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Table of Contents

House Committee on the Judiciary, March 4, 1999)

310 Oliver Ireland, Associate General Counsel, Board of Governors, presents the views of the Board on title X, Financial Contract Provisions, of H.R. 833, the proposed Bankruptcy Reform Act of 1999, and testifies that many of the provisions of the legislation incorporate, or are based on, recommendations of the President's Working Group on Financial Markets and that the Board supports enactment of these provisions. He further states that enactment of these provisions would reduce uncertainty for market participants as to the disposition of their financial market contracts if one of the parties becomes insolvent; this reduced uncertainty should limit risk to federally supervised financial market participants, including insured depository institutions, and limit systemic risk. (Testimony before the Subcommittee on Commercial and Administrative Law of the House Committee on the Judiciary, March 18, 1999)

312 Laurence H. Meyer, member, Board of Governors, discusses the Federal Reserve's supervisory actions in the aftermath of the near collapse of LTCM; he testifies that although market discipline may not have worked in preventing the LTCM event in the first place, the marketplace has reacted appropriately, and we have learned much to carry us forward. Further, Governor Meyer states that even more work needs to be done to ensure that the lessons we have learned over the past two years become engrained in standard practice and to ensure that effective market discipline is brought to bear on the risk-taking of hedge funds and other entities that make use of significant financial leverage. (Testimony before the Subcommittee on Financial Institutions and Consumer Credit of the House Committee on Banking and Financial Services, March 24, 1999)

318 President McDonough discusses the work done by banking supervisors in assessing where banks have been deficient in their dealings with hedge funds and other highly leveraged institutions (HLIs), which has resulted in the issuance of supervisory guidance, both internationally and in the United States, with the aim of improving banks' policies and practices regarding HLIs. He discusses the findings and report of the Basle Committee on Banking Supervision and states that the committee found that banks did not obtain sufficient financial information to allow for a full assessment of how much and what types of risk had been assumed by large HLIs and that banks did not sufficiently understand the ability of HLIs to manage their risks. He further notes that banks generally tightened the credit-risk-management standards for their HLI exposures after the near collapse of LTCM. (Testimony before the Subcommittee on Financial Institutions and Consumer Credit of the House Committee on Banking and Financial Services, March 24, 1999)

322 Edward M. Gramlich, member, Board of Governors, discusses the views of the Board on currency collateral, financial netting, and consumer issues raised by the Conference Report on the Bankruptcy Reform Act of 1998 and says that the Board strongly supports the provisions of the report that relate to the Federal Reserve's collateral requirements and the financial contract provisions of title X of the report. Regarding the currency collateral requirements, Governor Gramlich testifies that the proposed legislation in the report would authorize the Federal Reserve to collateralize the currency with *all* types of discount window loans and thus assures collateralization of the currency while conducting monetary policy and making any and all discount window loans that are appropriate. Regarding financial netting, Governor Gramlich testifies that the ability to terminate or close out and net contracts and to realize collateral pledged in connection with these contracts is vital and that enactment of the provisions of title X of the report would reduce uncertainty. Concerning the consumer provision, Governor Gramlich states that the Board would like to propose certain technical amendments. (Testimony before the Senate Committee on Banking, Housing, and Urban Affairs, March 25, 1999)

325 The Board of Governors in written testimony discusses the new financial technology and testifies that two things are clear: First, trying to regulate limits to technology by law or regulation before we are certain of its future uses and implications would clearly unleash the law of unintended consequences, as institutions and markets shift geographically or develop new techniques not anticipated by the rule-creators. Second, technological change makes it ever more important that the *process* of risk measurement and control keeps up with the marketplace; bank supervision, for example, is increasingly

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U.S. International Transactions in 1998

Kathryn A. Morisse, of the Board's Division of International Finance, prepared this article. Nancy E. Baer provided research assistance.

U.S. external deficits widened substantially in 1998 because of the disparity between the rapid pace of U.S. economic growth and sluggish growth abroad and also because of the decline in the price competitiveness of U.S. goods associated with the appreciation of the dollar. The nominal current account deficit reached $233 billion in 1998, compared with $155 billion in 1997; the 1998 deficit was 2.7 percent of U.S. gross domestic product, the largest share since 1987.

Most of the widening in the deficit was in trade in goods and services (table 1). The financial crises in Asia that emerged in the second half of 1997 caused U.S. exports to drop sharply in the first half of 1998. Robust U.S. domestic demand was largely responsible for the brisk rise in imports during the year. Net investment income was negative in 1998 for the second consecutive year; these were the first negatives recorded since 1914. Cumulative deficits in the current account, and the associated capital inflows that have persisted since 1982, have resulted in payments of income on foreign investment in the United States growing more rapidly than receipts of income on U.S. investments abroad.

The large U.S. current account deficit last year was financed entirely by net capital inflows from private sources. Official capital flows, which registered modest inflows in 1997, turned to moderate outflows on balance last year as the financial turmoil in the third quarter caused many countries to draw down their official reserves.

Major Economic Influences on U.S. International Transactions

Developments in U.S. current and capital account transactions in 1998 were shaped by a wide variety of factors: financial crises in emerging markets, the resulting sluggishness of economic activity in emerging markets and elsewhere, the effects of persistent problems in Japan, the robust expansion of the U.S. economy, and the appreciation of the dollar.

Financial Crises in Emerging Markets

Developments in international financial markets continued to be dominated by the unfolding crises in emerging markets that had begun in Thailand in 1997. Turbulence in Asian financial markets spread to other emerging markets around the globe—from Korea, Indonesia, and other countries in Asia during 1997 and the first part of 1998, then to Russia last summer, and shortly thereafter to Latin America, particularly Brazil.

At the beginning of the year, various Asian currencies were under pressure. The Indonesian rupiah

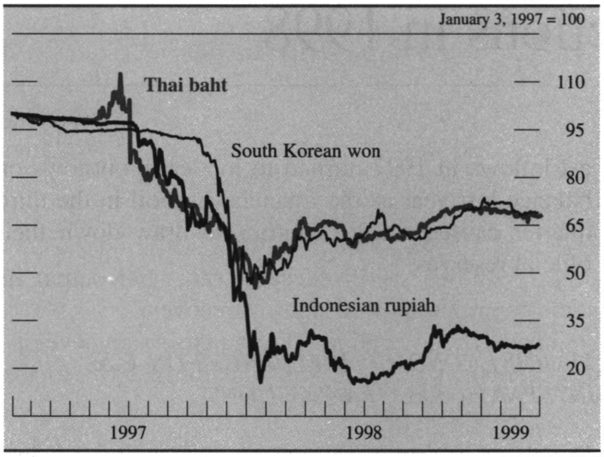
1. U.S. international transactions in 1994–98
Billions of dollars except as noted

Item	1994	1995	1996	1997	1998	Change, 1997 to 1998
Trade in goods and services, net	−101	−100	−109	−110	−169	−59
Investment income, net	17	19	14	−5	−22	−17
Unilateral transfers, net	−39	−35	−41	−40	−42	−2
Current account balance	**−124**	**−115**	**−135**	**−155**	**−233**	**−78**
Official capital, net	45	99	133	15	−30	−45
Private capital, net	89	39	61	240	267	27
Statistical discrepancy	−10	−23	−60	−100	−4	96
MEMO						
Current account as percentage of GDP	−1.8	−1.6	−1.8	−1.9	−2.7	. . .

NOTE. In this and the tables that follow, components may not sum to totals because of rounding.
. . . Not applicable.

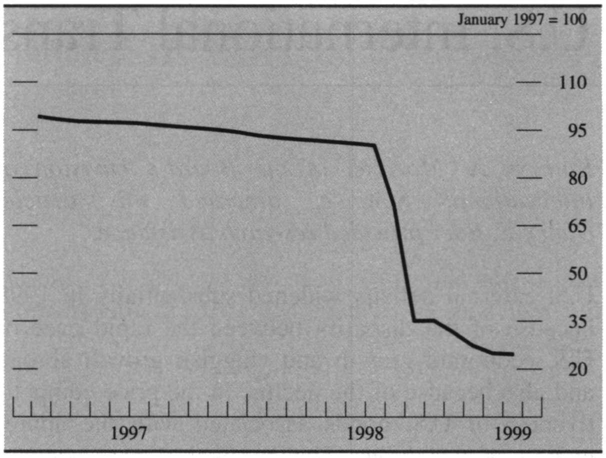
SOURCE. U.S. Department of Commerce, Bureau of Economic Analysis, U.S. international transactions accounts.

1. U.S. dollar exchange rates for selected currencies in Asia, 1997–March 1999



NOTE. U.S. dollars per unit of foreign currency. The data are daily.

2. U.S. dollar exchange rate for the Russian ruble, 1997–February 1999



NOTE. U.S. dollars per ruble. The data are monthly.

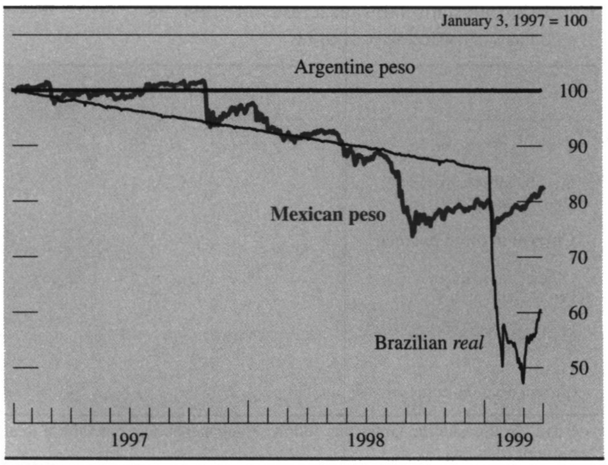
dropped sharply in response to several factors, including rising political unrest that led ultimately to the resignation of President Suharto. Although the rupiah recovered substantially in the second half of the year, it depreciated 35 percent against the dollar between December 1997 and December 1998 (chart 1). In contrast, the Thai baht and Korean won, which had declined sharply in 1997, gained more than 20 percent against the dollar over the course of 1998; policy reforms and stable political environments helped boost these currencies. Between these extremes, the currencies of the Philippines, Malaysia, Singapore, and Taiwan fluctuated in a narrower range and ended the year little changed against the dollar. The Hong Kong dollar came under pressure at times during the year, but its peg to the U.S. dollar remained intact at the cost of interest rates that were at times quite high. Short-term interest rates in Asian economies other than Indonesia declined in 1998; as some stability returned to Indonesian markets near the end of the year, short-term rates in that nation began to retreat from their highs.

As the financial storm moved to Russia (chart 2), the Russian central bank was able to defend the ruble's peg only temporarily. Faced with deep structural and political problems leading to a severe erosion in investor confidence, Russia on August 17 announced a devaluation of the ruble and a moratorium on servicing official short-term debt. Within a few days the new rate was abandoned, and the ruble fell more than 70 percent against dollar by the end of the year. The government imposed conditions on most of its foreign and domestic debt that implied substantial losses for creditors, and many Russian financial institutions became insolvent. The events in Russia precipitated an increase in global financial market turbulence.

Latin American financial markets were only moderately disrupted by the Asian and Russian problems during the first half of 1998. Their reaction to the Russian default, however, was swift and strong, and the prices of Latin American assets fell precipitously. Brazil experienced a sharp acceleration of capital outflows. The Mexican peso, which was also weakened by the effects of falling oil prices, depreciated 18 percent against the dollar over the year (chart 3). Argentina's currency board arrangement came under pressure but withstood it successfully.

Shortly after details of an IMF-led financial assistance package for Brazil were announced in November 1998, Brazil's Congress rejected a part of the

3. U.S. dollar exchange rates for selected currencies in Latin America, 1997–March 1999



NOTE. U.S. dollars per unit of foreign currency. The data are daily.

government's fiscal austerity plan, sparking additional financial turmoil. As the year ended, the continuing pressure from capital seeking to leave Brazil left much uncertainty about the long-run viability of the crawling exchange rate peg. Brazil's central bank defended the *real*'s crawling peg until mid-January 1999 but in the process is estimated to have used more than half of the $75 billion in foreign exchange reserves it had amassed as of last April. On January 13 the *real* was devalued 8 percent. Two days later it was allowed to float, and by the end of March the *real* was 30 percent below its pre-devaluation level.

Economic Activity Abroad

The fallout from the financial crises triggered declines in output in various countries, with the largest declines coming in emerging markets (table 2). The Asian crises also contributed to a deepening recession in Japan last year, and as the year progressed, growth in several other major foreign industrial economies slowed as well.

Developments in Emerging Markets

In the countries most heavily affected in Asia—Thailand, Korea, Malaysia and Indonesia—output dropped at double-digit annual rates in the first half of the year as credit disruptions, some tightening of macroeconomic policies, and widespread failures in the financial and corporate sectors created a high degree of economic uncertainty. Output in Hong Kong also dropped in early 1998, as interest rates rose sharply amid pressure on its currency peg. The Asian crisis had a relatively modest impact on China. Chinese growth remained fairly strong throughout 1998, despite a dramatic slowdown in exports. Later in the year, financial conditions in most of the Asian crisis countries stabilized somewhat, and output in some countries showed signs of recovery.

On average, overall inflation in the Asian developing economies rose only moderately in 1998, as the inflationary impacts of currency depreciations in the region were largely offset by the deflationary influence of very weak domestic activity. The current account balances of the Asian crisis countries swung into substantial surplus in 1998: Imports dropped sharply in response both to the fall-off in domestic demand and to the improvement in the countries' competitive positions associated with the substantial depreciations of their currencies in late 1997 and early 1998.

In Russia, the fall in economic activity accelerated after the August debt moratorium and ruble devaluation, and by the end of the year output was about 10 percent below levels of a year earlier. The collapse of the ruble and the monetary expansion to finance Russia's budget deficit led to a surge in inflation to triple-digit rates during the latter part of the year.

2. Change in real GDP in the United States and abroad, 1996–98

Percent, annual rate

Country	1996	1997	1998	Half years		
				1997:H2	1998:H1	1998:H2
United States	**3.9**	**3.8**	**4.2**	**3.6**	**3.7**	**4.8**
Total foreign[1]	**4.1**	**4.1**	**.5**	**3.2**	**–.1**	**1.1**
Asian emerging markets[2]	7.0	5.1	–2.8	2.7	–6.9	1.4
Thailand	3.8	–3.8	–8.4	–6.7	–15.0	–1.4
Korea	7.0	3.7	–5.3	.2	–13.3	3.4
Malaysia	10.4	6.8	–10.1	6.5	–18.6	–.6
Indonesia	10.2	2.3	–19.6	2.9	–25.3	–13.4
Hong Kong	5.7	2.8	–5.7	–1.7	–8.4	–2.9
China	9.4	7.9	9.2	6.8	6.9	11.6
Latin America[3]	6.4	6.3	.9	4.4	3.1	–1.2
Mexico	7.5	7.2	2.9	4.8	3.8	1.9
Brazil	5.0	2.0	–1.9	.2	2.7	–6.2
Argentina	9.4	8.5	–0.5	9.5	5.1	–5.8
Venezuela	.9	5.5	–8.2	1.2	2.2	–17.6
Japan	5.1	–.8	–3.0	.2	–3.8	–2.2
Canada	1.7	4.4	2.8	3.6	2.4	3.1
Western Europe	2.4	3.8	2.4	3.5	2.8	1.9

NOTE. Aggregate measures are weighted by moving bilateral shares in U.S. exports of nonagricultural merchandise. Annual data are four-quarter changes. Half-yearly data are calculated as Q4/Q2 or Q2/Q4 changes at an annual rate. The data are partly estimated.

1. Selected regions and countries are shown below.

2. Weighted average of China, Hong Kong, Indonesia, Korea, Malaysia, Philippines, Singapore, Taiwan, and Thailand.

3. Weighted average of Mexico, Argentina, Brazil, Chile, Colombia, and Venezuela.

SOURCE. Various national sources.

In Latin America, the pace of activity slowed only moderately in the first half of 1998, when the spillover from the Asian financial turbulence was limited (table 2). In contrast, the Russian financial crisis in August had a strong effect on real activity in Latin America. The effect was particularly strong in Brazil, where interest rates moved sharply higher in response to exchange rate pressures and domestic demand weakened significantly. Output in Argentina declined in the second half of 1998, and activity in Mexico and Venezuela was depressed by lower oil export revenues as well as by turbulence in international financial markets. Inflation rates in Latin American countries changed little in 1998.

Developments in Japan

Japanese economic activity contracted in 1998 as Japan remained in its most protracted recession of the postwar era (table 2). The plunge in business and residential investment and stagnating private consumption more than offset positive contributions from government spending and net exports. Core consumer prices in Japan were down slightly in 1998 on a fourth-quarter to fourth-quarter basis, and wholesale prices plunged 3½ percent. In an effort to revive the economy, the Japanese government in April announced a large fiscal stimulus package that included temporary tax cuts and substantial increases in public works expenditures. A second sizable set of fiscal stimulus measures was announced in late 1998 and is slated for implementation during 1999. In September the Bank of Japan cut its target for the overnight call-money rate from 0.5 percent to a low of 0.25 percent in an effort to offset deflationary pressures and to support economic activity. The rate was cut again, to near zero, by March 1999.

Developments in Other Foreign Industrial Countries

In the euro area, domestic demand strengthened moderately on balance over the year; employment rose and euro-area interest rates declined as the date for monetary union approached. Net exports weakened, however, in part because of the turmoil in emerging markets, and as a result, total output in the euro area slowed.

Output in the United Kingdom decelerated sharply as the effects of earlier monetary tightening registered on domestic demand and as exports slowed in response to the strength in sterling. Growth in Canada also fell back from its robust pace in 1997 as domestic demand responded to interest rates hikes aimed at blunting downward pressure on the Canadian dollar. Exports slowed despite support from strong U.S. demand and a weaker Canadian dollar because demand for Canada's commodity exports was diminished by the Asian crisis, but imports decelerated even more sharply, and thus net exports made a positive contribution to overall Canadian growth.

Consumer price inflation continued to slow in the euro area—twelve-month inflation fell to below 1 percent. In the United Kingdom, inflation slowed to near the government's target rate of 2½ percent. Canadian inflation remained low, just above 1 percent, despite significant currency depreciation.

The beginning of 1999 brought the birth of the euro, which marked the start of Stage Three of European Economic and Monetary Union (EMU). On December 31, 1998, the conversion rates between the euro and the eleven legacy currencies were determined. Based on these rates, the value of the euro at the moment of its inception was $1.16675. After initially holding firm, the euro depreciated against the dollar through much of the first quarter as economic prospects in several key European countries appeared to soften.

U.S. Economic Growth

The U.S. economy grew at a vigorous pace in 1998 (table 2) and appears to have continued to be robust into the first quarter of 1999. Exceptional strength in the real expenditures of households and businesses reflected strong real income growth, large gains in the value of household wealth, ready access to finance during most of 1998, and widespread optimism regarding the future of the economy. Inflation remained subdued in 1998, and the increase in the general price level was smaller than in the previous year. The slowing of price increases was in large part a reflection of sluggish conditions in the world economy, which brought declines in prices of a wide range of imported goods, including oil and other primary commodities. In the domestic economy, nominal hourly compensation of workers picked up only slightly despite the tightness of the labor market, and much of the compensation increase was offset by gains in labor productivity. As a result, unit labor costs, the most important item in total business costs, rose only moderately.

Exchange Value of the Dollar

The dollar's value, measured on a trade-weighted basis, rose almost 7 percent during the first eight months of 1998 and then fell, reaching a level by

December less than 2 percent above its year-earlier level (chart 4).[1] The dollar's moves against the yen were particularly large, rising more than 10 percent in the first half of the year only to fall sharply in the second half, ending the year down about 10 percent from its year-earlier level. The dollar moved less against other major currencies, ending the year down 6 percent against the mark and up 8 percent against the Canadian dollar.

Before the Russian default, the dollar was supported by the robust pace of U.S. economic activity, which at times generated expectations that monetary policy would be tightened, and was in contrast to signs of weakening economic activity abroad, especially in Japan. Occasionally, however, the positive influence of the strong economy was countered by worries about the growing U.S. external deficits. The dollar fell sharply from August to October under pressure from the aftermath of the Russian financial meltdown, concerns that increased difficulties in Latin America might affect the U.S. economy disproportionately, and expectations of lower U.S. interest rates. The broad index of the dollar's exchange value eased a bit further during the fourth quarter of 1998. Between December and March 1999, the dollar gained nearly 3 percent in terms of the broad index.

1. The broad index of the dollar's foreign exchange value includes the currencies of important U.S. trading partners. Currencies of all foreign countries or regions that had a share of U.S. non-oil imports or nonagricultural exports of at least ½ percent in 1997 are included in the index. The broad index included thirty-five currencies until the beginning of Stage Three of European Economic and Monetary Union, on January 1, 1999, when the euro replaced the ten euro-area currencies. The broad index now has twenty-six currencies. A more complete description of the index may be found in Michael P. Leahy, "New Summary Measures of the Foreign Exchange Value of the Dollar," *Federal Reserve Bulletin,* vol. 84 (October 1998), pp. 811–18.

Prices of Internationally Traded Goods

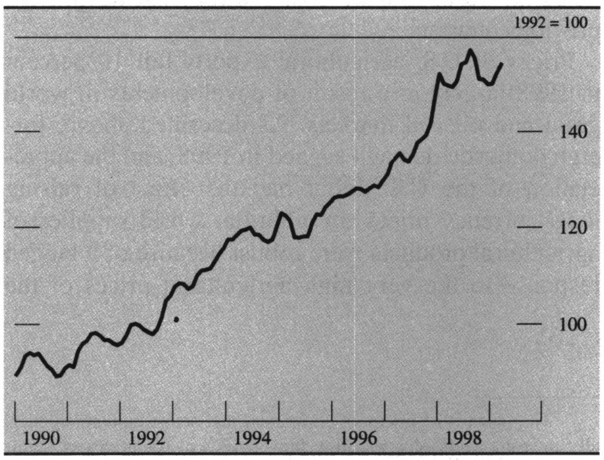
The combination of all these events abroad had a depressing effect on prices of internationally traded goods in 1998, particularly oil and other industrial materials and supplies.

Primary Commodities

Oil prices dropped significantly during 1998 to levels not seen since the price collapse of 1986 (chart 5). The average spot price for West Texas intermediate, the U.S. benchmark crude, fell from $19.91 per barrel in the fourth quarter of 1997 to $12.87 per barrel in the fourth quarter of 1998, a 35 percent decline. The price of imported oil dropped 36 percent over the same period. Overall, the fall in the price of petroleum-based energy products is estimated to have held down U.S. CPI inflation in 1998 by ½ percentage point.

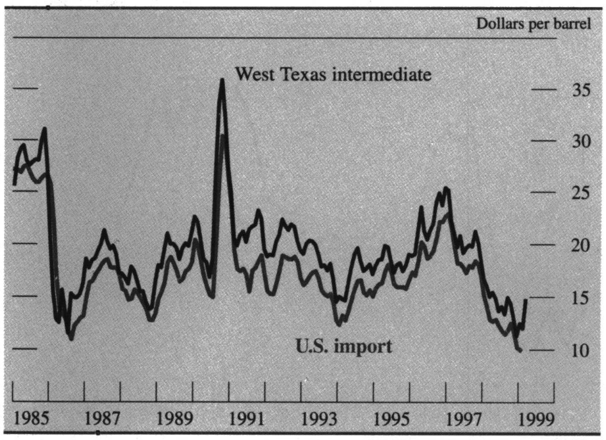
Several factors were responsible for the slump in oil prices. Economic turmoil and recession led to a dramatic contraction in Asian oil consumption. Demand was further depressed by the unusually warm (El Niño) winter of 1997–98. Overall, global oil consumption increased ½ percent in 1998, in stark contrast to 1997's strong growth of 2½ percent. On the supply side, OPEC, after making an untimely decision to raise quotas in late 1997, increased production just as demand was weakening. Moreover,

4. Broad index of the U.S. dollar's foreign exchange value, 1990–March 1999



NOTE. See text note 1 for a description of the broad index. The data are monthly.

5. Oil prices, 1985–March 1999



NOTE. The data are monthly.
SOURCE. *Petroleum Intelligence Weekly,* various issues, and U.S. Department of Commerce, Bureau of Economic Analysis.

1998 saw the return of substantial exports from Iraq as production there increased nearly 1 million barrels per day from 1997 levels. Over most of the year, OPEC and non-OPEC producers attempted to curtail production in an effort to support prices. Major producers, led by Saudi Arabia, Mexico, and Venezuela, agreed to restrict production in March and again in June, but a combination of weak demand, increasing production by Iraq, and a high level of stocks prevented any substantial firming of prices.

Prices of world non-oil primary commodities fell 13 percent in over the four quarters of 1998 (chart 6). The financial crises in Asia, Russia, and Latin America, and resulting economic slowdowns, sharply reduced demand for primary commodities. In addition, the appreciation of the dollar—which raises the local-currency price of goods traded in dollars—further reduced foreign demand and encouraged foreign producers to turn their attention from their sagging domestic markets to export markets.[2] The world supply of many commodities also was robust because producers had boosted production levels in response to the high prices recorded in the mid-1990s. These supply responses were widespread across commodities and were especially large for agricultural products, such as grains, oilseeds, and coffee.

Prices of U.S. Non-Oil Imports and Exports

Overall, U.S. non-oil import prices declined 3¾ percent in 1998 (table 3). When prices of computers and semiconductors are excluded, the import price declines were smaller, 2 percent, but still showed a larger drop than in previous years.[3] Much of the weakness in prices of these imported goods in 1998 was attributable to industrial supplies whose prices dropped sharply in 1998 compared with an almost zero change in price in the previous year. In contrast, prices of other categories of imported goods, such as automotive products, consumer goods, and other capital equipment (excluding computers and semiconductors) declined at rates of 1½ percent or less in 1998, little different from rates recorded in 1997.

The rate of decline in the non-oil import price index slowed noticeably at the end of 1998. For many major categories of trade, with the notable exception of industrial supplies, prices of imports swung to small increases in the fourth quarter from declines in previous quarters.

Prices of U.S. agricultural exports fell 10 percent in 1998 largely as a result of developments in world grain and oilseed markets. As described above, foreign domestic demand sagged in 1998, and the appreciation of the U.S. dollar had the effect of raising local-currency prices. In addition, world supplies of agricultural products were robust because of a lagged response to the very high agricultural prices of the

3. Change in prices of U.S. goods imports and exports
Percent, fourth quarter to fourth quarter

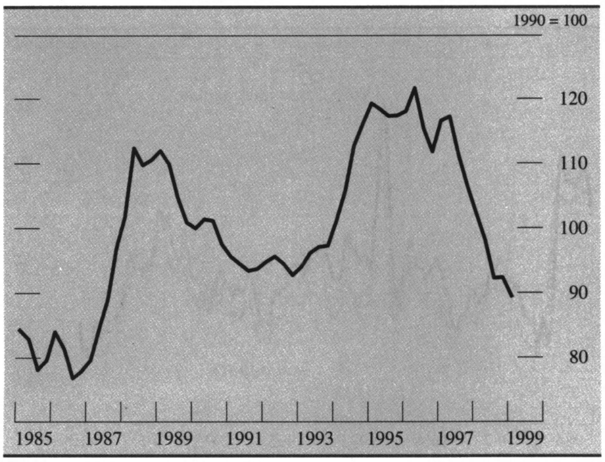
Item	1996	1997	1998
Total goods imports	**−2.9**	**−4.3**	**−6.1**
Oil	38.8	−20.2	−35.9
Non-oil	−6.1	−2.5	−3.7
Computers, peripherals, and parts	−18.9	−13.4	−17.8
Semiconductors	−53.3	−14.9	−8.2
Other goods	−.6	−.7	−2.1
MEMO			
Industrial supplies	−2.8	−.1	−6.7
Total goods exports	**−4.7**	**−2.2**	**−3.5**
Agricultural products	−2.6	−3.2	−9.8
Nonagricultural goods	−5.0	−2.1	−2.9
Computers, peripherals, and parts	−26.6	−19.6	−12.0
Semiconductors	−33.1	−13.3	−5.4
Other goods	−0.1	.5	−1.9
MEMO			
Industrial supplies	−2.8	−0.5	−7.3

SOURCE. U.S. Department of Commerce, Bureau of Economic Analysis, national income and product accounts; chain-weighted indexes; and Federal Reserve Board.

2. This pattern also applied to steel.

3. The indexes of prices of computers and semiconductors generally measure units of computing power. Except for prices of semiconductors, which rose somewhat in the fourth quarter, these price indexes continued to drop at notable rates in 1998.

6. Prices of world non-oil primary commodities, 1985–March 1999



NOTE. The data are quarterly.
SOURCE. International Monetary Fund, *International Financial Statistics*, index of non-oil commodity prices.

mid-1990s. While much of production gains worldwide reflected a return to trend-level yields, part of the rebound can be attributed to an increase in the amount of land devoted to these crops. These worldwide production increases brought prices back to near their average levels in the early 1990s.

Prices of nonagricultural exports declined 3 percent in 1998. When computers and semiconductors are excluded, the decrease in the index for export prices was smaller but still showed a drop in prices compared with earlier years. In 1998, a sharp decline in prices of exported industrial supplies contrasted with smaller price changes for other exported goods. Price *increases* of 1 percent or less were recorded for exported aircraft and automotive products. Price *declines* of ½ percent or less were recorded for exported consumer goods and machinery (other than computers and semiconductors).

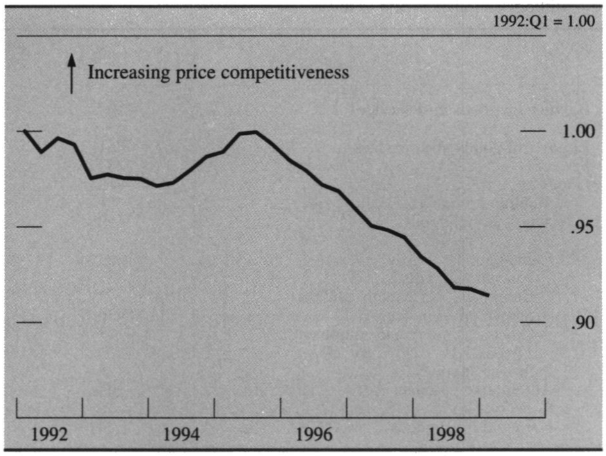
International Price Competitiveness of U.S. Goods

The major factor contributing to gains and losses in U.S. international price competitiveness has been movements in exchange rates. From the fourth quarter of 1996 through third quarter of 1998, the dollar appreciated sharply in real terms—17 percent—on a broad weighted-average basis. In the fourth quarter of 1998, the real dollar reversed some of that movement before turning up again in the first quarter of 1999. Over the same period, the price competitiveness of U.S. goods weakened steadily. Prices of U.S. imported goods measured in dollars relative to U.S. domestic prices declined in 1998 for the third consecutive year (chart 7). Similarly, U.S. goods lost competitiveness in foreign markets. Overall, the sagging price competitiveness of U.S. goods tended to hold down the expansion of exports and support the expansion of imports.

Developments in U.S. Trade in Goods and Services

In 1998 the U.S. trade deficit in goods and services was substantially larger than in 1997 (table 4). The steep decline in the external balance reflected the effects of anemic economic growth abroad on average, robust economic growth in the United States, and declining price competitiveness of U.S. goods as the dollar appreciated.

7. Price competitiveness of U.S. goods, 1992–March 1999



NOTE. The index is the ratio of the price of U.S. non-oil imports excluding computers and semiconductors to the U.S. GDP deflator. The data are quarterly.
SOURCE. U.S. Department of Commerce, Bureau of Economic Analysis; and Federal Reserve Board.

Exports

The value of exports of goods and services declined $6 billion in 1998 (table 4). Receipts for services rose marginally as increases in receipts from "other private services" (mostly business, professional, technical, and financial services) were nearly offset by declines in receipts from foreign travel to the United States, reduced sales of military equipment, and a drop in freight and port expenditures by foreigners. In contrast, exports of goods fell 1 percent, the first decrease recorded since 1985. Sharp declines in goods exports to emerging markets in Asia and Japan were only partly offset by increased shipments to Western Europe, Canada, and Mexico (table 5).

The value of exports to developing countries in Asia dropped 18 percent, with the sharpest declines recorded in the first quarter. More than three-fourths of U.S. exports to that region are capital goods and industrial supplies, sectors affected severely by the financial crises. Sharp declines were recorded in metals, chemicals, lumber and building materials, power generating equipments, industrial machinery, telecommunications equipment, semiconductors, automotive products, and consumer goods. Deliveries of civilian aircraft to these countries picked up strongly in the second half of the year as financing arrangements were completed for previously ordered planes.

U.S. exports to Japan declined 12 percent in 1998, with decreases in almost all major categories of trade. Particularly large declines were recorded in the value of exported building materials, other industrial supplies, machinery (especially computer accessories, peripherals and parts), automotive vehicles, and agri-

4. U.S. international trade in goods and services, 1996–98
Billions of dollars except as noted

Item	1996	1997	1998	Dollar change, 1997 to 1998	Percentage change, 1997 to 1998
Balance on goods and services	**–109**	**–110**	**–169**	**–59**	. . .
Exports of goods and services	**851**	**938**	**931**	**–6**	**–.7**
Services	239	258	260	2	.8
Goods	612	679	671	–8	–1.2
Agricultural products	61	58	53	–5	–9.1
Nonagricultural goods	550	621	618	–3	–.5
Capital goods	253	295	300	5	1.6
Aircraft and parts	31	41	54	12	29.5
Computers, peripherals, and parts	44	49	45	–4	–8.3
Semiconductors	36	39	38	–1	–2.8
Other machinery and equipment	143	166	163	–3	–1.7
Industrial supplies	138	148	138	–10	–6.4
Automotive products	65	74	73	–1	–1.8
Consumer goods	70	77	80	2	2.7
Food and other goods	24	26	28	2	6.2
Imports of goods and services	**959**	**1,048**	**1,101**	**53**	**5.0**
Services	156	171	182	11	6.5
Goods	803	877	919	42	4.8
Oil	73	72	51	–21	–28.7
Non-oil goods	731	806	868	62	7.7
Capital goods	229	254	270	16	6.4
Aircraft and parts	13	17	22	5	30.1
Computers, peripherals, and parts	62	70	73	2	3.3
Semiconductors	37	37	33	–4	–9.5
Other machinery and equipment	118	131	143	12	9.4
Industrial supplies	137	146	152	7	4.5
Automotive products	129	141	151	10	7.0
Consumer goods	171	193	216	23	11.8
Food and other goods	65	72	79	7	9.7

SOURCE. U.S. Department of Commerce, Bureau of Economic Analysis, U.S. international transactions accounts.

. . . Not applicable.

cultural products. On the other hand, exports of aircraft to Japan rose strongly.

In contrast, exports to Western Europe rose in 1998 as economic activity in Europe expanded moderately. Export growth was boosted by strong rates of expansion of aircraft, machinery (other than computers and semiconductors), automotive vehicles, and consumer goods. Similarly, exports to Canada rose in 1998 largely in response to the strength of Canadian domestic demand.

U.S. exports to Mexico expanded more than 10 percent in 1998, with increases spread over all major trade categories, despite a drag on domestic demand from the effects of lower oil prices and financial crises around the world. About 35 percent of U.S. exports to Mexico was machinery, 25 percent was industrial supplies, and automotive products and consumer goods each amounted to about 15 percent. Exports to Mexico account for 12 percent of all U.S. exports and just over half of U.S. exports to Latin America.

Exports to other countries in Latin America were about the same in 1998 as in 1997. Shipments to Brazil declined, as did exports to Chile and Colombia. U.S. shipments to Brazil amount to 2 percent of U.S. exports and are primarily capital goods and industrial supplies.

Although the quantity of exports of goods and services rose slightly for the year,[4] export growth was quite different between the first and second halves (table 6). In the first half of 1998, exports declined

5. U.S. exports of goods to its major trading partners, 1996–98
Billions of dollars

Importing region	1996	1997	1998	Change, 1997 to 1998
Total goods exports	**612**	**679**	**671**	**–8**
Asia	176	183	154	–29
Japan	66	65	57	–8
Other Asia[1]	110	118	97	–21
Latin America	109	134	142	8
Mexico	57	71	79	8
Other countries	52	63	64	0
Brazil	12	16	15	–1
Canada	135	152	157	5
Western Europe	138	153	160	7
All other[2]	54	57	59	2

1. Includes China, Hong Kong, Korea, Singapore, Taiwan, Indonesia, Philippines, Malaysia, and Thailand.
2. Includes Australia, New Zealand, Middle East, Eastern Europe, and Africa.
SOURCE. U.S. Department of Commerce, Bureau of Economic Analysis, U.S. international transactions accounts.

4. The value of exports of goods and services declined 1 percent in 1998 (Q4/Q4), prices declined 2 percent, and quantity rose 1 percent. This small increase in real exports in 1998 contrasts with growth of 10 percent in each of the previous two years.

6. Change in the quantity of U.S. exports, 1997–98

Percent, annual rate

Item	Half years		
	1997:H2	1998:H1	1998:H2
Exports of goods and services	**7**	**–5**	**8**
Services	1	0	–1
Goods[1]	10	–7	12
Agricultural products	20	–17	18
Industrial supplies	3	–6	1
Capital equipment	15	–9	22
Aircraft and parts	22	4	122
Computers, peripherals, and parts	13	–4	18
Semiconductors	14	–11	35
Other machinery and equipment	14	–13	–2
Automotive vehicles and parts	9	–11	4
Consumer goods	1	4	–1

NOTE. Quantities are measured in chained (1992) dollars.

1. Selected categories are shown below.

SOURCE. U.S. Department of Commerce, national income and product accounts.

5 percent at an annual rate, with much of the decline in agricultural products, machinery, automotive products, and industrial supplies. In the second half of the year, exports rebounded. Exports were boosted by a surge in deliveries of aircraft to developing countries in Asia and by a jump in exports of automotive parts to U.S. producers in Canada that reflected the strong demand for completed vehicles in the United States. Exports of computers and semiconductors both picked up in the second half of the year after declining in the first half.[5] Most important was the decline in other machinery, which slowed significantly in the second half of the year as the slide in economic activity abroad (particularly Asia) began to abate.

Imports

The value of imports of goods and services rose 5 percent over the four quarters of 1998, with increases recorded in all major trade categories except oil and semiconductors (table 4). Prices of imports declined 5 percent on average. Adjusted for changes in prices, imports of goods and services expanded 10 percent during 1998 in response to robust growth of U.S. domestic demand.

The quantity of imported oil grew 6 percent in 1998 (table 7), rising to 11.2 million barrels per day. Strong U.S. economic activity and low real oil prices kept consumption up while domestic production declined. Increased production in the Gulf of Mexico was insufficient to offset declines elsewhere. Small-scale production, from what are known as stripper wells, has been particularly hard hit by low oil prices. Despite the increased quantity of imports, the value of imported oil declined 29 percent in 1998, to $51 billion.

7. Change in the quantity of imports, 1996–98

Percent, annual rate

Item	1996	1997	1998
Imports of goods and services	**12**	**14**	**10**
Services	5	12	2
Goods	13	14	11
Oil	8	4	6
Non-oil[1]	14	15	11
Industrial supplies	12	8	8
Capital goods	19	24	11
Automotive vehicles and parts	9	9	16
Consumer goods	14	15	9
Foods	13	9	5

NOTE. Quantities are measured in chained (1992) dollars.

1. Selected categories are shown below.

SOURCE. U.S. Department of Commerce, national income and product accounts.

Real non-oil imports grew 11 percent in 1998 (table 7). An expansion in a broad range of goods was fueled by robust growth of U.S. domestic demand and was supported by declines in non-oil import prices. Reflecting the strength of spending by households and businesses in the United States, real imports of consumer goods and capital equipment (other than semiconductors) advanced steadily throughout the year, and imports of non-oil industrial supplies rose sharply through the third quarter before leveling off in the fourth quarter. The growth of automotive imports in 1998 reflected the buoyant picture for automotive sales in the United States. Although the strike against GM restrained imports of vehicles and parts from Canada and Mexico in the third quarter and boosted imports somewhat in the fourth quarter, an important part of the surge in automotive imports in 1998:Q4 reflected record vehicle sales in the United States in the closing months of the year.

The value of imported semiconductors, which declined during most of the year, was heavily influenced by the rapid price declines characteristic of the industry in recent years. U.S. domestic demand for semiconductors remained strong in 1998. Eighty-five percent of U.S. imports of semiconductors are from developing countries in Asia and Japan and generally are finished low-end products previously shipped to those countries from the United States for testing.

Payments to foreigners for services rose moderately in 1998, with increases in most service catego-

5. Nearly two-thirds of U.S. exports of semiconductors (generally high-end products, and often for further assembly) go to developing countries in Asia and Japan, as does nearly one-third of U.S. exports of computers, peripherals, and parts. Canada and Western Europe take more than one-fourth of U.S. exports of semiconductors and more than half of U.S. exports of computers.

ries but especially in travel (U.S. residents traveling abroad) and in other private services.

Developments in the Nontrade Current Account

The two major components of the current account other than trade in goods and services are net investment income and net unilateral transfers (table 8).

Investment Income

Net investment income is the difference between the amount that U.S. residents earn on their direct and portfolio investment abroad (receipts) and the amount that foreigners earn on their direct and portfolio investment in the United States (payments).[6] Until 1997, net investment income had helped offset persistent trade deficits. But as the U.S. net external debt has continued to rise rapidly in recent years, net investment income has become increasingly negative, moving from a $14 billion surplus in 1996 to a $22 billion deficit in 1998. Net portfolio income became more negative during 1998 as the portfolio liability position of the United States grew larger. In addition, net income from direct investment was reduced last year.

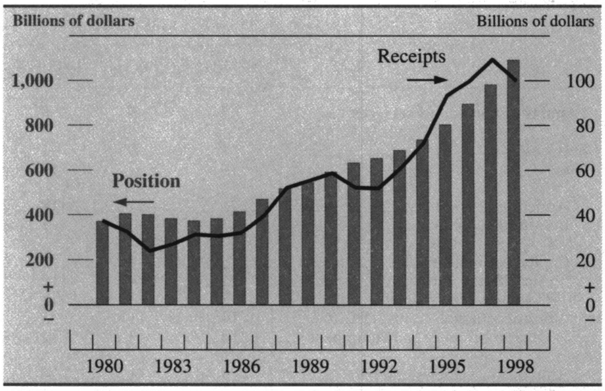
Direct Investment Income

Net direct investment income—the difference between direct investment receipts from U.S. direct investment abroad and U.S. payments on foreign direct investment in the United States—fell $9 billion in 1998, to $55 billion.

Receipts of income on U.S. direct investment abroad fell to $100 billion, declining about $9 billion because of slower economic growth abroad, lower petroleum prices, and in some cases, the appreciation of the dollar. Despite solid growth in income receipts from Western Europe, the overall performance showed weakness in all other geographic areas. Profits were down from 25 percent to 50 percent in areas directly affected by the Asian crisis: Japan, other Asian countries, and Australia; notable exceptions to this downward trend were Korea and Thailand where profits turned up. Operations in Canada and Latin America showed smaller but still significant profit declines of about 20 percent. On an industry basis, income from operations in petroleum, manufacturing, and commercial banking (depository institutions) were particularly hard hit; profits in the categories of "wholesale trade" and "finance, insurance and real estate" were above their 1997 levels.

Income receipts from direct investment abroad fell despite robust growth of U.S. direct investment assets abroad in both 1997 and 1998 (chart 8). On a current cost basis, the rate of return on direct investment fell

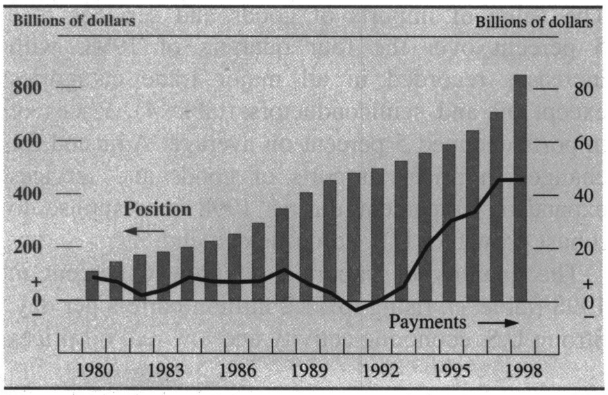
8. U.S. direct investment abroad: Position and receipts, 1980–98



NOTE. The position data are averages using the current-cost measures as of year-end for the current and previous years. The year-end data for 1998 were constructed by adding the recorded direct investment capital flows and current cost adjustment during 1998 to the recorded year-end position for 1997.

SOURCE. U.S. Department of Commerce, Bureau of Economic Analysis; and Federal Reserve Board.

9. Foreign direct investment in the United States: Position and payments, 1980–98



NOTE. The position data are averages using the current-cost measures as of year-end for the current and previous years. The year-end data for 1998 were constructed by adding the recorded direct investment capital flows and current-cost adjustment during 1998 to the recorded year-end position for 1997.

SOURCE. U.S. Department of Commerce, Bureau of Economic Analysis; and Federal Reserve Board.

6. An investment is considered direct if a single owner acquires 10 percent or more of the voting equity in a company. All other U.S. claims on foreigners or foreign claims on the United States are included in the other category—portfolio investment.

8. U.S. net investment income and unilateral transfers, 1994–98
Billions of dollars

Item	1994	1995	1996	1997	1998	Change, 1997 to 1998
Investment income, net	**16**	**19**	**14**	**–5**	**–22**	**–17**
Direct investment income, net	52	63	66	64	55	–9
Receipts	72	93	100	109	100	–9
Payments	21	30	34	46	46	0
Portfolio investment income, net	–35	–44	–52	–69	–77	–8
Receipts	85	111	113	132	142	10
Payments	121	154	165	201	219	18
Unilateral transfers	**–39**	**–35**	**–41**	**–40**	**–42**	**–2**

SOURCE. U.S. Department of Commerce, Bureau of Economic Analysis, U.S. international transactions accounts.

2 percentage points, from 11.2 percent in 1997 to 9.2 percent in 1998.[7]

Income payments on foreign direct investment in the United States, at $46 billion for 1998, were virtually the same as the 1997 totals, a pattern quite consistent with the overall picture for corporate profits of domestic U.S. firms in 1998. In view of the strong growth of foreign investment in the United States in 1998, the level of income payments in 1998 represents a fall-off in the rate of return of 1 percent (chart 9).

Portfolio Investment Income

Portfolio investment income consists of dividends and interest paid on a wide range of claims and liabilities. Receipts and payments are estimated by the Bureau of Economic Analysis (BEA) of the Department of Commerce on the basis of its estimates of holdings, dividend-payout ratios, and interest rates. Investment income does not include capital gains associated with changes in securities prices. The balance on portfolio income, which is the difference between what U.S. residents earned on their holdings abroad and what foreign residents earned on their investment in the United States, registered a deficit of $77 billion in 1998, a gap $8 billion larger than in 1997 (table 8). The balance on portfolio income has been in deficit since 1985, and its size has broadly mirrored the net portfolio investment position (chart 10). While the net position is the primary determinate of net income, the level of U.S. and foreign interest rates (rates of return) also play a role. The role for interest rates was particularly evident last year as the decline in U.S. and foreign interest rates reduced the rates of return on portfolio investment and dampened the rise in the deficit (chart 11).

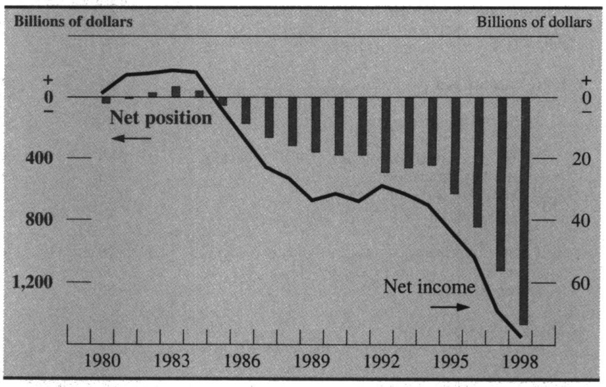
Unilateral Transfers

Net unilateral transfers include government grant and pension payments as well as net private transfers to foreigners. In 1998, net transfers amounted to $42 billion, about the same as in 1997.

CAPITAL FLOWS

The large U.S. current account deficit last year was entirely financed by net capital inflows from private

10. Net portfolio investment: Position and income, 1980–98

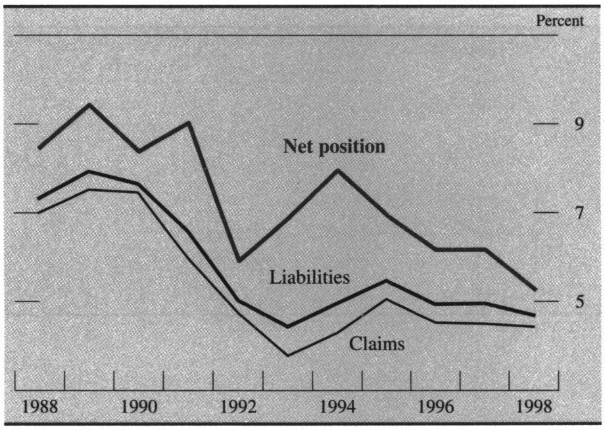


NOTE. The net position data are averages of the end-of-year net positions for the current and previous years. The year-end position for 1998 was constructed by adding the recorded portfolio investment flows during 1998 to the recorded year-end position for 1997.

SOURCE. U.S. Department of Commerce, Bureau of Economic Analysis; and Federal Reserve Board.

7. Valuing direct investment assets on a current cost basis implies adjusting the historical cost of inventories and plant and equipment to reflect movements in current replacement cost indexes. In calculating the rates of return noted in this section, we use in the denominator the current-cost measure of the year-end direct investment position averaged for the current and previous year; this position average is shown in charts 8 and 9.

11. Rates of return on U.S. portfolio investment, 1988–98



NOTE. The rates of return are annualized versions of quarterly rates calculated as follows: For claims (or liabilities), the numerator is total receipts (or payments) from the U.S. international transactions accounts, measured on a quarterly basis. The denominator is the average of end-of-quarter claims (or liabilities) for the current and previous quarters. To compute the numerator and denominator of the annualized rate of return, the numerators and denominators from the four quarterly rates of return are averaged.

The rate of return on the net position is calculated as the ratio of net investment income (annual receipts minus payments) to the annualized net position (annualized claims minus annualized liabilities).

SOURCE. U.S. Department of Commerce, Bureau of Economic Analysis, U.S. international transactions accounts and U.S. international investment position; and Federal Reserve Board.

sources (table 9). Official capital flows, which registered modest inflows in 1997, turned to significant outflows last year as the financial turmoil in the third quarter caused many countries to draw down their official reserves.

Foreign official assets in the United States rose $11 billion in the first quarter of 1998 but fell $10 billion in the second quarter. Reductions in Japanese reserves in the United States, which were associated with foreign exchange market intervention, more than account for the second quarter decline. (An increase in official assets in the United States represents a capital inflow and a reduction in reserves represents a capital outflow.) Official outflows accelerated in the third quarter as OPEC and developing countries significantly reduced their reserves in the United States. Official flows to the United States turned positive again in the fourth quarter, but for the year as a whole foreign official assets in the United States fell $22 billion.

The turmoil in the third quarter also affected the composition of private capital flows. Private foreign net purchases of *U.S. corporate and government agency bonds* totaled more than $100 billion in the first two quarters of 1998, somewhat above the pace of 1997. These net purchases slowed to $26 billion in the third quarter and then rebounded to $41 billion in the fourth quarter. Private foreign net purchases of U.S. Treasury securities and U.S. stocks followed a similar, but more pronounced, pattern. Net purchases in the first half of 1998 were followed by sales in the third quarter and a resumption of net purchases in the fourth quarter.

U.S. net purchases of *foreign securities* also responded to the financial turmoil. Net purchases were

9. Composition of U.S. capital flows, 1994–98
Billions of dollars

Item	1996	1997	1998	1998			
				Q1	Q2	Q3	Q4
Current account balance	**–135**	**–155**	**–233**	**–47**	**–57**	**–66**	**–64**
Official capital, net	**133**	**15**	**–30**	**11**	**–13**	**–48**	**21**
Foreign official assets in the United States	127	16	–22	11	–10	–46	23
U.S. official reserve assets	7	–1	–7	–0	–2	–2	–2
Other U.S. government assets	–1	0	–1	–0	–0	0	–0
Private capital, net	**61**	**240**	**267**	**39**	**68**	**87**	**74**
Net inflows reported by U.S. banking offices	–75	1	12	–47	13	45	1
Securities transactions, net	169	256	176	68	70	36	2
Private foreign net purchases of U.S. securities	285	344	265	75	98	19	74
Treasury securities	155	147	48	–2	27	–1	24
Corporate and other bonds	119	131	171	48	57	26	41
Corporate stocks	11	66	46	29	14	–6	8
U.S. net purchases of foreign securities	–116	–88	–89	–7	–28	17	–72
Stocks	–60	–41	–76	–3	–1	8	–80
Bonds	–56	–47	–13	–4	–27	9	8
Direct investment, net	–4	–28	64	–9	–22	7	88
Foreign direct investment in the United States	78	93	196	26	19	30	121
U.S. direct investment abroad	–81	–122	–132	–35	–41	–23	–33
Foreign holdings of U.S. currency	17	25	17	1	2	7	6
Other	–47	–13	–2	26	4	–8	–23
Statistical discrepancy	**–60**	**–100**	**–4**	**–3**	**2**	**27**	**–31**

SOURCE. U.S. Department of Commerce, Bureau of Economic Analysis, U.S. international transactions accounts.

large in the first half of 1998, totaling $35 billion. However, net purchases fell to near zero in July and swung to net sales in August. The pace of net sales accelerated through October but then abruptly turned to net purchases again in November and December. Purchases of foreign securities in the fourth quarter also include the effects of two exceptionally large foreign acquisitions of U.S. companies by the exchange of stock in U.S. firms for stock in the newly established foreign parent firms. As a result, significant U.S. net sales of foreign securities in the third quarter shifted to huge net purchases in the fourth.

Net *private capital flows through banks* buffered the swings in official flows and private securities transactions. Moderate net capital outflows recorded by banks during the first half of 1998 became significant net inflows in the third quarter when many banks brought funds into the United States to supply domestic customers who found they could not directly access the capital markets in the midst of the turmoil. In the fourth quarter, net bank inflows were almost nil.

The pattern of *direct investment* capital flows was less affected by the mid-year turmoil. Foreign direct investment in the United States and U.S. direct investment abroad were both very strong throughout 1998. British Petroleum's acquisition of Amoco on December 31 helped swell direct investment capital inflows in the fourth quarter, bringing the total for the year well above the 1997 record.

Total recorded net capital inflows were $237 billion in 1998, $4 billion more than the recorded current account deficit. In 1997, recorded capital inflows exceeded the current account deficit by $100 billion. This difference, the statistical discrepancy, represents the cumulative errors in both the current and capital account data. Rapid swings in the statistical discrepancy, however, are most likely to reflect errors and omissions in the capital flows data, and net capital inflows probably were overstated in both 1997 and 1998.

Prospects for 1999

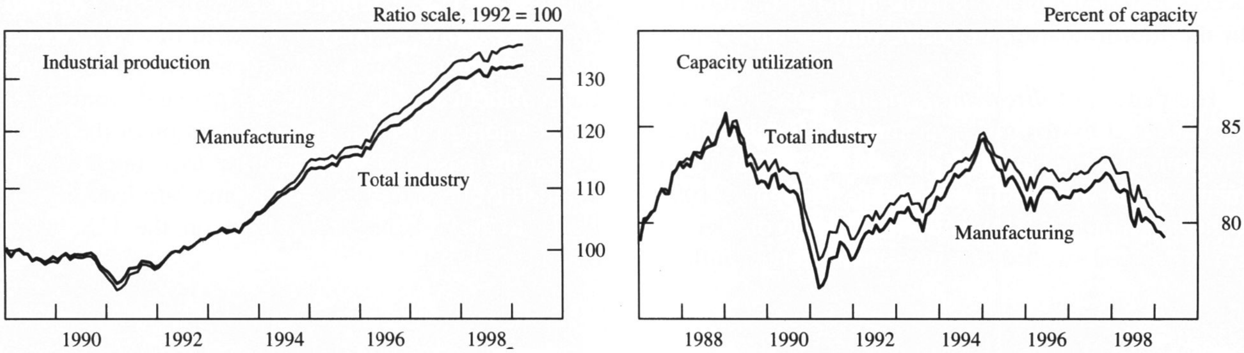
The fallout from the financial crises in emerging markets is likely to have further negative consequences for U.S. external balances in 1999. Demand for U.S. exports is likely to be held down by weakness in demand from trading partners in Asia and Latin America and by sluggish demand from other major trading partners. The appreciation of the dollar during the past two years and the associated loss in competitiveness of U.S. goods and services is also likely to have a negative effect on the U.S. trade balance in 1999. □

Industrial Production and Capacity Utilization for March 1999

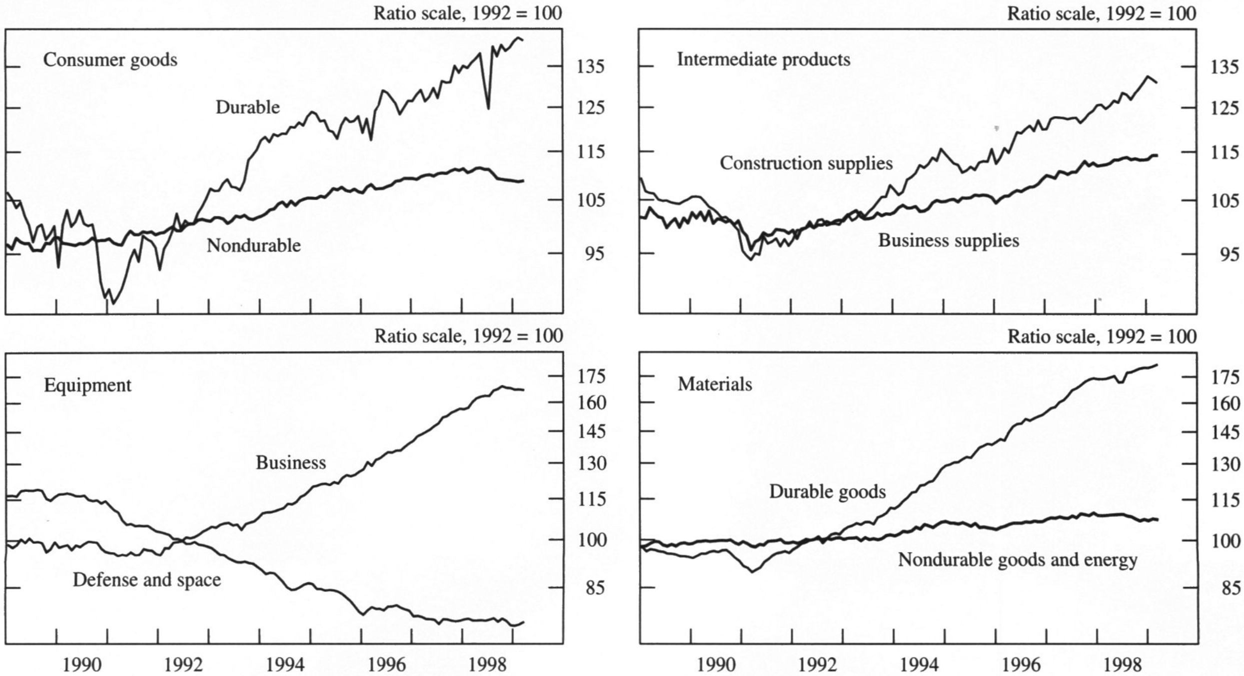
Released for publication April 16

Industrial production edged up 0.1 percent in March; revisions to earlier months left the level of the February index little changed from that previously reported. In manufacturing, production remained unchanged in March and was just a bit above its December level. The output of mines decreased 0.7 percent, a decrease that reversed the February gain. The output of utilities increased 1.9 percent in March and has picked up noticeably, on balance, since last fall. At 132.8 percent of its 1992 average, total industrial production in March was 1.6 percent higher than it was in March 1998. For the first quarter as a whole, total industrial production increased at an annual rate of just 0.7 percent, down noticeably from the 2¼ percent gain in

Industrial production and capacity utilization



Industrial production, market groups



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

Industrial production and capacity utilization, March 1999

Category	Industrial production, index, 1992=100								
	1998	1999			Percentage change				
					1998[1]	1999[1]			Mar. 1998 to Mar. 1999
	Dec.[r]	Jan.[r]	Feb.[r]	Mar.[p]	Dec.[r]	Jan.[r]	Feb.[r]	Mar.[p]	
Total	**132.3**	**132.3**	**132.6**	**132.8**	**.1**	**–.1**	**.3**	**.1**	**1.6**
Previous estimate	132.4	132.4	132.6	. . .	.2	.0	.2	. . .	. . .
Major market groups									
Products, total[2]	124.4	124.5	124.6	124.6	.0	.0	.1	.0	1.1
Consumer goods	114.9	115.1	115.2	115.2	.1	.2	.1	.0	–.5
Business equipment	167.9	167.1	167.2	166.9	–.1	–.5	.1	–.2	4.2
Construction supplies	131.0	132.5	131.8	131.0	1.1	1.2	–.5	–.6	5.1
Materials	145.2	144.9	145.6	146.1	.4	–.2	.5	.3	2.4
Major industry groups									
Manufacturing	136.7	136.5	137.0	137.0	.2	–.1	.3	.0	2.2
Durable	161.5	161.5	161.9	162.0	.3	.0	.2	.1	4.4
Nondurable	111.7	111.4	111.9	111.8	.1	–.3	.4	–.1	–.5
Mining	99.0	97.4	98.0	97.3	–2.1	–1.6	.7	–.7	–8.0
Utilities	111.8	114.0	113.2	115.4	1.1	2.0	–.7	1.9	1.3

Category	Capacity utilization, percent								Memo Capacity, percentage change, Mar. 1998 to Mar. 1999
	Average, 1967–98	Low, 1982	High, 1988–89	1998	1998	1999			
				Mar.	Dec.[r]	Jan.[r]	Feb.[r]	Mar.[p]	
Total	**82.1**	**71.1**	**85.4**	**82.6**	**80.7**	**80.3**	**80.3**	**80.1**	**4.7**
Previous estimate	. . .	. . .	. . .	. . .	80.7	80.4	80.3	. . .	. . .
Manufacturing	81.1	69.0	85.7	81.6	80.0	79.6	79.5	79.3	5.2
Advanced processing	80.5	70.4	84.2	80.6	79.0	78.3	78.4	78.2	6.2
Primary processing	82.4	66.2	88.9	84.4	82.9	83.1	82.8	82.6	2.7
Mining	87.5	80.3	88.0	88.4	82.0	80.6	81.0	80.4	1.1
Utilities	87.4	75.9	92.6	90.5	88.2	89.9	89.2	90.9	.8

NOTE. Data seasonally adjusted or calculated from seasonally adjusted monthly data.
1. Change from preceding month.
2. Contains components in addition to those shown.
r Revised.
p Preliminary.

the fourth quarter. Overall capacity utilization slipped in March to 80.1 percent, a level 2 percentage points below its long-term average and 2½ percentage points below its March 1998 level.

MARKET GROUPS

The production of consumer goods was flat in March, as a rebound in the production of energy goods was offset by declines in other categories. The ½ percent decline in the production of durable consumer goods was mainly caused by reductions in the output of automotive products and household appliances from the elevated levels reached earlier this year. The production of non-energy, nondurable consumer goods was generally weak in March. A notable exception was the production of consumer chemicals, which increased for the second consecutive month after having declined, on balance, since the second quarter of 1998.

The output of business equipment decreased 0.2 percent in March and was 0.6 percent below its December level. Most of the recent declines in this market group have been concentrated in the production of industrial and transit equipment, which decreased again in March. In addition, the production of information processing equipment has risen more slowly in the first quarter after having expanded very rapidly in the fourth quarter of last year.

The production of construction supplies, which had increased sharply between the end of 1997 and January 1999, declined for a second month in March as the seasonal pickup in output was less than normal. The output of materials increased 0.3 percent mostly because of another large increase in semiconductors and computer parts. Although the production of basic metals edged up, it remained about 6 percent lower than in March 1998. The output of nondurable materials edged down in March, largely because of a decline in textile materials. Nonetheless, the output of nondurable materials has firmed since December mainly because of a pickup in the production of paper. The production of energy materials declined and has been weak, on balance, since last fall.

INDUSTRY GROUPS

Durable goods production edged up 0.1 percent in March: Increases in furniture and fixtures, metals, computer and office equipment, semiconductors, instruments, and miscellaneous manufactures were largely offset by declines in other durable goods industries. In particular, the output of transportation equipment decreased after having posted an increase in February, while the production of several types of industrial machinery continued to weaken. Nondurable goods production edged down 0.1 percent and was roughly unchanged from its December level. Increases in the production of tobacco, paper, chemicals, and rubber and plastic products were more than offset by declines in other industries; the largest losses occurred in textiles, apparel, and leather products, which were significantly below their March 1998 levels.

The operating rate in manufacturing declined to 79.3 percent—2¼ percentage points below its level a year earlier. The utilization rates for both advanced- and primary-processing industries decreased 0.2 percentage point. The utilization rate for mines declined 0.6 percentage point and remained well below its long-term average. The rebound in the output of utilities pushed the utilization rate up 1¾ percentage points, to 90.9 percent, 3½ percentage points above its long-term average. □

Statements to the Congress

Statement by Alan Greenspan, Chairman, Board of Governors of the Federal Reserve System, before the Subcommittee on Finance and Hazardous Materials of the Committee on Commerce, U.S. House of Representatives, March 3, 1999

Preparing for the retirement of the baby boom generation looms as one of our nation's most difficult challenges, and I commend the serious efforts being made here to address this important long-term problem. Before discussing my views on the issue of investing the social security trust fund in equities, I would like to examine the more fundamental issues that any retirement reform will have to address.

The dramatic increase in the ratio of retirees to workers that seems inevitable, as the baby boom generation moves to retirement and enjoys ever-greater longevity, makes our current pay-as-you-go social security system unsustainable. Furthermore, the broad support for social security appears destined to fade as the implications of its current form of financing become increasingly apparent. To date, with the ratio of retirees to workers having been relatively low, workers have not considered it a burden to share the goods and services they produce with retirees. The rising birth rate after World War II, which, in due course, contained the growth of the ratio of retirees to workers, helped make the social security program exceptionally popular, even among those paying the taxes to support it.

Indeed, workers perceived it to be a good investment for their *own* retirement. For those born before World War II, the annuity value of benefits on retirement far exceeded the cumulative sum at the time of retirement of contributions by the worker and his or her employer, plus interest. For example, the implicit real rate of return on social security contributions was almost 10 percent for those born in 1905 and was about 6 percent for those born in 1920. The real interest rate on U.S. Treasury securities, by comparison, has generally been less than 3 percent.

But births flattened after the baby boom, and life expectancy beyond age sixty-five continued to rise. Consequently, the ratio of the number of workers contributing to social security to the number of beneficiaries has declined to the point that maintaining the annuity value of benefits on retirement at a level well in excess of accumulated contributions has become increasingly unlikely. Those born in 1960, for example, are currently calculated to receive a real rate of return, on average, of less than 2 percent on their cumulative contributions. Indeed, even these low rates of return for more recent cohorts likely are being overestimated because they are based on current law taxes and benefits. In all likelihood, short of a substantial infusion of general revenues, social security taxes will have to be raised, or benefits cut, given that the system as a whole is still significantly underfunded, at least according to the intermediate projections of the Old-Age and Survivors Insurance (OASI) actuaries. For the present value of current law benefits over the next seventy-five years to be fully funded through contributions, social security taxes would have to be raised about 2.2 percent of taxable payroll; to be fully funded in perpetuity, that is, to ensure that taxes and interest income will always be sufficient to pay benefits, social security taxes would have to be raised much more—perhaps about 4 percent to 5 percent of taxable payroll.

This issue of funding underscores the critical elements in the forthcoming debate on social security reform because it focuses on the core of any retirement system, private or public. Simply put, enough resources must be set aside over a lifetime of work to fund retirement consumption. At the most rudimentary level, one could envision households saving by actually storing goods purchased during their working years for consumption during retirement. Even better, the resources that would have otherwise gone into the stored goods could be diverted to the production of new capital assets, which would, cumulatively, over a working lifetime, produce an even greater quantity of goods and services to be consumed in retirement.

The only way we will be able to finance retirement incomes that keep pace with workers' incomes is to substantially increase the national saving rate, increase the borrowing of foreign capital, or increase the output that a given capital stock, financed through this saving, can produce. The crucial retirement funding issues center on how to increase our national saving and how to allocate physical resources between workers and retirees in the future. We must endeavor to increase the real resources available to retirees without blunting the growth in living standards among our working population.

In this light, increasing our national saving is essential to any social security reform. Privatization proposals that begin to address social security's existing unfunded liability would significantly enhance domestic savings; so would fuller funding of the current social security program. But the size of the unified budget surplus implied by such funding, many have argued, would be politically unsustainable. The President, recognizing this political risk, has proposed changing the budgetary framework so as to support a large unified budget surplus. This is a major step in the right direction that, if effective, would ensure that the current rise in government's positive contribution to national saving is sustained. The large surpluses projected over the next fifteen years, if they actually materialize, would significantly reduce the fiscal pressures created by our changing demographics. Whichever direction the Congress chooses to go, whether toward privatization or fuller funding of social security, augmenting our national saving rate has to be the main objective.

The Administration has also proposed investing a portion of the social security trust fund assets in equities, rather than in U.S. Treasuries alone. Having the trust fund invest in private securities most likely would increase its rate of return, although the increase might be less than historical rates of return would suggest and certainly would be less on a properly risk-adjusted basis. But where would that higher return come from, and what would happen to private funds available for consumption in retirement?

If social security trust funds are shifted from U.S. Treasury securities to private debt and equity instruments, holders of those securities in the private sector must be induced to exchange them, on net, for U.S. Treasuries. Private pension and insurance funds, among other holders of equities, presumably would swap equities for Treasuries. It seems likely that a rise in the interest rate paid on Treasuries, and perhaps an increase in equity prices and a reduction in the expected future return on equity, would be necessary in order to induce private investors to reallocate their portfolios from equities to U.S. Treasury securities. If this is indeed the case, then the net increment to the government of investing the trust fund in equities on an ongoing basis presumably would be less than the historical rates of return suggest. That said, exactly what changes in bond and stock prices would result from this type of large-scale swap of U.S. Treasuries for equities is extremely difficult to predict.

But analyzing the macroeconomic effects of the portfolio reallocation is much less complicated. The transfer of social security assets from U.S. Treasuries to equities would not, in itself, have any effect on national saving. Thus, the underlying economic assets in the economy would be unchanged, as would the total income generated by those assets. Any increase in returns realized by social security must be offset by a reduction in returns earned on private portfolios, which represent, to a large extent, funds held for retirement. Investing social security assets in equities is, then, largely a zero-sum game. To a first approximation, aggregate retirement resources—from both social security and private funds—do not change.

Only an increase in national saving or an increase in the efficiency with which we use our saving can help us meet the retirement requirements of the coming years. Indeed, improved productivity of capital probably explains much of why the American economy has done so well in recent years despite our comparatively low national saving rate. For productivity and standards of living to grow, financial capital raised in markets or generated from internal cash flow from existing plant and equipment must be continuously directed by firms to its most profitable uses—namely new physical capital facilities perceived as the most efficient in serving consumers' multiple preferences. It is this continuous churning, this so-called creative destruction, that has become so essential to the effective deployment of advanced technologies by this country over recent decades.

Looking forward, the effective application of our capital to its most highly valued use is going to become, if anything, more important, as we strive to increase the resources available to provide for the retirement of the baby boomers without, in the future, significantly reducing the consumption of workers. An efficient market pricing mechanism for equities has been a key element in our superior allocation of saving into investment this past decade. Large investments in equities by the social security trust funds could impair that process.

As I have indicated in earlier testimony, I doubt that it is possible to secure and sustain institutional arrangements that would insulate, over the long run, the trust funds from political pressures. These pressures, whether direct or indirect, could result in suboptimal performance by our capital markets, diminished economic efficiency, and lower overall standards of living than would be achieved otherwise.

The experience of public pension funds seems to bear this out. Although relevant comparisons to private plans are difficult to construct, there is evidence that the average rate of return on state and local pension funds tends to be lower than the return realized on comparable private pension funds, other pooled investments, and market indexes. Of course, a significant part of this disparity would be eliminated were these returns adjusted for risk because public pension plans are often invested more conservatively than private plans. But there is evidence that returns are lower even after having accounted for differences in the portfolio allocation between stocks and bonds. For example, it has been shown that state pension plans that are required to direct a portion of their investments in-state and those that make "economically targeted investments" experience lower returns as a result. Similarly, there is evidence suggesting that the greater the proportion of trustees who are political appointees, the lower the rate of return. A lower risk-adjusted rate of return on financial assets is almost invariably an indication of lower rates of return on the real underlying assets on which they are a claim.

As I have also indicated in previous testimony, I do not deny that the federal government can manage equities without political interference if they are held in defined contribution funds or small defined benefit plans, such as the one run by the Federal Reserve. Defined contribution funds, such as the federal government's Thrift Savings Plan, are effectively self-policed by individual contributors, who would surely object were their retirement assets to be diverted to investments that offered less than market returns.

But government defined benefit plans, like social security, provide guaranteed annuities that are wholly insulated from poor investment performance. Annuitants look to the federal government for their retirement incomes, not the performance of any trust funds. Thus, beneficiaries have no incentive to monitor the performance of their investments. And while the government's small defined benefit funds do not reach the asset size threshold to make them a target, a multitrillion dollar social security trust fund presumably would.

It is possible that institutions could be created that would prevent the trust fund investments from being subject to political interference. But investing the social security trust funds in equities does little or nothing to improve the overall ability of the U.S. economy to meet the retirement needs of the next century. Given this lack of evident benefit, it is unclear to me why we should take on the risk of interference, which, probably short of a constitutional amendment, cannot be eliminated. Even if concerns about politically driven investment were not to materialize, what would have been gained by such a huge shuffling of funds?

To the extent that a transfer of private retirement resources to social security is deemed necessary to fund currently promised benefits, why not do it directly through increased social security taxes or an allocation of general revenues to the social security trust fund? Whatever the Congress does, it would be best not to obscure the choice of real resource allocation with complex financial structures that merely reshuffle claims to real resources, without increasing them.

A collateral issue is relevant to this debate. If the Congress were to decide to do nothing to alter the path of receipts and outlays projected under current law, a large buildup in the social security trust fund would occur, along with a significant on-budget surplus, according to the projections of the Congressional Budget Office (CBO) and the Office of Management and Budget (OMB). The consequence would, of course, be a significant decline in the current $3¾ trillion outstanding federal debt to the public.

But if the unified budget is in surplus for a protracted period of years, it is at least conceivable that the outstanding public debt would be eliminated. I might add that this would be the first such occurrence for this nation, the previous low having been $38,000 in 1835 and 1836.

Currently, the rise in the holdings of U.S. Treasuries by the social security trust fund is accomplished by the Treasury redeeming or buying back debt from the public and selling it as special series nonmarketables to the trust fund. But should the debt to the public fall to zero, there would be no additional Treasury instruments available to the trust fund from that source. Were the Treasury, nonetheless, to continue to sell debt to the trust funds, its cash balances at the Federal Reserve would build up. At that point, under existing policy, there would be no choice but to have the social security trust fund invest in private or quasi-private agency securities. I grant that, should these circumstances arise, the decision of how to handle social security investments would become a more pressing question. However, it is exceptionally difficult for me to focus seriously on so politically improbable, though so intriguing, an event.

Of course, assessing the fiscal, financial, and economic state of the American economy in the early twenty-first century is an enormously difficult undertaking. We cannot confidently project large surpluses in our unified budget over the next fifteen years, given the inherent uncertainties of budget forecasting. How can we ignore the fact that virtually all forecasts of the budget balance have been wide of the mark in recent years? For example, as recently as

February 1997, the OMB projected a deficit for fiscal year 1998 of $121 billion—a $191 billion error. The CBO and others made similar errors. Likewise, in 1983, we confidently projected a solvent social security trust fund through 2057. Our latest estimate, with only a few changes in the program, is 2032.

It is possible, as some maintain, that the OASI actuaries are too conservative and that productivity growth could be far greater than is anticipated in their "intermediate" estimate. If that is, in fact, our prospect, the social security system is in less jeopardy than it currently appears. But proper fiscal planning requires that consequences of mistakes in all directions be evaluated. If we move now to shore up the social security program, or replace it, in part or in whole, with a private system and subsequently find that we had been too pessimistic in our projections, the costs to our society would be few. If we assume more optimistic scenarios and they prove wrong, the imbalances could become overwhelming, and finding a solution would be even more divisive than today's problem.

Statement by William J. McDonough, President, Federal Reserve Bank of New York, before the Subcommittee on Capital Markets, Securities and Government Sponsored Enterprises of the Committee on Banking and Financial Services, U.S. House of Representatives, March 3, 1999

When I appeared before the full committee in October, I spoke about the near-collapse of Long-Term Capital Management (LTCM) and the events leading up to the private-sector recapitalization of its fund, Long-Term Capital Portfolio. At that time, I promised you that we would take a hard look at the issues growing out of that experience, particularly as they affect our responsibilities as bank supervisors. I am pleased to appear before you today to report on the lessons we have learned and the actions we have taken to reduce the possibility that such an episode could repeat itself in the future.

As I indicated last fall, three issues require particular attention by banks and their supervisors in the wake of LTCM. These are, first, the adequacy of banks' credit analysis processes; second, the effectiveness of exposure measurement; and third, the role of stress testing of counterparty exposure. In my remarks today I will detail the substantial progress that has been made, both domestically and internationally, to address each of these supervisory concerns.

But before I get into the details, let me say that I believe the LTCM episode and the supervisory response to it is fundamentally about two things: leverage and good judgment. Leverage is a fact of life in our financial world and is a key part of the risk-taking necessary for the creation of wealth. But sometimes banks go too far in extending credit to their customers and counterparties. That's where good judgment comes in. I know—I've been there. I was a commercial banker for twenty-two years before becoming President of the New York Fed, and I can tell you that the most important decisions a banker makes are how to lend and to whom. Those decisions are not easy and often involve many shades of gray. One of our aims as supervisors should be to see that banks are using the right tools to make those judgments.

The importance of these issues extends beyond banks and their supervisors. Sound credit policies and procedures are essential not only for the stability of individual banks but also—and more important—for the health of the financial system and the economy as a whole. This is because banks play a pivotal role in our economy as providers of credit. If banks make poor credit decisions with respect to a borrower, including a hedge fund like LTCM, the financial system and our economy will suffer.

BASLE REPORT FINDINGS

As you know, I chair the Basle Committee on Banking Supervision, comprised of bank supervisors from the G-10 countries who coordinate supervisory policy for internationally active banks. While the committee does not have formal legal enforcement powers, its conclusions and recommendations are widely implemented, both in G-10 countries and many others. In late January, the committee issued a report dealing with the relationship between banks and highly leveraged institutions, or HLIs. The committee's report provides a framework for addressing the broader issues raised by the LTCM episode, the policy responses of supervisors, and some key risk-management challenges for the banking industry going forward.

In the United States, the Federal Reserve System, the New York State Banking Department, and the Office of the Comptroller of the Currency have conducted target reviews of a number of large-bank dealings with hedge funds. These reviews contributed to the committee's work, to the Federal Reserve System's issuance on February 1 of new guidance to financial examiners and banks, and to similar guidance from the Comptroller of the Currency issued in January. These new standards emphasize the need for improvements in the credit-risk-management process at banks. The new standards will likely be complemented by a study of the implications of the LTCM episode by the President's Working Group on Financial Markets.

Because the Basle Committee's jurisdiction is limited to matters of banking supervision and regulation, its primary emphasis has been on ensuring that the major banks prudently manage their risk exposures to HLIs. The best way to achieve this is through the adoption of sound practices by the industry, perhaps supplemented by incentives created through capital requirements. While it is primarily the responsibility of each banking organization to manage its risks, sound practice standards give banks and supervisors a tool to measure industry progress. If banks themselves do not follow sound practices, then supervisors must step in and take the necessary action.

The committee's report revealed a number of deficiencies. In particular, the committee observed an imbalance among the key elements of the credit-risk-management process, with too strong a reliance upon collateral. This undue emphasis, in turn, caused many banks to neglect other critical elements of effective credit risk management, including in-depth credit analyses of counterparties, effective exposure measurement and management techniques, and the use of stress testing.

Credit Approval Process

For a bank to make sound lending decisions, it needs to obtain sufficient information about the borrower. Supervisors routinely stress the need for banks to have an effective credit approval process consisting of formal policies and procedures, accompanied by documentation of actual credit decisions. When dealing with an HLI, a bank also must obtain comprehensive and timely financial information about that HLI's risk profile and credit quality, and it must engage in an ongoing credit analysis of that HLI. In addition, a bank must have a clear understanding of an HLI's operations and risk-management capabilities. The committee observed weaknesses in each of these areas. Let me give a few examples.

The committee found that banks did not obtain sufficient financial information to allow for a full assessment of how much and what types of risk had been assumed by large HLIs. In particular, banks did not obtain the information needed to measure leverage. They also did not have sufficient information to understand HLIs' concentrations in particular markets and risk categories or their exposure to broad trading strategies.

Similarly, banks generally did not sufficiently understand the ability of HLIs to manage their risks. Because risk profiles can change from one day to the next, or even from moment to moment, it is necessary for a bank to be sure that the HLI can effectively manage its business operations and risks on an ongoing basis. In general, we did not find sufficient reviews of HLIs' risk-management systems and their underlying assumptions, back-office systems used to manage daily operations such as collateral and liquidity, and the major accounting and valuation policies.

Exposure Measurement

The committee also thought that banks need to develop better measures for determining the credit exposure resulting from different types of trading activities. In particular, banks must develop more effective measures of what is called "potential future exposure." Potential future exposure measures the credit exposure between a counterparty and a bank and how this exposure could change in the future as market prices fluctuate. As we have seen, such price movements can be substantial during periods of market stress. The ability of banks to measure potential future exposure is crucial when dealing with HLIs.

Unfortunately, methods for calculating potential future exposure had not kept pace with the growth and complexity of HLIs. Banks' potential future exposure measures have been particularly ineffective in measuring exposures not covered by collateral. For example, under highly volatile market conditions, a bank's potential future exposure can grow beyond the value of any collateral. We expect the industry to develop more effective ways to measure and limit potential future exposure, and supervisors will closely monitor progress to ensure that this occurs.

Stress Testing

The committee's report also shows that banks must develop measures that better account for credit risk under highly volatile market conditions. This can be achieved through what we call "stress tests," in which a bank conducts "what if" analyses of how credit exposures to a single counterparty could grow under extreme market conditions. These analyses might include a large rise or fall in interest rates, a major change in an exchange rate, or a flight to quality by investors. In the case of LTCM, stress testing could have given banks at least some warning of the types of exposures they could have faced last fall. The critical importance of stress testing is noted very explicitly in our new supervisory guidance.

Sound Practice Guidance

The sound practices document accompanying the Basle report presents an important set of standards that will guide both banks and their supervisors. It appears that banks generally have tightened the credit-risk-management standards for their HLI exposures since the collapse of LTCM. However, it is important that supervisors try to ensure that progress continues. Memories tend to be short, and we want to make sure that as markets calm down, as they have in the past months, banks do not return to the old ways of doing business.

The adoption and rigorous enforcement of enhanced risk-management practices should contribute substantially to limiting excessive risk-taking and leverage at HLIs. This is the case because HLIs cannot trade without access to financing and liquidity from banks and securities firms. If each counterparty manages its risks appropriately, the chance of contagion to other institutions and the financial markets more broadly would be reduced substantially. It is this risk of contagion and financial market instability that is the principal concern of central banks and supervisors.

Along with other federal banking supervisors, the Federal Reserve has moved quickly to implement the recommendations of the Basle Committee's report. As I mentioned earlier, we recently issued guidance to the institutions we supervise detailing sound risk-management practices for the credit-risk-management of trading and derivatives activities. This document identifies the areas that our examiners will review during their examination of trading activities. It is important to note that the Federal Reserve's guidance to banks and examiners covers not only HLI and hedge fund counterparties but all other counterparty relationships. We want to ensure that banks carry forward the lessons of the LTCM experience to all potentially high-risk trading activities.

In this regard, our examiners will devote particular attention to the risks associated with rapidly growing, highly profitable, and potentially high-risk activities and product lines. They will assess the adequacy of banks' reviews of counterparty creditworthiness, exposure measurement and monitoring techniques, stress testing, limit setting, and the appropriate use of collateral and other credit enhancements. Our examiners will also look at internal policies and the degree to which behavior conforms to stated policies. We have already conducted meetings with the major banks to reinforce these messages, and our examiners will conduct follow-up reviews in the course of this year.

OTHER POSSIBLE POLICY RESPONSES

Over the past few months, there has been significant debate about other measures that could be taken to limit the potential risks to the financial system arising from the activities of large, highly leveraged, unregulated financial institutions. The Basle Committee carefully considered all the ideas that have surfaced. Our report discusses a variety of options beyond the implementation of sound practice standards. One possibility is to require higher capital charges for bank exposures to HLIs. Indeed, a primary objective of our current review of the Basle Capital Accord is to determine how to align regulatory capital charges better with the economic risks of different classes of counterparties.

We also recognize the critical need to enhance market transparency for the activities of HLIs and other major market participants. The committee already is working to enhance accounting and disclosure practices at banking institutions worldwide. Extending these efforts to all global players that have the potential to destabilize the financial system, including HLIs, is of particular importance. An international group of central bankers is now studying various approaches to strengthening disclosure in this area.

The committee also considered the advantages and disadvantages of imposing direct regulation on the HLI industry. There are a number of critical obstacles that would have to be overcome before a direct regulatory approach could be implemented. To be effective, any regulation would have to extend to jurisdictions around the world where HLIs are chartered, some of which have more highly developed and more stringent supervisory structures than others. This would require a high level of coordination involving the political, legislative, and judicial bodies of many countries. There is also the difficulty of establishing a regulatory regime for HLIs that is not easily circumvented. For these reasons, I believe the most practical approach is to focus on financial institutions' lending activities because such an approach offers a near-term and cost-effective remedy to the systemic risks posed by HLIs.

CHALLENGES FOR THE BANKING INDUSTRY

I strongly believe that both the official and private sectors have important roles to play in addressing the challenges arising from an increasingly complex and dynamic financial services industry. First and foremost, we hold banks accountable for ensuring that sound credit-risk-management standards are upheld and that these keep pace with financial market innovation. If competitive pressures lead to bad practices in one bank or the industry as a whole, our job as supervisors is to raise standards and ensure that sound practices are restored.

In my remarks today, I highlighted a number of areas in which progress has been made. Of course, there is more work to be done by banks and supervisors. High on the agenda should be the development of more meaningful measurement of risk exposure and the implementation of effective stress-testing techniques. Another important area that requires further industry attention is the measurement of leverage. Finally, I believe that the industry should devote more thought to the appropriate valuation of positions during periods of market stress and illiquidity—which is particularly relevant to the use of collateral to protect against credit risk.

These are just some of the broader issues arising from the LTCM experience and the market turbulence last fall. But I believe that we are meeting the challenge and have made quick and significant short-term progress.

Statement by Richard A. Small, Assistant Director, Division of Banking Supervision and Regulation, Board of Governors of the Federal Reserve System, before the Subcommittee on Commercial and Administrative Law, Committee on the Judiciary, U.S. House of Representatives, March 4, 1999

I am pleased to appear before the Subcommittee on Commercial and Administrative Law to discuss the proposed "Know Your Customer" regulation. As you are aware, the Federal Reserve, along with the Federal Deposit Insurance Corporation, the Office of the Comptroller of the Currency, and the Office of Thrift Supervision, issued a notice of proposed rulemaking with regard to "Know Your Customer" on December 7, 1998.

As a proposed regulation, there has been no final decision on the wording of any new regulation or, for that matter, whether it is necessary to have a new regulation. The rulemaking process provides for a period of time during which the public can comment on the specifics of the proposal. The comment period for this proposal concludes on March 8. As we are still in the midst of the comment period, I am not able to provide any information with regard to the Federal Reserve's determination as to how to proceed with the proposal. No determination will be made until the comment period has concluded and there has been an opportunity to complete the review of the comments that have been submitted.

As we move forward in our review of the comments and our determination as to whether, or how, to proceed with the proposed rule, we will carefully weigh three important issues. First, it has become clear that the proposal raises privacy concerns that also pose a real danger of eroding customer confidence in the institutions at which they bank. The Federal Reserve recognizes the sensitivity of this issue. Second, the Federal Reserve will continue to recognize that participating in the government's programs designed to attack the laundering of proceeds of illegal activities through our nation's financial institutions could enhance public confidence in the integrity of our financial system. Third, we also will be mindful of industry concern about the potential burden that a "Know Your Customer" regulation might impose and that in doing so it would place banking organizations at a competitive disadvantage as the result of obligations that would come from the "Know Your Customer" regulation that do not apply to other types of financial service organizations subject to the provisions of the Bank Secrecy Act, such as brokerage firms and money transmitters.

It would be useful to provide some background information about "Know Your Customer" policies and the purpose of the proposed rule. The concept of "Know Your Customer" has been around for quite some time. Many banks today use such policies and procedures to protect the integrity of their institutions. In addition, bankers have expressed concern that there is no uniformity in the banking agencies' and the Department of the Treasury's guidance on identifying transactions that would have to be reported under existing suspicious activity reporting regulations.

In the past, there have been expressions of congressional interest in "Know Your Customer" regulations. The Annunzio–Wylie Money Laundering Act of 1992 authorized the Department of the Treasury to prescribe minimum standards for the anti-money-laundering programs of all financial institutions covered by the Bank Secrecy Act. The legislative history of this law and other legislation addressing the government's anti-money-laundering efforts indicates that the Congress expected that the minimum standards would include "Know Your Customer" policies. In the Money Laundering Deterrence Act of 1998, which was approved by the House of Representatives near the end of the 1998 session, section 9 included a requirement that the Secretary of the Treasury comply with the provisions of the Annunzio–Wylie Money Laundering Act by promulgating "Know Your Customer" regulations for financial institutions within 120 days of enactment of the legislation.

These considerations led all of the federal bank supervisory agencies, including the Federal Reserve, to develop the proposal. In proposing the "Know Your Customer" regulation, it was our intent to provide banks with guidance as to what programs and procedures they should have in place to have sufficient knowledge of their customers to assist in the detection and prevention of illicit activities occurring at or through the banks. I should note that the proposal would not require banks routinely to turn over to the government information about their customers and would not require banks to monitor every customer transaction.

In an effort not to create a substantial burden for the majority of banking organizations, the proposal sets forth the concept of developing and applying "Know Your Customer" programs based on the perceived risks associated with the various customers and the types of transactions that the banks understood would be conducted by the customers. For the majority of customers, we assumed that banks would find that they posed no or minimal risk and that their "Know Your Customer" programs would be nothing more than formalizing existing procedures for identifying customers and following existing suspicious activity reporting requirements.

The proposal also recognized that privacy was a critical issue. We specifically solicited comments on "whether the actual or perceived invasion of personal privacy interests is outweighed by the additional compliance benefits anticipated by [the] proposal."

To date, the response from the public on this issue has been unprecedented. The public comments indicate that bank customers believe that the "Know Your Customer" rule will result in material invasions of their personal privacy interests.

As I noted at the beginning, the comments have highlighted important issues, both with respect to privacy and other aspects of the proposal, that we will be considering in the days ahead.

Statement by Oliver Ireland, Associate General Counsel, Board of Governors of the Federal Reserve System, before the Subcommittee on Commercial and Administrative Law, Committee on the Judiciary, U.S. House of Representatives, March 18, 1999

I appreciate the opportunity to appear before this subcommittee to present the views of the Board of Governors of the Federal Reserve System on title X, Financial Contract Provisions, of H.R. 833, the proposed Bankruptcy Reform Act of 1999. Title X includes a number of proposed amendments to the Federal Deposit Insurance Act and the Bankruptcy Code as well as other statutes related to financial transactions. Many of these provisions incorporate, or are based on, amendments to these statutes that were endorsed by the President's Working Group on Financial Markets.

The Board supports enactment of the provisions recommended by the Working Group. Enactment of these provisions would reduce uncertainty for market participants as to the disposition of their financial market contracts if one of the parties becomes insolvent. This reduced uncertainty should limit market disruptions in the event of the insolvency, limit risk to federally supervised financial market participants, including insured depository institutions, and limit systemic risk.

STATUTORY RECOGNITION OF FINANCIAL MARKET TRANSACTIONS

Since its adoption in 1978, the Bankruptcy Code has been amended a number of times to recognize the nature and significance of certain financial market transactions and to provide these transactions special treatment in a bankruptcy proceeding. For example, in 1984, the code recognized the right of a repo market participant to liquidate a repurchase agreement without regard to the otherwise applicable automatic stay provisions of the code. In 1990, this recognition was extended to permit swap participants to terminate and net swap agreements. Similar rights had previously been given to stock brokers, financial institutions, and clearing agencies with respect to securities contracts and commodity brokers and forward contract merchants with respect to commodities and forward contracts.

Similarly, in 1989 in establishing the manner of the conduct of the receivership of insured depository institutions under federal law, the Financial Institutions Reform, Recovery and Enforcement Act of 1989 provided for the termination, or closeout, and netting of qualified financial contracts, including securities, commodity and forward contracts, and repurchase and swap agreements. The Federal Deposit Insurance Corporation Improvement Act of 1991 provided further legal support for netting contracts between two or more financial institutions or members of a clearing organization.

Importance of Closeout, Netting, and Collaterals

The importance of improving the legal regime underpinning financial markets has been recognized by the finance ministers of the Group of Seven countries who, in 1997, agreed "to introduce, where necessary and appropriate, legislative measures to ensure the enforceability of sound netting agreements in relation to insolvency and bankruptcy rules to reduce systemic risk in international transactions." In this regard, it is important to ensure that financial market participants have the ability to terminate or close out and net financial market contracts and to realize on collateral pledged in connection with these contracts.

Closeout

Closeout refers to the right to terminate a contract upon an event of default and to compute a termination value due to or due from, the defaulting party, generally based on the market value of the contract at that time. This right is critical to the management of market risk by financial market participants. The value of most financial market contracts is volatile. While the degree of volatility varies with the nature and duration of the contract, this volatility can create significant market risk to the contracting parties. Many end users of these contracts have entered into them for hedging purposes. Dealers generally enter into these contracts in order to profit from meeting the needs of end users and other dealers. In both cases, the contracts typically either hedge or are hedged against market risk. Termination of the contract allows the nondefaulting party to rehedge the position in order to control that market risk. By providing for termination of contracts on default, nondefaulting parties can remove uncertainty as to whether the contract will be performed, fix the value of the contract at that point, and proceed to rehedge themselves against market risk. If this process were stayed while the trustee or the receiver for a failed counterparty determined whether to perform the contract, the delay would expose the nondefaulting party to potentially serious market risks during the pendency of this decision process.

Thus, the right to terminate or close out financial market contracts is important to the stability of financial market participants in the event of an insolvency and reduces the likelihood that a single insolvency will trigger other insolvencies due to the nondefaulting counterparties' inability to control their market risk. The right to terminate or close out protects federally supervised financial institutions, such as insured banks, on an individual basis, and by protecting both supervised and unsupervised market participants, protects the markets from systemic problems of "domino failures." Further, absent termination and closeout rights, the inability of market participants to control their market risk is likely to lead them to reduce their market risk exposure, potentially drying up market liquidity and preventing the affected markets from serving their essential risk-management, credit-intermediation, and capital-raising functions.

Netting

Netting refers to the right to set off, or net, claims between two or more parties to arrive at a single obligation between the parties. In financial market transactions, netting can serve to reduce the credit exposure of counterparties to a failed debtor and thereby to limit "domino failures" and systemic risks. As an incident to limiting credit exposure, the ability to net contributes to market liquidity by permitting more activity between counterparties within prudent credit limits. This liquidity can be important in minimizing market disruptions because of the failure of a market participant.

Collateral

Frequently, credit exposure under financial market transactions is collateralized. This practice is most visible in repurchase transactions in which cash and securities are exchanged at the beginning of the transaction and the exchange is reversed at the end of the transaction with appropriate adjustment for intervening interest. In addition, market participants are requiring that credit exposure under over-the-counter derivative transactions be collateralized. The right to liquidate collateral immediately is important for preserving the liquidity of financial market participants.

WORKING GROUP RECOMMENDATIONS

Recognizing the importance of termination or close-out, netting, and collateral in financial market transactions, the Secretary of the Treasury on behalf of the President's Working Group on Financial Markets transmitted to the Congress, in March 1998, proposed legislation that would amend the banking laws and the Bankruptcy Code. The proposed legislation was the result of a multiyear interagency effort to make recommendations to improve the legal regime governing certain financial market contracts in insolvency situations. Explanatory material accompanying the proposed legislation described it as having four principal purposes:

To strengthen the provisions of the Bankruptcy Code and the FDIA that protect the enforceability of termination and close-out netting and related provisions of certain financial agreements and transactions.

To harmonize the treatment of the financial agreements and transactions under the Bankruptcy Code and the FDIA.

To amend the FDIA and FDICIA to clarify that certain rights of the FDIC acting as conservator or receiver for a failed insured depository institution (and in some situations, rights of SIPC and receivers of certain uninsured institutions) cannot be defeated by operation of the terms of FDICIA.

To make other substantive and technical amendments to clarify the enforceability of financial agreements and transactions in bankruptcy or insolvency.

TITLE X

The provisions of title X, Financial Market Contracts, of H.R. 833 are largely based on the provisions that were endorsed by the Working Group. I understand that in these hearings there have been some concerns expressed over the effects some of the provisions of title X may have on proceedings under the Bankruptcy Code and potentially on other creditors of an insolvent debtor. We recognize that amendments to the Bankruptcy Code that affect any particular class of creditors are likely to impact other creditors. At the same time, we believe that differing types of claims warrant differing treatment. The potential for effects on other creditors and the need for each recommended provision were considered in formulating the Working Group's recommendations. We continue to believe that the recommended statutory amendments weighed these considerations appropriately. Additional language in title X is designed to further the same ends that the Working Group sought to further. Other provisions, such as section 1012 on Asset-Backed Securitizations, which was not included in the Working Group's recommendations, may foster the efficiency of the financial markets by promoting certainty. Nevertheless, I believe that the provisions endorsed by the Working Group are sufficiently important to be pursued in this Congress even if other provisions are not included.

This concludes my prepared statement. I will be happy to address any questions that the members of the subcommittee may have.

Statement by Laurence H. Meyer, Member, Board of Governors of the Federal Reserve System, before the Subcommittee on Financial Institutions and Consumer Credit, Committee on Banking and Financial Services, U.S. House of Representatives, March 24, 1999

I welcome this opportunity to discuss the Federal Reserve's supervisory actions in the aftermath of the near-collapse of Long Term Capital Management (LTCM). Today's hearings cover an important topic. The LTCM incident merits study to ensure that the lessons it provides are sufficiently understood and that constructive action is taken to effectively reduce the potential for similar events in the future, without compromising the efficiency of global capital markets.

The primary issues raised by the LTCM incident appear to revolve around the broad theme of how to control the leverage and risk-taking of unregulated financial institutions—in particular, hedge funds—so that they do not become a source of systemic risk or jeopardize taxpayer funds via the federal safety net. In our market-based economy, the discipline provided by creditors and counterparties is the primary mechanism for "regulating" this risk-taking. In the case of LTCM, this discipline appears to have been compromised. Weaknesses in several key elements of the risk-management processes at some creditors and counterparties were magnified by competitive pressures, resulting in risk exposures that may not have been fully understood or adequately managed. Less-than-robust risk-management systems, evidenced by an overreliance on collateral, compromised both the assessment of counterparty creditworthiness and the measurement and control of risk exposures at several financial institutions.

To be sure, the lessons stemming from this episode have not gone unlearned, and there is no lack of effort to identify and implement appropriate public policy and private-sector responses to the potential risks posed by hedge funds. These efforts range from private industry and supervisory initiatives aimed at strengthening the credit-risk-management infrastructures at financial institutions, to consideration of enhanced disclosure by global financial institutions, to those evaluating the costs and benefits of direct regulation of hedge funds.

Efforts to promote market discipline by strengthening the risk-management systems of creditors and counterparties offer the most immediate and efficient way to accomplish the desired objective of minimizing the potential for systemic risk arising from the activities of hedge funds. Supervisory oversight of bank-risk-management practices, including the issuance of guidance on sound practices, reinforces the market discipline entailed in banks' assessment and surveillance of the risks taken by their counterparties. The recent guidance on sound risk-management practices issued by the Basle Committee on Bank Supervision, the Federal Reserve, and the Office of the Comptroller of the Currency (OCC) represents significant steps toward achieving the goal of enhancing market discipline. I commend the subcommittee's efforts to advance public awareness of these efforts by holding today's hearings on this recent supervisory guidance.

Of course, public sector work on promoting more effective market discipline on hedge funds and other entities that might employ leverage is by no means complete. The guidance and other supervisory efforts we are discussing here today target primarily commercial banking institutions. Work under way by the International Organization of Securities Commissions (IOSCO) to issue similar guidance regarding securities firms' relationships with hedge funds is another important step. Although not directly focused on the issue of hedge funds, international efforts to enhance public disclosure of financial institution risk profiles may also provide meaningful input. In this context, the recent consultative paper "Recommendations for Public Disclosure of Trading and Derivatives Activities of Banks and Securities Firms," issued jointly last month by the Basle Committee on Bank Supervision and IOSCO, makes an important contribution to the discussion of possible public policy responses. In the United States, the President's Working Group on Financial Markets is considering a number of issues and policy responses regarding leveraged institutions and their relationships with their counterparties. Its report is expected in the near future.

Despite these various public sector initiatives, the real key to effective market discipline lies in the players themselves—the private sector. The market has clearly learned from the LTCM incident, and our supervisory staff has seen significant tightening of credit standards on hedge funds as well as improvements in the risk-management processes at major banking institutions. Here, too, much work remains. Accordingly, we look forward to the recommendations of the Counterparty Risk Management Policy Group (CRMPG) regarding private-sector initiatives for enhancing the credit-risk-management practices of creditors and their leveraged counterparties. Subcommittees of this private industry group, comprised of major international banks, securities firms, and hedge funds, are investigating avenues for improving measures of derivative exposures and the exchange of information between counterparties. The findings of the group will reinforce the efforts to promote enhancement of risk-management systems at banking institutions and are expected to advance sound practices in key areas such as the type of information that can be exchanged between hedge funds and their counterparties without compromising hedge funds' proprietary information.

Supervisory Efforts by the Federal Reserve in the Aftermath of LTCM

In its role as a bank supervisor, the Federal Reserve's primary contribution to advancing market discipline lies in its responsibility to ensure that the risk-management processes at individual banking organizations are commensurate with the size and complexity of their portfolios. We promote the adoption of sound risk-management practices through on-site reviews and targeted examinations of banking organizations and by regularly issuing supervisory guidance to both banks and our supervisory staff. This morning I will briefly summarize recent Federal Reserve efforts in both of these areas and will explain how Federal Reserve supervisory guidance provides direction to banking institutions and examiners that supports, and is consistent with, that issued by the Basle Committee on Bank Supervision and the Office of the Comptroller of the Currency. President McDonough's testimony answers the subcommittee's questions regarding the recent guidance on highly leveraged institutions issued by the Basle Committee on Bank Supervision and the regulation of hedge funds in other developed countries.

Immediately after the LTCM episode, the Federal Reserve detailed staff from the Board of Governors and the Federal Reserve Bank of New York to conduct special reviews at those state member banks with significant hedge fund relationships to identify the following:

• The nature and magnitude of bank credit exposures to hedge funds

• The comprehensiveness of banks' due diligence processes regarding hedge funds

• The quantitative controls used in managing exposures to hedge funds

• The adequacy of management information systems and internal controls with regard to hedge fund counterparties

• The extent to which the LTCM relationship was an exception to banks' normal hedge fund relationships.

Our review found that U.S. commercial banking exposures to hedge funds are primarily counterparty exposures arising from OTC derivatives contracts. Overall, direct unsecured loans to hedge funds have traditionally been a small portion of bank lending, even at the larger global institutions. As of the third quarter of 1998, direct unsecured loans disbursed by all U.S. commercial banks to hedge funds were estimated at $1.7 billion, or approximately 1 percent of tier 1 capital of those banking institutions with exposures to hedge funds. This amount represents only direct lending arrangements and includes $170 million in loans dispersed by U.S. banks to LTCM under a $900 million shared national credit facility (most of which was participated to foreign banking organizations). It does not include the $900 million of equity investments in LTCM made by three U.S. banking organizations in September 1998.

As of the third quarter of 1998, only five U.S. commercial banks had material OTC derivative exposures to hedge fund counterparties. Credit exposures arising from these relationships consisted of the current marked-to-market value of the derivative transactions as well as the potential exposure that might arise from future changes in these market values (the potential future exposure or PFE). All of the banking institutions mark their derivative positions to market on a daily basis and require any net current market value owed to them to be fully collateralized, generally with high-quality securities, such as U.S. Treasuries or sovereign debt from Group of Ten (G-10) countries. For those hedge funds judged to be of lower credit quality, banks generally require the posting of collateral or margin above current market values to protect against the potential future exposure of derivative contracts with these counterparties.

With regard to LTCM, the review found that the fund was atypical among hedge fund counterparties in both the size of its positions and the amount of leverage it employed. While several hedge funds had larger net asset values (capital) than LTCM and a few funds may have employed the same or comparable book leverage, LTCM's combination of size and leverage was singular.

Investigations of the management of the LTCM account at several institutions found that an overreliance on the collateralization of the current market value of derivatives positions and the stature of LTCM's managers led to compromises in several key elements of the credit-risk-management process. In some cases, assessments of LTCM's creditworthiness was found to be less than adequate as a result of limited information on the fund's true risk profile and risk-management capabilities. In particular, exposure measures and scenario analyses that could have identified potential losses under stress situations were found to be less than adequate.

Importantly, while LTCM was found to be atypical among hedge fund counterparties, shortcomings in the risk management of hedge fund counterparty exposures appeared to extend beyond this one fund. In several cases, the review team found inadequate counterparty risk-management policies and procedures. In others, while formal policies and procedures may have existed, gaps between policy and practices were identified. Specifically, the review team found that the due diligence and ongoing risk assessments of hedge funds were largely qualitative and lacked quantitative rigor. The review also found compromises in the limit systems and methodologies of credit exposure measurement employed, including limited use of counterparty exposure stress testing. In particular, measures of the potential future exposures arising from derivative positions with hedge fund counterparties were found in need of significant enhancements at some banks. In general, banks placed undue reliance on the collateralization of current mark-to-market exposures and underestimated the potential exposure that could arise under difficult market conditions.

The findings of this special review served as a primary source for the Basle Supervisory Committee's recent report, "Banks' Interactions with Highly Leveraged Institutions." Federal Reserve staff played a major role in shaping the scope of the Basle documents, drafted significant portions of early versions of the Basle Committee's main paper, and provided significant input into its sound practices paper. President McDonough's testimony discusses, at length, the content of the Basle documents including the sound practices they identify.

The Board of Governors fully endorses both Basle documents. The Basle guidance has been incorporated in Federal Reserve guidance by direct reference in our recent Supervision and Regulation Letter, "Supervisory Guidance Regarding Counterparty Credit Risk Management" (S.R. 99-3). They have been transmitted by the appropriate Federal Reserve Banks to all state member banks and holding companies with significant hedge fund exposures and to all Federal Reserve staff supervising those institutions. Moreover, the March 1999 update to the Federal Reserve's *Trading and Capital Markets Activities Manual* will incorporate the specific sound practices identified in the Basle documents in a special hedge fund subsection of its existing Counterparty Credit Risk Management section.

The results of the targeted reviews conducted in the third and fourth quarter of 1998 have been shared with each institution reviewed, and supervisory plans tailored to each institution's particular circumstances have been developed. Supervisory staff is monitoring each bank's management of hedge fund counterparty exposures as well as the bank's efforts to address any identified risk management shortcomings.

I understand that other G-10 bank supervisors have translated the Basle documents into the appropriate foreign language and transmitted them to industry associations or institutions with hedge fund relationships. In some cases, supervisors have taken steps to monitor bank hedge fund exposures and bank initiatives to enhance internal counterparty credit risk management systems.

Private Sector Response in the Aftermath of LTCM

As would be expected coming out of the LTCM event and other market difficulties in 1998, banking institutions, in their own self-interest, appear to be well under way in making enhancements to their credit risk management systems. With regard to the due diligence process, banks are requesting and receiving more information from their hedge fund counterparties, such as value-at-risk calculations, position concentrations, aggregate off-balance sheet positions, and the results of stress tests. Banks have also increased the rigor of the due diligence processes applied to hedge fund counterparties, including the use of their own quantitative risk-management specialists to conduct on-site reviews of hedge fund risk-management systems. Increasingly, hedge funds recognize that they need to provide their counterparties with more information. All parties are looking for remedies short of having funds disclose specific position information that they feel might compromise the integrity of their proprietary investment strategies. It is expected that a major contribution in this area will be made by the Counterparty Risk Management Policy Group.

Banks are also moving to develop more realistic counterparty credit-risk-exposure measures including the development of various types of stress testing of their credit-risk exposures to major counterparties. Some banks are reviewing their policies regarding how, when, and with what type of counterparties they will require collateralization of potential future exposures.

In general, all of the banks reviewed last year have conducted their own internal assessments of lessons learned and, in their own self-interest, are reassessing their business strategies regarding hedge funds and moving forward to make necessary enhancements to their risk-management processes.

Federal Reserve Board Guidance on Counterparty Credit Risk Managements

Federal Reserve supervisory guidance that is particularly pertinent to issues surrounding bank relationships with hedge funds was first issued in the Federal Reserve's *Trading Activities Manual* (TAM), published in 1994. This manual discusses general sound practices for managing the market, credit, legal, liquidity and operating risks involved in bank trading and derivatives activities. The manual also provides guidance in other areas such as accounting, capital requirements, financial performance measurement, ethics and regulatory reporting, and compliance. It also provides more than thirty-five individual instrument profiles that describe the risks and supervisory issues involved in each product. Over the years, this manual has come to serve as a definitive industry resource on sound risk-management practices as they relate to trading and derivative activities. Revision of the guidance in this manual is an ongoing process. The manual was substantively revised in 1998 and is updated each March and September.

In 1994, the Federal Reserve also issued specific guidance focusing on hedge funds. Both this specific guidance and our manual emphasize the importance of sound financial analysis of counterparties that can quickly adjust their risk profiles.

In reviewing the 1998 financial performance of large banking institutions, a number of general lessons on how, where, and why breakdowns in risk-management processes can occur have been reemphasized to both banks and bank supervisors. As has been the case in most instances of bank losses, competition, the pursuit of earnings, and the general press of business often result in the introduction of risk exposures for which existing risk-management infrastructures may not be sufficient. Moreover, breakdowns in risk management most often arise in product, customer, and business lines that experience significant growth and above-normal initial profitability.

In an effort to emphasize the importance of some of the general lessons highlighted by events over the past two years and to advance the application of these lessons in the interests of avoiding future difficulties in other areas, the Federal Reserve issued its supervisory letter on counterparty credit-risk-management on February 1 of this year to provide general guidance. The guidance is aimed at providing supervisors and bank management insights on those elements of counterparty credit-risk-management systems at large complex banking organizations that may need special review and enhancement in light of the rapid changes taking place in banking and financial markets. The guidance is targeted at relationships withl *all* types of bank counterparties, including hedge funds. It reiterates and expands upon fundamental principles of counterparty credit-risk-management that are covered in existing supervisory materials of the Federal Reserve and other regulators, and in established industry standards. It emphasizes areas that, while generally understood for several years, have become increasingly important given the global linkages of financial markets. In particular, the important interrelationships between market and credit risks and their effect on the magnitude of derivative counterparty exposures, especially in times of stress, is an increasingly important area that merits the attention of all banks engaged in derivative activities. Accordingly, this issue is discussed at length in our recent guidance.

From a broad perspective, the guidance advises banking institutions to focus sufficient resources on ensuring the adequacy of *all* elements of their counterparty credit-risk-management systems, especially for activities, business lines and products experiencing significant growth, above-normal profitability or risk profiles, and large potential future exposures. Recognizing that strong internal controls and internal audit functions are the first line of defense in avoiding problems, the guidance also advises institutions to ensure that internal audit and independent risk management functions focus on growth, profitability, and risk criteria in targeting their reviews. Institutions are also advised to calibrate their credit risk-management policies and procedures to the risk profiles of specific types of counterparties and instruments. Too often, general policies and procedures developed to cover all types of counterparty exposures can lead to important gaps in the assessment of risks to specific types of counterparties.

The guidance specifically addresses four basic elements of counterparty credit risk-management systems: the assessment of counterparty creditworthiness; credit-risk-exposure measurement; the use of credit enhancements and contractual covenants; and credit-risk-exposure limit-setting and monitoring systems. With regard to the assessment of counterparty creditworthiness, the guidance points out the need for policies and procedures that are tailored to the risk profiles of counterparties and for internal controls that ensure actual practices conform with these policies. In complying with this guidance in the context of their hedge fund relationships, banks are expected to have specific policies for assessing the unique risk profiles of hedge funds, including the scope of due diligence analysis and ongoing monitoring to be conducted, the type of information required from hedge fund counterparties, and the nature of stress testing used in assessing credit exposures to hedge funds. As mentioned earlier, the Federal Reserve has adopted the Basle Committee's recent guidance on sound practices governing bank relationships with hedge funds and expects that banks' internal policies regarding their hedge fund relationships will be brought into compliance with those sound practices.

In the area of exposure measurement, the Federal Reserve's guidance also points out that potential future exposure measures are becoming more important in managing the credit exposures of derivatives positions. Accordingly, institutions must ensure that potential future exposures for both secured and unsecured positions are measured realistically and are better incorporated into measurement and limit systems. It also advises institutions to step up existing programs to enhance credit-risk-exposure measures by incorporating netting and portfolio effects. The need for better stress testing and scenario analysis of credit exposures that incorporates the interaction of credit and market risks is also identified. In essence, the guidance points to the need for a better balance between the qualitative and quantitative elements of exposure assessment and management for all types of counterparties.

Conformance of Federal Reserve Supervisory Guidance with Other Supervisors

The development of supervisory guidance on sound risk management, like industry practices, is an evolutionary process enhanced by experience. It could be argued that, to a large extent, the fundamental principles of assessing counterparty credit risks, the measuring and stress testing of the potential future exposures of derivative positions, and the dangers of overreliance on collateral have been well documented in supervisory guidance for several years. However, given advances in technology and the increasing pace of financial innovation and market interdependency, the techniques and means used to implement these principles are under constant development and refinement. Accordingly, supervisors must endeavor to ensure that their guidance is as up to date as possible.

As mentioned above, our most recent guidance both reemphasizes and supplements existing Federal Reserve Board principles and guidelines. Although different supervisors start from different bases of existing guidance, we believe the current body of Federal Reserve guidance on the risk management of trading, derivatives, and other capital markets activities is entirely consistent with that issued over the years by the Basle Committee on Bank Supervision and by other U.S. bank regulators.

The recent guidance released by the Basle Committee, "Sound Practices for Interactions with Highly Leveraged Institutions (HLIs)," covers the same material and provides the same direction to supervised institutions for a specific type of counterparty as that addressing all types of counterparties contained in existing Federal Reserve guidance. Moreover, as was mentioned above, the specific Basle guidance has been fully incorporated in the soon to be released updates to our *Trading and Capital Markets Activities Manual.*

In addition, existing Federal Reserve guidance is also consistent with that issued by the OCC. In its most recent supplemental guidance to Banking Circular 277 and the Comptroller's Handbook for National Bank Examiners, the Comptroller identifies thirteen lessons learned from events over the past two years. Although Federal Reserve guidance on trading and derivative activities may use different formats, it conveys the same direction and sound practices to supervised institutions embodied in each of these thirteen lessons. For example, the Comptroller's recent guidance discusses the need for senior management and the board of directors to understand the limits of their price-risk-measurement systems and goes on to emphasize the need for stress testing such exposures. Supervisory guidance of the Federal Reserve has long advised of the importance of stress testing market risks and the conveyance of these reports to senior management and the board of directors so that they can fully understand the institution's risk exposure and adjust risk tolerances accordingly. Our most recent guidance on the measurement of potential future exposures and stress testing supplements this prior guidance.

Perhaps the most important guidance emphasized by the Federal Reserve and the OCC is that which advises banks and examiners to ensure that sufficient risk management is targeted at new, growing, and highly profitable activities. As mentioned above, such areas have been the source of most bank losses.

In summary, the Federal Reserve believes that its existing supervisory guidance on trading and derivatives activities at state member banks and bank holding companies is entirely consistent with, and complementary to, that of the Basle Committee on Bank Supervision and the OCC. Together, this supervisory guidance offers a clear set of sound practices that, when implemented appropriately, serves to enhance and support market discipline by strengthening the risk-management processes of major creditors and counterparties.

SUPERVISORY LESSONS LEARNED

Events in developing and developed financial markets and the various types of losses posted by banking institutions over the past two years, including recent events surrounding bank hedge fund relationships, have also provided supervisors and examiners with important lessons. From one perspective, we would like to think that effective supervision contributed to the ability of U.S. institutions to weather the financial storms of the past two years. Our reviews indicated and the financial results illustrate that, while the LTCM incident and other episodes over the past two years may have significantly impacted earnings, they did not threaten the solvency of any U.S. commercial banking institution.

Still, our review of our own performance suggests room for enhancements on our part. Within the context of the Federal Reserve's risk-focused approach to supervision, major counterparty exposures are generally reviewed during both regular and targeted reviews of banks' derivatives and counterparty credit risk systems. Our internal reviews found several cases in which examiners, like banking institutions, may have placed too much emphasis on the full collateralization of current exposures. In the past, examiners have generally focused supervisory resources on assessing the risks entailed in unsecured credit exposures. Moving forward, our guidance instructs examiners to incorporate measures of potential future exposure in stratifying samples and selecting counterparties and transactions upon which to base targeted testing of practices and internal controls, regardless of the collateralization of current market value exposures. Examiners are also instructed to review the results and adequacy of an institution's stress testing and scenario analyses in assessing both the magnitude and management of credit exposure.

The need to emphasize in-depth transaction testing is another important supervisory lesson learned (or relearned) in the LTCM case, and this is emphasized in our supervisory guidance. The increasing complexity of financial markets and banking activities places a premium on focusing supervisory resources at high risk areas and conducting sufficient transaction testing to identify variances between policy and practice. Increasingly this involves conducting transaction testing with highly qualified specialists. Targeting resources at retaining, recruiting, and developing such specialists as well as providing them automated tools to enhance their efficiency and effectiveness is a top supervisory priority at the Federal Reserve.

CLOSING

In closing, I would like to emphasize the significant amount of attention that the LTCM incident, in particular, and bank relationships with hedge funds, in general, have received, and continue to receive, from both public and private venues. Although market discipline may not have worked in preventing the LTCM event in the first place, the marketplace has reacted appropriately and we have learned much to carry us forward. Banks and securities firms, in their own self-interest, have tightened their risk-management processes as they relate to hedge funds. Hedge funds now face a new reality of tougher counterparty oversight. Supervisors are also enhancing their oversight of banks' hedge fund exposures. The supervisory guidance issued by the Basle Supervisors Committee, the OCC, and the Federal Reserve represent an effective, quick, and needed response to an important issue. This guidance effectively reinforces private sector initiatives to enhance counterparty credit risk management processes. As I mentioned at the outset, even more work needs to be done to ensure that the lessons we have learned over the past two years become engrained in standard practice and to ensure that effective market discipline is brought to bear on the risk-taking of hedge funds and other entities that make use of significant financial leverage. In particular, we look forward to the reports and recommendations of the Counterparty Risk Management Policy Group that will provide additional practical tools for implementing both industry and supervisory sound practices in counterparty credit risk management.

Statement by William J. McDonough, President, Federal Reserve Bank of New York, before the Subcommittee on Financial Institutions and Consumer Credit, Committee on Banking and Financial Services, U.S. House of Representatives, March 24, 1999

I appreciate the continued attention that you and your colleagues on the subcommittee and on the Banking Committee as a whole have brought to bear on the complex and important issues under discussion today.

The near-failure of Long-Term Capital Management (LTCM) last fall raised a number of issues regarding the activities of highly leveraged institutions. Since then, banking supervisors have been hard at work to assess where banks have been deficient in their dealings with hedge funds and other highly leveraged institutions, which I will refer to as "HLIs." This work has resulted in the issuance of supervisory guidance, both internationally and in the United States, with the aim of improving banks' policies and practices regarding HLIs.

I am happy to be appearing before you with my colleague Governor Meyer—who I understand will concentrate on discussing the Federal Reserve's policy guidance to banks regarding hedge funds—and Deputy Comptroller of the Currency Brosnan. I will focus my remarks on the work done at the international level by the Basle Committee on Banking Supervision, which issued a report and sound practice recommendations on January 28 with regard to banks' dealings with HLIs.

Before I get too far into the details, let me share with you my overall approach to the issues we will be discussing this morning. My views have been shaped not only by my positions as Chairman of the Basle Committee on Banking Supervision and President of the Federal Reserve Bank of New York but also by my twenty-two years of experience as a commercial banker. Both my private- and public-sector experience have led me to conclude that the LTCM episode, and the proper supervisory response to it, are fundamentally about two things: leverage and good judgment.

Leverage is an important part of our financial system. Most of the time leverage plays a positive role, resulting in greater market liquidity, greater credit availability, and a more efficient allocation of resources in our economy. But problems can arise when financial institutions go far in extending credit to their customers and counterparties. That's where good judgment comes in.

In my view, the most important decisions a banker can make are whom to do business with and how far that business relationship should be pursued. Those judgments are not easy: One of our fundamental aims as supervisors should be to see that banks are using the right tools to make those decisions. Because banks play a pivotal role in the world economy, the importance of these decisions cannot be underestimated.

BASLE REPORT FINDINGS AND GUIDANCE

Introduction

Let me turn to the Basle Committee on Banking Supervision, which is composed of bank supervisors from the Group of Ten (G-10) countries who develop supervisory policy for internationally active banks. While the committee does not have formal enforcement powers, its conclusions and recommendations are widely implemented, both in G-10 countries and in many other nations. The committee's report focuses on the relationship between banks and HLIs. Our goal was to provide a framework for identifying the broader issues raised by the LTCM episode, the policy responses of supervisors, and some key risk-management challenges for the banking industry going forward.

Because the Basle Committee's focus is on banking supervision and regulation, its primary emphasis has been on ensuring that major banks prudently manage their risk exposures to HLIs. The best way to achieve this is through the adoption of sound practices by the industry. It is primarily the responsibility of each banking organization to manage its risks. But given the special role that banks play in our economy and the systemic risks that can occur when they do not function properly, banks' risk-management activities are a legitimate public policy concern. Our sound practice standards give banks and their supervisors the tools to measure industry progress toward the goal of effective risk management.

The committee's report revealed a number of deficiencies in banks' practices. In particular, the committee observed an imbalance among the key elements of the credit-risk-management process, with too strong a reliance upon collateral to protect against credit losses. This undue emphasis, in turn, caused many banks to neglect other critical elements of effective credit risk management, including in-depth credit analyses of counterparties, effective exposure measurement and management techniques, and the use of stress testing.

The Credit Approval Process

For a bank to make sound lending decisions, it needs to obtain sufficient information about the borrower. Supervisors routinely emphasize the need for banks to have an effective credit approval process consisting of formal policies and procedures, accompanied by documentation of actual credit decisions. I should note that banks' credit exposure to LTCM was in two forms: the exposure arising from the trading of financial products with LTCM, and the exposure stemming from loans made to LTCM. Banks' primary exposure to LTCM was through their trading activities. Loans were not a large factor in the events that transpired last fall.

Regardless of whether a bank is a trading counterparty with, or a direct lender to, an HLI, it must obtain comprehensive and timely financial information about that HLI's risk profile and credit quality, and it must perform ongoing credit analysis of that HLI. In addition, a bank must have a clear understanding of an HLI's operations and risk-management capabilities. The committee observed weaknesses in each of these areas. Let me give a few examples.

For one, the committee found that banks did not obtain sufficient financial information to allow for a full assessment of how much and what types of risk had been assumed by large HLIs. In particular, banks did not obtain the information needed to assess leverage sufficiently. They did not have sufficient information to understand HLIs' concentrations in particular markets and risk categories, or their exposure to broad trading strategies.

Also, banks did not sufficiently understand the ability of HLIs to manage their risks. Because risk profiles can change from one day to the next, or even from moment to moment, it is necessary for an HLI's counterparties to ensure that the HLI can effectively manage its business operations and risks on an ongoing basis.

Exposure Measurement

The committee also concluded that banks should develop better measures of the credit exposure resulting from different types of trading activities. In particular, banks must develop more effective measures of what is called "potential future exposure." Potential future exposure measures the credit exposure between a counterparty and a bank and how this exposure could change in the future as market prices fluctuate.

The ability of banks to measure potential future exposure is crucial when dealing with HLIs. Unfortunately, methods for calculating potential future exposure had not kept pace with the growth and complexity of HLIs. As we have seen, under volatile market conditions, a bank's exposure to HLIs can grow substantially.

In many instances, banks request HLIs to post collateral covering their exposures. However, a bank that does not use a realistic measurement of potential future exposure to decide how much collateral to require can later find its collateral holdings to be grossly insufficient. We expect the industry to develop more effective ways to measure and manage potential future exposure, and supervisors will closely monitor progress to ensure that this occurs.

Stress Testing

The committee's report also shows that banks must develop measures that better account for credit risk under extreme market conditions. This can be achieved through what we call "stress tests," where a bank conducts "what if" analyses of how credit exposures to a single counterparty could grow under these market conditions. These might include a large rise or fall in interest rates or a major change in an exchange rate.

More rigorous stress testing could have given banks at least some warning of the types of exposures they faced last fall. The critical importance of stress testing is noted very explicitly in our new supervisory guidance.

Sound Practice Recommendations in the Basle Committee Report

The Basle report is accompanied by a sound practices document that sets forth an important set of standards that will guide both banks and their supervisors. Among other things, these sound practices call upon banks to

- Establish clear policies governing their involvement with HLIs
- Adopt credit standards addressing the specific risks associated with HLIs
- Establish meaningful measures of potential future exposure
- Establish mear[illegible]credit limits, incorporating the results of stress t[illegible]
- Monitor exposure on a frequent basis.

Banks generally tightened the credit-risk-management standards for their HLI exposures after the near-collapse of LTCM. However, it is important that supervisors ensure that progress continues. Memories tend to be short, and we want to make sure that as markets calm down, as they have in the past months, banks do not return to the old ways of doing business.

Possible Future Changes in the Capital Accord

As you know, the Basle Capital Accord is one of the great successes of the Basle Committee. Well before the events of last fall, the Basle Committee was developing fundamental revisions to the accord to better reflect the many changes in financial markets and risk-management practices since the accord's creation in 1988. Among the G-10 supervisors, there is broad agreement that the future accord should make greater distinctions among a bank's credit risks. These discussions are continuing.

The strong link between sound risk-management practice and the Capital Accord provides another reason for rapid adoption of the Basle Committee's sound practices. The HLI report raises several important technical issues of relevance to the accord. For example, the committee's call for better measures of potential future exposure may apply to the way such exposures are measured for capital purposes in the accord.

Other Regulatory Efforts

Introduction

One of the Basle Committee's hopes is that its sound practice recommendations will be widely implemented by supervisors both here and overseas. Governor Meyer and Deputy Comptroller Brosnan will be discussing in detail the guidance issued by the Federal Reserve and the Office of the Comptroller of the Currency. I should also note that the New York State Banking Department recently released a report on banks' hedge fund activities that supports the observations and supervisory priorities set forth in the Basle Committee report. In addition, international supervisory bodies and supervisors from countries outside the United States are in the process of acting on many of the proposals discussed here today.

Actions Regarding Hedge Funds by International Groups and Individual Countries

In February, IOSCO, the International Organization of Securities Commissions, established a task force on HLIs. I understand that IOSCO is focusing on securities firms' dealing with hedge funds and the ways in which risk management and market transparency can be improved, which complements the Basle Committee's work concerning banks. Because banks and securities firms are the primary counterparties of HLIs, it is crucial that there be a coordinated supervisory response at the international level among securities and bank regulators.

At their meeting last month, the Group of Seven (G-7) countries issued a statement endorsing the efforts of both the Basle Committee and the IOSCO. The G-7 intends to continue to review the topic of HLIs, which will be of assistance as we urge countries to implement sound practices in this area.

I would not want to characterize or opine upon the efforts of any one jurisdiction; many countries' efforts, like ours, are under way only recently and need time to develop and take hold. There probably will be differences in the degree to which supervisors in different countries address the questions I have discussed today—if only because the intensity of HLI activities varies among countries. But on the whole, I believe that supervisors in major countries will follow up on the recommendations issued by the Basle Committee.

Direct versus Indirect Methods of Addressing HLI Safety and Soundness

Many governments have considered or will consider the advantages and disadvantages of imposing direct regulation on the HLI industry. The Basle Committee report discussed that issue and concluded that concentrating on the behavior of banks and other counterparties doing business with HLIs would yield effective and more immediate results.

A common element of many HLIs is that they are structured in ways that minimize their exposure to supervisory oversight and costs. Thus, many have chosen to organize themselves legally in jurisdictions that offer modest supervision and low taxes.

Am I pleased that so many HLIs are organized legally in what many would characterize as tax havens? No. But I do not think that problems involving unwise exposure to HLIs can fairly be blamed on the fact that many of these entities are chartered offshore. To be sure, the due diligence review that banks make for *every* customer should encompass the customer's place of incorporation and its ramifications.

Currently, I know of no comprehensive direct regulation of hedge funds in any of the G-7 countries. There are, however, aspects of hedge fund activities, such as commodities and futures trading, that are subject to regulatory oversight.

I do not believe that it would be easy to develop a workable approach to the direct oversight of hedge funds. The reality is that imposing direct regulation on hedge fund entities that are chartered in the major industrialized countries would likely result in the movement of all operations to sites offshore. Direct regulation of hedge funds would require a high level of coordination involving the political, legislative, and judicial bodies of many countries. This is clearly beyond the jurisdiction of most banking supervisors.

As bank supervisors, we have opted for a strategy that will, I believe, bring substantial near-term results. Our approach to improving the financial system's interactions with HLIs is to focus quickly and aggressively on the decisions by banks that could create excessive leverage or imprudent credit exposure. Perhaps our strategy can be termed "indirect," but I am reasonably confident that it will succeed.

CONCLUSION

Chairman Roukema, I thank you and your colleagues for the opportunity to explain more about the international efforts that address financial institutions' dealings with hedge funds. I promised quick and decisive action on the events that were so fresh in our minds when I testified before you and other members of the House Banking Committee last fall. I hope you agree that we have made real progress at the Basle Committee level and in the supervisory developments you will hear about in Governor Meyer's and Deputy Comptroller Brosnan's testimony.

Statement by Edward M. Gramlich, Member, Board of Governors of the Federal Reserve System, before the Committee on Banking, Housing, and Urban Affairs, U.S. Senate, March 25, 1999

I appreciate this opportunity to appear before the committee to present the views of the Board of Governors of the Federal Reserve System on currency collateral, financial netting, and consumer issues raised by the Conference Report on H.R. 3150, the Bankruptcy Reform Act of 1998. The Board strongly supports section 1013 of the Conference Report relating to Federal Reserve collateral requirements and urges its inclusion in this year's legislation. The Board also strongly supports the financial contract provisions of title X of the Conference Report. Our testimony also offers comments on the consumer provisions found in sections 112, 113, 114, and 1128 of the Conference Report.

CURRENCY COLLATERAL

Section 16 of the Federal Reserve Act requires that the Federal Reserve collateralize Federal Reserve notes when they are issued. The list of eligible collateral includes Treasury and federal agency securities, gold certificates, Special Drawing Right certificates, and foreign currencies, the items in bold print on the left side of the balance sheet in appendix A.[1] In addition, the legally eligible backing for currency includes discount window loans made under section 13 of the Federal Reserve Act. Over the years sections have been added to the act that permit lending by the Federal Reserve to depository institutions under provisions other than section 13 and against a broader range of collateral than is allowed under section 13. However, the currency collateralization requirement of section 16 has not been similarly amended, thus limiting the types of loans the Federal Reserve can use to back the currency.

To date, the Federal Reserve has always had more than enough collateral to back Federal Reserve notes. In recent years, however, the margin of excess currency collateral has been dwindling. The primary reason for the decline in excess currency collateral has been the development of retail sweep accounts. Retail sweep accounts are a technique used by banks to increase earnings by reducing their required reserves. Because of the growth of sweep accounts, required reserve balances have declined substantially over the past five years.

Because reserve balances, unlike currency, do not have to be collateralized, they serve as a source of excess collateral for currency. To maintain a balance between the demand for and the supply of reserve balances that is consistent with the intended stance of monetary policy, the Federal Reserve has responded to the declining demand for reserves by accumulating a smaller volume of Treasury securities than it would have in the absence of retail sweep accounts. This means that the growth of retail sweep accounts has effectively diminished the margin of excess currency collateral. As additional sweep programs are implemented, the margin will tend to shrink further. One can trace the effects of declining reserve balances on excess currency collateral in the simplified Federal Reserve balance sheet in appendix A—excess currency collateral was down to about $20 billion by the end of 1998 and is likely to drop further.

The small margin of available collateral poses a serious potential problem for the Federal Reserve. Although discount window borrowing has been very low in recent years, it could increase substantially in the future. For example, one or more banks could experience operational problems (perhaps because of computer failures related to the century date change) that require a large volume of temporary funding from the discount window. These banks might not be able to tender the types of collateral that would qualify for loans under section 13. Consequently, any such loans would need to be made under other provisions of the act, and under current law they would not be eligible to back currency.

If the aggregate need for such loans exceeded excess currency collateral, the Federal Reserve would be faced with an unpalatable choice. Were the Federal Reserve to extend the credit, it would not be able to absorb all of the resulting excess reserves by selling Treasury securities from its portfolio because selling the necessary amount would cause a deficiency in currency collateral. The increase in excess reserves would reduce short-term interest rates, causing an unintended easing of monetary policy and perhaps risking inflation. The situation would persist until the loans were repaid. Were the Federal Reserve instead to refuse to make the discount loans in order to maintain the stance of monetary policy and continue to collateralize the currency, the depository institutions seeking credit would not be able to meet their obligations, with possible adverse implications for the financial system as well as the individual depository institutions. Thus the Federal Reserve would need to choose between two of its most funda-

1. The attachments to this statement are available from Publications Services, Mail Stop 127, Board of Governors of the Federal Reserve System, Washington, DC 20551, and on the Board's site on the World Wide Web (http://federalreserve.gov).

mental policy objectives—protecting the value of the currency and preserving financial stability.

The legislation in section 1013 of the Conference Report would greatly reduce the likelihood of circumstances that would give rise to such difficulties. It would authorize the Federal Reserve to collateralize the currency with *all* types of discount window loans, not just those made under section 13. By permitting all discount window loans to back the currency, the Federal Reserve would be able to collateralize currency fully—as the original framers of the Federal Reserve Act saw fit to require—in virtually all conceivable circumstances while conducting monetary policy in pursuit of the nation's macroeconomic objectives and making any and all discount window loans that are appropriate.

I might note that section 101 of S. 576, the Senate regulatory relief bill, would also reduce the odds that the currency collateral requirement could inappropriately constrain Federal Reserve operations. If the Federal Reserve were permitted to pay interest on required reserve balances, as provided for in that proposal, the incentives that depository institutions face to generate new retail sweep arrangements would be greatly reduced, and some banks would probably even dismantle such arrangements. As a result, the level of reserve balances should rise, providing a modest additional source of funds to purchase collateral to back the currency. This step by itself would not be adequate to address the currency collateral issue, but it would help. More important, the prevention of further erosion in required reserve balances and the possibility that they would rise would assist the Federal Reserve in the implementation of monetary policy by forestalling the possibility that the volatility of overnight interest rates could rise substantially as a result of low reserve balances. The Federal Reserve strongly supports this section of S. 576.

Financial Netting

The Federal Reserve commends the committee for addressing title X, Financial Contract Provisions, of H.R. 3150, Bankruptcy Reform Act of 1998, which was considered in the last Congress. Title X of H.R. 3150 included a number of proposed amendments to the Federal Deposit Insurance Act and the Bankruptcy Code as well as other statutes related to financial transactions. Most of these amendments incorporated or were based on amendments to these statutes that were endorsed by the President's Working Group on Financial Markets. As discussed more fully in appendix B, the Board supports enactment of the amendments recommended by the Working Group. The importance of improving the legal regime underpinning financial markets has been recognized by the finance ministers of the Group of Seven countries. In this regard, the ability to terminate or close out and net contracts and to realize on collateral pledged in connection with these contracts is vital. Enactment of the provisions of title X would reduce uncertainty in these areas. This reduced uncertainty should foster market efficiency and limit market disruptions in the event of an insolvency, limit risk to federally supervised financial market participants, including insured depository institutions, and limit systemic risk.

Closeout refers to the right to terminate a contract upon an event of default and to compute a termination value due to or due from the defaulting party, generally based on the market value of the contract at that time. By providing for termination of contracts on default, nondefaulting parties can remove uncertainty as to whether the contract will be performed, fix the value of the contract at that point, and proceed to rehedge themselves against market risk.

The right to terminate or close out contracts is important to the stability of market participants and reduces the likelihood that a single insolvency will trigger other insolvencies due to their market risk. Further, absent termination and closeout rights, the inability of market participants to control their market risk is likely to lead them to reduce their market risk exposure, potentially drying up market liquidity and preventing the affected markets from serving their essential risk-management, credit-intermediation, and capital-raising functions.

Netting refers to the right to set off, or net, claims between parties to arrive at a single obligation between the parties. Netting can serve to reduce the credit exposure of counterparties to a failed debtor and thereby to limit systemic risks and to foster market liquidity.

Finally credit exposure under financial market transactions is frequently collateralized. The right to liquidate collateral immediately is important for preserving the liquidity of financial market participants.

Recognizing the importance of termination, or closeout, netting, and collateral, in March 1998 the Secretary of the Treasury, on behalf of the President's Working Group on Financial Markets, transmitted to the Congress proposed legislation that would amend the banking laws and the Bankruptcy Code. As I noted previously, the provisions of Title X, Financial Market Contracts, of H.R. 3150 were largely based on the provisions that were endorsed by the Working Group. Additional language in title X was designed to further the same ends that the Working Group sought to promote. Other provisions, such as section 1012 on Asset-Backed Securitizations, which was not included in the Working Group's recommendations, may also foster the efficiency of the financial markets by promoting certainty. I understand that there have also been concerns expressed over this provision. Although we believe that this provision is beneficial, we think the provisions endorsed by the Working Group are sufficiently important to be pursued by the Congress even if the asset securitization provision is not included.

Consumer Protection

The Conference Report contains a number of provisions relating to consumer protection laws the Federal Reserve Board administers. Section 113 would direct the Board to study the adequacy of existing protections that limit consumers' liability for the unauthorized use of "dual use" debit cards. Commonly debit cards—such as those used at an automated teller machine (ATM)—can be used only if the consumer provides a personal identification number (PIN). However, some debit cards can also be used without a PIN; consumers sign a sales draft as they would for credit cards. Consumers' liability under the Truth in Lending Act (TILA) for the unauthorized use of a credit card is no more than $50; for debit cards, the potential loss under the Electronic Fund Transfer Act (EFTA) can be much higher. Depending on how timely the consumer is in reporting the unauthorized use, the consumer's liability in the latter case may be as much as $500 and may even be unlimited if the consumer does not notify the institution within sixty days of the sending of a periodic statement listing an unauthorized transaction.

Some observers have expressed concern that consumers using debit cards in the same way that they use credit cards may not understand the difference in their potential risk of loss. The Conference Report requires that the Board study how well existing law protects consumers against unauthorized use of debit cards, whether the industry has enhanced the level of protection through voluntary rules, and whether additional amendments to the EFTA or the Board's regulations are necessary.

The Board believes that market discipline is preferable to government-imposed regulations. As an example of how market discipline might work, both VISA and MasterCard have already voluntarily established rules for financial institutions offering non-PIN protected debit cards that generally limit a consumer's liability to $50 or less. Though these rules are not identical to those in the EFTA and the Board's Regulation E, which implements the EFTA, these voluntary rules bring consumers' liability for these debit cards more in line with the liability rules for credit cards. The voluntary rules govern all institutions offering these types of debit cards and thus diminish consumers' liability substantially. In this case we believe the private sector has already acted appropriately to address the liability issue.

With regard to the possible need for additional disclosures that explain how non-PIN protected debit cards differ from other credit cards, the Board is studying this matter. We have the authority under the EFTA to adopt additional disclosures but must weigh the value of additional consumer protection against the additional compliance costs that would be imposed. Because the industry has already established voluntary limits on liability and the Board is currently analyzing the need for additional disclosures, we believe the study mandated in section 113(c) of the Conference Report may be unnecessary.

Section 112 of the Conference Report would require that the Board study the adequacy of information consumers receive about the deductibility of interest paid on home-secured credit transactions. The Board is to consider whether additional disclosures are necessary when the total amount of the home-secured credit extended exceeds the fair market value of the dwelling.

The Truth in Lending Act and the Board's Regulation Z, which implements TILA, currently have limited disclosure requirements about the effect of the credit transaction on consumers' income tax liability. Creditors offering home-secured lines of credit must provide generic disclosures when an application is made, including a statement warning consumers to consult a tax adviser regarding the deductibility of interest and other charges connected with the line of credit. Creditors offering purchase-money mortages and other home-secured installment loans are not required to provide any tax-related disclosures.

The Board recognizes that it is useful for consumers to be aware of the potential tax implications of home-secured credit transactions. But we have concerns about the study required by section 112(a). The tax code is complex, and its applicability to each consumer depends on personal financial information and additional analysis. Creditors often do not have all the information that would permit them to provide specific meaningful tax advice to consumers. We would be concerned that additional disclosures might give consumers the impression that a creditor has considered their individual circumstances and made a determination about the income tax consequences. In the end, the most meaningful disclosure a creditor could offer might be a generic statement advising the consumer to consult a tax adviser, or in the case of credit that exceeds a home's fair market value, a disclosure that the tax laws may not allow a deduction for all the interest paid on that loan.

It will be very difficult to obtain the data necessary to do the study required by section 112(a). Findings would likely be based on consumer surveys that ask consumers to relate their experiences in deducting interest associated with home-secured credit for income tax purposes. Taxpayers are notoriously private about their dealings with the Internal Revenue Service, and surveys about their dealings could result in unreliable information.

The third Board study, required by section 114(e) of the Conference Report, addresses the adequacy of the information consumers receive about certain borrowing practices that may result in financial problems. The focus of the study is consumers' practice of making only minimum payments on their credit card accounts or other revolving credit plans. The Board would be directed to use the results of the study to determine whether consumers need additional disclosures regarding minimum payment features beyond the minimum payment disclosures added by other provisions of the bill.

The Board is again concerned that there would be difficulties in obtaining reliable data. For example, the Board is asked to consider the extent to which the availability of low minimum payments causes financial difficulties and the impact of minimum payments on default rates. We believe that these relationships are difficult, perhaps impossible, to estimate. The Board would be happy to work with the Congress to draft a more manageable alternative.

Section 114 of the Conference Report would amend TILA to require that creditors offering open-end credit plans, such as credit cards, provide additional disclosures about minimum payments as well as arrangements in which consumers may "skip payments" while interest continues to accrue on the unpaid balance. It would also require that lenders provide an example of how long it would take to pay off a $500 balance if the consumer makes only the minimum payment and does not obtain additional credit. These disclosures would be provided when the account is opened, annually, and in the case of the minimum payment disclosure, on each periodic statement.

Regarding these additional disclosures, the Board recognizes the value of ensuring that consumers better understand the implications of making minimum payments on open-end credit plans. But the Congress might ask whether providing similar disclosures repeatedly, as required by this legislation, may have the unintended effect of creating "information overload" for consumers receiving these disclosures. Here is where a study might be helpful.

Section 1128 amends TILA to prohibit creditors from terminating open-end credit accounts solely because the consumer does not incur a finance charge on the account. (Typically, these cardholders are "convenience users" who pay their credit card balances in full each month.) Under the provision, creditors could terminate an account for inactivity of three months or more, but consumers who use their cards regularly and pay their balances in full could not have their accounts terminated for that reason.

The Board generally does not favor federal laws that restrict creditors' ability to determine whether particular accounts or transactions are economically viable. We believe competition in the marketplace is the better approach for motivating creditors' activities, and the credit card market is certainly competitive. Moreover, we have concerns about the possible consequences of such a prohibition. We are not aware that the practice of terminating accounts is prevalent in the industry, but we presume that to the extent creditors do so, it is because the accounts are considered unprofitable. If creditors cannot terminate these accounts, they will likely seek to recover their costs by increasing fees on convenience cardholders or for all their cardholders.

In addition to these comments, the Board would also like to bring certain technical comments on the consumer provisions to the committee's attention.

Statement Submitted by the Board of Governors of the Federal Reserve System to the Subcommittee on Capital Markets, Securities and Government Sponsored Enterprises, Committee on Banking and Financial Services, U.S. House of Representatives, March 25, 1999

Technology is one of the three great driving forces that has changed the workings of the world's financial systems in the last generation. Along with globalization and deregulation, each of which received a strong impetus from technology, technological change has created an increasingly competitive and efficient system that is delivering services cheaper, faster, and more conveniently to savers, borrowers, wealth holders, and governments. In the process, of course, older ways of delivering services have had to adapt, change, or become less important. The way financial services are supervised and regulated has also had to respond and adapt to this new environment.

Technology in financial systems involves the application of computers, electronics, and financial theory to design, unbundle, reconfigure, deliver, and manage the component elements of financial instruments—risk, maturity (or duration), yield, obligor, beneficiary, and so on. This process sets up a new dynamic in which financial market participants are continually looking for and offering new ways to unbundle and reconfigure components of financial instruments. From the supply side, these include the invention of new computational techniques that are more efficient, new models for pricing financial instruments, and new ways of addressing customers' perceptions of risks. From the demand side, asset holders and borrowers have a growing appetite for newly engineered products that will either insulate them from market volatility or will allow them to take advantage of the opportunities that result from globalization.

These demands also reflect the opportunities that the newer financial instruments provide for differentiating risks and allocating them to the investors most able and willing to bear them. By definition, this allocation process also enables those less willing and less able to bear risk to shift that risk away. In this process, financial products and asset prices are far better calibrated to the value preferences of individual participants. And let us not forget, such risk-shifting permits lenders to better serve risky borrowers. Lenders can now extend credit to these kinds of borrowers, knowing that a portion of the risk can be shifted to other parties willing to bear it. Technological change in sophisticated wholesale markets makes possible, it should be noted, better, cheaper, more efficient, and more widely available credit and asset choices in retail markets as well. Indeed, financial asset innovations and prices provide signals that not only enable entrepreneurs to more precisely allocate real capital facilities to produce those goods and services most valued by their customers but also open new channels for pricing credit more carefully over a wider spectrum of underlying risks. This process has undoubtedly improved national productivity growth and standards of living.

Banks and other financial institutions have clearly adopted new financial technologies not only for their benefit to internal management of risks and product design but also as a major income-producing effort. Derivatives and other newly designed products are a significant factor in the rise in large banks' noninterest income and doubtless are a factor in the significant gain in the finance industry's share of American output in the last decade. And these profits are but a small part of the economywide gain that their customers have received from the use of the new financial technology.

Is there no downside to the new financial technology? Of course there is. It facilitates the rapidity with which shocks can be transmitted. Both market participants and policymakers now have very little time to make critical decisions. Another effect from the technology is that market participants are now very reliant on their models—both for pricing and risk management. These models are in turn based on historical relationships that may, in the event, prove to be incorrect. In short, there is a concern on the part of some observers that we may have traded efficiency, speed, risk-shifting, and diversification—all to individual participant's benefits—for greater market vulnerability.

Such an argument generally rests on the view that financial technology is not only increasing risk-taking but also concentrating it in those large institutions that are the most significant users of it. There is no doubt that the new technology has played a role in certain leveraged trading strategies and perhaps even the degree of leverage throughout the economy. Those that wish to take more risk now find it easier to do so. But we should note two important facts. First, in the derivatives market, *overall* exposures and risk are a zero sum game: For every loser there is a winner. Second, the losses that have emanated from market shocks at individual institutions have been *less* for product lines using the new technology than the losses on traditional portfolios. Derivatives, for example, have been bystanders to the losses in equities, commodities, and emerging market debt—hardly high-tech instruments—during recent periods of stress. Derivatives may well have intensified the losses in underlying markets, but they were scarcely the major factor.

It may well be that future significant downturns in the economy may uncover additional risks that financial technology, globalization, and deregulation have created, but the evidence to date suggests those additional risks have been quite modest, especially when compared to the benefits. Like all new technologies, it is difficult, if not impossible, to predict their future uses and implications. It is incumbent on policymakers to try to stay abreast of developments rather than to limit technology in a futile effort to constrain risk taking.

Two things are clear. First, trying to regulate limits to technology by law or regulation before we are certain of these future uses and implications would clearly unleash the law of unintended consequences, as institutions and markets shift geographically or develop new techniques not anticipated by the rule-creators. A problem has to be clear before we try to fix it, and we must understand what the fix will do. Second, technological change makes it ever more important that the *process* of risk measurement and control keeps up with the realities of the marketplace. Bank supervision, for example, is increasingly emphasizing that process and, as we learn more from events, both the practitioners and the supervisors need to hone and adjust their methodology. By focusing on process, bank supervision can allow individual technologies to develop that meet both prudential and market standards. □

Announcements

MEETING OF THE CONSUMER ADVISORY COUNCIL

The Federal Reserve Board announced on March 2, 1999, that the Consumer Advisory Council would hold its next meeting on Thursday, March 25, in a session open to the public. The council's function is to advise the Board on the exercise of its responsibilities under the Consumer Credit Protection Act and on other matters on which the Board seeks its advice.

WITHDRAWAL OF THE PROPOSED "KNOW YOUR CUSTOMER" REGULATION

The Federal Reserve Board on March 23, 1999, announced withdrawal of its proposed "Know Your Customer" regulation that was issued for public comment on December 7, 1998.

The Board, acting along with the Federal Deposit Insurance Corporation, the Office of the Comptroller of the Currency, and the Office of Thrift Supervision, withdrew the proposal in response to comments received.

REGULATIONS H AND Y: FINAL RULES

The Federal Reserve Board on March 2, 1999, issued two final rules amending the risk-based and leverage capital standards for state member banks (Regulation H—Membership of State Banking Institutions in the Federal Reserve System) and the risk-based capital standard for bank holding companies (Regulation Y—Bank Holding Companies and Change in Bank Control). The rules were effective April 1, 1999.

The rules address the risk-based capital treatment of construction loans on presold residential properties, junior liens on one- to four-family residential properties, and investment in mutual funds.

For state member banks and bank holding companies, there is *no* change in the risk-based capital treatment of construction loans on presold residential properties or junior liens on one- to four-family residential properties.

With regard to the risk-based capital treatment of investments in mutual funds, state member banks or bank holding companies may continue to assign an investment in a mutual fund to the risk category appropriate to the highest risk-weighted asset allowable under the stated investment limits in the fund's prospectus or, at their option, assign the investment on a pro rata basis to different risk categories according to the limits of the fund's prospectus. The total risk weight of the fund under either risk-weighting method may not be less than 20 percent.

With regard to the leverage capital standard for state member banks, institutions with a composite rating of "1" under the Uniform Financial Institutions Rating System will continue to have a minimum ratio of tier 1 capital to total assets (leverage ratio) of 3.0 percent.

Other institutions will now be required to maintain a minimum leverage ratio of 4.0 percent, rather than the previous minimum of 3.0 percent, plus an additional cushion of 100 to 200 basis points.

The Board notes that an institution may be required to maintain higher-than-minimum capital levels if warranted and emphasizes that an institution should maintain a capital level commensurate with its risk profile.

The Board issued an amendment addressing the bank holding company leverage capital guidelines in June 1998.

These final rules were adopted on a joint basis with the Office of the Comptroller of the Currency, the Federal Deposit Insurance Corporation, and the Office of Thrift Supervision.

REGULATION M: REVISIONS TO THE OFFICIAL STAFF COMMENTARY

The Federal Reserve Board on March 31, 1999, announced revisions to its Regulation M (Consumer Leasing) official staff commentary, which applies and interprets the requirements of the regulation. The revisions are effective immediately; however, compliance is optional until March 31, 2000.

The revisions provide guidance on disclosures for lease renegotiations and extensions, official fees and taxes, multiple-item leases, and advertisements.

Regulation Z: Revisions to the Official Staff Commentary

The Federal Reserve Board on March 31, 1999, announced revisions to its Regulation Z (Truth in Lending) official staff commentary, which applies and interprets the requirements of the regulation. The revisions are effective immediately; however, compliance is optional until March 31, 2000.

The revisions provide guidance on the prohibition against the issuance of unsolicited credit cards and on the calculation of payment schedules involving private mortgage insurance.

In addition, the update discusses credit sale transactions, in which down payments include cash and property used as a trade-in, and adopts several technical amendments.

Regulation CC: Final Amendments

The Federal Reserve Board on March 23, 1999, announced final amendments to Regulation CC (Availability of Funds and Collection of Checks) that will facilitate banks' efforts for Year 2000 readiness.

The amendments will allow banks that consummate merger transactions on or after July 1, 1998, and before March 1, 2000, greater time to implement software changes related to the merger.

The amendments allow these banks to be treated as separate banks until March 1, 2001. Beginning in March 2000, banks that merge will be subject to the normal, one-year transition period.

The Board's action recognizes that banks are currently dedicating their automation resources to addressing Year 2000 and leap year computer problems.

The extension of the merger transition period will enable merged banks that were Year 2000 compliant to be treated as separate entities and to delay merging their systems until after the key century rollover and leap year events of Year 2000.

This procedure will enable these banks to avoid reprogramming and retesting Year 2000 compliant systems before spring of 2000. The extension should also help ensure that banks have sufficient resources to address unanticipated Year 2000 problems that may arise at the turn of the century.

Joint Issuance by Regulatory Agencies of a Letter on the Allowance for Loan Losses by Banks

The Securities and Exchange Commission, Federal Deposit Insurance Corporation, Federal Reserve Board, Office of the Comptroller of the Currency, and Office of Thrift Supervision jointly issued the following letter to financial institutions on the allowance for loan losses.

Joint Interagency Letter to Financial Institutions

Last November, the Securities and Exchange Commission, Federal Deposit Insurance Corporation, Federal Reserve Board, Office of the Comptroller of the Currency, and Office of Thrift Supervision (the Agencies) issued a Joint Interagency Statement in which they reaffirmed the importance of credible financial statements and meaningful disclosure to investors and to a safe and sound financial system. The Joint Interagency Statement underscored the requirement that depository institutions record and report their allowance for loan and lease losses in accordance with generally accepted accounting principles (GAAP). We stress and continue to emphasize the importance of depository institutions having prudent, conservative, but not excessive, loan loss allowances that fall within an acceptable range of estimated losses. We recognize that today instability in certain global markets, for example, is likely to increase loss inherent in affected institutions' portfolios and consequently require higher allowances for credit losses than were appropriate in more stable times.

Despite the issuance of the November Joint Interagency Statement, there is continued uncertainty among financial institutions as to the expectations of the banking and securities regulators on the appropriate amount, disclosure, and documentation of the allowance for credit losses. The Agencies now announce additional measures designed to address this continued uncertainty. These measures are consistent with the Agencies' mutual objective of, and focus on, addressing prospectively, where feasible, issues related to improving the documentation, disclosure, and reporting of loan loss allowances of financial institutions.

- The Agencies are establishing a Joint Working Group, comprised of policy representatives from each of the Agencies, to gain a better understanding of the procedures and processes, including "sound practices," used generally by banking organizations to determine the allowance for credit losses. An important aspect of the Joint Working Group's activities will be to receive input from representatives of the banking industry and the accounting profession on these matters, and will not involve joint examinations of institutions. The common base of knowledge that results will facilitate the joint and individual efforts of the Agencies to provide improved guidance on appropriate procedures, documentation, and disclosures to the banking industry. This will assist the banking community in complying with GAAP and will improve comparability among financial statements of depository and other lending institutions. The Joint Working Group will also share information and insights concerning issues of mutual concern that may arise.
  Using information gathered through the Joint Working Group and from representatives of the accounting profession and the banking industry, the Agencies will work together to issue parallel guidance, on a timely basis, and within a year on the first two items listed below, in the following key areas regarding credit loss allowances:

Appropriate Methodologies and Supporting Documentation. The Agencies intend to issue guidance that will suggest procedures and processes necessary for a reasoned assessment of losses inherent in a portfolio and discuss ways to ensure that documentation supports the reported allowance.

Enhanced Disclosures. This guidance will address appropriate disclosures of allowances for credit losses and the credit quality of institutions' portfolios by identifying key areas for enhanced disclosures, including the need for institutions to disclose changes in risk factors and asset quality that affect allowances for credit losses. The enhanced disclosures would contribute to better understanding by investors and the public of the risk profile of banking institutions and improve market discipline.

- The Agencies will work together to encourage and support the Financial Accounting Standards Board's process of providing additional guidance regarding accounting for allowances for loan losses. The Agencies emphasize that GAAP requires that management's determination be based on a comprehensive, adequately documented, and consistently applied analysis of the particular institution's exposures, the effects of its lending and collection policies, and its own loss experience under comparable conditions.

  In addition, the Agencies will support and encourage the task force of the American Institute of Certified Public Accountants (AICPA) that is developing more specific guidance on the accounting for allowances for credit losses and the techniques of measuring the credit loss inherent in a portfolio at a particular date. In particular, the AICPA task force will focus on providing guidance on how best to distinguish probable losses inherent in the portfolio as of the balance sheet date—the guidepost agreed to by the Agencies for reporting allowances in accordance with GAAP—from possible or future losses not inherent in the balance sheet as of that date. Additionally, the Agencies will ask the AICPA task force to consider recently developed portfolio credit risk measurement and management techniques that are consistent with GAAP as part of this effort. The AICPA project already has been initiated and will include representatives from the accounting profession and the banking industry, as well as observers from the SEC and the banking agencies.
- Senior staff of the Agencies will continue to meet to discuss banking industry accounting and financial disclosure policy issues of interest that affect the transparency of financial reporting and bank safety and soundness. These discussions will address progress in the application of accounting and disclosure standards by banking institutions, including those impacting the allowance for credit losses, with particular focus on recently identified issues and trends. The meetings also will be used to coordinate projects of the Agencies in areas of mutual interest. The first of these meetings was held on January 27.

The Agencies believe that the actions announced above will promote a better and clearer understanding among financial institutions of the appropriate procedures and processes for determining credit losses in accordance with GAAP. The Agencies intend that these steps will enhance the transparency of financial information and improve market discipline, consistent with safety and soundness objectives. In recognition of the specialized regulatory nature of the banking industry and in order to resolve ongoing uncertainties in the industry, with the announcement of these initiatives, the Agencies' focus, in so far as feasible, will be on enhancing allowance practices going forward.

ENFORCEMENT ACTIONS

The Federal Reserve Board on February 25, 1999, announced the issuance of a consent order against Daniel K. Walker, senior vice president, a director, and an institution-affiliated party of the Farmers and Merchants Bank of Long Beach, Long Beach, California, a state member bank.

Mr. Walker, without admitting to any allegations, consented to the issuance of the order in connection with the bank's extensions of credit in 1996 to a bank affiliate that resulted in alleged violations by the bank of the prior approval, collateral, documentation, and certain other requirements of sections 23A and 23B of the Federal Reserve Act (12 U.S.C. 371c and 371c-1), Regulation O of the Board of Governors (12 C.F.R. Part 215), and a written agreement between the Federal Reserve Bank of San Francisco and the bank, dated November 10, 1993. Mr. Walker paid a fine of $12,500.

The Federal Reserve Board on February 25, 1999, announced the issuance of a consent order against Kenneth G. Walker, president, chairman of the board of directors, chief executive officer, and institution-affiliated party of the Farmers and Merchants Bank of Long Beach, Long Beach, California, a state member bank.

Mr. Walker, without admitting to any allegations, consented to the issuance of the order in connection with the bank's extensions of credit in 1996 to a bank affiliate that resulted in alleged violations by the bank of the prior approval, collateral, documentation, and certain other requirements of sections 23A and 23B of the Federal Reserve Act (12 U.S.C. 371c and 371c-1), Regulation O of the Board of Governors (12 C.F.R. Part 215), and a written agreement between the Federal Reserve Bank of San Francisco and the bank, dated November 10, 1993.

The Federal Reserve Board, on February 25, 1999, announced the issuance of a combined order to cease and desist and of assessment of a civil money penalty against Hogi Patrick Hyun, a former employee of BT Singapore, a wholly owned nonbank subsidiary of Bankers Trust New York Corporation, New York, New York.

Mr. Hyun, without admitting to any allegations, consented to the issuance of the order in connection with his involvement in the marketing and sale of leveraged derivative transactions to customers of BTNYC and its subsidiaries. Mr. Hyun paid a fine of $120,000.

CHANGES IN BOARD STAFF

The Federal Reserve Board announced on April 5, 1999, that Theodore E. Allison, Assistant to the Board for Federal Reserve System Affairs in the Office of Board Members, would retire on April 30, 1999, after more than twenty-seven years of service with the Board.

The Board of Governors announced on April 13, 1999, approval of a reorganization of the Division of International Finance and the appointment to the official staff of Ralph W. Tryon as Assistant Director. In connection with the reorganization, the Board approved changes in responsibilities for Lewis Alexander, Peter Hooper, and Donald Adams and a change in Mr. Adams's title from Assistant Director to Senior Adviser.

Mr. Tryon first joined the Board's staff in 1979 and since 1992 has been Chief of the Trade and Financial Studies Section. He will assume direct supervisory responsibility for the Research and Information Systems program and will coordinate the division's information technology activities. He received his Ph.D. from the Massachusetts Institute of Technology.

The Federal Reserve Board announced on April 26, 1999, that S. David Frost, Staff Director for Management, would retire on June 1, 1999, after sixteen years of service with the Board.

The Federal Reserve Board on March 18, 1998, announced the appointment of Stephen R. Malphrus as Staff Director for Management. His appointment is effective on June 1, 1999, when S. David Frost, the current Staff Director, will retire.

The Staff Director for Management coordinates general management and administrative functions, including human resources, planning and budgeting, information technology, and general logistic support.

Mr. Malphrus joined the Board's staff in 1976. In 1991 he was promoted to the position of Director of the Board's Division of Information Resources Management. □

Legal Developments

FINAL RULE—AMENDMENT TO REGULATION CC

The Board of Governors is amending 12 C.F.R. Part 229, its Regulation CC (Availability of Funds and Collection of Checks). The Board recognizes that banks are currently dedicating their automation resources to addressing Year 2000 and leap year computer problems and may be challenged to make and test other programming changes, including those that may be required to comply with Regulation CC's merger transition provisions, without jeopardizing their Year 2000 or other programming efforts. Therefore, the Board is amending Regulation CC to allow banks that consummate a merger on or after July 1, 1998, and before March 1, 2000, greater time to implement software changes related to the merger.

Effective April 1, 1999, 12 C.F.R. Part 229 is amended as follows:

Part 229—Availability of Funds and Collection of Checks (Regulation CC)

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

Authority: 12 U.S.C. 4001 *et seq.*

2. In section 229.19, paragraph (g) is redesignated as paragraph (g)(1), a heading is added for newly designated paragraph (g)(1), and a new paragraph (g)(2) would be added to read as follows:

Section 229.19—Miscellaneous

* * * * *

(g) *Effect of merger transaction.*
   (1) *In general.* ***
   (2) *Merger transactions on or after July 1, 1998, and before March 1, 2000.* If banks have consummated a merger transaction on or after July 1, 1998, and before March 1, 2000, the merged banks may be considered separate banks until March 1, 2001.

3. Section 229.40 is redesignated as section 299.40 (a), a heading is added for newly designated paragraph (a), and a new paragraph (b) would be added to read as follows:

Section 229.40—Effect of merger transaction.

(a) *In general.* ***

(b) *Merger transactions on or after July 1, 1998, and before March 1, 2000.* If banks have consummated a merger transaction on or after July 1, 1998, and before March 1, 2000, the merged banks may be considered separate banks until March 1, 2001.

ORDERS ISSUED UNDER BANK HOLDING COMPANY ACT

Orders Issued Under Section 3 of the Bank Holding Company Act

Bay Port Financial Corporation
Bay Port, Michigan

Order Approving Formation of a Bank Holding Company and Acquisition

Bay Port Financial Corporation ("Bay Port") has requested the Board's approval under section 3(a)(1) of the Bank Holding Company Act ("BHC Act") (12 U.S.C. § 1842(a)(1)) to become a bank holding company by acquiring Bay Port State Bank, Bay Port, Michigan ("Bank").

Notice of the proposal, affording interested persons an opportunity to submit comments, has been published (64 *Federal Register* 4106 (1999)). The time for filing comments has expired, and the Board has considered the proposal and all comments received in light of the factors set forth in section 3 of the BHC Act.

Bay Port is a nonoperating corporation created for the purpose of acquiring Bank. Bank is the 148th largest commercial banking organization in Michigan, controlling approximately $33.2 million in deposits, representing less than 1 percent of total deposits in commercial banking organizations in the state ("state deposits").[1] Consummation of this proposal would result in a change in the shareholdings of the current shareholders of Bank, and would result in one shareholder becoming the largest shareholder of the newly formed bank holding company by acquiring control of more than 25 percent of the voting shares of Bay Port. This individual is also the largest shareholder of another Michigan bank holding company, First of Huron Corporation, Bad Axe, Michigan ("FHC").[2]

1. All banking data are as of June 30, 1998.

2. The Board previously has determined that if an applicant's principal shareholder is associated with other one-bank holding companies, the proposed formation of a one-bank holding company is analyzed by the Board using the same standard that would be used for

FHC is the 57th largest commercial banking organization in Michigan, controlling approximately \$142.9 million in deposits, representing less than 1 percent of state deposits. If the two organizations were combined, the resulting organization would become the 44th largest commercial banking organization in Michigan, controlling approximately \$176.1 million in deposits, representing less than 1 percent of state deposits.

Bay Port and FHC compete in the Huron County, Michigan, banking market.[3] In the Huron County banking market, Bay Port is the fifth largest commercial banking organization, controlling deposits of \$33.2 million, representing 7.6 percent of total deposits in commercial banking organizations in the market ("market deposits"). FHC is the largest commercial banking organization in the market, controlling deposits of \$120.4 million, representing 27.7 percent of market deposits. If the two organizations were combined, the resulting organization would be the largest commercial banking organization in the Huron County banking market, controlling deposits of \$153.6 million, representing 35.3 percent of market deposits. The Herfindahl–Hirschman Index ("HHI") would increase by 422 points to 2052.

The increase in the HHI would exceed the Department of Justice Merger Guidelines ("Merger Guidelines").[4] The Board notes, however, that the controlling shareholder of Bay Port owns only 14.4 percent of the voting shares of FHC. The shareholder, who has been a passive investor, has not been involved in the operations of either institution, and numerous other shareholders own significant percentages of FHC's voting shares. The Board also notes that even if the two organizations were combined, nine banking and thrift competitors would operate in the market, and three of these competitors, in addition to Bay Port and FHC, would each control more than 10 percent of market deposits. Finally, the market is reasonably attractive for entry and has experienced both *de novo* entry and entry by acquisition during the past two years. Based on these and all other facts of record, and for the reasons discussed in this order, the Board concludes that consummation of the proposal is not likely to result in any significantly adverse effects on competition or on the concentration of banking resources in the Huron County banking market or in any other relevant banking market.

The BHC Act also requires the Board, in acting on an application, to consider the financial and managerial resources and future prospects of the companies and banks involved in a proposal, the convenience and needs of the community to be served, and certain other supervisory factors.

The Board has carefully considered the financial and managerial resources and future prospects of Bay Port and Bank, the structure of the proposed transaction, the resources of the combined organization, and other supervisory factors, in light of all the facts of record. As part of its consideration, the Board has reviewed relevant reports of examination and other supervisory information prepared by the Federal Deposit Insurance Corporation ("FDIC"). The Board notes that Bay Port proposes to issue preferred stock as a part of the proposal and to provide additional capital to Bank. As a result of the additional capital after consummation of the proposal, Bank, which currently is undercapitalized, would become adequately capitalized. Based on all the facts of record, the Board concludes that considerations relating to the financial and managerial resources and future prospects of Bay Port and Bank and the other supervisory factors that the Board must consider under section 3 of the BHC Act weigh in favor of approval of the proposal.

In considering the convenience and needs factor, the Board has reviewed Bank's record under the Community Reinvestment Act ("CRA"),[5] in light of examinations of the CRA performance record of Bank by the FDIC, the institution's appropriate federal financial supervisory agency. Bank received a "satisfactory" rating at its most recent examination of CRA performance. Based on all the facts of record, the Board concludes that convenience and needs considerations, including the CRA performance record of Bank, are consistent with approval of the proposal.

Based on the foregoing, and in light of all the facts of record, the Board has determined that the application should be, and hereby is, approved. Approval of the application is specifically conditioned on compliance by Bay Port and Bank with all the commitments made in connection with the proposal. For purposes of this transaction, the commitments and conditions referred to in this order shall be deemed to be conditions imposed in writing by the Board in connection with its findings and decision and, as such, may be enforced in proceedings under applicable law.

The proposal shall not be consummated before the fifteenth calendar day after 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 March 22, 1999.

a multibank holding company acquisition. *See Nebraska State Bank*, 62 *Federal Reserve Bulletin* 638 (1976).

3. The Huron County banking market is approximated by Huron County, Michigan, minus Sebewaing Township.

4. *See* 49 *Federal Register* 26,823 (June 29, 1984). Under the Merger Guidelines, a market in which the post-merger HHI is more than 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 more than 200 points. The Department of Justice has stated that the higher than normal HHI thresholds for screening bank mergers for anticompetitive effects implicitly recognize the competitive effects of limited-purpose lenders and other nondepository financial entities.

5. 12 U.S.C. § 2901 *et seq.*

Voting for this action: Chairman Greenspan, Vice Chair Rivlin, and Governors Kelley, Meyer, and Gramlich. Absent and not voting: Governor Ferguson.

ROBERT DEV. FRIERSON
Associate Secretary of the Board

C-B-G, Inc.
Wilton, Iowa

Order Approving the Acquisition of a Bank Holding Company

C-B-G, Inc. ("C-B-G"), a bank holding company within the meaning of the Bank Holding Company Act ("BHC Act"), has requested the Board's approval under section 3 of the BHC Act (12 U.S.C. § 1842) to acquire up to 100 percent of the voting shares of Peoples National Corporation, Columbus Junction, Iowa ("Peoples"), and thereby acquire Peoples' subsidiary bank, Community Bank, Muscatine, Iowa ("Bank").[1]

Notice of the proposal, affording interested persons an opportunity to submit comments, has been published (64 *Federal Register* 5807 and 11,473 (1999)). 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 of the BHC Act.

C-B-G, with total consolidated assets of approximately $61.1 million, is the 174th largest commercial banking organization in Iowa, controlling deposits of approximately $46.5 million, representing less than 1 percent of total deposits in commercial banking organizations in the state ("state deposits").[2] Peoples, with total consolidated assets of approximately $93.8 million, is the 103d largest commercial banking organization in Iowa, controlling deposits of approximately $75.3 million, also representing less than 1 percent of state deposits. On consummation of the proposal, C-B-G would become the 51st largest commercial banking organization in Iowa, controlling deposits of approximately $121.8 million, representing less than 1 percent of state deposits.

Competitive Considerations

Section 3 of the BHC Act prohibits the Board from approving a proposal that would result in a monopoly in any relevant banking market. That section also prohibits the Board from approving a proposal that may substantially lessen competition in any relevant banking market, unless the anticompetitive effects of the proposal are clearly outweighed in the public interest by the probable effect of the proposal in meeting the convenience and needs of the community to be served.[3]

C-B-G and Peoples compete in the Muscatine, Iowa, banking market.[4] C-B-G is the fourth largest depository institution in the market, controlling deposits of approximately $46.5 million, representing 8.4 percent of all deposits held by depository institutions in the market ("market deposits").[5] Peoples is the fifth largest commercial banking organization in the market, controlling deposits of approximately $42.2 million, representing 7.7 percent of market deposits. On consummation of the proposal, C-B-G would become the third largest depository institution in the Muscatine banking market, controlling deposits of approximately $88.7 million, representing 16.1 percent of market deposits. The change in market concentration, as measured by the Herfindahl–Hirschman Index ("HHI"), would not exceed the threshold level set in the Department of Justice Merger Guidelines ("DOJ Guidelines").[6]

The Department of Justice has reviewed the proposal and advised the Board that consummation of the proposal would not likely have any significantly adverse competitive effects in the Muscatine banking market or any other relevant banking market. The Federal Deposit Insurance Corporation also has not objected to the proposal.

Based on all the facts of record, and for the reasons discussed above, the Board concludes that consummation of the proposal would not result in a monopoly or have a significantly adverse effect on competition or on the concentration of banking resources in the Muscatine banking market or any other relevant banking market.

Financial, Managerial, and Other Considerations

The BHC Act also requires the Board to consider the financial and managerial resources and future prospects of the companies and banks involved in a proposal, the conve-

1. C-B-G has entered into an agreement with certain shareholders of Peoples to acquire 24.4 percent of the voting shares of Peoples, and has indicated that it intends to make a tender offer for all the remaining outstanding voting shares owned by Peoples' shareholders at the same price per share as in the agreement. C-B-G also would make a tender offer for 4.4 percent of the voting shares of Bank that are not owned by Peoples.

2. Asset and deposit data are as of June 30, 1997.

3. 12 U.S.C. § 1842(c)(1).

4. The Muscatine banking market consists of Muscatine County, Iowa.

5. In this context, depository institutions include commercial banks and thrift institutions. 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, significant competitors of commercial banks. *See Midwest Financial Group,* 75 *Federal Reserve Bulletin* 386 (1989); *National City Corporation,* 70 *Federal Reserve Bulletin* 743 (1984). Thus, the Board has regularly included thrift deposits in the calculation of market shares on a 50-percent weighted basis. *See, e.g., First Hawaiian, Inc.,* 77 *Federal Reserve Bulletin* 52 (1991).

6. *See* 49 *Federal Register* 26,823 (June 29, 1984). On consummation of the proposal, the HHI would increase by 130 points to 2560. Under the DOJ Guidelines, 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 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 more than 200 points. The Department of Justice has stated that the higher than normal HHI thresholds for screening bank mergers for anticompetitive effects implicitly recognize the competitive effects of limited-purpose lenders and other nondepository financial entities.

nience and needs of the community, and certain other supervisory factors. The Board has carefully considered these factors in light of all the facts of record, including comments from a minority shareholder of Peoples ("Protestant"), who questioned whether C-B-G has sufficient financial resources to complete the proposed transaction.

C-B-G is well capitalized under the Board's Capital Adequacy Guidelines and would remain well capitalized after consummation of the proposal.[7] In addition, C-B-G appears to be able to service the debt it would incur under the proposal. The facts of record, including reports of examination by the appropriate federal banking agencies for the institutions involved, also indicate that C-B-G, Peoples and their respective subsidiary banks have long been operated by current management in a safe and sound manner and support a finding that managerial resources are satisfactory.[8]

The Board has carefully considered Protestant's comments and all other facts of record, including the response by C-B-G and the appropriate reports of examination, in light of the statutory factors specified in the BHC Act. Based on all the facts of record, the Board concludes that the financial and managerial resources and future prospects of the institutions involved are consistent with approval. Considerations relating to the convenience and needs of the community and other supervisory factors also are consistent with approval.

Conclusion

Based on the foregoing, and in light of all the facts of record, the Board has determined that the application should be, and hereby is, approved. The Board's approval is specifically conditioned on compliance by C-B-G with all the commitments made in connection with the application. For the purposes of this action, the commitments and conditions relied on by the Board in reaching its decision are deemed to be conditions imposed in writing by the Board in connection with its findings and decision and, as such, may be enforced in proceedings under applicable law.

The proposed acquisition shall not be consummated before the fifteenth calendar day after 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 March 29, 1999.

Voting for this action: Chairman Greenspan, Vice Chair Rivlin, and Governors Kelley, Meyer, Ferguson, and Gramlich.

ROBERT DEV. FRIERSON
Associate Secretary of the Board

Commerzbank AG
Frankfurt am Main, Federal Republic of Germany

Order Approving the Formation and Acquisition of a Bank Holding Company

Commerzbank AG ("Commerzbank") has requested the Board's approval under section 3 of the Bank Holding Company Act (12 U.S.C. § 1842) ("BHC Act") to become a bank holding company by retaining control of Korea Exchange Bank, Seoul, Korea ("KEB"). KEB owns all of the voting shares of California Korea Bank, Los Angeles, California ("California Bank").[1]

Notice of the proposal, affording interested persons an opportunity to submit comments, has been published (63 *Federal Register* 47,500 (1998)). 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 of the BHC Act.

Commerzbank, with consolidated total assets of approximately $386 billion, is the fourth largest banking organization in Germany.[2] Commerzbank engages in banking operations in the United States through branches in New York, New York; Chicago, Illinois; and Los Angeles, California, and an agency in Atlanta, Georgia. Commerzbank also engages in nonbanking activities in the United States through a number of subsidiaries. KEB, with $47 billion in

7. C-B-G has committed to the Board that it will seek prior approval from the Federal Reserve System before purchasing any shares of Peoples or Bank if the purchase would cause C-B-G to be less than well capitalized.

8. Protestant also expressed concern that the directors and officers of Peoples may not have properly discharged their fiduciary duties to shareholders of Peoples in considering the proposal and alleged that the management of Peoples had engaged in improper self-dealing activity. As noted, C-B-G stated that it intends to purchase shares from all Peoples' shareholders at the same price per share, and that there are no additional agreements or understandings to compensate the directors or officers of Peoples. The Board notes that the courts have concluded that the limited jurisdiction to review applications under the BHC Act does not authorize the Board to consider matters relating only to corporate governance and the proper compensation of shareholders. *See Western Bancshares, Inc. v. Board of Governors,* 480 F.2d 749 (10th Cir. 1973). These are matters of state and federal securities law and of state corporate law and may be raised before a court with the authority to provide Protestant with adequate relief, if deemed appropriate.

1. Commerzbank has requested the Board's approval to control up to 40 percent of KEB's voting shares. In July 1998, Commerzbank acquired newly issued shares of KEB, representing approximately 32 percent of KEB's voting shares. This investment was part of a plan to increase KEB's capital, which was approved by the Korean Financial Supervisory Commission. Before consummation of the investment, and with the approval of the Board and the California Department of Financial Institutions (the "Department"), KEB placed all of its shares of California Bank in a voting trust controlled by an independent trustee pending regulatory approval of Commerzbank's acquisition of California Bank. *See* Letter from Robert deV. Frierson, Associate Secretary of the Board, to Robert L. Tortoriello, dated July 27, 1998. Under the terms of the trust agreement, the voting trust terminates if the Board and the Department approve Commerzbank's retention of its ownership interest in California Bank. The Department approved Commerzbank's application to acquire control of California Bank on October 19, 1998.

2. Asset data are as of September 30, 1998, and use exchange rates then in effect. Ranking data are as of December 31, 1997.

consolidated total assets, is the third largest banking organization in Korea. KEB is the parent of California Bank, which is the 78th largest depository institution in California, controlling less than 1 percent of total deposits in depository institutions in the state.[3] KEB also operates branches in New York, New York; Chicago, Illinois; and Seattle, Washington, and an agency in Los Angeles, California.

The Board has carefully considered the competitive effects of the proposal in each relevant banking market, including the Los Angeles, California, banking market.[4] Commerzbank and KEB each controls less than 1 percent of total deposits in depository institutions in each relevant banking market and numerous competitors would remain in each relevant banking market after consummation of the proposal.[5] Accordingly, the Board concludes that consummation of the proposal is not likely to result in any significantly adverse effects on competition or on the concentration of banking resources in any relevant banking market.[6]

Certain Supervisory Considerations

Under section 3 of the BHC Act, the Board may not approve an application involving a foreign bank unless the bank is "subject to comprehensive supervision or regulation on a consolidated basis by the appropriate authorities in the bank's home country."[7] Regulation K provides that a foreign bank may be considered subject to consolidated supervision if the Board determines that the bank is supervised or regulated in such a manner that its home country supervisor receives sufficient information on the worldwide operations of the foreign bank, including the relationship of the bank to its affiliates, to assess the foreign bank's overall financial condition and compliance with law and regulation.[8] The Board previously has determined, in applications under the IBA, that certain German commercial banks were subject to comprehensive consolidated supervision by their home country authorities.[9] In this case, the Board has determined that Commerzbank is supervised on substantially the same terms and conditions as those other German commercial banks. Based on all the facts of record, the Board concludes that Commerzbank is subject to comprehensive supervision and regulation on a consolidated basis by its home country supervisor.

The BHC Act also requires the Board to determine that the foreign bank has provided adequate assurances that it will make available to the Board such information on its operations and activities and those of its affiliates that the Board deems appropriate to determine and enforce compliance with the BHC Act. The Board has reviewed the restrictions on disclosure in jurisdictions where Commerzbank has material operations and has communicated with the relevant authorities concerning access to information. Commerzbank has committed that, to the extent not prohibited by applicable law, it will make available to the Board such information on the operations of Commerzbank and any of its affiliates that the Board deems necessary to determine and enforce compliance with the BHC Act, the IBA, and other applicable federal law. Commerzbank also has committed to cooperate with the Board to obtain any waivers or exemptions that may be necessary in order to enable Commerzbank to make any such information available to the Board. In light of these commitments and other facts of record, the Board has concluded that Commerzbank has provided adequate assurances of access to any appropriate information the Board may request.

Financial, Managerial, and Convenience and Needs Considerations

The BHC Act also requires the Board to consider the financial and managerial resources and future prospects of the banks involved and the convenience and needs of the communities to be served. Commerzbank's capital ratios

3. Deposit data are as of June 30, 1997. In this context, depository institutions include banks, savings and loan associations, and savings banks.

4. The Los Angeles banking market is approximated by the Los Angeles Ranally Metropolitan Area.

5. 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, significant competitors of commercial banks. *See, e.g., Midwest Financial Group,* 75 *Federal Reserve Bulletin* 386 (1989); *National City Corporation,* 70 *Federal Reserve Bulletin* 743 (1984). Thus, the Board has regularly included thrift deposits in the calculation of market share on a 50-percent weighted basis. *See, e.g., First Hawaiian, Inc.,* 77 *Federal Reserve Bulletin* 52 (1991).

6. After consummation of the proposed acquisition, California will be the home state of both KEB and Commerzbank for purposes of the BHC Act and, accordingly, the proposed transaction is not barred by section 3(d) of the BHC Act. *See* 12 U.S.C. §§ 1841(o)(4), 1842(d). New York is the home state of both KEB and Commerzbank for purposes of the International Banking Act (12 U.S.C. § 3101 *et seq.*) and Regulation K, and the continued operation of the existing branches of Commerzbank and KEB is not barred by the International Banking Act or Regulation K.

7. 12 U.S.C. § 1842(c)(3)(B). As provided in Regulation Y, the Board determines whether a foreign bank is subject to consolidated home country supervision under the standards set forth in Regulation K. *See* 12 C.F.R. 225.13(a)(4).

8. In assessing this standard, the Board considers, among other factors, the extent to which the home country supervisors:

(i) ensure that the bank has adequate procedures for monitoring and controlling its activities worldwide;
(ii) obtain information on the condition of the bank and its subsidiaries and offices through regular examination reports, audit reports, or otherwise;
(iii) obtain information on the dealings with and relationship between the bank and its affiliates, both foreign and domestic;
(iv) receive from the bank financial reports that are consolidated on a worldwide basis, or comparable information that permits analysis of the bank's financial condition on a worldwide consolidated basis;
(v) evaluate prudential standards, such as capital adequacy and risk asset exposure, on a worldwide basis.

These are indicia of comprehensive consolidated supervision. No single factor is essential and other elements may inform the Board's decision. *See* 12 C.F.R. 211.24(c)(1)(ii).

9. *See Sudwestdeutsche Landesbank Girozentrale,* 83 *Federal Reserve Bulletin* 937 (1997); *West Merchant Bank Limited,* 81 *Federal Reserve Bulletin* 519 (1995).

exceed the minimum levels that would be required under the Basle Capital Accord, and are considered equivalent to the capital that would be required of a U.S. banking organization. California Bank's capital ratios exceed the "well capitalized" thresholds and would be unchanged by this transaction. The Board notes, moreover, that the proposal does not involve any expansion of the banking or nonbanking activities of KEB, and that Commerzbank's investment in KEB has strengthened KEB's capital position and made additional financial resources available to California Bank. Based on these and all the facts of record, including confidential examination and other supervisory information concerning the foreign banks involved in the proposal as well as their existing U.S. operations, the Board concludes that financial and managerial factors are consistent with approval, as are the other supervisory factors the Board must consider under section 3 of the BHC Act.

California Bank received a "satisfactory" performance rating at its most recent examination under the Community Reinvestment Act (12 U.S.C. § 2901 *et seq.*) by the Federal Deposit Insurance Corporation, as of January 22, 1996. In light of all the facts of record, the Board concludes that convenience and needs considerations also are consistent with approval.

Based on the foregoing and all other facts of record, the Board has determined that the application should be, and hereby is, approved.[10] The Board's approval of the proposal is expressly conditioned on Commerzbank's compliance with all the commitments made in connection with the application. The commitments and conditions relied on by the Board in reaching this decision are deemed to be conditions imposed in writing by the Board in connection with its findings and decision and, as such, may be enforced in proceedings under applicable law.

By order of the Board of Governors, effective March 15, 1999.

Voting for this action: Vice Chair Rivlin and Governors Kelley, Meyer, Ferguson, and Gramlich. Absent and not voting: Chairman Greenspan.

ROBERT DEV. FRIERSON
Associate Secretary of the Board

10. Commerzbank currently underwrites and deals in bank-ineligible securities through Commerzbank Capital Markets Corporation, New York, New York, pursuant to grandfather rights established by section 8(c) of the IBA. *See* 12 U.S.C. § 3106(c)(1). The IBA provides that a foreign bank's grandfather rights under section 8(c) shall terminate two years after the date on which the foreign bank becomes a bank holding company. *See id.* at § 3106(c)(2). Accordingly, Commerzbank must conform any activities that it engages in pursuant to section 8(c) of the IBA to the requirements of the BHC Act by July 27, 2000.

The Fuji Bank, Limited
Tokyo, Japan

Order Approving the Acquisition of a Bank Holding Company

The Fuji Bank, Limited ("Fuji"), a bank holding company within the meaning of the Bank Holding Company Act ("BHC Act"), has requested the Board's approval under section 3 of the BHC Act (12 U.S.C. § 1842) to acquire more than 50 percent of the voting securities of The Yasuda Trust and Banking Co., Ltd., Tokyo, Japan ("Yasuda"), and thereby acquire Yasuda's wholly owned U.S. subsidiary bank, Yasuda Bank and Trust Company (U.S.A.), New York, New York ("Yasuda Bank").[1]

Notice of the proposal, affording interested persons an opportunity to submit comments, has been published (64 *Federal Register* 6,361 (1999)). The time for filing comments has expired, and the Board has considered the proposal and all comments received in light of the factors set forth in section 3 of the BHC Act.

Fuji, with total consolidated assets of approximately $417 billion, is the fifth largest banking organization in Japan.[2] In the United States, Fuji owns The Fuji Bank and Trust Company, New York, New York, a state-chartered insured bank. Fuji also operates branches in New York, New York, and Chicago, Illinois; agencies in Los Angeles, California, and Houston, Texas; and a representative office in New York, New York. In addition, Fuji engages through its nonbanking subsidiaries in a number of activities in the United States that are permissible under section 4(c)(8) of the BHC Act.

Yasuda, with total consolidated assets of approximately $61 billion, is the 23rd largest banking organization in Japan. In addition to Yasuda Bank, Yasuda currently operates a representative office in New York, New York.

Competitive Considerations

Fuji and Yasuda compete directly in the Metropolitan New York-New Jersey banking market.[3] Consummation of the proposal would result in an increase of less than one point in the Herfindahl–Hirschman Index ("HHI") for the Metropolitan New York-New Jersey banking market, and the banking market would remain unconcentrated with

1. Fuji currently owns approximately 16.8 percent of Yasuda's voting shares. *See The Fuji Bank, Limited,* 84 *Federal Reserve Bulletin* 674 (1998) ("*1998 Fuji/Yasuda Order*").

2. Asset and ranking data are as of March 31, 1998, and are based on exchange rates then applicable.

3. 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, Warren, and a portion of Mercer Counties in New Jersey; Pike County in Pennsylvania; and portions of Fairfield and Litchfield Counties in Connecticut.

numerous competitors operating in the market.[4] Based on all the facts of record, the Board concludes that consummation of the proposal is not likely to result in any significantly adverse effects on competition or on the concentration of banking resources in the Metropolitan New York-New Jersey banking market or any other relevant banking market.

Comprehensive Consolidated Supervision and Access to Information

Under section 3 of the BHC Act, the Board may not approve an application involving a foreign bank unless the bank is "subject to comprehensive supervision or regulation on a consolidated basis by the appropriate authorities in the bank's home country."[5] The Board recently determined in an application under the BHC Act that Fuji was subject to comprehensive supervision and regulation on a consolidated basis by its home country supervisor.[6] In connection with this application, the Board also has reviewed the steps that the Japanese government and banking authorities have taken to enhance the supervision of Japanese banks since the Board's approval of Fuji's 1998 investment in Yasuda.[7] Based on all the facts of record, the Board has concluded that Fuji continues to be subject to comprehensive supervision and regulation on a consolidated basis by its home country supervisor.

The BHC Act also requires the Board to determine that the foreign bank has provided adequate assurances that it will make available to the Board such information on its operations and activities and those of its affiliates that the Board deems appropriate to determine and enforce compliance with the BHC Act and the International Banking Act ("IBA") (12 U.S.C. § 3101 *et seq.*). The Board has reviewed restrictions on disclosure in jurisdictions where Fuji has material operations and has communicated with relevant authorities concerning access to information. Fuji has committed that, to the extent not prohibited by applicable law, it will make available to the Board such information on the operations of Fuji and any of its affiliates that the Board deems necessary to determine and enforce compliance with the BHC Act, the IBA, and other applicable federal law. Fuji also has committed to cooperate with the Board to obtain any waivers or exemptions that may be necessary to enable Fuji to make any such information available to the Board. In light of these commitments and other facts of record, the Board has concluded that Fuji has provided adequate assurances of access to any appropriate information that the Board may request. For these reasons, and based on all the facts of record, the Board has concluded that the supervisory factors it is required to consider under section 3(c) of the BHC Act are consistent with approval.

Financial, Managerial, and Other Supervisory Considerations

The Board also has carefully considered the financial and managerial resources and future prospects of Fuji, Yasuda, and their respective subsidiaries, and the effect the proposal would have on these resources. The Board notes that the proposal is incidental to a corporate restructuring of Japanese banking organizations that is intended to enhance the overall financial strength and future prospects of the combined organization. Fuji's reported capital levels exceed the minimum levels that would be required under the Basle Capital Accord, and its capital levels are considered equivalent to the capital levels that would be required of a U.S. banking organization under similar circumstances. In addition, Fuji recently has taken a number of actions to enhance its capital position. Fuji also has submitted information indicating that the proposal would not affect the existing U.S. operations of Fuji or Yasuda, and would require no funding or other support from the U.S. operations of Fuji or Yasuda.

The Board also has reviewed supervisory information from the home country authorities responsible for supervising Fuji and Yasuda concerning the proposal and the condition of the parties, confidential financial information from Fuji and Yasuda, and reports of examination from the appropriate federal and state supervisors of the affected organizations assessing the financial and managerial resources of the organizations. Based on all the facts of record, the Board has concluded that the financial and

4. Market share data are as of June 30, 1997. The HHI for the Metropolitan New York-New Jersey banking market would remain at 761 after consummation of the proposal. 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. 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 more than 200 points. The Department of Justice has stated that the higher than normal HHI thresholds for screening bank mergers and acquisitions for anticompetitive effects implicitly recognize the competitive effects of limited-purpose lenders and other nondepository financial entities.

5. 12 U.S.C. § 1842(c)(3)(B). As provided in Regulation Y, the Board determines whether a foreign bank is subject to consolidated home country supervision under the standards set forth in Regulation K. *See* 12 C.F.R. 225.13(a)(4). Regulation K provides that a foreign bank may be considered subject to consolidated supervision if the Board determines that the bank is supervised or regulated in such a manner that its home country supervisor receives sufficient information on the worldwide operations of the foreign bank, including the relationship of the bank and its affiliates, to assess the foreign bank's overall financial condition and compliance with law and regulation. *See* 12 C.F.R. 211.24(c)(1)(ii).

6. *See 1998 Fuji/Yasuda Order.*

7. *See 1998 Fuji/Yasuda Order.* Among other things, in June 1998, the Financial Supervisory Agency was established and assumed from the Ministry of Finance primary responsibility for licensing, supervising, and examining private sector financial institutions in Japan, including banks. In addition, in October 1998, the Financial Revitalization Commission was established to assume responsibility for dealing with failures of financial institutions, managing financial crises, and inspecting and supervising financial institutions. The Financial Supervisory Agency is a subordinate agency of the Financial Revitalization Commission. The Bank of Japan retains its authority to examine banks, in coordination with the Financial Supervisory Agency.

managerial resources and future prospects of the organizations are consistent with approval, as are the other supervisory factors that the Board must consider under section 3 of the BHC Act. Considerations related to the convenience and needs of the communities to be served also are consistent with approval.

Conclusion

Based on the foregoing and all the facts of record, the Board has determined that the application should be, and hereby is, approved. The Board's approval is expressly conditioned on compliance by Fuji with all the commitments made in connection with the application. The commitments and conditions relied on by the Board in reaching its decision are deemed to be conditions imposed in writing by the Board in connection with its finding and decision and, as such, may be enforced in proceedings under applicable law.

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

By order of the Board of Governors, effective March 15, 1999.

Voting for this action: Vice Chair Rivlin and Governors Kelley, Meyer, Ferguson, and Gramlich. Absent and not voting: Chairman Greenspan.

ROBERT DEV. FRIERSON
Associate Secretary of the Board

Orders Issued Under Section 4 of the Bank Holding Company Act

Wachovia Corporation
Winston-Salem, North Carolina

Order Approving Notice to Engage in Underwriting and Dealing in All Types of Debt and Equity Securities on a Limited Basis

Wachovia Corporation ("Wachovia"), a bank holding company within the meaning of the Bank Holding Company Act ("BHC Act"), has requested the Board's approval under section 4(c)(8) of the BHC Act (12 U.S.C. § 1843(c)(8)) and section 225.24 of the Board's Regulation Y (12 C.F.R. 225.24) to acquire Interstate/Johnson Lane, Inc. ("IJL"),[1] and thereby acquire control of its subsidiaries, including Interstate/Johnson Lane Corporation ("Company"), all in Charlotte, North Carolina.[2] Wachovia would thereby engage in the following nonbanking activities:

(1) extending credit and servicing loans, in accordance with section 225.28(b)(1) of Regulation Y (12 C.F.R. 225.28(b)(1));
(2) engaging in activities related to extending credit, in accordance with section 225.28(b)(2) of Regulation Y (12 C.F.R. 225.28(b)(2));
(3) providing leasing services, in accordance with section 225.28(b)(3) of Regulation Y (12 C.F.R. 225.28(b)(3));
(4) performing trust company functions, in accordance with section 225.28(b)(5) of Regulation Y (12 C.F.R. 225.28(b)(5));
(5) providing financial and investment advisory services, in accordance with section 225.28(b)(6) of Regulation Y (12 C.F.R. 225.28(b)(6));
(6) providing securities brokerage, riskless principal, private placement, futures commission merchant, and other agency transactional services, in accordance with section 225.28(b)(7) of Regulation Y (12 C.F.R. 225.28(b)(7));
(7) underwriting and dealing in government obligations and money market instruments in which state member banks may underwrite and deal under 12 U.S.C. §§ 335 and 24(7) ("bank-eligible securities"), and engaging in investing and trading activities, in accordance with section 225.28(b)(8)(i) and (ii) of Regulation Y (12 C.F.R. 225.28(b)(8)(i) and (ii));
(8) providing management consulting advice, in accordance with section 225.28(b)(9)(i) of Regulation Y (12 C.F.R. 225.28(b)(9)(i));
(9) providing data processing and data transmission services, in accordance with section 225.28(b)(14) of Regulation Y (12 C.F.R. 225.28(b)(14));
(10) underwriting and dealing in, to a limited extent, all types of debt and equity securities other than interests in open-end investment companies ("bank-ineligible securities"); and
(11) acting as the general partner of private investment limited partnerships that invest in assets in which a bank holding company is permitted to invest.

Notice of the proposal, affording interested persons an opportunity to submit comments, has been published (64 *Federal Register* 4107 (1999)). The time for filing comments has expired, and the Board has considered the notice and all comments received in light of the factors set forth in section 4(c)(8) of the BHC Act.

Wachovia, with total consolidated assets of approximately $65.6 billion, is the 17th largest banking organiza-

1. Wachovia also has requested the Board's approval to hold and exercise an option to acquire up to 19.9 percent of IJL's outstanding voting shares, if certain events occur. The option would expire on consummation of the proposal described above.

2. IJL's other subsidiaries include Cap Trust Financial Advisors, LLC; IJL Capital Management, Inc.; and ISC Futures Corporation.

tion in the United States.[3] Wachovia operates subsidiary banks with branches in North Carolina, South Carolina, Florida, Georgia, and Virginia and engages through other subsidiaries in a broad range of permissible nonbanking activities. IJL, with total consolidated assets of $652.3 million, engages directly and indirectly in a broad range of securities underwriting and dealing, securities brokerage, investment advisory, and other activities.[4]

Wachovia proposes to acquire IJL by merging IJL with and into Wachovia, with Wachovia as the surviving corporation. Wachovia anticipates merging its existing section 20 subsidiary, Wachovia Capital Markets, Inc., Winston-Salem, North Carolina ("WCMI"), with and into Company immediately on consummation of the merger between Wachovia and IJL, with Company surviving the merger.[5] After consummation of the proposal, Company would be renamed Wachovia Securities, Inc. Company is, and after consummation of the proposal will continue to be, registered as a broker-dealer with the Securities and Exchange Commission ("SEC") under the Securities Exchange Act of 1934 (15 U.S.C. § 78a *et seq.*), a member of the National Association of Securities Dealers, Inc. ("NASD"), and registered as a futures commission merchant with the Commodity Futures Trading Commission ("CFTC") under the Commodity Exchange Act (7 U.S.C. § 2 *et seq.*). Accordingly, Company is, and will continue to be, subject to the recordkeeping and reporting obligations, fiduciary standards, and other requirements of the Securities Exchange Act of 1934, the Commodity Exchange Act, the SEC, the CFTC, and the NASD.

Underwriting and Dealing in Bank-Ineligible Securities

The Board has determined that, subject to the framework of prudential limitations established in previous decisions to address the potential for conflicts of interests, unsound banking practices, or other adverse effects, underwriting and dealing in bank-ineligible securities is so closely related to banking as to be a proper incident thereto within the meaning of section 4(c)(8) of the BHC Act.[6] The Board also has determined that underwriting and dealing in bank-ineligible securities is consistent with section 20 of the Glass–Steagall Act (12 U.S.C. § 377), provided that the company engaged in the activity derives no more than 25 percent of its gross revenues from underwriting and dealing in bank-ineligible securities.[7]

Wachovia has committed that Company will conduct its underwriting and dealing activities using the methods and procedures and subject to the prudential limitations established by the Board in the Section 20 Orders. Wachovia also has committed that Company will conduct its bank-ineligible securities underwriting and dealing activities subject to the Board's revenue restriction.[8] As a condition of this order, Wachovia is required to conduct the bank-ineligible securities activities of Company subject to the revenue restriction and Operating Standards established for section 20 subsidiaries ("Operating Standards").[9]

Other Activities Approved by Regulation or Order

The Board previously has determined by regulation that credit and credit-related activities; leasing activities; trust company functions; financial and investment advisory activities; securities brokerage, riskless principal, private placement, futures commission merchant, and other agency

3. Asset and ranking data are as of September 30, 1998.

4. IJL currently engages in certain insurance activities and holds certain investments in real estate that are not permissible for bank holding companies. Wachovia has committed to conform, within two years of consummation of the proposal, all insurance activities of, and real estate investments held by, IJL and its subsidiaries to the requirements of section 4 of the BHC Act and the Board's regulations and interpretations thereunder. Wachovia also has committed not to engage in any new real estate investment or development activities during the two-year conformance period.

5. WCMI currently underwrites and deals in, to a limited extent, certain types of bank-ineligible securities. *See* Letter dated May 29, 1998, from Jennifer J. Johnson, Deputy Secretary of the Board, to John C. McLean, Jr.

6. *See J.P. Morgan & Co. Inc., et al.*, 75 *Federal Reserve Bulletin* 192 (1989), *aff'd sub nom. Securities Industry Ass'n v. Board of Governors of the Federal Reserve System*, 900 F.2d 360 (D.C. Cir. 1990); *Citicorp*, 73 *Federal Reserve Bulletin* 473 (1987), *aff'd sub nom. Securities Industry Ass'n v. Board of Governors of the Federal Reserve System*, 839 F.2d 47 (2d Cir.), *cert. denied*, 486 U.S. 1059 (1988), as modified by *Review of Restrictions on Director, Officer and Employee Interlocks, Cross-Marketing Activities, and the Purchase and Sale of Financial Assets Between a Section 20 Subsidiary and an Affiliated Bank or Thrift*, 61 *Federal Register* 57,679 (1996); *Amendments to Restrictions in the Board's Section 20 Orders*, 62 *Federal Register* 45,295 (1997); and *Clarification to the Board's Section 20 Orders*, 63 *Federal Register* 14,803 (1998) (collectively, "Section 20 Orders").

7. Compliance with the revenue limitation shall be calculated in accordance with the method stated in the Section 20 Orders, as modified by the *Order Approving Modifications to the Section 20 Orders*, 75 *Federal Reserve Bulletin* 751 (1989); *10 Percent Revenue Limit on Bank-Ineligible Activities of Subsidiaries of Bank Holding Companies Engaged in Underwriting and Dealing in Securities*, 61 *Federal Register* 48,953 (1996); and *Revenue Limit on Bank-Ineligible Activities of Subsidiaries of Bank Holding Companies Engaged in Underwriting and Dealing in Securities*, 61 *Federal Register* 68,750 (1996) (collectively, "Modification Orders").

8. In light of the fact that Wachovia proposes to acquire Company as a going concern, the Board believes that allowing Company to calculate compliance with the revenue limitation on an annualized basis during the first year after consummation of the proposal and thereafter on a rolling quarterly average basis would be consistent with the Section 20 Orders and the Glass–Steagall Act. *See U.S. Bancorp*, 84 *Federal Reserve Bulletin* 483 (1998); *Dauphin Deposit Corporation*, 77 *Federal Reserve Bulletin* 672 (1991). Moreover, in view of the fact that Company is significantly larger than WCMI and will survive the merger with WCMI, the management structure of the proposed merged company, the activities of the merging companies and the proposed merged company, and the other aspects of this case, the Board believes the merger of WCMI and Company would not disqualify Company from calculating compliance with the revenue test in conformance with the annualized treatment described in this order. *See KeyCorp*, 84 *Federal Reserve Bulletin* 1075 (1998).

9. 12 C.F.R. 225.200. Company may provide services that are necessary incidents to the proposed underwriting and dealing activities. Unless Company receives specific approval under section 4(c)(8) of the BHC Act to conduct the activities independently, any revenues from the incidental activities must be treated as ineligible revenues subject to the Board's revenue limitation.

transactional activities; bank-eligible securities underwriting and dealing; investing and trading activities; management consulting activities; and data processing and transmission activities are closely related to banking within the meaning of section 4(c)(8) of the BHC Act.[10] In addition, the Board previously has determined by order that private investment limited partnership activities are permissible for bank holding companies when conducted within certain limits.[11] Wachovia has committed that it will conduct the activities of IJL and its subsidiaries, including Company, in accordance with the limitations set forth in Regulation Y and the Board's orders and interpretations relating to each of the proposed activities.

Other Considerations

In order to approve this notice, the Board also must determine that performance of the proposed activities is a proper incident to banking; that is, that the proposed activities "can reasonably be expected to produce benefits to the public, such as greater convenience, increased competition, or gains in efficiency, that outweigh possible adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interests, or unsound banking practices."[12] As part of its review of these factors, the Board considers the financial and managerial resources of the notificant and its subsidiaries and the effect the transaction would have on such resources.[13]

In considering the financial resources of the notificant, the Board has reviewed the capitalization of Wachovia and Company in accordance with the standards set forth in the Section 20 Orders and has found the capitalization of each to be consistent with approval. This determination is based on all the facts of record, including Wachovia's projections of the volume of the bank-ineligible underwriting and dealing activities of Company.

The Board also has reviewed the managerial resources of each of the entities involved in this proposal in light of examination reports and other supervisory information. In connection with the proposal, the Federal Reserve Bank of Richmond ("Reserve Bank") has reviewed the policies and procedures of Company to ensure compliance with this order and the Section 20 Orders, including Company's operational and managerial infrastructure, computer, audit, and accounting systems, and internal risk management procedures and controls. On the basis of the Reserve Bank's review and all other facts of record, including the commitments provided in this case and the proposed managerial and risk management systems of Company, the Board has concluded that financial and managerial considerations are consistent with approval of the notice.

In addition, the Board has carefully considered the competitive effects of the proposal. To the extent that IJL and its subsidiaries offer different types of products and services than Wachovia, the proposed acquisition would result in no loss of competition. In those markets where the product offerings of Wachovia's nonbanking subsidiaries overlap with the product offerings of IJL and its subsidiaries, such as securities brokerage, investment advisory activities, trust services, and insurance agency activities, there are numerous existing and potential competitors. Consummation of the proposal, therefore, would have a *de minimis* effect on competition in the market for these services, and the Board has concluded that the proposal would not have significantly adverse competitive effects in any relevant market.

The Board expects that consummation of the proposal would provide added convenience to the customers of Wachovia and IJL. Wachovia has indicated that consummation of the proposal would expand the range of products and services available to its customers and those of IJL. Wachovia also has stated that the proposal would assist Wachovia to diversify its operations and, accordingly, would make it less vulnerable to possible downturns in individual business lines. In addition, there are public benefits to be derived from permitting capital markets to operate so that bank holding companies can make potentially profitable investments in nonbanking companies and from permitting banking organizations to allocate their resources in the manner they consider to be most efficient when such investments and actions are consistent, as in this case, with the relevant considerations under the BHC Act. Moreover, under the framework established in this order and the Section 20 Orders, consummation of the 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.

Based on all the facts of record, the Board has determined that performance of the proposed activities by Wachovia can reasonably be expected to produce public benefits that outweigh any potential adverse effects of the proposal. Accordingly, the Board has determined that the performance of the proposed activities by Wachovia is a proper incident to banking for purposes of section 4(c)(8) of the BHC Act.

Conclusion

On the basis of all the facts of record, the Board has determined that the notice should be, and hereby is, approved, subject to all the terms and conditions described in this order and the Section 20 Orders, as modified by the Modification Orders. The Board's approval of the proposal extends only to activities conducted within the limitations of this order, including the Board's reservation of authority to establish additional limitations to ensure that the activities of Company are consistent with safety and soundness, avoidance of conflicts of interests, and other relevant considerations under the BHC Act. Underwriting and dealing

10. *See* 12 C.F.R. 225.28(b)(1), (2), (3), (5), (6), (7), (8)(i) and (ii), (9)(i), and (14).

11. *See Dresdner Bank AG,* 84 *Federal Reserve Bulletin* 361 (1998); *Meridian Bancorp, Inc.,* 80 *Federal Reserve Bulletin* 736 (1994).

12. 12 U.S.C. § 1843(c)(8).

13. *See* 12 C.F.R. 225.26.

in any manner other than as approved in this order is not within the scope of the Board's approval and is not authorized for Company.

The Board's determination also is subject to all the terms and conditions set forth in Regulation Y, including those in sections 225.7 and 225.25(c) (12 C.F.R. 225.7 and 225.25(c)), 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 ensure 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 Board's decision is specifically conditioned on compliance with all the commitments made in connection with the notice, including the commitments discussed in this order and the conditions set forth in this order and the Board regulations and orders noted above. The commitments and conditions are deemed to be conditions imposed in writing by the Board in connection with its findings and decision, and, as such, may be enforced in proceedings under applicable law.

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

By order of the Board of Governors, effective March 17, 1999.

Voting for this action: Chairman Greenspan, Vice Chair Rivlin, and Governors Kelley, Meyer, Ferguson, and Gramlich.

ROBERT DEV. FRIERSON
Associate Secretary of the Board

Orders Issued Under Bank Merger Act

Arizona Bank
Tucson, Arizona

Order Approving Acquisition and Establishment of Branches

Arizona Bank ("Bank"), a state member bank,[1] has applied under section 18(c) of the Federal Deposit Insurance Act (12 U.S.C. § 1828(c)) (the "Bank Merger Act" or "BMA") to acquire 15 branches in Arizona owned by subsidiary banks of Wells Fargo & Company, San Francisco, California ("Wells").[2] Bank also has applied under section 9 of the Federal Reserve Act (12 U.S.C. § 321) ("FRA") to establish branches at the locations of the branches to be acquired, as described in Appendix A.

Notice of the applications, affording interested persons an opportunity to submit comments, has been given in accordance with the BMA and the Board's Rules of Procedure (12 C.F.R. 262.3(b)). As required by the BMA, reports on the competitive effects of the acquisitions were requested from the United States Attorney General and the other federal banking agencies. The time for filing comments has expired, and the Board has considered the application and all facts of record in light of the factors set forth in the BMA and section 9 of the FRA.

The BMA prohibits the Board from approving an application if the proposal would result in a monopoly or would be in furtherance of any attempt to monopolize the business of banking.[3] The BMA also prohibits the Board from approving a proposal that would substantially lessen competition or tend to create a monopoly in any relevant market, unless the Board finds that the anticompetitive effects of the proposed transaction are clearly outweighed in the public interest by the probable effects of the transaction in meeting the convenience and needs of the community to be served.[4]

Bank and the subsidiary banks of Wells compete with each other in the Casa Grande, Flagstaff, Phoenix, and Yuma banking markets, all in Arizona.[5] Consummation of the proposal would not exceed the Department of Justice Merger Guidelines ("DOJ Guidelines") in these markets and numerous competitors would remain in each market.[6]

The Department of Justice has advised the Board that consummation of the proposal would not likely have a significant adverse effect on competition in any relevant banking market. The other federal banking agencies also have been afforded an opportunity to comment and have not objected to consummation of the proposal.

After carefully reviewing these and all other facts of record, the Board concludes that consummation of the proposed transaction would not be likely to result in a significantly adverse effect on competition or on the concentration of banking resources in the Casa Grande, Flag-

1. Bank is a wholly owned subsidiary of Compass Bancshares, Birmingham, Alabama.

2. In October 1998, the Board approved the application by Norwest Corporation, Minneapolis, Minnesota, to acquire Wells Fargo & Company, San Francisco, California. *See Norwest Corporation,* 84 *Federal Reserve Bulletin* 1088 (1998) ("Norwest/Wells Order"). After consummation of the acquisition, Norwest changed its name to "Wells Fargo & Company." Bank would purchase 14 branches from Norwest Bank Arizona, Phoenix, Arizona, and one branch from Wells Fargo Bank, N.A., San Francisco, California.

3. 12 U.S.C. § 1828(c)(5)(A).

4. 12 U.S.C. § 1828(c)(5)(B).

5. Banking market definitions and data are discussed in Appendix B. Bank also would acquire four branches in banking markets with no competitive overlap. The Board notes that Bank's proposed branch acquisitions would comply with the divestiture commitments discussed in the Norwest/Wells Order.

6. Under the DOJ Guidelines, 49 *Federal Register* 26,823 (June 29, 1984), a market in which the post-merger Herfindahl–Hirschman Index ("HHI") is more than 1800 is considered to be 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 more than 200 points. The Department of Justice has stated that the higher than normal threshold for an increase in the HHI when screening bank mergers and acquisitions for anticompetitive effects implicitly recognizes the competitive effects of limited-purpose and other nondepository financial entities.

staff, Phoenix, or Yuma banking markets or any other relevant banking market. Accordingly, the Board has determined that competitive factors are consistent with approval.

In reviewing this proposal under the BMA and section 9 of the FRA, the Board has considered the financial and managerial resources and future prospects of the existing and proposed institutions. The Board has reviewed these factors in light of all the facts of record, including supervisory reports of examination assessing the financial and managerial resources of Bank. The Board notes that Bank would remain well capitalized on consummation of the proposal. Based on all the facts of record, the Board concludes that considerations relating to the financial and managerial resources and future prospects of the institutions involved are consistent with approval.

The Board also must consider the convenience and needs of the communities to be served and take into account the records of the relevant 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 local communities in which they operate, consistent with their safe and sound operation, by requiring the appropriate federal supervisory authority to take into account an institution's record of meeting the credit needs of its entire community, including low- and moderate-income ("LMI") neighborhoods, in evaluating bank acquisitions.

The Board has carefully considered the convenience and needs factor and the CRA performance records of the institutions involved in light of all the facts of record, including comments received on the applications. These comments maintained that CRA performance records of Wells's predecessor organizations in Arizona were deficient in several areas, including outreach efforts, housing-related and small-business lending, community development, and low-cost banking services.[7]

The Board carefully reviewed the CRA performance records of Norwest Corporation and the former Wells Fargo & Company generally and specifically in Arizona in the Norwest/Wells Order. Based on all the facts of record, and for the reasons described in detail in that order, which are incorporated herein by reference, the Board concluded that the CRA performance records of both banking organizations were consistent with approval of that application.

The Board also has considered the CRA performance record of Bank, which intends to extend its CRA-related lending programs to the branches involved in this proposal, in light of all the facts of record, including the performance evaluation by its appropriate federal supervisor. An institution's most recent CRA performance evaluation is a particularly important consideration in the applications process because it represents a detailed on-site evaluation of the institution's overall record of performance under the CRA by the appropriate federal financial supervisory agency.[8]

Bank received an "outstanding" rating in its most recent CRA performance examination by its primary federal supervisor at the time, the Federal Deposit Insurance Corporation, as of May 9, 1996.[9] Examiners noted that Bank's credit applications, extensions, and denials were evenly distributed throughout its communities, and that data submitted under the Home Mortgage Disclosure Act (12 U.S.C. § 2801 *et seq.*) ("HMDA") showed favorable approval rates for minority applicants.[10] In addition, examiners found no evidence of illegal credit practices or practices that would discourage credit applications from any segment of Bank's delineated communities. A review of Bank's credit originations, denials, and underwriting policies and procedures showed that Bank was in compliance with the substantive provisions of fair lending laws and that management had implemented a fair lending policy and training program.

Bank offers an affordable housing program jointly with several southern Arizona nonprofit organizations.[11] From 1996 through 1998, the bank originated 224 loans totaling $11.7 million through the program, which averaged approximately 25 percent of the bank's mortgage lending over the three-year period. In addition, Bank received almost $3 million in grants from the Federal Home Loan Bank of San Francisco (the "FHLB") during this period, in many cases jointly with nonprofit organizations, to support the construction of affordable housing by area community groups. Bank also offers loans under several government-sponsored programs, including Federal Housing Administration and Veterans Administration loans and loans under the Federal National Mortgage Association's Community Home Buyers Program.

Bank participates in loan programs sponsored by the Small Business Administration ("SBA"), including the SBA's 7A and 504 loan programs. Small business lending data for 1996 and 1997 show that Bank increased the number of its small business loans (loans in amounts of less than $1 million) in its Tucson assessment area in 1997.

7. The commenter also expressed concerns about branch closures in LMI neighborhoods, particularly in Phoenix and Tucson. The Board notes that no branches would be closed as a result of Bank's proposed transaction.

8. The Statement of the Federal Financial Supervisory Agencies Regarding the Community Reinvestment Act provides that a CRA examination is an important and often controlling factor in the consideration of an institution's CRA record and that reports of these examinations will be given great weight in the applications process. 54 *Federal Register* 13,742 and 13,745 (1989); *see also Interagency Questions and Answers Regarding Community Reinvestment*, 62 *Federal Register* 52,105 and 52,121 (1997).

9. This was Bank's third consecutive "outstanding" rating. Compass Bancshares's other subsidiary bank, Compass Bank, Birmingham, Alabama, was rated "satisfactory," as of May 5, 1997.

10. In 1997, Bank's percentage of mortgage originations to LMI borrowers and in LMI census tracts in its Tucson assessment area exceeded the percentage of originations by lenders in the aggregate in that area.

11. Nonprofit organizations refer prospective LMI borrowers to Bank and Bank waives the origination, underwriting, and document preparation fees on adjustable rate mortgages. Bank will make mortgages with loan-to-value ratios of up to 89 percent without mortgage insurance for borrowers referred by some of the participating organizations.

Bank's performance in LMI census tracts in this area, as a percentage of its total small business lending, was generally consistent with or exceeded that of lenders in the aggregate in 1996 and 1997.[12]

Examiners found that Bank engaged in a number of community development programs through loans or equity financing, including construction financing for an affordable housing project developed by a nonprofit organization. Examiners also noted that Bank contracted with a nonprofit organization to counsel applicants on home ownership. Bank offers low-cost checking accounts, and examiners concluded that services and hours of operation at Bank's branches were adequate to meet the needs of the communities served.

Since its most recent performance examination, Bank has continued to engage in community development activities, including affordable housing projects funded partly by grants from the FHLB, with Bank's financing commitments totaling more than $19 million in 1996 and 1997. In 1998, Bank received a grant from the FHLB for construction of affordable housing for homeless individuals and couples newly reentering employment, and will offer a bridge/construction loan with concessionary rates and fee waivers.

The Board has considered the effects of the proposed acquisition on the convenience and needs of the communities to be served in light of all the facts of record. Based on its review, and for the reasons discussed above, the Board concludes that convenience and needs considerations, including the CRA performance records of the institutions involved, are consistent with approval.

The Board also concludes that the proposal is consistent with approval under the considerations in the FRA. Based on the foregoing and all the facts of record, the Board approves these applications. For purposes of this action, the commitments and conditions relied on in reaching this decision are conditions imposed in writing by the Board and, as such, may be enforced in proceedings under applicable law.

The acquisition of the branches may not be consummated before the fifteenth calendar day after the effective date of this order, or later than three months after the effective date of this order unless such period is extended by the Board or by the Federal Reserve Bank of Atlanta, acting pursuant to delegated authority.

By order of the Board of Governors, effective March 3, 1999.

Voting for this action: Chairman Greenspan and Governors Kelley, Meyer, Ferguson, and Gramlich. Absent and not voting Vice Chair Rivlin.

ROBERT DEV. FRIERSON
Associate Secretary of the Board

12. The number of loans to small businesses (businesses with annual revenues of $1 million or less) decreased in 1997 for Bank and for lenders in the aggregate, both in Bank's overall assessment area and in LMI areas.

Appendix A

Branch Locations in Arizona

1. 419 West Central Avenue, Coolidge 85228.
2. 2 East Birch Avenue, Flagstaff 86001.
3. 1992 McCulloch Boulevard North, Lake Havasu City 86403.
4. 1325 West Southern, Mesa 85202.
5. 4450 East Main Street, Mesa 85205.
6. 613 South Beeline Street Parkway, Payson 85441.
7. 3348 West Thomas Road, Phoenix 85017.
8. 6002 South Central Avenue, Phoenix 85040.
9. 302 North First Avenue, Phoenix 85003.
10. 781 East White Mountain Boulevard, Pinetop 85935.
11. 7201 East McDowell Road, Scottsdale 85251.
12. 7315 East Osborn Road, Scottsdale 85251.
13. 211 South Carmichael Avenue, Sierra Vista 85635.
14. 7605 South McClintock Drive, Tempe 85284.
15. 1599 South Fourth Avenue, Yuma 85364.

Appendix B

Arizona Banking Market Definitions and Data

Casa Grande

The Casa Grande banking market is approximated by the towns of Arizona City, Casa Grande, Coolidge, Eloy, Florence, and Sacaton. Bank is the eighth largest banking and thrift institution ("depository institution") in the market, controlling deposits of $600,000, and would purchase one branch controlling deposits of $9.9 million.[1] After consummation of the proposal, Bank would become the seventh largest of eight competitors in the market, controlling deposits of $10.6 million, representing 3.2 percent of total deposits controlled by depository institutions in the market ("market deposits"). The HHI would increase by one point to 1985.

Flagstaff

The Flagstaff banking market is approximated by the towns of Flagstaff and Williams. Bank is the seventh largest depository institution in the market, controlling deposits of $800,000, and would purchase one branch controlling deposits of $50.4 million. After consummation of the proposal, Bank would become the fifth largest of seven com-

1. All deposit data are as of June 30, 1997, adjusted for structural changes through December 1, 1998, and rounded to the nearest $100,000. Market share data are based on calculations that include the deposits of thrift institutions at 50 percent. The Board previously has indicated that thrift institutions have become, or have the potential to become, significant competitors of commercial banks. *See, e.g., Midwest Financial Group,* 75 *Federal Reserve Bulletin* 386 (1989); *National City Corporation,* 70 *Federal Reserve Bulletin* 743 (1984). Thus, the Board has regularly included thrift deposits in the calculation of market share on a 50 percent-weighted basis. *See, e.g., First Hawaiian, Inc.,* 77 *Federal Reserve Bulletin* 52 (1991).

petitors in the market, controlling deposits of $51.2 million, representing 13.2 percent of market deposits. The HHI would not increase.

Phoenix

The Phoenix banking market is approximated by the Phoenix Ranally Metropolitan Area ("RMA"). Bank is the 32nd largest depository institution in the market, controlling deposits of $2.6 million, and would purchase eight branches controlling deposits of $256.7 million. After consummation of the proposal, Bank would become the ninth largest of 42 competitors in the market, controlling deposits of $259.3 million, representing 1.1 percent of market deposits. The HHI would not increase.

Yuma

The Yuma banking market is approximated by the Yuma RMA and the town of Welton. Bank is the ninth largest depository institution in the market, controlling deposits of $28,000, and would purchase one branch controlling deposits of $28.7 million. After consummation of the proposal, Bank would become the sixth largest of ten competitors in the market, controlling deposits of $28.7 million, representing 4.1 percent of market deposits. The HHI would not increase.

Westdeutsche ImmobilienBank
Mainz, Germany

Order Approving Establishment of a Representative Office

Westdeutsche ImmobilienBank ("Bank"), Mainz, Germany, a foreign bank within the meaning of the International Banking Act ("IBA"), has applied under section 10(a) of the IBA (12 U.S.C. § 3107(a)) to establish a representative office in New York, New York. The Foreign Bank Supervision Enhancement Act of 1991, which amended the IBA, provides that a foreign bank must obtain the approval of the Board to establish a representative office in the United States.

Notice of the application, affording interested persons an opportunity to submit comments, has been published in a newspaper of general circulation in New York, New York (*New York Times*, July 24, 1998). The time for filing comments has expired, and the Board has considered the application and all comments received.

Bank, with assets of $7 billion,[1] was established in January 1995, and is owned by three German *Landesbanken*, which are in turn owned by various savings banks associations and municipal and state authorities. Landesbank Rheinland-Pfalz Girozentrale ("LB Rh- Pfalz") owns 25 percent of Bank; Westdeutsche Landesbank Girozentrale ("WestLB") owns 50 percent of Bank; and Landesbank Baden-Württemberg ("LBW") owns 25 percent of Bank.[2] All three Landesbanken are public law institutions that serve as the central and clearing bank for the savings banks in their respective states. The *Landesbanken* also provide commercial and investment banking services regionally, nationally, and internationally to both public and private entities and individuals.

Bank engages principally in real estate activities. Bank provides real estate financing, consulting and service activities, project development, construction and property management, and portfolio management. Bank has twelve offices in Germany, a branch in Great Britain, and a representative office in the Netherlands.

The proposed representative office would act as a liaison with customers and potential customers. It would also solicit new business, conduct research, make property inspections, verify external appraisals, secure title information, prepare applications for loans, and solicit investors to purchase such loans.

In acting on an application to establish a representative office, the IBA and Regulation K provide that the Board shall take into account whether the foreign bank engages directly in the business of banking outside of the United States, and has furnished to the Board the information it needs to assess the application adequately. The Board also shall take into account whether the foreign bank and any foreign bank parent is subject to comprehensive supervision or regulation on a consolidated basis by its home country supervisor (12 U.S.C. § 3107(a)(2); 12 C.F.R. 211.24(d)(2)).[3] The Board also may take into account additional standards as set forth in the IBA and Regulation K (12 U.S.C. § 3105(d)(3)-(4); 12 C.F.R. 211.24(c)(2)).

As noted above, LB Rh-Pfalz, WestLB, LBW, and Bank engage directly in the business of banking outside the United States. Bank also has provided the Board with information necessary to assess the application through submissions that address the relevant issues. With respect

1. Data are as of June 30, 1998.

2. On January 1, 1999, Landeskreditbank Baden-Württemberg and Landesgirokasse-öffentliche Bank und Landessparkasse were merged into Südwestdeutsche Landesbank Girozentrale ("SüdwestLB"). SüdwestLB, which has been renamed Landesbank Baden-Württemberg ("LBW"), is the surviving legal entity.

3. In assessing this standard, the Board considers, among other factors, the extent to which the home country supervisors:

(i) ensure that the bank has adequate procedures for monitoring and controlling its activities worldwide;
(ii) obtain information on the condition of the bank and its subsidiaries and offices through regular examination reports, audit reports, or otherwise;
(iii) obtain information on the dealings with and relationship between the bank and its affiliates, both foreign and domestic;
(iv) receive from the bank financial reports that are consolidated on a worldwide basis or comparable information that permits analysis of the bank's financial condition on a worldwide consolidated basis;
(v) evaluate prudential standards, such as capital adequacy and risk asset exposure, on a worldwide basis. These are indicia of comprehensive, consolidated supervision. No single factor is essential, and other elements may inform the Board's determination.

to supervision by home country authorities, the Board previously has determined, in connection with applications involving other banks in Germany, including WestLB and LBW, that those banks were subject to home country supervision on a consolidated basis.[4] Bank and LB Rh-Pfalz are supervised by the German regulators on substantially the same terms and conditions as those other banks. Based on all the facts of record, the Board has determined that Bank and LB Rh-Pfalz are subject to comprehensive supervision and regulation on a consolidated basis by their home country supervisors.

The Board also has taken into account the additional standards set forth in section 7 of the IBA and Regulation K (*see* 12 U.S.C. § 3105(d)(3)-(4); 12 C.F.R. 211.24(c)(2)). In this regard, the German Federal Banking Supervisory Office has no objection to the establishment of the proposed representative office.

With respect to the financial and managerial resources of Bank, taking into consideration Bank's record of operation in its home country, its overall financial resources, and its standing with its home country supervisors, the Board also has determined that financial and managerial factors are consistent with approval of the proposed representative office. Bank appears to have the experience and capacity to support the proposed representative office and has established controls and procedures for the proposed representative office to ensure compliance with U.S. law.

With respect to access to information about Bank's operations, the Board has reviewed the restrictions on disclosure in relevant jurisdictions in which Bank operates and has communicated with relevant government authorities regarding access to information. Bank and its parents have committed to make available to the Board such information on the operations of Bank and any of its affiliates that the Board deems necessary to determine and enforce compliance with the IBA, the Bank Holding Company Act of 1956, as amended, and other applicable federal law. To the extent that the provision of such information may be prohibited by law, Bank and its parents have committed to cooperate with the Board to obtain any necessary consents or waivers that might be required from third parties for disclosure of such information. In addition, subject to certain conditions, the German supervisors may share information on Bank's operations with other supervisors, including the Board. In light of these commitments and other facts of record, and subject to the condition described below, the Board concludes that Bank has provided adequate assurances of access to any necessary information the Board may request.

On the basis of all the facts of record, and subject to the commitments made by Bank and its parents as well as the terms and conditions set forth in this order, the Board has determined that Bank's application to establish the representative office should be, and hereby is, approved. Should any restrictions on access to information on the operations or activities of Bank and its affiliates subsequently interfere with the Board's ability to obtain information to determine and enforce compliance by Bank or its affiliates with applicable federal statutes, the Board may require termination of any of Bank's or its affiliates' direct or indirect activities in the United States. Approval of this application also is specifically conditioned on compliance by Bank and its parents with the commitments made in connection with this application, and with the conditions in this order.[5] The commitments and conditions referred to above are conditions imposed in writing by the Board in connection with its decision, and may be enforced in proceedings under 12 U.S.C. § 1818 against Bank and its affiliates.

By order of the Board of Governors, effective March 1, 1999.

Voting for this action: Chairman Greenspan, Vice Chair Rivlin, and Governors Kelley, Meyer, Ferguson, and Gramlich.

ROBERT DEV. FRIERSON
Associate Secretary of the Board

4. *See West Merchant Bank Limited,* 81 *Federal Reserve Bulletin* 519 (1995); *Südwestdeutsche Landesbank Girozentrale,* 83 *Federal Reserve Bulletin* 937 (1997). No material change has occurred in the manner of supervision of the banks since those determinations.

5. The Board's authority to approve the establishment of the proposed representative office parallels the continuing authority of the State of New York to license offices of a foreign bank. The Board's approval of this application does not supplant the authority of the State of New York and the New York State Banking Department ("Department") to license the proposed office of Bank in accordance with any terms or conditions that the Department may impose.

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
Ameri-National Corporation, Overland Park, Kansas	Horizon National Bank, Leawood, Kansas	Kansas City	March 11, 1999
Bauer Management, Inc., Port Lavaca, Texas Bauer Investments, Ltd., Port Lavaca, Texas	The First National Bank, Port Lavaca, Texas Seaport Bank, Seadrift, Texas	Dallas	March 4, 1999
BW Bancorp, Woodbury, Minnesota	Boundary Waters Community Bank, Ely, Minnesota	Minneapolis	March 16, 1999
Capital Bancshares, Inc., Little Rock, Arkansas	The Capital Bank, Little Rock, Arkansas	St. Louis	March 10, 1999
Carolina First Corporation, Greenville, South Carolina	Citizens First National Bank, Crescent City, Florida	Richmond	March 2, 1999
Carthage State Bancshares, Inc., Carthage, Texas Carthage Nevada Financial Group, Inc., Carson City, Nevada	First State Bank & Trust Company, Carthage, Texas	Dallas	March 4, 1999
Castle Creek Capital Partners Fund IIa, LP, Rancho Santa Fe, California Castle Creek Capital Partners Fund IIb, LP, Rancho Santa Fe, California	Rancho Santa Fe National Bank, Rancho Santa Fe, California	San Francisco	February 25, 1999
Castle Creek Capital Partners Fund IIa, LP, Rancho Santa Fe, California Castle Creek Capital Partners Fund IIb, LP, Rancho Santa Fe, California	State National Bancshares, Inc., Lubbock, Texas State National Bank of West Texas, Lubbock, Texas Sierra Bank, Las Cruces, New Mexico	San Francisco	March 11, 1999
Central Texas Bankshares Holdings, Inc., Columbus, Texas Colorado County Investment Holdings, Inc., Wilmington, Delaware	Hill Bancshares Holdings, Inc., Weimar, Texas Hill Bank & Trust Company, Weimar, Texas	Dallas	March 4, 1999
Century South Banks, Inc., Dahlonega, Georgia	Independent Bancorp, Inc., Oxford, Alabama	Atlanta	March 8, 1999
Clark County Bancshares, Inc., Wyaconda, Missouri	Memphis Bancshares, Inc., Memphis, Missouri Community Bank of Memphis, Memphis, Missouri	St. Louis	March 4, 1999
Commerce Bancorp, Inc., Greenwood, Mississippi	Bank of Commerce, Greenwood, Mississippi	St. Louis	March 1, 1999

Section 3—Continued

Applicant(s)	Bank(s)	Reserve Bank	Effective Date
Eggemeyer Advisory Corp, Rancho Santa Fe, California WJR Corp., Rancho Santa Fe, California Castle Creek Capital LLC, Rancho Santa Fe, California Castle Creek Capital Partners Fund I, LP, Rancho Santa Fe, California Castle Creek Capital Partners Fund IIa, LP, Rancho Santa Fe, California Castle Creek Capital Partners Fund IIb, Rancho Santa Fe, California	State National Bancshares, Inc., Lubbock, Texas Valley Bancorp, Inc., El Paso, Texas Montwood National Bank El Paso, Texas	San Francisco	March 11, 1999
Eggemeyer Advisory Corp., Rancho Santa Fe, California WJR Corp., Rancho Santa Fe, California Castle Creek Capital LLC, Rancho Santa Fe, California	State National Bancshares, Inc., Lubbock, Texas Castle Creek Capital Partners Fund I, LP, Rancho Santa Fe, California Castle Creek Capital Partners Fund IIb, LP, Rancho Santa Fe, California	San Francisco	March 11, 1999
Eggemeyer Advisory Corp., Rancho Santa Fe, California WJR Corp., Rancho Santa Fe, California Castle Creek Capital LLC, Rancho Santa Fe, California	Rancho Santa Fe National Bank, Rancho Santa Fe, California Castle Creek Capital Partners Fund I, LP, Rancho Santa Fe, California Castle Creek Capital Partners Fund IIa, LP, Rancho Santa Fe, California Castle Creek Capital Partners Fund IIb, LP, Rancho Santa Fe, California	San Francisco	February 25, 1999
Farmers & Merchants Bancorp, Lodi, California	Farmers & Merchants Bank of Central California, Lodi, California	San Francisco	March 18, 1999
First American Bank Group, Ltd., Fort Dodge, Iowa	First American Bank Sioux City, Iowa	Chicago	March 17, 1999
First Banking Company of Southeast Georgia, Statesboro, Georgia	Wayne Bancorp, Inc., Jesup, Georgia Wayne National Bank, Jesup, Georgia	Atlanta	March 17, 1999
First Community Financial Corporation, Burlington, North Carolina	Community Savings Bank Inc., SSB, Burlington, North Carolina	Richmond	March 23, 1999
First Financial Bancorp, Hamilton, Ohio	Sand Ridge Financial Corporation, Highland, Indiana	Cleveland	March 11, 1999
First Sterling Banks, Inc., Kennesaw, Georgia	Georgia Bancshares, Inc., Tucker, Georgia Community Bank of Georgia, Tucker, Georgia	Atlanta	March 15, 1999

Section 3—Continued

Applicant(s)	Bank(s)	Reserve Bank	Effective Date
Franklin Bancshares, Inc., Franklin, Illinois	Franklin Bank, Franklin, Illinois	St. Louis	March 9, 1999
Greater Bay Bancorp, Palo Alto, California	Bay Area Bancshares, Redwood City, California Bay Area Bank, Redwood City, California	San Francisco	March 23, 1999
Hometown Banc Corp., Grand Island, Nebraska	Security State Bank, Sumner, Nebraska	Kansas City	March 3, 1999
Hometown Independent Bancorp, Inc., Morton, Illinois	Sunstar Bank, Washington, Illinois Morton Community Bank, Morton, Illinois	Chicago	March 4, 1999
Kentucky National Bancorp, Inc., Elizabethtown, Kentucky	Kentucky National Bank, Elizabethtown, Kentucky	St. Louis	March 24, 1999
Lakeland Bancorp, Inc., Oak Ridge, New Jersey	High Point Financial Corporation, Branchville, New Jersey The National Bank of Sussex County, Branchville, New Jersey	New York	March 17, 1999
Marine Bancshares, Inc., Naples, Florida	Marine National Bank of Naples, Naples, Florida	Atlanta	March 22, 1999
Memphis Bancshares, Inc., Memphis, Missouri	Community Bank of Memphis, Memphis, Missouri	St. Louis	March 4, 1999
Metroplex North Bancshares, Inc., Employee Stock Ownership Plan, Celeste, Texas	Metroplex Bancshares, Inc., Celeste, Texas	Dallas	March 17, 1999
Millennium Bankshares Corporation, Reston, Virginia	Millennium Bank N.A., Reston, Virginia	Richmond	March 5, 1999
Monument Bancshares, Inc., Poland, Ohio	Monument National Bank, Ridgecrest, California	San Francisco	February 18, 1999
The Morton Community Bank Employee Stock Ownership Plan and Trust, Morton, Illinois	Hometown Independent Bancorp, Inc., Morton, Illinois	Chicago	March 4, 1999
PFSB Bancorporation, Inc., Pigeon Falls, Wisconsin	Pigeon Falls State Bank, Pigeon Falls, Wisconsin	Minneapolis	February 26, 1999
Pinnacle Bancorp, Inc., Central City, Nebraska	Pinnacle Bank of Cheyenne, Cheyenne, Wyoming	Kansas City	March 18, 1999
Ripley County Bancshares, Inc., Piedmont, Missouri	Ripley County State Bank, Doniphan, Missouri	St. Louis	February 23, 1999
Sam Houston Financial Corp., Huntsville, Texas Huntsville Holdings, Inc., Wilmington, Delaware	The First State Bank, Kosse, Texas	Dallas	March 10, 1999
Silver State Bancorp, Henderson, Nevada	Silver State Bank, Henderson, Nevada	San Francisco	March 17, 1999
South Branch Valley Bancorp, Inc., Moorefield, West Virginia	Shenandoah Valley National Bank, Winchester, Virginia	Richmond	March 25, 1999
Stockmans Financial Group, Elk Grove, California	Stockmans Bank, Elk Grove, California	San Francisco	March 18, 1999
United Community Banks, Inc., Blairsville, Georgia	Adairsville Bancshares, Inc., Adairsville, Georgia Bank of Adairsville, Adairsville, Georgia	Atlanta	February 26, 1999

Section 3—Continued

Applicant(s)	Bank(s)	Reserve Bank	Effective Date
WCB Bancshares, Inc., Oakdale, Minnesota	Washington County Bank National Association, Oakdale, Minnesota	Minneapolis	March 17, 1999
WJR Corp., Rancho Santa Fe, California	Castle Creek Capital LLC, Rancho Santa Fe, California	San Francisco	February 25, 1999

Section 4

Applicant(s)	Nonbanking Activity/Company	Reserve Bank	Effective Date
Ambank Company, Inc., Sioux Center, Iowa	To engage *de novo* in making and servicing loans and leasing activities	Chicago	March 16, 1999
Community First Bankshares, Inc., Fargo, North Dakota	Thad Scholl Insurance Agency, LLC, Holyoke, Colorado	Minneapolis	March 15, 1999
Community Trust Financial Services Corp., Hiram, Georgia Community Loan Company, Hiram, Georgia	Grace Financial Services, Inc., Oakwood, Georgia	Atlanta	March 8, 1999
Concord, EFS, Inc., Memphis, Tennessee	Electronic Payment Services, Inc., Wilmington, Delaware	St. Louis	February 26, 1999
Cooperatieve Centrale Raiffeisen-Boerenleenbank B.A., Rabobank Nederland, Utrecht, Netherlands	Tokai Financial Services, Inc., Berwyn, Pennsylvania De Lage Landen, U.S.A., Inc., New York, New York De Lage Landen International B.V., Eindhoven, Netherlands	New York	March 18, 1999
Cumberland Bancorp, Inc., Carthage, Tennessee	The Murray Bank, Murray, Kentucky	Atlanta	March 8, 1999
Delta Bancorp, Inc., Prospect Heights, Illinois	Delta Financial L.L.C., Prospect Heights, Illinois Village Mortgage L.L.C., Prospect Heights, Illinois	Chicago	March 4, 1999
First Ada Bancshares, Inc., Ada, Oklahoma	Witherspoon Finance Company, Ada, Oklahoma	Kansas City	March 2, 1999
Gold Banc Corporation, Inc., Leawood, Kansas	CompuNet Engineering L.L.C., Overland Park, Kansas	Kansas City	March 22, 1999
Marshall and Isley Corporation, Milwaukee, Wisconsin	ADP, Inc., Alpharetta, Georgia	Chicago	March 4, 1999
NCB Holdings, Inc., Chicago, Illinois	Century Financial Company, LLC, Chicago, Illinois	Chicago	March 15, 1999
State Street Corporation, Boston, Massachusetts	SAVVIS Holdings Corporation, St. Louis, Missouri	Boston	March 17, 1999
Westdeutsche Landesbank Girozentrale, Duesseldorf, Federal Republic of Germany	WestLB Panmure Securities Inc., New York, New York	New York	March 12, 1999

Sections 3 and 4

Applicant(s)	Nonbanking Activity/Company	Reserve Bank	Effective Date
Farm and Home Insurance Agency, Inc., Lyons, Nebraska	Oakland Financial, Inc., Oakland, Nebraska Farmers and Merchants National Bank, Oakland, Nebraska Tri-County Insurance, Inc., Oakland, Nebraska	Kansas City	March 25, 1999

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
Adams Bank & Trust, Ogallala, Nebraska	Bank of Indianola, Indianola, Nebraska	Kansas City	March 24, 1999
Bank of Oakfield, Oakfield, Wisconsin	M&I Central State Bank, Ripon, Wisconsin	Chicago	March 4, 1999
Citizens Bank & Trust Company, Van Buren, Arkansas	River Valley Bank & Trust, Lavaca, Arkansas	St. Louis	March 19, 1999
First Community Bank, Glasgow, Montana	First Community Bank of Froid, Froid, Montana	Minneapolis	March 4, 1999
Pinnacle Bank, Papillion, Nebraska	Gretna State Bank, Gretna, Nebraska	Kansas City	March 25, 1999
Pinnacle Bank of Cheyenne, Cheyenne, Wyoming	Frontier Bank of Laramie County, Cheyenne, Wyoming	Kansas City	March 18, 1999
Pinnacle Bank - Torrington, Torrington, Wyoming	Pinnacle Bank of Cheyenne, Cheyenne, Wyoming	Kansas City	March 18, 1999

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.

Folstad v. Board of Governors, No. 1:99 CV 124 (W.D. Mich., filed February 17, 1999). Freedom of Information Act complaint. On March 23, 1999, the Board filed a motion to dismiss or for summary judgment.

Nelson v. Greenspan, No. 1:99CV00215 (EGS) (D.D.C., filed January 28, 1999). Employment discrimination complaint. On March 29, 1999, the Board filed a motion to dismiss the action.

Fraternal Order of Police v. Board of Governors, No. 1:98CV03116 (D.D.C., filed December 22, 1998). Declaratory judgment action challenging Board labor practices. On February 26, 1999, the Board filed a motion to dismiss the action.

Inner City Press/Community on the Move v. Board of Governors, No. 98-9604 (2d Cir., filed December 3, 1998). Appeal of district court order dated October 6, 1998, granting summary judgment for the Board in a Freedom of Information Act case.

Independent Bankers Association of America v. Board of Governors, No. 98–1482 (D.C. Cir., filed October 21, 1998). Petition for review of a Board order dated September 23, 1998, conditionally approving the applications of Travelers Group, Inc., New York, New York, to become a bank holding company by acquiring Citicorp, New York, New York, and its bank and nonbank subsidiaries.

Clarkson v. Greenspan, No. 98–5349 (D.C. Cir., filed July 29, 1998). Appeal of district court order granting Board's motion for summary judgment in a Freedom of Information Act case. On March 2, 1999, the Court granted the Board's motion for summary affirmance of the district court dismissal.

Board of Governors v. Carrasco, No. 98 Civ. 3474 (LAK) (S.D.N.Y., filed May 15, 1998). Action to freeze assets of individual pending administrative adjudication of civil money penalty assessment by the Board. On May 26, 1998, the court issued a preliminary injunction restraining the transfer or disposition of the individual's assets and appointing the Federal Reserve Bank of New York as receiver for those assets.

Board of Governors v. Pharaon, No. 98–6101 (2d Cir., filed May 4, 1998). Appeal and cross-appeal of district court order granting in part and denying in part the Board's motion for summary judgment seeking prejudgment interest and a statutory surcharge in connection with a civil money penalty assessed by the Board. On February 24, 1999, the court granted the Board's appeal and denied the cross-appeal, and remanded the matter to the district court for determination of prejudgment interest due to the Board.

Fenili v. Davidson, No. C-98–01568-CW (N.D. California, filed April 17, 1998). Tort and constitutional claim arising out of return of a check. On June 5, 1998, the Board filed its motion to dismiss.

Logan v. Greenspan, No. 1:98CV00049 (D.D.C., filed January 9, 1998). Employment discrimination complaint.

Goldman v. Department of the Treasury, No. 98–9451 (11th Circuit, filed November 10, 1998). Appeal from a District Court order dismissing an action challenging Federal Reserve notes as lawful money.

Kerr v. Department of the Treasury, No. CV-S-97–01877-DWH (D. Nev., filed December 22, 1997). Challenge to income taxation and Federal Reserve notes. On September 3, 1998, a motion to dismiss was filed on behalf of all federal defendants.

Towe v. Board of Governors, No. 97–71143 (9th Cir., filed September 15, 1997). Petition for review of a Board order dated August 18, 1997, prohibiting Edward Towe and Thomas E. Towe from further participation in the banking industry. On February 23, 1999, the court affirmed the Board's order.

Bettersworth v. Board of Governors, No. 97-CA-624 (W.D. Tex., filed August 21, 1997). Privacy Act case.

Final Enforcement Decision Issued by the Board of Governors

In the Matter of
Guillaume Henry Andrew Fonkenell
An Institution-Affiliated Party of

Bankers Trust Company
New York, New York

Docket Nos. 98–032-B-I, 98–032-CMP-I

Determination on Request for Private Hearing

Background

This is an enforcement proceeding brought by the Board of Governors of the Federal Reserve System (the "Board") against Guillaume Henri Andre Fonkenell (the "Respondent") pursuant to the Federal Deposit Insurance Act (the "FDI Act"). Respondent is a former Vice President of Bankers Trust Company, New York, New York. In a Notice of Charges and of Hearing and Notice of the Assessment of a Civil Money Penalty (the "Notice") issued October 29, 1998, the Board alleged that Respondent violated the law, breached his fiduciary duty, and engaged in unsafe and unsound banking practices in connection with the marketing and sale of leveraged derivative transactions. The Notice seeks a cease and desist order and a civil money penalty against the Respondent.

In accordance with section 8(u)(2) of the FDI Act, 12 U.S.C. 1818(u)(2), the Notice advised the Respondent that any hearing held in this matter would be public, unless the Board determined that an open hearing would be contrary to the public interest. The Notice informed Respondent that he could submit a statement detailing any reasons why the hearing should not be public. On January 14, 1999, Respondent duly filed a motion with the Board seeking a private hearing in this matter. Board Enforcement Counsel opposed the motion.

Discussion

In a recent case, *In the Matter of Incus Co., Ltd.,* 85 *Federal Reserve Bulletin* 284 (1999), the Board set forth the standard by which such requests would be determined.

Specifically, the Board ruled that:

> Before the Board exercises its discretion to close a hearing, there should be a substantial basis for concluding that the case reflects unusual circumstances that overcome the presumption in favor of open hearings. In general, in light of the congressional requirement that the proceeding be open unless "contrary to the public interest," those circumstances should involve serious safety and soundness concerns flowing from a public hearing. . . . [A] party seeking a closed hearing should be required to demonstrate how the effects of this proceeding differ so significantly from those involving other banks in terms of the *public* interest as to warrant special treatment. Slip. op. at 3–4.

Respondent's arguments do not meet the standard set out in the *Incus* case. Respondent asserts that a private hearing would protect materials obtained by the Board and the Securities and Exchange Commission in the course of their investigations and maintained under seal by those agencies, and would protect the privacy and reputations of persons and firms whose conduct was the subject of investigation. He also claims that a closed hearing would assist him in obtaining information from persons who may resist providing evidence without adequate confidentiality protections. Finally, he asserts that holding the hearing in private would expedite and simplify the hearing process.

These arguments are insufficient to overcome the congressional presumption of open hearings in enforcement matters. To the extent law enforcement agencies need to protect the confidentiality of a particular document, existing regulations relating to hearing procedure provide an adequate means to do so. *See* 12 U.S.C. 1818(u)(6); 12 C.F.R. 263.33(b). Respondent's argument that the privacy interests of third parties would be impaired by a public hearing fails to present reasons why it would be contrary to the *public* interest to hold an open hearing. *See Incus,* slip op. at 4–5. With respect to Respondent's claim that a private hearing would assist him in obtaining necessary evidence, the administrative law judge handling the proceeding is empowered to issue subpoenas requiring production of documents and attendance at depositions or at the hearing. 12 C.F.R. 263.26, 263.27, 263.34(a). Finally, as the Board has previously held, the argument that "a private hearing is likely to be resolved more efficiently than a public hearing . . . could be used to justify a private hearing in most enforcement cases, a result that would be inconsistent with the intent of the statute." *In the Matter of Zbinden,* 80 *Federal Reserve Bulletin* 360, 362 (1994).

Accordingly, Respondent's request for a private hearing is denied.

By Order of the Board of Governors, this 29th day of March, 1999.

BOARD OF GOVERNORS OF THE
FEDERAL RESERVE SYSTEM

JENNIFER J. JOHNSON
Secretary of the Board

Directors of Federal Reserve Banks and Branches

Regional decentralization and a combination of governmental and private characteristics are important hallmarks of the uniqueness of the Federal Reserve System. Under the Federal Reserve Act, decentralization was achieved by division of the country into twelve regions called Federal Reserve Districts and the establishment in each District of a separately incorporated Federal Reserve Bank with its own board of directors. The blending of governmental and private characteristics is provided through ownership of the stock of the Reserve Bank by member banks in its District, which also elect the majority of the board of directors, and by the general supervision of the Reserve Banks by the Board of Governors, an agency of the federal government. The Board also appoints a minority of each board of directors. Thus, there are essential elements of regional participation and counsel in the conduct of the System's affairs for which the Federal Reserve relies importantly on the contributions of the directors of the Federal Reserve Banks and Branches.

The following list of directors of Federal Reserve Banks and Branches shows for each director the class of directorship, the principal business affiliation, and the date the current term expires. Each Federal Reserve Bank has nine members on its board of directors: The member banks elect the three Class A and three Class B directors, and the Board of Governors appoints the three directors in Class C. Directors are chosen without discrimination as to race, creed, color, sex, or national origin.

Class A directors of each Reserve Bank represent the stockholding member banks of the Federal Reserve District. Class B and Class C directors represent the public and are chosen with due, but not exclusive, consideration to the interests of agriculture, commerce, industry, services, labor, and consumers; they may not be officers, directors, or employees of any bank. In addition, Class C directors may not be stockholders of any bank. The Board of Governors designates annually one Class C director as chairman of the board of directors of each District Bank and designates another Class C director as deputy chairman.

Each of the twenty-five Branches of the Federal Reserve Banks has a board of either seven or five directors, a majority of whom are appointed by the parent Federal Reserve Bank; the others are appointed by the Board of Governors. One of the Board's appointees is designated annually as chairman of the board of that Branch in a manner prescribed by the parent Federal Reserve Bank.

The names of the chairman and deputy chairman of the board of directors of each Reserve Bank and of the chairman of each Branch are published monthly in the *Federal Reserve Bulletin*.[1]

1. The current list appears on page A86 of this *Bulletin*.

DISTRICT 1—BOSTON

		Term expires December 31
Class A		
G. Kenneth Perine	President and Chief Executive Officer, National Bank of Middlebury, Middlebury, Vermont	1999
Edwin N. Clift	President and Chief Executive Officer, Merrill Merchants Bank, Bangor, Maine	2000
Terrence Murray	Chairman and Chief Executive Officer, Fleet Financial Group, Boston, Massachusetts	2001
Class B		
Vacancy		1999
Edward Dugger III	President and Chief Executive Officer, UNC Partners, Inc., Boston, Massachusetts	2000
Robert R. Glauber	Adjunct Lecturer, John F. Kennedy School of Government, Harvard University, Cambridge, Massachusetts	2001
Class C		
William O. Taylor	Chairman Emeritus, The Boston Globe, Boston, Massachusetts	1999
James J. Norton	President, Graphic Communications International Union, Washington, D.C.	2000
William C. Brainard	Professor of Economics, Yale University, New Haven, Connecticut	2001

DISTRICT 2—NEW YORK

Term Expires December 31

Class A

George W. Hamlin IV	President and Chief Executive Officer, The Canandaigua National Bank and Trust Company, Canandaigua, New York	1999
Walter V. Shipley	Chairman and Chief Executive Officer, The Chase Manhattan Corporation, New York, New York	2000
Richard L. Carrion	Chairman, President, and Chief Executive Officer, Banco Popular de Puerto Rico, San Juan, Puerto Rico	2001

Class B

Ann M. Fudge	Executive Vice President, Kraft Foods, Inc., and President, Coffee & Cereals Division, Tarrytown, New York	1999
Eugene R. McGrath	Chairman, President, and Chief Executive Officer, Consolidated Edison Company of New York, Inc., New York, New York	2000
Ronay Menschel	President, Phipps Houses, New York, New York	2001

Class C

John C. Whitehead	Former Chairman, Goldman, Sachs & Co., Inc., New York, New York	1999
Vacancy		2000
Peter G. Peterson	Chairman, The Blackstone Group, New York, New York	2001

BUFFALO BRANCH

Appointed by the Federal Reserve Bank

Louise Woerner	Chairman and Chief Executive Officer, HCR, Rochester, New York	1999
William E. Swan	President and Chief Executive Officer, Lockport Savings Bank, Lockport, New York	2000
Mark W. Adams	Owner and Operator, Adams Poultry Farm, Naples, New York	2000
Kathleen R. Whelehan	Executive Vice President, Consumer Finance Division, Marine Midland Bank, Buffalo, New York	2001

Appointed by the Board of Governors

Patrick P. Lee	Chairman and Chief Executive Officer, International Motion Control, Inc., Orchard Park, New York	1999
Vacancy		2000
Bal Dixit	President and Chief Executive Officer, Newtex Industries, Inc., Victor, New York	2001

DISTRICT 3—PHILADELPHIA

Class A

David B. Lee	President and Chief Executive Officer, Omega Bank, N.A., State College, Pennsylvania	1999
Harry Elwell III	President and Chief Executive Officer, First National Bank of Absecon, Absecon, New Jersey	2000
Rufus A. Fulton, Jr.	Chairman, President, and Chief Executive Officer, Fulton Financial Corporation, Lancaster, Pennsylvania	2001

Class B

J. Richard Jones	President and Chief Executive Officer, Insignia/ESG Jackson–Cross Company, Philadelphia, Pennsylvania	1999
Robert D. Burris	President and Chief Executive Officer, Burris Foods, Inc., Milford, Delaware	2000
Howard E. Cosgrove	Chairman and Chief Executive Officer, Conectiv (Delmarva Power and Light Company), Wilmington, Delaware	2001

DISTRICT 3—PHILADELPHIA—Continued

		Term Expires December 31
Class C		
Joan Carter	President and Chief Operating Officer, UM Holdings Ltd., Haddonfield, New Jersey	1999
Glenn A. Schaeffer	President, Pennsylvania Building and Construction Trades Council, Harrisburg, Pennsylvania	2000
Charisse R. Lillie	Partner, Ballard Spahr Andrews & Ingersoll, Philadelphia, Pennsylvania	2001

DISTRICT 4—CLEVELAND

Class A		
Tiney M. McComb	Chairman and President, Heartland BancCorp, Gahanna, Ohio	1999
David S. Dahlmann	President and Chief Executive Officer, Southwest National Corporation, Greensburg, Pennsylvania	2000
John R. Cochran	Chairman and Chief Executive Officer, FirstMerit Corporation, Akron, Ohio	2001
Class B		
David L. Nichols	Cincinnati, Ohio	1999
Cheryl L. Krueger–Horn	President and Chief Executive Officer, Cheryl & Co., Westerville, Ohio	2000
Vacancy		2001
Class C		
Robert Y. Farrington	Executive Secretary–Treasurer, Emeritus, Ohio State Building and Construction Trades Council, Columbus, Ohio	1999
G. Watts Humphrey, Jr.	President, GWH Holdings, Inc., Pittsburgh, Pennsylvania	2000
David H. Hoag	Former Chairman, The LTV Corporation, Cleveland, Ohio	2001

CINCINNATI BRANCH

Appointed by the Federal Reserve Bank		
Judith G. Clabes	President and Chief Executive Officer, Scripps Howard Foundation, Cincinnati, Ohio	1999
Phillip R. Cox	President and Chief Executive Officer, Cox Financial Corporation, Cincinnati, Ohio	1999
Stephen P. Wilson	President and Chief Executive Officer, Lebanon Citizens National Bank, Lebanon, Ohio	2000
Jean R. Hale	President and Chief Executive Officer, Community Trust Bank, N.A., Pikeville, Kentucky	2001
Appointed by the Board of Governors		
George C. Juilfs	President and Chief Executive Officer, SENCORP, Newport, Kentucky	1999
Wayne Shumate	Chairman and Chief Executive Officer, Kentucky Textiles, Inc., Paris, Kentucky	2000
Thomas Revely III	President and Chief Executive Officer, Cincinnati Bell Supply Co., Cincinnati, Ohio	2001

PITTSBURGH BRANCH

Appointed by the Federal Reserve Bank		
Georgia Berner	President, Berner International Corp., New Castle, Pennsylvania	1999
Peter N. Stephans	Chairman and Chief Executive Officer, Trigon Incorporated, McMurray, Pennsylvania	1999
Thomas J. O'Shane	Chairman and Chief Executive Officer, First Western Bancorp, Inc., New Castle, Pennsylvania	2000
Edward V. Randall, Jr.	Management Consultant, Babst Calland Clements & Zomnir, Pittsburgh, Pennsylvania	2001

Term Expires December 31

DISTRICT 4—CLEVELAND—Continued

PITTSBURGH BRANCH—Continued

Appointed by the Board of Governors

Charles E. Bunch	Senior Vice President, Strategic Planning and Corporate Services, PPG Industries, Inc., Pittsburgh, Pennsylvania	1999
John T. Ryan III	Chairman and Chief Executive Officer, Mine Safety Appliances Company, Pittsburgh, Pennsylvania	2000
Gretchen R. Haggerty	Vice President–Accounting and Finance, U. S. Steel Group, Pittsburgh, Pennsylvania	2001

DISTRICT 5—RICHMOND

Class A

J. Walter McDowell	President–North Carolina Banking, Wachovia Bank, N.A., Winston–Salem, North Carolina	1999
Elizabeth A. Duke	President and Chief Executive Officer, The Bank of Tidewater, Virginia Beach, Virginia	2000
James M. Culberson, Jr.	Chairman Emeritus, First National Bank & Trust Co., Asheboro, North Carolina	2001

Class B

Wesley S. Williams, Jr.	Partner, Covington & Burling, Washington, D.C.	1999
James E. Haden	President and Chief Executive Officer, Martha Jefferson Hospital, Charlottesville, Virginia	2000
Craig A. Ruppert	President/Owner, Ruppert Nurseries, Inc., Laytonsville, Maryland	2001

Class C

Jeremiah J. Sheehan	Chairman and Chief Executive Officer, Reynolds Metals Company, Richmond, Virginia	1999
Claudine B. Malone	President, Financial & Management Consulting, Inc., McLean, Virginia	2000
Irwin Zazulia	President and Chief Executive Officer, Hecht's, Arlington, Virginia	2001

BALTIMORE BRANCH

Appointed by the Federal Reserve Bank

Morton I. Rapoport	President and Chief Executive Officer, University of Maryland Medical System, Baltimore, Maryland	1999
William L. Jews	President and Chief Executive Officer, Blue Cross Blue Shield of Maryland, Owings Mills, Maryland	2000
Virginia W. Smith	President and Chief Executive Officer, Union National Bank, Westminster, Maryland	2000
Jeremiah E. Casey	Chairman, First Maryland Bancorp, Baltimore, Maryland	2001

Appointed by the Board of Governors

George L. Russell, Jr.	Partner, Piper & Marbury L.L.P., Baltimore, Maryland	1999
Betty Bednarczyk	International Secretary–Treasurer, Service Employees International Union, AFL–CIO, CLC, Washington, D.C.	2000
Daniel R. Baker	President & Chief Executive Officer, Tate Access Floors, Inc., Jessup, Maryland	2001

CHARLOTTE BRANCH

Appointed by the Federal Reserve Bank

Vacancy		1999
Elleveen T. Poston	President, Quality Transport, Inc., Lake City, South Carolina	2000
Cecil W. Sewell, Jr.	Chairman and Chief Executive Officer, Centura Banks, Inc., Rocky Mount, North Carolina	2000
William H. Nock	President and Chief Executive Officer, Sumter National Bank, Sumter, South Carolina	2001

DISTRICT 5—RICHMOND—Continued

Term Expires December 31

CHARLOTTE BRANCH—Continued

Appointed by the Board of Governors

Dennis D. Lowery	Chief Executive Officer and Chairman, Continental Chemicals, Charlotte, North Carolina	1999
Joan H. Zimmerman	President, Southern Shows, Inc., Charlotte, North Carolina	2000
James O. Roberson	President, Research Triangle Foundation of North Carolina, Research Triangle Park, North Carolina	2001

DISTRICT 6—ATLANTA

Class A

Howard L. McMillan, Jr.	Wealth Management & Investments, Morgan Stanley Dean Witter, Jackson, Mississippi	1999
D. Paul Jones, Jr.	Chairman and Chief Executive Officer, Compass Bancshares, Inc., Birmingham, Alabama	2000
Waymon L. Hickman	Chairman and Chief Executive Officer, First Farmers and Merchants National Bank, Columbia, Tennessee	2001

Class B

Juanita P. Baranco	Executive Vice President, Baranco Automotive Group, Morrow, Georgia	1999
John Dane III	Chairman, President, and Chief Executive Officer, Halter Marine Group, Inc., Gulfport, Mississippi	2000
Suzanne E. Boas	President, Consumer Credit Counseling Service, Inc., Atlanta, Georgia	2001

Class C

John F. Wieland	Chief Executive Officer and Chairman, John Wieland Homes and Neighborhoods, Inc., Atlanta, Georgia	1999
Paula Lovell	President, Lovell Communications, Inc., Nashville, Tennessee	2000
Maria Camila Leiva	Executive Vice President, Miami Free Zone Corporation, Miami, Florida	2001

BIRMINGHAM BRANCH

Appointed by the Federal Reserve Bank

W. Charles Mayer III	Senior Executive Vice President, AmSouth Bancorporation, and President, Alabama, Tennessee, and Georgia Banking Group, AmSouth Bank, Birmingham, Alabama	1999
Roland Pugh	Chairman, Roland Pugh Construction, Inc., Northport, Alabama	2000
Hundley Batts, Sr.	Owner and Managing Agent, Hundley Batts & Associates, Huntsville, Alabama	2000
Robert M. Barrett	Chairman and President, The First National Bank, Wetumpka, Alabama	2001

Appointed by the Board of Governors

V. Larkin Martin	Managing Partner, Martin Farm, Courtland, Alabama	1999
D. Bruce Carr	Labor-Relations Liaison, Laborers' District Council of Alabama, Gadsden, Alabama	2000
Catherine Sloss Crenshaw	President, Sloss Real Estate Group, Birmingham, Alabama	2001

JACKSONVILLE BRANCH

Appointed by the Federal Reserve Bank

William G. Smith, Jr.	President and Chief Executive Officer, Capital City Bank Group, Tallahassee, Florida	1999
Terry R. West	President and Chief Executive Officer, Jax Navy Federal Credit Union, Jacksonville, Florida	2000
Michael W. Poole	Principal, Poole Carbone Capital Partners, Inc., Winter Park, Florida	2000
Harvey R. Heller	President, Heller Bros. Packing Corp., Winter Garden, Florida	2001

DISTRICT 6—ATLANTA—Continued		*Term Expires December 31*
JACKSONVILLE BRANCH—Continued		
Appointed by the Board of Governors		
Marsha G. Rydberg	Partner, Foley & Lardner, Tampa, Florida	1999
William E. Flaherty	Chairman, Blue Cross and Blue Shield of Florida, Inc., Jacksonville, Florida	2000
Vacancy		2001
MIAMI BRANCH		
Appointed by the Federal Reserve Bank		
D. Keith Cobb	Past Vice Chairman and Chief Executive Officer, Alamo Rent A Car, Inc., Ft. Lauderdale, Florida	1999
James W. Moore	Past President, Gulf Utility Company, Fort Myers, Florida	1999
Carlos A. Migoya	Regional President, Dade/Monroe Counties, First Union National Bank of Florida, Miami, Florida	2000
Robert H. Coords	Chairman and Chief Executive Officer, SunTrust Bank, South Florida, N.A., Fort Lauderdale, Florida	2001
Appointed by the Board of Governors		
Mark T. Sodders	President, Lakeview Farms, Inc., Pahokee, Florida	1999
Kaaren Johnson–Street	Vice President, Minority Business Development and Urban Initiatives, Enterprise Florida, Inc., Coral Gables, Florida	2000
Gregg Borgeson	President and Chief Executive Officer, Hellmann International Forwarders, Inc., Miami, Florida	2001
NASHVILLE BRANCH		
Appointed by the Federal Reserve Bank		
Leonard A. Walker, Jr.	Chairman and Chief Executive Officer, First National Bank and Trust Company, Athens, Tennessee	1999
James E. Dalton, Jr.	President and Chief Executive Officer, Quorum Health Group, Inc., Brentwood, Tennessee	2000
John E. Seward, Jr.	President and Chief Executive Officer, Paty Lumber Company, Piney Flats, Tennessee	2000
Dale W. Polley	President, First American National Bank, Nashville, Tennessee	2001
Appointed by the Board of Governors		
Michael E. Bennett	Past UAW Manufacturing Advisor, Saturn Corporation, Spring Hill, Tennessee	1999
Whitney Johns	Chairman and Chief Executive Officer, Whitney Johns & Company & Capital Across America, Nashville, Tennessee	2000
Frances F. Marcum	Chairman and Chief Executive Officer, Micro Craft, Inc., Tullahoma, Tennessee	2001
NEW ORLEANS BRANCH		
Appointed by the Federal Reserve Bank		
Howard C. Gaines	President, Military Division, First USA Partners, New Orleans, Louisiana	1999
Teri G. Fontenot	President and Chief Executive Officer, Woman's Health Foundation/Woman's Hospital, Baton Rouge, Louisiana	2000
David Guidry	President and Chief Executive Officer, Guico Machine Works, Inc., Harvey, Louisiana	2000
Howell N. Gage	Chairman and Chief Executive Officer, Merchants Bank, Vicksburg, Mississippi	2001

DISTRICT 6—ATLANTA—Continued

NEW ORLEANS BRANCH—Continued

Appointed by the Board of Governors

		Term Expires December 31
Glenn Pumpelly	President and Chief Executive Officer, Pumpelly Oil Inc., Sulphur, Louisiana	1999
Vacancy		2000
Dwight H. Evans	President and Chief Executive Officer, Mississippi Power Company, Gulfport, Mississippi	2001

DISTRICT 7—CHICAGO

Class A

Verne G. Istock	Chairman, BANK ONE Corporation, Chicago, Illinois	1999
Robert R. Yohanan	Managing Director and Chief Executive Officer, First Bank & Trust of Evanston, Evanston, Illinois	2000
Alan R. Tubbs	President, Maquoketa State Bank and Ohnward Bancshares Inc., Maquoketa, Iowa	2001

Class B

Migdalia Rivera	Former Executive Director, Latino Institute, Chicago, Illinois	1999
Jack B. Evans	President, The Hall–Perrine Foundation, Cedar Rapids, Iowa	2000
James H. Keyes	Chairman and Chief Executive Officer, Johnson Controls, Inc., Milwaukee, Wisconsin	2001

Class C

Robert J. Darnall	President and Chief Executive Officer, Ispat North America, Chicago, Illinois	1999
Lester H. McKeever, Jr.	Managing Partner, Washington, Pittman & McKeever, Chicago, Illinois	2000
Arthur C. Martinez	Chairman and Chief Executive Officer, Sears, Roebuck and Co., Hoffman Estates, Illinois	2001

DETROIT BRANCH

Appointed by the Federal Reserve Bank

Denise Ilitch	President, Olympia Development, Inc., Detroit, Michigan	1999
Irma B. Elder	President, Troy Motors, Inc., Troy, Michigan	1999
David J. Wagner	Chairman, President, and Chief Executive Officer, Old Kent Financial Corporation, Grand Rapids, Michigan	2000
Richard M. Bell	President and Chief Executive Officer, The First National Bank of Three Rivers, Three Rivers, Michigan	2001

Appointed by the Board of Governors

Florine Mark	President and Chief Executive Officer, The WW Group, Inc., Farmington Hills, Michigan	1999
Timothy D. Leuliette	President and Chief Operating Officer, Penske Corporation, Detroit, Michigan	2000
Stephen R. Polk	Chairman and Chief Executive Officer, R.L. Polk & Co., Southfield, Michigan	2001

DISTRICT 8—ST. LOUIS

Class A

W. D. Glover	Chairman and Chief Executive Officer, First National Bank of Eastern Arkansas, Forrest City, Arkansas	1999
Michael A. Alexander	Chairman and President, First National Bank, Mt. Vernon, Illinois	2000
Thomas H. Jacobsen	Chairman, President, and Chief Executive Officer, Mercantile Bancorporation Inc., St. Louis, Missouri	2001

DISTRICT 8—ST. LOUIS—Continued		*Term Expires December 31*
Class B		
Joseph E. Gliessner, Jr.	Executive Director, New Directions Housing Corp., Louisville, Kentucky	1999
Robert L. Johnson	Chairman and Chief Executive Officer, Johnson Bryce, Inc., Memphis, Tennessee	2000
Bert Greenwalt	Partner, Greenwalt Company, Hazen, Arkansas	2001
Class C		
Veo Peoples, Jr.	Partner, Haverstock, Garrett and Roberts, St. Louis, Missouri	1999
Susan S. Elliott	Chairman and Chief Executive Officer, Systems Service Enterprises, Inc., St. Louis, Missouri	2000
Charles W. Mueller	Chairman, President, and Chief Executive Officer, Ameren Corporation, St. Louis, Missouri	2001

LITTLE ROCK BRANCH

Appointed by the Federal Reserve Bank		
Mark Simmons	Chairman, Simmons Foods, Inc., Siloam Springs, Arkansas	1999
Ross M. Whipple	Chairman, Horizon Bank of Columbia County, Magnolia, Arkansas	1999
Lunsford W. Bridges	President and Chief Executive Officer, Metropolitan National Bank, Little Rock, Arkansas	2000
Lawrence A. Davis, Jr.	Chancellor, University of Arkansas at Pine Bluff, Pine Bluff, Arkansas	2001
Appointed by the Board of Governors		
Janet M. Jones	President, The Janet Jones Company, Little Rock, Arkansas	1999
Diana T. Hueter	President and Chief Executive Officer, St. Vincent Health System, Little Rock, Arkansas	2000
Vick M. Crawley	Plant Manager, Baxter Healthcare Corporation, Mountain Home, Arkansas	2001

LOUISVILLE BRANCH

Appointed by the Federal Reserve Bank		
Larry E. Dunigan	Chairman and Chief Executive Officer, Holiday Management Corp., Evansville, Indiana	1999
Vacancy		1999
Frank J. Nichols	Chairman, President, and Chief Executive Officer, Bank of Benton, Benton, Kentucky	2000
Orson Oliver	President, Mid-America Bank of Louisville, Louisville, Kentucky	2001
Appointed by the Board of Governors		
Vacancy		1999
Debbie Scoppechio	Chairman and Chief Executive Officer, Creative Alliance, Inc., Louisville, Kentucky	2000
Roger Reynolds	President and Chief Executive Officer, Reynolds Coatings, LLC, Louisville, Kentucky	2001

DISTRICT 8—ST. LOUIS—Continued

Term Expires December 31

MEMPHIS BRANCH

Appointed by the Federal Reserve Bank

Katie S. Winchester	President, Chief Executive Officer, and Director, First Citizens National Bank, Dyersburg, Tennessee	1999
John C. Kelley, Jr.	President, Memphis Banking Group, First Tennessee Bank, Memphis, Tennessee	1999
E.C. Neelly III	Chief Executive Officer, First American National Bank, Iuka, Mississippi	2000
Vacancy		2001

Appointed by the Board of Governors

Mike P. Sturdivant, Jr.	Partner, Due West, Glendora, Mississippi	1999
Carol G. Crawley	Vice President & Regional Manager, Mid-America Apartment Communities, Inc., Memphis, Tennessee	2000
Gregory M. Duckett	Senior Vice President and Corporate Counsel, Baptist Memorial Health Care Corporation, Memphis, Tennessee	2001

DISTRICT 9—MINNEAPOLIS

Class A

Lynn M. Hoghaug	President, Ramsey National Bank and Trust Co., Devils Lake, North Dakota	1999
Bruce Parker	President, Norwest Bank Montana, Billings, Montana	2000
W.W. LaJoie	Chief Executive Officer and Chairman, Central Savings Bank, Sault Ste. Marie, Michigan	2001

Class B

Rob L. Wheeler	Vice President, Wheeler Mfg. Co., Inc., Lemmon, South Dakota	1999
Kathryn L. Ogren	Owner, Bitterroot Motors, Missoula, Montana	2000
Jay F. Hoeschler	President and Owner, Hoeschler Corporation, La Crosse, Wisconsin	2001

Class C

David A. Koch	Chairman, Graco, Inc., Plymouth, Minnesota	1999
Ronald N. Zwieg	President, United Food & Commercial Workers, Local 653, Plymouth, Minnesota	2000
James J. Howard	Chairman, President, and Chief Executive Officer, Northern States Power Company, Minneapolis, Minnesota	2001

HELENA BRANCH

Appointed by the Federal Reserve Bank

Richard E. Hart	President, Mountain West Bank, Great Falls, Montana	1999
Emil W. Erhardt	Chairman and President, Citizens State Bank, Hamilton, Montana	2000
Sandra M. Stash, P.E.	Vice President, Environmental Services, ARCO Environmental Remediation L.L.C., Anaconda, Montana	2000

Appointed by the Board of Governors

Thomas O. Markle	President and Chief Executive Officer, Markle's Inc., Glasgow, Montana	1999
William P. Underriner	General Manager, Selover Buick Inc., Billings, Montana	2000

DISTRICT 10—KANSAS CITY

Class A

Dennis E. Barrett	President, FirstBank Holding Company of Colorado, Lakewood, Colorado	1999
Bruce A. Schriefer	President, Bankers' Bank of Kansas, Wichita, Kansas	2000
Jeffrey L. Gerhart	President and Chief Executive Officer, First National Bank, Newman Grove, Nebraska	2001

DISTRICT 10—KANSAS CITY—Continued

		Term Expires December 31
Class B		
Charles W. Nichols	Managing Partner, Davison & Sons Cattle Company, Arnett, Oklahoma	1999
Hans Helmerich	President and Chief Executive Officer, Helmerich & Payne, Inc., Tulsa, Oklahoma	2000
Frank A. Potenziani	M & T Trust, Albuquerque, New Mexico	2001
Class C		
Colleen D. Hernandez	Executive Director, Kansas City Neighborhood Alliance, Kansas City, Missouri	1999
Terrence P. Dunn	President and Chief Executive Officer, J.E. Dunn Construction Company, Kansas City, Missouri	2000
Jo Marie Dancik	Area Managing Partner, Ernst & Young LLP, Minneapolis, Minnesota	2001

DENVER BRANCH

Appointed by the Federal Reserve Bank		
C.G. Mammel	President and Chief Executive Officer, The Bank of Cherry Creek, N.A., Denver, Colorado	1999
Robert M. Murphy	President, Sandia Properties Ltd., Co., Albuquerque, New Mexico	2000
John W. Hay III	President, Rock Springs National Bank, Rock Springs, Wyoming	2000
Albert C. Yates	President, Colorado State University, Ft. Collins, Colorado	2001
Appointed by the Board of Governors		
Teresa N. McBride	Chief Executive Officer, McBride and Associates, Inc., Albuquerque, New Mexico	1999
Kathryn A. Paul	Division President, Kaiser Permanente, Denver, Colorado	2000
James A. King	Chief Executive Officer, BT Inc., Riverton, Wyoming	2001

OKLAHOMA CITY BRANCH

Appointed by the Federal Reserve Bank		
William H. Braum	President, Braum Ice Cream Co., Oklahoma City, Oklahoma	1999
Michael S. Samis	President and Chief Executive Officer, Macklanburg–Duncan Co., Oklahoma City, Oklahoma	2000
Betty Bryant Shaull	President-Elect and Director, Bank of Cushing and Trust Company, Cushing, Oklahoma	2001
W. Carlisle Mabrey III	President and Chief Executive Officer, Citizens Bank & Trust Co., Okmulgee, Oklahoma	2001
Appointed by the Board of Governors		
Larry W. Brummett	Chairman, President, and Chief Executive Officer, ONEOK, Inc., Tulsa, Oklahoma	1999
Patricia B. Fennell	Executive Director, Latino Community Development Agency, Oklahoma City, Oklahoma	2000
David L. Kruse II	Senior Vice President, American Airlines, Inc., Tulsa, Oklahoma	2001

OMAHA BRANCH

Appointed by the Federal Reserve Bank		
Bruce R. Lauritzen	Chairman and President, First National Bank of Omaha, Omaha, Nebraska	1999
Frank L. Hayes	President, Hayes & Associates, L.L.C., Omaha, Nebraska	2000
H.H. Kosman	Chairman, President, and Chief Executive Officer, Platte Valley National Bank, Scottsbluff, Nebraska	2000
Bill L. Fairfield	President and Chief Executive Officer, Inacom Corp., Omaha, Nebraska	2001

DISTRICT 10—KANSAS CITY—Continued

OMAHA BRANCH—Continued

		Term Expires December 31
Appointed by the Board of Governors		
Bob L. Gottsch	Vice President, Gottsch Feeding Corporation, Hastings, Nebraska	1999
A.F. Raimondo	Chairman and Chief Executive Officer, Behlen Mfg. Co., Columbus, Nebraska	2000
Gladys Styles Johnston	Chancellor, University of Nebraska at Kearney, Kearney, Nebraska	2001

DISTRICT 11—DALLAS

Class A		
Gayle M. Earls	President and Chief Executive Officer, The Independent BankersBank, Dallas, Texas	1999
Kirk A. McLaughlin	President and Chief Executive Officer, Security Bank, Ralls, Texas	2000
Dudley K. Montgomery	President and Chief Executive Officer, The Security State Bank of Pecos, Pecos, Texas	2001
Class B		
Dan Angel	President, Stephen F. Austin State University, Nacogdoches, Texas	1999
Robert C. McNair	Chairman and Chief Executive Officer, Cogen Technologies Energy Group, Houston, Texas	2000
Julie S. England	Vice President, Texas Instruments, Dallas, Texas	2001
Class C		
James A. Martin	Retired Second General Vice President, International Association of Bridge, Structural, Ornamental, and Reinforcing Iron Workers, Austin, Texas	1999
Vacancy		2000
Roger R. Hemminghaus	Chairman, Ultramar Diamond Shamrock Corp., San Antonio, Texas	2001

EL PASO BRANCH

Appointed by the Federal Reserve Bank		
James D. Renfrow	President and Chief Executive Officer, The Carlsbad National Bank, Carlsbad, New Mexico	1999
Melissa W. O'Rourke	President, Charlotte's Inc., El Paso, Texas	1999
Cecil E. Nix	Business Manager, IBEW Local 460, Midland, Texas	2000
Lester L. Parker	President, Bank of the West, El Paso, Texas	2001
Appointed by the Board of Governors		
Patricia Z. Holland–Branch	President and Chief Executive Officer, HB/PZH Commercial Environments, Inc., El Paso, Texas	1999
Gail S. Darling	Chief Executive Officer, Gail Darling, Inc., El Paso, Texas	2000
Beauregard Brite White	Rancher, J. E. White, Jr. & Sons, Marfa, Texas	2001

HOUSTON BRANCH

Appointed by the Federal Reserve Bank		
Judith B. Craven	Physician/Administrator, Houston, Texas	1999
Ray B. Nesbitt	President (Retired), Exxon Chemical Company, Houston, Texas	1999
Alan R. Buckwalter III	Chairman and Chief Executive Officer, Chase Bank of Texas, N.A., Houston, Texas	2000
Richard Weekley	Chairman, Weekley Development Company, Houston, Texas	2001

DISTRICT 11—DALLAS—Continued

Term Expires December 31

HOUSTON BRANCH—Continued

Appointed by the Board of Governors

Peggy Pearce Caskey	Chief Executive Officer, Laboratories for Genetic Services, Inc., Houston, Texas	1999
Malcolm Gillis	President, Rice University, Houston, Texas	2000
Edward O. Gaylord	Chairman, Jacintoport Terminal Company, Houston, Texas	2001

SAN ANTONIO BRANCH

Appointed by the Federal Reserve Bank

Juliet V. Garcia	President, The University of Texas at Brownsville, Brownsville, Texas	1999
Douglas G. Macdonald	President, South Texas National Bank, Laredo, Texas	1999
Arthur Emerson	Vice President/General Manager, KVDA-TV 60 Telemundo, San Antonio, Texas	2000
R. Tom Roddy	Chairman, Camino Real Bank, San Antonio, Texas	2001

Appointed by the Board of Governors

Patty P. Mueller	Vice President/Finance, Mueller Energetics Corp., Corpus Christi, Texas	1999
H.B. Zachry, Jr.	Chairman and Chief Executive Officer, H.B. Zachry Company, San Antonio, Texas	2000
Ron R. Harris	President and Chief Executive Officer, Pervasive Software, Austin, Texas	2001

DISTRICT 12—SAN FRANCISCO

Class A

E. Lynn Caswell	Chairman and Chief Executive Officer, Pacific Community Banking Group, Laguna Hills, California	1999
John V. Rindlaub	President, Northwest Region, Bank of America, Seattle, Washington	2000
Warren K.K. Luke	Vice Chairman, President, and Chief Executive Officer, Hawaii National Bank, Honolulu, Hawaii	2001

Class B

Robert S. Attiyeh	Senior Vice President and Chief Financial Officer (Retired), Amgen, Inc., Thousand Oaks, California	1999
Krestine Corbin	President and Chief Executive Officer, Sierra Machinery, Inc., Sparks, Nevada	2000
Byron I. Mallott	Executive Director, Alaska Permanent Fund Corp., Juneau, Alaska	2001

Class C

Gary Glenn Michael	Chairman and Chief Executive Officer, Albertson's, Inc., Boise, Idaho	1999
Nelson C. Rising	President and Chief Executive Officer, Catellus Development Corporation, San Francisco, California	2000
Sheila Denise Harris	Consultant, Harris Consulting, Litchfield Park, Arizona	2001

LOS ANGELES BRANCH

Appointed by the Federal Reserve Bank

John H. Gleason	Executive Vice President, Del Webb Corporation, Phoenix, Arizona	1999
Liam E. McGee	President, Southern California Banking, Bank of America, Los Angeles, California	2000
Linda Griego	Managing General Partner, Engine Co. No. 28, Los Angeles, California	2000
Russell Goldsmith	Chairman and Chief Executive Officer, City National Bank, Beverly Hills, California	2001

DISTRICT 12—SAN FRANCISCO—Continued

Term Expires December 31

LOS ANGELES BRANCH—Continued

Appointed by the Board of Governors

Lori R. Gay	President, Los Angeles Neighborhood Housing Service, Los Angeles, California	1999
Lonnie Kane	President, Karen Kane, Inc., Los Angeles, California	2000
William D. Jones	Chairman, President, and Chief Executive Officer, CityLink Investment Corporation, San Diego, California	2001

PORTLAND BRANCH

Appointed by the Federal Reserve Bank

Phyllis A. Bell	President, Oregon Coast Aquarium, Newport, Oregon	1999
Martin Brantley	President and General Manager, Oregon's 12-KPTV, Portland, Oregon	1999
Guy L. Williams	President and Chief Executive Officer, Security Bank, Coos Bay, Oregon	2000
Gary T. Duim	Vice Chairman, U. S. Bancorp, Portland, Oregon	2001

Appointed by the Board of Governors

Nancy Wilgenbusch	President, Marylhurst University, Marylhurst, Oregon	1999
Patrick Borunda	Director, Oweesta Fund, First Nation's Development Institute, Vancouver, Washington	2000
Karla S. Chambers	Vice President, Stahlbush Island Farms, Inc., Corvallis, Oregon	2001

SALT LAKE CITY BRANCH

Appointed by the Federal Reserve Bank

J. Pat McMurray	President, First Security Bank, N.A., Boise, Idaho	1999
Maria Garciaz	Executive Director, Salt Lake Neighborhood Housing Services, Salt Lake City, Utah	1999
R.D. Cash	Chairman, President, and Chief Executive Officer, Questar Corporation, Salt Lake City, Utah	2000
Curtis H. Harris	Chairman, President, and Chief Executive Officer, Barnes Banking Company, Kaysville, Utah	2001

Appointed by the Board of Governors

Nancy S. Mortensen	Vice President–Marketing Services, ZCMI, Salt Lake City, Utah	1999
Barbara L. Wilson	Idaho and Regional Vice President, U. S. West, Boise, Idaho	2000
Jon M. Huntsman, Jr.	Vice Chairman, Huntsman Corporation, Salt Lake City, Utah	2001

SEATTLE BRANCH

Appointed by the Federal Reserve Bank

Tomio Moriguchi	Chairman and Chief Executive Officer, Uwajimaya, Inc., Seattle, Washington	1999
James C. Hawkanson	Managing Director and Chief Executive Officer, The Commerce Bank of Washington, N.A., Seattle, Washington	1999
Betsy Lawer	Vice Chair and Chief Operating Officer, First National Bank of Anchorage, Anchorage, Alaska	2000
Peter H. van Oppen	Chairman and Chief Executive Officer, Advanced Digital Information Corp., Redmond, Washington	2001

Appointed by the Board of Governors

Boyd E. Givan	Senior Vice President and Chief Financial Officer (Retired), The Boeing Company, Seattle, Washington	1999
Richard R. Sonstelie	Chairman, Puget Sound Energy, Inc., Bellevue, Washington	2000
Helen M. Rockey	Chairman, Brooks Sports, Inc., Bothell, Washington	2001

Financial and Business Statistics

INTERNATIONAL STATISTICS

Summary Statistics

Reported by Banks in the United States

Reported by Nonbanking Business Enterprises in the United States

Securities Holdings and Transactions

Interest and Exchange Rates

SPECIAL TABLES

Guide to Tabular Presentation

SYMBOLS AND ABBREVIATIONS

c	Corrected
e	Estimated
n.a.	Not available
p	Preliminary
r	Revised (Notation appears on column heading when about half of the figures in that column are changed.)
*	Amounts insignificant in terms of the last decimal place shown in the table (for example, less than 500,000 when the smallest unit given is millions)
0	Calculated to be zero
. . .	Cell not applicable
ATS	Automatic transfer service
BIF	Bank insurance fund
CD	Certificate of deposit
CMO	Collateralized mortgage obligation
CRA	Community Reinvestment Act of 1977
FFB	Federal Financing Bank
FHA	Federal Housing Administration
FHLBB	Federal Home Loan Bank Board
FHLMC	Federal Home Loan Mortgage Corporation
FmHA	Farmers Home Administration
FNMA	Federal National Mortgage Association
FSLIC	Federal Savings and Loan Insurance Corporation
G-7	Group of Seven
G-10	Group of Ten
GNMA	Government National Mortgage Association
GDP	Gross domestic product
HUD	Department of Housing and Urban Development
IMF	International Monetary Fund
IO	Interest only
IPCs	Individuals, partnerships, and corporations
IRA	Individual retirement account
MMDA	Money market deposit account
MSA	Metropolitan statistical area
NOW	Negotiable order of withdrawal
OCD	Other checkable deposit
OPEC	Organization of Petroleum Exporting Countries
OTS	Office of Thrift Supervision
PMI	Private mortgage insurance
PO	Principal only
REIT	Real estate investment trust
REMIC	Real estate mortgage investment conduit
RP	Repurchase agreement
RTC	Resolution Trust Corporation
SCO	Securitized credit obligation
SDR	Special drawing right
SIC	Standard Industrial Classification
VA	Department of Veterans Affairs

GENERAL INFORMATION

In many of the tables, components do not sum 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 adjusted[1]

Monetary or credit aggregate	1998 Q1	1998 Q2	1998 Q3	1998 Q4	1998 Oct.	1998 Nov	1998 Dec.	1999 Jan.r	1999 Feb.
Reserves of depository institutions[2]									
1 Total	−1.9	−3.8	−7.4	−1.6	−5.4	5.0	9.0	−.5	−14.1
2 Required	−1.8	−2.5	−9.0	−2.3	−2.5	3.8	10.5	.8	−6.0
3 Nonborrowed	−.6	−4.3	−8.4	−.4	−3.3	7.5	8.1	−2.9	−11.7
4 Monetary base[3]	6.8	5.3	6.8	8.9	8.4	8.9r	8.3	8.4	9.5
Concepts of money, liquid assets, and debt[4]									
5 M1	3.2	1.0	−2.0	5.0	6.4	9.6r	4.7r	−2.9	1.5
6 M2	7.6	7.5	6.9	11.0	11.6	10.6	10.1r	6.5	5.7
7 M3	10.3	10.1	8.6	12.9r	12.8r	13.4r	12.0r	3.7	10.1
8 Debt	5.8r	6.0r	5.9r	6.3r	6.4r	7.1r	6.5r	5.7	n.a.
Nontransaction components									
9 In M2[5]	9.1	9.8	9.9	13.0	13.3	11.0	11.8	9.6	7.1
10 In M3 only[6]	18.6	17.8	13.5	18.4r	16.3r	21.2r	17.3r	−3.8	22.3
Time and savings deposits									
Commercial banks									
11 Savings, including MMDAs	12.8	13.4	15.8	17.6	15.9	16.4	19.2	12.3	5.1
12 Small time[7]	1.0	.1	.1	.4	−.4	1.5	−4.2	−7.9	−7.7
13 Large time[8,9]	18.1	16.4	3.5	3.9r	−1.8r	8.1r	8.0r	10.6	−11.4
Thrift institutions									
14 Savings, including MMDAs	5.7	10.8	9.0	10.1	12.5	10.9	10.8	15.0	14.3
15 Small time[7]	−.5	−4.4	−7.3r	−6.7r	−1.8r	−10.5r	−5.5r	−5.2	−6.3
16 Large time[8]	8.6	−4.5	.5	10.4	15.2	2.7	16.4	25.6	−15.8
Money market mutual funds									
17 Retail	19.2	20.9	19.0	28.4	29.0	20.5	22.3	23.2	23.7
18 Institution-only	20.9	34.7	26.6	41.8	48.5	42.2	29.5	−2.8	34.7
Repurchase agreements and Eurodollars									
19 Repurchase agreements[10]	22.9	14.5	11.7	16.4	.4	25.4	34.0	−25.0	68.7
20 Eurodollars[10]	12.0	−3.3	21.7	7.6r	12.4	1.5	−20.0r	−35.2	37.0
Debt components[4]									
21 Federal	.0	−1.4	−1.5	−2.0	−3.1	−.5	−.4	−2.1	n.a.
22 Nonfederal	7.7r	8.5r	8.3r	8.9r	9.3r	9.5r	8.6r	8.0	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, or "breaks," associated with regulatory changes in reserve requirements. (See also table 1.20.)

3. 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 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 U.S. 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 owed 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) savings (including MMDAs), (2) small-denomination time deposits (time deposits—including retail RPs—in amounts of less than $100,000), and (3) balances in retail money market mutual funds. Excludes individual retirement accounts (IRAs) and Keogh balances at depository institutions and money market funds. Seasonally adjusted M2 is calculated by summing savings deposits, small-denomination time deposits, and retail money fund balances, each seasonally adjusted separately, and adding this result to seasonally adjusted M1.

M3: M2 plus (1) large-denomination time deposits (in amounts of $100,000 or more), (2) balances in institutional money funds, (3) RP liabilities (overnight and term) issued by all depository institutions, and (4) Eurodollars (overnight and term) held by U.S. residents at foreign branches of U.S. banks worldwide and at all banking offices in the United Kingdom and Canada. Excludes amounts held by depository institutions, the U.S. government, money market funds, and foreign banks and official institutions. Seasonally adjusted M3 is calculated by summing large time deposits, institutional money fund balances, RP liabilities, and Eurodollars, each seasonally adjusted separately, and adding this result to seasonally adjusted M2.

Debt: The debt aggregate is the outstanding credit market debt of the domestic nonfinancial sectors—the federal sector (U.S. government, not including government-sponsored enterprises or federally related mortgage pools) and the nonfederal sectors (state and local governments, households and nonprofit organizations, nonfinancial corporate and nonfarm noncorporate businesses, and farms). Nonfederal debt consists of mortgages, tax-exempt and corporate bonds, consumer credit, bank loans, commercial paper, and other loans. The data, which are derived from the Federal Reserve Board's flow of funds accounts, are break-adjusted (that is, discontinuities in the data have been smoothed into the series) and month-averaged (that is, the data have been derived by averaging adjacent month-end levels).

5. Sum of (1) savings deposits (including MMDAs), (2) small time deposits, and (3) retail money fund balances, each seasonally adjusted separately.

6. Sum of (1) large time deposits, (2) institutional money fund balances, (3) RP liabilities (overnight and term) issued by depository institutions, and (4) Eurodollars (overnight and term) of U.S. addressees, each seasonally adjusted separately.

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, the U.S. government, and foreign banks and official institutions.

10. Includes both overnight and term.

1.11 RESERVES OF DEPOSITORY INSTITUTIONS AND RESERVE BANK CREDIT[1]

Millions of dollars

Factor	Average of daily figures			Average of daily figures for week ending on date indicated						
	1998	1999		1999						
	Dec.	Jan.	Feb.	Jan. 13	Jan. 20	Jan. 27	Feb. 3	Feb. 10	Feb. 17	Feb. 24
SUPPLYING RESERVE FUNDS										
1 Reserve Bank credit outstanding	504,025	504,486	501,649	500,410	505,981	500,962	499,094	500,997	501,302	503,709
U.S. government securities[2]										
2 Bought outright—System account[3]	453,911	453,333	458,706	454,690	452,818	452,725	455,061	457,896	458,088	459,973
3 Held under repurchase agreements	7,685	7,056	3,310	3,820	6,291	6,281	3,674	2,895	2,292	4,829
Federal agency obligations										
4 Bought outright	346	337	336	338	338	337	336	336	336	336
5 Held under repurchase agreements	5,371	4,670	3,222	3,256	6,046	3,226	2,290	3,060	3,359	3,542
6 Acceptances	0	0	0	0	0	0	0	0	0	0
Loans to depository institutions										
7 Adjustment credit	90	201	118	697	22	105	210	90	99	107
8 Seasonal credit	15	6	10	6	4	5	6	10	8	10
9 Extended credit	0	0	0	0	0	0	0	0	0	0
10 Float	1,617	2,313	447	1,624	4,187	1,381	900	334	1,229	375
11 Other Federal Reserve assets	34,989	36,570	35,500	35,979	36,275	36,903	36,617	36,376	35,891	34,536
12 Gold stock	11,041	11,046	11,049	11,046	11,046	11,046	11,047	11,049	11,049	11,049
13 Special drawing rights certificate account	9,200	9,200	9,200	9,200	9,200	9,200	9,200	9,200	9,200	9,200
14 Treasury currency outstanding	26,225	26,329r	26,426	26,301r	26,333r	26,365r	26,397	26,411	26,425	26,439
ABSORBING RESERVE FUNDS										
15 Currency in circulation	510,724	510,137r	510,602	511,483r	508,993r	506,779r	506,429	508,562	511,724	512,176
16 Treasury cash holdings	89	87	114	85	86	88	98	103	125	117
Deposits, other than reserve balances, with Federal Reserve Banks										
17 Treasury	5,923	6,597	4,800	5,423	7,296	6,963	6,876	4,865	4,223	4,998
18 Foreign	178	186	202	189	181	184	219	217	204	186
19 Service-related balances and adjustments	6,850	7,618	7,130	7,892	7,468	7,865	7,828	7,335	6,865	6,946
20 Other	322	443	270	207	212	237	246	267	288	279
21 Other Federal Reserve liabilities and capital	16,935	16,711	16,686	16,874	16,871	16,840	16,275	16,576	16,838	16,942
22 Reserve balances with Federal Reserve Banks[4]	9,470	9,281	8,519	4,803	11,452	8,616	7,767	9,732	7,710	8,753

Factor	End-of-month figures			Wednesday figures						
	Dec.	Jan.	Feb.	Jan. 13	Jan. 20	Jan. 27	Feb. 3	Feb. 10	Feb. 17	Feb. 24
SUPPLYING RESERVE FUNDS										
1 Reserve Bank credit outstanding	522,252	498,740	503,164	503,126	505,507	506,928	496,822	510,210	502,533	514,187
U.S. government securities[2]										
2 Bought outright—System account[3]	452,141	454,439	461,036	456,411	453,868	454,538	454,446	458,056	456,987	461,106
3 Held under repurchase agreements	19,674	4,485	3,558	3,700	6,140	9,891	2,075	6,651	4,101	9,870
Federal agency obligations										
4 Bought outright	338	336	336	338	338	336	336	336	336	336
5 Held under repurchase agreements	10,702	2,535	3,884	4,472	3,958	4,027	590	7,358	3,314	7,223
6 Acceptances	0	0	0	0	0	0	0	0	0	0
Loans to depository institutions										
7 Adjustment credit	1	55	4	145	75	7	1,062	63	59	433
8 Seasonal credit	16	5	12	7	3	5	8	8	8	12
9 Extended credit	0	0	0	0	0	0	0	0	0	0
10 Float	1,636	164	41	1,938	4,690	435	2,024	949	3,552	−68
11 Other Federal Reserve assets	37,744	36,721	34,294	36,115	36,435	37,689	36,281	36,789	34,176	35,275
12 Gold stock	11,046	11,048	11,047	11,046	11,046	11,046	11,046	11,049	11,049	11,048
13 Special drawing rights certificate account	9,200	9,200	9,200	9,200	9,200	9,200	9,200	9,200	9,200	9,200
14 Treasury currency outstanding	26,270	26,397r	26,453	26,301r	26,333r	26,365r	26,397	26,411	26,425	26,439
ABSORBING RESERVE FUNDS										
15 Currency in circulation	517,484	505,528r	511,653	510,286r	508,652r	506,877r	508,311	510,773	513,016	512,843
16 Treasury cash holdings	85	98	120	86	86	98	99	126	117	120
Deposits, other than reserve balances, with Federal Reserve Banks										
17 Treasury	6,086	7,623	4,538	5,006	7,466	7,038	5,395	4,925	4,893	4,753
18 Foreign	167	234	200	214	177	168	215	204	185	218
19 Service-related balances and adjustments	7,044	7,828r	7,034	7,892	7,468	7,865	7,829	7,335	6,865	6,946
20 Other	1,605	246	225	200	206	217	275	266	291	271
21 Other Federal Reserve liabilities and capital	16,354	16,269	16,460	16,613	16,626	16,610	15,850	16,736	16,695	16,858
22 Reserve balances with Federal Reserve Banks[4]	19,941	7,558r	9,635	9,376	11,405	14,666	5,491	16,505	7,145	18,865

1. Amounts of cash held as reserves are shown in table 1.12, line 2.
2. Includes securities loaned—fully guaranteed by U.S. government securities pledged with Federal Reserve Banks—and excludes securities sold and scheduled to be bought back under matched sale–purchase transactions.
3. Includes compensation that adjusts for the effects of inflation on the principal of inflation-indexed securities.
4. Excludes required clearing balances and adjustments to compensate for float.

1.12 RESERVES AND BORROWINGS Depository Institutions[1]

Millions of dollars

Reserve classification	Prorated monthly averages of biweekly averages									
	1996	1997	1998	1998					1999	
	Dec.	Dec.	Dec.	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.[r]	Feb.
1 Reserve balances with Reserve Banks[2]	13,395	10,673	9,022	9,682	9,284	9,026	8,855	9,022	9,659	8,590
2 Total vault cash[3]	44,525	44,740	44,305	42,123	42,524	43,268	43,104	44,305	45,499	46,469
3 Applied vault cash[4]	37,848	37,206	35,997	35,025	34,909	35,090	35,297	35,997	36,687	36,659
4 Surplus vault cash[5]	6,678	7,534	8,308	7,098	7,614	8,178	7,807	8,308	8,813	9,810
5 Total reserves[6]	51,242	47,880	45,019	44,707	44,193	44,115	44,152	45,019	46,346	45,248
6 Required reserves	49,819	46,196	43,435	43,194	42,509	42,544	42,527	43,435	44,811	44,024
7 Excess reserve balances at Reserve Banks[7]	1,423	1,683	1,584	1,513	1,684	1,572	1,624	1,584	1,535	1,224
8 Total borrowings at Reserve Banks[8]	155	324	117	271	251	174	84	117	206	116
9 Seasonal borrowings	68	79	15	242	178	107	37	15	7	9
10 Extended credit[9]	0	0	0	0	0	0	0	0	0	0

	Biweekly averages of daily figures for two week periods ending on dates indicated									
	1998					1999				
	Nov. 4	Nov. 18	Dec. 2	Dec. 16	Dec. 30	Jan. 13	Jan. 27[r]	Feb. 10[r]	Feb. 24	Mar. 10
1 Reserve balances with Reserve Banks[2]	9,509	8,520	9,028	8,949	9,057	9,551	10,019	8,750	8,233	9,438
2 Total vault cash[3]	42,565	43,080	43,313	43,230	45,470	45,023	44,838	49,364	45,598	42,285
3 Applied vault cash[4]	34,897	34,935	35,853	35,273	36,748	35,911	36,847	38,649	35,997	34,002
4 Surplus vault cash[5]	7,668	8,145	7,460	7,957	8,722	9,113	7,991	10,715	9,601	8,283
5 Total reserves[6]	44,405	43,455	44,880	44,222	45,805	45,462	46,866	47,399	44,230	43,440
6 Required reserves	42,599	41,913	43,221	42,917	43,999	43,240	45,878	46,181	43,040	42,076
7 Excess reserve balances at Reserve Banks[7]	1,806	1,542	1,659	1,304	1,806	2,221	988	1,217	1,189	1,363
8 Total borrowings at Reserve Banks[8]	103	82	79	26	195	370	68	158	112	22
9 Seasonal borrowings	79	40	20	13	18	9	5	8	9	14
10 Extended credit[9]	0	0	0	0	0	0	0	0	0	0

1. Data in this table also appear in the Board's H.3 (502) weekly statistical release. For ordering address, see inside front cover. Data are not break-adjusted or seasonally adjusted.
2. Excludes required clearing balances and adjustments to compensate for float and includes other off-balance-sheet "as-of" adjustments.
3. Vault cash eligible to satisfy reserve requirements. It includes only vault cash held by those banks and thrifts that are not exempt from reserve requirements. Dates refer to the maintenance periods in which the vault cash can be used to satisfy reserve requirements.
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. 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 with traditional short-term adjustment credit, the money market effect of extended credit is similar to that of nonborrowed reserves.

1.14 FEDERAL RESERVE BANK INTEREST RATES

Percent per year

Current and previous levels

Federal Reserve Bank	Adjustment credit[1]			Seasonal credit[2]			Extended credit[3]		
	On 4/16/99	Effective date	Previous rate	On 4/16/99	Effective date	Previous rate	On 4/16/99	Effective date	Previous rate
Boston	4.50	11/18/98	4.75	4.85	3/25/99	4.90	5.35	3/25/99	5.40
New York		11/17/98							
Philadelphia		11/17/98							
Cleveland		11/19/98							
Richmond		11/18/98							
Atlanta		11/18/98							
Chicago		11/19/98							
St. Louis		11/19/98							
Minneapolis		11/19/98							
Kansas City		11/18/98							
Dallas		11/17/98							
San Francisco	4.50	11/17/98	4.75	4.85	3/25/99	4.90	5.35	3/25/99	5.40

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

Effective date	Range (or level)—All F.R. Banks	F.R. Bank of N.Y.
In effect Dec. 31, 1977	6	6
1978—Jan. 9	6–6.5	6.5
20	6.5	6.5
May 11	6.5–7	7
12	7	7
July 3	7–7.25	7.25
10	7.25	7.25
Aug. 21	7.75	7.75
Sept. 22	8	8
Oct. 16	8–8.5	8.5
20	8.5	8.5
Nov. 1	8.5–9.5	9.5
3	9.5	9.5
1979—July 20	10	10
Aug. 17	10–10.5	10.5
20	10.5	10.5
Sept. 19	10.5–11	11
21	11	11
Oct. 8	11–12	12
10	12	12
1980—Feb. 15	12–13	13
19	13	13
May 29	12–13	13
30	12	12
June 13	11–12	11
16	11	11
July 28	10–11	10
29	10	10
Sept. 26	11	11
Nov. 17	12	12
Dec. 5	12–13	13
8	13	13
1981—May 5	13–14	14
8	14	14

Effective date	Range (or level)—All F.R. Banks	F.R. Bank of N.Y.
1981—Nov. 2	13–14	13
6	13	13
Dec. 4	12	12
1982—July 20	11.5–12	11.5
23	11.5	11.5
Aug. 2	11–11.5	11
3	11	11
16	10.5	10.5
27	10–10.5	10
30	10	10
Oct. 12	9.5–10	9.5
13	9.5	9.5
Nov. 22	9–9.5	9
26	9	9
Dec. 14	8.5–9	9
15	8.5–9	8.5
17	8.5	8.5
1984—Apr. 9	8.5–9	9
13	9	9
Nov. 21	8.5–9	8.5
26	8.5	8.5
Dec. 24	8	8
1985—May 20	7.5–8	7.5
24	7.5	7.5
1986—Mar. 7	7–7.5	7
10	7	7
Apr. 21	6.5–7	6.5
23	6.5	6.5
July 11	6	6
Aug. 21	5.5–6	5.5
22	5.5	5.5
1987—Sept. 4	5.5–6	6
11	6	6

Effective date	Range (or level)—All F.R. Banks	F.R. Bank of N.Y.
1988—Aug. 9	6–6.5	6.5
11	6.5	6.5
1989—Feb. 24	6.5–7	7
27	7	7
1990—Dec. 19	6.5	6.5
1991—Feb. 1	6–6.5	6
4	6	6
Apr. 30	5.5–6	5.5
May 2	5.5	5.5
Sept. 13	5–5.5	5
17	5	5
Nov. 6	4.5–5	4.5
7	4.5	4.5
Dec. 20	3.5–4.5	3.5
24	3.5	3.5
1992—July 2	3–3.5	3
7	3	3
1994—May 17	3–3.5	3.5
18	3.5	3.5
Aug. 16	3.5–4	4
18	4	4
Nov. 15	4–4.75	4.75
17	4.75	4.75
1995—Feb. 1	4.75–5.25	5.25
9	5.25	5.25
1996—Jan. 31	5.00–5.25	5.00
Feb. 5	5.00	5.00
1998—Oct. 15	4.75–5.00	4.75
Oct. 16	4.75	4.75
1998—Nov. 17	4.50–4.75	4.50
Nov. 19	4.50	4.50
In effect Apr. 16, 1999	4.50	4.50

1. 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.

2. Available to help relatively small depository institutions meet regular seasonal needs for funds that arise from a clear pattern of intrayearly movements in their deposits and loans and that cannot be met through special industry lenders. The discount rate on seasonal credit takes into account rates charged by market sources of funds and ordinarily is reestablished on the first business day of each two-week reserve maintenance period; however, it is never less than the discount rate applicable to adjustment credit.

3. May be made available to depository institutions when similar assistance is not reasonably available from other sources, including special industry lenders. Such credit may be provided when exceptional circumstances (including sustained deposit drains, impaired access to money market funds, or sudden deterioration in loan repayment performance) or practices involve only a particular institution, or to meet the needs of institutions experiencing difficulties adjusting to changing market conditions over a longer period (particularly at times of deposit disintermediation). The discount rate applicable to adjustment credit ordinarily is charged on extended-credit loans outstanding less than thirty days; however, at the discretion of the Federal Reserve Bank, this time period may be shortened. Beyond this initial period, a flexible rate somewhat above rates charged on market sources of funds is charged. The rate ordinarily is reestablished on the first business day of each two-week reserve maintenance period, but it is never less than the discount rate applicable to adjustment credit plus 50 basis points.

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. A surcharge of 2 percent was reimposed on Nov. 17, 1980; 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 INSTITUTIONS[1]

Type of deposit	Requirement	
	Percentage of deposits	Effective date
Net transaction accounts[2]		
1 $0 million–$46.5 million[3]	3	12/31/98
2 More than $46.5 million[4]	10	12/31/98
3 Nonpersonal time deposits[5]	0	12/27/90
4 Eurocurrency liabilities[6]	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 the Monetary Control Act of 1980, depository institutions include commercial banks, savings banks, savings and loan associations, credit unions, agencies and branches of foreign banks, and Edge Act corporations.

2. Transaction accounts include all deposits against which the account holder is permitted to make withdrawals by negotiable or transferable instruments, payment orders of withdrawal, or telephone or preauthorized transfers for the purpose of making payments to third persons or others. However, 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 by check, draft, debit card, or similar order payable directly to third parties) are savings deposits, not transaction accounts.

3. 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 of each year. Effective with the reserve maintenance period beginning December 31, 1998, for depository institutions that report weekly, and with the period beginning January 14, 1999, for institutions that report quarterly, the amount was decreased from $47.8 million to $46.5 million.

Under the Garn–St Germain Depository Institutions Act of 1982, the Board adjusts the amount of reservable liabilities subject to a 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 made in the event of a decrease. The exemption applies only to accounts that would be subject to a 3 percent reserve requirement. Effective with the reserve maintenance period beginning December 31, 1998, for depository institutions that report weekly, and with the period beginning January 14, 1999, for institutions that report quarterly, the exemption was raised from $4.7 million to $4.9 million.

4. The reserve requirement was reduced from 12 percent to 10 percent on Apr. 2, 1992, for institutions that report weekly, and on Apr. 16, 1992, for institutions that report quarterly.

5. 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. 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.

The reserve requirement on nonpersonal time deposits with an original maturity of 1½ years or more has been zero since Oct. 6, 1983.

6. The reserve requirement on Eurocurrency liabilities was reduced from 3 percent to zero in the same manner and on the same dates as the reserve requirement on nonpersonal time deposits with an original maturity of less than 1½ years (see note 5).

1.17 FEDERAL RESERVE OPEN MARKET TRANSACTIONS[1]

Millions of dollars

Type of transaction and maturity	1996	1997	1998	1998 July	Aug.	Sept.	Oct.	Nov.	Dec.	1999 Jan.
U.S. TREASURY SECURITIES[2]										
Outright transactions (excluding matched transactions)										
Treasury bills										
1 Gross purchases	9,901	9,147	3,550	0	0	0	0	0	0	0
2 Gross sales	0	0	0	0	0	0	0	0	0	0
3 Exchanges	426,928	436,257	450,835	40,312	34,607	33,140	40,712	34,957	41,393	35,069
4 For new bills	426,928	435,907	450,835	40,312	34,607	33,140	40,712	34,957	41,393	35,069
5 Redemptions	0	0	2,000	0	0	0	0	0	0	0
Others within one year										
6 Gross purchases	524	5,549	6,297	0	986	1,038	741	662	0	0
7 Gross sales	0	0	0	0	0	0	0	0	0	0
8 Maturity shifts	30,512	41,716	46,062	2,638	6,367	2,301	2,423	5,444	2,539	2,865
9 Exchanges	−41,394	−27,499	−49,434	−2,242	−8,964	−2,242	−400	−8,093	−2,555	−400
10 Redemptions	2,015	1,996	2,676	1,311	0	0	602	0	0	492
One to five years										
11 Gross purchases	3,898	19,680	12,901	0	535	3,989	725	2,397	0	0
12 Gross sales	0	0	0	0	0	0	0	0	0	0
13 Maturity shifts	−25,022	−37,987	−37,777	−2,638	−2,168	−2,301	−2,423	−4,574	−2,539	−2,865
14 Exchanges	31,459	20,274	37,154	1,842	5,828	2,242	0	6,013	2,555	0
Five to ten years										
15 Gross purchases	1,116	3,849	2,294	0	303	351	0	862	0	0
16 Gross sales	0	0	0	0	0	0	0	0	0	0
17 Maturity shifts	−5,469	−1,954	−5,908	0	−3,411	0	0	718	0	0
18 Exchanges	6,666	5,215	7,439	0	1,364	0	400	1,135	0	400
More than ten years										
19 Gross purchases	1,655	5,897	4,884	0	1,769	0	1,674	698	0	615
20 Gross sales	0	0	0	0	0	0	0	0	0	0
21 Maturity shifts	−20	−1,775	−2,377	0	−789	0	0	−1,589	0	0
22 Exchanges	3,270	2,360	4,842	400	1,772	0	0	945	0	0
All maturities										
23 Gross purchases	17,094	44,122	29,926	0	3,593	5,377	3,140	4,619	0	615
24 Gross sales	0	0	0	0	0	0	0	0	0	0
25 Redemptions	2,015	1,996	4,676	1,311	0	0	602	0	0	492
Matched transactions										
26 Gross purchases	3,092,399	3,577,954	4,395,430	373,285	346,245	380,594	402,581	358,438	418,538	365,779
27 Gross sales	3,094,769	3,580,274	4,399,330	371,142	348,318	382,063	400,995	359,256	420,397	363,604
Repurchase agreements										
28 Gross purchases	457,568	810,485	512,671	52,116	39,078	63,924	40,823	23,884	49,296	21,968
29 Gross sales	450,359	809,268	514,186	63,531	38,402	59,731	48,672	19,200	38,592	37,157
30 Net change in U.S. Treasury securities	19,919	41,022	19,835	−10,584	2,196	8,101	−3,725	8,484	8,845	−12,891
FEDERAL AGENCY OBLIGATIONS										
Outright transactions										
31 Gross purchases	0	0	0	0	0	0	0	0	0	0
32 Gross sales	0	0	25	0	25	0	0	0	0	0
33 Redemptions	409	1,540	322	0	50	48	15	20	30	2
Repurchase agreements										
34 Gross purchases	75,354	160,409	284,316	11,236	33,431	18,486	51,471	51,419	48,815	23,577
35 Gross sales	74,842	159,369	276,266	12,341	30,625	19,953	50,032	48,785	44,285	31,744
36 Net change in federal agency obligations	103	−500	7,703	−1,105	2,731	−1,515	1,424	2,614	4,500	−8,169
37 Total net change in System Open Market Account	**20,021**	**40,522**	**27,538**	**−11,689**	**4,927**	**6,586**	**−2,301**	**11,098**	**13,345**	**−21,060**

1. Sales, redemptions, and negative figures reduce holdings of the System Open Market Account; all other figures increase such holdings.

2. Transactions exclude changes in compensation for the effects of inflation on the principal of inflation-indexed securities.

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

Millions of dollars

Account	Wednesday					End of month		
	1999					1998	1999	
	Jan. 27	Feb. 3	Feb. 10	Feb. 17	Feb. 24	Dec. 31	Jan. 31	Feb. 28
	Consolidated condition statement							
ASSETS								
1 Gold certificate account	11,046	11,046	11,049	11,049	11,048	11,046	11,048	11,047
2 Special drawing rights certificate account	9,200	9,200	9,200	9,200	9,200	9,200	9,200	9,200
3 Coin	439	459	476	476	454	358	459	464
Loans								
4 To depository institutions	12	1,070	71	67	445	17	60	16
5 Other	0	0	0	0	0	0	0	0
6 Acceptances held under repurchase agreements	0	0	0	0	0	0	0	0
Federal agency obligations								
7 Bought outright	336	336	336	336	336	338	336	336
8 Held under repurchase agreements	4,027	590	7,358	3,314	7,223	10,702	2,535	3,884
9 **Total U.S. Treasury securities**	**464,429**	**456,521**	**464,707**	**461,088**	**470,976**	**471,815**	**458,924**	**464,594**
10 Bought outright[2]	454,538	454,446	458,056	456,987	461,106	452,141	454,439	461,036
11 Bills	197,662	196,023	198,863	197,794	199,760	194,772	196,948	198,357
12 Notes	187,403	188,335	189,105	187,764	189,793	187,895	187,403	191,126
13 Bonds	69,474	70,089	70,089	71,429	71,553	69,474	70,089	71,553
14 Held under repurchase agreements	9,891	2,075	6,651	4,101	9,870	19,674	4,485	3,558
15 **Total loans and securities**	**468,804**	**458,517**	**472,471**	**464,804**	**478,980**	**482,872**	**461,855**	**468,830**
16 Items in process of collection	7,289	10,577	7,815	14,831	6,803	6,933	5,325	5,176
17 Bank premises	1,301	1,300	1,302	1,301	1,303	1,300	1,299	1,302
Other assets								
18 Denominated in foreign currencies[3]	19,802	19,242	19,249	19,257	19,265	19,767	19,235	18,702
19 All other[4]	16,548	15,716	16,258	13,596	14,665	16,625	16,165	14,313
20 **Total assets**	**534,429**	**526,056**	**537,820**	**534,516**	**541,717**	**548,101**	**524,586**	**529,034**
LIABILITIES								
21 Federal Reserve notes	481,049	482,472	484,964	487,184	486,978	491,657	479,689	485,784
22 **Total deposits**	**29,985**	**19,951**	**29,291**	**20,073**	**30,905**	**34,165**	**23,682**	**21,798**
23 Depository institutions	22,563	13,968	23,896	14,704	25,662	26,306	15,577	16,835
24 U.S. Treasury—General account	7,038	5,395	4,925	4,893	4,753	6,086	7,623	4,538
25 Foreign—Official accounts	168	215	204	185	218	167	234	200
26 Other	217	275	266	291	271	1,605	246	225
27 Deferred credit items	6,785	7,784	6,830	10,563	6,976	5,924	4,948	4,992
28 Other liabilities and accrued dividends[5]	4,192	3,925	4,355	4,212	4,285	4,450	4,183	4,205
29 **Total liabilities**	**522,011**	**514,131**	**525,440**	**522,032**	**529,144**	**536,197**	**512,501**	**516,779**
CAPITAL ACCOUNTS								
30 Capital paid in	5,955	5,938	6,001	6,019	6,069	5,952	5,955	6,063
31 Surplus	5,952	5,900	5,943	5,952	5,952	5,952	5,943	5,872
32 Other capital accounts	511	86	437	512	552	0	188	320
33 **Total liabilities and capital accounts**	**534,429**	**526,056**	**537,820**	**534,516**	**541,717**	**548,101**	**524,586**	**529,034**
MEMO								
34 Marketable U.S. Treasury securities held in custody for foreign and international accounts	600,443	598,504	600,109	n.a.	n.a.	594,076	600,443	n.a.
	Federal Reserve note statement							
35 Federal Reserve notes outstanding (issued to Banks)	623,737	627,561	630,849	634,337	639,119	611,688	625,230	641,086
36 LESS: Held by Federal Reserve Banks	142,688	145,090	145,885	147,153	152,141	120,030	145,541	155,302
37 Federal Reserve notes, net	481,049	482,472	484,964	487,184	486,978	491,657	479,689	485,784
Collateral held against notes, net								
38 Gold certificate account	11,046	11,046	11,049	11,049	11,048	11,046	11,048	11,047
39 Special drawing rights certificate account	9,200	9,200	9,200	9,200	9,200	9,200	9,200	9,200
40 Other eligible assets	0	0	0	0	0	0	0	0
41 U.S. Treasury and agency securities	460,803	462,226	464,714	466,935	466,730	471,412	459,441	465,537
42 **Total collateral**	**481,049**	**482,472**	**484,964**	**487,184**	**486,978**	**491,657**	**479,689**	**485,784**

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.
2. Includes securities loaned—fully guaranteed by U.S. Treasury securities pledged with Federal Reserve Banks—and includes compensation that adjusts for the effects of inflation on the principal of inflation-indexed securities. 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.

1.19 FEDERAL RESERVE BANKS Maturity Distribution of Loan and Security Holding

Millions of dollars

Type of holding and maturity	Wednesday					End of month		
	1999					1998	1999	
	Jan. 27	Feb. 3	Feb. 10	Feb. 17	Feb. 24	Dec. 31	Jan. 29	Feb. 26
1 **Total loans**	**12**	**1,070**	**100**	**67**	**445**	**18**	**143**	**445**
2 Within fifteen days[1]	12	1,063	93	67	445	18	143	445
3. Sixteen days to ninety days	0	7	7	0	0	n.a.	0	0
4 **Total U.S. Treasury securities**[2]	**464,429**	**456,521**	**464,707**	**461,088**	**470,976**	**467,308**	**458,924**	**470,976**
5 Within fifteen days[1]	23,513	21,242	19,188	19,247	24,996	16,325	10,051	24,996
6 Sixteen days to ninety days	97,932	95,728	99,945	96,192	98,522	99,127	110,149	98,522
7 Ninety-one days to one year	135,053	129,575	135,598	133,643	133,298	143,635	130,178	133,298
8 One year to five years	107,040	108,471	108,471	108,471	110,291	107,730	107,040	110,291
9 Five years to ten years	45,222	45,222	45,222	45,911	46,246	44,822	45,222	46,246
10 More than ten years	55,669	56,284	56,283	57,623	57,623	55,668	56,284	57,623
11 **Total federal agency obligations**	**4,362**	**926**	**7,694**	**3,650**	**7,559**	**7,687**	**2,871**	**7,559**
12 Within fifteen days[1]	4,027	590	7,358	3,314	7,248	7,349	2,535	7,248
13 Sixteen days to ninety days	25	25	25	25	0	27	25	0
14 Ninety-one days to one year	81	81	106	106	106	75	81	106
15 One year to five years	55	55	30	30	30	61	55	30
16 Five years to ten years	175	175	175	175	175	175	175	175
17 More than ten years	0	0	0	0	0	0	0	0

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

2. Includes compensation that adjusts for the effects of inflation on the principal of inflation-indexed securities.

1.20 AGGREGATE RESERVES OF DEPOSITORY INSTITUTIONS AND MONETARY BASE[1]

Billions of dollars, averages of daily figures

Item	1995 Dec.	1996 Dec.	1997 Dec.	1998 Dec.	1998 July	1998 Aug.	1998 Sept.	1998 Oct.	1998 Nov.	1998 Dec.	1999 Jan.[r]	1999 Feb.
ADJUSTED FOR CHANGES IN RESERVE REQUIREMENTS[2]	Seasonally adjusted											
1 Total reserves[3]	56.40	50.08	46.67	44.91	44.81	45.00	44.59	44.39	44.57	44.91	44.89	44.36
2 Nonborrowed reserves[4]	56.14	49.93	46.35	44.79	44.56	44.73	44.33	44.21	44.49	44.79	44.68	44.24
3 Nonborrowed reserves plus extended credit[5]	56.14	49.93	46.35	44.79	44.56	44.73	44.33	44.21	44.49	44.79	44.68	44.24
4 Required reserves	55.12	48.66	44.99	43.32	43.45	43.48	42.90	42.81	42.95	43.32	43.35	43.14
5 Monetary base[6]	434.03	451.60	479.39	513.04[r]	494.62	498.17	502.24	505.77	509.50[r]	513.04[r]	516.64	520.74
	Not seasonally adjusted											
6 Total reserves[7]	58.02	51.52	47.97	45.17	44.69	44.81	44.31	44.24	44.29	45.17	46.34	45.26
7 Nonborrowed reserves	57.76	51.37	47.65	45.06	44.43	44.54	44.06	44.07	44.21	45.06	46.13	45.14
8 Nonborrowed reserves plus extended credit[5]	57.76	51.37	47.65	45.06	44.43	44.54	44.06	44.07	44.21	45.06	46.13	45.14
9 Required reserves[8]	56.74	50.10	46.29	43.59	43.32	43.30	42.63	42.67	42.67	43.59	44.81	44.03
10 Monetary base[9]	439.02	456.71	485.05	518.33[r]	495.28	497.49	500.99	504.51	510.19[r]	518.33[r]	520.01	519.70
NOT ADJUSTED FOR CHANGES IN RESERVE REQUIREMENTS[10]												
11 Total reserves[11]	57.90	51.24	47.88	45.02	44.60	44.71	44.19	44.12	44.15	45.02	46.35	45.25
12 Nonborrowed reserves	57.64	51.09	47.56	44.90	44.34	44.44	43.94	43.94	44.07	44.90	46.14	45.13
13 Nonborrowed reserves plus extended credit[5]	57.64	51.09	47.56	44.90	44.34	44.44	43.94	43.94	44.07	44.90	46.14	45.13
14 Required reserves	56.62	49.82	46.20	43.44	43.24	43.19	42.51	42.54	42.53	43.44	44.81	44.02
15 Monetary base[12]	444.44	463.48	491.86	525.06[r]	502.13	504.39	507.80	511.36	516.96[r]	525.06[r]	527.59	526.85
16 Excess reserves[13]	1.28	1.42	1.68	1.58	1.37	1.51	1.68	1.57	1.62	1.58	1.54	1.22
17 Borrowings from the Federal Reserve	.26	.16	.32	.12	.26	.27	.25	.17	.08	.12	.21	.12

1. Latest monthly and biweekly figures are available from the Board's H.3 (502) weekly statistical release. Historical data starting in 1959 and estimates of the effect on required reserves of changes in reserve requirements are available from the Money and Reserves Projections Section, Division of Monetary Affairs, Board of Governors of the Federal Reserve System, Washington, DC 20551.

2. Figures reflect adjustments for discontinuities, or "breaks," associated with regulatory changes in reserve requirements. (See also table 1.10.)

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 with traditional short-term adjustment credit, the money market effect 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 those 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 regulatory 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 February 1984, 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).

1.21 MONEY STOCK, LIQUID ASSETS, AND DEBT MEASURES[1]

Billions of dollars, averages of daily figures

Item	1995 Dec.	1996 Dec.	1997 Dec.	1998 Dec.[r]	1998 Nov.	1998 Dec.[r]	1999 Jan.[r]	1999 Feb.
	Seasonally adjusted							
Measures[2]								
1 M1	1,126.7	1,081.3	1,074.9	1,093.3	1,089.0[r]	1,093.3	1,090.7	1,092.1
2 M2	3,649.1	3,823.9	4,046.6	4,402.0	4,365.3[r]	4,402.0	4,425.7	4,446.6
3 M3	4,618.5	4,955.6	5,404.7	5,999.6	5,940.2[r]	5,999.6	6,018.3	6,068.9
4 Debt	13,703.2[r]	14,425.2[r]	15,140.2[r]	16,084.5	15,998.0[r]	16,084.5	16,160.7	n.a.
M1 components								
5 Currency[3]	372.3	394.1	424.5	459.2	456.4	459.2	462.7	467.6
6 Travelers checks[4]	8.3	8.0	7.7	7.8	7.9	7.8	7.8	7.7
7 Demand deposits[5]	389.4	403.0	396.5	377.5	377.0[r]	377.5	371.1	371.8
8 Other checkable deposits[6]	356.7	276.2	246.2	248.7	247.6	248.7	249.2	244.9
Nontransaction components								
9 In M2[7]	2,522.4	2,742.6	2,971.8	3,308.6	3,276.3	3,308.6	3,335.0	3,354.6
10 In M3 only[8]	969.4	1,131.7	1,358.0	1,597.7	1,575.0[r]	1,597.7	1,592.6	1,622.2
Commercial banks								
11 Savings deposits, including MMDAs	775.3	905.2	1,022.9	1,189.8	1,171.1	1,189.8	1,202.0	1,207.1
12 Small time deposits[9]	575.0	593.7	626.1	626.1	628.3	626.1	622.0	618.0
13 Large time deposits[10, 11]	346.6	414.8	490.2	541.1	537.5[r]	541.1	545.9	540.7
Thrift institutions								
14 Savings deposits, including MMDAs	359.8	367.1	377.3	415.2	411.5	415.2	420.4	425.4
15 Small time deposits[9]	356.7	353.8	343.2	326.0	327.5	326.0	324.6	322.9
16 Large time deposits[10]	74.5	78.4	85.9	89.1	87.9	89.1	91.0	89.8
Money market mutual funds								
17 Retail	455.5	522.8	602.3	751.6	737.9	751.6	766.1	781.2
18 Institution-only	255.9	313.3	379.9	516.2	503.8	516.2	515.0	529.9
Repurchase agreements and Eurodollars								
19 Repurchase agreements[12]	198.7	211.3	252.8	297.7	289.5	297.7	291.5	308.2
20 Eurodollars[12]	93.7	113.9	149.2	153.6	156.2	153.6	149.1	153.7
Debt components								
21 Federal debt	3,638.9	3,780.6	3,798.4	3,747.4	3,748.8	3,747.4	3,740.9	n.a.
22 Nonfederal debt	10,064.2[r]	10,644.7[r]	11,341.8[r]	12,337.1	12,249.3[r]	12,337.1	12,419.8	n.a.
	Not seasonally adjusted							
Measures[2]								
23 M1	1,152.4	1,104.9	1,097.4	1,115.3	1,094.3[r]	1,115.3	1,098.0	1,082.8
24 M2	3,671.7	3,843.7	4,064.8	4,418.8	4,365.7[r]	4,418.8	4,429.1	4,440.9
25 M3	4,638.0	4,972.5	5,420.8	6,015.8	5,945.1[r]	6,015.8	6,026.5	6,077.6
26 Debt	13,704.6[r]	14,425.5[r]	15,139.8[r]	16,085.0	15,980.4[r]	16,085.0	16,144.1	n.a.
M1 components								
27 Currency[3]	376.2	397.9	428.9	464.2	457.5	464.2	462.5	466.5
28 Travelers checks[4]	8.5	8.3	7.9	8.0	8.1	8.0	7.9	7.9
29 Demand deposits[5]	407.2	419.9	412.3	392.4	381.8[r]	392.4	375.7	364.8
30 Other checkable deposits[6]	360.5	278.8	248.3	250.7	247.0	250.7	251.9	243.6
Nontransaction components								
31 In M2[7]	2,519.3	2,738.9	2,967.4	3,303.5	3,271.4	3,303.5	3,331.1	3,358.1
32 In M3 only[8]	966.4	1,128.8	1,356.0	1,597.0	1,579.4[r]	1,597.0	1,597.4	1,636.6
Commercial banks								
33 Savings deposits, including MMDAs	774.1	903.3	1,020.4	1,186.7	1,167.9	1,186.7	1,197.0	1,203.2
34 Small time deposits[9]	573.8	592.7	625.3	625.4	628.4	625.4	622.7	619.4
35 Large time deposits[10, 11]	345.8	413.3	487.7	537.5	539.7[r]	537.5	532.2	536.1
Thrift institutions								
36 Savings deposits, including MMDAs	359.2	366.3	376.4	414.1	410.4	414.1	418.6	424.0
37 Small time deposits[9]	355.9	353.2	342.8	325.6	327.6	325.6	324.9	323.6
38 Large time deposits[10]	74.3	78.1	85.4	88.5	88.3	88.5	88.8	89.1
Money market mutual funds								
39 Retail	456.1	523.2	602.5	751.6	737.2	751.6	767.8	787.9
40 Institution-only	257.7	316.0	384.5	523.3	504.9	523.3	529.3	547.3
Repurchase agreements and Eurodollars								
41 Repurchase agreements[12]	193.8	205.7	246.1	290.3	290.0	290.3	292.9	307.7
42 Eurodollars[12]	94.9	115.7	152.3	157.4	156.6	157.4	154.3	156.5
Debt components								
43 Federal debt	3,645.9	3,787.9	3,805.8	3,754.9	3,746.6	3,754.9	3,736.6	n.a.
44 Nonfederal debt	10,058.7[r]	10,637.6[r]	11,334.0[r]	12,330.0	12,233.8[r]	12,330.0	12,407.5	n.a.

Footnotes appear on 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 starting in 1959 are available from the Money and Reserves Projections Section, Division of Monetary Affairs, Board of Governors of the Federal Reserve System, Washington, DC 20551.

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

M1: (1) currency outside the U.S. 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 owed 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) savings deposits (including MMDAs), (2) small-denomination time deposits (time deposits—including retail RPs—in amounts of less than $100,000), and (3) balances in retail money market mutual funds. Excludes individual retirement accounts (IRAs) and Keogh balances at depository institutions and money market funds. Seasonally adjusted M2 is calculated by summing savings deposits, small-denomination time deposits, and retail money fund balances, each seasonally adjusted separately, and adding this result to seasonally adjusted M1.

M3: M2 plus (1) large-denomination time deposits (in amounts of $100,000 or more) issued by all depository institutions, (2) balances in institutional money funds, (3) RP liabilities (overnight and term) issued by all depository institutions, and (4) Eurodollars (overnight and term) held by U.S. residents at foreign branches of U.S. banks worldwide and at all banking offices in the United Kingdom and Canada. Excludes amounts held by depository institutions, the U.S. government, money market funds, and foreign banks and official institutions. Seasonally adjusted M3 is calculated by summing large time deposits, institutional money fund balances, RP liabilities, and Eurodollars, each seasonally adjusted separately, and adding this result to seasonally adjusted M2.

Debt: The debt aggregate is the outstanding credit market debt of the domestic nonfinancial sectors—the federal sector (U.S. government, not including government-sponsored enterprises or federally related mortgage pools) and the nonfederal sectors (state and local governments, households and nonprofit organizations, nonfinancial corporate and nonfarm noncorporate businesses, and farms). Nonfederal debt consists of mortgages, tax-exempt and corporate bonds, consumer credit, bank loans, commercial paper, and other loans. The data, which are derived from the Federal Reserve Board's flow of funds accounts, are break-adjusted (that is, discontinuities in the data have been smoothed into the series) and month-averaged (that is, the data have been derived by averaging adjacent month-end levels).

3. Currency outside the U.S. Treasury, Federal Reserve Banks, and vaults of depository institutions.

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

5. Demand deposits at commercial banks and foreign-related institutions other than those owed 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) savings deposits (including MMDAs), (2) small time deposits, and (3) retail money fund balances.

8. Sum of (1) large time deposits, (2) institutional money fund balances, (3) RP liabilities (overnight and term) issued by depository institutions, and (4) Eurodollars (overnight and term) of U.S. addressees.

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, the U.S. government, and foreign banks and official institutions.

12. Includes both overnight and term.

1.26 COMMERCIAL BANKS IN THE UNITED STATES Assets and Liabilities[1]

A. All commercial banks

Billions of dollars

Account	Monthly averages								Wednesday figures			
	1998	1998					1999		1999			
	Feb.	Aug.	Sept.	Oct.r	Nov.r	Dec.r	Jan.r	Feb.	Feb. 3	Feb. 10	Feb. 17	Feb. 24r
	Seasonally adjusted											
Assets												
1 Bank credit	4,185.0r	4,341.5r	4,398.7r	4,488.1	4,528.9	4,544.7	4,523.6	4,508.0	4,519.1	4,518.7	4,501.3	4,505.5
2 Securities in bank credit	1,112.9	1,156.5	1,177.1	1,217.9	1,227.6	1,231.9	1,217.7	1,207.3	1,207.9	1,208.6	1,202.2	1,212.2
3 U.S. government securities	769.6r	771.1r	767.3r	774.5	790.9	793.2	794.8	793.6	790.6	790.8	792.1	796.7
4 Other securities	343.2	385.4r	409.7	443.4	436.7	438.7	422.9	413.7	417.3	417.7	410.1	415.6
5 Loans and leases in bank credit[2]	3,072.1r	3,185.0r	3,221.6r	3,270.2	3,301.3	3,312.9	3,305.9	3,300.7	3,311.2	3,310.1	3,299.1	3,293.3
6 Commercial and industrial	873.3r	907.4r	919.7r	939.1	947.5	945.2	942.3	942.1	942.3	941.7	940.7	942.5
7 Real estate	1,249.2	1,281.5	1,283.7	1,287.9	1,309.4	1,323.2	1,328.0	1,331.4	1,330.5	1,336.6	1,332.0	1,326.9
8 Revolving home equity	98.1	97.6	97.9	96.7	97.0	96.9	96.5	96.4	96.4	96.3	96.4	96.4
9 Other	1,151.0	1,183.9r	1,185.8	1,191.2	1,212.3	1,226.3	1,231.6	1,235.0	1,234.1	1,240.3	1,235.6	1,230.4
10 Consumer	501.6	494.5	497.4	496.8	498.9	501.8	504.0	504.3	504.9	503.8	503.4	505.3
11 Security[3]	119.3	137.7	142.9	158.9	152.5	151.2	147.3	137.7	147.1	140.5	139.5	135.4
12 Other loans and leases	328.8r	363.9r	378.0r	387.5	393.0	391.5	384.3	385.2	386.5	387.4	383.4	383.2
13 Interbank loans	201.1	206.2r	220.0r	220.7	220.2	215.3	217.6	221.9	222.3	214.7	220.1	232.5
14 Cash assets[4]	264.6	251.6	253.3	243.2	249.6	250.2	263.5	259.7	256.2	268.7	263.9	249.2
15 Other assets[5]	301.1	318.1	323.3	322.5	326.8	329.0	333.7	340.5	334.2	344.5	339.4	340.3
16 **Total assets**[6]	**4,895.0**	**5,060.2**	**5,137.8**	**5,216.6**	**5,267.5**	**5,281.1**	**5,280.3**	**5,271.6**	**5,273.2**	**5,288.2**	**5,266.2**	**5,269.0**
Liabilities												
17 Deposits	3,159.2	3,221.7	3,244.2	3,268.0	3,311.0	3,319.2	3,339.1	3,342.3	3,347.4	3,332.5	3,357.2	3,320.3
18 Transaction	689.2	665.3	675.1	666.0	666.4	666.2	663.0	656.7	647.6	647.3	674.1	653.3
19 Nontransaction	2,470.0	2,556.4	2,569.2	2,602.0	2,644.6	2,653.0	2,676.0	2,685.6	2,699.8	2,685.2	2,683.1	2,667.1
20 Large time	660.8	680.3	685.8	697.3	708.9	701.9	712.8	715.8	716.3	714.6	714.9	716.6
21 Other	1,809.2	1,876.0	1,883.3	1,904.7	1,935.6	1,951.1	1,963.3	1,969.8	1,983.5	1,970.6	1,968.1	1,950.4
22 Borrowings	827.5	860.1r	888.8	938.9	977.8	987.0	968.3	960.0	954.8	967.5	950.3	966.4
23 From banks in the U.S.	291.9r	297.4r	307.4r	317.0	326.4	323.6	319.4	314.7	316.0	320.0	310.4	317.0
24 From others	535.6r	562.7r	581.4r	621.9	651.4	663.4	648.9	645.2	638.8	647.5	639.9	649.4
25 Net due to related foreign offices	226.9	203.8	202.7	226.1	218.5	217.2	213.7	226.5	227.5	232.3	229.6	232.6
26 Other liabilities	304.0	334.9	344.2	358.8	341.3	338.4	342.9	324.9	333.8	334.9	313.3	326.6
27 **Total liabilities**	**4,517.6**	**4,620.5r**	**4,680.0**	**4,791.9**	**4,848.6**	**4,861.8**	**4,864.0**	**4,853.7**	**4,863.5**	**4,867.2**	**4,850.4**	**4,845.9**
28 Residual (assets less liabilities)[7]	377.4r	439.7r	457.8	424.7	418.9	419.3	416.3	417.9	409.7	421.0	415.8	423.1
	Not seasonally adjusted											
Assets												
29 Bank credit	4,182.7r	4,327.9r	4,385.5r	4,491.6	4,537.2	4,555.4	4,532.9	4,507.1	4,532.0	4,520.2	4,501.7	4,492.7
30 Securities in bank credit	1,116.6	1,147.9	1,164.9	1,214.2	1,227.2	1,227.0	1,220.1	1,212.5	1,219.6	1,216.5	1,206.5	1,212.6
31 U.S. government securities	768.5	766.2r	762.2r	771.9	792.1	791.8	792.3	793.0	791.0	791.5	791.0	794.1
32 Other securities	348.1r	381.7r	402.7r	442.3	435.1	435.2	427.8	419.5	428.6	424.9	415.5	418.5
33 Loans and leases in bank credit[2]	3,066.1r	3,180.0r	3,220.7r	3,277.4	3,310.0	3,328.4	3,312.7	3,294.6	3,312.4	3,303.7	3,295.2	3,280.1
34 Commercial and industrial	873.1r	901.4r	914.2r	937.0	946.1	943.1	939.4	941.7	940.9	939.8	941.0	941.2
35 Real estate	1,243.9	1,285.1r	1,288.7r	1,294.6	1,316.0	1,326.8	1,328.0	1,325.4	1,327.0	1,333.3	1,325.9	1,317.7
36 Revolving home equity	97.7	97.8	98.6	97.5	97.7	97.2	96.7	95.9	96.2	96.0	96.0	95.8
37 Other	1,146.2	1,187.3	1,190.1	1,197.1	1,218.3	1,229.6	1,231.2	1,229.4	1,230.7	1,237.3	1,229.8	1,221.9
38 Consumer	501.1	496.2	500.2	498.7	501.4	508.1	510.8	503.8	508.0	504.8	503.5	503.7
39 Security[3]	120.9	133.2	139.5	159.4	153.8	154.1	147.6	139.6	149.3	141.0	141.4	136.6
40 Other loans and leases	327.1r	364.2r	378.1r	387.7	392.7	396.3	386.9	384.1	387.2	384.7	383.4	380.8
41 Interbank loans	204.1	199.2r	214.4r	216.7	226.7	225.2	224.6	225.0	230.5	219.7	225.2	227.9
42 Cash assets[4]	264.7	239.3	251.2	247.0	258.9	268.5	274.2	259.1	254.8	251.6	276.4	254.5
43 Other assets[5]	302.2	320.0	324.5	321.7	327.8	329.1	331.6	341.1	335.5	344.4	339.8	340.3
44 **Total assets**[6]	**4,897.0**	**5,028.9**	**5,117.8**	**5,219.1**	**5,292.5**	**5,320.0**	**5,305.5**	**5,273.9**	**5,294.2**	**5,277.5**	**5,284.9**	**5,257.1**
Liabilities												
45 Deposits	3,146.4	3,211.5	3,248.4	3,271.7	3,329.6	3,351.3	3,344.1	3,328.8	3,338.0	3,311.4	3,351.9	3,297.4
46 Transaction	682.5	651.9	670.4	662.0	677.1	700.0	674.5	650.1	647.5	630.1	677.3	641.9
47 Nontransaction	2,464.0	2,559.6	2,578.0	2,609.7	2,652.4	2,651.3	2,669.5	2,678.7	2,690.5	2,681.2	2,674.6	2,655.6
48 Large time	659.7	679.4	687.6	701.2	715.1	707.1	710.8	714.6	713.8	714.0	712.3	715.9
49 Other	1,804.2	1,880.2	1,890.5	1,908.5	1,937.3	1,944.2	1,958.7	1,964.1	1,976.7	1,967.2	1,962.3	1,939.6
50 Borrowings	828.0	852.8r	892.0	934.9	973.6	982.1	974.7	959.3	965.9	964.0	955.0	961.8
51 From banks in the U.S.	292.8r	293.4r	306.3r	313.0	326.7	327.7	323.0	315.5	320.3	319.7	313.3	316.3
52 From others	535.2r	559.4r	585.7r	622.0	647.0	654.4	651.7	643.8	645.6	644.3	641.7	645.4
53 Net due to related foreign offices	225.4	203.6	202.3	223.7	216.6	218.3	215.4	226.0	224.6	230.8	229.1	235.8
54 Other liabilities	305.1	334.9	343.9	358.5	342.7	339.3	343.0	325.8	334.5	336.0	314.0	327.4
55 **Total liabilities**	**4,505.0**	**4,602.8r**	**4,686.6**	**4,788.9**	**4,862.4**	**4,891.0**	**4,877.1**	**4,839.9**	**4,862.9**	**4,842.1**	**4,849.9**	**4,822.5**
56 Residual (assets less liabilities)[7]	391.9r	426.1r	431.2	430.2	430.1	428.9	428.4	434.1	431.2	435.4	434.9	434.7
MEMO												
57 Revaluation gains on off-balance-sheet items[8]	88.4	96.1	110.4	130.7	111.2	113.3	111.9	108.1	113.7	110.1	107.0	108.9
58 Revaluation losses on off-balance-sheet items[8]	90.0	96.4	110.6	128.0	110.0	111.3	107.9	106.4	109.8	109.2	104.6	107.5

Footnotes appear on p. A21.

1.26 COMMERCIAL BANKS IN THE UNITED STATES Assets and Liabilities[1]—Continued

B. Domestically chartered commercial banks

Billions of dollars

Account	Monthly averages								Wednesday figures			
	1998	1998					1999		1999			
	Feb.	Aug.	Sept.	Oct.[r]	Nov.[r]	Dec.[r]	Jan.[r]	Feb.	Feb. 3	Feb. 10	Feb. 17	Feb. 24
	Seasonally adjusted											
Assets												
1 Bank credit	3,613.0	3,753.1[r]	3,794.1[r]	3,863.4	3,907.7	3,943.8	3,934.5	3,936.2	3,931.4	3,938.3	3,935.4	3,934.2
2 Securities in bank credit	915.3	944.0[r]	961.6	995.8	1,002.7	1,015.1	998.9	997.2	990.4	994.8	996.7	1,001.2
3 U.S. government securities	684.1	677.0[r]	685.1[r]	694.3	710.4	712.2	710.7	711.2	706.2	707.9	711.4	713.3
4 Other securities	231.2	267.0[r]	276.6[r]	301.6	292.3	302.9	288.2	286.0	284.2	286.9	285.3	287.9
5 Loans and leases in bank credit[2]	2,697.7	2,809.0[r]	2,832.5[r]	2,867.5	2,905.0	2,928.7	2,935.6	2,939.0	2,941.0	2,943.5	2,938.7	2,933.0
6 Commercial and industrial	651.9	692.2	700.5	715.0	723.0	726.9	729.8	731.0	728.6	729.6	730.4	732.3
7 Real estate	1,222.1	1,257.6	1,260.2[r]	1,264.6	1,287.3	1,302.5	1,307.2	1,310.7	1,309.3	1,315.8	1,311.3	1,306.1
8 Revolving home equity	98.1	97.6	97.9	96.7	97.0	96.9	96.5	96.4	96.4	96.3	96.4	96.4
9 Other	1,124.0	1,160.0	1,162.3	1,167.9	1,190.3	1,205.6	1,210.7	1,214.3	1,212.9	1,219.5	1,214.9	1,209.7
10 Consumer	501.6	494.5	497.4	496.8	498.9	501.8	504.0	504.3	504.9	503.8	503.4	505.3
11 Security[3]	63.0	73.5	75.2	89.3	87.6	85.4	84.0	78.7	83.8	78.3	79.7	77.6
12 Other loans and leases	259.1	291.1[r]	299.2[r]	301.8	308.2	312.1	310.7	314.3	314.5	316.0	313.9	311.7
13 Interbank loans	175.2	186.3[r]	191.6[r]	195.2	193.7	188.2	189.4	191.3	193.0	184.8	188.9	200.2
14 Cash assets[4]	231.4	217.8	219.3	207.8	216.1	216.3	228.6	225.5	223.5	234.7	230.4	213.0
15 Other assets[5]	259.8	282.4	285.4[r]	283.3	290.2	289.9	295.5	303.1	297.1	306.8	301.8	303.6
16 **Total assets[6]**	**4,222.7[r]**	**4,382.6**	**4,433.3**	**4,492.1**	**4,550.0**	**4,580.3**	**4,590.0**	**4,597.9**	**4,586.7**	**4,606.5**	**4,598.2**	**4,592.7**
Liabilities												
17 Deposits	2,871.4	2,915.8	2,929.7	2,949.1	2,995.7	3,011.9	3,023.5	3,022.9	3,031.1	3,015.8	3,037.5	2,997.8
18 Transaction	677.7	653.1	659.8	650.8	654.1	655.5	650.7	643.3	634.6	635.0	659.6	639.5
19 Nontransaction	2,193.7	2,262.7	2,270.0	2,298.3	2,341.5	2,356.4	2,372.7	2,379.6	2,396.6	2,380.8	2,377.9	2,358.3
20 Large time	387.4	385.1	384.2	397.2	410.1	408.9	412.1	412.1	415.0	412.0	411.8	410.4
21 Other	1,806.3	1,877.7	1,885.7	1,901.1	1,931.4	1,947.6	1,960.6	1,967.6	1,981.6	1,968.8	1,966.1	1,947.9
22 Borrowings	683.1	694.7	709.9	753.6	792.2	807.7	798.4	797.0	784.7	802.1	788.4	806.8
23 From banks in the U.S.	268.7	276.1	278.2	286.3	294.3	296.4	297.0	295.9	291.3	301.6	292.4	300.1
24 From others	414.3	418.6	431.7	467.3	498.0	511.3	501.5	501.2	493.3	500.5	495.9	506.7
25 Net due to related foreign offices	87.9	93.6	105.6	116.9	116.3	114.9	114.5	124.9	122.6	126.6	125.6	134.8
26 Other liabilities	206.8	235.5	240.2	251.5	238.2	237.6	245.7	236.4	238.3	242.0	229.8	237.6
27 **Total liabilities**	**3,849.1**	**3,939.7**	**3,985.4**	**4,071.2**	**4,142.4**	**4,172.2**	**4,182.1**	**4,181.3**	**4,176.7**	**4,186.4**	**4,181.3**	**4,176.9**
28 Residual (assets less liabilities)[7]	373.6	443.0	447.9	420.9	407.7	408.2	408.0	416.6	410.0	420.1	416.9	415.8
	Not seasonally adjusted											
Assets												
29 Bank credit	3,611.0	3,737.1[r]	3,786.2[r]	3,867.6	3,923.7	3,956.0	3,947.7	3,935.6	3,944.9	3,940.0	3,935.5	3,924.0
30 Securities in bank credit	921.8	931.3	952.8	991.8	1,007.7	1,014.4	1,007.5	1,005.3	1,005.3	1,005.7	1,003.9	1,005.5
31 U.S. government securities	683.8	671.4[r]	680.0[r]	691.2	710.7	711.0	710.3	711.1	707.8	709.2	710.7	711.4
32 Other securities	238.1	259.9[r]	272.8	300.7	297.0	303.3	297.2	294.2	297.4	296.4	293.2	294.1
33 Loans and leases in bank credit[2]	2,689.2	2,805.8[r]	2,833.4[r]	2,875.7	2,916.0	2,941.6	2,940.2	2,930.3	2,939.6	2,934.3	2,931.6	2,918.5
34 Commercial and industrial	650.6	687.3	696.1	713.1	721.9	723.9	726.0	729.5	726.9	726.6	728.6	730.3
35 Real estate	1,216.6	1,261.3	1,265.1	1,271.1	1,293.8	1,306.0	1,307.1	1,304.4	1,305.8	1,312.3	1,304.9	1,296.8
36 Revolving home equity	97.7	97.8	98.6	97.5	97.7	97.2	96.7	95.9	96.2	96.0	96.0	95.8
37 Other	1,118.9	1,163.6[r]	1,166.6[r]	1,173.5	1,196.0	1,208.8	1,210.3	1,208.5	1,209.5	1,216.3	1,208.9	1,201.0
38 Consumer	501.1	496.2	500.2	498.7	501.4	508.1	510.8	503.8	508.0	504.8	503.5	503.7
39 Security[3]	64.3	69.8	72.2	89.6	89.1	87.2	84.3	80.5	85.5	78.8	81.9	78.9
40 Other loans and leases	256.5	291.2[r]	299.9[r]	303.3	309.9	316.4	312.0	312.0	313.5	311.7	312.7	308.7
41 Interbank loans	178.2	179.2[r]	186.0[r]	191.3	200.2	198.1	196.4	194.5	201.1	189.8	193.9	195.6
42 Cash assets[4]	232.2	205.5	217.1	211.3	224.5	233.0	239.3	225.5	222.6	218.1	243.3	219.2
43 Other assets[5]	259.4	283.5	286.7	283.4	290.8	289.4	293.0	302.4	297.2	304.9	301.2	302.8
44 **Total assets[6]**	**4,224.3**	**4,347.9**	**4,418.4**	**4,495.9**	**4,581.3**	**4,618.5**	**4,618.8**	**4,599.9**	**4,607.5**	**4,594.7**	**4,615.9**	**4,583.7**
Liabilities												
45 Deposits	2,860.8	2,906.9	2,932.3	2,953.3	3,015.2	3,040.9	3,030.7	3,011.5	3,024.1	2,996.5	3,036.1	2,976.0
46 Transaction	671.2	639.7	654.4	646.7	664.9	688.8	662.3	637.0	634.7	618.3	663.0	628.3
47 Nontransaction	2,189.7	2,267.2	2,277.9	2,306.6	2,350.3	2,352.0	2,368.3	2,374.5	2,389.5	2,378.2	2,373.1	2,347.7
48 Large time	387.7	387.4	387.7	400.6	415.2	409.3	411.2	411.9	414.3	412.6	412.4	409.6
49 Other	1,801.9	1,879.8	1,890.2	1,906.0	1,935.2	1,942.7	1,957.2	1,962.6	1,975.2	1,965.7	1,960.7	1,938.1
50 Borrowings	683.6	687.4	713.0	749.6	788.1	802.9	804.8	796.4	795.8	798.6	793.1	802.2
51 From banks in the U.S.	269.7	272.1	277.0	282.3	294.6	300.6	300.6	296.7	295.7	301.2	295.3	299.5
52 From others	414.0	415.3	436.0	467.3	493.5	502.3	504.2	499.7	500.1	497.4	497.8	502.7
53 Net due to related foreign offices	85.1	96.7	106.8	115.5	113.7	111.4	112.0	123.3	120.2	124.1	124.0	134.5
54 Other liabilities	206.8	235.5	240.2	251.5	238.2	237.6	245.7	236.4	238.3	242.0	229.8	237.6
55 **Total liabilities**	**3,836.4**	**3,926.6**	**3,992.3**	**4,070.0**	**4,155.2**	**4,192.8**	**4,193.1**	**4,167.5**	**4,178.4**	**4,161.2**	**4,183.0**	**4,150.3**
56 Residual (assets less liabilities)[7]	387.8	421.4	426.1[r]	426.0	426.2	425.7	425.7	432.3	429.1	433.5	432.9	433.4
MEMO												
57 Revaluation gains on off-balance-sheet items[8]	47.0	51.9	61.7	78.7	62.7	65.2	66.0	64.5	67.4	65.7	64.2	65.7
58 Revaluation losses on off-balance-sheet items[8]	49.2	54.2	65.1	80.5	65.1	66.8	65.8	65.3	68.0	68.1	64.4	65.6
59 Mortgage-backed securities[9]	294.5	301.2	313.7	336.0	346.4	346.0	342.2	340.1	345.5	345.4	339.5	334.4

Footnotes appear on p. A21.

1.26 COMMERCIAL BANKS IN THE UNITED STATES Assets and Liabilities[1]—Continued

C. Large domestically chartered commercial banks

Billions of dollars

Account	Monthly averages								Wednesday figures			
	1998	1998[r]					1999		1999			
	Feb.[r]	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.[r]	Feb.	Feb. 3	Feb. 10	Feb. 17	Feb. 24
	Seasonally adjusted											
Assets												
1 Bank credit	2,227.4	2,307.0	2,338.0	2,393.7	2,413.8	2,431.7	2,414.5	2,411.0	2,413.2	2,416.4	2,410.1	2,406.0
2 Securities in bank credit	520.1	532.7	547.5	573.1	569.9	574.2	556.2	553.0	549.3	551.7	553.3	555.3
3 U.S. government securities	373.2	361.8	368.3	372.3	380.6	377.3	375.4	375.8	373.0	373.6	376.3	376.4
4 Trading account	27.3	21.3	22.0	20.9	23.4	24.2	25.9	17.9	18.5	16.0	15.5	19.9
5 Investment account	345.9	340.5	346.3	351.4	357.2	353.1	349.5	357.8	354.6	357.0	360.8	356.4
6 Other securities	146.9	170.9	179.2	200.8	189.3	197.0	180.8	177.2	176.3	178.1	177.0	178.9
7 Trading account	68.2	83.1	89.5	109.1	92.8	97.6	82.7	79.6	78.6	80.1	79.5	80.9
8 Investment account	78.7	87.7	89.8	91.7	96.5	99.3	98.1	97.7	97.7	97.9	97.5	98.0
9 State and local government	22.7	22.6	23.2	23.9	24.6	24.9	24.9	24.8	24.8	24.8	24.8	24.8
10 Other	56.0	65.1	66.6	67.8	71.9	74.4	73.2	72.8	72.9	73.1	72.7	73.2
11 Loans and leases in bank credit[2]	1,707.3	1,774.3	1,790.5	1,820.6	1,843.9	1,857.5	1,858.3	1,858.0	1,863.9	1,864.7	1,856.8	1,850.7
12 Commercial and industrial	473.3	503.2	509.1	521.7	527.9	529.8	531.2	532.2	530.1	531.0	531.6	533.5
13 Bankers acceptances	1.3	1.3	1.3	1.2	1.2	1.2	1.3	1.2	1.2	1.2	1.2	1.1
14 Other	472.0	502.0	507.8	520.5	526.7	528.5	529.9	531.1	528.9	529.8	530.4	532.3
15 Real estate	683.9	688.8	686.5	687.2	699.6	707.1	703.8	704.2	704.8	709.9	704.9	698.8
16 Revolving home equity	69.8	68.6	68.9	68.0	67.7	67.4	67.3	67.5	67.5	67.5	67.5	67.5
17 Other	614.2	620.1	617.6	619.2	632.0	639.6	636.5	636.7	637.3	642.3	637.3	631.3
18 Consumer	300.2	295.9	298.9	299.7	300.6	301.7	305.5	305.0	307.1	306.0	303.5	305.0
19 Security[3]	57.5	67.4	68.9	82.8	80.8	79.1	77.9	72.7	77.8	72.4	73.6	71.8
20 Federal funds sold to and repurchase agreements with broker–dealers	41.3	48.0	50.2	64.7	63.6	62.8	61.7	56.3	63.1	55.9	57.4	55.2
21 Other	16.2	19.4	18.8	18.0	17.3	16.3	16.2	16.4	14.6	16.5	16.2	16.6
22 State and local government	11.5	11.5	11.5	11.6	11.9	11.6	11.6	11.5	11.5	11.6	11.5	11.5
23 Agricultural	9.9	10.0	10.0	9.9	10.1	10.1	10.2	10.3	10.2	10.3	10.3	10.3
24 Federal funds sold to and repurchase agreements with others	6.4	10.0	12.4	12.9	12.4	16.2	12.6	12.0	12.1	12.4	12.1	11.7
25 All other loans	77.9	88.8	93.0	93.3	97.7	96.3	97.3	97.1	98.4	98.8	96.7	95.1
26 Lease-financing receivables	86.7	98.7	100.0	101.5	102.8	105.8	108.2	112.8	112.0	112.3	112.6	113.0
27 Interbank loans	122.9	116.0	117.9	119.5	119.9	121.1	122.7	128.0	128.0	123.2	124.7	137.8
28 Federal funds sold to and repurchase agreements with commercial banks	73.2	62.7	64.4	73.9	75.6	73.9	78.2	80.5	82.0	76.2	78.1	89.3
29 Other	49.7	53.3	53.6	45.6	44.3	47.3	44.5	47.5	45.9	47.0	46.5	48.5
30 Cash assets[4]	167.9	151.3	151.4	141.1	147.8	148.4	158.6	156.3	153.9	165.1	157.4	148.6
31 Other assets[5]	200.1	219.4	220.0	215.9	218.3	216.8	220.7	228.8	223.6	229.7	227.9	229.3
32 **Total assets[6]**	**2,680.6**	**2,756.3**	**2,789.7**	**2,832.3**	**2,861.9**	**2,880.2**	**2,878.6**	**2,885.7**	**2,880.2**	**2,896.1**	**2,881.8**	**2,883.4**
Liabilities												
33 Deposits	1,633.6	1,629.7	1,630.1	1,641.6	1,668.2	1,674.5	1,672.8	1,672.3	1,680.2	1,668.9	1,681.8	1,652.8
34 Transaction	392.0	369.9	373.6	367.2	369.6	369.3	364.9	357.9	352.7	353.0	370.1	352.6
35 Nontransaction	1,241.6	1,259.8	1,256.5	1,274.4	1,298.6	1,305.2	1,307.9	1,314.4	1,327.5	1,315.9	1,311.7	1,300.2
36 Large time	221.1	215.3	210.2	221.6	230.4	230.3	230.1	229.4	232.6	229.7	228.5	227.9
37 Other	1,020.5	1,044.6	1,046.3	1,052.8	1,068.2	1,074.8	1,077.8	1,085.0	1,094.9	1,086.1	1,083.2	1,072.2
38 Borrowings	533.3	532.1	544.8	579.7	610.3	621.9	614.7	611.1	603.2	616.1	604.0	618.8
39 From banks in the U.S.	200.1	197.6	198.5	203.4	207.6	208.9	214.5	213.1	211.6	219.4	210.4	215.2
40 From others	333.1	334.4	346.4	376.3	402.7	412.9	400.3	398.0	391.6	396.7	393.7	403.6
41 Net due to related foreign offices	81.8	89.9	101.8	112.3	112.7	111.3	111.5	121.7	119.3	122.9	122.3	132.0
42 Other liabilities	178.4	204.9	209.6	220.1	206.0	205.5	213.6	203.9	206.6	209.4	197.1	204.6
43 **Total liabilities**	**2,427.0**	**2,456.5**	**2,486.4**	**2,553.7**	**2,597.2**	**2,613.2**	**2,612.6**	**2,609.0**	**2,609.3**	**2,617.3**	**2,605.3**	**2,608.3**
44 Residual (assets less liabilities)[7]	253.6	299.8	303.3	278.6	264.7	266.9	266.0	276.7	270.9	278.8	276.5	275.1

Footnotes appear on p. A21.

1.26 COMMERCIAL BANKS IN THE UNITED STATES Assets and Liabilities[1]—Continued

C. Large domestically chartered commercial banks—Continued

Account	Monthly averages								Wednesday figures			
	1998	1998[r]					1999		1999			
	Feb.[r]	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.[r]	Feb.	Feb. 3	Feb. 10	Feb. 17	Feb. 24
	Not seasonally adjusted											
Assets												
45 Bank credit	2,234.0	2,291.4	2,327.9	2,398.1	2,430.5	2,443.4	2,433.2	2,419.3	2,433.5	2,425.9	2,420.6	2,405.4
46 Securities in bank credit	528.7	521.0	539.4	572.1	578.1	575.4	566.2	563.1	565.8	563.8	563.2	561.9
47 U.S. government securities	374.9	357.0	363.6	371.4	383.7	377.7	376.4	377.8	376.4	376.3	378.4	376.8
48 Trading account	27.7	21.2	21.9	21.9	24.6	23.7	25.2	18.2	18.5	16.3	16.1	19.9
49 Investment account	347.2	335.8	341.6	349.5	359.1	354.0	351.2	359.6	357.9	359.9	362.3	357.0
50 Mortgage-backed securities	228.2	225.9	236.5	255.4	258.3	253.6	250.1	247.9	253.5	252.6	247.0	243.0
51 Other	119.0	109.9	105.2	94.1	100.8	100.4	101.1	111.7	104.4	107.3	115.3	113.9
52 One year or less	31.1	29.0	27.8	26.2	27.3	26.6	27.5	25.6	28.2	26.8	25.6	24.2
53 One to five years	54.9	49.0	44.3	37.3	38.3	38.5	37.6	46.8	38.8	42.3	49.5	49.4
54 More than five years	33.0	31.9	33.1	30.7	35.3	35.2	36.0	39.3	37.4	38.3	40.2	40.3
55 Other securities	153.8	164.0	175.9	200.6	194.4	197.7	189.9	185.3	189.4	187.5	184.9	185.1
56 Trading account	75.0	76.8	86.4	108.8	96.8	97.4	90.9	87.5	91.1	89.3	87.3	87.1
57 Investment account	78.8	87.2	89.4	91.9	97.7	100.4	99.0	97.8	98.3	98.2	97.6	98.0
58 State and local government	22.7	22.7	23.2	24.0	24.6	25.0	24.8	24.8	24.7	24.8	24.8	24.8
59 Other	56.1	64.6	66.2	67.9	73.1	75.4	74.2	73.0	73.6	73.4	72.8	73.1
60 Loans and leases in bank credit[2]	1,705.3	1,770.4	1,788.4	1,826.0	1,852.4	1,868.0	1,867.0	1,856.2	1,867.6	1,862.1	1,857.3	1,843.5
61 Commercial and industrial	472.4	499.8	506.2	521.5	528.0	527.4	528.3	531.2	529.1	528.8	530.5	531.8
62 Bankers acceptances	1.2	1.3	1.3	1.3	1.3	1.3	1.3	1.2	1.2	1.2	1.2	1.1
63 Other	471.2	498.6	504.9	520.2	526.7	526.1	527.0	530.0	527.9	527.6	529.3	530.7
64 Real estate	682.2	692.0	689.8	691.2	703.9	709.6	707.0	702.2	705.1	710.4	703.1	693.7
65 Revolving home equity	69.4	68.9	69.4	68.6	68.3	67.8	67.6	67.1	67.3	67.3	67.2	67.0
66 Other	374.9	385.1	381.0	382.9	394.1	398.6	394.0	386.7	390.5	394.9	387.8	377.7
67 Commercial	237.9	238.0	239.4	239.6	241.5	243.2	245.3	248.3	247.3	248.2	248.1	249.0
68 Consumer	299.8	297.5	300.9	300.6	301.6	305.7	310.6	304.7	308.9	306.6	303.7	303.9
69 Security[3]	58.9	63.7	65.8	83.1	82.3	80.9	78.2	74.5	79.5	72.9	75.8	73.2
70 Federal funds sold to and repurchase agreements with broker–dealers	42.6	45.1	47.6	65.2	65.0	63.7	62.0	58.1	65.0	56.8	59.6	56.2
71 Other	16.3	18.6	18.2	17.9	17.3	17.1	16.2	16.4	14.5	16.1	16.3	16.9
72 State and local government	11.5	11.5	11.6	11.7	12.0	11.7	11.6	11.5	11.4	11.5	11.5	11.5
73 Agricultural	9.6	10.3	10.3	10.1	10.1	10.1	10.1	9.9	9.9	9.9	9.9	9.8
74 Federal funds sold to and repurchase agreements with others	6.4	10.0	12.4	12.9	12.4	16.2	12.6	12.0	12.1	12.4	12.1	11.7
75 All other loans	76.5	88.1	92.5	93.8	99.2	100.3	98.0	95.5	97.7	95.4	96.0	93.1
76 Lease-financing receivables	88.1	97.5	98.9	101.0	102.8	106.0	110.5	114.7	114.0	114.2	114.6	114.8
77 Interbank loans	121.9	113.4	116.7	116.7	122.0	126.3	128.0	126.5	132.2	122.8	125.1	131.1
78 Federal funds sold to and repurchase agreements with commercial banks	72.4	60.8	63.8	71.3	77.3	77.7	82.0	79.2	85.9	76.0	78.3	82.7
79 Other	49.5	52.6	52.9	45.4	44.7	48.5	46.0	47.3	46.2	46.9	46.8	48.4
80 Cash assets[4]	168.7	141.2	149.9	144.7	153.9	161.7	168.3	156.5	153.9	152.3	168.1	153.3
81 Other assets[5]	200.1	219.4	220.0	215.9	218.3	216.8	220.7	228.8	223.6	229.7	227.9	229.3
82 **Total assets**[6]	**2,687.2**	**2,727.8**	**2,776.6**	**2,837.5**	**2,886.6**	**2,910.3**	**2,912.5**	**2,892.9**	**2,904.8**	**2,892.6**	**2,903.5**	**2,881.2**
Liabilities												
83 Deposits	1,626.0	1,627.3	1,636.2	1,647.8	1,681.5	1,696.1	1,681.6	1,663.6	1,675.1	1,654.1	1,682.3	1,636.4
84 Transaction	388.9	360.7	370.5	365.0	376.2	392.6	374.4	354.9	353.6	341.7	375.5	346.8
85 Nontransaction	1,237.2	1,266.6	1,265.7	1,282.8	1,305.2	1,303.6	1,307.3	1,308.7	1,321.4	1,312.5	1,306.8	1,289.6
86 Large time	221.5	217.6	213.6	224.9	235.5	230.8	229.1	229.2	231.9	230.3	229.0	227.1
87 Other	1,015.7	1,049.0	1,052.1	1,057.9	1,069.7	1,072.8	1,078.1	1,079.5	1,089.5	1,082.1	1,077.7	1,062.5
88 Borrowings	535.6	523.4	544.6	575.2	606.7	616.3	620.3	612.8	614.0	615.9	610.0	616.9
89 From banks in the U.S.	201.8	192.8	196.1	199.9	209.0	213.0	217.7	214.9	215.8	220.5	213.8	215.7
90 From nonbanks in the U.S.	333.8	330.6	348.5	375.3	397.6	403.2	402.7	397.9	398.2	395.4	396.3	401.2
91 Net due to related foreign offices	79.0	92.9	103.0	110.9	110.1	107.8	109.0	120.1	116.9	120.4	120.8	131.8
92 Other liabilities	178.4	204.9	209.6	220.1	206.0	205.5	213.6	203.9	206.6	209.4	197.1	204.6
93 **Total liabilities**	**2,419.1**	**2,448.6**	**2,493.4**	**2,554.1**	**2,604.2**	**2,625.8**	**2,624.5**	**2,600.4**	**2,612.6**	**2,599.7**	**2,610.2**	**2,589.7**
94 Residual (assets less liabilities)[7]	268.1	279.2	283.2	283.4	282.4	284.6	288.0	292.5	292.2	292.8	293.4	291.5
MEMO												
95 Revaluation gains on off-balance-sheet items[8]	47.0	51.9	61.7	78.7	62.7	65.2	66.0	64.5	67.4	65.7	64.2	65.7
96 Revaluation losses on off-balance-sheet items[8]	49.2	54.2	65.1	80.5	65.1	66.8	65.8	65.3	68.0	68.1	64.4	65.6
97 Mortgage-backed securities[9]	248.7	249.7	260.6	280.8	287.1	284.1	279.6	276.7	282.7	282.3	276.3	270.7
98 Pass-through securities	166.5	161.4	167.4	189.6	196.7	194.8	192.0	187.3	192.5	191.5	187.0	183.2
99 CMOs, REMICs, and other mortgage-backed securities	82.2	88.4	93.2	91.2	90.4	89.3	87.7	89.4	90.3	90.8	89.3	87.6
100 Net unrealized gains (losses) on available-for-sale securities[10]	3.3	3.1	3.7	4.4	3.1	3.0	3.0	2.4	2.9	2.7	2.6	2.5
101 Offshore credit to U.S. residents[11]	36.2	35.6	36.8	38.5	39.1	38.5	38.9	38.9	39.0	39.3	39.2	38.2

Footnotes appear on p. A21.

1.26 COMMERCIAL BANKS IN THE UNITED STATES Assets and Liabilities[1]—Continued

D. Small domestically chartered commercial banks

Billions of dollars

Account	Monthly averages								Wednesday figures			
	1998	1998[r]					1999		1999			
	Feb.[r]	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.[r]	Feb.	Feb. 3	Feb. 10	Feb. 17	Feb. 24
	Seasonally adjusted											
Assets												
1 Bank credit	1,385.6	1,446.1	1,456.2	1,469.7	1,493.9	1,512.0	1,519.9	1,525.2	1,518.2	1,521.9	1,525.3	1,528.2
2 Securities in bank credit	395.2	411.4	414.1	422.8	432.8	440.9	442.7	444.3	441.1	443.1	443.4	445.9
3 U.S. government securities	310.9	315.2	316.8	322.0	329.8	334.9	335.3	335.5	333.2	334.3	335.1	336.9
4 Other securities	84.3	96.1	97.3	100.8	103.0	106.0	107.4	108.8	107.9	108.9	108.4	108.9
5 Loans and leases in bank credit[2]	990.4	1,034.7	1,042.1	1,047.0	1,061.1	1,071.2	1,077.2	1,081.0	1,077.1	1,078.8	1,081.9	1,082.3
6 Commercial and industrial	178.6	189.0	191.3	193.3	195.1	197.1	198.6	198.7	198.5	198.6	198.8	198.8
7 Real estate	538.2	568.9	573.7	577.5	587.7	595.4	603.4	606.4	604.5	606.0	606.4	607.3
8 Revolving home equity	28.4	29.0	29.0	28.8	29.3	29.4	29.2	28.8	28.9	28.8	28.8	28.9
9 Other	509.8	539.9	544.7	548.7	558.4	566.0	574.2	577.6	575.6	577.2	577.6	578.4
10 Consumer	201.4	198.6	198.4	197.1	198.2	200.1	198.5	199.2	197.7	197.8	199.9	200.3
11 Security[3]	5.5	6.1	6.3	6.5	6.7	6.3	6.1	6.0	6.0	5.9	6.0	5.8
12 Other loans and leases	66.7	72.2	72.3	72.6	73.4	72.2	70.8	70.6	70.4	70.6	70.7	70.1
13 Interbank loans	52.3	70.3	73.7	75.7	73.8	67.0	66.6	63.4	65.0	61.6	64.2	62.4
14 Cash assets[4]	63.6	66.5	67.9	66.7	68.3	68.0	69.9	69.2	69.7	69.7	73.0	64.4
15 Other assets[5]	59.7	63.0	65.5	67.3	72.0	73.1	74.9	74.3	73.5	77.1	73.9	74.3
16 **Total assets**[6]	**1,542.1**	**1,626.3**	**1,643.6**	**1,659.8**	**1,688.1**	**1,700.2**	**1,711.5**	**1,712.2**	**1,706.5**	**1,710.4**	**1,716.5**	**1,709.3**
Liabilities												
17 Deposits	1,237.8	1,286.1	1,299.6	1,307.5	1,327.4	1,337.4	1,350.6	1,350.6	1,351.0	1,346.8	1,355.7	1,345.0
18 Transaction	285.7	283.2	286.2	283.6	284.5	286.1	285.8	285.4	281.9	281.9	289.5	286.8
19 Nontransaction	952.1	1,002.9	1,013.5	1,024.0	1,042.9	1,051.3	1,064.8	1,065.2	1,069.1	1,064.9	1,066.2	1,058.1
20 Large time	166.3	169.8	174.1	175.7	179.7	178.5	182.0	182.7	182.4	182.2	183.4	182.5
21 Other	785.9	833.1	839.4	848.3	863.2	872.7	882.8	882.5	886.7	882.7	882.8	875.7
22 Borrowings	149.8	162.7	165.1	173.9	181.9	185.9	183.7	185.9	181.5	186.0	184.4	188.0
23 From banks in the U.S.	68.6	78.5	79.7	82.9	86.6	87.5	82.5	82.8	79.7	82.2	82.1	84.9
24 From others	81.2	84.2	85.3	91.0	95.3	98.4	101.2	103.2	101.7	103.8	102.3	103.1
25 Net due to related foreign offices	6.1	3.7	3.7	4.7	3.6	3.6	3.0	3.2	3.3	3.7	3.3	2.7
26 Other liabilities	28.4	30.6	30.6	31.4	32.2	32.1	32.1	32.5	31.8	32.6	32.7	33.0
27 **Total liabilities**	**1,422.1**	**1,483.2**	**1,499.0**	**1,517.4**	**1,545.1**	**1,558.9**	**1,569.5**	**1,572.3**	**1,567.4**	**1,569.1**	**1,576.1**	**1,568.6**
28 Residual (assets less liabilities)[7]	120.1	143.1	144.6	142.3	143.0	141.2	142.0	139.9	139.0	141.3	140.4	140.7
	Not seasonally adjusted											
Assets												
29 Bank credit	1,377.0	1,445.7	1,458.3	1,469.5	1,493.2	1,512.5	1,514.5	1,516.3	1,511.4	1,514.1	1,514.9	1,518.6
30 Securities in bank credit	393.1	410.3	413.4	419.7	429.5	439.0	441.3	442.2	439.4	441.8	440.7	443.6
31 U.S. government securities	308.8	314.4	316.4	319.7	327.0	333.3	334.0	333.3	331.4	333.0	332.3	334.6
32 Other securities	84.3	95.9	97.0	100.0	102.6	105.6	107.3	108.9	108.0	108.9	108.4	109.0
33 Loans and leases in bank credit[2]	983.9	1,035.3	1,044.9	1,049.8	1,063.6	1,073.6	1,073.2	1,074.1	1,072.0	1,072.2	1,074.2	1,074.9
34 Commercial and industrial	178.2	187.5	189.9	191.6	193.9	196.6	197.7	198.3	197.8	197.9	198.2	198.5
35 Real estate	534.4	569.3	575.3	579.9	589.9	596.3	600.1	602.3	600.7	601.9	601.8	603.1
36 Revolving home equity	28.3	28.9	29.2	28.9	29.4	29.4	29.1	28.8	28.9	28.8	28.8	28.8
37 Other	506.1	540.4	546.2	551.0	560.4	567.0	570.9	573.5	571.8	573.1	573.0	574.3
38 Consumer	201.3	198.7	199.3	198.1	199.8	202.4	200.2	199.1	199.1	198.3	199.7	199.7
39 Security[3]	5.5	6.1	6.3	6.5	6.7	6.3	6.1	6.0	6.0	5.9	6.0	5.8
40 Other loans and leases	64.5	73.8	74.1	73.7	73.4	72.0	69.2	68.4	68.4	68.3	68.5	67.9
41 Interbank loans	56.3	65.8	69.3	74.6	78.2	71.8	68.4	67.9	68.9	67.0	68.8	64.6
42 Cash assets[4]	63.4	64.3	67.2	66.6	70.6	71.2	71.0	69.1	68.7	65.8	75.2	65.9
43 Other assets[5]	59.3	64.1	66.7	67.5	72.6	72.5	72.3	73.7	73.5	75.2	73.4	73.5
44 **Total assets**[6]	**1,537.1**	**1,620.2**	**1,641.8**	**1,658.5**	**1,694.7**	**1,708.1**	**1,706.3**	**1,707.0**	**1,702.7**	**1,702.2**	**1,712.4**	**1,702.5**
Liabilities												
45 Deposits	1,234.8	1,279.6	1,296.2	1,305.5	1,333.8	1,344.7	1,349.0	1,347.9	1,349.1	1,342.4	1,353.8	1,339.6
46 Transaction	282.3	279.0	283.9	281.7	288.6	296.3	288.0	282.1	281.0	276.7	287.4	281.5
47 Nontransaction	952.5	1,000.6	1,012.2	1,023.8	1,045.1	1,048.5	1,061.1	1,065.8	1,068.0	1,065.8	1,066.4	1,058.1
48 Large time	166.3	169.8	174.1	175.7	179.7	178.5	182.0	182.7	182.4	182.2	183.4	182.5
49 Other	786.2	830.8	838.1	848.1	865.4	869.9	879.0	883.1	885.7	883.5	883.0	875.6
50 Borrowings	148.0	164.0	168.4	174.4	181.4	186.6	184.5	183.5	181.7	182.7	183.1	185.3
51 From banks in the U.S.	67.8	79.3	80.9	82.4	85.5	87.6	82.9	81.8	79.9	80.7	81.6	83.8
52 From others	80.2	84.7	87.5	92.0	95.9	99.1	101.6	101.8	101.8	102.0	101.5	101.5
53 Net due to related foreign offices	6.1	3.7	3.7	4.7	3.6	3.6	3.0	3.2	3.3	3.7	3.3	2.7
54 Other liabilities	28.4	30.6	30.6	31.4	32.2	32.1	32.1	32.5	31.8	32.6	32.7	33.0
55 **Total liabilities**	**1,417.3**	**1,478.0**	**1,498.9**	**1,515.9**	**1,550.9**	**1,567.0**	**1,568.6**	**1,567.2**	**1,565.8**	**1,561.5**	**1,572.8**	**1,560.6**
56 Residual (assets less liabilities)[7]	119.7	142.2	142.9	142.6	143.8	141.1	137.7	139.9	136.9	140.7	139.5	141.9
MEMO												
57 Mortgage-backed securities[9]	45.8	51.5	53.1	55.2	59.3	61.9	62.6	63.4	62.7	63.1	63.2	63.7

Footnotes appear on p. A21.

1.26 COMMERCIAL BANKS IN THE UNITED STATES Assets and Liabilities[1]—Continued

E. Foreign-related institutions

Billions of dollars

Account	Monthly averages								Wednesday figures			
	1998	1998					1999		1999			
	Feb.	Aug.	Sept.	Oct.	Nov.[r]	Dec.	Jan.[r]	Feb.	Feb. 3	Feb. 10	Feb. 17	Feb. 24
	Seasonally adjusted											
Assets												
1 Bank credit	572.1	588.4	604.6	624.7[r]	621.2	600.9[r]	589.1	571.8	587.7	580.4	565.9	571.4
2 Securities in bank credit	197.6	212.4	215.4	222.0	224.9	216.8	218.8	210.0	217.5	213.8	205.4	211.0
3 U.S. government securities	85.5	94.1	82.2	80.3[r]	80.5	81.0	84.1	82.4	84.4	83.0	80.7	83.4
4 Other securities	112.0	118.4	133.2	141.8	144.4	135.7[r]	134.7	127.7	133.1	130.8	124.8	127.7
5 Loans and leases in bank credit[2]	374.5	376.0	389.1[r]	402.7[r]	396.2	384.2[r]	370.4	361.7	370.2	366.7	360.4	360.3
6 Commercial and industrial	221.4[r]	215.2[r]	219.2[r]	224.0[r]	224.5	218.3[r]	212.5	211.1	213.7	212.2	210.3	210.3
7 Real estate	27.1	23.9	23.6	23.3	22.0	20.7	20.9	20.7	21.2	20.8	20.8	20.8
8 Security[3]	56.4	64.2	67.6	69.6	65.0	65.9[r]	63.3	59.0	63.3	62.2	59.8	57.8
9 Other loans and leases	69.7[r]	72.8[r]	78.7[r]	85.7[r]	84.7	79.3[r]	73.6	70.9	72.0	71.4	69.5	71.5
10 Interbank loans	25.9	20.0	28.4	25.4	26.5	27.1	28.2	30.5	29.3	29.9	31.3	32.3
11 Cash assets[4]	33.1	33.8	34.0	35.4	33.5	33.8[r]	35.0	34.2	32.6	34.0	33.5	36.2
12 Other assets[5]	41.3	35.7	37.9	39.2	36.6	39.1	38.2	37.4	37.1	37.7	37.6	36.7
13 **Total assets[6]**	**672.2[r]**	**677.6**	**704.5[r]**	**724.5**	**717.5**	**700.7[r]**	**690.2**	**673.7**	**686.5**	**681.7**	**668.0**	**676.3**
Liabilities												
14 Deposits	287.9	305.9	314.5	318.9	315.3	307.3	315.6	319.4	316.3	316.8	319.7	322.6
15 Transaction	11.5	12.3	15.3	15.2	12.3	10.7	12.3	13.4	13.0	12.4	14.5	13.8
16 Nontransaction	276.3	293.6	299.2	303.7	303.0	296.6	303.3	306.0	303.3	304.4	305.2	308.8
17 Borrowings	144.4	165.4[r]	179.0[r]	185.3[r]	185.5	179.3[r]	169.9	162.9	170.1	165.4	161.9	159.6
18 From banks in the U.S.	23.2[r]	21.3[r]	29.2[r]	30.7[r]	32.1	27.1[r]	22.4	18.9	24.6	18.4	18.0	16.8
19 From others	121.2[r]	144.1[r]	149.7[r]	154.6[r]	153.4	152.1[r]	147.5	144.1	145.5	147.0	143.9	142.8
20 Net due to related foreign offices	139.0	110.2	97.1	109.1	102.2	102.3	99.2	101.5	104.9	105.7	104.0	97.8
21 Other liabilities	97.2	99.3	104.0	107.4	103.1	100.8	97.2	88.5	95.5	92.9	83.4	89.0
22 **Total liabilities**	**668.5**	**680.9[r]**	**694.6**	**720.7[r]**	**706.2**	**689.6[r]**	**681.9**	**672.4**	**686.8**	**680.8**	**669.1**	**669.0**
23 Residual (assets less liabilities)[7]	3.8	−3.3[r]	9.9[r]	3.8[r]	11.3	11.1[r]	8.3	1.3	−.2	.9	−1.0	7.3
	Not seasonally adjusted											
Assets												
24 Bank credit	571.7	590.8	599.3	624.0[r]	613.5	599.4[r]	585.2	571.5	587.1	580.2	566.2	568.6
25 Securities in bank credit	194.7	216.6	212.0	222.4[r]	219.5	212.6	212.6	207.2	214.3	210.8	202.6	207.1
26 U.S. government securities	84.7	94.8	82.2	80.8	81.4	80.7	82.0	81.9	83.1	82.3	80.3	82.7
27 Trading account	13.9	31.0	20.6	16.7	14.4	15.6	17.9	18.9	18.3	18.7	17.9	20.3
28 Investment account	70.8	63.8	61.6	64.1	67.0	65.2	64.0	63.0	64.8	63.6	62.4	62.4
29 Other securities	110.0	121.7	129.8	141.6[r]	138.1	131.9	130.7	125.3	131.2	128.5	122.3	124.4
30 Trading account	68.4	76.5	84.8	91.8	85.2	79.6	79.8	76.1	81.3	78.8	73.4	75.0
31 Investment account	41.6	45.2	45.0	49.8	52.8	52.3	50.9	49.3	49.9	49.7	48.9	49.3
32 Loans and leases in bank credit[2]	377.0	374.2[r]	387.3	401.6[r]	394.0	386.8[r]	372.5	364.3	372.7	369.4	363.6	361.6
33 Commercial and industrial	222.5[r]	214.1[r]	218.1[r]	223.9[r]	224.2	219.2[r]	213.4	212.2	214.0	213.2	212.3	210.9
34 Real estate	27.3	23.7	23.5	23.5	22.3	20.8	20.9	20.9	21.2	21.0	20.9	20.9
35 Security[3]	56.5	63.4	67.4	69.7	64.8	66.9[r]	63.4	59.1	63.8	62.2	59.5	57.7
36 Other loans and leases	70.6[r]	73.0[r]	78.3[r]	84.5[r]	82.8	79.9[r]	74.9	72.1	73.8	72.9	70.8	72.0
37 Interbank loans	25.9	20.0	28.4	25.4	26.5	27.1	28.2	30.5	29.3	29.9	31.3	32.3
38 Cash assets[4]	32.6	33.8	34.1	35.7	34.4	35.5	34.9	33.6	32.2	33.5	33.2	35.3
39 Other assets[5]	42.8	36.5	37.9	38.3	37.0	39.8	38.7	38.7	38.3	39.5	38.6	37.5
40 **Total assets[6]**	**672.7[r]**	**680.9**	**699.4**	**723.1[r]**	**711.2**	**701.5[r]**	**686.6**	**674.0**	**686.7**	**682.7**	**669.0**	**673.5**
Liabilities												
41 Deposits	285.6	304.6	316.1	318.4	314.3	310.5	313.4	317.3	313.9	314.8	315.8	321.5
42 Transaction	11.3	12.2	15.9	15.2	12.3	11.2	12.2	13.1	12.8	11.8	14.3	13.6
43 Nontransaction	274.3	292.4	300.1	303.1	302.1	299.3	301.2	304.2	301.1	303.0	301.5	307.9
44 Borrowings	144.4	165.4[r]	179.0[r]	185.3[r]	185.5	179.3[r]	169.9	162.9	170.1	165.4	161.9	159.6
45 From banks in the U.S.	23.2[r]	21.3[r]	29.2[r]	30.7[r]	32.1	27.1[r]	22.4	18.9	24.6	18.4	18.0	16.8
46 From others	121.2[r]	144.1[r]	149.7[r]	154.6[r]	153.4	152.1[r]	147.5	144.1	145.5	147.0	143.9	142.8
47 Net due to related foreign offices	140.3	106.9	95.6	108.1	102.9	106.9	103.4	102.7	104.4	106.7	105.0	101.3
48 Other liabilities	98.3	99.3	103.7	107.1	104.5	101.7	97.3	89.4	96.2	94.0	84.2	89.8
49 **Total liabilities**	**668.6**	**676.2[r]**	**694.3**	**718.9[r]**	**707.2**	**698.3[r]**	**684.0**	**672.3**	**684.5**	**680.8**	**666.9**	**672.2**
50 Residual (assets less liabilities)[7]	4.1	4.7[r]	5.1[r]	4.2[r]	4.0	3.2[r]	2.7	1.7	2.1	1.9	2.0	1.3
MEMO												
51 Revaluation gains on off-balance-sheet items[8]	41.4	44.2	48.7	52.0	48.6	48.1	45.9	43.6	46.3	44.4	42.8	43.2
52 Revaluation losses on off-balance-sheet items[8]	40.8	42.2	45.4	47.5[r]	44.9	44.4[r]	42.1	41.1	41.8	41.1	40.2	41.8

Footnotes appear on p. A21.

NOTES TO TABLE 1.26

NOTE. Tables 1.26, 1.27, and 1.28 have been revised to reflect changes in the Board's H.8 statistical release, "Assets and Liabilities of Commercial Banks in the United States." Table 1.27, "Assets and Liabilities of Large Weekly Reporting Commercial Banks," and table 1.28, "Large Weekly Reporting U.S. Branches and Agencies of Foreign Banks," are no longer being published in the *Bulletin*. Instead, abbreviated balance sheets for both large and small domestically chartered banks have been included in table 1.26, parts C and D. Data are both merger-adjusted and break-adjusted. In addition, data from large weekly reporting U.S. branches and agencies of foreign banks have been replaced by balance sheet estimates of all foreign-related institutions and are included in table 1.26, part E. These data are break-adjusted.

The not-seasonally-adjusted data for all tables now contain additional balance sheet items, which were available as of October 2, 1996.

1. Covers the following types of institutions in the fifty states and the District of Columbia: domestically chartered commercial banks that submit a weekly report of condition (large domestic); other domestically chartered commercial banks (small domestic); branches and agencies of foreign banks, and Edge Act and agreement corporations (foreign-related institutions). Excludes International Banking Facilities. Data are Wednesday values or *pro rata* averages of Wednesday values. Large domestic banks constitute a universe; data for small domestic banks and foreign-related institutions are estimates based on weekly samples and on quarter-end condition reports. Data are adjusted for breaks caused by reclassifications of assets and liabilities.

The data for large and small domestic banks presented on pp. A17–19 are adjusted to remove the estimated effects of mergers between these two groups. The adjustment for mergers changes past levels to make them comparable with current levels. Estimated quantities of balance sheet items acquired in mergers are removed from past data for the bank group that contained the acquired bank and put into past data for the group containing the acquiring bank. Balance sheet data for acquired banks are obtained from Call Reports, and a ratio procedure is used to adjust past levels.

2. Excludes federal funds sold to, reverse RPs with, and loans made to commercial banks in the United States, all of which are included in "Interbank loans."

3. Consists of reverse RPs with brokers and dealers and loans to purchase and carry securities.

4. Includes vault cash, cash items in process of collection, balances due from depository institutions, and balances due from Federal Reserve Banks.

5. Excludes the due-from position with related foreign offices, which is included in "Net due to related foreign offices."

6. Excludes unearned income, reserves for losses on loans and leases, and reserves for transfer risk. Loans are reported gross of these items.

7. This balancing item is not intended as a measure of equity capital for use in capital adequacy analysis. On a seasonally adjusted basis this item reflects any differences in the seasonal patterns estimated for total assets and total liabilities.

8. Fair value of derivative contracts (interest rate, foreign exchange rate, other commodity and equity contracts) in a gain/loss position, as determined under FASB Interpretation No. 39.

9. Includes mortgage-backed securities issued by U.S. government agencies, U.S. government-sponsored enterprises, and private entities.

10. Difference between fair value and historical cost for securities classified as available-for-sale under FASB Statement No. 115. Data are reported net of tax effects. Data shown are restated to include an estimate of these tax effects.

11. Mainly commercial and industrial loans but also includes an unknown amount of credit extended to other than nonfinancial businesses.

1.32 COMMERCIAL PAPER AND BANKERS DOLLAR ACCEPTANCES OUTSTANDING

A. Commercial Paper

Millions of dollars, seasonally adjusted, end of period

Item	Year ending December					1998					1999
	1994	1995	1996	1997	1998	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.
1 **All issuers**	**595,382**	**674,904**	**775,371**	**966,699**	**1,163,303**	**1,119,816**	**1,152,337**	**1,150,213**	**1,159,027**	**1,163,303**	**1,178,168**
Financial companies[1]											
2 Dealer-placed paper[2], total	223,038	275,815	361,147	513,307	614,142	606,355	639,571	627,170	621,246	614,142	629,569
3 Directly placed paper[3], total	207,701	210,829	229,662	252,536	322,030	281,927	271,526	289,184	304,545	322,030	314,601
4 Nonfinancial companies[4]	164,643	188,260	184,563	200,857	227,132	231,534	241,239	233,859	233,236	227,132	233,998

1. 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.
2. Includes all financial-company paper sold by dealers in the open market.
3. As reported by financial companies that place their paper directly with investors.
4. Includes public utilities and firms engaged primarily in such activities as communications, construction, manufacturing, mining, wholesale and retail trade, transportation, and services.

B. Bankers Dollar Acceptances[1]

Millions of dollars, not seasonally adjusted, year ending September[2]

Item	1995	1996	1997	1998
1 **Total amount of reporting banks' acceptances in existence**	**29,242**	**25,832**	**25,774**	**14,363**
2 Amount of other banks' eligible acceptances held by reporting banks	1,249	709	736	523
3 Amount of own eligible acceptances held by reporting banks (included in item 1)	10,516	7,770	6,862	4,884
4 Amount of eligible acceptances representing goods stored in, or shipped between, foreign countries (included in item 1)	11,373	9,361	10,467	5,413

1. Includes eligible, dollar-denominated bankers acceptances legally payable in the United States. Eligible acceptances are those that are eligible for discount by Federal Reserve Banks; that is, those acceptances that meet the criteria of Paragraph 7 of Section 13 of the Federal Reserve Act (12 U.S.C. §372).
2. Data on bankers dollar acceptances are gathered from approximately 65 institutions; includes U.S. chartered commerical banks (domestic and foreign offices), U.S. branches and agencies of foreign banks, and Edge and agreement corporations. The reporting group is revised every year.

1.33 PRIME RATE CHARGED BY BANKS Short-Term Business Loans[1]

Percent per year

Date of change	Rate	Period	Average rate	Period	Average rate	Period	Average rate
1996—Jan. 1	8.50	1996	8.27	1997—Jan.	8.25	1998—Jan.	8.50
Feb. 1	8.25	1997	8.44	Feb.	8.25	Feb.	8.50
		1998	8.35	Mar.	8.30	Mar.	8.50
1997—Mar. 26	8.50			Apr.	8.50	Apr.	8.50
		1996—Jan.	8.50	May	8.50	May	8.50
1998—Sept. 30	8.25	Feb.	8.25	June	8.50	June	8.50
Oct. 16	8.00	Mar.	8.25	July	8.50	July	8.50
Nov. 18	7.75	Apr.	8.25	Aug.	8.50	Aug.	8.50
		May	8.25	Sept.	8.50	Sept.	8.49
		June	8.25	Oct.	8.50	Oct.	8.12
		July	8.25	Nov.	8.50	Nov.	7.89
		Aug.	8.25	Dec.	8.50	Dec.	7.75
		Sept.	8.25				
		Oct.	8.25			1999—Jan.	7.75
		Nov.	8.25			Feb.	7.75
		Dec.	8.25			Mar.	7.75

1. The prime rate is one of several base rates that banks use to price short-term business loans. The table shows the date on which a new rate came to be the predominant one quoted by a majority of the twenty-five largest banks by asset size, based on the most recent Call Report. 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

Percent per year; figures are averages of business day data unless otherwise noted

Item	1996	1997	1998	1998		1999		1999, week ending				
				Nov.	Dec.	Jan.	Feb.	Jan. 29	Feb. 5	Feb. 12	Feb. 19	Feb. 26
MONEY MARKET INSTRUMENTS												
1 Federal funds[1,2,3]	5.30	5.46	5.35	4.83	4.68	4.63	4.76	4.66	4.75	4.77	4.75	4.75
2 Discount window borrowing[2,4]	5.02	5.00	4.92	4.63	4.50	4.50	4.50	4.50	4.50	4.50	4.50	4.50
Commercial paper[3,5,6]												
Nonfinancial												
3 1-month	n.a.	5.57	5.40	5.00	5.24	4.80	4.80	4.79	4.79	4.80	4.81	4.81
4 2-month	n.a.	5.57	5.38	5.14	5.12	4.78	4.80	4.76	4.78	4.80	4.81	4.82
5 3-month	n.a.	5.56	5.34	5.06	5.00	4.77	4.79	4.75	4.76	4.78	4.80	4.81
Financial												
6 1-month	n.a.	5.59	5.42	5.04	5.31	4.83	4.82	4.81	4.81	4.81	4.83	4.83
7 2-month	n.a.	5.59	5.40	5.19	5.13	4.81	4.82	4.77	4.79	4.81	4.83	4.84
8 3-month	n.a.	5.60	5.37	5.15	5.04	4.81	4.82	4.78	4.80	4.82	4.82	4.83
Commercial paper (historical)[3,5,7]												
9 1-month	5.43	5.54	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
10 3-month	5.41	5.58	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
11 6-month	5.42	5.62	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Finance paper, directly placed (historical)[3,5,8]												
12 1-month	5.31	5.44	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
13 3-month	5.29	5.48	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
14 6-month	5.21	5.48	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Bankers acceptances[3,5,9]												
15 3-month	5.31	5.54	5.39	5.15	5.08	4.80	4.79	4.78	4.78	4.79	4.78	4.81
16 6-month	5.31	5.57	5.30	4.92	4.91	4.73	4.74	4.72	4.72	4.73	4.72	4.79
Certificates of deposit, secondary market[3,10]												
17 1-month	5.35	5.54	5.49	5.16	5.47	4.89	4.86	4.86	4.86	4.86	4.86	4.87
18 3-month	5.39	5.62	5.47	5.24	5.14	4.89	4.90	4.86	4.88	4.90	4.91	4.92
19 6-month	5.47	5.73	5.44	5.07	5.01	4.90	4.95	4.87	4.91	4.93	4.96	4.99
20 Eurodollar deposits, 3-month[3,11]	5.38	5.61	5.45	5.21	5.13	4.88	4.86	4.83	4.83	4.88	4.88	4.88
U.S. Treasury bills												
Secondary market[3,5]												
21 3-month	5.01	5.06	4.78	4.41	4.39	4.34	4.44	4.35	4.40	4.40	4.42	4.53
22 6-month	5.08	5.18	4.83	4.42	4.40	4.33	4.44	4.30	4.40	4.41	4.45	4.51
23 1-year	5.22	5.32	4.80	4.33	4.32	4.31	4.48	4.30	4.40	4.45	4.49	4.58
Auction high[3,5,12]												
24 3-month	5.02	5.07	4.81	4.44	4.42	4.34	4.45	4.31	4.40	4.42	4.44	4.53
25 6-month	5.09	5.18	4.85	4.43	4.43	4.36	4.43	4.28	4.39	4.42	4.47	4.43
26 1-year	5.23	5.36	4.85	4.40	4.31	4.34	4.37	n.a.	4.37	n.a.	n.a.	n.a.
U.S. TREASURY NOTES AND BONDS												
Constant maturities[13]												
27 1-year	5.52	5.63	5.05	4.53	4.52	4.51	4.70	4.51	4.61	4.67	4.71	4.82
28 2-year	5.84	5.99	5.13	4.54	4.51	4.62	4.88	4.59	4.73	4.81	4.93	5.05
29 3-year	5.99	6.10	5.14	4.57	4.48	4.61	4.90	4.58	4.75	4.83	4.95	5.09
30 5-year	6.18	6.22	5.15	4.54	4.45	4.60	4.91	4.56	4.76	4.84	4.96	5.11
31 7-year	6.34	6.33	5.28	4.78	4.65	4.80	5.10	4.74	4.93	5.04	5.15	5.29
32 10-year	6.44	6.35	5.26	4.83	4.65	4.72	5.00	4.67	4.84	4.95	5.03	5.18
33 20-year	6.83	6.69	5.72	5.48	5.36	5.45	5.66	5.39	5.53	5.62	5.69	5.80
34 30-year	6.71	6.61	5.58	5.25	5.06	5.16	5.37	5.12	5.26	5.35	5.36	5.49
Composite												
35 More than 10 years (long-term)	6.80	6.67	5.69	5.43	5.29	5.39	5.60	5.32	5.48	5.57	5.63	5.74
STATE AND LOCAL NOTES AND BONDS												
Moody's series[14]												
36 Aaa	5.52	5.32	4.93	4.87	4.83	4.85	4.80	4.75	4.79	4.84	4.83	4.75
37 Baa	5.79	5.50	5.14	5.15	5.17	5.21	5.21	5.19	5.21	5.22	5.23	5.19
38 *Bond Buyer* series[15]	5.76	5.52	5.09	5.03	4.98	5.01	5.03	4.96	5.02	5.00	5.01	5.08
CORPORATE BONDS												
39 Seasoned issues, all industries[16]	7.66	7.54	6.87	6.87	6.72	6.76	6.89	6.71	6.82	6.87	6.87	6.99
Rating group												
40 Aaa	7.37	7.27	6.53	6.41	6.22	6.24	6.40	6.19	6.32	6.38	6.37	6.51
41 Aa	7.55	7.48	6.80	6.79	6.65	6.68	6.79	6.63	6.72	6.77	6.78	6.89
42 A	7.69	7.54	6.93	6.95	6.80	6.84	6.97	6.79	6.90	6.95	6.96	7.07
43 Baa	8.05	7.87	7.22	7.34	7.23	7.29	7.39	7.24	7.34	7.37	7.38	7.47
MEMO												
Dividend-price ratio[17]												
44 Common stocks	2.19	1.77	1.49	1.43	1.37	1.30	1.32	1.31	1.29	1.34	1.36	1.31

1. The daily effective federal funds rate is a weighted average of rates on trades through New York 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. Interest rates interpolated from data on certain commercial paper trades settled by the Depository Trust Company. The trades represent sales of commercial paper by dealers or direct issuers to investors (that is, the offer side). See Board's Commercial Paper Web pages (http://www.federalreserve.gov/releases/cp) for more information.
7. An average of offering rates on commercial paper for firms whose bond rating is AA or the equivalent. Series ended August 29, 1997.
8. An average of offering rates on paper directly placed by finance companies. Series ended August 29, 1997.
9. Representative closing yields for acceptances of the highest-rated money center banks.
10. An average of dealer offering rates on nationally traded certificates of deposit.
11. Bid rates for Eurodollar deposits collected around 9:30 a.m. Eastern time. Data are for indication purposes only.
12. Auction date for daily data; weekly and monthly averages computed on an issue-date basis. On or after October 28, 1998, data are stop yields from uniform-price auctions. Before that, they are weighted average yields from multiple-price auctions.
13. Yields on actively traded issues adjusted to constant maturities. Source: U.S. Department of the Treasury.
14. General obligation bonds based on Thursday figures; Moody's Investors Service.
15. State and local government general obligation bonds maturing in twenty years are used in compiling this index. The twenty-bond index has a rating roughly equivalent to Moodys' A1 rating. Based on Thursday figures.
16. Daily figures from Moody's Investors Service. Based on yields to maturity on selected long-term bonds.
17. Standard & Poor's corporate series. Common stock ratio is based on the 500 stocks in the price index.

NOTE. Some of the 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.

1.36 STOCK MARKET Selected Statistics

Indicator	1996	1997	1998	1998 June	1998 July	1998 Aug.	1998 Sept.	1998 Oct.	1998 Nov.	1998 Dec.	1999 Jan.	1999 Feb.
	Prices and trading volume (averages of daily figures)[1]											
Common stock prices (indexes)												
1 New York Stock Exchange (Dec. 31, 1965 = 50)	357.98	456.99	550.65	569.76	586.39	539.16	506.56	511.49	564.26	576.05	595.43	588.70
2 Industrial	453.57	574.97	684.35	731.01	718.54	665.66	629.51	636.62	704.46	717.14	741.43	736.20
3 Transportation	327.30	415.08	468.61	492.98	503.89	441.36	408.75	396.61	442.95	456.70	479.72	477.47
4 Utility	126.36	143.87	190.52	188.26	189.95	186.24	186.17	195.09	206.29	215.57	224.75	218.24
5 Finance	303.94	424.84	516.65	548.57	579.67	511.22	454.28	448.12	501.45	510.31	523.38	514.75
6 Standard & Poor's Corporation (1941–43 = 10)[2]	670.49	873.43	1,085.50	1,108.39	1,156.58	1,074.62	1,020.64	1,032.47	1,144.43	1,190.05	1,248.77	1,246.58
7 American Stock Exchange (Aug. 31, 1973 = 50)[3]	570.86	628.34	682.69	704.59	724.83	655.67	621.48	607.16	667.60	660.76	704.22	699.15
Volume of trading (thousands of shares)												
8 New York Stock Exchange	409,740	523,254	666,534	605,576	639,744	712,710	790,238	808,816	668,932	680,397	847,135	756,932
9 American Stock Exchange	22,567	24,390	28,870	25,447	26,473	32,721	33,331	31,946	27,266	28,756	31,015	31,774
	Customer financing (millions of dollars, end-of-period balances)											
10 **Margin credit at broker–dealers**[4]	**97,400**	**126,090**	**140,980**	**147,700**	**154,370**	**147,800**	**137,540**	**130,160**	**139,710**	**140,980**	**153,240**	**151,530**
Free credit balances at brokers[5]												
11 Margin accounts[6]	22,540	31,410	40,250	29,840	31,820	38,460	41,970	43,500	40,620	40,250	36,880	38,850
12 Cash accounts	40,430	52,160	62,450	51,205	53,780	53,850	54,240	54,610	56,170	62,450	59,600	57,910

Margin requirements (percent of market value and effective date)[7]

Indicator	Mar. 11, 1968	June 8, 1968	May 6, 1970	Dec. 6, 1971	Nov. 24, 1972	Jan. 3, 1974
13 Margin stocks	70	80	65	55	65	50
14 Convertible bonds	50	60	50	50	50	50
15 Short sales	70	80	65	55	65	50

1. Daily data on prices are available upon request to the Board of Governors. For ordering address, see inside front cover.
2. In July 1976 a financial group, composed of banks and insurance companies, was added to the group of stocks on which the index is based. The index is now based on 400 industrial stocks (formerly 425), 20 transportation (formerly 15 rail), 40 public utility (formerly 60), and 40 financial.
3. On July 5, 1983, the American Stock Exchange rebased its index, effectively cutting previous readings in half.
4. Since July 1983, under the revised Regulation T, margin credit at broker–dealers has included credit extended against stocks, convertible bonds, stocks acquired through the 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.
5. Free credit balances are amounts in accounts with no unfulfilled commitments to brokers and are subject to withdrawal by customers on demand.
6. Series initiated in June 1984.
7. Margin 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 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.

1.38 FEDERAL FISCAL AND FINANCING OPERATIONS

Millions of dollars

Type of account or operation	Fiscal year 1996	Fiscal year 1997	Fiscal year 1998[r]	Calendar year 1998 Aug.	1998 Sept.	1998 Oct.	1998 Nov.	1998 Dec.	1999 Jan.
U.S. budget[1]									
1 Receipts, total	1,453,062	1,579,292	1,721,798	111,741	180,936	119,974	113,978	178,646	171,722
2 On-budget	1,085,570	1,187,302	1,305,999	79,135	149,726	90,064	81,836	143,337	129,921
3 Off-budget	367,492	391,990	415,799	32,606	31,210	29,910	32,142	35,309	41,801
4 Outlays, total	1,560,512	1,601,235	1,652,552	122,907	142,725	152,436	131,095	184,056	101,386
5 On-budget	1,259,608	1,290,609	1,335,948	92,555	107,900	123,687	100,078	149,401	102,489
6 Off-budget	300,904	310,626	316,604	30,352	34,814	28,749	31,017	34,655	−1,103
7 Surplus or deficit (−), total	−107,450	−21,943	69,246	−11,166	38,222	−32,462	−17,117	−5,410	70,336
8 On-budget	−174,038	−103,307	−29,949	−13,420	41,826	−33,623	−18,242	−6,064	27,432
9 Off-budget	66,588	81,364	99,195	2,254	−3,604	1,161	1,125	654	42,904
Source of financing (total)									
10 Borrowing from the public	129,712	38,171	−51,049	33,989	−46,413	15,330	22,364	−5,390	−31,249
11 Operating cash (decrease, or increase (−))	−6,276	604	4,743	−362	−2,451	2,661	20,335	−1,621	−39,567
12 Other[2]	−15,986	−16,832	−22,940	−22,461	10,642	14,471	−25,582	12,421	480
MEMO									
13 Treasury operating balance (level, end of period)	44,225	43,621	38,878	36,427	38,878	36,217	15,882	17,503	57,070
14 Federal Reserve Banks	7,700	7,692	4,952	6,704	4,952	4,440	5,219	6,086	7,623
15 Tax and loan accounts	36,525	35,930	33,926	29,722	33,926	31,776	10,663	11,417	49,446

1. Since 1990, off-budget items have been the social security trust funds (federal old-age survivors insurance and federal disability insurance) and the U.S. Postal Service.

2. 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.

SOURCE. Monthly totals: U.S. Department of the Treasury, *Monthly Treasury Statement of Receipts and Outlays of the U.S. Government*; fiscal year totals: U.S. Office of Management and Budget, *Budget of the U.S. Government.*

1.39 U.S. BUDGET RECEIPTS AND OUTLAYS[1]

Millions of dollars

Source or type	Fiscal year		Calendar year						
	1997	1998	1997		1998		1998	1999	
			H1	H2	H1	H2	Dec.	Jan.	Feb.
RECEIPTS									
1 **All sources**	**1,579,292**	**1,721,798**	**845,527**	**773,812**	**922,632**	**825,055[r]**	**178,646**	**171,722**	**99,414**
2 Individual income taxes, net	737,466	828,586	400,436	354,072	447,514	392,332	75,988	99,857	42,792
3 Withheld	580,207	646,483	292,252	306,865	316,309	339,144	69,628	58,527	59,055
4 Nonwithheld	250,753	281,527	191,050	58,069	219,136	65,204	7,094	42,324	2,949
5 Refunds	93,560	99,476	82,926	10,869	87,989	12,032	734	994	19,219
Corporation income taxes									
6 Gross receipts	204,493	213,249	106,451	104,659	109,353	104,163	45,123	7,185	3,641
7 Refunds	22,198	24,593	9,635	10,135	14,220	14,250	2,749	2,055	2,465
8 Social insurance taxes and contributions, net	539,371	571,831	288,251	260,795	312,713	268,466	48,601	54,928	46,683
9 Employment taxes and contributions[2]	506,751	540,014	268,357	247,794	293,520	256,142	47,869	53,725	43,735
10 Unemployment insurance	28,202	27,484	17,709	10,724	17,080	10,121	315	867	2,594
11 Other net receipts[3]	4,418	4,333	2,184	2,280	2,112	2,202	417	337	353
12 Excise taxes	56,924	57,673	28,084	31,133	29,922	33,366	5,446	4,806	3,892
13 Customs deposits	17,928	18,297	8,619	9,679	8,546	9,838	1,472	1,286	1,403
14 Estate and gift taxes	19,845	24,076	10,477	10,262	12,971	12,359	2,239	2,206	1,600
15 Miscellaneous receipts[4]	25,465	32,658	12,866	13,348	15,829[r]	18,735	2,527	3,509	1,868
OUTLAYS									
16 **All types**	**1,601,235**	**1,652,552**	**797,418**	**824,370**	**815,886**	**877,026**	**184,056**	**101,386**	**142,281**
17 National defense	270,473	268,456	132,698	140,873	129,351	140,196	27,178	19,270	20,909
18 International affairs	15,228	13,109	5,740	9,420	4,610	8,297[r]	822	1,179	1,372
19 General science, space, and technology	17,174	18,219	8,938	10,040	9,426	10,142	1,918	1,398	1,312
20 Energy	1,483	1,270	803	411	957	699	151	−107	−189
21 Natural resources and environment	21,369	22,396	9,628	11,106	10,051	12,671	2,545	1,458	1,919
22 Agriculture	9,032	12,206	1,465	10,590	2,387	16,757	3,238	3,939	1,074
23 Commerce and housing credit	−14,624	1,014	−7,575	−3,526	−2,483	4,046	−1,821	745	−1,237
24 Transportation	40,767	40,332	16,847	20,414	16,196	20,834	3,400	2,558	2,259
25 Community and regional development	11,005	9,720	5,678	5,749	4,863	6,972	1,505	709	720
26 Education, training, employment, and social services	53,008	54,919	25,080	26,851	25,928	28,216[r]	5,465	5,136	5,429
27 Health	123,843	131,440	61,809	63,552	65,053	67,836	11,757	10,984	11,100
28 Social security and Medicare	555,273	572,047	278,863	283,109	286,305	316,809	79,633	15,248	46,727
29 Income security	230,886	233,202	124,034	106,353	125,196	109,481	21,945	17,349	29,856
30 Veterans benefits and services	39,313	41,781	17,697	22,077	19,615	22,750	5,305	1,828	3,574
31 Administration of justice	20,197	22,832	10,670	10,212	11,287	12,041	2,132	2,090	1,832
32 General government	12,768	13,444	6,623	7,302	6,139	9,136[r]	2,198	188	274
33 Net interest[5]	244,013	243,359	122,655	122,620	122,345	116,954	20,029	19,947	18,049
34 Undistributed offsetting receipts[6]	−49,973	−47,194	−24,235	−22,795	−21,340	−25,795	−3,343	−2,530	−2,700

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 receipts and outlays do 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. Federal employee retirement contributions and civil service retirement and disability fund.

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

5. Includes interest received by trust funds.

6. Rents and royalties for the outer continental shelf, U.S. government contributions for employee retirement, and certain asset sales.

SOURCE. Fiscal year totals: U.S. Office of Management and Budget, *Budget of the U.S. Government, Fiscal Year 2000*; monthly and half-year totals: U.S. Department of the Treasury, *Monthly Treasury Statement of Receipts and Outlays of the U.S. Government.*

1.40 FEDERAL DEBT SUBJECT TO STATUTORY LIMITATION

Billions of dollars, end of month

Item	1996	1997				1998			
	Dec. 31	Mar. 31	June 30	Sept. 30	Dec. 31	Mar. 31	June 30	Sept. 30	Dec. 31
1 **Federal debt outstanding**	**5,357**	**5,415**	**5,410**	**5,446**	**5,536**	**5,573**	**5,578**	**5,556**	**5,643**
2 Public debt securities	5,323	5,381	5,376	5,413	5,502	5,542	5,548	5,526	5,614
3 Held by public	3,826	3,874	3,805	3,815	3,847	3,872	3,790	3,761	3,787
4 Held by agencies	1,497	1,507	1,572	1,599	1,656	1,670	1,758	1,766	1,827
5 Agency securities	34	34	34	33	34	31	30	29	29
6 Held by public	27	26	26	26	27	26	26	26	29
7 Held by agencies	8	8	7	7	7	5	4	4	1
8 **Debt subject to statutory limit**	**5,237**	**5,294**	**5,290**	**5,328**	**5,417**	**5,457**	**5,460**	**5,440**	**5,530**
9 Public debt securities	5,237	5,294	5,290	5,328	5,416	5,456	5,460	5,439	5,530
10 Other debt[1]	0	0	0	0	0	0	0	0	0
MEMO									
11 Statutory debt limit	5,500	5,500	5,500	5,950	5,950	5,950	5,950	5,950	5,950

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

SOURCE. U.S. Department of the Treasury, *Monthly Statement of the Public Debt of the United States* and *Treasury Bulletin*.

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

Billions of dollars, end of period

Type and holder	1995	1996	1997	1998	1998			
					Q1	Q2	Q3	Q4
1 **Total gross public debt**	**4,988.7**	**5,323.2**	**5,502.4**	**5,614.2**	**5,542.4**	**5,547.9**	**5,526.2**	**5,614.2**
By type								
2 Interest-bearing	4,964.4	5,317.2	5,494.9	5,605.4	5,535.3	5,540.2	5,518.7	5,605.4
3 Marketable	3,307.2	3,459.7	3,456.8	3,355.5	3,467.1	3,369.5	3,331.0	3,355.5
4 Bills	760.7	777.4	715.4	691.0	720.1	641.1	637.7	691.0
5 Notes	2,010.3	2,112.3	2,106.1	1,960.7	2,091.9	2,064.6	2,009.1	1,960.7
6 Bonds	521.2	555.0	587.3	621.2	598.7	598.7	610.4	621.2
7 Inflation-indexed notes and bonds[1]	n.a.	n.a.	33.0	50.6	41.5	50.1	41.9	50.6
8 Nonmarketable[2]	1,657.2	1,857.5	2,038.1	2,249.9	2,068.2	2,170.7	2,187.7	2,249.9
9 State and local government series	104.5	101.3	124.1	165.3	139.1	155.0	164.4	165.3
10 Foreign issues[3]	40.8	37.4	36.2	34.3	35.4	36.0	35.1	34.3
11 Government	40.8	47.4	36.2	34.3	36.4	36.0	35.1	34.3
12 Public	.0	.0	.0	.0	.0	.0	.0	.0
13 Savings bonds and notes	181.9	182.4	181.2	180.3	181.2	180.7	180.8	180.3
14 Government account series[4]	1,299.6	1,505.9	1,666.7	1,840.0	1,681.5	1,769.1	1,777.3	1,840.0
15 Non-interest-bearing	24.3	6.0	7.5	8.8	7.2	7.7	7.5	8.8
By holder[5]								
16 U.S. Treasury and other federal agencies and trust funds	1,304.5	1,497.2	1,655.7	1,826.8	1,670.4	1,757.6	1,765.6	1,826.8
17 Federal Reserve Banks	391.0	410.9	451.9	471.7	400.0	458.4	458.1	471.7
18 Private investors	3,294.9	3,411.2	3,393.4	3,334.0	3,430.7	3,330.6	3,301.0	3,334.0
19 Commercial banks	278.7	261.8	269.8	215.0	278.4	263.6	219.8	215.0
20 Money market funds	71.5	91.6	88.9	105.8	84.8	82.7	84.2	105.8
21 Insurance companies	241.5	214.1	224.9	186.0	182.2	183.6	186.1	186.0
22 Other companies	228.8	258.5	265.0	267.9	268.1	267.2	271.4	267.9
23 State and local treasuries[6,7]	469.6	482.5	493.0	490.0	444.8	470.0	487.4	490.0
Individuals								
24 Savings bonds	185.0	187.0	186.5	186.7	186.3	186.0	186.0	186.7
25 Other securities	162.7	169.6	168.4	164.9	165.8	165.0	166.4	164.9
26 Foreign and international[8]	835.2	1,102.1	1,241.6	1,276.3	1,250.5	1,256.0	1,221.8	1,276.3
27 Other miscellaneous investors[7,9]	825.9	678.9	552.0	441.4	569.7	456.5	477.9	441.4

1. The U.S. Treasury first issued inflation-indexed securities during the first quarter of 1997.
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. Includes state and local pension funds.
7. In March 1996, in a redefinition of series, fully defeased debt backed by nonmarketable federal securities was removed from "Other miscellaneous investors" and added to "State and local treasuries." The data shown here have been revised accordingly.
8. Consists of investments of foreign balances and international accounts in the United States.
9. 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.

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

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

Millions of dollars, daily averages

Item	1998 Nov.	1998 Dec.	1999 Jan.	1998, week ending Dec. 30	1999, week ending Jan. 6	Jan. 13	Jan. 20	Jan. 27	Feb. 3	Feb. 10	Feb. 17	Feb. 24
OUTRIGHT TRANSACTIONS[2]												
By type of security												
1 U.S. Treasury bills	35,010	30,397	32,211	27,504	33,896	33,260	36,190	26,287	31,081	28,338	30,512	29,067
Coupon securities, by maturity												
2 Five years or less	111,370	76,147	100,641	56,767	72,845	118,962	104,193	96,151	112,778	113,895	91,824	108,612
3 More than five years	73,238	47,464	68,441	25,372	59,579	86,526	65,107	59,782	70,930	79,070	68,136	62,772
4 Inflation-indexed	602	415	1,552	157	3,681	1,200	814	1,188	934	471	991	776
Federal agency												
5 Discount notes	43,274	38,998	43,028	36,404	50,075	41,964	44,280	38,565	39,619	41,477	43,823	39,499
Coupon securities, by maturity												
6 One year or less	856	716	1,098	254	1,443	1,252	993	866	867	1,579	2,715	1,764
7 More than one year, but less than or equal to five years	3,461	3,491	6,150	1,616	4,396	5,894	8,140	5,777	6,254	9,021	5,200	6,995
8 More than five years	3,894	2,413	4,079	1,377	5,965	4,790	2,150	3,425	4,984	3,639	3,118	3,459
9 Mortgage-backed	68,053	59,167	82,210	24,278	77,398	122,401	61,252	72,919	66,974	100,554	69,208	61,462
By type of counterparty												
With interdealer broker												
10 U.S. Treasury	121,806	84,186	113,084	56,682	92,672	132,703	117,858	103,225	117,573	123,277	103,664	114,347
11 Federal agency	2,223	2,193	3,806	1,390	3,582	4,185	4,001	3,347	3,965	3,623	4,064	3,229
12 Mortgage-backed	22,926	20,854	24,932	8,562	24,238	36,511	17,826	22,547	21,099	31,935	22,694	23,967
With other												
13 U.S. Treasury	98,413	70,237	89,761	53,118	77,329	107,245	88,445	80,182	98,150	98,497	87,798	86,880
14 Federal agency	49,261	43,424	50,548	38,260	58,297	49,715	51,561	45,285	47,758	52,093	50,791	48,487
15 Mortgage-backed	45,127	38,314	57,278	15,716	53,160	85,891	43,425	50,372	45,875	68,620	46,515	37,495
FUTURES TRANSACTIONS[3]												
By type of deliverable security												
16 U.S. Treasury bills	50	108	0	0	n.a.	0	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Coupon securities, by maturity												
17 Five years or less	3,281	2,731	2,225	1,820	1,901	2,933	2,153	1,844	2,234	2,587	1,618	2,457
18 More than five years	16,164	10,292	15,953	5,211	12,874	21,370	14,667	13,964	16,756	16,565	15,906	16,597
19 Inflation-indexed	0	0	0	0	0	0	0	0	0	0	0	0
Federal agency												
20 Discount notes	0	0	0	0	0	0	0	0	0	0	0	0
Coupon securities, by maturity												
21 One year or less	0	0	0	0	0	0	0	0	0	0	0	0
22 More than one year, but less than or equal to five years	0	0	0	0	0	0	0	0	0	0	0	0
23 More than five years	0	0	0	0	0	0	0	0	0	0	0	0
24 Mortgage-backed	0	0	0	0	0	0	0	0	0	0	0	0
OPTIONS TRANSACTIONS[4]												
By type of underlying security												
25 U.S. Treasury bills	0	0	0	0	0	0	0	0	0	0	0	0
Coupon securities, by maturity												
26 Five years or less	1,145	934	1,673	733	1,241	1,632	1,818	2,054	1,327	1,005	783	1,710
27 More than five years	5,621	3,004	4,712	0	4,366	5,064	4,433	4,867	4,838	6,564	5,688	5,854
28 Inflation-indexed	0	0	0	0	0	0	0	0	0	0	0	0
Federal agency												
29 Discount notes	0	0	0	0	0	0	0	0	0	0	0	0
Coupon securities, by maturity												
30 One year or less	0	0	0	0	0	0	0	0	0	0	0	0
31 More than one year, but less than or equal to five years	0	0	0	0	0	0	0	0	0	0	0	0
32 More than five years	0	0	0	0	0	0	0	0	0	0	0	0
33 Mortgage-backed	912	806	1,309	0	1,287	1,262	2,319	674	529	1,121	839	650

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. Monthly averages are based on the number of trading days in the month. Transactions are assumed to be evenly distributed among the trading days of the report week. Immediate, forward, and futures transactions are reported at principal value, which does not include accrued interest; options transactions are reported at the face value of the underlying securities.

Dealers report cumulative transactions for each week ending Wednesday.

2. Outright transactions include immediate and forward transactions. Immediate delivery refers to purchases or sales of securities (other than mortgage-backed federal 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 agency securities include purchases and sales for which delivery is scheduled in thirty business days or less. Stripped securities are reported at market value by maturity of coupon or corpus.

Forward transactions are agreements made in the over-the-counter market that specify delayed delivery. Forward contracts for U.S. Treasury securities and federal agency debt securities are included when the time to delivery is more than five business days. Forward contracts for mortgage-backed agency securities are included when the time to delivery is more than thirty business days.

3. Futures transactions are standardized agreements arranged on an exchange. All futures transactions are included regardless of time to delivery.

4. 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. "n.a." indicates that data are not published because of insufficient activity.

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

Millions of dollars

Item	1998		1999	1998, week ending	1999, week ending						
	Nov.	Dec.	Jan.	Dec. 30	Jan. 6	Jan. 13	Jan. 20	Jan. 27	Feb. 3	Feb. 10	Feb. 17
	Positions[2]										
NET OUTRIGHT POSITIONS[3]											
By type of security											
1 U.S. Treasury bills	−6,782	−4,551	1,346	−4,368	2,991	4,374	88	−1,780	1,248	1,023	4,804
Coupon securities, by maturity											
2 Five years or less	558	−5,388	−8,148	−4,058	−7,257	−9,810	−9,523	−4,327	−10,856	−3,817	−15,331
3 More than five years	7,272	3,180	432	1,075	3,875	2,353	−1,570	−1,966	−391	2,950	5,354
4 Inflation-indexed	1,798	1,186	1,973	1,099	1,999	2,020	2,015	1,923	1,869	1,900	1,980
Federal agency											
5 Discount notes	17,666	20,788	18,818	17,475	20,326	20,409	16,352	18,243	19,092	20,929	20,165
Coupon securities, by maturity											
6 One year or less	2,188	2,075	2,858	2,000	2,780	2,726	2,832	3,158	2,727	3,899	3,340
7 More than one year, but less than or equal to five years	3,208	3,093	4,441	1,647	2,665	3,578	4,664	6,083	5,350	3,949	3,411
8 More than five years	5,584	3,499	4,545	1,839	4,621	3,873	4,622	5,771	3,325	2,847	2,918
9 Mortgage-backed	37,219	38,689	23,961	37,624	36,834	24,444	20,520	18,267	19,792	12,377	16,853
NET FUTURES POSITIONS[4]											
By type of deliverable security											
10 U.S. Treasury bills	271	507	n.a.	n.a.	0	0	0	0	0	0	0
Coupon securities, by maturity											
11 Five years or less	−4,399	−4,012	−777	−2,852	−598	−490	−716	−1,803	144	23	161
12 More than five years	−27,583	−24,757	−20,814	−22,324	−25,164	−20,011	−18,637	−21,546	−18,225	−12,831	−16,884
13 Inflation-indexed	0	0	0	0	0	0	0	0	0	0	0
Federal agency											
14 Discount notes	0	0	0	0	0	0	0	0	0	0	0
Coupon securities, by maturity											
15 One year or less	0	0	0	0	0	0	0	0	0	0	0
16 More than one year, but less than or equal to five years	0	0	0	0	0	0	0	0	0	0	0
17 More than five years	0	0	0	0	0	0	0	0	0	0	0
18 Mortgage-backed	0	0	0	0	0	0	0	0	0	0	0
NET OPTIONS POSITIONS											
By type of deliverable security											
19 U.S. Treasury bills	0	0	0	0	0	0	0	0	0	0	0
Coupon securities, by maturity											
20 Five years or less	−2,128	−3,155	−1,090	−3,282	−1,935	−58	838	−1,959	−3,481	−2,858	−1,209
21 More than five years	−1,602	−1,387	−1,004	−1,624	−3,135	−1,569	−323	62	122	−2,984	−1,024
22 Inflation-indexed	n.a.	0	n.a.	0	0	0	0	0	0	0	0
Federal agency											
23 Discount notes	0	0	0	0	0	0	0	0	0	0	0
Coupon securities, by maturity											
24 One year or less	0	0	0	0	0	0	0	0	0	0	0
25 More than one year, but less than or equal to five years	0	0	0	0	0	0	0	0	0	0	0
26 More than five years	n.a.	n.a.	n.a.	0	0	0	0	0	0	0	0
27 Mortgage-backed	2,380	1,213	3,410	1,286	2,032	3,064	3,736	4,361	3,850	4,936	5,607
	Financing[5]										
Reverse repurchase agreements											
28 Overnight and continuing	240,639	242,653	239,627	228,433	232,698	231,128	249,350	239,434	248,218	249,836	276,427
29 Term	780,552	807,304	799,672	820,439	716,925	789,354	804,992	839,655	862,566	898,988	709,335
Securities borrowed											
30 Overnight and continuing	210,066	205,654	222,768	204,256	216,303	221,630	226,469	222,556	228,350	227,431	228,684
31 Term	107,922	112,684	105,788	117,152	110,907	104,063	105,938	105,330	101,670	103,907	98,571
Securities received as pledge											
32 Overnight and continuing	3,174	2,952	2,509	2,478	2,537	2,480	2,537	2,504	2,477	2,403	2,306
33 Term	63	67	n.a.	0	0	0	0	0	0	0	0
Repurchase agreements											
34 Overnight and continuing	588,736	608,988	633,520	576,474	610,018	620,080	674,334	625,976	634,074	661,367	683,030
35 Term	709,894	713,037	695,303	738,282	622,805	668,796	702,050	748,755	745,088	782,905	589,106
Securities loaned											
36 Overnight and continuing	8,943	9,369	10,040	9,987	10,325	9,871	10,455	9,793	9,616	10,997	12,722
37 Term	4,008	3,567	n.a.	0	0	0	0	0	0	0	0
Securities pledged											
38 Overnight and continuing	46,851	47,565	48,487	48,920	48,513	47,819	48,445	48,025	50,497	49,509	49,112
39 Term	3,556	5,075	5,776	5,287	5,483	5,777	5,725	5,905	6,076	6,015	4,567
Collateralized loans											
40 Total	23,528	21,850	17,735	18,012	17,205	17,062	16,285	18,604	20,727	19,414	18,259

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. Positions for calendar days of the report week are assumed to be constant. Monthly averages are based on the number of calendar days in the month.

2. Securities positions are reported at market value.

3. Net outright positions include immediate and forward positions. 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 that settle on the issue date of offering. Net immediate positions for mortgage-backed agency securities include securities purchased or sold that have been delivered or are scheduled to be delivered in thirty business days or less.

Forward positions reflect agreements made in the over-the-counter market that specify delayed delivery. Forward contracts for U.S. Treasury securities and federal agency debt securities are included when the time to delivery is more than five business days. Forward contracts for mortgage-backed agency securities are included when the time to delivery is more than thirty business days.

4. Futures positions reflect standardized agreements arranged on an exchange. All futures positions are included regardless of time to delivery.

5. 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. Financing data are reported in terms of actual funds paid or received, including accrued interest.

NOTE. "n.a." indicates that data are not published because of insufficient activity.

1.44 FEDERAL AND FEDERALLY SPONSORED CREDIT AGENCIES Debt Outstanding

Millions of dollars, end of period

Agency	1995	1996	1997	1998	1998 Aug.	1998 Sept.	1998 Oct.	1998 Nov.	1998 Dec.
1 **Federal and federally sponsored agencies**	**844,611**	**925,823**	**1,022,609**	**1,296,477**	**1,130,264**	**1,172,575**	**1,207,495**	**1,255,412**	**1,296,477**
2 Federal agencies	37,347	29,380	27,792	26,502	26,668	26,691	26,350	26,315	26,502
3 Defense Department[1]	6	6	6	6	6	6	6	6	6
4 Export-Import Bank[2,3]	2,050	1,447	552	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
5 Federal Housing Administration[4]	97	84	102	205	155	174	188	205	205
6 Government National Mortgage Association certificates of participation[5]	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
7 Postal Service[6]	5,765	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
8 Tennessee Valley Authority	29,429	27,853	27,786	26,496	26,507	26,685	26,344	26,309	26,496
9 United States Railway Association[6]	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
10 Federally sponsored agencies[7]	807,264	896,443	994,817	1,269,975	1,103,596	1,145,884	1,181,145	1,229,097	1,269,975
11 Federal Home Loan Banks	243,194	263,404	313,919	382,131	334,494	343,188	367,274	373,755	382,131
12 Federal Home Loan Mortgage Corporation	119,961	156,980	169,200	287,396	213,800	232,994	246,708	267,890	287,396
13 Federal National Mortgage Association	299,174	331,270	369,774	460,291	423,188	430,582	431,300	446,377	460,291
14 Farm Credit Banks[8]	57,379	60,053	63,517	63,488	57,910	64,332	60,720	66,086	63,488
15 Student Loan Marketing Association[9]	47,529	44,763	37,717	35,399	33,350	33,760	33,981	33,928	35,399
16 Financing Corporation[10]	8,170	8,170	8,170	8,170	8,170	8,170	8,170	8,170	8,170
17 Farm Credit Financial Assistance Corporation[11]	1,261	1,261	1,261	1,261	1,261	1,261	1,261	1,261	1,261
18 Resolution Funding Corporation[12]	29,996	29,996	29,996	29,996	29,996	29,996	29,996	29,996	29,996
MEMO									
19 **Federal Financing Bank debt[13]**	**78,681**	**58,172**	**49,090**	**44,129**	**42,396**	**45,955**	**44,952**	**44,824**	**44,129**
Lending to federal and federally sponsored agencies									
20 Export-Import Bank[3]	2,044	1,431	552						
21 Postal Service[6]	5,765	n.a.	n.a.	↑	↑	↑	↑	↑	↑
22 Student Loan Marketing Association	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
23 Tennessee Valley Authority	3,200	n.a.	n.a.	↓	↓	↓	↓	↓	↓
24 United States Railway Association[6]	n.a.	n.a.	n.a.						
Other lending[14]									
25 Farmers Home Administration	21,015	18,325	13,530	9,500	9,756	9,500	9,500	9,500	9,500
26 Rural Electrification Administration	17,144	16,702	14,898	14,091	14,284	14,166	14,191	14,199	14,091
27 Other	29,513	21,714	20,110	20,538	18,356	22,289	21,261	21,125	20,538

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 since 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 year 1969 by the Government National Mortgage Association acting as trustee for the Farmers Home Administration, the Department of Health, Education, and Welfare, the Department of Housing and Urban Development, the Small Business Administration, and the Veterans Administration.
6. Off-budget.
7. Includes outstanding noncontingent liabilities: notes, bonds, and debentures. Includes Federal Agricultural Mortgage Corporation, therefore details do not sum to total. Some data are estimated.
8. Excludes borrowing by the Farm Credit Financial Assistance Corporation, which is shown on 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. Because FFB incurs debt solely for the purpose of lending to other agencies, its debt is not included in the main portion of the table to avoid double counting.
14. Includes FFB purchases of agency assets and guaranteed loans; the latter are loans guaranteed by numerous agencies, with the amounts guaranteed by any one agency generally being small. The Farmers Home Administration entry consists exclusively of agency assets, whereas the Rural Electrification Administration entry consists of 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	1996	1997	1998	1998 July	Aug.	Sept.	Oct.	Nov.	Dec.	1999 Jan.	Feb.
1 **All issues, new and refunding**[1]	**171,222**	**214,694**	**262,342**	**22,599**	**20,344**	**17,526**	**19,528**	**19,325**	**24,288**	**16,926**	**16,233**
By type of issue											
2 General obligation	60,409	69,934	87,015	6,515	5,812	5,619	6,791	5,433	8,632	6,925	6,786
3 Revenue	110,813	134,989	175,327	16,084	14,532	11,907	12,737	13,892	15,656	10,001	9,446
By type of issuer											
4 State	13,651	18,237	23,506	1,972	1,483	1,280	1,865	778	2,561	318	1,837
5 Special district or statutory authority[2]	113,228	134,919	178,421	16,244	14,233	12,490	12,924	13,473	15,937	12,929	11,145
6 Municipality, county, or township	44,343	70,558	60,173	5,673	4,628	3,756	4,739	5,073	5,790	3,679	3,251
7 **Issues for new capital**	**112,298**	**135,519**	**160,568**	**15,895**	**11,258**	**9,106**	**12,736**	**12,452**	**14,517**	**11,917**	**10,674**
By use of proceeds											
8 Education	26,851	31,860	36,904	2,733	2,435	2,041	2,605	2,353	2,766	2,936	3,751
9 Transportation	12,324	13,951	19,926	3,677	1,982	918	1,598	806	1,800	1,706	628
10 Utilities and conservation	9,791	12,219	21,037	795	1,179	831	2,785	2,225	984	672	394
11 Social welfare	24,583	27,794	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
12 Industrial aid	6,287	6,667	8,594	1,002	709	315	471	638	1,376	452	343
13 Other purposes	32,462	35,095	42,450	4,674	2,764	2,726	3,359	3,242	4,477	4,439	3,207

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

SOURCE. Securities Data Company beginning January 1990; *Investment Dealer's Digest* before then.

1.46 NEW SECURITY ISSUES U.S. Corporations

Millions of dollars

Type of issue, offering, or issuer	1996	1997	1998	1998 June	July[r]	Aug.[r]	Sept.[r]	Oct.[r]	Nov.[r]	Dec.[r]	1999 Jan.
1 **All issues**[1]	n.a.	n.a.	n.a.	**86,757**	**102,860**	**71,696**	**61,626**	**89,567**	**71,070**	**103,950**	**72,089**
2 **Bonds**[2]	n.a.	n.a.	n.a.	**70,313**	**93,243**	**68,133**	**57,145**	**81,352**	**62,692**	**95,910**	**65,374**
By type of offering											
3 Public, domestic	465,489	537,880	n.a.	56,965	78,280	54,266	45,745	71,134	48,256	80,556	54,513
4 Private placement, domestic[3]	n.a.	n.a.	n.a.	7,600	7,600	7,600	7,600	7,600	7,600	7,600	7,600
5 Sold abroad	83,433	103,188	n.a.	5,748	7,363	6,267	3,800	2,618	6,837	7,754	3,261
By industry group											
6 Nonfinancial	n.a.	n.a.	n.a.	20,456	24,444	24,821	20,399	16,562	16,632	31,911	21,397
7 Financial	429,157	510,953	n.a.	49,857	68,799	43,313	36,746	64,790	46,060	63,999	43,977
8 **Stocks**[2]	**122,006**	**117,880**	**126,755**[r]	**17,111**	**9,772**	**3,725**	**4,640**	**8,655**	**8,902**	**8,670**	**6,742**
By type of offering											
9 Public	122,006	117,880	126,755[r]	17,111	9,772	3,725	4,640	8,655	8,902	8,670	6,742
10 Private placement[3]	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
By industry group											
11 Nonfinancial	80,460	60,386	74,113[r]	10,248	6,390	2,560	2,266	5,879	6,145	7,559	3,321
12 Financial	41,546	57,494	52,642[r]	6,863	3,382	1,165	2,374	2,776	2,757	1,111	3,421

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, 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.

SOURCE. Beginning July 1993, Securities Data Company and the Board of Governors of the Federal Reserve System.

1.47 OPEN-END INVESTMENT COMPANIES Net Sales and Assets[1]

Millions of dollars

Item	1997	1998	1998						1999	
			July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.[r]	Feb.
1 **Sales of own shares**[2]	**1,190,900**	**1,461,430**	**134,801**	**111,587**	**118,478**	**116,471**	**112,627**	**140,700**	**161,889**	**132,007**
2 Redemptions of own shares	918,728	1,217,022	107,368	118,812	107,049	108,838	89,702	134,289	135,713	127,911
3 Net sales[3]	272,172	244,408	27,433	−7,225	11,429	7,633	22,925	6,412	26,176	4,097
4 **Assets**[4]	**3,409,315**	**4,173,531**	**3,957,093**	**3,479,401**	**3,625,841**	**3,804,591**	**4,002,089**	**4,173,531**	**4,298,071**	**4,179,965**
5 Cash[5]	174,154	191,393	195,966	194,435	211,253	210,026	207,422	191,393	203,470	198,267
6 Other	3,235,161	3,982,138	3,761,127	3,284,967	3,414,588	3,594,565	3,794,667	3,982,138	4,094,601	3,981,698

1. Data include stock, hybrid, and bond mutual funds and exclude money market mutual funds.
2. Excludes reinvestment of net income dividends and capital gains distributions and share issue of conversions from one fund to another in the same group.
3. Excludes sales and 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 newly formed companies after their initial offering of securities.

1.48 CORPORATE PROFITS AND THEIR DISTRIBUTION

Billions of dollars; quarterly data at seasonally adjusted annual rates

Account	1996	1997	1998	1997				1998			
				Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
1 Profits with inventory valuation and capital consumption adjustment	750.4	817.9	824.6	794.3	815.5	840.9	820.8	829.2	820.6	827.0	821.7
2 Profits before taxes	680.2	734.4	717.8	712.4	729.8	758.9	736.4	719.1	723.5	720.5	708.1
3 Profits-tax liability	226.1	246.1	240.1	238.8	241.9	254.2	249.3	239.9	241.6	243.2	235.6
4 Profits after taxes	454.1	488.3	477.7	473.6	487.8	504.7	487.1	479.2	481.8	477.3	472.5
5 Dividends	261.9	275.1	279.2	274.1	274.7	275.1	276.4	277.3	278.1	279.0	282.3
6 Undistributed profits	192.3	213.2	198.5	199.5	213.2	229.5	210.6	201.8	203.7	198.3	190.2
7 Inventory valuation	−1.2	6.9	14.5	8.1	10.3	4.8	4.3	25.3	7.8	11.7	13.4
8 Capital consumption adjustment	71.4	76.6	92.3[r]	73.8	75.5	77.2	80.1	84.9	89.4	94.8	100.2[r]

SOURCE. U.S. Department of Commerce, *Survey of Current Business*.

1.51 DOMESTIC FINANCE COMPANIES Assets and Liabilities[1]

Billions of dollars, end of period; not seasonally adjusted

Account	1996	1997	1998	1997			1998			
				Q2	Q3	Q4	Q1	Q2	Q3[r]	Q4
ASSETS										
1 Accounts receivable, gross[2]	637.1	663.3	727.1	651.6	660.5	663.3	667.2	676.0	688.6	727.1
2 Consumer	244.9	256.8	265.4	255.1	254.5	256.8	251.7	251.3	254.9	265.4
3 Business	309.5	318.5	355.5	311.7	319.5	318.5	325.9	334.9	335.1	355.5
4 Real estate	82.7	87.9	106.2	84.8	86.4	87.9	89.6	89.9	98.5	106.2
5 LESS: Reserves for unearned income	55.6	52.7	53.6	57.2	54.6	52.7	52.1	53.2	52.4	53.6
6 Reserves for losses	13.1	13.0	13.3	13.3	12.7	13.0	13.1	13.2	13.2	13.3
7 Accounts receivable, net	568.3	597.6	660.3	581.2	593.1	597.6	601.9	609.6	622.9	660.3
8 All other	290.0	312.4	321.1	306.8	289.1	312.4	329.7	340.1	313.7	321.1
9 **Total assets**	**858.3**	**910.0**	**981.4**	**887.9**	**882.3**	**910.0**	**931.6**	**949.7**	**936.6**	**981.4**
LIABILITIES AND CAPITAL										
10 Bank loans	19.7	24.1	25.0	18.8	20.4	24.1	22.0	22.3	24.9	25.0
11 Commercial paper	177.6	201.5	232.3	193.7	189.6	201.5	211.7	225.9	226.9	232.3
Debt										
12 Owed to parent	60.3	64.7	64.6	60.0	61.6	64.7	64.6	60.0	58.3	64.6
13 Not elsewhere classified	332.5	328.8	358.4	345.3	322.8	328.8	338.2	348.7	337.6	358.4
14 All other liabilities	174.7	189.6	194.6	171.4	190.1	189.6	193.1	188.9	185.4	194.6
15 Capital, surplus, and undivided profits	93.5	101.3	106.6	98.7	97.9	101.3	102.1	103.9	103.6	106.6
16 **Total liabilities and capital**	**858.3**	**910.0**	**981.4**	**887.9**	**882.3**	**910.0**	**931.6**	**949.7**	**936.6**	**981.4**

1. Includes finance company subsidiaries of bank holding companies but not of retailers and banks. Data are amounts carried on the balance sheets of finance companies; securitized pools are not shown, as they are not on the books.
2. Before deduction for unearned income and losses.

1.52 DOMESTIC FINANCE COMPANIES Owned and Managed Receivables[1]

Billions of dollars, amounts outstanding

Type of credit	1996	1997	1998[r]	1998					1999
				Aug.	Sept.	Oct.	Nov.	Dec.[r]	Jan.
					Seasonally adjusted				
1 **Total**	**761.9**	**809.8**	**874.9**	**845.8[r]**	**852.6[r]**	**865.9[r]**	**871.1[r]**	**874.9**	**884.0**
2 Consumer	307.7	327.7	352.5	338.5[r]	343.0[r]	350.4[r]	352.1[r]	352.5	**352.4**
3 Real estate	111.9	121.1	131.4	128.1	128.8	132.3	134.3	131.4	**135.7**
4 Business	342.4	361.0	391.0	379.2	380.7	383.2	384.7	391.0	**396.0**
					Not seasonally adjusted				
5 **Total**	**769.7**	**818.1**	**884.0**	**842.0[r]**	**849.0[r]**	**864.2[r]**	**872.8[r]**	**884.0**	**884.3**
6 Consumer	310.6	330.9	356.1	339.9[r]	344.0[r]	350.0[r]	352.2[r]	356.1	**351.7**
7 Motor vehicles loans	86.7	87.0	103.1	95.3	96.2	97.6	99.0	103.1	**102.8**
8 Motor vehicle leases	92.5	96.8	93.3	96.9	94.9	94.6	94.4	93.3	**88.8**
9 Revolving[2]	32.5	38.6	32.3	29.6[r]	28.4[r]	33.3[r]	33.1[r]	32.3	**32.4**
10 Other[3]	33.2	34.4	33.1	34.7	34.6	34.6	34.6	33.1	**32.8**
Securitized assets[4]									
11 Motor vehicle loans	36.8	44.3	54.8	49.2	51.8	51.6	53.4	54.8	**55.9**
12 Motor vehicle leases	8.7	10.8	12.7	10.7	14.2	14.4	14.2	12.7	**12.5**
13 Revolving	0.0	0.0	8.7	5.3	5.3	5.3	5.3	8.7	**8.6**
14 Other	20.1	19.0	18.1	18.2	18.8	18.6	18.4	18.1	**17.9**
15 Real estate	111.9	121.1	131.4	128.1	128.8	132.3	134.3	131.4	**135.7**
16 One- to four-family	52.1	59.0	75.7	68.6	68.4	72.2	74.1	75.7	**80.1**
17 Other	30.5	28.9	26.6	28.7	30.1	30.2	30.7	26.6	**26.9**
Securitized real estate assets[4]									
18 One- to four-family	28.9	33.0	29.0	30.7	30.2	29.8	29.4	29.0	**28.6**
19 Other	0.4	0.2	0.1	0.1	0.1	0.1	0.1	0.1	**0.1**
20 Business	347.2	366.1	396.5	374.0	376.2	382.0	386.3	396.5	**396.9**
21 Motor vehicles	67.1	63.5	79.6	62.5	65.5	68.5	70.9	79.6	**79.1**
22 Retail loans	25.1	25.6	28.1	29.6	30.0	30.4	29.4	28.1	**28.4**
23 Wholesale loans[5]	33.0	27.7	32.8	22.0	24.2	27.0	30.3	32.8	**31.9**
24 Leases	9.0	10.2	18.7	10.9	11.3	11.1	11.2	18.7	**18.9**
25 Equipment	194.8	203.9	198.0	212.0	210.8	211.5	212.0	198.0	**197.6**
26 Loans	59.9	51.5	50.4	51.8	47.9	47.2	47.8	50.4	**49.7**
27 Leases	134.9	152.3	147.6	160.2	162.9	164.3	164.2	147.6	**147.8**
28 Other business receivables[6]	47.6	51.1	69.9	57.0	58.9	59.6	60.4	69.9	**72.5**
Securitized assets[4]									
29 Motor vehicles	24.0	33.0	29.2	25.9	24.5	25.0	25.8	29.2	**28.2**
30 Retail loans	2.7	2.4	2.6	2.1	2.0	1.9	2.4	2.6	**2.5**
31 Wholesale loans	21.3	30.5	24.7	23.8	22.5	23.2	23.4	24.7	**23.8**
32 Leases	0.0	0.0	1.9	0.0	0.0	0.0	0.0	1.9	**1.9**
33 Equipment	11.3	10.7	13.0	11.4	11.3	12.0	11.8	13.0	**12.7**
34 Loans	4.7	4.2	6.6	4.9	4.9	5.6	5.4	6.6	**6.3**
35 Leases	6.6	6.5	6.4	6.4	6.4	6.4	6.4	6.4	**6.4**
36 Other business receivables[6]	2.4	4.0	6.8	5.2	5.3	5.2	5.3	6.8	**6.8**

NOTE. This table has been revised to incorporate several changes resulting from the benchmarking of finance company receivables to the June 1996 Survey of Finance Companies. In that benchmark survey, and in the monthly surveys that have followed, more detailed breakdowns have been obtained for some components. In addition, previously unavailable data on securitized real estate loans are now included in this table. The new information has resulted in some reclassification of receivables among the three major categories (consumer, real estate, and business) and in discontinuities in some component series between May and June 1996.

Includes finance company subsidiaries of bank holding companies but not of retailers and banks. Data in this table also appear in the Board's G.20 (422) monthly statistical release. For ordering address, see inside front cover.

1. Owned receivables are those carried on the balance sheet of the institution. Managed receivables are outstanding balances of pools upon which securities have been issued; these balances are no longer carried on the balance sheets of the loan originator. Data are shown before deductions for unearned income and losses. Components may not sum to totals because of rounding.

2. Excludes revolving credit reported as held by depository institutions that are subsidiaries of finance companies.

3. Includes personal cash loans, mobile home loans, and loans to purchase other types of consumer goods such as appliances, apparel, boats, and recreation vehicles.

4. Outstanding balances of pools upon which securities have been issued; these balances are no longer carried on the balance sheets of the loan originator.

5. Credit arising from transactions between manufacturers and dealers, that is, floor plan financing.

6. Includes loans on commercial accounts receivable, factored commercial accounts, and receivable dealer capital; small loans used primarily for business or farm purposes; and wholesale and lease paper for mobile homes, campers, and travel trailers.

1.53 MORTGAGE MARKETS Mortgages on New Homes

Millions of dollars except as noted

Item	1996	1997	1998	1998 Aug.	1998 Sept.	1998 Oct.	1998 Nov.	1998 Dec.	1999 Jan.	1999 Feb.
	Terms and yields in primary and secondary markets									
PRIMARY MARKETS										
Terms[1]										
1 Purchase price (thousands of dollars)	182.4	180.1	195.2	191.5	192.7	201.4	192.1	206.0	202.3	204.1
2 Amount of loan (thousands of dollars)	139.2	140.3	151.1	150.4	150.8	155.8	148.1	159.0	153.3	155.4
3 Loan-to-price ratio (percent)	78.2	80.4	80.0	81.3	80.9	79.8	79.5	79.4	78.0	78.2
4 Maturity (years)	27.2	28.2	28.4	28.6	28.7	28.6	28.3	28.7	28.4	28.7
5 Fees and charges (percent of loan amount)[2]	1.21	1.02	0.89	0.87	0.85	0.86	0.76	0.98	1.01	0.92
Yield (percent per year)										
6 Contract rate[1]	7.56	7.57	6.95	6.95	6.85	6.72	6.68	6.80	6.81	6.78
7 Effective rate[1,3]	7.77	7.73	7.08	7.09	6.98	6.85	6.80	6.94	6.96	6.92
8 Contract rate (HUD series)[4]	8.03	7.76	7.00	6.86	6.64	6.86	6.84	6.83	6.80	7.02
SECONDARY MARKETS										
Yield (percent per year)										
9 FHA mortgages (Section 203)[5]	8.19	7.89	7.04	7.03	6.53	7.07	7.02	7.06	7.08	7.10
10 GNMA securities[6]	7.48	7.26	6.43	6.42	6.05	6.10	6.25	6.18	6.18	6.42
	Activity in secondary markets									
FEDERAL NATIONAL MORTGAGE ASSOCIATION										
Mortgage holdings (end of period)										
11 Total	287,052	316,678	414,515	366,890	375,665	386,452	399,804	414,515	418,323	431,836
12 FHA/VA insured	30,592	31,925	33,770	32,929	32,903	32,814	33,420	33,770	33,483	34,000
13 Conventional	256,460	284,753	380,745	333,961	342,762	353,638	366,384	380,745	384,840	397,836
14 Mortgage transactions purchased (during period)	68,618	70,465	188,448	14,316	15,681	18,967	23,557	26,222	14,005	22,029
Mortgage commitments (during period)										
15 Issued[7]	65,859	69,965	193,795	17,016	16,282	30,551	17,994	16,803	20,754	26,509
16 To sell[8]	130	1,298	1,880	233	249	393	0	434	0	0
FEDERAL HOME LOAN MORTGAGE CORPORATION										
Mortgage holdings (end of period)[8]										
17 Total	137,755	164,421	255,010	206,856	216,521	231,458	242,270	255,010	257,062	262,921
18 FHA/VA insured	220	177	785	489	569	569	602	785	387r	400
19 Conventional	137,535	164,244	254,225	206,367	215,952	230,889	241,668	254,225	256,675r	262,521
Mortgage transactions (during period)										
20 Purchases	125,103	117,401	267,402	21,507	25,366	20,629	23,986	34,299	27,672	25,225
21 Sales	119,702	114,258	250,565	20,634	24,294	19,472	22,660	28,024	31,431r	24,231
22 Mortgage commitments contracted (during period)[9]	128,995	120,089	281,899	24,694	23,375	25,025	28,903	29,703	23,900	24,829

1. Weighted averages based on sample surveys of mortgages originated by major institutional lender groups for purchase of newly built homes; 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 rate on loans closed for purchase of newly built homes, assuming prepayment at the end of ten years.
4. Average contract rate on new commitments for conventional first mortgages; from U.S. Department of Housing and Urban Development (HUD). Based on transactions on the first day of the subsequent month.
5. Average gross yield 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.
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.
7. Does not include standby commitments issued, but includes standby commitments converted.
8. Includes participation loans as well as whole loans.
9. 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, whereas the corresponding data for FNMA exclude swap activity.

1.54 MORTGAGE DEBT OUTSTANDING[1]

Millions of dollars, end of period

Type of holder and property	1995	1996	1997	1997	1998			
				Q4	Q1	Q2	Q3	Q4p
1 **All holders**	**4,610,350r**	**4,928,367r**	**5,257,422**	**5,257,422r**	**5,371,196r**	**5,487,535r**	**5,623,695**	**5,782,027**
By type of property								
2 One- to four-family residences	3,532,977r	3,755,719r	3,998,763	3,998,763r	4,082,959r	4,163,964r	4,268,149	4,375,730
3 Multifamily residences	286,875r	309,321r	329,733	329,733r	338,439r	347,449r	353,546	362,092
4 Nonfarm, nonresidential	705,937r	776,193r	838,627	838,627r	858,641r	883,476r	908,192	949,230
5 Farm	84,561	87,134	90,299	90,299r	91,157r	92,646r	93,808	94,974
By type of holder								
6 Major financial institutions	1,900,089r	1,981,885r	2,083,978	2,083,978r	2,114,528r	2,121,939r	2,137,412	2,193,378
7 Commercial banks[2]	1,090,189	1,145,389	1,245,315	1,245,315r	1,271,037r	1,281,849r	1,295,768	1,337,664
8 One- to four-family	669,434	698,508	762,533	762,533r	779,941r	785,019r	784,987	810,680
9 Multifamily	43,837	46,675	50,651	50,651r	51,688r	52,077r	53,049	53,586
10 Nonfarm, nonresidential	353,088	375,322	405,144	405,144r	411,949r	416,434r	429,045	444,363
11 Farm	23,830	24,883	26,986	26,986r	27,458r	28,319r	28,688	29,034
12 Savings institutions[3]	596,763	628,335	631,822	631,822	637,012	632,359r	634,244	643,773
13 One- to four-family	482,353	513,712	520,672	520,672	527,036	522,088r	525,842	533,680
14 Multifamily	61,987	61,570	59,543	59,543	59,074	58,908r	56,706	56,806
15 Nonfarm, nonresidential	52,135	52,723	51,252	51,252	50,532	50,978r	51,297	52,871
16 Farm	288	331	354	354	369	386r	399	417
17 Life insurance companies	213,137r	208,161r	206,841	206,841r	206,480r	207,730r	207,399	211,940
18 One- to four-family	8,890r	6,977r	7,187	7,187r	7,174r	7,218r	7,206	7,364
19 Multifamily	28,714r	30,750r	30,402	30,402r	31,156r	31,849r	31,661	32,354
20 Nonfarm, nonresidential	165,876r	160,314r	158,780	158,780r	157,696r	158,146r	158,032	161,492
21 Farm	9,657r	10,120r	10,472	10,472r	10,454r	10,517r	10,500	10,730
22 Federal and related agencies	308,757r	295,192r	286,167	286,167r	286,877r	287,161r	287,125	291,858
23 Government National Mortgage Association	2	2	8	8	8	8	7	7
24 One- to four-family	2	2	8	8	8	8	7	7
25 Multifamily	0	0	0	0	0	0	0	0
26 Farmers Home Administration[4]	41,791	41,596	41,195	41,195	40,972	40,921	40,907	40,851
27 One- to four-family	17,705	17,303	17,253	17,253	17,160	17,059	17,025	16,895
28 Multifamily	11,617	11,685	11,720	11,720	11,714	11,722	11,736	11,739
29 Nonfarm, nonresidential	6,248	6,841	7,370	7,370	7,369	7,497	7,566	7,705
30 Farm	6,221	5,768	4,852	4,852	4,729	4,644	4,579	4,513
31 Federal Housing and Veterans' Administrations	9,809	6,244	3,821	3,821	3,694	3,631	3,405	3,405
32 One- to four-family	5,180	3,524	1,767	1,767	1,641	1,610	1,550	1,550
33 Multifamily	4,629	2,719	2,054	2,054	2,053	2,021	1,855	1,855
34 Resolution Trust Corporation	1,864	0	0	0	0	0	0	0
35 One- to four-family	691	0	0	0	0	0	0	0
36 Multifamily	647	0	0	0	0	0	0	0
37 Nonfarm, nonresidential	525	0	0	0	0	0	0	0
38 Farm	0	0	0	0	0	0	0	0
39 Federal Deposit Insurance Corporation	4,303	2,431	724	724	786	564	482	361
40 One- to four-family	492	365	109	109	118	85	72	54
41 Multifamily	428	413	123	123	134	96	82	61
42 Nonfarm, nonresidential	3,383	1,653	492	492	534	384	328	245
43 Farm	0	0	0	0	0	0	0	0
44 Federal National Mortgage Association	178,807r	168,813r	161,308	161,308r	160,048r	159,816r	159,104	157,675
45 One- to four-family	163,648r	155,008r	149,831	149,831r	149,254r	149,383r	149,069	147,594
46 Multifamily	15,159	13,805	11,477	11,477	10,794	10,433	10,035	10,081
47 Federal Land Banks	28,428	29,602	30,657	30,657	31,005	31,352	32,009	32,473
48 One- to four-family	1,673	1,742	1,804	1,804	1,824	1,845	1,883	1,911
49 Farm	26,755	27,860	28,853	28,853	29,181	29,507	30,126	30,562
50 Federal Home Loan Mortgage Corporation	43,753	46,504	48,454	48,454	50,364	50,869	51,211	57,085
51 One- to four-family	39,901	41,758	42,629	42,629	44,440	44,597	44,254	49,106
52 Multifamily	3,852	4,746	5,825	5,825	5,924	6,272	6,957	7,979
53 Mortgage pools or trusts[5]	1,863,210	2,064,882	2,272,999	2,272,999	2,330,674	2,442,603	2,548,050	2,631,790
54 Government National Mortgage Association	472,283	506,340	536,810	536,810	533,011	537,586	541,431	537,431
55 One- to four-family	461,438	494,158	523,156	523,156	519,152	523,243	526,934	522,483
56 Multifamily	10,845	12,182	13,654	13,654	13,859	14,343	14,497	14,948
57 Federal Home Loan Mortgage Corporation	515,051	554,260	579,385	579,385	583,144	609,791	635,726	646,459
58 One- to four-family	512,238	551,513	576,846	576,846	580,715	607,469	633,124	643,465
59 Multifamily	2,813	2,747	2,539	2,539	2,429	2,322	2,602	2,994
60 Federal National Mortgage Association	582,959	650,780	709,582	709,582	730,832	761,359	798,460	834,518
61 One- to four-family	569,724	633,210	687,981	687,981	708,125	737,631	770,979	804,205
62 Multifamily	13,235	17,570	21,601	21,601	22,707	23,728	27,481	30,313
63 Farmers Home Administration[4]	11	3	2	2	2	2	2	1
64 One- to four-family	2	0	0	0	0	0	0	0
65 Multifamily	0	0	0	0	0	0	0	0
66 Nonfarm, nonresidential	5	0	0	0	0	0	0	0
67 Farm	4	3	2	2	2	2	2	1
68 Private mortgage conduits	292,906	353,499	447,219	447,219	483,685	533,865	572,431	613,382
69 One- to four-family[6]	227,800	261,900	318,000	318,000	336,824	364,316	391,736	410,900
70 Multifamily	15,584	21,967	29,264	29,264	33,477	38,144	40,893	44,690
71 Nonfarm, nonresidential	49,522	69,633	99,955	99,955	113,384	131,405	139,802	157,792
72 Farm	0	0	0	0	0	0	0	0
73 Individuals and others[7]	538,295r	586,408r	614,279	614,279r	639,117r	635,833r	651,109	665,001
74 One- to four-family	371,806r	376,039r	388,988	388,988r	409,548r	402,395r	413,480	425,836
75 Multifamily	73,528r	82,492r	90,879	90,879r	93,430r	95,534r	95,992	94,686
76 Nonfarm, nonresidential	75,154r	109,707r	115,633	115,633r	117,176r	118,633r	122,123	124,762
77 Farm	17,806r	18,169r	18,779	18,779r	18,964r	19,271r	19,514	19,717

1. 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.
4. FmHA-guaranteed securities sold to the Federal Financing Bank were reallocated from FmHA mortgage pools to FmHA mortgage holdings in 1986:Q4 because of accounting changes by the Farmers Home Administration.
5. Outstanding principal balances of mortgage-backed securities insured or guaranteed by the agency indicated.
6. Includes securitized home equity loans.
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 finance companies.

SOURCE. Based on data from various institutional and government sources. Separation of nonfarm mortgage debt by type of property, if not reported directly, and interpolations and extrapolations, when required for some quarters, are estimated in part by the Federal Reserve. Line 69 from Inside Mortgage Securities and other sources.

1.55 CONSUMER CREDIT[1]

Millions of dollars, amounts outstanding, end of period

Holder and type of credit	1996	1997	1998[r]	1998[r] Aug.	1998[r] Sept.	1998[r] Oct.	1998[r] Nov.	1998[r] Dec.	1999 Jan.
	Seasonally adjusted								
1 **Total**	**1,181,913**	**1,233,099**	**1,301,044**	**1,276,769**	**1,284,393**	**1,295,981**	**1,297,926**	**1,301,044**	**1,315,711**
2 Automobile	392,321	413,369	445,733	432,240	434,964	436,966	441,342	445,733	452,218
3 Revolving	499,486	531,140	560,240	548,158	551,520	557,441	556,280	560,240	565,942
4 Other[2]	290,105	288,590	295,071	296,371	297,908	301,575	300,304	295,071	297,552
	Not seasonally adjusted								
5 **Total**	**1,211,590**	**1,264,103**	**1,333,584**	**1,276,971**	**1,287,413**	**1,298,623**	**1,305,793**	**1,333,584**	**1,324,509**
By major holder									
6 Commercial banks	526,769	512,563	508,932	498,178	497,870	502,076	498,838	508,932	506,313
7 Finance companies	152,391	160,022	168,491	159,565	159,141	165,573	166,622	168,491	168,039
8 Credit unions	144,148	152,362	157,209	154,146	155,167	156,043	156,521	157,209	157,583
9 Savings institutions	44,711	47,172	51,611	49,648	50,307	50,966	51,625	51,611	52,047
10 Nonfinancial business[3]	77,745	78,927	74,916	65,991	65,535	65,957	66,609	74,916	70,706
11 Pools of securitized assets[4]	265,826	313,057	372,425	349,443	359,393	358,008	365,578	372,425	369,821
By major type of credit[5]									
12 Automobile	395,609	416,962	449,677	434,924	438,965	442,255	445,467	449,677	450,310
13 Commercial banks	157,047	155,254	158,072	155,508	156,287	156,788	157,126	158,072	159,886
14 Finance companies	86,690	87,015	103,094	95,257	96,183	97,637	98,954	103,094	102,814
15 Pools of securitized assets[4]	51,719	64,950	72,955	70,766	72,146	71,788	72,582	72,955	73,111
16 Revolving	522,860	555,858	586,240	544,978	548,849	555,803	558,955	586,240	574,915
17 Commercial banks	228,615	219,826	210,346	200,424	197,615	200,869	196,923	210,346	204,530
18 Finance companies	32,493	38,608	32,309	29,569	28,375	33,309	33,056	32,309	32,413
19 Nonfinancial business[3]	44,901	44,966	39,200	34,009	33,743	33,762	33,756	39,200	36,228
20 Pools of securitized assets[4]	188,712	221,465	272,327	251,165	259,348	258,139	265,311	272,327	269,902
21 Other	293,121	291,283	297,667	297,069	299,599	300,565	301,371	297,667	299,284
22 Commercial banks	141,107	137,483	140,514	142,246	143,968	144,419	144,789	140,514	141,897
23 Finance companies	33,208	34,399	33,088	34,739	34,583	34,627	34,612	33,088	32,812
24 Nonfinancial business[3]	32,844	33,961	35,716	31,982	31,792	32,195	32,853	35,716	34,478
25 Pools of securitized assets[4]	25,395	26,642	27,143	27,512	27,899	28,081	27,685	27,143	26,808

1. The Board's series on amounts of credit covers most short- and intermediate-term credit extended to individuals. Data in this table also appear in the Board's G.19 (421) monthly statistical release. For ordering address, see inside front cover.
2. Comprises mobile home loans and all other loans that are not included in automobile or revolving credit, such as loans for education, boats, trailers, or vacations. These loans may be secured or unsecured.
3. Includes retailers and gasoline companies.
4. Outstanding balances of pools upon which securities have been issued; these balances are no longer carried on the balance sheets of the loan originator.
5. Totals include estimates for certain holders for which only consumer credit totals are available.

1.56 TERMS OF CONSUMER CREDIT[1]

Percent per year except as noted

Item	1996	1997	1998	1998 July	1998 Aug.	1998 Sept.	1998 Oct.	1998 Nov.	1998 Dec.	1999 Jan.
INTEREST RATES										
Commercial banks[2]										
1 48-month new car	9.05	9.02	8.72	n.a.	8.71	n.a.	n.a.	8.62	n.a.	n.a.
2 24-month personal	13.54	13.90	13.74	n.a.	13.45	n.a.	n.a.	13.75	n.a.	n.a.
Credit card plan										
3 All accounts	15.63	15.77	15.71	n.a.	15.83	n.a.	n.a.	15.69	n.a.	n.a.
4 Accounts assessed interest	15.50	15.57	15.63	n.a.	15.85	n.a.	n.a.	15.72	n.a.	n.a.
Auto finance companies										
5 New car	9.84	7.12	6.30	6.23	6.00	5.92	6.33	6.79	6.43	6.22
6 Used car	13.53	13.27	12.64	12.51	12.68	12.65	12.58	12.41	12.31	11.81
OTHER TERMS[3]										
Maturity (months)										
7 New car	51.6	54.1	52.1	51.7	53.0	53.1	53.1	52.8	52.2	52.1
8 Used car	51.4	51.0	53.5	54.1	54.1	54.2	54.2	54.3	54.2	56.0
Loan-to-value ratio										
9 New car	91	92	92	92	93	93	92	91	91	92
10 Used car	100	99	99	100	101	101	100	100	100	99
Amount financed (dollars)										
11 New car	16,987	18,077	19,083	19,084	19,068	19,028	19,199	19,590	19,734	19,628
12 Used car	12,182	12,281	12,691	12,733	12,407	12,731	12,914	13,112	13,202	13,497

1. The Board's series on amounts of credit covers most short- and intermediate-term credit extended to individuals. 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 for only the second month of each quarter.
3. At auto finance companies.

1.57 FUNDS RAISED IN U.S. CREDIT MARKETS[1]

Billions of dollars; quarterly data at seasonally adjusted annual rates

Transaction category or sector	1993	1994	1995	1996	1997	1997			1998			
						Q2	Q3	Q4	Q1	Q2	Q3	Q4
	Nonfinancial sectors											
1 **Total net borrowing by domestic nonfinancial sectors**	**587.1**	**577.1**	**703.4**	**720.3**	**736.9**	**612.0**	**826.5**	**858.3**	**904.7**	**925.4**	**855.5**	**1,118.3**
By sector and instrument												
2 Federal government	256.1	155.9	144.4	145.0	23.1	−43.5	30.3	40.8	−30.0	−70.9	−136.5	26.9
3 Treasury securities	248.3	155.7	142.9	146.6	23.2	−43.8	31.2	39.0	−27.6	−69.4	−136.1	14.7
4 Budget agency securities and mortgages	7.8	.2	1.5	−1.6	−.1	.2	−.9	1.7	−2.4	−1.4	−.4	12.2
5 Nonfederal	331.0	421.3	558.9	575.3	713.8	655.6	796.2	817.5	934.7	996.2	991.9	1,091.4
By instrument												
6 Commercial paper	10.0	21.4	18.1	−.9	13.7	20.3	14.5	12.8	51.1	3.8	85.6	−43.0
7 Municipal securities and loans	74.8	−35.9	−48.2	2.6	71.4	59.6	88.9	103.2	116.7	100.1	83.6	87.0
8 Corporate bonds	75.2	23.3	73.3	72.5	90.7	86.1	122.9	74.4	157.2	160.8	87.1	123.8
9 Bank loans n.e.c.	6.4	75.2	101.4	63.0	106.3	114.1	29.0	138.6	−2.8	185.3	125.8	144.0
10 Other loans and advances	−18.9	34.0	67.2	36.4	66.2	20.8	78.1	142.3	84.3	34.6	73.5	117.0
11 Mortgages	122.9	178.4	208.1	313.0	312.9	295.2	412.5	308.4	471.3	446.8	453.0	596.0
12 Home	156.1	179.7	176.0	256.4	243.0	211.7	334.0	208.6	372.8	320.3	361.5	453.3
13 Multifamily residential	−4.7	.5	9.7	17.1	15.1	18.9	14.7	27.0	28.3	31.1	12.4	14.3
14 Commercial	−29.6	−4.1	20.9	36.9	51.6	60.1	60.3	69.9	66.8	89.4	74.5	123.7
15 Farm	1.0	2.2	1.6	2.6	3.2	4.5	3.5	2.9	3.4	6.0	4.6	4.7
16 Consumer credit	60.7	124.9	138.9	88.8	52.5	59.5	50.3	37.8	57.0	64.8	83.4	66.6
By borrowing sector												
17 Household	207.7	312.6	345.4	359.8	333.6	328.0	368.4	302.1	437.5	457.2	452.7	592.7
18 Nonfinancial business	57.2	155.0	265.0	222.3	324.1	285.1	355.2	423.1	402.9	460.1	466.6	423.3
19 Corporate	51.4	147.4	231.5	170.7	257.9	214.1	283.8	341.7	321.1	357.3	374.6	318.7
20 Nonfarm noncorporate	3.2	3.3	30.6	46.8	59.9	64.7	66.7	72.1	74.5	95.7	85.9	98.8
21 Farm	2.6	4.4	2.9	4.8	6.2	6.4	4.7	9.2	7.3	7.2	6.1	5.8
22 State and local government	66.2	−46.2	−51.5	−6.8	56.1	42.5	72.6	92.3	94.3	78.9	72.6	75.4
23 Foreign net borrowing in United States	69.8	−14.0	71.1	76.9	56.9	61.7	92.5	42.3	67.8	85.9	−28.0	−38.0
24 Commercial paper	−9.6	−26.1	13.5	11.3	3.7	10.4	−11.6	.7	55.3	−25.5	6.2	−4.7
25 Bonds	82.9	12.2	49.7	55.8	46.7	38.7	100.3	32.4	14.3	107.5	−35.3	−32.9
26 Bank loans n.e.c.	.7	1.4	8.5	9.1	8.5	11.5	7.3	15.7	5.2	8.4	3.6	9.9
27 Other loans and advances	−4.2	−1.5	−.5	.8	−2.0	1.2	−3.5	−6.5	−7.0	−4.4	−2.4	−10.3
28 **Total domestic plus foreign**	**656.9**	**563.1**	**774.5**	**797.3**	**793.8**	**673.7**	**919.0**	**900.5**	**972.5**	**1,011.3**	**827.5**	**1,080.3**
	Financial sectors											
29 **Total net borrowing by financial sectors**	**294.4**	**468.4**	**456.2**	**552.1**	**652.8**	**667.9**	**601.9**	**993.2**	**936.4**	**994.9**	**1,061.5**	**1,471.3**
By instrument												
30 Federal government-related	165.3	287.5	204.1	231.5	212.8	286.2	161.0	298.1	227.3	413.4	561.6	785.7
31 Government-sponsored enterprise securities	80.6	176.9	105.9	90.4	98.4	198.1	46.4	157.9	142.5	166.4	294.0	614.5
32 Mortgage pool securities	84.7	115.4	98.2	141.1	114.4	88.1	114.6	140.3	84.8	247.0	267.5	171.2
33 Loans from U.S. government	.0	−4.8	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
34 Private	129.1	180.9	252.1	320.7	440.0	381.7	440.9	695.0	709.1	581.5	499.9	685.7
35 Open market paper	−5.5	40.5	42.7	92.2	166.7	77.0	168.8	244.2	237.4	134.8	141.0	130.7
36 Corporate bonds	123.1	121.8	196.7	175.5	208.2	228.1	202.3	337.8	340.5	376.9	178.3	337.2
37 Bank loans n.e.c.	−14.4	−13.7	4.8	20.0	13.4	−2.0	25.9	26.1	78.6	−21.1	62.0	−16.3
38 Other loans and advances	22.4	22.6	3.4	27.9	35.6	63.0	37.5	61.7	32.7	76.0	82.3	173.7
39 Mortgages	3.6	9.8	4.6	5.0	16.2	15.5	6.5	25.2	19.8	14.8	36.3	60.3
By borrowing sector												
40 Commercial banking	13.4	20.1	22.5	13.0	46.1	76.4	32.5	61.0	83.5	80.0	61.7	66.5
41 Savings institutions	11.3	12.8	2.6	25.5	19.7	31.9	22.3	41.7	10.6	31.2	63.7	106.8
42 Credit unions	.2	.2	−.1	.1	.1	.2	.2	.3	.5	.2	1.0	.4
43 Life insurance companies	.2	.3	−.1	1.1	.2	.1	.2	−.3	.0	−.6	1.6	1.8
44 Government-sponsored enterprises	80.6	172.1	105.9	90.4	98.4	198.1	46.4	157.9	142.5	166.4	294.0	614.5
45 Federally related mortgage pools	84.7	115.4	98.2	141.1	114.4	88.1	114.6	140.3	84.8	247.0	267.5	171.2
46 Issuers of asset-backed securities (ABSs)	83.6	72.9	141.1	153.6	204.4	120.7	226.2	385.1	282.1	368.1	293.5	324.2
47 Finance companies	−1.4	48.7	50.2	45.9	48.7	120.5	8.9	59.6	80.1	101.8	−14.0	76.8
48 Mortgage companies	.0	−11.5	.4	12.4	−4.7	−12.2	11.4	−17.4	49.2	−48.0	2.0	2.0
49 Real estate investment trusts (REITs)	3.4	13.7	5.6	7.0	36.8	30.6	30.8	58.9	66.2	62.1	82.8	50.0
50 Brokers and dealers	12.0	.5	−5.0	−2.0	8.1	34.9	−6.9	7.0	−1.0	20.0	−2.6	12.3
51 Funding corporations	6.3	23.1	34.9	64.1	80.7	−21.5	115.3	99.2	137.9	−33.3	10.1	44.9

1.57 FUNDS RAISED IN U.S. CREDIT MARKETS[1]—Continued

Transaction category or sector	1993	1994	1995	1996	1997	1997			1998			
						Q2	Q3	Q4	Q1	Q2	Q3	Q4
	All sectors											
52 **Total net borrowing, all sectors**	**951.4**	**1,031.6**	**1,230.7**	**1,349.4**	**1,446.6**	**1,341.5**	**1,521.0**	**1,893.7**	**1,908.9**	**2,006.2**	**1,889.0**	**2,551.6**
53 Open market paper	−5.1	35.7	74.3	102.6	184.1	107.7	171.7	257.7	343.8	113.1	232.7	83.0
54 U.S. government securities	421.4	448.1	348.5	376.5	235.9	242.6	191.3	338.9	197.3	342.5	425.1	812.5
55 Municipal securities	74.8	−35.9	−48.2	2.6	71.4	59.6	88.9	103.2	116.7	100.1	83.6	87.0
56 Corporate and foreign bonds	281.2	157.3	319.6	303.8	345.7	352.9	425.5	444.6	512.0	645.3	230.1	428.1
57 Bank loans n.e.c.	−7.2	62.9	114.7	92.1	128.2	123.6	62.2	180.5	81.0	172.7	191.4	137.5
58 Other loans and advances	−.8	50.3	70.2	65.1	99.8	85.0	112.1	197.5	110.0	106.1	153.4	280.5
59 Mortgages	126.5	188.2	212.7	318.0	329.1	310.7	419.0	333.6	491.1	461.6	489.4	656.3
60 Consumer credit	60.7	124.9	138.9	88.8	52.5	59.5	50.3	37.8	57.0	64.8	83.4	66.6
	Funds raised through mutual funds and corporate equities											
61 **Total net issues**	**429.7**	**125.2**	**144.3**	**234.2**	**186.4**	**173.9**	**239.4**	**157.7**	**213.9**	**267.8**	**−118.1**	**24.8**
62 Corporate equities	137.7	24.6	−3.1	−3.4	−78.8	−76.2	−60.5	−103.3	−107.5	−115.9	−319.0	−171.4
63 Nonfinancial corporations	21.3	−44.9	−58.3	−64.2	−114.4	−100.0	−124.0	−143.3	−139.2	−129.1	−308.4	−474.4
64 Foreign shares purchased by U.S. residents	63.4	48.1	50.4	60.0	41.3	54.4	64.3	−.3	13.6	4.0	−32.9	319.1
65 Financial corporations	53.0	21.4	4.8	.8	−5.6	−30.6	−.8	40.3	18.2	9.2	22.2	−16.1
66 Mutual fund shares	292.0	100.6	147.4	237.6	265.1	250.1	299.9	261.0	321.4	383.7	200.9	196.2

1. Data in this table also appear in the Board's Z.1 (780) quarterly statistical release, tables F.2 through F.4. For ordering address, see inside front cover.

1.58 SUMMARY OF FINANCIAL TRANSACTIONS[1]

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

Transaction category or sector	1993	1994	1995	1996	1997	1997 Q2	1997 Q3	1997 Q4	1998 Q1	1998 Q2	1998 Q3	1998 Q4
NET LENDING IN CREDIT MARKETS[2]												
1 **Total net lending in credit markets**	**951.4**	**1,031.6**	**1,230.7**	**1,349.4**	**1,446.6**	**1,341.5**	**1,521.0**	**1,893.7**	**1,908.9**	**2,006.2**	**1,889.0**	**2,551.6**
2 Domestic nonfederal nonfinancial sectors	40.4	237.7	−95.6	−17.7	−106.7	−56.5	−155.3	36.4	−218.5	404.7	7.8	−173.8
3 Household	−.2	274.4	−.1	−18.4	−124.0	−72.2	−148.7	8.2	−227.5	310.1	−137.1	−174.4
4 Nonfinancial corporate business	9.1	17.7	−8.8	20.0	14.8	−28.7	31.7	−2.6	13.2	−45.6	23.3	−11.0
5 Nonfarm noncorporate business	−1.1	.6	4.7	4.4	2.7	2.7	2.8	2.9	3.0	3.2	3.3	3.4
6 State and local governments	32.6	−55.0	−91.4	−23.7	−.2	41.8	−41.0	27.9	−7.3	137.1	118.3	8.2
7 Federal government	−18.4	−27.5	−.2	−7.7	4.9	5.7	3.3	9.0	15.5	12.8	13.9	10.7
8 Rest of the world	129.3	132.3	273.9	417.3	310.1	308.5	402.9	208.7	238.6	314.2	58.6	385.1
9 Financial sectors	800.0	689.0	1,052.5	957.6	1,238.3	1,083.8	1,270.0	1,639.7	1,873.3	1,274.5	1,808.7	2,329.6
10 Monetary authority	36.2	31.5	12.7	12.3	38.3	42.9	22.9	52.9	27.4	7.7	48.3	.8
11 Commercial banking	142.2	163.4	265.9	187.5	324.3	290.0	226.2	464.9	292.9	136.1	242.6	554.6
12 U.S.-chartered banks	149.6	148.1	186.5	119.6	274.9	286.7	220.7	386.2	260.5	130.5	286.7	569.7
13 Foreign banking offices in United States	−9.8	11.2	75.4	63.3	40.2	−3.6	4.6	58.2	11.6	18.1	−53.1	−24.1
14 Bank holding companies	.0	.9	−.3	3.9	5.4	5.1	−5.0	19.4	15.3	−17.6	6.0	−7.4
15 Banks in U.S.-affiliated areas	2.4	3.3	4.2	.7	3.7	1.8	5.8	1.1	5.5	5.1	2.9	16.4
16 Savings institutions	−23.3	6.7	−7.6	19.9	−4.7	23.8	−35.3	−2.0	10.1	−1.8	33.9	101.1
17 Credit unions	21.7	28.1	16.2	25.5	16.8	25.2	13.6	7.7	16.5	22.7	20.5	28.1
18 Bank personal trusts and estates	9.5	7.1	−8.3	−7.7	7.6	10.7	7.3	8.8	2.4	3.1	2.0	3.9
19 Life insurance companies	100.4	72.0	100.0	69.6	94.3	171.3	92.9	34.1	95.7	66.5	87.8	136.6
20 Other insurance companies	27.7	24.9	21.5	22.5	25.2	28.0	32.0	34.7	23.4	−1.5	−7.7	3.0
21 Private pension funds	50.2	46.1	56.0	52.3	65.5	61.6	64.6	79.5	74.5	130.1	95.5	174.4
22 State and local government retirement funds	22.7	22.3	27.5	45.9	36.6	34.6	79.1	9.5	81.7	60.6	50.9	75.1
23 Money market mutual funds	20.4	30.0	86.5	88.8	87.5	26.1	121.5	144.2	172.0	200.1	247.5	356.4
24 Mutual funds	159.5	−7.1	52.5	48.9	80.9	90.0	108.0	61.8	143.6	152.6	93.5	98.6
25 Closed-end funds	20.0	−3.7	10.5	4.7	−3.4	−3.4	−3.4	−3.4	−2.4	−2.4	−2.4	−2.0
26 Government-sponsored enterprises	87.8	117.8	86.7	84.2	94.3	118.9	55.6	158.5	165.2	140.4	250.0	401.0
27 Federally related mortgage pools	84.7	115.4	98.2	141.1	114.4	88.1	114.6	140.3	84.8	247.0	267.5	171.2
28 Asset-backed securities issuers (ABSs)	81.0	65.8	119.3	123.4	166.0	105.9	163.7	332.2	223.0	337.0	248.0	292.9
29 Finance companies	−20.9	48.3	49.9	18.4	21.9	.9	68.3	−21.3	28.7	27.1	79.7	119.4
30 Mortgage companies	.0	−24.0	−3.4	8.2	−9.1	−24.4	82.9	−93.6	58.8	−56.4	4.5	6.0
31 Real estate investment trusts (REITs)	.6	4.7	2.2	3.8	8.8	8.4	7.2	17.6	13.2	9.3	−2.4	−10.0
32 Brokers and dealers	14.8	−44.2	90.1	−15.7	14.9	−17.4	18.0	71.7	245.8	−183.1	77.0	−230.5
33 Funding corporations	−35.1	−16.2	−23.8	24.0	58.4	2.8	30.4	141.4	115.9	−20.5	−27.9	49.1
RELATION OF LIABILITIES TO FINANCIAL ASSETS												
34 **Net flows through credit markets**	**951.4**	**1,031.6**	**1,230.7**	**1,349.4**	**1,446.6**	**1,341.5**	**1,521.0**	**1,893.7**	**1,908.9**	**2,006.2**	**1,889.0**	**2,551.6**
Other financial sources												
35 Official foreign exchange	.8	−5.8	8.8	−6.3	.7	.4	2.4	17.5	1.0	8.1	11.4	8.6
36 Special drawing rights certificates	.0	.0	2.2	−.5	−.5	.0	.0	.0	.0	.0	.0	.0
37 Treasury currency	.4	.7	.6	.1	.0	.2	1.3	−1.9	.3	.2	1.7	−2.3
38 Foreign deposits	−18.5	52.9	35.3	85.9	107.4	23.9	116.1	103.0	−45.3	89.0	87.3	36.8
39 Net interbank transactions	50.5	89.8	9.9	−51.6	−19.7	−56.3	−25.0	79.8	−107.1	46.6	14.3	−103.3
40 Checkable deposits and currency	117.3	−9.7	−12.7	15.8	41.5	50.6	−38.4	71.9	65.6	109.3	−61.7	81.3
41 Small time and savings deposits	−70.3	−39.9	96.6	97.2	97.1	34.0	47.0	155.9	154.9	36.2	115.2	313.6
42 Large time deposits	−23.5	19.6	65.6	114.0	122.5	174.7	188.4	70.7	186.2	−16.5	81.5	115.1
43 Money market fund shares	20.2	43.3	142.3	145.8	157.6	98.9	226.2	147.8	248.0	186.4	400.7	306.6
44 Security repurchase agreements	71.3	78.2	110.5	41.4	120.9	202.9	115.5	117.9	259.5	−113.6	228.6	−153.4
45 Corporate equities	137.7	24.6	−3.1	−3.4	−78.8	−76.2	−60.5	−103.3	−107.5	−115.9	−319.0	−171.4
46 Mutual fund shares	292.0	100.6	147.4	237.6	265.1	250.1	299.9	261.0	321.4	383.7	200.9	196.2
47 Trade payables	52.2	94.0	101.5	76.9	99.2	48.7	136.1	151.9	88.5	4.9	81.4	77.4
48 Security credit	61.4	−.1	26.7	52.4	111.0	124.4	91.1	116.8	165.3	128.3	179.6	−71.0
49 Life insurance reserves	37.1	35.5	45.8	44.5	54.3	62.4	63.9	37.4	49.3	38.3	31.7	49.0
50 Pension fund reserves	267.4	258.9	228.5	243.6	306.9	326.5	337.3	300.3	261.5	284.9	278.0	352.6
51 Taxes payable	11.4	2.6	6.2	16.2	14.6	14.1	30.1	−7.7	9.7	−2.7	34.0	−5.7
52 Investment in bank personal trusts	.9	17.8	4.0	−8.6	75.0	71.8	80.8	78.4	50.3	57.5	47.8	67.1
53 Noncorporate proprietors' equity	25.9	50.3	62.1	43.3	25.1	39.6	38.7	−26.8	20.2	−8.7	−43.1	15.8
54 Miscellaneous	340.9	248.3	459.0	448.8	568.9	523.0	554.3	404.1	1,206.6	224.8	637.4	556.8
55 **Total financial sources**	**2,326.3**	**2,093.3**	**2,767.8**	**2,942.6**	**3,515.4**	**3,255.0**	**3,726.3**	**3,868.4**	**4,737.4**	**3,347.3**	**3,896.7**	**4,221.6**
Liabilities not identified as assets (−)												
56 Treasury currency	−.2	−.2	−.5	−.9	−.6	−.5	.7	−2.4	−.2	−.3	1.1	−3.0
57 Foreign deposits	−5.7	43.0	25.1	59.4	107.4	10.7	93.8	148.3	−94.6	148.3	69.2	31.3
58 Net interbank liabilities	4.2	−2.7	−3.1	−3.3	−19.9	−26.7	−50.0	−33.0	30.7	11.4	19.4	−48.4
59 Security repurchase agreements	46.4	69.4	17.5	.6	65.3	168.9	23.9	190.8	115.2	−175.3	90.5	.7
60 Taxes payable	15.8	16.6	21.1	20.4	17.2	29.3	15.2	5.0	6.8	5.0	25.8	−.8
61 Miscellaneous	−169.5	−155.9	−198.5	−61.0	−228.4	−396.1	−42.4	−550.3	95.0	−75.8	−105.0	−79.1
Floats not included in assets (−)												
62 Federal government checkable deposits	−1.5	−4.8	−6.0	.5	−2.7	−8.3	10.0	−7.9	7.5	−41.7	24.1	20.4
63 Other checkable deposits	−1.3	−2.8	−3.8	−4.0	−3.9	−4.3	−3.0	−5.0	−4.0	−3.0	−3.2	−2.1
64 Trade credit	−4.0	1.5	−11.7	−26.7	21.5	−58.7	72.6	81.9	10.4	−110.7	−58.0	−30.8
65 **Total identified to sectors as assets**	**2,442.0**	**2,129.3**	**2,927.7**	**2,957.6**	**3,559.5**	**3,540.7**	**3,605.4**	**4,040.9**	**4,570.6**	**3,589.6**	**3,832.9**	**4,333.5**

1. Data in this table also appear in the Board's Z.1 (780) quarterly statistical release, tables F.1 and F.5. For ordering address, see inside front cover.

2. Excludes corporate equities and mutual fund shares.

1.59 SUMMARY OF CREDIT MARKET DEBT OUTSTANDING[1]

Billions of dollars, end of period

Transaction category or sector	1994	1995	1996	1997	1997			1998			
					Q2	Q3	Q4	Q1	Q2	Q3	Q4
	Nonfinancial sectors										
1 **Total credit market debt owed by domestic nonfinancial sectors**	**13,018.6**	**13,721.9**	**14,442.3**	**15,177.6**	**14,721.3**	**14,924.5**	**15,177.6**	**15,405.6**	**15,598.7**	**15,809.8**	**16,130.1**
By sector and instrument											
2 Federal government	3,492.3	3,636.7	3,781.8	3,804.9	3,760.6	3,771.2	3,804.9	3,830.8	3,749.0	3,720.2	3,752.2
3 Treasury securities	3,465.6	3,608.5	3,755.1	3,778.3	3,734.3	3,745.1	3,778.3	3,804.8	3,723.4	3,694.7	3,723.7
4 Budget agency securities and mortgages	26.7	28.2	26.6	26.5	26.3	26.1	26.5	25.9	25.6	25.5	28.5
5 Nonfederal	9,526.3	10,085.2	10,660.5	11,372.7	10,960.7	11,153.3	11,372.7	11,574.9	11,849.8	12,089.6	12,377.8
By instrument											
6 Commercial paper	139.2	157.4	156.4	168.6	179.3	176.6	168.6	193.1	202.5	216.9	193.0
7 Municipal securities and loans	1,341.7	1,293.5	1,296.0	1,367.5	1,326.8	1,340.2	1,367.5	1,397.1	1,429.3	1,439.9	1,464.3
8 Corporate bonds	1,253.0	1,326.3	1,398.8	1,489.5	1,440.2	1,470.9	1,489.5	1,528.8	1,569.0	1,590.8	1,621.8
9 Bank loans n.e.c.	759.9	861.3	924.3	1,030.7	995.9	995.2	1,030.7	1,032.0	1,084.4	1,107.1	1,143.7
10 Other loans and advances	669.6	736.9	773.2	839.5	788.5	802.9	839.5	866.1	873.5	886.1	916.8
11 Mortgages	4,378.9	4,587.0	4,900.1	5,212.9	5,024.9	5,140.7	5,212.9	5,321.8	5,434.4	5,561.5	5,704.7
12 Home	3,357.0	3,533.0	3,755.7	3,998.8	3,855.3	3,951.5	3,998.8	4,083.0	4,164.0	4,268.1	4,375.7
13 Multifamily residential	269.5	279.2	300.0	315.1	304.6	308.3	315.1	322.1	329.9	333.0	336.6
14 Commercial	669.5	690.3	757.2	808.8	776.3	791.3	808.8	825.5	847.9	866.5	897.4
15 Farm	83.0	84.6	87.1	90.3	88.7	89.6	90.3	91.2	92.6	93.8	95.0
16 Consumer credit	983.9	1,122.8	1,211.6	1,264.1	1,205.0	1,226.7	1,264.1	1,236.0	1,256.8	1,287.4	1,333.6
By borrowing sector											
17 Household	4,454.0	4,804.3	5,135.4	5,471.7	5,261.2	5,373.0	5,471.7	5,529.3	5,651.4	5,786.2	5,958.3
18 Nonfinancial business	3,950.6	4,210.7	4,461.7	4,781.6	4,613.5	4,684.8	4,781.6	4,901.2	5,027.6	5,124.7	5,219.8
19 Corporate	2,686.6	2,913.2	3,112.6	3,366.4	3,235.6	3,289.1	3,366.4	3,468.3	3,565.3	3,639.7	3,709.3
20 Nonfarm noncorporate	1,121.8	1,152.4	1,199.2	1,259.1	1,224.4	1,240.4	1,259.1	1,277.8	1,301.6	1,322.5	1,347.8
21 Farm	142.2	145.1	149.9	156.1	153.5	155.2	156.1	155.1	160.6	162.5	162.7
22 State and local government	1,121.7	1,070.2	1,063.4	1,119.5	1,086.1	1,095.5	1,119.5	1,144.3	1,170.8	1,178.8	1,199.8
23 **Foreign credit market debt held in United States**	**370.8**	**441.9**	**518.8**	**569.6**	**539.2**	**557.7**	**569.6**	**584.1**	**606.6**	**600.2**	**591.6**
24 Commercial paper	42.7	56.2	67.5	65.1	71.3	64.3	65.1	76.7	71.4	74.0	72.9
25 Bonds	242.3	291.9	347.7	394.4	361.2	386.3	394.4	398.0	424.9	416.0	407.8
26 Bank loans n.e.c.	26.1	34.6	43.7	52.1	46.4	48.2	52.1	53.4	55.5	56.4	58.9
27 Other loans and advances	59.8	59.3	60.0	58.0	60.3	58.9	58.0	55.9	54.8	53.8	52.0
28 **Total credit market debt owed by nonfinancial sectors, domestic and foreign**	**13,389.4**	**14,163.8**	**14,961.1**	**15,747.2**	**15,260.5**	**15,482.2**	**15,747.2**	**15,989.7**	**16,205.3**	**16,410.0**	**16,721.7**
	Financial sectors										
29 **Total credit market debt owed by financial sectors**	**3,822.2**	**4,281.0**	**4,833.2**	**5,452.9**	**5,086.3**	**5,208.3**	**5,452.9**	**5,682.0**	**5,935.5**	**6,205.7**	**6,568.9**
By instrument											
30 Federal government-related	2,172.7	2,376.8	2,608.3	2,821.0	2,706.2	2,746.5	2,821.0	2,877.9	2,981.2	3,121.6	3,318.0
31 Government-sponsored enterprise securities	700.6	806.5	896.9	995.3	944.2	955.8	995.3	1,030.9	1,072.5	1,146.0	1,299.6
32 Mortgage pool securities	1,472.1	1,570.3	1,711.4	1,825.8	1,762.1	1,790.7	1,825.8	1,847.0	1,908.7	1,975.6	2,018.4
33 Loans from U.S. government	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
34 Private	1,649.5	1,904.2	2,224.9	2,631.9	2,380.1	2,461.8	2,631.9	2,804.1	2,954.3	3,084.2	3,250.9
35 Open market paper	441.6	486.9	579.1	745.7	642.5	684.7	745.7	804.9	838.9	874.2	906.7
36 Corporate bonds	1,008.8	1,205.4	1,380.9	1,556.1	1,453.9	1,476.2	1,556.1	1,637.0	1,735.7	1,785.4	1,864.4
37 Bank loans n.e.c.	48.9	53.7	73.7	87.1	73.5	79.7	87.1	106.1	101.0	116.1	112.9
38 Other loans and advances	131.6	135.0	162.9	198.5	173.7	183.0	198.5	206.6	225.6	246.2	289.6
39 Mortgages	18.7	23.3	28.3	44.5	36.6	38.2	44.5	49.4	53.2	62.2	77.3
By borrowing sector											
40 Commercial banks	94.5	102.6	113.6	140.6	125.7	130.0	140.6	148.7	159.6	169.6	188.7
41 Bank holding companies	133.6	148.0	150.0	168.6	160.5	164.0	168.6	181.2	190.5	196.1	193.5
42 Savings institutions	112.4	115.0	140.5	160.3	144.3	149.8	160.3	162.9	170.7	186.6	213.3
43 Credit unions	.5	.4	.4	.6	.4	.5	.6	.7	.8	1.0	1.1
44 Life insurance companies	.6	.5	1.6	1.8	1.8	1.9	1.8	1.8	1.6	2.0	2.5
45 Government-sponsored enterprises	700.6	806.5	896.9	995.3	944.2	955.8	995.3	1,030.9	1,072.5	1,146.0	1,299.6
46 Federally related mortgage pools	1,472.1	1,570.3	1,711.4	1,825.8	1,762.1	1,790.7	1,825.8	1,847.0	1,908.7	1,975.6	2,018.4
47 Issuers of asset-backed securities (ABSs)	579.0	720.1	873.8	1,089.3	917.9	989.0	1,089.3	1,154.1	1,243.9	1,321.2	1,406.2
48 Brokers and dealers	34.3	29.3	27.3	35.3	35.3	33.6	35.3	35.1	40.1	39.4	42.5
49 Finance companies	433.7	483.9	529.8	554.5	557.8	532.7	554.5	571.9	596.9	589.4	615.6
50 Mortgage companies	18.7	19.1	31.5	26.8	28.3	31.2	26.8	39.1	27.1	27.6	28.1
51 Real estate investment trusts (REITs)	31.1	36.7	43.7	80.4	58.0	65.7	80.4	97.0	112.5	133.2	145.7
52 Funding corporations	211.0	248.6	312.7	373.7	350.0	363.4	373.7	411.6	410.5	417.9	413.6
	All sectors										
53 **Total credit market debt, domestic and foreign**	**17,211.6**	**18,444.9**	**19,794.3**	**21,200.2**	**20,346.8**	**20,690.5**	**21,200.2**	**21,671.7**	**22,140.8**	**22,615.8**	**23,290.6**
54 Open market paper	623.5	700.4	803.0	979.4	893.1	925.7	979.4	1,074.8	1,112.7	1,165.1	1,172.6
55 U.S. government securities	5,665.0	6,013.6	6,390.0	6,625.9	6,466.8	6,517.7	6,625.9	6,708.6	6,730.2	6,841.8	7,070.2
56 Municipal securities	1,341.7	1,293.5	1,296.0	1,367.5	1,326.8	1,340.2	1,367.5	1,397.1	1,429.3	1,439.9	1,464.3
57 Corporate and foreign bonds	2,504.0	2,823.6	3,127.5	3,440.1	3,255.3	3,333.4	3,440.1	3,563.9	3,729.6	3,792.2	3,893.9
58 Bank loans n.e.c.	834.9	949.6	1,041.7	1,169.8	1,115.8	1,123.1	1,169.8	1,191.5	1,240.9	1,279.7	1,315.5
59 Other loans and advances	860.9	931.1	996.2	1,095.9	1,022.4	1,044.9	1,095.9	1,128.7	1,153.9	1,186.1	1,258.4
60 Mortgages	4,397.6	4,610.4	4,928.4	5,257.4	5,061.5	5,178.9	5,257.4	5,371.2	5,487.5	5,623.7	5,782.0
61 Consumer credit	983.9	1,122.8	1,211.6	1,264.1	1,205.0	1,226.7	1,264.1	1,236.0	1,256.8	1,287.4	1,333.6

1. Data in this table also appear in the Board's Z.1 (780) quarterly statistical release, tables L.2 through L.4. For ordering address, see inside front cover.

1.60 SUMMARY OF FINANCIAL ASSETS AND LIABILITIES[1]

Billions of dollars except as noted, end of period

Transaction category or sector	1994	1995	1996	1997	1997			1998			
					Q2	Q3	Q4	Q1	Q2	Q3	Q4
CREDIT MARKET DEBT OUTSTANDING[2]											
1 **Total credit market assets**	**17,211.6**	**18,444.9**	**19,794.3**	**21,200.2**	**20,346.8**	**20,690.5**	**21,200.2**	**21,671.7**	**22,140.8**	**22,615.8**	**23,290.6**
2 Domestic nonfederal nonfinancial sectors	3,035.9	2,899.1	2,921.5	2,764.8	2,801.5	2,744.2	2,764.8	2,706.9	2,766.5	2,785.4	2,771.3
3 Household	1,979.2	1,937.8	1,968.9	1,794.9	1,853.2	1,798.4	1,794.9	1,756.5	1,787.4	1,770.3	1,737.7
4 Nonfinancial corporate business	289.2	280.4	291.0	305.8	281.4	290.4	305.8	289.6	280.1	287.7	302.3
5 Nonfarm noncorporate business	37.6	42.3	46.7	49.5	48.0	48.7	49.5	50.2	51.0	51.8	52.7
6 State and local governments	729.9	638.6	614.8	614.6	618.9	606.6	614.6	610.6	648.0	675.5	678.7
7 Federal government	203.4	203.2	195.5	200.4	197.3	198.2	200.4	204.3	207.5	210.9	213.6
8 Rest of the world	1,216.0	1,530.3	1,933.8	2,259.0	2,095.0	2,196.4	2,259.0	2,324.0	2,401.2	2,416.4	2,508.1
9 Financial sectors	12,756.3	13,812.3	14,743.5	15,975.9	15,252.9	15,551.8	15,975.9	16,436.5	16,765.6	17,203.0	17,797.5
10 Monetary authority	368.2	380.8	393.1	431.4	412.4	412.7	431.4	433.8	440.3	446.5	452.5
11 Commercial banking	3,254.3	3,520.1	3,707.7	4,031.9	3,856.8	3,912.9	4,031.9	4,093.3	4,136.4	4,195.7	4,337.0
12 U.S.-chartered banks	2,869.6	3,056.1	3,175.8	3,450.7	3,295.2	3,351.9	3,450.7	3,505.1	3,543.6	3,616.2	3,761.1
13 Foreign banking offices in United States	337.1	412.6	475.8	516.1	501.8	501.0	516.1	517.9	525.6	510.1	504.2
14 Bank holding companies	18.4	18.0	22.0	27.4	23.8	22.5	27.4	31.2	26.8	28.3	26.5
15 Banks in U.S.-affiliated areas	29.2	33.4	34.1	37.8	36.1	37.5	37.8	39.2	40.4	41.1	45.2
16 Savings institutions	920.8	913.3	933.2	928.5	937.8	929.0	928.5	931.0	930.6	939.0	964.3
17 Credit unions	246.8	263.0	288.5	305.3	299.9	303.9	305.3	306.7	315.1	320.8	327.2
18 Bank personal trusts and estates	248.0	239.7	232.0	239.5	235.5	237.3	239.5	240.1	240.9	241.4	242.4
19 Life insurance companies	1,487.5	1,587.5	1,657.0	1,751.3	1,723.7	1,746.7	1,751.3	1,779.1	1,796.0	1,817.6	1,847.9
20 Other insurance companies	446.4	468.7	491.2	515.3	498.6	506.6	515.3	521.1	520.8	518.9	519.6
21 Private pension funds	660.9	716.9	769.2	834.7	798.7	814.8	834.7	853.4	885.9	909.8	953.4
22 State and local government retirement funds	455.8	483.3	529.2	565.8	542.7	562.0	565.8	582.5	600.2	613.1	632.9
23 Money market mutual funds	459.0	545.5	634.3	721.9	656.5	678.7	721.9	775.0	815.9	869.9	965.9
24 Mutual funds	718.8	771.3	820.2	901.1	861.3	890.4	901.1	939.3	977.6	1,003.4	1,023.2
25 Closed-end funds	86.0	96.4	101.1	97.7	99.4	98.5	97.7	97.1	96.5	95.9	95.4
26 Government-sponsored enterprises	663.3	750.0	807.9	902.2	848.6	862.5	902.2	942.9	978.5	1,041.0	1,141.3
27 Federally related mortgage pools	1,472.1	1,570.3	1,711.4	1,825.8	1,762.1	1,790.7	1,825.8	1,847.0	1,908.7	1,975.6	2,018.4
28 Asset-backed securities issuers (ABSs)	541.7	661.0	784.4	950.4	818.9	863.3	950.4	1,000.4	1,082.4	1,148.3	1,225.6
29 Finance companies	476.2	526.2	544.5	566.4	553.1	564.4	566.4	572.0	579.0	592.7	630.2
30 Mortgage companies	36.5	33.0	41.2	32.1	34.8	55.5	32.1	46.8	32.7	33.8	35.3
31 Real estate investment trusts (REITs)	13.3	15.5	19.3	28.1	21.9	23.7	28.1	31.5	33.8	33.2	30.7
32 Brokers and dealers	93.3	183.4	167.7	182.6	160.2	164.7	182.6	244.0	198.3	217.5	159.9
33 Funding corporations	107.5	86.3	110.3	164.0	130.0	133.4	164.0	199.5	196.2	189.0	194.6
RELATION OF LIABILITIES TO FINANCIAL ASSETS											
34 **Total credit market debt**	**17,211.6**	**18,444.9**	**19,794.3**	**21,200.2**	**20,346.8**	**20,690.5**	**21,200.2**	**21,671.7**	**22,140.8**	**22,615.8**	**23,290.6**
Other liabilities											
35 Official foreign exchange	53.2	63.7	53.7	48.9	46.7	46.1	48.9	48.2	50.1	54.5	60.1
36 Special drawing rights certificates	8.0	10.2	9.7	9.2	9.2	9.2	9.2	9.2	9.2	9.2	9.2
37 Treasury currency	17.6	18.2	18.3	18.3	18.4	18.7	18.3	18.4	18.4	18.8	18.3
38 Foreign deposits	373.9	418.8	516.1	619.4	568.8	597.8	619.4	608.1	630.4	652.2	661.4
39 Net interbank liabilities	280.1	290.7	240.8	219.4	197.5	189.0	219.4	182.4	197.8	196.3	184.0
40 Checkable deposits and currency	1,242.0	1,229.3	1,245.1	1,286.6	1,265.3	1,234.2	1,286.6	1,259.4	1,321.0	1,282.7	1,335.2
41 Small time and savings deposits	2,183.2	2,279.7	2,377.0	2,474.1	2,432.3	2,438.8	2,474.1	2,525.2	2,530.8	2,554.4	2,629.1
42 Large time deposits	411.2	476.9	590.9	713.4	646.7	696.1	713.4	760.9	754.0	776.5	805.0
43 Money market fund shares	602.9	745.3	891.1	1,048.7	952.4	1,005.1	1,048.7	1,130.7	1,153.7	1,249.7	1,334.2
44 Security repurchase agreements	549.5	660.0	701.5	822.4	768.0	797.7	822.4	891.0	861.5	919.8	877.7
45 Mutual fund shares	1,477.3	1,852.8	2,342.4	2,989.4	2,717.5	2,973.6	2,989.4	3,340.2	3,439.0	3,151.9	3,626.1
46 Security credit	279.0	305.7	358.1	469.1	414.3	431.8	469.1	505.3	540.6	579.0	569.6
47 Life insurance reserves	520.3	566.2	610.6	665.0	639.6	655.6	665.0	677.3	686.9	694.8	707.0
48 Pension fund reserves	5,057.5	5,821.1	6,567.8	7,680.9	7,169.4	7,556.3	7,680.9	8,246.8	8,349.4	7,810.4	8,770.1
49 Trade payables	1,140.6	1,242.2	1,319.0	1,418.2	1,319.8	1,353.5	1,418.2	1,407.7	1,414.6	1,434.8	1,481.3
50 Taxes payable	101.4	107.6	123.8	138.3	133.9	143.1	138.3	149.5	141.4	151.7	147.2
51 Investment in bank personal trusts	699.4	803.0	871.7	1,082.8	982.9	1,058.9	1,082.8	1,179.3	1,207.2	1,112.4	1,291.0
52 Miscellaneous	5,326.6	5,693.7	6,012.0	6,461.5	6,258.4	6,449.8	6,461.5	6,746.4	6,784.3	7,042.9	6,848.0
53 **Total liabilities**	**37,535.5**	**41,029.9**	**44,643.8**	**49,365.7**	**46,888.0**	**48,346.0**	**49,365.7**	**51,357.4**	**52,230.9**	**52,307.5**	**54,644.9**
Financial assets not included in liabilities (+)											
54 Gold and special drawing rights	21.1	22.1	21.4	21.1	21.1	21.0	21.1	21.2	21.0	21.2	21.6
55 Corporate equities	6,237.9	8,331.3	10,062.4	12,776.0	11,627.0	12,649.4	12,776.0	14,397.6	14,556.1	12,758.4	15,437.7
56 Household equity in noncorporate business	3,370.5	3,578.3	3,776.1	4,097.4	3,964.4	4,030.7	4,097.4	4,108.8	4,136.2	4,153.7	4,164.4
Liabilities not identified as assets (−)											
57 Treasury currency	−5.4	−5.8	−6.7	−7.3	−6.9	−6.7	−7.3	−7.4	−7.4	−7.2	−7.9
58 Foreign deposits	325.4	360.2	431.2	534.5	478.1	501.5	534.5	510.8	547.9	565.2	573.0
59 Net interbank transactions	−6.5	−9.0	−10.6	−32.2	−8.1	−22.1	−32.2	−21.2	−17.1	−15.4	−27.0
60 Security repurchase agreements	67.8	85.3	86.0	151.2	96.6	113.1	151.2	183.5	134.4	167.4	159.0
61 Taxes payable	48.8	62.4	76.9	91.4	77.6	87.9	91.4	87.4	92.6	98.8	97.7
62 Miscellaneous	−1,046.5	−1,369.3	−1,723.8	−2,110.0	−1,687.0	−1,656.3	−2,110.0	−2,018.7	−2,007.8	−2,012.6	−2,304.1
Floats not included in assets (−)											
63 Federal government checkable deposits	3.4	3.1	−1.6	−8.1	−6.8	−7.8	−8.1	−10.4	−16.1	−12.0	−3.9
64 Other checkable deposits	38.0	34.2	30.1	26.2	27.9	19.5	26.2	21.4	24.2	15.7	23.1
65 Trade credit	−245.9	−257.6	−284.2	−273.8	−366.6	−366.2	−273.8	−323.8	−363.2	−383.7	−319.5
66 **Total identified to sectors as assets**	**47,985.7**	**54,058.1**	**59,906.5**	**67,888.3**	**63,895.6**	**66,384.2**	**67,888.3**	**71,463.4**	**72,556.7**	**70,824.6**	**76,078.2**

1. Data in this table also appear in the Board's Z.1 (780) quarterly statistical release, tables L.1 and L.5. For ordering address, see inside front cover.

2. Excludes corporate equities and mutual fund shares.

2.10 NONFINANCIAL BUSINESS ACTIVITY Selected Measures

Monthly data seasonally adjusted, and indexes 1992=100, except as noted

Measure	1996	1997	1998	1998							1999	
				June	July	Aug.	Sept.	Oct.	Nov.	Dec.[r]	Jan.	Feb.
1 **Industrial production**[1]	**119.5**	**126.8**	**131.4**	**130.6**	**130.5**	**132.4**	**131.9**	**132.4**	**132.2[r]**	**132.4**	**132.4[r]**	**132.6**
Market groupings												
2 Products, total	114.4	119.6	123.5[r]	123.6	123.3	124.9	124.1	124.9	124.5	124.4	124.5[r]	124.5
3 Final, total	115.5	121.1	125.4[r]	125.5	124.7	126.8	126.0	126.7	126.1[r]	125.8	125.8[r]	125.9
4 Consumer goods	111.3	114.1	115.2	115.1	114.0	116.1	114.8	115.2	114.8[r]	115.0	115.1[r]	115.1
5 Equipment	122.7	133.9	144.1	144.1	143.9	146.0	146.2	147.5	146.5[r]	145.3	145.1[r]	145.4
6 Intermediate	110.9	115.2	118.0	118.0	119.1	119.1	118.3	119.0	119.3[r]	120.0	120.2[r]	120.2
7 Materials	127.8	138.2	144.0	141.8	141.9	144.4	144.4	144.5	144.6[r]	145.3	145.2[r]	145.7
Industry groupings												
8 Manufacturing	121.4	129.7	135.1	133.7	133.6	135.7	135.2	136.1	136.4	136.6	136.7	136.9
9 Capacity utilization, manufacturing (percent)[2]	81.4	82.0	80.8	80.2	79.8	80.7	80.1	80.3	80.1	79.9	79.6	79.5
10 Construction contracts[3]	130.9	142.6	153.0[r]	153.0[r]	156.0[r]	155.0[r]	152.0[r]	151.0[r]	157.0[r]	159.0	151.0[r]	144.0
11 Nonagricultural employment, total[4]	117.3	120.3	123.4	123.3	123.5	123.8	123.9	124.1	124.4	124.7	124.9	125.2
12 Goods-producing, total	2.4	2.4	2.3	102.6	101.9	102.4	102.3	102.2	102.1	102.4	102.4	102.4
13 Manufacturing, total	97.4	98.2	98.5	98.9	97.9	98.4	98.4	98.1	97.8	97.7	97.6	97.3
14 Manufacturing, production workers	98.6	99.6	99.6	99.9	98.4	99.1	99.3	99.0	98.6	98.5	98.5	98.2
15 Service-producing	123.1	126.5	130.1	130.0	130.4	130.6	130.9	131.1	131.5	131.8	132.1	132.4
16 Personal income, total	165.2	174.5	183.2	182.7	183.4	184.2	184.8	185.5	187.1[r]	187.0	188.2	n.a.
17 Wages and salary disbursements	159.8	171.2	182.5[r]	181.8	182.8	184.1	184.6	185.5[r]	186.6	187.3	188.6	n.a.
18 Manufacturing	135.7	144.7	151.1	150.5	149.6	151.3	152.1	151.8[r]	151.5[r]	151.7	152.0	n.a.
19 Disposable personal income[5]	164.0	171.7	178.6	177.9	178.7	179.4	179.9	180.6[r]	182.3[r]	182.0	183.4	n.a.
20 Retail sales[5]	159.6	166.9	175.2[r]	176.0	174.8	174.9	175.6	177.7	178.9	180.9	182.8[r]	184.4
Prices[6]												
21 Consumer (1982–84=100)	156.9	160.5	163.0	163.0	163.2	163.4	163.6	164.0	164.0	163.9	164.3	164.5
22 Producer finished goods (1982=100)	131.3	131.8	130.7	130.7	131.0	130.7	130.6	131.4	130.8	131.0	131.5	130.9

1. Data in this table appear in the Board's G.17 (419) monthly statistical release. The data are also available on the Board's web site, http://www.federalreserve.gov/releases/g17. The latest historical revision of the industrial production index and the capacity utilization rates was released in November 1998. The recent annual revision is described in an article in the January 1999 issue of the *Bulletin*. For a description of the methods of estimating industrial production and capacity utilization, see "Industrial Production and Capacity Utilization: Historical Revision and Recent Developments," *Federal Reserve Bulletin*, vol. 83 (February 1997), pp. 67–92, and the references cited therein. For details about the construction of individual industrial production series, 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 Company, F.W. Dodge Division.

4. Based on data from U.S. Department of Labor, *Employment and Earnings*. Series covers employees only, excluding personnel in the armed forces.

5. Based on data from U.S. Department of Commerce, *Survey of Current Business*.

6. Based on data not seasonally adjusted. Seasonally adjusted data for changes in the price indexes can be obtained from the U.S. Department of Labor, Bureau of Labor Statistics, *Monthly Labor Review*.

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

2.11 LABOR FORCE, EMPLOYMENT, AND UNEMPLOYMENT

Thousands of persons; monthly data seasonally adjusted

Category	1996	1997	1998	1998						1999	
				July	Aug.	Sept.	Oct.	Nov.	Dec.[r]	Jan.[r]	Feb.
HOUSEHOLD SURVEY DATA[1]											
1 Civilian labor force[2]	133,943	136,297	137,673	137,407	137,481	138,081	138,116	138,193	138,547	139,347	139,271
Employment											
2 Nonagricultural industries[3]	123,264	126,159	128,085	127,753	127,772	128,348	128,300	128,765	129,304	130,097	129,817
3 Agriculture	3,443	3,399	3,378	3,423	3,492	3,470	3,558	3,348	3,222	3,299	3,328
Unemployment											
4 Number	7,236	6,739	6,210	6,231	6,217	6,263	6,258	6,080	6,021	5,950	6,127
5 Rate (percent of civilian labor force)	5.4	4.9	4.5	4.5	4.5	4.5	4.5	4.4	4.3	4.3	4.4
ESTABLISHMENT SURVEY DATA											
6 **Nonagricultural payroll employment**[4]	**119,608**	**122,690**	**125,833**	**125,869**	**126,191**	**126,363**	**126,527**	**126,804**	**127,118**	**127,335**	**127,610**
7 Manufacturing	18,495	18,657	18,716	18,594	18,693	18,692	18,633	18,573	18,559	18,542	18,492
8 Mining	580	592	575	571	571	568	564	560	557	547	537
9 Contract construction	5,418	5,686	5,965	5,970	5,989	5,981	6,012	6,051	6,153	6,167	6,239
10 Transportation and public utilities	6,253	6,395	6,551	6,550	6,570	6,579	6,595	6,604	6,627	6,641	6,656
11 Trade	28,079	28,659	29,299	29,374	29,383	29,454	29,453	29,549	29,594	29,647	29,779
12 Finance	6,911	7,091	7,341	7,370	7,372	7,393	7,417	7,441	7,458	7,481	7,488
13 Service	34,454	36,040	37,525	37,614	37,691	37,768	37,905	38,040	38,148	38,249	38,336
14 Government	19,419	19,570	19,862	19,826	19,922	19,928	19,948	19,986	20,022	20,061	20,083

1. Beginning January 1994, reflects redesign of current population survey and population controls from the 1990 census.

2. Persons sixteen years of age and older, including Resident Armed Forces. 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.

3. Includes self-employed, unpaid family, and domestic service workers.

4. 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; excludes proprietors, self-employed persons, household and unpaid family workers, and members of the armed forces. Data are adjusted to the March 1992 benchmark, and only seasonally adjusted data are available at this time.

SOURCE. Based on data from U.S. Department of Labor, *Employment and Earnings*.

2.12 OUTPUT, CAPACITY, AND CAPACITY UTILIZATION[1]

Seasonally adjusted

Series	1998				1998				1998			
	Q1	Q2	Q3	Q4[r]	Q1	Q2	Q3	Q4[r]	Q1	Q2	Q3	Q4[r]
	Output (1992=100)				Capacity (percent of 1992 output)				Capacity utilization rate (percent)[2]			
1 **Total industry**	**130.4**	**131.3**	**131.6**	**132.3**	**157.6**	**159.6**	**161.5**	**163.4**	**82.7**	**82.3**	**81.5**	**80.9**
2 Manufacturing	133.8	134.7	134.8	136.4	163.5	165.8	168.1	170.3	81.8	81.2	80.2	80.1
3 Primary processing[3]	121.2	121.1	120.2	120.6	143.0	144.0	145.1	146.1	84.8	84.1	82.9	82.5
4 Advanced processing[4]	140.1	141.4	142.1	144.3	173.5	176.4	179.2	182.0	80.8	80.2	79.3	79.3
5 Durable goods	154.4	156.1	157.9	161.1	190.2	193.9	197.5	201.1	81.2	80.5	79.9	80.1
6 Lumber and products	115.6	116.4	117.7	119.2	142.0	143.0	143.9	144.9	81.4	81.4	81.8	82.2
7 Primary metals	128.2	125.3	122.4	119.4	140.8	142.0	143.2	144.4	91.0	88.3	85.5	82.7
8 Iron and steel	128.3	124.0	118.7	112.8	140.9	142.8	144.6	146.5	91.0	86.9	82.1	77.0
9 Nonferrous	128.0	127.0	126.8	127.2	140.4	140.8	141.3	141.7	91.2	90.1	89.7	89.7
10 Industrial machinery and equipment	194.1	203.0	207.9	211.5	226.5	234.7	242.9	251.6	85.7	86.5	85.6	84.1
11 Electrical machinery	278.2	282.8	292.7	304.5	351.2	366.6	381.6	396.6	79.2	77.1	76.7	76.8
12 Motor vehicles and parts	140.8	135.3	137.2	148.6	182.8	183.9	184.9	186.0	77.0	73.6	74.2	79.9
13 Aerospace and miscellaneous transportation equipment	102.7	106.1	106.6	105.7	127.0	127.5	128.0	128.5	80.8	83.2	83.3	82.2
14 Nondurable goods	112.7	112.7	111.3	111.4	135.8	136.6	137.5	138.4	83.1	82.5	80.9	80.5
15 Textile mill products	113.6	113.2	112.1	110.2	134.8	134.9	135.1	135.2	84.3	83.9	83.0	81.5
16 Paper and products	115.5	115.0	115.0	114.3	130.6	131.6	132.5	133.4	88.5	87.4	86.8	85.7
17 Chemicals and products	116.8	116.9	114.4	114.0	147.1	148.0	148.9	149.7	79.4	79.0	76.8	76.2
18 Plastics materials	127.3	127.5	128.4	131.9	139.4	140.7	141.9	143.2	91.3	90.6	90.5	92.1
19 Petroleum products	111.6	112.0	112.7	111.9	116.2	116.5	116.8	117.1	96.1	96.1	96.5	95.6
20 Mining	107.0	105.3	103.6	101.0	119.7	119.9	120.1	120.6	89.4	87.8	86.2	83.8
21 Utilities	110.9	115.6	119.6	113.2	125.9	126.2	126.5	126.7	88.1	91.6	94.6	89.3
22 Electric	112.8	118.3	121.2	116.7	123.5	123.8	124.0	124.3	91.3	95.6	97.7	93.9

	1973	1975	Previous cycle[5]		Latest cycle[6]		1998	1998				1999	
	High	Low	High	Low	High	Low	Feb.	Sept.	Oct.	Nov.[r]	Dec.	Jan.	Feb.[p]
	Capacity utilization rate (percent)[2]												
1 **Total industry**	**89.2**	**72.6**	**87.3**	**71.1**	**85.4**	**78.1**	**82.6**	**81.3**	**81.3**	**80.8**	**80.7**	**80.4**	**80.3**
2 Manufacturing	88.5	70.5	86.9	69.0	85.7	76.6	81.8	80.1	80.3	80.1	79.9	79.6	79.5
3 Primary processing[3]	91.2	68.2	88.1	66.2	88.9	77.7	84.7	82.1	82.4	82.4	82.8	83.0	82.6
4 Advanced processing[4]	87.2	71.8	86.7	70.4	84.2	76.1	80.7	79.5	79.6	79.4	78.9	78.5	78.4
5 Durable goods	89.2	68.9	87.7	63.9	84.6	73.1	81.0	80.3	80.6	80.0	79.7	79.4	79.4
6 Lumber and products	88.7	61.2	87.9	60.8	93.6	75.5	81.9	81.1	81.6	81.6	83.5	84.1	83.2
7 Primary metals	100.2	65.9	94.2	45.1	92.7	73.7	91.0	83.7	83.7	82.2	82.1	82.6	82.4
8 Iron and steel	105.8	66.6	95.8	37.0	95.2	71.8	91.0	78.1	78.4	74.9	77.7	78.3	78.1
9 Nonferrous	90.8	59.8	91.1	60.1	89.3	74.2	91.2	90.6	90.4	91.3	87.6	88.0	87.9
10 Industrial machinery and equipment	96.0	74.3	93.2	64.0	85.4	72.3	84.9	84.5	84.9	83.9	83.4	82.7	82.6
11 Electrical machinery	89.2	64.7	89.4	71.6	84.0	75.0	79.3	77.0	77.2	76.8	76.3	76.2	76.5
12 Motor vehicles and parts	93.4	51.3	95.0	45.5	89.1	55.9	76.8	80.9	80.9	80.0	78.7	78.4	78.2
13 Aerospace and miscellaneous transportation equipment	78.4	67.6	81.9	66.6	87.3	79.2	80.8	82.6	83.3	82.3	81.1	79.9	79.4
14 Nondurable goods	87.8	71.7	87.5	76.4	87.3	80.7	83.1	80.2	80.3	80.7	80.6	80.3	80.1
15 Textile mill products	91.4	60.0	91.2	72.3	90.4	77.7	84.0	82.3	83.2	80.5	80.9	82.0	81.3
16 Paper and products	97.1	69.2	96.1	80.6	93.5	85.0	88.8	85.7	86.7	84.2	86.1	86.2	85.3
17 Chemicals and products	87.6	69.7	84.6	69.9	86.2	79.3	79.3	75.9	75.7	76.6	76.2	75.7	76.1
18 Plastics materials	102.0	50.6	90.9	63.4	97.0	74.8	91.0	87.1	89.1	94.1	93.1	91.2	90.5
19 Petroleum products	96.7	81.1	90.0	66.8	88.5	85.1	95.2	94.7	94.4	96.3	96.0	98.0	97.1
20 Mining	94.3	88.2	96.0	80.3	88.0	87.0	89.9	85.2	84.7	83.8	82.9	80.3	80.5
21 Utilities	96.2	82.9	89.1	75.9	92.6	83.4	86.6	95.0	92.0	87.3	88.7	90.4	89.8
22 Electric	99.0	82.7	88.2	78.9	95.0	87.1	90.0	98.8	96.9	92.2	92.6	93.5	93.4

1. Data in this table appear in the Board's G.17 (419) monthly statistical release. The data are also available on the Board's web site, http://www.federalreserve.gov/releases/g17. The latest historical revision of the industrial production index and the capacity utilization rates was released in November 1998. The recent annual revision is described in an article in the January 1999 issue of the *Bulletin*. For a description of the methods of estimating industrial production and capacity utilization, see "Industrial Production and Capacity Utilization: Historical Revision and Recent Developments," *Federal Reserve Bulletin*, vol. 83 (February 1997), pp. 67–92, and the references cited therein. For details about the construction of individual industrial production series, see "Industrial Production: 1989 Developments and Historical Revision," *Federal Reserve Bulletin*, vol. 76 (April 1990), pp. 187–204.

2. Capacity utilization is calculated as the ratio of the Federal Reserve's seasonally adjusted index of industrial production to the corresponding index of capacity.

3. Primary processing includes textiles; lumber; paper; industrial chemicals; synthetic materials; fertilizer materials; petroleum products; rubber and plastics; stone, clay, and glass; primary metals; and fabricated metals.

4. Advanced processing includes foods; tobacco; apparel; furniture and fixtures; printing and publishing; chemical products such as drugs and toiletries; agricultural chemicals; leather and products; machinery; transportation equipment; instruments; and miscellaneous manufactures.

5. Monthly highs, 1978–80; monthly lows, 1982.

6. Monthly highs, 1988–89; monthly lows, 1990–91.

2.13 INDUSTRIAL PRODUCTION Indexes and Gross Value[1]

Monthly data seasonally adjusted

	Group	1992 proportion	1998 avg.	1998 Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.[r]	Dec.[r]	1999 Jan.	Feb.[p]
				Index (1992 = 100)												
	MAJOR MARKETS															
1	**Total index**	**100.0**	**131.4**	**130.2**	**130.7**	**131.3**	**131.9**	**130.6**	**130.5**	**132.4**	**131.9**	**132.4**	**132.2**	**132.4**	**132.4**	**132.6**
2	Products	60.5	123.5	122.5	123.2	124.0	124.5	123.6	123.3	124.9	124.1	124.9	124.5	124.4	124.5	124.5
3	Final products	46.3	125.4	124.2	125.3	126.2	126.6	125.5	124.7	126.8	126.0	126.7	126.1	125.8	125.8	125.9
4	Consumer goods, total	29.1	115.2	115.2	115.8	116.4	116.8	115.1	114.0	116.1	114.8	115.2	114.8	115.0	115.1	115.1
5	Durable consumer goods	6.1	135.7	134.5	135.9	136.9	138.3	130.7	124.6	140.1	137.4	140.5	138.9	139.8	140.5	141.7
6	Automotive products	2.6	132.9	131.5	132.7	134.6	136.8	121.7	107.3	141.7	136.4	141.1	139.6	139.8	141.1	140.9
7	Autos and trucks	1.7	137.8	138.6	138.9	141.3	143.5	118.2	92.8	151.4	143.4	150.6	149.1	147.7	149.4	149.3
8	Autos, consumer	.9	109.2	104.8	106.5	107.4	108.4	93.8	75.8	124.4	128.3	119.9	113.7	115.5	111.7	107.0
9	Trucks, consumer	.7	166.2	170.5	169.8	173.8	177.1	142.2	110.0	178.9	161.1	181.0	183.2	179.1	185.2	188.9
10	Auto parts and allied goods	.9	125.0	120.3	122.7	123.7	126.0	125.4	125.6	127.6	125.9	127.4	125.9	128.2	128.9	128.7
11	Other	3.5	137.8	136.9	138.5	138.8	139.4	137.8	138.7	138.5	138.0	139.7	137.9	139.6	139.7	142.1
12	Appliances, televisions, and air conditioners	1.0	206.2	197.9	203.8	203.4	202.7	199.9	207.8	209.4	209.9	215.2	222.5	226.0	224.5	232.4
13	Carpeting and furniture	.8	117.1	115.8	114.3	115.9	119.1	117.0	117.3	116.7	116.3	120.3	117.5	117.1	119.5	119.3
14	Miscellaneous home goods	1.6	114.8	116.8	118.3	118.2	117.9	117.1	115.9	115.3	114.5	113.6	109.5	111.5	111.0	112.7
15	Nondurable consumer goods	23.0	110.2	110.5	110.8	111.4	111.5	111.2	111.2	110.3	109.3	109.1	109.0	109.0	109.0	108.7
16	Foods and tobacco	10.3	109.0	110.1	109.1	110.2	110.8	108.5	108.5	107.5	106.9	108.0	109.6	109.5	110.1	109.6
17	Clothing	2.4	97.8	99.3	100.4	99.9	98.8	98.8	98.4	97.7	97.1	95.4	94.5	94.6	93.9	93.4
18	Chemical products	4.5	120.5	121.2	121.3	123.2	122.5	122.8	122.2	119.0	118.0	117.2	119.3	118.7	116.8	118.2
19	Paper products	2.9	105.8	107.7	106.3	106.2	105.7	105.3	106.3	106.6	105.9	105.2	104.1	103.6	102.1	100.8
20	Energy	2.9	112.4	106.5	113.2	111.5	112.5	118.2	118.4	120.1	116.8	115.0	106.5	108.4	111.4	110.2
21	Fuels	.8	110.5	110.4	111.2	111.6	110.9	111.4	112.9	112.1	108.3	108.4	109.1	109.6	112.2	109.4
22	Residential utilities	2.1	112.6	104.0	113.7	111.0	112.9	121.2	120.7	123.7	120.7	117.8	104.5	107.1	110.5	110.0
23	Equipment	17.2	144.1	140.3	142.4	143.6	144.2	144.1	143.9	146.0	146.2	147.5	146.5	145.3	145.1	145.4
24	Business equipment	13.2	163.5	157.0	160.1	162.2	163.1	163.6	163.5	166.6	167.4	169.0	168.1	167.5	167.5	167.8
25	Information processing and related	5.4	209.9	199.2	202.3	206.0	209.2	210.3	211.8	213.1	217.3	219.0	219.7	220.5	222.4	223.9
26	Computer and office equipment	1.1	646.1	547.4	584.9	601.5	620.6	638.6	654.6	671.6	693.6	716.7	745.2	760.1	774.6	788.6
27	Industrial	4.0	140.0	136.6	139.4	139.4	138.1	142.9	144.2	142.3	139.5	141.6	139.9	140.9	139.7	138.9
28	Transit	2.5	133.7	126.8	130.3	133.6	135.5	128.2	121.9	141.6	140.1	141.6	140.5	138.9	138.2	135.6
29	Autos and trucks	1.2	124.6	120.9	121.6	123.4	125.1	108.6	91.7	136.9	135.6	136.1	136.4	136.4	135.8	132.8
30	Other	1.3	138.9	136.9	139.8	140.8	139.6	141.7	146.6	132.6	140.9	141.1	138.5	131.7	132.1	138.9
31	Defense and space equipment	3.3	75.7	76.3	75.9	75.9	76.0	75.8	76.1	76.5	75.5	76.4	75.7	74.6	74.3	75.2
32	Oil and gas well drilling	.6	134.7	157.4	155.7	147.6	147.1	136.7	131.9	127.7	123.4	119.4	115.2	103.2	99.2	97.4
33	Manufactured homes	.2	149.2	149.6	148.0	148.0	149.0	146.1	151.1	145.7	147.8	150.9	154.6	156.6	154.9	154.3
34	Intermediate products, total	14.2	118.0	117.1	116.9	117.3	118.2	118.0	119.1	119.1	118.3	119.0	119.3	120.0	120.2	120.2
35	Construction supplies	5.3	127.2	125.7	124.7	125.4	126.6	126.1	128.5	128.0	126.9	128.4	129.6	131.1	131.6	131.5
36	Business supplies	8.9	112.6	112.1	112.2	112.5	113.3	113.2	113.6	113.8	113.3	113.5	113.2	113.4	113.5	113.6
37	Materials	39.5	144.0	142.5	142.7	143.1	143.6	141.8	141.9	144.4	144.4	144.5	144.6	145.3	145.2	145.7
38	Durable goods materials	20.8	176.3	173.5	173.7	174.5	175.4	171.7	171.8	177.4	177.7	178.8	179.9	180.1	180.9	181.9
39	Durable consumer parts	4.0	144.0	144.2	143.7	144.4	147.9	131.9	129.7	149.6	147.7	146.2	145.6	144.5	142.2	143.0
40	Equipment parts	7.6	277.3	264.5	265.8	266.9	268.6	271.0	274.1	278.0	282.7	287.0	289.9	292.1	296.1	299.6
41	Other	9.2	129.0	129.7	129.7	130.3	129.6	128.3	128.1	128.3	127.7	128.4	129.3	129.3	129.8	129.9
42	Basic metal materials	3.1	121.2	125.9	123.7	123.5	123.0	120.1	120.2	121.9	118.2	118.3	117.3	116.6	117.8	117.6
43	Nondurable goods materials	8.9	113.5	114.9	114.2	114.4	114.1	113.9	114.1	113.1	112.0	111.7	112.2	112.5	112.6	112.2
44	Textile materials	1.1	108.7	111.1	110.6	110.5	111.0	110.2	110.1	107.7	107.6	108.8	103.0	102.5	101.9	102.1
45	Paper materials	1.8	116.0	117.0	116.3	116.3	115.5	117.3	117.3	116.4	115.0	115.8	112.7	114.5	114.0	113.4
46	Chemical materials	3.9	114.5	116.5	115.6	116.2	115.6	114.8	114.6	113.6	111.8	111.1	113.7	113.3	114.3	114.0
47	Other	2.1	111.4	111.4	111.0	110.9	111.2	110.6	111.7	111.6	111.5	110.4	113.2	114.1	113.0	112.4
48	Energy materials	9.7	103.6	102.8	103.7	103.8	104.3	104.8	104.8	104.4	105.2	103.7	101.5	103.3	101.5	101.7
49	Primary energy	6.3	101.3	101.4	101.0	101.3	101.0	101.8	102.9	101.2	102.3	102.6	99.8	101.4	98.1	99.0
50	Converted fuel materials	3.3	108.1	105.6	109.0	108.6	110.8	110.7	108.6	110.7	110.9	106.1	104.9	107.2	108.0	107.0
	SPECIAL AGGREGATES															
51	Total excluding autos and trucks	97.1	131.3	130.2	130.7	131.3	131.8	131.2	131.6	132.1	131.7	132.1	131.9	132.1	132.1	132.4
52	Total excluding motor vehicles and parts	95.1	130.8	129.7	130.3	130.9	131.3	131.2	131.7	131.3	131.0	131.5	131.4	131.7	131.7	132.0
53	Total excluding computer and office equipment	98.2	127.1	126.4	126.7	127.3	127.7	126.4	126.2	128.0	127.4	127.8	127.4	127.6	127.5	127.7
54	Consumer goods excluding autos and trucks	27.4	114.0	113.9	114.5	115.1	115.3	114.8	114.9	114.3	113.2	113.4	113.0	113.3	113.3	113.3
55	Consumer goods excluding energy	26.2	115.5	116.2	116.1	117.0	117.3	114.7	113.5	115.7	114.6	115.3	115.8	115.8	115.5	115.6
56	Business equipment excluding autos and trucks	12.0	167.8	161.1	164.6	166.7	167.4	170.0	171.8	169.9	171.0	172.7	171.6	171.0	171.1	171.7
57	Business equipment excluding computer and office equipment	12.1	142.4	138.7	140.8	142.3	142.6	142.7	142.2	144.8	145.1	146.2	144.6	143.8	143.4	143.4
58	Materials excluding energy	29.8	156.7	155.0	154.9	155.5	156.0	153.4	153.6	156.9	156.7	157.3	158.2	158.4	158.9	159.5

2.13 INDUSTRIAL PRODUCTION Indexes and Gross Value[1]—Continued

Group	SIC code[2]	1992 proportion	1998 avg.	1998 Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.[r]	Dec.[r]	1999 Jan.	Feb.[p]
				Index (1992 = 100)												
MAJOR INDUSTRIES																
59 **Total index**	...	**100.0**	**131.4**	**130.2**	**130.7**	**131.3**	**131.9**	**130.6**	**130.5**	**132.4**	**131.9**	**132.4**	**132.2**	**132.4**	**132.4**	**132.6**
60 Manufacturing	...	85.4	135.1	133.7	134.1	134.9	135.4	133.7	133.6	135.7	135.2	136.1	136.4	136.6	136.7	136.9
61 Primary processing	...	26.5	120.6	121.1	121.0	121.5	121.4	120.2	120.7	120.6	119.3	120.1	120.3	121.3	121.7	121.4
62 Advanced processing	...	58.9	142.1	140.0	140.6	141.6	142.3	140.4	139.9	143.3	143.2	144.2	144.6	144.3	144.1	144.7
63 Durable goods	...	45.0	157.5	154.0	155.2	156.2	157.2	154.8	154.4	159.8	159.6	161.2	161.0	161.2	161.5	162.3
64 Lumber and products	24	2.0	117.0	116.2	115.3	116.1	116.4	116.7	117.5	118.5	117.0	118.0	118.3	121.3	122.3	121.4
65 Furniture and fixtures	25	1.4	121.4	118.6	121.5	121.0	120.6	122.0	120.8	120.1	121.6	124.5	123.6	123.0	122.7	124.6
66 Stone, clay, and glass products	32	2.1	126.2	124.0	124.5	124.0	124.5	123.5	125.4	127.0	126.6	128.3	130.5	131.5	131.8	131.4
67 Primary metals	33	3.1	123.8	128.1	127.1	127.5	126.5	122.1	122.6	124.4	120.1	120.6	118.7	118.8	119.9	119.8
68 Iron and steel	331,2	1.7	121.1	128.2	127.7	126.7	125.5	119.8	120.2	122.5	113.4	114.4	109.7	114.3	115.6	115.5
69 Raw steel	331PT	.1	115.7	123.3	120.0	122.4	121.9	116.0	118.3	120.3	112.6	109.7	100.2	102.0	106.6	106.7
70 Nonferrous	333–6,9	1.4	127.1	128.0	126.4	128.4	127.6	124.9	125.4	126.7	128.1	128.0	129.3	124.2	125.0	125.0
71 Fabricated metal products	34	5.0	127.3	126.6	127.2	127.8	128.7	128.0	127.8	126.3	126.2	126.9	127.7	128.6	127.8	127.6
72 Industrial machinery and equipment	35	8.0	203.6	192.3	198.4	200.6	202.5	205.8	209.0	207.0	207.7	211.2	211.1	212.3	212.7	214.6
73 Computer and office equipment	357	1.8	649.1	552.6	589.6	605.4	623.9	641.4	657.0	673.6	695.5	718.5	746.9	761.8	776.5	790.4
74 Electrical machinery	36	7.3	291.8	278.5	278.2	280.8	282.0	285.5	289.4	290.8	297.7	302.4	304.8	306.2	309.6	314.3
75 Transportation equipment	37	9.5	123.0	121.5	122.3	123.3	125.2	114.2	108.2	130.3	127.6	128.4	127.1	125.3	124.3	123.9
76 Motor vehicles and parts	371	4.9	141.1	140.4	140.0	140.8	144.1	121.1	107.6	154.2	149.9	150.2	148.8	146.7	146.3	146.0
77 Autos and light trucks	371PT	2.6	128.5	128.2	128.8	130.9	132.7	110.1	86.9	142.0	136.5	140.4	138.1	137.3	137.9	136.9
78 Aerospace and miscellaneous transportation equipment	372–6,9	4.6	104.9	102.6	104.5	105.7	106.3	106.3	107.1	106.9	105.8	106.9	105.7	104.3	102.9	102.3
79 Instruments	38	5.4	113.0	112.5	112.8	113.0	113.8	112.4	112.6	113.0	114.2	114.6	114.1	113.9	114.9	115.9
80 Miscellaneous	39	1.3	117.7	119.9	120.0	120.1	119.1	118.5	118.5	117.7	117.0	115.9	114.1	115.4	114.7	115.6
81 Nondurable goods	...	40.4	111.9	112.8	112.4	113.0	113.0	112.0	112.1	111.3	110.6	110.9	111.6	111.7	111.6	111.4
82 Foods	20	9.4	109.6	109.9	109.7	110.3	110.7	109.2	109.0	107.9	107.7	109.1	111.3	111.0	112.0	111.4
83 Tobacco products	21	1.6	106.0	112.7	105.3	109.8	111.5	104.7	106.0	107.0	104.2	101.9	99.8	100.0	96.9	97.2
84 Textile mill products	22	1.8	112.2	113.2	112.6	113.3	114.5	112.0	113.2	111.8	111.2	112.4	108.8	109.4	110.9	109.9
85 Apparel products	23	2.2	99.2	101.1	101.6	101.0	100.4	100.5	100.1	99.2	98.3	97.3	95.5	95.3	94.4	94.3
86 Paper and products	26	3.6	115.0	115.9	115.0	115.2	115.0	114.9	115.9	115.3	113.9	115.4	112.3	115.1	115.4	114.5
87 Printing and publishing	27	6.7	105.1	106.4	105.4	105.5	105.6	105.5	105.4	104.9	104.6	104.2	105.4	105.0	103.8	103.1
88 Chemicals and products	28	9.9	115.5	116.7	116.6	117.7	116.9	116.2	115.7	114.3	113.3	113.1	114.7	114.3	113.7	114.4
89 Petroleum products	29	1.4	112.0	110.5	113.0	112.8	111.5	111.6	113.4	114.1	110.7	110.4	112.8	112.5	115.0	114.0
90 Rubber and plastic products	30	3.5	132.6	131.1	131.4	133.2	133.1	132.4	132.7	132.2	132.6	133.4	135.0	135.7	135.6	136.6
91 Leather and products	31	.3	75.3	78.3	77.9	76.3	75.8	74.5	75.3	74.0	73.5	72.8	74.3	73.0	71.0	70.8
92 Mining	...	6.9	104.1	107.5	105.8	105.7	105.4	104.7	104.6	103.7	102.4	102.0	101.1	100.0	97.0	97.4
93 Metal	10	.5	110.0	123.2	109.3	106.9	108.5	108.0	105.7	109.0	106.4	113.6	110.7	108.3	110.4	110.1
94 Coal	12	1.0	109.7	104.3	103.4	107.2	106.0	110.4	112.8	109.7	115.8	110.8	108.6	114.5	102.0	108.6
95 Oil and gas extraction	13	4.8	99.7	104.6	104.0	102.9	102.4	100.4	100.0	99.2	96.8	96.8	94.2	92.4	90.6	90.0
96 Stone and earth minerals	14	.6	124.8	123.1	120.0	123.3	124.4	125.6	125.4	124.3	120.3	118.8	132.1	127.0	126.4	124.8
97 Utilities	...	7.7	114.1	109.0	114.0	112.8	115.2	118.7	118.3	120.2	120.3	116.5	110.6	112.5	114.6	114.0
98 Electric	491,493PT	6.2	117.2	111.2	115.7	115.2	118.9	121.0	119.8	121.2	122.6	120.3	114.6	115.2	116.3	116.3
99 Gas	492,493PT	1.6	102.5	99.3	106.3	102.0	98.3	108.4	111.7	115.7	109.7	98.7	92.0	100.2	107.0	103.3
SPECIAL AGGREGATES																
100 Manufacturing excluding motor vehicles and parts	...	80.5	134.7	133.4	133.8	134.6	134.9	134.5	135.1	134.6	134.4	135.3	135.7	136.0	136.1	136.4
101 Manufacturing excluding computer and office equipment	...	83.6	130.1	129.4	129.5	130.2	130.6	128.8	128.6	130.6	130.0	130.8	130.9	131.0	131.0	131.2
102 Computers, communications equipment, and semiconductors	...	5.9	515.4	467.6	473.4	482.7	490.7	502.9	511.8	522.5	538.3	552.1	562.8	569.6	580.4	590.9
103 Manufacturing excluding computers and semiconductors	...	81.1	120.1	120.1	120.2	120.9	121.1	119.2	118.9	120.6	119.9	120.4	120.4	120.4	120.2	120.2
104 Manufacturing excluding computers, communications equipment, and semiconductors	...	79.5	118.5	118.5	118.7	119.3	119.5	117.5	117.2	119.0	118.1	118.7	118.8	118.8	118.6	118.6
				Gross value (billions of 1992 dollars, annual rates)												
Major Markets																
105 **Products, total**	...	**2,001.9**	**2,480.7**	**2,456.2**	**2,474.5**	**2,489.8**	**2,498.5**	**2,470.3**	**2,454.6**	**2,525.1**	**2,501.0**	**2,519.7**	**2,511.6**	**2,515.1**	**2,525.0**	**2,520.8**
106 Final	...	1,552.1	1,951.5	1,928.6	1,948.1	1,961.6	1,966.1	1,938.2	1,915.6	1,985.9	1,966.4	1,982.3	1,973.4	1,973.2	1,980.6	1,975.6
107 Consumer goods	...	1,049.6	1,209.4	1,210.8	1,218.7	1,224.8	1,225.2	1,201.8	1,185.0	1,227.4	1,208.2	1,217.1	1,212.6	1,216.7	1,224.5	1,219.4
108 Equipment	...	502.5	744.3	720.6	732.5	739.9	744.2	740.1	734.3	762.5	762.7	769.8	765.2	760.6	760.0	760.2
109 Intermediate	...	449.9	530.7	528.3	527.6	529.7	533.6	532.6	538.4	540.3	535.7	538.7	539.1	542.5	545.0	545.6

1. Data in this table appear in the Board's G.17 (419) monthly statistical release. The data are also available on the Board's web site, http://www.federalreserve.gov/releases/g17. The latest historical revision of the industrial production index and the capacity utilization rates was released in November 1998. The recent annual revision is described in an article in the January 1999 issue of the *Bulletin*. For a description of the methods of estimating industrial production and capacity utilization, see "Industrial Production and Capacity Utilization: Historical Revision and Recent Developments," *Federal Reserve Bulletin*, vol. 83 (February 1997), pp. 67–92, and the references cited therein. For details about the construction of individual industrial production series, 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	1996	1997	1998[r]	1998 Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.[r]	Dec.[r]	1999 Jan.
	Private residential real estate activity (thousands of units except as noted)												
New Units													
1 Permits authorized	1,426	1,441	1,604	1,517	1,543	1,517	1,581	1,618	1,544	1,690	1,656	1,729	1,778
2 One-family	1,070	1,062	1,184	1,145	1,152	1,128	1,173	1,180	1,164	1,198	1,238	1,306	1,275
3 Two-family or more	356	379	421	372	391	389	408	438	380	492	418	423	503
4 Started	1,477	1,474	1,617	1,542	1,541	1,626	1,719	1,615	1,576	1,698	1,654	1,750	1,810
5 One-family	1,161	1,134	1,271	1,235	1,221	1,274	1,306	1,264	1,251	1,298	1,375	1,383	1,398
6 Two-family or more	316	340	346	307	320	352	413	351	325	400	279	367	412
7 Under construction at end of period[1]	819[r]	834	935	911	916[r]	930	938[r]	939[r]	946[r]	968[r]	971	999	1,008
8 One-family	584	570	638	618[r]	626[r]	639	642[r]	644[r]	648[r]	659[r]	667	688	695
9 Two-family or more	235	264	297	293[r]	290	291	296[r]	295	298	309[r]	304	311	313
10 Completed	1,406[r]	1,406[r]	1,459	1,484[r]	1,457[r]	1,480[r]	1,549	1,517[r]	1,459[r]	1,455[r]	1,600	1,444	1,661
11 One-family	1,123	1,120[r]	1,149	1,175[r]	1,114[r]	1,169[r]	1,230[r]	1,183[r]	1,184[r]	1,164[r]	1,254	1,148	1,305
12 Two-family or more	283	285	311	309[r]	343[r]	311[r]	319[r]	334[r]	275[r]	291[r]	346	296	356
13 Mobile homes shipped	361	354	372	370	374	362	380	368	369	352	389	382	390
Merchant builder activity in one-family units													
14 Number sold	757	804	886	880[r]	893[r]	909[r]	883[r]	836[r]	861[r]	903[r]	985	964	899
15 Number for sale at end of period[1]	326	287	300	287[r]	287	286[r]	283[r]	285	289[r]	293	292	295	297
Price of units sold (thousands of dollars)[2]													
16 Median	140.0	146.0	152.2	148.0	153.2	148.0	149.9	154.9	155.0	154.5[r]	151.0	152.0	150.8
17 Average	166.4	176.2	181.9	176.7	183.5	175.9	179.8	186.5	182.7	182.8[r]	178.6	183.1	184.1
Existing Units (one-family)													
18 Number sold	4,087	4,215	4,785	4,770	4,770[r]	4,780[r]	4,860[r]	4,740[r]	4,710[r]	4,800[r]	4,900	5,030	5,040
Price of units sold (thousands of dollars)[2]													
19 Median	118.2	124.1	130.6	128.2	130.5	134.0	133.8	132.9	131.2	130.7	131.7	130.5	131.3
20 Average	145.5	154.2	162.9	159.7	162.3	169.2	168.4	165.9	162.9	161.8	163.9	163.0	161.8
	Value of new construction (millions of dollars)[3]												
Construction													
21 Total put in place	**581,813**	**618,051**	**654,859**	**645,974**	**635,396**	**650,341**	**658,673**	**663,300**	**670,133**	**670,218**	**671,366**	**681,103**	**692,343**
22 Private	444,743	470,969	508,889	500,078	496,495	503,592	511,514	516,601	521,050	525,106	526,070	533,124	535,584
23 Residential	255,570	265,536	295,409	289,666	288,003	291,907	299,300	300,612	304,993	306,090	305,973	310,861	314,974
24 Nonresidential	189,173	205,433	213,480	210,412	208,492	211,685	212,214	215,989	216,057	219,016	220,097	222,263	220,610
25 Industrial buildings	32,563	31,417	30,411	31,457	29,642	30,067	28,616	32,302	30,300	29,246	30,040	29,797	28,991
26 Commercial buildings	75,722	83,727	88,097	86,064	86,321	88,480	88,310	86,243	87,553	91,042	93,456	95,756	95,081
27 Other buildings	30,637	37,382	38,128	39,168	37,678	37,334	37,406	38,305	38,309	37,536	37,758	39,381	37,816
28 Public utilities and other	50,252	52,906	56,845	53,723	54,851	55,804	57,882	59,139	59,895	61,192	58,843	57,329	58,722
29 Public	137,070	147,082	145,970	145,896	138,901	146,749	147,159	146,699	149,083	145,112	145,296	147,979	156,759
30 Military	2,639	2,625	2,729	2,850	2,471	2,659	3,325	3,187	2,325	2,577	2,517	2,626	2,384
31 Highway	41,326	45,246	44,702	46,175	42,030	44,541	43,809	44,291	45,719	45,563	43,593	43,517	54,680
32 Conservation and development	5,926	5,628	5,531	4,985	5,146	5,989	5,475	5,442	5,904	5,143	5,641	5,570	5,582
33 Other	87,179	93,583	93,009	91,886	89,254	93,560	94,550	93,779	95,135	91,829	93,545	96,266	94,113

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 Census 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 19,000 jurisdictions beginning in 1994.

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, Feb. 1999[1]
	1998 Feb.	1999 Feb.	1998				1998			1999		
			Mar.	June	Sept.	Dec.	Oct.	Nov.	Dec.	Jan.	Feb.	
CONSUMER PRICES[2] (1982–84=100)												
1 **All items**	**1.4**	**1.6**	**.7**	**2.2**	**1.5**	**2.0**	**.2**	**.2**	**.1**	**.1**	**.1**	**164.5**
2 Food	1.9	2.4	1.3	2.3	2.5	2.8	.5	.1	.1	.5	.1	163.3
3 Energy items	−8.8	−5.7	−17.2	−3.4	−9.0	−5.1	.1	−.3	−1.1	−.2	.0	97.3
4 All items less food and energy	2.3	2.1	2.4	2.6	2.3	2.5	.2	.1	.3	.1	.1	175.7
5 Commodities	.4	.7	.0	1.7	1.1	2.5	.1	−.1	.6	.0	−.4	143.7
6 Services	3.1	2.8	3.5	2.8	3.0	2.5	.2	.3	.2	.2	.2	194.0
PRODUCER PRICES (1982=100)												
7 Finished goods	−1.5	.5	−2.7	−.3	.6	1.5	.3[r]	−.3[r]	.4	.5	−.4	130.9
8 Consumer foods	−.1	.2	−.9	−.6	1.8	−.3	.4	−.5[r]	.0	1.6	−1.4	133.9
9 Consumer energy	−10.9	−7.0	−25.5	−3.1	−9.2	−10.4	.8[r]	−1.2[r]	−2.3	1.8	−1.0	70.6
10 Other consumer goods	.6	3.8	4.2	1.4	3.0	8.0	.2[r]	−.1[r]	1.8	−.1	−.1	151.5
11 Capital equipment	−.7	.0	.0	−1.2	.9	.3	.1[r]	.0[r]	.0	−.1	.1	137.9
Intermediate materials												
12 Excluding foods and feeds	−1.7	−2.5	−4.1	−1.6	−2.2	−3.8	−.2	−.3	−.5	.1	−.4	121.0
13 Excluding energy	.0	−1.7	−.9	−1.2	−1.8	−2.4	−.3[r]	−.2	−.2	−.2	−.2	131.9
Crude materials												
14 Foods	−5.3	−6.0	−14.6	−3.3	−19.6	−6.2	3.2[r]	−.6[r]	−4.1	5.1	−2.8	98.8
15 Energy	−26.8	−19.4	−53.5	−14.6	−25.3	−1.3	5.5[r]	−.3[r]	−5.2	.6	−7.4	57.8
16 Other	−5.2	−13.3	−12.4	−5.8	−19.9	−24.6	−3.0[r]	−2.3[r]	−1.6	.2	1.1	130.7

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

SOURCE. U.S. Department of Labor, Bureau of Labor Statistics.

2.16 GROSS DOMESTIC PRODUCT AND INCOME

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

Account	1996	1997	1998[r]	1997	1998			
				Q4	Q1	Q2	Q3	Q4[r]
GROSS DOMESTIC PRODUCT								
1 **Total**	**7,661.6**	**8,110.9**	**8,510.7**	**8,254.5**	**8,384.2**	**8,440.6**	**8,537.9**	**8,680.0**
By source								
2 Personal consumption expenditures	5,215.7	5,493.7	5,805.6	5,593.2	5,676.5	5,773.7	5,846.7	5,925.7
3 Durable goods	643.3	673.0	722.9	682.2	705.1	720.1	718.9	747.7
4 Nondurable goods	1,539.2	1,600.6	1,662.3	1,613.2	1,633.1	1,655.2	1,670.0	1,690.7
5 Services	3,033.2	3,220.1	3,420.4	3,297.8	3,338.2	3,398.4	3,457.7	3,487.3
6 Gross private domestic investment	1,131.9	1,256.0	1,368.7	1,292.0	1,366.6	1,345.0	1,364.4	1,398.8
7 Fixed investment	1,099.8	1,188.6	1,308.5	1,220.1	1,271.1	1,305.8	1,307.5	1,349.7
8 Nonresidential	787.9	860.7	938.8	882.8	921.3	941.9	931.6	960.5
9 Structures	216.9	240.2	247.1	246.4	245.0	245.4	246.2	251.7
10 Producers' durable equipment	571.0	620.5	691.8	636.4	676.3	696.6	685.4	708.9
11 Residential structures	311.8	327.9	369.7	337.4	349.8	363.8	375.8	389.1
12 Change in business inventories	32.1	67.4	60.2	71.9	95.5	39.2	57.0	49.1
13 Nonfarm	24.5	63.1	53.5	66.9	90.5	31.5	49.3	42.5
14 Net exports of goods and services	−91.2	−93.4	−151.2	−98.8	−123.7	−159.3	−165.5	−156.3
15 Exports	873.8	965.4	959.3	988.6	973.3	949.6	936.2	978.0
16 Imports	965.0	1,058.8	1,110.5	1,087.4	1,097.1	1,108.9	1,101.7	1,134.3
17 Government consumption expenditures and gross investment	1,405.2	1,454.6	1,487.5	1,468.1	1,464.9	1,481.2	1,492.3	1,511.7
18 Federal	518.4	520.2	520.6	520.1	511.6	520.7	519.4	530.8
19 State and local	886.8	934.4	966.9	947.9	953.3	960.4	972.9	981.0
By major type of product								
20 Final sales, total	7,629.5	8,043.5	8,450.5	8,182.6	8,288.7	8,401.3	8,480.9	8,630.9
21 Goods	2,780.3	2,911.2	3,043.2	2,948.7	3,005.8	3,025.3	3,029.0	3,112.8
22 Durable	1,228.8	1,310.1	1,389.7	1,334.3	1,376.9	1,380.8	1,373.0	1,428.2
23 Nondurable	1,551.6	1,601.0	1,653.4	1,614.4	1,628.8	1,644.4	1,655.9	1,684.6
24 Services	4,179.5	4,414.1	4,640.7	4,501.2	4,538.4	4,619.5	4,678.5	4,726.5
25 Structures	669.7	718.3	766.6	732.7	744.6	756.6	773.5	791.6
26 Change in business inventories	32.1	67.4	60.2	71.9	95.5	39.2	57.0	49.1
27 Durable goods	20.8	33.6	25.9	34.0	49.9	4.5	19.5	29.7
28 Nondurable goods	11.4	33.8	34.3	37.9	45.6	34.7	37.5	19.4
MEMO								
29 **Total GDP in chained 1992 dollars**	**6,994.8**	**7,269.8**	**7,552.1**	**7,364.6**	**7,464.7**	**7,498.6**	**7,566.5**	**7,678.5**
NATIONAL INCOME								
30 **Total**	**6,256.0**	**6,646.5**	n.a.	**6,767.9**	**6,875.0**	**6,945.5**	**7,032.3**	n.a.
31 Compensation of employees	4,409.0	4,687.2	4,979.8	4,798.0	4,882.8	4,945.2	5,011.6	5,079.6
32 Wages and salaries	3,640.4	3,893.6	4,152.7	3,993.6	4,065.9	4,121.6	4,181.1	4,242.1
33 Government and government enterprises	640.9	664.2	689.3	671.4	679.5	685.8	692.7	699.3
34 Other	2,999.5	3,229.4	3,463.4	3,322.2	3,386.4	3,435.8	3,488.4	3,542.8
35 Supplement to wages and salaries	768.6	793.7	827.1	804.4	816.8	823.5	830.5	837.5
36 Employer contributions for social insurance	381.7	400.7	420.1	407.4	414.1	417.9	422.1	426.5
37 Other labor income	387.0	392.9	406.9	397.0	402.8	405.7	408.4	411.0
38 Proprietors' income[1]	527.7	551.2	576.9	558.0	564.2	571.7	576.1	595.8
39 Business and professional[1]	488.8	515.8	548.5	526.6	536.8	544.0	550.9	562.1
40 Farm[1]	38.9	35.5	28.5	31.4	27.4	27.7	25.2	33.6
41 Rental income of persons[2]	150.2	158.2	162.8	158.8	158.3	161.0	163.6	168.3
42 Corporate profits[1]	750.4	817.9	n.a.	820.8	829.2	820.6	827.0	n.a.
43 Profits before tax[3]	680.2	734.4	n.a.	736.4	719.1	723.5	720.5	n.a.
44 Inventory valuation adjustment	−1.2	6.9	n.a.	4.3	25.3	7.8	11.7	n.a.
45 Capital consumption adjustment	71.4	76.6	92.3	80.1	84.9	89.4	94.8	100.3
46 Net interest	418.6	432.0	n.a.	432.4	440.5	447.1	454.0	n.a.

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. U.S. Department of Commerce, *Survey of Current Business*.

2.17 PERSONAL INCOME AND SAVING

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

Account	1996	1997	1998[r]	1997	1998			
				Q4	Q1	Q2	Q3	Q4[r]
PERSONAL INCOME AND SAVING								
1 **Total personal income**	**6,425.2**	**6,784.0**	**7,125.1**	**6,904.9**	**7,003.9**	**7,081.9**	**7,160.8**	**7,254.0**
2 Wage and salary disbursements	3,631.1	3,889.8	4,148.7	3,989.9	4,061.9	4,117.6	4,177.1	4,238.1
3 Commodity-producing industries	909.0	975.0	1,026.9	1,003.7	1,019.0	1,023.2	1,028.0	1,037.3
4 Manufacturing	674.6	719.5	751.5	741.3	750.4	750.8	750.9	754.0
5 Distributive industries	823.3	879.8	938.4	904.5	918.9	932.2	945.8	956.9
6 Service industries	1,257.9	1,370.8	1,494.0	1,410.2	1,444.5	1,476.4	1,510.6	1,544.5
7 Government and government enterprises	640.9	664.2	689.3	671.4	679.5	685.8	692.7	699.3
8 Other labor income	387.0	392.9	406.9	397.0	402.8	405.7	408.4	411.0
9 Proprietors' income[1]	527.7	551.2	576.9	558.0	564.2	571.7	576.1	595.8
10 Business and professional[1]	488.8	515.8	548.5	526.6	536.8	544.0	550.9	562.1
11 Farm[1]	38.9	35.5	28.5	31.4	27.4	27.7	25.2	33.6
12 Rental income of persons[2]	150.2	158.2	162.8	158.8	158.3	161.0	163.6	168.3
13 Dividends	248.2	260.3	263.1	261.3	261.6	262.1	263.0	265.7
14 Personal interest income	719.4	747.3	764.8	753.0	757.0	763.0	769.2	770.1
15 Transfer payments	1,068.0	1,110.4	1,149.2	1,120.5	1,139.0	1,145.8	1,152.9	1,159.2
16 Old-age survivors, disability, and health insurance benefits	538.0	565.9	586.5	572.2	581.6	585.0	589.0	590.6
17 LESS: Personal contributions for social insurance	306.3	326.2	347.4	333.6	340.9	345.1	349.5	354.1
18 EQUALS: Personal income	6,425.2	6,784.0	7,125.1	6,904.9	7,003.9	7,081.9	7,160.8	7,254.0
19 LESS: Personal tax and nontax payments	890.5	989.0	1,098.1	1,025.5	1,066.8	1,092.9	1,108.4	1,124.4
20 EQUALS: Disposable personal income	5,534.7	5,795.1	6,027.0	5,879.4	5,937.1	5,988.9	6,052.4	6,129.6
21 LESS: Personal outlays	5,376.2	5,674.1	5,998.0	5,781.2	5,864.0	5,963.3	6,039.8	6,124.8
22 EQUALS: Personal saving	158.5	121.0	29.0	98.2	73.0	25.6	12.6	4.8
MEMO								
Per capita (chained 1992 dollars)								
23 Gross domestic product	26,335.7[r]	27,136.2	27,939.6	27,398.2	27,718.8	27,783.0	27,972.1	28,302.8
24 Personal consumption expenditures	17,893.0[r]	18,340.9	19,059.0	18,530.5	18,771.1	19,007.8	19,156.3	19,312.6
25 Disposable personal income	18,989.0	19,349.0	19,789.0	19,478.0	19,632.0	19,719.0	19,829.0	19,975.0
26 Saving rate (percent)	2.9	2.1	.5	1.7	1.2	.4	.2	.1
GROSS SAVING								
27 **Gross saving**	**1,274.5**	**1,406.3**	n.a.	**1,428.0**	**1,482.5**	**1,448.5**	**1,474.5**	n.a.
28 Gross private saving	1,114.5	1,141.6	n.a.	1,131.6	1,130.1	1,079.0	1,078.7	n.a.
29 Personal saving	158.5	121.0	29.0	98.2	73.0	25.6	12.6	4.8
30 Undistributed corporate profits[1]	262.4	296.7	n.a.	295.0	312.0	300.9	304.8	n.a.
31 Corporate inventory valuation adjustment	−1.2	6.9	n.a.	4.3	25.3	7.8	11.7	n.a.
Capital consumption allowances								
32 Corporate	452.0	477.3	500.6	487.7	492.5	497.8	503.1	508.8
33 Noncorporate	232.3	242.8	252.7	247.0	248.6	250.7	254.2	257.3
34 Gross government saving	160.0	264.7	n.a.	296.4	352.4	369.4	395.7	n.a.
35 Federal	−39.6	49.5	n.a.	72.3	128.7	143.9	161.6	n.a.
36 Consumption of fixed capital	70.6	70.6	69.7	70.2	69.9	69.5	69.6	70.0
37 Current surplus or deficit (−), national accounts	−110.3	−21.1	n.a.	2.2	58.8	74.4	92.0	n.a.
38 State and local	199.7	215.2	n.a.	224.1	223.7	225.6	234.2	n.a.
39 Consumption of fixed capital	77.1	81.1	84.9	82.7	83.5	84.3	85.4	86.6
40 Current surplus or deficit (−), national accounts	122.6	134.1	n.a.	141.4	140.2	141.3	148.7	n.a.
41 **Gross investment**	**1,242.3**	**1,350.5**	n.a.	**1,360.7**	**1,428.4**	**1,362.7**	**1,372.5**	n.a.
42 Gross private domestic investment	1,131.9	1,256.0	1,368.7	1,292.0	1,366.6	1,345.0	1,364.4	1,398.8
43 Gross government investment	229.7	235.4	237.4	236.5	237.4	232.5	239.7	239.8
44 Net foreign investment	−119.2	−140.9	n.a.	−167.8	−175.6	−214.8	−231.6	n.a.
45 **Statistical discrepancy**	**−32.2**	**−55.8**	n.a.	**−67.3**	**−54.1**	**−85.7**	**−102.0**	n.a.

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

SOURCE. U.S. Department of Commerce, *Survey of Current Business*.

3.10 U.S. INTERNATIONAL TRANSACTIONS Summary

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

Item credits or debits	1996	1997	1998	1997	1998			
				Q4	Q1	Q2	Q3	Q4^{p}
1 Balance on current account	−134,915	−155,215	−233,448	−45,043	−47,018^{r}	−56,971^{r}	−65,694	−63,765
2 Merchandise trade balance[2]	−191,337	−197,954	−247,985	−49,839	−56,033^{r}	−64,778^{r}	−64,899	−62,275
3 Merchandise exports	611,983	679,325	671,055	174,284	171,190^{r}	164,543^{r}	163,414	171,908
4 Merchandise imports	−803,320	−877,279	−919,040	−224,123	−227,223^{r}	−229,321^{r}	−228,313	−234,183
5 Military transactions, net	4,684	6,781	4,072	1,103	1,527	1,043	829	673
6 Other service transactions, net	78,079	80,967	74,799	20,277	19,134^{r}	19,500^{r}	17,573	18,592
7 Investment income, net	14,236	−5,318	−22,479	−4,247	−2,218^{r}	−3,346^{r}	−9,165	−7,754
8 U.S. government grants	−15,023	−12,090	−12,492	−5,213	−2,266	−2,063	−2,663	−5,500
9 U.S. government pensions and other transfers	−4,442	−4,193	−4,304	−1,069	−1,073^{r}	−1,073^{r}	−1,080	−1,078
10 Private remittances and other transfers	−21,112	−23,408	−25,059	−6,055	−6,089^{r}	−6,254^{r}	−6,289	−6,423
11 Change in U.S. government assets other than official reserve assets, net (increase, −)	−708	174	−836	29	−388	−433	174	−189
12 Change in U.S. official reserve assets (increase, −)	6,668	−1,010	−6,784	−4,524	−444	−1,945	−2,026	−2,369
13 Gold	0	0	0	0	0	0	0	0
14 Special drawing rights (SDRs)	370	−350	−149	−150	−182	72	188	−227
15 Reserve position in International Monetary Fund	−1,280	−3,575	−5,118	−4,221	−85	−1,031	−2,078	−1,924
16 Foreign currencies	7,578	2,915	−1,517	−153	−177	−986	−136	−218
17 Change in U.S. private assets abroad (increase, −)	−374,761	−477,666	−297,765	−118,946	−45,193^{r}	−107,786^{r}	−58,543	−86,240
18 Bank-reported claims[3]	−91,555	−147,439	−31,040	−27,539	3,074	−24,615	−31,996	22,497
19 Nonbank-reported claims	−86,333	−120,403	−45,440	−47,907	−6,596	−14,327	−20,320	...
20 U.S. purchases of foreign securities, net	−115,801	−87,981	−89,352	−8,030	−6,973	−27,878	17,056	−71,557
21 U.S. direct investments abroad, net	−81,072	−121,843	−131,933	−35,470	−34,698^{r}	−40,966^{r}	−23,283	−32,983
22 Change in foreign official assets in United States (increase, +)	127,344	15,817	−22,112	−26,979	11,324	−10,274	−46,347	23,185
23 U.S. Treasury securities	115,671	−7,270	−9,946	−24,578	11,336	−20,318	−32,811	31,847
24 Other U.S. government obligations	5,008	4,334	6,332	86	2,610	254	1,906	1,562
25 Other U.S. government liabilities[4]	−362	−2,521	−2,506	−244	−1,059	−422	−264	−761
26 Other U.S. liabilities reported by U.S. banks[3]	5,704	21,928	−12,515	−3,250	−607	9,380	−12,684	−8,604
27 Other foreign official assets[5]	1,323	−654	−3,477	1,007	−956	832	−2,494	−859
28 Change in foreign private assets in United States (increase, +)	436,013	717,624	564,594	247,470	84,313^{r}	175,241^{r}	145,089	159,951
29 U.S. bank-reported liabilities[3]	16,478	148,059	42,568	89,643	−50,497	37,670	76,993	−21,598
30 U.S. nonbank-reported liabilities	39,404	107,779	43,803	47,390	32,707	18,040	11,875	...
31 Foreign private purchases of U.S. Treasury securities, net	154,996	146,710	48,060	35,301	−1,701	26,916	−1,438	24,283
32 U.S. currency flows	17,362	24,782	16,622	9,900	746	2,349	7,277	6,250
33 Foreign purchases of other U.S. securities, net	130,151	196,845	217,312	36,783	77,019	71,017	20,041	49,235
34 Foreign direct investments in United States, net	77,622	93,449	196,229	28,453	26,039^{r}	19,249^{r}	30,341	120,600
35 Allocation of special drawing rights	0	0	0	0	0	0	0	0
36 Discrepancy	−59,641	−99,724	−3,649	−52,007	−2,594^{r}	2,168^{r}	27,347	−30,573
37 Due to seasonal adjustment	...	...	...	3,528	6,769^{r}	2,024^{r}	−10,195	1,399
38 Before seasonal adjustment	−59,641	−99,724	−3,649	−55,535	−9,363	144	37,542	−31,972
MEMO								
Changes in official assets								
39 U.S. official reserve assets (increase, −)	6,668	−1,010	−6,784	−4,524	−444	−1,945	−2,026	−2,369
40 Foreign official assets in United States, excluding line 25 (increase, +)	127,706	18,338	−19,606	−26,735	12,383	−9,852	−46,083	23,946
41 Change in Organization of Petroleum Exporting Countries official assets in United States (part of line 22)	14,911	10,822	...	−1,282	−968	−494	−9,647	3,598

1. Seasonal factors are not calculated for lines 12–16, 18–20, 22–34, and 38–40.
2. Data are on an international accounts 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 5.
3. Reporting banks include all types of depository institutions 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. U.S. Department of Commerce, Bureau of Economic Analysis, *Survey of Current Business*.

3.11 U.S. FOREIGN TRADE[1]

Millions of dollars; monthly data seasonally adjusted

Item	1996	1997	1998[r]	1998[r]						1999
				July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.[p]
1 Goods and services, balance	−108,574	−110,207	−169,288	−15,172	−16,733	−14,595	−13,963	−15,165	−14,055	−16,991
2 Merchandise	−191,337	−197,955	−248,159	−21,141	−22,847	−20,914	−20,280	−21,669	−20,499	−23,421
3 Services	82,763	87,748	78,871	5,969	6,114	6,319	6,317	6,504	6,444	6,430
4 Goods and services, exports	850,775	937,593	931,026	74,928	74,986	77,443	80,415	78,942	77,873	76,773
5 Merchandise	611,983	679,325	670,641	53,733	53,769	55,912	58,246	57,110	56,133	54,830
6 Services	238,792	258,268	260,385	21,195	21,217	21,531	22,169	21,832	21,740	21,943
7 Goods and services, imports	−959,349	−1,047,799	−1,100,314	−90,100	−91,719	−92,038	−94,378	−94,107	−91,928	−93,764
8 Merchandise	−803,320	−877,279	−918,800	−74,874	−76,616	−76,826	−78,526	−78,779	−76,632	−78,251
9 Services	−156,029	−170,520	−181,514	−15,226	−15,103	−15,212	−15,852	−15,328	−15,296	−15,513

1. Data show monthly values consistent with quarterly figures in the U.S. balance of payments accounts.

SOURCE. *FT900,* U.S. Department of Commerce, Bureau of the Census and Bureau of Economic Analysis.

3.12 U.S. RESERVE ASSETS

Millions of dollars, end of period

Asset	1995	1996	1997	1998						1999	
				July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.[p]
1 **Total**	**85,832**	**75,090**	**69,954**	**72,264**	**73,544**	**75,66**	**79,183**	**77,683**	**81,755**	**80,675**	**75,322**
2 Gold stock, including Exchange Stabilization Fund[1]	11,050	11,049	11,050	11,046	11,046	11,044	11,041	11,041	11,041	11,046	11,048
3 Special drawing rights[2,3]	11,037	10,312	10,027	9,586	9,891	10,106	10,379	10,393	10,603	10,465	9,474
4 Reserve position in International Monetary Fund[2]	14,649	15,435	18,071	20,780	21,161	21,644	22,278	22,049	24,111	24,129	24,283
5 Foreign currencies[4]	49,096	38,294	30,809	30,852	31,446	32,882	35,485	34,200	36,001	35,035	30,517

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, line 3. Gold stock is valued at $42.22 per fine troy ounce.
2. Special drawing rights (SDRs) 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, sixteen currencies were used; since January 1981, five 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 of SDRs by the International Monetary Fund on Jan. 1 of the year indicated, as follows: 1970—$867 million; 1971—$717 million; 1972—$710 million; 1979—$1,139 million; 1980—$1,152 million; 1981—$1,093 million; plus net transactions in SDRs.
4. Valued at current market exchange rates.

3.13 FOREIGN OFFICIAL ASSETS HELD AT FEDERAL RESERVE BANKS[1]

Millions of dollars, end of period

Asset	1995	1996	1997	1998						1999	
				July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.[p]
1 **Deposits**	**386**	**167**	**457**	**161**	**161**	**347**	**154**	**211**	**167**	**233**	**200**
Held in custody											
2 U.S. Treasury securities[2]	522,170	638,049	620,885	613,893	588,337	578,403	588,768	608,060	607,574	612,670	615,139
3 Earmarked gold[3]	11,702	11,197	10,763	10,586	10,510	10,457	10,403	10,355	10,343	10,343	10,347

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, in each case measured at face (not market) value.
3. Held in foreign and international accounts and valued at $42.22 per fine troy ounce; not included in the gold stock of the United States.

3.15 SELECTED U.S. LIABILITIES TO FOREIGN OFFICIAL INSTITUTIONS

Millions of dollars, end of period

Item	1996	1997	1998 July	1998 Aug.	1998 Sept.	1998 Oct.	1998 Nov.	1998 Dec.	1999 Jan.[p]
1 **Total**[1]	**758,624**	**778,596**	**775,372**	**760,864**	**735,121**	**747,243**	**753,573[r]**	**760,036**	**763,946**
By type									
2 Liabilities reported by banks in the United States[2]	113,098	135,384	142,375	144,120	131,551	134,822	125,132[r]	123,915	121,401
3 U.S. Treasury bills and certificates[3]	198,921	148,301	131,089	130,398	128,146	128,598	133,702	134,152	136,907
U.S. Treasury bonds and notes									
4 Marketable	379,497	423,456	428,685	411,765	401,461	410,462	422,305	427,579	430,038
5 Nonmarketable[4]	5,968	5,994	6,269	6,311	6,350	5,997	6,035	6,074	6,113
6 U.S. securities other than U.S. Treasury securities[5]	61,140	65,461	66,954	68,270	67,613	67,364	66,399	68,316	69,487
By area									
7 Europe[1]	257,915	263,221	270,355	266,600	258,234	270,630	271,960	266,958	269,457
8 Canada	21,295	18,749	19,963	16,387	16,170	17,216	19,457	19,287	20,043
9 Latin America and Caribbean	80,623	97,616	100,901	98,480	79,838	78,143	77,433	80,091	74,623
10 Asia	385,484	382,363	367,687	363,902	365,631	367,784	371,578	380,947	386,838
11 Africa	7,379	10,118	11,904	11,501	11,721	11,113	10,221	10,196	10,281
12 Other countries	5,926	6,527	4,560	3,992	3,525	2,355	2,922[r]	2,555	2,702

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 and Treasury bills issued to official institutions of foreign countries.
4. Excludes notes issued to foreign official nonreserve agencies. Includes current value of zero-coupon Treasury bond issues to foreign governments as follows: Mexico, beginning March 1988, 20-year maturity issue and beginning March 1990, 30-year maturity issue; Venezuela, beginning December 1990, 30-year maturity issue; Argentina, beginning April 1993, 30-year maturity issue.
5. Debt securities of U.S. government corporations and federally sponsored agencies, and U.S. corporate stocks and bonds.

SOURCE. Based on U.S. Department of the Treasury data and on data reported to the department by banks (including Federal Reserve Banks) and securities dealers in the United States, and on the 1989 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[1] Payable in Foreign Currencies

Millions of dollars, end of period

Item	1995	1996	1997	1998 Mar.	1998 June	1998 Sept.[r]	1998 Dec.
1 Banks' liabilities	109,713	103,383	117,524	100,708[r]	87,889	92,934	101,125
2 Banks' claims	74,016	66,018	83,038	82,209	68,286	67,901	74,013
3 Deposits	22,696	22,467	28,661	28,127	27,387	27,293	41,846
4 Other claims	51,320	43,551	54,377	54,082	40,899	40,608	32,167
5 Claims of banks' domestic customers[2]	6,145	10,978	8,191	7,926	7,354	8,453	29,975

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

3.17 LIABILITIES TO FOREIGNERS Reported by Banks in the United States[1]
Payable in U.S. dollars

Millions of dollars, end of period

Item	1996	1997	1998[r]	1998						1999
				July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.[p]
BY HOLDER AND TYPE OF LIABILITY										
1 **Total, all foreigners**	**1,162,148**	**1,283,787**	**1,347,347**	**1,306,155**	**1,341,295**	**1,350,292**	**1,371,998**	**1,346,154**	**1,347,347**	**1,336,255**
2 Banks' own liabilities	758,998	883,740	885,468	896,972	928,182	917,008	911,258	880,616	885,468	870,360
3 Demand deposits	27,034	32,104	29,276	30,928	33,038	33,547	32,071	32,104	29,276	33,160
4 Time deposits[2]	186,910	198,546	151,591	188,056	183,556	174,173	158,664	149,746	151,591	147,389
5 Other[3]	143,510	168,011	140,779	192,536	190,542	165,205	153,269	143,341	140,779	143,640
6 Own foreign offices[4]	401,544	485,079	563,822	485,452	521,046	544,083	567,254	555,425	563,822	546,171
7 Banks' custodial liabilities[5]	403,150	400,047	461,879	409,183	413,113	433,284	460,740	465,538	461,879	465,895
8 U.S. Treasury bills and certificates[6]	236,874	193,239	183,386	164,274	162,235	160,598	168,764	182,917	183,386	190,254
9 Other negotiable and readily transferable instruments[7]	72,011	93,641	140,788	117,433	123,378	142,169	151,239	142,399	140,788	138,211
10 Other	94,265	113,167	137,705	127,476	127,500	130,517	140,737	140,222	137,705	137,430
11 Nonmonetary international and regional organizations[8]	13,972	11,690	11,759	14,314	15,188	15,215	12,810	13,207	11,759	12,226
12 Banks' own liabilities	13,355	11,486	10,776	12,188	13,684	13,862	11,644	12,267	10,776	11,216
13 Demand deposits	29	16	72	19	59	408	97	234	72	62
14 Time deposits[2]	5,784	5,466	5,793	6,354	6,252	5,763	5,418	5,802	5,793	6,136
15 Other[3]	7,542	6,004	4,911	5,815	7,373	7,691	6,129	6,231	4,911	5,018
16 Banks' custodial liabilities[5]	617	204	983	2,126	1,504	1,353	1,166	940	983	1,010
17 U.S. Treasury bills and certificates[6]	352	69	636	349	490	435	509	570	636	623
18 Other negotiable and readily transferable instruments[7]	265	133	347	1,777	1,012	818	657	370	347	387
19 Other	0	2	0	0	2	100	0	0	0	0
20 Official institutions[9]	312,019	283,685	258,067	273,464	274,518	259,697	263,420	258,834[r]	258,067	258,308
21 Banks' own liabilities	79,406	102,028	79,149	102,275	101,608	85,310	84,826	79,450	79,149	75,943
22 Demand deposits	1,511	2,314	2,787	3,560	3,456	3,607	3,325	2,744	2,787	3,180
23 Time deposits[2]	33,336	41,396	28,947	36,333	35,578	28,076	26,148	25,659	28,947	24,341
24 Other[3]	44,559	58,318	47,415	62,382	62,574	53,627	55,353	51,047	47,415	48,422
25 Banks' custodial liabilities[5]	232,613	181,657	178,918	171,189	172,910	174,387	178,594	179,384[r]	178,918	182,365
26 U.S. Treasury bills and certificates[6]	198,921	148,301	134,152	131,089	130,398	128,146	128,598	133,702	134,152	136,907
27 Other negotiable and readily transferable instruments[7]	33,266	33,151	44,092	39,792	41,759	45,684	49,691	45,213[r]	44,092	44,870
28 Other	426	205	674	308	753	557	305	469	674	588
29 Banks[10]	694,835	816,007	886,375	824,652	852,890	876,463	898,909	885,767[r]	886,375	866,373
30 Banks' own liabilities	562,898	642,207	677,219	643,722	673,127	687,824	690,862	673,486	677,219	657,605
31 Unaffiliated foreign banks	161,354	157,128	113,397	158,270	152,081	143,741	123,608	118,061	113,397	111,434
32 Demand deposits	13,692	17,527	14,107	15,097	16,063	15,799	15,802	15,119	14,107	15,453
33 Time deposits[2]	89,765	83,433	46,273	78,252	74,201	71,259	56,193	51,352	46,273	46,539
34 Other[3]	57,897	56,168	53,017	64,921	61,817	56,683	51,613	51,590	53,017	49,442
35 Own foreign offices[4]	401,544	485,079	563,822	485,452	521,046	544,083	567,254	555,425	563,822	546,171
36 Banks' custodial liabilities[5]	131,937	173,800	209,156	180,930	179,763	188,639	208,047	212,281[r]	209,156	208,768
37 U.S. Treasury bills and certificates[6]	23,106	31,915	35,466	22,929	20,696	21,563	27,556	35,213	35,466	35,564
38 Other negotiable and readily transferable instruments[7]	17,027	35,393	45,102	39,203	40,180	44,807	48,240	45,132[r]	45,102	44,573
39 Other	91,804	106,492	128,588	118,798	118,887	122,269	132,251	131,936	128,588	128,631
40 Other foreigners	141,322	172,405	191,146	193,725	198,699	198,917	196,859	188,346	191,146	199,348
41 Banks' own liabilities	103,339	128,019	118,324	138,787	139,763	130,012	123,926	115,413	118,324	125,596
42 Demand deposits	11,802	12,247	12,310	12,252	13,460	13,733	12,847	14,007	12,310	14,465
43 Time deposits[2]	58,025	68,251	70,578	67,117	67,525	69,075	70,905	66,933	70,578	70,373
44 Other[3]	33,512	47,521	35,436	59,418	58,778	47,204	40,174	34,473	35,436	40,758
45 Banks' custodial liabilities[5]	37,983	44,386	72,822	54,938	58,936	68,905	72,933	72,933	72,822	73,752
46 U.S. Treasury bills and certificates[6]	14,495	12,954	13,132	9,907	10,651	10,454	12,101	13,432	13,132	17,160
47 Other negotiable and readily transferable instruments[7]	21,453	24,964	51,247	36,661	40,427	50,860	52,651	51,684	51,247	48,381
48 Other	2,035	6,468	8,443	8,370	7,858	7,591	8,181	7,817	8,443	8,211
MEMO										
49 Negotiable time certificates of deposit in custody for foreigners	14,573	16,083	26,971	22,847	25,867	27,391	29,933	28,793	26,971	25,777

1. Reporting banks include all types of depository institutions as well as some brokers and dealers. Excludes bonds and notes of maturities longer than one year.
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 owed to own foreign branches and foreign subsidiaries consolidated in quarterly Consolidated Reports of Condition filed with bank regulatory agencies. For agencies, branches, and majority-owned subsidiaries of foreign banks, consists principally of amounts owed to the head office or parent foreign bank, and to foreign branches, agencies, or wholly owned subsidiaries of the 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 for foreign customers.
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, the Inter-American Development Bank, and the Asian Development Bank. Excludes "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 LIABILITIES TO FOREIGNERS Reported by Banks in the United States[1]—Continued

Item	1996	1997	1998[r]	1998						1999
				July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.[p]
AREA										
50 **Total, all foreigners**	**1,162,148**	**1,283,787**	**1,347,347**	**1,306,155**	**1,341,295**	**1,350,292**	**1,371,998**	**1,346,154**	**1,347,347**	**1,336,255**
51 **Foreign countries**	**1,148,176**	**1,272,097**	**1,335,588**	**1,291,841**	**1,326,107**	**1,335,077**	**1,359,188**	**1,332,947**	**1,335,588**	**1,324,029**
52 Europe	376,590	420,432	427,380	431,783	457,537	450,587	451,350	449,567	427,380	429,596
53 Austria	5,128	2,717	3,181	2,602	2,671	3,137	2,799	2,824	3,181	2,902
54 Belgium and Luxembourg	24,084	41,007	42,819	33,845	35,086	33,934	39,911	42,014	42,819	38,897
55 Denmark	2,565	1,514	1,438	2,013	2,128	1,578	1,813	1,675	1,438	1,200
56 Finland	1,958	2,246	1,862	1,211	1,350	1,181	1,193	1,706	1,862	1,989
57 France	35,078	46,607	44,630	47,140	48,328	50,405	47,348	48,169	44,630	44,453
58 Germany	24,660	23,737	21,357	23,730	28,751	25,811	22,024	22,606	21,357	20,315
59 Greece	1,835	1,552	2,066	2,784	2,941	2,544	2,901	2,444	2,066	2,199
60 Italy	10,946	11,378	7,103	11,114	10,625	9,183	7,124	6,378	7,103	6,155
61 Netherlands	11,110	7,385	10,795	7,097	9,239	8,066	7,251	9,298	10,795	10,585
62 Norway	1,288	317	710	1,179	1,469	688	1,149	797	710	1,068
63 Portugal	3,562	2,262	3,235	2,823	2,424	2,292	2,377	2,400	3,235	2,543
64 Russia	7,623	7,968	2,442	6,398	2,718	3,085	3,735	2,698	2,442	2,231
65 Spain	17,707	18,989	15,775	12,079	14,283	20,485	26,569	27,017	15,775	12,842
66 Sweden	1,623	1,628	3,027	2,198	1,769	3,285	3,257	3,857	3,027	3,135
67 Switzerland	44,538	39,023	50,654	44,676	39,362	48,393	47,332	50,167	50,654	59,870
68 Turkey	6,738	4,054	4,286	5,077	4,317	4,264	4,105	3,842	4,286	5,102
69 United Kingdom	153,420	181,904	181,541	196,859	219,197	204,915	202,536	195,099	181,541	177,179
70 Yugoslavia[11]	206	239	258	322	242	253	362	271	258	275
71 Other Europe and other former U.S.S.R.[12]	22,521	25,905	30,201	28,636	30,637	27,088	27,564	26,305	30,201	36,656
72 Canada	38,920	28,341	30,212	29,526	27,844	28,701	31,278	29,249	30,212	29,725
73 Latin America and Caribbean	467,529	536,393	555,707	564,055	556,699	561,502	575,837	545,251	555,707	540,682
74 Argentina	13,877	20,199	19,013	21,010	21,655	18,384	17,706	18,892	19,013	17,302
75 Bahamas	88,895	112,217	118,085	115,309	113,543	124,249	128,893	115,598	118,085	121,601
76 Bermuda	5,527	6,911	6,839	7,216	7,332	7,920	7,247	7,241	6,839	8,969
77 Brazil	27,701	31,037	15,800	34,292	27,824	18,453	17,308	13,370	15,800	12,284
78 British West Indies	251,465	276,418	303,443	290,009	291,098	298,697	310,058	298,260	303,443	287,236
79 Chile	2,915	4,072	5,010	4,987	4,726	5,725	5,598	4,778	5,010	5,318
80 Colombia	3,256	3,652	4,616	4,023	4,102	4,475	4,888	4,124	4,616	4,525
81 Cuba	21	66	62	63	62	62	57	63	62	64
82 Ecuador	1,767	2,078	1,573	1,772	1,608	1,540	1,679	1,510	1,573	1,508
83 Guatemala	1,282	1,494	1,334	1,273	1,237	1,241	1,232	1,204	1,334	1,209
84 Jamaica	628	450	539	519	550	541	578	524	539	563
85 Mexico	31,240	33,972	37,148	38,554	38,087	35,681	38,058	36,720	37,148	35,965
86 Netherlands Antilles	6,099	5,085	5,010	8,922	8,340	8,588	6,255	6,009	5,010	5,676
87 Panama	4,099	4,241	3,864	3,596	3,675	3,826	3,793	3,774	3,864	4,481
88 Peru	834	893	840	984	900	843	799	814	840	862
89 Uruguay	1,890	2,382	2,486	2,097	2,091	2,276	2,223	2,199	2,486	2,340
90 Venezuela	17,363	21,601	19,894	19,492	20,125	19,180	19,662	19,631	19,894	20,322
91 Other	8,670	9,625	10,151	9,937	9,744	9,821	9,803	10,540	10,151	10,457
92 Asia	249,083	269,379	306,745	247,952	266,480	275,745	284,441	293,584	306,745	305,571
China										
93 Mainland	30,438	18,252	13,041	18,919	18,506	18,523	15,814	13,784	13,041	13,496
94 Taiwan	15,995	11,840	12,708	11,333	11,290	12,080	12,802	12,361	12,708	10,973
95 Hong Kong	18,789	17,722	20,820	15,826	18,349	16,627	16,508	16,739	20,820	24,210
96 India	3,930	4,567	5,258	4,678	6,437	5,144	5,337	5,089	5,258	5,273
97 Indonesia	2,298	3,554	8,288	3,938	5,651	5,470	5,671	6,247	8,288	7,872
98 Israel	6,051	6,281	7,749	5,969	5,296	5,984	4,781	8,106	7,749	7,286
99 Japan	117,316	143,401	168,221	123,167	131,376	142,767	156,340	164,311	168,221	165,202
100 Korea (South)	5,949	13,060	12,454	12,713	12,493	12,971	12,505	12,396	12,454	12,443
101 Philippines	3,378	3,250	3,325	2,609	2,777	2,712	2,539	2,849	3,325	2,318
102 Thailand	10,912	6,501	7,360	6,780	7,869	6,664	7,134	6,788	7,360	7,299
103 Middle Eastern oil-exporting countries[13]	16,285	14,959	15,611	13,902	14,532	16,627	14,718	16,370	15,611	14,758
104 Other	17,742	25,992	31,910	28,118	31,904	30,176	30,292	28,544	31,910	34,441
105 Africa	8,116	10,347	8,907	10,788	10,562	11,098	9,749	8,889	8,907	9,110
106 Egypt	2,012	1,663	1,339	1,319	1,459	1,616	1,288	1,498	1,339	1,856
107 Morocco	112	138	97	74	76	88	78	75	97	98
108 South Africa	458	2,158	1,522	2,446	2,428	2,658	2,358	1,659	1,522	1,308
109 Zaire	10	10	5	7	35	6	7	12	5	6
110 Oil-exporting countries[14]	2,626	3,060	3,088	3,893	3,684	3,727	3,291	3,017	3,088	2,989
111 Other	2,898	3,318	2,856	3,049	2,880	3,003	2,727	2,628	2,856	2,853
112 Other	7,938	7,205	6,637	7,737	6,985	7,444	6,533	6,407	6,637	9,345
113 Australia	6,479	6,304	5,496	6,490	5,931	6,427	5,372	5,180	5,496	8,143
114 Other	1,459	901	1,141	1,247	1,054	1,017	1,161	1,227	1,141	1,202
115 Nonmonetary international and regional organizations	13,972	11,690	11,759	14,314	15,188	15,215	12,810	13,207	11,759	12,226
116 International[15]	12,099	10,517	9,947	11,220	12,825	12,782	10,519	11,298	9,947	10,214
117 Latin American regional[16]	1,339	424	794	750	721	803	1,008	598	794	917
118 Other regional[17]	534	749	1,018	2,344	1,642	1,630	1,283	1,311	1,018	1,095

11. Since December 1992, has excluded Bosnia, Croatia, and Slovenia.
12. Includes the Bank for International Settlements. Since December 1992, has included all parts of the former U.S.S.R. (except Russia), and Bosnia, Croatia, and Slovenia.
13. Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).
14. Comprises Algeria, Gabon, Libya, and Nigeria.
15. Principally the International Bank for Reconstruction and Development. Excludes "holdings of dollars" of the International Monetary Fund.
16. Principally the Inter-American Development Bank.
17. Asian, African, Middle Eastern, and European regional organizations, except the Bank for International Settlements, which is included in "Other Europe."

3.18 BANKS' OWN CLAIMS ON FOREIGNERS Reported by Banks in the United States[1]
Payable in U.S. Dollars

Millions of dollars, end of period

Area or country	1996	1997	1998[r]	1998 July	1998 Aug.	1998 Sept.	1998 Oct.	1998 Nov.	1998 Dec.	1999 Jan.[p]
1 **Total, all foreigners**	**599,925**	**708,225**	**735,881**	**740,227**	**764,878**	**768,427**	**749,543**	**756,110[r]**	**735,881**	**715,457**
2 **Foreign countries**	**597,321**	**705,762**	**732,263**	**735,817**	**760,488**	**763,105**	**744,153**	**751,872[r]**	**732,263**	**711,872**
3 Europe	165,769	199,880	234,468	229,928	227,688	234,967	224,661	228,924[r]	234,468	225,234
4 Austria	1,662	1,354	1,043	1,892	1,856	1,849	2,358	2,311	1,043	2,634
5 Belgium and Luxembourg	6,727	6,641	7,187	8,459	6,779	8,200	9,245	7,409	7,187	5,599
6 Denmark	492	980	2,584	933	1,374	1,059	1,768	2,524	2,584	1,816
7 Finland	971	1,233	1,070	1,032	1,161	1,073	1,149	1,050	1,070	963
8 France	15,246	16,239	15,251	14,421	17,314	17,077	16,307	18,881	15,251	18,575
9 Germany	8,472	12,676	15,922	11,327	12,029	15,375	15,121	17,997	15,922	15,115
10 Greece	568	402	575	450	530	373	415	510	575	533
11 Italy	6,457	6,230	7,283	6,345	8,617	6,510	7,153	6,544	7,283	6,168
12 Netherlands	7,117	6,141	5,734	5,642	4,321	4,803	5,230	5,686	5,734	5,828
13 Norway	808	555	827	553	1,110	640	662	385	827	645
14 Portugal	418	777	693	1,156	725	975	885	679	693	584
15 Russia	1,669	1,248	789	1,345	1,209	920	883	760	789	742
16 Spain	3,211	2,942	5,735	6,424	5,225	7,980	6,051	5,234	5,735	4,560
17 Sweden	1,739	1,854	4,223	4,553	4,456	4,319	4,508	5,087	4,223	4,338
18 Switzerland	19,798	28,846	46,942	49,359	49,258	55,798	43,337	45,858	46,942	46,122
19 Turkey	1,109	1,558	1,982	2,010	1,990	1,900	1,848	1,915	1,982	1,796
20 United Kingdom	85,234	103,143	106,728	104,397	99,174	97,436	98,746	97,072	106,728	98,301
21 Yugoslavia[2]	115	52	53	79	53	53	53	53	53	53
22 Other Europe and other former U.S.S.R.[3]	3,956	7,009	9,847	9,551	10,507	8,627	8,942	8,969[r]	9,847	10,862
23 Canada	26,436	27,189	47,212	36,007	41,402	41,165	37,316	44,830	47,212	42,925
24 Latin America and Caribbean	274,153	343,730	342,095	359,277	379,383	373,237	368,394	368,212	342,095	343,397
25 Argentina	7,400	8,924	9,553	8,421	8,724	8,777	9,087	9,225	9,553	10,616
26 Bahamas	71,871	89,379	96,455	78,770	77,875	86,867	88,923	91,171	96,455	92,521
27 Bermuda	4,129	8,782	4,969	10,622	9,629	10,610	6,585	5,702	4,969	5,547
28 Brazil	17,259	21,696	16,193	24,187	23,530	19,073	17,644	17,801	16,193	15,982
29 British West Indies	105,510	145,471	153,269	166,203	192,334	182,757	183,122	179,223	153,269	155,750
30 Chile	5,136	7,913	8,261	8,434	8,307	8,345	8,549	8,824	8,261	8,268
31 Colombia	6,247	6,945	6,523	6,914	6,905	6,813	6,764	6,639	6,523	6,454
32 Cuba	0	0	0	0	0	0	0	0	0	0
33 Ecuador	1,031	1,311	1,400	1,649	1,518	1,458	1,444	1,351	1,400	1,403
34 Guatemala	620	886	1,127	911	950	1,166	947	1,483	1,127	1,103
35 Jamaica	345	424	239	335	318	305	330	299	239	333
36 Mexico	18,425	19,428	21,143	20,062	20,078	20,677	22,039	22,483	21,143	21,666
37 Netherlands Antilles	25,209	17,838	6,779	16,278	12,939	10,294	7,323	7,696	6,779	7,403
38 Panama	2,786	4,364	3,598	4,308	4,157	4,226	4,011	3,864	3,598	3,549
39 Peru	2,720	3,491	3,260	4,009	4,061	3,829	3,706	3,618	3,260	3,369
40 Uruguay	589	629	1,126	1,154	1,055	955	958	1,040	1,126	999
41 Venezuela	1,702	2,129	3,089	2,436	2,649	2,638	2,689	2,788	3,089	3,313
42 Other	3,174	4,120	5,111	4,584	4,354	4,447	4,273	5,005	5,111	5,121
43 Asia	122,478	125,092	98,736	100,187	102,382	104,614	104,781	100,768[r]	98,736	90,909
China										
44 Mainland	1,401	1,579	1,311	1,679	2,703	1,380	2,275	2,488	1,311	2,691
45 Taiwan	1,894	922	1,041	585	651	1,031	1,079	957	1,041	728
46 Hong Kong	12,802	13,991	9,074	11,045	13,821	10,548	8,244	8,238	9,074	8,332
47 India	1,946	2,200	1,463	1,822	1,878	1,823	1,582	1,533	1,463	1,483
48 Indonesia	1,762	2,651	1,951	2,010	2,031	2,108	2,044	2,069	1,951	1,948
49 Israel	633	768	1,166	1,116	898	941	1,504	916	1,166	833
50 Japan	59,967	59,549	46,712	45,566	44,822	52,213	52,904	48,406	46,712	41,817
51 Korea (South)	18,901	18,162	8,204	12,863	11,508	9,823	9,733	8,947	8,204	8,679
52 Philippines	1,697	1,689	1,467	1,244	1,259	1,280	1,128	1,619	1,467	1,310
53 Thailand	2,679	2,259	1,843	1,820	1,883	2,129	1,952	1,895[r]	1,843	1,826
54 Middle Eastern oil-exporting countries[4]	10,424	10,790	16,145	11,207	12,136	12,681	13,531	15,077[r]	16,145	14,329
55 Other	8,372	10,532	8,359	9,230	8,792	8,657	8,805	8,623	8,359	6,933
56 Africa	2,776	3,530	3,122	3,497	3,262	3,012	2,785	2,611	3,122	3,047
57 Egypt	247	247	257	294	279	272	322	259	257	302
58 Morocco	524	511	372	471	426	390	405	390	372	378
59 South Africa	584	805	643	630	653	694	665	704	643	802
60 Zaire	0	0	0	0	0	0	0	0	0	0
61 Oil-exporting countries[5]	420	1,212	936	1,331	1,046	787	533	454	936	664
62 Other	1,001	755	914	771	858	869	860	804	914	901
63 Other	5,709	6,341	6,630	6,921	6,371	6,110	6,216	6,527	6,630	6,360
64 Australia	4,577	5,300	6,167	6,067	5,999	5,783	5,809	6,008	6,167	5,866
65 Other	1,132	1,041	463	854	372	327	407	519	463	494
66 Nonmonetary international and regional organizations[6]	2,604	2,463	3,618	4,410	4,390	5,322	5,390	4,238	3,618	3,585

1. Reporting banks include all types of depository institutions as well as some brokers and dealers.

2. Since December 1992, has excluded Bosnia, Croatia, and Slovenia.

3. Includes the Bank for International Settlements. Since December 1992, has included all parts of the former U.S.S.R. (except Russia), and Bosnia, Croatia, and Slovenia.

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 Europe."

3.19 BANKS' OWN AND DOMESTIC CUSTOMERS' CLAIMS ON FOREIGNERS Reported by Banks in the United States[1] Payable in U.S. Dollars

Millions of dollars, end of period

Type of claim	1996	1997	1998r	1998						1999
				July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.p
1 **Total**	**743,919**	**852,852**	**876,419**	...	...	**926,478**	...	...	**876,419**	...
2 Banks' claims	599,925	708,225	735,881	740,227	764,878	768,427	749,543	756,110r	735,881	715,457
3 Foreign public borrowers	22,216	20,581	23,546	35,635	29,758	26,377	28,164	25,993	23,546	28,996
4 Own foreign offices[2]	341,574	431,685	485,445	446,536	466,019	486,452	476,973	487,641r	485,445	457,521
5 Unaffiliated foreign banks	113,682	109,230	105,727	101,956	106,034	108,972	109,140	117,919	105,727	106,540
6 Deposits	33,826	30,995	26,810	23,283	24,593	30,426	26,713	33,774r	26,810	30,326
7 Other	79,856	78,235	78,917	78,673	81,441	78,546	82,427	84,145r	78,917	76,214
8 All other foreigners	122,453	146,729	121,163	156,100	163,067	146,626	135,266	124,557	121,163	122,400
9 Claims of banks' domestic customers[3]	143,994	144,627	140,538	...	...	158,051	...	...	140,538	...
10 Deposits	77,657	73,110	78,167	...	...	89,602	...	...	78,167	...
11 Negotiable and readily transferable instruments[4]	51,207	53,967	48,848	...	...	53,512	...	...	48,848	...
12 Outstanding collections and other claims	15,130	17,550	13,523	...	...	14,937	...	...	13,523	...
MEMO										
13 Customer liability on acceptances	10,388	9,624	4,519	...	...	6,068	...	...	4,519	...
14 Dollar deposits in banks abroad, reported by nonbanking business enterprises in the United States[5]	39,661	33,816	39,978	31,927	28,436	25,082	34,265	32,888	39,978	38,941

1. For banks' claims, data are monthly; for claims of banks' domestic customers, data are for quarter ending with month indicated.
Reporting banks include all types of depository institution as well as some brokers and dealers.
2. For U.S. banks, includes amounts due from own foreign branches and foreign subsidiaries consolidated in quarterly Consolidated Reports of Condition filed with bank regulatory agencies. For agencies, branches, and majority-owned subsidiaries of foreign banks, consists principally of amounts due from the head office or parent foreign bank, and from foreign branches, agencies, or wholly owned subsidiaries of the head office or parent foreign bank.
3. Assets held by reporting banks in the accounts of their domestic customers.
4. Principally negotiable time certificates of deposit, bankers acceptances, and commercial paper.
5. Includes demand and time deposits and negotiable and nonnegotiable certificates of deposit denominated in U.S. dollars issued by banks abroad.

3.20 BANKS' OWN CLAIMS ON UNAFFILIATED FOREIGNERS Reported by Banks in the United States[1] Payable in U.S. Dollars

Millions of dollars, end of period

Maturity, by borrower and area[2]	1995	1996	1997	1998			
				Mar.	June	Sept.	Dec.p
1 **Total**	**224,932**	**258,106**	**276,550**	**285,590r**	**292,788r**	**281,136**	**250,366**
By borrower							
2 Maturity of one year or less	178,857	211,859	205,781	214,779	211,347	208,374	186,422
3 Foreign public borrowers	14,995	15,411	12,081	16,874r	16,997	14,613	13,675
4 All other foreigners	163,862	196,448	193,700	197,905r	194,350	193,761	172,747
5 Maturity of more than one year	46,075	46,247	70,769	70,811r	81,441r	72,762	63,944
6 Foreign public borrowers	7,522	6,790	8,499	11,285r	10,688r	10,926	9,838
7 All other foreigners	38,553	39,457	62,270	59,526	70,753	61,836	54,106
By area							
Maturity of one year or less							
8 Europe	55,622	55,690	58,294	69,150	73,787	68,996	68,708
9 Canada	6,751	8,339	9,917	9,297	8,766	8,953	11,125
10 Latin America and Caribbean	72,504	103,254	97,207	101,070	99,611	99,646	81,454
11 Asia	40,296	38,078	33,964	28,751	23,570	22,330	18,035
12 Africa	1,295	1,316	2,211	2,227	1,116	1,762	1,835
13 All other[3]	2,389	5,182	4,188	4,284	4,497	6,687	5,265
Maturity of more than one year							
14 Europe	4,995	6,965	13,240	15,118	15,606	15,395	15,055
15 Canada	2,751	2,645	2,525	2,765	2,571	2,982	3,140
16 Latin America and Caribbean	27,681	24,943	42,049	39,363	47,969	39,138	33,340
17 Asia	7,941	9,392	10,235	10,806r	12,630r	12,173	10,039
18 Africa	1,421	1,361	1,236	1,254	1,259	1,170	1,233
19 All other[3]	1,286	941	1,484	1,505	1,406	1,904	1,137

1. Reporting banks include all types of depository institutions as well as some brokers and dealers.
2. Maturity is time remaining until maturity.
3. Includes nonmonetary international and regional organizations.

3.21 CLAIMS ON FOREIGN COUNTRIES Held by U.S. and Foreign Offices of U.S. Banks[1]

Billions of dollars, end of period

Area or country	1994	1995	1996	1997				1998			
			Dec.	Mar.	June	Sept.	Dec.	Mar.	June	Sept.	Dec.[p]
1 **Total**	**499.5**	**551.9**	**645.3**	**647.6**	**678.8**	**711.0**	**726.0**	**739.1**	**746.6**	**723.0**	**688.2**
2 G-10 countries and Switzerland	191.2	206.0	228.3	231.4	250.0	247.8	242.8	249.0	275.0	258.5	247.0
3 Belgium and Luxembourg	7.2	13.6	11.7	14.1	9.4	11.4	11.0	11.2	13.1	10.9	13.1
4 France	19.1	19.4	16.6	19.7	17.9	20.2	15.4	15.5	20.5	19.9	18.0
5 Germany	24.7	27.3	29.8	32.1	34.1	34.7	28.6	25.5	28.7	28.9	30.7
6 Italy	11.8	11.5	16.0	14.4	20.2	19.3	15.5	19.7	19.5	17.9	11.3
7 Netherlands	3.6	3.7	4.0	4.5	6.4	7.2	6.2	7.3	8.3	8.1	7.7
8 Sweden	2.7	2.7	2.6	3.4	3.6	4.1	3.3	4.8	3.1	2.1	2.2
9 Switzerland	5.1	6.7	5.3	6.0	5.4	4.8	7.2	5.6	6.9	7.4	8.2
10 United Kingdom	85.8	82.4	104.7	99.2	110.6	108.3	113.4	120.1	134.8	125.1	114.9
11 Canada	10.0	10.3	14.0	16.3	15.7	15.1	13.7	13.5	16.5	15.5	16.7
12 Japan	21.1	28.5	23.7	21.7	26.8	22.6	28.6	25.8	23.7	22.7	24.1
13 Other industrialized countries	45.7	50.2	65.7	66.4	71.7	73.8	64.5	74.3	72.0	71.4	67.7
14 Austria	1.1	.9	1.1	1.9	1.5	1.7	1.5	1.7	1.9	2.1	1.4
15 Denmark	1.3	2.6	1.5	1.7	2.8	3.7	2.4	2.0	2.1	2.8	2.1
16 Finland	.9	.8	.8	.7	1.4	1.9	1.3	1.5	1.4	1.6	1.4
17 Greece	4.5	5.7	6.7	6.3	6.1	6.2	5.1	6.1	5.8	5.7	5.9
18 Norway	2.0	3.2	8.0	5.3	4.7	4.6	3.6	4.0	3.4	3.3	3.2
19 Portugal	1.2	1.3	.9	1.0	1.1	1.4	.9	.7	1.3	1.0	1.3
20 Spain	13.6	11.6	13.2	14.4	15.4	13.9	11.7	16.5	15.1	17.5	13.5
21 Turkey	1.6	1.9	2.7	2.8	3.4	4.4	4.5	4.9	6.5	5.2	4.8
22 Other Western Europe	3.2	4.7	4.7	6.3	5.5	6.1	8.2	9.9	9.6	10.3	10.4
23 South Africa	1.0	1.2	2.0	1.9	1.9	1.9	2.2	3.7	5.0	3.7	3.5
24 Australia	15.4	16.4	24.0	24.4	27.8	28.0	23.1	23.2	20.0	18.2	20.3
25 OPEC[2]	24.1	22.1	19.7	21.8	22.3	22.9	26.0	25.7	25.3	25.8	26.9
26 Ecuador	.5	.7	1.1	1.1	.9	1.2	1.3	1.3	1.2	1.2	1.2
27 Venezuela	3.7	2.7	2.4	1.9	2.1	2.2	2.5	3.3	3.2	3.1	3.2
28 Indonesia	3.8	4.8	5.2	4.9	5.6	6.5	6.7	5.5	5.1	4.7	4.7
29 Middle East countries	15.3	13.3	10.7	13.2	12.5	11.8	14.4	14.3	15.5	16.1	16.9
30 African countries	.9	.6	.4	.7	1.2	1.1	1.2	1.4	.3	.8	1.0
31 Non-OPEC developing countries	96.0	112.6	130.3	128.1	140.6	137.0	138.7	147.4	144.4	138.2	141.5
Latin America											
32 Argentina	11.2	12.9	14.3	14.3	16.4	17.1	18.4	19.3	20.2	22.3	22.3
33 Brazil	8.4	13.7	20.7	22.0	27.3	26.1	28.6	32.4	29.9	23.4	24.8
34 Chile	6.1	6.8	7.0	6.8	7.6	8.0	8.7	9.0	9.1	8.5	8.3
35 Colombia	2.6	2.9	4.1	3.7	3.3	3.4	3.4	3.3	3.6	3.4	3.2
36 Mexico	18.4	17.3	16.2	17.2	16.6	16.4	17.4	17.7	17.9	18.4	18.4
37 Peru	.5	.8	1.6	1.6	1.4	1.8	2.0	2.1	2.2	2.2	2.2
38 Other	2.7	2.8	3.3	3.4	3.4	3.6	4.1	4.0	4.4	4.6	5.4
Asia											
China											
39 Mainland	1.1	1.8	2.5	2.7	3.6	4.3	3.2	4.2	3.9	2.8	3.0
40 Taiwan	9.2	9.4	10.3	10.5	10.6	9.7	9.0	11.7	11.3	12.1	12.8
41 India	4.2	4.4	4.3	4.9	5.3	4.9	4.9	5.0	4.9	5.3	5.3
42 Israel	.4	.5	.5	.6	.8	1.0	.7	.7	.9	.9	1.1
43 Korea (South)	16.2	19.1	21.5	14.6	16.3	16.2	15.6	16.2	14.5	12.9	13.6
44 Malaysia	3.1	4.4	6.0	6.5	6.4	5.6	5.1	4.5	4.7	5.0	5.6
45 Philippines	3.3	4.1	5.8	6.0	7.0	5.7	5.7	5.0	5.4	4.7	5.1
46 Thailand	2.1	4.9	5.7	6.8	7.3	6.2	5.4	5.5	4.9	5.3	4.6
47 Other Asia	4.7	4.5	4.1	4.3	4.7	4.5	4.3	4.2	3.7	3.1	2.9
Africa											
48 Egypt	.3	.4	.7	.9	1.1	.9	.9	1.0	1.5	1.7	1.3
49 Morocco	.6	.7	.7	.6	.7	.7	.6	.6	.6	.5	.5
50 Zaire	.0	.0	.1	.0	.0	.0	.0	.0	.0	.0	.0
51 Other Africa[3]	.8	.9	.9	.9	.9	.9	.8	1.1	.8	1.1	1.0
52 Eastern Europe	2.7	4.2	6.9	8.9	7.1	9.8	9.1	12.0	10.9	6.0	5.2
53 Russia[4]	.8	1.0	3.7	3.5	4.2	5.1	5.1	7.5	6.8	2.8	2.2
54 Other	1.9	3.2	3.2	5.4	2.9	4.7	4.0	4.6	4.1	3.2	3.1
55 Offshore banking centers	72.9	99.2	134.7	131.3	129.6	138.9	145.7	129.3	123.5	118.6	90.4
56 Bahamas	10.2	11.0	20.3	20.9	16.1	19.8	29.9	29.2	22.7	28.9	32.6
57 Bermuda	8.4	6.3	4.5	6.7	7.9	9.8	9.8	9.0	9.3	10.4	4.5
58 Cayman Islands and other British West Indies	21.4	32.4	37.2	32.8	35.1	45.7	43.4	24.9	33.9	27.4	12.3
59 Netherlands Antilles	1.6	10.3	26.1	19.9	15.8	21.7	14.6	14.0	10.5	6.0	2.6
60 Panama[5]	1.3	1.4	2.0	2.0	2.6	2.1	3.1	3.2	3.3	4.0	3.8
61 Lebanon	.1	.1	.1	.1	.1	.1	.1	.1	.1	.2	.1
62 Hong Kong, China	20.0	25.0	27.9	30.8	35.2	27.2	32.2	33.8	30.0	30.6	23.2
63 Singapore	10.1	13.1	16.7	17.9	16.7	12.7	12.7	15.0	13.5	11.1	11.1
64 Other[6]	.1	.1	.1	.1	.3	.1	.1	.1	.2	.2	.2
65 Miscellaneous and unallocated[7]	66.9	57.6	59.6	59.6	57.6	80.8	99.1	101.3	95.6	104.5	109.4

1. The banking offices covered by these data include U.S. offices and foreign branches of U.S. banks, including U.S. banks that are subsidiaries of foreign banks. Offices not covered include U.S. agencies and branches of foreign banks. Beginning March 1994, the data include large foreign subsidiaries of U.S. banks. The data also include other types of U.S. depository institutions as well as some types of brokers and dealers. To eliminate 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.

These data are on a gross claims basis and do not necessarily reflect the ultimate country risk or exposure of U.S. banks. More complete data on the country risk exposure of U.S. banks are available in the quarterly Country Exposure Lending Survey published by the Federal Financial Institutions Examination Council.

2. 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. Beginning March 1994 includes Namibia.

4. As of December 1992, excludes other republics of the former Soviet Union.

5. Includes Canal Zone.

6. Foreign branch claims only.

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

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

Millions of dollars, end of period

	Type of liability, and area or country	1994	1995	1996	1997			1998		
					June	Sept.	Dec.	Mar.	June	Sept.
1	**Total**	**54,309**	**46,448**	**61,782**	**56,445**	**55,891**	**60,037**	**58,040**	**51,433[r]**	**49,278[r]**
2	Payable in dollars	38,298	33,903	39,542	38,651	39,746	41,956	42,258	40,026[r]	38,409[r]
3	Payable in foreign currencies	16,011	12,545	22,240	17,794	16,145	18,081	15,782	11,407	10,869
	By type									
4	Financial liabilities	32,954	24,241	33,049	28,207	26,461	29,532	28,050	22,322	19,331
5	Payable in dollars	18,818	12,903	11,913	11,442	11,487	13,043	13,568	11,988	9,812
6	Payable in foreign currencies	14,136	11,338	21,136	16,765	14,974	16,489	14,482	10,334	9,519
7	Commercial liabilities	21,355	22,207	28,733	28,238	29,430	30,505	29,990	29,111[r]	29,947[r]
8	Trade payables	10,005	11,013	12,720	11,040	10,885	10,904	10,107	9,537	10,276
9	Advance receipts and other liabilities	11,350	11,194	16,013	17,198	18,545	19,601	19,883	19,574[r]	19,671[r]
10	Payable in dollars	19,480	21,000	27,629	27,209	28,259	28,913	28,690	28,038[r]	28,597[r]
11	Payable in foreign currencies	1,875	1,207	1,104	1,029	1,171	1,592	1,300	1,073	1,350
	By area or country									
	Financial liabilities									
12	Europe	21,703	15,622	23,179	18,474	18,019	19,657	20,307	15,468	12,905
13	Belgium and Luxembourg	495	369	632	238	89	186	127	75	150
14	France	1,727	999	1,091	1,280	1,334	1,684	1,795	1,699	1,457
15	Germany	1,961	1,974	1,834	1,765	1,730	2,018	2,578	2,441	2,167
16	Netherlands	552	466	556	466	507	494	472	484	417
17	Switzerland	688	895	699	591	645	776	345	189	179
18	United Kingdom	15,543	10,138	17,161	12,912	12,165	12,737	13,145	8,765	6,610
19	Canada	629	632	1,401	1,616	651	2,392	1,045	539	389
20	Latin America and Caribbean	2,034	1,783	1,668	1,285	1,067	1,386	965	1,320	1,351
21	Bahamas	101	59	236	124	10	141	17	6	1
22	Bermuda	80	147	50	55	64	229	86	49	73
23	Brazil	207	57	78	97	52	143	91	76	154
24	British West Indies	998	866	1,030	775	669	604	517	845	834
25	Mexico	0	12	17	15	76	26	21	51	23
26	Venezuela	5	2	1	1	1	1	1	1	1
27	Asia	8,403	5,988	6,423	6,248	6,239	5,394	5,024	4,315	4,005
28	Japan	7,314	5,436	5,869	5,668	5,725	5,085	4,767	3,869	3,754
29	Middle Eastern oil-exporting countries[1]	35	27	25	39	23	32	23	0	0
30	Africa	135	150	38	29	33	60	33	29	31
31	Oil-exporting countries[2]	123	122	0	0	0	0	0	0	0
32	All other[3]	50	66	340	555	452	643	676	651	650
	Commercial liabilities									
33	Europe	6,773	7,700	9,767	8,683	9,343	10,228	9,951	9,987[r]	11,010[r]
34	Belgium and Luxembourg	241	331	479	736	703	666	565	557	623
35	France	728	481	680	708	782	764	840	612	740
36	Germany	604	767	1,002	845	945	1,274	1,068	1,219	1,408
37	Netherlands	722	500	766	288	452	439	443	485	440
38	Switzerland	327	413	624	429	400	375	407	349	507
39	United Kingdom	2,444	3,568	4,303	3,818	3,829	4,086	4,041	3,743	4,286
40	Canada	1,037	1,040	1,090	1,136	1,150	1,175	1,347	1,206	1,504
41	Latin America and Caribbean	1,857	1,740	2,574	2,500	2,224	2,176	2,051	2,285	1,840
42	Bahamas	19	1	63	33	38	16	27	14	48
43	Bermuda	345	205	297	397	180	203	174	209	168
44	Brazil	161	98	196	225	233	220	249	246	256
45	British West Indies	23	56	14	26	23	12	5	27	5
46	Mexico	574	416	665	594	562	565	520	557	511
47	Venezuela	276	221	328	304	322	261	219	196	230
48	Asia	10,741	10,421	13,422	13,875	14,628	14,966	14,672	13,611	13,538
49	Japan	4,555	3,315	4,614	4,430	4,553	4,500	4,372	3,995	3,779
50	Middle Eastern oil-exporting countries[1]	1,576	1,912	2,168	2,420	2,984	3,111	3,138	3,194	3,582
51	Africa	428	619	1,040	941	929	874	833	921	810
52	Oil-exporting countries[2]	256	254	532	423	504	408	376	354	372
53	Other[3]	519	687	840	1,103	1,156	1,086	1,136	1,101	1,245

1. Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).
2. Comprises Algeria, Gabon, Libya, and Nigeria.
3. Includes nonmonetary international and regional organizations.

3.23 CLAIMS ON UNAFFILIATED FOREIGNERS Reported by Nonbanking Business Enterprises in the United States

Millions of dollars, end of period

Type of claim, and area or country	1994	1995	1996	1997			1998		
				June	Sept.	Dec.	Mar.	June	Sept.
1 **Total**	**57,888**	**52,509**	**65,897**	**68,264**	**70,506**	**68,128**	**71,004**	**63,202[r]**	**67,976[r]**
2 Payable in dollars	53,805	48,711	59,156	62,080	64,144	62,173	65,359	57,601[r]	62,034[r]
3 Payable in foreign currencies	4,083	3,798	6,741	6,184	6,362	5,955	5,645	5,601	5,942
By type									
4 Financial claims	33,897	27,398	37,523	40,715	41,805	36,959	40,301	32,355	37,262
5 Deposits	18,507	15,133	21,624	24,106	23,951	22,909	20,863	14,762	15,406
6 Payable in dollars	18,026	14,654	20,852	22,615	22,392	21,060	19,155	13,084	13,374
7 Payable in foreign currencies	481	479	772	1,491	1,559	1,849	1,708	1,678	2,032
8 Other financial claims	15,390	12,265	15,899	16,609	17,854	14,050	19,438	17,593	21,856
9 Payable in dollars	14,306	10,976	12,374	13,352	14,795	11,806	16,981	14,918	19,867
10 Payable in foreign currencies	1,084	1,289	3,525	3,257	3,059	2,244	2,457	2,675	1,989
11 Commercial claims	23,991	25,111	28,374	27,549	28,701	31,169	30,703	30,847[r]	30,714[r]
12 Trade receivables	21,158	22,998	25,751	24,858	25,110	27,536	26,888	26,764[r]	26,330[r]
13 Advance payments and other claims	2,833	2,113	2,623	2,691	3,591	3,633	3,815	4,083	4,384
14 Payable in dollars	21,473	23,081	25,930	26,113	26,957	29,307	29,223	29,599[r]	28,793[r]
15 Payable in foreign currencies	2,518	2,030	2,444	1,436	1,744	1,862	1,480	1,248	1,921
By area or country									
Financial claims									
16 Europe	7,936	7,609	11,085	12,904	15,608	14,999	14,187	14,105	14,473
17 Belgium and Luxembourg	86	193	185	203	360	406	378	518	496
18 France	800	803	694	680	1,112	1,015	902	810	1,140
19 Germany	540	436	276	281	352	427	393	290	359
20 Netherlands	429	517	493	519	764	677	911	975	867
21 Switzerland	523	498	474	447	448	434	401	403	409
22 United Kingdom	4,649	4,303	7,922	9,814	11,000	10,337	9,289	9,639	9,849
23 Canada	3,581	2,851	3,442	6,420	4,279	3,313	4,688	3,020	4,090
24 Latin America and Caribbean	19,536	14,500	20,032	18,725	19,176	15,543	18,207	11,967	15,758
25 Bahamas	2,424	1,965	1,553	2,064	2,442	2,308	1,316	1,306	2,105
26 Bermuda	27	81	140	188	190	108	66	48	63
27 Brazil	520	830	1,468	1,617	1,501	1,313	1,408	1,394	710
28 British West Indies	15,228	10,393	15,536	13,553	12,957	10,462	13,551	7,349	10,960
29 Mexico	723	554	457	497	508	537	967	1,089	1,122
30 Venezuela	35	32	31	21	15	36	47	57	50
31 Asia	1,871	1,579	2,221	1,934	2,015	2,133	2,174	2,376	2,121
32 Japan	953	871	1,035	766	999	823	791	886	928
33 Middle Eastern oil-exporting countries[1]	141	3	22	20	15	11	9	12	13
34 Africa	373	276	174	179	174	319	325	155	157
35 Oil-exporting countries[2]	0	5	14	15	16	15	16	15	16
36 All other[3]	600	583	569	553	553	652	720	732	663
Commercial claims									
37 Europe	9,540	9,824	10,443	9,603	10,486	12,120	12,854	12,882[r]	13,029[r]
38 Belgium and Luxembourg	213	231	226	327	331	328	232	216	219
39 France	1,881	1,830	1,644	1,377	1,642	1,796	1,939	1,955	2,098
40 Germany	1,027	1,070	1,337	1,229	1,395	1,614	1,670	1,757	1,502
41 Netherlands	311	452	562	613	573	597	534	492	463
42 Switzerland	557	520	642	389	381	554	476	418	546
43 United Kingdom	2,556	2,656	2,946	2,836	2,904	3,660	4,828	4,664	4,681
44 Canada	1,988	1,951	2,165	2,464	2,649	2,660	2,882	2,779	2,291
45 Latin America and Caribbean	4,117	4,364	5,276	5,241	5,028	5,750	5,481	6,082	5,773
46 Bahamas	9	30	35	29	22	27	13	12	39
47 Bermuda	234	272	275	197	128	244	238	359	173
48 Brazil	612	898	1,303	1,136	1,101	1,162	1,128	1,183	1,062
49 British West Indies	83	79	190	98	98	109	88	110	91
50 Mexico	1,243	993	1,128	1,140	1,219	1,392	1,302	1,462	1,356
51 Venezuela	348	285	357	451	418	576	441	585	566
52 Asia	6,982	7,312	8,376	8,460	8,576	8,713	7,638	7,367	7,190
53 Japan	2,655	1,870	2,003	2,079	2,048	1,976	1,713	1,757	1,789
54 Middle Eastern oil-exporting countries[1]	708	974	971	1,014	987	1,107	987	1,127	967
55 Africa	454	654	746	618	764	680	613	657	740
56 Oil-exporting countries[2]	67	87	166	81	207	119	122	116	128
57 Other[3]	910	1,006	1,368	1,163	1,198	1,246	1,235	1,080	1,691

1. Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).

2. Comprises Algeria, Gabon, Libya, and Nigeria.

3. Includes nonmonetary international and regional organizations.

3.24 FOREIGN TRANSACTIONS IN SECURITIES

Millions of dollars

Transaction, and area or country	1997	1998	1999	1998						1999
			Jan.–Jan.	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.[p]
	U.S. corporate securities									
STOCKS										
1 Foreign purchases	1,097,958	1,596,255[r]	155,810	152,833	141,566	137,418	145,588	126,571[r]	138,942	155,810
2 Foreign sales	1,028,361	1,542,099[r]	152,300	150,308	139,722	147,891	142,831	119,042[r]	134,306	152,300
3 **Net purchases, or sales (−)**	**69,597**	**54,156[r]**	**3,510**	**2,525**	**1,844**	**−10,473**	**2,757**	**7,529[r]**	**4,636**	**3,510**
4 **Foreign countries**	**69,754**	**54,536[r]**	**3,496**	**2,739**	**1,843**	**−10,430**	**2,754**	**7,546[r]**	**4,634**	**3,496**
5 Europe	62,688	72,349[r]	6,049	6,983	5,459	2,182	−249	4,406[r]	2,441	6,049
6 France	6,641	6,099	537	199	988	85	360	50	−614	537
7 Germany	9,059	10,609	1,035	1,503	1,326	1,281	68	372	−189	1,035
8 Netherlands	3,831	8,326	86	1,265	163	876	1,009	1,816	332	86
9 Switzerland	7,848	6,269	−10	1,092	−277	−307	−1,974	−420	−314	−10
10 United Kingdom	22,478	24,336	3,897	1,154	1,740	700	632	1,902	3,154	3,897
11 Canada	−1,406	−4,766[r]	727	−443	−276	−195	−507	−201[r]	−976	727
12 Latin America and Caribbean	5,203	781	−1,284	−614	610	−11,766	2,058	3,691	3,088	−1,284
13 Middle East[1]	383	−1,082	152	−134	−157	148	−177	−334	−219	152
14 Other Asia	2,072	−12,554	−2,307	−2,905	−4,112	−678	1,823	−8	155	−2,307
15 Japan	4,787	−1,407	−616	−306	214	519	597	822	141	−616
16 Africa	472	624	22	−14	159	−98	−217	41	16	22
17 Other countries	342	−816[r]	137	−134	160	−23	23	−49[r]	129	137
18 **Nonmonetary international and regional organizations**	**−157**	**−380**	**14**	**−214**	**1**	**−43**	**3**	**−17**	**2**	**14**
BONDS[2]										
19 Foreign purchases	610,116	905,272[r]	65,978	74,951	67,529	100,186	108,678	81,943[r]	58,884	65,978
20 Foreign sales	475,958	727,866[r]	57,392	64,461	58,678	92,663	105,437	60,480	41,141	57,392
21 **Net purchases, or sales (−)**	**134,158**	**177,406[r]**	**8,586**	**10,490**	**8,851**	**7,523**	**3,241**	**21,463[r]**	**17,743**	**8,586**
22 **Foreign countries**	**133,595**	**177,749[r]**	**8,585**	**10,567**	**8,813**	**7,473**	**3,230**	**22,433[r]**	**17,665**	**8,585**
23 Europe	71,631	127,932[r]	−1,432	8,650	5,813	12,323	12,062	16,717	9,099	−1,432
24 France	3,300	3,390	145	451	233	184	701	235	−170	145
25 Germany	2,742	4,381	398	806	139	268	−135	435	217	398
26 Netherlands	3,576	3,490	60	−859	32	275	704	64	996	60
27 Switzerland	187	4,856	96	234	100	1,003	−50	251	−36	96
28 United Kingdom	54,134	97,683[r]	−3,276	5,665	3,924	9,760	10,182	13,777	6,863	−3,276
29 Canada	6,264	6,077	100	640	439	443	292	558	184	100
30 Latin America and Caribbean	34,733	24,731[r]	6,431	1,730	1,592	−2,927	−11,135	2,295[r]	2,688	6,431
31 Middle East[1]	2,155	4,994	1,436	171	−188	−58	2	835	2,472	1,436
32 Other Asia	16,996	12,679	2,032	−597	1,709	−1,847	1,185	1,904	3,152	2,032
33 Japan	9,357	8,381	562	−511	−10	−713	1,624	1,194	2,238	562
34 Africa	1,005	190	40	−48	−17	−61	55	24	16	40
35 Other countries	811	1,146	−22	21	−535	−400	769	100	54	−22
36 **Nonmonetary international and regional organizations**	**563**	**−343**	**1**	**−77**	**38**	**50**	**11**	**−970**	**78**	**1**
	Foreign securities									
37 Stocks, net purchases, or sales (−)	−40,942	8,503[r]	3,164	−3,537	5,557	6,107	8,046	−2,729[r]	841	3,164
38 Foreign purchases	756,015	940,678[r]	76,208	82,247	74,376	89,496	90,407	70,402[r]	69,578	76,208
39 Foreign sales	796,957	932,175[r]	73,044	85,784	68,819	83,389	82,361	73,131[r]	68,737	73,044
40 Bonds, net purchases, or sales (−)	−48,171	−18,900[r]	−872	3,076	1,049	3,384	15,980	−918	−4,627	−872
41 Foreign purchases	1,451,704	1,335,314[r]	57,584	118,922	139,393	152,881	102,202	55,573	56,845	57,584
42 Foreign sales	1,499,875	1,354,214[r]	58,456	115,846	138,344	149,497	86,222	56,491	61,472	58,456
43 **Net purchases, or sales (−), of stocks and bonds**	**−89,113**	**−10,397[r]**	**2,292**	**−461**	**6,606**	**9,491**	**24,026**	**−3,647[r]**	**−3,786**	**2,292**
44 **Foreign countries**	**−88,921**	**−10,068[r]**	**2,171**	**−390**	**6,623**	**9,492**	**24,119**	**−3,641[r]**	**−3,626**	**2,171**
45 Europe	−29,874	11,139[r]	1,739	2,281	1,202	6,007	10,792	2,326[r]	3,072	1,739
46 Canada	−3,085	−1,163	−311	2,201	2,667	−1,118	946	562	−4,828	−311
47 Latin America and Caribbean	−25,258	−12,803[r]	2,310	−4,838	−1,196	1,214	4,585	−4,074[r]	38	2,310
48 Asia	−25,123	−3,326	−1,553	−59	4,227	3,550	6,699	−2,064	−1,489	−1,553
49 Japan	−10,001	−1,663	141	−316	1,741	2,239	6,134	−2,390	−1,882	141
50 Africa	−3,293	−1,411	17	−269	−122	−163	4	−56	5	17
51 Other countries	−2,288	−2,504[r]	−31	294	−155	2	1,093	−335[r]	−424	−31
52 **Nonmonetary international and regional organizations**	**−192**	**−329**	**121**	**−71**	**−17**	**−1**	**−93**	**−6**	**−160**	**121**

1. Comprises oil-exporting countries as follows: Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).

2. Includes state and local government securities and securities of U.S. government agencies and corporations. Also includes issues of new debt securities sold abroad by U.S. corporations organized to finance direct investments abroad.

3.25 MARKETABLE U.S. TREASURY BONDS AND NOTES Foreign Transactions[1]

Millions of dollars; net purchases, or sales (−) during period

Area or country	1997	1998	1999	1998						1999
			Jan.–Jan.	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.p
1 **Total estimated**	**184,171**	**46,677**	**−4,006**	**−4,454**	**−15,795**	**−5,270**	**−2,193**	**25,456**	**10,549**	**−4,006**
2 Foreign countries	183,688	44,208	−3,948	−4,507	−15,795	−5,261	−2,855	25,556	9,426	−3,948
3 Europe	144,921	21,586	1,768	−6,465	−2,823	−2,771	−9,869	5,475	8,077	1,768
4 Belgium and Luxembourg	3,427	3,805	−229	215	667	113	−606	510	2,148	−229
5 Germany	22,471	148	−268	82	−1,799	894	1,171	307	−556	−268
6 Netherlands	1,746	−5,533	2,446	−675	−3,081	−579	1,543	−1,156	898	2,446
7 Sweden	−465	1,486	163	239	−152	−330	193	586	581	163
8 Switzerland	6,028	5,240	−2,171	−827	−680	363	2,811	531	175	−2,171
9 United Kingdom	98,253	12,120	878	−5,921	8,000	2,217	−13,168	3,207	3,074	878
10 Other Europe and former U.S.S.R.	13,461	4,320	949	422	−5,778	−5,449	−1,813	1,490	1,757	949
11 Canada	−811	572	−1,735	−619	−2,088	−663	−1,188	3,694	614	−1,735
12 Latin America and Caribbean	−2,554	−3,735	−5,666	685	−5,940	−1,233	−491	1,961	−3,817	−5,666
13 Venezuela	655	59	−17	308	−1,308	6	−35	327	108	−17
14 Other Latin America and Caribbean	−549	9,450	−2,024	2,185	3,914	2,982	−1,288	−5,411	−165	−2,024
15 Netherlands Antilles	−2,660	−13,244	−3,625	−1,808	−8,546	−4,221	832	7,045	−3,760	−3,625
16 Asia	39,567	27,383	2,271	1,326	−3,856	−207	7,756	13,632	4,347	2,271
17 Japan	20,360	13,048	−2,134	774	299	128	1,233	7,311	3,750	−2,134
18 Africa	1,524	751	17	−22	62	81	87	145	16	17
19 Other	1,041	−2,349	−603	588	−1,150	−468	850	649	189	−603
20 Nonmonetary international and regional organizations	483	2,469	−58	53	0	−9	662	−100	1,123	−58
21 International	621	1,502	−77	−135	−10	−288	645	−19	1,084	−77
22 Latin American regional	170	199	3	192	8	−5	0	−6	2	3
MEMO										
23 Foreign countries	183,688	44,208	−3,948	−4,507	−15,795	−5,261	−2,855	25,556	9,426	−3,948
24 Official institutions	43,959	4,123	2,459	469	−16,920	−10,304	9,001	11,843	5,274	2,459
25 Other foreign	139,729	40,085	−6,407	−4,976	1,125	5,043	−11,856	13,713	4,152	−6,407
Oil-exporting countries										
26 Middle East[2]	7,636	−16,554	4,065	−2,578	−4,160	−5,837	−276	233	−2,442	4,065
27 Africa[3]	−12	2	0	0	1	0	0	0	0	0

1. 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. Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).

3. Comprises Algeria, Gabon, Libya, and Nigeria.

3.28 FOREIGN EXCHANGE RATES AND INDEXES OF THE FOREIGN EXCHANGE VALUE OF THE U.S. DOLLAR[1]

Currency units per dollar except as noted

Item	1996	1997	1998	1998 Oct.	1998 Nov.	1998 Dec.	1999 Jan.	1999 Feb.	1999 Mar.[r]
	Exchange Rates								
COUNTRY/CURRENCY UNIT									
1 Australia/dollar[2]	78.28	74.37	62.91	61.79	63.49	61.82	63.20	63.99	63.08
2 Austria/schilling	10.589	12.206	12.379	11.524	11.840	11.746	n.a.	n.a.	n.a.
3 Belgium/franc	30.97	35.81	36.31	33.81	34.71	34.44	n.a.	n.a.	n.a.
4 Brazil/real	1.0051	1.0779	1.1605	1.1889	1.1932	1.2052	1.5120	1.9261	1.9057
5 Canada/dollar	1.3638	1.3849	1.4836	1.5452	1.5404	1.5433	1.5194	1.4977	1.5176
6 China, P.R./yuan	8.3389	8.3193	8.3008	8.2778	8.2778	8.2780	8.2789	8.2755	8.2792
7 Denmark/krone	5.8003	6.6092	6.7030	6.2294	6.3960	6.3531	6.4194	6.6379	6.8287
8 European Monetary Union/euro[3]	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	1.1591	1.1203	1.0886
9 Finland/markka	4.5948	5.1956	5.3473	4.9845	5.1163	5.0769	n.a.	n.a.	n.a.
10 France/franc	5.1158	5.8393	5.8995	5.4925	5.6422	5.5981	n.a.	n.a.	n.a.
11 Germany/deutsche mark	1.5049	1.7348	1.7597	1.6381	1.6827	1.6698	n.a.	n.a.	n.a.
12 Greece/drachma	240.82	273.28	295.70	281.64	282.64	280.43	278.91	287.41	296.36
13 Hong Kong/dollar	7.7345	7.7431	7.7467	7.7483	7.7432	7.7471	7.7486	7.7490	7.7493
14 India/rupee	35.51	36.36	41.36	42.39	42.43	42.59	42.55	42.53	42.52
15 Ireland/pound[2]	159.95	151.63	142.48	152.21	147.77	148.76	n.a.	n.a.	n.a.
16 Italy/lira	1,542.76	1,703.81	1,736.85	1,620.96	1,664.91	1,653.23	n.a.	n.a.	n.a.
17 Japan/yen	108.78	121.06	130.99	121.05	120.29	117.07	113.29	116.67	119.47
18 Malaysia/ringgit	2.5154	2.8173	3.9254	3.8000	3.8000	3.8014	3.8000	3.8000	3.8000
19 Mexico/peso	7.600	7.918	9.152	10.159	9.969	9.907	10.128	10.006	9.732
20 Netherlands/guilder	1.6863	1.9525	1.9837	1.8479	1.8969	1.8816	n.a.	n.a.	n.a.
21 New Zealand/dollar[2]	68.77	66.25	53.61	52.13	53.40	52.23	53.88	54.35	53.45
22 Norway/krone	6.4594	7.0857	7.5521	7.4294	7.4562	7.6050	7.4532	7.7240	7.8151
23 Portugal/escudo	154.28	175.44	180.25	168.01	172.52	171.19	n.a.	n.a.	n.a.
24 Singapore/dollar	1.4100	1.4857	1.6722	1.6378	1.6378	1.6515	1.6791	1.7004	1.7292
25 South Africa/rand	4.3011	4.6072	5.5417	5.7991	5.6511	5.9030	5.9931	6.1146	6.2136
26 South Korea/won	805.00	950.77	1,400.40	1,344.14	1,294.01	1,213.22	1,175.11	1,188.84	1,229.72
27 Spain/peseta	126.68	146.53	149.41	139.23	143.05	142.08	n.a.	n.a.	n.a.
28 Sri Lanka/rupee	55.289	59.026	65.006	66.345	67.578	68.117	68.630	69.070	69.570
29 Sweden/krona	6.7082	7.6446	7.9522	7.8395	8.0140	8.0716	7.8188	7.9532	8.2144
30 Switzerland/franc	1.2361	1.4514	1.4506	1.3373	1.3852	1.3604	1.3856	1.4272	1.4660
31 Taiwan/dollar	27.468	28.775	33.547	33.121	32.603	32.337	32.300	32.564	33.165
32 Thailand/baht	25.359	31.072	41.262	38.118	36.527	36.276	36.622	37.137	37.557
33 United Kingdom/pound[2]	156.07	163.76	165.73	169.44	166.11	167.08	164.98	162.76	162.13
34 Venezuela/bolivar	417.19	488.39	548.39	570.68	569.66	565.89	569.80	577.32	580.06
	Indexes[3]								
NOMINAL									
35 G-10 (March 1973=100)[4]	87.34	96.38	98.85	93.69	95.46	94.61	n.a.	n.a.	n.a.
36 Broad (January 1997=100)[5]	97.43	104.47	116.25	115.46	115.34	114.56	114.68	116.37	117.80
37 Major currencies (March 1973=100)[6]	85.23	91.85	96.52	93.46	94.23	93.40	92.37	93.76	95.69
38 Other important trading partners (January 1997=100)[7]	98.25	104.67	125.70	129.02	127.31	126.80	128.98	130.83	131.03
REAL									
39 Broad (March 1973=100)[5]	85.95	90.56	98.43	97.10	96.67	95.89	95.96	96.94	98.41
40 Major currencies (March 1973=100)[6]	85.83	93.20	98.33	95.47	96.21	95.44	94.74	96.10	98.36
41 Other important trading partners (March 1973=100)[7]	92.52	93.62	105.83	106.62	104.45	103.59	104.75	105.26	105.70

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. As of January 1999, the euro is reported in place of the individual euro-area currencies. These currency rates can be derived from the euro rate by using the fixed conversion rates (in currencies per euro) as shown below:

Euro equals

13.7603	Austrian schillings	1936.27	Italian lire
40.3399	Belgian francs	40.3399	Luxembourg francs
5.94573	Finnish markkas	2.20371	Netherlands guilders
6.55957	French francs	200.482	Portuguese escudos
1.95583	German marks	166.386	Spanish pesetas
.787564	Irish pounds		

4. For more information on the indexes of the foreign exchange value of the dollar, see *Federal Reserve Bulletin*, vol. 84 (October 1998), pp. 811–18.

5. Weighted average of the foreign exchange value of the U.S. dollar against the currencies of the other G-10 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).

6. Weighted average of the foreign exchange value of the U.S. dollar against the currencies of a broad group of U.S. trading partners. The weight for each currency is computed as an average of U.S. bilateral import shares from and export shares to the issuing country and of a measure of the importance to U.S. exporters of that country's trade in third country markets.

7. Weighted average of the foreign exchange value of the U.S. dollar against a subset of broad index currencies that circulate widely outside the country of issue. The weight for each currency is its broad index weight scaled so that the weights of the subset of currencies in the index sum to one.

8. Weighted average of the foreign exchange value of the U.S. dollar against a subset of broad index currencies that do not circulate widely outside the country of issue. The weight for each currency is its broad index weight scaled so that the weights of the subset of currencies in the index sum to one.

Guide to Statistical Releases and Special Tables

STATISTICAL RELEASES—List Published Semiannually, with Latest Bulletin *Reference*

	Issue	*Page*
Anticipated schedule of release dates for periodic releases	December 1998	A72

SPECIAL TABLES—Data Published Irregularly, with Latest Bulletin *Reference*

Title and Date	*Issue*	*Page*
Assets and liabilities of commercial banks		
March 31, 1998	August 1998	A64
June 30, 1998	November 1998	A64
September 30, 1998	February 1999	A64
December 31, 1998	May 1999	A64
Terms of lending at commercial banks		
May 1998	August 1998	A67
August 1998	November 1998	A66
November 1998	February 1999	A66
February 1999	May 1999	A66
Assets and liabilities of U.S. branches and agencies of foreign banks		
March 31, 1998	August 1998	A72
June 30, 1998	November 1998	A72
September 30, 1998	February 1999	A72
December 31, 1998	May 1999	A72
Pro forma balance sheet and income statements for priced service operations		
March 31, 1998	July 1998	A64
June 30, 1998	October 1998	A64
September 30, 1998	January 1999	A64
Residential lending reported under the Home Mortgage Disclosure Act		
1995	September 1996	A68
1996	September 1997	A68
1997	September 1998	A68
Disposition of applications for private mortgage insurance		
1996	September 1997	A76
1997	September 1998	A72
Small loans to businesses and farms		
1997	September 1998	A76
Community development lending reported under the Community Reinvestment Act		
1997	September 1998	A79

4.20 DOMESTIC AND FOREIGN OFFICES Insured Commercial Bank Assets and Liabilities
Consolidated Report of Condition, December 31, 1998

Millions of dollars except as noted

Item	Total	Domestic total	Banks with foreign offices[1]		Banks with domestic offices only[2]	
			Total	Domestic	Over 100	Under 100
1 **Total assets**[3]	**5,376,052**	**4,696,995**	**3,672,562**	**2,993,504**	**1,403,367**	**300,124**
2 Cash and balances due from depository institutions	354,145	266,507	270,811	183,174	67,098	16,236
3 Cash items in process of collection, unposted debits, and currency and coin			126,516	123,755	35,174	
4 Cash items in process of collection and unposted debits			n.a.	95,095	23,687	
5 Currency and coin	n.a.	n.a.	n.a.	28,660	11,488	n.a.
6 Balances due from depository institutions in the United States			41,889	32,098	21,130	
7 Balances due from banks in foreign countries and foreign central banks			81,850	6,988	2,928	
8 Balances due from Federal Reserve Banks			20,556	20,333	7,865	
MEMO						
9 Non-interest-bearing balances due from commercial banks in the United States (included in balances due from depository institutions in the United States)		38,078	n.a.	16,400	15,397	6,280
10 Total securities, held-to-maturity (amortized cost) and available-for-sale (fair value)	964,252		548,979		337,179	78,094
11 U.S. Treasury securities	112,721		57,479		42,833	12,409
12 U.S. government agency and corporation obligations (excludes mortgage-backed securities)	165,659		48,773		85,403	31,483
13 Issued by U.S. government agencies	7,184		3,403		2,851	929
14 Issued by U.S. government-sponsored agencies	158,476		45,370		82,551	30,554
15 Securities issued by states and political subdivisions in the United States	86,637		25,591		46,445	14,601
16 General obligations	63,672		17,889		35,207	10,576
17 Revenue obligations	22,226		7,191		11,066	3,969
18 Industrial development and similar obligations	738		511		172	55
19 Mortgage-backed securities (MBS)	464,458		310,228		137,963	16,268
20 Pass-through securities	307,767		215,510		81,480	10,777
21 Guaranteed by GNMA	81,820	n.a.	52,127	n.a.	25,994	3,698
22 Issued by FNMA and FHLMC	224,343		162,380		54,918	7,045
23 Privately issued	1,604		1,003		567	34
24 Other mortgage-backed securities (includes CMOs, REMICs, and stripped MBS)	156,691		94,718		56,483	5,490
25 Issued or guaranteed by FNMA, FHLMC or GNMA	112,851		65,295		42,461	5,096
26 Collateralized by MBS issued or guaranteed by FNMA, FHLMC, or GNMA	3,505		2,069		1,284	153
27 All other mortgage-backed securities	40,334		27,354		12,738	242
28 Other debt securities	103,015		86,172		14,928	1,915
29 Other domestic debt securities	n.a.		29,145		14,742	n.a.
30 Foreign debt securities	n.a.		57,026		187	n.a.
31 Equity securities	31,762		20,736		9,607	1,419
32 Investments in mutual funds and other equity securities with readily determinable fair value	10,739		7,142		3,116	481
33 All other equity securities	21,023		13,594		6,490	938
34 Federal funds sold and securities purchased under agreements to resell	277,277	229,707	204,961	157,391	51,957	20,359
35 Total loans and lease-financing receivables, gross	3,201,521	2,901,748	2,135,719	1,835,946	889,528	176,273
36 LESS: Unearned income on loans	3,705	2,906	1,755	956	1,369	581
37 Total loans and leases (net of unearned income)	3,197,816	2,898,842	2,133,964	1,834,990	888,160	175,692
38 LESS: Allowance for loan and lease losses	55,710	n.a.	37,240	n.a.	15,876	2,594
39 LESS: Allocated transfer risk reserves	97	n.a.	97	n.a.	0	0
40 EQUALS: Total loans and leases, net	3,142,009	n.a.	2,096,628	n.a.	872,283	173,098
Total loans and leases, gross, by category						
41 Loans secured by real estate	1,334,591	1,303,977	757,195	726,581	477,743	99,653
42 Construction and land development		105,592		53,123	44,403	8,066
43 Farmland		29,034		5,067	12,387	11,580
44 One- to four-family residential properties		758,229		461,793	246,588	49,847
45 Revolving, open-end loans, extended under lines of credit	n.a.	96,626	n.a.	68,489	25,716	2,421
46 All other loans		661,602		393,304	220,872	47,427
47 Multifamily (five or more) residential properties		42,527		22,628	17,730	2,170
48 Nonfarm nonresidential properties		368,594		183,970	156,634	27,990
49 Loans to depository institutions	96,399	75,379	91,168	70,147	5,103	129
50 Commercial banks in the United States	n.a.	n.a.	46,499	45,906	4,771	n.a.
51 Other depository institutions in the United States	n.a.	n.a.	18,005	17,950	159	n.a.
52 Banks in foreign countries	n.a.	n.a.	26,664	6,291	173	n.a.
53 Loans to finance agricultural production and other loans to farmers	46,028	45,102	11,590	10,664	16,381	18,057
54 Commercial and industrial loans	892,855	722,817	708,650	538,612	153,722	30,483
55 U.S. addressees (domicile)	n.a.	n.a.	565,614	531,347	153,004	n.a.
56 Non-U.S. addressees (domicile)	n.a.	n.a.	143,036	7,265	718	n.a.
57 Acceptances of other banks	1,477	814	1,311	647	125	41
58 U.S. banks	n.a.	n.a.	403	402	n.a.	n.a.
59 Foreign banks	n.a.	n.a.	908	245	n.a.	n.a.
60 Loans to individuals for household, family, and other personal expenditures (includes purchased paper)	549,556	508,683	311,301	270,429	212,663	25,591
61 Credit cards and related plans	212,597	n.a.	111,054	n.a.	99,497	2,045
62 Other (includes single payment and installment)	336,959	n.a.	200,248	n.a.	113,166	23,546
63 Obligations (other than securities) of states and political subdivisions in the United States (includes nonrated industrial development obligations)	18,399	18,393	11,338	11,332	6,223	839
64 All other loans	138,024	106,337	128,308	96,622	8,828	887
65 Loans to foreign governments and official institutions	n.a.	n.a.	7,881	804	36	n.a.
66 Other loans	n.a.	n.a.	120,427	95,818	8,792	n.a.
67 Loans for purchasing and carrying securities	n.a.	n.a.	n.a.	16,704	1,764	n.a.
68 All other loans (excludes consumer loans)	n.a.	n.a.	n.a.	79,114	7,028	n.a.
69 Lease-financing receivables	124,192	120,246	114,858	110,912	8,741	593
70 Assets held in trading accounts	284,913		283,769		1,110	1
71 Premises and fixed assets (including capitalized leases)	70,561		43,663		21,184	5,714
72 Other real estate owned	3,621	n.a.	2,079	n.a.	1,201	341
73 Investments in unconsolidated subsidiaries and associated companies	6,131		5,761		313	58
74 Customers' liability on acceptances outstanding	11,669		11,464		199	6
75 Net due from own foreign offices, Edge Act and agreement subsidiaries, and IBFs	n.a.	29,293	n.a.	29,293	n.a.	n.a.
76 Intangible assets	76,271	n.a.	62,424	n.a.	12,891	957
77 All other assets	185,204	n.a.	142,024	n.a.	37,952	5,228

4.20 DOMESTIC AND FOREIGN OFFICES Insured Commercial Bank Assets and Liabilities—Continued
Consolidated Report of Condition, December 31, 1998

Millions of dollars except as noted

Item	Total	Domestic total	Banks with foreign offices[1]		Banks with domestic offices only[2]	
			Total	Domestic	Over 100	Under 100
78 **Total liabilities, limited-life preferred stock, and equity capital**	**5,376,052**	n.a.	**3,672,562**	n.a.	**1,403,367**	**300,124**
79 **Total liabilities**	**4,923,412**	**4,244,354**	**3,382,892**	**2,703,834**	**1,272,594**	**267,926**
80 Total deposits	3,654,780	3,082,935	2,352,320	1,780,475	1,045,794	256,666
81 Individuals, partnerships, and corporations	3,257,675	2,865,961	2,053,181	1,661,467	972,073	232,421
82 U.S. government	n.a.	7,184	n.a.	5,951	1,026	207
83 States and political subdivisions in the United States	n.a.	136,690	n.a.	61,582	55,471	19,637
84 Commercial banks in the United States	80,991	37,221	73,084	29,314	6,876	1,031
85 Other depository institutions in the United States	n.a.	9,818	n.a.	4,843	3,463	1,512
86 Foreign banks, governments, and official institutions	135,946	8,839	135,514	8,407	416	16
87 Banks	n.a.	n.a.	97,289	6,897	393	n.a.
88 Governments and official institutions	n.a.	n.a.	38,225	1,510	23	n.a.
89 Certified and official checks	18,082	17,221	9,772	8,911	6,469	1,841
90 Total transaction accounts		746,853		424,719	246,318	75,816
91 Individuals, partnerships, and corporations		643,163		361,124	215,870	66,169
92 U.S. government		2,471		1,673	675	123
93 States and political subdivisions in the United States		43,738		19,398	17,097	7,243
94 Commercial banks in the United States		27,933		22,577	5,017	338
95 Other depository institutions in the United States		4,535		3,593	854	88
96 Foreign banks, governments, and official institutions		7,793		7,443	337	13
97 Banks		n.a.		6,372	336	n.a.
98 Governments and official institutions		n.a.		1,070	1	n.a.
99 Certified and official checks		17,221		8,911	6,469	1,841
100 Demand deposits (included in total transaction accounts)		582,727		377,309	165,533	39,885
101 Individuals, partnerships, and corporations		504,680		321,389	147,198	36,094
102 U.S. government		2,353		1,620	625	109
103 States and political subdivisions in the United States		18,318		11,786	5,127	1,405
104 Commercial banks in the United States	n.a.	27,847	n.a.	22,576	4,933	338
105 Other depository institutions in the United States		4,522		3,591	845	85
106 Foreign banks, governments, and official institutions		7,785		7,436	337	12
107 Banks		n.a.		6,368	336	n.a.
108 Governments and official institutions		n.a.		1,068	1	n.a.
109 Certified and official checks		17,221		8,911	6,469	1,841
110 Total nontransaction accounts		2,336,082		1,355,756	799,476	180,850
111 Individuals, partnerships, and corporations		2,222,799		1,300,343	756,204	166,252
112 U.S. government		4,713		4,278	351	84
113 States and political subdivisions in the United States		92,952		42,184	38,374	12,394
114 Commercial banks in the United States		9,289		6,737	1,859	693
115 Other depository institutions in the United States		5,283		1,250	2,609	1,424
116 Foreign banks, governments, and official institutions		1,046		965	79	2
117 Banks		n.a.		525	57	n.a.
118 Governments and official institutions		n.a.		439	22	n.a.
119 Federal funds purchased and securities sold under agreements to repurchase	430,046	406,565	349,583	326,102	77,676	2,787
120 Demand notes issued to the U.S. Treasury	10,690	10,690	9,111	9,111	1,520	59
121 Trading liabilities	209,396	n.a.	209,338	n.a.	58	0
122 Other borrowed money	386,517	346,743	263,515	223,740	117,407	5,595
123 Banks' liability on acceptances executed and outstanding	11,790	9,130	11,586	8,925	199	6
124 Notes and debentures subordinated to deposits	72,145	n.a.	67,549	n.a.	4,576	21
125 Net due to own foreign offices, Edge Act and agreement subsidiaries, and IBFs	n.a.	107,135	n.a.	107,135	n.a.	n.a.
126 All other liabilities	148,048	n.a.	119,891	n.a.	25,365	2,792
127 **Total equity capital**	**452,640**	n.a.	**289,670**	n.a.	**130,772**	**32,198**
MEMO						
128 Trading assets at large banks[4]	284,647	116,153	283,712	115,218	935	
129 U.S. Treasury securities (domestic offices)		14,600		14,580	20	
130 U.S. government agency corporation obligations		2,343		2,258	85	
131 Securities issued by states and political subdivisions in the United States	n.a.	1,191	n.a.	1,093	98	n.a.
132 Mortgage-backed securities		8,386		7,752	633	
133 Other debt securities		15,821		15,733	88	
134 Other trading assets		8,018		8,015	3	
135 Trading assets in foreign banks	168,495	0	168,495	0	0	
136 Revaluation gains on interest rate, foreign exchange rate, and other commodity and equity contracts	65,793	65,793	65,787	65,787	6	n.a.
137 Total individual retirement (IRA) and Keogh plan accounts		151,405		80,996	57,153	13,256
138 Total brokered deposits		62,940		38,365	22,789	1,786
139 Fully insured brokered deposits		48,573		26,990	19,894	1,689
140 Issued in denominations of less than $100,000		10,433		5,122	4,122	1,190
141 Issued in denominations of $100,000, or in denominations greater than $100,000 and participated out by the broker in shares of $100,000 or less	n.a.	38,139	n.a.	21,868	15,772	499
142 Money market deposit accounts (MMDAs)		795,835		559,351	208,671	27,813
143 Other savings deposits (excluding MMDAs)		381,798		214,350	142,866	24,582
144 Total time deposits of less than $100,000		745,086		341,395	309,335	94,355
145 Total time deposits of $100,000 or more		413,364		240,660	138,604	34,100
146 All negotiable order of withdrawal (NOW) accounts		161,245		46,669	79,445	35,132
147 Number of banks	8,752	8,752	163	n.a.	2,797	5,792

NOTE. Table 4.20 has been revised; it now includes data that was previously reported in table 4.22, which has been discontinued.

The notation "n.a." indicates the lesser detail available from banks that don't have foreign offices, the inapplicability of certain items to banks that have only domestic offices or the absence of detail on a fully consolidated basis for banks that have foreign offices.

1. All transactions between domestic and foreign offices of a bank are reported in "net due from" and "net due to" lines. All other lines represent transactions with parties other than the domestic and foreign offices of each bank. Because these intraoffice transactions are nullified by consolidation, total assets and total liabilities for the entire bank may not equal the sum of assets and liabilities respectively of the domestic and foreign offices.

Foreign offices include branches in foreign countries, Puerto Rico, and U.S. territories and possessions; subsidiaries in foreign countries; all offices of Edge Act and agreement corporations wherever located; and IBFs.

2. "Over 100" refers to banks whose assets, on June 30 of the preceding calendar year, were $100 million or more. (These banks file the FFIEC 032 or FFIEC 033 Call Report.) "Under 100" refers to banks whose assets, on June 30 of the preceding calendar year, were less than $100 million. (These banks file the FFIEC 034 Call Report.)

3. Because the domestic portion of allowances for loan and lease losses and allocated transfer risk reserves are not reported for banks with foreign offices, the components of total assets (domestic) do not sum to the actual total (domestic).

4. Components of "Trading assets at large banks" are reported only by banks with either total assets of $1 billion or more or with $2 billion or more in the par/notional amount of their off-balance-sheet derivative contracts.

4.23 TERMS OF LENDING AT COMMERCIAL BANKS Survey of Loans Made, February 1–5, 1999

A. Commercial and industrial loans made by all commercial banks[1]

Item	Weighted-average effective loan rate (percent)[2]	Amount of loans (millions of dollars)	Average loan size (thousands of dollars)	Weighted-average maturity[3] (Days)	Amount of loans (percent): Secured by collateral	Callable	Subject to prepayment penalty	Made under commitment	Most common base pricing rate[4]
Loan risk[5]									
1 All commercial and industrial loans	6.32	123,589	711	375	37.4	11.4	29.0	67.2	Fed funds
2 Minimal risk	5.84	5,348	844	365	23.4	9.2	28.3	85.6	Foreign
3 Low risk	5.64	32,920	1,784	270	25.3	11.0	54.4	63.5	Foreign
4 Moderate risk	6.39	37,306	537	468	36.0	11.8	16.4	74.9	Foreign
5 Other	6.70	26,562	647	376	39.3	7.1	25.5	63.7	Fed funds
By maturity/repricing interval[6]									
6 Zero interval	7.65	20,173	288	620	51.8	13.6	5.3	68.6	Prime
7 Minimal risk	7.20	517	365	612	23.3	20.3	11.4	96.9	Prime
8 Low risk	6.89	2,570	531	683	43.6	15.9	17.9	82.9	Prime
9 Moderate risk	7.62	7,342	219	646	58.1	16.8	5.5	90.0	Prime
10 Other	8.27	3,870	175	615	69.1	23.6	3.7	92.1	Prime
11 Daily	5.71	54,328	1,396	139	32.9	8.8	35.8	53.5	Fed funds
12 Minimal risk	5.31	2,089	6,238	272	8.9	7.1	37.2	83.2	Other
13 Low risk	5.38	19,306	7,391	100	23.1	6.6	61.7	50.7	Fed funds
14 Moderate risk	5.79	11,698	870	185	24.9	16.7	8.9	51.7	Fed funds
15 Other	5.86	12,139	1,833	94	35.7	3.0	29.8	38.7	Fed funds
16 2 to 30 days	6.18	29,422	1,753	318	26.2	9.1	30.6	82.2	Foreign
17 Minimal risk	6.12	1,659	1,886	137	25.4	12.3	27.7	84.3	Foreign
18 Low risk	5.63	6,486	2,464	283	17.1	23.1	43.9	79.5	Foreign
19 Moderate risk	6.01	12,200	1,932	370	23.1	5.3	24.4	89.4	Foreign
20 Other	6.84	6,451	1,374	343	28.7	4.1	24.8	81.1	Foreign
21 31 to 365 days	6.45	12,931	442	614	40.4	5.8	42.0	83.0	Foreign
22 Minimal risk	5.83	784	263	495	62.3	2.6	18.3	85.3	Foreign
23 Low risk	5.86	3,885	650	482	34.6	8.6	63.1	85.7	Foreign
24 Moderate risk	6.44	4,000	433	583	43.7	4.7	40.2	84.4	Foreign
25 Other	7.13	3,205	652	845	33.3	5.2	29.5	82.4	Foreign
				Months					
26 More than 365 days	7.50	4,050	253	66	60.3	15.0	22.0	63.4	Prime
27 Minimal risk	5.62	293	423	52	10.2	2.7	11.6	91.8	Other
28 Low risk	7.49	632	280	78	42.3	8.6	36.7	71.9	Prime
29 Moderate risk	7.52	1,812	320	61	84.8	11.7	6.5	41.5	Prime
30 Other	8.82	703	405	77	45.6	6.0	69.4	84.3	Prime
			Weighted-average risk rating[5]	Weighted-average maturity/repricing interval[6] (Days)					
Size of loan (thousands of dollars)									
31 1–99	8.85	2,977	3.2	188	85.5	29.6	3.6	74.8	Prime
32 100–999	7.93	11,506	3.2	191	72.1	20.0	10.4	83.2	Prime
33 1,000–9,999	6.66	35,150	3.0	79	40.5	10.4	27.3	77.5	Foreign
34 10,000 or more	5.81	73,956	2.7	63	28.7	9.8	33.7	59.5	Fed funds
									Average size (thousands of dollars)
Base rate of loan[4]									
35 Prime[7]	8.19	23,865	3.2	131	67.8	20.9	3.6	79.1	207
36 Fed funds	5.57	35,926	3.0	22	24.4	6.5	36.8	30.4	9,122
37 Other domestic	5.53	13,925	2.5	96	15.6	23.7	35.2	62.2	2,631
38 Foreign	5.96	33,778	2.7	52	37.7	3.7	46.9	92.9	3,388
39 Other	6.67	16,096	2.8	215	39.7	13.6	5.1	82.2	406

Footnotes appear at end of table.

4.23 TERMS OF LENDING AT COMMERCIAL BANKS Survey of Loans Made, February 1–5, 1999

B. Commercial and industrial loans made by all domestic banks[1]

Item	Weighted-average effective loan rate (percent)[2]	Amount of loans (millions of dollars)	Average loan size (thousands of dollars)	Weighted-average maturity[3]	Amount of loans (percent)				Most common base pricing rate[4]
				Days	Secured by collateral	Callable	Subject to prepayment penalty	Made under commitment	
LOAN RISK[5]									
1 All commercial and industrial loans	6.63	69,324	421	566	39.2	15.1	12.4	74.3	Prime
2 Minimal risk	5.73	4,271	691	442	23.5	10.4	29.8	83.2	Other
3 Low risk	5.91	12,859	764	514	22.4	21.5	26.8	81.5	Domestic
4 Moderate risk	6.48	29,251	441	527	39.9	14.2	9.8	75.7	Prime
5 Other	7.52	10,757	281	731	54.8	13.8	8.5	79.4	Prime
By maturity/repricing interval[6]									
6 Zero interval	7.64	18,511	271	615	52.3	12.2	3.3	67.3	Prime
7 Minimal risk	7.14	479	341	612	17.2	14.0	12.4	96.6	Prime
8 Low risk	6.98	2,092	446	744	50.5	17.7	3.9	90.2	Prime
9 Moderate risk	7.58	6,623	204	628	59.2	15.9	4.9	89.6	Prime
10 Other	8.19	3,462	161	602	68.2	19.6	4.0	91.2	Prime
11 Daily	6.08	22,694	613	327	30.3	20.7	15.3	69.0	Domestic
12 Minimal risk	5.26	1,617	5,717	350	10.8	8.5	45.3	81.0	Other
13 Low risk	5.56	4,735	2,075	373	11.9	26.7	34.6	73.3	Domestic
14 Moderate risk	5.88	9,233	706	229	30.1	20.6	9.8	56.4	Domestic
15 Other	6.68	3,101	504	287	33.2	11.1	5.4	60.0	Fed funds
16 2 to 30 days	6.07	17,086	1,256	432	26.0	12.0	15.2	88.8	Foreign
17 Minimal risk	5.74	1,152	1,427	190	23.6	17.8	27.4	77.8	Fed funds
18 Low risk	5.53	4,108	2,005	337	15.8	21.9	28.0	88.3	Domestic
19 Moderate risk	6.01	8,587	1,711	414	22.9	7.3	10.0	91.2	Foreign
20 Other	7.31	2,360	632	718	49.5	9.7	10.3	85.9	Other
21 31 to 365 days	6.70	7,003	253	812	48.4	6.5	22.7	81.3	Foreign
22 Minimal risk	5.85	723	244	471	60.7	2.8	12.1	84.1	Foreign
23 Low risk	6.20	1,466	262	565	22.1	9.5	38.3	83.0	Foreign
24 Moderate risk	6.54	2,759	316	650	47.0	6.7	24.8	79.9	Foreign
25 Other	7.70	1,250	287	1701	66.5	4.8	16.7	82.4	Foreign
				Months					
26 More than 365 days	7.32	3,507	223	62	69.2	17.3	9.3	57.7	Other
27 Minimal risk	5.62	293	423	52	10.2	2.7	11.6	91.8	Other
28 Low risk	7.20	418	201	78	63.9	12.9	4.0	57.6	Other
29 Moderate risk	7.53	1,794	317	61	84.6	11.8	6.5	40.9	Prime
30 Other	8.59	391	243	62	81.9	10.9	43.8	71.9	Other
			Weighted-average risk rating[5]	Weighted-average maturity/repricing interval[6]					
				Days					
SIZE OF LOAN (thousands of dollars)									
31 1–99	8.87	2,928	3.2	189	86.0	29.5	3.1	74.6	Prime
32 100–999	8.06	10,067	3.2	200	75.6	20.6	5.6	82.4	Prime
33 1,000–9,999	6.89	23,224	2.9	96	45.7	12.0	14.9	79.6	Prime
34 10,000 or more	5.82	33,105	2.6	92	19.4	14.2	13.5	68.1	Domestic
									Average size (thousands of dollars)
BASE RATE OF LOAN[4]									
35 Prime[7]	8.15	20,973	3.1	100	69.4	16.6	2.5	76.4	186
36 Fed funds	5.48	6,236	2.9	29	23.9	25.4	2.3	38.3	4,212
37 Other domestic	5.52	12,922	2.5	103	14.5	25.5	30.3	67.0	2,554
38 Foreign	6.09	15,251	2.7	72	32.8	7.9	20.6	87.6	2,415
39 Other	6.47	13,942	2.8	226	30.7	6.3	5.6	79.6	354

Footnotes appear at end of table.

4.23 TERMS OF LENDING AT COMMERCIAL BANKS Survey of Loans Made, February 1–5, 1999

C. Commercial and industrial loans made by large domestic banks[1]

Item	Weighted-average effective loan rate (percent)[2]	Amount of loans (millions of dollars)	Average loan size (thousands of dollars)	Weighted-average maturity[3]	Amount of loans (percent): Secured by collateral	Callable	Subject to prepayment penalty	Made under commitment	Most common base pricing rate[4]
				Days					
LOAN RISK[5]									
1 All commercial and industrial loans	6.40	58,549	824	479	32.1	14.8	13.5	74.9	Prime
2 Minimal risk	5.51	3,506	4,662	474	16.9	6.6	34.2	88.1	Foreign
3 Low risk	5.63	11,010	2,609	399	15.1	21.5	31.2	82.6	Domestic
4 Moderate risk	6.23	24,890	921	478	32.0	14.1	9.8	77.5	Foreign
5 Other	7.31	8,860	407	553	47.1	13.0	8.6	81.0	Prime
By maturity/repricing interval[6]									
6 Zero interval	7.50	14,114	494	532	42.8	11.3	3.2	63.2	Prime
7 Minimal risk	7.62	340	1,414	735	14.4	3.6	14.7	98.6	Prime
8 Low risk	6.54	1,211	814	497	38.9	18.3	5.6	91.7	Prime
9 Moderate risk	7.40	4,796	400	646	47.7	15.8	5.7	97.0	Prime
10 Other	8.08	2,696	217	615	61.0	21.5	2.3	93.4	Prime
11 Daily	5.99	21,399	741	317	27.6	21.1	16.1	68.2	Domestic
12 Minimal risk	5.26	1,599	6,853	351	10.8	7.6	45.8	80.7	Other
13 Low risk	5.48	4,489	3,300	355	10.3	26.6	36.4	72.3	Domestic
14 Moderate risk	5.76	8,655	929	217	26.5	21.4	10.4	55.6	Domestic
15 Other	6.57	2,918	622	282	29.5	11.5	5.7	57.8	Fed funds
16 2 to 30 days	5.95	15,318*	2,432	410	21.7	11.1	15.2	90.2	Foreign
17 Minimal risk	5.18	801	7,010	179	6.1	11.8	31.7	88.2	Fed funds
18 Low risk	5.47	3,934	5,557	336	14.3	22.1	29.2	88.4	Domestic
19 Moderate risk	5.96	7,967	2,671	426	19.6	7.1	8.8	91.2	Foreign
20 Other	7.15	1,971	1,055	480	44.0	5.8	9.9	90.7	Other
21 31 to 365 days	6.19	5,218	1,620	767	40.4	3.1	25.9	92.5	Foreign
22 Minimal risk	5.52	501	4,946	624	63.1	*	14.7	99.5	Foreign
23 Low risk	5.72	1,191	3,174	629	11.5	4.1	46.8	90.0	Foreign
24 Moderate risk	6.09	2,173	2,212	749	38.5	3.2	22.8	91.1	Foreign
25 Other	7.31	911	698	907	55.5	3.9	19.7	96.1	Foreign
				Months					
26 More than 365 days	6.75	2,224	1,067	46	55.8	18.8	13.3	64.2	Prime
27 Minimal risk	5.30	263	6,258	50	1.8	.6	26.9	97.8	Other
28 Low risk	5.83	151	857	24	10.6	.0	11.1	98.1	Foreign
29 Moderate risk	7.04	1,157	1,438	45	78.8	10.8	7.1	37.8	Prime
30 Other	8.64	295	418	62	77.2	8.3	57.1	83.3	Other
			Weighted-average risk rating[5]	Weighted-average maturity/repricing interval[6]					
				Days					
SIZE OF LOAN (thousands of dollars)									
31 1–99	8.53	1,252	3.5	48	82.8	38.8	4.5	91.0	Prime
32 100–999	7.90	6,499	3.3	64	69.3	21.0	6.3	89.2	Prime
33 1,000–9,999	6.76	19,211	3.0	67	40.0	11.9	16.2	80.4	Prime
34 10,000 or more	5.78	31,587	2.6	89	17.6	14.3	13.6	67.9	Domestic
									Average size (thousands of dollars)
BASE RATE OF LOAN[4]									
35 Prime[7]	8.02	15,453	3.2	88	62.9	15.8	2.3	77.9	280
36 Fed funds	5.42	5,851	2.9	11	20.1	26.2	2.2	37.3	6,535
37 Other domestic	5.37	12,307	2.5	87	10.6	25.9	31.8	68.6	5,307
38 Foreign	6.08	13,785	2.7	55	30.7	7.3	20.1	87.4	2,847
39 Other	6.17	11,153	2.9	118	21.1	4.2	5.7	81.8	1,423

Footnotes appear at end of table.

4.23 TERMS OF LENDING AT COMMERCIAL BANKS Survey of Loans Made, February 1–5, 1999

D. Commercial and industrial loans made by small domestic banks[1]

Item	Weighted-average effective loan rate (percent)[2]	Amount of loans (millions of dollars)	Average loan size (thousands of dollars)	Weighted-average maturity[3] Days	Amount of loans (percent): Secured by collateral	Callable	Subject to prepayment penalty	Made under commitment	Most common base pricing rate[4]
LOAN RISK[5]									
1 All commercial and industrial loans	7.90	10,775	115	1038	78.0	16.6	6.6	71.2	Prime
2 Minimal risk	6.71	765	141	271	53.5	27.6	11.3	60.3	Other
3 Low risk	7.60	1,849	147	1179	65.8	21.4	1.0	75.4	Prime
4 Moderate risk	7.87	4,361	111	811	84.7	14.7	10.0	65.9	Prime
5 Other	8.49	1,897	115	1595	90.6	17.3	8.5	72.0	Prime
By maturity/repricing interval[6]									
6 Zero interval	8.06	4,397	111	888	82.8	15.2	3.5	80.5	Prime
7 Minimal risk	5.96	140	120	153	24.2	39.2	6.6	91.7	Other
8 Low risk	7.59	880	275	1035	66.4	16.7	1.4	88.3	Prime
9 Moderate risk	8.08	1,827	89	579	89.3	16.2	2.9	70.3	Prime
10 Other	8.60	766	84	558	93.8	13.1	10.1	83.3	Prime
11 Daily	7.66	1,295	158	494	73.5	14.3	.8	82.5	Prime
12 Minimal risk	5.50	18	371	146	12.1	88.7	*	100.0	Fed funds
13 Low risk	6.98	245	266	757	41.6	28.6	.5	91.0	Other
14 Moderate risk	7.61	578	153	406	84.2	7.8	1.1	68.0	Prime
15 Other	8.56	183	126	360	91.5	4.5	.2	95.3	Prime
16 2 to 30 days	7.07	1,768	242	624	63.3	19.8	15.0	76.8	Foreign
17 Minimal risk	7.01	352	507	218	63.5	31.4	17.5	54.1	Prime
18 Low risk	6.86	174	130	348	48.9	17.4	.1	85.8	Prime
19 Moderate risk	6.73	620	304	254	66.0	9.9	25.2	91.1	Foreign
20 Other	8.10	389	209	1913	77.4	29.8	12.1	61.4	Foreign
21 31 to 365 days	8.20	1,784	73	944	72.1	16.4	13.4	48.6	Other
22 Minimal risk	6.58	221	78	125	55.2	9.3	6.1	49.3	Other
23 Low risk	8.27	275	53	290	68.2	33.0	1.7	52.9	Prime
24 Moderate risk	8.20	586	75	276	78.3	19.5	31.8	38.0	Prime
25 Other	8.76	338	111	3812	96.0	7.2	8.8	45.8	Domestic
				Months					
26 More than 365 days	8.31	1,283	94	87	92.3	14.7	3.4	46.4	Other
27 Minimal risk	8.34	31	47	72	82.3	20.5	6.2	40.6	Other
28 Low risk	7.97	267	140	109	94.1	20.2	.2	34.7	Other
29 Moderate risk	8.41	637	131	90	95.2	13.8	5.5	46.6	Other
30 Other	8.43	96	106	62	96.3	18.9	6.6	36.8	Other
			Weighted-average risk rating[5]	Weighted-average maturity/repricing interval[6] Days					
SIZE OF LOAN (thousands of dollars)									
31 1–99	9.13	1,677	3.0	291	88.4	22.6	2.1	62.3	Prime
32 100–999	8.36	3,568	3.1	447	87.1	19.9	4.4	69.8	Prime
33 1,000–9,999	7.49	4,013	2.7	242	73.5	12.6	9.0	75.8	Prime
34 10,000 or more	6.52	1,518	2.8	158	57.2	12.9	10.4	72.1	Other
									Average size (thousands of dollars)
BASE RATE OF LOAN[4]									
35 Prime[7]	8.51	5,520	2.9	135	87.5	18.5	2.9	72.0	96
36 Fed funds	6.45	386	2.7	294	81.3	12.1	4.4	54.0	659
37 Other domestic	8.37	615	3.3	422	91.9	17.3	1.0	33.6	224
38 Foreign	6.22	1,466	2.9	226	52.3	13.5	25.6	89.3	995
39 Other	7.66	2,789	2.6	670	69.2	14.8	5.5	70.7	88

Footnotes appear at end of table.

4.23 TERMS OF LENDING AT COMMERCIAL BANKS Survey of Loans Made, February 1–5, 1999

E. Commercial and industrial loans made by U.S. branches and agencies of foreign banks[1]

Item	Weighted-average effective loan rate (percent)[2]	Amount of loans (millions of dollars)	Average loan size (thousands of dollars)	Weighted-average maturity[3]	Amount of loans (percent): Secured by collateral	Callable	Subject to prepayment penalty	Made under commitment	Most common base pricing rate[4]
				Days					
LOAN RISK[5]									
1 All commercial and industrial loans	5.93	54,265	5,959	139	35.1	6.7	50.0	58.1	Fed funds
2 Minimal risk	6.28	1,078	6,692	56	23.2	4.6	22.8	95.4	Fed funds
3 Low risk	5.47	20,060	12,388	126	27.1	4.2	72.0	52.0	Fed funds
4 Moderate risk	6.05	8,055	2,564	262	22.2	3.0	40.0	71.8	Foreign
5 Other	6.14	15,805	5,682	154	28.7	2.5	36.9	53.0	Fed funds
By maturity/repricing interval[6]									
6 Zero interval	7.77	1,662	904	699	46.9	29.4	27.8	83.1	Prime
7 Minimal risk	*	*	*	*	*	*	*	*	*
8 Low risk	6.49	479	3,177	422	13.5	8.2	79.1	50.7	Fed funds
9 Moderate risk	7.94	718	728	901	48.3	24.7	11.3	93.8	Prime
10 Other	8.93	408	633	826	76.5	57.2	.5	99.7	Prime
11 Daily	5.45	31,634	16,928	24	34.8	.3	50.4	42.4	Fed funds
12 Minimal risk	*	*	*	*	*	*	*	*	*
13 Low risk	5.32	14,572	44,052	23	26.7	.1	70.5	43.4	Fed funds
14 Moderate risk	5.47	2,465	6,976	39	5.3	2.1	5.5	34.3	Fed funds
15 Other	5.58	9,038	18,909	35	36.6	.2	38.1	31.5	Fed funds
16 2 to 30 days	6.33	12,336	3,876	163	26.5	5.2	51.6	73.0	Foreign
17 Minimal risk	7.00	507	6,972	21	29.6	*	28.6	99.0	Foreign
18 Low risk	5.80	2,378	4,075	193	19.4	25.0	71.1	64.3	Foreign
19 Moderate risk	6.02	3,613	2,793	269	23.3	.3	58.0	85.2	Foreign
20 Other	6.57	4,092	4,249	129	16.8	.9	32.8	78.3	Foreign
21 31 to 365 days	6.16	5,929	3,750	374	31.0	5.1	64.4	84.9	Foreign
22 Minimal risk	*	*	*	*	*	*	*	*	*
23 Low risk	5.65	2,419	6,319	431	42.2	8.0	78.2	87.4	Foreign
24 Moderate risk	6.23	1,241	2,470	435	36.3	.1	73.2	94.5	Foreign
25 Other	6.76	1,956	3,422	259	12.1	5.4	37.6	82.4	Foreign
				Months					
26 More than 365 days	8.63	543	1,801	88	3.3	*	96.4	100.0	Prime
27 Minimal risk	*	*	*	*	*	*	*	*	*
28 Low risk	8.08	213	1,243	78	*	*	100.0	100.0	Prime
29 Moderate risk	*	*	*	*	*	*	*	*	*
30 Other	9.10	312	2,500	96	*	*	99.4	100.0	Prime
			Weighted-average risk rating[5]	Weighted-average maturity/repricing interval[6]					
				Days					
SIZE OF LOAN (thousands of dollars)									
31 1–99	7.85	49	3.2	101	55.6	35.3	31.8	85.9	Prime
32 100–999	7.01	1,439	3.2	128	47.0	16.0	43.8	89.1	Foreign
33 1,000–9,999	6.21	11,926	3.2	44	30.2	7.3	51.1	73.3	Foreign
34 10,000 or more	5.80	40,851	2.8	38	36.2	6.2	49.9	52.6	Fed funds
									Average size (thousands of dollars)
BASE RATE OF LOAN[4]									
35 Prime[7]	8.43	2,892	3.5	440	56.2	52.8	11.4	98.7	1,141
36 Fed funds	5.59	29,689	3.0	20	24.6	2.6	44.0	28.7	12,081
37 Other domestic	5.78	1,003	2.9	10	29.9	*	98.5	.1	4,289
38 Foreign	5.85	18,527	2.7	35	41.8	.3	68.5	97.2	5,070
39 Other	8.00	2,154	2.7	31	98.0	60.3	2.0	99.4	9,495

Footnotes appear at end of table.

NOTE. The Survey of Terms of Business Lending collects data on gross loan extensions made during the first full business week in the mid-month of each quarter. The authorized panel size for the survey is 348 domestically chartered commercial banks and fifty U.S. branches and agencies of foreign banks. The sample data are used to estimate the terms of loans extended during that week at all domestic commercial banks and all U.S. branches and agencies of foreign banks. Note that the terms on loans extended during the survey week may differ from those extended during other weeks of the quarter. The estimates reported here are not intended to measure the average terms on all business loans in bank portfolios.

1. As of December 31, 1996, assets of most of the large banks were at least $7.0 billion. Median total assets for all insured banks were roughly $62 million. Assets at all U.S. branches and agencies averaged 1.3 billion.

2. Effective (compounded) annual interest rates are calculated from the stated rate and other terms of the loans and weighted by loan amount. The standard error of the loan rate for all commercial and industrial loans in the current survey (line 1, column 1) is 0.17 percentage points. The chances are about two out of three that the average rate shown would differ by less than this amount from the average rate that would be found by a complete survey of the universe of all banks.

3. Average maturities are weighted by loan amount and exclude loans with no stated maturities.

4. The most common base pricing rate is that used to price the largest dollar volume of loans. Base pricing rates include the prime rate (sometimes referred to as a bank's "base" or "reference" rate); the federal funds rate; domestic money market rates other than the prime rate and the federal funds rate; foreign money market rates; and other base rates not included in the foregoing classifications.

5. A complete description of these risk categories is available from the Banking and Money Market Statistics Section, Mail Stop 81, Board of Governors of the Federal Reserve System, Washington, DC 20551. The category "Moderate risk" includes the average loan, under average economic conditions, at the typical lender. The category "Other" includes loans rated "acceptable" as well as special mention or classified loans. The weighted-average risk ratings published for loans in rows 31–39 are calculated by assigning a value of "1" to minimal risk loans; "2" to low risk loans; "3" to moderate risk loans, "4" to acceptable risk loans; and "5" to special mention and classified loans. These values are weighted by loan amount and exclude loans with no risk rating. Some of the loans in lines 1, 6, 11, 16, 21, 26, and 31–39 are not rated for risk.

6. The maturity/repricing interval measures the period from the date the loan is made until it first may reprice or it matures. For floating-rate loans that are subject to repricing at any time—such as many prime-based loans—the maturity/repricing interval is zero. For floating-rate loans that have a scheduled repricing interval, the maturity/repricing interval measures the number of days between the date the loan is made and the date on which it is next scheduled to reprice. For loans having rates that remain fixed until the loan matures (fixed-rate loans), the maturity/repricing interval measures the number of days between the date the loan is made and the date on which it matures. Loans that reprice daily mature or reprice on the business day after they are made. Owing to weekends and holidays, such loans may have maturity/repricing intervals in excess of one day; such loans are not included in the "2 to 30 day" category.

7. For the current survey, the average reported prime rate, weighted by the amount of loans priced relative to a prime base rate, was 7.78 percent for all banks; 7.75 percent for large domestic banks, 7.85 percent for small domestic banks; and 7.75 percent for U.S. branches and agencies of foreign banks.

4.30 ASSETS AND LIABILITIES of U.S. Branches and Agencies of Foreign Banks, December 31, 1998[1]

Millions of dollars except as noted

Item	All states[2]		New York		California		Illinois	
	Total including IBFs[3]	IBFs only[3]	Total including IBFs	IBFs only	Total including IBFs	IBFs only	Total including IBFs	IBFs only
1 **Total assets**[4]	**901,366**	**169,470**	**713,077**	**140,220**	**42,319**	**6,509**	**61,506**	**7,004**
2 Claims on nonrelated parties	756,666	98,029	585,548	81,937	39,022	3,143	60,384	4,195
3 Cash and balances due from depository institutions	79,278	44,978	76,196	43,822	789	166	812	360
4 Cash items in process of collection and unposted debits	2,186	0	2,087	0	8	0	12	0
5 Currency and coin (U.S. and foreign)	16	n.a.	11	n.a.	1	n.a.	1	n.a.
6 Balances with depository institutions in United States	43,504	14,219	41,539	13,666	600	79	681	258
7 U.S. branches and agencies of other foreign banks (including IBFs)	36,174	13,323	34,921	12,821	314	79	460	208
8 Other depository institutions in United States (including IBFs)	7,329	896	6,617	845	287	0	222	50
9 Balances with banks in foreign countries and with foreign central banks	32,818	30,758	31,917	30,156	125	88	110	103
10 Foreign branches of U.S. banks	1,985	1,891	1,943	1,853	0	0	26	26
11 Banks in home country and home-country central banks	4,637	4,169	4,579	4,126	11	11	32	32
12 All other banks in foreign countries and foreign central banks	26,195	24,699	25,395	24,177	113	77	51	44
13 Balances with Federal Reserve Banks	755	n.a.	642	n.a.	56	n.a.	7	n.a.
14 **Total securities and loans**	**474,265**	**45,450**	**341,553**	**31,149**	**36,713**	**2,723**	**44,838**	**3,698**
15 Total securities, book value	117,395	5,568	108,221	4,776	1,353	529	6,931	223
16 U.S. Treasury	19,654	n.a.	18,475	n.a.	122	n.a.	925	n.a.
17 Obligations of U.S. government agencies and corporations	45,212	n.a.	42,709	n.a.	147	n.a.	2,178	n.a.
18 Other bonds, notes, debentures, and corporate stock (including state and local securities)	52,529	5,568	47,037	4,776	1,084	529	3,827	223
19 Securities of foreign governmental units	13,751	3,132	13,231	2,922	345	121	114	75
20 All Other	38,779	2,436	33,805	1,854	739	408	3,713	147
21 Federal funds sold and securities purchased under agreements to resell	79,111	5,138	70,678	4,737	767	202	5,613	100
22 U.S. branches and agencies of other foreign banks	8,047	2,239	7,232	1,997	559	202	50	0
23 Commercial banks in United States	14,930	565	14,195	556	208	0	197	0
24 Other	56,134	2,334	49,251	2,184	0	0	5,366	100
25 Total loans, gross	357,104	39,909	233,488	26,397	35,393	2,195	37,918	3,477
26 LESS: Unearned income on loans	234	27	155	23	33	1	10	1
27 EQUALS: Loans, net	356,870	39,882	233,333	26,374	35,360	2,194	37,908	3,476
Total loans, gross, by category								
28 Real estate loans	19,730	179	12,130	110	4,343	62	722	0
29 Loans to depository institutions	32,713	21,409	18,288	11,429	1,772	1,463	3,698	3,276
30 Commercial banks in United States (including IBFs)	8,797	3,616	6,569	2,093	1,110	840	324	240
31 U.S. branches and agencies of other foreign banks	5,911	3,353	3,837	1,849	1,005	840	306	230
32 Other commercial banks in United States	2,886	263	2,731	243	105	0	18	10
33 Other depository institutions in United States (including IBFs)	47	5	25	0	0	0	0	0
34 Banks in foreign countries	23,869	17,788	11,695	9,337	662	623	3,374	3,037
35 Foreign branches of U.S. banks	734	634	604	516	3	3	100	100
36 Other banks in foreign countries	23,135	17,154	11,091	8,820	659	620	3,274	2,937
37 Loans to other financial institutions	52,834	802	39,449	661	1,747	0	6,431	5
38 Commercial and industrial loans	223,327	14,906	141,219	11,864	27,067	572	25,324	189
39 U.S. addressees (domicile)	183,341	32	113,865	32	24,823	0	22,533	0
40 Non-U.S. addressees (domicile)	39,986	14,874	27,355	11,832	2,245	572	2,791	189
41 Acceptances of other banks	296	13	138	13	14	0	128	0
42 U.S. banks	18	0	8	0	3	0	0	0
43 Foreign banks	278	13	130	13	11	0	128	0
44 Loans to foreign governments and official institutions (including foreign central banks)	4,454	2,475	3,462	2,215	299	98	81	6
45 Loans for purchasing or carrying securities (secured and unsecured)	12,839	21	9,739	21	45	0	25	0
46 All other loans	10,250	103	8,773	83	106	0	1,135	0
47 Lease financing receivables (net of unearned income)	661	0	287	0	0	0	374	0
48 U.S. addressees (domicile)	661	0	287	0	0	0	374	0
49 Non-U.S. addressees (domicile)	0	0	0	0	0	0	0	0
50 Trading assets	87,689	922	65,732	922	71	0	7,054	0
51 All other assets	36,323	1,540	31,388	1,306	683	52	2,067	37
52 Customers' liabilities on acceptances outstanding	2,071	n.a.	1,603	n.a.	199	n.a.	165	n.a.
53 U.S. addressees (domicile)	1,115	n.a.	850	n.a.	187	n.a.	49	n.a.
54 Non-U.S. addressees (domicile)	956	n.a.	753	n.a.	12	n.a.	117	n.a.
55 Other assets including other claims on nonrelated parties	34,252	1,540	29,785	1,306	484	52	1,902	37
56 Net due from related depository institutions[5]	144,699	71,441	127,529	58,282	3,297	3,366	1,122	2,809
57 Net due from head office and other related depository institutions[5]	144,699	n.a.	127,529	n.a.	3,297	n.a.	1,122	n.a.
58 Net due from establishing entity, head office, and other related depository institutions[5]	n.a.	71,441	n.a.	58,282	n.a.	3,366	n.a.	2,809
59 **Total liabilities**[4]	**901,366**	**169,470**	**713,077**	**140,220**	**42,319**	**6,509**	**61,506**	**7,004**
60 Liabilities to nonrelated parties	700,632	148,229	580,872	122,750	16,316	6,087	41,267	6,574

Footnotes appear at end of table.

4.30 ASSETS AND LIABILITIES of U.S. Branches and Agencies of Foreign Banks, December 31, 1998[1]—Continued

Millions of dollars except as noted

Item	All states[2]		New York		California		Illinois	
	Total excluding IBFs[3]	IBFs only[3]	Total excluding IBFs	IBFs only	Total excluding IBFs	IBFs only	Total excluding IBFs	IBFs only
61 Total deposits and credit balances	302,605	101,331	252,509	86,234	6,156	1,014	15,107	3,399
62 Individuals, partnerships, and corporations	240,128	11,925	195,910	6,525	5,929	182	13,888	96
63 U.S. addressees (domicile)	224,059	117	186,510	32	4,311	0	13,353	86
64 Non-U.S. addressees (domicile)	16,070	11,808	9,400	6,493	1,618	182	535	10
65 Commercial banks in United States (including IBFs)	30,976	13,147	27,042	12,727	181	43	709	266
66 U.S. branches and agencies of other foreign banks	17,345	11,624	14,220	11,286	0	28	208	215
67 Other commercial banks in United States	13,631	1,523	12,821	1,441	181	15	501	51
68 Banks in foreign countries	6,834	50,622	6,049	46,123	11	50	78	1,629
69 Foreign branches of U.S. banks	1,380	2,182	1,379	1,667	0	0	0	515
70 Other banks in foreign countries	5,454	48,440	4,670	44,455	11	50	78	1,114
71 Foreign governments and official institutions (including foreign central banks)	10,383	25,538	9,577	20,777	6	725	402	1,407
72 All other deposits and credit balances	14,078	99	13,755	83	23	14	28	2
73 Certified and official checks	205		177		8		2	
74 Transaction accounts and credit balances (excluding IBFs)	8,357		6,450		288		338	
75 Individuals, partnerships, and corporations	6,470		4,985		262		330	
76 U.S. addressees (domicile)	4,518		3,887		151		327	
77 Non-U.S. addressees (domicile)	1,953		1,098		111		4	
78 Commercial banks in United States (including IBFs)	346		342		0		0	
79 U.S. branches and agencies of other foreign banks	226		224		0		0	
80 Other commercial banks in United States	120		118		0		0	
81 Banks in foreign countries	728		418		11		3	
82 Foreign branches of U.S. banks	3		2		0		0	
83 Other banks in foreign countries	725		416		11		3	
84 Foreign governments and official institutions (including foreign central banks)	473		409		1		2	
85 All other deposits and credit balances	135		119		6		0	
86 Certified and official checks	205		177		8		2	
87 Demand deposits (included in transaction accounts and credit balances)	7,853		6,220		220		335	
88 Individuals, partnerships, and corporations	6,049		4,821		200		328	
89 U.S. addressees (domicile)	4,385		3,787		131		324	
90 Non-U.S. addressees (domicile)	1,663		1,034		69		4	
91 Commercial banks in United States (including IBFs)	340	n.a.	336	n.a.	0	n.a.	0	n.a.
92 U.S. branches and agencies of other foreign banks	221		219		0		0	
93 Other commercial banks in United States	119		117		0		0	
94 Banks in foreign countries	706		400		11		3	
95 Foreign branches of U.S. banks	2		1		0		0	
96 Other banks in foreign countries	704		399		11		3	
97 Foreign governments and official institutions (including foreign central banks)	461		402		1		2	
98 All other deposits and credit balances	93		83		0		0	
99 Certified and official checks	205		177		8		2	
100 Nontransaction accounts (including MMDAs, excluding IBFs)	294,248		246,059		5,868		14,769	
101 Individuals, partnerships, and corporations	233,658		190,924		5,667		13,558	
102 U.S. addressees (domicile)	219,541		182,622		4,160		13,027	
103 Non-U.S. addressees (domicile)	14,117		8,302		1,507		531	
104 Commercial banks in United States (including IBFs)	30,631		26,700		180		708	
105 U.S. branches and agencies of other foreign banks	17,119		13,996		0		208	
106 Other commercial banks in United States	13,512		12,704		180		501	
107 Banks in foreign countries	6,107		5,631		0		75	
108 Foreign branches of U.S. banks	1,378		1,378		0		0	
109 Other banks in foreign countries	4,729		4,254		0		75	
110 Foreign governments and official institutions (including foreign central banks)	9,910		9,168		4		400	
111 All other deposits and credit balances	13,943		13,636		17		28	
112 IBF deposit liabilities		101,331		86,234		1,014		3,399
113 Individuals, partnerships, and corporations		11,925		6,525		182		96
114 U.S. addressees (domicile)		117		32		0		86
115 Non-U.S. addressees (domicile)		11,808		6,493		182		10
116 Commercial banks in United States (including IBFs)		13,147		12,727		43		266
117 U.S. branches and agencies of other foreign banks		11,624		11,286		28		215
118 Other commercial banks in United States	n.a.	1,523	n.a.	1,441	n.a.	15	n.a.	51
119 Banks in foreign countries		50,622		46,123		50		1,629
120 Foreign branches of U.S. banks		2,182		1,667		0		515
121 Other banks in foreign countries		48,440		44,455		50		1,114
122 Foreign governments and official institutions (including foreign central banks)		25,538		20,777		725		1,407
123 All other deposits and credit balances		99		83		14		2

Footnotes appear at end of table.

4.30 ASSETS AND LIABILITIES of U.S. Branches and Agencies of Foreign Banks, December 31, 1998[1]—Continued

Millions of dollars except as noted

Item	All states[2]		New York		California		Illinois	
	Total including IBFs[3]	IBFs only[3]	Total including IBFs	IBFs only	Total including IBFs	IBFs only	Total including IBFs	IBFs only
124 Federal funds purchased and securities sold under agreements to repurchase	127,074	11,767	114,212	9,197	1,335	248	8,816	1,811
125 U.S. branches and agencies of other foreign banks	11,056	4,432	8,309	3,301	323	185	1,835	596
126 Other commercial banks in United States	8,569	356	5,945	138	797	43	1,312	175
127 Other	107,450	6,979	99,957	5,758	215	20	5,669	1,040
128 Other borrowed money	84,004	33,382	63,311	25,737	7,293	4,776	7,059	1,330
129 Owed to nonrelated commercial banks in United States (including IBFs)	13,415	5,580	10,530	4,305	1,252	658	772	240
130 Owed to U.S. offices of nonrelated U.S. banks	4,328	582	3,807	448	195	100	177	20
131 Owed to U.S. branches and agencies of nonrelated foreign banks	9,087	4,998	6,722	3,856	1,057	558	595	220
132 Owed to nonrelated banks in foreign countries	23,838	22,161	17,485	16,050	4,110	3,987	1,094	1,090
133 Owed to foreign branches of nonrelated U.S. banks	1,402	1,290	1,098	1,014	201	201	50	50
134 Owed to foreign offices of nonrelated foreign banks	22,437	20,871	16,387	15,036	3,909	3,786	1,044	1,040
135 Owed to others	46,751	5,641	35,296	5,382	1,931	131	5,193	0
136 All other liabilities	85,617	1,749	64,605	1,581	518	49	6,886	34
137 Branch or agency liability on acceptances executed and outstanding	2,262	n.a.	1,809	n.a.	200	n.a.	123	n.a.
138 Trading liabilities	57,021	63	40,449	63	67	0	5,157	0
139 Other liabilities to nonrelated parties	26,335	1,685	22,347	1,518	251	49	1,605	34
140 Net due to related depository institutions[5]	200,734	21,242	132,205	17,470	26,003	421	20,239	430
141 Net due to head office and other related depository institutions[5]	200,734	n.a.	132,205	n.a.	26,003	n.a.	20,239	n.a.
142 Net due to establishing entity, head office, and other related depository institutions[5]	n.a.	21,242	n.a.	17,470	n.a.	421	n.a.	430
MEMO								
143 Non-interest-bearing balances with commercial banks in United States	2,422	0	2,191	0	77	0	39	0
144 Holding of own acceptances included in commercial and industrial loans	3,381		2,139		862		272	
145 Commercial and industrial loans with remaining maturity of one year or less (excluding those in nonaccrual status)	126,364		73,312		15,161		16,864	
146 Predetermined interest rates	79,223	n.a.	44,543	n.a.	7,604	n.a.	14,442	n.a.
147 Floating interest rates	47,141		28,769		7,557		2,422	
148 Commercial and industrial loans with remaining maturity of more than one year (excluding those in nonaccrual status)	96,352		67,501		11,802		8,421	
149 Predetermined interest rates	24,565		18,581		2,331		1,695	
150 Floating interest rates	71,787		48,919		9,472		6,726	

Footnotes appear at end of table.

4.30 ASSETS AND LIABILITIES of U.S. Branches and Agencies of Foreign Banks, December 31, 1998[1]—Continued

Millions of dollars except as noted

Item	All states[2]		New York		California		Illinois	
	Total excluding IBFs[3]	IBFs only[3]	Total excluding IBFs	IBFs only	Total excluding IBFs	IBFs only	Total excluding IBFs	IBFs only
151 Components of total nontransaction accounts, included in total deposits and credit balances (excluding IBFs)	294,341	n.a.	246,507	n.a.	5,670	n.a.	15,181	n.a.
152 Time deposits of $100,000 or more	287,157	n.a.	240,646	n.a.	5,623	n.a.	14,512	n.a.
153 Time CDs in denominations of $100,000 or more with remaining maturity of more than 12 months	7,184	n.a.	5,861	n.a.	47	n.a.	669	n.a.
	All states[2]		**New York**		**California**		**Illinois**	
	Total including IBFs	IBFs only	Total including IBFs	IBFs only	Total including IBFs	IBFs only	Total including IBFs	IBFs only
154 Immediately available funds with a maturity greater than one day included in other borrowed money	37,298	n.a.	29,708	n.a.	4,310	n.a.	2,691	n.a.
155 Number of reports filed[6]	427	0	214	0	88	0	35	0

1. Data are aggregates of categories reported on the quarterly form FFIEC 002, "Report of Assets and Liabilities of U.S. Branches and Agencies of Foreign Banks." The form was first used for reporting data as of June 30, 1980, and was revised as of December 31, 1985. From November 1972 through May 1980, U.S. branches and agencies of foreign banks had filed a monthly FR 886a report. Aggregate data from that report were available through the Federal Reserve monthly statistical release G.11, last issued on July 10, 1980. Data in this table and in the G.11 tables are not strictly comparable because of differences in reporting panels and in definitions of balance sheet items.

2. Includes the District of Columbia.

3. Effective December 1981, the Federal Reserve Board amended Regulations D and Q to permit banking offices located in the United States to operate international banking facilities (IBFs). Since December 31, 1985, data for IBFs have been reported in a separate column. These data are either included in or excluded from the total columns as indicated in the headings. The notation "n.a." indicates that no IBF data have been reported for that item, either because the item is not an eligible IBF asset or liability or because that level of detail is not reported for IBFs. From December 1981 through September 1985, IBF data were included in all applicable items reported.

4. Total assets and total liabilities include *net* balances, if any, due from or owed to related banking institutions in the United States and in foreign countries (see note 5). On the former monthly branch and agency report, available through the G.11 monthly statistical release, *gross* balances were included in total assets and total liabilities. Therefore, total asset and total liability figures in this table are not comparable to those in the G.11 tables.

5. Related depository institutions includes the foreign head office and other U.S. and foreign branches and agencies of a bank, a bank's parent holding company, and majority-owned banking subsidiaries of the bank and of its parent holding company (including subsidiaries owned both directly and indirectly).

6. In some cases two or more offices of a foreign bank within the same metropolitan area file a consolidated report.

Index to Statistical Tables

References are to pages A3–A75 although the prefix "A" is omitted in this index

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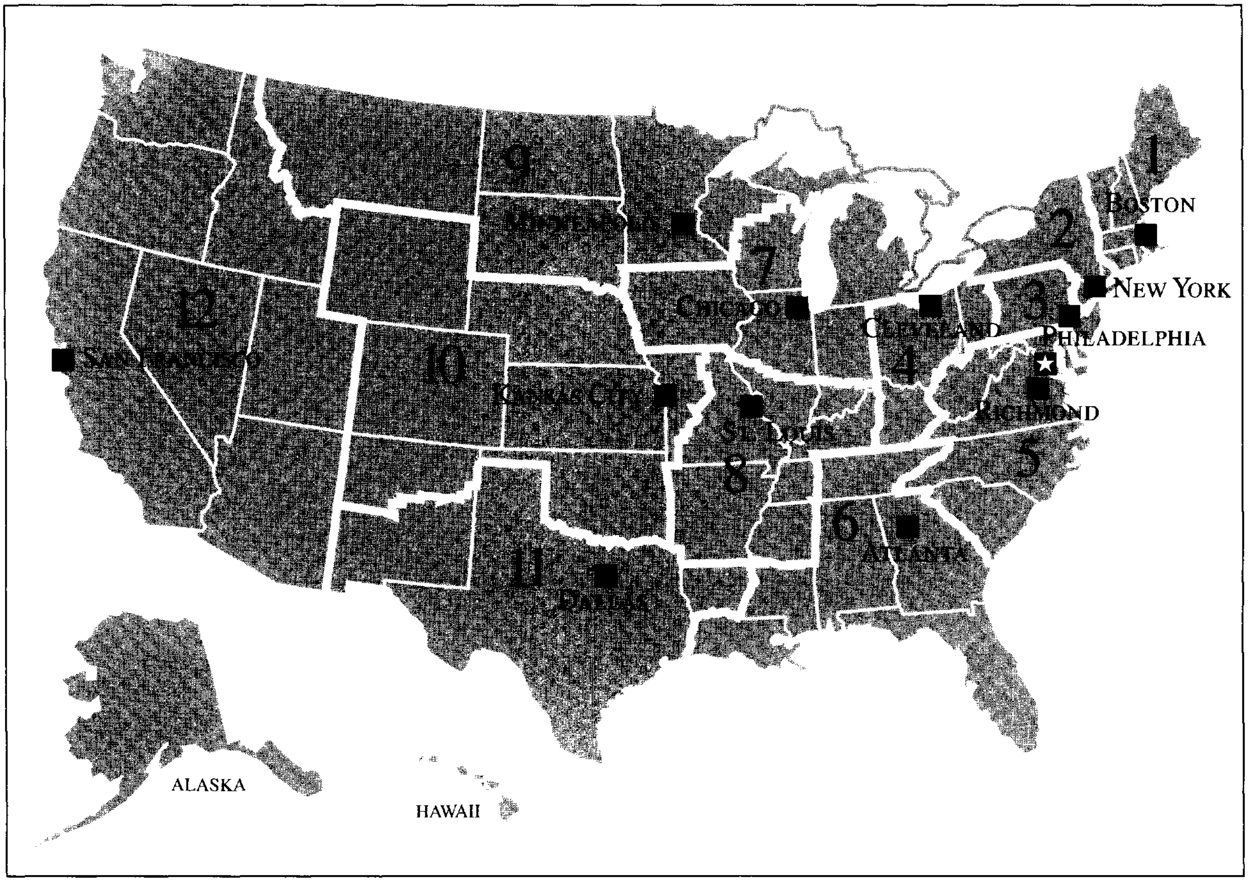


LEGEND

Both pages

■ Federal Reserve Bank city

☒ Board of Governors of the Federal Reserve System, Washington, D.C.

Facing page

• Federal Reserve Branch city

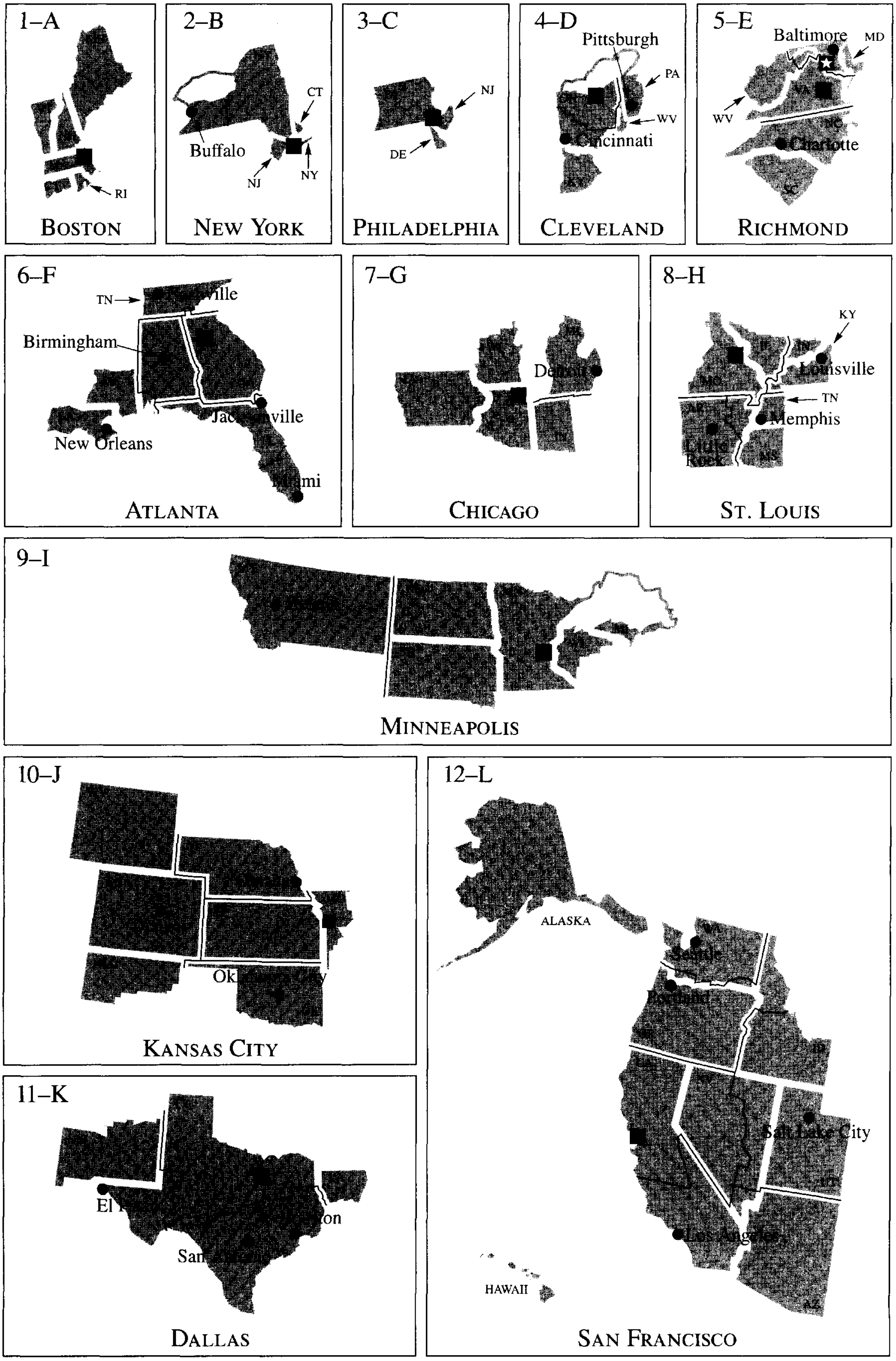
— Branch boundary

NOTE

The Federal Reserve officially identifies Districts by number and Reserve Bank city (shown on both pages) and by letter (shown on the facing page).

In the 12th District, the Seattle Branch serves Alaska, and the San Francisco Bank serves Hawaii.

The System serves commonwealths and territories as follows: the New York Bank serves the Commonwealth of Puerto Rico and the U.S. Virgin Islands; the San Francisco Bank serves American Samoa, Guam, and the Commonwealth of the Northern Mariana Islands. The Board of Governors revised the branch boundaries of the System most recently in February 1996.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RI
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Buffalo
NJ
NY
NEW YORK
3–C
NJ
DE
PHILADELPHIA
4–D
Pittsburgh
PA
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CLEVELAND
5–E
Baltimore
MD
WV
RICHMOND
6–F
TN
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ATLANTA
7–G
CHICAGO
8–H
KY
TN
Memphis
ST. LOUIS
9–I
MINNEAPOLIS
10–J
KANSAS CITY
11–K
DALLAS
12–L
ALASKA
HAWAII
SAN FRANCISCO

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To promote public understanding of its regulatory functions, the Board publishes the *Federal Reserve Regulatory Service,* a four-volume loose-leaf service containing all Board regulations as well as related statutes, interpretations, policy statements, rulings, and staff opinions. For those with a more specialized interest in the Board's regulations, parts of this service are published separately as handbooks pertaining to monetary policy, securities credit, consumer affairs, and the payment system.

These publications are designed to help those who must frequently refer to the Board's regulatory materials. They are updated monthly, and each contains citation indexes and a subject index.

The Monetary Policy and Reserve Requirements Handbook contains Regulations A, D, and Q, plus related materials.

The Securities Credit Transactions Handbook contains Regulations T, U, and X, dealing with extensions of credit for the purchase of securities, together with related statutes, Board interpretations, rulings, and staff opinions. Also included is the Board's list of foreign margin stocks.

The Consumer and Community Affairs Handbook contains Regulations B, C, E, M, Z, AA, BB, and DD, and associated materials.

The Payment System Handbook deals with expedited funds availability, check collection, wire transfers, and risk-reduction policy. It includes Regulations CC, J, and EE, related statutes and commentaries, and policy statements on risk reduction in the payment system.

For domestic subscribers, the annual rate is $200 for the *Federal Reserve Regulatory Service* and $75 for each handbook. For subscribers outside the United States, the price including additional air mail costs is $250 for the service and $90 for each handbook.

The *Federal Reserve Regulatory Service* is also available on CD-ROM for use on personal computers. For a standalone PC, the annual subscription fee is $300. For network subscriptions, the annual fee is $300 for 1 concurrent user, $750 for a maximum of 10 concurrent users, $2,000 for a maximum of 50 concurrent users, and $3,000 for a maximum of 100 concurrent users. Subscribers outside the United States should add $50 to cover additional airmail costs. For further information, call (202) 452-3244.

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GUIDE TO THE FLOW OF FUNDS ACCOUNTS

Guide to the Flow of Funds Accounts explains in detail how the U.S. financial flow accounts are prepared. The accounts, which are compiled by the Division of Research and Statistics, are published in the Board's quarterly Z.1 statistical release, "Flow of Funds Accounts, Flows and Outstandings." The *Guide* updates and replaces *Introduction to Flow of Funds,* published in 1980.

The 670-page *Guide* begins with an explanation of the organization and uses of the flow of funds accounts and their relationship to the national income and product accounts prepared by the U.S. Department of Commerce. Also discussed are the individual data series that make up the accounts and such procedures as seasonal adjustment, extrapolation, and interpolation.

The balance of the *Guide* contains explanatory tables corresponding to the tables of financial flows data that appeared in the September 1992 Z.1 release. These tables give, for each data series, the source of the data or the methods of calculation, along with annual data for 1991 that were published in the September 1992 release.

Guide to the Flow of Funds Accounts is available for $8.50 per copy from Publications Services, Board of Governors of the Federal Reserve System, Washington, DC 20551. Orders must include a check or money order, in U.S. dollars, made payable to the Board of Governors of the Federal Reserve System.

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The Board of Governors of the Federal Reserve System makes some of its statistical releases available to the public through the U.S. Department of Commerce's economic bulletin board. Computer access to the releases can be obtained by subscription. For further information regarding a subscription to the economic bulletin board, please call (202) 482-1986. The releases transmitted to the economic bulletin board, on a regular basis, are the following:

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H.4.1	Factors Affecting Reserve Balances	Weekly/Thursday
H.6	Money Stock	Weekly/Thursday
H.8	Assets and Liabilities of Insured Domestically Chartered and Foreign Related Banking Institutions	Weekly/Monday
H.10	Foreign Exchange Rates	Weekly/Monday
H.15	Selected Interest Rates	Weekly/Monday
G.5	Foreign Exchange Rates	Monthly/end of month
G.17	Industrial Production and Capacity Utilization	Monthly/midmonth
G.19	Consumer Installment Credit	Monthly/fifth business day
Z.1	Flow of Funds	Quarterly