey as a member of the Board of Governors. Dr. Lindsey was subsequently confirmed by the Senate on November 22 and took the oath of office, administered by Chairman Greenspan, on November 25. The text of the White House announcement follows:

The White House
Office of the Press Secretary
January 14, 1991

The President today announced his intention to nominate Lawrence B. Lindsey, of Virginia, to be a Member of the Board of Governors of the Federal Reserve System for the unexpired term of fourteen years from February 1, 1986. He would succeed Manuel H. Johnson. Currently, Dr. Lindsey serves as Special Assistant to the President for Policy Development at the White House in Washington, D.C.

SUSAN MEREDITH PHILLIPS: APPOINTMENT AS A MEMBER OF THE BOARD OF GOVERNORS

President Bush on September 27, 1991, announced his intention to appoint Susan Meredith Phillips as a member of the Board of Governors. Dr. Phillips was subsequently confirmed by the Senate on November 7, and took the oath of office, administered by Chairman Greenspan, on December 2, for the unexpired portion of a term ending January 31, 1998.

A copy of the White House announcement follows:

The White House
Office of the Press Secretary
September 27, 1991

The President today announced his intention to nominate Susan Meredith Phillips, of Iowa, to be a Member of the Board of Governors of the Federal Reserve System for the

unexpired term of fourteen years from February 1, 1984. She would succeed Martha R. Seger. Currently, Dr. Phillips serves as Vice President for Finance and University Services; and Professor of Finance, College of Business Administration at the University of Iowa in Iowa City, Iowa.

CHANGE IN THE DISCOUNT RATE

The Federal Reserve Board approved on November 6, 1991, a reduction in the discount rate from 5 percent to 4½ percent, effective immediately.

Action was taken against the background of sluggish expansion of the monetary and credit aggregates in an environment of abating inflationary pressures. The reduction, in part, also realigns the discount rate with other short-term market rates.

In making the change, the Board voted on recommendations submitted by the boards of directors of the Federal Reserve Banks of Boston, New York, Philadelphia, Cleveland, Atlanta, Chicago, and Minneapolis. The Board subsequently approved similar actions by the boards of directors of the Federal Reserve Banks of Richmond, Dallas, Kansas City, and San Francisco, effective November 6, and of the Federal Reserve Bank of St. Louis, effective November 7.

INCREASE IN THE NET TRANSACTION ACCOUNT TO WHICH A 3 PERCENT RESERVE REQUIREMENT WILL APPLY

The Federal Reserve Board announced on November 21, 1991, an increase from \$41.1 million to \$42.2 million in the amount of net transaction accounts to which a 3 percent reserve requirement will apply in 1992.

The Board also changed from \$3.4 million to \$3.6 million the amount of reservable liabilities of each depository institution that is subject to a reserve requirement of 0 percent.

The Board also increased from \$44.0 million to

\$44.8 million the deposit cutoff level that is used in conjunction with the reservable liabilities exemption amount to determine the frequency of deposit reporting.

REVISION TO REGULATION C

The Federal Reserve Board announced on November 20, 1991, revisions to its Regulation C (Home Mortgage Disclosure). The major change requires financial institutions to begin using 1990 census tract numbers (instead of 1980 numbers) to identify and report property locations.

Other changes related to the instructions and form that institutions must use in complying with the annual reporting requirements. The revisions are effective January 1, 1992.

INTERPRETATION TO REGULATION H

The Federal Reserve Board issued on November 25, 1991, an interpretation that requires state member banks to obtain Board approval to engage in certain commodity swaps and other transactions linked to prices of commodities or stock indexes. Under the interpretation to Regulation H (Membership of State Banking Institutions in the Federal Reserve System) these transactions will be considered a change in the general character of a bank's business, subject to Board approval.

The approval requirement will also apply to certain commodity swap activities when undertaken outside the United States by U.S. banking organizations, under provisions of the Board's Regulation K (International Banking Operations).

PUBLICATION OF THE Annual Statistical Digest, 1990

The *Annual Statistical Digest, 1990* is now available. This one-year *Digest* is designed as a compact source of economic, and especially financial, data. The *Digest* provides a single source of historical continuations of the statistics carried regularly in the *Federal Reserve Bulletin*.

This issue of the *Digest* covers only 1990 unless data were revised for earlier years. It serves to maintain the historical series first published in *Banking and Monetary Statistics, 1941-1970*, and the *Digest* for 1970-79, for 1980-89, and yearly issues. A *Concordance of Statistics* will be included with all orders. The *Concordance* provides a guide to tables that cover the same material in the current and the previous single-year issues of the *Digest*, the ten-year *Digest* for 1980-89, and the *Bulletin*.

Copies of the *Digest* at \$25.00 each are available from Publications Services, mail stop 138, Board of Governors of the Federal Reserve System, Washington, D.C. 20551. □

Record of Policy Actions of the Federal Open Market Committee

MEETING HELD ON OCTOBER 1, 1991

Domestic Policy Directive

The information reviewed at this meeting suggested on balance that the economy was continuing to recover from the recession but that its performance was uneven across sectors. Consumer spending was rising, especially for durable goods, but businesses remained cautious about investing in plant, equipment, or inventories. On the production side, the advance in manufacturing activity continued, although the recovery in housing construction appeared to have lost some of the momentum evident through the spring, and little growth was occurring in much of the service-producing sector. The pickup in production had been reflected primarily in a sizable rise in aggregate hours worked rather than in the number of jobs. Increases in prices appeared to be on a gradual downtrend.

In August, total nonfarm payroll employment retraced part of a July decline and on balance was little changed since March. Manufacturing employment registered widespread gains in August, and the factory workweek rose to its highest level in nearly a year. In the private service-producing sector, new hires in health and business services displayed appreciable strength, but the rest of this sector, particularly wholesale and retail trade, remained weak. Jobs in construction continued to decline, and employment reductions occurred in state and local governments for a second straight month. The civilian unemployment rate was 6.8 percent in both July and August.

Industrial production posted a moderate further rise in August after several months of sizable gains. Assemblies of motor vehicles slowed in August when a number of plants were closed temporarily for model changeovers, but output of other consumer durables continued to increase and that of consumer nondurables rebounded. Production of business

equipment remained weak and on balance had changed little since spring after dropping sharply in late 1990 and early 1991. Total industrial capacity utilization edged up in August; over the course of recent months it had retraced only a small part of the decline that occurred between mid-1990 and March 1991. Operating rates in manufacturing had recovered to a somewhat greater extent, reflecting in part the rebound in motor-vehicle assemblies.

Retail sales fell in August, mostly because of a decline in sales of motor vehicles. For July and August together, nonautomotive retail sales were up considerably on balance. After increasing appreciably since January, housing starts rose only slightly further in July and August. The number of permits for construction of single-family homes declined in August and was unchanged from the second-quarter level. In the multifamily sector, construction activity remained near its thirty-year low. Sales of new homes were down in July, while sales of existing homes fell in both July and August.

Shipments of nondefense capital goods, measured in nominal terms, were down on balance over July and August. Taking into account the substantial recent declines in the prices of computing equipment, however, real outlays for business equipment apparently rose on balance over the two months as reduced spending on industrial equipment was more than offset by increased investment in computers and, to a lesser extent, transportation equipment. Recent data on orders and shipments of nondefense capital goods pointed to a further small rise in real outlays for business equipment. The value of nonresidential construction put in place in July was substantially below the second-quarter level, reflecting the continuing decline in office, other commercial, and hotel construction. Available information on new contracts suggested a continuing downtrend in nonresidential construction.

The nominal U.S. merchandise trade deficit widened substantially in July to a rate considerably

above its average in the second quarter. In July, the value of imports rose sharply from a low second-quarter average; the rise was concentrated in consumer goods, automobiles, and computers. The value of exports changed little in July from a second-quarter level that was high compared with other recent quarters; the improvement in exports in recent months had been the result of the strong performance of capital goods. The pattern of economic activity in the major foreign industrial countries continued to be mixed. In western Germany and Japan, growth fell sharply in the second quarter and apparently remained slow in the third quarter, while economic activity picked up in some other industrial countries in the second quarter.

Producer prices of finished goods were unchanged over July and August after declining on balance in earlier months of the year. Further reductions in food prices in August, notably prices of fresh fruits and vegetables, offset a rebound in the prices of finished energy goods. Excluding food and energy, the increase in producer prices of finished goods in the twelve months ended in August was little different from the rise over the previous twelve months. At the consumer level, increases in prices were small in July and August because of declines in the prices of food and energy items. Although nonfood, non-energy consumer prices had risen somewhat faster in recent months, the twelve-month change in this index had continued to edge down.

At its meeting on August 20, 1991, the Committee adopted a directive that called for maintaining the existing degree of pressure on reserve positions and that also provided for giving special weight to potential developments that might require some further easing during the intermeeting period. Accordingly, the Committee decided that somewhat greater reserve restraint might be acceptable or somewhat lesser reserve restraint would be acceptable during the intermeeting period depending on progress toward price stability, trends in economic activity, the behavior of the monetary aggregates, and developments in foreign exchange and domestic financial markets. The reserve conditions contemplated at the August meeting were expected to be consistent with a resumption in the growth of M2 and M3 over the balance of the third quarter. However, in view of the declines in these aggregates that had taken place since June, the Committee anticipated that, over the three-month period from June

through September, M2 would be little changed and M3 would be down at an annual rate of about 1 percent.

Open market operations during the intermeeting period were directed initially toward maintaining the existing pressures on reserve positions. Subsequently, on September 13, the discount rate was lowered by $\frac{1}{2}$ percentage point to 5 percent and part of this decline was allowed to show through to the federal funds rate. Two technical decreases to expected levels of adjustment plus seasonal borrowing were made during the intermeeting period to reflect the abatement of seasonal credit needs. Early in the period, adjustment plus seasonal borrowing averaged nearly \$400 million. Later, in part because of the decline in seasonal funding needs, the volume of borrowing slipped below \$350 million. The federal funds rate averaged around $5\frac{1}{2}$ percent during the first part of the intermeeting period, but after the discount rate was reduced, the federal funds rate edged down to a little above $5\frac{1}{4}$ percent.

In the period immediately after the August 20 meeting, most other market interest rates rose slightly, reflecting in part the absence of an anticipated easing of monetary policy and data indicating that the expansion might be more robust than expected. Treasury bill rates also were boosted by an unwinding of the flight to quality and liquidity that had been prompted by the attempted coup in the Soviet Union. In subsequent weeks, market rates declined as incoming nonfinancial and monetary indicators were seen by market participants as portending a sluggish expansion, reduced inflation, and an associated easing of monetary policy. The average commitment rate on fixed-rate mortgages reached its lowest level since 1977, and the prime rate was reduced by $\frac{1}{2}$ percentage point to 8 percent after the easing of monetary policy in mid-September. The trade-weighted value of the dollar in terms of the other G-10 currencies fell sharply over the intermeeting period; much of the drop retraced the previous run-up associated with the attempted coup in the Soviet Union that began shortly before the August meeting.

After contracting in July, M2 was about unchanged in August and September. M3 declined further in July and August and apparently changed little in September. Both aggregates were somewhat weaker than anticipated at the time of the August meeting. For the year thus far, expansion of M2 and

M3 had been at the lower ends of the Committee's ranges.

The staff projection prepared for this meeting pointed to a sustained recovery in economic activity; however, because of persisting weaknesses in some sectors of the economy the pace of the expansion was projected to remain subdued compared with past cyclical experience and the risks of a different outcome seemed to be mostly on the downside. Consumer spending was expected to continue to provide much of the impetus to the expansion, but a swing from inventory liquidation to modest accumulation was projected to supply an additional boost to economic growth during the quarters immediately ahead. As the stimulus from the swing in inventories began to wane during the course of 1992, spending for business equipment was projected to strengthen to some extent. Housing construction also would provide some stimulus over the projection horizon. Further declines in the construction of commercial structures were expected to inhibit the economic expansion. Additionally, real purchases of goods and services by the federal government were assumed to be on a mildly declining trend, and spending by many state and local governments was expected to be constrained by severe budgetary problems. The persisting slack in labor and product markets, while diminishing over time, was projected to restrain the rise in labor costs and to foster some slowing in the underlying trend of inflation.

In the Committee's review of prevailing and prospective economic developments, members observed that the mixed nature of the recent economic information and the uneven economic conditions in different parts of the country made it particularly difficult to assess the overall state of the economy. They generally concluded that, on balance, the evidence was consistent with a continuing though still sluggish recovery in economic activity and that the prospects remained favorable for a sustained expansion at a moderate pace over the next several quarters. Many commented, however, that the risks to the expansion appeared to be tilted at least marginally to the downside. Those risks were felt to stem especially from a variety of financial strains in the economy, and several members also indicated that they were uneasy about the potential implications of the ongoing weakness in broad measures of money and credit. With regard to the outlook for inflation, many of the members ex-

pressed confidence that the relatively moderate rate of expansion in economic activity that they anticipated was likely to be associated with appreciable progress in reducing the core rate of inflation over the next several quarters.

In the course of the Committee's discussion, members commented that the anecdotal reports on economic conditions and on business and consumer sentiment continued to have a generally negative tone that did not appear to be fully consistent with the available economic statistics. To a degree, business attitudes seemed to reflect perceptions of little momentum in business activity and related concerns about the outlook for profits. On the positive side, business conditions in some areas were contributing to some optimism, at least among business managers whose activities tended to be limited to local markets, and the performance of the stock market continued to provide evidence of confidence on the part of many investors.

Turning to the outlook for key sectors of the economy, members noted that despite reports of quite weak retail sales in some parts of the country, real consumer outlays had been trending upward on an overall basis since the early part of the year, and in the absence of a new adverse shock to consumer confidence, consumers were likely to continue to provide important support to the overall economic expansion. However, the extent of that support might remain somewhat limited because consumer sentiment was still cautious amid concerns about employment opportunities and personal debt burdens. In the circumstances, retailers in many areas anticipated relatively sluggish sales during the upcoming holiday season. In the context of an already low saving rate, the outlook for retail sales would continue to hinge on growth in disposable incomes and the latter in turn would tend to be constrained by the moderate growth that was anticipated in overall economic activity.

The members continued to anticipate that a turnaround from inventory liquidation to at least modest accumulation would stimulate the economy in the quarters ahead. Available data and anecdotal reports suggested that overall nonfarm business inventories had continued to decline through July and probably over the third quarter as a whole. With stocks now at generally low levels, a pickup in final demands, including expected further growth in exports, was likely to foster some tendency to

rebuild inventories. Looking further ahead, some concern was expressed that, once the expected swing in inventories began to abate next year in line with the usual cyclical pattern, other sources of economic stimulus might not materialize to the extent needed to support continued economic growth at an adequate pace. On the other hand, some members observed that both the economic statistics and reports from business contacts were consistent with some pickup in business spending for equipment, which could well strengthen further as the recovery matured.

Residential construction also seemed likely to provide some ongoing stimulus to the expansion. While this sector appeared to have lost some momentum during the summer months, declines in mortgage interest rates along with anticipated moderate growth in overall economic activity and incomes pointed to a gradual uptrend in housing construction. The prospective strength of housing activity was viewed as likely to be tempered, however, by continuing weakness in the multifamily market; the latter was adversely affected by high vacancy rates in many local areas and over time by a slower pace of family formations.

Among the negative developments that could be expected to limit the strength of the overall economic expansion was the outlook for commercial construction. Indeed, the overbuilt condition of commercial space in major markets around the country portended an extended period of weak activity in this sector of the economy. There were, nonetheless, anecdotal reports that sale prices of commercial real estate might be stabilizing in some areas and that new and renewal lease prices were no longer declining in some markets and indeed might have begun to edge up. The government sector also was seen as likely to exert some restraint on the overall expansion. Federal government spending for goods and services appeared to have swung into a gradual downtrend associated with cutbacks in defense spending. At the same time, the budgetary difficulties affecting many state and local governments were likely to continue to constrain the overall growth in state and local government spending.

Many of the members referred to the potential impact of financial conditions on the outlook for economic activity. In some important respects, financial developments could be viewed as favorable. Financial markets were receptive to new financing activity as evidenced by the large volumes

of stock and bond issuance. Moreover, the balance sheets of many financial institutions were improving; banks, for example, were making considerable efforts to increase their capital, work out problem loans, and rationalize their operations. On the other hand, the balance sheets of many business firms like those of a significant portion of households were burdened by heavy debt loads. Furthermore, many contacts referred to the continuing problems of small and medium-size businesses in securing financing to carry on or expand their operations. In this regard, it was difficult to assess the extent to which the weakness in loan extensions through financial intermediaries reflected unwarranted constraints on credit supplies as opposed to a lack of demand from qualified borrowers. Reports from several parts of the country tended to suggest that, while to some extent credit standards had been tightened further this year, lenders remained willing to provide financing to creditworthy borrowers. On balance, while the members differed in their appraisals of the severity and possible implications of the financing problems of borrowers without access to financial markets, they agreed on the need for careful monitoring of the availability of adequate credit to support a sustained economic recovery.

The members continued to view the outlook for inflation as favorable. The moderate rate of economic expansion anticipated over the forecast horizon was expected to be associated with enough slack in productive resources to accommodate further downward adjustments in the underlying rate of inflation. Competition from foreign producers was likely to remain substantial in many domestic markets. Indeed, overall competitive pressures and resistance to price increases were strong in key markets and provided a promising setting for progress toward price stability. From a different perspective, a number of members observed that the lagging growth in money, at least as measured by M2 and M3, had favorable implications for prices over the longer run. In particular, it was suggested that the restrained growth in money over recent years would tend to foster lower inflation while providing liquidity sufficient to sustain a moderate rate of economic expansion.

In the Committee's discussion of policy for the intermeeting period, all of the members indicated that they were in favor of maintaining an unchanged degree of pressure on reserve positions. While the

economy was subject to an unusual array of problems and related uncertainties, the members generally felt that monetary policy was on the right course under currently prevailing and immediately foreseeable economic and financial circumstances. In particular, insofar as could be judged at this point, the present policy stance provided an appropriate balance between the risks of a faltering economic expansion and the risks of little or no progress toward price stability. The easing steps in recent months and the associated declines in interest rates, including mortgage rates, appeared to have supplied more monetary stimulus than had yet shown through to the economy. Several members commented, however, that the Committee needed to remain particularly alert to indications of renewed weakening in business activity, especially given the current financial fragilities in the economy and the likely difficulty of reviving the economy in the event of another downturn. Other members gave somewhat more weight to the need to avoid over-stimulating the economy; a failure to take advantage of the apparent momentum toward lower inflation would have seriously adverse consequences on longer-term debt markets and the outlook for sustained economic growth. The members agreed that a steady policy course was desirable for now while the Committee assessed the economy's responses to its earlier easing actions.

In the course of the Committee's discussion, the members expressed varying degrees of concern about the continuing weakness in the broader monetary aggregates and overall credit growth. It was clear that a significant restructuring of household and business balance sheets was occurring that partly involved adjustments to the unusually rapid buildup of debt during the 1980s and that such restructuring was being reflected in the behavior of the broader monetary aggregates. Resolutions of insolvent thrift institutions, which in recent months had resumed in volume, also were acting to depress M2 as well as M3. In addition, the more liquid components of the monetary aggregates were growing relatively strongly. Under these circumstances, slow growth in broader money and credit did not necessarily indicate that monetary policy was being too restrictive by damping the expansion of incomes or curtailing demands for goods and services. Moreover, a staff analysis prepared for this meeting indicated that some recovery in the growth

of these aggregates could be expected over the balance of 1991, assuming an unchanged degree of pressure in reserve markets. Nonetheless, many of the members felt that the behavior of M2 and M3, whose growth for the year to date was at the bottom of the Committee's ranges, needed to be monitored with special care and, at least in one view, that some further easing measures might be desirable in the near term to improve the prospects that monetary expansion for the year would be within the Committee's ranges.

Turning to possible adjustments to the degree of reserve pressure during the intermeeting period, a majority of the members indicated a preference for a directive that was biased at least marginally toward easing. Such a bias was called for in this view by the downside risks in the economy, though a number of these members also felt that there should be no strong presumption that any easing would be undertaken during the intermeeting period ahead. The other members indicated that they could support an asymmetric directive toward ease though they preferred a symmetric intermeeting instruction, especially in the context of the further stimulus that could be expected to result over time from the earlier monetary easing actions.

At the conclusion of the Committee's discussion, all of the members indicated that they favored a directive that called for maintaining the existing degree of pressure on reserve positions. They also noted their preference or acceptance of a directive that included a slight bias toward possible easing during the intermeeting period. Accordingly, the Committee decided that slightly greater reserve restraint might be acceptable during the intermeeting period or slightly lesser reserve restraint would be acceptable depending on progress toward price stability, trends in economic activity, the behavior of the monetary aggregates, and developments in foreign exchange and domestic financial markets. The reserve conditions contemplated at this meeting were expected to be consistent with growth of M2 and M3 at annual rates of around 3 percent and 1½ percent respectively over the three-month period from September through December.

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 has been

mixed, but it suggests on balance that economic activity has been expanding at a moderate pace. Total nonfarm payroll employment changed little over July and August, and the civilian unemployment rate was 6.8 percent in both months. Employment in manufacturing continued to advance in August, and industrial production posted a further rise after several months of sizable gains. Consumer spending increased considerably on balance in July and August. Recent data on orders and shipments of nondefense capital goods point to a small increase in real outlays for business equipment, but nonresidential construction has remained weak. Housing starts rose only slightly further in July and August after increasing appreciably on balance since January. The nominal U.S. merchandise trade deficit widened substantially in July and was considerably above its average rate in the second quarter. Increases in consumer prices have been small in recent months, owing to declines in food and energy prices.

Most interest rates have declined further since the Committee meeting on August 20. The Board of Governors approved a reduction in the discount rate from 5½ to 5 percent on September 13. The trade-weighted value of the dollar in terms of the other G-10 currencies fell sharply over the intermeeting period; much of the drop retraced the previous run-up associated with the attempted coup in the Soviet Union that began shortly before the August Committee meeting.

After contracting in July, M2 was about unchanged in August and September. M3 declined further in July and August and is indicated to have changed little in September. For the year thus far, expansion of M2 and M3 has been at the lower end of the Committee's ranges.

The Federal Open Market Committee seeks monetary and financial conditions that will foster price stability and promote sustainable growth in output. In furtherance of

these objectives, the Committee at its meeting in July reaffirmed the ranges it had established in February for growth of M2 and M3 of 2½ to 6½ percent and 1 to 5 percent, respectively, measured from the fourth quarter of 1990 to the fourth quarter of 1991. The monitoring range for growth of total domestic nonfinancial debt also was maintained at 4½ to 8½ percent for the year. For 1992, on a tentative basis, the Committee agreed in July to use the same ranges as in 1991 for growth in each of the monetary aggregates and debt, measured from the fourth quarter of 1991 to the fourth quarter of 1992. With regard to M3, the Committee anticipated that the ongoing restructuring of thrift depository institutions would continue to depress the growth of this aggregate relative to spending and total credit. The behavior of the monetary aggregates will continue to be evaluated in the light of progress toward price level stability, movements in their velocities, and developments in the economy and financial markets.

In the implementation of policy for the immediate future, the Committee seeks to maintain the existing degree of pressure on reserve positions. Depending upon progress toward price stability, trends in economic activity, the behavior of the monetary aggregates, and developments in foreign exchange and domestic financial markets, slightly greater reserve restraint might or slightly lesser reserve restraint would be acceptable in the intermeeting period. The contemplated reserve conditions are expected to be consistent with growth of M2 and M3 over the period from September through December at annual rates of about 3 and 1½ percent, respectively.

Votes for this action: Messrs. Greenspan, Corrigan, Angell, Black, Forrestal, Keehn, Kelley, LaWare, Mullins, and Parry. Votes against this action: None.

Legal Developments

FINAL RULE—AMENDMENT TO REGULATION A

The Board of Governors is amending 12 C.F.R. Part 201, its Regulation A (Extensions of Credit by Federal Reserve Banks) to reflect its recent approval of a reduction in discount rates at each Federal Reserve Bank. The discount rate is the interest rate that is charged depository institutions when they borrow from their district Federal Reserve Banks. The Board acted on requests submitted by the Boards of Directors of the twelve Federal Reserve Banks.

The amendments to Regulation A were effective November 13, 1991. The discount rate changes were effective on the dates specified in sections 201.51 and 201.52. The Board of Governors is amending 12 C.F.R. Part 201 as follows:

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

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

2. Section 201.51 is revised to read as follows:

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

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

Federal Reserve Bank	Rate	Effective
Boston	4.5	November 6, 1991
New York	4.5	November 6, 1991
Philadelphia	4.5	November 6, 1991
Cleveland	4.5	November 6, 1991
Richmond	4.5	November 6, 1991
Atlanta	4.5	November 6, 1991
Chicago	4.5	November 6, 1991
St. Louis	4.5	November 7, 1991
Minneapolis	4.5	November 6, 1991
Kansas City	4.5	November 6, 1991
Dallas	4.5	November 6, 1991
San Francisco	4.5	November 6, 1991

3. Section 201.52 is revised to read as follows:

Section 201.52—Extended credit for depository institutions.

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

Federal Reserve Bank	Rate	Effective
Boston	4.5	November 6, 1991
New York	4.5	November 6, 1991
Philadelphia	4.5	November 6, 1991
Cleveland	4.5	November 6, 1991
Richmond	4.5	November 6, 1991
Atlanta	4.5	November 6, 1991
Chicago	4.5	November 6, 1991
St. Louis	4.5	November 7, 1991
Minneapolis	4.5	November 6, 1991
Kansas City	4.5	November 6, 1991
Dallas	4.5	November 6, 1991
San Francisco	4.5	November 6, 1991

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

Federal Reserve Bank	Rate	Effective
Boston	4.5	November 6, 1991
New York	4.5	November 6, 1991
Philadelphia	4.5	November 6, 1991
Cleveland	4.5	November 6, 1991
Richmond	4.5	November 6, 1991
Atlanta	4.5	November 6, 1991
Chicago	4.5	November 6, 1991
St. Louis	4.5	November 7, 1991
Minneapolis	4.5	November 6, 1991
Kansas City	4.5	November 6, 1991
Dallas	4.5	November 6, 1991
San Francisco	4.5	November 6, 1991

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

prolonged period and in relatively large amounts, the 30-day time period may be shortened.

FINAL RULE—AMENDMENT TO REGULATION C

The Board of Governors is amending 12 C.F.R. Part 203, its Regulation C (Home Mortgage Disclosure), including the instructions and reporting form that financial institutions must use in complying with the annual reporting requirements. The major substantive change requires financial institutions to begin using 1990 census tract numbers (instead of 1980) to identify and report property locations beginning on January 1, 1992.

Effective January 1, 1992, 12 C.F.R. Part 203 (Home Mortgage Disclosure) and the form and instructions thereto (Appendix A to 12 C.F.R. Part 203) is amended as follows:

Part 203—Home Mortgage Disclosure [Amended]

1. The authority citation for part 203 continues to read:

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

2. Section 203.2(c)(2) has been amended by revising the first sentence of paragraphs (c)(2) and (e)(2) to read as follows:

Section 203.2—Definitions.

* * * * *

(c) *Branch office* means:

* * * * *

(2) Any office of a mortgage lending institution (other than a bank, savings association, or credit union) that takes applications from the public for home purchase or home improvement loans. * * *

* * * * *

(e) *Financial institution* means:

* * * * *

(2) A for-profit mortgage lending institution (other than a bank, savings association, or credit union) whose home purchase loan originations equaled or exceeded ten percent of its loan origination volume, measured in dollars, in the preceding calendar year.

* * * * *

3. Section 203.4(a) has been revised to read as follows:

Section 203.4—Compilation of loan data.

(a) *Data format and itemization.* A financial institution shall collect data regarding applications for, and originations and purchases of, home purchase and home improvement loans (including refinancings of both) for each calendar year. These data shall be presented on a register in the format prescribed in Appendix A and shall include the following items:

* * * * *

4. Section 203.6(a) has been revised to read as follows:

Section 203.6—Enforcement.

(a) *Administrative enforcement.* A violation of the act or this regulation is subject to administrative sanctions as provided in section 305 of the act, including the imposition of civil money penalties, where applicable. Compliance is enforced by the agencies listed in Appendix A of this regulation.

* * * * *

5. Appendix A to Part 203 has been revised to read as follows:

APPENDIX A TO PART 203—FORM AND INSTRUCTIONS FOR COMPLETION OF HMDA LOAN/APPLICATION REGISTER

Paperwork Reduction Act Notice

Public reporting burden for collection of this information is estimated to vary from 10 to 10,000 hours per response, with an average of 200 hours per response, including time to gather and maintain the data needed and to review instructions and complete the information collection. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing the burden, to Secretary, Board of Governors of the Federal Reserve System, Washington, D.C. 20551; and to the Office of Information and Regulatory Affairs, Office of Management and Budget, Washington, DC 20503.

I. Who Must File a Report

A. Subject to the exceptions discussed below, banks, savings associations, credit unions, and other mortgage lending institutions must complete a register listing data about loan applications received, loans originated, and loans purchased if on the preceding December 31 an institution:

1. Had assets of more than \$10 million, and
2. Had a home or a branch office in a "metropolitan statistical area" or a "primary metropolitan statistical area" (both are referred to in these instructions by the term "MSA").

Example: If on December 31 you had a home or a branch office in an MSA and your assets exceeded \$10 million, you must complete a register that lists the home purchase and home improvement loans that you originate or purchase (and also lists applications that did not result in an origination) beginning January 1.

B. You need not complete a register—even if you meet the tests for asset size and location—if your institution is a bank, savings association, or credit union that made *no* first-lien home purchase loans on one-to-four family dwellings in the preceding calendar year. This exception does not apply in the case of nondepository institutions.

C. You need not complete a register—even if you meet the tests for asset size and location—if your institution is a for-profit mortgage lender (other than a bank, savings association, or credit union) and the home purchase loans that you originated in the preceding calendar year came to less than 10 percent of your total loan origination volume, measured in dollars.

D. If you are a for-profit mortgage lender (other than a bank, savings association, or credit union) the asset test is based on the combined assets of your institution and any parent corporation.

E. If you are the subsidiary of a bank or savings association you must complete a separate register for your institution. You will submit the register, directly or through your parent, to the agency that supervises your parent. (See paragraph VI.)

F. Institutions that are specifically exempted by the Federal Reserve Board from complying with the federal Home Mortgage Disclosure Act because they are covered by a similar state law on mortgage loan disclosures must use the disclosure form required by their state law and submit the data to their state supervisory agency.

II. Required Format and Reporting Procedures

A. Institutions are expected to submit data to their supervisory agencies in an automated, machine-readable form unless 100 or fewer application and loan entries are reported. The format must conform exactly to the form FR HMDA-LAR, including the order of columns, column headings, etc. Contact your federal supervisory agency for information regarding procedures and technical specifications for automated data submission.

An institution that submits its register in non-automated form must send two copies that are typed or

computer printed. You must use the format of the loan/application register, but are not required to use the form itself. Each page must be numbered, and the total number of pages must be given (for example, "Page 1 of 3").

B. The required data are to be entered in the register for each loan origination, each application acted on, and each loan purchased during the calendar year. Your institution should decide on the procedure it wants to follow—for example, whether to begin entering the required data when an application is received, or to wait until final action is taken (such as when a loan goes to closing or an application is denied). Keep in mind that an application is to be reported in the calendar year when final action is taken. Report loan originations in the year they go to closing; if an application has been approved but has not yet gone to closing at year-end, report it the following year.

C. Your institution may collect the data on separate registers at different branches, or on separate registers for different loan types (such as for home purchase or home improvement loans, or for loans on multifamily dwellings). But make sure the application or loan numbers (discussed under paragraph V.A.1., below) are unique.

D. Entries need *not* be grouped on your register by MSA, or chronologically, or by census tract numbers, or in any other particular order.

III. Submission of HMDA-LAR and Release of Disclosure Statements

A. You must submit the data for your institution to the office specified by your supervisory agency no later than March 1 following the calendar year for which the data are compiled. A list of the agencies appears at the end of these instructions.

B. You must submit all required data to your supervisory agency in *one complete package*, with the prescribed transmittal sheet. An officer of your institution must certify to the accuracy of the data.

C. You are encouraged to provide in a cover letter an approximate count of the total number of line entries contained in your data submission. If you are a depository institution, you also are asked to include a list of the MSAs where you have a home or branch office.

D. The Federal Financial Institution Examination Council (FFIEC) will prepare a disclosure statement from the data you submit. Your disclosure statement will be returned to the name and address indicated on the transmittal sheet. When you receive that disclosure statement you must make a copy available for inspection by the public within 30 calendar days of the date the statement is received by your institution. You must make a complete copy available at your

home office. If you have physical branch offices in other MSAs, you must make available, at one branch office in each of those MSAs, either the complete statement or the portion of the statement relating to that MSA.

Your agency can provide you with HMDA posters that you can use to inform the public of the availability of your disclosure statement, or you may print your own posters.

IV. Types of Loans and Applications Covered and Excluded by HMDA

A. Types of loans and applications to be reported.

1. Report the data on home purchase and home improvement loans that you originated (that is, loans that were closed in your name) and loans that you purchased during the calendar year covered by the report. Report these data even if the loans were subsequently sold by your institution. Include refinancings of home purchase and home improvement loans.
2. Report the data for applications for home purchase and home improvement loans that did not result in originations—for example, applications that your institution denied or that the applicant withdrew during the calendar year covered by the report.
3. In the case of brokered loan applications or applications forwarded to you through a correspondent, show the data for all applications denied by your institution (whether or not they would have closed in your institution's name). Report the race or national origin, sex, and income information, unless your institution is a bank, savings association or credit union with assets of \$30 million or less on the preceding December 31.
4. Report applications that were received in the previous calendar year but were acted upon during the calendar year covered by the current register.

B. Data to be excluded.

Do not report loans or applications for loans of the following types:

1. Loans that, although secured by real estate, are made for purposes other than home purchase, home improvement, or refinancing (for example, do not report a loan secured by residential real property for purposes of financing college tuition, a vacation, or goods for business inventory).
2. Loans made in a fiduciary capacity (for example, by your trust department).
3. Loans on unimproved land.
4. Construction or bridge loans and other temporary financing.

5. The purchase of an interest in a pool of loans (such as mortgage-participation certificates).
6. The purchase solely of the right to service loans.

V. Instructions For Completion of Loan/Application Register

A. Application or loan information.

1. *Application or loan number.* Enter an identifying number that can be used later to retrieve the loan or application file. It can be any number of your choosing (not exceeding 25 characters). You may use letters, numerals, or a combination of both.

Make sure that all numbers are unique within your institution. If your register contains data for branch offices, for example, you could use a letter or a numerical code to identify the loans or applications of different branches, or could assign a certain series of numbers to particular branches to avoid duplicate numbers. You are strongly encouraged *not* to use the applicant's or borrower's name or social security number, for privacy reasons.

2. *Date application received.* Enter the date the loan application was received by your institution by month, day, and year, using numerals in the form MM/DD/YY (for example, 01/15/92). If your institution normally records the date shown on the application form, you may use that date instead. Enter "NA" for loans purchased by your institution.

3. *Type.* Indicate the type of loan or application by entering the applicable code from the following:

- 1—Conventional (any loan other than FHA, VA or FmHA loans)
- 2—FHA-insured (Federal Housing Administration)
- 3—VA-guaranteed (Veterans Administration)
- 4—FmHA-insured (Farmers Home Administration)

4. *Purpose.* Indicate the purpose of the loan or application by entering the applicable code from the following:

- 1—Home purchase (one-to-four family)
- 2—Home improvement (one-to-four family)
- 3—Refinancing (home purchase or home improvement, one-to-four family)
- 4—Multifamily dwelling (home purchase, home improvement, and refinancings)

5. *Explanation of purpose codes.*

Code 1: Home purchase.

- a. This code applies to loans and applications made for the purpose of purchasing a residential dwelling for one to four families, if the loan is to be secured by the dwelling being purchased or by another dwelling.
- b. At your option, you may use code 1 for loans

that are made for home improvement purposes but are secured by a first lien, if you normally classify such first-lien loans as home purchase loans.

Code 2: Home improvement.

a. Code 2 applies to loans and applications for loans that

- (1) the borrowers have said will be used for repairing, rehabilitating, or remodeling one-to-four family residential dwellings, and
- (2) are recorded on your books as home improvement loans.

b. Report both secured and unsecured loans.

c. At your option, you may report data about home equity lines of credit—even if the credit line is not recorded on your institution's books as a home improvement loan. If you choose to do so, you may report a home equity line of credit as a home improvement loan if the borrower or applicant indicates, at the time of application or when the account is opened, that some portion of the proceeds will be used for home improvement. (See Paragraph 8. "Loan amount," below.) If you report originations of home equity lines of credit, you must also report applications for such loans that did not result in originations.

Code 3: Refinancings.

a. Use this code for refinancings (and applications for refinancings) of home purchase or home improvement loans on one-to-four family residential dwellings. A refinancing involves the satisfaction of an existing obligation that is replaced by a new obligation undertaken by the same borrower. But do not report a refinancing if, under the loan agreement, you are unconditionally obligated to renew or refinance the obligation, or you are obligated to renew or refinance the obligation subject to conditions within the borrower's control.

b. Use this code whether or not you were the original creditor on the loan being refinanced, and whether or not the refinancing involves an increase in the outstanding principal.

c. Report a refinancing if the amount outstanding on the original loan, plus the amount of new money (if any) that is for home purchase or home improvement purposes, is *more* than 50 percent of the total new loan amount. Do not report a refinancing if 50 percent or *less* of the loan proceeds or the amount applied for is for home purchase or home improvement.

Code 4: Multifamily dwelling.

a. Use this code for loans and loan applications on dwellings for five or more families, including home purchase loans, refinancings, and loans for

repairing, rehabilitation, and remodeling purposes.

b. Do not use this code for loans on individual condominium or cooperative units; use codes 1, 2, or 3 for such loans, as applicable.

6. *Owner occupancy.* Indicate whether the property to which the loan or loan application relates is to be owner-occupied as a principal dwelling by entering the applicable code from the following:

- 1—Owner-occupied as a principal dwelling
- 2—Not owner-occupied
- 3—Not applicable

7. *Explanation of codes.*

a. Use code 2 for second homes or vacation homes, as well as rental properties.

b. Use code 2 only for nonoccupant loans, or applications for nonoccupant loans, related to one-to-four family dwellings (including individual condominium or cooperative units).

c. Use code 3 if the property to which the loan relates is a multifamily dwelling; is not located in an MSA; or is located in an MSA in which your institution has neither a home nor a branch office.

d. For purchased loans, you may assume that the property will be owner-occupied as a principal dwelling (code 1) unless the loan documents or application contain information to the contrary.

8. *Loan amount.* Enter the amount of the loan or application. Do not report loans below \$500. Show the amount in thousands rounding to the nearest thousand (\$500 should be rounded up to the next \$1,000). For example, a loan for \$167,300 should be entered as 167 and one for \$15,500 as 16.

a. For home purchase loans that you originate, enter the principal amount of the loan as the loan amount. For home purchase loans that you purchase, enter the unpaid principal balance of the loan at the time of purchase as the loan amount.

b. For home improvement loans (both originations and purchases), you may include unpaid finance charges in the loan amount if that is how you record such loans on your books.

c. For home equity lines of credit (if you have chosen to report them), enter as the loan amount only that portion of the line that the applicant or borrower has indicated, at the time the application is made or when the account is opened, as being for home improvement. Report the loan amount for applications that did not result in originations in the same manner. Report only in the year the line is established.

d. For refinancings that are to be reported, indicate the total amount of the refinancing, including the amount outstanding on the original loan and the amount of new money (if any).

e. For a loan application that was denied or withdrawn, enter the amount applied for.

f. If you offered to lend less than the applicant applied for, enter the amount of the loan if the offer was accepted by the applicant. If the offer was not accepted, enter the amount that the applicant applied for.

B. Action taken.

1. *Type of action.* Indicate the type of action taken on the application or loan by using one of the following codes. Do not report any loan application still pending at the end of the calendar year. You will report that application on your register for the year in which final action is taken.

- 1—Loan originated
- 2—Application approved but not accepted by applicant
- 3—Application denied
- 4—Application withdrawn
- 5—File closed for incompleteness
- 6—Loan purchased by your institution

2. *Explanation of codes.*

a. Use code 2 when an application is approved but the applicant fails to respond to your notification of approval or your commitment letter within the specified time.

b. Use code 4 only when an application is expressly withdrawn by the applicant before a credit decision was made.

c. Use code 5 if you sent a written notice of incompleteness under section 202.9(c)(2) of Regulation B (Equal Credit Opportunity) and the applicant failed to respond to your request for additional information within the period of time specified in your notice.

3. *Date of action.* Enter the date by month, day, and year, using numerals in the form MM/DD/YY (for example, 02/22/92).

a. For loans originated, enter the settlement or closing date. For loans purchased, enter the date of purchase by your institution.

b. For applications denied, applications approved but not accepted by the applicant, and files closed for incompleteness, enter the date that the action was taken by your institution or the date the notice was sent to the applicant.

c. For applications withdrawn, enter the date you received the applicant's express withdrawal; or you may enter the date shown on the notification from the applicant, in the case of a written withdrawal.

C. Property location. In these columns enter the applicable codes for the MSA, state, county, and census tract for the property to which a loan relates. For home purchase loans secured by one dwelling, but

made for the purpose of purchasing another dwelling, report the property location for the property in which the security interest is to be taken. If the home purchase loan is secured by more than one property, report the location data for the property being purchased. (See paragraphs 5. and 6. below for treatment of loans on property outside the MSAs in which you have offices.)

1. *MSA.* For each loan or loan application, indicate the location of the property by the MSA number. Enter only the MSA number, not the MSA name. MSA boundaries are defined by the U.S. Office of Management and Budget; use the boundaries that were in effect on January 1 of the calendar year for which you are reporting. A listing of MSAs is available from your regional supervisory agency or the FFIEC. (In these instructions, the term MSA refers to both metropolitan statistical area and primary metropolitan statistical area.)

2. *State and county.* You must use the Federal Information Processing Standard (FIPS) two-digit numerical code for the state and the three-digit numerical code for the county. These codes are available from your regional supervisory agency or the FFIEC. Do not use the letter abbreviations used by the U.S. Postal Service.

3. *Census tract.* Indicate the census tract where the property is located.

a. Enter the code "NA" if the property is located in an area not divided into census tracts on the U.S. Census Bureau's census-tract outline maps (see paragraph 4. below).

b. If the property is located in a county with a population of 30,000 or less in the 1990 census (as determined by the Census Bureau's 1990 CPH-2 population series), enter "NA" (even if the population has increased above 30,000 since 1990), or you may enter the census tract number.

4. *Census tract number.* For the census tract number, consult the U. S. Census Bureau's Census Tract/Street Index for 1990, and for addresses not listed in the index, consult the Census Bureau's census tract outline maps. You must use the maps from the Census Bureau's 1990 CPH-3 series, or equivalent 1990 census data from the Census Bureau (such as the Census TIGER/Line File) or from a private publisher.

5. *Outside-MSA.* For loans on property located outside the MSAs in which you have a home or branch office (or outside any MSA), you may enter the MSA, state, county, and census tract numbers or you may enter the code "NA" in each of these columns.

6. *Nondepository lenders.* If you are a for-profit mortgage lending institution (other than a bank,

savings association, or credit union), and in the preceding calendar year you received applications for, or originated or purchased, loans for home purchase or home improvement adding up to a total of five or more for a given MSA, you are deemed to have a branch office in that MSA, whether or not you have a physical office there. As a result, you will have to enter the MSA, state, county, and census tract numbers for any transactions in that MSA. Because you must keep accurate records about lending within MSAs in the current calendar year in order to report data accurately the following year, to comply with this rule you may find it easier to enter the geographic information routinely for any property located within any MSA.

D. Applicant information—race or national origin, sex, and income. Appendix B of Regulation C contains instructions for the collection of data on race or national origin and sex, and also contains a sample form for data collection. The form is substantially similar to the form prescribed by section 202.13 of Regulation B (Equal Credit Opportunity) and contained in Appendix B to that regulation. You may use either form.

1. *Applicability.* You must report this applicant information for loans that you originate as well as for applications that do not result in an origination.

a. You need not collect or report this information for loans purchased. If you choose not to, enter the codes specified in paragraphs 3., 4., and 5. below for “not applicable.”

b. If your institution is a bank, savings association, or credit union that had assets of \$30 million or less on the preceding December 31, you may—but need not—collect and report these data. If you choose not to, enter the codes specified in paragraphs 3., 4., and 5. below for “not applicable.”

c. If the borrower or applicant is not a natural person (a corporation or partnership, for example), use the codes specified in paragraphs 3., 4., and 5. below for “not applicable.”

2. *Mail and telephone applications.* Any loan applications mailed to applicants must contain a collection form similar to that shown in Appendix B, and you must record on your register the data on race or national origin and sex if the applicant provides it. If the applicant chooses not to provide the data, enter the code for “information not provided by applicant in mail or telephone application” specified in paragraphs 3. and 4. below. If an application is taken entirely by telephone, you need not request this information. (See Appendix B for complete information on the collection of this data in mail or telephone applications.)

3. *Race or national origin of borrower or applicant.*

Use the following codes to indicate the race or national origin of the applicant or borrower under column “A” and of any co-applicant or co-borrower under column “CA.” If there is more than one co-applicant, provide this information only for the first co-applicant listed on the application form. If there are no co-applicants or co-borrowers, enter code 8 for “not applicable” in the co-applicant column.

1—American Indian or Alaskan Native

2—Asian or Pacific Islander

3—Black

4—Hispanic

5—White

6—Other

7—Information not provided by applicant in mail or telephone application

8—Not applicable

4. *Sex of borrower or applicant.* Use the following codes to indicate the sex of the applicant or borrower under column “A” and of any co-applicant or co-borrower under column “CA.” If there is more than one co-applicant, provide this information only for the first co-applicant listed on the application form. If there are no co-applicants or co-borrowers, enter code 4 for “not applicable.”

1—Male

2—Female

3—Information not provided by applicant in mail or telephone application

4—Not applicable

5. *Income.* Enter the gross annual income that your institution relied upon in making the credit decision.

a. Round all dollar amounts to the nearest thousand (round \$500 up to the next \$1,000), and show in terms of thousands. For example, \$35,500 should be reported as 36.

b. For loans on multifamily dwellings, enter “NA.”

c. If no income information is asked for or relied on in the credit decision (such as in “no income verification” type loans), enter “NA.”

E. Type of purchaser.

1. Enter the applicable code to indicate whether a loan that your institution originated or purchased was then sold to a secondary market entity within the same calendar year:

0—Loan was not originated or was not sold in calendar year covered by register

1—FNMA (Federal National Mortgage Association)

2—GNMA (Government National Mortgage Association)

3—FHLMC (Federal Home Loan Mortgage Corporation)

- 4—FmHA (Farmers Home Administration)
- 5—Commercial bank
- 6—Savings bank or savings association
- 7—Life insurance company
- 8—Affiliate institution
- 9—Other type of purchaser

2. *Explanation of codes.*

- a. Enter the code 0 for applications that were denied, withdrawn, or approved but not accepted by the applicant; and for files closed for incompleteness.
- b. If you originated or purchased a loan and did not sell it during that same calendar year, enter the code 0. If you sell the loan in a succeeding year, you need not report the sale.
- c. If you conditionally assign a loan to GNMA in connection with a mortgage-backed security transaction, use code 2.
- d. Loans “swapped” for mortgage-backed securities are to be treated as sales; enter the type of entity receiving the loans that are swapped as the purchaser.
- e. Use code 8 for loans sold to an institution affiliated with you, such as your subsidiary or a subsidiary of your parent corporation.

F. *Reasons for denial.*

- 1. You are not required to enter the reasons for the denial of an application. But if you choose to do so, you may indicate up to three reasons by using the following codes:

- 1—Debt-to-income ratio
- 2—Employment history
- 3—Credit history
- 4—Collateral
- 5—Insufficient cash (downpayment, closing costs)
- 6—Unverifiable information
- 7—Credit application incomplete
- 8—Mortgage insurance denied
- 9—Other

- 2. Leave this column blank if the “action taken” on the application is not a denial. For example, do not complete this column if the application was withdrawn or the file was closed for incompleteness.

- 3. If your institution uses the model form for adverse action contained in the appendix to Regulation B (Form C-1 in Appendix C, Sample Notification Form, which offers some 20 reasons for denial), the following list shows which codes to enter.

- a. *Code 1 corresponds to:* Income insufficient for amount of credit requested, and Excessive obligations in relation to income.
- b. *Code 2 corresponds to:* Temporary or irregular employment, and Length of employment.
- c. *Code 3 corresponds to:* Insufficient number of

credit references provided; Unacceptable type of credit references provided; No credit file; Limited credit experience; Poor credit performance with us; Delinquent past or present credit obligations with others; Garnishment, attachment, foreclosure, repossession, collection action, or judgment; and Bankruptcy.

d. *Code 4 corresponds to:* Value or type of collateral not sufficient.

e. *Code 6 corresponds to:* Unable to verify credit references, Unable to verify employment, Unable to verify income, and Unable to verify residence.

f. *Code 7 corresponds to:* Credit application incomplete.

g. *Code 9 corresponds to:* Length of residence, Temporary residence, and Other reasons specified on notice.

VI. Federal Supervisory Agencies

Send your loan/application register and direct any questions to the office of your federal supervisory agency as specified below. If you are the nondepository subsidiary of a bank, savings association, or credit union, send the register to the supervisory agency for your parent institution.

A. *National banks and their subsidiaries.* District office of the Office of the Comptroller of the Currency supervising the national bank.

B. *State member banks of the Federal Reserve System, their subsidiaries, and subsidiaries of bank holding companies.* Federal Reserve Bank serving the district in which the state member bank is located; for institutions other than state member banks, the Federal Reserve Bank specified by the Board of Governors.

C. *Nonmember insured banks (except for federal savings banks) and their subsidiaries.* Regional Director of the Federal Deposit Insurance Corporation for the region in which the bank or the subsidiary is located.

D. *Savings institutions insured under the Savings Association Insurance Fund of the FDIC, federally-chartered savings banks insured under the Bank Insurance Fund of the FDIC (but not including state-chartered savings banks insured under the Bank Insurance Fund), their subsidiaries, and subsidiaries of savings institution holding companies.* Regional or other office specified by the Office of Thrift Supervision.

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

F. *Other depository institutions.* Regional Director of

LOAN/APPLICATION REGISTER CODE SHEET

Use the following codes to complete the Loan/Application Register. The instructions to the HMDA-LAR explain the proper use of each code.

Application or Loan Information	Applicant Information	Type of Purchaser
Type:	Race or National Origin:	0-- Loan was not originated or was not sold in calendar year covered by register
1 -- Conventional (any loan other than FHA, VA or FmHA loans)	1 -- American Indian or Alaskan Native	1 -- FNMA (Federal National Mortgage Association)
2 -- FHA-insured (Federal Housing Administration)	2 -- Asian or Pacific Islander	2 -- GNMA (Government National Mortgage Association)
3 -- VA-guaranteed (Veterans Administration)	3 -- Black	3 -- FHLMC (Federal Home Loan Mortgage Corporation)
4 -- FmHA-insured (Farmers Home Administration)	4 -- Hispanic	4 -- FmHA (Farmers Home Administration)
Purpose:	5 -- White	5 -- Commercial bank
1 -- Home purchase (one-to-four family)	6 -- Other	6 -- Savings bank or savings association
2 -- Home improvement (one-to-four family)	7 -- Information not provided by applicant in mail or telephone application	7 -- Life insurance company
3 -- Refinancing (home purchase or home improvement, one-to-four family)	8 -- Not applicable	8 -- Affiliate institution
4 -- Multifamily dwelling (home purchase, home improvement, and refinancings)	Sex:	9 -- Other type of purchaser
Owner-Occupancy:	1 -- Male	
1 -- Owner-occupied as a principal dwelling	2 -- Female	
2 -- Not owner-occupied	3 -- Information not provided by applicant in mail or telephone application	
3 -- Not applicable	4 -- Not applicable	
Action Taken:		Reasons for Denial (optional)
1 -- Loan originated		1 -- Debt-to-income ratio
2 -- Application approved but not accepted by applicant		2 -- Employment history
3 -- Application denied by financial institution		3 -- Credit history
4 -- Application withdrawn by applicant		4 -- Collateral
5 -- File closed for incompleteness		5 -- Insufficient cash (downpayment, closing costs)
6 -- Loan purchased by your institution		6 -- Unverifiable information
		7 -- Credit application incomplete
		8 -- Mortgage insurance denied
		9 -- Other

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

G. Other mortgage lending institutions. Assistant Secretary for Housing, HMDA Reporting—Room 9233, U.S. Department of Housing and Urban Development, 451 7th Street, S.W., Washington, D.C. 20410.

FINAL RULE—AMENDMENT TO REGULATION D

The Board of Governors is amending 12 C.F.R. Part 204, its Regulation D (Reserve Requirements of Depository Institutions) to increase the amount of transaction accounts subject to a reserve requirement ratio of three percent, as required by section 19(b)(2)(C) of the Federal Reserve Act (12 U.S.C. 461(b)(2)(C)), from \$41.1 million to \$42.2 million of net transaction accounts. This adjustment is known as the low reserve tranche adjustment. The Board has increased from \$3.4 million to \$3.6 million the amount of reservable liabilities of each depository institution that is subject to a reserve requirement of zero percent. This action is required by section 19(b)(11)(B) of the Federal Re-

serve Act (12 U.S.C. 461(b)(11)(B)), and the adjustment is known as the reservable liabilities exemption adjustment. The Board is also increasing from \$44.0 million to \$44.8 million the deposit cutoff level that is used in conjunction with the reservable liabilities exemption amount to determine the frequency of deposit reporting.

Effective December 17, 1991. Compliance Dates: For depository institutions that report weekly, the low reserve tranche adjustment and the reservable liabilities exemption adjustment will be effective on the reserve computation period that begins Tuesday, December 24, 1991, and on the corresponding reserve maintenance period that begins Thursday, December 26, 1991. For institutions that report quarterly, the low reserve tranche adjustment and the reservable liabilities exemption adjustment will be effective on the reserve computation period that begins Tuesday, December 17, 1991, and on the corresponding reserve maintenance period that begins Thursday, January 16, 1992. For all depository institutions, the increase in the deposit cutoff level will be used to screen institutions in the second quarter of 1992 to determine the

Form FR HMDA-LAR
OMB No. 7100-0247. Approval expires December 31, 1992
Hours per response: 10 to 10,000 (200 average)
This report is required by law (12 USC 2801-2810 and 12 CFR 203)

LOAN/APPLICATION REGISTER**TRANSMITTAL SHEET**

You must complete this transmittal sheet (please type or print) and attach it to the Loan/Application Register, required by the Home Mortgage Disclosure Act, that you submit to your supervisory agency.

Reporter's Identification Number Agency
Code

Reporter's Tax Identification Number

The Loan/Application Register that is attached covers activity during 19 _____ and contains a total of _____ pages.

Enter the name and address of your institution. The disclosure statement that is produced by the Federal Financial Institutions Examination Council will be mailed to the address you supply below:

Name of Institution

Address

City, State, ZIP

Enter the name and telephone number of a person who may be contacted about questions regarding your register:

Name

() _____
Telephone Number

If your institution is a subsidiary of another institution or corporation, enter the name of your parent:

Name

Address

City, State, ZIP

Enter the name and address of your supervisory agency (or your parent's supervisory agency):

Name

Address

City, State, ZIP

An officer of your institution must complete the following section.

I certify to the accuracy of the data contained in this register.

Name of officer

Signature

Date

Page ____ of ____

Reporter's Identification Number

| | | | | | | | | | - |

City, State, ZIP

All columns (except Reasons for Denial) must be completed for each entry. See the instructions for details.

[illegible]

reporting frequency for the twelve month period that begins in September 1992.

Effective December 17, 1991, 12 C.F.R. Part 204 is amended as follows:

Part 204—Reserve Requirements of Depository Institutions

1. The authority citation for Part 204 continues to read as follows:

Authority: Sections 11(a), 11(c), 19, 25, 25(a) of the Federal Reserve Act (12 U.S.C. 248(a), 248(c), 371a, 371b, 461, 601, 611); section 7 of the International Banking Act of 1978 (12 U.S.C. 3105); and section 411 of the Garn-St Germain Depository Institutions Act of 1982 (12 U.S.C. 461).

2. In section 204.9 paragraphs (a)(1) and (a)(2) are revised to read as follows:

Section 204.9—Reserve requirement ratios.

(a)(1) *Reserve percentages.* The following reserve ratios are prescribed for all depository institutions, Edge and Agreement Corporations, and United States branches and agencies of foreign banks:

Category	Reserve requirement
<i>Net transaction accounts</i> ¹ \$0 to \$42.2 million over \$42.2 million	3 percent of amount \$1,266,000 plus 12 percent of amount over \$42.2 million
<i>Nonpersonal time deposits</i> <i>Eurocurrency liabilities</i>	0 percent 0 percent

1. Dollar amounts do not reflect the adjustment to be made by the next paragraph.

(a)(2) *Exemption from reserve requirements.* Each depository institution, Edge or agreement corporation, and U.S. branch or agency of a foreign bank is subject to a zero percent reserve requirement on an amount of its transaction accounts subject to the low reserve tranche in paragraph (a)(1) of this section not in excess of \$3.6 million determined in accordance with section 204.3(a)(3) of this part.

INTERPRETATION—AMENDMENTS TO REGULATIONS H AND K

The Board of Governors is amending 12 C.F.R. Parts 208 and 211, its Regulation H (Membership of State Banking Institutions in the Federal Reserve System) and Regulation K (International Banking Operations).

The interpretation of the provisions of Regulation H provides that engaging in certain activities relating to commodities, including commodity- or equity-linked activities such as commodity or stock index swaps, will be considered to be a change in the general character of a bank's business, and that state member banks must obtain the Board's approval under Regulation H to engage in such activities. Under the provisions of the Board's Regulation K, International Banking Operations, this approval requirement will also apply to certain commodity swap activities when undertaken outside of the United States by U.S. banking organizations.

Effective December 3, 1991, 12 C.F.R. Parts 208 and 211 are amended as follows:

Part 208—Membership of State Banking Institutions in the Federal Reserve System

1. The authority citation for Part 208 continues to read as follows:

Authority: Sections 9, 11(a), 11(c), 19, 21, 25, and 26(a) of the Federal Reserve Act, as amended (12 U.S.C. 321–338, 248(a), 248(c), 461, 481–486, 601, and 611, respectively); sections 4 and 13(j) of the Federal Deposit Insurance Act, as amended (12 U.S.C. 1814 and 1823(j), respectively); section 7(a) of the International Banking Act of 1978 (12 U.S.C. 3105); sections 907–910 of the International Lending Supervision Act of 1983 (12 U.S.C. 3906–3909); sections 2, 12(b), 12(g), 12(i), 15B(c)(5), 17, 17A, and 23 of the Securities Exchange Act of 1934 (15 U.S.C. 78b, 78l(b), 78l(g), 78o-4(c)(5), 78q, 78q-1, and 78w, respectively); section 5155 of the Revised Statutes (12 U.S.C. 36) as amended by the McFadden Act of 1927; and sections 1101–1122 of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (12 U.S.C. 3310–3351).

2. Section 208.128 is added to read as follows:

Section 208.128—Commodity- or Equity-linked Transactions.

State-chartered banks that are members of the Federal Reserve System are required to obtain the approval of the Board under Regulation H (Membership of State Banking Institutions in the Federal Reserve System) before permitting any change to be made in the general character of their business or in the scope of the corporate powers they exercised at the time of admission to membership. The Board has considered whether engaging in transactions linked to commodity

or equity security prices or indices would represent a change in the general character of the business of a state member bank.

Banking organizations have developed a number of commodity- or equity-linked transactions in which a portion of the return is linked to the price of a particular commodity or equity security or to an index of such prices. These transactions have been offered in a variety of forms, including commodity-indexed deposits, loans, debt issues, and derivative products, such as forwards, options, and swaps. In these transactions, the interest, principal, or both, or payment streams in the case of swaps, are linked to the price of a commodity. In addition, banks are also entering into exchange-traded commodity or stock-index futures and options in order to hedge the exposure inherent in these transactions. These types of transactions have been linked to a variety of commodities, including gold, oil, aluminum, and copper, as well as individual securities and stock indices.

With the exception of gold, silver, and, in some cases, platinum, banks are not empowered to purchase or hold the commodities or equity securities that underlie these transactions. Although commodity-linked transactions settle only in cash, they effectively expose banks to commodity or equity market price risks. Thus, linking payments to commodities or equities may present risks with which banks generally are not familiar, and the inability of the bank to purchase the commodity or equity security to which a transaction is linked may increase the difficulty of hedging the exposure created by such transactions.

The Board has determined that engaging in transactions linked to commodities or securities that a state member bank does not have the authority to purchase and hold directly should generally be considered a change in the character of the bank's business unless the transactions are entered into on a perfectly matched basis.¹ State member banks that wish to engage in commodity- or equity-linked transactions that are considered to be a change in the general character of their business should obtain Board approval before initiating these transactions or, in the case of activities commenced prior to the adoption of this interpretation, to continue such activities. Appli-

cations to continue such activities should be submitted within 60 days after the date of publication of this notice.

Transactions linked to securities or monetary metals that a state member bank is authorized to purchase and hold directly will not be considered to be a change in the general nature of the bank's business, and approval will not be required.² Additionally, approval will not be required for a state member bank to offer loan or deposit contracts in which only the interest portion of the return is linked to a commodity or security even if the bank is not authorized to hold the commodity or security.

Applications to engage in commodity-related activities should outline the types of transactions and scope of activities that the bank plans to undertake. The application also should demonstrate that the bank has the expertise to engage in such transactions and has developed adequate policies and controls to govern the conduct of these activities and to monitor the associated risks.

Recent revisions to Regulation K (International Banking Operations) permit bank holding company subsidiaries, Edge and agreement corporations, and member banks to act as principal or agent outside of the United States in swap transactions, subject to any limitations applicable to state member banks under Regulation H. Banking organizations that wish to engage in swap transactions based on commodities that the organizations do not have the authority to purchase directly, therefore, must submit applications under Regulation K in order to engage in such transactions. Because Regulation K provides separate authority to engage outside of the United States in swap transactions based on equity securities or indices, approval of these transactions is not required.

Part 211—International Banking Operations

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

Authority: Federal Reserve Act (12 U.S.C. 221 *et seq.*); Bank Holding Company Act of 1956, as amended (12 U.S.C. 1841 *et seq.*); the International Banking Act of 1978 (Pub. L. 95-369; 92 Stat. 607; 12 U.S.C. 3101 *et seq.*); the Bank Export Services Act (Title II, Pub. L. 97-290, 96 Stat. 1235); the International Lending Supervision Act (Title IX, Pub. L. 98-181, 97 Stat. 1153, 12 U.S.C. 3901 *et seq.*); and the Export Trading

1. The term "perfectly matched," as used in this interpretation refers to transactions that are entered into on a matched basis, that is, offsetting transactions where the counterparties for both transactions have been found before the bank enters into either transaction and the transactions are consummated on the same day. Offsetting transactions include transactions that have a price differential to provide the bank with its usual and customary fee or commission for its services. The exemption from prior approval for perfectly matched transactions would include mirror image equity swaps executed by a state member bank with any affiliate that is authorized under Regulation K to engage in equity swaps.

2. Gold and silver are the only commodities that banks generally have authority to purchase. In states where banks have authority to deal in platinum, transactions linked to platinum will not be considered a change in the general nature of the business of a bank.

Company Act Amendments of 1988 (Title III, Pub. L. 100-418, 102 Stat. 1384 (1988)).

2. Section 211.603 is added to read as follows:

Section 211.603—Commodity swap transactions.

For text of interpretation relating to this subject, see section 208.128 of this Chapter.

ORDERS ISSUED UNDER BANK HOLDING COMPANY ACT

Orders Issued Under Section 3 of the Bank Holding Company Act

Allied Irish Banks plc
Dublin, Ireland

First Maryland Bancorp
Baltimore, Maryland

Order Approving Acquisition of a Bank

Allied Irish Banks plc, Dublin, Ireland ("Allied Irish"), and its subsidiary, First Maryland Bancorp, Baltimore, Maryland ("FMB") (together, "Applicants"), have applied under section 3(a)(3) of the Bank Holding Company Act ("BHC Act") (12 U.S.C. § 1842(a)(3)) to acquire all of the voting shares of York Bank and Trust Company, York, Pennsylvania ("York").

Notice of the application, affording interested persons an opportunity to submit comments, has been published (56 *Federal Register* 49,482 (1991)). 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.

Allied Irish, which controls assets of \$28.3 billion, is the largest banking institution in Ireland and the 174th largest bank in the world. Allied Irish operates branches in New York, New York, and Chicago, Illinois, that are permitted pursuant to section 5(b) of the International Banking Act of 1978 ("IBA"). 12 U.S.C. § 3103(b). FMB is a multi-bank holding company that controls the First National Bank of Maryland, Baltimore, Maryland, a bank in the District of Columbia, and a limited purpose consumer credit bank in Delaware.

Section 3(d) of the BHC Act, 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."¹ In addition, under section 5(a) of the IBA, Allied Irish may not acquire a bank outside of its home state unless that acquisition would be permissible under section 3(d) of the BHC Act for a bank holding company from the home state. 12 U.S.C. § 3103(a). Under these statutes, the respective home state of both Applicants is Maryland.

The statute laws of Pennsylvania authorize financial institutions located in any state to acquire Pennsylvania financial institutions on a reciprocal basis.² Maryland permits an out-of-state bank holding company located in any state within a specified region, which includes Pennsylvania, to acquire a bank located in Maryland that has been in existence for at least three years.³ Under the reciprocity requirements, Pennsylvania permits a Pennsylvania bank to be acquired by an out-of-state bank holding company located in a state with a duration requirement, such as Maryland, but specifically imposes the identical duration requirement on the acquisition. York has been in operation for more than three years. After a review of the relevant statutes and based on the facts of record, the Board has determined that the proposed acquisition is specifically authorized by the statute laws of Pennsylvania and that Board approval of the application is not barred by the Douglas Amendment.

FMB is the second largest banking organization in Maryland, holding deposits of \$5.4 billion, representing 12.4 percent of the total deposits in commercial banks in the state. York is the seventh largest banking organization in Pennsylvania, and holds deposits of \$1.2 billion, representing less than one percent of the total deposits in commercial banking organizations in Pennsylvania.⁴ Applicants do not currently operate a bank subsidiary in Pennsylvania, and consummation of the proposal would not result in any significantly adverse effects upon competition in any relevant banking market.

Section 3(c) of the BHC Act requires in every case that the Board consider the financial resources of the applicant and the banking organization to be acquired. In evaluating this application, the Board has carefully considered the financial resources of Applicants and the effect on those resources of the proposed acquisition. Applicants' capital levels exceed the minimum

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

2. Pa. Stat. Ann. title 7, § 116(c) (1991).

3. Md. Fin. Inst. Code Ann. § 5-1003(a)(2)(iii)(3) (1991).

4. State deposit data are as of September 30, 1991.

levels established by the Board and would continue to be significantly above the minimum levels following consummation of this proposal. Based on these and all of the other facts of record, including relevant examination and inspection reports, the Board believes that financial and managerial factors, as well as the future prospects of the companies involved, are consistent with approval of this proposal. Considerations relating to the convenience and needs of the community are also consistent with approval of this application.

Accordingly, based on the foregoing and other facts of record, the Board has determined that the application should be, and hereby is, approved subject to obtaining any necessary approval of the appropriate state banking agency. The proposal 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 the Federal Reserve Bank of Richmond, acting pursuant to delegated authority.

By order of the Board of Governors, effective November 27, 1991.

Voting for this action: Chairman Greenspan and Governors Angell, Kelley, and LaWare. Absent and not voting: Governor Mullins.

JENNIFER J. JOHNSON
Associate Secretary of the Board

Ames National Corporation
Ames, Iowa

Order Approving Acquisition of a Bank

Ames National Corporation, Ames, Iowa ("Ames"), a bank holding company within the meaning of the Bank Holding Company Act ("BHC Act"), has applied for the Board's approval under section 3(a)(3) of the BHC Act (12 U.S.C. § 1842(a)(3)) to acquire all of the voting shares of Boone Bank & Trust Company, Boone, Iowa ("Bank"), a *de novo* bank. Bank will then acquire certain assets and assume certain liabilities of Boone State Bank & Trust Company, Boone, Iowa ("Boone").

Notice of the application, affording interested persons an opportunity to submit comments, has been published (56 *Federal Register* 46,433 (1991)). 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.

Ames is the 15th largest commercial banking organization in Iowa, controlling two subsidiary banks with \$237.5 million in deposits, representing less than one

percent of total deposits in commercial banking organizations in Iowa.¹ Boone is the 85th largest commercial banking organization in Iowa, controlling deposits of \$57.9 million, representing less than one percent of total deposits in commercial banking organizations in Iowa. Upon consummation of this proposal, Ames would become the 11th largest commercial banking organization in Iowa, controlling deposits of \$295.4 million, representing approximately one percent of total deposits in commercial banking organizations in Iowa. Accordingly, consummation of this proposal would not result in a significantly adverse effect on the concentration of commercial banking resources in Iowa.

Ames and Boone operate solely within the Ames banking market.² Ames is the largest of the commercial banking and thrift organizations (together "depository institutions") in the market, representing 24.9 percent of the total deposits in depository institutions in the market.³ Boone is the fourth largest depository institution in the market, controlling 6.0 percent of the total deposits in depository institutions in the market. Upon consummation of this proposal, Ames would control approximately 30.9 percent of the total deposits in depository institutions in the market. The Ames banking market would remain moderately concentrated upon consummation of this proposal; the Herfindahl-Hirschman Index ("HHI") for the market would increase by 304 points to 1351.⁴

Although consummation of this proposal would result in an increase in market concentration, sixteen commercial banking organizations and five thrift institutions would continue to operate in the market upon consummation of this proposal. Based on these and the other facts of record, the Board has determined that consummation of the proposal is not likely to result in a significantly adverse effect on competition in the Ames banking market.

1. All data are as of June 30, 1990.

2. The Ames banking market is approximated by Boone County, Story County, and Marion, Clear Lake, Ellsworth, Scott, Lyon, and Lincoln townships in Hamilton County, Iowa.

3. Market share data are based on calculations in which the deposits of thrift institutions are included at 50 percent. The Board previously has indicated that thrift institutions have become, or have the potential to become, major competitors of commercial banks. See *Midwest Financial Group*, 75 *Federal Reserve Bulletin* 386 (1989); *National City Corporation*, 70 *Federal Reserve Bulletin* 743 (1984).

4. Under the revised Department of Justice Merger Guidelines, 49 *Federal Register* 26,823 (June 29, 1984), a market in which the post-merger HHI is between 1000 and 1800 is considered moderately concentrated. The Department of Justice has informed the Board that a bank merger or acquisition generally will not be challenged (in the absence of other factors indicating anticompetitive effects) unless the post-merger HHI is at least 1800 and the merger increases the HHI by at least 200 points. The Justice Department has stated that the higher than normal HHI thresholds for screening bank mergers and acquisitions for anticompetitive effects implicitly recognizes the competitive effect of limited-purpose lenders and other non-depository financial entities.

The financial and managerial resources and future prospects of Ames, its subsidiary banks and Bank are consistent with approval. The Board also finds that considerations relating to the convenience and needs of the communities to be served are consistent with approval.

Based on the foregoing and other facts of record, the Board has determined that the application should be, and hereby is, approved. The 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, and Bank shall be opened for business not later than six months after the effective date of this Order. The latter two periods may be extended for good cause by the Board or by the Federal Reserve Bank of Chicago, acting pursuant to delegated authority.

By order of the Board of Governors, effective November 13, 1991.

Voting for this action: Chairman Greenspan and Governors Mullins, Angell, Kelley, and LaWare.

JENNIFER J. JOHNSON
Associate Secretary of the Board

Banco de Santander, S.A. de Credito
Santander, Spain

Order Approving Retention of an Interest in a Bank Holding Company

Banco de Santander, S.A. de Credito, Santander, Spain ("Santander"), a bank holding company within the meaning of the Bank Holding Company Act ("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 retain 9.89 percent of the voting shares of The Royal Bank of Scotland Group plc, Edinburgh, Scotland ("RBSG"), and thereby to retain an interest in RBSG's subsidiary, Citizens Financial Group, Inc., Providence, Rhode Island ("CFG"), a bank holding company that controls Citizens Savings Bank and Citizens Trust Company, both in Providence; and Fairhaven Savings Bank, Fairhaven, Massachusetts.¹

1. Santander also proposes to acquire from time to time additional shares of RBSG to prevent the dilution of Santander's percentage ownership that might result from the issuance of share dividends by RBSG. Santander may acquire such shares either by electing to receive dividends in RBSG shares in lieu of cash or through market purchases. The Board notes that a bank holding company may acquire, without the Board's prior approval, additional securities received in a stock dividend or stock split that do not alter the bank holding company's proportional share of any class of voting securities. (12 C.F.R. 225.11(c). See also 12 C.F.R. 225.103.) Santander has committed not to acquire any shares of RBSG that would increase its

Notice of the application, affording interested persons an opportunity to submit comments, has been published (56 *Federal Register* 6026 (1991)). 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.

Santander, with consolidated assets equivalent to approximately \$55 billion, is the third largest banking organization in Spain.² Santander engages in a broad range of banking and financial services throughout the world through an extensive network of offices and subsidiaries. In the United States, Santander maintains a branch in New York, New York, and an agency and an Edge corporation in Miami, Florida. Santander also owns shares of Banco de Santander-Puerto Rico, S.A. ("Santander-Puerto Rico"), and Santander Federal Savings Bank, both in Puerto Rico. Santander-Puerto Rico operates one branch in New York.

RBSG, with consolidated assets equivalent to approximately \$59.1 billion, is the parent of The Royal Bank of Scotland plc, Edinburgh, Scotland ("Royal Bank"), and ranks as the sixth largest banking organization in the United Kingdom.³ In the United States, RBSG indirectly controls banking subsidiaries in Rhode Island and Massachusetts. Royal Bank operates a branch in New York City, an agency in San Francisco, and representative offices in Chicago, Los Angeles, and Houston. RBSG also engages in certain nonbanking activities in the United States that are permissible under section 4(c)(8) of the BHC Act. RBSG's home state is Rhode Island under the International Banking Act of 1978 ("IBA") and the Board's Regulation K (12 C.F.R. 211).

Section 3(d) of the BHC Act, the Douglas Amendment, prohibits the Board from approving an application by a bank holding company to acquire any voting shares of or interest in any bank located outside of the bank 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."⁴ The

ownership position to more than 9.89 percent without the prior approval of the Board. Based on this and other commitments and other facts of record, the Board believes that Santander may make future open market purchases of RBSG stock, consistent with the BHC Act, solely in order to maintain its current ownership interest.

2. Banking data are as of March 31, 1991. Country ranking is as of December 31, 1990.

3. Banking data and country ranking are as of September 30, 1990.

4. 12 U.S.C. § 1842(d). 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. The Board has determined that Puerto Rico is not a "state" for purposes of the Douglas Amendment. *The Royal Bank of*

IBA requires a foreign bank to choose a home state and to abide by the restrictions of the Douglas Amendment in acquiring any interest in a bank outside its IBA home state.⁵ Under the IBA and the Board's Regulation K, Santander's home state would be Rhode Island.⁶ Therefore, Santander's acquisition of an indirect interest in RBSG's two Rhode Island bank subsidiaries is not prohibited by the Douglas Amendment or the IBA. With regard to Fairhaven Savings Bank, the statute laws of Massachusetts authorize out-of-state bank holding companies to acquire Massachusetts banks or bank holding companies under certain conditions.⁷ The Board has previously determined that Massachusetts law authorizes Rhode Island bank holding companies to acquire Massachusetts banks or bank holding companies.⁸ Massachusetts law requires, however, that the acquiring bank holding company obtain approval for the acquisition from the Massachusetts Board of Bank Incorporation ("Massachusetts Board"). Based on the foregoing, the Board has determined that Santander's acquisition of an indirect interest in Fairhaven Savings Bank is specifically authorized by the statute laws of Massachusetts. Accordingly, Board approval of this acquisition is not prohibited by the Douglas Amendment or the IBA, provided Santander obtains approval from the Massachusetts Board.

Santander and RBSG compete directly in the Metropolitan New York-New Jersey banking market⁹ where each holds less than 1 percent of total deposits in the market. Consummation of this proposal would not result in any adverse effects upon competition or in-

crease the concentration of resources in this or any relevant banking market. Accordingly, the Board concludes that competitive considerations under the BHC Act are consistent with approval.

Section 3(c) of the BHC Act requires in every case that the Board determine that the managerial resources of the Applicant and any company to be acquired are consistent with approval. This application concerns retention of an indirect interest in banks that was acquired without the necessary prior approval of the Board, in violation of the BHC Act. The record reflects that Santander has not acted in a manner indicating a willful violation of the BHC Act. Santander has provided the Board with satisfactory undertakings concerning its future conduct with regard to its regulatory compliance program, and has provided sufficient evidence to convince the Board that Santander's conduct will be subject to adequate supervision and will conform to the requirements of the BHC Act and the IBA. In accordance with its policy regarding violations of the BHC Act and upon examination of all the facts of record, the Board has concluded that Santander's violation does not reflect so adversely on its managerial resources as to warrant denial of this application.

The financial resources and future prospects of Santander, RBSG, CFG, and their subsidiaries are consistent with approval. Considerations relating to the convenience and needs of the communities to be served are also consistent with approval.

Based on the foregoing and other facts of record, the Board has determined that the application should be, and hereby is, approved.

By order of the Board of Governors, effective November 25, 1991.

Voting for this action: Chairman Greenspan and Governors Mullins, Angell, and Kelley. Absent and not voting: Governor LaWare.

JENNIFER J. JOHNSON
Associate Secretary of the Board

Orders Issued Under Section 4 of the Bank Holding Company Act

Huntington Bancshares Inc.
Columbus, Ohio

Order Approving Application to Acquire a Savings Association

Huntington Bancshares, Inc., Columbus, Ohio ("Huntington"), a bank holding company within the meaning of the Bank Holding Company Act (the "BHC Act"),

Canada, 66 *Federal Reserve Bulletin* 582 (1980); *New Mexico Bankquest Investors Corporation*, 69 *Federal Reserve Bulletin* 876 (1983).

5. 12 U.S.C. § 3103.

6. In connection with this application, Santander has elected to change the location of its home state for purposes of the IBA from Florida to Rhode Island pursuant to the provision of Regulation K permitting a one-time change of home state. 12 C.F.R. 211.22(c). Section 211.22(c) provides that a foreign bank may change its home state once if prior notice is filed with the Board and if domestic branches established and investments in banks acquired in reliance on its original home state selection are made to conform to those that would have been permissible had the new home state been selected as its home state originally. Santander and Santander-Puerto Rico may retain their New York branches because these branches are grandfathered and may be retained under section 5(b) of the IBA, 12 U.S.C. § 3103(b). Santander may also retain its agency and Edge corporation in Florida consistent with section 5 of the IBA.

7. Mass. Gen. Laws Ann. ch. 167A, § 2 (West 1991).

8. *The Royal Bank of Scotland Group plc*, 75 *Federal Reserve Bulletin* 41 (1989); *Citizens Financial Group, Inc.*, 74 *Federal Reserve Bulletin* 496 (1988); and *Fleet Financial Group, Inc.*, 70 *Federal Reserve Bulletin* 834 (1984).

9. The Metropolitan New York-New Jersey banking market includes New York City; Nassau, Orange, Putnam, Rockland, Suffolk, Sullivan, and Westchester Counties in New York; Bergen, Essex, Hudson, Hunterdon, Middlesex, Monmouth, Morris, Ocean, Passaic, Somerset, Sussex, Union, and Warren Counties in New Jersey; and parts of Fairfield County in Connecticut. Under the revised Department of Justice Merger Guidelines, 49 *Federal Register* 26,823 (1984), this market is considered unconcentrated.

has applied under section 4(c)(8) of the BHC Act (12 U.S.C. § 1843(c)(8)) and section 225.23 of the Board's Regulation Y (12 C.F.R. 225.23), to acquire Huntington Interim F.S.B., Columbus, Ohio ("Interim Savings"), a savings association. Interim Savings has been established solely for the purpose of:

- (a) acquiring certain assets and assuming deposit liabilities of five branches of TransOhio Savings Bank, Cleveland, Ohio ("TransOhio"), a savings association; and
- (b) merging immediately into Huntington's subsidiary bank, Huntington National Bank, Columbus, Ohio ("Bank").¹

The merger of the TransOhio branches into Huntington's subsidiary bank already has been approved by Bank's primary federal supervisor, the Office of the Comptroller of the Currency ("OCC"), pursuant to the Bank Merger Act (12 U.S.C. § 1828(c)).

Notice of the application under section 4 of the BHC Act, affording interested persons an opportunity to submit comments, has been published (56 *Federal Register* 19,364 (1991)). The time for filing comments has expired, and the Board has considered the application and all comments received in light of the public interest factors set forth in section 4(c)(8) of the BHC Act.

The Board has determined that the operation of a savings association is closely related to banking and permissible for bank holding companies. 12 C.F.R. 225.25(b)(9). In order to approve the acquisition of Interim Savings under section 4 of the BHC Act, the Board also is required to determine that the performance of the proposed activities by Huntington "can reasonably be expected to produce benefits to the public . . . that outweigh possible adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interests, or unsound banking practices." 12 U.S.C. § 1843(c)(8).

Huntington, with total consolidated assets of \$11.7 billion, operates five banking subsidiaries in Ohio, Indiana, Kentucky, and Michigan. Huntington is the fourth largest commercial banking organization in Ohio, controlling \$6.8 billion in commercial bank deposits, representing approximately 7.7 percent of the total deposits in commercial banks in the state.²

1. Huntington has requested Board approval under section 5(d)(3) of the Federal Deposit Insurance Act ("FDI Act"), to merge Bank with Interim Savings. Section 5(d)(3) of the FDI Act (the "Oakar Amendment") was amended by the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 ("FIRREA") to permit the merger of a savings association owned by a bank holding company into a subsidiary bank owned by the same bank holding company. 12 U.S.C. § 1815(d)(3). Pub. L. No. 101-73, § 206, 103 Stat. 183, 199 (1989).

2. State banking data are as of December 31, 1990.

The TransOhio branches that Huntington proposes to acquire control \$152.9 million in deposits, representing less than 1 percent of the total deposits in commercial banks and thrift institutions in Ohio.³ Upon consummation of this proposal, Huntington would remain the fourth largest commercial banking organization in Ohio, controlling approximately \$7.0 billion in deposits, representing 7.9 percent of the deposits in commercial banking organizations in Ohio. In the Board's view, consummation of this proposal would not have a significantly adverse effect upon the concentration of banking organizations in Ohio.

Huntington and TransOhio compete directly in the Cincinnati banking market.⁴ In the Cincinnati banking market, Huntington is the eighth largest depository organization, controlling \$401.8 million in deposits, representing 2.3 percent of the deposits held by banks and savings associations operating in the market ("market deposits").⁵ The TransOhio branches that Huntington proposes to acquire, control \$152.9 million in deposits in the Cincinnati banking market, representing less than 1 percent of market deposits. Upon consummation of this proposal, Huntington's market share would not increase significantly, the market would remain moderately concentrated, and numerous other depository institutions would continue to compete in this market.⁶ Based on these and all of the other facts of record in this case, the Board concludes that the acquisition would not have a significantly adverse effect on competition in the Cincinnati, or any other relevant banking market.

3. TransOhio is a subsidiary of TransCapital Financial Corporation, Cleveland, Ohio. TransOhio is the eighth largest depository institution in Ohio, controlling deposits of \$3.1 billion, representing approximately 7.4 percent of the total deposits in the state.

4. The Cincinnati banking market is approximated by Hamilton, Brown, Clermont, and portions of Butler and Warren Counties in southwestern Ohio; Boone, Campbell, Grant, Kenton and Pendleton Counties in northern Kentucky; and Dearborn County in southeastern Indiana.

5. Market data are as of June 30, 1990. The pre-consummation market share statistics are based on calculations in which the deposits that are held by the branches of TransOhio and all other thrifts are included at 50 percent. Upon consummation of the proposal, the

6. Upon consummation of this proposal, Huntington would remain the eighth largest depository institution in the Cincinnati banking market, controlling approximately \$553.7 million in deposits and representing 3.1 percent of market deposits. The Herfindahl-Hirschman Index ("HHI") for the market would decrease by 3 points to 1007 upon consummation. Under the revised Department of Justice Merger Guidelines, 49 *Federal Register* 26,823 (1984), a market in which the post-merger HHI is between 1000 and 1800 is considered moderately concentrated. The Justice Department has informed the Board that a bank merger or acquisition generally will not be challenged (in the absence of other factors indicating anticompetitive effects) unless the post-merger HHI market 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 recognize the competitive effect of limited-purpose lenders and other non-depository financial entities.

The Board has received comments on the proposal from one individual ("Protestant"). Protestant alleges certain deficiencies in Bank's performance under the Community Reinvestment Act (12 U.S.C. § 2901 *et seq.*) ("CRA")⁷ and in Bank's management with regard to Protestant's application to obtain financing for the construction of a county office building.

CRA Comments

Protestant generally alleges that Bank engages in disinvestment and discriminatory lending policies in the low- and moderate-income neighborhoods located in the east side of Cleveland. Specifically, Protestant alleges that Bank did not meet the credit needs of this area because of:

- (i) Bank's failure to finance fully Protestant's proposal to construct a county office building;
- (ii) Bank's closure of branches in low- and moderate-income areas; and
- (iii) alleged deficiencies in Bank's mortgage lending.⁸

The Board has carefully reviewed the record before it, including the CRA performance record of Bank, as well as Protestant's comments and Bank's responses to those comments, in light of the CRA, the Board's regulations, and the Statement of the Federal Financial Supervisory Agencies Regarding the Community Reinvestment Act ("Agency CRA Statement").⁹ The Agency CRA Statement provides that CRA examination reports will be given great weight in the applications process.¹⁰ In this regard, Bank has received a satisfactory rating from the OCC, its primary regulator, in the most recent examination of Bank's CRA performance.¹¹

The facts of record show that Bank engages in a wide variety of community support activities directly focused on ascertaining and meeting the credit needs of low- and moderate-income areas of Cleveland.

Bank's Community Advisory Council, which includes representatives of Cleveland Tomorrow and Neighborhood Progress, Inc., provides community liaison and input for Bank's ascertainment process. Bank also has hired a loan officer with expertise in small business lending, which has resulted in a 25 percent increase in SBA lending from 1989 to 1991 and has provided a substantial number of home improvement loans to low- and moderate-income areas in Cleveland.¹² The July examination found no evidence of the discrimination or illegal credit practices generally alleged by the Protestant. In addition, the July examination concluded that Bank's overall record of opening and closing offices did not show any disparate treatment of low- or moderate-income neighborhoods. The record shows that Bank also has in place appropriate formal written office closing procedures and regularly reviews its office network to ensure that all of its communities are being served.¹³

The evidence demonstrates that Bank is developing a first mortgage program with below market financing targeted toward inner city areas, including the east side of Cleveland, and has established a non-commisioned loan originator position to help low- and moderate-income residents. The record also evidences that Bank has provided \$536,000 for construction of twelve single-family houses in the east side of Cleveland through a public/private partnership and that Bank participates in other housing efforts such as the Cleveland Housing Partnership, the Cleveland Action to Support Housing, and the Home Ownership Made Easy Program.

The Board has carefully considered Protestant's comments regarding Bank's CRA performance in light of all the facts of record. The Board also has noted that, in approving Bank's merger application, the OCC considered Protestant's comments relating to the Bank's CRA performance and found that the comments did not warrant denial of the merger of the TransOhio branches with Bank.¹⁴ On the basis of all the facts of record, the Board believes that Bank's

7. The Board previously has determined that the CRA by its terms does not apply to applications by bank holding companies to acquire nonbanking companies under section 4(c)(8) of the BHC Act. *The Mitsui Bank, Ltd.*, 76 *Federal Reserve Bulletin* 381 (1990). The Board also has stated that, unlike other companies that may be acquired by bank holding companies under section 4(c)(8) of the BHC Act, savings associations are depository institutions, as that term is defined in the CRA, and thus, acquisitions of savings associations are subject to review under the express terms of the CRA. *Norwest Corporation*, 76 *Federal Reserve Bulletin* 873 (1990).

8. Protestant relies on data compiled by The Cuyahoga Plan, an analysis of race and mortgage lending in Cleveland published in 1989.

9. 54 *Federal Register* 13,742 (1989).

10. 54 *Federal Register* at 13,745.

11. The OCC conducted an examination of Bank's record of performance under the CRA as of July 16, 1990 (the "July examination").

12. Bank has also marketed a low-cost checking account and loan products through newspapers, radio and direct mail as the result of market research on the credit needs of low- and moderate-income areas in Cleveland.

13. Huntington closed two branches on the east side of Cleveland but explains that it replaced these older branches with a modern branch offering more services and in a location more accessible to minority neighborhoods on Cleveland's east side.

14. Subsequent to the OCC's approval, Protestant provided information on several instances in which selected branches of Bank refused to cash government checks for Protestant's non-customer "testers." Bank has a written policy generally authorizing the cashing of such checks, and Bank has taken steps to reinforce this policy with teller and branch management personnel, including personnel at the locations identified by Protestant.

performance under the CRA is consistent with approval.

Other Factors

Protestant alleges that Bank breached a contract and fiduciary duties with Protestant because of Bank's failure to fund completely a letter of credit for the construction of a county office building. Protestant also alleges that Bank and certain nonbank affiliates of Bank violated the antitying provisions of the BHC Act by requiring Protestant to purchase certain services and provide certain guarantees and waivers in order to obtain financing for the transaction.¹⁵ Prior to filing the protest, Protestant filed a civil action against the Huntington Company, Huntington Mortgage Company and Bank on the basis of similar allegations and is seeking substantial monetary damages in that court proceeding.¹⁶ The Huntington subsidiaries have denied these allegations.

In considering whether to approve applications, such as this one, under section 4(c)(8) of the BHC Act, the Board is required to weigh the public benefits of the proposal against potential adverse effects. In this case, the Board has considered a number of factors to determine whether Protestant's allegations warrant denial of this application. First, it appears that the allegations raised by Protestant, even if true, represent an isolated incident and that Bank and the other Huntington companies have a policy in place that instructs employees against illegal tying activities. The Federal Reserve Bank of Cleveland recently completed an examination of the holding company and did not find evidence of illegal tying activities in that examination.

The Board also has considered that the OCC, which is the appropriate federal banking supervisor for Bank, has examined Bank since the time of the alleged actions. The OCC found the management of Bank to be satisfactory and did not find evidence of illegal tying transactions or related unsafe or unsound practices at Bank. Protestant's specific allegations also were pre-

sented to the OCC during its review of this transaction under the Bank Merger Act and, based on its review of the full record, including its examination reports of Bank and the allegations made by Protestant, the OCC determined that the managerial and other factors that the OCC must consider under the Bank Merger Act were consistent with approval of the transaction. Thus, the substantive part of the transaction, which is Bank's acquisition of the TransOhio branches, has been approved, after a review of the entire record, by the OCC.

The Board also finds that there are significant public benefits to this transaction. First, this transaction will provide TransOhio with the additional capital it needs to help meet applicable regulatory capital requirements. Moreover, although Huntington can restructure this transaction and make the acquisition without the Board's approval, the Board's approval to acquire the branches by the use of the interim thrift would significantly reduce the costs to Huntington for this transaction thereby conserving financial resources for the organization.

Finally, the Board has sought the views of the Department of Justice, the Ohio Superintendent of Banks, the Office of Thrift Supervision, and the FDIC regarding Huntington's proposal and invited these federal and state agencies to comment. None of these government agencies offered any adverse comments or objections to this transaction.

In light of these considerations and based on all of the facts of record in this case, the Board believes that the balance of public interest factors that the Board is required to consider under section 4(c)(8) of the BHC Act is consistent with approval of this transaction. In reaching this determination, the Board specifically retains jurisdiction and full supervisory authority to take appropriate action in the event that the court determines, or a subsequent examination finds that Bank or any other subsidiary of Huntington has engaged in illegal tying activities. In this regard, Huntington is directed to promptly inform the Federal Reserve Bank of Cleveland of each material development in the litigation with Protestant. The Reserve Bank will closely monitor the court's action in this case, and the Board and the Reserve Bank will take appropriate action based on the findings made by the court.¹⁷ Based on all the facts of record, including the conditions imposed in this order, the Board has deter-

15. 12 U.S.C. § 1972. Protestant alleges that, in connection with a loan transaction, he was required

(1) to enter into a contract with a Huntington subsidiary, The Huntington Company, appointing The Huntington Company as the exclusive financial advisor to Protestant and exclusive agent for Protestant in arranging financing for the transaction;

(2) to use a title company with a deposit relationship with Bank;

(3) to enter into a partnership with a third party as part of the transaction and to obtain a guarantee from Protestant's wife for certain loans;

(4) to provide certain collateral for loans; and

(5) to provide a waiver of liability.

16. Protestant also has alleged inaccuracies in senior loan committee minutes, discrepancies in loan documentation, and backdating of loan request forms in connection with his transaction. The OCC

17. Under the antitying statute, any bank or holding company affiliate found to have been engaged in unlawful tying would be subject to appropriate supervisory actions, including monetary penalties and removal proceedings.

mined that the proposed application to acquire Interim Savings should be, and hereby is approved.¹⁸

The Board also has considered the request by Huntington for approval of the merger of Interim Savings into Bank pursuant to section 5(d)(3) of the FDI Act.¹⁹ Based on all of the facts of record, the Board has determined that the application under section 5(d)(3) of the FDI Act should be, and hereby is, approved.

The Board's approval is specifically conditioned upon Huntington's compliance with the conditions imposed in this order, which shall constitute conditions imposed in writing by the Board in connection with its findings and decision. The determination under section 4(c)(8) of the BHC Act is also subject to all of the conditions set forth in the Board's Regulation Y, including sections 225.4(d) and 225.23, and to the Board's authority to require such modifications or termination of the activities of a bank holding company or any of its subsidiaries as the Board finds necessary to assure compliance with, or to prevent evasion of, the provisions and purposes of the BHC Act or the Board's regulations and orders issued thereunder.

18. Protestant has requested that the Board hold a public hearing to adjudicate the issues raised in this protest. In considering this request, the Board has considered TransOhio's need to raise capital through this transaction and other public benefits resulting from this proposal, the isolated nature of the allegations, the antitying policies in place at Huntington, the OCC's approval of the substance of the transaction, Protestant's opportunity for court review of the tying allegations and the Board's ability to use its statutory remedies to take enforcement action against Huntington or its management, the relevant examination reports, as well as the other matters discussed in this order. The Board also has considered that Protestant has been provided an opportunity to submit written comments, and has in fact submitted substantial written comments, in particular, regarding the CRA allegations. Based on these and all of the other facts of record, the Board believes that even if Protestant's factual allegations regarding tying are assumed to be true, these allegations are not material in light of the other undisputed facts of this case and that a formal hearing would serve no useful purpose or be required in this case.

19. The proposed merger of Interim Savings into Bank meets the requirements of section 5(d)(3) of the FDI Act. The record shows that:

- (1) The aggregate amount of the total assets of all depository institution subsidiaries of Huntington is \$11.5 billion, an amount which is not less than 200 percent of the total assets of Interim Savings, which will have \$152.9 million in total assets;
- (2) Huntington and all of its bank subsidiaries currently meet all applicable capital standards and, upon consummation of the proposed transactions, will continue to meet all applicable capital standards;
- (3) The transaction is not in substance the acquisition of a Bank Insurance Fund member bank by a Savings Association Insurance Fund member;
- (4) TransOhio, the predecessor of Interim Savings, had tangible capital of less than 5 percent during the quarter preceding its acquisition by Huntington; and
- (5) The transaction, which involves the merger of Interim Savings, a savings association located in Ohio, into a bank that is a subsidiary of Huntington, a bank holding company whose banking subsidiaries' operations are principally conducted in Ohio, would comply with the requirements of section 3(d) of the Bank Holding Company Act if Interim Savings were a state bank which Huntington were applying to acquire.

The transactions approved in this order shall be completed not later than three months after the effective date of this Order, unless such period is extended for good cause by the Board or by the Federal Reserve Bank of Cleveland, pursuant to delegated authority.

By order of the Board of Governors, effective November 19, 1991.

Voting for this action: Chairman Greenspan and Governors Mullins, Angell, Kelley, and LaWare.

JENNIFER J. JOHNSON
Associate Secretary of the Board

Michigan National Corporation
Farmington Hills, Michigan

Order Approving Application to Engage in Asset Management, Servicing, and Collection Activities

Michigan National Corporation, Farmington Hills, Michigan ("MNC"), a bank holding company within the meaning of the Bank Holding Company Act ("BHC Act"), has applied under section 4(c)(8) of the BHC Act (12 U.S.C. § 1843(c)(8)) and section 225.23(a)(3) of the Board's Regulation Y (12 C.F.R. 225.23(a)(3)), to engage *de novo* in asset management, servicing, and collection activities through its wholly owned subsidiary Independence One Asset Management Corporation, Farmington Hills, Michigan ("IOAMC"). MNC also seeks to acquire through IOAMC a general partnership interest representing a 75 percent interest in Independence One/Graimark, Farmington Hills, Michigan ("Partnership"), a *de novo* joint venture. The remaining general partnership interest in Partnership, representing 25 percent of Partnership's equity, will be acquired by Graimark Realty Advisors, Inc., Detroit, Michigan ("Graimark").¹ Partnership would also engage in asset management, servicing, and collection activities.

Notice of the application, affording interested persons an opportunity to submit comments, has been published (56 *Federal Register* 41,848 (1991)). The time for filing comments has expired, and the Board has considered the application and all comments received in light of the factors set forth in section 4(c)(8) of the BHC Act.

MNC, with total consolidated assets of \$9.3 billion, is the 62nd largest banking organization in the nation. MNC operates three subsidiary banks and engages

1. Graimark is a real estate investment advisor not affiliated with MNC. Graimark does not engage in real estate investment, development, or brokerage activities that would be impermissible for bank holding companies under the BHC Act.

directly and through subsidiaries in a variety of permissible nonbanking activities.²

IOAMC and Partnership would provide asset management services to the Resolution Trust Corporation ("RTC") and the Federal Deposit Insurance Corporation ("FDIC").³ MNC proposes that the subsidiaries would also provide these services to unaffiliated third party investors that purchase pools of assets that have been assembled by the RTC or the FDIC from troubled financial institutions, and generally to unaffiliated financial institutions with troubled assets.⁴ Under the proposal, neither IOAMC nor Partnership would acquire an ownership interest in the assets that they manage or in the institutions for which they provide asset management services. In addition, IOAMC and Partnership would not engage in providing real property management or real estate brokerage services as part of their proposed activities.⁵

The Board has previously determined that, within certain parameters, providing asset management services for assets originated by financial institutions and their bank holding company affiliates is an activity that is closely related to banking for purposes of the BHC Act.⁶ MNC has proposed to conduct these activities under the same terms, and subject to the same conditions as in previous Board Orders regarding this activity.⁷ For example, MNC has committed that it will not own the stock of, or be represented on the board of directors of, any unaffiliated institution for which IOAMC or Partnership provides asset management

services. In addition, MNC has committed that IOAMC and Partnership will not establish policies or procedures of general applicability for the institutions whose assets they manage, and that the services of IOAMC and Partnership for unaffiliated financial institutions would be limited to asset management, servicing, and collection activities.⁸

The Board is also required to determine whether the performance of the proposed activity by MNC is a proper incident to banking—that is, whether the proposed activity "can reasonably be expected to produce benefits, such as greater convenience, increased competition, or gains in efficiency, that outweigh possible adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interests, or unsound banking practices." 12 U.S.C. § 1843(c)(8).

Consummation of the proposal can reasonably be expected to result in public benefits. MNC's proposal would facilitate the disposal of assets of financial institutions in receivership as well as financial institutions with troubled financial assets. Moreover, the efficient disposition of such assets can reasonably be expected to produce benefits to the public. IOAMC and Partnership will own no equity in the institutions for which they provide asset management services or in the assets that they manage. MNC's *de novo* entry into the market will increase competition for these services.

MNC has indicated that it may, in certain instances, seek approval to acquire institutions whose assets are being managed by IOAMC and Partnership. In previous cases, the Board expressed concern that a bank holding company might obtain confidential information in the course of providing its asset management services that would provide the bank holding company with a competitive advantage over other institutions in the bidding process for the failed institution under management.⁹ The Board also noted that such information could give the managing bank holding company a competitive advantage over the ultimate acquirer of the failed institution in markets where they both compete.

To address these concerns, MNC has committed that it will establish and implement procedures to preserve the confidentiality of information obtained in

2. Data are as of June 30, 1991.

3. Asset management encompasses the liquidation (or other disposition) of loans and their underlying collateral, including real estate and other assets acquired through foreclosure or in satisfaction of debts previously contracted ("DPC property"). Specific individual activities include: classifying and valuing loan portfolios; filing reviews of loan documentation; developing collection strategies; negotiating renewals, extensions, and restructuring agreements; initiating foreclosure, bankruptcy, and other legal proceedings, where appropriate; and developing and implementing market strategies for the sale or refinancing of individual loans and for the packaging and sale of whole or securitized loan portfolios. In addition, MNC would conduct and review (either directly or through independent contractors) appraisals and environmental inspections; provide asset valuations; perform cash flow and asset review analyses; contract with and supervise independent property managers; and lease (either directly or through independent contractors) real estate and other DPC property. MNC also would dispose of DPC property by developing and implementing marketing strategies for the sale of DPC property, either individually or packaged for investors or developers.

4. MNC must obtain the prior approval of the Board before providing asset management services in connection with pools of assets that were not originated or held by financial institutions and their affiliates.

5. MNC will contract with independent third parties to obtain these services for assets under the management of IOAMC and Partnership.

6. See *First Interstate Bancorp.*, 77 Federal Reserve Bulletin 334 (1991); *Banc One Corporation*, 77 Federal Reserve Bulletin 331 (1991); *NCNB Corporation*, 77 Federal Reserve Bulletin 124 (1991); *First Florida Banks, Inc.*, 74 Federal Reserve Bulletin 771 (1988).

7. Id.

8. MNC also will provide its services for a limited period of time. The Board notes that, while MNC will manage assets on an ongoing basis, the owner of the assets will retain the right to make all final decisions regarding asset dispositions and to terminate MNC as an asset manager.

9. See, e.g., *NCNB Corporation*, 77 Federal Reserve Bulletin 124 (1991).

the course of providing asset management services.¹⁰ These procedures will prevent the use of information obtained by IOAMC and Partnership through their asset management activities in the course of preparing any bid that MNC may prepare to acquire the institution managed by IOAMC and Partnership, and will prevent MNC from competing unfairly against the winning bidder in the relevant market.

The Board, in prior decisions, has expressed concern that joint ventures could potentially lead to a matrix of relationships between co-venturers that could break down the legally mandated separation of banking and commerce, create the possibility of conflicts of interests and other adverse effects that the BHC Act was designed to prevent, or impair or give the appearance of impairing the ability of the banking organization to function effectively as an independent and impartial provider of credit.¹¹ Further, joint ventures must be analyzed carefully for any possible adverse effects on competition and on the financial condition of the banking organization involved in the proposal.

In this regard, MNC has made the following commitments that the Board has relied upon in other cases to mitigate any possible adverse effects arising from the joint venture:

- (1) Partnership will not expand its activities without MNC's knowledge and consent as well as prior authorization from the Federal Reserve, and will divest its interest in Partnership should the Board so require.
- (2) MNC will not solicit business on behalf of Graimark.
- (3) MNC, IOAMC, and Graimark do not currently have or expect to have any significant relationships other than Partnership.
- (4) MNC and its subsidiaries will act at all times on an arm's length basis in deciding whether to extend credit to Graimark and Graimark's competitors.
- (5) Partnership will observe the anti-tying provisions of the BHC Amendments of 1970 and Partnership will be treated as an affiliate for the purposes of section 23A of the Federal Reserve Act.
- (6) The operations of Partnership will be kept at arm's length from those of MNC and its subsidiaries and from Graimark and its subsidiaries.
- (7) Although MNC and Graimark may name one or more of their officers or directors to Partnership's board of directors, no officer or director of MNC or

its subsidiaries, or of Graimark or its subsidiaries, will serve as an officer or employee of Partnership. (8) No officer, director, or employee of MNC or any of its subsidiaries will deal with or have access to confidential information about the financial condition of Graimark or any of its subsidiaries, and no officer, director, or employee of Graimark or any of its subsidiaries will deal with or have access to confidential information about the financial condition of MNC or any of its subsidiaries.

The commitments are designed to ensure a separation between the joint venture and Graimark's activities. Under the circumstances of this case, the Board finds these commitments sufficient to address its concerns about potential adverse effects associated with the joint venture.

There is no evidence in the record to indicate that consummation of this proposal is otherwise likely to result in any significantly adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interests, or unsound banking practices. The financial and managerial resources of MNC and its subsidiaries are also consistent with approval. Accordingly, on the basis of all of the facts of record and commitments made by MNC, the Board concludes that the public benefits that would result from approval of this application outweigh the potential adverse effects, and that the public interest factors it must consider under section 4(c)(8) of the BHC Act are consistent with approval.

Based upon the foregoing and all of the other facts of record, including commitments made by MNC and conditions in this Order, the Board has determined that the application should be, and hereby is, approved. The Board's determination is also subject to all of the conditions set forth in the Board's Regulation Y, including those in sections 225.4(d) and 225.23(b), and to the Board's authority to require modification or termination of the activities of a bank holding company or any of its subsidiaries as the Board finds necessary to assure compliance with, and to prevent evasion of, the provisions of the BHC Act and the Board's Regulations and Orders issued thereunder. The commitments made in connection with this application and the conditions referred to in this Order and the above-noted Orders are conditions imposed in writing by the Board in connection with its findings and decision.

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

By order of the Board of Governors, effective November 21, 1991.

10. MNC's procedures will be subject to review by the Federal Reserve System.

11. See *Wells Fargo & Company*, 76 *Federal Reserve Bulletin* 465 (1990); *The Fuji Bank, Limited*, 75 *Federal Reserve Bulletin* 577 (1989); *Amsterdam-Rotterdam, N.V.*, 70 *Federal Reserve Bulletin* 835 (1984).

Voting for this action: Chairman Greenspan and Governors Angell, Kelley, and LaWare. Absent and not voting: Governor Mullins.

JENNIFER J. JOHNSON
Associate Secretary of the Board

Provident Bancorp, Inc.
Cincinnati, Ohio

Order Approving the Acquisition of a Savings Association

Provident Bancorp, Inc., Cincinnati, Ohio ("Provident"), a bank holding company within the meaning of the Bank Holding Company Act ("BHC Act"), has applied pursuant to section 4(c)(8) of the BHC Act (12 U.S.C. § 1843(c)(8)) to acquire Hunter Savings Association, Cincinnati, Ohio ("Hunter"), a savings association, pursuant to section 225.25(b)(9) of the Board's Regulation Y (12 C.F.R. 225.25(b)(9)). Provident's subsidiary bank, Provident Bank, Cincinnati, Ohio ("Bank"), has also applied, pursuant to section 18(c) of the Federal Deposit Insurance Act (12 U.S.C. § 1828(c)) (the "Bank Merger Act") to merge with Hunter. Bank has also applied, pursuant to section 9 of the Federal Reserve Act (12 U.S.C. § 321 *et seq.*) ("FRA"), to establish branches at the locations of Hunter's offices listed in the Appendix.

In connection with these transactions, Provident also has requested the Board's approval under section 5(d)(3) of the Federal Deposit Insurance Act ("FDI Act"), as amended by the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (Pub. L. No. 101-73, § 206, 101 Stat. 183, 199 (1989)) ("FIRREA"), to merge Hunter into Bank.¹

Notice of the applications, affording interested persons an opportunity to submit comments, has been published (56 *Federal Register* 21,493 (1991)). As required by the Bank Merger Act, reports on the competitive effects of the mergers were requested from the United States Attorney General, the Office of the Comptroller of the Currency, and the Federal

Deposit Insurance Corporation. The time for filing comments has expired, and the Board has considered the applications and all comments received in light of the public interest factors set forth in section 4(c)(8) of the BHC Act and in the Bank Merger Act.

The Board has previously determined that the operation of a savings association is closely related to banking and permissible for bank holding companies. 12 C.F.R. 225.25(b)(9). In making this determination, the Board required that savings associations acquired by bank holding companies conform their direct and indirect activities to those permissible for bank holding companies under section 4 of the BHC Act. Provident has committed to conform all activities of Hunter to the requirements of section 4 and Regulation Y.² In order to approve the application, the Board also is required by section 4(c)(8) of the BHC Act to determine that the ownership and operation of Hunter by Provident "can reasonably be expected to produce benefits to the public . . . that outweigh possible adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interests, or unsound banking practices." 12 U.S.C. § 1843(c)(8).

Provident, which operates one subsidiary bank in Ohio and one subsidiary bank in Kentucky, is the 13th largest depository institution in Ohio, controlling deposits of \$1.7 billion, representing 1.4 percent of the total deposits in the state.³ Hunter is the 23rd largest depository institution in Ohio, controlling deposits of \$928.9 million, representing less than one percent of the total deposits in the state. After consummation of the proposed acquisition, Provident will be the 11th largest depository institution in Ohio, controlling deposits of \$2.7 billion, representing 2.1 percent of the total deposits in the state. Consummation of the proposed acquisition would not have a significantly adverse effect on the concentration of resources in depository institutions in Ohio.

Provident and Hunter compete directly in the Cincinnati banking market.⁴ Provident is the fourth largest depository institution in the market, controlling deposits of \$1.6 billion, representing 9.4 percent of the deposits in banks and thrift institutions in the market

1. American Financial Corporation, Cincinnati, Ohio ("AFC"), the present owner of Hunter, will acquire 4.9 percent of the voting shares of Provident as well as shares of a new class of nonvoting preferred shares in Provident, for a total investment of up to 24.9 percent of Provident's equity. The nonvoting shares are convertible into voting shares only in the hands of a third party and may be sold only in a widespread distribution. AFC will not have any interlocking directors or management officials with Provident. In addition, AFC has generally made all of the passivity commitments that the Board has accepted in previous cases to ensure that an equity investment will be passive and non-controlling. Based on the foregoing and other facts of record, the Board has not determined that AFC will control Provident for purposes of the BHC Act as a result of the investment as structured.

2. Hunter currently engages in impermissible real estate activities through existing subsidiaries. Provident has committed to divest itself of these impermissible real estate investment and development activities within two years of consummation of the proposal. No new impermissible projects or investments will be undertaken during this period.

3. State banking data are as of June 30, 1990. Market banking data are as of June 30, 1989.

4. The Cincinnati banking market is approximated by Hamilton, Brown, and Clermont Counties, and portions of Butler and Warren Counties in Ohio; Dearborn County in Indiana; and Boone, Kenton, Campbell, Grant and Pendleton Counties in Kentucky.

(“market deposits”).⁵ Hunter is the ninth largest depository institution in the market, controlling deposits of \$304.4 million, representing 1.8 percent of market deposits. Upon consummation of the proposal, Provident would become the third largest depository institution in the market, controlling deposits of \$2.2 billion, representing 12.7 percent of market deposits, and the Herfindahl–Hirschman Index (“HHI”) would increase by 42 points to a level of 962.⁶ Based on all the facts of record, the Board concludes that consummation of this proposal would not result in a significantly adverse effect on competition in the Cincinnati banking market.

The financial and managerial resources of Provident, Bank and Hunter are consistent with approval of these applications. Upon consummation of this proposal, Provident, Bank and Hunter would meet all applicable capital requirements. There is no evidence in the record that consummation of this proposal is likely to result in any significant adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interests, or unsound banking practices. Accordingly, the Board has determined that the balance of the public interest factors that it is required to consider under section 4(c)(8) of the BHC Act is favorable and consistent with approval.

The Board finds that the factors that it is required to consider under the Bank Merger Act are consistent with approval of Bank’s application to merge with Hunter. The Board also concludes that the financial condition of Bank, the general character of its management, and the proposed exercise of corporate powers are consistent with approval and the purposes of section 9 of the FRA.

In considering Provident’s request for approval of the merger of Hunter into Bank pursuant to section 5(d)(3) of the FDI Act, the record in this case shows that:

5. The pre-consummation market share statistics are based on calculations in which the deposits of Hunter are included at 50 percent. Upon consummation, Hunter will be affiliated with a commercial banking organization; thus, on a pro forma basis, the deposits of Hunter are included at 100 percent, while the deposits of other savings associations continue to be included at 50 percent unless otherwise indicated.

6. Under the revised Department of Justice Merger Guidelines, 49 *Federal Register* 26,823 (1984), a market in which the post-merger HHI is less than 1000 is considered unconcentrated. The Department of Justice has informed the Board that, as a general matter, a bank merger or acquisition 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 200 points. The Justice Department has stated that the higher-than-normal HHI thresholds for screening bank mergers for anticompetitive effects implicitly recognize the competitive effect of limited-purpose lenders and other non-depository financial entities.

(1) The aggregate amount of the total assets of all depository institution subsidiaries of Provident is \$2.4 billion, an amount which is not less than 200 percent of the total assets of Hunter, which currently has \$997.7 million in total assets;

(2) Provident and all of its bank subsidiaries currently meet all applicable capital standards and, upon consummation of the proposed transactions, will continue to meet all applicable standards;

(3) The transaction is not in substance the acquisition of a Bank Insurance Fund member bank by a Savings Association Insurance Fund member;

(4) The transaction, which involves the merger of Hunter, a savings association located in Ohio, with a bank subsidiary of Provident, a bank holding company whose banking subsidiaries’ operations are principally conducted in Ohio, would comply with the requirements of section 3(d) of the BHC Act if Hunter were a state bank which Provident was applying to acquire.

Based on the foregoing and all of the other facts of record, the Board has determined that the proposed application under section 5(d)(3) of the FDI Act should be, and hereby is, approved.

Based on the foregoing and all of the other facts of record, the Board has determined that the applications should be, and hereby are, approved. The Board’s determination is subject to all of the commitments made by Provident and AFC as well as all of the conditions set forth in the Board’s Regulation Y, including those in sections 225.4(d) and 225.23(b)(3), and to the Board’s authority to require modification or termination of the activities of a bank holding company or any of its subsidiaries as the Board finds necessary to assure compliance with, or to prevent evasion of, the provisions and purposes of the BHC Act and the Board’s regulations and orders issued thereunder. The commitments and conditions referred to above are conditions imposed in writing by the Board in connection with its findings and decision. The merger of Hunter into Bank shall not be consummated before the thirtieth calendar day following the effective date of this Order, and all the transactions shall not be consummated later than three months after the effective date of this Order, unless such period is extended for good cause by the Board or by the Federal Reserve Bank of Cleveland, pursuant to delegated authority.

By order of the Board of Governors, effective November 13, 1991.

Voting for this action: Chairman Greenspan and Governors Mullins, Angell, Kelley, and LaWare.

JENNIFER J. JOHNSON
Associate Secretary of the Board

Appendix

Provident will establish the following branches:

- (1) 1270 Upper Valley Pike, Springfield, Ohio;
- (2) 936 State Route #28, Milford, Ohio;
- (3) 1318 North Fairfield Road, Dayton, Ohio;
- (4) 917 Hempstead Drive, Cincinnati, Ohio;
- (5) 370 Loveland-Madeira Road, Loveland, Ohio;
- (6) 5569 Kirby Road, Cincinnati, Ohio;
- (7) 8087 Montgomery Road, Cincinnati, Ohio;
- (8) 11951 Hamilton Avenue, Cincinnati, Ohio;
- (9) 7050 Blue Ash Road, Cincinnati, Ohio;
- (10) 495 East Kemper Road, Cincinnati, Ohio;
- (11) 6141 Glenway Avenue, Cincinnati, Ohio;
- (12) 536 West National Road, Vandalia, Ohio;
- (13) 6010 Far Hills Avenue, Dayton, Ohio;
- (14) 6740 Brandt Pike, Dayton, Ohio;
- (15) 1212 East Stroop Road, Dayton, Ohio;
- (16) 3081 Far Hills Avenue, Dayton, Ohio;
- (17) 4795 Salem Avenue, Dayton, Ohio;
- (18) 1814 Woodman Drive, Dayton, Ohio;
- (19) 8220 Springboro Pike, Miamisburg, Ohio; and
- (20) 2221 West Michigan Street, Sidney, Ohio.

Union Planters Corporation Memphis, Tennessee

Order Approving Acquisition of a Savings Association

Union Planters Corporation, Memphis, Tennessee ("Union Planters"), a bank holding company within the meaning of the Bank Holding Company Act ("BHC Act"), has applied for the Board's approval under section 4(c)(8) of the BHC Act (12 U.S.C. § 1843(c)(8)) and section 225.23 of the Board's Regulation Y (12 C.F.R. 225.23), to acquire indirectly Fidelity Federal Bank, a Federal Savings Bank, Nashville, Tennessee ("FFB"), a savings association. Union Planters also has requested Board approval pursuant to section 5(d)(3) of the Federal Deposit Insurance Act ("FDI Act"), as amended by the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (Pub. L. No. 101-73, § 206, 101 Stat. 183, 199 (1989)), to merge FFB into its subsidiary bank, Union Planters National Bank, Memphis, Tennessee ("Bank"), immediately following the acquisition of the shares of FFB ("Oakar transaction").¹

1. Union Planters proposes to acquire FFB indirectly through Bank, which will acquire FFB's parent company, Fidelity Bancshares, Inc., Nashville, Tennessee, a unitary savings and loan holding company ("Bancshares"). Bank will acquire Bancshares by merging Bank's subsidiary merger corporation, UPNB Interim, with and into Bancshares. Bancshares will then be dissolved, and FFB will convert to a national bank and then immediately be merged into Bank. At no time

Notice of the application under section 4(c)(8), affording interested persons an opportunity to submit comments, has been published (56 *Federal Register* 43,769 (1991)). The time for filing comments has expired, and the Board has considered this application and all comments received in light of the public interest factors set forth in section 4(c)(8) of the BHC Act (12 U.S.C. § 1843(c)(8)).

The Board has previously determined that the operation of a savings and loan association by a bank holding company is closely related to banking for purposes of section 4(c)(8).² In order to approve the acquisition of FFB, the Board is also required by section 4(c)(8) of the BHC Act to determine that the operation of FFB by Union Planters "can reasonably be expected to produce benefits to the public . . . that outweigh possible adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interests, or unsound banking practices." 12 U.S.C. § 1843(c)(8).

Union Planters, with total consolidated assets of approximately \$3.8 billion, controls 21 commercial banking subsidiaries in Tennessee, Arkansas, Mississippi, and Alabama.³ Union Planters is the fifth largest commercial banking organization in Tennessee, with deposits of approximately \$2.5 billion, representing approximately 6.6 percent of total deposits in commercial banks in the state.⁴ FFB, which operates only in Tennessee, is the fourth largest thrift institution in the state, controlling approximately \$765 million in deposits, representing approximately 8.0 percent of the total deposits in thrift institutions in the state. Upon consummation of this proposal, Union Planters would remain the fifth largest commercial banking organization in Tennessee, controlling approximately 8.5 percent of total deposits in commercial banking organizations in the state. In the Board's view, consummation of this proposal would not have a significantly adverse effect upon the concentration of banking organizations in Tennessee.

Union Planters and FFB compete directly in the following banking markets in Tennessee: Jackson, Gibson County, Knoxville, and Nashville.⁵ Consummation

during this series of steps will FFB operate as a separate subsidiary of Bank. The Board has previously authorized a bank holding company to acquire indirectly, through its subsidiary bank, a savings association for purposes of effectuating a simultaneous Oakar transaction. See *U.S. Bancorp*, 76 *Federal Reserve Bulletin* 792, 793 (1990); *Marshall & Ilsley Corporation*, 76 *Federal Reserve Bulletin* 556 (1990).

2. 12 C.F.R. 225.25(b)(9). Union Planters has committed that any nonbanking activities conducted by FFB that are not permissible under section 4(c)(8) of the BHC Act will be divested prior to consummation of its acquisition of FFB.

3. Asset data are as of June 30, 1991.

4. Deposit data are as of June 30, 1990.

5. The Board has previously indicated that thrift institutions have become, or have the potential to become, significant competitors of

of this proposal would result in the loss of a competitor from each market, and would result in an increase in the Herfindahl-Hirschman Index ("HHI") in the Jackson and Gibson County banking markets.⁶ The record indicates, however, that numerous other competitors would remain in each of these markets and consummation of this proposal otherwise would not have a significantly adverse effect on competition in any of these markets.⁷ Based on these and other facts of record, the Board concludes that consummation of this proposal would not have a significantly adverse effect on competition in any relevant banking market.

The financial and managerial resources and future prospects of Union Planters and its bank subsidiaries are consistent with approval. Considerations relating to the convenience and needs of the communities to be served are also consistent with approval of this application. Consummation of this proposal is not likely to result in any significant adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interest, or unsound banking practices. Accordingly, based upon the facts of record and the commitments made by Union Planters, the Board has determined that the acquisition of FFB by Union Planters can reasonably be expected to produce public benefits which would outweigh adverse effects under the proper incident to banking standard of section 4(c)(8) of the BHC Act.

In considering the request by Union Planters for approval of the merger of FFB into Bank pursuant to

section 5(d)(3) of the FDI Act, the record in this case shows that:

- (1) the aggregate amount of the total assets of all depository institution subsidiaries of Union Planters is \$4.8 billion, an amount which is not less than 200 percent of the total assets of FFB, which currently has approximately \$966.3 million in total assets;
- (2) Union Planters and all of its bank subsidiaries currently meet all applicable capital standards and, upon consummation of the proposed transactions, will continue to meet all applicable capital standards;
- (3) the transaction is not in substance the acquisition of a Bank Insurance Fund member bank by a Savings Association Insurance Fund member; and
- (4) the transaction, which involves the merger of FFB, a savings association located in Tennessee, into a bank subsidiary of Union Planters, a bank holding company whose banking subsidiaries' operations are principally conducted in Tennessee, would comply with the requirements of section 3(d) of the BHC Act if FFB were a state bank which Union Planters was applying to acquire.

In light of the above considerations and other facts of record, the Board has determined that Union Planters's proposed acquisition of FFB pursuant to section 4(c)(8) of the BHC Act should be, and hereby is, approved. The Board also has determined that, based on all the facts of record, Union Planters's proposal to merge FFB into Bank pursuant to section 5(d)(3) of the FDI Act should be, and hereby is, approved. The Board's approval of these transactions is specifically conditioned upon Union Planters's compliance with the commitments that it has made in the application and other submissions as well as all of the conditions set forth in the Board's Regulation Y, including those in sections 225.4(d) and 225.23(b)(3) (12 C.F.R. 225.4(d) and 225.23(b)(3)), and to the Board's authority to require such modifications or termination of the activities of a bank holding company or any of its subsidiaries as the Board finds necessary to assure compliance with, or to prevent evasion of, the provisions and purposes of the BHC Act and the Board's regulations and orders issued thereunder. The commitments and conditions referred to above are conditions imposed in writing by the Board in connection with its finding and decision. This approval also is subject to Union Planters obtaining the approval of the appropriate Federal banking agencies for the proposed merger under the Bank Merger Act. The transactions approved in this Order shall be consummated not later than three months after the effective date of this Order, unless such period is extended for good cause by the Board or by the Federal Reserve Bank of St. Louis, pursuant to delegated authority.

By order of the Board of Governors, effective November 21, 1991.

commercial banks. *WM Bancorp.*, 76 *Federal Reserve Bulletin* 788 (1990). The Board has included thrift deposits in the calculation of market share on a 50 percent basis. See, e.g., *First Hawaiian, Inc.*, 77 *Federal Reserve Bulletin* 52 (1991). Upon consummation of the proposal, FFB would be merged with a commercial banking organization, thus on a *pro forma* basis, the deposits of FFB are included at 100 percent, while the deposits of other savings associations in all relevant banking markets continue to be included at 50 percent.

6. 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 to be highly concentrated. In such markets, the Justice Department is likely to challenge a merger that increases the HHI by more than 50 points. The Justice Department has informed the Board that a bank merger or acquisition

7. Upon consummation of this proposal, Union Planters would become the largest depository institution in the Jackson market, controlling deposits of approximately \$238.7 million, representing approximately 25.2 percent of total market deposits. The HHI would increase by 185 points to 1842, and ten other competitors would remain in the market. In the Gibson County banking market, Union Planters would remain the largest depository institution in the market, controlling approximately \$177.4 million in deposits, representing approximately 34.5 percent of total market deposits. The HHI would increase by 161 points to 1676, and 11 other competitors would remain in the market. In the Knoxville banking market, Union Planters would remain the fifth largest of 25 depository institutions in the market, controlling approximately \$91.5 million in deposits, representing approximately 6.4 percent of market deposits. The HHI would decrease by 14 points to 1728. In the Nashville banking market, Union Planters would become the fourth largest of 35 depository institutions in the market, controlling approximately \$561.5 million in deposits, representing approximately 7.0 percent of market deposits. The HHI would decrease by 53 points to 1612.

Voting for this action: Chairman Greenspan, and Governors Angell, Kelley, and LaWare. Absent and not voting: Governor Mullins.

JENNIFER J. JOHNSON
Associate Secretary of the Board

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

Banco de Santander, S.A. de Credito Santander, Spain

Order Approving Applications to Acquire a Bank Holding Company and its Banking and Nonbanking Subsidiaries

Banco de Santander, S.A. de Credito, Santander, Spain ("Santander"), a bank holding company within the meaning of the Bank Holding Company Act ("BHC Act"), has applied under section 3 of the BHC Act (12 U.S.C. § 1842) to acquire up to 24.9 percent of the voting shares of First Fidelity Bancorporation, Lawrenceville, New Jersey ("First Fidelity"),¹ and thereby indirectly to acquire the following banks: First Fidelity Bank, N.A., New Jersey, Newark, New Jersey; First Fidelity Bank, N.A., North Jersey, Totowa, New Jersey; First Fidelity Bank, N.A., South Jersey, Burlington, New Jersey; Fidelity Bank, N.A., Philadelphia, Pennsylvania; Merchants Bank, N.A., Allentown, Pennsylvania; and Merchants Bank North, Wilkes-Barre, Pennsylvania.

Santander also has applied under section 4(c)(8) of the BHC Act (12 U.S.C. § 1843(c)(8)) to acquire the nonbanking subsidiaries of First Fidelity.² In addition, Santander has provided notice of its intent to acquire First Fidelity Tradexport Corporation, Newark, New Jersey, pursuant to section 4(c)(14) of the BHC Act, and to acquire indirectly the shares of Fidelity International Bank, New York, New York, and Fidelity Overseas Investment, Inc., Philadelphia, Pennsylvania, both corporations chartered pursuant to section

25(a) of the Federal Reserve Act (12 U.S.C. § 611 *et seq.*) ("Edge Act").

Notice of the applications, affording interested persons an opportunity to submit comments, has been published (56 *Federal Register* 21,678 (1991)). 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 of the BHC Act and the purpose of the Edge Act.

Santander, with consolidated assets equivalent to approximately \$55 billion, is the third largest banking organization in Spain.³ Santander engages in a broad range of banking and financial services throughout the world through an extensive network of offices and subsidiaries. In the United States, Santander maintains a branch in New York, New York, and an agency and an Edge corporation in Miami, Florida. Santander also owns shares of Banco de Santander-Puerto Rico ("Santander-Puerto Rico") and Santander Federal Savings Bank, both in Puerto Rico. Santander-Puerto Rico operates one branch in New York.⁴ Santander also owns 10 percent of the voting shares of The Royal Bank of Scotland Group plc, Edinburgh, Scotland ("The Royal Bank"), a registered bank holding company with banking subsidiaries in Rhode Island and Massachusetts.⁵ First Fidelity, with consolidated assets of \$28.7 billion, is the largest commercial banking organization in New Jersey, and owns six banking subsidiaries in New Jersey and Pennsylvania.⁶

IBA and Douglas Amendment Analysis

Under section 5(a) of the International Banking Act ("IBA"), Santander may not acquire a bank outside of its home state if the acquisition would be prohibited by the Douglas Amendment, section 3(d) of the BHC Act, for a bank holding company located in the foreign bank's home state. The Douglas Amendment prohibits the Board from approving an application by a bank holding company to acquire any voting shares of or interest in any bank located outside of the bank 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. Santander proposes to acquire 9,505,000 shares of newly-issued common stock and warrants to purchase an additional 9,505,000 shares of common stock of First Fidelity. After the proposed acquisition, Santander will own approximately 13.7 percent of the common stock then outstanding and 13.3 percent of First Fidelity's voting rights, and, assuming complete exercise of the warrants, approximately 24.1 percent of the common stock and 23.5 percent of First Fidelity's voting rights. Santander also has proposed to have certain representatives serve on the board of directors of First Fidelity and to provide certain management assistance to First Fidelity. Accordingly, Santander has applied for Board approval under section 3 of the BHC Act to exercise control, as defined in that Act, over First Fidelity.

2. A list of these nonbanking subsidiaries is set forth in the Appendix. Each of these activities has been previously approved by the Board.

3. Banking data are as of March 31, 1991. Country ranking is as of December 31, 1990.

4. Santander and Santander-Puerto Rico may each retain its New York branch because these branches were opened before July 27, 1978, and may be retained under section 5(b) of the IBA, (12 U.S.C. § 3103(b)).

5. See *Banco de Santander, S.A. de Credito*, 78 *Federal Reserve Bulletin* 60 (1992).

6. Banking data are as of December 31, 1990.

Santander had originally selected Florida as its home state but has notified the Board of its intention to change its home state to Rhode Island, pursuant to the provisions of Regulation K permitting a one-time change of home state.⁷ First Fidelity's subsidiary banking organizations are located in New Jersey and Pennsylvania.

The statute laws of New Jersey expressly authorize the acquisition of a bank located in New Jersey by an out-of-state domestic bank holding company, if that state authorizes the acquisition of a bank on a reciprocal basis by a New Jersey bank holding company.⁸ Rhode Island law also expressly authorizes the acquisition of a Rhode Island bank by an out-of-state bank holding company on a reciprocal basis.⁹ The New Jersey Department of Banking has determined that the Rhode Island interstate banking statute is reciprocal with New Jersey.¹⁰ Based on this and a review of the relevant statutes, the Board has determined that the proposed acquisition is specifically authorized by the statute laws of New Jersey.

The statute laws of Pennsylvania also expressly authorize the acquisition of a banking institution or bank holding company located in Pennsylvania by a bank holding company located in another state, if that other state authorizes the acquisition of a financial institution on a reciprocal basis by a Pennsylvania bank holding company.¹¹ The Pennsylvania statute specifies that the reciprocal interstate banking statutes of several states, including Rhode Island, shall be deemed to be reciprocal.¹² The Rhode Island interstate statute has been revised since that time, and the Pennsylvania Department of Banking has determined that the Rhode Island

interstate banking statute continues to be reciprocal with Pennsylvania.¹³ Based on this and a review of the relevant statutes, the Board has determined that the proposed acquisition is specifically authorized by the statute laws of Pennsylvania.

Based on the foregoing, the Board has determined that, subject to Santander's obtaining approval from the appropriate state authorities, Board approval of the proposal is not barred by the Douglas Amendment or the IBA.

Factors under Section 3 of the BHC Act

Santander and First Fidelity compete in the Metropolitan New York-New Jersey banking market,¹⁴ where Santander and its subsidiary, Banco de Santander-Puerto Rico, each has a branch. Santander is the 56th largest commercial banking organization in the Metropolitan New York-New Jersey market, controlling deposits of \$326.9 million, representing less than 1 percent of the total deposits in commercial banking organizations in the market. First Fidelity is the tenth largest commercial banking organization in the market, controlling deposits of \$10.5 billion, representing approximately 3.5 percent of the total deposits in commercial banking organizations in the market.¹⁵ Upon consummation of the proposed transaction, Santander would control 3.6 percent of the total deposits in commercial banking organizations in the market and the market would remain unconcentrated. On the basis of the facts of record, the Board concludes that consummation of this proposal would not have a significantly adverse effect on competition in the Metropolitan New York-New Jersey banking market.

Section 3(c) of the BHC Act requires in every case that the Board consider the financial resources of the applicant organization. On the basis of the facts of record, the Board concludes that financial considerations are consistent with approval of these applications.

The managerial resources and future prospects of Santander are consistent with approval. The Board also has determined that considerations relating to the convenience and needs of the communities to be served are consistent with approval.

7. Section 211.22(c) of Regulation K provides that a foreign bank may change its home state once if prior notice is filed with the Board and if domestic branches established and investments in banks acquired in reliance on its original home state selection conform to those that would have been permissible had the new home state been selected as its home state originally. In connection with the Board's approval of Santander's proposal to retain its interest in the voting shares of The Royal Bank, Santander elected to change the location of its home state for purposes of the IBA from Florida to Rhode Island. See *Banco de Santander, S.A. de Credito*, 78 *Federal Reserve Bulletin* 60 (1992). A change in home state would not affect Santander's current Florida and New York operations. Santander's New York branches are grandfathered under section 5(b) of the IBA, and retention of its Florida agency and Edge corporation also is consistent with section 5(b) of the IBA.

8. This proposal involves the acquisition of several banks. First Fidelity's capital stock savings bank has been merged into and with First Fidelity's lead banking subsidiary, First Fidelity Bank, N.A., New Jersey.

9. R.I. Gen. Laws § 19-30-2 (1989).

10. See Letter dated October 7, 1991, from Robert M. Jaworski, Assistant Commissioner.

11. Pa. Stat. Ann. tit. 7, § 116 (Purdon 1991).

12. Pennsylvania law provided that the laws of Rhode Island as of 1986 were reciprocal. Subsequent amendments to this statute have expanded entry into Rhode Island. Pa. Stat. Ann. tit. 7, § 116(c)(iv) (Purdon 1991).

13. See letter dated July 29, 1991, from Lisa Detwiler, Chief Counsel.

14. The Metropolitan New York-New Jersey banking market includes New York City; Nassau, Orange, Putnam, Rockland, Suffolk, Sullivan, and Westchester Counties in New York; Bergen, Essex, Hudson, Hunterdon, Middlesex, Monmouth, Morris, Ocean, Passaic, Somerset, Sussex, Union, and Warren Counties in New Jersey; and parts of Fairfield County in Connecticut. Under the revised Department of Justice Merger Guidelines, 49 *Federal Register* 26,823 (1984), this market is considered unconcentrated.

15. Deposit data are as of June 30, 1989.

Nonbanking Activities

Santander also has applied, pursuant to section 4(c)(8) of the BHC Act, to acquire certain nonbanking subsidiaries of First Fidelity. The Board has determined by regulation or order that each of the activities in which the subsidiaries engage is permissible for bank holding companies under section 4(c)(8) of the BHC Act, and Santander proposes to conduct these activities in accordance with the Board's regulations and orders.

In considering Santander's acquisition of the nonbanking activities of First Fidelity, the Board notes that these subsidiaries compete in geographic markets that are regional or national in scope. These markets are served by numerous competitors, and Santander does not have a significant market share in any of these markets. Accordingly, the Board concludes that consummation of this proposal would not have any significantly adverse effect on competition in any relevant market. Furthermore, consummation of this proposal is not likely to result in any significantly adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interests, or unsound banking practices. Accordingly, the Board has determined that the balance of public interest factors it must consider under section 4(c)(8) of the BHC Act is favorable and consistent with approval of Santander's proposal to acquire the nonbanking subsidiaries of First Fidelity.

The Board also has considered Santander's proposal to acquire First Fidelity Tradexport Corporation pursuant to section 4(c)(14) of the BHC Act, and to acquire Fidelity International Bank and Fidelity Overseas Investment, Inc., under the Edge Act. Considerations relating to these subsidiaries are consistent with approval.

Based on the foregoing and other facts of record, and in reliance on the commitments made by Santander, the Board has determined that consummation of the proposed transaction would be consistent with the public interest. Accordingly, the Board concludes that the applications under sections 3 and 4 of the BHC Act and under the Edge Act should be, and hereby are, approved, subject to the commitments made by Santander. The bank acquisitions shall not be consummated before the thirtieth calendar day following the effective date of this Order, and the proposed bank and nonbank acquisitions shall not be consummated later than three months after the effective date of this Order, unless such period is extended for good cause by the Board or by the Federal Reserve Bank of New York, acting pursuant to delegated authority. The determinations as to the nonbanking activities are subject to all of the conditions in the Board's Regulation Y, including those in sections 225.4(d) and 225.23(b)(3) (12 C.F.R. 225.4(d) and 225.23(b)(3)), and

to the Board's authority to require such modification or termination of the activities of a holding company or any of its subsidiaries as the Board finds necessary to assure compliance with, or to prevent evasion of, the provisions and purposes of the BHC Act and the Board's regulations and orders issued thereunder.

By order of the Board of Governors, effective November 25, 1991.

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

JENNIFER J. JOHNSON
Associate Secretary of the Board

Appendix

Nonbanking subsidiaries to be acquired:

- (1) First Fidelity Community Development Corporation, Trenton, New Jersey;
- (2) Waller House Corporation, Philadelphia, Pennsylvania;
- (3) First Fidelity Capital Corporation, Newark, New Jersey;
- (4) Broad & Lombardy Associates, Inc., Newark, New Jersey;
- (5) First Fidelity Trust, N.A., Florida, Boca Raton, Florida;
- (6) First Fidelity Brokers, Inc., Newark, New Jersey;
- (7) First Fidelity Trust Company, New York, New York;
- (8) Fidelcor Business Credit Corporation, New York, New York;
- (9) Fidelcor Business Credit Corporation of California, Inc., Los Angeles, California;
- (10) Fidelcor Life Insurance Company, Phoenix, Arizona;
- (11) Fidelcor Trading Inc., Philadelphia, Pennsylvania; and
- (12) FCC-PR, Inc., Santurce, Puerto Rico.

Chemical Banking Corporation
New York, New York

Chemical Bank
New York, New York

Order Approving the Merger of Bank Holding Companies and the Merger of State Member Banks

Chemical Banking Corporation, New York, New York ("Chemical"), a bank holding company within the meaning of the Bank Holding Company Act ("BHC Act"), has applied for the Board's approval under

section 3 of the BHC Act (12 U.S.C. § 1842) to merge with Manufacturers Hanover Corporation, New York, New York ("MHC"), a registered bank holding company, and thereby to acquire Manufacturers Hanover Trust Company, New York, New York ("MHTC"), and MHC Holdings (Delaware) Inc., Wilmington, Delaware, and its wholly owned subsidiary Manufacturers Hanover Bank (Delaware), Wilmington, Delaware. Chemical has also applied for the Board's approval under section 4(c)(8) of the BHC Act to acquire the shares of certain nonbanking companies owned by MHC and listed in the Appendix. Each of these companies engages in nonbanking activities that have been authorized by the Board by order or by regulation.

In connection with this transaction, Chemical Bank, New York, New York, a state member bank, has applied under the Bank Merger Act (12 U.S.C. § 1828(c)) to merge with MHTC. Chemical Bank will be the surviving entity. In addition, Chemical Bank has applied under section 9 of the Federal Reserve Act (12 U.S.C. § 321) to establish branches at the offices of MHTC listed in the Appendix and for permission to make an additional investment in bank premises pursuant to section 24A of the Federal Reserve Act (12 U.S.C. § 371(d)).

Chemical also proposes to acquire and make an additional investment in, pursuant to section 211.5(c) of the Board's Regulation K, Manufacturers Hanover Leasing International Corporation, New York, New York, a subsidiary of MHC that is engaged in leasing transactions outside the United States pursuant to section 4(c)(13) of the BHC Act. In addition, Chemical proposes to acquire, pursuant to section 211.5(f) of the Board's Regulation K, 29 percent of the voting shares of Massuh S.A., Buenos Aires, Argentina, a paper company acquired through a debt-equity conversion.

Chemical Bank has also given notice of its intent to acquire Manufacturers Hanover International Finance Corporation, New York, New York, and Manufacturers Hanover International Banking Corporation, Miami, Florida, corporations chartered pursuant to section 25(a) of the Federal Reserve Act (the "Edge Act") (12 U.S.C. §§ 611-613). In addition, Chemical Bank has given notice, pursuant to the Edge Act, section 25 of the Federal Reserve Act and section 211.5(c) of the Board's Regulation K, to hold the bank resulting from the merger of Chemical Bank of Canada, Toronto, Ontario, a direct foreign bank subsidiary of Chemical Bank, with Manufacturers Hanover Bank of Canada, Toronto, Ontario, an indirect subsidiary of Manufacturers Hanover International Finance Corporation.¹ Chemical Bank has also provided notice under

section 211.3(a)(3) of the Board's Regulation K (12 C.F.R. 211.3(a)(3)) of its intent to establish branches in certain countries in which neither Chemical nor any of its affiliates have branches.²

Notice of the applications, affording interested persons an opportunity to submit comments, has been published (56 *Federal Register* 48,560 (1991)). The Board extended the public comment period in this case for an additional 30 days, providing interested persons over 75 days to submit comments regarding this case. (Press Release dated October 18, 1991.) As required by the Bank Merger Act, reports on the competitive effects of the merger were requested from the United States Attorney General, the Office of the Comptroller of the Currency ("OCC"), and the Federal Deposit Insurance Corporation ("FDIC"). 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 of the BHC Act, the Bank Merger Act, the Edge Act and the Federal Reserve Act.

Chemical, with consolidated assets of \$74.1 billion, operates subsidiary banks in New York, New Jersey, Delaware and Texas, and holds approximately \$44.4 billion in total deposits in the United States.³ MHC, with consolidated assets of \$61.3 billion, operates subsidiary banks in New York and Delaware, and holds approximately \$24.4 billion in total deposits in the United States. Upon consummation of the proposed transaction, Chemical would become the second largest banking organization in the United States, with consolidated assets of approximately \$135.4 billion.

Interstate Banking Provisions

Section 3(d) of the BHC Act, the Douglas Amendment, prohibits the Board from approving an application by a bank holding company to acquire any bank located outside of the bank 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

International Finance Corporation the remaining 40.8 percent of the shares of the resulting bank.

2. MHTC has branches in the following countries in which neither Chemical nor any of its affiliates have branches: Argentina, Chile, Egypt, France, Italy, Romania and Taiwan. MHTC also has branches in the Bahamas, Bahrain, the Channel Islands (Guernsey), Germany, Hong Kong, Korea, Japan, Philippines, Singapore, Spain and the United Kingdom, which Chemical Bank will acquire, as well as a subsidiary bank in Turkey, Manufacturers Hanover Bank A.S., Istanbul, Turkey. Manufacturers Hanover Bank (Delaware) has a branch in the Cayman Islands.

3. Asset data and domestic deposit data are as of June 30, 1991.

1. Chemical Bank would own directly 59.2 percent of the shares of the resulting bank and indirectly through Manufacturers Hanover

merely by implication."⁴ As part of this proposal, Chemical, which has New York as its home state,⁵ proposes to acquire the Delaware bank subsidiary of MHC, Manufacturers Hanover Bank (Delaware). Delaware law permits acquisitions of banks located in Delaware by out-of-state bank holding companies provided that the home state of the bank holding company permits the acquisition of banks in that state by Delaware bank holding companies on a reciprocal basis.⁶ As part of its review of these applications, the Board has determined that the New York and Delaware interstate banking laws are reciprocal and that Delaware law would allow Chemical's acquisition of MHC's Delaware bank subsidiary.⁷ Accordingly, Board approval of this proposal is not barred by the Douglas Amendment.⁸

Competitive Effects

The New York bank subsidiary of Chemical is the third largest commercial banking organization in New York State, with total assets of \$42.8 billion, representing approximately 10.0 percent of the total assets in commercial banks in the state.⁹ The New York bank subsidiary of MHC is the fourth largest commercial banking organization in New York State, with total assets of \$37.4 billion, representing approximately 8.8 percent of the total assets in commercial banks in the state. Upon consummation of the proposed acquisition, Chemical would become the largest commercial banking organization in New York State, accounting for approximately 18.8 percent of the total assets in commercial banks in the state.

Chemical and MHC compete directly in the Metropolitan New York-New Jersey banking market and the Albany, Buffalo, Rochester and Syracuse banking markets in New York.¹⁰ In the Metropolitan New

York-New Jersey banking market,¹¹ Chemical is the third largest depository institution, controlling \$29.2 billion in deposits, representing approximately 8.0 percent of the total market deposits.¹² MHC is the fourth largest depository institution in the market, controlling \$24.4 billion in deposits, representing approximately 6.7 percent of the total market deposits. Upon consummation of the proposed acquisition, Chemical would become the largest depository institution in the market, controlling approximately 14.7 percent of the total market deposits. The Metropolitan New York-New Jersey banking market would remain unconcentrated upon consummation of this proposal; the Herfindahl-Hirschman Index ("HHI") for the market would increase by 106 points to a level of 537.¹³ Approximately 188 commercial banking organizations and 192 thrift institutions would continue to operate in the market after consummation of this proposal.¹⁴ Based on these and all of the other facts of record in

trust activities. There is no significant competitive overlap between Chemical's Delaware banks and MHC's Delaware bank, and the market shares of each are small. Additionally, there are numerous competitors active in these lines of business. Accordingly, consummation of the proposed acquisition of Manufacturers Hanover Bank (Delaware) will not have a significantly adverse effect on competition in any relevant market.

11. The Metropolitan New York-New Jersey banking market is approximated by Bronx, Kings, Nassau, New York, Orange, Putnam, Queens, Richmond, Rockland, Suffolk, Sullivan, and Westchester Counties in New York State; Bergen, Essex, Hudson, Hunterdon, Middlesex, Monmouth, Morris, Ocean, Passaic, Somerset, Sussex, Union, and Warren Counties in New Jersey; Darien, Greenwich, New Canaan, Norwalk, Redding, and Ridgefield municipalities and Stamford, Weston, Westport, and Wilton townships in Fairfield County, Connecticut.

12. Market deposit data are calculated on the basis of deposit data for commercial banks operating in the market as well as deposit data for thrift institutions in the market weighted at 50 percent. The Board previously has indicated that thrift institutions have become, or have the potential to become, major competitors of commercial banks. See *Midwest Financial Group*, 75 *Federal Reserve Bulletin* 386 (1989); *National City Corporation*, 70 *Federal Reserve Bulletin* 743 (1984).

13. Under the revised Department of Justice Merger Guidelines, 49 *Federal Register* 26,823 (1984), a market in which the post-merger HHI is less than 1000 is considered to be unconcentrated, a market in which the post-merger HHI is between 1000 and 1800 is considered to be moderately concentrated, and a market in which the post-merger HHI is above 1800 is considered to be highly concentrated. The Department of Justice has informed the Board that, as a general matter, a bank merger or acquisition 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 200 points. The Justice Department has stated that the higher-than-normal HHI thresholds for screening bank mergers for anticompetitive effects.

14. On the basis of commercial banking organizations alone, without considering thrift competitors, Chemical is the third largest commercial banking organization in the market, controlling approximately 9.4 percent of the total deposits in commercial banking organizations in the market. MHC is the 4th largest commercial banking organization in the market, controlling approximately 7.9 percent of the total deposits in commercial banking organizations in the market. Upon consummation of the proposed acquisition, Chemical would become the largest commercial banking organization in the market, controlling approximately 17.2 percent of the total deposits in commercial banking organizations in the market. The HHI for the market would increase by 147 points to 736.

4. 12 U.S.C. § 1842(d).

5. 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.

6. Del. Code Ann. tit. 5, § 843 (Supp. 1990).

7. See N.Y. Banking Laws § 142-b (McKinney 1987); Del. Code Ann. tit. 5, §§ 842-843 (Supp. 1990).

8. Board approval of the acquisition of MHC and Manufacturers Hanover Bank (Delaware) is subject to Chemical obtaining the necessary state approvals.

9. State asset data are as of June 30, 1991. Market deposit data are as of June 30, 1990.

10. Both Chemical and MHC own limited service commercial banks in Delaware. MHC owns Manufacturers Hanover Bank (Delaware), which provides wholesale lending, cash management and other operating services, and limited trust services. Chemical controls Texas Commerce Banks (Delaware), Newark, Delaware, a limited purpose consumer credit card bank established pursuant to Delaware's Consumer Credit Bank Act (Del. Code Ann. tit. 5, § 1001 *et seq.* (1985)), and Chemical Bank Delaware, Wilmington, Delaware, which primarily provides consumer credit card services and also engages in limited

this case, the Board has determined that consummation of the proposal is not likely to result in a significantly adverse effect on competition in the Metropolitan New York-New Jersey banking market.

In each of the remaining relevant banking markets, consummation of the transaction would result in only a small increase in concentration levels in the market. All of these markets, except the Buffalo market, would remain either unconcentrated or moderately concentrated following this merger. The Buffalo market is considered highly concentrated, with an HHI level of 2069. However, this merger would increase the level of concentration in that market, as measured by the market HHI, by only 2 points to 2071, and, following consummation, Chemical would become the seventh largest depository institution in the market.¹⁵ In all of these markets, including the Buffalo banking market, numerous depository institution competitors would remain in the market and Chemical would not rank among the five largest depository institutions in the market following consummation of the proposal.¹⁶

The Board has requested competitive factor reports from the United States Attorney General, the OCC, and the FDIC. The United States Attorney General has reviewed the proposal and concluded that consummation of the transaction would not have a significantly adverse effect on competition in any relevant market. Neither the FDIC nor the OCC has provided any objection to consummation of this proposal or indicated that the proposal would have any significantly adverse competitive effects. Based on these and all of the other facts of record in this case, the Board has concluded that consummation of the proposals would not result in a significantly adverse effect on competition in any relevant banking market.

Financial and Managerial Factors

In evaluating these applications, the Board has carefully considered the financial resources and future prospects of the companies and banks involved and the effect on those resources of the proposed acquisition. The Board has stated and continues to believe that capital adequacy is an especially important factor

in the analysis of bank holding company expansion proposals, particularly in transactions, such as this, where a major acquisition is proposed.¹⁷

In this regard, the Board expects banking organizations contemplating expansion proposals to maintain strong capital levels substantially above the minimum levels specified in the Board's Capital Adequacy Guidelines.¹⁸ The Board carefully analyzes the effect of expansion proposals on the preservation or achievement of strong capital levels and has adopted a policy that there should be no significant diminution of financial strength below these levels for the purpose of effecting major expansion proposals.¹⁹

The proposed transaction represents a substantial acquisition for Chemical that would nearly double its size in terms of total assets. Chemical proposes to acquire all of the outstanding common shares of MHC stock through an exchange of stock, and will not incur any additional debt in connection with this acquisition.²⁰

The capital levels of Chemical and MHC are above the minimum levels specified in the Board's Capital Adequacy Guidelines. Financial projections submitted by Chemical indicate that the capital ratios for the resulting organization would remain above the required minimum level. These projections also indicate, however, that the transaction would result in a lessening of the capital strength of the two organizations on a combined basis as a result of a one-time restructuring charge. To address these effects and to strengthen the capital of the combined organizations, Chemical has submitted a capital plan that includes a commitment to raise an additional \$1.25 billion in common equity promptly following consummation of the holding company merger and to contribute at least \$950 million of that capital to the subsidiary banks. This plan also includes measures to strengthen further the capital position of the organization. On the basis of the capital

15. On the basis of commercial banking organizations alone, without considering thrift competitors, Chemical would be the 6th largest commercial banking organization in the market, and the HHI would increase by 2 points to 2496.

16. Upon consummation of the proposal, Chemical would become the ninth largest depository institution in the Albany banking market, and the HHI would increase by 3 points, to a level of 790. In the Rochester banking market, Chemical would become the 10th largest depository institution, and the HHI would increase by 3 points, to a level of 1039. In the Syracuse banking market, Chemical would become the seventh largest depository institution, and the HHI would increase by 6 points, to a level of 1153.

17. *The Bank of New York Company, Inc.*, 74 *Federal Reserve Bulletin* 257 (1988); *Chemical New York Corporation*, 73 *Federal Reserve Bulletin* 378 (1987); *Citicorp*, 72 *Federal Reserve Bulletin* 497 (1986); *National City Corporation*, 70 *Federal Reserve Bulletin* 743 (1984); *Banks of Mid-America, Inc.*, 70 *Federal Reserve Bulletin* 460 (1984); *Manufacturers Hanover Corporation (CIT)*, 70 *Federal Reserve Bulletin* 452 (1984).

18. Capital Adequacy Guidelines, 12 C.F.R. 225, Appendices A and B (1991).

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

20. Each share of MHC common stock will be exchanged for 1.14 shares of Chemical's common stock. Each share of MHC preferred stock will be exchanged for a share of an equivalent series of Chemical's preferred stock.

raising commitments made by Chemical, the capital levels of the combined organization would be above the pre-acquisition levels of the companies within a short period of time following consummation of the holding company merger.

Chemical believes that it can achieve significant cost savings and operational efficiencies as a result of the transaction and contends that the restructuring charge taken by the two organizations prior to consummation of the merger will position the organization at consummation to realize cost savings over a period of time. Cost savings are expected to result from a number of factors, including consolidation of branches and office facilities, elimination of certain duplicative operational and administrative functions, and significant related staff reductions. Chemical has committed to report quarterly to the Board regarding its progress in achieving these savings, integrating and restructuring the management of the two companies, and meeting projected capital and other financial targets, and to report promptly on actions that the organization will take to address any difficulties that may arise in meeting these goals.

Based on these considerations, including the commitments made by Chemical and all of the facts of record in this case, the Board concludes that the financial resources and future prospects of Chemical, MHC, and their subsidiaries are consistent with approval of these applications. Chemical's commitments to raise \$1.25 billion in capital promptly and to pursue a course that will strengthen further its capital position are critical elements in the Board's decision to approve this proposal. Accordingly, the Board conditions its approval of this transaction on compliance by Chemical with its capital proposals. The Board also finds that managerial considerations are consistent with approval.

Convenience and Needs Factors

In considering the applications under section 3 of the BHC Act, the Bank Merger Act, and the Federal Reserve Act, the Board must consider the convenience and needs of the communities to be served by the institutions, and take into account the records of the relevant depository institutions under the Community Reinvestment Act (12 U.S.C. § 2901 *et seq.*) ("CRA"). The CRA requires the federal financial supervisory agencies to encourage financial institutions to help meet the credit needs of the local communities in which they operate consistent with the safe and sound operation of such institutions. To accomplish this end, the CRA requires the appropriate federal supervisory authority to "assess an institution's record of meeting the credit needs of its entire com-

munity, including low- and moderate-income neighborhoods, consistent with the safe and sound operation of the institution," and to take that record into account in evaluating certain proposals involving the institution. 12 U.S.C. § 2903.

In this case, the Board has provided an extended period for public comment in order to assemble a complete record regarding the effect of the proposal on the convenience and needs of the communities affected by the proposal, including the CRA performance records of the bank subsidiaries of Chemical and MHC. The Board has received a number of comments regarding the convenience and needs factors, including comments from the Association of Community Organizations for Reform Now ("ACORN"); the Black Chamber of Commerce of the Permian Basin in Odessa, Texas; New Jersey Citizen Action; the David Hodge Bedford Stuyvesant Neighborhood House; the Freedmen's Town Association in Houston, Texas; the Southern Dallas Development Corporation, and several individuals as well as comments from United States and New York State congressional representatives (collectively, "Commenters"). Several Commenters allege generally that the bank subsidiaries of Chemical and MHC:

- (i) do not participate sufficiently in CRA-related programs, including ascertainment efforts, in making sufficient mortgage loans in low- and moderate-income communities, and in offering sufficient customer services targeted to individuals in low- and moderate-income communities;²¹ and
- (ii) do not meet the consumer or small-business lending needs of the community.

Certain Commenters also question the policies governing branch locations and closings following the merger of Chemical Bank and MHC. Three Commenters, ACORN, New Jersey Citizen Action and Southern Dallas Development Corporation, submitted comments supporting the merger and generally praising certain aspects of the CRA programs of Chemical.²² The Board has carefully reviewed the CRA performance records of Chemical and MHC, as well as all comments received and Chemical's and MHC's responses to those comments, and all of the other

21. One Commenter asserts generally that the merger should not be permitted because the subsidiary banks of Texas Commerce reinvest deposits collected in Texas into New York and cause decisions regarding these banks' lending to be made at distant offices rather than at the local level. Another Commenter asserts that one of the subsidiary banks of Chemical's subsidiary bank holding company, Texas Commerce Bancshares, Inc., Houston, Texas ("Texas Com-

22. These groups had initially submitted comments expressing concerns regarding the CRA performance record of Chemical and MHC, but subsequently provided comments in support of the merger proposal.

relevant facts, in light of the CRA, the Board's regulations, and the Statement of the Federal Financial Supervisory Agencies Regarding the Community Reinvestment Act ("Agency CRA Statement").²³

Chemical Bank and MHTC, the lead banks of Chemical and MHC, respectively, each have received an outstanding rating in the most recent examinations of their CRA performance.²⁴ All other subsidiary banks of Chemical and MHC have received either a satisfactory or an outstanding rating from their primary regulators during the most recent examinations of their CRA performance, with two exceptions.²⁵ The Board has also recently reviewed certain components of the CRA record of Chemical and MHC in two recent applications.²⁶

Participation in CRA-Related Programs

Chemical, MHC and their subsidiary banks have adopted the elements of an effective CRA program as outlined in the Agency CRA Statement. For example, Chemical Bank has a CRA Coordinating Committee, which includes representatives from all of Chemical Bank's consumer-related departments. The CRA Coordinating Committee collects and analyzes data from Chemical Bank's various ascertainment efforts and reports on these efforts to two committees comprised

of senior-level officials. These officials include a senior vice-president and members of the board of directors of the bank. In addition, the senior officer in charge of coordinating CRA performance at Chemical Bank makes a presentation on CRA to a committee of the board of directors at least annually. That committee of the board of directors makes a formal presentation on CRA to the full board of directors of Chemical Bank at least annually. The board of directors also reviews and approves separate CRA Statements for Chemical Bank's downstate and upstate community delineations.

Chemical Bank has full-time "Streetbanker" employees assigned to ascertain the credit needs of the community and provide advice and information about bank products and services. Other ascertainment efforts are conducted through Chemical Bank's Community Policy Lending Unit, which provides interim financing to social service organizations awaiting receipt of government funds, and Community Business Group, which serves businesses with sales of \$1 million or less. MHTC also has developed call programs, including a program through its branch offices for calling on small businesses with annual sales of \$3 million and under.

Texas Commerce uses Community Advisory Councils in the major markets in which it operates to obtain information regarding the credit needs of various constituencies.²⁷ Individuals active in the community such as politicians, business people, community leaders, and educators, serve on the councils. The composition of each council is intended to represent the ethnic diversity of the community. Texas Commerce has also established a board of directors committee and a Community Action Committee to provide ongoing advice and to monitor the bank holding company's programs for community reinvestment. In addition, each subsidiary bank of Texas Commerce has formed a board committee and a Community Action Committee to oversee the bank's efforts in community reinvestment.²⁸ The boards of directors of the subsidiary banks review the banks' CRA Statements annually to assure that they accurately reflect the banks' products and services. Officers of Texas Commerce's subsidiary banks call on small businesses and participate in group presentations in low- and moderate-income areas.

23. 54 *Federal Register* 13,742 (1989). The Agency CRA Statement provides guidance regarding the types of policies and procedures that the supervisory agencies believe financial institutions should have in place in order to fulfill their responsibilities under the CRA on an ongoing basis and the procedures that the supervisory agencies will use during the application process to review an institution's CRA compliance and performance. The Agency CRA Statement also indicates that decisions by agencies to allow financial institutions to expand will be made pursuant to an analysis of the institution's overall CRA performance and will be based on the actual record of performance of the institution.

24. The most recent CRA examination report for Chemical Bank is dated July 22, 1991; the most recent CRA examination report for MHTC is dated September 24, 1990. These examinations were conducted by the Federal Reserve Bank of New York.

25. One subsidiary bank of Texas Commerce accounting for less than 2 percent of the total assets of Texas Commerce has received a less than satisfactory rating at the most recent examination of its CRA performance. The Board notes that Texas Commerce has taken steps to improve the CRA performance of the bank, and the Board expects that Texas Commerce will continue to improve the CRA performance of this bank. Another subsidiary bank of Texas Commerce, which is chartered in Delaware as a special purpose consumer credit card bank, also did not receive a satisfactory rating at the most recent examination of its CRA performance because of concerns that the bank's community delineation should include Delaware communities in which the bank is located rather than Texas communities, which are the areas from which the majority of the bank's deposits are derived. Since the examination, the bank has redefined its primary service area to include New Castle County, Delaware, to address the concerns of

26. *Manufacturers Hanover Trust Company*, 77 *Federal Reserve Bulletin* 493 (1991) ("Goldome Order"); *Chemical Banking Corporation*, *Texas Commerce Bancshares, Inc.*, *Texas Commerce Equity Holdings, Inc.*, 77 *Federal Reserve Bulletin* 48 (1991) ("Texas Commerce Order").

27. Texas Commerce has established Community Advisory Councils in Austin, Corpus Christi, Dallas, El Paso, Houston, and San Antonio, all in Texas.

28. Chemical Bank New Jersey, East Brunswick, New Jersey, has formed a similar Community Advisory Board composed of individuals active in the community to advise the bank on CRA matters.

Chemical Bank and MHTC market their CRA-related products through a wide variety of media. For example, Chemical Bank advertises its credit products through local newspapers, television and radio, as well as minority-oriented newspapers, and through the sponsorship of a minority financial advice talk show in the New York area. Chemical Bank also uses telemarketing campaigns, direct mail, press releases, branch posters and bilingual product brochures to promote its products. Texas Commerce offers bilingual product brochures and sponsors a "Neighbors" column in a newspaper serving the black community.

Chemical and MHC currently participate in a variety of programs and offer a variety of products targeted to individuals and small businesses in low- and moderate-income communities. For example, Chemical Bank and MHTC participate in the Community Home Buyer's Program of the Federal National Mortgage Association ("FNMA"). In 1991, Chemical Bank provided 21 mortgages totalling \$2.7 million under this program on properties located in the Bronx and Queens. Chemical also participates in New York and New Jersey in the Housing Opportunities Program, which provides grants to not-for-profit organizations involved in housing-related activities. In addition, Chemical Bank participates in the Home Improvement Program in connection with New York City. In 1990, Chemical Bank provided a commitment of \$4.5 million to the New York City Partnership New Homes Program and funded a \$4.9 million project under the Urban Development Department's participation loan program. Chemical Bank's Community Business Group originated \$24.3 million in loans to small businesses with annual sales of \$1 million and under in low- and moderate-income areas in 1990. Chemical Bank has also started a Microbusiness Initiative Program, which provides no-interest loans and grants to stimulate the growth of existing and new businesses with annual sales of less than \$100,000. Chemical Bank's contributions under this program included a \$125,000 no-interest loan to ACCION International to provide funding for its newly-initiated micro-enterprise loan pool in Williamsburg, Brooklyn.²⁹

Chemical has represented that, in addition to the CRA programs in which Chemical's bank subsidiaries participate, Chemical will continue the special community programs currently provided by MHTC. For example, MHTC indirectly finances small businesses through several small business investment corporations and minority-enterprise small business invest-

ment corporations, which lend primarily to businesses located in New York City, but also throughout the tri-state area. MHTC has outstanding over \$40 million in loans or lines of credit to these corporations. MHTC has also committed to participate in the newly-created Mini-Loan Program of the Regional Economic Development Assistance Corporation, which provides technical assistance to local small businesses presently in Brooklyn. The program will be expanded to cover small businesses throughout New York City. Both Chemical Bank and MHTC also have community development corporations ("CDCs").³⁰

Texas Commerce's subsidiary banks engage in mortgage lending programs to low- and moderate-income communities. Texas Commerce developed its Texas Commerce Opportunity Loan Program, including input from Community Advisory Councils, to address the needs of low- and moderate-income individuals with a maximum household income of \$40,000. The program offers no minimum loan amount and a maximum loan amount of \$50,000. Texas Commerce has originated 107 loans under this program, for a total of \$3.3 million. Subsidiary banks of Texas Commerce also participate with community organizations in community reinvestment activities. For example, Texas Commerce's subsidiary bank, Texas Commerce Bank-Houston, Houston, Texas ("Houston Bank"), is a sponsor of New Foundations, a program designed to provide financial support, technical assistance and training to selected community development corporations over a three-year period under the direction of the United Way of the Texas Gulf Coast. Houston Bank also has committed \$500,000 to Housing Opportunities, Inc., a non-profit organization established to help individuals overcome the barriers that prevent them from attaining homeownership.³¹ Texas Commerce's subsidiary banks, along with Chemical Bank and MHTC, make loans guaranteed by the SBA.

Both Chemical and MHC offer special banking services targeted to individuals in low- and moderate-income communities, including Chemical Bank's "Special Banking" checking and savings accounts, Texas Commerce's "Basic Banking" package, and MHTC's "Basic Checking" account. These accounts feature low monthly fees and are provided with no minimum balance requirement. MHTC also provides

29. Chemical also participates in the New York State Energy Investment Loan Program which provides fixed- and variable-rate low-interest loans primarily to small businesses for energy-saving capital and equipment improvements.

30. Chemical Bank and MHTC have indicated that they intend to merge their CDCs following the bank merger and that the new CDC will focus on the construction and rehabilitation of affordable housing as well as on making SBA loans and loans to non-profit organizations. A Community Advisory Board with broad community representation will advise the new CDC.

31. Houston Bank has approximately \$18 million in outstanding loans to local community development or service organization projects.

electronic payment services for individuals receiving money from public assistance programs. Chemical has indicated that it will continue this program following the merger.

Lending in Low- and Moderate-Income and Minority Communities

The Board has also reviewed the 1990 Home Mortgage Disclosure Act ("HMDA") data reported by Chemical and MHC. Recent amendments to the HMDA for the first time require banking organizations to collect certain information regarding applicants for bank mortgage loans and report the information regarding both loan approvals and denials to the banking agencies and the public. The information includes data on the race, gender and income of individual applicants, in addition to the location of the property securing the potential loan and the disposition of the application.

The HMDA data reported for Chemical and MHC for 1990 indicate that, as a general matter, Chemical and MHC have extended a significant number and percentage of home mortgage loans in low- and moderate-income neighborhoods. In certain neighborhoods, however, the data reflect disparities between the loan rejection rates for minority applicants when compared to white applicants.

All banks have an obligation to ensure that their lending practices are based on criteria that assure safe and sound lending and equal access to credit by creditworthy applicants regardless of race. In this regard, the Board is concerned when the record of an institution indicates disparities in lending to minority applicants. The Board also recognizes that HMDA data itself provide only a limited measure of any given institution's lending in the communities that the institution serves, and that the HMDA data have limitations that make the data an inadequate basis, absent other information, for conclusively determining whether an institution has engaged in illegal discrimination on the basis of race in making lending decisions.

In this case, the most recent examinations for CRA compliance conducted of Chemical Bank and MHTC sampled loan documentation, including files for rejected loans. These examinations did not find any evidence of illegal discrimination in granting or denying credit by Chemical Bank or MHTC.³²

32. The Board has also reviewed allegations that Texas Commerce and certain of its subsidiary banks, including Texas Commerce Bank-Rio Grande, N.A., McAllen, Texas ("Rio Grande Bank"), were unresponsive in meeting the needs of local communities and discriminated against Hispanic communities. The Board reviewed similar allegations by the same Commenter in connection with a previous application. Texas Commerce Order, at 48-50. In that case, the Board determined that the record did not support the Commenter's allega-

Chemical and MHC have also taken steps to address the disparities in their HMDA data both presently and following their merger. For example, Chemical Bank and MHTC have recently established a program that gives all rejected mortgage applications from residents of low- and moderate-income communities a "second" and "third" review by supervisory staff in the respective mortgage lending departments of these banks and by a special group that has been created to design, market and monitor mortgages for lower income consumers. The purpose of these reviews is to determine if the application has been properly evaluated; to ascertain if exceptions to general lending policy may be appropriate in particular cases; and to make certain that all available products, including low-downpayment mortgages such as the FNMA Community Home Buyer's Program, have been offered to the applicant. Chemical has committed to expand this program to Texas and New Jersey following the proposed acquisition.

In addition, Chemical Bank and MHTC are creating a special "flexible lending pool" to hold mortgages that do not meet secondary market requirements. This pool, which will receive an initial funding of \$10 million, will be administered by the new Chemical CDC and will enable some mortgage applicants, who would otherwise be rejected because of special features in their loans, to be considered for approval. Chemical has already established a \$20 million pool for this purpose for use in Texas.

Chemical has also announced that it is establishing a partnership with community organizations, including ACORN, that will provide credit counseling services to loan applicants that have poor credit histories, excessive debt, or need assistance to qualify for a mortgage.³³ Chemical has also announced that it will

tion that Texas Commerce or any of its subsidiary banks was discriminating against Hispanic communities. Texas Commerce Order, at 48-50. The OCC, which is the primary regulator for the Rio Grande Bank, has examined the lending practices of the bank and has not found evidence of illegal discrimination. Rio Grande Bank received an outstanding CRA rating in that CRA performance examination. The examination report noted that Rio Grande Bank has specifically designed marketing efforts towards the Hispanic community. The Board has also considered allegations that Texas Commerce Bank-Odessa, N.A., Odessa, Texas, is not serving low- and moderate-income areas of Odessa, Texas. At the recommendation of examiners, in 1990 Texas Commerce Bank-Odessa, N.A. expanded its delineation to include all of Ector County, thereby ensuring that no low- and moderate-income neighborhoods would be excluded from its service area. The most recent examination report of the bank contains no evidence of illegal discrimination by the Odessa bank.

33. ACORN will provide credit counseling services to applicants for loans at Chemical Bank and MHTC in Brooklyn and Queens. Since January 1990, Texas Commerce's subsidiary bank in Dallas also has helped fund a program sponsored by Texas ACORN to establish a mortgage counseling service and has assisted with Texas ACORN's counseling efforts by sending consumer and mortgage lending officers

apply more flexible standards in New York, New Jersey and Texas for lower-income applicants who participate in a bank-approved mortgage loan credit counseling program, including recognition of all forms of income, including government assistance, using higher debt-to-income ratios than are customarily used for standard mortgages, reducing up-front fees and points, and lending up to 95 percent of the value of the property. In addition, Chemical has indicated that it will expand to New York and New Jersey its program, currently in place in Texas, to convert certain types of distressed properties that Chemical receives because of loan defaults into affordable housing, including through tenant or not-for-profit ownership.

Finally, Chemical and MHC have committed to provide \$750 million over the next five years to originate loans for housing and community development in low- and moderate-income communities. This program will include single-family mortgage lending, financing for the rehabilitation and construction of multi-family housing, SBA guaranteed loans, loans to small companies in low- and moderate-income communities, and grants and loans to community-based organizations and financial intermediaries. The \$750 million commitment is an expansion of a \$250 million commitment that MHC made in April 1991 for the same purposes. Chemical has announced that this money will be used for low- and moderate-income communities in New York, New Jersey and Texas.

Branch Locations and Closings

Chemical Bank and MHTC have a combined total of 91 branches in low- and moderate-income neighborhoods in the downstate New York area. Chemical Bank has proposed to consolidate certain of these branches. Chemical Bank's written branch closing policy states that, prior to any determination on branch closings, the bank will hold discussions on the impact on the community of the branch closings with community representatives such as local elected officials, community groups, and merchant associations. The written branch closing policy also states that Chemical Bank will consider the extent to which the branch closing will affect the availability of banking services in the community. Currently, Chemical Bank proposes, following the merger of Chemical Bank and MHTC, to consolidate 14 branches of the combined banking organizations located in low- and moderate-income areas into nearby offices. In each of these cases, the branches will be consolidated into offices

within three blocks of other branch offices of the combined Chemical-MHTC bank. This would leave a total of approximately 77 full-service branches in low- and moderate-income areas in the downstate New York area. Chemical Bank has stated that additional automated teller machines and teller staff will be added to the consolidated branches to accommodate the increased customer base. Chemical has stated that it has, and will, abide by its written branch closing policy in connection with these branch closings.

For the foregoing reasons, and based upon the overall CRA record of Chemical, MHC and their subsidiary banks and other facts of record, the Board concludes that convenience and needs considerations, including the record of performance under the CRA of Chemical and MHC, are consistent with approval of this application.³⁴

Chemical has also applied under section 4(c)(8) of the BHC Act to acquire shares of the nonbanking companies of MHC listed in the Appendix. The Board has determined by regulation or order that each of the activities of these companies is closely related to banking and generally permissible for bank holding companies under section 4(c)(8) of the BHC Act. The Board has approved applications by MHC to own shares in each of these companies, and, in this case, Chemical has committed to abide by all of the parameters, conditions and commitments relied on by the Board in the relevant orders regarding these MHC companies.

Chemical operates subsidiaries engaged in nonbanking activities that compete with many of the nonbanking subsidiaries of MHC. In each case, the markets for these nonbanking services are unconcentrated and there are numerous providers of these services. As a result, consummation of this proposal would have a *de minimis* effect on competition for these services, and the Board concludes that the proposal would not result

34. One Commenter has requested that the Board hold a public hearing or meeting to assess further facts surrounding the CRA performance of Chemical and MHC. Under the Board's rules, the Board may, in its discretion, hold a public hearing or meeting on an application to clarify factual issues related to the application and to provide an opportunity for testimony, if appropriate. 12 U.S.C. §§ 262.3(e) and 262.25(d).

The Board has carefully considered the Commenter's request for a public meeting or hearing in this case. The Board has provided an extended period for public comment in this case, permitting interested persons a substantial period to provide written comments. The Commenter requesting a meeting or hearing has indicated general disagreement regarding the appropriate conclusions to be drawn from the facts of record, but has not identified facts that are material to the Board's decision and that are in dispute. In light of this, the Board has determined that a public meeting or hearing is not necessary to clarify the factual record in these applications, or otherwise warranted in this case. Accordingly, the Commenter's request for a public meeting or hearing on this application is hereby denied.

to participate on a volunteer basis in credit fairs sponsored by Texas ACORN.

in a significantly adverse effect on competition in any relevant market.

With respect to the competitive effects of Chemical's proposed acquisition of 25.2 percent³⁵ of the voting shares of New York Switch Corporation, Fort Lee, New Jersey ("NYSC"), the Board notes that the co-venturer shareholders of NYSC would retain complete control over expansion of their own automated teller machine ("ATM") networks, pricing and selection of ATM services, and placement of terminals, and thus could continue to compete with the other co-venturers in the operation of ATM networks.³⁶ Additionally, the terms of the agreements between NYSC and the participating institutions permit the co-venturers and all other participating institutions to join other switching networks. Accordingly, the Board concludes that consummation of this proposal would not have a significantly adverse effect on competition in the provision of ATM or POS services in any relevant market.

There is no evidence in the record to indicate that approval of the proposed acquisition of shares of any of the nonbanking companies of MHC, within the parameters, conditions and commitments relied on by the Board in its orders governing these companies, would result in any significantly adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interests, or unsound banking practices that are not outweighed by public benefits. Accordingly, the Board has determined that the balance of public interest factors it must consider under section 4(c)(8) of the BHC Act is favorable and consistent with approval.³⁷

35. Chemical has committed that prior to consummation of the proposed merger with MHC either:

- (i) sufficient shares will be divested so that following the merger Chemical's interest in NYSC would be less than 25 percent of the voting shares; or
- (ii) any outstanding extensions of credit by the bank subsidiaries of Chemical to NYSC following the merger will be conformed to the requirements of section 23A and 23B of the Federal Reserve Act.

36. NYSC's interchange system operates as a neutral clearing house for electronic funds transfer, payment and withdrawal transactions at ATMs operated by any participating institution. This interchange system also offers data transmission and processing services in connection with point-of-sale ("POS") transactions.

37. Chemical has also applied to merge Manufacturers Hanover Securities Corporation, New York, New York, into Chemical's subsidiary, Chemical Securities, Inc., New York, New York ("CSI"). Both of these subsidiaries are authorized to engage in limited securities underwriting and dealing, full-service brokerage, private placement and riskless principal activities. CSI is also authorized to engage in financial advisory activities. These activities will be conducted subject to all of the commitments and limitations in the Board's regulations and orders. 12 C.F.R. 225.25(b)(4), (15) and (16); *Manufacturers Hanover Corporation*, 76 *Federal Reserve Bulletin* 674 (1990); *Chemical Banking Corporation*, 76 *Federal Reserve Bulletin* 672 (1990); *Manufacturers Hanover Corporation et al.*, 73 *Federal Reserve Bulletin* 930 (1987); *Chemical New York Corporation et al.*, 73 *Federal Reserve Bulletin* 731 (1987); *Manufacturers Hanover*

Chemical has also requested the Board's authorization to retain the credit-related property and casualty insurance activities of The CIT Group Holdings, Inc., Livingston, New Jersey ("CIT"), which CIT currently conducts pursuant to exemption D of the Garn-St. Germain Depository Institutions Act of 1982 (the "Garn Act").³⁸ CIT will remain a separate subsidiary of Chemical, and the insurance activities of CIT will not be conducted by any of Chemical's other subsidiaries.³⁹ The Board has previously determined that CIT was entitled to the privileges of exemption D after its acquisition by MHC and after its acquisition by The Dai-Ichi Kangyo Bank, Limited.⁴⁰ For the reasons stated in those orders and in the Board's Sovran decision, the Board has determined that CIT may continue to engage in insurance activities pursuant to exemption D following its acquisition by Chemical.⁴¹

Chemical Bank has also applied under section 9 of the Federal Reserve Act (12 U.S.C. § 321 *et seq.*) to establish branches at the offices of MHTC listed in the Appendix. The Board has considered the factors it is required to consider when reviewing applications for establishing branches pursuant to section 9 of the Federal Reserve Act (12 U.S.C. § 322) and, for the reasons discussed in this order, finds those factors to be consistent with approval. In connection with its branch application, Chemical Bank has requested permission under section 24A of the Federal Reserve Act to make an additional investment in bank premises. The Board concludes that Chemical Bank's additional investment in bank premises will support Chemical

Corporation, 73 *Federal Reserve Bulletin* 620 (1987); *Chemical New York Corporation*, 73 *Federal Reserve Bulletin* 616 (1987); and *Manufacturers Hanover Corporation*, 70 *Federal Reserve Bulletin* 661 (1984).

38. 12 U.S.C. § 1843(c)(8)(D). Exemption D of the Garn Act permits a bank holding company to engage in "any insurance activity which was engaged in by the bank holding company or any of its subsidiaries on May 1, 1982." Such activities may be conducted in the grandfathered company's home state, states adjacent thereto, or any state where the company was authorized to operate an insurance business before the grandfather date. The Board has previously determined that an insurance agency which is entitled to continue to sell insurance under exemption D does not lose its grandfathered rights if the agency is acquired by another bank holding company, provided the agency maintains its separate corporate structure and its insurance activities are not extended to other subsidiaries within the acquiror's organization. *Sovran Financial Corporation*, 73 *Federal Reserve Bulletin* 672 (1987) ("Sovran"). This determination has been upheld by the courts. *National Ass'n of Casualty and Surety Agents v. Board of Governors*, 856 F.2d 282, *reh'g denied en banc*, 862 F.2d 351 (D.C. Cir. 1988), *cert. denied*, 490 U.S. 1090 (1989).

39. Chemical will hold 40 percent of the voting shares of CIT. The remainder of CIT's shares will continue to be held by The Dai-Ichi Kangyo Bank, Limited, Tokyo, Japan.

40. *The Dai-Ichi Kangyo Bank, Limited*, 76 *Federal Reserve Bulletin* 75 (1990). *Manufacturers Hanover Corporation*, 70 *Federal Reserve Bulletin* 452 (1984).

41. Pursuant to exemption D, CIT may sell insurance only in New York, the home state of MHC under the Douglas Amendment, states

Bank's acquisition of the additional MHTC premises, and is consistent with approval.

Chemical Bank has also given notice of its intent to acquire Manufacturers Hanover International Finance Corporation and Manufacturers Hanover International Banking Corporation, corporations of MHTC chartered pursuant to the Edge Act. Based on all the facts of record, and for the reasons discussed in this order, the Board believes that the financial and managerial resources of Chemical Bank are consistent with the acquisition of these corporations. The acquisition would also result in the continuation of the international services currently provided, and would be in the public interest. Accordingly, the Board finds that the continued operation of these corporations upon acquisition by Chemical Bank is consistent with the Edge Act and Regulation K.

Chemical Bank has provided notice, pursuant to the Board's Regulation K, of its intent to merge Chemical Bank of Canada, a direct foreign bank subsidiary of Chemical Bank, with Manufacturers Hanover Bank of Canada, an indirect subsidiary of Manufacturers Hanover International Finance Corporation, and thereafter to hold the resulting bank; and to establish branches in certain countries in which neither Chemical nor any of its affiliates have branches. The Board has reviewed these proposals and determined that the merger of Chemical Bank of Canada with Manufacturers Hanover Bank of Canada is consistent with the factors specified in the Edge Act, section 25 of the Federal Reserve Act and the Board's Regulation K, and that the establishment of branches is consistent with section 25 and the Board's Regulation K. In addition, Chemical has proposed to acquire 100 percent of the voting shares of Manufacturers Hanover Leasing International Corporation and 29 percent of the voting shares of Massuh S.A. The Board has reviewed these proposals and determined that the acquisition of Manufacturers Hanover Leasing International Corporation and of the shares of Massuh S.A. are consistent with the factors specified in section 4(c)(13) of the BHC Act and the Board's Regulation K. Based on the facts of record, the Board has determined that disapproval of the investments is not warranted.

Based on the foregoing and other facts of record, and subject to the commitments made by Chemical and all its subsidiaries in this case and the conditions established by the Board, the Board has determined that the applications should be, and hereby are, approved. Approval of this proposal is specifically conditioned on compliance by Chemical and all of its subsidiaries with the commitments made in connection with its applications, as supplemented, and with the conditions referenced in this order. The determi-

nations as to Chemical's nonbanking activities are also subject to all of the conditions contained in the Board's Regulation Y, including those in sections 225.4(d) and 225.23(b)(3) (12 C.F.R. 225.4(d) and 225.23(b)(3)), and to the Board's authority to require such modification or termination of the activities of a holding company or any of its subsidiaries as the Board finds necessary to assure compliance with, or prevent evasions of, the provisions and purposes of the BHC Act and the Board's regulations and orders issued thereunder. The commitments and conditions relied on in reaching this decision are conditions imposed in writing by the Board in connection with its findings and decision and may be enforced in proceedings under applicable law.

Neither the bank holding company merger nor the bank merger may be consummated before the thirtieth calendar day following the effective date of this Order, or later than four months after the effective date of this Order, unless such period is extended for good cause by the Board or by the Federal Reserve Bank of New York, acting pursuant to delegated authority.

By order of the Board of Governors, effective November 29, 1991.

Voting for this action: Chairman Greenspan and Governors Mullins, LaWare, and Lindsey. Voting against this action: Governor Angell. Absent and not voting: Governor Kelley.

WILLIAM W. WILES
Secretary of the Board

Appendix

Chemical will acquire all of the voting shares of the following nonbank subsidiaries of MHC:

(a) Manufacturers Hanover Securities Corporation, New York, New York ("MHSC"), and thereby engage in:

(1) underwriting and dealing in government obligations and money market instruments, pursuant to section 225.25(b)(16) of the Board's Regulation Y and *Manufacturers Hanover Corporation*, 70 *Federal Reserve Bulletin* 661 (1984);

(2) underwriting and dealing in, to a limited extent, certain municipal revenue bonds, 1-4 family mortgage-related securities, commercial paper and consumer-receivable-related securities, pursuant to *Chemical New York Corporation, et al.*, 73 *Federal Reserve Bulletin* 731 (1987); and *Manufacturers Hanover Corporation*, 73 *Federal Reserve Bulletin* 620 (1987);

(3) providing investment advisory and brokerage services separately and on a combined basis to institutional customers, pursuant to sections 225.25(b)(4) and (15) of the Board's Regulation Y

and *Manufacturers Hanover Corporation*, 73 *Federal Reserve Bulletin* 930 (1987); and *Manufacturers Hanover Corporation*, 70 *Federal Reserve Bulletin* 661 (1984); and

(4) acting as agent in the private placement of all types of securities and acting as riskless principal in buying and selling securities, pursuant to *Manufacturers Hanover Corporation*, 76 *Federal Reserve Bulletin* 674 (1990);

(b) *Manufacturers Hanover Futures & Options Inc.*, Chicago, Illinois, and thereby engage, on a worldwide basis, in brokerage and investment advisory activities for certain futures (including certain options on futures) and options contracts traded on major commodities and securities exchanges, pursuant to sections 225.25(b)(18) and (19) of the Board's Regulation Y and *Manufacturers Hanover Corporation*, 76 *Federal Reserve Bulletin* 774 (1990); *Manufacturers Hanover Corporation*, 72 *Federal Reserve Bulletin* 144 (1986); and *Manufacturers Hanover Corporation*, 70 *Federal Reserve Bulletin* 369 (1984);

(c) *MHT Holding (Delaware) Inc.*, Wilmington, Delaware, and thereby indirectly acquire *Manufacturers Hanover Trust Company of California*, Los Angeles, California, and *Manufacturers Hanover Trust Company of Florida*, Miami, Florida, and thereby engage in trust company functions, pursuant to section 225.25(b)(3) of the Board's Regulation Y;

(d) *Manufacturers Hanover Educational Services Corporation*, Hicksville, New York ("MHES"), and thereby make installment loans to individuals; service student loans; and offer a tuition budget plan under which MHES receives periodic payments from parents of students and subsequently disburses the funds to designated educational institutions as tuition bills come due, pursuant to section 225.25(b)(1) of the Board's Regulation Y and *Manufacturers Hanover Corporation*, *Federal Reserve Bulletin* 452 (1984);

(e) *Manufacturers Hanover Real Estate, Inc.*, New York, New York, and thereby engage in real estate investment advisory services; real estate appraising; arranging commercial real estate equity financing; and mortgage financing, pursuant to sections 225.25(b)(1), (4), (13) and (14) of the Board's Regulation Y;

(f) *Manufacturers Hanover Wheelease, Inc.*, Hicksville, New York, and thereby engage in the direct leasing of motor vehicles to the public, pursuant to section 225.25(b)(5) of the Board's Regulation Y;

(g) *Manufacturers Hanover New Jersey Corporation*, Livingston, New Jersey, and thereby engage in making, servicing, and brokering loans for its own

account and the account of others, pursuant to section 225.25(b)(1) of the Board's Regulation Y; and

(h) *Manufacturers Hanover Capital Corporation*, New York, New York, and thereby engage in purchasing and selling agricultural and rural housing loans in connection with programs sponsored by the Federal Agricultural Mortgage Corporation, pursuant to section 225.25(b)(1) of the Board's Regulation Y;

(i) *Manufacturers Hanover Servicing, Inc.*, Deerfield Beach, Florida, and thereby acquire certain assets of *Centrust Mortgage Company*, Deerfield Beach, Florida, and engage in mortgage lending activities pursuant to section 225.25(b)(1) of the Board's Regulation Y.

Chemical will also acquire shares, presently owned by MHC, of the following companies:

(a) 12.6 percent, for a total of 25.2 percent, of the outstanding voting shares of *The New York Switch Corporation*, Fort Lee, New Jersey, and thereby engage in data processing and related activities, pursuant to section 225.25(b)(7) of the Board's Regulation Y and *Barclays Bank PLC and Barclays Bank International Limited, et al.*, 71 *Federal Reserve Bulletin* 113 (1985);

(b) 4.7 percent of the outstanding (Class A) voting shares of *Liberty Brokerage, Inc.*, New York, New York (which are presently held by *Manufacturers Hanover Securities Holdings, Inc.*, and *MH Broker Holdings, Inc.*), and thereby acquire shares of a U.S. government and federal agency securities broker-dealer through a joint venture, pursuant to sections 225.25(b)(15) and (16) of the Board's Regulation Y and *BankAmerica Corporation, et al.*, 73 *Federal Reserve Bulletin* 362 (1987); and

(c) 40 percent of the outstanding voting shares of *The CIT Group Holdings, Inc.*, Livingston, New Jersey ("CIT") (which are presently held by *MHC Holding (Delaware) Inc.*), and thereby engage in commercial finance; factoring; sales finance; credit servicing; community development; data processing; the sale of credit-related life, accident and health and disability insurance, and credit related property and casualty insurance; management consulting to depository institutions; the leasing of personal and real property, and acting as agent, broker, or adviser in leasing such property, including leases of personal property in which CIT may rely for its compensation on an estimated residual value of the leased property at the expiration of the initial lease term of up to 100 percent of the acquisition cost of the property; brokering of loans and providing advice with respect thereto, and operating

a collection agency, pursuant to sections 225.25(b)(1), (5), (6), (7), (11), (23), and (8)(i) and (iv) (Exemptions A and D of section 4(c)(8) of the BHC Act) of the Board's Regulation Y; and *Dai-Ichi Kangyo Bank, Limited/Manufacturers Hanover Corporation*, 76 *Federal Reserve Bulletin* 960 (1990); *Dai-Ichi Kangyo Bank, Limited*, 76 *Federal Reserve Bulletin* 75 (1990); *Manufacturers Hanover Corporation*, 70 *Federal Reserve Bulletin* 452 (1984); and financial advisory activities, including providing advice with respect to mergers, acquisitions, and other corporate transactions; providing feasibility studies; providing valuation services; rendering fairness opinions; and providing advice in connection with loan and interest rate transactions, in accordance with *The Fuji Bank, Limited*, 75 *Federal Reserve Bulletin* 577 (1989). CIT would engage in these activities on a worldwide basis.

Chemical Bank will acquire the following branches and facilities:

Full-Service Branches

- (1) 1972 Albany Schenectady Road, Colonie, New York;
- (2) 360 Delaware Avenue, Delmar, New York;
- (3) 63 State Street, Albany, New York;
- (4) One Old Loudon Road, Latham, New York;
- (5) 128 East Fordham Road, Bronx, New York;
- (6) 1355 Oak Point Avenue, Bronx, New York;
- (7) 1536 Westchester Avenue, Bronx, New York;
- (8) 1705 Crosby Avenue, Bronx, New York;
- (9) 207 City Island Avenue, Bronx, New York;
- (10) 2126 White Plains Road, Bronx, New York;
- (11) 2260 Bartow Avenue, Bronx, New York;
- (12) 3408 Jerome Avenue, Bronx, New York;
- (13) 3480 Boston Road, Bronx, New York;
- (14) 3555 Johnson Avenue, Bronx, New York;
- (15) 360 East 149th Street, Bronx, New York;
- (16) 3780 East Tremont Avenue, Bronx, New York;
- (17) 5656 Riverdale Avenue, Bronx, New York;
- (18) 699 Morris Park Avenue, Bronx, New York;
- (19) 748 Allerton Avenue, Bronx, New York;
- (20) 880 White Plains Road, Bronx, New York;
- (21) 101 North Union Street, Olean, New York;
- (22) 500 Delaware Avenue, Olean, New York;
- (23) 60 West Main Street, Allegany, New York;
- (24) 7 Main Street, Portville, New York;
- (25) 1188 Niagara Falls Boulevard, Tonawanda, New York;
- (26) 2690 Walden Avenue, Cheektowaga, New York;
- (27) 420 Main Street, Buffalo, New York;
- (28) 5712 Main Street, Williamsville, New York;
- (29) 999 Broadway, Buffalo, New York;
- (30) 1205 Fulton Street, Brooklyn, New York;
- (31) 127 Seventh Avenue, Brooklyn, New York;
- (32) 1492 Rockaway Parkway, Brooklyn, New York;
- (33) 1505 Avenue J, Brooklyn, New York;
- (34) 1509 Foster Avenue, Brooklyn, New York;
- (35) 1599 Flatbush Avenue, Brooklyn, New York;
- (36) 1663 East 17th Street, Brooklyn, New York;
- (37) 1722 Avenue U, Brooklyn, New York;
- (38) 177 Montague Street, Brooklyn, New York;
- (39) 1797 Pitkin Avenue, Brooklyn, New York;
- (40) 1902 86th Street, Brooklyn, New York;
- (41) 1987 Flatbush Avenue, Brooklyn, New York;
- (42) 20 Flatbush Avenue, Brooklyn, New York;
- (43) 201-3 Avenue U, Brooklyn, New York;
- (44) 2084 Linden Boulevard, Brooklyn, New York;
- (45) 210 Flushing Avenue, Brooklyn, New York;
- (46) 225 Havemeyer Street, Brooklyn, New York;
- (47) 257 Utica Avenue, Brooklyn, New York;
- (48) 2623 East 17th Street, Brooklyn, New York;
- (49) 2929 Avenue U, Brooklyn, New York;
- (50) 3380 Fulton Street, Brooklyn, New York;
- (51) 444 Fifth Avenue, Brooklyn, New York;
- (52) 446-48 McDonald Avenue, Brooklyn, New York;
- (53) 450 Clarkson Avenue, Brooklyn, New York;
- (54) 486 Neptune Avenue, Brooklyn, New York;
- (55) 4901 Thirteenth Avenue, Brooklyn, New York;
- (56) 5101 Fourth Avenue, Brooklyn, New York;
- (57) 618 Brighton Beach Avenue, Brooklyn, New York;
- (58) 6501-05 Eighteenth Avenue, Brooklyn, New York;
- (59) 7510 Fifth Avenue, Brooklyn, New York;
- (60) 798 Manhattan Avenue, Brooklyn, New York;
- (61) 819 Grand Street, Brooklyn, New York;
- (62) 8724 4th Avenue, Brooklyn, New York;
- (63) 883 Flatbush Avenue, Brooklyn, New York;
- (64) 891 Utica Avenue, Brooklyn, New York;
- (65) 9601 Foster Avenue, Brooklyn, New York;
- (66) 975 Bedford Avenue, Brooklyn, New York;
- (67) 183 East Main Street, Rochester, New York;
- (68) 1855 Monroe Avenue, Brighton, New York;
- (69) 2317 Lyell Avenue, Gates, New York;
- (70) 2450 Ridge Road West, Greece, New York;
- (71) 2990 Culver Road, Irondequoit, New York;
- (72) 3333 West Henrietta Road, Henrietta, New York;
- (73) 3380 Monroe Avenue, Pittsford, New York;
- (74) 6600 Pittsford-Palmyra Road, Perinton, New York;
- (75) 807 Fairport Road, E. Rochester, New York;
- (76) 964 Ridge Road, Webster, New York;
- (77) 100 Duffy Avenue, Hicksville, New York;
- (78) 1020 Port Washington Boulevard, Port Washington, New York;
- (79) 1218 Broadway, Hewlett, New York;

- (80) 1510 Old Northern Boulevard, Roslyn, New York;
- (81) 163 West Merrick Road, Valley Stream, New York;
- (82) 184 Old Country Road, Mineola, New York;
- (83) 1900 Northern Boulevard, Manhasset, New York;
- (84) 234 Middle Neck Road, Great Neck, New York;
- (85) 2631 Merrick Road, Bellmore, New York;
- (86) 419 Central Avenue, Cedarhurst, New York;
- (87) 60 Cutter Mill Road, Great Neck Plaza, New York;
- (88) 7600 Jericho Turnpike, Woodbury, New York;
- (89) 765 Stewart Avenue, Garden City East, New York;
- (90) 951 Atlantic Avenue, Baldwin, New York;
- (91) Roosevelt Field Shopping Center, Garden City East, New York;
- (92) 100 Main Street, Lockport, New York;
- (93) 1 Battery Park Plaza, New York, New York;
- (94) 1 World Financial Center, Mezz Level, New York, New York;
- (95) 1065 Avenue of the Americas, New York, New York;
- (96) 109 Delancey Street, New York, New York;
- (97) 110 West 34th Street, New York, New York;
- (98) 1122 Lexington Avenue, New York, New York;
- (99) 1180 Third Avenue, New York, New York;
- (100) 1185 Avenue of the Americas, New York, New York;
- (101) 1191 Second Avenue, New York, New York;
- (102) 1230 Avenue of the Americas, New York, New York;
- (103) 1251 Third Avenue, New York, New York;
- (104) 1275 Avenue of the Americas, New York, New York;
- (105) 130 Fifth Avenue, New York, New York;
- (106) 131 East 23rd Street, New York, New York;
- (107) 1330 First Avenue, New York, New York;
- (108) 1460 Broadway, New York, New York;
- (109) 147 East 86th Street, New York, New York;
- (110) 1513 First Avenue, New York, New York;
- (111) 1633 Broadway, New York, New York;
- (112) 2 Pennsylvania Plaza, New York, New York;
- (113) 200 West 79th Street, New York, New York;
- (114) 2045 Broadway, New York, New York;
- (115) 221 Park Avenue South, New York, New York;
- (116) 230 Second Avenue, New York, New York;
- (117) 231 Grand Street, New York, New York;
- (118) 2361-79 Broadway, New York, New York;
- (119) 2760 Broadway, New York, New York;
- (120) 281 Broadway, New York, New York;
- (121) 30 Rockefeller Plaza, New York, New York;
- (122) 300 West 125th Street, New York, New York;
- (123) 32 University Place, New York, New York;
- (124) 322 Eighth Avenue, New York, New York;
- (125) 34 East 34th Street, New York, New York;
- (126) 35 East 72nd Street, New York, New York;
- (127) 350 Fifth Avenue, New York, New York;
- (128) 3515 Broadway, New York, New York;
- (129) 378 Avenue of the Americas, New York, New York;
- (130) 386 Park Avenue South, New York, New York;
- (131) 4 New York Plaza, New York, New York;
- (132) 40 East 42nd Street, New York, New York;
- (133) 40 Wall Street, New York, New York;
- (134) 401 Madison Avenue, New York, New York;
- (135) 405 Lexington Avenue, New York, New York;
- (136) 407 Broadway, New York, New York;
- (137) 450 Third Avenue, New York, New York;
- (138) 510 Fifth Avenue, New York, New York;
- (139) 530 Seventh Avenue, New York, New York;
- (140) 55 Broad Street, New York, New York;
- (141) 55 West 125th Street, New York, New York;
- (142) 598 Madison Avenue, New York, New York;
- (143) 619 Main Street, Roosevelt Island, New York;
- (144) 681 Eighth Avenue, New York, New York;
- (145) 682 Broadway, New York, New York;
- (146) 702-4 Lexington Avenue, New York, New York;
- (147) 79 Eighth Avenue, New York, New York;
- (148) 855 Avenue of the Americas, New York, New York;
- (149) 866 Third Avenue, New York, New York;
- (150) 90 West 96th Street, New York, New York;
- (151) 969 Eighth Avenue, New York, New York;
- (152) Plaza Level, 5 World Trade Center, New York, New York;
- (153) 1802 Teall Avenue, Syracuse, New York;
- (154) 361 South Salina Street, Syracuse, New York;
- (155) 13-15 Sussex Street, Port Jervis, New York;
- (156) 23 Lake Street, Monroe, New York;
- (157) 375 Windsor Highway, Vails Gate, New York;
- (158) Church Street & Route #17 M, Harriman, New York;
- (159) Route 17M, Near Route 6, Wawayanda, New York;
- (160) Route #17M, Monroe, New York;
- (161) 104-08 Rockaway Beach Boulevard, Queens, New York;
- (162) 118-30 Queens Boulevard, Queens, New York;
- (163) 156-18 Northern Boulevard, Queens, New York;
- (164) 159-17 Jamaica Avenue, Queens, New York;
- (165) 175-01 Rockaway Boulevard, Queens, New York;
- (166) 175-57 Hillside Avenue, Queens, New York;
- (167) 19-19 Francis Lewis Boulevard, Queens, New York;
- (168) 205-19 Hillside Avenue, Queens, New York;

(169) 21–21 Broadway, Queens, New York;
 (170) 253–15 Union Turnpike, Queens, New York;
 (171) 29–21 Bridge Plaza North, Queens, New York;
 (172) 31–42 Steinway Street, Queens, New York;
 (173) 37–29 Junction Boulevard, Queens, New York;
 (174) 38–46 Bell Boulevard, Queens, New York;
 (175) 41–01 Kissena Boulevard, Queens, New York;
 (176) 43–33 91st Place, Queens, New York;
 (177) 47–11 Queens Boulevard, Queens, New York;
 (178) 49–01 Grand Avenue, Queens, New York;
 (179) 55–60 Myrtle Avenue, Queens, New York;
 (180) 59–26 Woodside Avenue, Queens, New York;
 (181) 63–63 108th Street, Queens, New York;
 (182) 71–04 Woodhaven Boulevard, Queens, New York;
 (183) 72–71 Main Street, Queens, New York;
 (184) 77–22 21st Avenue, Queens, New York;
 (185) 81–20 Northern Boulevard, Queens, New York;
 (186) 120 Hoosick Street-Troy Plaza, Troy, New York;
 (187) 2754 Hylan Boulevard, Staten Island, New York;
 (188) 330 St. Marks Place, Staten Island, New York;
 (189) 108 Main Street, Nyack, New York;
 (190) 41 South Middletown Road, Nanuet, New York;
 (191) 76 North Main Street, New City, New York;
 (192) #466, Route 202, Ramapo, New York;
 (193) Clifton County Mall, Clifton Park, New York;
 (194) 100 Main Street, South Glens Falls, New York;
 (195) 306 State Street, Schenectady, New York;
 (196) 1090 Suffolk Avenue, Brentwood, New York;
 (197) 1261 Veterans Memorial Highway, Hauppauge, New York;
 (198) 128 West Main Street, Bayshore, New York;
 (199) 140 Bay Shore Road, Deer Park, New York;
 (200) 150 East Sunrise Highway, North Lindenhurst, New York;
 (201) 1701 Sunrise Highway, Bay Shore, New York;
 (202) 33 Gerard Street, Huntington, New York;
 (203) 340 Howells Road, Bayshore, New York;
 (204) 39 Vanderbilt Parkway, Commack, New York;
 (205) 4800 Sunrise Highway, Bohemia, New York;
 (206) 5499 Nesconset Highway, Mt. Sinai, New York;
 (207) 5801 Sunrise Highway-Sun-Vet Mall, Holbrook, New York;
 (208) 601 Veterans Memorial Highway, Hauppauge, New York;
 (209) 699 Old Country Road, Dix Hills, New York;
 (210) 700–90 Patchogue-Yaphank Road, Medford, New York;
 (211) 836 Fort Salonga Road, Huntington, New York;
 (212) 999 Middle Country Road, Selden, New York;
 (213) 1999 Ridge Road, Ontario, New York;
 (214) 1100 East Boston Post Road, Mamaroneck, New York;
 (215) 1350 Boston Post Road, Mamaroneck, New York;
 (216) 20 Mamaroneck Avenue, White Plains, New York;

(217) 21 East Prospect Avenue, Mount Vernon, New York;
 (218) 28 Lecount Place, New Rochelle, New York;
 (219) 314 South Broadway, Yonkers, New York;
 (220) 417 Albany Post Road, Cortlandt, New York;
 (221) 555 Saw Mill River Road, North Elmsford, New York;
 (222) 660–662 Central Park Avenue, Greenville, New York;
 (223) 722 North Bedford Road, Bedford Hills, New York;
 (224) 81 Knollwood Road, Fairview, New York;
 (225) 984 North Broadway, Yonkers, New York;
 (226) Old Post Road, (Route #22), Bedford Village, New York;
 (227) Route 6 & Lee Blvd., Jefferson Valley, New York;

Limited Purpose Branches¹

(1) 420 Lexington Avenue - Suite 1906, New York, New York;
 (2) 300 Cadman Plaza West, Brooklyn, New York;
 (3) 95–25 Queens Blvd., Queens, New York;
 (4) 2275 Coleman Street, Brooklyn, New York;
 (5) 50 Charles Lindberg Blvd., Uniondale, New York;
 (6) 55 Water Street, New York, New York;
 (7) 130 John Street, New York, New York;
 (8) 140 E. 45th Street, New York, New York;
 (9) 44 Wall Street, New York, New York;
 (10) 560 Washington Street, New York, New York;
 (11) 450 West 33rd Street, New York, New York;
 (12) 119 South 1st Street, Olean, New York;

Electronic Facilities²

(1) 352 East 86th Street, New York, New York;
 (2) 515 East 72nd Street, New York, New York;
 (3) 2000 Westchester Avenue, Harrison, New York;
 (4) 195 Montague Street, Brooklyn, New York;
 (5) 2260 Barton Avenue, Bronx, New York;
 (6) 1250 Route 104, Ontario, New York;
 (7) Wyckoff Avenue, Brooklyn, New York;
 (8) 115 West State Street, Olean, New York;

Public Accommodation Offices³

(1) World Trade Center, Store C29, Concourse Level, New York, N.Y. 10048

1. These branches engage in commercial lending activities.

2. These are stand-alone ATMs. See N.Y. Banking Law § 105-a (McKinney 1990).

3. These are adjuncts to branches. See N.Y. Banking Law § 191 (McKinney 1990).

(Br. #1, 5 World Trade Center, Level at Vesey Street, New York, N.Y. 10048)

(2) Auto Office, 115 West State Street, Olean, N.Y. 14760

(Br. #Cattaraugus County, 101 North Union Street, Olean, N.Y. 14760)

Employee Branches⁴

(1) 270 Park Avenue, New York, New York;

(2) 100 Duffy Avenue, Hicksville, New York;

Employee Convenience Centers⁵

(1) 140 E. 45th Street, New York, New York;

(2) 130 John Street, New York, New York;

(3) 4 New York Plaza, New York, New York; and

(4) West 33rd Street, New York, New York.

Dissenting Statement of Governor Angell

I dissent from the Board's action in this case. While I recognize that this is a close case, in my view, bank holding companies seeking to engage in significant expansion that is dependent on raising new capital should raise the needed capital prior to the expansion. I am of this view because of the risks that attend any such future capital raising effort. In view of the fact that capital is critical to the decision in this case, I cannot accept as a basis for approval a commitment to raise that capital at some point in the future after the acquisition is consummated.

I am also concerned about the reliance placed on the achievement of cost savings in this case. I believe that this merger presents an opportunity for cost savings, and that cost savings may be realized. The question that remains, however, is whether revenues will decrease along with costs so as to prevent the realization of the increased efficiency necessary to add to profits and capital. If needed capital were in place prior to the expansion, then the question concerning efficiency and profits would be a corporate risk and of lesser concern.

December 3, 1991

Magna Group, Inc.
Belleville, Illinois

Magna Acquisition Corporation
St. Louis, Missouri

Order Approving Formation of Bank Holding Company and Acquisition of Banks and Nonbanking Subsidiaries

Magna Group, Inc., Belleville, Illinois ("Magna"), a bank holding company within the meaning of the Bank Holding Company Act ("BHC Act"), and Magna Acquisition Corporation, St. Louis, Missouri ("MAC"), a newly formed, wholly-owned, nonoperating subsidiary of Magna, have applied for the Board's approval under section 3 of the BHC Act (12 U.S.C. § 1842) to acquire Landmark Bancshares Corporation, St. Louis, Missouri ("Landmark"), and thereby acquire Landmark's banking subsidiaries.¹ Applicant proposes to acquire Landmark through the merger of Landmark into MAC, and MAC would become a second-tier bank holding company upon its merger with Landmark.

Magna has also applied for the Board's approval under section 4(c)(8) of the BHC Act to acquire Landmark BVI Limited, St. Louis, Missouri ("BVI"), and thereby act as principal, agent, and broker for credit-related life, accident, health, disability, and unemployment insurance, and Landmark Trust Company, Fairview Heights, Illinois ("Trust Company"), and thereby engage in trust company activities. These activities are authorized for bank holding companies pursuant to the Board's Regulation Y, 12 C.F.R. 225.25(b)(8)(i) and (b)(3).

Notice of the applications, affording interested persons an opportunity to submit comments, has been duly published (56 *Federal Register* 33,934 (1991)). The time for filing comments has expired, and the Board has considered the applications and all the comments received in light of the factors set forth in sections 3(c) and 4(c)(8) of the BHC Act.²

1. Landmark's banking subsidiaries are: Landmark Bank, Clayton, Missouri; Landmark KCI Bank, Kansas City, Missouri; Landmark Bank of Southwest Missouri, Ozark, Missouri; Landmark Bank of Carbondale, Carbondale, Illinois; Landmark Bank of St. Charles County, St. Charles, Missouri; Landmark Bank of Madison County, Highland, Illinois; Landmark Bank of Kansas City, Kansas City, Missouri; Landmark Bank of Illinois, Fairview Heights, Illinois; Landmark Bank of Randolph County, Sparta, Illinois; and Landmark Bank of Washington County, Nashville, Illinois.

2. The Office of the Comptroller of the Currency ("OCC") has indicated that it poses no objection to the acquisition. The OCC is the primary federal regulator of two of Magna's five subsidiary banks, including Magna's lead bank.

4. These are branches established primarily for employee use.

5. These are ATMs established primarily for employee use.

Section 3(d) of the BHC Act, 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 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." Magna's home state is Illinois, and Landmark's home state is Missouri.³

The statute laws of Missouri expressly authorize the acquisition of a bank or bank holding company located in Missouri by a bank holding company located in a state that is contiguous to Missouri, like Illinois, if the contiguous state authorizes acquisitions of banks or bank holding companies by Missouri bank holding companies under conditions that are substantially the same.⁴ Illinois law also expressly authorizes the acquisition of an Illinois bank or bank holding company by a bank holding company located in a state the laws of which expressly authorize the acquisition of a bank by an Illinois bank holding company under qualifications that are not unduly restrictive when compared to those imposed by Illinois law.⁵

The Missouri Commissioner of Finance and the Illinois Commissioner of Banks and Trust Companies have determined that the reciprocal provisions of the laws of Illinois and Missouri are compatible and permit interstate acquisitions of banks and bank holding companies between the two states.⁶ In addition, the Missouri Commissioner of Finance has approved the acquisition.⁷ For these reasons, the Board concludes that the proposed acquisition is not barred by the Douglas Amendment.

Magna is the eighth largest commercial banking organization in Illinois, controlling five subsidiary banks with total deposits of approximately \$2.06 billion, representing 1.6 percent of total commercial banking deposits in the state.⁸ None of Magna's banking subsidiaries are located in Missouri. Landmark is the eighth largest commercial banking organization in Missouri, controlling five subsidiary banks with total deposits of \$1.32 billion, representing 2.7 percent of total deposits in commercial banking organizations in the state. Landmark also operates five banks in Illinois, and is the thirty-eighth largest commercial bank-

ing organization in Illinois, controlling total deposits of approximately \$446.4 million, representing less than 1 percent of total commercial banking deposits in Illinois.

Upon consummation of this proposal, Magna would remain the eighth largest commercial banking organization in Illinois, with Illinois deposits of \$2.50 billion, representing 1.9 percent of total deposits in commercial banking organizations in Illinois, while becoming the eighth largest commercial banking organization in Missouri, controlling deposits of \$1.32 billion, representing 2.7 percent of total deposits in commercial banking organizations in that state. Consummation of this proposal would not result in any significantly adverse effect on the concentration of banking resources in Illinois or Missouri.

Magna and Landmark compete directly in two markets, the St. Louis, Missouri⁹ and Chester/Sparta, Illinois¹⁰ banking markets. Consummation of this transaction would not significantly increase concentration levels in either of these markets¹¹ and, following consummation, both markets would remain only moderately concentrated.¹² Moreover, numerous competitors would remain in both markets.

Based on all the facts of record, the Board has determined that consummation of this proposal would not have a significantly adverse effect on the concentration of resources or on competition in any relevant banking market.

In evaluating these applications, the Board has considered the financial and managerial resources of Magna and the effect on these resources of the pro-

9. The St. Louis, Missouri banking market is approximated by the City of St. Louis; St. Louis, Jefferson and St. Charles Counties in Missouri; St. Clair County, Illinois, excluding Lenzburg and Marissa townships; plus portions of Franklin County, Missouri (Boles and Calvey townships), Madison County, Illinois (Godfrey, Foster, Alton, Wood River, Fort Russell, Chouteau, Edwardsville, Venice, Granite City, Nameoki, Collinsville, Jarvis, Pin Oak and Hamel townships), and Monroe County, Illinois (Columbia, Moredock, New Harmony, Waterloo, Harrisonville and Bluff townships).

10. The Chester/Sparta, Illinois banking market is approximated by Randolph County, Illinois, plus Prairie du Long, New Design, Mitchie and Renault townships in Monroe County, Illinois, and Lenzburg and Marissa townships in St. Clair County, Illinois.

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 between 1000 and 1800 is considered moderately concentrated. The Justice Department has informed the Board that a bank merger or acquisition generally will not be challenged (in the absence of other factors indicating anticompetitive effects) unless the post-merger HHI is at least 1800 and the merger increases the HHI by 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. In the St. Louis, Missouri banking market, the Herfindahl-Hirschman Index ("HHI") would increase by 58 points from 1419 to 1477. In the Chester/Sparta, Illinois banking market, the HHI would increase by 72.5 points from 1472.5 to 1545.

3. 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.

4. Mo. Rev. Stat. § 362.925 *et seq.* (1991 Cum. Supp.).

5. Ill. Rev. State. Ch. 17 § 2501 *et seq.* (1991 Cum. Supp.).

6. Cooperative Agreement between the State of Missouri and the State of Illinois dated September 18, 1986.

7. See Order dated September 18, 1991, from Earl L. Manning, Commissioner, Division of Finance, State of Missouri.

8. All data are as of June 30, 1990.

posed acquisition. The Board has stated and continues to believe that capital adequacy is an important factor in the analysis of bank holding company expansion proposals.¹³ In this regard, the Board has stated that it expects banking organizations contemplating expansion proposals to maintain strong capital levels substantially above the minimum levels specified in the Board's Risk-Based Capital Guidelines¹⁴ without significant reliance on intangibles, in particular goodwill. The Board carefully analyzes the effect of expansion proposals on the preservation or achievement of strong capital levels and has adopted a policy that there should be no significant diminution of financial strength below these levels for the purpose of effecting major expansion proposals.

In this case, Magna proposes to purchase all of the outstanding common and preferred shares of Landmark through a share exchange, and Magna will incur no debt as a result of the transaction. Although the proposal will result in a decline in the capital ratios of Magna following consummation of the proposal, Magna will remain well capitalized with capital ratios significantly above the minimum levels specified in the Board's Risk Based Capital Guidelines. In addition, Magna has committed that its tangible leverage ratio will be at least 6 percent on December 31, 1991, and at least 6.5 percent within two years of consummation.

The Board has also reviewed the effects of this proposal in light of Landmark's financial performance. In recent years, the financial position of Landmark has deteriorated. The quality of Landmark's assets, particularly with respect to its real estate portfolio, has resulted in significant provisions for loan losses in the latter part of 1990 and has had a negative impact on earnings. The Board believes that Magna will provide the financial and managerial resources to strengthen Landmark and improve its performance.

In this regard, the Board has carefully reviewed Magna's business plan to operate the institutions on a combined basis. The Board believes that Magna's business plan addresses capital ratios, earnings projections, dividend payments and improvement in the quality of assets. Magna's projections of earnings and dividends appear to be reasonable in light of operating expenses savings and corrective measures already taken by Landmark and proposed by Magna. Magna also projects a decrease in nonperforming assets ratio over a two-year period on the basis of liquidating

nonperforming assets and management policies emphasizing asset quality. Magna has established groups of experienced individuals to provide continuing attention to all criticized assets.¹⁵ On the basis of all the facts of record, including the commitment of Magna, the Board concludes that the financial and managerial resources and future prospects of Magna, MAC, Landmark and their respective subsidiaries are consistent with approval of this proposal.¹⁶ Considerations relating to the convenience and needs of the communities to be served also are consistent with approval.

Magna has also applied under section 4(c)(8) of the BHC Act to engage through BVI in acting as principal, agent and broker for insurance that is directly related to extensions of credit by banking affiliates of BVI, and through Trust Company in performing fiduciary and custodial functions that may be performed by a trust company. As noted above, these activities are permissible for bank holding companies under the Board's Regulation Y, and Magna will conduct these activities in accordance with the Board's regulation and decisions regarding these activities.

Magna operates subsidiaries that compete directly with Landmark in these activities. Each of these subsidiaries has a small market share and there are numerous competitors for these services. As a result, consummation of this proposal would have a *de minimis* effect on existing competition for these services, and the Board concludes, in light of the facts of record, that Magna's acquisition of BVI and Trust Company would not significantly affect competition in any relevant market. Furthermore, there is no evidence in the record to indicate that approval of this proposal would result in any significantly adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interests, or unsound banking practices. Accordingly, the Board has determined that the balance of public interest factors it must consider under section 4(c)(8) of the BHC Act is favorable and consistent with approval of Magna's application to acquire BVI and Trust Company.

15. Magna has also retained the services of an outside consulting company to assist finalizing the combined organization's credit administration.

16. The Board has carefully considered comments filed by two individuals with prior business dealings with Magna's subsidiaries. One comment involves a complaint regarding the handling of an individual trust account at one of Magna's subsidiaries. The other comment involves the denial of a loan request by a Magna banking subsidiary. This complaint also alleges that a lawyer who provided services to the commenter and served as a director of the banking subsidiary may have had a conflict of interest. Magna has provided information responding to these comments. After careful consideration of the comments and other facts of record, the Board concludes that the comments do not reflect so adversely upon the managerial resources of Magna as to warrant denial of the application.

13. *The Bank of New York Company, Inc.*, 74 *Federal Reserve Bulletin* 257 (1988); *Chemical New York Corporation*, 73 *Federal Reserve Bulletin* 378 (1987); *Citicorp*, 72 *Federal Reserve Bulletin* 497 (1982); *National City Corporation*, 70 *Federal Reserve Bulletin* 743 (1984).

14. Risk-Based Capital Guidelines, 54 *Federal Register* 4186 (1989).

Based on the foregoing and other facts of record, including Applicant's commitment discussed in this Order, the Board has determined that the applications should be, and hereby are, approved. The Board's approval is specifically conditioned upon continued compliance with its commitment, and this commitment shall constitute a condition imposed in writing by the Board in connection with its findings and decision. The bank acquisitions 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 St. Louis, acting pursuant to delegated authority. The determinations as to Magna's nonbanking activities are subject to all of the conditions contained in the Board's Regulation Y, including those in section 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, or prevent evasions of, the provisions and purposes of the BHC Act and the Board's regulations and orders issued thereunder.

By order of the Board of Governors, effective November 19, 1991.

Voting for this action: Chairman Greenspan and Governors Mullins, Angell, Kelley, and LaWare.

JENNIFER J. JOHNSON
Associate Secretary of the Board

NCNB Corporation
Charlotte, North Carolina

Order Approving the Acquisition of a Holding Company and its Banking and Nonbanking Subsidiaries

NCNB Corporation, Charlotte, North Carolina ("NCNB"), has applied under section 3 of the Bank Holding Company Act (12 U.S.C. § 1842) ("BHC Act") to acquire C&S/Sovran Corporation, Atlanta, Georgia, and Norfolk, Virginia ("C&S/Sovran"), and thereby to acquire the banking subsidiaries of C&S/Sovran listed in Appendix A to this Order. NCNB has also applied pursuant to section 4 of the BHC Act (12 U.S.C. § 1843) to acquire the nonbanking subsidiaries of C&S/Sovran listed in Appendix B to this Order.

NCNB has also applied to acquire indirectly Commerce Trading Corporation, an export trading company, pursuant to section 4(c)(14) of the BHC Act (12 U.S.C. § 1843(c)(14)), and to acquire indirectly the shares of Citizens and Southern International Bank and Citizens and Southern International Bank of At-

lanta, corporations chartered pursuant to section 25(a) of the Federal Reserve Act (12 U.S.C. § 611 *et seq.*) ("Edge Act").

Notice of the applications, affording opportunity for interested persons to submit comments, has been published (56 *Federal Register* 46,182 (1991)). 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 of the BHC Act and section 25(a) of the Federal Reserve Act.

On the basis of all the facts of record, including commitments made by NCNB, the applications are approved for the reasons set forth in the Board's Statement, which will be released at a later date. The Board has also denied requests for a public hearing on these applications. Approval of this proposal is specifically conditioned upon compliance with the commitments made by NCNB in connection with these applications, including commitments to divest bank offices in certain South Carolina banking markets, and NCNB's continued compliance with commitments and initiatives relating to its performance under the Community Reinvestment Act, as discussed in the Board's Statement. The commitments and conditions relied on in reaching this decision are conditions imposed in writing by the Board in connection with its findings and decision and may be enforced under applicable laws. The bank holding company 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 Richmond, acting pursuant to delegated authority.

By order of the Board of Governors, effective November 29, 1991.

Voting for this action: Chairman Greenspan and Governors Mullins, Angell, LaWare, and Lindsey. Absent and not voting: Governor Kelley.

WILLIAM W. WILES
Secretary of the Board

APPENDIX A

Bank Subsidiaries to be Acquired:

- (1) The Citizens and Southern National Bank of Florida, Ft. Lauderdale, Florida.
- (2) The Citizens and Southern National Bank, Savannah, Georgia.
- (3) The Citizens and Southern National Bank of South Carolina, Columbia, South Carolina.

- (4) Sovran Bank, N.A., Richmond, Virginia.
- (5) Sovran Bank/Tennessee, Nashville, Tennessee.
- (6) Sovran Bank/Kentucky, Inc., Hopkinsville, Kentucky.¹
- (7) Sovran Bank/Maryland, Bethesda, Maryland.
- (8) Sovran Bank/D.C. National, Washington, D.C.
- (9) C&S/Sovran Trust Company (Georgia) National Association, Atlanta, Georgia.²
- (10) C&S/Sovran Trust Company (South Carolina) National Association, Columbia, South Carolina.
- (11) C&S/Sovran Trust Company (Florida) National Association, Ft. Myers, Florida.

APPENDIX B

Nonbanking Subsidiaries to be Acquired:

- (1) Citizens and Southern Insurance Services, Inc., Tucker, Georgia, which is engaged in acting as insurance agent or broker with respect to life, health and disability insurance, personal and commercial property and casualty insurance, and fidelity and surety insurance, all in connection with loans made by bank affiliates, and insurance in connection with the management of the banking business and operations of C&S/Sovran.
- (2) C&S/Sovran Insurance Services, Inc., Norfolk, Virginia, which is engaged in acting as agent with respect to life and property and casualty insurance related to extensions of credit or mortgage loan servicing.
- (3) Sovran Insurance Inc., Gaithersburg, Maryland, which is engaged in general insurance agency and brokerage activities, including accident and health, life, personal and commercial property and casualty insurance, and surety and fidelity insurance.
- (4) The Citizens and Southern Life Insurance Company, Tucker, Georgia, which is engaged in underwriting credit life and credit disability insurance and acting as a reinsurer for certain revolving credit coverages.
- (5) Sovran Life Insurance Company, Tucker, Georgia, which is engaged in underwriting as reinsurer, credit life and credit disability insurance directly related to extensions of credit, including open end lines of credit by affiliated entities.
- (6) Sovran Leasing Corporation, Pittsburgh, Pennsylvania, which is engaged in commercial financing; in making acquiring and servicing, for its own account or the account of others, loans and leases of real and personal property; and in arranging, financing, structuring and analyzing equipment leasing.

(7) C&S Capital Corporation, Tucker, Georgia, which is engaged in commercial equipment leasing.

(8) C&S/Sovran Capital Management Corporation, Richmond, Virginia, which is engaged in providing investment management, portfolio management and advisory services to corporate, institutional and individual investors.

(9) Suburban Service Corporation, Bethesda, Maryland, which is engaged in the installation of, and provision of support services to, automated teller machines, and the management of electronic funds transfer switches through GFS Financial Services Joint Venture, a joint venture with Giant Automatic Money Systems, a wholly owned subsidiary of Giant Foods, Inc., Landover, Maryland.

(10) Cash Flow, Inc., Norfolk, Virginia, which is engaged in providing electronic funds transfer services.

(11) Southeast Switch, Inc., Maitland, Florida, which is engaged in providing electronic funds transfer services.

(12) Sovran Investment Corporation, Richmond, Virginia, which is engaged in providing investment banking, securities brokerage and investment and financial advice, including:

- (a) providing discount securities brokerage services;
- (b) buying and selling, as agent on behalf of unaffiliated persons, options on securities issued or guaranteed by the U.S. Government and its agencies and options on U.S. and foreign money market instruments;
- (c) purchasing and selling gold and silver bullion and gold coins solely for the account of customers;
- (d) underwriting and dealing in government obligations and money market instruments;
- (e) providing investment advice relating solely to government obligations and money market instruments;
- (f) providing certain fiduciary services;
- (g) providing cash management services;
- (h) providing certain investment advisory services;
- (i) combining brokerage services with non-fee ancillary investment advice to corporate and other institutional customers in a limited range of nonbank eligible securities;
- (j) underwriting and dealing, to a limited extent, in municipal revenue bonds (including certain industrial development bonds), 1-4 family mortgage-related securities, commercial paper and consumer-receivable-related securities;
- (k) acting as agent for issuers in the private placement of all types of securities, including providing related advisory services;
- (l) purchasing and selling all types of securities on the order of investors as riskless principal;
- (m) purchasing and selling mortgage loans and other extensions of credit in the secondary market;
- (n) providing advice with respect to foreign ex-

1. Subsidiary of CSB Acquisition Company, a wholly owned subsidiary of C&S/Sovran.

2. Trust companies are all subsidiaries of C&S/Sovran Trust Company, Inc., a wholly owned subsidiary of C&S/Sovran.

change transactions and arranging for the execution of foreign exchange transactions;

(o) providing financial advice, including providing valuations, fairness opinions and advice in connection with merger, acquisition, divestiture and similar transactions;

(p) providing advice regarding loan syndications and strategies involving interest rate and currency swaps, interest rate caps, floors and collars and options on such instruments; and

(q) acting as agent or broker with respect to interests in loan syndications, interest rate and currency swaps, interest rate caps, floors and collars, and options on such instruments.

(13) C&S/Sovran Credit Corporation, Tucker, Georgia, which is engaged in making, acquiring and servicing for its own account, or for the account of others, loans secured primarily by second mortgages on real property; making direct consumer installment loans, purchasing consumer installment sales finance contracts, and extending direct loans to dealers through the financing of inventory and working capital loans; and acting as agent in the sale of credit life insurance and accident and health insurance in connection with such loans.

(14) VNB Capital Corporation, Norfolk, Virginia, which is engaged in making or acquiring new loans or other extensions of credit involving construction financing and mortgage lending on residential, multi-family and commercial real estate.

(15) Sovran Mortgage Corporation, Richmond, Virginia, which is engaged in making, acquiring or servicing, for its own account or the account of others, loans secured by mortgages on real property and acting as agent for the sale of credit life insurance, credit accident and health insurance, mortgage redemption and mortgage accident and health insurance directly related to such extensions of credit.

(16) Citizens and Southern Mortgage Corporation, Tucker, Georgia, which is engaged in making, acquiring and servicing, for its own account or the account of others, loans or other extensions of credit secured primarily by first mortgages on real property.

Orders Issued Under Bank Merger Act

1st Source Bank
South Bend, Indiana

Order Approving Acquisition of Certain Assets and Assumption of Certain Liabilities of a Bank, the Establishment of a Branch, and Additional Investment in Bank Premises

1st Source Bank, South Bend, Indiana ("1st Source"), a member bank, has applied for the Board's approval

under section 18(c) of the Federal Deposit Insurance Act (12 U.S.C. § 1828(c)) (the "Bank Merger Act") to purchase certain assets from and assume certain liabilities of the LaPaz Branch of NorCen Bank, Culver, Indiana ("LaPaz Branch"). 1st Source also has applied to establish a branch at the site of the LaPaz Branch pursuant to section 9 of the Federal Reserve Act (12 U.S.C. § 321) and for permission to make an additional investment in bank premises pursuant to section 24A of the Federal Reserve Act.

Notice of the applications, affording interested persons an opportunity to submit comments, 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 on the competitive effects of the merger were requested from the United States Attorney General, the Office of the Comptroller of the Currency, and the Federal Deposit Insurance Corporation. The time for filing comments has expired, and the Board has considered the applications and all the comments received in light of the factors set forth in the Bank Merger Act (12 U.S.C. § 1828(c)(5)) and in section 9 of the Federal Reserve Act.

1st Source is the 11th largest commercial banking organization in Indiana, controlling deposits of approximately \$980.6 million, representing approximately 2.1 percent of the total deposits in commercial banking organizations in the state.¹ LaPaz Branch controls deposits of approximately \$25.6 million, representing less than 1 percent of total deposits in commercial banks in the state.² Upon consummation of this proposal, 1st Source would remain the 11th largest commercial banking organization in Indiana, controlling deposits of approximately \$1.0 billion, representing 2.3 percent of total deposits in commercial banking organizations in the state. Based on the facts of record, the Board believes that consummation of the proposal would not have a significantly adverse effect on the concentration of banking resources in Indiana.

1st Source and the LaPaz Branch compete directly in the Marshall County, Indiana banking market.³ 1st Source is the largest of six commercial banking and thrift organizations (together, "depository institutions") in the market, controlling deposits of \$145.8 million, representing 36.2 percent of total deposits in

1. Data are as of June 30, 1990.

2. The LaPaz Branch is a branch of NorCen Bank, Culver, Indiana. NorCen Bank is a subsidiary of NCB Corporation, Culver, Indiana, which is the 67th largest commercial banking organization in Indiana, controlling \$94.6 million in deposits, representing less than 1 percent of total deposits in commercial banking organizations in the state.

3. The Marshall County, Indiana banking market is approximated by Marshall County, Indiana, excluding Tippecanoe Township.

depository institutions in the market.⁴ The LaPaz Branch of NorCen Bank controls deposits of \$25.6 million, representing approximately 6.3 percent of total deposits in depository institutions in the market.

NorCen Bank currently is the second largest depository institution in the Marshall County, Indiana banking market, with four offices controlling deposits of \$93.4 million, representing 22.7 percent of total market deposits in depository institutions. The proposed transaction represents part of a multiple branch divestiture undertaken by NorCen Bank in the Marshall County, Indiana banking market. Following this divestiture plan, NorCen Bank would continue to operate in the Marshall County banking market through retention of its home office in the market. NorCen Bank has already negotiated the sale of two branches in this market to Lake City Bank, Warsaw, Indiana ("Lake City"), a banking organization that is not currently operating in the market. Lake City recently received approval from the Federal Deposit Insurance Corporation ("FDIC") to purchase the assets and assume the liabilities of these NorCen Bank branches.⁵

Consummation of the proposal by Lake City is scheduled to occur prior to the time that the 1st Source transaction would be permitted to occur. After taking note of the Lake City acquisition, the number of competitors in the market would increase, to seven. On this basis, upon consummation of the 1st Source proposal, NorCen Bank would become the fourth largest depository institution in the market, controlling deposits of \$46.8 million, representing 11.3 percent of total deposits in depository institutions in the market. Lake City would become the fifth largest depository institution in the market, controlling deposits of \$21.0 million, representing 5.2 percent of total deposits in depository institutions in the market. 1st Source would control \$171.4 million in deposits, representing 42.5 percent of total deposits in depository institutions in the market. The Herfindahl-Hirschman Index ("HHI") in the market would increase by 125 points to 2614, which is below the threshold levels contained in the Department of Justice Merger Guidelines.⁶ Based

on these and all of the other facts of record in this case, the Board has determined that consummation of this proposal would not have a significantly adverse effect on existing competition in the Marshall County, Indiana banking market.⁷

The financial and managerial resources and future prospects of 1st Source and LaPaz Branch are consistent with approval. Considerations relating to the convenience and needs of the community to be served also are consistent with approval.⁸

1st Source also has applied under section 9 of the Federal Reserve Act (12 U.S.C. § 321 *et seq.*) to establish a branch at the present site of the LaPaz Branch. The Board has considered the factors it is required to consider in applications for establishing branches and concludes that the financial condition of 1st Source, the general character of its management, and the proposed exercise of corporate powers are consistent with approval and the purposes of section 9 of the Federal Reserve Act.

1st Source also has requested permission under section 24A of the Federal Reserve Act to make an additional investment in bank premises in connection with this proposal. The additional investment will be used to acquire the LaPaz Branch premises. The Board concludes that 1st Source's additional investment in bank premises will support 1st Source's acquisition of the LaPaz Branch and is consistent with approval.

points. The Justice Department has stated that the higher than normal HHI thresholds for screening bank mergers and acquisitions for anticompetitive effects implicitly recognizes the competitive effect of limited-purpose lenders and other non-depository financial entities.

The Department of Justice has been invited to submit comments regarding this proposal and has expressed no objection to this proposal.

7. The Board also has considered the effect upon competition in the Marshall County, Indiana banking market in the event that the Lake City Bank acquisitions do not occur. Assuming that NorCen Bank retained the two branches that are to be sold to Lake City, upon the sale of the LaPaz Branch to 1st Source, NorCen Bank would be the third largest depository institution in the market, controlling deposits of \$67.8 million, representing 16.8 percent of total market deposits in depository institutions. As a result of the 1st Source purchase, the HHI would increase by 247 points, to a level of 2735. All six depository institutions, including NorCen Bank, currently in the market would remain in the market following the transaction. Based on the facts of record, the Board believes that consummation of this proposal under the circumstances described here would not have a significantly adverse effect upon competition in the Marshall County, Indiana banking market.

8. The Board has carefully considered comments filed by two consumers who are presently customers of the LaPaz Branch. The commenters object to this transaction because they are concerned that the LaPaz Branch would lose its air of friendliness and cooperation if it were acquired by 1st Source. In addition, the commenters were critical of 1st Source with respect to a family member's business relationship with the bank. Upon careful consideration of the comments, 1st Source's response thereto, and other facts in the record, the Board has concluded that the comments do not warrant denial of the applications.

4. Market share data are based on calculations in which the deposits of thrift institutions are included at 50 percent. The Board previously has indicated that thrift institutions have become, or have the potential to become, major competitors of commercial banks. See *Midwest Financial Group*, 75 *Federal Reserve Bulletin* 386 (1989); *National City Corporation*, 70 *Federal Reserve Bulletin* 743 (1984).

5. The two NorCen branches to be acquired by Lake City are located in Argos and Bremen, Indiana.

6. 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. The Department of Justice has informed the Board that a bank merger or acquisition generally will not be challenged (in the absence of other factors indicating anticompetitive effects) unless the post-merger HHI is at least 1800 and the merger increases the HHI by at least 200

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

By order of the Board of Governors, effective November 21, 1991.

Voting for this action: Chairman Greenspan and Governors Angell, Kelley, and LaWare. Absent and not voting: Governor Mullins.

JENNIFER J. JOHNSON
Associate Secretary of the Board

Fifth Third Bank
Cincinnati, Ohio

Fifth Third Bank
Columbus, Ohio

Order Approving the Establishment of Branches

Fifth Third Bank, Cincinnati, Ohio ("Fifth Third Cincinnati"), has applied, pursuant to section 9 of the Federal Reserve Act (12 U.S.C. § 321 *et seq.*) ("FRA"), to establish 9 Customer Bank Communication Terminals ("CBCTs") in Ohio at locations listed in the Appendix. Fifth Third Bank, Columbus, Ohio ("Fifth Third Columbus"), also has applied, pursuant to section 9 of the FRA, to establish 3 CBCTs in Ohio at locations listed in the Appendix.

Notice of these applications, affording interested persons an opportunity to submit comments, has been duly published. The time for filing comments has expired, and the Board has considered the applications and all comments received in light of the factors contained in section 9 of the FRA.

Fifth Third Cincinnati and Fifth Third Columbus (collectively, "Banks") are both subsidiaries of Fifth Third Bancorp, Cincinnati, Ohio ("Bancorp"), which operates subsidiary banks in Ohio, Indiana, and Kentucky. Fifth Third Cincinnati, Bancorp's lead bank, has its main office in Cincinnati and operates branches in Hamilton, Butler, Montgomery and Cuyahoga Counties, all in Ohio. Fifth Third Columbus has its main office and branches in Columbus, and also two branches in Fayette County, Ohio.

In reviewing an application for a deposit facility, including the establishment of a domestic branch or other facility with the ability to accept deposits, the

Board is required, under the Community Reinvestment Act (12 U.S.C. § 2901 *et seq.*) ("CRA"), to consider the institution's record of serving the credit needs of the community, including low- and moderate-income neighborhoods. The CRA requires the federal financial supervisory agencies to encourage financial institutions to help meet the credit needs of the local communities in which they operate consistent with the safe and sound operation of such institutions. To accomplish this end, the CRA requires the appropriate federal supervisory authority to "assess an institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with the safe and sound operation of the institution."¹

In this regard, the Board has considered comments filed by the Main Street Business Association, Columbus, Ohio, and the Coalition of Neighborhoods, Cincinnati, Ohio (collectively, "Protestants"). Protestants have raised several CRA issues that were recently considered by the Board in connection with two applications involving Bancorp and Banks.² Protestants have also alleged that Fifth Third Cincinnati's marketing efforts to the black community are inadequate.³

The Board has carefully reviewed the CRA performance record of Banks, as well as Protestants' comments, in light of the CRA, the Board's regulations, and the Statement of the Federal Financial Supervisory Agencies Regarding the Community Reinvestment Act ("Agency CRA Statement").⁴ The Agency CRA Statement provides that a CRA examination is an important and often controlling factor particularly where, as in this case, many of the specific issues

1. 12 U.S.C. § 2901.

2. In particular, Protestants claim that:

(1) Banks have inadequately supported CRA-related programs, including the Cincinnati Minority Enterprise Small Business Investment Company;

(2) Banks have not met the needs of black businesses and small businesses;

(3) Fifth Third Columbus does not have a branch in Columbus's inner city black community;

(4) Banks failed to employ minorities at Bancorp and Banks; and

(5) Banks inadequately contributed to non-profit organizations.

3. In addition, Protestants have noted that Fifth Third Columbus has not established a community development corporation. Under the Agency CRA Statement, financial institutions have substantial leeway in developing specific policies and programs to meet their CRA responsibilities. Although a community development corporation ("CDC") is one step that institutions with the most effective programs for meeting their CRA responsibilities have taken, neither the Board nor the Agency CRA Statement requires an institution to establish or own a CDC as part of the institution's CRA program. See also discussion of Banks' CRA-related programs in *Fifth Third Bancorp*, 77 *Federal Reserve Bulletin* 744, 747-48 (1991) (Order dated July 12, 1991, "July Order") and *Fifth Third Bank*, 77 *Federal Reserve Bulletin* 347, 349-50 (1991) (Order dated March 22, 1991, "March Order").

4. 54 *Federal Register* 13,742 (1989).

raised by the protests were incorporated in the reviews of Banks.

In this case, Banks have received a satisfactory rating from their primary regulator in the most recent examination of their CRA performance. In addition, the Board recently reviewed the CRA programs at Banks, as well as comments made by one of the Protestants regarding those programs, in connection with two previous applications and determined that those programs, on balance, were satisfactory.⁵ The Board has also considered Protestants' comments in light of two recent quarterly reports filed by Banks regarding their CRA programs. These two quarterly reports indicate that Banks have taken steps to address weaknesses in that record.

In particular, the quarterly reports for Banks show that Banks have engaged in several major loan campaigns this year directed at low- and moderate-income areas and the black community. Banks initiated a "Where a Dream Home Comes True" mortgage loan advertising campaign during the second quarter of this year using posters, statement stuffers, counter cards, newspaper, radio, as well as billboards located in low- and moderate-income areas to promote this campaign.⁶ Banks have also continued marketing their Good Neighbor Mortgage Loan Program, which was originally directed to individuals with income under \$35,000. Fifth Third Cincinnati has committed \$1.5 million to the second tier of this program, which is directed towards individuals whose income is below \$20,000. During the third quarter of this year, Fifth Third Cincinnati made 11 loans under this program and conducted five homebuying seminars for the program in Cincinnati as well as several seminars in northern Kentucky. Fifth Third Cincinnati is planning a direct-mail mortgage loan campaign targeted to residents of

select low- and moderate-income neighborhoods, including predominately black neighborhoods.

The "Get the Right Loan, Right Now" installment mortgage loan campaign conducted by Banks was initiated during the first quarter of 1991 and continued through June 1991 at Fifth Third Cincinnati. Fifth Third Columbus plans to continue marketing this program through year end. As part of this program, billboards were placed in 25 locations in urban areas in Cincinnati, including 9 billboards in predominately minority communities and 4 billboards in integrated communities.⁷ Advertisements were also placed on buses whose routes covered low- and moderate-income neighborhoods.⁸ The advertisements for this campaign were augmented by a Phone-A-Loan number for easy access. Fifth Third Cincinnati made 13 percent of its Phone-A-Loan loans to low- and moderate-income areas. Banks also continue to promote their services through community calls, including to individuals in low- and moderate-income neighborhoods and to small businesses.

For the reasons discussed above and in the March and July Orders, the Board believes that, on balance, convenience and needs considerations are consistent with approval of these applications.⁹ The Board expects Banks to continue their progress in addressing CRA matters discussed in this and in previous orders and to continue reporting quarterly to the Federal Reserve Bank of Cleveland. The Reserve Bank will continue to closely monitor this performance.

The Board also concludes that the financial conditions of Banks, the general character of their managements, and the proposed exercise of corporate powers are consistent with approval and the purposes of section 9 of the FRA.

Based on all the foregoing and other facts of record, the Board has determined that the applications should be, and hereby are, approved.

5. July Order, at 745-49; March Order, at 348-51. See also letter dated August 9, 1991, denying the reconsideration request of the Coalition of Neighborhoods. In those orders and letters, the Board discussed Fifth Third Cincinnati's efforts to assist minority businesses through its Minority Business Development Committee. July Order, at 747. The Board also noted that four of the 18 branches of Fifth Third Columbus located in the Columbus Primary Metropolitan Statistical Area are in low- and moderate-income areas and six are in middle-income areas. July Order, at 748 n.30. Two of the branches approved in the July Order were located in low- and moderate-income areas. July Order, at 748. This application includes a request by Fifth Third Columbus and Fifth Third Cincinnati each to place one CBCT in low- and moderate-income neighborhoods served by these banks. Regarding minority employment, the Board has stated that, while it fully supports affirmative programs designed to promote equal opportunity in every aspect of a bank's personnel and managerial policies, the Board believes that alleged deficiencies in Banks' employment of minorities are beyond the scope of factors assessed under the CRA. March Order, at 348 n.7. In the March Order, the Board also considered Protestant's contention that Banks have made an inadequate amount of charitable contributions. March Order, at 349 n.14.

6. Marketing for this campaign is continuing at Fifth Third Columbus.

7. Billboards were also placed in 15 locations in Dayton, as well as in the City of Columbus and surrounding areas.

8. The campaign was promoted in Cleveland through the use of brochures and other in-bank promotional materials. Fifth Third Columbus made 53 loans to individuals under this program.

9. Protestants have requested that the Board hold a public hearing or meeting to assess further facts surrounding Banks' CRA performance. Generally under the Board's rules, the Board may, in its discretion, hold a public hearing or meeting on an application to clarify factual issues related to the application and to provide an opportunity for testimony, if appropriate. 12 U.S.C. §§ 262.3(e) and 262.25(d).

The Board has carefully considered these requests. In the Board's view, the parties have had ample opportunity to present submissions, and Protestants have submitted written comments that have been considered by the Board. In light of these facts, the Board has determined that a public meeting or hearing is not necessary to clarify the factual record in these applications, or otherwise warranted in this case. Accordingly, the requests for a public meeting or hearing on these applications are hereby denied.

By order of the Board of Governors, effective November 5, 1991.

Voting for this action: Chairman Greenspan and Governors Mullins, Angell, Kelley, and LaWare.

JENNIFER J. JOHNSON
Associate Secretary of the Board

- (3) 10500 Montgomery Road, Cincinnati, Ohio;
(4) 10132 Business Center Drive, Cincinnati, Ohio;
(5) 5445 Ridge Road, Cincinnati, Ohio;
(6) 1023 South Main Street, Centerville, Ohio;
(7) 9200 North Main Street, Dayton, Ohio;
(8) 3822 Colonel Glenn Highway, Fairborn, Ohio; and
(9) 3628 Mayfield Road, Cleveland Heights, Ohio.

Appendix

Fifth Third Cincinnati will establish the following CBCTs:

- (1) 1864 Seymour Avenue, Cincinnati, Ohio;
(2) 619 Oak Street, Cincinnati, Ohio;

Fifth Third Columbus will establish the following CBCTs:

- (1) 5151 West Broad Street, Columbus, Ohio;
(2) 1375 Chambers Road, Columbus, Ohio; and
(3) 548 Clinton Avenue, Washington Court House, Ohio.

ORDERS ISSUED UNDER THE FINANCIAL INSTITUTIONS REFORM, RECOVERY, AND ENFORCEMENT ACT ("FIRREA ORDERS")

Recent orders have been issued by the Staff Director of the Division of Banking Supervision and Regulation and the General Counsel of the Board as listed below. Copies are available upon request to the Freedom of Information Office, Office of the Secretary, Board of Governors of the Federal Reserve System, Washington, D.C. 20551.

Bank Holding Company	Acquired Thrift	Surviving Bank(s)	Approval Date
Advance Bancorp, Inc., Chicago, Illinois	Homewood Federal Savings and Loan Association, Homewood, Illinois	South Chicago Bank, Chicago, Illinois	October 31, 1991

APPLICATIONS APPROVED UNDER BANK HOLDING COMPANY ACT

By the Secretary of the Board

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

Section 3

Applicant(s)	Bank(s)	Effective Date
First Commercial Corporation, Little Rock, Arkansas	Farmers and Merchants Bank Rogers, Arkansas	November 29, 1991

Sections 3 and 4

Applicant(s)	Bank(s)	Effective Date
FirstBank Holding Company Employee Stock Ownership Plan, Lakewood, Colorado	FirstBank Holding Company of Colorado, Lakewood, Colorado	November 26, 1991

*APPLICATIONS APPROVED UNDER BANK HOLDING COMPANY ACT**By Federal Reserve Banks*

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

Section 3

Applicant(s)	Bank(s)	Reserve Bank	Effective Date
Banc One Corporation, Columbus, Ohio	First Illinois Corporation, Evanston, Illinois	Cleveland	November 5, 1991
BW3 Bancorporation, West Des Moines, Iowa	W.D.K. Bancorporation, Palmer, Iowa	Chicago	November 4, 1991
Centura Banks, Inc., Rocky Mount, North Carolina	Centura Interim Bank, Rutherfordton, North Carolina	Richmond	November 1, 1991
Country Bancorporation, Crawfordsville, Iowa	Peoples Trust and Savings Bank, Riverside, Iowa Crawfordsville Insurance Agency, Inc., Crawfordsville, Iowa Center Point Banshares Corp., Crawfordsville, Iowa	Chicago	November 4, 1991
CSB Bancorp Inc., Millersburg, Ohio	The Commercial and Savings Bank of Millersburg, Millersburg, Ohio	Cleveland	November 14, 1991
Eagle Financial Services, Inc., Berryville, Virginia	Bank of Clarke County, Berryville, Virginia	Richmond	November 15, 1991
Farmers National Bancorp, Inc., Newville, Pennsylvania	The Farmers National Bank of Newville, Newville, Pennsylvania	Philadelphia	November 20, 1991
First Cecilian Bancorp, Inc., Cecilia, Kentucky	The Cecilian Bank, Cecilia, Kentucky	St. Louis	November 6, 1991
First Evergreen Corporation, Evergreen Park, Illinois	Oak Lawn Trust and Savings Bank, Oak Lawn, Illinois	Chicago	November 21, 1991

Section 3—Continued

Applicant(s)	Bank(s)	Reserve Bank	Effective Date
First Financial Corporation, Mount Juliet, Tennessee	First Bank and Trust, Mount Juliet, Tennessee	Atlanta	October 17, 1991
First Financial Corporation of Idabel, Idabel, Oklahoma	First State Bank of Idabel, Idabel, Oklahoma	Kansas City	November 1, 1991
First National Johnson Bancshares, Inc., Johnson, Nebraska	First National Bank of Johnson, Johnson, Nebraska	Kansas City	November 13, 1991
Flower Mound Bancshares, Inc., Flower Mound, Texas	Security Bank, Flower Mound, Texas	Dallas	October 18, 1991
Granville Bancshares, Inc., Granville, Illinois	The Whaples & Farmers State Bank, Neponset, Illinois	Chicago	November 19, 1991
Hardwick Holding Company, Dalton, Georgia	Peoples Bartow Corporation, Cartersville, Georgia	Atlanta	October 23, 1991
Heartland Bancshares, Inc., Lenox, Iowa	First Community National Bank, Corning, Iowa	Chicago	November 6, 1991
Heritage Financial Services, Inc., Blue Island, Illinois	Country Club Bancorporation, Inc., Country Club Hills, Illinois	Chicago	November 4, 1991
Lake Forest Bancorp, Inc., Lake Forest, Illinois	Lake Forest Bank and Trust Company, Lake Forest, Illinois	Chicago	November 15, 1991
Mercantile Bancorporation, Inc., St. Louis, Missouri	Old National Bancshares, Inc., Centralia, Illinois	St. Louis	October 18, 1991
Mid Penn Bancorp, Inc., Millersburg, Pennsylvania	Mid Penn Bank, Millersburg, Pennsylvania	Philadelphia	November 20, 1991
Oak Bancorporation, Red Oak, Iowa	Oakland State Bank, Oakland, Iowa	Chicago	October 25, 1991
Ponca Bancshares, Inc., Ponca City, Oklahoma	Security Bank & Trust Company of Ponca City, Ponca City, Oklahoma	Kansas City	November 19, 1991
Romy Hammes Bancorp, Inc., South Bend, Indiana	Peoples Bank of Marycrest, Bradley, Illinois	Chicago	November 13, 1991
Shawnee Bancshares, Inc., Grand Tower, Illinois	Downstate National Bank of Grand Tower, Grand Tower, Illinois	St. Louis	November 1, 1991
Standard Bancorporation, Inc., Lincoln, Nebraska	Standard Bank and Trust, Independence, Missouri	Kansas City	October 21, 1991
Tate Financial Corporation, Coldwater, Mississippi	Senatobia Bank, Senatobia, Mississippi	St. Louis	October 18, 1991

Section 3—Continued

Applicant(s)	Bank(s)	Reserve Bank	Effective Date
United Bank Corporation, Barnesville, Georgia	United Bank of Griffin, Griffin, Georgia	Atlanta	November 6, 1991
Worthen Banking Corporation, Little Rock, Arkansas	First National Bank of Fayetteville, Fayetteville, Arkansas	St. Louis	November 1, 1991

Section 4

Applicant(s)	Nonbanking Activity/Company	Reserve Bank	Effective Date
Alpha Financial Group, Inc., Minonk, Illinois	Dace Insurance Agency, Toluca, Illinois Bob Bockler Insurance Agency, Washburn, Illinois	Chicago	November 18, 1991
Centura Banks, Inc., Rocky Mount, North Carolina	Citizens Federal Savings and Loan Association of Rutherfordton, Rutherfordton, North Carolina	Richmond	November 1, 1991
Comerica Incorporated, Detroit, Michigan	Midlantic National Bank & Trust Co./Florida, Fort Lauderdale, Florida	Chicago	November 12, 1991
First Alabama Bancshares, Inc., Montgomery, Alabama	Lake Federal Savings Bank, Pell City, Alabama	Atlanta	November 7, 1991
First Bancorp, Inc., Huron, South Dakota	Brunner Insurance Agency, Nisland, South Dakota Stapp Insurance Agency, Newell, South Dakota	Minneapolis	October 25, 1991
F.N.B. Corporation, Hermitage, Pennsylvania	Nittany Consumer Discount Company, State College, Pennsylvania	Cleveland	November 5, 1991
Norwest Corporation, Minneapolis, Minnesota	Allied Crop Agency, Inc., Des Moines, Iowa	Minneapolis	November 12, 1991
Norwest Corporation, Minneapolis, Minnesota	Southern Mortgage & Finance Corporation, Las Vegas, New Mexico	Minneapolis	November 18, 1991
Norwest Corporation, Minneapolis, Minnesota	Termplan, Inc., Covington, Louisiana	Minneapolis	October 28, 1991
The Sumitomo Bank, Limited, New York, New York	Sumitomo Bank Capital Markets, Inc., New York, New York	San Francisco	November 15, 1991

Section 4—Continued

Applicant(s)	Nonbanking Activity/Company	Reserve Bank	Effective Date
United Security Bancorporation, Chewelah, Washington	JLM Insurance Agency, Colville, Washington Ron Lee Insurance Agency, Chewelah, Washington	San Francisco	November 13, 1991

Sections 3 and 4

Applicant(s)	Nonbanking Activity/Company	Reserve Bank	Effective Date
Haugo Bancshares, Inc., Elk Point, South Dakota	Valley Bank, Elk Point, South Dakota Haugo Investment Company, Inc., Elk Point, South Dakota	Minneapolis	November 20, 1991
Stearns Financial Services, Inc., Albany, Minnesota	Howard W. Reiter Investment Company, Canby, Minnesota	Minneapolis	November 19, 1991
West One Bancorp, Boise, Idaho	Washington Federal Savings Bank, Hillsboro, Oregon Ward Cook, Inc., Portland, Oregon West One Bank, Oregon, S.B., Portland, Oregon	San Francisco	November 1, 1991

*APPLICATIONS APPROVED UNDER BANK MERGER ACT**By the Secretary of the Board*

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

Applicant(s)	Bank(s)	Effective Date
Manufacturers and Traders Trust Company, Buffalo, New York	The First National Bank of Highland, Newburgh, New York	November 27, 1991

APPLICATIONS APPROVED UNDER BANK MERGER ACT

By Federal Reserve Banks

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

Applicant(s)	Bank(s)	Reserve Bank	Effective Date
The Auburn State Bank, Auburn, Indiana	Citizens State Bank, Waterloo, Indiana	Chicago	November 18, 1991
Centura Interim Bank, Rutherfordton, North Carolina	Centura Bank, Rocky Mount, North Carolina	Richmond	November 1, 1991
Clifton Trust Bank, Cockeysville, Maryland	The Commercial Bank, Bel Air, Maryland	Richmond	November 13, 1991
The Commercial and Savings Bank, Millersburg, Ohio	Millersburg Interim Bank, Millersburg, Ohio	Cleveland	November 14, 1991
First State Bancorporation, Inc., Taos, New Mexico	New Mexico Bank Corporation, Inc., Albuquerque, New Mexico	Kansas City	November 15, 1991
First State Bank of Taos, Taos, New Mexico	National Bank of Albuquerque, Albuquerque, New Mexico	Kansas City	November 15, 1991
SouthTrust Bank of Pinellas County, St. Petersburg, Florida	Florida Bank of Commerce, Clearwater, Florida	Atlanta	October 30, 1991
United Missouri Bank of Paris, Paris, Missouri	United Missouri Bank Northeast, Monroe City, Missouri	St. Louis	October 31, 1991

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.

First Interstate BancSystem of Montana, Inc. v. Board of Governors, No. 91-1525 (D.C. Cir., filed November 1, 1991). Petition for review of Board's order denying on Community Reinvestment Act grounds the petitioner's application under section 3 of the Bank Holding Company Act to merge with Commerce BancShares of Wyoming, Inc.

Board of Governors v. Kemal Shoaib, No. CV 91-5152 (C.D. California, filed September 24, 1991). Action to freeze assets of individual pending administrative

adjudication of civil money penalty assessment by the Board. On October 15, the court issued a preliminary injunction restraining the transfer or disposition of the individual's assets.

Board of Governors v. Ghaith R. Pharaon, No. 91-CIV-6250 (S.D. New York, filed September 17, 1991). Action to freeze assets of individual pending administrative adjudication of civil money penalty assessment by the Board. On September 17, the court issued an order temporarily restraining the transfer or disposition of the individual's assets. *In re Smouha*, No. 91-B-13569 (Bkr. S.D. New York, filed August 2, 1991). Ancillary proceeding under the U.S. Bankruptcy Code brought by provisional liquidators of BCCI Holdings (Luxembourg) S.A. and affiliated companies. On August 15, 1991, the bankruptcy court issued a temporary restraining order staying certain judicial

and administrative actions, which has been continued by consent.

Hanson v. Greenspan, No. 91-1599 (D.D.C., filed June 28, 1991). Suit for return of funds and financial instruments allegedly owned by plaintiffs. The Board's motion to dismiss was filed on October 29; the plaintiffs filed an opposition on November 12, 1991.

Fields v. Board of Governors, No. 3:91CV069 (N.D. Ohio, filed February 5, 1991). Appeal of denial of request for information under the Freedom of Information Act.

Citicorp v. Board of Governors, No. 90-4124 (2d Circuit, filed October 4, 1990). Petition for review of Board order requiring Citicorp to terminate certain insurance activities conducted pursuant to Delaware law by an indirect nonbank subsidiary. On June 10, 1991, the court of appeals granted the petition and vacated the Board's order. The Independent Insurance Agents of America and others filed a petition for *certiorari* on October 8, 1991.

Consumers Union of U.S., Inc. v. Board of Governors, No. 90-5186 (D.C. Circuit, filed June 29, 1990). Appeal of District Court decision upholding amendments to Regulation Z implementing the Home Equity Loan Consumer Protection Act. On July 12, 1991, the court of appeals affirmed the majority of district court decision upholding the Board's regulations, but remanded two issues to the Board for further action.

Synovus Financial Corp. v. Board of Governors, No. 89-1394 (D.C. Circuit, filed June 21, 1989). Petition for review of Board order permitting relocation of a bank holding company's national bank subsidiary from Alabama to Georgia. Awaiting decision.

MCorp v. Board of Governors, No. 89-2816 (5th Circuit, filed May 2, 1989). Appeal of preliminary injunction against the Board enjoining pending and future enforcement actions against a bank holding company now in bankruptcy. On May 15, 1990, the

Fifth Circuit vacated the district court's order enjoining the Board from proceeding with enforcement actions based on section 23A of the Federal Reserve Act, but upheld the district court's order enjoining such actions based on the Board's source-of-strength doctrine. 900 F.2d 852 (5th Cir. 1990). On March 4, 1991, the Supreme Court granted the parties' cross-petitions for *certiorari*, Nos. 90-913, 90-914. On October 2, 1991, the Supreme Court heard argument in the case.

MCorp v. Board of Governors, No. CA3-88-2693 (N.D. Texas, filed October 10, 1988). Application for injunction to set aside temporary cease and desist orders. Stayed pending outcome of *MCorp v. Board of Governors*, 900 F.2d 852 (5th Cir. 1990).

WRITTEN AGREEMENTS APPROVED BY FEDERAL RESERVE BANKS

Resource Bank Virginia Beach, Virginia

The Federal Reserve Board announced on November 12, 1991, the execution of a Written Agreement among the Federal Reserve Bank of Richmond, the Bureau of Financial Institutions of the Commonwealth of Virginia, Richmond, Virginia, and the Resource Bank, Virginia Beach, Virginia.

Westport Bancorp, Inc. Westport, Connecticut

The Federal Reserve Board announced on November 27, 1991, the execution of a Written Agreement between the Federal Reserve Bank of New York, the Banking Commissioner State of Connecticut, Hartford, Connecticut, and Westport Bancorp, Inc., Westport, Connecticut.

Membership of the Board of Governors of the Federal Reserve System, 1913–92

APPOINTIVE MEMBERS¹

Name	Federal Reserve District	Date of initial oath of office	Other dates and information relating to membership ²
Charles S. Hamlin.....	Boston	Aug. 10, 1914	Reappointed in 1916 and 1926. Served until Feb. 3, 1936. ³
Paul M. Warburg	New York	do.....	Term expired Aug. 9, 1918.
Frederic A. Delano	Chicago.....	do.....	Resigned July 21, 1918.
W.P.G. Harding.....	Atlanta.....	do.....	Term expired Aug. 9, 1922.
Adolph C. Miller.....	San Francisco	do.....	Reappointed in 1924. Reappointed in 1934 from the Richmond District. Served until Feb. 3, 1936. ³
Albert Strauss	New York	Oct. 26, 1918	Resigned Mar. 15, 1920.
Henry A. Moehlenpah	Chicago.....	Nov. 10, 1919	Term expired Aug. 9, 1920.
Edmund Platt	New York	June 8, 1920	Reappointed in 1928. Resigned Sept. 14, 1930.
David C. Wills.....	Cleveland	Sept. 29, 1920	Term expired Mar. 4, 1921.
John R. Mitchell	Minneapolis	May 12, 1921	Resigned May 12, 1923.
Milo D. Campbell	Chicago.....	Mar. 14, 1923	Died Mar. 22, 1923.
Daniel R. Crissinger	Cleveland	May 1, 1923	Resigned Sept. 15, 1927.
George R. James.....	St. Louis	May 14, 1923	Reappointed in 1931. Served until Feb. 3, 1936. ⁴
Edward H. Cunningham.....	Chicago.....	do.....	Died Nov. 28, 1930.
Roy A. Young	Minneapolis	Oct. 4, 1927	Resigned Aug. 31, 1930.
Eugene Meyer.....	New York	Sept. 16, 1930	Resigned May 10, 1933.
Wayland W. Magee.....	Kansas City	May 18, 1931	Term expired Jan. 24, 1933.
Eugene R. Black.....	Atlanta.....	May 19, 1933	Resigned Aug. 15, 1934.
M.S. Symczak.....	Chicago.....	June 14, 1933	Reappointed in 1936 and 1948. Resigned May 31, 1961.
J.J. Thomas	Kansas City	do.....	Served until Feb. 10, 1936. ³
Marriner S. Eccles	San Francisco	Nov. 15, 1934	Reappointed in 1936, 1940, and 1944. Resigned July 14, 1951.
Joseph A. Broderick.....	New York	Feb. 3, 1936	Resigned Sept. 30, 1937.
John K. McKee	Cleveland	do.....	Served until Apr. 4, 1946. ³
Ronald Ransom	Atlanta.....	do.....	Reappointed in 1942. Died Dec. 2, 1947.
Ralph W. Morrison	Dallas	Feb. 10, 1936	Resigned July 9, 1936.
Chester C. Davis	Richmond	June 25, 1936	Reappointed in 1940. Resigned Apr. 15, 1941.
Ernest G. Draper	New York	Mar. 30, 1938	Served until Sept. 1, 1950. ³
Rudolph M. Evans	Richmond	Mar. 14, 1942	Served until Aug. 13, 1954. ³
James K. Vardaman, Jr.	St. Louis	Apr. 4, 1946	Resigned Nov. 30, 1958.
Lawrence Clayton.....	Boston	Feb. 14, 1947	Died Dec. 4, 1949.
Thomas B. McCabe.....	Philadelphia	Apr. 15, 1948	Resigned Mar. 31, 1951.
Edward L. Norton	Atlanta.....	Sept. 1, 1950	Resigned Jan. 31, 1952.
Oliver S. Powell	Minneapolis	do.....	Resigned June 30, 1952.
Wm. McC. Martin, Jr.	New York	April 2, 1951	Reappointed in 1956. Term expired Jan. 31, 1970.
A.L. Mills, Jr.	San Francisco	Feb. 18, 1952	Reappointed in 1958. Resigned Feb. 28, 1965.
J.L. Robertson	Kansas City	do.....	Reappointed in 1964. Resigned Apr. 30, 1973.
C. Canby Balderston	Philadelphia	Aug. 12, 1954	Served through Feb. 28, 1966.
Paul E. Miller.....	Minneapolis	Aug. 13, 1954	Died Oct. 21, 1954.
Chas. N. Shepardson.....	Dallas	Mar. 17, 1955	Retired Apr. 30, 1967.
G.H. King, Jr.	Atlanta.....	Mar. 25, 1959	Reappointed in 1960. Resigned Sept. 18, 1963.
George W. Mitchell.....	Chicago.....	Aug. 31, 1961	Reappointed in 1962. Served until Feb. 13, 1976. ³
J. Dewey Daane	Richmond	Nov. 29, 1963	Served until Mar. 8, 1974. ³

Name	Federal Reserve District	Date of initial oath of office	Other dates and information relating to membership ²
Sherman J. Maisel.....	San Francisco	Apr. 30, 1965	Served through May 31, 1972.
Andrew F. Brimmer	Philadelphia	Mar. 9, 1966	Resigned Aug. 31, 1974.
William W. Sherrill	Dallas	May 1, 1967	Reappointed in 1968. Resigned Nov. 15, 1971.
Arthur F. Burns.....	New York	Jan. 31, 1970	Term began Feb. 1, 1970. Resigned Mar. 31, 1978.
John E. Sheehan.....	St. Louis	Jan. 4, 1972	Resigned June 1, 1975.
Jeffrey M. Bucher	San Francisco	June 5, 1972	Resigned Jan. 2, 1976.
Robert C. Holland.....	Kansas City	June 11, 1973	Resigned May 15, 1976.
Henry C. Wallich.....	Boston	Mar. 8, 1974	Resigned Dec. 15, 1986.
Philip E. Coldwell.....	Dallas	Oct. 29, 1974	Served through Feb. 29, 1980.
Philip C. Jackson, Jr.....	Atlanta.....	July 14, 1975	Resigned Nov. 17, 1978.
J. Charles Partee.....	Richmond.....	Jan. 5, 1976	Served until Feb. 7, 1986. ³
Stephen S. Gardner.....	Philadelphia	Feb. 13, 1976	Died Nov. 19, 1978.
David M. Lilly.....	Minneapolis	June 1, 1976	Resigned Feb. 24, 1978.
G. William Miller.....	San Francisco	Mar. 8, 1978	Resigned Aug. 6, 1979.
Nancy H. Teeters	Chicago.....	Sept. 18, 1978	Served through June 27, 1984.
Emmett J. Rice.....	New York	June 20, 1979	Resigned Dec. 31, 1986.
Frederick H. Schultz	Atlanta.....	July 27, 1979	Served through Feb. 11, 1982.
Paul A. Volcker.....	Philadelphia	Aug. 6, 1979	Resigned August 11, 1987.
Lyle E. Gramley.....	Kansas City	May 28, 1980	Resigned Sept. 1, 1985.
Preston Martin	San Francisco	Mar. 31, 1982	Resigned April 30, 1986.
Martha R. Seger	Chicago.....	July 2, 1984	Resigned March 11, 1991
Wayne D. Angell	Kansas City	Feb. 7, 1986	
Manuel H. Johnson	Richmond.....	Feb. 7, 1986	Resigned August 3, 1990.
H. Robert Heller.....	San Francisco	Aug. 19, 1986	Resigned July 31, 1989.
Edward W. Kelley, Jr.....	Dallas	May 26, 1987	Reappointed in 1990.
Alan Greenspan.....	New York	Aug. 11, 1987	
John P. LaWare.....	Boston	Aug. 15, 1988	
David W. Mullins, Jr.....	St. Louis	May 21, 1990	
Lawrence B. Lindsey	Richmond.....	Nov. 26, 1991	
Susan M. Phillips.....	Chicago.....	Dec. 2, 1991	

Chairmen⁴

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

Vice Chairmen⁴

Frederic A. Delano.....	Aug. 10, 1914–Aug. 9, 1916
Paul M. Warburg.....	Aug. 10, 1916–Aug. 9, 1918
Albert Strauss.....	Oct. 26, 1918–Mar. 15, 1920
Edmund Platt	July 23, 1920–Sept. 14, 1930
J.J. Thomas.....	Aug. 21, 1934–Feb. 10, 1936
Ronald Ransom.....	Aug. 6, 1936–Dec. 2, 1947
C. Canby Balderston.....	Mar. 11, 1955–Feb. 28, 1966
J.L. Robertson.....	Mar. 1, 1966–Apr. 30, 1973
George W. Mitchell	May 1, 1973–Feb. 13, 1976
Stephen S. Gardner	Feb. 13, 1976–Nov. 19, 1978
Frederick H. Schultz	July 27, 1979–Feb. 11, 1982
Preston Martin.....	Mar. 31, 1982–Mar. 31, 1986
Manuel H. Johnson	Aug. 4, 1986–Aug. 3, 1990
David W. Mullins, Jr. ...	July 24, 1991–

*EX-OFFICIO MEMBERS¹**Secretaries of the Treasury*

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

Comptrollers of the Currency

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

1. Under the provisions of the original Federal Reserve Act, the Federal Reserve Board was composed of seven members, including five appointive members, the Secretary of the Treasury, who was ex-officio chairman of the Board, and the Comptroller of the Currency. The original term of office was ten years, and the five original appointive members had terms of two, four, six, eight, and ten years respectively. In 1922 the number of appointive members was increased to six, and in 1933 the term of office was increased to twelve years. The Banking Act of 1935, approved Aug. 23, 1935, changed the name of the Federal Reserve Board to the Board of Governors of the Federal Reserve System and provided that the Board should be

composed of seven appointive members; that the Secretary of the Treasury and the Comptroller of the Currency should continue to serve as members until Feb. 1, 1936, or until their successors were appointed and had qualified; and that thereafter the terms of members should be fourteen years and that the designation of Chairman and Vice Chairman of the Board should be for a term of four years.

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

3. Successor took office on this date.

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

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Guide to Tabular Presentation

SYMBOLS AND ABBREVIATIONS

c	Corrected	GNP	Gross national product
e	Estimated	HUD	Department of Housing and Urban Development
p	Preliminary	IMF	International Monetary Fund
r	Revised (Notation appears on column heading when about half of the figures in that column are changed.)	IO	Interest only
*	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)	IPCs	Individuals, partnerships, and corporations
0	Calculated to be zero	IRA	Individual retirement account
...	Cell not applicable	MMDA	Money market deposit account
ATS	Automatic transfer service	n.a.	Not available
CD	Certificate of deposit	n.e.c.	Not elsewhere classified
CMO	Collateralized mortgage obligation	NOW	Negotiable order of withdrawal
FFB	Federal Financing Bank	OCD	Other checkable deposit
FHA	Federal Housing Administration	OPEC	Organization of Petroleum Exporting Countries
FHLBB	Federal Home Loan Bank Board	OTS	Office of Thrift Supervision
FHLMC	Federal Home Loan Mortgage Corporation	PO	Principal only
FmHA	Farmers Home Administration	REIT	Real estate investment trust
FNMA	Federal National Mortgage Association	REMIC	Real estate mortgage investment conduit
FSLIC	Federal Savings and Loan Insurance Corporation	RP	Repurchase agreement
G-7	Group of Seven	RTC	Resolution Trust Corporation
G-10	Group of Ten	SAIF	Savings Association Insurance Fund
GNMA	Government National Mortgage Association	SCO	Securitized credit obligation
		SDR	Special drawing right
		SMSA	Standard metropolitan statistical area
		VA	Veterans Administration

GENERAL INFORMATION

In some of the tables, details do not add to totals because of rounding.

Minus signs are used to indicate (1) a decrease, (2) a negative figure, or (3) an outflow.

"U.S. government securities" may include guaranteed issues of U.S. government agencies (the flow of funds figures also

include not fully guaranteed issues) as well as direct obligations of the Treasury. "State and local government" also includes municipalities, special districts, and other political subdivisions.

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

Percent annual rate of change, seasonally adjusted¹

Monetary and credit aggregate	1990	1991			1991				
	Q4	Q1	Q2	Q3	June	July ^r	Aug. ^r	Sept.	Oct.
<i>Reserves of depository institutions²</i>									
1 Total.....	3.9	9.2	3.4	7.7	8.6	1.9	11.7	6.6	16.1
2 Required.....	1.7	4.7	9.3	8.3	9.4	4.5	7.5	10.5	12.7
3 Nonborrowed.....	7.8	9.1	3.8	4.7	7.8	-4.4	8.0	9.5	25.4
4 Monetary base ³	9.9	14.5	3.9	5.9	3.8	5.5	9.2	6.5	10.0
<i>Concepts of money, liquid assets, and debt⁴</i>									
5 M1.....	3.4	5.9	7.3	6.8 ^r	9.6	1.7	9.1	5.4 ^r	13.0
6 M2.....	2.0	3.4	4.8	-.4 ^r	1.7	-3.8	.0	-.1	3.0
7 M3.....	.9	4.0	1.8 ^r	-2.4 ^r	-2.1 ^r	-4.9	-.6	-1.9 ^r	1.9
8 L.....	1.8	3.3 ^r	-2.4	.5	5.8	1.1	-1.6	-2.0	n.a.
9 Debt.....	5.7	4.5	3.7	5.2 ^r	5.1	4.5	5.7	6.4	n.a.
<i>Nontransaction components</i>									
10 In M2 ⁵	1.5 ^r	2.6 ^r	3.9	-2.8 ^r	-.9 ^r	-5.6	-3.0	-2.0	-.4
11 In M3 only ⁶	-3.6	6.4 ^r	-10.5	-11.0 ^r	-18.5 ^r	-9.9	-3.5	-10.0 ^r	-3.0
<i>Time and savings deposits</i>									
<i>Commercial banks</i>									
12 Savings, including MMDAs.....	4.1	7.5	16.6 ^r	12.9	16.1 ^r	11.8	10.4	9.1 ^r	15.1
13 Small time ^{7,8,9}	11.5	8.8	-1.7	.8	1.0	-1.4	8.0	-.8 ^r	-7.5
14 Large time ^{8,9}	-8.5	12.0	.2	-8.6 ^r	-4.5 ^r	-13.0	-8.2	-16.0 ^r	-18.7
<i>Thrift institutions</i>									
15 Savings, including MMDAs.....	-7.3	-.7	18.4	9.7	11.7	10.0	2.6	5.6 ^r	9.2
16 Small time ^{7,8,9}	-8.6	-9.8	-13.7	-22.9 ^r	-26.5	-22.3	-28.5	-18.8 ^r	-22.7
17 Large time ^{8,9}	-26.3	-31.9	-35.1	-41.4	-42.4	-38.1	-47.9	-44.8	-46.5
<i>Money market mutual funds</i>									
18 General purpose and broker-dealer.....	9.8	18.2	6.7	-11.8	-2.6	-16.1	-22.0	-12.2	-4.1
19 Institution-only.....	30.4	49.9	23.0	.7	-23.8	-12.6	25.4	37.3	49.0
<i>Debt components⁴</i>									
20 Federal.....	11.6	12.0	5.7	13.6 ^r	14.9	11.8	16.1	13.5	n.a.
21 Nonfederal.....	3.8	2.1	3.0	2.4 ^r	2.0	2.1	2.2	4.0	n.a.

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

2. Figures incorporate adjustments for discontinuities associated with regulatory changes in reserve requirements. (See also table 1.20.)

3. Seasonally adjusted, break-adjusted monetary base consists of (1) seasonally adjusted, break-adjusted total reserves (line 1), plus (2) the seasonally adjusted currency component of the money stock, plus (3) (for all quarterly reporters on the "Report of Transaction Accounts, Other Deposits and Vault Cash" and for all weekly reporters whose vault cash exceeds their required reserves) the seasonally adjusted, break-adjusted difference between current vault cash and the amount applied to satisfy current reserve requirements.

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

M1: (1) currency outside the Treasury, Federal Reserve Banks, and the vaults of depository institutions; (2) travelers checks of nonbank issuers; (3) demand deposits at all commercial banks other than those due to depository institutions, the U.S. government, and foreign banks and official institutions, less cash items in the process of collection and Federal Reserve float; and (4) other checkable deposits (OCDs), consisting of negotiable order of withdrawal (NOW) and automatic transfer service (ATS) accounts at depository institutions, credit union share draft accounts, and demand deposits at thrift institutions. Seasonally adjusted M1 is computed by summing currency, travelers checks, demand deposits, and OCDs, each seasonally adjusted separately.

M2: M1 plus (1) overnight (and continuing-contract) repurchase agreements (RPs) issued by all depository institutions and overnight Eurodollars issued to U.S. residents by foreign branches of U.S. banks worldwide, (2) savings and small time deposits (time deposits—including retail repurchase agreements (RPs)—in amounts of less than \$100,000), and (3) balances in both taxable and tax-exempt general-purpose and broker-dealer money market funds. Excludes individual retirement accounts (IRAs) 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. Seasonally adjusted M2 is computed by adjusting its non-M1 component as a whole and then adding this result to seasonally adjusted M1.

M3: M2 plus (1) large time deposits and term RP liabilities (in amounts of \$100,000 or more) issued by all depository institutions, (2) 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 (3) balances in both taxable and tax-exempt, institution-only money market funds. Excludes amounts held by depository institutions, the U.S. government, money market funds, and foreign banks and official institutions. Also excluded is the estimated amount of overnight RPs and Eurodollars held by institution-only money market funds. Seasonally adjusted M3 is computed by adjusting its non-M2 component as a whole and then adding this result to seasonally adjusted M2.

L: M3 plus the nonbank public holdings of U.S. savings bonds, short-term Treasury securities, commercial paper, and bankers acceptances, net of money market fund holdings of these assets. Seasonally adjusted L is computed by summing U.S. savings bonds, short-term Treasury securities, commercial paper, and bankers acceptances, each seasonally adjusted separately, and then adding this result to M3.

Debt: 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. Data are derived from the Federal Reserve Board's flow of funds accounts. Data on debt of domestic nonfinancial sectors are monthly averages, derived by averaging adjacent month-end levels. Growth rates for debt reflect adjustments for discontinuities over time in the levels of debt presented in other tables.

5. Sum of (1) overnight RPs and Eurodollars, (2) money market fund balances (general purpose and broker-dealer), (3) MMDAs, and (4) savings and small time deposits.

6. Sum of (1) large time deposits, (2) term RPs, (3) term Eurodollars of U.S. residents, and (4) money market fund balances (institution-only), less (5) a consolidation adjustment that represents the estimated amount of overnight RPs and Eurodollars held by institution-only money market funds. This sum is seasonally adjusted as a whole.

7. Small time deposits—including retail RPs—are those issued in amounts of less than \$100,000. All IRA and Keogh account balances at commercial banks and thrift institutions are subtracted from small time deposits.

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

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

1.11 RESERVES OF DEPOSITORY INSTITUTIONS AND RESERVE BANK CREDIT ¹

Millions of dollars

Factor	Monthly averages of daily figures			Weekly averages of daily figures for week ending						
	1991			1991						
	Aug.	Sept.	Oct.	Sept. 18	Sept. 25	Oct. 2	Oct. 9	Oct. 16	Oct. 23	Oct. 30
SUPPLYING RESERVE FUNDS										
1 Reserve Bank credit outstanding	292,833	297,531	295,971	299,868	296,018	296,126	294,992	295,899	295,313	296,258
U.S. government securities ²										
2 Bought outright-system account	251,794	256,689	256,524	257,119	256,812	258,015	256,525	256,366	256,345	256,431
3 Held under repurchase agreements	543	2,099	401	3,561	873	0	0	531	0	0
Federal agency obligations										
4 Bought outright	6,159	6,155	6,148	6,154	6,154	6,154	6,154	6,150	6,146	6,140
5 Held under repurchase agreements	17	203	23	216	95	0	0	99	0	0
6 Acceptances	0	0	0	0	0	0	0	0	0	0
Loans to depository institutions										
7 Adjustment credit	205	57	38	42	39	52	11	100	24	16
8 Seasonal credit	332	285	210	270	301	291	243	213	207	175
9 Extended credit	297	309	9	550	81	1	5	8	15	12
10 Float	335	523	691	605	544	362	452	573	467	1,292
11 Other Federal Reserve assets	33,151	31,212	31,926	31,351	31,119	31,251	31,602	31,857	32,108	32,192
12 Gold stock	11,062	11,062	11,061	11,062	11,062	11,062	11,062	11,062	11,061	11,060
13 Special drawing rights certificate account	10,018	10,018	10,018	10,018	10,018	10,018	10,018	10,018	10,018	10,018
14 Treasury currency outstanding	20,810	20,866	20,914	20,865	20,877	20,889	20,903	20,917	20,931	20,945
ABSORBING RESERVE FUNDS										
15 Currency in circulation	293,864	294,675	295,745	294,984	293,697	293,582	294,984	296,584	296,354	295,474
16 Treasury cash holdings	610	607	617	611	607	607	607	610	624	626
Deposits, other than reserve balances, with Federal Reserve Banks										
17 Treasury	5,644	7,855	5,907	8,321	9,908	8,398	5,260	4,486	6,493	5,130
18 Foreign	233	254	222	268	217	255	240	214	196	231
19 Service-related balances and adjustments	3,307	3,328	3,456	3,249	3,372	3,380	3,430	3,338	3,467	3,606
20 Other	202	245	267	249	245	277	261	261	273	278
21 Other Federal Reserve liabilities and capital	8,282	8,656	8,692	8,637	8,534	8,926	9,229	8,514	8,362	8,522
22 Reserve balances with Federal Reserve Banks ²	22,580	23,855	23,058	25,495	21,395	22,671	22,964	23,889	21,555	24,414
End-of-month figures				Wednesday figures						
1991				1991						
SUPPLYING RESERVE FUNDS										
1 Reserve Bank credit outstanding	293,306	296,876	306,804	311,757	294,757	295,999	293,920	301,227	295,308	296,078
U.S. government securities ²										
2 Bought outright-system account	251,794	256,689	258,961	256,149	256,361	257,389	254,960	256,894	256,129	257,042
3 Held under repurchase agreements	0	0	8,714	15,116	0	0	0	3,718	0	0
Federal agency obligations										
4 Bought outright	6,159	6,154	6,140	6,154	6,154	6,154	6,154	6,150	6,140	6,140
5 Held under repurchase agreements	0	0	19	816	0	0	0	695	0	0
6 Acceptances	0	0	0	0	0	0	0	0	0	0
Loans to depository institutions										
7 Adjustment credit	97	38	30	177	52	28	17	216	20	16
8 Seasonal credit	305	276	123	292	302	265	223	214	197	156
9 Extended credit	443	0	0	548	0	2	8	9	18	1
10 Float	48	232	604	1,021	745	553	807	1,496	654	583
11 Other Federal Reserve assets	31,296	31,621	32,212	31,484	31,142	31,608	31,752	31,834	32,151	32,140
12 Gold stock	11,062	11,062	11,059	11,062	11,062	11,062	11,062	11,061	11,061	11,060
13 Special drawing rights certificate account	10,018	10,018	10,018	10,018	10,018	10,018	10,018	10,018	10,018	10,018
14 Treasury currency outstanding	20,833	20,889	20,940	20,865	20,877	20,889	20,903	20,917	20,931	20,945
ABSORBING RESERVE FUNDS										
15 Currency in circulation	294,884	293,512	296,522	294,516	293,422	294,144	295,786	297,019	296,013	295,899
16 Treasury cash holdings	605	607	631	607	607	607	607	623	626	630
Deposits, other than reserve balances, with Federal Reserve Banks										
17 Treasury	6,745	7,928	18,111	12,774	5,324	7,896	4,963	5,356	6,269	4,566
18 Foreign	256	385	223	229	243	217	192	220	209	339
19 Service-related balances and adjustments	3,412	3,380	3,504	3,249	3,372	3,380	3,430	3,338	3,467	3,606
20 Other	219	283	213	259	285	280	249	258	282	220
21 Other Federal Reserve liabilities and capital	8,729	9,522	8,354	8,379	8,289	9,148	8,394	8,211	8,181	8,337
22 Reserve balances with Federal Reserve Banks ²	20,370	23,229	21,264	33,689	25,172	22,296	22,283	28,199	22,271	24,504

1. For amounts of cash held as reserves, see table 1.12. Components may not sum to totals because of rounding.

2. 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.

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

1.12 RESERVES AND BORROWINGS Depository Institutions¹

Millions of dollars

Reserve classification	Prorated monthly averages of biweekly averages									
	1988	1989	1990	1991						
	Dec.	Dec.	Dec.	Apr.	May	June	July	Aug.	Sept.	Oct.
1 Reserve balances with Reserve Banks ²	37,837	35,436	30,237	23,508	22,287	23,685	23,271	22,810	23,447	23,199
2 Total vault cash ³	28,204	29,822	31,777	30,556	30,720	30,524	31,322	31,779	31,549	32,305
3 Applied vault cash ⁴	25,909	27,374	28,884	26,793	26,776	26,722	27,389	27,798	27,680	28,386
4 Surplus vault cash ⁵	2,295	2,448	2,893	3,764	3,944	3,801	3,933	3,981	3,869	3,919
5 Total reserves ⁶	63,746	62,810	59,120	50,301	49,063	50,407	50,660	50,607	51,127	51,585
6 Required reserves	62,699	61,887	57,456	49,270	48,033	49,399	49,754	49,521	50,198	50,499
7 Excess reserve balances at Reserve Banks ⁷	1,047	923	1,664	1,031	1,030	1,008	906	1,086	929	1,086
8 Total borrowings at Reserve Banks ⁸	1,716	265	326	231	303	340	607	764	645	261
9 Seasonal borrowings	130	84	76	79	151	222	317	331	287	211
10 Extended credit ⁹	1,244	20	23	86	88	8	46	300	302	12
Biweekly averages of daily figures for weeks ending										
	1991									
	July 10	July 24	Aug. 7	Aug. 21	Sept. 4	Sept. 18	Oct. 2 ¹	Oct. 16	Oct. 30	Nov. 13
1 Reserve balances with Reserve Banks ²	23,853	22,977	23,029	22,508	23,077	24,771	22,024	23,418	22,984	25,493
2 Total vault cash ³	31,327	31,351	31,257	32,499	31,137	31,015	32,310	32,333	32,381	30,841
3 Applied vault cash ⁴	27,404	27,456	27,234	28,469	27,254	27,408	28,141	28,506	28,377	27,325
4 Surplus vault cash ⁵	3,923	3,895	4,023	4,030	3,883	3,608	4,169	3,827	4,004	3,516
5 Total reserves ⁶	51,256	50,433	50,262	50,977	50,331	52,179	50,165	51,924	51,361	52,818
6 Required reserves	50,375	49,492	49,393	49,917	49,058	51,447	49,122	50,908	50,188	51,904
7 Excess reserve balances at Reserve Banks ⁷	882	941	870	1,061	1,273	732	1,044	1,016	1,173	914
8 Total borrowings at Reserve Banks ⁸	601	469	892	679	795	828	383	290	225	114
9 Seasonal borrowings	290	320	351	330	320	269	296	228	191	98
10 Extended credit ⁹	5	4	188	281	406	496	41	7	14	2

1. Data in this table also appear in the Board's H.3 (502) weekly statistical release. For ordering address, see inside front cover. Components may not sum to totals because of rounding.

2. Excludes required clearing balances and adjustments to compensate for float and includes other off-balance-sheet "as-of" adjustments.

3. Total "lagged" vault cash held by depository institutions subject to reserve requirements. Dates refer to the maintenance periods during which the vault cash can be used to satisfy reserve requirements. Under contemporaneous reserve requirements, maintenance periods end thirty days after the lagged computation periods during which the balances are held.

4. All vault cash held during the lagged computation period by "bound" institutions (that is, those whose required reserves exceed their vault cash) plus the amount of vault cash applied during the maintenance period by "nonbound"

institutions (that is, those whose vault cash exceeds their required reserves) to satisfy current reserve requirements.

5. Total vault cash (line 2) less applied vault cash (line 3).

6. Reserve balances with Federal Reserve Banks (line 1) plus applied vault cash (line 3).

7. Total reserves (line 5) less required reserves (line 6).

8. Also includes adjustment credit.

9. 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.

1.13 SELECTED BORROWINGS IN IMMEDIATELY AVAILABLE FUNDS Large Banks¹

Millions of dollars, averages of daily figures

Source and maturity	1991, week ending Monday								
	Apr. 15	Apr. 22	Apr. 29	May 6	May 13	May 20	May 27	June 3	June 10
<i>Federal funds purchased, repurchase agreements, and other selected borrowings</i>									
From commercial banks in the United States									
1 For one day or under continuing contract	80,513	73,405	67,102	75,412	74,532	74,706	67,945	77,969	79,824
2 For all other maturities	15,935	15,363	15,092	15,405	15,510	15,345	15,959	16,406	16,378
From other depository institutions, foreign banks and official institutions, and U.S. government agencies									
3 For one day or under continuing contract	28,875	28,319	30,267	30,603	31,584	33,895	32,560	32,237	29,605
4 For all other maturities	21,869	20,716	20,308	19,680	20,518	22,243	22,780	21,602	22,362
<i>Repurchase agreements on U.S. government and federal agency securities</i>									
Brokers and nonbank dealers in securities									
5 For one day or under continuing contract	10,730	10,097	9,754	10,683	10,530	12,709	11,848	11,754	11,261
6 For all other maturities	19,320	18,400	18,149	17,824	17,484	16,970	16,969	16,935	17,975
All other customers									
7 For one day or under continuing contract	24,029	23,555	23,289	23,560	22,794	24,457	24,252	23,764	22,568
8 For all other maturities	11,167	10,924	11,846	11,698	11,481	10,868	11,268	11,081	11,068
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	43,902	40,273	36,352	44,445	39,324	40,629	38,429	49,608	45,070
10 To all other specified customers ²	20,559	17,148	15,832	16,094	14,803	15,617	15,271	17,298	17,507

1. Banks with assets of \$4 billion or more as of Dec. 31, 1988.
Data in this table also appear in the Board's H.5 (507) weekly statistical release.
For ordering address, see inside front cover.

2. Brokers and nonbank dealers in securities, other depository institutions, foreign banks and official institutions, and U.S. government agencies.

1.14 FEDERAL RESERVE BANK INTEREST RATES

Percent per year

Federal Reserve Bank	Current and previous levels									
	Adjustment credit and seasonal credit ¹			Extended credit ²						
				First 30 days of borrowing			After 30 days of borrowing ³			
	On 11/29/91	Effective date	Previous rate	On 11/29/91	Effective date	Previous rate	On 11/29/91	Effective date	Previous rate	Effective date
Boston.....	4.5	11/6/91	5	4.5	11/6/91	5	5.35	11/29/91	5.45	11/14/91
New York.....		11/6/91			11/6/91			11/29/91		11/14/91
Philadelphia.....		11/6/91			11/6/91			11/29/91		11/14/91
Cleveland.....		11/6/91			11/6/91			11/29/91		11/14/91
Richmond.....		11/6/91			11/6/91			11/29/91		11/14/91
Atlanta.....		11/6/91			11/6/91			11/29/91		11/14/91
Chicago.....		11/6/91			11/6/91			11/29/91		11/14/91
St. Louis.....		11/7/91			11/7/91			11/29/91		11/14/91
Minneapolis.....		11/6/91			11/6/91			11/29/91		11/14/91
Kansas City.....		11/6/91			11/6/91			11/29/91		11/14/91
Dallas.....		11/6/91			11/6/91			11/29/91		11/14/91
San Francisco.....	4.5	11/6/91	5	4.5	11/6/91	5	5.35	11/29/91	5.45	11/14/91

Range of rates for adjustment credit in recent years⁴

Effective date	Range (or level)—All F.R. Banks	F.R. Bank of N.Y.	Effective date	Range (or level)—All F.R. Banks	F.R. Bank of N.Y.	Effective date	Range (or level)—All F.R. Banks	F.R. Bank of N.Y.
In effect Dec. 31, 1977.....	6	6	1981—May 5.....	13–14	14	1986—Mar. 7.....	7–7.5	7
1978—Jan. 9.....	6–6.5	6.5	8.....	14	14	10.....	7	7
20.....	6.5	6.5	Nov. 2.....	13–14	13	Apr. 21.....	6.5–7	6.5
May 11.....	6.5–7	7	6.....	13	13	July 11.....	6	6
12.....	7	7	Dec. 4.....	12	12	Aug. 21.....	5.5–6	5.5
July 3.....	7–7.25	7.25				22.....	5.5	5.5
10.....	7.25	7.25	1982—July 20.....	11.5–12	11.5			
Aug. 21.....	7.75	7.75	23.....	11.5	11.5	1987—Sept. 4.....	5.5–6	6
Sept. 22.....	8	8	Aug. 2.....	11–11.5	11	11.....	6	6
Oct. 16.....	8–8.5	8.5	3.....	11	11			
20.....	8.5	8.5	16.....	10.5	10.5	1988—Aug. 9.....	6–6.5	6.5
Nov. 1.....	8.5–9.5	9.5	27.....	10–10.5	10	11.....	6.5	6.5
3.....	9.5	9.5	Oct. 30.....	10	10			
1979—July 20.....	10	10	12.....	9.5–10	9.5	1989—Feb. 24.....	6.5–7	7
Aug. 17.....	10–10.5	10.5	13.....	9.5	9.5	27.....	7	7
20.....	10.5	10.5	Nov. 22.....	9–9.5	9			
Sept. 19.....	10.5–11	11	26.....	9	9	1990—Dec. 19.....	6.5	6.5
21.....	11	11	Dec. 14.....	8.5–9	9			
Oct. 8.....	11–12	12	15.....	8.5–9	8.5	1991—Feb. 1.....	6–6.5	6
10.....	12	12	17.....	8.5	8.5	4.....	6	6
1980—Feb. 15.....	12–13	13	1984—Apr. 9.....	8.5–9	9	Apr. 30.....	5.5–6	5.5
19.....	13	13	13.....	9	9	May 2.....	5.5	5.5
May 29.....	12–13	13	Nov. 21.....	8.5–9	8.5	Sept. 13.....	5–5.5	5
30.....	12	12	26.....	8.5	8.5	17.....	5	5
June 13.....	11–12	11	Dec. 24.....	8	8	Nov. 6.....	4.5–5	4.5
16.....	11	11				Nov. 7.....	4.5	4.5
29.....	10	10	1985—May 20.....	7.5–8	7.5			
July 28.....	10–11	10	24.....	7.5	7.5	In effect Nov. 29, 1991.....	4.5	4.5
Sept. 26.....	11	11						
Nov. 17.....	12	12						
Dec. 5.....	12–13	13						

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. 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.

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

3. For extended-credit loans outstanding more than thirty days, a flexible rate somewhat above rates on market sources of funds ordinarily is charged, but in no case is the rate charged less than the basic discount rate plus 50 basis points. The

flexible rate is reestablished on the first business day of each two-week reserve maintenance period. At the discretion of the Federal Reserve Bank, the time period for which the basic discount rate is applied may be shortened.

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

In 1980 and 1981, the Federal Reserve applied a surcharge to short-term adjustment-credit borrowings by institutions with deposits of \$500 million or more that had borrowed in successive weeks or in more than four weeks in a calendar quarter. A 3 percent surcharge was in effect from Mar. 17, 1980, through May 7, 1980. 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 thirteen week period. The surcharge was eliminated on Nov. 17, 1981.

1.15 RESERVE REQUIREMENTS OF DEPOSITORY INSTITUTIONS¹

Type of deposit ²	Requirements	
	Percent of deposits	Effective date
<i>Net transaction accounts</i> ³		
1 \$0 million–\$42.2 million.....	3	12/17/91
2 More than \$42.2 million.....	12	12/17/91
3 Nonpersonal time deposits ⁴	0	12/27/90
4 Eurocurrency liabilities ⁵	0	12/27/90

1. Required reserves must be held in the form of deposits with Federal Reserve Banks or vault cash. Nonmember institutions may maintain reserve balances with a Federal Reserve Bank indirectly on a pass-through basis with certain approved institutions. For previous reserve requirements, see earlier editions of the *Annual Report* or the *Federal Reserve Bulletin*. Under 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 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. 17, 1991, the exemption was raised from \$3.4 million to \$3.6 million. The exemption applies in the following order: (1) net negotiable order of withdrawal (NOW) accounts (NOW accounts less allowable deductions); and (2) net other transaction accounts. The exemption applies only to accounts that would be subject to a 3 percent reserve requirement.

3. Transaction accounts include all deposits against 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, money market deposit accounts (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 may be checks, are not transaction accounts (such accounts are savings deposits).

The Monetary Control Act of 1980 requires that the amount of transaction accounts against which the 3 percent reserve requirement applies be modified annually by 80 percent of the percentage change in transaction accounts held by all depository institutions, determined as of June 30 each year. Effective Dec. 17, 1991, for institutions reporting quarterly, and Dec. 24, 1991, for institutions reporting weekly, the amount was increased from \$41.1 million to \$42.2 million.

4. For institutions that report weekly, the reserve requirement on nonpersonal time deposits with an original maturity of less than 1½ years was reduced from 3 percent to 1½ percent for the maintenance period that began Dec. 13, 1990, and to zero for the maintenance period that began Dec. 27, 1990. The reserve requirement on nonpersonal time deposits with an original maturity of 1½ years or more has been zero since Oct. 6, 1983.

For institutions that report quarterly, the reserve requirement on nonpersonal time deposits with an original maturity of less than 1½ years was reduced from 3 percent to zero on Jan. 17, 1991.

5. The reserve requirement on Eurocurrency liabilities was reduced from 3 percent to zero in the same manner and on the same dates as were the reserve requirement on nonpersonal time deposits with an original maturity of less than 1½ years (see note 4).

1.17 FEDERAL RESERVE OPEN MARKET TRANSACTIONS¹

Millions of dollars

Type of transaction		1988	1989	1990	1991						
					Mar.	Apr.	May	June	July	Aug.	Sept.
U.S. TREASURY SECURITIES											
Outright transactions (excluding matched transactions)											
Treasury bills											
1	Gross purchases	8,223	14,284	24,739	313	908	3,411	37	1,359	5,776	529
2	Gross sales	587	12,818	7,291	0	0	0	0	0	0	0
3	Exchanges	241,876	231,211	241,086	18,808	21,981	27,548	19,680	22,280	28,009	19,508
4	Redemptions	2,200	12,730	4,400	0	0	0	0	0	0	0
Others within one year											
5	Gross purchases	2,176	327	425	700	700	200	0	625	340	200
6	Gross sales	0	0	0	0	0	0	0	0	0	0
7	Maturity shifts	23,854	28,848	25,638	413	4,324	5,175	0	1,478	3,425	1,131
8	Exchanges	-24,588	-25,783	-27,424	-1,877	-993	-4,887	0	-3,136	-2,443	-2,202
9	Redemptions	0	500	0	0	0	0	0	0	0	0
One to five years											
10	Gross purchases	5,485	1,436	250	2,950	550	0	0	0	0	650
11	Gross sales	800	490	200	0	0	0	0	0	0	0
12	Maturity shifts	-17,720	-25,534	-21,770	-213	-4,214	-3,410	0	-1,192	-3,425	-1,131
13	Exchanges	22,515	23,250	25,410	1,877	777	4,287	0	2,601	1,993	2,202
Five to ten years											
14	Gross purchases	1,579	287	0	50	0	0	0	0	0	0
15	Gross sales	175	29	100	0	0	0	0	0	0	0
16	Maturity shifts	-5,946	-2,231	-2,186	-200	-110	-1,605	0	-286	688	0
17	Exchanges	1,797	1,934	789	0	216	400	0	534	300	0
More than ten years											
18	Gross purchases	1,398	284	0	0	0	0	0	0	0	0
19	Gross sales	0	0	0	0	0	0	0	0	0	0
20	Maturity shifts	-188	-1,086	-1,681	0	0	-160	0	0	-688	0
21	Exchanges	275	600	1,226	0	0	200	0	0	150	0
All maturities											
22	Gross purchases	18,863	16,617	25,414	4,013	2,158	3,611	37	1,984	6,116	1,379
23	Gross sales	1,562	13,337	7,591	0	0	0	0	0	0	0
24	Redemptions	2,200	13,230	4,400	0	0	0	0	0	0	0
Matched transactions											
25	Gross sales	1,168,484	1,323,480	1,369,052	151,096	185,662	147,796	118,903	120,292	112,414	116,266
26	Gross purchases	1,168,142	1,326,542	1,363,434	151,412	187,032	147,803	118,239	121,803	110,280	118,481
Repurchase agreements ²											
27	Gross purchases	152,613	129,518	219,632	23,821	16,173	9,241	9,440	35,149	16,847	40,447
28	Gross sales	151,497	132,688	202,551	38,589	16,173	9,241	8,478	36,111	16,847	40,447
29	Net change in U.S. government securities	15,872	-10,055	24,886	-10,439	3,528	3,618	335	2,532	3,981	3,595
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	5
32	Redemptions	587	442	183	0	91	0	0	55	0	0
Repurchase agreements ²											
33	Gross purchases	57,259	38,835	41,836	2,518	640	885	1,225	3,245	537	3,061
34	Gross sales	56,471	40,411	40,461	3,784	640	885	748	3,722	537	3,061
35	Net change in federal agency obligations	198	-2,018	1,192	-1,266	-91	0	477	-532	0	-5
36	Total net change in System Open Market Account	16,070	-12,073	26,078	-11,705	3,437	3,618	812	2,000	3,981	3,590

1. Sales, redemptions, and negative figures reduce holdings of the System Open Market Account; all other figures increase such holdings. Details may not sum 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 Statements¹

Millions of dollars

Account	Wednesday					End of month		
	1991					1991		
	Oct. 2	Oct. 9	Oct. 16	Oct. 23	Oct. 30	Aug. 30	Sept. 30	Oct. 31
Consolidated condition statement								
ASSETS								
1 Gold certificate account	11,062	11,062	11,061	11,061	11,060	11,062	11,062	11,059
2 Special drawing rights certificate account	10,018	10,018	10,018	10,018	10,018	10,018	10,018	10,018
3 Coin	582	587	589	584	585	555	579	579
<i>Loans</i>								
4 To depository institutions	295	247	439	234	172	844	315	153
5 Other	0	0	0	0	0	0	0	0
6 Acceptances held under repurchase agreements	0	0	0	0	0	0	0	0
<i>Federal agency obligations</i>								
7 Bought outright	6,154	6,154	6,150	6,140	6,140	6,159	6,154	6,140
8 Held under repurchase agreements	0	0	695	0	0	0	0	19
9 Total U.S. Treasury securities	257,389	254,960	260,612	256,129	257,042	254,959	258,554	267,675
10 Bought outright ²	257,389	254,960	256,894	256,129	257,042	254,959	258,554	258,961
11 Bills	127,404	124,975	126,910	126,144	127,058	125,824	128,569	128,976
12 Notes	98,372	98,372	98,372	98,372	98,372	97,522	98,372	98,372
13 Bonds	31,613	31,613	31,613	31,613	31,613	31,613	31,613	31,613
14 Held under repurchase agreements	0	0	3,718	0	0	0	0	8,714
15 Total loans and securities	263,837	261,361	267,897	262,503	263,355	261,962	265,022	273,987
16 Items in process of collection	6,176	5,414	10,343	5,385	5,256	4,832	2,591	4,949
17 Bank premises	953	957	957	961	965	950	953	965
<i>Other assets</i>								
18 Denominated in foreign currencies ³	25,943	25,959	26,020	26,040	25,758	25,661	25,939	25,557
19 All other ⁴	5,270	5,491	5,546	5,738	5,894	4,723	5,473	6,243
20 Total assets	323,841	320,848	332,431	322,290	322,891	319,763	321,636	333,357
LIABILITIES								
21 Federal Reserve notes	274,444	276,077	277,315	276,291	276,170	275,210	273,809	276,792
22 Total deposits	34,920	31,806	38,292	33,154	33,903	31,200	36,000	44,061
23 Depository institutions	26,527	26,403	32,458	26,393	28,778	23,962	27,404	25,513
24 U.S. Treasury—General account	7,896	4,963	5,356	6,269	4,566	6,745	7,928	18,111
25 Foreign—Official accounts	217	192	220	209	339	256	385	223
26 Other	280	249	258	282	220	236	283	213
27 Deferred credit items	5,329	4,570	8,614	4,663	4,481	4,624	2,306	4,151
28 Other liabilities and accrued dividends ⁵	2,860	2,837	2,676	2,637	2,774	2,977	2,902	2,912
29 Total liabilities	317,553	315,291	326,897	316,746	317,327	314,012	315,016	327,915
CAPITAL ACCOUNTS								
30 Capital paid in	2,568	2,569	2,569	2,571	2,606	2,569	2,565	2,606
31 Surplus	2,423	2,423	2,423	2,423	2,423	2,423	2,423	2,413
32 Other capital accounts	1,297	565	543	550	535	759	1,632	423
33 Total liabilities and capital accounts	323,841	320,848	332,431	322,290	322,891	319,763	321,636	333,357
34 MEMO: Marketable U.S. Treasury securities held in custody for foreign and international accounts	246,344	246,271	244,151	246,212	245,777	250,886	250,232	252,020
Federal Reserve note statement								
35 Federal Reserve notes outstanding (issued to Bank)	365,871	366,079	366,834	367,503	368,290	353,213	366,144	368,108
36 Less: Held by Federal Reserve Bank	91,427	90,002	89,519	91,212	92,120	78,003	92,335	91,316
37 Federal Reserve notes, net	274,444	276,077	277,315	276,291	276,170	275,210	273,809	276,792
<i>Collateral held against notes, net:</i>								
38 Gold certificate account	11,062	11,062	11,061	11,061	11,060	11,062	11,062	11,059
39 Special drawing rights certificate account	10,018	10,018	10,018	10,018	10,018	10,018	10,018	10,018
40 Other eligible assets	0	0	0	0	0	0	0	0
41 U.S. Treasury and agency securities	253,364	254,997	256,236	255,212	255,092	254,130	252,729	255,715
42 Total collateral	274,444	276,077	277,315	276,291	276,170	275,210	273,809	276,792

1. Some of the data in this table also appear in the Board's H.4.1 (503) weekly statistical release. For ordering address, see inside front cover. Components may not sum to totals because of rounding.

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

3. Valued monthly at market exchange rates.

4. Includes special investment account at the Federal Reserve Bank of Chicago in Treasury bills maturing within ninety days.

5. Includes exchange-translation account reflecting the monthly revaluation at market exchange rates of foreign-exchange commitments.

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1.19 FEDERAL RESERVE BANKS Maturity Distribution of Loan and Security Holding ¹

Millions of dollars

Type and maturity grouping	Wednesday					End of month		
	1991					1991		
	Oct. 2	Oct. 9	Oct. 16	Oct. 23	Oct. 30	Aug. 30	Sept. 30	Oct. 31
1 Total loans	295	247	439	234	172	844	315	153
2 Within fifteen days	104	95	378	211	143	659	163	72
3 Sixteen days to ninety days	191	152	61	23	29	185	152	82
4 Ninety-one days to one year	0	0	0	0	0	0	0	0
5 Total acceptances	0	0	0	0	0	0	0	0
6 Within fifteen days	0	0	0	0	0	0	0	0
7 Sixteen days to ninety days	0	0	0	0	0	0	0	0
8 Ninety-one days to one year	0	0	0	0	0	0	0	0
9 Total U.S. Treasury securities	257,389	254,960	260,612	256,129	257,042	254,959	258,554	258,961
10 Within fifteen days ²	8,499	8,573	15,823	11,883	10,669	3,393	5,257	6,709
11 Sixteen days to ninety days	63,741	61,365	59,923	62,985	62,862	59,957	65,857	61,051
12 Ninety-one days to one year	86,487	86,360	85,956	82,350	84,600	92,762	88,778	91,443
13 One year to five years	60,664	60,664	60,692	60,692	60,692	60,848	60,664	61,539
14 Five years to ten years	13,820	13,820	14,042	14,042	14,042	13,820	13,820	14,042
15 More than ten years	24,178	24,178	24,178	24,178	24,178	24,178	24,178	24,178
16 Total Federal agency obligations	6,154	6,154	6,845	6,140	6,140	6,159	6,154	6,140
17 Within fifteen days ²	103	114	748	142	158	328	283	158
18 Sixteen days to ninety days	669	834	816	752	759	660	669	759
19 Ninety-one days to one year	1,659	1,484	1,463	1,428	1,431	1,401	1,479	1,431
20 One year to five years	2,485	2,485	2,580	2,630	2,605	2,553	2,485	2,605
21 Five years to ten years	1,050	1,050	1,050	1,000	1,000	1,029	1,050	1,000
22 More than ten years	188	188	188	188	188	188	188	188

1. Components may not sum to totals because of rounding.

2. Holdings under repurchase agreements are classified as maturing within

fifteen days in accordance with the maximum possible maturity of the agreements.

1.20 AGGREGATE RESERVES OF DEPOSITORY INSTITUTIONS AND MONETARY BASE¹

Billions of dollars, averages of daily figures

Item	1987 Dec.	1988 Dec.	1989 Dec.	1990 Dec.	1991								
					Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	
ADJUSTED FOR CHANGES IN RESERVE REQUIREMENTS ²	Seasonally adjusted												
	1 Total reserves ³	45.81	47.60	47.73	49.10	49.57	49.39	50.07	50.43	50.51	51.00	51.28	51.97
	2 Nonborrowed reserves ⁴	45.03	45.88	47.46	48.78	49.32	49.16	49.77	50.09	49.90	50.24	50.64	51.71
	3 Nonborrowed reserves plus extended credit ⁵	45.52	47.12	47.48	48.80	49.38	49.25	49.85	50.10	49.95	50.54	50.94	51.72
	4 Required reserves	44.77	46.55	46.81	47.44	48.39	48.36	49.04	49.42	49.60	49.92	50.35	50.88
	5 Monetary base ⁶	246.28	263.46	274.17	299.78	310.98	310.60	311.48	312.47	313.91	316.31	318.02	320.67
	Not seasonally adjusted												
	6 Total reserves ⁷	47.04	49.00	49.18	50.58	48.59	50.30	49.06	50.41	50.66	50.61	51.13	51.58
	7 Nonborrowed reserves	46.26	47.29	48.91	50.25	48.34	50.07	48.76	50.07	50.05	49.84	50.48	51.32
	8 Nonborrowed reserves plus extended credit ⁸	46.75	48.53	48.93	50.28	48.40	50.16	48.85	50.07	50.10	50.14	50.78	51.34
	9 Required reserves ⁹	46.00	47.96	48.26	48.91	47.41	49.27	48.03	49.40	49.75	49.52	50.20	50.50
	10 Monetary base ¹⁰	249.93	267.46	278.30	304.04	308.19	310.86	311.02	314.06	316.21	316.76	317.38 ^f	319.27
	NOT ADJUSTED FOR CHANGES IN RESERVE REQUIREMENTS ¹⁰												
11 Total reserves ¹¹	62.14	63.75	62.81	59.12	48.59	50.30	49.06	50.41	50.66	50.61	51.13	51.59	
12 Nonborrowed reserves	61.36	62.03	62.54	58.79	48.35	50.07	48.76	50.07	50.05	49.84	50.48	51.32	
13 Nonborrowed reserves plus extended credit ¹³	61.85	63.27	62.56	58.82	48.40	50.16	48.85	50.08	50.10	50.14	50.78	51.34	
14 Required reserves	61.09	62.70	61.89	57.46	47.41	49.27	48.03	49.40	49.75	49.52	50.20	50.50	
15 Monetary base ¹⁵	266.06	283.00	292.55	313.70	311.04	313.95	314.25	317.25	319.46	320.07	320.70 ^f	322.73	
16 Excess reserves ¹⁶	1.05	1.05	.92	1.66	1.18	1.03	1.03	1.01	.91	1.09	.93	1.09	
17 Borrowings from the Federal Reserve	.78	1.72	.27	.33	.24	.23	.30	.34	.61	.76	.65	.26	

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

2. Figures reflect adjustments for discontinuities, or "breaks," associated with regulatory changes in reserve requirements.

3. Seasonally adjusted, break-adjusted total reserves equal seasonally adjusted, break-adjusted required reserves (line 4) plus excess reserves (line 16).

4. Seasonally adjusted, break-adjusted nonborrowed reserves equal seasonally adjusted, break-adjusted total reserves (line 1) less total borrowings of depository institutions from the Federal Reserve (line 17).

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

6. The seasonally adjusted, break-adjusted monetary base consists of (1) seasonally adjusted, break-adjusted total reserves (line 1), plus (2) the seasonally adjusted currency component of the money stock, plus (3) (for all quarterly reporters on the "Report of Transaction Accounts, Other Deposits and Vault Cash" and for all those weekly reporters whose vault cash exceeds their required reserves) the seasonally adjusted, break-adjusted difference between current vault cash and the amount applied to satisfy current reserve requirements.

7. Break-adjusted total reserves equal break-adjusted required reserves (line 9) plus excess reserves (line 16).

8. To adjust required reserves for discontinuities that are due to regulatory

changes in reserve requirements, a multiplicative procedure is used to estimate what required reserves would have been in past periods had current reserve requirements been in effect. Break-adjusted required reserves include required reserves against transactions deposits and nonpersonal time and savings deposits (but not reservable nondeposit liabilities).

9. The break-adjusted monetary base equals (1) break-adjusted total reserves (line 6), plus (2) the (unadjusted) currency component of the money stock, plus (3) (for all quarterly reporters on the "Report of Transaction Accounts, Other Deposits and Vault Cash" and for all weekly reporters whose vault cash exceeds their required reserves) the break-adjusted difference between current vault cash and the amount applied to satisfy current reserve requirements.

10. Reflects actual reserve requirements, including those on nondeposit liabilities, with no adjustments to eliminate the effects of discontinuities associated with changes in reserve requirements.

11. Reserve balances with Federal Reserve Banks plus vault cash used to satisfy reserve requirements.

12. The monetary base, not break-adjusted and not seasonally adjusted, consists of (1) total reserves (line 11), plus (2) required clearing balances and adjustments to compensate for float at Federal Reserve Banks, plus (3) the currency component of the money stock, plus (4) (for all quarterly reporters on the "Report of Transaction Accounts, Other Deposits and Vault Cash" and for all those weekly reporters whose vault cash exceeds their required reserves) the difference between current vault cash and the amount applied to satisfy current reserve requirements. Since the introduction of changes in reserve requirements (CRR), currency and vault cash figures have been measured over the computation periods ending on Mondays.

13. Unadjusted total reserves (line 11) less unadjusted required reserves (line 14).

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1.21 MONEY STOCK, LIQUID ASSETS, AND DEBT MEASURES¹

Billions of dollars, averages of daily figures

Item	1987 Dec.	1988 Dec.	1989 Dec.	1990 Dec.	1991			
					July	Aug.	Sept.	Oct.
	Seasonally adjusted							
Measures ²								
1 M1	749.7	786.4	793.6	825.4	859.6	866.1	870.0	879.4
2 M2	2,910.1	3,069.9	3,223.1	3,327.8 ^f	3,390.5	3,390.6	3,390.3	3,398.8
3 M3	3,677.4	3,919.1	4,055.2	4,111.2 ^f	4,148.5	4,146.5	4,139.9	4,146.4
4 L	4,337.0	4,676.0	4,889.9	4,966.6 ^f	4,984.8	4,978.3	4,970.1	n.a.
5 Debt	8,345.1	9,107.6	9,790.4	10,434.0	10,688.6	10,739.5	10,796.8	n.a.
M1 components								
6 Currency	196.8	212.0	222.2	246.4	258.9	260.8	262.4	264.5
7 Travelers checks ³	7.0	7.5	7.4	8.4	7.7	7.7	7.8	7.9
8 Demand deposits ⁵	286.5	286.3	278.7	276.9	278.9	279.8	279.4	282.6
9 Other checkable deposits ⁶	259.3	280.7	285.2	293.8	314.0	317.8	320.5	324.4
Nontransaction components								
10 In M2 ²	2,160.4	2,283.5	2,429.5	2,502.4 ^f	2,530.9	2,524.5	2,520.2	2,519.4
11 In M3 ⁶	767.3	849.3	832.1	783.4 ^f	758.1	755.9	749.6	747.7
Commercial banks								
12 Savings deposits, including MMDAs	534.8	542.2	540.7	577.7	625.6	631.0	635.8	643.8
13 Small time deposits ⁹	388.0	447.5	531.4	598.1	601.0	605.0	604.6	600.8
14 Large time deposits ^{10, 11}	326.6	368.0	401.9	386.1	393.5	390.8	385.6	379.6
Thrift institutions								
15 Savings deposits, including MMDAs	402.3	383.5	349.5	339.0	364.4	365.2	366.9	369.7
16 Small time deposits ⁹	529.7	584.3	614.5	566.1	517.6	505.3	497.4	488.0
17 Large time deposits ¹⁰	162.6	174.3	161.6	121.0	97.7	93.8	90.3	86.8
Money market mutual funds								
18 General purpose and broker-dealer	221.7	241.1	313.6	345.4	359.4	352.8	349.2	348.0
19 Institution-only	88.9	86.9	101.9	125.7	141.8	144.8	149.3	155.4
Debt components								
20 Federal debt	1,957.9	2,114.2	2,268.1	2,534.3	2,672.1	2,708.0	2,738.5	n.a.
21 Nonfederal debt	6,387.2	6,993.4	7,522.3	7,899.7	8,016.5	8,031.5	8,058.3	n.a.
	Not seasonally adjusted							
Measures ²								
22 M1	766.2	804.2	811.9	844.3	861.8	864.0	867.0	875.3
23 M2	2,923.0	3,083.3	3,236.6	3,341.9 ^f	3,393.8	3,391.4	3,385.3	3,395.7
24 M3	3,690.3	3,931.5	4,067.0	4,123.3 ^f	4,151.4	4,151.7	4,137.6	4,143.0
25 L	4,352.8	4,691.8	4,907.4	4,985.2 ^f	4,977.7	4,976.8	4,968.3	n.a.
26 Debt	8,329.1	9,093.2	9,775.9	10,421.2	10,647.2	10,692.0	10,747.5	n.a.
M1 components								
27 Currency	199.3	214.8	225.3	249.6	260.8	262.0	261.8	263.2
28 Travelers checks ⁴	6.5	6.9	6.9	7.8	8.5	8.6	8.3	8.0
29 Demand deposits ⁵	298.6	298.9	291.5	289.9	280.6	278.7	278.5	283.6
30 Other checkable deposits ⁶	261.8	283.5	288.2	297.0	311.8	314.8	318.4	320.5
Nontransaction components								
31 In M2 ²	2,156.8	2,279.1	2,424.7	2,497.6 ^f	2,532.0	2,527.4	2,518.3	2,520.4
32 In M3 ⁶	767.3	848.2	830.4	781.4 ^f	757.6	760.3	752.3	747.3
Commercial banks								
33 Savings deposits, including MMDAs	535.8	543.8	542.9	579.3	624.5	630.1	634.2	643.4
34 Small time deposits ⁹	387.2	446.0	529.2	596.1	602.8	606.1	604.4	600.7
35 Large time deposits ^{10, 11}	325.8	366.8	400.4	386.1	392.3	391.8	387.4	382.0
Thrift institutions								
36 Savings deposits, including MMDAs	399.9	381.5	347.9	338.3	365.6	365.4	366.1	369.9
37 Small time deposits ⁹	529.5	583.8	613.8	564.1	519.2	506.3	497.3	487.9
38 Large time deposits ¹⁰	163.3	175.2	162.6	121.1	97.4	94.1	90.7	87.3
Money market mutual funds								
39 General purpose and broker-dealer	221.1	240.7	313.5	345.5	354.5	351.6	349.3	347.8
40 Institution-only	89.6	87.6	102.8	127.0	139.7	143.9	145.9	152.4
Repurchase agreements and eurodollars								
41 Overnight	83.2	83.4	77.3	74.3 ^f	65.3	67.9	67.1	70.6
42 Term	197.1	227.7	179.8	160.8 ^f	143.9	145.5	143.1	140.5
Debt components								
43 Federal debt	1,955.6	2,111.8	2,265.9	2,532.1	2,657.9	2,691.4	2,721.7	n.a.
44 Nonfederal debt	6,373.5	6,981.4	7,509.9	7,889.1	7,989.3	8,000.6	8,025.7	n.a.

For notes see following page.

NOTES TO TABLE 1.21

1. Latest monthly and weekly figures are available from the Board's H.6 (508) weekly statistical release. Historical data are available from the Money and Reserves Projection Section, Division of Monetary Affairs, Board of Governors of the Federal Reserve System, Washington, D.C. 20551.

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

M1: (1) currency outside the Treasury, Federal Reserve Banks, and the vaults of depository institutions; (2) travelers checks of nonbank issuers; (3) demand deposits at all commercial banks other than those due to depository institutions, the U.S. government, and foreign banks and official institutions, less cash items in the process of collection and Federal Reserve float; and (4), other checkable deposits (OCDs), consisting of negotiable order of withdrawal (NOW) and automatic transfer service (ATS) accounts at depository institutions, credit union share draft accounts, and demand deposits at thrift institutions. Seasonally adjusted M1 is computed by summing currency, travelers checks, demand deposits, and OCDs, each seasonally adjusted separately.

M2: M1 plus (1) overnight (and continuing-contract) repurchase agreements (RPs) issued by all depository institutions and overnight Eurodollars issued to U.S. residents by foreign branches of U.S. banks worldwide, (2) money market deposit accounts (MMDAs), (3) savings and small time deposits (time deposits—including retail RPs—in amounts of less than \$100,000), and (4) balances in both taxable and tax-exempt general purpose and broker-dealer money market funds. Excludes individual retirement accounts (IRAs) 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. Seasonally adjusted M2 is computed by adjusting its non-M1 component as a whole and then adding this result to seasonally adjusted M1.

M3: M2 plus (1) large time deposits and term RP liabilities (in amounts of \$100,000 or more) issued by all depository institutions, (2) 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 (3) balances in both taxable and tax-exempt, institution-only money market funds. Excludes amounts held by depository institutions, the U.S. government, money market funds, and foreign banks and official institutions. Also excluded is the estimated amount of overnight RPs and Eurodollars held by institution-only money market funds. Seasonally adjusted M3 is computed by adjusting its non-M2 component as a whole and then adding this result to seasonally adjusted M2.

L: M3 plus the nonbank public holdings of U.S. savings bonds, short-term

Treasury securities, commercial paper, and bankers acceptances, net of money market fund holdings of these assets. Seasonally adjusted L is computed by summing U.S. savings bonds, short-term Treasury securities, commercial paper, and bankers acceptances, each seasonally adjusted separately, and then adding this result to M3.

Debt: 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. Data are derived from the Federal Reserve Board's flow of funds accounts. Debt data are based on monthly averages. This sum is seasonally adjusted as a whole.

3. Currency outside the U.S. Treasury, Federal Reserve Banks, and vaults of depository institutions.

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

5. Demand deposits at commercial banks and foreign-related institutions other than those due to depository institutions, the U.S. government, and foreign banks and official institutions, less cash items in the process of collection and Federal Reserve float.

6. Consists of NOW and ATS account balances at all depository institutions, credit union share draft account balances, and demand deposits at thrift institutions.

7. Sum of (1) overnight RPs and overnight Eurodollars, (2) money market fund balances (general purpose and broker-dealer), (3) MMDAs, and (4) savings and small time deposits.

8. Sum of (1) large time deposits, (2) term RPs, (3) term Eurodollars of U.S. residents, and (4) 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.

9. Small time deposits—including retail RPs—are those issued in amounts of less than \$100,000. All IRAs and Keogh accounts at commercial banks and thrift institutions are subtracted from small time deposits.

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

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

1.22 BANK DEBITS AND DEPOSIT TURNOVER¹

Debits are in billions of dollars; turnover is ratio of debits to deposits; monthly data are at annual rates

Bank group, or type of customer	1988 ²	1989 ²	1990 ²	1991					
				Mar.	Apr.	May	June	July	Aug.
DEBITS TO	Seasonally adjusted								
Demand deposits ³									
1 All insured banks	219,795.7	256,150.4	277,916.3	269,834.9	294,433.5	295,559.0	266,704.2	284,872.2	275,915.9
2 Major New York City banks	115,475.6	129,319.9	131,784.0	133,302.7	146,499.3	148,074.9	133,761.4	139,089.0	136,906.9
3 Other banks	104,320.2	126,830.5	146,132.3	136,532.2	147,934.2	147,484.1	132,942.8	145,783.2	139,009.0
4 ATS-NOW accounts ⁴	2,478.1	2,910.5	3,349.6	3,240.3	3,820.3	3,620.2	3,460.1	3,822.8	3,659.4
5 Savings deposits ⁵	537.0	547.5	558.8	523.7	577.1	548.6	519.9	552.6	516.7
DEPOSIT TURNOVER									
Demand deposits ³									
6 All insured banks	622.9	735.1	800.6	792.0	870.3	867.0	768.4	833.4	798.0
7 Major New York City banks	2,897.2	3,421.5	3,804.1	4,101.4	4,533.4	4,702.8	4,141.9	4,413.3	4,448.0
8 Other banks	333.3	408.3	467.7	443.0	483.4	476.6	422.3	469.8	441.4
9 ATS-NOW accounts ⁴	13.2	15.2	16.5	15.1	17.8	16.4	15.5	16.9	15.9
10 Savings deposits ⁵	2.9	3.0	2.9	2.6	2.8	2.6	2.4	2.5	2.3
DEBITS TO	Not seasonally adjusted								
Demand deposits ³									
11 All insured banks	219,790.4	256,133.2	277,400.0	275,015.8	294,492.4	292,012.3	270,144.7	286,068.7	289,049.5
12 Major New York City banks	115,460.7	129,400.1	131,784.7	134,974.7	145,700.2	145,073.9	133,851.7	139,527.4	146,342.8
13 Other banks	104,329.7	126,733.0	145,615.3	140,041.0	148,792.2	146,938.4	136,293.0	146,541.3	142,706.6
14 ATS-NOW accounts ⁴	2,477.3	2,910.7	3,342.2	3,317.4	3,967.1	3,549.9	3,446.1	3,729.0	3,693.2
15 MMDAs ⁶	2,342.7	2,677.1	2,923.8	2,767.2	2,994.5	2,978.6	2,714.5	2,868.0	2,751.7
16 Savings deposits ⁵	536.3	546.9	557.9	520.4	623.9	545.5	516.4	558.2	537.0
DEPOSIT TURNOVER									
Demand deposits ³									
17 All insured banks	622.8	735.4	799.6	831.9	864.8	875.5	781.7	831.4	849.5
18 Major New York City banks	2,896.7	3,426.2	3,810.0	4,378.4	4,565.4	4,742.5	4,154.4	4,334.6	4,771.4
19 Other banks	333.2	408.0	466.3	467.2	482.1	485.0	434.9	469.8	460.9
20 ATS-NOW accounts ⁴	13.2	15.2	16.4	15.4	17.8	16.3	15.5	16.7	16.3
21 MMDAs ⁶	6.6	7.9	8.0	7.1	7.7	7.6	6.8	7.2	6.8
22 Savings deposits ⁵	2.9	2.9	2.9	2.5	3.0	2.6	2.4	2.5	2.4

1. Historical tables containing revised data for earlier periods can be obtained from the Banking and Money Market Statistics Section, Division of Monetary Affairs, Board of Governors of the Federal Reserve System, Washington, D.C. 20551.

Data in this table also appear on the Board's G.6 (406) monthly statistical release. For ordering 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 (NOWs) and accounts authorized for automatic transfer to demand deposits (ATSs).

5. Excludes MMDA, ATS, and NOW accounts.

6. Money market deposit accounts.

1.23 LOANS AND SECURITIES All Commercial Banks¹

Billions of dollars, averages of Wednesday figures

Item	1990		1991									
	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.
Seasonally adjusted												
1 Total loans and securities ²	2,716.6	2,723.6	2,721.2	2,735.1	2,751.0	2,751.8	2,750.5	2,763.2	2,763.3	2,761.6	2,768.9	2,784.5
2 U.S. government securities	454.0	454.2	454.1	458.0	471.4	479.2	485.1	495.2	505.3	512.6	522.1	538.2
3 Other securities	175.9	175.6	177.7	177.6	177.6	175.7	173.9	173.1	172.0	169.9	170.8	172.2
4 Total loans and leases	2,086.7	2,093.8	2,089.4	2,099.5	2,102.0	2,096.9	2,091.5	2,094.8	2,086.0	2,079.1	2,076.0	2,074.1
5 Commercial and industrial	646.5	648.1	644.3	643.9	646.0	640.0	633.2	630.4	626.7	620.5	623.8	623.8
6 Bankers acceptances held ³	7.4	7.5	7.7	6.9	6.7	6.8	6.9	6.6	6.6	7.1	6.9 ⁴	6.5
7 Other commercial and industrial	639.1	640.5	636.6	637.0	639.3	633.2	626.4	623.8	620.0	613.4	616.8	617.3
8 U.S. addressees ⁴	634.0	635.3	631.1	631.5	633.6	627.7	620.6	617.9	614.3	607.7	611.0	611.2
9 Non-U.S. addressees ⁴	5.1	5.3	5.5	5.5	5.7	5.5	5.8	5.9	5.7	5.7	5.9 ⁴	6.2
10 Real estate	832.0	836.5	837.3	842.6	846.3	850.9	855.1	859.5	857.0	853.9	853.4	854.2
11 Individual	378.7	378.9	375.9	377.7	375.5	374.1	373.5	372.0	369.6	368.9	365.3	362.7
12 Security	39.6	40.6	43.1	43.2	38.9	39.8	39.8	38.3	41.6	42.6	43.9	43.8
13 Nonbank financial institutions	34.6	34.8	34.8	35.9	36.7	35.9	36.9	37.1	37.1	36.3	36.0	36.6
14 Agricultural	32.5	33.0	33.5	33.5	34.0	33.9	33.6	33.0	32.5	32.3	32.2	32.3
15 State and political subdivisions	34.8	34.3	33.1 ¹	33.0 ²	32.7 ²	32.0 ²	31.7 ²	31.0 ²	30.5 ²	30.0 ²	29.5	29.3
16 Foreign banks	8.1	7.2	6.0	6.1	7.2	6.8	6.4	6.0	6.2	6.3 ³	6.5	6.1
17 Foreign official institutions	3.2	3.2	3.0	3.1	3.2	3.0	3.0	3.0	3.1	3.1	3.2	3.3
18 Lease-financing receivables	32.9	32.7	32.4	32.8	33.0	32.7	32.7	32.8	32.0	31.4	31.2	31.1
19 All other loans	43.7	44.7 ²	45.9 ²	47.6 ²	48.6 ²	47.7 ²	45.7 ²	51.9 ²	49.7 ²	53.9 ²	50.9	50.8
Not seasonally adjusted												
20 Total loans and securities ²	2,720.1	2,730.5	2,721.0	2,737.3	2,748.4	2,751.5	2,749.7	2,763.8	2,757.2	2,756.6	2,767.3	2,785.8
21 U.S. government securities	454.1	451.5	455.8	463.9	475.8	480.5	485.2	493.7	501.8	510.4	519.6	535.2
22 Other securities	176.6	176.3	177.9	177.3	176.9	175.1	173.8	173.2	171.3	170.1	171.0	172.4
23 Total loans and leases ²	2,089.3	2,102.7	2,087.3	2,096.1	2,095.7	2,095.9	2,090.6	2,096.9	2,084.1	2,076.0	2,076.7	2,078.2
24 Commercial and industrial	644.5	648.0	641.1	643.0	648.3	644.7	637.1	632.7	627.0	619.2	620.3	621.5
25 Bankers acceptances held ³	7.6	7.7	7.6	7.0	6.7	6.7	6.8	6.7	6.3 ³	6.9	6.9	6.6
26 Other commercial and industrial	636.9	640.3	633.4	636.0	641.6	638.1	630.3	626.0	620.6	612.3	613.4	614.9
27 U.S. addressees ⁴	631.9	635.1	628.2	630.5	636.1	632.2	624.5	620.0	614.8	606.4	607.4	608.7
28 Non-U.S. addressees ⁴	5.0	5.2	5.3	5.5	5.4	5.9	5.9	6.0	5.8	5.9	6.0	6.2
29 Real estate	834.0	837.9	837.1	839.5	842.6	848.3	854.2	859.6	857.5	855.9	855.2	856.9
30 Individual	379.8	383.8	380.1	377.1	372.8	371.5	371.8	369.9	367.4	368.1	367.0	363.6
31 Security	38.5	40.0	41.0	44.7	40.2	41.3	39.0	40.5	41.3	42.0	42.9	42.9
32 Nonbank financial institutions	35.0	36.2	35.3	35.5	36.0	35.5	36.5	37.2	36.9	36.2	35.7	36.5
33 Agricultural	32.9	32.9	32.8	32.6	32.6	32.8	33.1	33.3	33.4	33.3	33.3	33.2
34 State and political subdivisions	34.7	34.0	33.8 ²	33.2 ²	32.7 ²	32.0 ²	31.6 ²	30.9 ²	30.3 ²	29.9 ²	29.5	29.2
35 Foreign banks	8.3	7.4	6.0	6.0	6.8	6.7	6.3	6.1	6.3 ³	6.2	6.5	6.4
36 Foreign official institutions	3.2	3.2	3.0	3.1	3.2	3.0	3.0	3.0	3.1	3.1	3.2	3.3
37 Lease-financing receivables	33.1	32.8	32.8	32.9	32.9	32.7	32.6	32.6	31.8	31.3	31.2	31.2
38 All other loans	45.4	46.6 ²	44.2 ²	48.4 ²	47.8 ²	47.4 ²	45.4 ²	51.1 ²	49.3 ²	51.0 ²	51.9	53.5

1. Components may not sum to totals because of rounding.

2. Adjusted to exclude loans to commercial banks in the United States.

3. Includes nonfinancial commercial paper held.

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

1.24 MAJOR NONDEPOSIT FUNDS OF COMMERCIAL BANKS¹

Billions of dollars, monthly averages

Source of funds	1990		1991									
	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June	July ^r	Aug. ^r	Sept. ^r	Oct.
<i>Seasonally adjusted</i>												
1 Total nondeposit funds ²	292.9 ^r	288.6 ^r	278.2 ^r	266.2 ^r	265.6 ^r	265.5 ^r	263.4 ^r	254.4 ^r	254.3	249.0	254.1	267.6
2 Net balances due to related foreign offices ³	30.1	34.6	33.5	24.9	30.2	30.8	26.1	19.2	19.3	17.0	19.8	30.7
3 Borrowings from other than commercial banks in United States ⁴	262.8 ^r	254.0 ^r	244.7 ^r	241.3 ^r	235.4 ^r	234.7 ^r	237.3 ^r	235.2 ^r	235.0	232.1	234.4	236.9
4 Domestically chartered banks	195.5 ^r	187.8 ^r	183.0 ^r	178.0 ^r	172.5 ^r	172.4 ^r	171.8 ^r	170.6 ^r	169.6	163.9	165.4	163.5
5 Foreign-related banks	67.3	66.2	61.7	63.3	62.9	62.2	65.5	64.6	65.4	68.2	69.0	73.4
<i>Not seasonally adjusted</i>												
6 Total nondeposit funds ²	294.1 ^r	283.0 ^r	273.5 ^r	269.2 ^r	270.8 ^r	266.2 ^r	271.4 ^r	257.5 ^r	251.1	247.5	250.1	264.7
7 Net balances due to related foreign offices ³	30.8	37.2	33.2	24.8	29.6	28.9	28.6	19.5	16.9	16.4	19.9	30.2
8 Domestically chartered banks	.6	-4.1	-15.3 ^r	-15.2	-6.0	-3.5	-7	-3.5	-7.2	-7.5	-9.1	-7.7
9 Foreign-related banks	30.2	41.3	48.4	40.0	35.6	32.5	29.3 ^r	23.0	24.2	23.9	29.0	37.9
10 Borrowings from other than commercial banks in United States ⁴	263.3 ^r	245.9 ^r	240.4 ^r	244.4 ^r	241.2 ^r	237.3 ^r	242.8 ^r	238.0 ^r	234.1	231.2	230.2	234.5
11 Domestically chartered banks	198.1 ^r	183.5 ^r	178.5 ^r	180.3 ^r	176.9 ^r	173.2 ^r	176.6 ^r	171.6 ^r	167.5	163.5	162.6	162.0
12 Federal funds and security RP borrowings ⁵	195.3 ^r	180.7 ^r	175.2 ^r	177.5 ^r	173.6 ^r	170.4 ^r	173.8 ^r	168.7 ^r	164.3	159.8	159.1	158.8
13 Other ⁶	2.9	2.8	3.2	2.8	3.2	2.9	2.8	2.8	3.2	3.7	3.5	3.2
14 Foreign-related banks ⁶	65.1	62.3	61.9	64.1	64.3	64.1	66.2	66.4	66.6	67.7	67.6	72.6
MEMO												
<i>Gross large time deposits⁷</i>												
15 Seasonally adjusted	435.2	431.8	441.0	450.6	451.0	451.3	453.0	451.9	447.6	447.2	443.9	435.0
16 Not seasonally adjusted	437.8	431.8	439.3	449.2	450.5	449.0	452.6	451.4	446.4	448.2	445.7	437.3
<i>U.S. Treasury demand balances at commercial banks⁸</i>												
17 Seasonally adjusted	25.2	24.4	25.7	33.4	33.8	21.7	15.1	23.2	20.5	23.8	21.9	31.3
18 Not seasonally adjusted	19.2	23.0	29.4	39.3	28.4	20.4	19.8	23.6	20.7	17.2	26.9	28.9

1. Commercial banks are nationally and state-chartered banks in the fifty states and the District of Columbia, 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.

Data in this table also appear in the Board's G.10 (411) release. For ordering address, see inside front cover.

2. Includes federal funds, repurchase agreements (RPs), and other borrowing from nonbanks and net balances due to related foreign offices.

3. Reflects net positions of U.S. chartered banks, Edge act corporations, and U.S. branches and agencies of foreign banks with related foreign offices plus net positions with own International Banking Facilities (IBFs).

4. Borrowings through 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, loan RPs, and sales of participations in pooled loans.

5. Figures are based on averages of daily data reported weekly by approximately 120 large banks and quarterly or annual data reported by other banks.

6. Figures are partly averages of daily data and partly averages of Wednesday data.

7. Time deposits in denominations of \$100,000 or more. Estimated averages of daily data.

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

1.25 ASSETS AND LIABILITIES OF COMMERCIAL BANKS Last-Wednesday-of-Month Series¹

Billions of dollars

Account	1990	1991									
	Dec.	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.
ALL COMMERCIAL BANKING INSTITUTIONS²											
1 Total assets	3,399.9	3,357.8	3,388.9	3,380.1	3,368.5	3,410.3	3,409.2	3,438.5	3,397.3	3,423.0	3,461.6
2 Loans and securities	2,936.9	2,908.7	2,924.9	2,910.9	2,907.3	2,921.8	2,936.3	2,937.7	2,921.0	2,939.3	2,970.5
3 Investment securities	605.6	612.8	614.0	628.3	628.5	634.1	640.8	648.7	650.9	657.6	681.9
4 U.S. government securities	439.6	447.6	449.5	463.3	465.1	471.8	480.1	489.9	492.8	498.8	522.1
5 Other	166.0	165.2	164.5	165.1	163.4	162.2	160.7	158.8	158.1	158.8	159.8
6 Trading account assets	22.0	24.1	26.9	23.5	24.9	24.3	27.5	30.2	28.5	29.9	32.6
7 Total loans	2,309.3	2,271.8	2,283.9	2,259.1	2,253.8	2,263.4	2,268.0	2,258.8	2,241.5	2,251.8	2,255.9
8 Interbank loans	204.0	193.3	185.0	171.8	160.7	172.5	166.8	175.9	167.5	172.4	178.6
9 Loans excluding interbank	2,105.3	2,078.6	2,099.0	2,087.3	2,093.1	2,090.9	2,101.3	2,082.9	2,074.1	2,079.4	2,077.4
10 Commercial and industrial	650.8	637.2	645.1	648.5	643.6	635.1	632.4	624.2	617.8	620.0	618.5
11 Real estate	838.3	836.9	840.1	842.5	849.2	855.4	859.3	856.0	854.8	854.7	858.8
12 Individual	384.7	378.6	376.4	371.5	372.0	370.7	369.8	368.3	368.2	366.7	363.7
13 All other	231.5	225.9	237.4	224.8	228.3	229.6	239.8	234.3	233.3	238.0	236.3
14 Total cash assets	217.9	199.2	204.5	206.1	201.0	224.3	212.3	214.1	200.1	207.1	210.3
15 Reserves with Federal Reserve Banks	23.4	16.5	18.1	25.0	23.1	26.2	29.1	24.8	23.0	25.7	25.6
16 Cash in vault	32.0	30.4	29.8	28.9	29.1	31.1	29.8	29.7	31.1	30.1	30.7
17 Cash items in process of collection	86.0	74.7	79.9	76.9	74.3	87.2	78.3	87.8	71.7	75.3	75.2
18 Demand balances at U.S. depository institutions	29.6	28.1	27.7	27.6	26.4	30.8	28.3	26.9	27.7	26.9	28.8
19 Other cash assets	46.8	49.6	49.0	47.7	48.1	49.0	46.8	45.0	46.5	49.2	50.1
20 Other assets	245.1	249.9	259.6	263.1	260.1	264.2	260.6	286.7	276.2	276.5	280.9
21 Total liabilities	3,176.4	3,133.2	3,162.7	3,153.1	3,140.4	3,180.7	3,180.3	3,210.6	3,168.9	3,194.0	3,232.7
22 Total deposits	2,363.4	2,334.6	2,365.0	2,382.5	2,381.9	2,413.3	2,406.1	2,448.8	2,430.9	2,430.3	2,443.7
23 Transaction accounts	637.1	587.9	594.1	602.8	601.3	617.6	611.2	639.4	612.0	613.7	628.0
24 Savings deposits (excluding checkable)	573.3	573.9	583.5	594.1	595.4	606.2	610.7	619.9	624.1	628.2	640.0
25 Time deposits	1,152.9	1,172.8	1,187.3	1,185.6	1,185.3	1,189.5	1,184.2	1,189.5	1,194.7	1,188.4	1,175.7
26 Borrowings	548.7	529.8	515.4	492.3	494.6	499.8	510.4	503.5	480.9	498.5	512.6
27 Other liabilities	264.4	268.8	282.3	278.2	263.9	267.6	263.8	258.4	257.1	265.2	276.4
28 Residual (assets less liabilities) ³	223.5	224.6	226.2	227.0	228.1	229.6	228.9	227.9	228.4	229.0	228.9
DOMESTICALLY CHARTERED COMMERCIAL BANKS⁴											
29 Total assets	3,010.3	2,961.4	2,986.3	2,980.4	2,962.4	2,993.7	2,989.4	3,009.9	2,973.4	2,985.2	3,011.6
30 Loans and securities	2,654.2	2,628.0	2,642.3	2,635.6	2,629.1	2,638.0	2,645.8	2,653.4	2,637.8	2,645.4	2,660.9
31 Investment securities	570.5	575.3	577.4	588.6	592.3	602.7	611.0	612.1	618.1	636.2	636.2
32 U.S. government securities	421.7	426.5	429.3	440.2	445.5	449.2	457.8	467.9	470.2	475.6	492.9
33 Other	148.8	148.7	148.2	148.5	146.8	146.5	144.9	143.0	141.9	142.5	143.3
34 Trading account assets	22.0	24.1	26.9	23.5	24.9	24.3	27.5	30.2	28.5	29.9	32.6
35 Total loans	2,061.7	2,028.6	2,038.0	2,023.5	2,011.9	2,018.0	2,015.6	2,012.3	1,997.1	1,997.4	1,992.1
36 Interbank loans	160.0	151.7	150.9	148.3	134.2	144.5	139.0	150.4	146.4	148.0	149.2
37 Loans excluding interbank	1,901.7	1,876.9	1,887.0	1,875.2	1,877.7	1,873.5	1,876.6	1,861.8	1,850.7	1,849.3	1,842.9
38 Commercial and industrial	512.7	504.2	508.4	506.3	502.4	495.0	491.2	482.6	475.3	472.6	470.7
39 Real estate	796.4	794.0	797.1	799.7	804.9	808.9	812.1	808.2	806.9	806.9	810.3
40 Revolving home equity	61.7	62.9	63.3	63.6	64.4	65.7	66.6	67.0	67.6	68.7	69.3
41 Other real estate	734.7	731.1	733.8	736.1	740.3	743.0	743.7	741.2	739.4	738.2	741.1
42 Individual	384.7	378.6	376.4	371.5	372.0	370.7	369.8	368.3	368.2	366.7	363.7
43 All other	207.9	200.2	205.1	197.7	198.4	198.8	203.6	202.6	200.2	203.1	198.1
44 Total cash assets	188.3	166.6	172.7	177.0	171.6	193.6	184.3	187.6	172.3	177.0	179.7
45 Reserves with Federal Reserve Banks	23.0	15.3	17.0	24.0	21.9	25.8	28.3	23.9	22.1	24.9	25.0
46 Cash in vault	32.0	30.3	29.8	28.8	29.1	31.1	29.8	29.7	31.0	30.1	30.6
47 Cash items in process of collection	83.9	72.9	78.2	74.9	72.6	85.5	76.2	86.1	70.1	73.8	73.4
48 Demand balances at U.S. depository institutions	27.6	26.2	25.8	25.8	24.8	28.8	26.5	25.2	25.9	24.9	27.0
49 Other cash assets	21.8	22.0	21.9	23.4	23.2	22.4	23.6	22.8	23.2	23.4	23.8
50 Other assets	167.8	166.9	171.3	167.9	161.6	162.1	159.3	168.9	163.4	162.9	170.9
51 Total liabilities	2,790.5	2,740.5	2,763.7	2,757.0	2,737.9	2,767.7	2,764.1	2,785.7	2,748.6	2,759.8	2,786.3
52 Deposits	2,283.5	2,236.2	2,255.2	2,266.2	2,258.8	2,280.8	2,271.3	2,308.6	2,284.9	2,282.0	2,296.5
53 Transaction accounts	626.1	577.4	583.8	592.2	591.4	607.5	600.9	629.3	602.1	604.0	618.1
54 Savings deposits (excluding checkable)	570.0	570.6	580.2	590.6	591.9	602.5	607.1	616.2	620.4	624.5	636.2
55 Time deposits	1,087.4	1,088.1	1,091.2	1,083.4	1,075.6	1,070.8	1,063.4	1,063.1	1,062.5	1,053.5	1,042.2
56 Borrowings	375.6	380.1	371.8	354.9	346.5	355.1	364.4	352.2	338.8	355.6	359.9
57 Other liabilities	131.4	124.2	136.8	136.0	132.6	131.9	128.4	124.9	125.0	122.3	129.9
58 Residual (assets less liabilities) ³	219.8	220.9	222.6	223.4	224.5	226.0	225.3	224.2	224.8	225.4	225.3

1. Back data are available from the Banking and Monetary Statistics Section, Board of Governors of the Federal Reserve System, Washington, D.C., 20551. Data in this table also appear in the Board's H.8 (510) weekly statistical release.

2. Data are partly estimated. They include all bank-premises subsidiaries and other significant majority-owned domestic subsidiaries. Components may not sum to totals because of rounding.

3. Includes insured domestically chartered commercial banks, agencies and branches of foreign banks, Edge act and agreement corporations, and New York

State foreign investment corporations. Data are estimates for the last Wednesday of the month based on a sample of weekly-reporting foreign-related institutions and quarter-end condition reports.

4. This balancing item is not intended as a measure of equity capital for use in capital adequacy analysis.

5. Includes all member banks and insured nonmember banks. Loans and securities data are estimates for the last Wednesday of the month based on a sample of weekly-reporting banks and quarter-end condition reports.

1.26 ASSETS AND LIABILITIES OF LARGE WEEKLY-REPORTING COMMERCIAL BANKS¹

Millions of dollars, Wednesday figures

Account	1991								
	Sept. 4	Sept. 11 ^r	Sept. 18	Sept. 25 ^r	Oct. 2	Oct. 9	Oct. 16	Oct. 23	Oct. 30
ASSETS									
1 Cash and balances due from depository institutions	125,484	97,077	110,526	102,129	104,010	97,577	125,112	97,317	102,544
2 U.S. Treasury and government securities	210,123	211,020	210,837	207,913	213,614	216,268	218,260	217,997	220,131
3 Trading account	19,724	20,717	20,920	18,006	19,214	21,312	21,133	20,376	18,924
4 Investment account	190,399	190,304	189,917	189,907	194,400	194,956	197,127	197,622	201,207
5 Mortgage-backed securities ^a	78,276	78,122	77,978	78,014	78,496	78,326	78,736	77,551	78,868
All others, by maturity									
6 One year or less	25,245	25,154	25,615	25,152	25,328	25,736	25,892	25,721	25,966
7 One year through five years	46,602	46,447	46,790	46,939	47,942	48,391	49,753	49,847	50,637
8 More than five years	40,277	40,580	39,533	39,801	42,634	42,503	42,745	44,502	45,736
9 Other securities	56,795	56,815	56,845	56,430	56,655	56,623	56,423	56,330	56,399
10 Trading account	1,439	1,528	1,586	1,659	1,350	1,285	1,216	1,289	1,313
11 Investment account	55,356	55,287	55,258	54,771	55,305	55,338	55,207	55,041	55,086
12 State and political subdivisions, by maturity	24,848	24,820	24,769	24,455	24,020	23,986	23,942	23,694	23,630
13 One year or less	3,040	3,045	3,025	2,979	2,998	3,009	2,968	2,935	2,951
14 More than one year	21,807	21,775	21,744	21,476	21,022	20,977	20,973	20,759	20,679
15 Other bonds, corporate stocks, and securities	30,508	30,468	30,489	30,316	31,285	31,353	31,265	31,347	31,456
16 Other trading account assets	11,020	9,951	10,222	10,228	10,673	11,148	12,109	11,738	12,383
17 Federal funds sold ³	83,194	81,164	84,646	84,150	92,205	83,169	90,638	73,452	79,855
18 To commercial banks in the United States	59,642	55,127	57,729	54,869	64,828	55,866	66,658	49,200	55,329
19 To nonbank brokers and dealers	18,832	20,354	21,612	23,683	22,869	23,603	20,252	20,095	20,108
20 To others ⁴	4,720	5,683	5,305	5,598	4,508	3,700	3,728	4,157	4,418
21 Other loans and leases, gross	1,013,646	1,008,707	1,011,151 ^r	1,006,456	1,008,319	1,003,995	1,008,630	1,001,952	1,003,616
22 Commercial and industrial	299,938	298,358	300,357 ^r	297,304	299,855	297,992	299,160	296,571	295,616
23 Bankers acceptances and commercial paper	1,827	1,832	1,738 ^r	1,616	1,630	1,643	1,659	1,684	1,715
24 All other	298,111	296,527	298,619 ^r	295,688	298,225	296,349	297,501	294,886	293,901
25 U.S. addressees	296,519	295,020	296,983 ^r	294,151	296,546	294,752	295,813	293,192	292,312
26 Non-U.S. addressees	1,592	1,507	1,636	1,537	1,679	1,597	1,688	1,694	1,589
27 Real estate loans	398,267	398,827	397,490 ^r	396,315	396,320	396,445	396,442	396,072	396,182
28 Revolving, home equity	38,727	38,911	39,024	38,999	39,156	39,179	39,269	39,328	39,371
29 All other	359,540	359,915	358,466 ^r	357,315	357,163	357,266	357,173	356,743	356,812
30 To individuals for personal expenditures	183,922	184,020	183,129 ^r	183,474	182,439	181,786	181,700	181,762	182,200
31 To financial institutions	44,655	44,297	44,077 ^r	44,153	45,658	44,334	43,918	43,697	44,266
32 Commercial banks in the United States	19,928	20,380	20,283	20,179	20,683	19,627	18,899	19,311	19,837
33 Banks in foreign countries	2,243	1,634	1,734 ^r	2,173	1,936	2,043	2,388	2,347	1,851
34 Nonbank financial institutions	22,484	22,282	22,060 ^r	21,802	23,040	22,664	22,631	22,039	22,578
35 For purchasing and carrying securities	13,262	11,768	13,263	12,682	11,121	11,598	13,771	12,358	13,732
36 To finance agricultural production	6,176	6,174	6,195	6,209	6,209	6,211	6,178	6,133	6,120
37 To states and political subdivisions	18,401	18,351	18,322 ^r	18,342	18,232	18,182	18,211	18,156	18,091
38 To foreign governments and official institutions	1,036	969	1,070	989	979	1,053	1,005	956	1,006
39 All other loans ⁵	22,444	20,457	21,768 ^r	21,513	21,825	20,717	22,485	20,906	21,030
40 Lease-financing receivables	25,544	25,486	25,480	25,475	25,680	25,676	25,761	25,341	25,372
41 Less: Unearned income	3,682	3,681	3,672	3,645	3,521	3,519	3,518	3,401	3,415
42 Loan and lease reserve ⁶	37,705	37,768	37,676	37,071	37,487	37,165	36,382	36,368	36,419
43 Other loans and leases, net	972,259	967,258	969,802	965,739	967,311	963,311	968,729	962,182	963,783
44 Other assets	152,245	150,707	150,327 ^r	150,307	155,615	153,666	152,753	151,905	155,442
45 Total assets	1,611,121	1,573,992	1,593,206 ^r	1,576,896	1,600,083	1,581,761	1,624,024	1,570,921	1,590,536

Footnotes appear on the following page.

1.26 ASSETS AND LIABILITIES OF LARGE WEEKLY REPORTING COMMERCIAL BANKS—Continued

Millions of dollars, Wednesday figures

Account	1991								
	Sept. 4	Sept. 11 ^f	Sept. 18	Sept. 25 ^f	Oct. 2	Oct. 9	Oct. 16	Oct. 23	Oct. 30
LIABILITIES									
46 Deposits	1,130,680	1,105,825	1,102,444	1,092,582	1,111,497	1,100,637	1,126,627	1,087,100	1,093,777
47 Demand deposits	240,578	218,340	222,648	218,205	231,452	219,438	247,207	213,710	221,954
48 Individuals, partnerships, and corporations	191,159	178,162	177,613	173,949	186,121	178,993	195,689	172,770	178,068
49 Other holders	49,419	40,178	45,034	44,256	45,331	40,445	51,518	40,941	43,886
50 States and political subdivisions	7,103	6,066	7,592	7,304	7,252	6,563	7,417	7,109	6,995
51 U.S. government	1,788	2,134	3,524	1,611	2,213	1,344	2,583	1,392	1,634
52 Depository institutions in the United States	24,383	19,183	19,871	19,226	21,033	18,522	24,830	18,575	20,594
53 Banks in foreign countries	5,361	4,797	5,044	5,209	4,862	4,851	5,399	4,739	4,572
54 Foreign governments and official institutions	641	516	590	573	575	473	674	615	594
55 Certified and officers' checks	10,143	7,481	8,414	10,332	9,396	8,692	10,615	8,510	9,498
56 Transaction balances other than demand deposits ⁵	96,650	94,352	92,994 ^f	89,671	94,272	93,750	93,887	91,527	91,733
57 Nontransaction balances	793,452	793,133	786,802 ^f	784,706	785,773	787,449	785,534	781,863	780,090
58 Individuals, partnerships, and corporations	759,202	758,839	753,052 ^f	751,609	753,520	755,013	753,553	750,043	748,628
59 Other holders	34,250	34,294	33,749	33,097	32,252	32,437	31,981	31,819	31,462
60 States and political subdivisions	27,974	27,946	27,412	27,238	26,753	26,818	26,438	26,393	26,022
61 U.S. government	1,099	1,139	1,156	1,153	1,101	1,148	1,156	1,141	1,152
62 Depository institutions in the United States	4,740	4,761	4,733	4,291	3,975	4,052	3,973	3,873	3,876
63 Foreign governments, official institutions, and banks	437	448	449	416	423	419	415	412	411
64 Liabilities for borrowed money ⁶	272,893	258,565	283,002	275,437	279,601	266,018	282,861	270,004	281,121
65 Borrowings from Federal Reserve Banks	388	520	548	0	0	0	90	10	10
66 Treasury tax and loan notes	8,072	8,716	26,517 ^f	29,122	25,240	14,471	17,747	23,314	28,030
67 Other liabilities for borrowed money ⁷	264,433	249,329	255,937 ^f	246,316	254,361	251,547	265,023	246,680	253,081
68 Other liabilities (including subordinated notes and debentures)	93,433	95,424	93,252 ^f	94,627	94,582	99,685	99,606	98,430	101,216
69 Total liabilities	1,497,007	1,459,814	1,478,698 ^f	1,462,645	1,485,681	1,466,339	1,509,094	1,455,534	1,476,114
70 Residual (total assets less total liabilities) ⁸	114,114	114,178	114,507 ^f	114,250	114,402	115,422	114,929	115,387	114,422
MEMO									
71 Total loans and leases, gross, adjusted, plus securities ⁹ ..	1,295,209	1,292,150	1,295,689 ^f	1,290,129	1,295,955	1,295,710	1,300,502	1,292,958	1,297,217
72 Time deposits in amounts of \$100,000 or more	184,196	183,028	180,738 ^f	178,750	177,268	177,949	175,607	174,614	172,697
73 Loans sold outright to affiliates ¹⁰	1,625	1,591	1,587 ^f	1,586	1,491	1,470	1,490	1,472	1,465
74 Commercial and industrial	927	913	914 ^f	914	821	799	826	805	798
75 Other	698	678	673 ^f	673	670	671	664	667	666
76 Foreign branch credit extended to U.S. residents ¹¹	23,477	23,440	23,676 ^f	23,770	24,122	24,274	24,239	23,881	23,981
77 Net due to related institutions abroad	-8,743	-6,409	-8,054 ^f	-9,117	-11,812	-6,574	-4,769	-6,571	-4,937

- Components may not sum to totals because of rounding.
- Includes certificates of participation, issued or guaranteed by agencies of the U.S. government, in pools of residential mortgages.
- Includes securities purchased under agreements to resell.
- Includes allocated transfer risk reserve.
- Includes negotiable order of withdrawal (NOW), automatic transfer service (ATS), and telephone and preauthorized transfer savings deposits.
- Includes borrowings only from other-than-directly-related institutions.
- Includes federal funds purchased and securities sold under agreements to repurchase.
- This balancing item is not intended as a measure of equity capital for use in capital-adequacy analysis.
- Excludes loans to and federal funds transactions with commercial banks in

the United States.

10. Affiliates include 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.

11. Credit extended by foreign branches of domestically chartered weekly-reporting banks to nonbank U.S. residents. Consists mainly of commercial and industrial loans, but includes an unknown amount of credit extended to other than nonfinancial businesses.

NOTE: Data that formerly appeared in table 1.28, Assets and Liabilities of Large Weekly Reporting Commercial Banks in New York City, can be obtained from the Board's H.4.2 (504) weekly statistical release. For ordering address see inside front cover.

A22 Domestic Financial Statistics □ January 1992

1.30 LARGE WEEKLY-REPORTING U.S. BRANCHES AND AGENCIES OF FOREIGN BANKS Assets and Liabilities¹

Millions of dollars, Wednesday figures

Account	1991								
	Sept. 4	Sept. 11	Sept. 18	Sept. 25	Oct. 2	Oct. 9	Oct. 16	Oct. 23	Oct. 30
1 Cash and balances due from depository institutions	16,039	16,054	16,125	16,792	15,862	16,473	15,934	16,820	16,898
2 U.S. Treasury and government agency securities	15,108	15,099	14,720	14,959	16,325	16,557	17,431	18,138	18,880
3 Other securities	7,526	7,545	7,445	7,544	7,496	7,361	7,537	7,426	7,589
4 Federal funds sold ¹	7,466	8,667	9,475	9,417	7,925	7,746	11,604	10,974	12,858
5 To commercial banks in the United States	3,051	3,840	5,274	3,638	3,420	2,448	4,607	3,794	5,983
6 To others ²	4,416	4,827	4,201	5,779	4,505	5,299	6,998	7,180	6,874
7 Other loans and leases, gross	139,078	140,208	142,573	143,957	143,949	143,122	145,221	144,542	145,233
8 Commercial and industrial	85,017 ^f	85,128 ^f	86,148 ^f	87,206 ^f	87,965	87,913	88,640	88,347	88,036
9 Bankers acceptances and commercial paper	2,226	2,299	2,106	2,122	1,948	2,144	2,115	1,824	1,862
10 All other	82,791 ^f	82,829 ^f	84,042 ^f	85,084 ^f	86,017	85,769	86,526	86,523	86,174
11 U.S. addressees	80,605 ^f	80,645 ^f	81,844 ^f	82,945 ^f	83,810	83,547	84,242	84,315	83,886
12 Non-U.S. addressees	2,186 ^f	2,183 ^f	2,198 ^f	2,140 ^f	2,207	2,222	2,284	2,208	2,288
13 Loans secured by real estate	32,727	32,756	32,779	32,809	32,759	32,738	33,049	33,166	33,321
14 To financial institutions	16,431	17,366	17,190	18,051	17,612	17,043	17,079	16,831	17,642
15 Commercial banks in the United States	7,736 ^f	8,017 ^f	7,980 ^f	9,006 ^f	8,546	8,084	7,603	7,506	8,093
16 Banks in foreign countries	2,039	2,219	2,303	2,000	2,113	2,018	1,894	1,894	1,930
17 Nonbank financial institutions	6,616 ^f	7,130 ^f	6,907 ^f	7,045 ^f	6,953	6,941	7,583	7,431	7,620
18 For purchasing and carrying securities	2,675	2,742	4,329	3,688	3,297	3,188	3,965	3,772	3,803
19 To foreign governments and official institutions	338 ^f	337 ^f	352 ^f	377 ^f	378	394	398	409	395
20 All other	1,889	1,879	1,775	1,826	1,938	1,847	2,090	2,017	2,037
21 Other assets (claims on nonrelated parties)	28,638	28,351	27,934	29,030	28,451	28,864	28,844	29,325	30,572
22 Total assets ³	257,676	257,310	260,436	260,902	262,365	259,260	263,018	262,248	269,027
23 Deposits or credit balances due to other than directly related institutions	93,788	93,481	95,797	98,151	96,490	92,589	89,147	90,106	93,755
24 Demand deposits ⁴	3,756	3,681	3,992	3,714	3,545	3,951	3,689	3,760	3,464
25 Individuals, partnerships, and corporations	2,308	2,342	2,428	2,365	2,291	2,121	2,366	2,180	2,221
26 Other	1,448	1,339	1,564	1,349	1,254	1,830	1,323	1,580	1,243
27 Nontransaction accounts	90,032	89,799	91,805	94,437	92,945	88,638	85,457	86,346	90,291
28 Individuals, partnerships, and corporations	65,358	65,556	66,259	68,436	66,504	63,228	62,191	63,100	65,562
29 Other	24,675	24,243	25,546	26,001	26,441	25,410	23,267	23,246	24,729
30 Borrowings from other than directly related institutions	93,590	95,538	89,843	87,664	93,470	93,593	98,135	95,691	94,461
31 Federal funds purchased ⁵	50,832	51,030	47,680	42,081	48,691	50,862	54,398	53,269	50,231
32 From commercial banks in the United States	23,323	22,260	19,792	16,372	21,151	18,869	23,172	17,210	18,867
33 From others	27,509	28,770	27,888	25,709	27,540	31,993	31,226	36,058	31,364
34 Other liabilities for borrowed money	42,758	44,508	42,163	45,583	44,780	42,731	43,736	42,422	44,230
35 To commercial banks in the United States	13,383 ^f	14,216 ^f	13,637 ^f	14,355 ^f	14,559	13,115	13,660	12,453	13,302
36 To others	29,375 ^f	30,291 ^f	28,526 ^f	31,228 ^f	30,221	29,615	30,076	29,969	30,928
37 Other liabilities to nonrelated parties	27,191	26,623	26,575	27,791	27,544	28,769	28,021	29,247	30,027
38 Total liabilities ⁶	257,676	257,310	260,436	260,902	262,365	259,260	263,018	262,248	269,027
MEMO									
39 Total loans (gross) and securities, adjusted ⁷ ..	158,372 ^f	159,661 ^f	160,959 ^f	163,232 ^f	163,730	164,255	169,583	169,781	170,484
40 Net due to related institutions abroad	-712	283	6,058	8,092	2,504	5,172	11,268	12,181	13,786

1. Includes securities purchased under agreements to resell.
2. Includes transactions with nonbank brokers and dealers in securities.
3. Includes net due from related institutions abroad for U.S. branches and agencies of foreign banks having a net "due from" position.
4. Includes other transaction deposits.

5. Includes securities sold under agreements to repurchase.
6. Includes net to related institutions abroad for U.S. branches and agencies of foreign banks having a net "due to" position.
7. Excludes loans to and federal funds transactions with commercial banks in the United States.

1.32 COMMERCIAL PAPER AND BANKERS DOLLAR ACCEPTANCES OUTSTANDING¹

Millions of dollars, end of period

Item	1986 Dec.	1987 Dec.	1988 Dec.	1989 Dec.	1990 Dec.	1991					
						Apr.	May	June	July	Aug.	Sept.
	Commercial paper (seasonally adjusted unless noted otherwise)										
1 All issuers	331,316	358,997	458,464	530,123	566,688	542,603 ^r	534,097 ^r	534,561 ^r	544,048 ^r	536,936 ^r	531,886
Financial companies ²											
Dealer-placed paper ³											
2 Total	101,707	102,742	159,777	186,343	218,953	212,373 ^r	206,500 ^r	203,139 ^r	205,099 ^r	208,159 ^r	211,821
3 Bank-related (not seasonally adjusted) ⁴	2,265	1,428	1,248	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Directly placed paper ⁵											
4 Total	151,897	174,332	194,931	212,640	201,862	184,703	183,383	189,512	193,699	190,659	188,382
5 Bank-related (not seasonally adjusted) ⁵	40,860	43,173	43,155	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
6 Nonfinancial companies ⁶	77,712	81,923	103,756	131,140	145,873	145,527 ^r	144,214 ^r	141,910 ^r	145,250 ^r	138,118 ^r	131,683
	Bankers dollar acceptances (not seasonally adjusted) ⁷										
7 Total	64,974	70,565	66,631	62,972	54,771	47,086	46,438	45,539	44,756	44,228	43,462
Holder											
8 Accepting banks	13,423	10,943	9,086	9,433	9,017	8,593	10,138	10,028	9,081	9,622	10,174
9 Own bills	11,707	9,464	8,022	8,510	7,930	7,599	8,179	8,414	7,906	7,826	8,237
10 Bills bought	1,716	1,479	1,064	924	1,087	994	1,959	1,613	1,175	1,795	1,937
Federal Reserve Banks											
11 Own account	0	0	0	0	0	0	0	0	0	0	0
12 Foreign correspondents	1,317	965	1,493	1,066	918	934	1,053	1,203	1,274	1,665	1,678
13 Others	50,234	58,658	56,052	52,473	44,836	37,559	35,247	34,308	34,401	32,941	31,610
Basis											
14 Imports into United States	14,670	16,483	14,984	15,651	13,096	12,511	12,821	13,431	12,728	12,968	12,876
15 Exports from United States	12,960	15,227	14,410	13,683	12,703	11,219	11,511	11,416	11,468	11,044	10,966
16 All other	37,344	38,855	37,237	33,638	28,973	23,356	22,106	20,691	20,561	20,215	19,620

1. Components may not sum to totals because of rounding.
 2. Institutions engaged primarily in commercial, savings, and mortgage banking; sales, personal, and mortgage financing; factoring, finance leasing, and other business lending; insurance underwriting; and other investment activities.
 3. Includes all financial-company paper sold by dealers in the open market.
 4. Bank-related series were discontinued in January 1989.
 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. Data on bankers acceptances are gathered from institutions whose acceptances total \$100 million or more annually. The reporting group is revised every January. In January 1988, the group was reduced from 155 to 111 institutions. The current group, totaling approximately 100 institutions, accounts for more than 90 percent of total acceptances activity.

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

Percent per year

Date of change	Rate	Period	Average rate	Period	Average rate	Period	Average rate
1988— Jan. 1	8.75	1988	9.32	1989— Jan.	10.50	1990— June	10.00
Feb. 2	8.50	1989	10.87	Feb.	10.93	July	10.00
May 11	9.00	1990	10.01	Mar.	11.50	Aug.	10.00
July 14	9.50			Apr.	11.50	Sept.	10.00
Aug. 11	10.00	1988— Jan.	8.75	May	11.50	Oct.	10.00
Nov. 28	10.50	Feb.	8.51	June	11.07	Nov.	10.00
		Mar.	8.50	July	10.98	Dec.	10.00
1989— Feb. 10	11.00	Apr.	8.50	Aug.	10.50		
May 24	11.50	May	8.84	Sept.	10.50	1991— Jan.	9.52
June 5	11.00	June	9.00	Oct.	10.50	Feb.	9.05
July 31	10.50	July	9.29	Nov.	10.50	Mar.	9.00
		Aug.	9.84	Dec.	10.50	Apr.	9.00
1990— Jan. 8	10.00	Sept.	10.00			May	8.50
		Oct.	10.00	1990— Jan.	10.11	June	8.50
1991— Jan. 2	9.50	Nov.	10.05	Feb.	10.00	July	8.50
Feb. 4	9.00	Dec.	10.50	Mar.	10.00	Aug.	8.50
May 1	8.50			Apr.	10.00	Sept.	8.20
Sept. 13	8.00			May	10.00	Oct.	8.00
Nov. 6	7.50					Nov.	7.58

1. Data in this table also appear in the Board's H.15 (519) weekly and G.13 (415) monthly statistical releases. For ordering address, see inside front cover.

1.35 INTEREST RATES Money and Capital Markets

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

Item	1988	1989	1990	1991				1991, week ending				
				July	Aug.	Sept.	Oct.	Sept. 27	Oct. 4	Oct. 11	Oct. 18	Oct. 25
MONEY MARKET INSTRUMENTS												
1 Federal funds ^{1,2,3}	7.57	9.21	8.10	5.82	5.66	5.45	5.21	5.29	5.33	5.19	5.28	5.24
2 Discount window borrowing ^{2,4}	6.20	6.93	6.98	5.50	5.50	5.20	5.00	5.00	5.00	5.00	5.00	5.00
Commercial paper ^{3,5,6}												
3 1-month	7.58	9.11	8.15	5.98	5.72	5.57	5.29	5.51	5.44	5.25	5.27	5.28
4 3-month	7.66	8.99	8.06	6.05	5.72	5.57	5.35	5.52	5.48	5.33	5.33	5.34
5 6-month	7.68	8.80	7.95	6.14	5.76	5.59	5.33	5.55	5.48	5.31	5.32	5.33
Finance paper, directly placed ^{3,5,7}												
6 1-month	7.44	8.99	8.00	5.86	5.58	5.43	5.18	5.37	5.30	5.14	5.15	5.18
7 3-month	7.38	8.72	7.87	5.89	5.56	5.33	5.19	5.26	5.19	5.19	5.18	5.23
8 6-month	7.14	8.16	7.53	5.81	5.50	5.34	5.12	5.26	5.21	5.11	5.12	5.12
Bankers acceptances ^{3,5,8}												
9 3-month	7.56	8.87	7.93	5.89	5.54	5.38	5.21	5.32	5.31	5.21	5.17	5.24
10 6-month	7.60	8.67	7.80	5.97	5.55	5.42	5.15	5.39	5.25	5.15	5.13	5.18
Certificates of deposit, secondary market ⁹												
11 1-month	7.59	9.11	8.15	5.92	5.64	5.47	5.23	5.40	5.31	5.21	5.22	5.23
12 3-month	7.73	9.09	8.15	5.98	5.65	5.47	5.33	5.41	5.43	5.32	5.31	5.33
13 6-month	7.91	9.08	8.17	6.25	5.79	5.60	5.32	5.57	5.43	5.32	5.30	5.33
14 Eurodollar deposits, 3-month ^{3,10}	7.85	9.16	8.16	6.01	5.65	5.50	5.34	5.44 ^f	5.46	5.33	5.33	5.35
U.S. Treasury bills												
Secondary market ^{3,5}												
15 3-month	6.67	8.11	7.50	5.58	5.33	5.22	4.99	5.16	5.07	5.01	5.00	5.01
16 6-month	6.91	8.03	7.46	5.70	5.39	5.25	5.04	5.20	5.11	5.06	5.03	5.08
17 1-year	7.13	7.92	7.35	5.91	5.45	5.26	5.04	5.20	5.11	5.07	5.04	5.09
Auction average ^{3,5,11}												
18 3-month	6.68	8.12	7.51	5.58	5.39	5.25	5.03	5.18	5.11	5.04	4.99	5.04
19 6-month	6.92	8.04	7.47	5.71	5.47	5.29	5.08	5.23	5.14	5.08	5.03	5.11
20 1-year	7.17	7.91	7.36	6.00	5.62	5.26	5.12	5.26	n.a.	n.a.	n.a.	5.12
U.S. TREASURY NOTES AND BONDS												
Constant maturities ¹²												
21 1-year	7.65	8.53	7.89	6.31	5.78	5.57	5.33	5.50	5.40	5.36	5.33	5.39
22 2-year	8.10	8.57	8.16	6.92	6.43	6.18	5.91	6.09	5.97	5.93	5.90	5.98
23 3-year	8.26	8.55	8.26	7.38	6.80	6.50	6.23	6.38	6.26	6.23	6.21	6.30
24 5-year	8.47	8.50	8.37	7.91	7.43	7.14	6.87	7.04	6.88	6.85	6.85	6.96
25 7-year	8.71	8.52	8.52	8.15	7.74	7.48	7.25	7.37	7.26	7.22	7.19	7.34
26 10-year	8.85	8.49	8.55	8.27	7.90	7.65	7.53	7.55	7.45	7.48	7.50	7.66
27 30-year	8.96	8.45	8.61	8.45	8.14	7.95	7.93	7.88	7.82	7.88	7.93	8.07
28 Composite ¹³ Over 10 years (long-term)	8.98	8.58	8.74	8.50	8.17	7.96	7.88	7.88	7.80	7.85	7.86	7.99
STATE AND LOCAL NOTES AND BONDS												
Moody's series ¹⁴												
29 Aaa	7.36	7.00	6.96	6.82	6.62	6.51	6.28	6.43	6.32	6.22	6.21	6.35
30 Baa	7.83	7.40	7.29	7.18	6.95	6.87	6.70	6.86	6.76	6.68	6.70	6.73
31 Bond Buyer series ¹⁵	7.68	7.23	7.27	7.05	6.90	6.80	6.68	6.73	6.64	6.66	6.67	6.73
CORPORATE BONDS												
32 Seasoned issues, all industries ¹⁶	10.18	9.66	9.77	9.42	9.16	9.03	8.99	8.98	8.92	8.95	8.97	9.08
Rating group												
33 Aaa	9.71	9.26	9.32	9.00	8.75	8.61	8.55	8.56	8.49	8.50	8.54	8.63
34 Aa	9.94	9.46	9.56	9.25	8.99	8.86	8.83	8.82	8.77	8.78	8.81	8.92
35 A	10.24	9.74	9.82	9.51	9.26	9.11	9.08	9.08	9.02	9.07	9.08	9.16
36 Baa	10.83	10.18	10.36	9.89	9.63	9.51	9.49	9.47	9.42	9.43	9.45	9.61
37 A-rated, recently offered utility bonds ¹⁷	10.20	9.79	10.01	9.55	9.25	9.05	9.02	8.96	8.93	9.02	9.04	9.12
MEMO: Dividend-price ratio ¹⁸												
38 Preferred stocks	9.23	9.05	8.96	8.21	8.04	7.88	7.84	7.78	7.77	7.81	7.80	7.89
39 Common stocks	3.64	3.45	3.61	3.20	3.10	3.15	3.14	3.15	3.15	3.24	3.11	3.13

1. The daily effective federal funds rate is a weighted average of rates on trades through N.Y. brokers.

2. Weekly figures are averages of seven calendar days ending on Wednesday of the current week; monthly figures include each calendar day in the month.

3. Annualized using a 360-day year or bank interest.

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

5. Quoted on a discount basis.

6. An average of offering rates on commercial paper placed by several leading dealers for firms whose bond rating is AA or the equivalent.

7. An average of offering rates on paper directly placed by finance companies.

8. Representative closing yields for acceptances of the highest rated money center banks.

9. An average of dealer offering rates on nationally traded certificates of deposit.

10. Bid rates for Eurodollar deposits at 11 a.m. London time. Data are for indication purposes only.

11. Auction date for daily data; weekly and monthly averages computed on an issue-date basis.

12. Yields on actively traded issues adjusted to constant maturities. Source: U.S. Treasury.

13. Unweighted average of rates on 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 twenty years to maturity, issued by twenty 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 thirty-year maturity and five 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	1988	1989	1990	1991									
				Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	
	Prices and trading volume (averages of daily figures)												
<i>Common stock prices (indexes)</i>													
1 New York Stock Exchange (Dec. 31, 1965 = 50)	149.96	180.13	183.58	197.75	203.56	207.71	207.07	207.32	208.29	213.33	212.55	213.10	
2 Industrial	180.83	228.04	225.89	246.74	255.36	260.16	260.13	261.16	262.48	268.22	266.21	265.68	
3 Transportation	134.07	174.90	158.88	166.06	166.26	166.90	170.77	177.05	177.15	178.42	177.99	187.45	
4 Utility	72.22	94.33	90.71	92.08	92.29	92.92	90.73	89.01	90.05	92.38	93.72	95.25	
5 Finance	127.41	162.01	133.36	141.03	145.41	152.64	151.32	152.30	151.69	157.70	157.69	158.94	
6 Standard & Poor's Corporation (1941-43 = 10) ¹	265.86	323.05	334.83	362.26	372.28	379.68	378.27	378.29	380.23	389.40	387.20	386.88	
7 American Stock Exchange (Aug. 31, 1973 = 50) ²	295.06	356.67	338.58	338.11	353.98	365.02	362.67	366.06	364.33	367.38	369.55	376.82	
<i>Volume of trading (thousands of shares)</i>													
8 New York Stock Exchange	161,509	165,568	156,777	226,635	196,343	182,510	170,337	162,154	157,871	171,490	163,242	177,502	
9 American Stock Exchange	9,955	13,124	n.a. ³	16,649	15,326	13,140	10,995	11,477	10,883	12,667	n.a.	13,764	
	Customer financing (millions of dollars, end-of-period balances)												
10 Margin credit at broker-dealers ³	32,740	34,320	28,210	28,860	29,660	30,020	29,980	31,280	30,600	32,240	33,170	33,360	
<i>Free credit balances at brokers⁴</i>													
11 Margin accounts ⁵	5,660	7,040	8,050	7,190	7,320	6,975	7,200	6,690	6,545	7,040	6,950	6,965	
12 Cash accounts	16,595	18,505	19,285	19,435	19,555	17,830	16,650	18,110	16,945	17,040	17,595	17,100	
	Margin requirements (percent of market value and effective date) ⁶												
	Mar. 11, 1968		June 8, 1968		May 6, 1970		Dec. 6, 1971		Nov. 24, 1972		Jan. 3, 1974		
13 Margin stocks	70		80		65		55		65		50		
14 Convertible bonds	50		60		50		50		50		50		
15 Short sales	70		80		65		55		65		50		

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

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

3. Since July 1983, under the revised Regulation T, margin credit at broker-dealers has included 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 amounts in accounts with no unfulfilled commitments to brokers and are subject to withdrawal by customers on demand.

5. New series since June 1984.

6. These requirements, stated in regulations adopted by the Board of Governors pursuant to the Securities Exchange Act of 1934, limit the amount of credit that can be used to purchase and carry "margin securities" (as defined in the regulations) when such credit is collateralized by securities. Margin requirements

on securities 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.

Effective June 8, 1988, margins were set to be the price option plus 20 percent of the market value of the stock underlying the option (or 15 percent in the case of stock-index options).

1.37 SELECTED FINANCIAL INSTITUTIONS Selected Assets and Liabilities

Millions of dollars, end of period

Account	1988	1989	1990		1991							
			Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.
	SAIF-insured institutions											
1 Assets	1,350,500	1,249,055	1,109,055	1,084,821	1,065,993	1,054,654	1,041,977	1,027,568	1,020,716	1,001,240	984,979	972,546
2 Mortgages	764,513	733,729	653,508	633,385	624,707	619,720	610,618	608,857	605,915	596,029	586,255	578,259
3 Mortgage-backed securities	214,587	170,532	155,616	155,228	151,422	149,318	147,431	143,968	141,532	139,532	137,078	135,732
4 Contra-assets to mortgage assets ¹	37,950	25,457	17,076	16,897	15,211	14,872	14,592	14,338	14,388	14,610	14,187	13,998
5 Commercial loans	33,889	32,150	25,261	24,125	23,669	23,205	22,294	21,903	21,724	20,647	20,301	20,398
6 Consumer loans	61,922	58,685	50,177	48,753	48,129	47,729	47,653	46,702	45,827	45,178	44,349	43,248
7 Contra-assets to non-mortgage loans ²	3,056	3,592	1,692	1,939	1,700	1,876	1,827	1,742	1,739	1,745	1,674	1,535
8 Cash and investment securities	186,986	166,053	145,998	146,644	140,502	138,884	138,976	132,884	134,029	130,453	130,268	132,016
9 Other ³	129,610	116,955	97,262	95,522	94,474	92,546	91,424	89,334	87,766	85,756	82,589	78,426
10 Liabilities and net worth	1,350,500	1,249,055	1,109,055	1,084,821	1,065,993	1,054,654	1,041,977	1,027,568	1,020,716	1,001,240	984,979	972,546
11 Savings capital	971,700	945,656	846,822	835,496	823,515	816,477	816,991	806,269	801,681	792,936	775,448	763,767
12 Borrowed money	299,400	252,230	203,855	197,353	188,900	183,660	169,412	164,274	159,636	151,474	146,902	142,908
13 FHLBB	134,168	124,577	100,493	100,391	95,819	94,658	90,555	86,779	82,312	78,966	76,104	74,424
14 Other	165,232	127,653	103,362	96,962	93,081	89,002	78,857	77,495	77,324	72,508	70,798	68,484
15 Other	24,216	27,556	26,152	21,332	22,178	23,355	20,350	21,730	23,647	20,468	21,639	22,645
16 Net worth	n.a.	23,612	32,225	30,640	31,400	31,162	35,223	35,295	35,751	36,728	40,989	43,226

1. Contra-assets are credit-balance accounts that must be subtracted from the corresponding gross asset categories to yield net asset levels. Contra-assets to mortgage loans, contracts, and pass-through securities include loans in process, unearned discounts and deferred loan fees, valuation allowances for mortgages "held for sale," and specific reserves and other valuation allowances.

2. Contra-assets are credit-balance accounts that must be subtracted from the corresponding gross asset categories to yield net asset levels. Contra-assets to nonmortgage loans include loans in process, unearned discounts and deferred loan fees, and specific reserves and valuation allowances.

3. Includes holding of stock in Federal Home Loan Bank and finance leases plus interest.

NOTE. Components do not sum to totals because of rounding. Data for credit unions and life insurance companies have been deleted from this table. They will be shown in a separate table which will appear quarterly, starting in the December issue.

SOURCE. *Savings Association Insurance Fund (SAIF)-insured institutions*: Estimates by the Office of Thrift Supervision (OTS) for all institutions insured by the SAIF and based on the OTS thrift institution Financial Report.

1.38 FEDERAL FISCAL AND FINANCING OPERATIONS¹

Millions of dollars

Type of account or operation	Fiscal year 1989	Fiscal year 1990	Fiscal year 1991	Calendar year					
				1991					
				May	June	July	Aug.	Sept.	Oct.
<i>U.S. budget²</i>									
1 Receipts, total	990,701	1,031,308	1,054,260	63,560	103,389	78,593	76,426	109,345	78,068
2 On-budget	727,035	749,652	760,377 ³	41,958	76,322	56,327	54,651	83,130 ³	57,216
3 Off-budget	263,666	281,656	293,883 ³	21,602	27,067	22,266	21,775	26,215 ³	20,852
4 Outlays, total	1,144,020	1,251,766	1,322,989	116,906	105,849	119,384	120,071	116,174	114,045
5 On-budget	933,107	1,026,711	1,081,303 ³	95,903	90,901	99,532	96,255	91,516 ³	94,062
6 Off-budget	210,911	225,065	241,685 ³	21,003	14,948	19,852	22,824	24,658 ³	19,983
7 Surplus or deficit (-), total	-153,319	-220,469	-268,729	-53,346	-2,460	-40,791	-43,645	-6,829	-35,976
8 On-budget	-206,072	-277,059	-320,926	-53,945	-14,579	-43,205	-42,596	-8,386	36,846
9 Off-budget	52,753	56,590	52,198	599	12,119	2,414	-1,049	1,557	869
<i>Source of financing (total)</i>									
10 Borrowing from the public	141,806	220,101	276,802	41,742	10,715	34,434	32,574	27,970	40,657
11 Operating cash (decrease, or increase (-))	3,425	818	-1,329	20,362	-15,730	6,728	18,504	-23,133	11,235
12 Other ³	8,088	-451	-6,744	-8,758	7,475	-371	-8,425	1,992	6,554
<i>MEMO</i>									
13 Treasury operating balance (level, end of period)	40,973	40,155	41,484	27,853	43,538	36,855	18,351	41,484	52,719
14 Federal Reserve Banks	13,452	7,638	7,928	6,619	11,822	5,831	6,745	7,928	18,111
15 Tax and loan accounts	27,521	32,517	33,556	21,234	31,761	31,024	11,606	33,556	34,608

1. Components may not sum to totals because of rounding.

2. In accordance with the Balanced Budget and Emergency Deficit Control Act of 1985, all former off-budget entries are now presented on-budget. Federal Financing Bank (FFB) activities are now shown as separate accounts under the agencies that use the FFB to finance their programs. The act also moved two social security trust funds (federal old-age survivors insurance and federal disability insurance trust fund) off-budget. The Postal Service is included as an off-budget item in the *Monthly Treasury Statement* beginning in 1990.

3. Includes special drawing rights (SDRs); reserve position on the U.S. quota

in the International Monetary Fund (IMF); loans to the IMF; other cash and monetary assets; accrued interest payable to the public; allocations of SDRs; deposit funds; miscellaneous liability (including checks outstanding) and asset accounts; seigniorage; increment on gold; net gain or loss for U.S. currency valuation adjustment; net gain or loss for IMF loan-valuation adjustment; and profit on sale of gold.

SOURCES. *Monthly Treasury Statement of Receipts and Outlays of the U.S. Government* (MTS) and the *Budget of the U.S. Government*.

1.39 U.S. BUDGET RECEIPTS AND OUTLAYS¹

Millions of dollars

Source or type	Fiscal year 1990	Fiscal year 1991	Calendar year						
			1989	1990		1991			
				H2	H1	H2	H1	Aug.	Sept.	Oct.
RECEIPTS									
1 All sources	1,031,308	1,054,260	470,276	548,861	503,123	540,504	76,426	109,345	78,068
2 Individual income taxes, net	466,884	467,827	218,706	243,087	230,745	232,389	34,560	47,979	39,332
3 Withheld	388,384	404,152	193,296	190,219	207,469	193,440	32,993	30,758	37,291
4 Presidential Election Campaign Fund	32	32	3	30	3	31	1	0	0
5 Nonwithheld	151,285	142,693	33,303	117,675	31,728	109,405	3,098	19,145	3,725
6 Refunds	72,817	79,050	7,898	64,838	8,455	70,487	1,532	1,924	1,684
Corporation income taxes									
7 Gross receipts	110,017	113,599	52,269	58,830	54,044	58,903	2,893	19,514	3,613
8 Refunds	16,510	15,513	6,842	8,326	7,603	7,904	1,588	934	2,442
9 Social insurance taxes and contributions, net	380,047	396,011	162,574	210,476	178,468	214,303	31,504	34,042	28,435
10 Employment taxes and contributions	353,891	370,526	152,407	195,269	167,224	199,727	27,664	33,439	27,022
11 Self-employment taxes and contributions	21,795	25,457	1,947	19,017	2,638	22,150	187	3,119	0
12 Unemployment insurance	21,635	20,922	7,909	12,929	8,996	12,296	3,417	234	971
13 Other net receipts ⁴	4,522	4,563	2,260	2,278	2,249	2,279	422	370	443
14 Excise taxes	35,345	42,430	16,799	18,153	17,535	20,703	4,626	4,038	3,640
15 Customs deposits	16,707	15,921	8,667	8,096	8,568	7,488	1,484	1,322	1,607
16 Estate and gift taxes	11,500	11,138	4,451	6,442	5,333	5,631	853	939	923
17 Miscellaneous receipts ⁵	27,316	22,847	13,651	12,106	16,032	8,991	2,093	2,446	2,962
OUTLAYS									
18 All types	1,251,776	1,322,989	587,394	640,867	647,218	631,737	120,071	116,174	114,045
19 National defense	299,331	272,514	149,613	152,733	149,497	122,089	27,968	21,929	23,792
20 International affairs	13,762	16,167	5,971	6,770	8,943	7,592	835	1,026	1,842
21 General science, space, and technology	14,444	15,946	7,091	6,974	8,081	7,496	1,440	1,365	1,562
22 Energy	2,372	1,750	1,449	1,216	979	816	367 ²	-573	640
23 Natural resources and environment	17,067	18,708	9,183	7,343	9,933	8,324	1,470	1,597	3,179
24 Agriculture	11,958	14,864	4,132	7,450	6,878	7,684	129	227	1,615
25 Commerce and housing credit	67,160	75,639	22,295	38,672	37,491	17,992	5,805	20,097	29
26 Transportation	29,485	31,531	14,982	13,754	16,218	14,748	3,105	2,764	2,891
27 Community and regional development	8,498	7,432	4,879	3,987	3,939	3,552	614	616	802
28 Education, training, employment, and social services	38,497	41,479	18,663	19,537	18,988	21,234	3,550	3,086	3,983
29 Health	57,716	71,183	25,339	29,488	31,424	35,608	6,401	7,031	7,194
30 Social security and medicare	346,383	373,495	162,322	175,997	176,353	190,247	32,505	30,884	32,659
31 Income security	147,314	171,618	67,950	78,475	75,948	88,778	15,367	12,189	13,695
32 Veterans benefits and services	29,112	31,344	14,864	15,217	15,479	14,326	3,666	1,322	3,086
33 Administration of justice	10,004	12,295	4,909	4,868	5,265	6,187	1,153	966	1,129
34 General government	10,724	11,358	4,760	4,916	6,976	5,212	1,032	1,181	2,056
35 Net interest ³	184,221	195,012	87,927	91,155	94,650	98,556	17,605	15,838	16,847
36 Undistributed offsetting receipts ⁶	-36,615	-39,356	-18,935	-17,688	-19,829	-18,702	-2,942	-5,369	-2,956

1. Functional details do not sum to total outlays for calendar year data because revisions to monthly totals have not been distributed among functions. Fiscal year total for outlays does not correspond to calendar year data because revisions from the *Budget* have not been fully distributed across months.

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

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

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

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

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

7. Consists of rents and royalties on the outer continental shelf, 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 1990*.

A28 Domestic Financial Statistics □ January 1992

1.40 FEDERAL DEBT SUBJECT TO STATUTORY LIMITATION¹

Billions of dollars, end of month

Item	1989		1990				1991		
	Sept. 30	Dec. 31	Mar. 31	June 30	Sept. 30	Dec. 31	Mar. 31	June 30	Sept. 30
1 Federal debt outstanding	2,881.1	2,975.5	3,081.9	3,175.5	3,266.1	3,397.3	3,491.7	3,562.9	3,598.9
2 Public debt securities	2,857.4	2,953.0	3,052.0	3,143.8	3,233.3	3,364.8	3,465.2	3,538.0	3,665.3
3 Held by public	2,180.7	2,245.2	2,329.3	2,368.8	2,437.6	2,536.6	2,598.4	2,642.9	n.a.
4 Held by agencies	676.7	707.8	722.7	775.0	795.8	828.3	866.8	895.1	n.a.
5 Agency securities	23.7	22.5	29.9	31.7	32.8	32.5	26.5	25.0	n.a.
6 Held by public	23.5	22.4	29.8	31.6	32.6	32.4	26.4	24.8	n.a.
7 Held by agencies .....	.1	.1	.2	.2	.2	.1	.1	.1	n.a.
8 Debt subject to statutory limit	2,829.8	2,921.7	2,988.9	3,077.0	3,161.2	3,281.7	3,377.1	3,450.3	3,569.3
9 Public debt securities	2,829.5	2,921.4	2,988.6	3,076.6	3,160.9	3,281.3	3,376.7	3,449.8	3,569.0
10 Other debt .....	.3	.3	.3	.4	.4	.4	.4	.4	.3
11 MEMO: Statutory debt limit	2,870.0	3,122.7	3,122.7	3,122.7	3,195.0	4,145.0	4,145.0	4,145.0	4,145.0

1. Components may not sum to totals because of rounding.
2. Consists of 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 Ownership¹

Billions of dollars, end of period

Type and holder	1987	1988	1989	1990	1990	1991		
					Q4	Q1	Q2	Q3
1 Total gross public debt	2,431.7	2,684.4	2,953.0	3,364.8	3,364.8	3,465.2	3,538.0	3,665.3
By type								
2 Interest-bearing	2,428.9	2,663.1	2,931.8	3,362.0	3,362.0	3,441.4	3,516.1	3,662.8
3 Marketable	1,724.7	1,821.3	1,945.4	2,195.8	2,195.8	2,227.9	2,268.1	2,390.7
4 Bills	389.5	414.0	430.6	527.4	527.4	533.3	521.5	564.6
5 Notes	1,037.9	1,083.6	1,151.5	1,265.2	1,265.2	1,280.4	1,320.3	1,387.7
6 Bonds	282.5	308.9	348.2	388.2	388.2	399.3	411.2	423.4
7 Nonmarketable	704.2	841.8	986.4	1,166.2	1,166.2	1,213.5	1,248.0	1,272.1
8 State and local government series	139.3	151.5	163.3	160.8	160.8	159.4	161.0	158.1
9 Foreign issues	4.0	6.6	6.8	43.5	43.5	42.8	42.1	41.6
10 Government	4.0	6.6	6.8	43.5	43.5	42.8	42.1	41.6
11 Public .....	.0	.0	.0	.0	.0	.0	.0	.0
12 Savings bonds and notes	99.2	107.6	115.7	124.1	124.1	127.7	131.3	133.5
13 Government account series	461.3	575.6	695.6	813.8	813.8	853.1	883.2	908.4
14 Non-interest-bearing	2.8	21.3	21.2	2.8	2.8	23.8	21.9	2.5
By holder ⁵								
15 U.S. Treasury and other federal agencies and trust funds	477.6	589.2	707.8	828.3	828.3	866.8	895.1	n.a.
16 Federal Reserve Banks	222.6	238.4	228.4	259.8	259.8	247.3	255.1	n.a.
17 Private investors	1,731.4	1,858.5	2,015.8	2,288.3	2,288.3	2,360.6	2,397.9	n.a.
18 Commercial banks	201.5	193.8	174.8	188.2	188.2	194.8	200.0	n.a.
19 Money market funds	14.6	11.8	14.9	45.4	45.4	65.7	55.5	n.a.
20 Insurance companies	104.9	107.3	130.1	149.7	149.7	149.2	152.0	n.a.
21 Other companies	84.6	87.1	93.4	108.9	108.9	114.9	130.8	n.a.
22 State and local treasuries	284.6	313.6	338.7	329.6	329.6	329.3	329.0	n.a.
Individuals								
23 Savings bonds	101.1	109.6	117.7	126.2	126.2	129.7	133.2	n.a.
24 Other securities	71.3	79.2	98.7	107.6	107.6	108.6	110.3	n.a.
25 Foreign and international	299.7	362.2	392.9	425.1	425.1	430.3	441.6	n.a.
26 Other miscellaneous investors	569.1	593.4	654.6	807.6	807.6	838.1	845.5	n.a.

1. Components may not sum to totals because of rounding.
2. Includes (not shown separately) securities issued to the Rural Electrification Administration, depository bonds, retirement plan bonds, and individual retirement bonds.
3. Nonmarketable series denominated in dollars, and series denominated in foreign currency held by foreigners.
4. Held almost entirely by U.S. Treasury and other federal agencies and trust funds.
5. Data for Federal Reserve Banks and U.S. government agencies and trust

funds are actual holdings; data for other groups are Treasury estimates.
6. Consists of investments of foreign balances and international accounts in the United States.
7. 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, the *Treasury Bulletin*.

1.42 U.S. GOVERNMENT SECURITIES DEALERS Transactions¹

Millions of dollars, daily averages, par value

Item	1991			1991, week ending								
	July ^r	Aug.	Sept.	Sept. 4	Sept. 11	Sept. 18	Sept. 25	Oct. 2	Oct. 9	Oct. 16	Oct. 23	Oct. 30
IMMEDIATE TRANSACTIONS²												
<i>By type of security</i>												
U.S. Treasury securities												
1 Bills	28,106	33,421	31,075	27,688	29,140	33,539	29,961	34,310	35,891	32,143	32,270	41,013
<i>Coupon securities, by maturity</i>												
2 Less than 3.5 years	32,966	43,814	36,102	30,286	31,389	36,785	40,838	38,802	36,533	31,117	38,517	43,925
3 3.5 to 7.5 years	23,659	32,184	28,216	24,886	24,543	28,847	29,473	33,414	37,857	32,910	34,330	37,930
4 7.5 to 15 years	9,016	17,292 ^r	13,490	9,916	11,609	15,614	14,213	14,265	15,842	13,898	16,091	18,244
5 15 years or more	10,883	17,076 ^r	13,580	12,408	11,590	14,868	14,457	14,071	15,902	16,287	14,888	15,822
<i>Federal agency securities</i>												
<i>Debt, maturing in</i>												
6 Less than 3.5 years	4,658	4,380	4,381	5,358	3,577	4,286	4,521	4,995	3,794	4,539	4,256	5,087
7 3.5 to 7.5 years	421	666	674	310	873	669	573	759	534	431	609	563
8 7.5 years or more	623	649 ^r	601	286	628	708	575	634	490	780	888	686
<i>Mortgage-backed securities</i>												
9 Pass-throughs	9,264	10,345	12,321	10,549	14,464	11,627	12,056	11,532	11,775	11,836	12,067	12,543
10 All others ³	1,647	2,022	2,314	1,064	1,564	2,638	2,965	2,772	2,149	3,091	2,539	2,831
<i>By type of counterparty</i>												
<i>Primary dealers and brokers</i>												
11 U.S. Treasury securities	64,003	88,207 ^r	74,769	61,990 ^r	65,268	79,323	80,918	81,282	87,282	77,700	86,372	99,807
<i>Federal agency securities</i>												
12 Debt	1,471	1,424	1,457	1,272	1,329	1,372	1,610	1,677	1,281	1,695	1,432	1,957
13 Mortgage-backed	4,940	5,506 ^r	6,736	6,003	8,121	5,887	6,715	6,368	6,678	7,127	5,988	7,867
<i>Customers</i>												
14 U.S. Treasury securities	40,628	55,580 ^r	47,696	43,194 ^r	43,003	50,330	48,024	53,580	54,743	48,655	49,724	57,128
<i>Federal agency securities</i>												
15 Debt	4,230	4,272	4,200	4,682	3,749	4,291	4,059	4,711	3,538	4,055	4,321	4,378
16 Mortgage-backed	5,971	6,862	7,899	5,609	7,906	8,378	8,306	7,936	7,245	7,800	8,618	7,507
FUTURE AND FORWARD TRANSACTIONS⁴												
<i>By type of deliverable security</i>												
U.S. Treasury securities												
17 Bills	3,499	5,004	3,616	2,794	3,606	4,980	3,079	2,803	2,879	2,572	3,153	3,810
<i>Coupon securities, by maturity</i>												
18 Less than 3.5 years	950	1,426	996	1,161	1,057	954	987	868	810	1,673	1,478	1,332
19 3.5 to 7.5 years	506	529	541	282	391	696	562	673	708	1,023	785	758
20 7.5 to 15 years	567	1,145	881	1,055	798	944	945	690	815	925	1,054	1,041
21 15 years or more	6,224	9,267	8,235	6,647	7,507	8,797	9,261	7,862	8,049	9,901	10,090	9,757
<i>Federal agency securities</i>												
<i>Debt, maturing in</i>												
22 Less than 3.5 years	91	41 ^r	45	7	NA ^r	95	9	45	27	5	164	181
23 3.5 to 7.5 years	49	51	51	11	13	7	52	210	34	26	14	10
24 7.5 years or more	21	12	33	4	73	24	23	17	7	10	12	74
<i>Mortgage-backed</i>												
25 Pass-throughs and others ³	280	378	0	434	536	589	227	0	0	0	0	0
OPTION TRANSACTIONS⁵												
<i>By type of underlying security</i>												
U.S. Treasury, coupon securities, by maturity												
26 Less than 3.5 years	4,478	4,977	1,725	5,503	1,244	1,472	1,162	1,371	1,252	811	915	886
27 3.5 to 7.5 years	195	162 ^r	340	147	226	315	157	1,008	220	205	475	346
28 7.5 to 15 years	264	487	337	290	374	437	236	310	553	403	325	263
29 15 years or more	2,006	2,792	2,551	2,175	1,591	2,588	3,674	2,471	1,602	2,396	2,027	2,334
<i>Federal agency, mortgage-backed securities</i>												
30 Pass-throughs	280	378	0	434	536	589	227	0	0	0	0	0

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. Immediate, forward, and future transactions are reported at principal value, which does not include accrued interest; option transactions are reported at the face value of the underlying securities. Dealers report cumulative transactions for each week ending Wednesday.

2. Transactions for immediate delivery include purchases or sales of securities (other than mortgage-backed agency securities) for which delivery is scheduled in five business days or less and "when-issued" securities that settle on the issue date of offering. Transactions for immediate delivery of mortgage-backed securities include purchases and sales for which delivery is scheduled in thirty days or less. Stripped securities are reported at market value by maturity of coupon or corpus.

3. Includes such securities as collateralized mortgage obligations (CMOs), real estate mortgage investment conduits (REMICs), interest only securities (IOs), and principal only securities (POs).

4. Futures transactions are standardized agreements arranged on an exchange. Forward transactions are agreements made in the over-the-counter market that specify delayed delivery. All futures transactions are included regardless of time to delivery. Forward contracts for U.S. Treasury securities and federal agency debt securities are included when the time to delivery is more than five days. Forward contracts for mortgage-backed securities are included when the time to delivery is more than thirty days.

5. Options transactions are purchases or sales of put-and-call options, whether arranged on an organized exchange or in the over-the-counter market, and include options on futures contracts on U.S. Treasury and federal agency securities.

NOTE. In tables 1.42 and 1.43, the term "n.a." refers to data that are not published because of insufficient activity.

Data formerly shown under option transactions for U.S. Treasury securities, bills; Federal agency securities, debt; and mortgage-backed securities, other than pass-throughs are no longer available because of insufficient activity.

1.43 U.S. GOVERNMENT SECURITIES DEALERS Positions and Financing¹

Millions of dollars

Item	1991			1991, week ending								
	July	Aug.	Sept.	Aug. 28	Sept. 4	Sept. 11	Sept. 18	Sept. 25	Oct. 2	Oct. 9	Oct. 16	Oct. 23
Positions²												
NET IMMEDIATE TRANSACTIONS³												
<i>By type of security</i>												
U.S. Treasury securities												
1 Bills	17,206	15,391	15,937 ^r	9,270	12,006	13,365	15,381	21,374	15,848	13,836	13,013	18,827
<i>Coupon securities, by maturity</i>												
2 Less than 3.5 years	-3,067	1,488	4,092 ^r	2,279	3,272	804	2,079	7,184	7,838	6,483	4,967	9,058
3 3.5 to 7.5 years	7,090	2,988	589 ^r	4,249	2,675	2,027	117	1,308	-3,439	-1,950	-1,803	-5,109
4 7.5 to 15 years	-4,726	-4,055	-4,912	-5,552	-5,418	-5,015	-4,975	-5,304	-3,726	-3,484	-2,856	-4,268
5 15 years or more	-17,183	-13,686	-12,134	-12,480	-14,067	-13,284	-12,165	-11,624	-9,650	-7,331	-7,732	-8,447
<i>Federal agency securities</i>												
<i>Debt, maturing in</i>												
6 Less than 3.5 years	5,842 ^r	5,726	4,762	6,020	4,503	4,834	5,227	5,194	3,615	3,743	4,665	5,061
7 3.5 to 7.5 years	1,864 ^r	1,853	1,883	1,877	1,861	1,904	2,017	1,817	1,774	1,908	1,943	1,853
8 7.5 years or more	4,728 ^r	5,036	5,082	4,889	5,132	5,144	4,943	5,078	5,155	5,158	5,106	4,827
<i>Mortgage-backed securities</i>												
9 Pass-throughs	27,167 ^r	31,145 ^r	29,377 ^r	29,728 ^r	26,306	32,916	37,054	28,865	16,851	24,405	28,460	28,443
10 All others	11,864 ^r	11,274	12,611 ^r	10,397	11,531	11,281	12,312	13,572	14,413	13,349	15,825	14,107
<i>Other money market instruments</i>												
11 Certificates of deposit	3,686	3,115	3,020	2,622	2,688	2,521	3,501	3,014	3,320	2,825	3,485	3,346
12 Commercial paper	5,546	6,300	5,912	5,926	6,433	4,959	6,875	5,572	5,955	5,462	7,108	6,080
13 Bankers acceptances	1,228	1,319	1,575	1,244	1,626	1,519	1,858	1,489	1,339	1,488	1,696	1,140
FUTURE AND FORWARD TRANSACTIONS⁵												
<i>By type of deliverable security</i>												
U.S. Treasury securities												
14 Bills	-12,116	-12,840	-7,828	-10,626	-8,695	-9,105	-6,810	-8,445	-5,909	-7,549	-9,161	-8,621
<i>Coupon securities, by maturity</i>												
15 Less than 3.5 years	1,329	984	1,615	986	752	1,721	1,892	1,602	1,790	1,291	1,071	967
16 3.5 to 7.5 years	1,511	-1,113	-868	-1,101	-1,001	-499	-727	-1,241	-952	-766	-1,924	-2,019
17 7.5 to 15 years	-622	-2,316	-1,892	-2,373	-2,137	-1,907	-1,990	-1,502	-2,081	-1,430	-856	-437
18 15 years or more	-2,811	-5,214	-5,582	-6,239	-5,695	-6,314	-5,146	-5,442	-5,275	-4,689	-4,103	-2,344
<i>Federal agency securities</i>												
<i>Debt, maturing in</i>												
19 Less than 3.5 years	15	-41	-41	-63	-33	-26	-116	-55	54	-64	21	101
20 3.5 to 7.5 years	-9	68	-1 ^r	19	-15	21	38	-58	5	-102	-121	-52
21 7.5 years or more	-15	29	-26	11	10	1	-20	-92	-11	-56	-2	-37
<i>Mortgage-backed securities</i>												
22 Pass-throughs	-14,870	-18,722	-18,899 ^r	-17,268	-12,347	-21,685	-27,597	-18,369	-8,804	-13,466	-20,329	-17,278
23 All others	17	1,934	1,994	3,119	1,813	1,052	2,668	2,582	1,693	491	12	2,707
24 Certificates of deposit	-42,864	-102,587 ^r	-128,658 ^r	-107,141	-113,238	-115,197	-125,149	-140,293	-148,460	-158,034	-151,897	-151,431
Financing⁶												
<i>Reverse repurchase agreements</i>												
25 Overnight and continuing	180,538	194,528	189,584	183,342	198,872	197,243	196,683	172,721	185,101	183,560	190,921	173,955
26 Term	226,196 ^r	244,421	247,564	253,841	232,928	254,206	251,979	255,320	232,936	252,760	245,959	257,128
<i>Repurchase agreements</i>												
27 Overnight and continuing	285,305	306,936	296,224	305,444	301,070	295,256	309,757	284,569	291,072	286,352	294,489	283,271
28 Term	201,256	224,357	227,932 ^r	238,909	210,442	231,894	232,536	244,141	207,237	232,550	228,455	243,006
<i>Securities borrowed</i>												
29 Overnight and continuing	64,442	62,248	61,963	63,351	62,012	62,052	65,148	61,686	57,729	58,548	57,695	59,490
30 Term	23,187	22,568	22,150	22,586	21,868	21,523	20,764	24,294	22,191	25,008	24,023	21,843
<i>Securities loaned</i>												
31 Overnight and continuing	7,197 ^r	7,995	8,725	8,638	7,909	7,809	8,631	10,264	8,640	8,346	10,135	9,620
32 Term	937	791	1,416	1,339	618	696	547	3,900	804	816	817	865
<i>Collateralized loans</i>												
33 Overnight and continuing	6,770	7,091	0	6,214	7,441	0	0	0	0	0	0	0
MEMO: Matched book⁷												
<i>Reverse repurchases</i>												
34 Overnight and continuing	118,323 ^r	129,272	127,648	124,970	130,728	131,439	135,264	117,395	123,571	125,865	130,327	117,562
35 Term	186,775 ^r	198,749	197,099	208,056	192,571	193,614	200,523	205,340	189,269	205,723	199,229	209,371
<i>Repurchases</i>												
36 Overnight and continuing	158,617	159,234	149,490	155,035	157,851	151,105	158,307	135,033	148,434	145,581	144,501	135,493
37 Term	150,534	166,164	169,284	174,858	155,125	172,333	172,507	178,568	158,834	180,559	175,047	186,484

1. Data for positions and financing are obtained from reports submitted to the Federal Reserve Bank of New York by the U.S. government securities dealers on its published list of primary dealers. Weekly figures are close-of-business Wednesday data; monthly figures are averages of weekly data. Data for positions and financing are averages of close-of-business Wednesday data.

2. Securities positions are reported at market value.

3. Net immediate positions include securities purchased or sold (other than mortgage-backed agency securities) that have been delivered or are scheduled to be delivered in five business days or less and "when-issued" securities settle on the issue date of offering. Net immediate positions of mortgage-backed securities include securities purchased or sold that have been delivered or are scheduled to be delivered in thirty days or less.

4. Includes securities such as collateralized mortgage obligations (CMOs), real estate mortgage investment conduits (REMICs), interest only (IOs), and principal only (POs).

5. Futures positions are standardized contracts arranged on an exchange. Forward positions reflect agreements made in the over-the-counter market that specify delayed delivery. All futures positions are included regardless of time to

delivery. Forward contracts for U.S. Treasury securities and for federal agency debt securities are included when the time to delivery is more than five business days. Forward contracts for mortgage-backed securities are included when the time to delivery is more than thirty days.

6. Overnight financing refers to agreements made on one business day that mature on the next business day; continuing contracts are agreements that remain in effect for more than one business day but have no specific maturity and can be terminated without advance notice by either party; term agreements have a fixed maturity of more than one business day.

7. Matched-book data reflect financial intermediation activity in which the borrowing and lending transactions are matched. Matched-book data are included in the financing breakdowns given above. The reverse repurchase and repurchase numbers are not always equal because of the "matching" of securities of different values or types of collateralization.

NOTE. Data for future and forward commercial paper and bankers' acceptances and term financing of collateralized loans are no longer available because of insufficient activity.

1.44 FEDERAL AND FEDERALLY SPONSORED CREDIT AGENCIES Debt Outstanding

Millions of dollars, end of period

Agency	1987	1988	1989	1990	1991				
					Apr.	May	June	July	Aug.
1 Federal and federally sponsored agencies	341,386	381,498	411,805	434,668	432,348	432,306	429,179	432,587	436,909
2 Federal agencies	37,981	35,668	35,664	42,159	41,107	41,031	40,591	40,380	39,940
3 Defense Department ¹	13	8	7	7	7	7	7	7	7
4 Export-Import Bank ^{2,3}	11,978	11,033	10,985	11,376	11,186	11,186	11,244	11,244	11,244
5 Federal Housing Administration ⁴	183	150	328	393	365	407	428	300	315
6 Government National Mortgage Association participation certificates ⁵	1,615	0	0	0	0	0	0	0	0
7 Postal Service ⁶	6,103	6,142	6,445	6,948	6,948	6,651	6,651	6,621	6,621
8 Tennessee Valley Authority	18,089	18,335	17,899	23,435	22,601	22,780	22,261	22,208	21,753
9 United States Railway Association ⁷	0	0	0	0	0	0	0	0	0
10 Federally sponsored agencies ⁷	303,405	345,830	375,407	392,509	391,241	391,275	388,588	392,207	396,969
11 Federal Home Loan Banks	115,727	135,836	136,108	117,895	110,691	108,981	105,775	106,397	107,469
12 Federal Home Loan Mortgage Corporation	17,645	22,797	26,148	30,941	29,768	29,016	28,836	29,559	31,650
13 Federal National Mortgage Association	97,057	105,459	116,064	123,403	124,189	126,806	126,606	128,764	128,589
14 Farm Credit Banks ⁸	55,275	53,127	54,864	53,590	52,049	51,485	51,712	51,318	52,056
15 Student Loan Marketing Association ⁹	16,503	22,073	28,705	34,194	35,117	35,560	36,232	36,742	37,778
16 Financing Corporation	1,200	3,850	8,170	8,170	8,170	8,170	8,170	8,170	8,170
17 Farm Credit Financial Assistance Corporation ¹⁰	0	690	847	1,261	1,261	1,261	1,261	1,261	1,261
18 Resolution Funding Corporation ¹¹	0	0	4,522	23,055	29,996	29,996	29,996	29,996	29,996
MEMO									
19 Federal Financing Bank debt¹³	152,417	142,850	134,873	179,083	182,708	182,582	185,129	186,752	188,920
<i>Lending to federal and federally sponsored agencies</i>									
20 Export-Import Bank ²	11,972	11,027	10,979	11,370	11,180	11,180	11,238	11,238	11,238
21 Postal Service ⁶	5,853	5,892	6,195	6,698	6,698	6,401	6,401	6,401	6,401
22 Student Loan Marketing Association	4,940	4,910	4,880	4,850	4,850	4,850	4,850	4,850	4,850
23 Tennessee Valley Authority	16,709	16,955	16,519	14,055	13,221	13,400	12,881	12,828	12,373
24 United States Railway Association ⁷	0	0	0	0	0	0	0	0	0
<i>Other Lending¹⁴</i>									
25 Farmers Home Administration	59,674	58,496	53,311	52,324	52,669	52,669	52,254	51,334	51,334
26 Rural Electrification Administration	21,191	19,246	19,265	18,890	18,850	18,878	18,894	18,832	18,846
27 Other	32,078	26,324	23,724	70,896	75,240	75,204	78,611	81,269	83,878

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

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

3. On-budget after Sept. 30, 1976.

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

5. Certificates of participation issued before fiscal 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. Excludes borrowing by the Farm Credit Financial Assistance Corporation, shown in line 17.

9. Before late 1982, the Association obtained financing through the Federal Financing Bank (FFB). Borrowing excludes that obtained from the FFB, which is

shown on line 22.

10. The Financing Corporation, established in August 1987 to recapitalize the Federal Savings and Loan Insurance Corporation, undertook its first borrowing in October 1987.

11. The Farm Credit Financial Assistance Corporation, established in January 1988 to provide assistance to the Farm Credit System, undertook its first borrowing in July 1988.

12. The Resolution Funding Corporation, established by the Financial Institutions Reform, Recovery, and Enforcement Act of 1989, undertook its first borrowing in October 1989.

13. The FFB, which began operations in 1974, is authorized to purchase or sell obligations issued, sold, or guaranteed by other federal agencies. 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.

14. 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	1988	1989	1990	1991							
				Mar.	Apr.	May	June	July	Aug.	Sept. ^r	Oct.
1 All issues, new and refunding ¹	114,522	113,646	120,339	10,864	10,916	14,753	13,804	11,629	15,744	13,240	11,357
By type of issue											
2 General obligation	30,312	35,774	39,610	4,219	3,771	4,946	4,442	3,900	5,919	5,253	3,088
3 Revenue	84,210	77,873	81,295	6,645	7,145	9,807	9,362	7,729	9,825	7,987	8,269
By Type of issuer											
4 State	8,830	11,819	15,149	1,195	1,199	1,890	1,529	650	2,328	n.a.	1,345
5 Special district or statutory authority ²	74,409	71,022	72,661	6,599	6,604	9,549	5,057	7,320	8,890	n.a.	n.a.
6 Municipality, county, or township	31,193	30,805	32,510	3,070	3,113	3,314	7,218	3,659	4,526	n.a.	n.a.
7 Issues for new capital, total	79,665	84,062	103,235	9,675	10,156	13,924	13,347	11,414	15,177	12,664	11,104
By use of proceeds											
8 Education	15,021	15,133	17,042	2,583	2,001	2,462	2,684	2,214	1,826	1,244	1,524
9 Transportation	6,825	6,870	11,650	421	1,305	1,642	1,829	621	1,498	1,249	1,476
10 Utilities and conservation	8,496	11,427	11,739	1,886	2,171	1,815	2,830	2,077	1,977	2,343	2,151
11 Social welfare	19,027	16,703	23,099	2,140	921	3,373	2,455	2,287	5,291	2,862	1,386
12 Industrial aid	5,624	5,036	6,117	554	319	743	1,040	425	565	1,262	553
13 Other purposes	24,672	28,894	34,607	2,091	3,439	3,889	2,509	3,790	4,019	3,704	4,014

1. Par amounts of long-term issues based on date of sale.
2. Since 1986, has included school districts.

SOURCES: *Investment Dealer's Digest* beginning April 1990. Securities Data/Bond Buyer Municipal Data Base beginning 1986. Public Securities Association for earlier data.

1.46 NEW SECURITY ISSUES U.S. Corporations

Millions of dollars

Type of issue, offering, or issuer	1988	1989	1990	1991							
				Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.
1 All issues ¹	410,898	379,535	339,551	30,981 [†]	36,386 [†]	33,933	37,459 [†]	31,683 [†]	22,956 [†]	35,991 [†]	32,068
2 Bonds ²	353,097	321,664	299,313	29,179 [†]	32,437 [†]	28,620	30,041 [†]	26,065 [†]	20,274 [†]	29,261 [†]	26,647
<i>By type of offering</i>											
3 Public, domestic.....	202,215	181,393	189,271	26,010 [†]	29,934	24,763	27,210 [†]	23,644 [†]	18,718 [†]	27,391 [†]	23,750
4 Private placement, domestic ³	127,704	117,420	86,988	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
5 Sold abroad.....	23,178	22,851	23,054	3,169	2,503 [†]	3,857	2,830	2,421	1,555	1,870 [†]	2,897
<i>By industry group</i>											
6 Manufacturing.....	70,306	76,656	53,110	8,124 [†]	7,240	7,613	6,609 [†]	4,238 [†]	3,827 [†]	8,240 [†]	6,873
7 Commercial and miscellaneous.....	62,794	49,744	40,019	2,021 [†]	1,739	2,936	1,190	1,743	1,400	1,368 [†]	992
8 Transportation.....	10,275	10,032	12,706	563	992	502	665	567	697 [†]	959	231
9 Public utility.....	20,834	18,688	17,521	1,399	506	2,115	2,682	1,706	1,420 [†]	1,947 [†]	1,370
10 Communication.....	5,593	8,461	6,664	669	988	845	337	1,838	715 [†]	668 [†]	408
11 Real estate and financial.....	183,294	158,083	169,287	16,404	20,972 [†]	14,610	18,558	15,973 [†]	12,215 [†]	16,079 [†]	16,773
12 Stocks ²	57,802	57,870	40,241	1,802	3,949	5,313	7,418	5,618	2,682	6,730	5,421
<i>By type of offering</i>											
13 Public preferred.....	6,544	6,194	3,998	150	1,233	543	1,392	1,731	203	1,952	666
14 Common.....	35,911	26,030	19,443	1,652	2,716	4,771	6,027	3,887	2,479	4,778	4,755
15 Private placement ³	15,346	25,647	16,800	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
<i>By industry group</i>											
16 Manufacturing.....	7,608	9,308	5,530	183	564	1,796	2,291	1,909	685	3,167	1,842
17 Commercial and miscellaneous.....	8,449	7,446	10,079	546	1,096	1,521	1,563	851	1,427	2,050	858
18 Transportation.....	1,535	1,929	426	0	249	416	277	0	18	56	0
19 Public utility.....	1,898	3,090	3,809	335	354	71	573	471	143	150	55
20 Communication.....	515	1,904	416	0	0	0	0	295	46	8	0
21 Real estate and financial.....	37,798	34,028	19,869	737	1,686	1,510	2,714	2,091	350	1,298	2,666

1. Figures represent gross proceeds of issues maturing in more than one year; they are the principal amount or number of units calculated by multiplying by the offering price. Figures exclude secondary offerings, employee stock plans, investment companies other than closed-end, intracorporate transactions, equities sold abroad, and Yankee bonds. Stock data include ownership securities issued by limited partnerships.

2. Monthly data cover only public offerings.

3. Monthly data are not available.

SOURCES: IDD Information Services, Inc., the Board of Governors of the Federal Reserve System, and, before 1989, the U.S. Securities and Exchange Commission.

1.47 OPEN-END INVESTMENT COMPANIES Net Sales and Assets

Millions of dollars

Item ¹	1989	1990	1991							
			Feb.	Mar.	Apr.	May	June	July	Aug. [†]	Sept.
1 Sales of own shares ²	306,445	345,730	30,605	31,597	40,356	36,719	33,922	39,329	38,014	37,318
2 Redemptions of own shares	272,165	289,573	23,390	25,372	32,895	26,972	27,629	28,767	28,128	26,321
3 Net sales ³	34,280	56,207	7,215	6,226	7,461	9,747	6,293	10,562	9,886	10,997
4 Assets ⁴	553,871	570,744	616,472	632,052	647,053	671,852	661,643	690,486	712,782	729,061
5 Cash ⁵	44,780	48,638	53,899	52,895	52,982	55,450	55,057	55,293	52,791	54,286
6 Other	509,091	522,106	562,573	579,154	594,071	616,402	606,586	635,193	659,992	674,775

1. Data on sales and redemptions exclude money market mutual funds but include limited-maturity municipal bond funds. Data on asset positions exclude both money market mutual funds and limited-maturity municipal bond funds.

2. Includes reinvestment of dividends. Excludes reinvestment of capital gains distributions.

3. Does not include sales or redemptions resulting from transfers of shares into or out of money market mutual funds within the same fund family.

4. Market value at end of period, less current liabilities.

5. Includes all U.S. Treasury securities and other short-term debt securities. SOURCE: Investment Company Institute. Data based on reports of membership, which comprises substantially all open-end investment companies registered with the Securities and Exchange Commission. Data reflect underwritings of new companies.

1.48 CORPORATE PROFITS AND THEIR DISTRIBUTION

Billions of dollars; quarterly data at seasonally adjusted annual rates

Account	1988	1989	1990	1990		1991		
				Q3	Q4	Q1	Q2	Q3
1 Profits with inventory valuation and capital consumption adjustment	365.00	351.70	319.00	299.80	296.10	302.10	303.50	303.90
2 Profits before taxes	347.50	344.50	332.30	335.10	326.10	309.10	306.20	317.60
3 Profits tax liability	137.00	138.00	135.30	138.80	127.10	119.40	123.50	127.70
4 Profits after taxes	210.50	206.60	197.00	196.30	199.00	189.70	182.70	189.90
5 Dividends	115.30	127.90	133.70	133.80	136.20	137.80	136.70	138.10
6 Undistributed profits	95.20	78.70	63.30	62.50	62.80	51.90	46.10	51.80
7 Inventory valuation	-27.33	-17.42	-14.24	-32.60	-21.20	6.70	9.90	-5.20
8 Capital consumption adjustment	44.71	24.61	7.1	-2.70	-8.80	-13.60	-12.60	-8.60

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

1.50 TOTAL NONFARM BUSINESS EXPENDITURES on New Plant and Equipment

Billions of dollars; quarterly data at seasonally adjusted annual rates

Industry	1989	1990	1991 ¹	1990				1991			
				Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4 ¹
1 Total nonfarm business	507.40	532.61	535.13	532.50	534.55	534.11	530.13	535.50	524.57	539.53	540.91
Manufacturing											
2 Durable goods industries	82.56	82.58	78.22	86.03	84.15	82.48	79.03	81.24	79.69	77.54	74.43
3 Nondurable goods industries	101.24	110.04	107.97	106.14	110.87	111.57	110.69	109.90	107.66	107.01	107.33
Nonmanufacturing											
4 Mining	9.21	9.88	9.66	9.62	9.77	9.97	10.12	9.89	10.09	9.70	8.96
Transportation											
5 Railroad	6.26	6.40	6.00	6.44	6.67	5.66	6.81	5.59	6.27	6.28	5.85
6 Air	6.73	8.87	9.90	9.27	9.37	9.55	7.54	11.18	10.10	9.53	8.78
7 Other	5.85	6.20	6.64	6.12	5.90	5.87	6.82	6.48	6.68	6.28	7.12
Public utilities											
8 Electric	44.81	44.10	44.24	43.48	42.83	43.80	45.88	43.36	42.87	45.46	45.25
9 Gas and other	21.47	23.11	22.90	21.93	21.80	23.88	24.36	23.68	21.71	23.00	23.20
10 Commercial and other ²	229.28	241.43	249.60	243.46	243.18	241.32	238.87	244.19	239.50	254.73	259.98

1. Figures are amounts 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 (U.S. Department of Commerce).

A34 Domestic Financial Statistics □ January 1992

1.51 DOMESTIC FINANCE COMPANIES Assets and Liabilities

Billions of dollars, end of period; not seasonally adjusted

Account	1987	1988	1989	1989	1990				1991	
				Q4	Q1	Q2	Q3	Q4	Q1	Q2
ASSETS										
1 Accounts receivable, gross ¹	388.1 ^f	426.2 ^f	445.7 ^f	445.7 ^f	452.8 ^f	468.8 ^f	474.0 ^f	486.7 ^f	478.9 ^f	487.9 ^f
2 Consumer	141.1 ^f	146.2 ^f	140.8 ^f	140.8 ^f	137.9 ^f	138.6 ^f	140.9 ^f	136.0 ^f	131.6 ^f	133.9 ^f
3 Business	207.4 ^f	236.5 ^f	256.0 ^f	256.0 ^f	262.9 ^f	274.8 ^f	275.4 ^f	290.8 ^f	290.0 ^f	295.5 ^f
4 Real estate	39.5 ^f	43.5 ^f	48.9 ^f	48.9 ^f	52.1 ^f	55.4 ^f	57.7 ^f	59.9 ^f	57.3 ^f	58.5 ^f
5 Less: Reserves for unearned income	45.3	50.0	52.0	52.0	51.9	54.3	55.1	56.6	57.0	58.7
6 Reserves for losses	6.8	7.3	7.7	7.7	7.9	8.2	8.6	9.2	10.3	10.8
7 Accounts receivable, net.	336.0	368.9	386.1	386.1	393.0	406.3	410.3	420.9	411.6	418.4
8 All other	58.3	72.4	91.6	91.6	92.5	95.5	102.8	99.6	103.4	106.1
9 Total assets	394.2	441.3	477.6	477.6	485.5	501.9	513.1	520.6	515.0	524.5
LIABILITIES AND CAPITAL										
10 Bank loans	16.4	15.4	14.5	14.5	13.9	15.8	15.6	19.4	22.0	22.7
11 Commercial paper	128.4	142.0	149.5	149.5	152.9	152.4	148.6	152.7	141.2	140.6
Debt										
12 Other short-term	28.0	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
13 Long-term	137.1	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
14 Due to parent	n.a.	50.6	63.8	63.8	70.5	72.8	82.0	82.7	77.8	81.7
15 Not elsewhere classified	n.a.	137.9	147.8	147.8	145.7	153.0	156.6	157.0	162.4	164.2
16 All other liabilities	52.8	59.8	62.6	62.6	61.7	66.1	68.7	66.0	68.0	72.2
17 Capital, surplus, and undivided profits	31.5	35.6	39.4	39.4	40.7	41.8	41.6	42.8	43.7	43.0
18 Total liabilities and capital	394.2	441.3	477.6	477.6	485.5	501.9	513.1	520.6	515.0	524.5

1. Excludes pools of securitized assets.

1.52 DOMESTIC FINANCE COMPANIES Business Credit Outstanding and Net Change¹

Millions of dollars, end of period; seasonally adjusted, except as noted

Type of credit	1988	1989	1990	1991					
				Apr.	May	June	July	Aug.	Sept.
1 Total	234,891	258,957	292,638	294,569	297,171	298,228	300,161	305,024	307,599
<i>Retail financing of installment sales</i>									
2 Automotive	37,210	39,479	38,110	36,652	36,005	35,390	35,491	34,665	34,119
3 Equipment	28,185	29,627	31,784	32,034	32,690	32,189	32,194	33,146	34,822
4 Pools of securitized assets ²	n.a.	698	951	777	737	707	793	833	797
<i>Wholesale</i>									
5 Automotive	32,953	33,814	32,283	30,066	30,055	29,305	29,454	30,637	30,072
6 Equipment	5,971	6,928	11,569	10,937	11,000	10,427	11,344	10,631	10,594
7 All other	9,357	9,985	9,126	8,666	8,620	8,851	8,807	8,712	8,695
8 Pools of securitized assets ²	n.a.	0	2,950	2,905	2,855	2,805	2,843	3,508	4,053
<i>Leasing</i>									
9 Automotive	24,693	26,804	39,129	39,707	40,738	41,603	43,024	44,628	45,387
10 Equipment	57,658	68,240	75,626	82,750	84,126	83,961	84,311	86,145	86,732
11 Pools of securitized assets ²	n.a.	1,247	1,849	1,765	1,700	1,725	1,750	1,679	1,844
12 Loans on commercial accounts receivable and factored commercial accounts receivable	17,687	18,511	22,475	21,265	21,772	24,040	23,125	23,366	23,204
13 All other business credit	21,176	23,623	26,784	27,045	26,873	27,225	27,025	27,073	27,279
Net change (during period)									
1 Total	28,899 ^f	24,066 ^f	33,681	345	2,601	1,057	1,933	4,862	2,576
<i>Retail financing of installment sales</i>									
2 Automotive	1,071	2,269	-1,369	4	-647	-615	100	-825	-547
3 Equipment	3,111	1,442	2,157	-298	656	-501	4	952	1,676
4 Pools of securitized assets ²	n.a.	-26	253	-51	-40	-30	86	40	-36
<i>Wholesale</i>									
5 Automotive	2,883	861	-1,532	-263	-11	-750	149	1,183	-564
6 Equipment	393	957	4,641	57	63	-573	917	-713	-37
7 All other	1,028	628	-859	-201	-47	231	-44	-95	-17
8 Pools of securitized assets ²	n.a.	0	2,950	-449	-50	-50	38	665	545
<i>Leasing</i>									
9 Automotive	2,596	2,111	12,325	428	1,031	865	1,421	1,604	759
10 Equipment	14,166	10,581	7,386	1,781	1,377	-165	350	1,834	587
11 Pools of securitized assets ²	n.a.	526	602	-103	-65	25	25	-71	165
12 Loans on commercial accounts receivable and factored commercial accounts receivable	-483	825	3,964	-401	506	2,268	-914	240	-162
13 All other business credit	4,135	2,446	3,161	-158	-173	352	-199	47	207

1. Data in this table also appear in the Board's G-20 (422) monthly statistical release. For ordering address, see inside front cover.

2. Data on pools of securitized assets are not seasonally adjusted.

1.53 MORTGAGE MARKETS Conventional Mortgages on New Homes

Millions of dollars, except as noted

Item	1988	1989	1990	1991						
				Apr.	May	June	July	Aug.	Sept.	Oct.
	Terms and yields in primary and secondary markets									
PRIMARY MARKETS										
<i>Terms¹</i>										
1 Purchase price (thousands of dollars).....	150.0	159.6	153.2	151.4	146.8	166.7	165.1	159.0	157.8	153.4
2 Amount of loan (thousands of dollars).....	110.5	117.0	112.4	114.5	109.2	121.9	121.6	115.7	114.3	115.0
3 Loan-price ratio (percent).....	75.5	74.5	74.8	76.4	75.2	74.2	75.0	74.6	73.3	76.5
4 Maturity (years).....	28.0	28.1	27.3	26.8	26.1	26.8	27.0	27.1	25.9	27.5
5 Fees and charges (percent of loan amount) ²	2.19	2.06	1.93	2.12	1.54	1.69	1.85	1.74	1.86	1.61
6 Contract rate (percent per year).....	8.81	9.76	9.68	9.24	9.26	9.18	9.12	9.19	9.00	8.78
<i>Yield (percent per year)</i>										
7 OTS series ³	9.18	10.11	10.01	9.60	9.52	9.46	9.43	9.48	9.30	9.04
8 HUD series ⁴	10.30	10.21	10.08	9.51	9.46	9.60	9.46	9.22	8.88	8.76
SECONDARY MARKETS										
<i>Yield (percent per year)</i>										
9 FHA mortgages (HUD series) ⁵	10.49	10.24	10.17	9.61	9.62	9.71	9.59	9.14	9.06	8.71
10 GNMA securities ⁶	9.83	9.71	9.51	8.62	8.65	9.04	8.93	8.69	8.60	8.34
	Activity in secondary markets									
FEDERAL NATIONAL MORTGAGE ASSOCIATION										
<i>Mortgage holdings (end of period)</i>										
11 Total.....	101,329	104,974	113,329	120,074	121,798	122,806	123,770	124,230	124,954	125,884
12 FHA/VA-insured.....	19,762	19,640	21,028	21,972	21,609	21,474	21,511	21,529	21,636	21,576
13 Conventional.....	81,567	85,335	92,302	98,102	100,189	101,332	102,259	102,701	103,318	104,308
<i>Mortgage transactions (during period)</i>										
14 Purchases.....	23,110	22,518	23,959	2,942	4,450	3,145	3,183	3,069	3,032	3,408
<i>Mortgage commitments (during period)⁷</i>										
15 Issued ⁸	n.a.	n.a.	23,689	3,880	3,506	3,032	2,975	3,453	3,196	4,122
16 To sell ⁹	n.a.	n.a.	5,270	839	1,066	841	1,374	1,051	762	917
FEDERAL HOME LOAN MORTGAGE CORPORATION										
<i>Mortgage holdings (end of period)⁹</i>										
17 Total.....	15,105	20,105	20,419	23,870	24,525	23,649	24,061	24,217	23,906	n.a.
18 FHA/VA-insured.....	620	590	547	504	491	486	481	475	471	n.a.
19 Conventional.....	14,485	19,516	19,871	21,188	21,843	23,164	23,581	23,742	23,435	n.a.
<i>Mortgage transactions (during period)</i>										
20 Purchases.....	44,077	78,588	75,517	7,045	8,562	10,052	8,649	9,191	9,155	n.a.
21 Sales.....	39,780	73,446	73,817	6,226	7,692	10,694	8,057	8,803 ^f	9,305 ^f	7,433
<i>Mortgage commitments (during period)¹⁰</i>										
22 Contracted.....	66,026	88,519	102,401	10,036	11,334	9,008	8,890	12,430	7,468	n.a.

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

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

3. Average effective interest rates on loans closed, assuming prepayment at the end of ten years; from Office of Thrift Supervision (OTS).

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

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

6. Average net yields to investors on fully modified pass-through securities backed by mortgages and guaranteed by the Government National Mortgage

Association (GNMA), assuming prepayment in twelve years on pools of thirty-year mortgages insured by the Federal Housing Administration or guaranteed by the Department of Veterans Affairs 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 one- to four-family loan commitments accepted in the Federal National Mortgage Association's (FNMA's) free market auction system, and through the FNMA-GNMA tandem plans.

8. Does not include standby commitments issued, but includes standby commitments converted.

9. Includes participation as well as whole loans.

10. Includes conventional and government-underwritten loans. The Federal Home Loan Mortgage Corporation's mortgage commitments and mortgage transactions include activity under mortgage securities swap programs, while the corresponding data for FNMA exclude swap activity.

1.54 MORTGAGE DEBT OUTSTANDING¹

Millions of dollars, end of period

Type of holder and property	1987	1988	1989	1990			1991	
				Q2	Q3	Q4	Q1	Q2 ^p
1 All holders	2,986,425	3,270,118	3,556,370	3,760,480	3,816,690	3,857,665	3,876,700	3,925,086
<i>By type of property</i>								
2 One- to four-family residences	1,962,958	2,201,231	2,429,689	2,619,522	2,669,996	2,709,998	2,730,239	2,781,005
3 Multifamily residences	278,899	291,405	303,416	301,789	305,903	307,378	307,932	308,457
4 Commercial	657,036	692,236	739,240	755,212	756,507	756,303	754,879	751,751
5 Farm	87,532	85,247	84,025	83,957	84,284	83,987	83,650	83,873
<i>By type of holder</i>								
6 Major financial institutions	1,665,291	1,831,472	1,931,537	1,940,366	1,933,303	1,913,322	1,895,544	1,884,850
7 Commercial banks ²	592,449	674,003	767,069	814,598	831,193	844,359	855,889	870,797
8 One- to four-family	275,613	334,367	389,632	431,115	445,882	456,010	463,796	476,744
9 Multifamily	32,756	33,912	38,876	38,420	37,900	37,092	37,993	37,930
10 Commercial	269,648	290,254	321,906	327,930	330,086	334,026	336,606	338,057
11 Farm	14,432	15,470	16,656	17,133	17,326	17,231	17,493	18,066
12 Savings institutions ³	860,467	924,606	910,254	860,903	836,047	801,628	776,551	754,834
13 One- to four-family	602,408	671,722	669,220	642,110	626,297	600,154	583,694	570,151
14 Multifamily	106,359	110,775	106,014	97,359	94,790	91,806	88,743	85,688
15 Commercial	150,943	141,433	134,370	120,866	114,430	109,168	103,647	98,557
16 Farm	757	676	650	568	530	500	468	439
17 Life insurance companies	212,375	232,863	254,214	264,865	266,063	267,335	263,105	259,218
18 One- to four-family	13,226	11,164	12,231	12,740	12,773	12,052	11,480	11,280
19 Multifamily	22,524	24,560	26,907	28,027	28,100	29,406	28,847	28,314
20 Commercial	166,722	187,549	205,472	214,024	214,585	215,121	212,018	208,838
21 Farm	9,903	9,590	9,604	10,075	10,605	10,756	10,760	10,787
22 Finance companies ⁴	29,716	37,846	45,476	47,104	49,784	48,777	48,187	48,972
23 Federal and related agencies	192,721	200,570	209,498	227,818	242,695	250,761	263,079	275,394
24 Government National Mortgage Association	444	26	23	21	21	20	20	20
25 One- to four-family	25	26	23	21	21	20	20	20
26 Multifamily	419	0	0	0	0	0	0	0
27 Farmers Home Administration ⁵	43,051	42,018	41,176	41,175	41,269	41,439	41,307	41,430
28 One- to four-family	18,169	18,347	18,422	18,434	18,476	18,527	18,522	18,521
29 Multifamily	8,044	8,513	9,054	9,361	9,477	9,640	9,720	9,898
30 Commercial	6,603	5,343	4,443	4,545	4,608	4,690	4,715	4,750
31 Farm	10,235	9,815	9,257	8,835	8,708	8,582	8,350	8,261
32 Federal Housing and Veterans Administration	5,574	5,973	6,087	6,792	7,938	8,801	9,492	10,210
33 One- to four-family	2,557	2,672	2,875	3,054	3,248	3,593	3,600	3,729
34 Multifamily	3,017	3,301	3,212	3,738	4,690	5,208	5,891	6,480
35 Federal National Mortgage Association	96,649	103,013	110,721	112,855	113,718	116,628	119,196	122,806
36 One- to four-family	89,666	95,833	102,295	103,431	103,722	106,081	108,348	111,560
37 Multifamily	6,983	7,180	8,426	9,424	9,996	10,547	10,848	11,246
38 Federal Land Banks	34,131	32,115	29,640	29,595	29,441	29,416	29,253	29,086
39 One- to four-family	2,008	1,890	1,210	1,741	1,766	1,838	1,884	1,936
40 Farm	32,123	30,225	28,430	27,854	27,675	27,577	27,368	27,150
41 Federal Home Loan Mortgage Corporation	12,872	17,425	21,851	19,979	20,508	21,857	22,111	22,312
42 One- to four-family	11,430	15,077	18,248	17,316	17,810	19,185	19,460	19,655
43 Multifamily	1,442	2,348	3,603	2,663	2,697	2,672	2,651	2,658
44 Mortgage pools or trusts ⁶	718,297	811,847	946,766	1,024,893	1,062,729	1,106,634	1,139,730	1,182,594
45 Government National Mortgage Association	317,555	340,527	368,367	385,456	394,859	403,613	409,929	418,421
46 One- to four-family	309,806	331,257	358,142	374,960	384,474	391,505	397,631	405,877
47 Multifamily	7,749	9,270	10,225	10,496	10,385	12,108	12,298	12,544
48 Federal Home Loan Mortgage Corporation	212,634	226,406	272,870	295,340	301,797	316,359	328,305	341,132
49 One- to four-family	205,977	219,988	266,060	287,232	293,721	308,369	319,978	332,624
50 Multifamily	6,657	6,418	6,810	8,108	8,077	7,990	8,327	8,509
51 Federal National Mortgage Association	139,960	178,250	228,232	263,330	281,806	299,833	312,101	331,089
52 One- to four-family	137,988	172,331	219,577	254,811	273,335	291,194	303,554	322,444
53 Multifamily	1,972	5,919	8,655	8,519	8,471	8,639	8,547	8,645
54 Farmers Home Administration ⁵	245	104	80	72	70	66	62	13
55 One- to four-family	121	26	21	19	18	17	14	13
56 Multifamily	0	0	0	0	0	0	0	0
57 Commercial	63	38	26	24	24	24	23	0
58 Farm	61	40	33	30	29	26	24	0
59 Individuals and others ⁷	410,116	426,229	468,569	567,403	577,964	586,948	578,347	582,248
60 One- to four-family	246,061	259,971	294,517	382,343	390,657	398,889	391,623	395,483
61 Multifamily	80,977	79,209	81,634	82,040	83,544	84,205	82,355	81,906
62 Commercial	63,057	67,618	73,023	83,557	84,350	84,538	85,182	85,690
63 Farm	20,021	19,431	19,395	19,463	19,412	19,316	19,187	19,170

1. Based on data from various institutional and governmental sources, with figures for 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 loans held by bank trust departments.

3. Includes savings banks and savings and loan associations. Beginning 1987:1, data reported by institutions insured by the Federal Savings and Loan Insurance Corporation include loans in process and other contra-assets (credit balance accounts that must be subtracted from the corresponding gross asset categories to yield net asset levels).

4. Assumed to be entirely loans on one- to four-family residences.

5. Securities guaranteed by the Farmers Home Administration (FmHA) 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 FmHA.

6. Outstanding principal balances of mortgage-backed securities insured or guaranteed by the agency indicated. Includes private pools, which are not shown as a separate line item.

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 Total Outstanding and Net Change¹

Millions of dollars, amounts outstanding, end of period

Holder and type of credit	1989	1990	1991								
			Jan.	Feb.	Mar.	Apr.	May	June	July	Aug. ^r	Sept.
Seasonally adjusted											
1 Total	718,863	735,102	732,962	732,762	732,442	733,621	732,289	730,591	729,962	729,108	727,563
2 Automobile	290,676	284,585	283,746	282,626	280,689	279,746	276,494	274,496	273,565	271,906	269,655
3 Revolving	199,082	220,110	219,588	221,556	224,817	225,994	227,301	227,737	228,199	229,453	231,860
4 Mobile home	22,471	20,919	20,459	20,200	20,123	20,098	19,796	19,907	19,615	19,495	18,970
5 Other	206,633	209,487	209,170	208,379	206,813	207,782	208,697	208,451	208,582	208,253	207,078
Not seasonally adjusted											
6 Total	730,901	748,300	736,399	729,264	725,462	727,907	727,717	728,023	727,754	731,531	730,587
By major holder											
7 Commercial banks	342,770	347,466	341,426	339,282	335,754	336,425	334,746	333,442	334,273	335,662	335,019
8 Finance companies	140,832	137,450	134,965	133,021	131,552	133,462	134,045	133,903	134,120	135,509	132,471
9 Credit unions	93,114	92,911	91,991	91,131	90,772	91,413	91,549	91,924	92,017	92,843	92,867
10 Retailers	44,154	43,552	40,945	38,864	38,497	37,817	36,782	36,702	36,392	37,296	37,281
11 Savings institutions	57,253	45,616	44,939	43,875	42,491	41,707	40,764	39,827	39,012	37,893	36,839
12 Gasoline companies	3,935	4,822	4,766	4,404	4,296	4,357	4,507	4,591	4,712	4,857	4,753
13 Pools of securitized assets ²	48,843	76,483	77,367	78,687	82,100	82,726	85,324	87,634	87,228	87,471	91,357
By major type of credit ³											
14 Automobile	290,705	284,813	282,214	279,913	277,798	277,508	275,582	275,018	274,222	274,190	272,783
15 Commercial banks	126,288	126,259	126,235	124,745	123,411	122,710	121,631	121,605	121,319	120,577	119,898
16 Finance companies	82,721	74,396	72,015	70,287	69,233	70,500	69,689	70,304	70,444	71,571	69,853
17 Pools of securitized assets ²	18,235	24,537	25,123	26,872	27,755	26,875	27,085	26,039	25,609	25,071	26,341
18 Revolving	210,310	232,370	223,606	220,714	221,400	222,627	224,301	225,596	226,145	229,224	231,072
19 Commercial banks	130,811	132,433	125,814	125,673	124,619	126,009	126,047	124,106	124,645	125,787	125,374
20 Retailers	39,583	39,029	36,510	34,509	34,179	33,513	32,458	32,381	32,076	32,962	32,964
21 Gasoline companies	3,935	4,822	4,766	4,404	4,296	4,357	4,507	4,591	4,712	4,857	4,753
22 Pools of securitized assets ²	23,477	44,335	44,773	44,451	46,722	47,116	49,667	52,897	53,094	54,017	56,438
23 Mobile home	22,240	20,666	20,614	20,362	20,030	20,052	19,721	19,875	19,639	19,468	19,074
24 Commercial banks	9,112	9,763	9,748	9,730	9,632	9,565	9,386	9,552	9,552	9,534	9,714
25 Finance companies	4,716	5,252	5,367	5,330	5,328	5,573	5,595	5,652	5,669	5,700	5,300
26 Other	207,646	210,451	209,965	208,275	206,234	207,720	208,113	207,534	207,748	208,649	207,658
27 Commercial banks	76,559	79,011	79,629	79,134	78,092	78,141	77,682	78,079	78,757	79,764	80,033
28 Finance companies	53,395	57,801	57,583	57,404	56,991	57,388	58,761	57,947	58,007	58,238	57,318
29 Retailers	4,571	4,523	4,435	4,355	4,318	4,304	4,324	4,321	4,316	4,334	4,317
30 Pools of securitized assets ²	7,131	7,611	7,471	7,364	7,603	8,735	8,572	8,698	8,525	8,383	8,578

1. The Board's series on amounts of credit covers 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.

Data in this table also appear in the Board's G-19 (421) monthly statistical release. For ordering address, see inside front cover.

2. Outstanding balances of pools upon which securities have been issued; these balances are no longer carried on the balance sheets of the loan originator.

3. Totals include estimates for certain holders for which only consumer credit totals are available.

1.56 TERMS OF CONSUMER INSTALLMENT CREDIT¹

Percent per year, except as noted

Item	1988	1989	1990	1991						
				Mar.	Apr.	May	June	July	Aug.	Sept.
INTEREST RATES										
Commercial banks ²										
1 48-month new car	10.85	12.07	11.78	n.a.	n.a.	11.28	n.a.	n.a.	11.06	n.a.
2 24-month personal	14.68	15.44	15.46	n.a.	n.a.	15.16	n.a.	n.a.	15.24	n.a.
3 120-month mobile home	13.54	14.11	14.02	n.a.	n.a.	13.80	n.a.	n.a.	13.73	n.a.
4 Credit card	17.78	18.02	18.17	n.a.	n.a.	18.22	n.a.	n.a.	18.24	n.a.
Auto finance companies										
5 New car	12.60	12.62	12.54	13.14	13.14	12.95	12.77	12.55	12.40	12.38
6 Used car	15.11	16.18	15.99	15.82	15.82	15.85	15.74	15.66	15.63	15.60
OTHER TERMS ⁴										
Maturity (months)										
7 New car	56.2	54.2	54.6	55.2	55.4	55.5	55.5	55.5	55.4	55.4
8 Used car	46.7	46.6	46.1	47.2	47.3	47.3	47.3	47.4	47.2	47.2
Loan-to-value ratio										
9 New car	94	91	87	87	87	87	88	88	88	87
10 Used car	98	97	95	97	97	96	97	96	97	96
Amount financed (dollars)										
11 New car	11,663	12,001	12,071	12,121	11,993	12,204	12,343	12,572	12,518	12,460
12 Used car	7,824	7,954	8,289	8,763	8,751	8,873	8,916	8,989	8,902	8,996

1. Data in this table also appear in the Board's G.19 (421) monthly statistical release. For ordering address, see inside front cover.

2. Data are available only for the second month of each quarter.

3. Before 1983 the maturity for new car loans was 36 months, and for mobile home loans was 84 months.

4. At auto finance companies.

1.57 FUNDS RAISED IN U.S. CREDIT MARKETS

Billions of dollars; quarterly data at seasonally adjusted annual rates

Instrument or sector	1986	1987	1988	1989	1990	1989	1990				1991	
						Q4	Q1	Q2	Q3	Q4	Q1	Q2
Nonfinancial sectors												
1 Total net borrowing by domestic nonfinancial sectors	836.9	687.0	760.8	678.2	639.3	620.2	803.4	596.9	657.7	499.3	411.4	462.6
By lending sector and instrument												
2 U.S. government	215.0	144.9	157.5	151.6	272.5	185.0	247.3	228.2	286.1	328.4	204.7	241.8
3 Treasury securities	214.7	143.4	140.0	150.0	264.4	189.6	217.8	222.9	287.5	329.4	228.7	248.0
4 Agency issues and mortgages	.4	1.5	17.4	1.6	8.2	-4.6	29.6	5.4	-1.3	-1.0	-24.0	-6.2
5 Private	621.9	542.1	603.3	526.6	366.8	435.2	556.1	368.7	371.6	170.9	206.7	220.9
By instrument												
6 Debt capital instruments	465.8	453.2	459.2	379.8	298.2	347.0	391.0	309.3	275.5	216.8	230.5	292.7
7 Tax-exempt obligations	22.7	49.3	49.8	30.4	20.1	19.1	12.4	24.5	30.0	13.5	11.3	27.5
8 Corporate bonds	126.8	79.4	102.9	73.7	49.7	87.4	30.2	68.8	32.8	67.1	80.6	95.3
9 Mortgages	316.3	324.5	306.5	275.7	228.3	240.5	348.4	216.0	212.7	136.3	138.6	169.9
10 Home mortgages	218.7	234.9	231.0	218.0	212.6	214.3	298.7	220.0	184.7	147.1	136.8	176.6
11 Multifamily residential	33.5	24.4	16.7	16.4	6.5	9.5	22.7	-15.5	16.2	2.7	4.6	2.9
12 Commercial	73.6	71.6	60.8	42.7	9.3	19.9	26.5	13.4	9.9	-12.8	-3.0	-8.0
13 Farm	-9.5	-6.4	-2.1	-1.5	.0	-3.2	.5	-1.9	2.0	-.7	.2	-1.6
14 Other debt instruments	156.1	88.9	144.1	146.8	68.7	88.2	165.1	59.4	96.0	-45.9	-23.8	-71.9
15 Consumer credit	58.0	33.5	50.2	39.1	14.3	44.1	30.4	2.8	21.3	2.5	-23.6	-20.4
16 Bank loans n.e.c.	66.9	10.0	39.8	39.9	1.3	7.7	16.3	15.4	-2.5	-24.2	14.2	-51.6
17 Open market paper	-9.3	2.3	11.9	20.4	9.7	-6.9	69.6	-6.2	17.3	-41.7	5.1	-22.6
18 Other	40.5	43.2	42.2	47.4	43.4	43.3	48.8	47.4	60.0	17.5	-19.5	22.6
By borrowing sector												
19 State and local government	36.2	48.8	45.6	29.6	17.2	16.5	16.0	17.2	28.1	7.6	12.2	16.8
20 Household	293.0	302.2	314.9	285.0	254.0	291.8	377.2	257.5	227.3	154.0	162.6	199.7
21 Nonfinancial business	292.7	191.0	242.8	211.9	95.6	126.9	162.9	94.0	116.2	9.4	32.0	4.3
22 Farm	-16.3	-10.6	-7.5	1.6	2.6	8.9	6.2	-10.8	11.7	3.1	4.7	-1.6
23 Nonfarm noncorporate	99.2	77.9	65.7	50.8	13.7	35.0	45.5	3.5	19.6	-14.0	-18.7	-3.6
24 Corporate	209.7	123.7	184.6	159.5	79.4	83.1	111.2	101.3	84.8	20.2	46.0	9.5
25 Foreign net borrowing in United States	9.7	4.5	6.3	10.9	23.5	16.9	2.0	41.2	29.7	21.1	50.6	-53.0
26 Bonds	3.1	7.4	6.9	5.3	21.6	-1.0	32.7	25.8	1.2	26.5	8.9	22.0
27 Bank loans n.e.c.	-1.0	-3.6	-1.8	-.1	-2.9	-4.3	-6.9	-1.8	1.9	-4.7	10.3	-7.1
28 Open market paper	11.5	2.1	8.7	13.3	12.3	22.2	-16.4	23.1	27.3	15.3	45.5	-52.0
29 U.S. government loans	-3.9	-1.4	-7.5	-7.5	-7.5	.1	-7.3	-5.9	-.8	-16.0	-14.1	-15.8
30 Total domestic plus foreign	846.6	691.5	767.1	689.1	662.8	637.1	805.5	638.1	687.3	520.4	462.0	409.7
Financial sectors												
31 Total net borrowing by financial sectors	285.1	300.2	247.6	205.5	202.1	187.3	190.2	170.4	180.0	267.7	102.6	95.4
By instrument												
32 U.S. government-related	154.1	171.8	119.8	151.0	167.4	156.4	171.7	184.0	139.2	174.6	155.8	150.6
33 Sponsored-credit-agency securities	15.2	30.2	44.9	25.2	17.1	-4.7	9.7	17.1	22.3	19.5	14.5	-22.4
34 Mortgage pool securities	139.2	142.3	74.9	125.8	150.3	161.1	162.0	166.8	116.9	155.5	141.3	173.0
35 Loans from U.S. government	-.4	-.8	.0	.0	-.1	.0	.0	.0	.0	-.5	.0	.0
36 Private	131.0	128.4	127.8	54.5	34.7	30.9	18.5	-13.5	40.8	93.1	-53.2	-55.2
37 Corporate bonds	82.9	78.9	51.7	36.8	49.8	39.6	33.5	71.2	18.0	76.7	39.5	63.2
38 Mortgages	.1	.4	.3	.0	.3	-.4	.1	.2	.3	.5	.1	-.1
39 Bank loans n.e.c.	4.0	-3.2	1.4	1.8	.7	4.2	-2.3	-.6	2.0	3.8	1.0	-5.8
40 Open market paper	24.2	27.9	54.8	26.9	8.6	36.3	9.2	-53.4	51.0	27.6	-65.9	-59.7
41 Loans from Federal Home Loan Banks	19.8	24.4	19.7	-11.0	-24.7	-48.8	-22.0	-30.9	-30.5	-15.5	-27.9	-52.9
By borrowing sector												
42 Sponsored credit agencies	14.9	29.5	44.9	25.2	17.0	-4.7	9.7	17.1	22.3	19.0	14.5	-22.4
43 Mortgage pools	139.2	142.3	74.9	125.8	150.3	161.1	162.0	166.8	116.9	155.5	141.3	173.0
44 Private	131.0	128.4	127.8	54.5	34.7	30.9	18.5	-13.5	40.8	93.1	-53.2	-55.2
45 Commercial banks	-3.6	6.2	-3.0	-1.4	-1.1	-7	-5.7	-13.9	-5.6	20.9	-22.0	-16.6
46 Bank affiliates	15.2	14.3	5.2	6.2	-27.7	-3.9	-8.0	-32.1	-40.4	-30.2	-18.5	-7.1
47 Savings and loan associations	20.9	19.6	19.9	-14.1	-31.2	-56.2	-15.8	-53.5	-31.9	-23.4	-29.5	-55.6
48 Mutual savings banks	4.2	8.1	1.9	-1.4	-.5	.7	-8.3	6.5	-4.2	4.0	-2.2	-1.4
49 Finance companies	54.7	40.8	67.7	46.3	57.1	52.6	28.2	27.0	97.3	75.7	-9.2	-11.7
50 Real estate investment trusts (REITs)	.8	.3	3.5	-1.9	-1.9	.1	-3.8	-2.7	-1.8	.6	-.7	-.2
51 Securitized credit obligation (SCO) issuers	39.0	39.1	32.5	20.8	40.1	38.2	32.1	55.1	27.5	45.6	28.9	37.3

A40 Domestic Financial Statistics □ January 1992

1.57—Continued

Transaction category or sector	1986	1987	1988	1989	1990	1989	1990					1991	
						Q4	Q1	Q2	Q3	Q4	Q1	Q2	
						All sectors							
52 Total net borrowing, all sectors	1,131.7	991.7	1,014.7	894.5	864.9	824.4	995.7	808.5	867.3	788.1	564.7	505.1	
53 U.S. government securities	369.5	317.5	277.2	302.6	440.0	341.4	419.0	412.2	425.4	503.4	360.5	392.4	
54 State and local obligations	22.7	49.3	49.8	30.4	20.1	19.1	12.4	24.5	30.0	13.5	11.3	27.5	
55 Corporate and foreign bonds	212.8	165.7	161.5	115.8	121.1	125.9	96.4	165.8	52.0	170.3	129.0	180.5	
56 Mortgages	316.4	324.9	306.7	275.7	228.6	240.1	348.5	216.2	213.0	136.7	138.7	169.8	
57 Consumer credit	58.0	33.5	50.2	39.1	14.3	44.1	30.4	2.8	21.3	2.5	-23.6	-20.4	
58 Bank loans n.e.c.	69.9	3.2	39.4	41.5	-9	7.5	7.1	13.0	1.4	-25.1	25.6	-64.5	
59 Open market paper	26.4	32.3	75.4	60.6	30.7	51.6	62.3	-36.6	95.7	1.2	-15.2	-134.3	
60 Other loans	56.1	65.5	54.4	28.9	11.1	-5.4	19.5	10.6	28.6	-14.5	-61.6	-46.0	
61 MEMO: U.S. government, cash balance .....	.0	-7.9	10.4	-5.9	8.3	-7.3	22.9	-38.1	21.1	27.4	51.6	-64.3
Totals net of changes in U.S. government cash balances													
62 Net borrowing by domestic nonfinancial sectors	836.9	694.9	750.4	684.1	631.0	627.6	780.5	635.0	636.6	471.9	359.8	526.9	
63 Net borrowing by U.S. government	215.0	152.8	147.1	157.5	264.2	192.4	224.4	266.3	265.1	301.0	153.1	306.1	
External corporate equity funds raised in United States													
64 Total net share issues	86.8	10.9	-124.2	-63.7	9.6	14.9	-9.2	48.0	-24.1	23.6	108.0	173.9	
65 Mutual funds	159.0	73.9	1.1	41.3	61.4	72.4	47.8	71.0	46.1	80.6	87.8	122.2	
66 All other	-72.2	-63.0	-125.3	-105.1	-51.7	-57.6	-57.0	-22.9	-70.2	-56.9	20.2	51.7	
67 Nonfinancial corporations	-85.0	-75.5	-129.5	-124.2	-63.0	-79.3	-69.0	-48.0	-74.0	-61.0	-12.0	11.0	
68 Financial corporations	11.6	14.6	3.3	2.4	4.3	4.5	10.3	1.3	4.8	.9	3.4	4.3	
69 Foreign shares purchased in United States	1.2	-2.1	.9	16.7	6.9	17.2	1.7	23.8	-1.0	3.2	28.8	36.4	

1.58 DIRECT AND INDIRECT SOURCES OF FUNDS TO CREDIT MARKETS

Billions of dollars, except as noted; quarterly data at seasonally adjusted annual rates

Transaction category or sector	1986	1987	1988	1989	1990	1989	1990				1991	
						Q4	Q1	Q2	Q3	Q4	Q1	Q2
1 Total funds advanced in credit markets to domestic nonfinancial sectors	836.9	687.0	760.8	678.2	639.3	620.2	803.4	596.9	657.7	499.3	411.4	462.6
2 Total net advances by federal agencies and foreign sectors	280.2	248.8	210.7	187.6	261.7	203.8	221.8	299.4	325.6	200.0	274.7	251.0
<i>By instrument</i>												
3 U.S. government securities	69.4	70.1	85.2	30.7	74.4	27.1	4.4	111.9	139.1	42.1	122.6	74.4
4 Residential mortgages	136.3	139.1	86.3	137.9	184.1	178.3	197.5	191.5	160.8	186.7	176.0	211.4
5 Federal Home Loan Bank advances to thrifts	19.8	24.4	19.7	-11.0	-24.7	-48.8	-22.0	-30.9	-30.5	-15.5	-27.9	-52.9
6 Other loans and securities	54.7	15.1	19.4	30.0	27.8	47.1	41.8	26.8	56.1	-13.3	4.0	18.1
<i>By lender</i>												
7 U.S. government	9.7	-7.9	-9.4	-2.4	33.6	5.7	37.7	36.2	63.3	-2.7	30.3	32.1
8 Sponsored credit agencies and mortgage pools	153.3	169.3	112.0	125.3	166.7	158.4	187.4	163.1	165.6	150.8	158.7	149.0
9 Monetary authority	19.4	24.7	10.5	-7.3	8.1	-4.6	-6.3	40.4	24.4	-25.9	53.3	12.2
10 Foreign	97.8	62.7	97.6	72.1	53.2	44.2	3.0	59.8	72.3	77.9	32.4	57.7
<i>Agency and foreign borrowing not included in line 1</i>												
11 Sponsored credit agencies and mortgage pools	154.1	171.8	119.8	151.0	167.4	156.4	171.7	184.0	139.2	174.6	155.8	150.6
12 Foreign	9.7	4.5	6.3	10.9	23.5	16.9	2.0	41.2	29.7	21.1	50.6	-53.0
13 Total private domestic funds advanced	720.5	614.5	676.2	652.5	568.5	589.7	755.3	522.7	501.0	495.0	343.2	309.2
14 U.S. government securities	300.1	247.4	192.1	271.9	365.6	314.3	414.6	300.3	286.2	461.4	237.8	317.9
15 State and local obligations	22.7	49.3	49.8	30.4	20.1	19.1	12.4	24.5	30.0	13.5	11.3	27.5
16 Corporate and foreign bonds	89.7	66.9	91.3	66.1	65.4	70.6	53.4	82.6	31.8	93.8	66.0	94.1
17 Residential mortgages	115.9	120.2	161.3	96.5	130.0	45.5	123.8	13.0	40.0	-37.0	-34.5	-32.0
18 Other mortgages and loans	212.0	155.2	201.4	176.6	57.7	91.5	129.2	71.4	82.4	-52.2	34.6	-151.2
19 Less: Federal Home Loan Bank advances	19.8	24.4	19.7	-11.0	-24.7	-48.8	-22.0	-30.9	-30.5	-15.5	-27.9	-52.9
20 Total credit market funds advanced by private financial institutions	730.0	528.4	562.3	511.1	394.6	561.9	444.8	266.4	366.7	500.4	185.8	91.6
<i>By lending institution</i>												
21 Commercial banks	198.1	135.4	156.3	177.3	118.7	184.3	184.1	132.1	101.7	56.9	134.2	15.7
22 Savings institutions	107.6	136.8	120.4	-90.9	-153.4	-201.9	-56.6	-210.4	-168.6	-178.0	-154.8	-147.6
23 Insurance and pension funds	160.1	179.7	198.7	177.9	182.4	203.1	160.0	231.6	187.5	150.6	125.4	134.9
24 Other financial institutions	264.2	76.6	86.9	246.8	246.9	374.5	157.3	113.1	246.1	470.9	80.9	88.6
<i>By source of funds</i>												
25 Private domestic deposits and repurchase agreements	277.1	162.8	229.2	225.2	60.5	208.0	120.2	28.4	60.1	33.2	216.7	-74.0
26 Credit market borrowing	131.0	128.4	127.8	54.5	34.7	30.9	18.5	-13.5	40.8	93.1	-53.2	-55.2
27 Other sources	321.8	237.1	205.3	231.4	299.4	323.1	306.1	251.6	265.9	374.1	22.3	220.8
28 Foreign funds	12.9	43.7	9.3	-9.9	24.0	-20.6	39.9	7.8	103.5	-55.1	43.8	-124.7
29 Treasury balances	1.7	-5.8	7.3	-3.4	5.3	5.0	13.1	-13.4	18.2	3.4	30.1	-39.2
30 Insurance and pension reserves	119.9	135.4	177.6	140.5	159.9	193.9	137.9	211.9	144.2	145.6	60.1	118.8
31 Other, net	187.3	63.9	11.0	104.2	110.2	144.7	115.2	45.3	.0	280.2	-111.7	265.8
<i>Private domestic nonfinancial investors</i>												
32 Direct lending in credit markets	121.5	214.6	241.7	195.9	208.6	58.7	329.0	242.8	175.0	87.7	104.2	162.4
33 U.S. government securities	27.0	86.0	129.0	134.3	148.1	65.8	198.0	154.0	165.2	75.3	85.2	156.4
34 State and local obligations	-19.9	61.8	53.5	28.4	-1.0	12.8	-1.5	10.0	15.6	-27.9	1.8	13.2
35 Corporate and foreign bonds	52.9	23.3	-9.4	7.7	17.5	14.6	38.9	19.7	-74.7	86.1	9.1	57.4
36 Open market paper	9.9	15.8	36.4	5.4	18.2	-64.6	60.6	33.8	16.8	-38.4	-7.7	-67.8
37 Other loans and mortgages	51.7	27.6	32.2	27.1	25.7	30.1	33.0	25.2	52.1	-7.4	15.9	3.3
38 Deposits and currency	297.5	179.3	232.8	241.3	90.1	230.6	137.3	64.3	95.9	62.9	236.2	-41.8
39 Currency	14.4	19.0	14.7	11.7	22.6	10.1	26.1	23.0	32.2	9.1	46.1	5.7
40 Checkable deposits	96.4	-9	12.9	1.5	.6	65.8	1.4	-18.9	13.4	6.4	31.9	-7.3
41 Small time and savings accounts	120.6	76.0	122.4	100.5	59.4	109.1	107.7	21.5	59.6	48.9	101.0	16.7
42 Money market fund shares	43.2	28.9	20.2	85.2	61.8	65.6	72.2	4.7	110.9	59.3	128.5	-29.8
43 Large time deposits	-3.2	37.2	40.8	23.1	-46.8	-13.4	-26.4	-1.8	-97.9	-61.2	-2.3	-52.5
44 Security repurchase agreements	20.2	21.6	32.9	14.9	-14.5	-19.2	-34.7	22.8	-25.8	-20.1	-42.4	-1.1
45 Deposits in foreign countries	5.9	-2.5	-11.2	4.4	7.0	12.4	-8.9	12.8	3.6	20.6	-26.6	26.5
46 Total of credit market instruments, deposits, and currency	419.0	393.9	474.5	437.2	298.7	289.3	466.3	307.0	270.9	150.6	340.4	120.6
MEMO												
47 Public holdings as percent of total	33.1	36.0	27.5	27.2	39.5	32.0	27.5	46.9	47.4	38.4	59.4	61.3
48 Private financial intermediation (percent)	101.3	86.0	83.2	78.3	69.4	95.3	58.9	51.0	73.2	101.1	54.1	29.6
49 Total foreign funds	110.7	106.4	106.9	62.2	77.2	23.6	42.9	67.5	175.8	22.8	76.2	-66.9
<i>Corporate equities not included above</i>												
50 Total net issues	86.8	10.9	-124.2	-63.7	9.6	14.9	-9.2	48.0	-24.1	23.6	108.0	173.9
51 Mutual fund shares	159.0	73.9	1.1	41.3	61.4	72.4	47.8	71.0	46.1	80.6	87.8	122.2
52 Other equities	-72.2	-63.0	-125.3	-105.1	-51.7	-57.6	-57.0	-22.9	-70.2	-56.9	20.2	51.7
53 Acquisitions by financial institutions	50.9	32.0	-2.9	17.2	31.9	76.9	41.1	72.8	-48.2	61.9	44.0	73.4
54 Other net purchases	35.9	-21.2	-121.4	-80.9	-22.3	-62.1	-50.3	-24.8	24.1	-38.3	64.1	100.6

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 lines 11 and 12. Also line 20 less line 26 plus line 32. Also sum of lines 28 and 47 less lines 40 and 46.
18. Includes farm and commercial mortgages.
25. Line 38 less lines 39 and 45.
26. Excludes equity issues and investment company shares. Includes line 19.
28. Foreign deposits at commercial banks, plus bank borrowings from foreign branches, plus liabilities of foreign banking agencies to foreign affiliates, less claims on foreign affiliates and deposits by banking institutions in foreign banks.
29. Demand deposits and note balances at commercial banks.

30. Excludes investment of these reserves in corporate equities.

31. Mainly retained earnings and net miscellaneous liabilities.

32. Line 13 less line 20 plus line 26.

33-37. Lines 14-18 less amounts acquired by private finance plus amounts borrowed by private finance. Line 37 includes mortgages.

39. Mainly an offset to line 9.

46. Sum of lines 32 and 38, or line 13 less line 27 plus lines 39 and 45.

47. Line 2 divided by line 1.

48. Line 20 divided by line 13.

49. Sum of lines 10 and 28.

50, 52. 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.

A42 Domestic Financial Statistics □ January 1992

1.59 SUMMARY OF CREDIT MARKET DEBT OUTSTANDING

Billions of dollars, end of period

Transaction category or sector	1986	1987	1988	1989	1989	1990				1991	
					Q4	Q1	Q2	Q3	Q4	Q1	Q2
	Nonfinancial sectors										
1 Total credit market debt owed by domestic nonfinancial sectors	7,646.3	8,343.9	9,096.0	9,805.2	9,805.2	10,073.3	10,226.8	10,386.9	10,557.3	10,615.5	10,735.3
By lending sector and instrument											
2 U.S. government	1,815.4	1,960.3	2,117.8	2,269.4	2,269.4	2,360.9	2,401.7	2,470.2	2,568.9	2,624.7	2,667.7
3 Treasury securities	1,811.7	1,955.2	2,095.2	2,245.2	2,245.2	2,329.3	2,368.8	2,437.6	2,536.5	2,598.4	2,642.9
4 Agency issues and mortgages	3.6	5.2	22.6	24.2	24.2	31.6	32.9	32.6	32.4	26.4	24.8
5 Private	5,831.0	6,383.6	6,978.2	7,535.8	7,535.8	7,712.5	7,825.1	7,916.7	7,988.4	7,990.8	8,067.7
By instrument											
6 Debt capital instruments	3,962.7	4,427.9	4,886.4	5,283.3	5,283.3	5,451.9	5,533.8	5,608.8	5,669.9	5,709.8	5,787.5
7 Tax-exempt obligations	679.1	728.4	790.8	821.2	821.2	822.2	827.2	837.9	841.3	842.2	847.6
8 Corporate bonds	669.4	748.8	851.7	925.4	925.4	933.0	950.2	958.4	975.1	995.3	1,019.1
9 Mortgages	2,614.2	2,950.7	3,243.8	3,536.6	3,536.6	3,696.7	3,756.4	3,812.6	3,853.4	3,872.3	3,920.9
10 Home mortgages	1,720.8	1,943.1	2,173.9	2,404.3	2,404.3	2,558.3	2,619.5	2,670.0	2,710.0	2,730.1	2,781.0
11 Multifamily residential	246.2	270.0	286.7	304.4	304.4	304.5	300.5	304.5	306.0	306.5	307.1
12 Commercial	551.4	648.7	696.4	742.6	742.6	750.0	752.5	753.8	753.5	752.0	748.9
13 Farm	95.8	88.9	86.8	85.3	85.3	83.9	84.0	84.3	84.0	83.6	83.9
14 Other debt instruments	1,868.2	1,955.7	2,091.9	2,252.6	2,252.6	2,260.6	2,291.3	2,307.9	2,318.5	2,281.0	2,280.1
15 Consumer credit	659.8	693.2	743.5	790.6	790.6	782.3	789.4	798.7	808.9	782.3	784.2
16 Bank loans n.e.c.	666.0	673.3	713.1	763.0	763.0	748.5	756.1	753.6	757.4	749.0	740.3
17 Open market paper	62.9	73.8	85.7	107.1	107.1	126.0	128.7	131.8	116.9	119.9	118.4
18 Other	479.6	515.3	549.6	591.9	591.9	603.7	617.1	623.8	635.4	629.9	637.3
By borrowing sector											
19 State and local government	510.1	558.9	604.5	634.1	634.1	633.8	636.9	647.1	649.1	650.2	652.8
20 Household	2,596.1	2,879.1	3,191.5	3,501.8	3,501.8	3,654.8	3,726.5	3,790.3	3,847.2	3,853.3	3,911.3
21 Nonfinancial business	2,724.8	2,945.6	3,182.2	3,400.0	3,400.0	3,423.9	3,461.7	3,479.4	3,492.2	3,487.3	3,503.6
22 Farm	156.6	145.5	137.6	139.2	139.2	137.3	138.7	141.6	140.5	139.3	143.0
23 Nonfarm noncorporate	997.6	1,075.4	1,145.1	1,195.9	1,195.9	1,208.3	1,208.7	1,209.0	1,209.6	1,205.9	1,204.6
24 Corporate	1,570.6	1,724.6	1,899.5	2,064.8	2,064.8	2,078.3	2,114.3	2,128.7	2,142.1	2,142.1	2,155.9
25 Foreign credit market debt held in United States	238.3	244.6	253.9	261.5	261.5	261.7	273.0	279.4	284.9	297.2	285.1
26 Bonds	74.9	82.3	89.2	94.5	94.5	103.3	108.4	108.9	116.1	118.9	123.0
27 Bank loans n.e.c.	26.9	23.3	21.5	21.4	21.4	18.9	19.3	19.8	18.5	20.4	19.5
28 Open market paper	37.4	41.2	49.9	63.0	63.0	59.3	65.1	71.5	75.3	87.0	74.0
29 U.S. government loans	99.1	97.7	93.2	82.6	82.6	80.2	80.2	79.3	75.0	70.9	68.6
30 Total credit market debt owed by nonfinancial sectors, domestic and foreign	7,884.7	8,588.5	9,349.9	10,066.8	10,066.8	10,335.0	10,499.8	10,666.3	10,842.2	10,912.8	11,020.5
	Financial sectors										
31 Total credit market debt owed by financial sectors	1,529.8	1,836.8	2,084.4	2,322.4	2,322.4	2,359.0	2,405.5	2,448.8	2,527.7	2,540.1	2,567.3
By instrument											
32 U.S. government-related	810.3	978.6	1,098.4	1,249.3	1,249.3	1,288.2	1,330.1	1,367.9	1,418.4	1,452.2	1,485.1
33 Sponsored credit-agency securities	273.0	303.2	348.1	373.3	373.3	378.1	381.0	384.4	393.7	397.0	389.6
34 Mortgage pool securities	531.6	670.4	745.3	871.0	871.0	905.2	944.2	978.5	1,019.9	1,050.4	1,090.7
35 Loans from U.S. government	5.7	5.0	5.0	5.0	5.0	5.0	5.0	5.0	4.9	4.9	4.9
36 Private	719.5	858.2	986.1	1,073.0	1,073.0	1,070.8	1,075.4	1,080.9	1,109.3	1,087.9	1,082.2
37 Corporate bonds	287.4	366.3	418.0	482.7	482.7	491.7	510.0	514.4	533.6	543.0	559.5
38 Mortgages	2.7	3.1	3.4	3.4	3.4	4.0	4.0	4.1	4.2	4.2	4.2
39 Bank loans n.e.c.	36.1	32.8	34.2	36.0	36.0	33.2	34.8	34.9	36.7	34.8	35.2
40 Open market paper	284.6	322.9	377.7	409.1	409.1	409.1	400.3	409.6	417.7	398.8	388.6
41 Loans from Federal Home Loan Banks	108.6	133.1	152.8	141.8	141.8	132.9	126.3	117.9	117.1	107.0	94.7
By borrowing sector											
42 Sponsored credit agencies	278.7	308.2	353.1	378.3	378.3	383.0	385.9	389.4	398.5	401.8	394.4
43 Mortgage pools	531.6	670.4	745.3	871.0	871.0	905.2	944.2	978.5	1,019.9	1,050.4	1,090.7
44 Private financial sectors	719.5	858.2	986.1	1,073.0	1,073.0	1,070.8	1,075.4	1,080.9	1,109.3	1,087.9	1,082.2
45 Commercial banks	75.6	81.8	78.8	77.4	77.4	73.2	71.6	70.7	76.3	68.1	65.9
46 Bank affiliates	116.8	131.1	136.2	142.5	142.5	142.0	134.3	122.9	114.8	111.7	110.3
47 Savings and loan associations	119.8	139.4	159.3	145.2	145.2	137.1	125.6	116.2	114.0	102.8	90.8
48 Mutual savings banks	8.6	16.7	18.6	17.2	17.2	15.4	16.7	16.2	16.7	16.4	15.8
49 Finance companies	328.1	378.8	446.1	496.2	496.2	499.2	509.7	530.9	551.8	545.9	547.0
50 Real estate investment trusts (REITs)	6.5	7.3	11.4	10.1	10.1	10.9	10.4	10.2	10.6	10.6	10.8
51 Securitized credit obligation (SCO) issuers	64.0	103.1	135.7	184.4	184.4	193.1	206.9	213.8	225.2	232.4	241.7
	All sectors										
52 Total credit market debt, domestic and foreign	9,414.4	10,425.3	11,434.3	12,389.1	12,389.1	12,694.0	12,905.3	13,115.1	13,369.9	13,452.9	13,587.7
53 U.S. government securities	2,620.0	2,933.9	3,211.1	3,513.7	3,513.7	3,644.1	3,726.9	3,833.1	3,982.5	4,072.1	4,147.9
54 State and local obligations	679.1	728.4	790.8	821.2	821.2	822.2	827.2	837.9	841.3	842.2	847.6
55 Corporate and foreign bonds	1,031.7	1,197.4	1,358.9	1,502.6	1,502.6	1,527.9	1,568.6	1,581.6	1,624.8	1,657.3	1,701.6
56 Mortgages	2,617.0	2,953.8	3,247.2	3,540.1	3,540.1	3,700.7	3,760.5	3,816.7	3,857.7	3,876.5	3,925.1
57 Consumer credit	659.8	693.2	743.5	790.6	790.6	782.3	789.4	798.7	808.9	782.3	784.2
58 Bank loans n.e.c.	729.0	729.5	768.9	820.3	820.3	800.7	810.2	808.3	812.6	804.1	794.9
59 Open market paper	384.9	437.9	513.4	579.2	579.2	594.4	594.0	612.9	609.6	605.7	581.1
60 Other loans	693.1	751.1	800.5	821.4	821.4	821.7	828.5	826.0	832.3	812.7	805.5

1.60 SUMMARY OF CREDIT MARKET CLAIMS, BY HOLDER

Billions of dollars, except as noted, end of period

Transaction category or sector	1986 ^f	1987 ^f	1988 ^f	1989 ^f	1989 ^f	1990 ^f					1991 ^f	
					Q4	Q1	Q2	Q3	Q4		Q1	Q2
1 Total funds advanced in credit markets to domestic nonfinancial sectors	7,646.3	8,343.9	9,096.0	9,805.2	9,805.2	10,073.3	10,226.8	10,386.9	10,557.3	10,615.5	10,735.3	
2 Total held by federal agencies and foreign sector	1,779.4	2,006.6	2,199.7	2,379.3	2,379.3	2,423.3	2,502.6	2,584.1	2,645.8	2,698.2	2,765.3	
<i>By instrument</i>												
3 U.S. government securities	509.8	570.9	651.5	682.1	682.1	682.7	714.1	745.6	763.0	786.3	808.3	
4 Residential mortgages	678.5	814.1	900.4	1,038.4	1,038.4	1,081.5	1,126.5	1,171.8	1,221.0	1,260.3	1,310.0	
5 Federal Home Loan Bank advances to thrifts	108.6	133.1	152.8	141.8	141.8	132.9	126.3	117.9	117.1	107.0	94.7	
6 Other loans and securities	482.4	488.6	495.1	517.0	517.0	526.3	535.8	548.8	544.7	544.6	552.2	
<i>By type of lender</i>												
7 U.S. government	255.3	240.0	217.6	207.1	207.1	217.1	227.4	242.7	240.6	248.9	258.2	
8 Sponsored credit agencies and mortgage pools	835.9	1,001.0	1,113.0	1,238.2	1,238.2	1,274.8	1,315.0	1,360.5	1,403.4	1,434.8	1,471.0	
9 Monetary authority	205.5	230.1	240.6	233.3	233.3	224.4	237.8	240.8	241.4	247.3	253.7	
10 Foreign	482.8	535.5	628.5	700.6	700.6	707.0	722.5	740.2	760.4	767.2	782.4	
<i>Agency and foreign debt not in line 1</i>												
11 Sponsored credit agencies and mortgage pools	810.3	978.6	1,098.4	1,249.3	1,249.3	1,288.2	1,330.1	1,367.9	1,418.4	1,452.2	1,485.1	
12 Foreign	238.3	244.6	253.9	261.5	261.5	279.4	273.0	279.4	284.9	297.2	285.1	
13 Total private domestic holdings	6,915.6	7,560.4	8,248.5	8,936.8	8,936.8	9,199.9	9,327.3	9,450.1	9,614.8	9,666.8	9,740.3	
14 U.S. government securities	2,110.1	2,363.0	2,559.7	2,831.6	2,831.6	2,961.4	3,012.8	3,087.5	3,219.4	3,285.8	3,339.6	
15 State and local obligations	679.1	728.4	790.8	821.2	821.2	822.2	827.2	837.9	841.3	842.2	847.6	
16 Corporate and foreign bonds	606.6	674.3	765.6	831.6	831.6	846.7	865.5	874.0	897.1	915.5	936.8	
17 Residential mortgages	1,288.5	1,399.0	1,560.2	1,670.4	1,670.4	1,781.4	1,793.5	1,802.8	1,795.0	1,776.3	1,778.0	
18 Other mortgages and loans	2,339.8	2,528.7	2,724.9	2,923.8	2,923.8	2,921.0	2,954.5	2,965.9	2,979.1	2,954.0	2,933.0	
19 LESS: Federal Home Loan Bank advances	108.6	133.1	152.8	141.8	141.8	132.9	126.3	117.9	117.1	107.0	94.7	
20 Total credit market claims held by private financial institutions	6,018.0	6,564.5	7,128.6	7,662.7	7,662.7	7,852.1	7,913.4	7,987.2	8,127.7	8,173.1	8,199.4	
<i>By holding institution</i>												
21 Commercial banks	2,187.6	2,323.0	2,479.3	2,656.6	2,656.6	2,679.4	2,721.2	2,750.9	2,775.3	2,785.4	2,799.3	
22 Savings institutions	1,297.9	1,445.5	1,567.7	1,480.7	1,480.7	1,461.3	1,409.5	1,371.2	1,330.3	1,289.2	1,253.0	
23 Insurance and pension funds	1,525.4	1,705.1	1,903.8	2,081.6	2,081.6	2,150.3	2,194.4	2,227.6	2,264.1	2,308.1	2,335.6	
24 Other finance	1,007.1	1,091.0	1,177.9	1,443.8	1,443.8	1,561.1	1,588.4	1,637.5	1,758.0	1,790.5	1,811.6	
<i>By source of funds</i>												
25 Private domestic deposits and repurchase agreements	3,199.0	3,354.2	3,599.1	3,824.3	3,824.3	3,848.4	3,837.2	3,844.6	3,884.6	3,933.6	3,895.0	
26 Credit market debt	719.5	858.2	986.1	1,073.0	1,073.0	1,070.8	1,075.4	1,080.9	1,109.3	1,087.9	1,082.2	
27 Other sources	2,099.5	2,352.1	2,543.5	2,765.5	2,765.5	2,932.9	3,000.8	3,061.8	3,133.7	3,151.7	3,222.2	
28 Foreign funds	18.6	62.3	71.5	61.6	61.6	61.7	63.1	86.2	85.6	85.2	54.4	
29 U.S. Treasury balances	27.5	21.6	29.0	25.6	25.6	16.7	32.1	36.6	30.9	26.3	36.0	
30 Insurance and pension reserves	1,398.5	1,527.8	1,692.5	1,826.0	1,826.0	1,859.8	1,903.6	1,921.1	1,950.7	1,968.6	2,003.2	
31 Other, net	655.0	740.3	750.5	852.3	852.3	994.7	1,002.1	1,017.9	1,066.4	1,071.5	1,128.6	
<i>Private domestic nonfinancial investors</i>												
32 Credit market claims	1,617.0	1,854.1	2,106.0	2,347.1	2,347.1	2,418.6	2,489.2	2,543.8	2,596.5	2,581.6	2,623.0	
33 U.S. government securities	848.7	936.7	1,072.2	1,206.4	1,206.4	1,254.9	1,280.1	1,322.8	1,360.8	1,370.1	1,393.4	
34 State and local obligations	212.6	274.4	340.9	369.3	369.3	362.0	367.3	371.1	368.4	361.1	366.5	
35 Corporate and foreign bonds	90.5	114.0	100.4	130.5	130.5	153.4	169.2	166.8	180.6	180.3	195.1	
36 Open market paper	145.1	178.5	218.0	228.7	228.7	233.9	249.6	251.0	247.0	235.3	227.5	
37 Other loans and mortgages	320.1	350.4	374.4	412.1	412.1	414.4	423.0	432.1	439.7	434.8	438.5	
38 Deposits and currency	3,410.1	3,583.9	3,832.3	4,073.6	4,073.6	4,094.7	4,097.4	4,108.5	4,163.6	4,209.8	4,184.2	
39 Currency	186.3	205.4	220.1	231.8	231.8	234.4	242.7	254.4	262.0	265.9	269.9	
40 Checkable deposits	516.6	515.4	527.2	528.7	528.7	504.3	510.1	499.7	529.2	512.2	520.8	
41 Small time and savings accounts	1,948.3	2,017.1	2,156.2	2,256.7	2,256.7	2,285.6	2,286.6	2,295.8	2,313.2	2,343.0	2,342.7	
42 Money market fund shares	268.9	297.8	318.0	403.3	403.3	436.7	426.3	454.5	465.0	513.3	493.2	
43 Large time deposits	336.7	373.9	414.7	437.8	437.8	443.4	421.6	408.1	393.8	393.2	367.8	
44 Security repurchase agreements	128.5	150.1	182.9	197.9	197.9	188.4	192.7	186.6	183.4	171.9	170.4	
45 Deposits in foreign countries	24.8	24.3	15.1	17.6	17.6	11.9	17.5	16.8	24.6	14.3	23.4	
46 Total of credit market instruments, deposits, and currency	5,027.2	5,438.0	5,938.2	6,420.7	6,420.7	6,513.3	6,586.6	6,652.3	6,760.1	6,791.4	6,807.3	
MEMO												
47 Public holdings as percent of total	22.6	23.4	23.5	23.6	23.6	23.4	23.8	24.2	24.4	24.7	25.1	
48 Private financial intermediation (percent)	103.7	98.3	96.9	93.8	93.8	90.5	90.3	89.1	86.2	84.8	83.8	
49 Total foreign funds	501.3	597.8	700.1	762.3	762.3	768.7	785.6	826.4	846.0	852.4	836.8	
<i>Corporate equities not included above</i>												
50 Total market value	3,360.6	3,325.0	3,619.8	4,378.9	4,378.9	4,166.6	4,333.1	3,765.3	3,982.7	4,562.4	4,596.2	
51 Mutual fund shares	413.5	460.1	478.3	555.1	555.1	550.3	587.9	547.3	579.9	643.0	681.3	
52 Other equities	2,947.1	2,864.9	3,141.6	3,823.8	3,823.8	3,616.3	3,745.2	3,218.0	3,402.8	3,919.3	3,914.9	
53 Holdings by financial institutions	974.6	1,039.5	1,176.1	1,492.3	1,492.3	1,434.8	1,542.1	1,301.6	1,417.4	1,663.8	1,677.1	
54 Other holdings	2,385.9	2,285.5	2,443.7	2,886.6	2,886.6	2,731.8	2,791.0	2,463.6	2,565.3	2,898.6	2,919.1	

NOTES BY LINE NUMBER.

1. Line 1 of table 1.59.
2. Sum of lines 3-6 or 7-10.
6. Includes farm and commercial mortgages.
11. Credit market debt of federally sponsored agencies, and net issues of federally related mortgage pool securities.
13. Line 1 less line 2 plus lines 11 and 12. Also line 20 less line 26 plus line 32. Also sum of lines 27 and 46 less lines 39 and 45.
18. Includes farm and commercial mortgages.
25. Line 38 less lines 39 and 45.
26. Excludes equity issues and investment company shares. Includes line 19.
28. Foreign deposits at commercial banks, plus bank borrowings from foreign affiliates, less claims on foreign affiliates and deposits by banking in foreign banks.
29. Demand deposits and note balances at commercial banks.

30. Excludes net investment of these reserves in corporate equities.
 31. Mainly retained earnings and net miscellaneous liabilities.
 32. Line 13 less line 20 plus line 26.
 - 33-37. Lines 14-18 less amounts acquired by private finance plus amounts borrowed by private finance. Line 37 includes mortgages.
 39. Mainly an offset to line 9.
 46. Sum of lines 32 and 38, or line 13 less line 27 plus lines 39 and 45.
 47. Line 2 divided by lines 1 plus 12.
 48. Line 20 divided by line 13.
 49. Sum of lines 10 and 28.
 - 50-52. Includes issues by financial institutions.
- NOTE. Full statements for sectors and transaction types in flows and in amounts outstanding can be obtained from Flow of Funds Section, Stop 95, Division of Research and Statistics, Board of Governors of the Federal Reserve System, Washington, D.C. 20551.

2.10 NONFINANCIAL BUSINESS ACTIVITY Selected Measures

Monthly data seasonally adjusted, except as noted

Measure	1988	1989	1990	1991								
				Feb.	Mar.	Apr.	May	June	July	Aug. [†]	Sept. [†]	Oct.
1 Industrial production ¹ (1987=100)	105.4	108.1	109.2	105.7	105.0	105.5	106.4	107.3	108.1 [†]	108.0	108.2	108.2
Market groupings (1987=100)												
2 Products, total	105.3	108.6	110.1	106.9	106.5	106.9	107.7	108.6	108.7 [†]	108.5	108.9	108.9
3 Final, total	105.6	109.1	110.9	108.3	108.1	108.7	109.3	110.1	110.2 [†]	109.8	110.5	110.6
4 Consumer goods	104.0	106.7	107.3	104.7	104.7	105.5	106.6	108.0	108.3	108.4	109.2	109.5
5 Equipment	107.6	112.3	115.5	112.9	112.5	112.8	112.7	112.8	112.8 [†]	111.7	112.1	111.9
6 Intermediate	104.4	106.8	107.7	102.6	101.3	101.2	102.7	104.0	104.0	104.2	103.9	103.6
7 Materials	105.6	107.4	107.8	103.9	102.6	103.4	104.5	105.4	107.0 [†]	107.2	107.2	107.1
Industry groupings (1987=100)												
8 Manufacturing	105.8	108.9	109.9	106.1	105.2	105.9	106.6	107.5	108.3	108.4	108.9	108.9
9 Capacity utilization, manufacturing (percent) ²	83.9	83.9	82.3	78.0	77.2	77.5	77.8	78.3	78.7	78.6	78.8	78.6
10 Construction contracts (1982=100) ³	166.7	172.9	155.1 [†]	133.0	128.0	145.0	138.0	133.0	144.0	150.0	143.0	157.0
11 Nonagricultural employment, total ⁴	128.0	131.5	133.8	132.4	132.1	131.9	132.0	132.0	132.0	132.1	132.2	132.2
12 Goods-producing, total	103.4	104.0	102.7	98.7	98.1	97.7	98.0	97.7	97.8	97.9	97.7	97.5
13 Manufacturing, total	98.3	98.7	96.8	94.1	93.7	93.4	93.6	93.4	93.5	93.7	93.5	93.4
14 Manufacturing, production worker	93.5	93.8	91.5	88.3	87.9	87.7	87.9	87.8	88.0	88.3	88.1	88.1
15 Service-producing	138.3	142.9	146.8	146.4	146.3	146.1	146.3	146.4	146.3	146.5	146.6	146.7
16 Personal income, total	253.2	272.7	289.0	294.5	295.5	295.9	297.8	299.3	298.8	300.1	301.5	n.a.
17 Wages and salary disbursements	244.6	258.9	272.2	275.9	276.2	276.7	279.0	281.7	280.8	282.1	283.3	n.a.
18 Manufacturing	196.5	203.1	205.0	200.9	200.2	201.3	202.9	204.7	205.2 [†]	206.8	206.4	n.a.
19 Disposable personal income ⁵	252.2	270.1	286.1	291.4	292.6	292.9	295.1	296.8	296.4 [†]	297.8	299.2	n.a.
20 Retail sales ⁶	228.2	241.7	250.8	251.6	252.3	251.4	254.3	254.2	255.1	253.4	254.9	254.6
Prices ⁷												
21 Consumer (1982-84=100)	118.3	124.0	130.7	134.8	135.0	135.2	135.6	136.0	136.2	136.6	137.2	137.4
22 Producer finished goods (1982=100)	108.0	113.6	119.2	121.4	120.9	121.1	121.8	121.9	121.6	121.7	121.3	122.3

1. A major revision of the industrial production index and the capacity utilization rates was released in April 1990. See "Industrial Production: 1989 Developments and Historical Revision," *Federal Reserve Bulletin*, vol. 76 (April 1990), pp. 187-204.

2. Ratio of index of production to index of capacity. Based on data from the Federal Reserve, DRI McGraw-Hill, U.S. Department of Commerce, and other sources.

3. Index of dollar value of total construction contracts, including residential, nonresidential, and heavy engineering, from McGraw-Hill Information Systems Co., 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 U.S. Bureau of the Census data published in *Survey of Current Business*.

7. Based on data not seasonally adjusted, as published in *Monthly Labor Review*. Seasonally adjusted data for changes in the price indexes can be obtained from the Bureau of Labor Statistics, U.S. Department of Labor.

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

Figures for industrial production for the latest month are preliminary, and many figures for the three months preceding the latest month have been revised. See "Recent Developments in Industrial Capacity and Utilization," *Federal Reserve Bulletin*, vol. 76 (June 1990), pp. 411-35.

2.11 LABOR FORCE, EMPLOYMENT, AND UNEMPLOYMENT

Thousands of persons; monthly data seasonally adjusted; exceptions noted

Category	1988	1989	1990	1991							
				Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.
HOUSEHOLD SURVEY DATA											
1 Noninstitutional population ¹	186,837	188,601	190,216	191,384	191,525	191,664	191,805	191,955	192,095	192,240	192,386
2 Labor force (including Armed Forces) ¹	123,893	126,077	126,954	127,467	127,817	127,374	127,766	127,330	127,026	127,725	127,646
3 Civilian labor force	121,669	123,869	124,787	125,326	125,672	125,232	125,629	125,214	124,904	125,607	125,549
<i>Employment</i>											
4 Nonagricultural industries ²	111,800	114,142	114,728	113,656	114,243	113,319	113,576	113,474	113,150	113,859	113,772
5 Agriculture	3,169	3,199	3,186	3,098	3,156	3,272	3,308	3,239	3,266	3,306	3,195
<i>Unemployment</i>											
6 Number	6,701	6,528	6,874	8,572	8,274	8,640	8,745	8,501	8,488	8,442	8,582
7 Rate (percent of civilian labor force)	5.5	5.3	5.5	6.8	6.6	6.9	7.0	6.8	6.8	6.7	6.8
8 Not in labor force	62,944	62,524	63,262	63,917	63,708	64,290	64,039	64,625	65,069	64,515	64,740
ESTABLISHMENT SURVEY DATA											
9 Nonagricultural payroll employment ³	105,536	108,413	110,330	108,902	108,736	108,887	108,885	108,859	108,971 ^f	109,019 ^f	109,018
10 Manufacturing	19,350	19,426	19,064	18,443	18,396	18,426	18,378	18,402	18,442 ^f	18,411 ^f	18,379
11 Mining	713	700	735	714	710	706	704	701	693	684	680
12 Contract construction	5,110	5,200	5,205	4,720	4,688	4,715	4,710	4,695	4,691	4,697 ^f	4,668
13 Transportation and public utilities	5,527	5,648	5,838	5,824	5,814	5,819	5,809	5,809	5,820 ^f	5,825 ^f	5,831
14 Trade	25,132	25,851	26,151	25,483	25,410	25,424	25,413	25,411	25,393 ^f	25,386 ^f	25,333
15 Finance	6,649	6,724	6,833	6,735	6,718	6,712	6,703	6,688	6,687 ^f	6,691 ^f	6,695
16 Service	25,669	27,096	28,209	28,576	28,576	28,645	28,712	28,733	28,831 ^f	28,918 ^f	29,019
17 Government	17,386	17,769	18,295	18,407	18,424	18,440	18,456	18,420	18,414 ^f	18,407 ^f	18,413

1. Persons sixteen years of age and older. Monthly figures are based on sample data collected during the calendar week that contains the twelfth day; annual data are averages of monthly figures. By definition, seasonality does not exist in population figures.

2. Includes self-employed, unpaid family, and domestic service workers.

3. Includes all full- and part-time employees who worked during, or received

pay for, the pay period that includes the twelfth day of the month, and exclude proprietors, self-employed persons, household and unpaid family workers, and members of the armed forces. Data are adjusted to the March 1984 benchmark, and only seasonally adjusted data are available at this time.

SOURCE: Based on data from *Employment and Earnings* (U.S. Department of Labor).

2.12 OUTPUT, CAPACITY, AND CAPACITY UTILIZATION¹

Seasonally adjusted

Series	1990	1991			1990	1991			1990	1991			
	Q4	Q1	Q2	Q3 ^r	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3 ^r	
	Output (1987=100)				Capacity (percent of 1987 output)				Capacity utilization rate (percent)				
1 Total industry	108.5	105.8	106.4	108.1	132.8	133.6	134.5	135.3	81.7	79.2	79.1	79.9	
2 Manufacturing	109.0	106.1	106.7	108.5	135.0	136.0	136.9	137.9	80.8	78.0	77.9	78.7	
3 Primary processing	104.7	100.6	100.8	104.0	126.1	126.8	127.5	128.1	83.0	79.4	79.1	81.2	
4 Advanced processing	111.0	108.6	109.4	110.6	139.1	140.2	141.3	142.4	79.8	77.5	77.4	77.7	
5 Durable goods	110.0	106.1	106.7	108.2	139.0	139.9	140.9	141.8	79.1	75.8	75.7	76.3	
6 Lumber and products	95.7	92.3	94.0	94.9	124.6	125.0	125.2	125.4	76.8	73.9	75.1	75.6	
7 Primary metals	107.3	97.9	95.9	102.3	127.9	128.2	128.6	129.0	83.9	76.4	74.6	79.3	
8 Iron and steel	110.0	96.3	92.8	100.4	132.7	133.0	133.5	134.0	82.9	72.4	69.5	74.9	
9 Nonferrous	103.4	100.2	100.3	104.9	121.1	121.3	121.5	121.7	85.3	82.6	82.6	86.2	
10 Nonelectrical machinery	126.4	124.4	123.5	123.6	156.3	157.9	159.5	161.2	80.8	78.8	77.4	76.7	
11 Electrical machinery	109.9	108.1	110.6	111.6	141.4	142.7	144.0	145.3	77.8	75.8	76.8	76.8	
12 Motor vehicles and parts	89.4	80.8	89.5	95.9	132.9	133.4	134.2	134.9	67.2	60.5	66.7	71.1	
13 Aerospace and miscellaneous transportation equipment	113.3	109.9	106.4	105.2	136.1	137.0	137.9	138.7	83.3	80.2	77.2	75.8	
14 Nondurable goods	107.8	106.1	106.7	109.0	129.9	130.9	131.9	132.9	83.0	81.0	80.9	82.0	
15 Textile mill products	98.2	94.6	99.4	104.1	117.0	117.3	117.7	118.0	84.0	80.6	84.5	88.2	
16 Paper and products	105.8	102.6	102.7	107.6	115.7	116.4	117.1	117.9	91.4	88.2	87.7	91.3	
17 Chemicals and products	110.2	109.1	109.3	112.0	137.1	138.4	139.7	141.0	80.4	78.8	78.2	79.4	
18 Plastics materials	118.1	113.2	115.6	125.0	132.9	135.7	139.2	.....	88.9	83.4	83.0	.....
19 Petroleum products	107.4	107.3	107.6	108.2	121.4	121.4	121.4	121.4	88.5	88.4	88.6	89.1	
20 Mining	103.1	102.0	101.1	101.6	114.0	113.8	114.3	114.6	90.4	89.6	88.4	88.7	
21 Utilities	108.3	106.2	109.6	109.9	127.6	128.1	128.4	128.8	84.8	82.9	85.3	85.3	
22 Electric	111.2	109.3	114.4	115.3	123.2	123.8	124.3	124.7	90.2	88.3	92.1	92.4	
	Previous cycle ²		Recent cycle ³		1990	1991							
	High	Low	High	Low	Oct.	Mar.	Apr.	May	June	July ^r	Aug. ^r	Sept. ^r	Oct. ^p
	Capacity utilization rate (percent)												
1 Total industry	89.2	72.6	87.3	71.8	83.0	78.4	78.6	79.1	79.6	80.0	79.8	79.8	79.6
2 Manufacturing	88.9	70.8	87.3	70.0	82.2	77.2	77.5	77.8	78.3	78.7	78.6	78.8	78.6
3 Primary processing	92.2	68.9	89.7	66.8	84.3	77.9	78.2	79.0	79.9	81.1	81.2	81.2	81.1
4 Advanced processing	87.5	72.0	86.3	71.4	81.3	76.8	77.3	77.3	77.6	77.8	77.5	77.8	77.5
5 Durable goods	88.8	68.5	86.9	65.0	81.2	74.9	75.4	75.7	76.0	76.4	76.1	76.4	76.0
6 Lumber and products	90.1	62.2	87.6	60.9	78.9	72.9	74.1	73.9	77.2	75.6	75.7	75.6	74.7
7 Primary metals	100.6	66.2	102.4	46.8	85.0	73.8	73.6	75.3	74.9	78.5	79.9	79.5	79.2
8 Iron and steel	105.8	66.6	110.4	38.3	83.2	69.1	68.7	70.4	69.5	74.3	75.3	75.2	74.9
9 Nonferrous	92.9	61.3	90.5	62.2	87.7	81.1	81.1	83.1	83.5	85.1	87.1	86.4	85.9
10 Nonelectrical machinery	96.4	74.5	92.1	64.9	82.2	77.7	77.7	77.4	77.1	77.2	76.5	76.4	76.0
11 Electrical machinery	87.8	63.8	89.4	71.1	78.6	75.9	76.4	76.8	77.2	76.6	77.0	76.8	75.9
12 Motor vehicles and parts	93.4	51.1	93.0	44.5	78.1	59.7	64.3	66.9	68.9	71.8	67.9	73.6	74.3
13 Aerospace and miscellaneous transportation equipment	77.0	66.6	81.1	66.9	84.0	79.3	78.0	76.7	76.8	76.1	76.1	75.3	74.9
14 Nondurable goods	87.9	71.8	87.0	76.9	83.6	80.3	80.5	80.7	81.4	82.0	82.0	82.1	82.0
15 Textile mill products	92.0	60.4	91.7	73.8	86.6	81.3	82.7	84.3	86.4	88.4	88.7	87.5	87.5
16 Paper and products	96.9	69.0	94.2	82.0	92.5	86.8	86.7	86.5	89.7	91.9	90.4	91.6	91.3
17 Chemicals and products	87.9	69.9	85.1	70.1	81.0	77.9	78.3	78.2	78.2	79.3	79.5	79.4	79.6
18 Plastics materials	102.0	50.6	90.9	63.4	90.0	79.0	80.5	84.5	84.1	89.6
19 Petroleum products	96.7	81.1	89.5	68.2	89.5	89.4	87.1	88.6	90.2	89.2	88.4	89.7	88.8
20 Mining	94.4	88.4	96.6	80.6	89.9	89.0	88.3	87.6	89.2	89.6	88.6	87.9	87.7
21 Utilities	95.6	82.5	88.3	76.2	85.6	83.0	82.6	86.7	86.7	86.2	85.5	84.2	84.1
22 Electric	99.0	82.7	88.3	78.7	91.2	88.6	88.5	93.7	94.1	93.6	92.7	91.0	91.0

1. Data in this table also appear in the Board's G.17 (419) monthly statistical release. For ordering address, see inside front cover. For a detailed description of the series, see "Recent Developments in Industrial Capacity and Utilization," *Federal Reserve Bulletin*, vol. 76 (June 1990), pp. 411-35.

2. Monthly high, 1973; monthly low, 1975.

3. Monthly highs, 1978 through 1980; monthly lows, 1982.

2.13 INDUSTRIAL PRODUCTION Indexes and Gross Value¹

Monthly data seasonally adjusted

Group	1987 pro- portion	1990 avg.	1990			1991									
			Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct. ^P
Index (1987 = 100)															
MAJOR MARKETS															
1 Total index.....	100.0	109.2	109.9	108.3	107.2	106.6	105.7	105.0	105.5	106.4	107.3	108.1	108.0	108.2	108.2
2 Products.....	60.8	110.1	111.0	109.3	108.4	107.8	106.9	106.5	106.9	107.7	108.6	108.7	108.5	108.9	108.5
3 Final products.....	46.0	110.9	112.3	110.2	109.2	109.1	108.3	108.1	108.7	109.3	110.1	110.2	109.8	110.5	110.6
4 Consumer goods, total.....	26.0	107.3	108.6	106.5	105.7	105.6	104.7	104.7	105.5	106.6	108.0	108.3	108.4	109.2	109.5
5 Durable consumer goods.....	5.6	106.2	106.9	99.4	96.0	97.6	95.2	95.9	99.3	101.1	104.2	105.5	104.0	107.6	107.7
6 Automotive products.....	2.5	102.3	107.1	93.5	86.7	90.6	88.1	88.9	94.2	97.4	100.4	102.3	98.6	106.2	107.5
7 Autos and trucks.....	1.5	97.4	107.5	84.2	74.6	79.6	74.7	76.7	85.0	89.2	92.5	98.1	90.2	103.0	105.1
8 Autos, consumer.....	.9	92.2	104.6	80.7	77.2	83.2	78.6	76.3	78.3	81.9	83.8	92.8	83.0	94.5	92.6
9 Trucks, consumer.....	.6	106.1	112.2	90.2	70.2	73.6	68.1	77.4	96.3	101.6	107.1	106.9	102.2	117.1	126.1
10 Auto parts and allied goods.....	1.0	109.6	106.4	107.3	104.8	107.1	108.3	107.3	108.0	109.5	112.2	108.6	111.3	111.0	111.0
11 Other.....	3.1	109.4	106.8	104.1	103.4	103.2	100.7	101.4	103.4	104.1	107.3	108.1	108.3	108.7	108.0
12 Appliances, A/C, and TV.....	.8	102.0	94.6	90.8	89.9	92.8	94.5	96.2	97.3	96.8	104.8	100.6	99.6	104.1	100.8
13 Carpeting and furniture.....	.9	104.9	103.8	99.2	100.9	100.3	92.0	93.9	97.0	96.9	99.2	103.1	103.9	102.1	102.2
14 Miscellaneous home goods.....	1.4	116.4	115.5	114.6	112.5	110.8	109.8	109.2	110.8	112.8	113.8	115.5	115.9	115.4	115.7
15 Nondurable consumer goods.....	20.4	107.6	109.1	108.5	108.4	107.8	107.3	107.1	107.2	108.1	109.0	109.0	109.6	109.7	110.0
16 Foods and tobacco.....	9.1	105.9	106.7	107.8	107.5	106.3	105.9	105.4	105.3	106.2	106.9	106.9	107.4	107.6	107.8
17 Clothing.....	2.6	95.7	94.2	91.7	92.1	90.6	90.8	90.4	90.6	92.0	93.9	94.3	95.2	95.1	95.5
18 Chemical products.....	3.5	113.3	115.9	113.5	113.5	114.7	114.8	114.2	115.0	113.9	114.3	115.4	117.0	116.7	117.7
19 Paper products.....	2.5	119.7	123.4	122.8	122.7	122.1	121.0	122.2	122.7	121.8	123.3	122.1	122.6	124.4	125.2
20 Energy.....	2.7	105.9	108.8	106.4	106.6	106.5	105.2	105.5	104.4	109.0	110.0	109.4	108.9	107.5	107.1
21 Fuels.....	.7	102.9	104.0	101.1	98.1	99.8	103.4	104.3	101.4	103.6	104.9	105.2	104.0	105.7	105.0
22 Residential utilities.....	2.0	107.0	110.6	108.4	109.7	109.0	105.9	105.9	105.5	111.0	111.9	110.9	110.7	108.1	107.8
23 Equipment.....	20.0	115.5	117.0	115.1	113.6	113.6	112.9	112.5	112.8	112.7	112.8	112.8	111.7	112.1	111.9
24 Business equipment.....	13.9	123.1	125.4	122.9	121.2	121.6	120.6	120.3	121.3	121.7	121.9	122.5	121.3	122.6	122.6
25 Information processing and related.....	5.6	127.2	130.1	128.8	127.5	130.1	131.6	131.2	131.5	131.8	130.9	131.1	130.4	130.8	130.7
26 Office and computing.....	1.9	149.8	155.3	149.8	148.9	155.0	157.3	155.1	155.6	155.6	154.0	156.0	153.1	153.4	153.1
27 Industrial.....	4.0	115.3	115.4	115.3	112.3	111.5	109.1	109.5	109.3	109.1	109.1	109.0	108.5	108.6	108.7
28 Transit.....	2.5	129.9	137.5	126.3	123.4	124.0	120.4	124.1	125.9	128.0	131.2	126.5	132.7	133.3	133.3
29 Autos and trucks.....	1.2	96.8	106.5	83.9	75.3	79.8	75.0	76.7	84.4	87.9	90.8	96.6	86.2	99.2	101.1
30 Other.....	1.9	118.5	117.0	117.6	118.5	115.0	112.5	110.8	112.7	113.0	114.8	114.0	114.8	114.6	114.0
31 Defense and space equipment.....	5.4	97.3	97.3	96.2	95.8	94.4	94.5	93.9	92.5	91.5	91.0	90.0	90.0	89.0	88.6
32 Oil and gas well drilling.....	.6	109.0	107.1	109.7	107.3	106.4	108.2	107.7	105.1	101.3	103.0	97.8	86.7	80.1	79.0
33 Manufactured homes.....	.2	90.8	89.0	87.3	83.4	83.1	79.3	79.3	83.1	86.6	90.8	86.5	90.3	86.2	87.3
34 Intermediate products, total.....	14.7	107.7	107.0	106.2	106.0	103.8	102.6	101.3	101.2	102.7	104.0	104.0	104.2	103.9	103.6
35 Construction supplies.....	6.0	105.2	103.1	101.8	101.0	97.7	96.4	94.0	94.9	95.8	97.4	96.9	96.5	96.7	96.5
36 Business supplies.....	8.7	109.4	109.7	109.2	109.4	108.1	106.8	106.4	105.6	107.5	108.5	109.0	109.6	108.9	108.6
37 Materials.....	39.2	107.8	108.3	106.8	105.3	104.8	103.9	102.6	103.4	104.5	105.4	107.0	107.2	107.2	107.1
38 Durable goods materials.....	19.4	111.8	112.5	110.4	107.5	106.8	105.5	103.3	104.9	106.2	106.7	108.2	109.1	109.2	108.8
39 Durable consumer parts.....	4.2	104.0	106.0	98.5	91.1	94.2	90.4	87.5	92.1	95.5	97.3	100.2	100.1	101.2	100.7
40 Equipment parts.....	7.3	118.1	118.6	117.4	116.9	115.9	116.2	114.8	114.6	113.6	113.5	114.4	114.1	113.7	113.7
41 Other.....	7.9	110.2	110.4	110.2	107.4	105.2	103.8	101.0	102.6	103.8	105.3	107.5	109.1	109.0	108.6
42 Basic metal materials.....	2.8	111.9	112.0	112.7	109.6	104.6	104.8	101.2	101.6	103.0	105.9	108.8	110.8	110.4	109.7
43 Nondurable goods materials.....	9.0	106.0	106.5	105.6	104.9	104.9	103.6	102.8	103.1	103.7	104.9	108.1	107.7	108.4	108.6
44 Textile materials.....	1.2	96.7	97.9	95.1	91.4	89.1	91.5	92.7	94.7	96.8	98.1	101.4	101.4	100.7	100.7
45 Pulp and paper materials.....	1.9	106.4	108.6	107.2	108.5	106.0	104.1	102.4	102.0	101.5	106.9	110.3	108.2	110.6	110.5
46 Chemical materials.....	3.8	106.8	105.6	105.8	105.7	106.7	104.1	102.7	102.9	103.9	103.9	107.7	107.8	107.8	108.7
47 Other.....	2.1	109.5	110.8	109.4	107.6	109.3	108.8	108.8	109.0	109.2	108.6	110.5	110.7	111.7	111.1
48 Energy materials.....	10.9	102.1	102.3	101.6	102.0	101.1	101.1	101.1	101.3	101.1	102.4	103.4	104.1	103.2	102.6
49 Primary energy.....	7.2	101.3	100.7	101.4	101.9	101.3	102.1	101.5	100.5	101.2	104.7	106.2	104.4	104.1	104.1
50 Converted fuel materials.....	3.7	103.5	105.3	102.0	102.1	100.9	99.2	100.8	102.4	104.7	101.0	100.1	100.8	99.7	99.8
SPECIAL AGGREGATES															
51 Total excluding autos and trucks.....	97.3	109.5	110.0	109.0	108.1	107.4	106.6	105.7	106.1	106.9	107.8	108.4	108.5	108.4	108.3
52 Total excluding motor vehicles and parts.....	95.3	109.8	110.2	109.4	108.6	107.8	107.0	106.2	106.5	107.3	108.1	108.6	108.8	108.7	108.6
53 Total excluding office and computing machines.....	97.5	108.2	108.8	107.3	106.1	105.4	104.4	103.7	104.2	105.2	106.2	106.9	106.8	107.1	107.0
54 Consumer goods excluding autos and trucks.....	24.5	107.9	108.7	107.9	107.6	107.2	106.5	106.4	106.7	107.6	108.9	108.9	109.5	109.6	109.8
55 Consumer goods excluding energy.....	23.3	107.5	108.6	106.5	105.6	105.5	104.7	104.6	105.6	106.3	107.7	108.1	108.4	109.4	109.8
56 Business equipment excluding autos and trucks.....	12.7	125.6	127.2	126.8	125.6	125.7	125.0	124.5	124.9	125.0	125.0	125.0	124.7	124.9	124.7
57 Business equipment excluding office and computing equipment.....	12.0	118.7	120.6	118.6	116.7	116.2	114.6	114.6	115.7	116.3	116.7	117.0	116.1	117.6	117.6
58 Materials excluding energy.....	28.4	110.0	110.6	108.9	106.6	106.2	104.9	103.1	104.3	105.4	106.1	108.2	108.7	109.0	108.7

A48 Domestic Nonfinancial Statistics □ January 1992

2.13—Continued

Group	SIC ² code	1987 pro- portion	1990 avg.	1990			1991											
				Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct. ^P		
				Index (1987 = 100)														
MAJOR INDUSTRIES																		
1 Total index		100.0	109.2	109.9	108.3	107.2	106.6	105.7	105.0	105.5	106.4	107.3	108.1	108.0	108.2	108.2		
2 Manufacturing		84.4	109.9	110.7	108.9	107.5	107.0	106.1	105.2	105.9	106.6	107.5	108.3	108.4	108.9	108.9		
3 Primary processing		26.7	106.3	106.2	104.9	102.9	102.0	100.8	99.0	99.6	100.7	102.1	103.7	104.0	104.3	104.3		
4 Advanced processing		57.7	111.6	112.8	110.8	109.5	109.3	108.5	108.0	108.9	109.3	109.9	110.5	110.4	111.1	111.0		
5 Durable goods		47.3	111.6	112.5	109.9	107.5	107.2	106.1	105.0	106.0	106.7	107.3	108.1	107.9	108.6	108.3		
6 Lumber and products	24	2.0	101.6	98.2	95.5	93.5	94.2	91.5	91.2	92.7	92.5	96.7	94.8	95.0	94.9	93.8		
7 Furniture and fixtures	25	1.4	105.9	104.4	102.3	102.0	99.0	94.9	95.4	98.3	98.5	99.4	100.5	101.3	101.2	100.6		
8 Clay, glass, and stone products	32	2.5	105.7	104.4	103.8	100.7	97.2	98.9	94.4	94.2	95.1	95.0	95.8	95.7	95.3	95.7		
9 Primary metals	33	3.3	108.4	108.6	109.1	104.2	99.7	99.5	94.7	94.5	96.9	96.4	101.2	103.0	102.7	102.3		
10 Iron and steel	331.2	1.9	109.9	110.3	112.6	107.3	99.0	98.0	92.0	91.6	94.0	92.9	99.5	100.9	100.9	100.6		
11 Raw steel .....		.1	109.6	112.8	109.5	100.6	104.7	97.9	89.8	91.0	88.9	94.0	102.6	102.4	100.9	104.2
12 Nonferrous	333-6.9	1.4	106.2	106.2	104.1	99.8	100.6	101.6	98.4	98.5	101.0	101.5	103.5	106.0	105.2	104.7		
13 Fabricated metal products	34	5.4	105.9	106.4	104.3	101.9	101.7	99.1	97.8	98.0	99.1	99.8	100.9	101.3	101.5	101.4		
14 Nonelectrical machinery, Office and computing machines	35	8.6	126.5	128.1	126.3	124.7	125.5	124.5	123.1	123.5	123.6	123.4	123.9	123.3	123.5	123.3		
15 Electrical machinery Transportation equipment	357	2.5	149.8	155.3	149.8	148.9	155.0	157.3	155.1	155.6	155.6	154.0	156.0	153.0	153.4	153.0		
16 Motor vehicles and parts	36	8.6	111.4	110.8	110.4	108.7	107.6	108.2	108.6	109.7	110.6	111.5	111.0	111.8	111.9	110.9		
17 Autos and light trucks	37	9.8	105.5	109.2	100.1	96.6	97.6	95.5	95.0	97.2	98.2	99.7	101.3	98.9	102.2	102.5		
18 Aerospace and miscel- laneous transport- ation equipment	371	4.7	96.8	103.8	85.8	78.5	83.0	79.4	79.8	86.2	89.8	92.5	96.7	91.6	99.4	100.5		
19 Instruments	2.3	96.6	107.1	83.7	74.9	80.1	75.3	76.6	84.0	88.2	91.2	97.3	89.1	101.7	103.3			
20 Miscellaneous	372-6.9	5.1	113.3	114.0	113.1	112.9	110.8	110.0	108.8	107.2	105.8	106.1	105.4	105.5	104.7	104.3		
21	38	3.3	116.8	118.1	118.1	117.3	119.0	119.3	118.4	118.6	118.2	117.3	116.5	116.9	118.0	117.8		
22	39	1.2	120.0	121.5	122.5	119.1	116.1	114.6	115.3	117.5	118.7	119.8	121.6	123.2	122.0	122.5		
23 Nondurable goods		37.2	107.8	108.4	107.7	107.4	106.8	106.0	105.4	105.9	106.5	107.6	108.6	109.0	109.3	109.5		
24 Foods	20	8.8	107.6	108.8	109.6	109.1	108.3	107.6	107.4	107.6	107.8	108.6	108.3	108.7	109.2	109.4		
25 Tobacco products	21	1.0	98.6	97.8	99.0	101.1	100.0	100.1	98.2	97.6	98.7	99.4	102.6	104.3	103.0	102.4		
26 Textile mill products	22	1.8	100.8	101.2	97.4	96.1	94.0	94.3	95.4	97.2	99.2	101.7	104.2	104.7	103.4	103.4		
27 Apparel products	23	2.4	98.8	97.2	95.5	94.9	92.9	93.1	92.5	93.2	95.2	96.2	97.8	98.7	98.5	98.9		
28 Paper and products	26	3.6	105.3	106.8	105.1	105.4	104.2	102.2	101.3	101.3	101.3	105.3	108.1	106.5	108.2	108.1		
29 Printing and publishing	27	6.4	111.9	112.9	112.4	112.8	112.1	110.9	110.4	110.7	110.6	111.2	111.9	112.3	112.5	112.7		
30 Chemicals and products	28	8.6	110.3	110.7	110.0	109.9	110.1	109.1	108.2	109.0	109.2	109.6	111.5	112.1	112.3	113.0		
31 Petroleum products	29	1.3	108.2	108.6	107.8	105.6	104.7	108.8	108.5	105.7	107.5	109.6	108.3	107.3	108.9	107.8		
32 Rubber and plastic products	30	3.0	110.2	110.6	109.6	106.9	108.8	106.1	104.4	106.6	109.2	110.5	110.1	112.0	112.4	112.5		
33 Leather and products	31	.3	100.0	95.3	89.9	92.6	89.6	90.8	91.5	90.0	89.5	90.9	91.0	88.0	86.5	85.3		
34 Mining		7.9	102.6	102.6	103.3	103.4	101.7	102.9	101.5	100.9	100.2	102.1	102.7	101.5	100.7	100.5		
35 Metal	10	.3	153.1	146.8	153.4	162.0	143.1	148.0	147.6	145.7	148.0	157.0	153.0	159.0	159.3	158.0		
36 Coal	11,12	1.2	113.2	114.7	112.9	110.6	108.4	112.8	109.9	105.9	103.4	110.2	116.0	110.8	110.1	110.7		
37 Oil and gas extraction	13	5.7	95.5	95.8	97.3	96.7	96.0	97.2	96.4	96.6	96.0	96.9	96.4	95.7	94.7	94.4		
38 Stone and earth minerals	14	.7	119.5	118.0	113.5	118.9	119.2	112.0	108.0	107.0	107.5	106.4	107.8	106.8	107.3	107.5		
39 Utilities		7.6	108.0	109.2	106.9	108.8	107.6	104.6	106.4	105.9	111.4	111.5	110.9	110.2	108.5	108.6		
40 Electric	491,3PT	6.0	110.8	112.1	109.6	111.8	110.4	107.8	109.8	109.8	116.4	117.1	116.6	115.6	113.6	113.7		
41 Gas	492,3PT	1.6	97.3	98.1	97.0	97.6	97.5	92.8	93.6	91.6	92.8	90.7	89.7	90.2	89.6	89.6		
SPECIAL AGGREGATES																		
42 Manufacturing excluding motor vehicles and parts		79.8	110.7	111.1	110.3	109.1	108.4	107.6	106.7	107.1	107.6	108.3	109.0	109.3	109.5	109.3		
43 Manufacturing excluding office and computing machines		82.0	108.7	109.4	107.7	106.2	105.6	104.5	103.7	104.4	105.1	106.1	106.9	107.0	107.6	107.5		
Gross value (billions of 1982 dollars, annual rates)																		
MAJOR MARKETS																		
44 Products, total		1734.8	1,911.4	1,939.6	1,882.8	1,859.4	1,860.4	1,848.4	1,845.4	1,853.3	1,875.7	1,890.5	1,895.3	1,884.2	1,902.2	1,904.8		
45 Final		1350.9	1,497.7	1,523.7	1,470.8	1,450.8	1,459.6	1,452.8	1,455.6	1,464.6	1,478.1	1,490.5	1,496.1	1,483.6	1,503.0	1,506.3		
46 Consumer goods		833.4	882.9	892.7	865.2	857.6	857.9	852.7	857.4	862.9	874.4	884.2	888.3	881.7	897.4	901.1		
47 Equipment		517.5	614.8	631.0	605.6	593.2	601.7	600.1	598.2	601.7	603.7	606.2	607.8	602.0	605.6	605.3		
48 Intermediate		384.0	413.7	415.9	412.0	408.7	400.8	395.6	389.8	388.7	397.6	400.1	399.2	400.5	399.2	398.4		

1. Data in this table also appear in the Board's G.17 (419) weekly statistical release. For ordering address see inside front cover.

A major revision of the industrial production index and the capacity utilization rates was released in April 1990. See "Industrial Production: 1989

Developments and Historical Revision," *Federal Reserve Bulletin*, vol. 76 (April 1990), pp. 187-204.

2. Standard industrial classification.

2.14 HOUSING AND CONSTRUCTION

Monthly figures at seasonally adjusted annual rates, except as noted

Item	1988	1989	1990	1990		1991								
				Dec.	Jan.	Feb.	Mar.	Apr.	May	June	July ^r	Aug. ^r	Sept.	
	Private residential real estate activity (thousands of units, except as noted)													
NEW UNITS														
1 Permits authorized	1,456	1,339	1,111	854	802	876	892	913	966	999	1,005	953	982	
2 One-family	994	932	794	645	611	695	689	742	760	780	794	769	782	
3 Two-or-more-family	462	407	317	209	191	181	203	171	206	219	211	184	200	
4 Started	1,488	1,376	1,193	971	847	992	907	977	983	1,034	1,049	1,056	1,021	
5 One-family	1,081	1,003	895	751	648	788	742	801	831	869	879	883	864	
6 Two-or-more-family	407	373	298	220	199	204	165	176	152	165	170	173	157	
7 Under construction at end of period ¹ ..	919	850	711	744	717	709	680	674	665	655	652	651	636	
8 One-family	570	535	449	478	461	457	442	443	443	446	451	456	456	
9 Two-or-more-family	350	315	262	266	256	252	238	231	222	209	201	195	180	
10 Completed	1,530	1,423	1,308	1,155	1,125	1,096	1,190	1,089	1,070	1,105	1,069	1,054	1,144	
11 One-family	1,085	1,026	966	878	841	838	881	821	800	815	806	816	832	
12 Two-or-more-family	445	396	342	277	284	258	309	268	270	290	263	238	312	
13 Mobile homes shipped	218	198	188	167	168	157	157	175	174	173	175	178	172	
Merchant builder activity in one-family units														
14 Number sold	675	650	535	464	414	488	495	506	507	518 ^r	503	512	446	
15 Number for sale at end of period ¹ ...	368	363	318	318	315	313	308	303	299	295	296	295	295	
Price of units sold (thousands of dollars) ²														
16 Median	113.3	120.4	122.3	127.0	117.9	119.9	122.5	121.0	116.0	119.0 ^r	120.0	120.8	120.2	
17 Average	139.0	148.3	149.0	153.4	148.6	147.8	156.4	150.8	145.4	145.9 ^r	148.0	140.2	144.6	
EXISTING UNITS (one-family)														
18 Number sold	3,594	3,439	3,316	3,130	2,900	3,160	3,220	3,310	3,540	3,590	3,320	3,250	3,120	
Price of units sold (thousands of dollars) ²														
19 Median	89.2	92.9	95.2	91.7	95.6	94.0	98.2	100.3	101.1	102.0	103.6	102.2	99.7	
20 Average	112.5	118.0	118.3	114.1	123.0	119.7	125.2	128.9	130.6	130.5	132.2	131.0	127.7	
Value of new construction ³ (millions of dollars)														
CONSTRUCTION														
21 Total put in place	432,222	443,720	446,433	421,346	406,502	410,072	401,883	407,050	399,030	398,189	400,615	402,138	406,505	
22 Private	337,440	345,416	337,776	311,349	303,932	300,495	293,262	299,044	291,048	290,871	289,634	293,227	295,917	
23 Residential	198,101	196,551	182,856	165,014	161,793	155,622	152,447	151,836	154,567	158,282	157,776	162,934	167,658	
24 Nonresidential, total	139,339	148,865	154,920	146,335	142,139	144,873	140,815	147,208	136,481	132,589	131,858	130,293	128,259	
25 Industrial buildings	16,451	20,412	23,849	22,999	22,433	23,249	23,089	24,301	20,683	20,868	20,948	20,399	19,987	
26 Commercial buildings	64,025	65,496	62,866	56,913	53,848	54,023	51,766	54,824	50,220	47,596	46,964	46,236	44,531	
27 Other buildings	19,038	19,683	21,591	20,953	20,621	20,850	20,628	21,928	20,858	20,429	20,684	19,966	20,414	
28 Public utilities and other	39,825	43,274	46,614	45,470	45,237	46,751	45,332	46,155	44,720	43,696	43,262	43,692	43,327	
29 Public	94,783	98,303	108,655	109,997	102,570	109,577	108,621	108,007	107,982	107,318	110,981	108,911	110,588	
30 Military	3,579	3,520	2,734	1,868	1,868	1,723	1,866	1,828	1,918	1,864	1,776	1,796	2,182	
31 Highway	29,227	28,171	30,595	33,185	25,560	30,699	29,996	28,591	29,246	28,776	28,744	29,965	28,214	
32 Conservation and development	4,739	4,989	4,718	5,374	6,434	5,529	4,586	5,833	5,123	5,807	8,170	4,992	4,363	
33 Other	57,238	61,623	70,608	69,570	68,708	71,626	72,173	71,755	71,695	70,871	72,291	72,158	75,829	

1. Not at annual rates.

2. Not seasonally adjusted.

3. Recent data on value of new construction may not be strictly comparable with data for previous periods because of changes by the Bureau of the Census in its estimating techniques. For a description of these changes, see *Construction Reports* (C-30-76-5), issued by the Bureau in July 1976.

SOURCE: Bureau of the Census estimates for all series except (1) mobile homes, which are private, domestic shipments as reported by the Manufactured Housing Institute and seasonally adjusted by the Census Bureau, and (2) sales and prices of existing units, which are published by the National Association of Realtors. All back and current figures are available from the originating agency. Permit authorizations are those reported to the Census Bureau from 17,000 jurisdictions beginning in 1984.

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2.15 CONSUMER AND PRODUCER PRICES

Percentage changes based on seasonally adjusted data, except as noted

Item	Change from 12 months earlier		Change from 3 months earlier (annual rate)				Change from 1 month earlier					Index level, Oct. 1991
	1990 Oct.	1991 Oct.	1990	1991			1991					
			Dec.	Jan.	Feb.	Mar.	June	July	Aug.	Sept.	Oct.	
CONSUMER PRICES ² (1982-84=100)												
1 All items	6.3	2.9	4.9	2.4	3.0	3.3	.2	.2	.2	.4	.1	137.4
2 Food	5.6	1.6	3.9	2.4	5.1	-3.2	.5	-6	-3	.1	-.1	135.8
3 Energy items	17.8	-8.6	18.0	-30.7	-1.2	1.6	-1.0	-4	-2	1.0	.2	101.8
4 All items less food and energy	5.3	4.4	3.8	6.8	3.2	4.6	.4	.4	.4	.4	.1	143.9
5 Commodities	3.4	4.1	2.3	7.9	3.2	4.1	.2	.4	.5	.2	-.1	130.4
6 Services	6.3	4.6	4.8	6.4	3.0	4.6	.4	.3	.3	.5	.3	151.8
PRODUCER PRICES (1982=100)												
7 Finished goods	6.4	.0	5.1	-3.5	.7	.3	-.4	-.2	.2	.1	.7	122.3
8 Consumer foods	4.3	-1.3	1.3	1.0	-.6 ^r	-6.3 ^r	-.5 ^r	-.7 ^r	-.4	-.5	.4	123.0
9 Consumer energy	33.9	-11.1	21.1	-35.5	.0	5.3	-1.5	-1.3	1.8	.8	1.7	78.3
10 Other consumer goods	3.4	3.8	3.4	5.9	1.2 ^r	2.4 ^r	-.3 ^r	-.3 ^r	.3	.0	.6	135.2
11 Capital equipment	3.3	2.7	3.3	4.6	1.6 ^r	1.0 ^r	.2 ^r	.0 ^r	.1	.2	.4	127.9
Intermediate materials												
12 Excluding foods and feeds	5.1	-3.3	4.2	-9.8	-.7 ^r	.4 ^r	.2 ^r	-.3	.4	.1	-.1	114.2
13 Excluding energy	1.4	-.7	2.3	-2.3	-1.0	-.3	.1	-.1	.0	.0	-.1	121.1
Crude materials												
14 Foods	2.4	-7.2	-7.3	.0	-12.5	-8.1	.8	-1.7	-1.8	1.5	.1	102.5
15 Energy	52.7	-31.5	-18.8	-54.0	.5 ^r	.0 ^r	-2.7 ^r	1.4 ^r	1.3	-2.7	3.9	80.1
16 Other .....	.1	-9.3	-18.1	-4.7	-13.3 ^r	-4.0 ^r	-3.0 ^r	-.6 ^r	.5	-.9	-.5	125.0

1. Not seasonally adjusted.

2. Figures for consumer prices are for all urban consumers and reflect a

rental-equivalence measure of homeownership.

SOURCE: Bureau of Labor Statistics.

2.16 GROSS NATIONAL PRODUCT AND INCOME

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

Account	1988	1989	1990	1990			1991	
				Q2	Q3	Q4	Q1	Q2
GROSS NATIONAL PRODUCT								
1 Total	4,873.7	5,200.8	5,465.1	5,443.3	5,514.6	5,527.3	5,557.7	5,612.4
By source								
2 Personal consumption expenditures	3,238.2	3,450.1	3,657.3	3,622.7	3,693.4	3,724.9	3,742.8	3,789.0
3 Durable goods	457.5	474.6	480.3	478.4	482.3	468.5	455.3	453.7
4 Nondurable goods	1,060.0	1,130.0	1,193.7	1,179.0	1,205.0	1,216.0	1,212.7	1,221.7
5 Services	1,720.7	1,845.5	1,983.3	1,965.3	2,006.2	2,040.4	2,074.8	2,113.6
6 Gross private domestic investment	747.1	771.2	741.0	759.0	759.7	698.3	660.0	654.0
7 Fixed investment	720.8	742.9	746.1	745.6	750.7	729.2	694.1	694.0
8 Nonresidential	488.4	511.9	524.1	516.5	532.8	524.0	503.6	501.1
9 Structures	139.9	146.2	147.0	147.2	149.8	142.1	139.5	134.9
10 Producers' durable equipment	348.4	365.7	377.1	369.3	383.0	381.9	364.1	366.2
11 Residential structures	232.5	231.0	222.0	229.1	217.9	205.2	190.5	192.9
12 Change in business inventories	26.2	28.3	-5.0	13.4	9.0	-30.8	-34.2	-40.0
13 Nonfarm	29.8	23.3	-7.4	13.0	6.8	-32.4	-37.1	-35.2
14 Net exports of goods and services	-74.1	-46.1	-31.2	-24.9	-41.3	-28.8	13.5	18.1
15 Exports	552.0	626.2	672.8	659.7	672.7	697.4	694.5	700.8
16 Imports	626.1	672.3	704.0	684.6	714.1	726.2	681.0	682.6
17 Government purchases of goods and services	962.5	1,025.6	1,098.1	1,086.4	1,102.8	1,132.9	1,141.5	1,151.3
18 Federal	380.3	400.0	424.0	421.9	425.8	437.6	443.8	449.7
19 State and local	582.3	625.6	674.1	664.6	677.0	695.3	697.7	701.6
By major type of product								
20 Final sales, total	4,847.5	5,172.5	5,470.2	5,429.9	5,505.6	5,558.2	5,591.9	5,652.5
21 Goods	1,908.9	2,044.4	2,148.3	2,133.1	2,161.4	2,175.9	2,170.2	2,190.7
22 Durable	840.3	894.7	939.0	930.1	943.4	941.2	918.5	938.3
23 Nondurable	1,068.6	1,149.7	1,209.3	1,203.0	1,218.0	1,234.7	1,251.7	1,252.3
24 Services	2,488.6	2,671.2	2,864.5	2,834.2	2,889.6	2,943.0	3,004.0	3,046.4
25 Structures	450.0	456.9	457.4	462.5	454.6	439.3	417.7	415.4
26 Change in business inventories	26.2	28.3	-5.0	13.4	9.0	-30.8	-34.2	-40.0
27 Durable goods	19.9	11.9	-11.1	0	9.8	-32.5	-42.2	-40.7
28 Nondurable goods	6.4	16.4	6.0	13.4	-8	1.7	8.0	7
MEMO								
29 Total GNP in 1982 dollars	4,016.9	4,117.7	4,157.3	4,155.1	4,170.0	4,153.4	4,124.1	4,118.9
NATIONAL INCOME								
30 Total	3,984.9	4,223.3	4,418.4	4,411.3	4,452.4	4,459.7	4,456.4	4,493.2
31 Compensation of employees	2,905.1	3,079.0	3,244.2	3,232.5	3,276.9	3,286.9	3,299.3	3,335.7
32 Wages and salaries	2,431.1	2,573.2	2,705.3	2,696.3	2,734.2	2,738.9	2,742.8	2,773.7
33 Government and government enterprises	446.6	476.6	508.0	505.7	511.3	518.1	529.8	534.5
34 Other	1,984.5	2,096.6	2,197.2	2,190.6	2,222.9	2,220.8	2,213.0	2,239.1
35 Supplement to wages and salaries	474.0	505.8	538.9	536.1	542.7	548.0	556.5	562.0
36 Employer contributions for social insurance	248.5	263.9	280.8	279.7	282.7	284.8	290.3	292.8
37 Other labor income	225.5	241.9	258.1	256.4	260.0	263.2	266.2	269.2
38 Proprietors' income ¹	354.2	379.3	402.5	401.7	397.9	406.2	404.4	417.0
39 Business and professional ¹	310.5	330.7	352.6	350.8	355.6	357.4	355.8	365.2
40 Farm ¹	43.7	48.6	49.9	51.0	42.4	48.8	48.5	51.8
41 Rental income of persons ²	16.3	8.2	6.9	4.3	8.4	9.3	5.6	5.4
42 Corporate profits ¹	337.6	311.6	298.3	306.6	300.7	288.9	286.2	284.4
43 Profits before tax ³	316.7	307.7	304.7	299.3	318.5	304.1	281.5	279.2
44 Inventory valuation adjustment	-27.0	-21.7	-11.4	-5	-19.8	-13.8	8.1	4.9
45 Capital consumption adjustment	47.8	25.5	4.9	7.7	2.0	-1.4	-3.5	2
46 Net interest	371.8	445.1	466.7	466.2	468.3	468.4	460.9	450.8

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

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

2.17 PERSONAL INCOME AND SAVING

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

Account	1988	1989	1990	1990			1991	
				Q2	Q3	Q4	Q1	Q2
PERSONAL INCOME AND SAVING								
1 Total personal income	4,070.8	4,384.3	4,645.5	4,622.2	4,678.5	4,718.5	4,735.8	4,784.7
2 Wage and salary disbursements	2,431.1	2,573.2	2,705.3	2,696.3	2,734.2	2,738.9	2,742.8	2,774.0
3 Commodity-producing industries	696.4	720.6	729.3	731.1	735.3	726.0	713.0	715.9
4 Manufacturing	524.0	541.8	546.8	548.1	551.8	546.1	536.7	541.3
5 Distributive industries	572.0	604.7	637.2	637.3	642.7	641.9	639.7	645.6
6 Service industries	716.2	771.4	830.8	822.2	844.9	853.0	860.3	877.7
7 Government and government enterprises	446.6	476.6	508.0	505.7	511.3	518.1	529.8	534.9
8 Other labor income	225.5	241.9	258.1	256.4	260.0	263.2	266.2	269.2
9 Proprietors' income ¹	354.2	379.3	402.5	401.7	397.9	406.2	404.4	417.0
10 Business and professional ¹	310.5	330.7	352.6	350.8	355.6	357.4	355.8	365.2
11 Farm ¹	43.7	48.6	49.9	51.0	42.4	48.8	48.5	51.8
12 Rental income of persons ²	16.3	8.2	6.9	4.3	8.4	9.3	5.6	5.4
13 Dividends	102.2	114.4	123.8	122.9	124.9	126.7	126.7	125.5
14 Personal interest income	547.9	643.2	680.4	685.3	687.9	682.0	674.3	674.3
15 Transfer payments	587.7	636.9	694.8	686.7	696.4	715.1	745.4	758.8
16 Old-age survivors, disability, and health insurance benefits	300.5	325.3	350.7	347.6	351.1	356.8	372.1	376.9
17 LESS: Personal contributions for social insurance	194.1	212.8	226.2	224.1	228.6	228.9	237.3	239.4
18 EQUALS: Personal income	4,070.8	4,384.3	4,645.5	4,622.2	4,678.5	4,718.5	4,735.8	4,784.7
19 LESS: Personal tax and nontax payments	591.6	658.8	699.4	696.5	709.5	716.6	714.6	716.6
20 EQUALS: Disposable personal income	3,479.2	3,725.5	3,946.1	3,925.7	3,969.1	4,001.9	4,021.3	4,068.1
21 LESS: Personal outlays	3,333.6	3,553.7	3,766.0	3,730.6	3,802.6	3,834.4	3,852.5	3,898.0
22 EQUALS: Personal saving	145.6	171.8	180.1	195.1	166.5	167.5	168.7	170.2
MEMO								
Per capita (1982 dollars)								
23 Gross national product	16,302.4	16,549.6	16,535.3	16,552.5	16,562.9	16,449.4	16,293.4	16,234.8
24 Personal consumption expenditures	10,578.3	10,678.0	10,665.8	10,671.4	10,711.5	10,588.7	10,523.7	10,565.3
25 Disposable personal income	11,368.0	11,531.0	11,509.0	11,564.0	11,511.0	11,376.0	11,307.0	11,343.0
26 Saving rate (percent)	4.2	4.6	4.6	5.0	4.2	4.2	4.2	4.2
GROSS SAVING								
27 Gross saving	656.1	691.5	657.3	679.3	665.9	619.2	697.1	649.1
28 Gross private saving	751.3	779.3	787.9	806.7	772.2	777.8	793.9	795.1
29 Personal saving	145.6	171.8	180.1	195.1	166.5	167.5	168.7	170.2
30 Undistributed corporate profits ¹	91.4	53.0	32.2	40.5	26.5	25.2	33.6	29.3
31 Corporate inventory valuation adjustment	-27.0	-21.7	-11.4	-5	-19.8	-13.8	8.1	4.9
Capital consumption allowances								
32 Corporate	322.1	346.4	363.0	359.7	365.5	370.3	375.6	378.0
33 Noncorporate	192.2	208.0	212.6	211.4	213.8	214.8	216.0	217.6
34 Government surplus, or deficit (-), national income and product accounts	-95.3	-87.8	-130.6	-127.3	-106.4	-158.6	-96.8	-146.0
35 Federal	-141.7	-134.3	-166.0	-166.0	-145.7	-184.3	-126.9	-184.6
36 State and local	46.5	46.4	35.4	38.6	39.3	25.7	30.0	38.6
37 Gross investment	627.8	674.4	655.6	676.1	661.0	619.6	705.3	664.6
38 Gross private domestic	747.1	771.2	741.0	759.0	759.7	698.3	660.0	654.0
39 Net foreign	-119.2	-96.8	-85.5	-82.9	-98.7	-78.7	45.3	10.6
40 Statistical discrepancy	-28.2	-17.0	-1.7	-3.2	-4.9	.4	8.2	15.4

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

SOURCE: *Survey of Current Business* (U.S. Department of Commerce).

3.10 U.S. INTERNATIONAL TRANSACTIONS Summary

Millions of dollars; quarterly data seasonally adjusted, except as noted¹

Item credits or debits	1988	1989	1990	1990			1991	
				Q2	Q3	Q4	Q1	Q2 ^p
1 Balance on current account	-126,236	-106,305	-92,123	-22,178	-23,881	-23,402	10,501	2,965
2 Not seasonally adjusted	-126,236	-106,305	-92,123	-22,178	-23,881	-23,402	10,501	2,965
3 Merchandise trade balance ²	-126,986	-115,917	-108,115	-24,090	-28,760	-27,728	-18,394	-15,624
4 Merchandise exports	320,337	361,451	389,550	97,088	96,638	100,580	100,900	104,108
5 Merchandise imports	-447,323	-477,368	-497,665	-121,178	-125,398	-128,308	-119,294	-119,732
6 Military transactions, net	-5,743	-6,203	-7,219	-1,558	-1,683	-2,243	-2,329	-1,675
7 Investment income, net	5,353	2,688	11,945	7	2,802	6,133	4,883	2,464
8 Other service transactions, net	16,082	28,618	33,595	8,156	8,086	9,716	9,402	9,640
9 Remittances, pensions, and other transfers	-4,437	-4,420	-4,843	-1,123	-1,302	-1,201	-1,316	-1,300
10 U.S. government grants (excluding military)	-10,506	-11,071	-17,486	-3,570	-3,024	-8,079	18,255	9,460
11 Change in U.S. government assets other than official reserve assets, net (increase, -)	2,966	1,320	2,976	-800	-314	4,759	1,422	-560
12 Change in U.S. official reserve assets (increase, -)	-3,912	-25,293	-2,158	371	1,739	-1,092	-353	1,014
13 Gold	0	0	0	0	0	0	0	0
14 Special drawing rights (SDRs)	127	-535	-192	-216	363	-93	31	-190
15 Reserve position in International Monetary Fund	1,025	471	731	493	8	-4	-341	72
16 Foreign currencies	-5,064	-25,229	-2,697	94	1,368	-995	-43	1,132
17 Change in U.S. private assets abroad (increase, -)	-85,112	-104,637	-58,524	-33,033	-28,114	-38,370	-1,992	-27,125
18 Bank-reported claims ³	-56,322	-51,255	5,333	-17,255	-9,984	-24,513	20,598	-11,248
19 Nonbank-reported claims	-3,064	2,381	-1,944	-1,760	676	-2,509	-1,308	-1,308
20 U.S. purchases of foreign securities, net	-7,846	-22,575	-28,476	-11,160	-1,014	-7,546	-9,430	-13,235
21 U.S. direct investments abroad, net	-17,880	-33,388	-33,437	-2,858	-17,792	-3,802	-11,852	-2,642
22 Change in foreign official assets in United States (increase, +)	39,657	8,624	32,425	5,805	13,341	20,301	6,631	-3,650
23 U.S. Treasury securities	41,741	149	28,643	2,461	11,849	20,119	2,381	-1,888
24 Other U.S. government obligations	1,309	1,383	667	346	134	708	-29	-219
25 Other U.S. government liabilities ⁴	-568	281	1,703	1,141	-248	1,102	1,012	196
26 Other U.S. liabilities reported by U.S. banks ⁵	-319	4,976	2,998	2,131	1,871	-707	2,501	-1,881
27 Other foreign official assets ⁵	-2,506	1,835	-1,586	-274	-265	-921	766	142
28 Change in foreign private assets in United States (increase, +)	181,877	207,925	53,879	25,452	35,754	18,732	-7,360	5,806
29 U.S. bank-reported liabilities ³	70,235	63,382	9,975	8,980	26,968	17,261	-18,795	-26,687
30 U.S. nonbank-reported liabilities	5,626	5,454	3,779	699	4,260	-1,840	-1,616	-1,616
31 Foreign private purchases of U.S. Treasury securities, net	20,239	29,618	1,131	4,287	24	-2,029	3,409	13,905
32 Foreign purchases of other U.S. securities, net	26,353	38,920	1,781	2,140	-2,558	802	5,306	15,312
33 Foreign direct investments in United States, net	59,424	70,551	37,213	9,346	7,060	4,538	4,336	3,276
34 Allocation of special drawing rights	0	0	0	0	0	0	0	0
35 Discrepancy	-9,240	18,366	63,526	24,383	1,475	19,072	-8,849	21,550
36 Due to seasonal adjustments				105	-6,473	2,007	3,995	193
37 Statistical discrepancy in recorded data before seasonal adjustment	-9,240	18,366	63,526	24,278	7,948	17,066	-12,844	21,357
MEMO								
Changes in official assets								
38 U.S. official reserve assets (increase, -)	-3,912	-25,293	-2,158	371	1,739	-1,092	-353	1,014
39 Foreign official assets in United States excluding line 25 (increase, +)	40,225	8,343	30,722	4,664	13,589	19,199	5,619	-3,846
40 Change in Organization of Petroleum Exporting Countries official assets in United States (part of line 22)	-2,996	10,738	2,163	193	-1,699	575	988	-2,680

1. Seasonal factors not calculated for lines 6, 10, 12-16, 18-20, 22-34, and 38-40.

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

3. Reporting banks include all kinds of depository institutions besides commercial banks, as well as some brokers and dealers.

4. Associated primarily with military sales contracts and other transactions arranged with or through foreign official agencies.

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

SOURCE: *Survey of Current Business* (U.S. Department of Commerce).

3.11 U.S. FOREIGN TRADE¹

Millions of dollars; exports, F.A.S. value; imports, Customs value; monthly data seasonally adjusted

Item	1988	1989	1990	1991						
				Mar.	Apr.	May	June	July	Aug. ^r	Sept. ^p
1 Exports of domestic and foreign merchandise, excluding grant-aid shipments	322,426	363,812	393,592	34,031	35,632	35,271	34,975	35,227	34,380	35,428
2 General imports, including merchandise for immediate consumption plus entries into bonded warehouses	440,952	473,211	495,311	38,100	40,139	40,062	38,764	41,176	40,910	42,218
3 Trade balance	-118,526	-109,399	-101,718	-4,070	-4,507	-4,790	-3,789	-5,949	-6,530	-6,790

1. The Census basis data differ from merchandise trade data shown in table 3.10, U.S. International Transactions Summary, because of coverage and timing. On the *export* side, the largest difference 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, this table includes imports of gold, ship purchases, imports of electricity from Canada, and other transactions; military payments are excluded and shown separately in table 3.10,

as indicated above. Since Jan. 1, 1987 census data have been released forty-five days after the end of the month; the previous month is revised to reflect late documents. Total exports and the trade balance reflect adjustments for undocumented exports to Canada. Components may not sum to totals because of rounding.

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

3.12 U.S. RESERVE ASSETS

Millions of dollars, end of period

Type	1988	1989	1990	1991						
				Apr.	May	June	July	Aug.	Sept.	Oct. ^p
1 Total	47,802	74,609	83,316	78,297	78,263	74,940	74,816	73,514	74,731	74,508
2 Gold stock, including Exchange Stabilization Fund ¹	11,057	11,059	11,058	11,058	11,057	11,062	11,062	11,062	11,062	11,059
3 Special drawing rights ^{2,3}	9,637	9,951	10,989	10,325	10,515	10,309	10,360	10,479	10,722	10,710
4 Reserve position in International Monetary Fund ²	9,745	9,048	9,076	8,806	8,854	8,629	8,730	8,726	9,094	9,065
5 Foreign currencies ⁴	17,363	44,551	52,193	48,108	47,837	44,940	44,664	43,247	43,853	43,674

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. Special drawing rights are valued according to a technique adopted by the International Monetary Fund (IMF) in July 1974. Values are based on a weighted average of exchange rates for the currencies of member countries. From July 1974 through December 1980, 16 currencies were used; since January 1981, 5 currencies have been used.

U.S. SDR holdings and reserve positions in the IMF also have been valued on this basis since July 1974.

3. Includes allocations 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 net transactions in SDRs.

4. Valued at current market exchange rates.

3.13 FOREIGN OFFICIAL ASSETS HELD AT FEDERAL RESERVE BANKS¹

Millions of dollars, end of period

Assets	1988	1989	1990	1991						
				Apr.	May	June	July	Aug.	Sept.	Oct. ^p
1 Deposits	347	589	369	292	196	223	314	256	384	223
Assets held in custody										
2 U.S. Treasury securities ²	232,547	224,911	278,499	271,779	279,695	273,893	274,514	279,394	279,013	280,249
3 Earmarked gold ³	13,636	13,456	13,387	13,363	13,358	13,354	13,330	13,330	13,330	13,326

1. Excludes deposits and U.S. Treasury securities held for international and regional organizations.

2. Marketable U.S. Treasury bills, notes, and bonds and nonmarketable U.S. Treasury securities payable in dollars and in foreign currencies at face value.

3. Earmarked gold and the gold stock are valued at \$42.22 per fine troy ounce. Earmarked gold is gold held for foreign and international accounts; it is not included in the gold stock of the United States.

3.14 FOREIGN BRANCHES OF U.S. BANKS Balance Sheet Data¹

Millions of dollars, end of period

Assets	1988	1989	1990	1991						
				Mar.	Apr.	May ^f	June	July	Aug.	Sept.
	All foreign countries									
1 Total, all currencies	505,595	545,366	556,925	548,349 ^f	538,814 ^f	530,707	532,505 ^f	528,772 ^f	527,359 ^f	546,518
2 Claims on United States	169,111	198,835	188,496	184,539 ^f	181,011 ^f	172,742	180,786 ^f	174,433 ^f	168,592 ^f	177,105
3 Parent bank	129,856	157,092	148,837	143,795	141,580	134,906	141,903	136,790	129,780	136,610
4 Other banks in United States	14,918	17,042	13,296	12,817 ^f	12,438 ^f	10,589	11,981 ^f	11,100 ^f	12,367 ^f	13,651
5 Nonbanks	24,337	24,701	26,363	27,927	26,993	27,247	26,902	26,543	26,445	26,844
6 Claims on foreigners	299,728	300,575	312,449	308,071 ^f	301,248 ^f	298,820	294,260 ^f	294,656 ^f	296,610 ^f	299,632
7 Other branches of parent bank	107,179	113,810	135,003	129,732	122,151	118,469	115,555	112,332	113,017	114,787
8 Banks	96,932	90,703	72,602	73,406 ^f	73,046 ^f	75,566	74,947 ^f	77,453 ^f	76,165 ^f	77,337
9 Public borrowers	17,163	16,456	17,555	17,915	17,825	17,620	17,420	18,608	19,229 ^f	18,818
10 Nonbank foreigners	78,454	79,606	87,289	87,018 ^f	88,226 ^f	87,165	86,338 ^f	86,263 ^f	88,199	88,690
11 Other assets	36,756	45,956	55,980	55,739	56,555 ^f	59,145	57,459 ^f	59,683 ^f	62,157 ^f	69,781
12 Total payable in U.S. dollars	357,573	382,498	379,479	383,533 ^f	372,769 ^f	363,468	372,929 ^f	364,467 ^f	358,598 ^f	367,439
13 Claims on United States	163,456	191,184	180,174	177,452 ^f	174,317 ^f	166,665	174,426 ^f	167,984 ^f	163,124 ^f	170,926
14 Parent bank	126,929	152,294	142,962	138,850	137,343	130,732	137,943	132,514	126,357	133,024
15 Other banks in United States	14,167	16,386	12,513	12,306 ^f	11,977 ^f	10,197	11,472 ^f	10,605 ^f	11,893 ^f	13,068
16 Nonbanks	22,360	22,504	24,699	26,296	24,997	25,736	25,011	24,865	24,874	24,834
17 Claims on foreigners	177,685	169,690	174,451	181,067 ^f	173,544 ^f	172,657	171,591 ^f	169,324 ^f	166,794 ^f	166,786
18 Other branches of parent bank	80,736	82,949	95,298	95,106	87,895	85,369	84,231	79,001	79,204	80,056
19 Banks	54,884	48,396	36,440	41,100 ^f	40,904 ^f	43,616	43,551 ^f	45,569 ^f	41,746 ^f	40,633
20 Public borrowers	12,131	10,961	12,298	13,206	12,996	12,549	12,485	13,569	14,083	13,496
21 Nonbank foreigners	29,934	27,384	30,415	31,655 ^f	31,749 ^f	31,123	31,324 ^f	31,185 ^f	31,761	32,601
22 Other assets	16,432	21,624	24,854	25,014	24,908 ^f	24,146	26,912 ^f	27,159 ^f	28,680 ^f	29,727
	United Kingdom									
23 Total, all currencies	156,835	161,947	184,818	175,682 ^f	168,985 ^f	169,192	165,534 ^f	161,869 ^f	162,879	172,113
24 Claims on United States	40,089	39,212	45,560	42,529	38,136	38,338	37,574	32,475	31,315	34,409
25 Parent bank	34,243	35,847	42,413	39,372	34,930	34,830	34,534	29,241	28,189	31,205
26 Other banks in United States	1,123	1,058	792	848	1,179	1,104	711	860	816	997
27 Nonbanks	4,723	2,307	2,355	2,309	2,027	2,404	2,329	2,374	2,310	2,207
28 Claims on foreigners	106,388	107,657	115,536	110,446 ^f	107,136 ^f	106,053	103,608 ^f	103,067 ^f	103,935	105,699
29 Other branches of parent bank	35,625	37,728	46,367	44,341	40,730	39,060	38,333	36,588	38,382	39,077
30 Banks	36,765	36,159	31,604	30,660	30,608	32,048	31,019	31,866	30,168	31,658
31 Public borrowers	4,019	3,293	3,860	3,943	3,711	3,657	3,584	3,676	3,717	3,502
32 Nonbank foreigners	29,979	30,477	33,705	31,502 ^f	32,087 ^f	31,288	30,672 ^f	30,937 ^f	31,668	31,462
33 Other assets	10,358	15,078	23,722	22,707	23,713	24,801	24,352	26,327	27,629	32,005
34 Total payable in U.S. dollars	103,503	103,208	116,762	114,890 ^f	108,566 ^f	105,588	106,536 ^f	101,040 ^f	100,966	105,243
35 Claims on United States	38,012	36,404	41,259	39,052	35,058	35,274	34,726	29,352	28,870	31,772
36 Parent bank	33,252	34,329	39,609	37,149	32,973	32,771	32,790	27,085	26,608	29,673
37 Other banks in United States	964	843	334	562	976	970	555	759	680	727
38 Nonbanks	3,796	1,232	1,316	1,341	1,109	1,533	1,381	1,508	1,582	1,372
39 Claims on foreigners	60,472	59,062	63,701	65,037 ^f	62,186 ^f	60,125	58,565 ^f	57,861 ^f	56,127	56,354
40 Other branches of parent bank	28,474	29,872	37,142	36,150	32,842	31,297	30,108	29,111	30,279	30,840
41 Banks	18,494	16,579	13,155	15,097	15,460	16,118	14,983	15,723	12,534	12,485
42 Public borrowers	2,840	2,371	3,143	3,220	3,193	3,152	3,082	3,032	3,083	2,899
43 Nonbank foreigners	10,664	10,240	10,281	10,570 ^f	10,691 ^f	9,558	10,392 ^f	9,995 ^f	10,231	10,130
44 Other assets	5,019	7,742	11,802	10,801	11,322	10,691	13,245	13,827	15,969	17,117
	Bahamas and Caymans									
45 Total, all currencies	170,639	176,006	162,316	164,516 ^f	165,420 ^f	159,429	168,682 ^f	169,503 ^f	165,615 ^f	169,499
46 Claims on United States	105,320	124,205	112,989	111,357 ^f	113,916 ^f	107,837	114,779 ^f	114,501 ^f	111,318 ^f	115,796
47 Parent bank	73,409	87,882	77,873	75,516	79,818	74,894	80,644	81,605	77,177	80,464
48 Other banks in United States	13,145	15,071	11,869	11,302 ^f	10,416 ^f	8,925	10,688 ^f	9,683 ^f	11,039 ^f	12,022
49 Nonbanks	18,766	21,252	23,247	24,539	23,682	24,018	23,447	23,213	23,102	23,310
50 Claims on foreigners	58,393	44,168	41,356	44,517 ^f	42,564 ^f	42,796	45,185 ^f	46,526 ^f	46,073 ^f	45,391
51 Other branches of parent bank	17,954	11,309	13,416	13,861	12,554	12,397	12,801	10,767	10,660	10,531
52 Banks	28,268	22,611	16,310	18,220 ^f	17,955 ^f	18,560	20,888 ^f	21,818 ^f	21,101 ^f	20,514
53 Public borrowers	5,830	5,217	5,807	6,846	6,556	5,932	5,883	7,103	7,281	7,036
54 Nonbank foreigners	6,341	5,031	5,823	5,590	5,499	5,907	5,613	6,838	7,031	7,310
55 Other assets	6,926	7,633	7,971	8,642	8,940 ^f	8,796	8,718 ^f	8,476 ^f	8,224 ^f	8,312
56 Total payable in U.S. dollars	163,518	170,780	158,390	160,368 ^f	161,381 ^f	155,643	164,778 ^f	165,574 ^f	161,542 ^f	165,567

1. Since June 1984, 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

Liabilities	1988	1989	1990	1991							
				Mar.	Apr.	May ^r	June	July	Aug.	Sept.	
	All foreign countries										
57 Total, all currencies	505,595	545,366	556,925	548,349 ^r	538,814 ^r	530,707	532,505 ^r	528,772 ^r	527,359 ^r	546,518	
58 Negotiable certificates of deposit (CDs)	28,511	23,500	18,060	19,920	19,484	17,753	16,503	19,692	18,796	17,579	
59 To United States	185,577	197,239	189,412	187,198 ^r	181,132 ^r	173,102	187,493 ^r	181,729 ^r	177,531 ^r	187,723	
60 Parent bank	114,720	138,412	138,748	129,836 ^r	124,691 ^r	118,346	127,858 ^r	126,766 ^r	121,515 ^r	131,314	
61 Other banks in United States	14,737	11,704	7,463	10,975	9,932	8,998	11,758	10,079	10,078	11,957	
62 Nonbanks	56,120	47,123	43,201	46,387 ^r	46,509 ^r	45,758	47,877 ^r	44,884 ^r	45,938 ^r	44,452	
63 To foreigners	270,923	296,850	311,668	306,047	300,907	301,433	290,297	287,887	290,257	295,180	
64 Other branches of parent bank	111,267	119,591	139,113	129,201	122,789	119,765	116,253	112,521	112,845	114,101	
65 Banks	72,842	76,452	58,986	63,262	63,908	66,207	57,256	59,975	62,329	62,689	
66 Official institutions	15,183	16,750	14,791	15,864	18,398	19,803	20,394	17,245	18,030	19,459	
67 Nonbank foreigners	71,631	84,057	98,778	97,720	95,812	95,658	96,394	98,146	97,053	98,931	
68 Other liabilities	20,584	27,777	37,785	35,184 ^r	37,291 ^r	38,419	38,212 ^r	39,464 ^r	40,775 ^r	46,036	
69 Total payable in U.S. dollars	367,483	396,613	383,522	382,569 ^r	373,468 ^r	360,363	372,359 ^r	363,328 ^r	359,679 ^r	367,010	
70 Negotiable CDs	24,045	19,619	14,094	15,335	14,882	13,258	12,620	14,538	14,183	13,180	
71 To United States	173,190	187,286	175,654	174,819 ^r	169,661 ^r	160,778	175,350 ^r	170,069 ^r	166,489 ^r	175,976	
72 Parent bank	107,150	132,563	130,510	122,651 ^r	118,105 ^r	111,112	120,624 ^r	120,040 ^r	115,335 ^r	124,804	
73 Other banks in United States	13,468	10,519	6,052	9,429	8,514	7,668	10,616	8,804	8,442	10,368	
74 Nonbanks	52,572	44,204	39,092	42,739 ^r	43,042 ^r	41,998	44,110 ^r	41,225 ^r	42,712 ^r	40,804	
75 To foreigners	160,766	176,460	179,002	177,902	173,589	171,227	170,354	163,451	164,188	163,581	
76 Other branches of parent bank	84,021	87,636	98,128	93,910	88,299	85,857	84,952	79,909	79,277	79,679	
77 Banks	28,493	30,537	20,251	23,769	22,892	21,706	21,162	21,470	23,330	21,241	
78 Official institutions	8,224	9,873	7,921	9,205	11,568	12,339	13,972	11,563	11,496	12,591	
79 Nonbank foreigners	40,028	48,414	52,702	51,018	50,830	51,325	50,268	50,509	50,085	50,070	
80 Other liabilities	9,482	13,248	14,772	14,513 ^r	15,336 ^r	15,100	14,035 ^r	15,270 ^r	14,819	14,273	
	United Kingdom										
81 Total, all currencies	156,835	161,947	184,818	175,682 ^r	168,985 ^r	169,192	165,534 ^r	161,869 ^r	162,879	172,113	
82 Negotiable CDs	24,528	20,056	14,256	15,820	15,162	13,486	12,196	14,889	14,148	12,941	
83 To United States	36,784	36,036	39,928	35,066	28,450	28,618	31,084	26,599	27,915	31,534	
84 Parent bank	27,849	29,726	31,806	26,826	21,676	19,951	23,238	19,545	20,367	23,707	
85 Other banks in United States	2,037	1,256	1,505	1,230	1,175	1,413	1,092	1,490	1,662	1,838	
86 Nonbanks	6,898	5,054	6,617	7,010	5,599	7,254	6,754	5,564	5,886	5,989	
87 To foreigners	86,026	92,307	108,531	105,090	103,976	104,322	99,756	97,263	96,773	98,572	
88 Other branches of parent bank	26,812	27,397	36,709	33,084	31,860	30,155	29,371	28,591	27,457	29,898	
89 Banks	30,609	29,780	25,126	26,609	27,001	28,459	22,994	24,310	25,131	23,560	
90 Official institutions	7,873	8,551	8,361	8,969	11,300	12,342	13,062	10,010	10,722	12,071	
91 Nonbank foreigners	20,732	26,579	38,335	36,428	33,815	33,366	34,329	34,352	33,463	33,043	
92 Other liabilities	9,497	13,548	22,103	19,706 ^r	21,397 ^r	22,766	22,498 ^r	23,118 ^r	24,043	29,066	
93 Total payable in U.S. dollars	105,907	108,178	116,094	112,984 ^r	106,571 ^r	104,077	104,523 ^r	99,756 ^r	100,131	104,303	
94 Negotiable CDs	22,063	18,143	12,710	13,816	13,291	11,610	10,833	12,758	12,337	11,249	
95 To United States	32,588	33,056	34,697	30,779	24,690	24,245	27,106	22,355	23,788	27,272	
96 Parent bank	26,404	28,812	29,955	25,450	20,391	18,457	21,848	17,924	18,949	22,228	
97 Other banks in United States	1,752	1,065	1,156	800	848	1,002	892	1,233	1,216	1,259	
98 Nonbanks	4,432	3,179	3,586	4,529	3,451	4,786	4,366	3,198	3,623	3,785	
99 To foreigners	47,083	50,517	60,014	59,985	59,440	58,849	58,068	55,433	54,848	56,829	
100 Other branches of parent bank	18,561	18,384	25,957	24,049	22,452	21,671	20,452	19,509	18,480	20,878	
101 Banks	13,407	12,244	9,488	10,112	9,931	9,654	8,758	9,678	9,731	8,408	
102 Official institutions	4,348	5,454	4,692	6,188	8,239	8,914	10,032	7,519	7,929	9,149	
103 Nonbank foreigners	10,767	14,435	19,877	19,636	18,818	18,610	18,826	18,727	18,708	18,394	
104 Other liabilities	4,173	6,462	8,673	8,404 ^r	9,150 ^r	9,373	8,516 ^r	9,210 ^r	9,158	8,953	
	Bahamas and Caymans										
105 Total, all currencies	170,639	176,006	162,316	164,516 ^r	165,420 ^r	159,429	168,682 ^r	169,503 ^r	165,615 ^r	169,499	
106 Negotiable CDs	953	678	646	729	674	694	696	904	963	1,055	
107 To United States	122,332	124,859	114,738	119,919 ^r	121,850 ^r	115,742	125,670 ^r	126,542 ^r	122,399 ^r	127,484	
108 Parent bank	62,894	75,188	74,941	73,528 ^r	74,609 ^r	72,048	76,486 ^r	81,023 ^r	76,495 ^r	81,450	
109 Other banks in United States	11,494	8,883	4,526	8,223	7,548	6,410	9,438	7,473	7,029	8,841	
110 Nonbanks	47,944	40,788	35,271	38,168 ^r	39,693 ^r	37,284	39,746 ^r	38,046 ^r	38,875 ^r	37,193	
111 To foreigners	45,161	47,382	44,444	41,660	40,289	40,696	40,180	39,624	39,994	38,863	
112 Other branches of parent bank	23,686	23,414	24,715	22,303	21,645	22,017	21,701	21,765	21,846	20,767	
113 Banks	8,336	8,823	5,588	6,232	5,837	5,832	5,734	4,877	5,558	5,426	
114 Official institutions	1,074	1,097	622	674	676	736	931	661	655	647	
115 Nonbank foreigners	12,065	14,048	13,519	12,451	12,131	12,111	11,814	12,321	11,935	12,023	
116 Other liabilities	2,193	3,087	2,488	2,208	2,607	2,297	2,136	2,433	2,259 ^r	2,097	
117 Total payable in U.S. dollars	162,950	171,250	157,132	159,373 ^r	161,139 ^r	155,204	164,394 ^r	165,167 ^r	161,322 ^r	164,836	

3.15 SELECTED U.S. LIABILITIES TO FOREIGN OFFICIAL INSTITUTIONS

Millions of dollars, end of period

Item	1989	1990	1991						
			Mar.	Apr.	May	June	July	Aug. ^r	Sept. ^p
1 Total ¹	312,477	344,504	349,996	344,605	351,017	346,511	349,864 ^r	356,105	349,517
By type									
2 Liabilities reported by banks in the United States ²	36,496	39,855	42,240	39,057	41,891	41,156	43,336 ^r	47,125	38,012
3 U.S. Treasury bills and certificates ³	76,985	79,424	83,990	81,087	82,421	84,526	86,071	88,596	90,394
U.S. Treasury bonds and notes									
4 Marketable	179,269	202,487	200,203	201,089	203,109	197,277	196,573	196,284	197,032
5 Nonmarketable ⁴	568	4,491	4,580	4,610	4,642	4,672	4,704	4,734	4,765
6 U.S. securities other than U.S. Treasury securities ⁵	19,159	18,247	18,983	18,762	18,954	18,880	19,180	19,366	19,314
By area									
7 Western Europe ¹	132,849	167,191	166,516	163,012	167,009	163,994	166,333 ^r	170,301	164,687
8 Canada	9,482	8,671	8,466	8,453	9,507	9,229	9,260	10,001	9,608
9 Latin America and Caribbean	9,313	21,159	24,639	25,355	27,732	29,415	30,032	31,352	31,904
10 Asia	153,338	138,096	139,759	137,662	136,510	133,764	134,288 ^r	134,338	132,508
11 Africa	1,030	1,434	1,802	1,171	1,184	1,254	1,178	1,197	1,553
12 Other countries ⁶	6,469	7,955	8,814	8,953	9,073	8,851	8,771	8,914	9,255

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; zero coupon bonds are included at current value.

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.

SOURCE: 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 and on the 1984 benchmark survey of foreign portfolio investment in the United States.

3.16 LIABILITIES TO AND CLAIMS ON FOREIGNERS Reported by Banks in the United States Payable in Foreign Currencies¹

Millions of dollars, end of period

Item	1987	1988	1989	1990		1991	
				Sept.	Dec.	Mar.	June ^r
1 Banks' own liabilities	55,438	74,980	67,835	71,028	70,413	64,347	59,236
2 Banks' own claims	51,271	68,983	65,127	68,675	66,855	67,309	61,481
3 Deposits	18,861	25,100	20,491	27,206	29,672	27,510	27,545
4 Other claims	32,410	43,884	44,636	41,470	37,182	39,799	33,935
5 Claims of banks' domestic customers ²	551	364	3,507	2,843	10,594	7,357	2,733

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 States¹

Payable in U.S. dollars

Millions of dollars, end of period

Holder and type of liability	1988	1989	1990	1991						
				Mar.	Apr.	May	June	July ^r	Aug. ^r	Sept. ^p
1 All foreigners	685,339	736,878	754,005	749,186	732,847	727,365	723,281	722,670	729,100	730,966
2 Banks' own liabilities	514,532	577,498	577,190	570,187	562,129	556,510	549,382	547,948	552,386	552,134
3 Demand deposits	21,863	22,032	21,723	20,217	19,751	18,863	18,796	17,929	18,423	19,932
4 Time deposits	152,164	168,780	168,003	163,986	157,148	151,772	148,452	148,566	147,033	149,694
5 Other	51,366	67,823	65,809	71,785	73,718	72,632	65,438	66,870	71,768	67,444
6 Own foreign offices ⁴	289,138	318,864	321,655	314,199	311,512	313,244	316,696	314,583	315,162	315,064
7 Banks' custody liabilities ⁵	170,807	159,380	176,815	178,999	170,718	170,855	173,899	174,722	176,714	178,832
8 U.S. Treasury bills and certificates ⁶	115,056	91,100	96,796	102,120	97,311	98,019	100,876	101,733	104,919	106,999
9 Other negotiable and readily transferable instruments ⁷	16,426	19,526	17,578	17,633	16,475	16,959	17,944	17,287	16,381	17,056
10 Other	39,325	48,754	62,441	59,246	56,933	55,876	55,079	55,702	55,414	54,777
11 Nonmonetary international and regional organizations	3,224	4,894	5,918	6,669	6,237	6,057	5,917	6,226	6,935	6,895
12 Banks' own liabilities	2,527	3,279	4,540	4,806	5,061	4,675	3,863	4,117	4,961	5,390
13 Demand deposits	71	96	36	22	76	24	26	44	28	36
14 Time deposits	1,183	927	1,050	2,034	1,980	2,151	2,010	1,732	1,540	2,287
15 Other	1,272	2,255	3,455	2,750	3,006	2,501	1,827	2,341	3,393	3,067
16 Banks' custody liabilities ⁵	698	1,616	1,378	1,863	1,176	1,381	2,054	2,109	1,974	1,505
17 U.S. Treasury bills and certificates ⁶	57	197	364	1,103	275	662	1,287	1,404	1,269	1,032
18 Other negotiable and readily transferable instruments ⁷	641	1,417	1,014	760	901	719	767	705	705	473
19 Other	0	2	0	0	0	0	0	0	0	0
20 Official institutions⁹	135,241	113,481	119,278	126,230	120,144	124,311	125,682	129,407	135,721	128,406
21 Banks' own liabilities	27,109	31,108	34,885	38,570	36,096	38,545	36,788	38,805	42,907	33,464
22 Demand deposits	1,917	2,196	1,924	1,643	1,633	1,448	1,542	1,396	1,683	1,647
23 Time deposits	9,767	10,495	14,334	13,926	13,546	14,346	14,638	14,941	14,693	12,893
24 Other ³	15,425	18,417	18,628	23,000	20,917	22,751	20,608	22,468	26,531	18,924
25 Banks' custody liabilities ⁵	108,132	82,373	84,393	87,661	84,048	85,766	88,894	90,602	92,814	94,942
26 U.S. Treasury bills and certificates ⁶	103,722	76,985	79,424	83,990	81,087	82,421	84,526	86,071	88,596	90,394
27 Other negotiable and readily transferable instruments ⁷	4,130	5,028	4,766	3,578	2,831	3,194	4,101	4,324	4,047	4,128
28 Other	280	361	203	92	130	152	267	207	171	420
29 Banks¹⁰	459,523	515,275	535,202	521,431	510,795	500,983	499,494	494,662	496,968	504,437
30 Banks' own liabilities	409,501	454,273	458,457	446,766	440,068	432,311	431,592	427,575	429,684	437,669
31 Unaffiliated foreign banks	120,362	135,409	136,802	132,567	128,555	119,068	114,896	112,992	114,522	122,605
32 Demand deposits	9,948	10,279	10,053	10,052	9,073	8,674	8,584	8,423	8,252	8,959
33 Time deposits	80,189	90,557	88,558	84,205	79,232	72,355	69,826	70,078	71,304	75,161
34 Other	30,226	34,573	38,192	38,310	40,250	38,038	36,486	34,491	34,966	38,485
35 Own foreign offices ⁴	289,138	318,864	321,655	314,199	311,512	313,244	316,696	314,583	315,162	315,064
36 Banks' custody liabilities ⁵	50,022	61,002	76,745	74,666	70,728	68,672	67,903	67,087	67,284	66,768
37 U.S. Treasury bills and certificates ⁶	7,602	9,367	10,669	10,674	10,030	8,712	8,666	7,970	8,242	8,158
38 Other negotiable and readily transferable instruments ⁷	5,725	5,124	5,341	6,449	6,116	5,877	5,833	5,408	5,194	5,706
39 Other	36,694	46,510	60,735	57,543	54,582	54,083	53,404	53,709	53,848	52,904
40 Other foreigners	87,351	103,228	93,606	94,856	95,671	96,014	92,188	92,375	89,476	91,228
41 Banks' own liabilities	75,396	88,839	79,307	80,046	80,905	80,978	77,139	77,451	74,834	75,611
42 Demand deposits	9,928	9,460	9,711	8,500	8,969	8,717	8,644	8,066	8,460	9,290
43 Time deposits	61,025	66,801	64,062	63,820	62,391	62,920	61,977	61,815	59,496	59,353
44 Other	4,443	12,577	5,534	7,725	9,545	9,341	6,518	7,570	6,878	6,968
45 Banks' custody liabilities ⁵	11,956	14,389	14,299	14,810	14,766	15,035	15,049	14,924	14,642	15,617
46 U.S. Treasury bills and certificates ⁶	3,675	4,551	6,339	6,354	5,919	6,224	6,397	6,288	6,812	7,415
47 Other negotiable and readily transferable instruments ⁷	5,929	7,958	6,457	6,845	6,626	7,170	7,244	6,850	6,435	6,749
48 Other	2,351	1,880	1,503	1,611	2,221	1,642	1,408	1,786	1,395	1,453
49 MEMO: Negotiable time certificates of deposit in custody for foreigners	6,425	7,203	7,073	7,209	7,321	7,563	7,934	6,813	6,569	7,371

1. Reporting banks include all kinds of depository institutions besides commercial banks, as well as some brokers and dealers.

2. Excludes negotiable time certificates of deposit, which are included in "Other negotiable and readily transferable instruments."

3. Includes borrowing under repurchase agreements.

4. For U.S. banks, includes amounts due to own foreign branches and foreign subsidiaries consolidated in "Consolidated Report of Condition" filed with bank regulatory agencies. For agencies, branches, and majority-owned subsidiaries of foreign banks, consists principally of amounts due to head office or parent foreign bank, and foreign branches, agencies, or wholly owned subsidiaries of head office or parent foreign bank.

5. Financial claims on residents of the United States, other than long-term securities, held by or through reporting banks.

6. Includes nonmarketable certificates of indebtedness and Treasury bills issued to official institutions of foreign countries.

7. Principally bankers acceptances, commercial paper, and negotiable time certificates of deposit.

8. Principally the International Bank for Reconstruction and Development and the Inter-American and Asian Development Banks. Data exclude "holdings of dollars" of the International Monetary Fund.

9. Foreign central banks, foreign central governments, and the Bank for International Settlements.

10. Excludes central banks, which are included in "Official institutions."

3.17—Continued

Area and country	1988	1989	1990	1991						
				Mar.	Apr.	May	June	July	Aug. ^f	Sept. ^g
1 Total	685,339	736,878	754,005	749,186	732,847	727,365	723,281	722,670 ^f	729,100	730,966
2 Foreign countries	682,115	731,984	748,087	742,517	726,610	721,308	717,364	716,444 ^f	722,165	724,071
3 Europe	231,912	237,501	254,452	250,208	241,708	238,174	236,448	228,728 ^f	234,784	236,553
4 Austria	1,155	1,233	1,229	1,493	1,147	1,100	1,067	1,234 ^f	961	1,084
5 Belgium-Luxembourg	10,022	10,648	12,382	12,221	12,393	11,593	11,854	12,292 ^f	11,168	13,956
6 Denmark	2,200	1,415	1,399	983	945	988	1,370	1,197	1,065	1,038
7 Finland	285	570	602	662	724	453	732	1,222 ^f	1,170	618
8 France	24,777	26,903	30,946	28,210	26,969	26,270	26,382	26,747 ^f	26,580	27,505
9 Germany	6,772	7,578	7,485	9,133	8,436	8,488	7,822	7,056 ^f	7,037	7,500
10 Greece	672	1,028	934	747	809	785	791	817 ^f	851	942
11 Italy	14,599	16,169	17,735	17,366	15,043	14,723	14,345	13,883 ^f	12,507	12,507
12 Netherlands	5,316	6,613	5,350	6,204	6,773	6,686	6,100	6,069	5,651	6,285
13 Norway	1,559	2,401	2,357	2,120	1,098	1,167	1,926	1,653	1,279	1,444
14 Portugal	903	2,418	2,958	2,778	2,628	2,410	2,392	2,279	2,313	2,391
15 Spain	5,494	4,364	7,544	9,784	10,006	10,095	9,392	10,496	10,396	10,828
16 Sweden	1,284	1,491	1,837	1,159	720	525	745	858	1,424	1,437
17 Switzerland	34,199	34,496	36,690	38,200	36,716	34,884	36,124	34,818	35,977	38,384
18 Turkey	1,012	1,818	1,169	1,480	1,806	1,535	1,720	1,720	1,780	1,538
19 United Kingdom	111,811	102,362	109,555	103,101	101,567	99,879	98,199	89,995 ^f	95,265	95,480
20 Yugoslavia	529	1,474	928	848	1,034	953	925	1,016	955	853
21 Other Western Europe ¹¹	8,598	13,563	11,689	10,891	10,335	12,797	11,371	12,423	15,026	9,282
22 U.S.S.R.	138	350	119	106	138	129	178	75	136	117
23 Other Eastern Europe ¹²	591	608	1,545	2,722	2,739	2,713	2,925	2,878	3,243	3,364
24 Canada	21,062	18,865	20,349	23,447	23,264	22,740	23,850	22,519 ^f	23,868	24,058
25 Latin America and Caribbean	271,146	311,028	327,370	325,968	325,444	328,845	328,380	335,338 ^f	334,335	338,225
26 Argentina	7,804	7,304	7,365	7,868	7,704	7,591	7,519	7,110	7,042	6,874
27 Bahamas	86,863	99,341	107,386	96,313	96,307	97,485	96,855	98,021 ^f	93,987	96,567
28 Bermuda	2,621	2,884	2,822	2,885	2,753	3,054	2,919	3,087 ^f	3,512	3,140
29 Brazil	5,314	6,351	5,834	6,472	5,806	5,756	5,749	5,806	6,050	6,181
30 British West Indies	113,840	138,309	141,719	150,752	150,993	151,629	150,939	157,372 ^f	159,128	160,607
31 Chile	2,936	3,212	3,145	2,995	3,107	3,240	3,233	3,308	3,178	3,095
32 Colombia	4,374	4,653	4,492	3,785	4,347	4,408	4,448	4,421 ^f	4,737	4,641
33 Cuba	10	10	11	7	8	8	7	2	9	8
34 Ecuador	1,379	1,391	1,379	1,319	1,260	1,293	1,288	1,270	1,239	1,229
35 Guatemala	1,195	1,312	1,541	1,617	1,571	1,595	1,664	1,641	1,613	1,582
36 Jamaica	269	209	257	268	233	237	273	219	227	213
37 Mexico	15,185	15,423	16,625	17,405	17,508	18,657	19,552	20,008	20,357	20,934
38 Netherlands Antilles	6,420	6,310	7,357	6,577	6,874	5,962	5,935	5,830	5,734	5,567
39 Panama	4,353	4,362	4,574	4,450	4,290	4,549	4,672	4,438	4,750	4,376
40 Peru	1,671	1,984	1,294	1,362	1,427	1,412	1,341	1,334	1,288	1,306
41 Uruguay	1,898	2,284	2,520	2,509	2,463	2,488	2,573	2,452	2,441	2,508
42 Venezuela	9,147	9,482	12,271	12,266	11,833	12,665	12,585	12,176	12,254	12,205
43 Other	5,868	6,206	6,779	7,117	6,959	6,815	6,828	6,843 ^f	6,789	7,192
44 Asia	147,838	156,201	136,842	133,878	127,737	122,893	120,618	121,985 ^f	121,157	116,587
45 China	1,895	1,773	2,421	3,030	2,415	2,446	2,412	2,408	2,247	2,218
46 Taiwan	26,058	19,588	11,246	11,296	11,001	10,649	9,838	11,178	11,537	9,530
47 Hong Kong	12,248	12,416	12,754	15,794	16,141	15,035	14,582	14,720 ^f	14,207	14,311
48 India	699	780	1,233	1,948	1,895	1,968	1,959	2,122	2,373	2,474
49 Indonesia	1,180	1,281	1,238	1,941	1,309	1,303	1,612	1,191 ^f	1,232	1,065
50 Israel	1,461	1,243	2,767	2,966	2,849	2,564	2,355	2,376	2,697	2,848
51 Japan	74,015	81,184	67,074	56,831	53,172	52,031	51,482	50,008 ^f	48,499	45,961
52 Korea	2,541	3,215	2,287	2,215	2,887	2,193	2,102	2,364 ^f	2,172	2,047
53 Philippines	1,163	1,766	1,585	1,609	1,681	1,521	1,587	1,537	1,465	1,647
54 Thailand	1,236	2,093	1,443	2,403	2,571	2,502	2,386	2,368 ^f	2,650	3,348
55 Middle-East oil-exporting countries ¹³	12,083	13,370	15,829	15,642	14,655	14,122	13,355	15,738	14,820	15,262
56 Other	13,260	17,491	16,965	18,204	17,162	16,560	16,949	15,975 ^f	17,258	15,876
57 Africa	3,991	3,824	4,630	4,908	4,495	4,695	4,188	3,929	4,017	4,483
58 Egypt	911	686	1,425	1,449	927	1,364	1,017	999	957	1,125
59 Morocco	68	78	104	91	89	97	122	81	91	78
60 South Africa	437	206	228	312	220	202	241	221	137	242
61 Zaire	85	86	53	52	50	52	45	24	58	37
62 Oil-exporting countries ¹⁴	1,017	1,121	1,110	1,370	1,434	1,140	1,105	960	992	1,149
63 Other	1,474	1,648	1,710	1,634	1,776	1,840	1,658	1,644	1,782	1,852
64 Other countries	6,165	4,564	4,444	4,109	3,962	3,962	3,879	3,945 ^f	4,004	4,165
65 Australia	5,293	3,867	3,807	3,131	3,118	3,232	3,097	3,173 ^f	3,149	3,231
66 All other	872	697	637	978	845	730	781	772	855	934
67 Nonmonetary international and regional organizations	3,224	4,894	5,918	6,669	6,237	6,057	5,917	6,226 ^f	6,935	6,895
68 International ¹⁵	2,503	3,947	4,390	5,108	4,895	4,641	4,025	4,346 ^f	4,361	4,857
69 Latin American regional	589	684	1,048	1,170	913	802	1,410	1,273	1,531	1,094
70 Other regional ¹⁶	133	263	479	391	429	614	482	607	1,043	944

11. Includes the Bank for International Settlements and Eastern European countries not listed in line 23.

12. Comprises Bulgaria, Czechoslovakia, Hungary, Poland, and Romania.

13. Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).

14. Comprises Algeria, Gabon, Libya, and Nigeria.

15. Excludes "holdings of dollars" of the International Monetary Fund.

16. 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 States¹

Payable in U.S. Dollars

Millions of dollars, end of period

Area and country	1988	1989	1990	1991						
				Mar.	Apr.	May	June	July	Aug. ^r	Sept. ^p
1 Total	491,165	534,492	511,543	498,454	508,419	503,064	504,738	497,441 ^r	502,573	500,510
2 Foreign countries	489,094	530,630	506,750	495,953	505,558	500,134	500,656	495,407 ^r	500,151	497,979
3 Europe	116,928	119,025	113,093	104,309	100,367	99,221	99,001	97,828 ^r	98,740	103,398
4 Austria	483	415	362	270	392	220	303	269	185	297
5 Belgium-Luxembourg	8,515	6,478	5,473	5,685	5,472	7,841	6,721	5,924 ^r	6,534	7,044
6 Denmark	483	582	497	598	765	909	896	898	945	670
7 Finland	1,065	1,027	1,047	1,152	1,168	862	668	642	771	908
8 France	13,243	16,146	14,468	14,961	13,934	13,578	14,302	14,292 ^r	13,827	14,440
9 Germany	2,329	2,865	3,343	3,305	3,236	2,631	2,782	2,690	3,222	2,714
10 Greece	433	788	727	667	688	762	654	619	495	473
11 Italy	7,936	6,662	6,052	6,617	5,429	5,827	6,329	5,911 ^r	5,931	6,549
12 Netherlands	2,541	1,904	1,761	2,134	2,222	1,960	2,122	2,234	2,101	2,005
13 Norway	455	609	782	765	679	695	701	661	599	679
14 Portugal	261	376	292	384	293	322	378	260	308	266
15 Spain	1,823	1,930	2,668	3,334	3,344	3,082	2,056	2,582	1,995	2,220
16 Sweden	1,977	1,773	2,094	2,314	1,944	1,937	1,968	1,858 ^r	1,633	1,894
17 Switzerland	3,895	6,141	4,202	3,167	3,240	3,487	2,969	3,627	3,609	4,049
18 Turkey	1,233	1,071	1,405	1,537	1,440	1,445	1,593	1,458 ^r	1,407	1,368
19 United Kingdom	65,706	65,527	65,151	53,948	52,553	50,159	51,363	50,836 ^r	51,674	54,524
20 Yugoslavia	1,390	1,329	1,142	991	1,012	965	932	877	820	802
21 Other Western Europe ²	1,152	1,302	597	1,141	1,118	999	734	832 ^r	1,024	777
22 U.S.S.R.	1,255	1,179	530	781	904	956	911	772 ^r	1,015	1,160
23 Other Eastern Europe ³	754	921	499	558	533	585	618	586	645	559
24 Canada	18,889	15,451	16,091	17,077	17,600	17,713	17,431	16,719 ^r	14,495	14,727
25 Latin America and Caribbean	214,264	230,438	231,506	235,487	240,899	244,314	248,511	245,982 ^r	249,217	250,967
26 Argentina	11,826	9,270	6,967	6,574	6,420	6,363	6,128	5,945 ^r	5,750	5,750
27 Bahamas	66,954	77,921	76,525	74,111	77,231	79,429	78,024	81,295 ^r	78,415	80,315
28 Bermuda	483	1,315	4,056	4,133	4,935	7,182	3,893	5,813	11,773	6,973
29 Brazil	25,735	23,749	17,995	18,324	16,524	15,594	15,249	12,351	12,333	12,394
30 British West Indies	55,888	68,749	88,565	102,240	105,220	105,686	114,954	110,553 ^r	111,019	112,541
31 Chile	5,217	4,353	3,271	3,169	3,050	3,032	2,917	2,823	2,779	2,732
32 Colombia	2,944	2,784	2,587	2,443	2,334	2,281	2,349	2,202	2,368	2,430
33 Cuba	1	1	0	0	0	0	0	0	0	0
34 Ecuador	2,075	1,688	1,387	1,325	1,326	1,339	1,344	1,263	1,238	1,115
35 Guatemala	198	197	191	212	222	220	203	190	182	186
36 Jamaica	212	297	238	224	197	181	187	144	150	150
37 Mexico	24,637	23,376	14,851	15,091	15,609	15,177	15,411	15,450	15,279	16,389
38 Netherlands Antilles	1,306	1,921	7,998	1,298	1,496	1,589	1,639	1,563	1,540	3,606
39 Panama	2,521	1,740	1,471	1,479	1,475	1,410	1,423	1,501	1,490	1,489
40 Peru	1,013	771	663	697	670	722	726	712	728	718
41 Uruguay	910	929	786	588	620	615	590	577	571	576
42 Venezuela	10,733	9,652	2,571	2,170	2,211	2,223	2,222	2,405	2,403	2,459
43 Other	1,612	1,726	1,384	1,409	1,360	1,271	1,252	1,195	1,199	1,144
44 Asia	130,881	157,474	138,722	131,514	139,243	131,465	128,051	127,560 ^r	130,222	120,515
45 China	762	634	620	723	641	567	992	659	575	604
46 Mainland	4,184	2,776	1,952	1,277	1,685	1,390	2,019	1,696	1,522	1,430
47 Taiwan	10,143	11,128	10,648	9,737	10,891	9,870	9,217	9,051 ^r	9,154	9,465
48 Hong Kong	560	621	655	556	574	478	432	409	425	449
49 India	674	651	933	1,136	1,029	982	891	874	860	854
50 Indonesia	1,136	813	774	952	871	829	851	818 ^r	919	945
51 Israel	90,149	111,300	90,699	84,810	91,482	88,821	85,689	88,183 ^r	90,604	80,701
52 Japan	5,213	5,323	5,766	6,224	6,193	5,584	5,924	5,597	5,383	5,146
53 Korea	1,876	1,344	1,247	1,445	1,478	1,452	1,506	1,647	1,682	1,633
54 Philippines	848	1,140	1,573	1,764	1,662	1,747	1,977	1,975	1,870	1,934
55 Thailand	6,213	10,149	10,749	12,386	12,286	9,636	10,468	9,771	9,741	10,439
56 Middle East oil-exporting countries ⁴	9,122	11,594	13,106	10,504	10,449	10,110	8,087	6,880 ^r	7,487	6,915
57 Other										
57 Africa	5,718	5,890	5,445	5,488	5,355	5,464	5,429	5,417	5,337	5,265
58 Egypt	507	502	380	304	304	305	315	324	315	312
59 Morocco	511	559	513	538	538	603	590	597	576	574
60 South Africa	1,681	1,628	1,525	1,628	1,627	1,641	1,626	1,627	1,610	1,498
61 Zaire	17	16	16	17	18	18	12	9	9	8
62 Oil-exporting countries ⁵	1,523	1,648	1,486	1,452	1,372	1,365	1,336	1,285	1,273	1,270
63 Other	1,479	1,537	1,525	1,547	1,497	1,533	1,550	1,575	1,554	1,603
64 Other countries	2,413	2,354	1,892	2,078	2,093	1,957	2,233	1,901 ^r	2,140	3,107
65 Australia	1,520	1,781	1,413	1,467	1,569	1,470	1,621	1,384	1,464	2,275
66 All other	894	573	479	611	524	487	611	517 ^r	676	832
67 Nonmonetary international and regional organizations ⁶	2,071	3,862	4,793	2,501	2,861	2,930	4,081	2,034 ^r	2,422	2,531

1. Reporting banks include all kinds of depository institutions besides commercial banks, as well as some brokers and dealers.

2. Includes the Bank for International Settlements and Eastern European countries not listed in line 23.

3. Comprises Bulgaria, Czechoslovakia, Hungary, Poland, and Romania.

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 States¹
Payable in U.S. Dollars
Millions of dollars, end of period

Type of claim	1988	1989	1990	1991						
				Mar.	Apr.	May	June	July	Aug. ^r	Sept. ^p
1 Total	538,689	593,087	577,213	561,441	.....	.....	570,476	.....	.....	.....
2 Banks' own claims on foreigners	491,165	534,492	511,543	498,454	508,419	503,064	504,738	497,441	502,573	500,510
3 Foreign public borrowers	62,658	60,511	41,838	43,946	42,960	38,928	39,315	34,814	35,392	35,256
4 Own foreign offices ²	257,436	296,011	304,315	299,045	304,028	298,517	305,914	305,392	301,593	304,264
5 Unaffiliated foreign banks	129,425	134,885	117,860	110,605	112,640	117,674	114,858	114,871	116,481	113,633
6 Deposits	65,898	78,185	65,252	63,100	64,748	68,822	68,695	69,066	70,492	68,547
7 Other	63,527	56,700	52,608	47,505	47,892	48,852	46,162	45,805	45,989	45,086
8 All other foreigners	41,646	43,085	47,530	44,858	48,791	47,945	44,650	42,364	49,107	47,357
9 Claims of banks' domestic customers ³ ..	47,524	58,594	65,670	62,987	.....	.....	65,738	.....	.....	.....
10 Deposits	8,289	13,019	14,375	17,043	.....	.....	19,380	.....	.....	.....
11 Negotiable and readily transferable instruments ⁴ ..	25,700	30,983	40,987	34,950	.....	.....	35,404	.....	.....	.....
12 Outstanding collections and other claims	13,535	14,592	10,307	10,994	.....	.....	10,953	.....	.....	.....
13 MEMO: Customer liability on acceptances	19,596	12,899	13,659	11,761	.....	.....	10,410 ^r	.....	.....	.....
14 Dollar deposits in banks abroad, reported by nonbanking business enterprises in the United States ⁵	45,360	45,744	44,562	43,731	42,700	40,087	36,063 ^r	40,363	43,271	n.a.

1. Data for banks' own claims are given on a monthly basis, but the data for claims of banks' own domestic customers are available on a quarterly basis only.

Reporting banks include all kinds of depository institutions besides commercial banks, as well as some brokers and dealers.

2. For U.S. banks, includes amounts due from own foreign branches and foreign subsidiaries consolidated in "Consolidated Report of Condition" filed with bank regulatory agencies. For agencies, branches, and majority-owned subsidiaries of foreign banks, consists principally of amounts due from head office or parent foreign bank, and foreign branches, agencies, or wholly owned

subsidiaries of head office or parent foreign bank.

3. Assets owned by customers of the reporting bank located in the United States that represent claims on foreigners held by reporting banks for the account of their domestic customers.

4. Principally negotiable time certificates of deposit and bankers acceptances.

5. Includes demand and time deposits and negotiable and nonnegotiable certificates of deposit denominated in U.S. dollars issued by banks abroad. For description of changes in data reported by nonbanks, see July 1979 *Bulletin*, p. 550.

3.20 BANKS' OWN CLAIMS ON UNAFFILIATED FOREIGNERS Reported by Banks in the United States¹
Payable in U.S. Dollars
Millions of dollars, end of period

Maturity, by borrower and area	1987	1988	1989	1990		1991	
				Sept.	Dec.	Mar.	June ^r
1 Total	235,130	233,184	238,123	213,853	207,035	199,171	199,078
<i>By borrower</i>							
2 Maturity of one year or less ²	163,997	172,634	178,346	166,634	165,773	158,146	158,749
3 Foreign public borrowers	25,889	26,562	23,916	21,707	19,310	21,205	18,563
4 All other foreigners	138,108	146,071	154,430	144,927	146,463	136,941	140,186
5 Maturity of more than one year ²	71,133	60,550	59,776	47,218	41,262	41,025	40,328
6 Foreign public borrowers	38,625	35,291	36,014	26,354	22,406	22,435	20,613
7 All other foreigners	32,507	25,259	23,762	20,864	18,855	18,590	19,715
<i>By area</i>							
8 Maturity of one year or less ²							
9 Europe	59,027	55,909	53,913	51,202	49,157	49,593	49,909
10 Canada	5,680	6,282	5,910	5,499	5,439	5,909	7,221
11 Latin America and Caribbean	56,535	57,991	53,003	44,512	49,731	42,686	40,616
12 Asia	35,919	46,224	57,755	56,138	53,134	54,032	53,093
13 Africa	2,833	3,337	3,225	2,954	3,040	3,008	2,945
14 All other ³	4,003	2,891	4,541	6,330	5,272	2,918	4,966
15 Maturity of more than one year ²							
16 Europe	6,696	4,666	4,121	4,424	3,869	4,329	4,308
17 Canada	2,661	1,922	2,353	3,033	3,291	3,387	3,891
18 Latin America and Caribbean	53,817	47,547	45,816	31,284	25,977	24,962	23,758
19 Asia	3,830	3,613	4,172	5,664	5,189	5,404	5,721
20 Africa	1,747	2,301	2,630	2,546	2,374	2,426	2,456
21 All other ³	2,381	501	684	266	561	517	195

1. Reporting banks include all kinds of depository institutions besides commercial banks, as well as some brokers and dealers.

2. Remaining time to maturity.

3. Includes nonmonetary international and regional organizations.

3.21 CLAIMS ON FOREIGN COUNTRIES Held by U.S. Offices and Foreign Branches of U.S.-Chartered Banks¹

Billions of dollars, end of period

Area or country	1987	1988	1989			1990				1991	
			June	Sept.	Dec.	Mar.	June	Sept.	Dec.	Mar.	June
1 Total	382.4	346.3	340.0	346.5	338.8	333.9	321.7	332.1	317.8	324.6 ²	319.9 ²
2 G-10 countries and Switzerland	159.7	152.7	145.1	146.4	152.9	146.6	139.3	144.3	132.1	129.6	130.0 ²
3 Belgium-Luxembourg	10.0	9.0	7.8	6.9	6.3	6.7	6.2	6.5	5.9	6.2	6.1
4 France	13.7	10.5	10.8	11.1	11.7	10.4	10.2	11.1	10.4	9.7	10.5
5 Germany	12.6	10.3	10.6	10.4	10.5	11.2	11.2	11.1	10.6	8.8	8.3 ²
6 Italy	7.5	6.8	6.1	6.8	7.4	5.9	5.4	4.4	5.0	4.0	3.6
7 Netherlands	4.1	2.7	2.8	2.4	3.1	3.1	2.7	3.8	3.0	3.3	3.3
8 Sweden	2.1	1.8	1.8	2.0	2.0	2.1	2.3	2.3	2.2	2.0	2.4
9 Switzerland	5.6	5.4	5.4	6.1	7.1	6.2	6.3	5.6	4.4	3.7	3.3
10 United Kingdom	68.8	66.2	64.5	63.7	67.2	64.0	59.9	62.5	60.8	62.0	59.8
11 Canada	5.5	5.0	5.1	5.9	5.4	4.8	5.1	5.1	5.9	6.7	8.2 ²
12 Japan	29.8	34.9	30.2	31.0	32.2	32.2	30.1	32.0	23.9	23.2	24.6
13 Other developed countries	26.4	21.0	21.2	21.0	20.7	23.0	22.4	23.1	22.6	23.1	21.1 ²
14 Austria	1.9	1.5	1.7	1.5	1.5	1.5	1.5	1.6	1.4	1.4	1.1
15 Denmark	1.7	1.1	1.4	1.1	1.1	1.2	1.1	1.1	1.1	.9	1.2
16 Finland	1.2	1.1	1.0	1.1	1.0	1.1	.9	.8	.7	1.0	.8
17 Greece	2.0	1.8	2.3	2.4	2.5	2.6	2.7	2.8	2.7	2.5	2.4
18 Norway	2.2	1.8	1.8	1.4	1.4	1.7	1.4	1.6	1.6	1.5	1.5
19 Portugal .....	.6	.4	.6	.4	.4	.4	.8	.6	.6	.6	.6
20 Spain	8.0	6.2	6.2	6.9	7.1	8.2	7.8	8.4	8.3	9.0	7.0
21 Turkey	2.0	1.5	1.1	1.2	1.2	1.3	1.4	1.6	1.7	1.7	1.9
22 Other Western Europe	1.6	1.3	1.1	1.0	.7	1.0	1.1	.7	.9	.8	.9 ²
23 South Africa	2.9	2.4	2.1	2.1	2.0	2.0	1.9	1.9	1.8	1.8	1.8
24 Australia	2.4	1.8	1.9	2.1	1.6	2.1	1.8	2.0	1.8	1.9	2.0
25 OPEC countries ²	17.4	16.6	16.1	16.2	17.1	15.5	15.3	14.4	12.8	17.1	14.0 ²
26 Ecuador	1.9	1.7	1.5	1.5	1.3	1.2	1.1	1.1	1.0	.9	.9
27 Venezuela	8.1	7.9	7.5	7.4	7.0	6.1	6.0	6.0	5.0	5.1	5.3 ²
28 Indonesia	1.9	1.7	1.9	2.0	2.0	2.1	2.0	2.3	2.7	2.8	2.6
29 Middle East countries	3.6	3.4	3.4	3.5	5.0	4.3	4.4	3.3	2.5	6.6	3.7
30 African countries	1.9	1.9	1.6	1.9	1.7	1.8	1.8	1.7	1.7	1.6	1.5
31 Non-OPEC developing countries	97.8	85.3	83.4	81.2	77.5	68.8	66.7	67.1	65.4	66.3	64.9
Latin America											
32 Argentina	9.5	9.0	7.9	7.6	6.3	5.6	5.2	5.0	5.0	4.7	4.6
33 Brazil	24.7	22.4	22.1	20.9	19.0	17.5	16.7	15.4	14.4	13.9	11.6
34 Chile	6.9	5.6	5.2	4.9	4.6	4.3	3.7	3.6	3.5	3.6	3.6
35 Colombia	2.0	2.1	1.7	1.6	1.8	1.8	1.7	1.8	1.8	1.7	1.6
36 Mexico	23.5	18.8	17.7	17.2	17.7	12.8	12.6	12.8	13.0	13.7	14.3
37 Peru	1.1	.8	.6	.6	.6	.5	.5	.5	.5	.5	.5
38 Other Latin America	2.8	2.6	2.6	2.9	2.8	2.8	2.3	2.4	2.3	2.2	2.0
Asia											
39 China											
40 Mainland .....	.3	.3	.3	.3	.3	.3	.2	.2	.2	.4	.6
41 Taiwan	8.2	3.7	5.2	5.0	4.5	3.8	3.6	4.0	3.5	3.6	4.1
42 India	1.9	2.1	2.4	2.7	3.1	3.5	3.6	3.6	3.3	3.5	3.0
43 Israel	1.0	1.2	.8	.7	.7	.6	.7	.6	.5	.5	.5
44 Korea (South)	5.0	6.1	6.6	6.5	5.9	5.3	5.6	6.2	6.2	6.8	6.9
45 Malaysia	1.5	1.6	1.6	1.7	1.7	1.8	1.8	1.8	1.9	2.0	2.1
46 Philippines	5.2	4.5	4.4	4.0	4.1	3.7	3.9	3.9	3.8	3.7	3.7
47 Thailand .....	.7	1.1	1.0	1.3	1.3	1.1	1.3	1.5	1.5	1.6	1.7
48 Other Asia ³ .....	.7	.9	.8	1.0	1.0	1.2	1.1	1.6	1.7	2.1	2.3
Africa											
49 Egypt .....	.6	.4	.6	.5	.4	.4	.5	.4	.4	.4	.4
50 Morocco .....	.9	.9	.9	.8	.9	.9	.9	.9	.8	.8	.7
51 Zaire .....	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
52 Other Africa ⁴	1.3	1.1	1.1	1.0	1.0	.9	.8	.8	1.0	.8	.8
53 Eastern Europe	3.2	3.6	3.4	3.5	3.5	3.3	2.9	2.7	2.3	2.1	2.1
54 U.S.S.R. .....	.3	.7	.6	.8	.7	.8	.4	.4	.2	.3	.4
55 Yugoslavia	1.8	1.8	1.7	1.7	1.6	1.4	1.4	1.3	1.2	1.0	1.0
56 Other	1.1	1.1	1.1	1.1	1.3	1.2	1.1	1.1	.9	.8	.7
57 Offshore banking centers	54.5	44.2	43.2	49.2	36.6	43.1	40.3	42.2	42.5	49.6 ⁵	48.2 ⁵
58 Bahamas	17.3	11.0	11.0	11.4	5.5	9.2	8.5	8.9	2.8	8.3	6.8
59 Bermuda .....	.6	.9	.7	1.3	1.7	1.2	2.5	4.5	4.4	4.4	4.2
60 Cayman Islands and other British West Indies	13.5	12.9	10.8	15.3	9.0	10.9	8.5	9.0	11.5	13.7 ⁵	14.9 ⁵
61 Netherlands Antilles	1.2	1.0	1.0	1.1	2.3	2.6	2.3	2.2	7.9	1.1	1.4
62 Panama ⁶	3.7	2.5	1.9	1.5	1.4	1.3	1.4	1.5	1.4	1.4	1.3
63 Lebanon .....	.1	.1	.1	.1	.1	.1	.1	.1	.1	.1	.1
64 Hong Kong	11.2	9.6	10.4	10.7	9.7	9.8	10.0	8.7	7.7	11.5	12.3
65 Singapore	7.0	6.1	7.3	7.8	7.0	8.0	7.0	7.5	6.6	8.9	7.2
66 Others ⁷ .....	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
66 Miscellaneous and unallocated ⁶	23.2	22.6	27.4	28.7	30.3	33.3	34.5	38.1	39.8	36.6	39.4

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

Since June 1984, reported claims held by foreign branches have been reduced by an increase in the reporting threshold for "shell" branches from \$50 million to

\$150 million equivalent in total assets, the threshold now applicable to all reporting branches.

2. 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).

3. Excludes Liberia.

4. Includes Canal Zone beginning December 1979.

5. Foreign branch claims only.

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

3.22 LIABILITIES TO UNAFFILIATED FOREIGNERS Reported by Nonbanking Business Enterprises in the United States¹

Millions of dollars, end of period

Type and area or country	1987	1988	1989	1990				1991	
				Mar.	June	Sept.	Dec.	Mar.	June
1 Total	28,302	32,952	38,198	38,400	39,407	44,156	42,299	39,665	38,994
2 Payable in dollars	22,785	27,335	33,393	34,030	34,911	39,015	37,894	35,615	34,999
3 Payable in foreign currencies	5,517	5,617	4,805	4,371	4,496	5,140	4,405	4,049	3,995
<i>By type</i>									
4 Financial liabilities	12,424	14,507	17,907	17,461	19,043	19,909	17,986	16,807	16,767
5 Payable in dollars	8,643	10,608	14,047	14,169	15,663	16,059	14,731	14,082	13,872
6 Payable in foreign currencies	3,781	3,900	3,860	3,292	3,380	3,850	3,255	2,725	2,895
7 Commercial liabilities	15,878	18,445	20,292	20,939	20,365	24,247	24,313	22,858	22,227
8 Trade payables	7,305	6,505	7,590	7,443	6,935	10,040	9,945	8,224	8,412
9 Advance receipts and other liabilities	8,573	11,940	12,701	13,496	13,430	14,206	14,368	14,634	13,815
10 Payable in dollars	14,142	16,727	19,346	19,861	19,248	22,956	23,163	21,533	21,128
11 Payable in foreign currencies	1,737	1,717	945	1,078	1,117	1,291	1,150	1,325	1,099
<i>By area or country</i>									
Financial liabilities									
12 Europe	8,320	9,962	11,702	11,179	11,840	11,294	9,852	9,210	9,244
13 Belgium-Luxembourg	213	289	340	318	332	350	344	285	297
14 France	382	359	258	271	171	470	703	644	535
15 Germany	551	699	475	442	557	615	630	570	664
16 Netherlands	866	880	944	900	932	945	993	948	917
17 Switzerland	558	1,033	541	528	552	632	576	577	535
18 United Kingdom	5,557	6,533	8,846	8,388	8,851	7,651	5,995	5,548	5,706
19 Canada	360	388	610	352	306	309	223	272	287
20 Latin America and Caribbean	1,189	839	1,342	2,003	2,753	3,537	3,380	3,509	3,308
21 Bahamas	318	184	157	354	312	395	371	456	375
22 Bermuda	0	0	17	2	0	0	0	0	12
23 Brazil	25	0	0	0	0	0	0	0	0
24 British West Indies	778	645	709	1,166	1,899	2,524	2,388	2,483	2,319
25 Mexico	13	1	6	5	4	4	5	6	6
26 Venezuela	0	0	0	0	0	0	4	4	4
27 Asia	2,451	3,312	4,151	3,821	4,085	4,288	4,120	3,812	3,918
28 Japan	2,042	2,563	3,299	2,783	2,883	3,152	2,919	2,739	2,865
29 Middle East oil-exporting countries ^{2,3}	8	3	2	3	5	4	5	1	4
30 Africa	4	2	2	3	3	2	2	2	9
31 Oil-exporting countries ³	1	0	0	0	1	0	0	0	7
32 All other ⁴	100	4	100	103	55	479	409	2	2
Commercial liabilities									
33 Europe	5,516	7,319	8,944	9,203	8,559	9,831	10,232	9,605	8,637
34 Belgium-Luxembourg	132	158	175	232	291	245	275	261	248
35 France	426	455	877	888	1,049	1,263	1,197	1,209	1,183
36 Germany	909	1,699	1,392	1,176	990	1,051	1,269	1,380	1,038
37 Netherlands	423	587	697	687	606	699	837	715	744
38 Switzerland	559	417	641	604	628	729	761	656	579
39 United Kingdom	1,599	2,079	2,620	2,927	2,440	2,778	2,792	2,734	2,299
40 Canada	1,301	1,217	1,124	1,151	1,178	1,263	1,250	1,230	1,186
41 Latin America and Caribbean	864	1,090	1,187	1,310	1,285	1,559	1,616	1,544	1,587
42 Bahamas	18	49	41	37	22	18	12	21	11
43 Bermuda	168	286	308	516	412	371	538	494	504
44 Brazil	46	95	100	121	109	129	145	214	176
45 British West Indies	19	34	27	18	29	42	30	35	43
46 Mexico	189	217	304	241	288	506	429	304	358
47 Venezuela	162	114	154	86	119	120	122	109	108
48 Asia	6,565	6,915	7,166	7,000	7,065	8,868	8,977	8,235	8,788
49 Japan	2,578	3,094	2,914	2,748	3,189	3,283	3,617	3,467	3,381
50 Middle East oil-exporting countries ^{2,3}	1,964	1,385	1,401	1,394	1,125	2,321	1,730	1,268	1,697
51 Africa	574	576	844	759	889	1,318	841	650	594
52 Oil-exporting countries ³	135	202	307	264	277	594	422	225	224
53 All other ⁴	1,057	1,328	1,027	1,517	1,390	1,408	1,398	1,594	1,436

1. For a description of the changes in the International Statistics tables, see July 1979 *Bulletin*, p. 550.

2. Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).

3. Comprises Algeria, Gabon, Libya, and Nigeria.

4. Includes nonmonetary international and regional organizations.

5. Revisions include a reclassification of transactions, which also affects the totals for Asia and the grand totals.

3.23 CLAIMS ON UNAFFILIATED FOREIGNERS Reported by Nonbanking Business Enterprises in the United States¹

Millions of dollars, end of period

Type, and area or country	1987	1988	1989	1990				1991	
				Mar.	June	Sept.	Dec.	Mar.	June
1 Total	30,964	34,035	31,537	29,918	31,736	31,114	33,434	34,317	36,393 ²
2 Payable in dollars	28,502	31,654	29,204	27,764	29,407	28,719	31,013	32,093	34,415 ²
3 Payable in foreign currencies	2,462	2,381	2,334	2,154	2,329	2,395	2,421	2,223	1,978 ²
<i>By type</i>									
4 Financial claims	20,363	21,869	17,728	16,622	18,105	16,663	18,142	18,659	20,250 ²
5 Deposits	14,894	15,643	10,421	10,461	9,901	10,359	11,513	11,448	11,197 ²
6 Payable in dollars	13,765	14,544	9,495	9,583	8,820	9,165	10,501	10,533	10,492 ²
7 Payable in foreign currencies	1,128	1,099	927	878	1,082	1,193	1,012	915	706 ²
8 Other financial claims	5,470	6,226	7,307	6,161	8,204	6,304	6,629	7,211	9,052
9 Payable in dollars	4,656	5,450	6,553	5,471	7,470	5,652	5,762	6,495	8,383
10 Payable in foreign currencies	814	777	754	690	733	652	866	716	669
11 Commercial claims	10,600	12,166	13,809	13,296	13,631	14,450	15,292	15,658	16,144 ²
12 Trade receivables	9,535	11,091	12,191	11,691	11,924	12,674	13,415	13,595	13,945 ²
13 Advance payments and other claims	1,065	1,075	1,618	1,605	1,707	1,776	1,877	2,063	2,199 ²
14 Payable in dollars	10,081	11,660	13,156	12,710	13,117	13,901	14,749	15,066	15,541 ²
15 Payable in foreign currencies	519	505	653	586	514	549	543	593	603 ²
<i>By area or country</i>									
<i>Financial claims</i>									
16 Europe	9,531	10,279	7,046	6,982	9,634	8,004	7,994	9,587	10,874 ²
17 Belgium-Luxembourg	7	18	28	22	126	27	76	86	76
18 France	332	203	153	203	141	153	366	249	274
19 Germany	102	120	192	508	93	102	371	481	388
20 Netherlands	350	348	303	316	340	329	333	453	507
21 Switzerland	65	218	95	122	137	176	325	405	434
22 United Kingdom	8,467	9,039	6,030	5,589	8,571	6,991	6,276	7,590	8,944 ²
23 Canada	2,844	2,325	1,904	1,758	2,036	1,989	2,887	1,833	2,029
24 Latin America and Caribbean	7,012	8,160	7,590	6,984	5,490	5,642	5,757	5,961	5,765
25 Bahamas	1,994	1,846	1,461	1,662	992	977	1,261	1,714	1,056
26 Bermuda	7	19	7	4	3	4	3	6	4
27 Brazil	63	47	224	79	84	70	68	68	67
28 British West Indies	4,433	5,763	5,486	4,824	4,003	4,191	4,021	3,743	4,258
29 Mexico	172	151	94	152	164	158	177	179	161
30 Venezuela	19	21	20	21	20	23	25	28	29
31 Asia	879	844	852	806	843	800	1,240	934	1,234
32 Japan	605	574	461	459	486	472	902	607	874
33 Middle East oil-exporting countries ³	8	5	8	7	6	9	8	11	9
34 Africa	65	106	140	67	62	49	37	62	64
35 Oil-exporting countries ³	7	10	12	11	8	7	0	3	1
36 All other ⁴	33	155	195	25	41	179	226	281	285
<i>Commercial claims</i>									
37 Europe	4,180	5,181	6,193	6,035	6,072	6,490	7,046	7,005	7,474 ²
38 Belgium-Luxembourg	178	189	242	220	209	188	211	221	220 ²
39 France	650	672	963	1,206	924	1,206	1,240	1,267	1,386 ²
40 Germany	562	669	696	699	670	638	803	859	951 ²
41 Netherlands	133	212	479	453	478	491	551	591	710
42 Switzerland	185	344	305	270	234	300	298	323	299 ²
43 United Kingdom	1,073	1,324	1,572	1,688	1,582	1,673	1,796	1,645	1,832 ²
44 Canada	936	983	1,076	1,145	1,145	1,144	1,049	1,194	1,258 ²
45 Latin America and Caribbean	1,930	2,241	2,174	2,053	2,198	2,393	2,305	2,305	2,425 ²
46 Bahamas	19	36	57	22	17	25	14	15	23
47 Bermuda	170	230	323	243	284	340	246	232	245 ²
48 Brazil	226	299	293	228	232	251	320	308	288 ²
49 British West Indies	26	22	36	38	47	35	40	49	43
50 Mexico	368	461	507	521	575	649	636	657	708 ²
51 Venezuela	283	227	147	188	223	224	189	190	194
52 Asia	2,915	2,993	3,555	3,271	3,463	3,621	4,044	4,292	4,109 ²
53 Japan	1,158	946	1,197	1,072	1,096	1,221	1,396	1,749	1,580 ²
54 Middle East oil-exporting countries ³	450	453	518	433	418	407	459	548	501 ²
55 Africa	401	435	419	419	387	371	486	390	427 ²
56 Oil-exporting countries ³	144	122	108	89	97	72	67	68	59
57 All other ⁴	238	333	392	372	365	432	362	472	451 ²

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

Transaction and area or country	1989	1990	1991	1991						
			Jan.—Sept.	Mar.	Apr.	May	June	July ^r	Aug. ^r	Sept. ^p
	U.S. corporate securities									
STOCKS										
1 Foreign purchases	214,071	173,293	158,134	21,779	20,577	19,218	17,342	16,462	17,891	12,884
2 Foreign sales	204,129	188,419	145,733	19,447	17,440	15,886	16,107	15,304	16,192	13,659
3 Net purchases, or sales (—)	9,941	—15,126	12,401	2,332	3,137	3,332	1,234	1,158	1,699	—775
4 Foreign countries	10,175	—15,197	11,897	2,332	3,059	3,278	1,191	1,135	1,563	—885
5 Europe	476	—8,479	2,666	837	1,639	1,218	713	5	710	—602
6 France	—708	—1,234	214	100	—45	83	170	—41	39	—95
7 Germany	—830	—367	—160	0	13	24	45	—8	21	62
8 Netherlands	79	—397	—132	120	30	25	64	47	—209	38
9 Switzerland	—3,277	—2,866	469	356	552	290	346	42	96	—48
10 United Kingdom	3,683	—2,980	1,299	114	686	585	—149	—130	788	—536
11 Canada	—881	886	2,604	288	111	712	383	159	439	16
12 Latin America and Caribbean	3,042	—1,330	2,280	—30	120	240	285	160	315	25
13 Middle East ¹	3,531	—2,435	—124	—30	—174	207	—460	272	67	—402
14 Other Asia	3,577	—3,477	3,921	1,223	1,236	829	96	110	—33	210
15 Japan	3,330	—2,891	1,291	—2	1,163	669	74	—15	—96	135
16 Africa	131	—63	112	16	0	21	9	6	4	—7
17 Other countries	299	—298	439	28	128	51	165	423	61	—125
18 Nonmonetary international and regional organizations	—234	71	503	1	78	55	44	23	136	110
BONDS ²										
19 Foreign purchases	120,550	118,764	107,922	14,764	10,291	14,323	12,242	9,929	14,697	14,349
20 Foreign sales	87,533	102,027	88,795	10,630	9,083	11,645	8,637	7,681	10,769	12,280
21 Net purchases, or sales (—)	33,017	16,737	19,127	4,134	1,207	2,678	3,605	2,248	3,928	2,069
22 Foreign countries	32,664	17,208	19,338	4,066	1,307	2,736	3,666	2,275	4,025	2,108
23 Europe	18,907	10,079	9,240	3,271	1,189	1,667	2,113	856	1,715	—149
24 France	372	373	694	392	34	86	2	15	—26	93
25 Germany	—238	—377	917	238	114	400	—120	—1	106	156
26 Netherlands	850	172	224	20	84	21	45	—1	25	—18
27 Switzerland	—511	284	958	318	—56	162	318	9	116	—52
28 United Kingdom	17,965	10,383	6,380	1,633	789	896	1,784	564	1,431	346
29 Canada	1,116	1,906	1,089	385	247	374	68	34	—40	—155
30 Latin America and Caribbean	3,686	4,291	1,877	351	188	—142	524	378	25	130
31 Middle East ¹	—182	76	1,437	—13	—25	20	160	430	449	350
32 Other Asia	9,025	1,104	5,844	54	—301	831	898	558	1,925	1,957
33 Japan	6,292	747	4,385	135	—240	544	685	285	1,733	1,149
34 Africa	56	96	20	7	8	10	—1	—1	4	—2
35 Other countries	57	—344	—170	10	3	—23	—96	20	—53	—23
36 Nonmonetary international and regional organizations	353	—471	—212	68	—100	—58	—62	—27	—97	—39
	Foreign securities									
37 Stocks, net purchases, or sales (—) ³	—13,062	—9,205	—25,291	—3,421	—2,540	—3,312	—3,592	—3,155	—3,521	—2,165
38 Foreign purchases	109,850	122,641	84,040	11,108	7,942	8,558	9,973	10,172	9,586	9,906
39 Foreign sales	122,912	131,846	109,331	14,528	10,482	11,871	13,565	13,327	13,107	12,071
40 Bonds, net purchases, or sales (—)	—5,493	—22,487	—11,180	—1,000	—254	—1,987	—1,547	—807	—2,168	—1,171
41 Foreign purchases	234,770	314,545	233,507	40,177	20,779	20,642	19,916	22,041	22,186	23,409
42 Foreign sales	240,263	337,032	244,686	41,176	21,033	22,629	21,462	22,848	24,354	24,580
43 Net purchases, or sales (—), of stocks and bonds	—18,556	—31,692	—36,471	—4,420	—2,793	—5,299	—5,138	—3,962	—5,689	—3,336
44 Foreign countries	—18,594	—29,019	—35,697	—2,969	—2,917	—4,770	—5,418	—4,476	—5,794	—3,516
45 Europe	—17,663	—8,418	—20,489	—472	348	—1,918	—3,030	—5,035	—4,769	—2,670
46 Canada	—3,730	—7,502	—6,697	3	—2,290	—943	—1,011	278	—1,009	—352
47 Latin America and Caribbean	426	—8,954	—192	123	8	—1,652	—26	130	108	454
48 Asia	2,532	—3,828	—8,768	—2,495	—987	—159	—1,172	105	—305	—1,185
49 Africa	93	—137	—127	2	10	4	—198	8	—7	2
50 Other countries	—251	—180	575	—130	—4	—101	19	38	188	235
51 Nonmonetary international and regional organizations	38	—2,673	—773	—1,451	123	—529	280	514	105	180

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

ties sold abroad by U.S. corporations organized to finance direct investments abroad.

3. As a result of the merger of a U.S. and U.K. company in July 1989, the former stockholders of the U.S. company received \$5,453 million in shares of the new combined U.K. company. This transaction is not reflected in the data.

3.25 MARKETABLE U.S. TREASURY BONDS AND NOTES Foreign Transactions

Millions of dollars

Country or area	1989	1990	1991	1991						
			Jan. - Sept.	Mar.	Apr.	May	June	July	Aug. ^r	Sept. ^p
	Transactions, net purchases or sales (-) during period ¹									
1 Estimated total ²	54,203	19,439	11,834	-14,958	2,826	15,421	-5,830	725 ^r	1,356	-3,845
2 Foreign countries ²	52,301	19,276	13,111	-14,139	2,583	15,404	-5,337	407 ^r	722	-2,821
3 Europe ²	36,286	19,040	2,049	-4,089	-1,358	4,519	-4,250	-1,082 ^r	1,554	462
4 Belgium-Luxembourg	1,048	10	360	115	37	121	-102	-109	71	-182
5 Germany ²	7,904	5,880	-5,629	-3,340	-549	1,433	-1,458	684	-360	195
6 Netherlands	-1,141	1,077	-3,335	-607	-292	-61	-794	-997 ^r	-372	-426
7 Sweden	693	1,152	-1,216	-244	-410	560	31	-299	-239	3
8 Switzerland ²	1,098	112	483	470	-622	230	207	-218	292	-184
9 United Kingdom	20,198	-1,414	3,960	513	260	1,699	-1,249	-398	388	-32
10 Other Western Europe	6,508	12,202	7,410	-996	214	540	-886	258	1,774	1,080
11 Eastern Europe	-21	13	16	0	5	-3	3	-3	0	8
12 Canada	698	-4,617	364	182	566	342	-114	395	-118	78
13 Latin America and Caribbean	464	14,730	16,399	292	5,561	10,481	161	1,669	1,436	-1,071
14 Venezuela	311	33	-139	6	2	2	20	7	-20	-2
15 Other Latin America and Caribbean	-322	3,939	6,927	931	2,969	5,687	-233	242	-2,010	-1,878
16 Netherlands Antilles	475	10,757	9,611	-645	2,590	4,793	374	1,420	3,466	809
17 Asia	13,297	-11,031	-5,173	-9,985	-2,179	12	-879	-491	-2,115	-2,072
18 Japan	1,681	-14,864	-8,047	-7,016	-3,379	711	1,422	45	-364	-3,625
19 Africa	116	313	338	0	16	1	104	7	27	-5
20 All other	1,439	842	-867	-540	-22	48	-358	-91	-62	-213
21 Nonmonetary international and regional organizations	1,902	163	-1,277	-819	243	17	-493	318	634	-1,024
22 International	1,473	287	-1,627	-845	35	42	-21	168	654	-1,211
23 Latin American regional	231	-2	145	5	225	-186	-9	150	-146	152
MEMO										
24 Foreign countries ²	52,301	19,276	13,111	-14,139	2,583	15,404	-5,337	407 ^r	722	-2,821
25 Official institutions	26,840	23,218	-5,455	-12,000	886	2,020	-5,832	-704	-289	748
26 Other foreign ²	25,461	-3,942	18,565	-2,139	1,698	13,383	495	1,111 ^r	1,011	-3,569
Oil-exporting countries										
27 Middle East ³	8,148	-387	-7,068	-1,486	-513	-562	-505	-643	-3,731	-795
28 Africa ⁴	-1	0	-15	-6	5	0	0	0	0	-35

1. Estimated official and private transactions in marketable U.S. Treasury securities having an original maturity of more than one year. Data are based on monthly transactions reports. Excludes nonmarketable U.S. Treasury bonds and notes held by official institutions of foreign countries.

2. Includes U.S. Treasury notes, denominated in foreign currencies, publicly issued to private foreign residents.

3. Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).

4. Comprises Algeria, Gabon, Libya, and Nigeria.

3.26 DISCOUNT RATES OF FOREIGN CENTRAL BANKS

Percent per year

Country	Rate on Nov. 30, 1991		Country	Rate on Nov. 30, 1991		Country	Rate on Nov. 30, 1991	
	Percent	Month effective		Percent	Month effective		Percent	Month effective
Austria.....	7.5	Aug. 1991	Germany, Fed. Rep. of...	7.5	Aug. 1991	Norway.....	10.50	July 1990
Belgium.....	8.0	Aug. 1991	Italy.....	12.0	Nov. 1991	Switzerland.....	7.0	Aug. 1991
Canada.....	7.66	Nov. 1991	Japan.....	5.0	Nov. 1991	United Kingdom ²		
Denmark.....	9.0	May 1991	Netherlands.....	8.0	Aug. 1991			
France ¹	9.25	Nov. 1991						

1. Since Feb. 1981, the rate has been that at which the Bank of France discounts Treasury bills for seven to ten 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 or government securities for commercial banks or brokers. For countries with more than one rate applicable to such discounts or advances, the rate shown is the one at which it is understood the central bank transacts the largest proportion of its credit operations.

3.27 FOREIGN SHORT-TERM INTEREST RATES

Averages of daily figures, percent per year

Type or country	1988	1989	1990	1991						
				May	June	July	Aug.	Sept.	Oct.	Nov.
1 Eurodollars.....	7.85	9.16	8.16	5.94	6.08	6.01	5.65	5.50	5.34	4.96
2 United Kingdom.....	10.28	13.87	14.73	11.48	11.21	11.04	10.85	10.24	10.38	10.44
3 Canada.....	9.63	12.20	13.00	9.12	8.83	8.78	8.73	8.59	8.29	7.75
4 Germany.....	4.28	7.04	8.41	8.98	8.95	9.06	9.23	9.16	9.28	9.33
5 Switzerland.....	2.94	6.83	8.71	8.10	7.89	7.74	7.80	7.90	8.09	7.89
6 Netherlands.....	4.72	7.28	8.57	9.05	9.08	9.09	9.27	9.21	9.27	9.32
7 France.....	7.80	9.27	10.20	9.13	9.59	9.46	9.46	9.30	9.20	9.41
8 Italy.....	11.04	12.44	12.11	11.46	11.48	11.74	11.86	11.63	11.44	11.66
9 Belgium.....	6.69	8.65	9.70	9.00	9.08	9.12	9.25	9.01	9.22	9.39
10 Japan.....	4.43	5.39	7.75	7.82	7.79	7.56	7.31	6.70	6.41	6.22

NOTE. Rates are for three-month interbank loans, with the following exceptions: Canada, finance company paper; Belgium, three-month Treasury bills; and Japan, CD rate.

3.28 FOREIGN EXCHANGE RATES¹

Currency units per dollar

Country/currency	1988	1989	1990	1991					
				June	July	Aug.	Sept.	Oct.	Nov.
1 Australia/dollar ²	78.409	79.186	78.069	75.982	77.156	78.235	79.369	79.251	78.660
2 Austria/schilling	12.357	13.236	11.331	12.538	12.562	12.267	11.910	11.887	11.408
3 Belgium/franc	36.785	39.409	33.424	36.689	36.751	35.890	34.878	34.787	33.391
4 Canada/dollar	1.2306	1.1842	1.1668	1.1439	1.1493	1.1452	1.1370	1.1279	1.1302
5 China, P.R./yuan	3.7314	3.7673	4.7921	5.3667	5.3693	5.3725	5.3869	5.3917	5.3994
6 Denmark/krone	6.7412	7.3210	6.1899	6.8634	6.9030	6.7396	6.5367	6.5246	6.2947
7 Finland/markka	4.1933	4.2963	3.8300	4.2189	4.3295	4.2325	4.1241	4.1155	4.1953
8 France/franc	5.9595	6.3802	5.4467	6.0483	6.0596	5.9244	5.7621	5.7583	5.5391
9 Germany/deutsche mark	1.7570	1.8808	1.6166	1.7828	1.7852	1.7435	1.6933	1.6893	1.6208
10 Greece/drachma	142.00	162.60	158.59	195.03	195.46	192.69	188.07	188.50	183.68
11 Hong Kong/dollar	7.8072	7.8008	7.7899	7.7341	7.7610	7.7646	7.7524	7.7542	7.7591
12 India/rupee	13.900	16.213	17.492	21.062	25.613	25.846	25.834	25.797	25.802
13 Ireland/pound ²	152.49	141.80	165.76	142.66	136.48	153.38	157.87	158.21	164.75
14 Italy/lira	1,302.39	1,372.28	1,198.27	1,325.09	1,329.55	1,303.31	1,266.25	1,263.20	1,221.04
15 Japan/yen	128.17	138.07	145.00	139.75	137.83	136.82	134.30	130.77	129.63
16 Malaysia/ringgit	2.6190	2.7079	2.7057	2.7810	2.7868	2.7806	2.7577	2.7469	2.7412
17 Netherlands/guilder	1.9778	2.1219	1.8215	2.0085	2.0114	1.9650	1.9084	1.9039	1.8269
18 New Zealand/dollar ²	65.560	59.561	59.619	57.645	56.681	57.353	57.989	56.306	56.352
19 Norway/krone	6.5243	6.9131	6.2541	6.9542	6.9627	6.8118	6.6266	6.6136	9.3643
20 Portugal/escudo	144.27	157.53	142.70	156.37	154.20	149.72	145.64	145.41	141.43
21 Singapore/dollar	2.0133	1.9511	1.8134	1.7782	1.7555	1.7269	1.7002	1.6940	1.6709
22 South Africa/rand.	2.2770	2.6214	2.5885	2.8625	2.8819	2.8704	2.8316	2.8314	2.7916
23 South Korea/won	734.52	674.29	710.64	727.97	731.76	733.90	744.18	753.54	757.44
24 Spain/peseta	116.53	118.44	101.96	111.18	111.81	108.92	106.28	106.54	102.56
25 Sri Lanka/rupee	31.820	35.947	40.078	41.211	41.213	41.723	41.935	42.179	42.374
26 Sweden/krona	6.1370	6.4559	5.9231	6.4235	6.4609	6.3311	6.1652	6.1552	5.9246
27 Switzerland/franc	1.4643	1.6369	1.3901	1.5297	1.5481	1.5201	1.4803	1.4781	1.4348
28 Taiwan/dollar	28.636	26.407	26.918	27.166	26.982	26.730	26.559	26.406	25.975
29 Thailand/baht	25.312	25.725	25.609	25.766	25.745	25.720	25.617	25.397	25.497
30 United Kingdom/pound ²	178.13	163.82	178.41	164.97	165.13	168.41	172.65	172.31	177.96
MEMO									
31 United States/dollar ³	92.72	98.60	89.09	95.18	95.19	93.47	91.18	90.69	87.98

1. Averages of certified noon buying rates in New York for cable transfers. Data in this table also appear in the Board's G.5 (405) monthly statistical release. For ordering address, see inside front cover.

2. Value in U.S. cents.

3. Index of weighted-average exchange value of U.S. dollar against the

currencies of ten industrial countries. The weight for each of the ten countries is the 1972-76 average world trade of that country divided by the average world trade of all ten countries combined. Series revised as of August 1978 (see *Federal Reserve Bulletin*, vol. 64 (August 1978), p. 700).

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4.31 Pro forma balance sheet for priced services of the Federal Reserve System¹

Millions of dollars

Item	September 30, 1991	September 30, 1990
Short-term assets²		
Imputed reserve requirement on clearing balances	387.2	226.7
Investment in marketable securities	2,839.8	1,662.3
Receivables	57.5	54.9
Materials and supplies	6.1	6.4
Prepaid expenses	27.2	26.9
Items in process of collection	<u>2,677.3</u>	<u>3,027.7</u>
Total short-term assets	5,995.1	5,004.8
Long-term assets³		
Premises	348.3	310.2
Furniture and equipment	160.2	133.2
Leases and leasehold improvements	20.4	18.7
Prepaid pension costs	<u>87.9</u>	<u>66.4</u>
Total long-term assets	<u>616.9</u>	<u>528.4</u>
Total assets	6,612.0	5,533.3
Short-term liabilities		
Clearing balances and balances arising from early credit of uncollected items	3,628.8	2,459.2
Deferred availability items	2,275.5	2,457.5
Short-term debt	<u>90.8</u>	<u>88.2</u>
Total short-term liabilities	5,995.1	5,004.8
Long-term liabilities		
Obligations under capital leases	1.2	1.2
Long-term debt	<u>167.8</u>	<u>146.6</u>
Total long-term liabilities	<u>169.0</u>	<u>147.8</u>
Total liabilities	6,164.2	5,152.6
Equity	<u>447.9</u>	<u>380.7</u>
Total liabilities and equity⁴	6,612.0	5,533.3

1. Details may not sum to totals because of rounding.

2. The imputed reserve requirement on clearing balances and investment in marketable securities reflect the Federal Reserve's treatment of clearing balances maintained on deposit with Reserve Banks by depository institutions. For presentation of the balance sheet and the income statement, clearing balances are reported in a manner comparable to the way correspondent banks report compensating balances held with them by respondent institutions. That is, respondent balances held with a correspondent are subject to a reserve requirement established by the Federal Reserve. This reserve requirement must be satisfied with either vault cash or with nonearning balances maintained at a Reserve Bank. Following this model, clearing balances maintained with Reserve Banks for priced service purposes are subjected to imputed reserve requirements. Therefore, a portion of the clearing balances held with the Federal Reserve is classified on the asset side of the balance sheet as required reserves and is reflected in a manner similar to vault cash and due from bank balances normally shown on a correspondent bank's balance sheet. The remainder of clearing balances is assumed to be available for investment. For these purposes, the Federal Reserve assumes that all such balances are invested in three-month Treasury bills.

The account "items in the process of collection" (CIPC) represents the gross amount of Federal Reserve CIPC as of the balance sheet date, stated on a basis comparable with a commercial bank. Adjustments have been made for intra-System items that would otherwise be double-counted on a consolidated Federal Reserve balance sheet; items associated with nonpriced items, such as items

collected for government agencies; and items associated with providing fixed availability or credit prior to receipt and processing of items. The cost base for providing services that must be recovered under the Monetary Control Act includes the cost of float (the difference between the value of gross CIPC and the value of deferred availability items) incurred by the Federal Reserve during the period, valued at the federal funds rate. The amount of float, or net CIPC, represents the portion of gross CIPC that involves a financing cost.

3. Long-term assets on the balance sheet have been allocated to priced services with the direct determination method, which uses the Federal Reserve's Planning and Control System (PACS) to ascertain directly the value of assets used solely in priced services operations and to apportion the value of jointly used assets between priced services and nonpriced services. Also, long-term assets include an estimate of the assets of the Board of Governors directly involved in the development of priced services.

Long-term assets include amounts for capital leases and leasehold improvements and for prepaid pension costs associated with priced services. Effective January 1, 1987, the Federal Reserve Banks implemented Financial Accounting Standards Board Statement No. 87, Employer's Accounting for Pensions.

4. A matched-book capital structure has been used for those assets that are not "self-financing" in determining liability and equity amounts. Short-term assets are financed with short-term debt. Long-term assets are financed with long-term debt and equity in a proportion equal to the ratio of long-term debt to equity for the bank holding companies used in the model for the private sector adjustment factor (PSAF).

4.32 Pro forma income statement for priced services of the Federal Reserve System¹

Millions of dollars

Item	Quarters ending September 30	
	1991	1990
Income services provided to depository institutions ²	184.8	180.2
Production expenses ³	149.3	141.1
Income from operations	35.5	39.1
Imputed costs ⁴		
Interest on float	3.9	7.5
Interest on debt	4.8	4.2
Sales taxes	2.2	2.2
FDIC insurance	2.8	1.2
Income from operations after imputed costs	21.8	24.0
Other income and expenses ⁵		
Investment income	46.2	38.5
Earnings credits	44.9	36.1
Income before income taxes	23.0	26.5
Imputed income taxes ⁶	7.0	7.4
Net income	16.0	19.1
MEMO		
Targeted return on equity ⁶	8.1	8.4
Item	Nine months ending September 30	
	1991	1990
Income services provided to depository institutions ²	550.2	544.8
Production expenses ³	451.5	433.2
Income from operations	98.8	111.5
Imputed costs ⁴		
Interest on float	13.1	22.5
Interest on debt	14.4	12.6
Sales taxes	7.1	6.2
FDIC insurance	7.2	3.8
Income from operations after imputed costs	57.0	66.5
Other income and expenses ⁵		
Investment income	131.6	116.7
Earnings credits	119.8	104.9
Income before income taxes	68.7	78.4
Imputed income taxes ⁶	21.0	21.8
Net income	47.8	56.6
MEMO		
Targeted return on equity ⁶	24.3	25.2

1. The income statement reflects income and expenses for priced services. Included in these amounts are the imputed costs of float, imputed financing costs, and the income related to clearing balances.

Details may not add to totals because of rounding.

2. Income represents charges to depository institutions for priced services. This income is realized through one of two methods: direct charges to an institution's account or charges against accumulated earnings credits. Income includes charges for per-item fees, fixed fees, package fees, explicitly priced float, account maintenance fees, shipping and insurance fees, and surcharges.

3. Production expenses include direct, indirect, and other general administrative expenses of the Federal Reserve Banks for providing priced services. Also included are the expenses of staff members of the Board of Governors working directly on the development of priced services, which amounted to \$0.5 million and \$0.4 million in the third quarter for 1991 and 1990, respectively and \$1.5 and \$1.3 million in the first nine months for 1991 and 1990, respectively.

4. Imputed float costs represent the value of float to be recovered, either explicitly or through per-item fees, during the period. Float costs include those for checks, book-entry securities, noncash collection, ACH, and wire transfers.

The following table depicts the daily average recovery of float by the Federal Reserve Banks for the third quarter of 1991. In the table, unrecovered float includes that generated by services to government agencies or by other central bank services.

Float recovered through income on clearing balances represents increased investable clearing balances as a result of reducing imputed reserve requirements through the use of a deduction for float for cash items in process of collection when calculating the reserve requirement. This income then reduces the float required to be recovered through other means.

As of adjustments and direct charges refer to midweek closing float and interterritory check float, which may be recovered from depositing institutions through adjustments to the institution's reserve or clearing balance or by valuing the float at the federal funds rate and billing the institution directly.

Float recovered through per-item fees is valued at the federal funds rate and has been added to the cost base subject to recovery in the third quarter of 1991.

Total float	426.3
Unrecovered float	6.4
Float subject to recovery	419.9
Sources of float recovery	
Income on clearing balances	49.8
As of adjustments	150.1
Direct charges	158.4
Per-item fees	61.6

Also included in imputed costs is the interest on debt assumed necessary to finance priced-service assets and the sales taxes and FDIC insurance assessment that the Federal Reserve would have paid had it been a private-sector firm.

Because of a change in the methodology for imputing PSAF costs approved in 1989, FDIC insurance is now calculated on the basis of actual clearing balances and credits that are deferred to depository institutions. Previously, the assessment was calculated on the basis of available funds.

5. Other income and expenses consist of income on clearing balances and the cost of earnings credits granted to depository institutions on their clearing balances. Income on clearing balances represents the average coupon-equivalent yield on three-month Treasury bills applied to the total clearing balance maintained, adjusted for the effect of reserve requirements on clearing balances. Expenses for earnings credits are derived by applying the average federal funds rate to the required portion of the clearing balances, adjusted for the net effect of reserve requirements on clearing balances.

6. Imputed income taxes are calculated at the effective tax rate derived from a model consisting of the 50 largest bank holding companies. The targeted return on equity represents the after-tax rate of return on equity that the Federal Reserve would have earned had it been a private business firm, based on the bank holding company model.

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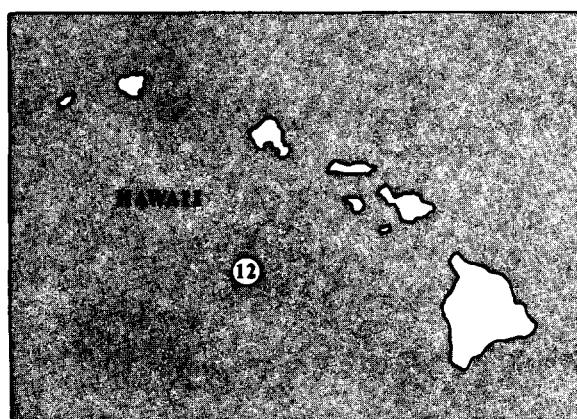
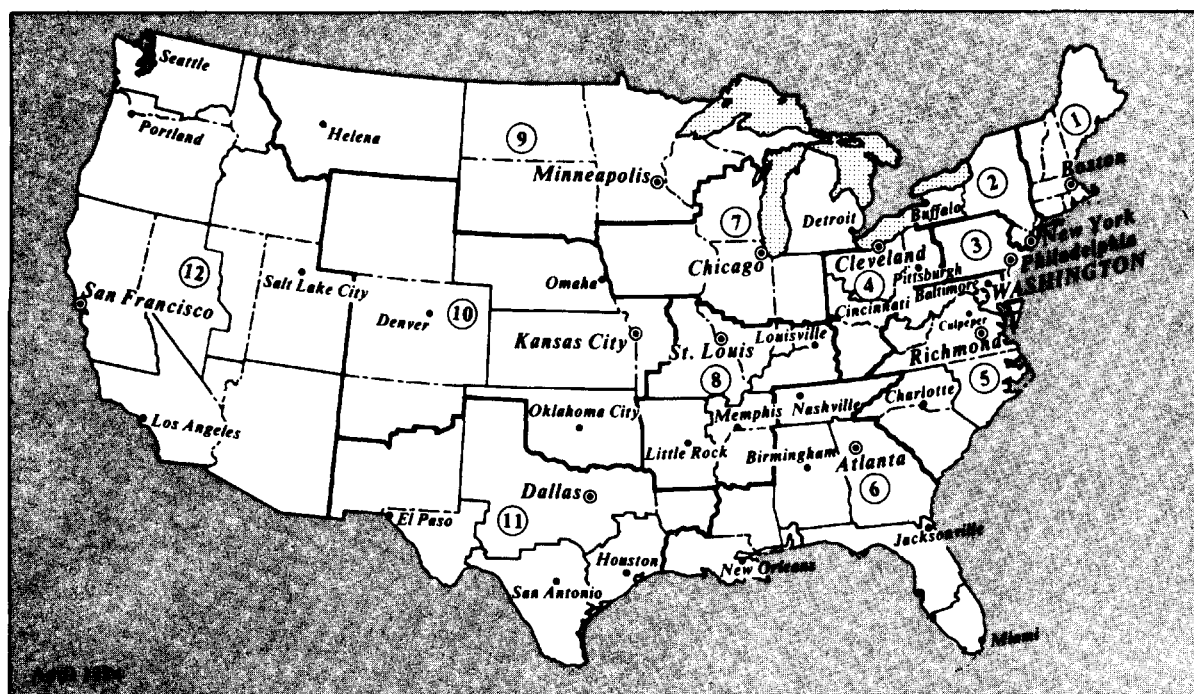
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