Volume 85 □ Number 6 □ June 1999

Federal Reserve BULLETIN

Board of Governors of the Federal Reserve System, Washington, D.C.

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396 *TREASURY AND FEDERAL RESERVE FOREIGN EXCHANGE OPERATIONS*

During the first quarter of 1999, the dollar appreciated 8.4 percent against the euro and 5.3 percent against the yen. The dollar's value was largely influenced by changes in market expectations for economic growth in the United States, Europe, and Japan. Against the euro, the dollar strengthened as the differential between U.S. and European interest rates moved increasingly in favor of the dollar. Against the yen, the dollar fell to a two-and-a-half-year low and then rebounded after the Bank of Japan reportedly intervened to counter yen appreciation and subsequently guided overnight interest rates to near zero. The U.S. monetary authorities did not intervene in the foreign exchange markets during the quarter.

401 *INDUSTRIAL PRODUCTION AND CAPACITY UTILIZATION FOR APRIL 1999*

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413 Kenneth D. Buckley, Assistant Director, Division of Reserve Bank Operations and Payment Systems, discusses the arrangements the Federal Reserve is making to ensure the timely delivery of veterans' benefit payments made by direct deposit during the rollover to the Year 2000 and testifies that internal Federal Reserve systems used to deliver veterans' benefit payments have been modified, tested, and placed into production. Further, he testifies that while the Board expects that the industry may experience some minor or localized problems during the rollover, it fully expects to conduct business as usual through the year 2000 and veterans and their families should be confident that their benefits will be paid as usual. (Testimony before

the Senate Committee on Veterans' Affairs, April 20, 1999)

415 Richard A. Small, Assistant Director, Division of Banking Supervision and Regulation, discusses the Federal Reserve's role in the government's efforts to detect and deter money laundering and other financial crimes, with a particular emphasis on matters related to the Bank Secrecy Act and the reporting of suspicious activity; he testifies that compliance with the Bank Secrecy Act and the suspicious-activity reporting requirements by financial institutions provides timely and valuable information to law enforcement and is the best indicator of the existence of satisfactory anti-money-laundering and anti-fraud policies and procedures. (Testimony before the Subcommittee on General Oversight and Investigations and the Subcommittee on Financial Institutions and Consumer Credit of the House Committee on Banking and Financial Services, April 20, 1999)

419 Alan Greenspan, Chairman, Board of Governors, presents the views of the Federal Reserve on the current version of H.R. 10, the approach to financial modernization most recently approved by the House Banking Committee and testifies that the Federal Reserve strongly supports the new powers that would be authorized by H.R. 10. He testifies that the new activities should not be authorized for banks through operating subsidiaries and that the holding company structure is the most appropriate and effective one for limiting transfer of the federal subsidy to new activities and fostering a level playing field both for financial firms affiliated with banks and for independent firms, while fostering the safety and soundness of our insured banking system, enhancing functional regulation, and achieving the benefits of financial modernization for the consumer and the financial services industry. (Testimony before the Subcommittee on Finance and Hazardous Materials of the House Committee on Commerce, April 28, 1999)

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For the intermeeting period ahead, the Committee adopted a directive that called for conditions in reserve markets that were consistent with an unchanged federal funds rate of 4¾ percent. The directive did not include a bias with regard to any adjustments to policy during the intermeeting period.

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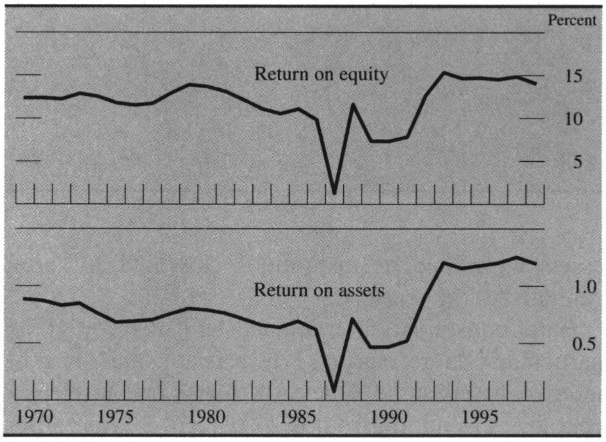
The *Federal Reserve Bulletin* is issued monthly under the direction of the staff publications committee. This committee is responsible for opinions expressed except in official statements and signed articles. It is assisted by the Economic Editing Section headed by S. Ellen Dykes, the Multimedia Technologies Center under the direction of Christine S. Griffith, and Publications Services supervised by Linda C. Kyles.

Profits and Balance Sheet Developments at U.S. Commercial Banks in 1998

Antulio N. Bomfim and William R. Nelson, of the Board's Division of Monetary Affairs, prepared this article. Thomas C. Allard assisted in developing, and was responsible for maintaining, the database used in this article. Douglas M. Conover and Adrian R. Sosa provided research assistance.

The performance of the U.S. commercial banking industry remained strong in 1998, but slipped a bit from the remarkable results of recent years. Both the return on assets and the return on equity edged down last year, although they remained high by historical standards (chart 1). While supported by growth in fee income, profitability was damped by a large decline in the rates banks earned on their interest-bearing assets relative to the rates they paid on their liabilities, and also by higher noninterest costs, especially merger and restructuring expenses. Profitability was uneven last year across bank sizes: Whereas the largest and the smallest banks posted lower earnings, the profits of medium-sized banks—which account for almost two-thirds of industry assets—improved once again in 1998. Nevertheless, though these figures attest to the profitability of most banks, the share of bank assets at unprofitable institutions increased 2 percentage points, to 2.6 percent, the highest since 1994.[1]

1. Measures of commercial bank profitability, 1970–98

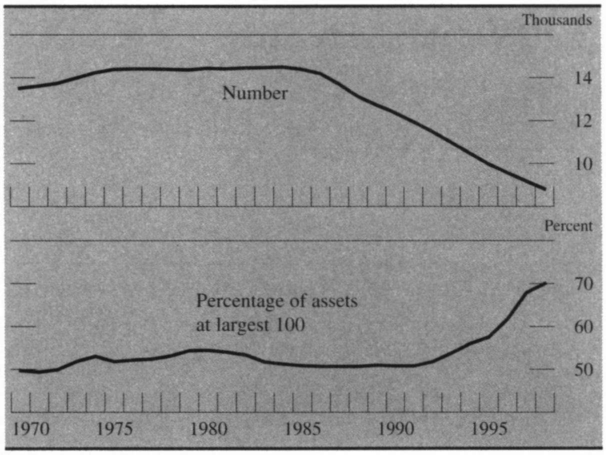


Although, in the third quarter, trading income was sharply curtailed and provisions for loan losses were elevated at the largest banks, the turmoil in financial markets in the second half had little effect on profits last year for the banking industry as a whole. But the late-summer currency devaluation and default in Russia left a discernible imprint on the balance sheets of U.S. commercial banks in 1998: Growth in bank assets was boosted by the financial reintermediation process that characterized much of the second half of last year, with holdings of both loans and securities posting sizable gains.

Bank stocks underperformed broader market indexes in 1998, ending the year about where they began. After having risen strongly in the first half, bank equity prices, particularly those of money center banks, fell sharply in the aftermath of the Russian crisis, but later recovered as conditions abroad calmed and the domestic economic expansion continued. Dividend payments made by banks, including those made to parent holding companies, declined last year, helping bank capital to grow in line with assets. Risk-based capital measures edged down again, but remained high: Nearly 95 percent of bank

1. Except where otherwise indicated, data in this article are from the quarterly Reports of Condition and Income (Call Reports) for insured domestic commercial banks and nondeposit trust companies (hereafter, banks). The data consolidate information from foreign and domestic offices and have been adjusted to take account of mergers. For additional information on the adjustments to the data, see the appendix in William B. English and William R. Nelson, "Profits and Balance Sheet Developments at U.S. Commercial Banks in 1997," *Federal Reserve Bulletin*, vol. 84 (June 1997), p. 408. Size categories, based on assets at the start of each quarter, are as follows: the 10 largest banks, large banks (those ranked 11 through 100 by size), medium-sized banks (those ranked 101 through 1,000 by size), and small banks (those not among the largest 1,000 banks). At the start of the fourth quarter of 1998, the approximate asset size of the banks in those groups were as follows: the 10 largest banks, more than $71 billion; large banks, $6 billion to $71 billion; medium-sized banks, $309 million to $6 billion; small banks, less than $309 million. Many of the data series reported here begin in 1985 because the Call Reports were significantly revised in 1984. Data from before 1985 are taken from Federal Deposit Insurance Corporation, *Statistics on Banking* (FDIC, 1997). The FDIC data are also available on the World Wide Web (http://www.fdic.gov/databank/sob/). Data shown may not match data published in earlier years because of revisions and corrections. In the tables, components may not sum to totals because of rounding.

2. Number of commercial banks and percentage of assets at the largest 100 banks, 1970–98



assets were held by institutions classified as "well capitalized" at year-end.

Bank consolidation continued and included some particularly large mergers. As a result, the share of industry assets at the largest 100 banks rose to 70 percent at year-end, up from 67¾ percent a year earlier and around 50 percent in 1985. The number of commercial banks fell by 371, as the number of newly created banks was more than offset by the 588 banks that ceased to exist (almost entirely because of mergers). At the end of 1998, there were 8,817 commercial banks in the United States, more than one-third fewer than the 14,393 banks that existed in 1985 (chart 2). Banking industry consolidation was also evident in mergers between holding companies, whose numbers declined by 139 last year, to 5,971. The largest 50 holding companies continued to steadily increase their share of industry assets, from 74 percent at the end of 1997 to 76 percent at the end of last year.

Balance Sheet Developments

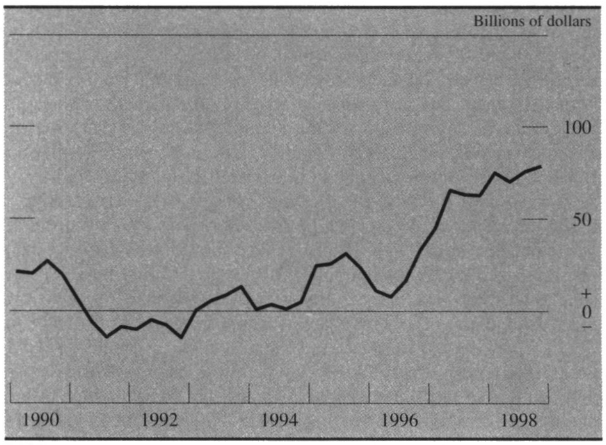
Bank assets expanded 8¼ percent last year, versus 9¼ percent in 1997 (table 1). In addition to robust economic conditions throughout the year, turmoil in financial markets in the fall helped sustain the rapid growth of bank credit in 1998. Loans on banks' books benefited the most, increasing almost 9 percent last year after a 5⅓ percent rise in 1997. Banks' securities holdings also advanced briskly, rising 8⅓ percent, although that was a bit less fast than the increase posted in 1997. On the liability side, core deposits grew 7 percent, well above the 4½ percent increase in 1997 but still short of the rapid advance in bank assets. A 9½ percent expansion in managed liabilities, matched by a similar gain in equity capital, bridged the gap between growth in assets and in core deposits.

Loans to Businesses

Bank loans to commercial and industrial (C&I) enterprises expanded almost 13 percent last year, topping even 1997's considerable advance. Nowhere was the influence of last year's two driving forces for bank credit—strong economic fundamentals and skittish financial markets—more evident than in this category of bank loans. For the year as a whole, capital expenditures by nonfinancial corporations expanded rapidly, particularly for below-investment-grade companies, while profits remained near their 1997 level. As a result, the financing gap—the excess of capital expenditures over internally generated funds—widened substantially (chart 3). The borrowing needs of nonfinancial corporations were further elevated by a rapid pace of net equity retirement, which was fueled by corporate mergers and acquisitions and stock buyback programs.

Banks played an especially important role in business financing needs during the fall of last year, when the issuance of corporate securities was severely disrupted and spreads between yields on private debt instruments and on comparable Treasury securities widened appreciably. Indeed, with investors favoring safe and liquid assets, yields on junk bonds rose even as Treasury yields were falling, and the

3. Financing gap at nonfarm nonfinancial corporations, 1990–98



Note. The data are four-quarter moving averages. The financing gap is the difference between capital expenditures and internally generated funds.

Source. Federal Reserve Board, Statistical Release Z.1, "Flow of Funds Accounts of the United States," table F. 102.

1. Annual rates of growth of balance sheet items, 1989–98

Percent

Item	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	MEMO: Dec. 1998 (billions of dollars)
Assets	5.35	2.64	1.33	2.19	5.68	8.06	7.55	6.09	9.24	8.22	5,380
Interest-earning assets	5.61	2.23	1.98	2.53	6.56	5.77	7.69	5.67	8.88	8.18	4,631
Loans and leases (net)	6.24	2.37	−2.65	−1.04	6.05	9.83	10.53	8.12	8.38	8.91	3,142
Commercial and industrial	2.97	−.67	−9.10	−4.10	.52	9.33	12.26	7.24	12.02	12.97	893
Real estate	12.69	8.79	2.73	1.94	6.13	7.90	8.33	5.44	9.30	7.98	1,335
Booked in domestic offices	13.02	8.55	2.90	2.57	6.17	7.64	8.48	5.50	9.53	7.96	1,304
One- to four-family residential	16.13	14.00	7.76	7.53	11.08	10.09	10.06	4.65	9.67	6.34	758
Other	10.34	3.62	−1.93	−2.86	.22	4.35	6.25	6.75	9.33	10.28	546
Booked in foreign offices	2.99	16.64	−2.35	−17.80	4.67	18.35	2.81	3.18	.34	8.79	31
Consumer	6.18	.38	−2.55	−1.66	9.06	16.01	9.50	4.90	−2.18	1.03	550
Other loans and leases	−.94	−5.68	−4.91	−4.24	9.97	5.29	14.23	22.28	13.73	14.04	425
Loan-loss reserves and unearned income	10.29	.35	−3.78	−4.85	−5.82	−2.22	.25	−.06	−.49	3.38	60
Securities	5.08	8.46	16.23	12.29	12.26	−2.61	.57	.84	8.86	8.34	1,090
Investment account	4.04	8.19	14.42	11.44	8.11	−1.73	−1.58	−1.12	8.68	12.04	965
U.S. Treasury	−13.79	3.50	32.01	23.95	7.24	−8.46	−19.21	−14.30	−8.85	−25.17	113
U.S. government agency and corporation obligations	33.41	24.02	15.88	12.77	9.62	.87	6.43	3.61	14.20	16.98	585
Other	−5.35	−6.70	−2.56	−5.20	6.09	2.49	4.20	1.82	11.21	26.93	267
Trading account	20.62	11.87	38.88	21.01	51.84	−9.43	18.51	14.44	9.97	−13.56	125
Other	2.49	11.70	2.82	1.57	−7.90	3.25	7.64	−.90	12.81	2.35	399
Non-interest-earning assets	3.50	5.51	−3.10	−.32	−.86	25.65	6.61	8.87	11.48	8.47	749
Liabilities	5.43	2.37	1.01	1.35	5.12	8.31	7.17	5.95	9.13	8.09	4,926
Core deposits	5.75	7.58	5.25	5.09	1.49	−.17	3.97	4.12	4.53	7.05	2,670
Transaction deposits	.93	2.43	3.38	14.62	5.47	−.33	−3.09	−3.45	−4.54	−1.35	747
Savings and small time deposits	8.71	10.51	6.24	.18	−.85	−.08	8.37	8.34	9.04	10.71	1,923
Managed liabilities[1]	5.13	−6.15	−6.19	−6.07	12.30	17.57	10.44	9.65	13.84	9.60	1,885
Deposits booked in foreign offices	−1.07	−5.88	3.81	−5.85	15.06	30.89	5.13	4.27	11.13	8.71	572
Large time	5.00	−5.68	−19.73	−26.20	−9.21	8.72	19.61	21.16	20.15	9.09	413
Subordinated notes and debentures	16.98	20.99	4.69	34.90	10.82	9.23	6.61	17.74	21.05	17.00	72
Other managed liabilities	9.86	−8.06	−1.39	6.94	22.18	12.91	11.24	8.21	12.23	9.87	827
Other	3.29	4.43	−4.18	−1.02	15.30	79.17	20.46	2.60	23.79	8.11	371
Equity capital	4.18	6.64	5.98	13.75	12.58	5.24	12.00	7.72	10.46	9.62	454
MEMO											
Commercial real estate loans[2]	n.a.	n.a.	−2.58	−4.03	−.60	4.00	6.35	7.66	10.13	11.35	554
Mortgage-backed securities	41.00	34.39	19.27	10.37	9.66	−3.12	.67	2.03	14.18	22.11	464

NOTE. Data are from year-end to year-end.

n.a. Not available.

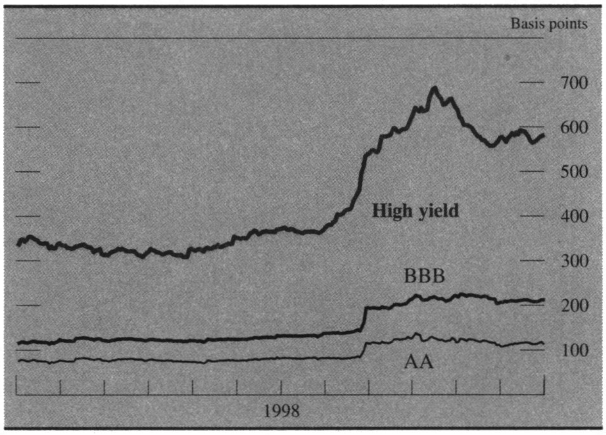
1. Measured as the sum of deposits in foreign offices, large time deposits in domestic offices, federal funds purchased and securities sold under agreements to resell, demand notes issued to the U.S. Treasury, subordinated notes and debentures, and other borrowed money.

2. Measured as the sum of construction and land development loans secured by real estate; real estate loans secured by nonfarm nonresidential properties; real estate loans secured by multifamily residential properties; and loans to finance commercial real estate, construction, and land development activities not secured by real estate.

spread between yields on those bonds and yields on comparable Treasuries roughly doubled between midsummer and mid-fall. The spread between investment-grade corporate bonds and Treasuries also widened substantially during that period, as did that between yields on lower-tier commercial paper and higher-quality paper (charts 4 and 5). Consistent with such inhospitable financial market conditions, respondents to the Federal Reserve's Senior Loan Officer Opinion Survey on Bank Lending Practices (BLPS) in November pointed to shifts from other sources of credit as the primary cause for increased loan demand in the fall. In particular, about three-quarters of the largest domestic and the foreign respondents indicated that substitution from the bond market had intensified loan demand; about half also mentioned substitution from the commercial paper market. Partly as a result of these substitutions, banks posted further gains in their share of total nonmortgage credit market debt owed by the nonfinancial business sector (chart 6).

The substitutions toward bank financing occurred even though banks, like other lenders, tightened the terms and standards on loans to businesses after the turbulence that hit the financial markets in the second half of the year. Judging from responses to the BLPS, the tightening was especially noticeable for large and medium-sized borrowers and represented the first time that large banks did not ease terms, on net, since 1993 (chart 7). Respondents to the September and November BLPSs cited a reduced tolerance for risk and a less favorable economic environment as rea-

4. Spreads between yields on corporate bonds and Treasury securities, 1998



NOTE. The data are daily. The spread of high-yield bonds compares the yield on the Merrill Lynch Master II index with that on a seven-year Treasury; the other two spreads compare yields on the appropriate Merrill Lynch indexes with that on a ten-year Treasury.
SOURCE. Merrill Lynch; Federal Reserve Board, Statistical Release H.15, "Selected Interest Rates."

sons for the tightening in the latter part of the year.[2] Data from the Federal Reserve's quarterly Survey of Terms of Business Lending (STBL) also showed a widening of the average spread on business loans in late 1998 (chart 8, upper panels).[3] While growth in C&I loans was strong for banks of all sizes, the widening of spreads was generally applied to larger loans—which are typically made by the bigger banks. These loans were probably taken out by businesses most affected by the financial market turmoil, either because they would normally have raised a significant share of their funds in the capital market, or because they were directly exposed to the Russian crisis and the subsequent deterioration in other emerging-market economies.

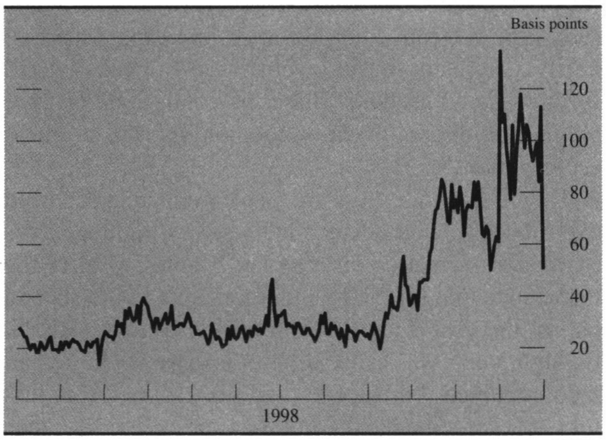
Last fall's disruption in the private debt markets highlighted the important role played by loan commitments as a buffer against sudden shifts in financing conditions. Indeed, according to the STBL, spreads on C&I loans not made under commitment widened much more sharply in late 1998 than did those on other loans, indicating that businesses would have been subject to considerably more financial strain in the absence of such commitments (chart 8, lower panels). As with total C&I loans, the tightening in conditions on bank loans not made under commitment was most evident for larger loans; spreads on smaller loans widened only slightly last year.

Of course, the existence of loan commitments implies that banks likely made some loans at spreads they considered too narrow under the circumstances that emerged during the second half of last year. Indeed, one-fourth of the banks reported in the January 1999 BLPS that they would tighten terms on more than 20 percent of their outstanding revolving loan commitments if those commitments were maturing and being repriced at the time of the survey.

2. Ordinarily, the BLPS is conducted on a quarterly basis, but the Federal Reserve used its authority to conduct up to six surveys a year to assess the impact of the ongoing financial turbulence on the bank loan market in a special BLPS in mid-September.

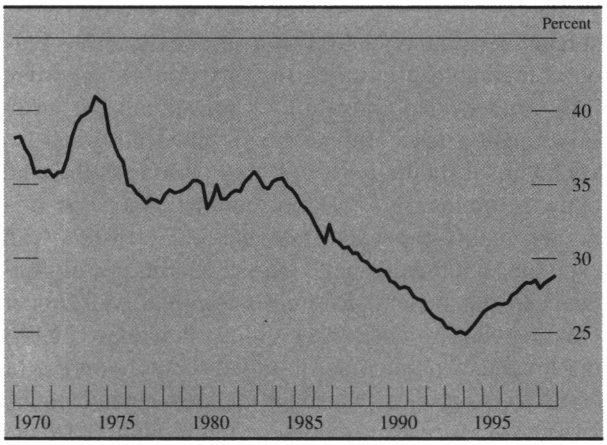
3. Although spreads over the federal funds rate widened last fall, rates on loans generally declined, reflecting the effects on market rates of the three easing actions undertaken by the Federal Reserve between September and November.

5. Spread between rates on lower-tier commercial paper and rates on high-quality paper, 1998



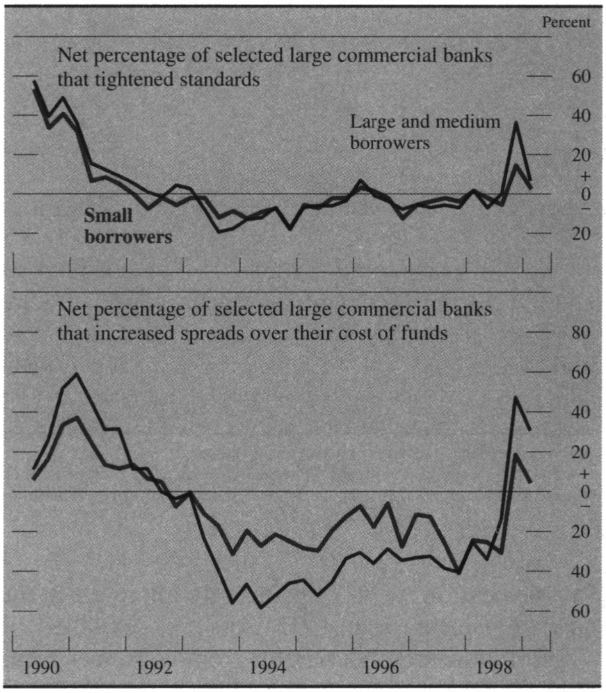
NOTE. The data are daily. The spread compares the rate on A2/P2-rated, thirty-day commercial paper with that on AA-rated, thirty-day paper.
SOURCE. Federal Reserve Board, Statistical Release, "Commercial Paper."

6. Bank loans as a share of total nonmortgage credit market debt, nonfinancial businesses, 1970–98



NOTE. The data are quarterly.
SOURCE. Federal Reserve Board, Statistical Release Z.1, "Flow of Funds Accounts of the United States," table L. 101.

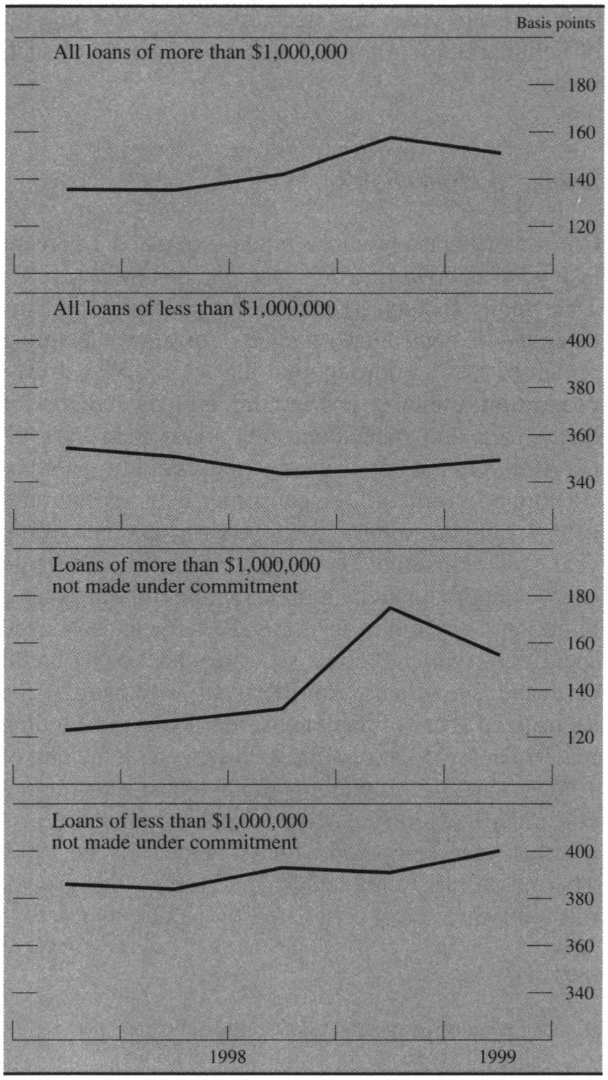
7. C&I loan standards and terms, by size of borrower, 1990–99:Q1



NOTE. The data are quarterly. Net percentage is the percentage of banks reporting a tightening of standards or an increase in spreads less the percentage reporting an easing or decrease. The definition for firm size suggested for, and generally used by, survey respondents is that medium firms are those with sales of between $50 million and $250 million.

SOURCE. Federal Reserve Board, Senior Loan Officer Opinion Survey on Bank Lending Practices.

8. Spread between the C&I loan rate and the intended federal funds rate, by size of loan and commitment status, 1998–99:Q1



NOTE. The data are quarterly and weighted by loan volume.

SOURCE. Federal Reserve Board, Statistical Release E.2, "Survey of Terms of Business Lending."

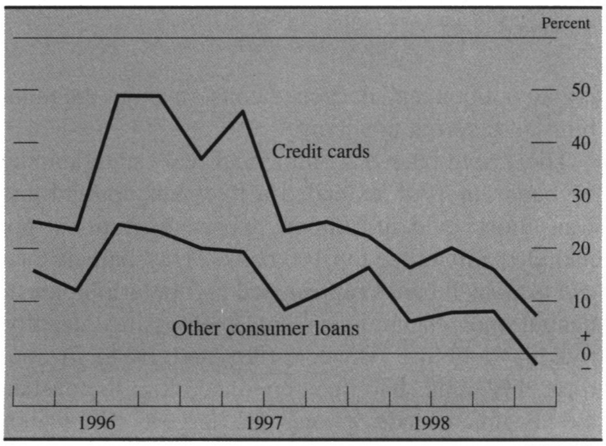
Commercial real estate loans on banks' books accelerated to an 11⅓ percent rise in 1998, fueled by continuing strong conditions in the property market, especially in the office sector, where vacancy rates fell further and prices continued to rise. In addition, BLPS responses suggest that the demand for bank financing of commercial real estate ventures was enhanced at the end of last year by the turmoil in financial markets. Take, for example, the 35 percent of the domestic survey respondents that reported an increase in demand for commercial real estate loans over the previous three months on the January 1999 BLPS; among them, the most important explanation for the stronger demand was a shift in customer borrowing from lenders having difficulty securitizing commercial mortgages. As with C&I loans, banks tightened terms and standards on commercial real estate loans in response to market turbulence. According to responses to the November 1998 and January 1999 surveys, the primary reasons for tightening in the second half of the year were disruptions in the market for commercial mortgage-backed securities, a less favorable, or more uncertain, economic outlook, and deepened concern about the reliability of take-out financing.

The strong pace of commercial real estate lending by banks in 1998 extended a five-year uptrend and was most evident among those institutions not included among the top 100 banks. The share of total assets at such banks represented by nonfarm nonresidential real estate loans has been rising steadily, roughly doubling between 1985 and 1998. In contrast, this same share has remained close to constant so far this decade among the largest 100 banks, where commercial real estate loans grew only 6.9 percent last year. Larger banks tend to securitize many of their originations as commercial mortgage-backed securities and so hold on their books a smaller share of the loans they make. Increases in securitization in recent years may account for the slow growth of commercial real estate loans on the books of such banks.

Loans to Households

Consumer loans on banks' books expanded 1 percent last year, following a 2⅕ percent decline in 1997. Two main factors helped restrain growth in this category of bank loans, even as consumer spending remained strong throughout the year and a lower proportion of banks reported tightening standards for credit card and other consumer loans than in 1997 (chart 9). On the demand side, households apparently substituted mortgage for consumer debt, as they did in 1997. On the supply side, 1998 was another strong year for consumer loan securitization, although stresses in the financial markets in the fall did cause a temporary disruption to the market for asset-backed securities—which include securities backed by credit card and auto loans. For the year as a whole, the securitized share of bank consumer loans outstanding reached a new high of almost 35 percent at the end of 1998 (chart 10). Including these loans, outstanding consumer loans originated by banks expanded 6 percent last year, compared with a 4 percent rise in 1997. This acceleration reflected a pick-up in the growth of credit card loans originated by banks, which rose 9¾ percent in 1998, significantly more than the nearly 6 percent rise in 1997.

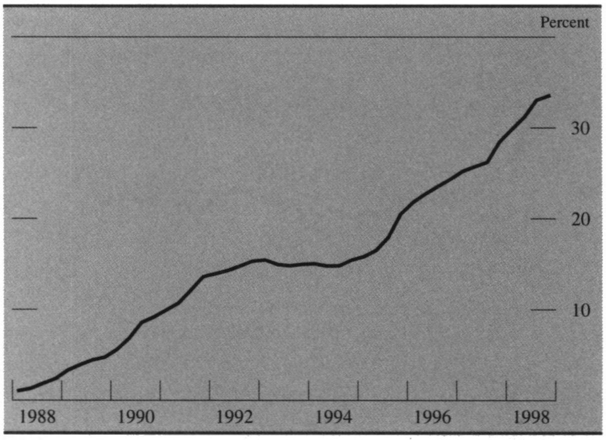
9. Net percentage of selected commercial banks that tightened standards for credit cards and other consumer loans, 1996–99:Q1



NOTE. The data are quarterly. Net percentage is the percentage of banks that reported a tightening of standards less the percentage that reported an easing.

SOURCE. Federal Reserve Board, Senior Loan Officer Opinion Survey on Bank Lending Practices.

10. Securitized share of outstanding consumer loans originated by banks, 1988–98



NOTE. The data are quarterly and seasonally adjusted.

SOURCE. Federal Reserve Board, Statistical Releases H.8, "Assets and Liabilities of Commercial Banks in the United States," and G.19, "Consumer Credit."

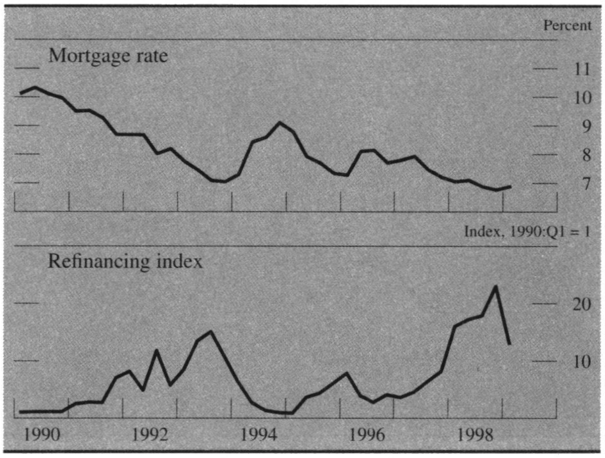
Substitutions by households from consumer loans at banks toward home equity loans, which had been particularly prevalent in recent years, were not much in evidence in 1998. Outstanding loans on banks' books made under home equity lines of credit actually fell 1½ percent last year, and closed-end residential real estate loans secured by junior liens (second mortgages) increased only 5¾ percent, less than half the average pace of the previous three years. Instead, households appear to have tapped into the accumulated equity in their homes directly in the form of cash-out refinancing and to have used some of the proceeds to pay down or substitute for other debt, including home equity loans.[4] Indeed, a by-product of the steep decline in yields on Treasury securities during last year's market turmoil was a significant, though not so pronounced, fall in the rates on thirty-year fixed-rate mortgages, which substantially bolstered mortgage refinancing activity last year (chart 11).

The high level of refinancing also acted to lengthen the average remaining maturity of the home mortgages held by banks at year-end, though that lengthening likely reflected, in part, a buildup of loans targeted for securitization by some banks during last year's financial market stress.[5] Taken together, the

4. According to available estimates, one-third to one-half of homeowners took some cash out when refinancing their mortgages last year.

5. Postponed securitizations probably also contributed to the impressive 14 percent advance in residential real estate loans on banks' books in the fourth quarter.

11. Average rate on new, fixed-rate thirty-year mortgages and the mortgage refinancing index, 1990–99:Q1



NOTE. The data are quarterly.
SOURCE. Mortgage rate, from the Federal Home Loan Mortgage Corporation; refinancing index, from the Mortgage Bankers Association.

pickup in refinancing activity and the relative slowing in mortgage securitization during the fall and early winter fostered an expansion in the fraction of mortgages that have fixed rates on banks' books from just over one-half, where it had persisted for several years, to more than two-thirds by year-end. Similarly, the fraction of home mortgages that next reprice or mature further out than five years rose over the year from about one-fourth to about two-fifths.

Despite last year's low mortgage rates, one- to four-family residential loans on banks' books increased only 6⅓ percent, well below the 9⅔ percent expansion in 1997. Several factors help account for this downshift, even as the residential mortgage market heated up. First, despite the troubles associated with the financial market turmoil, banks continued to securitize a large share of the residential real estate loans they originated in 1998. Indeed, the shift toward fixed-rate mortgages, whose durations considerably exceed that of banks' liabilities, likely increased banks' incentive to securitize those loans. Second, in recent years, banks have faced stiffer competition from nonbank financial institutions in the market for fixed-rate mortgages and thus have benefited relatively less from an increase in demand for these loans. Lastly, as noted above, the expansion in fixed-rate mortgages came partly at the expense of home equity loans.

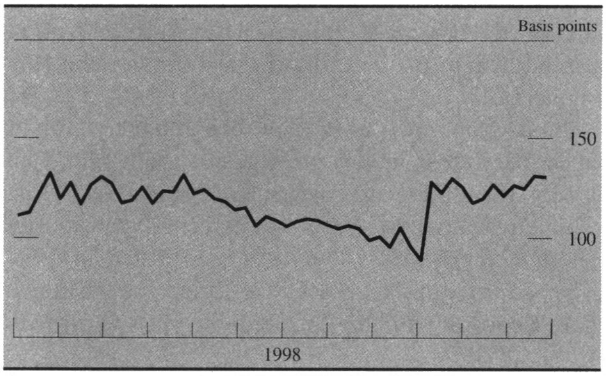
Securities

Banks' holdings of securities increased a strong 8⅓ percent last year, expanding at about the same rate as total assets. Coupled with the sizable growth in total loans on banks' books, the surge in securities suggests that banks stretched their capital positions further in 1998. Asked about reasons for the rapid buildup in securities during the first quarter of the year, respondents to the May 1998 BLPS cited a willingness to boost leverage to improve return on equity. With growth in bank security holdings strong again late last year, the January 1999 BLPS included additional questions on the subject. Among large banks that reported increased securities holdings in the fourth quarter of 1998, the most important reason offered was that yields on some securities were attractive relative to the costs of funds. Indeed, heightened interest rate volatility and intense risk aversion in the financial markets around that time pushed the yields on mortgage-backed securities to high levels relative to three-month wholesale CD rates (chart 12). Yield spreads on other securities also widened in the fourth quarter relative to funding costs, especially for commercial paper and other corporate securities.

Other reasons offered by banks for expanding their securities holdings in the fourth quarter were, again, a willingness to use more leverage to improve the return on equity and a desire to extend the duration of their securities portfolios. Banks' concerns about the duration of those portfolios were likely related to the market turmoil that dominated the latter part of the year: Unexpectedly low mortgage rates—and the resulting higher prepayment risk—reportedly led to unintended reductions in the duration of banks' portfolios of mortgage-backed securities.

The market turmoil may also have contributed to the fourth-quarter buildup in securities by making it more difficult to place mortgage-backed securities in

12. Spread between the yield on mortgage-backed securities and the rate on the three-month wholesale CD, 1998



NOTE. The data are weekly.
SOURCE. For the CD rate, Federal Reserve Board, Statistical Release H.15, "Selected Interest Rates;" for the yield on mortgage-backed securities, Bloomberg L.P.

the market. In particular, many banks apparently converted refinanced residential loans into mortgage-backed securities because they have a lower capital charge than loans do, but then waited for a more receptive market to sell them. In addition, banks added briskly to their holdings of "other" securities—which include commercial paper and corporate bonds—whose yields, as discussed above, rose relative to other market rates. Other securities also include the many types of instruments backed by loans—including bank-originated loans—other than residential mortgages. As in the mortgage-backed securities market, reluctance by some participants to invest in these securities in the fourth quarter may have contributed to the increase in holdings by banks.

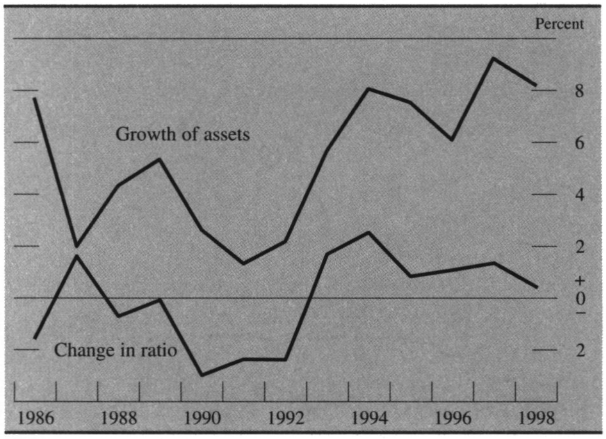
All of the growth in banks' securities portfolios last year occurred in investment accounts, whose holdings advanced 12 percent in 1998, topping even the previous year's strong 8⅔ percent expansion. Holdings of securities in trading accounts declined a sizable 13½ percent last year, reflecting a pullback from trading activities in the wake of losses related to the Russian debt default. Over the final two quarters of last year, securities in banks' trading accounts declined nearly $34 billion—more than 20 percent—with the runoff occurring entirely in trading assets booked abroad.

Liabilities

Core deposits at commercial banks grew 7 percent last year, well above the 4½ percent advance in 1997.[6] Some of the pickup resulted from a decrease in short-term interest rates spurred by the three monetary policy actions in the fall: As usual, rates on deposits fell more slowly than market rates, trimming the opportunity cost of holding deposits. However, an important additional source of the expansion in core deposits in the latter part of 1998 was likely related to investors' increased preference for safe and liquid assets in light of the turmoil that followed the Russian crisis.

Banks continued to deepen their reliance on managed liabilities, which grew faster than total bank assets for the sixth consecutive year (chart 13).[7] Though strong, last year's 9½ percent expansion fell short of the nearly 14 percent rise posted in 1997. The slower growth in 1998 reflected the pickup in core deposits and the deceleration in asset growth.

13. Annual growth of assets and change in the ratio of managed liabilities to assets, 1986–98



NOTE. The data are from year-end to year-end.

Subordinated notes and debentures, which expanded 17 percent, posted the strongest growth among major categories of managed liabilities.

Capital

Bank equity grew 9½ percent last year, maintaining the share of assets funded with capital essentially at its 1997 level of 8½ percent. Capital for regulatory purposes also increased about in line with assets, and the leverage ratio moved sideways. About half of the growth in bank equity was attributable to the portion of income retained by banks. Indeed, as discussed below, the dollar amount of dividends paid in 1998 declined for the first time since 1992, suggesting that rapid growth in both loans and securities may have resulted in some capital pressures last year. Those same pressures probably were related to the substantial rise in new capital provided by parent holding companies last year, as they evidently felt the need to bolster the capital positions of their banks. New capital accounted for about a quarter of the growth in bank equity, and the remainder was owed in large part to the excess of banks' issuance of equity related to acquisitions over the value of the shares of banks retired in mergers.

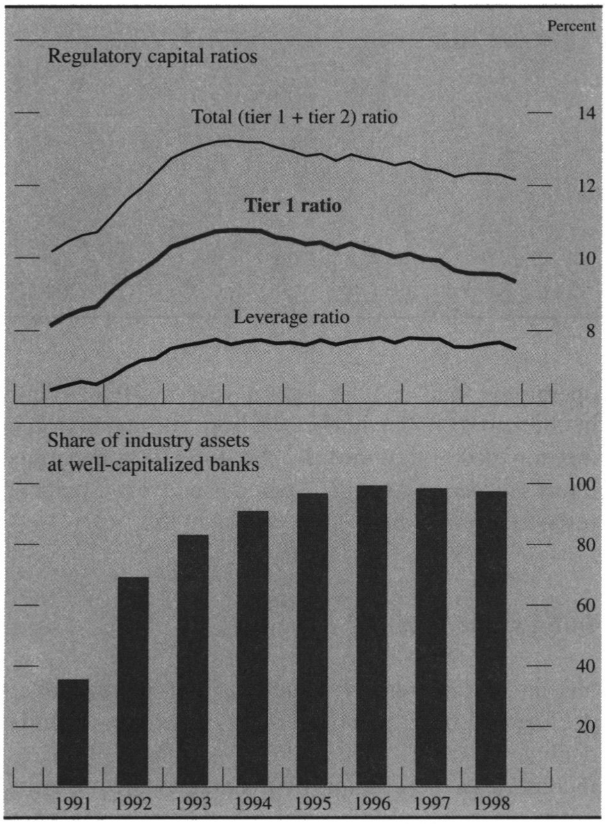
Though the ratio of capital to assets was unchanged, risk-based capital measures (total and tier 1) edged down again in 1998, after several consecutive annual increases through 1996 (chart 14).[8] Despite

6. Core deposits are transaction accounts, savings accounts (including MMDAs), and small time deposits.

7. Managed liabilities are defined in table 1.

8. The tier 1 ratio is the ratio of tier 1 capital to risk-weighted assets, and the total ratio is the ratio of the sum of tier 1 and tier 2 capital to risk-weighted assets. Tier 1 capital consists mainly of common equity (excluding intangible assets such as goodwill and

14. Regulatory capital ratios and the share of industry assets at well-capitalized banks, 1991–98



NOTE. The data on regulatory capital ratios are quarterly. For the definition of capital ratios, see text note 8.

their decline last year, regulatory capital ratios remained high, and nearly 95 percent of bank assets were at well-capitalized banks at the end of 1998. Nevertheless, the average margin by which these banks remained well capitalized shrank further last year, a signal that banks may become more concerned about their overall capital positions.[9]

excluding net unrealized gains on investment account securities classified as available for sale) and certain perpetual preferred stock. Tier 2 capital consists primarily of subordinated debt, preferred stock not included in tier 1, and loan-loss reserves. Risk-weighted assets are calculated by multiplying the amount of assets and the credit-equivalent amount of off-balance-sheet items (an estimate of the potential credit exposure posed by the item) by the risk weight for each category, where the risk weights rise from zero to 1 as the credit risk of the assets increases. The leverage ratio is the ratio of tier 1 capital to average tangible assets. Tangible assets are equal to total assets less assets excluded from common equity in the calculation of tier 1 capital.

9. The average margin by which banks remained well capitalized was computed as follows. First, we looked at the leverage, tier 1, and total capital ratios of each well-capitalized bank and defined the institution's tightest capital ratio as that one closest to the regulatory standard for being "well capitalized." We then defined the bank's margin as the percentage-point difference between its tightest capital ratio and the corresponding regulatory standard. The average margin among all well-capitalized banks—the measure we refer to in the text—is the weighted average of all the individual margins, in which the weights are each bank's share of the total assets of well-capitalized banks.

TRENDS IN PROFITABILITY

The net income of U.S. commercial banks increased 4 percent to $61½ billion in 1998. The industry's return on assets fell 5 basis points to 1.20 percent (table 2), and return on equity declined ¾ percentage point to 14 percent—below the elevated range it has occupied since 1993, although still high relative to longer-term historical norms. The prices of bank stocks, particularly those of money center banks, rose strongly in the first half of the year, as concerns ebbed that the troubles that had emerged in Asia in the preceding year would slow the U.S. economy or cause significant trading and loan losses at banks with Asian exposures (chart 15). In the summer, however, worries over prospects for emerging-market economies arose, and fresh turbulence in financial markets sparked by the Russian default resulted in sharply lower trading income and higher loan losses at some large banking companies. A sharp decline in bank stocks ensued. Toward year-end, as markets calmed and investors' concerns about trading exposures eased, bank stock prices recovered, ending the year about where they began, although down relative to most broad stock indexes.

Though investor attention was focused on the trading and foreign-related losses of a few large banks in the third quarter, industry profitability for the year as a whole was more seriously affected by a narrowing of the net interest margin and by a rise in noninterest expense, including merger and restructuring charges. These influences were only partly offset by higher noninterest income, which reflected a continuation of a decade-long rise in fee-generating activities, including the funding by banks of assets through securitization rather than on their balance sheets.

As a result of the decline in profitability, as well as the capital pressures discussed above, the dollar amount of dividends, which are paid primarily to parent holding companies, declined more than 3 percent last year (a decline of 10 basis points as a percentage of assets); this was the first annual reduction in the dollar amount of dividends since 1992. Nonetheless, the fifty largest bank holding companies increased dividends paid to stockholders $2.6 billion, to $19.6 billion, last year. However, those holding companies more than offset the rise in dividends by reducing net stock repurchases $17.3 billion, to

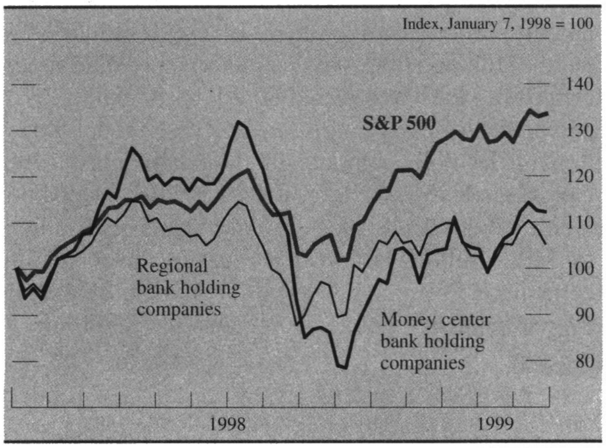
2. Selected income and expense items as a proportion of assets, 1992–98
Percent

Item	1992	1993	1994	1995	1996	1997	1998
Net interest income	3.89	3.90	3.78	3.72	3.73	3.67	3.52
Noninterest income	1.95	2.13	2.00	2.02	2.18	2.23	2.40
Noninterest expense	3.86	3.94	3.75	3.64	3.71	3.61	3.77
Loss provisioning	.78	.47	.28	.30	.37	.41	.41
Realized gains on investment account securities	.11	.09	−.01	.01	.03	.04	.06
Income before taxes and extraordinary items	1.32	1.70	1.73	1.81	1.85	1.93	1.81
Taxes and extraordinary items	.41	.50	.58	.63	.65	.67	.61
Net income (return on assets)	.91	1.20	1.15	1.18	1.20	1.25	1.20
Dividends	.41	.62	.73	.75	.90	.90	.80
Retained income	.49	.58	.42	.43	.30	.35	.39

$8.9 billion. The sum of dividends and net stock repurchases at the top fifty holding companies was one-third lower in 1998 than in 1997.

Industry performance differed markedly by bank size in 1998. The return on equity of the top 10 banks, which absorbed the bulk of the trading and foreign-related losses as well as the merger and restructuring charges, was the hardest hit, falling 2¾ percentage points to 10½ percent, its lowest level since 1991. At the other end of the spectrum, earnings of the smallest banks—those not in the top 1,000—were also below recent norms last year. Net interest income makes up the largest share of revenue for these banks, and smaller net interest margins contributed to a decline of ½ percentage point in their return on equity to just over 12 percent. By contrast, medium-sized banks, for which noninterest income is a more significant share of revenue and which generally do not have large trading or foreign operations, had another record year in 1998. Banks in the top 100 but not in the top 10, and those in the top 1,000 but not in the top 100, generated returns on equity of 17½ percent and 15½ percent, respectively—in both cases record highs.

15. Indexes of bank holding company stock prices and the S&P 500, January 7, 1998–March 31, 1999



NOTE. The data are weekly. The holding company indexes are for seven money center companies and forty-two regional companies as defined by Dow Jones.
SOURCE. Dow Jones and Standard and Poor's.

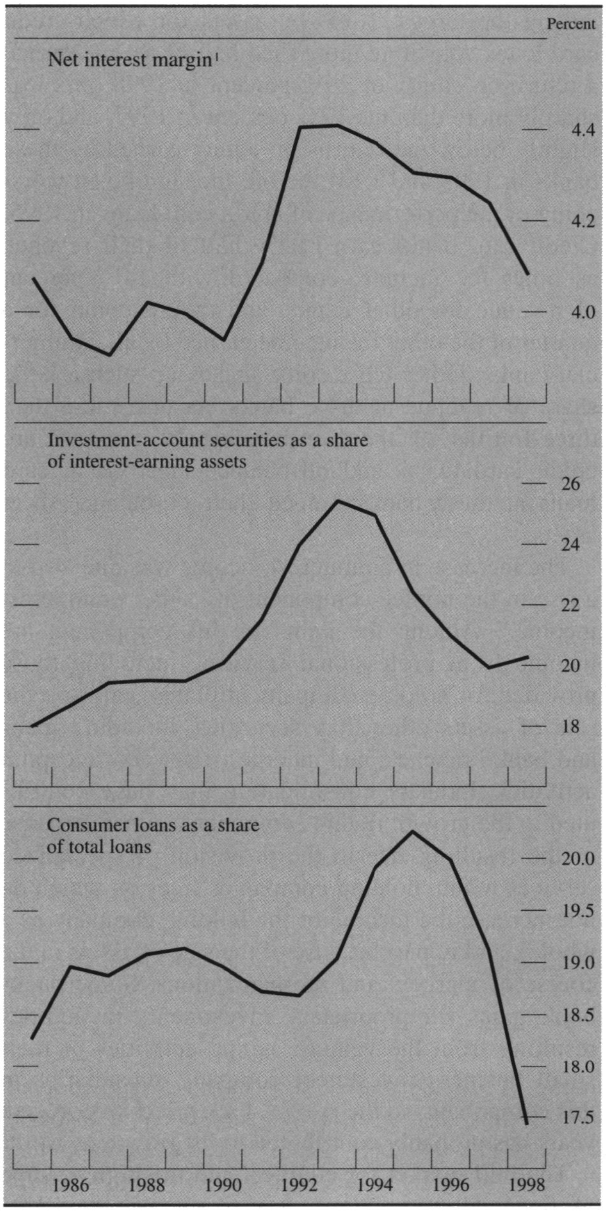
Interest Income and Expense

Net interest income as a percentage of average assets declined 15 basis points last year, reflecting a similar decline in banks' net interest margin (net interest income as a percentage of average interest-earning assets), which fell to a level not seen in seven years (chart 16). Three factors contributed to the decline in the net interest margin: A shift in bank assets away from relatively high-yielding assets, a shift in bank sources of funds toward relatively expensive liabilities, and, controlling for these shifts, a decline in rates earned on bank assets relative to rates paid on bank liabilities.

About one-third of the narrowing of the net interest margin resulted from the shift in the composition of bank assets last year away from consumer loans. Consumer loan yields are higher, on average, than those on other bank assets, in part as compensation for the higher expense of servicing these loans, and also because of their higher loss rates. As noted earlier, some of the slow growth in consumer loans on banks' books last year resulted from the funding of these loans off bank balance sheets through securitization, which shifted some of the associated net revenue generated out of net interest income and into noninterest income. In addition, a few basis points of the decline in the net interest margin stemmed from banks' increased reliance on managed liabilities, which generally pay higher yields than core deposits.

The remaining two-thirds of the narrowing of the net interest margin resulted from a decline in the yields on bank assets relative to bank liabilities after

16. Net interest margin, investment-account securities as a share of interest-earning assets, and consumer loans as a share of total loans, 1985–98



NOTE. Data are annual averages.

1. Net interest margin is net interest income divided by interest-earning assets.

controlling for shifts in composition. Yields on bank assets shrank in part because for most of the year, banks continued to compete vigorously for business loans, and as discussed above, the average spread on these loans over the intended federal funds rate, measured by the Survey of Terms of Business Lending, remained quite narrow through the early part of the third quarter. It widened in the fourth quarter, but because the survey measures rates on newly extended loans, most of any resulting gain in bank profits will appear only gradually over several quarters. A decline in the average yield on real estate loans, no doubt owing in part to the wave of refinancings last year, also contributed to the decline in the average yield on bank assets.

Developments that placed upward pressure on interest expense also acted to narrow the net interest margin. In the fall, the spread between rates on the managed liabilities of banks and risk-free rates widened sharply, as these institutions were seen by investors as vulnerable to losses abroad and a slowing in the domestic economy.[10] Furthermore, rates on core deposits, which tend to adjust gradually in any case, were especially slow to match the decline in market rates in the fall, because banks needed to fund the rapid growth in assets at that time.

The shrinkage in the net interest margin last year nearly completes the reversal of the sharp expansion in the margin in 1991 and 1992. That expansion was largely the result of two factors. First, it was a reaction to the compression of margins in the late 1980s by competition among banks for loans and funding sources as well as by the elevated rates that some troubled banks and thrift institutions were paying for funds. Second, a number of banks may not have had the capital levels they needed to meet risk-based capital rules phased in between 1990 and 1992. With bank equity prices depressed at that time, capital was expensive to raise, and so these banks were under pressure to limit balance sheet expansion and push up profits. Consequently, they bid for deposits and made loans less aggressively, causing a widening of spreads between loan and deposit rates. Moreover, competitive pressures on margins also may have eased as troubled institutions were recapitalized or closed.

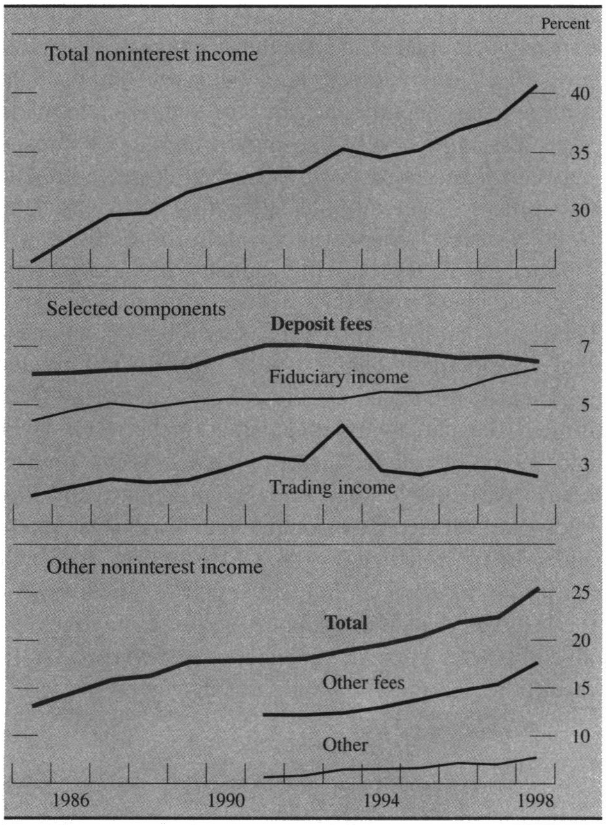
Since 1993, the banking industry has grown rapidly, and the forces that widened the margin have been unwound, largely because of banks' increasingly competitive stance in loan markets and greater reliance on managed liabilities. Several factors had limited the narrowing in the margin between 1994 and 1996, including a shift in bank assets toward loans, particularly consumer loans; relatively low rates paid on deposits compared with market rates; and a greater reliance on capital, the returns on which are not included as an interest expense. However, for the last two years these supporting forces have generally not been present, or have been reversed. As a result, the net interest margin has narrowed faster.

10. In the fourth quarter, banks still found it advantageous to invest in assets, particularly some types of securities, suggesting that expected returns on these assets rose by even more than the increase in banks' marginal cost of funds.

Noninterest Income

Noninterest income as a percentage of assets rose 18 basis points last year, more than matching the decline in net interest income. Noninterest income also increased as a share of revenue last year, continuing a decade-long trend (chart 17). The increase was concentrated in the "other fee income" component of noninterest income, which includes, among other items, credit card fees, mortgage servicing fees, fees from the sale and servicing of mutual funds and annuities, ATM surcharges, and fee income from securitized loans; it excludes deposit fees, which edged down 1 basis point as a percentage of assets last year. Although no finer detail is available on other fee income, the increase last year probably reflected, in part, the high level of mortgage refinancing, for which banks collect processing fees, and the rapid growth in bank loans that are securitized, earnings on which are generally booked in this component.

17. Noninterest income and its components as a share of total revenue, 1985–98



NOTE. Components of "other noninterest income" were first included in the March 1991 Call Reports.

The rise in other fee income was particularly apparent at banks that specialize in credit card lending.[11] These credit card banks, defined here as those banks among the largest 1,000 by assets for which credit card loans constitute more than half of assets, earned a return on equity of 29½ percent in 1998; this was sharply more than the 17¾ percent in 1997, and only slightly below the returns on equity earned by these banks in 1993 and 1994, before the significant worsening of the performance of credit card loans in 1995. Credit card banks earn nearly half of their revenue as other fee income, compared with 14½ percent of revenue for other banks, and they account for a quarter of the other fee income earned by all commercial banks. Other fee income makes up such a large share of revenue at these banks because more than three-fourths of their on-balance-sheet assets are credit card loans, and off-balance-sheet credit card loans at these banks exceed their on-balance-sheet assets.

The increase in noninterest income was due also to a rise in the nonfee component of "other noninterest income." Among the items in this component are income from professional services, including those provided for holding company affiliates; gains on the sale of assets other than securities, including loans and bank branches; and income from venture capital activities. Industry consolidation may have contributed to the growth in this component, in part because of the resulting rise in the provision of specialized services within holding companies (fees on which do not increase the income of the holding company as a whole), and in part because of the sale of assets in the course of mergers and reorganizations. Some banks book gains on proprietary investments in equities resulting from the venture capital activities of their small business investment company subsidiaries in this component, so the rise in stock prices over recent years has probably contributed to its growth as well.

The bull market for equities, and the high volume of financial transactions, has likely also benefited fiduciary income, which rose 2 basis points as a percentage of assets in 1998. Fiduciary income includes earnings on services rendered by banks' trust departments and by any consolidated subsidiaries acting in a fiduciary capacity.

The trading income component of noninterest income declined 2 basis points last year as a percentage of assets. During the first half of the year, trading

11. For more information on credit card banks, see William R. Nelson and Ann L. Owen, "Profits and Balance Sheet Developments at U.S. Commercial Banks in 1996," *Federal Reserve Bulletin*, vol. 83 (June 1997), pp. 476–77.

3. Trading revenue at all U.S. banks, by type of exposure, 1995–98
Millions of dollars

Year	Total	Interest rate	Foreign exchange	Equity and other
1995	6,337	3,012	2,491	635
1996	7,526	4,112	2,689	725
1997	8,020	3,995	3,951	72
1998	7,678	2,469	4,715	493
Q1	2,652	1,068	1,320	264
Q2	2,531	942	1,342	247
Q3	543	−101	875	−232
Q4	1,952	560	1,178	214

revenues, particularly those earned on exchange rate exposures, were robust (table 3). However, in the third quarter, following the pronounced widening of liquidity and risk spreads, trading income declined precipitously and several large banks posted trading losses. The losses, reportedly, were of three general kinds: First, the sharp decline in the value of certain securities, including some foreign-related assets such as Brady bonds, caused losses at those banks holding such securities in their trading accounts on an unhedged basis. Second, in some cases U.S. banks had hedged their holdings by taking two offsetting positions. When some Russian counterparties defaulted, the U.S. banks were left with substantial losses on the contracts that had been hedged by the contracts with those Russian counterparties.[12] Lastly, in other cases, the deteriorating financial condition of counterparties in emerging-market economies, including Asia and Latin America, led some banks to write down the value of trading assets to reflect widening credit-risk spreads. Trading income subsequently recovered in the fourth quarter and, for the year as a whole, was only slightly below its level in 1997.

Profits were supported somewhat last year by realized gains on investment account securities, which increased 40 percent to $3 billion. The realized gains were strongest in the fourth quarter and reflected, in part, sales of Treasury securities that had risen in value in the fall.

12. When bank counterparties in derivatives transactions default, the resulting obligation to the bank is either first recorded as a loan and then charged off, or is recorded as a trading loss. Since 1996, banks have reported credit losses on derivatives transactions on the Call Report, although they have not indicated whether the losses were booked as a charge-off or as a debit to trading revenue. These losses totaled $781 million last year, up from $120 million in 1997 and $37 million in 1996.

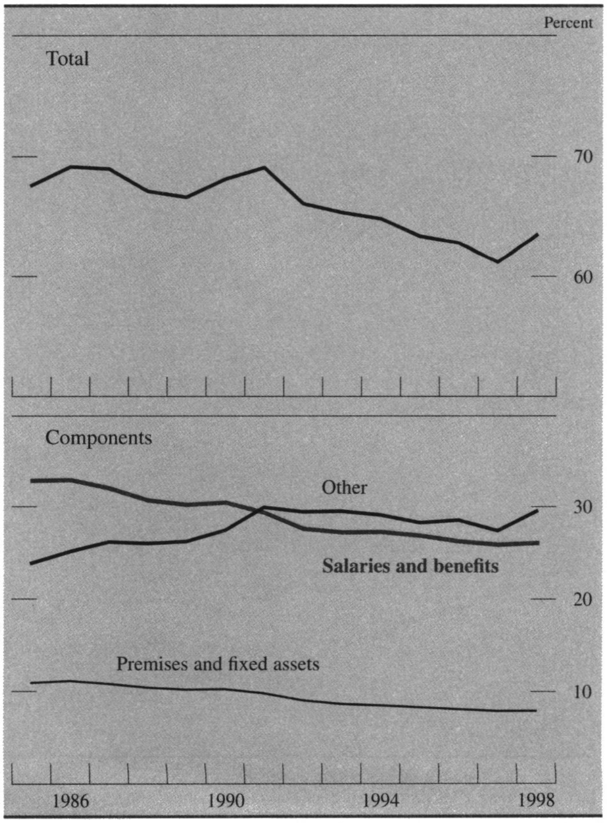
Noninterest Expense

Bank profitability was damped last year by a sharp rise in noninterest expense, as a percentage of both assets and revenue (chart 18). The rise was largest in the broad "other noninterest expense" category, which accounts for almost half of noninterest expense. Some of it was attributable to merger and restructuring charges and to an increase in data processing services, in part from efforts to prepare computer systems for the century date change.[13]

Noninterest expense was also elevated by a rise in wage and occupancy costs, both of which increased about 10 percent last year, in each case the most rapid growth in more than a decade. Labor costs rose so fast in part because employment, which had declined 4 percent between 1985 and 1995, advanced 4¼ percent last year alone, following 2 percent growth in

13. The five largest bank holding companies, which together account for one-third of commercial bank assets, reported aggregate costs of preparing for the century date change of approximately $1.3 billion in 1998. By comparison, other noninterest expense of commercial banks rose $13.6 billion in 1998. However, not all of the preparedness costs reported by the these bank holding companies would be booked at their commercial bank subsidiaries.

18. Noninterest expense and its components as a percentage of total revenue, 1985–98



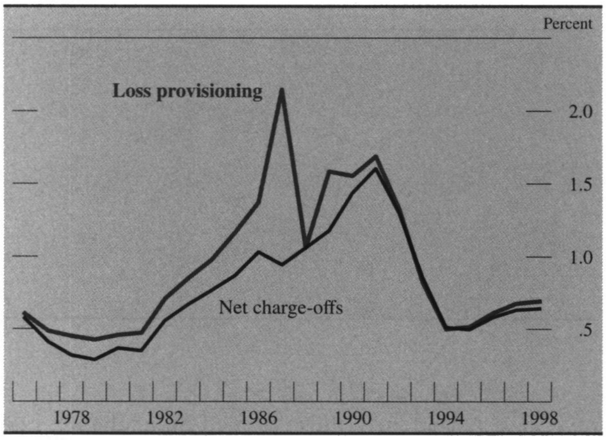
1997. Employment growth was particularly robust in the fourth quarter, and was relatively faster at those banks that posted more rapid growth in home mortgages, suggesting employment growth may have been lifted by the mortgage refinancing boom. Despite the rise in employment, revenue per employee increased 4½ percent last year, although employment costs per employee rose 5½ percent.

The rise in occupancy costs stemmed, in part, from a small increase in the number of bank offices, but more importantly from a 6¾ percent rise in real occupancy cost per office, which had fallen 3 percent between 1985 and 1997. The abundant supply of office space had resulted in a decline in the rents on, and prices of, office buildings nationwide in the early 1990s, helping to restrain banks' occupancy costs, but office rents and prices rose sharply in 1997 and 1998.

Loan Provisioning and Loan Performance

Bank profits continue to be supported by the good overall performance of loans. Although provisions for loan and lease losses edged up last year as a percentage of loans, tracking the slight rise in net charge-offs, both provisions and charge-offs remained very low in 1998 (chart 19).

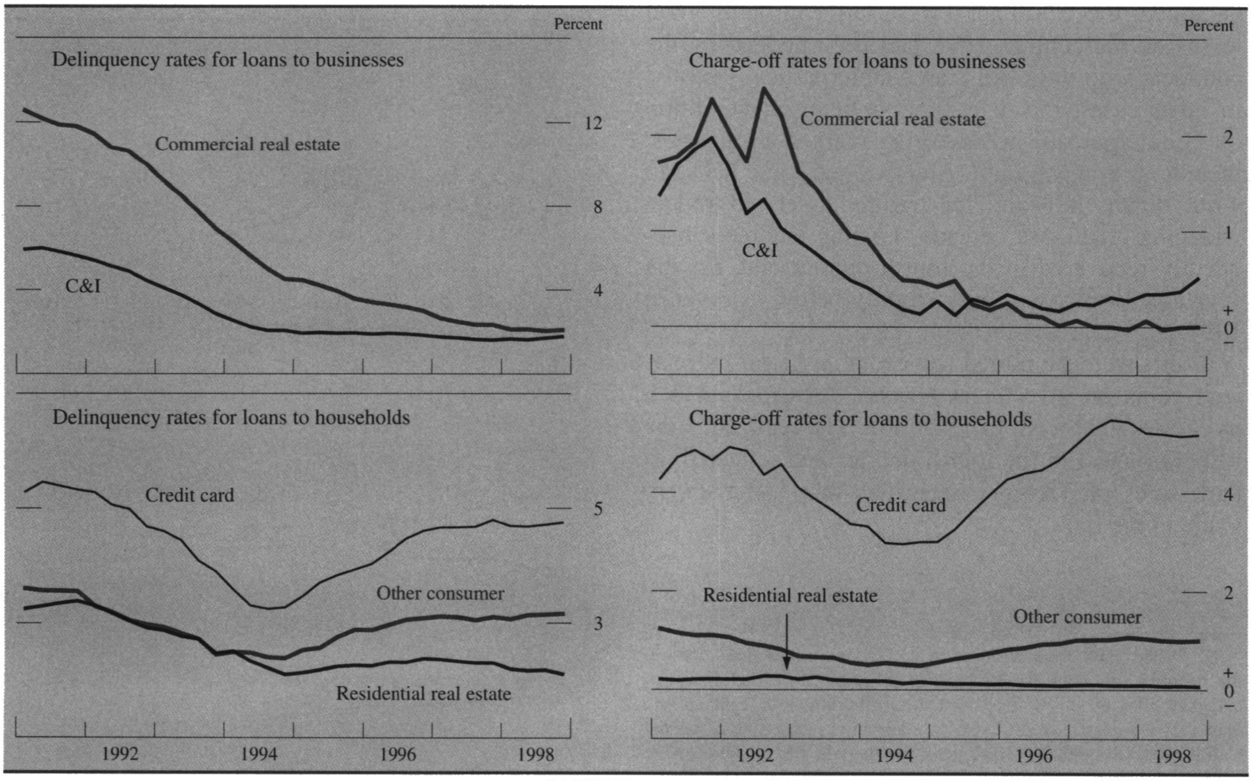
19. Loss provisioning and net charge-offs as a percentage of loans, 1976–98



NOTE. Net charge-offs are charge-offs net of recoveries.

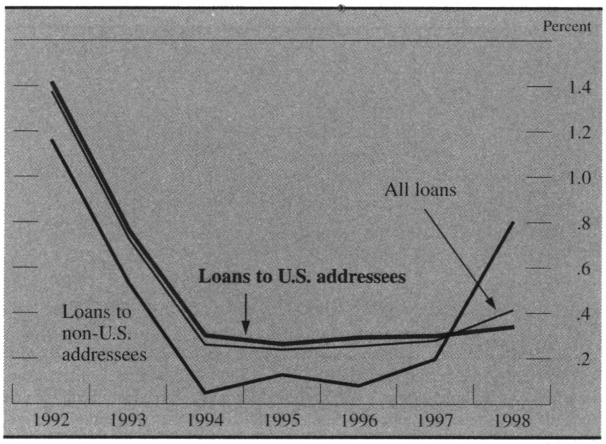
The performance of specific types of loans also changed little last year. The delinquency rate on commercial mortgages fell a bit further from the already low levels posted in 1997, reflecting the strong market for office and commercial space

20. Delinquency and charge-off rates, by type of loan, 1991–98

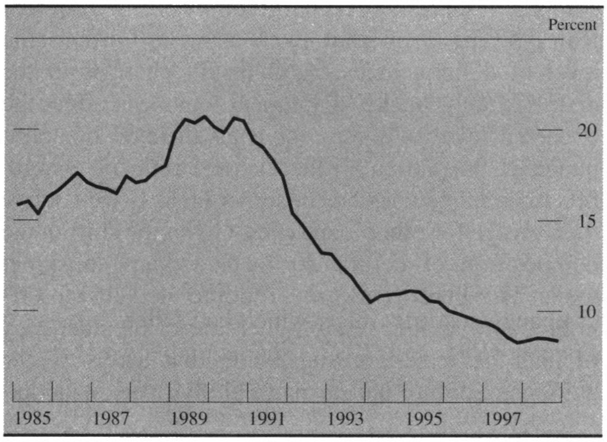


NOTE. The data are quarterly and seasonally adjusted. Delinquent loans are loans that are not accruing interest and those that are accruing interest but are more than thirty days past due. The delinquency rate is the end-of-period level of delinquent loans divided by the end-of-period level of outstanding loans. The charge-off rate is the annualized amount of charge-offs over the period, net of recoveries, divided by the average level of outstanding loans over the period.

21. Charge-off rates on C&I loans, by location of borrower, 1992–98



22. Debt burden of businesses, 1985–98



NOTE. The data are quarterly. Debt burden is for nonfinancial corporations and is calculated as interest payments as a percentage of cash flow.

SOURCE. National income and product accounts and the Federal Reserve System.

(chart 20). The net charge-off rate on these loans remained near zero. Delinquency and charge-off rates on commercial and industrial loans rose a little, though they too remained low. Most of the moderate upward trend in charge-off rates on C&I loans for the past two years reflects an increase in loss rates on loans booked abroad, probably to some extent because of difficulties in a number of emerging-market economies (chart 21). The good performance of C&I loans was in line with the strong financial condition of the nonfinancial business sector: The aggregated debt-service burden for nonfinancial corporations, measured as the ratio of net interest payments to cash flow, remained near its low of 1997 and less than half its peak level earlier in the decade (chart 22), and business failures remained at the low end of the range seen over the past decade.

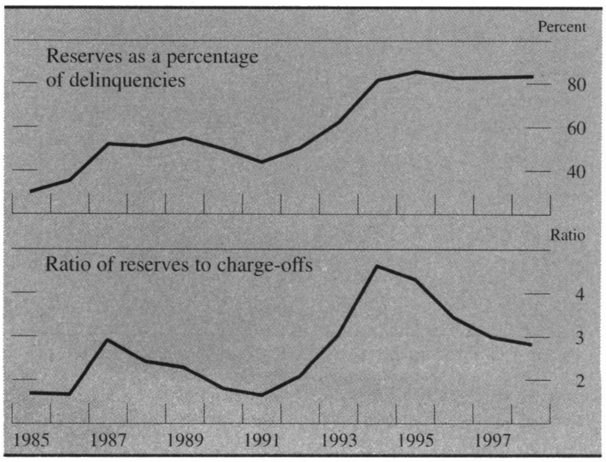
Measures of household financial stress were also relatively stable last year, although some were at high levels. The annual increase in personal bankruptcy filings has been about 3 percent for the past year and a half, sharply down from annual increases of roughly 25 percent between early 1995 and early 1997. Although household debt grew rapidly last year, lower interest rates and longer loan maturities, which resulted from the shift toward mortgage finance, helped mitigate the effects of increased borrowing on household debt-service burdens. Reflecting these trends, the delinquency and charge-off rates on consumer loans varied little, although they tended to be on the high side of historical norms. By contrast, delinquency and charge-off rates on household mortgages stayed low.

The net charge-off rate on loans other than business, consumer, and real estate loans, which had been less than 0.1 percent per year in the preceding three years, ticked up to 0.4 percent in 1998. More than half of those charge-offs occurred during the turbulent third quarter, when some loans to hedge funds were written off and when some banks' counterparties on derivatives transactions defaulted.

Of course, the strength of the economy was responsible for much of the continued good overall loan performance last year. If the economy were to slow, loan losses would probably rise, perhaps markedly if the easing in bank lending standards during the current long expansion turns out to have been excessive. At the end of last year, reserves for loan and lease losses remained high relative to delinquent loans (chart 23). However, relative to net charge-offs, reserves have fallen in recent years and are now near the middle of their historical range.

On the one hand, it seems sensible to compare reserves to delinquencies, because it is for losses that are probable at the time that banks should be setting

23. Measures of reserves for loan and lease losses, 1985–98



aside reserves. On the other hand, one may want to compare reserves to net charge-offs, because different loan types have different levels of losses for the same level of delinquencies. As a result, changes in the distribution of banks' delinquent loans can affect the expected level of losses for a given level of delinquencies. In particular, the average ratio of charge-offs to delinquencies on consumer loans is well above the average for other loan types. Given the shift in the composition of delinquent loans toward consumer loans in recent years, the ratio to net charge-offs is probably a more reliable measure of the adequacy of loan-loss reserves, suggesting that banks, in the aggregate, do not appear particularly over- or under-reserved.[14]

International Operations of U.S. Banks

Lingering concerns over economic prospects in Asia and growing worries over Latin America, Russia, and Eastern Europe led many banks to scale back their foreign operations last year. The share of U.S. bank assets booked at foreign offices fell nearly 2 percentage points to about 13 percent in 1998, after having risen by nearly 3 percentage points since 1993 (table 4). The share of income attributable to foreign operations fell from 10¼ percent in the previous year to 8½ percent—the lowest since 1989. Foreign income had been relatively high in the first half of the year, but declined sharply in the third quarter and remained low in the fourth quarter. The drop in the third quarter was concentrated in noninterest income, perhaps owing to losses on trading account securities booked abroad, and was widespread among those banks with significant foreign operations.[15]

The decline in foreign revenue also resulted from efforts by banks to lessen their exposure to troubled foreign economies. The exposure of U.S. commercial banks, as a fraction of capital, to troubled Asian, Eastern European, and Russian economies declined about one-fourth from year-end 1997 to year-end 1998 (table 5). The exposure of money center and other large banks to Russia declined from over 3 percent of capital to less than ½ percent, as many of these institutions wrote off a large fraction of Russian obligations. The exposure to Latin American econo-

4. Share of U.S. bank assets booked at foreign offices and net income attributable to foreign operations, 1993–98

Percent

Year	Assets	Net income
1993	12.15	16.34
1994	13.21	11.94
1995	13.64	11.61
1996	14.76	12.02
1997	15.04	10.27
1998	13.17	8.48
Q1	14.96	11.13
Q2	15.03	12.68
Q3	14.44	3.70
Q4	13.17	5.84

NOTE. Foreign offices include Edge Act and agreement subsidiaries and international banking facilities (IBFs). Edge Act and agreement subsidiaries are federally or state-chartered corporations, respectively, that are domiciled in the United States but engage in international banking activities. An IBF is a set of asset and liability accounts that cover selected international transactions of the U.S. offices of the bank.

14. Indeed, if loan-loss reserves are compared with delinquencies weighted, for each loan component, by the average ratio of charge-offs to delinquencies of that component in recent years, the adequacy of loan-loss reserves appears to be about as it does when reserves are compared with net charge-offs.

15. For additional details on the international operations of U.S. banks, see English and Nelson, "Profits and Balance Sheet Developments at U.S. Commercial Banks in 1997," p. 406.

5. Exposure of U.S. banking organizations to selected economies, relative to capital, year-end 1997 and 1998

Percent except as noted

Region or country	All reporting		Money center and other large banks		All other banks		MEMO: Total exposure, all banks (billions of dollars)	
	1997	1998	1997	1998	1997	1998	1997	1998
Troubled Asia[1]	16.11	9.47	26.87	15.17	2.34	1.21	55.24	37.87
Eastern Europe and Russia								
All	3.47	2.13	6.12	3.54	.08	.09	11.91	8.53
Russia	1.80	.26	3.16	.43	.05	0.00	6.16	1.05
Latin America								
All	29.67	26.24	48.37	40.56	5.73	5.53	101.73	104.96
Brazil	9.74	6.89	16.13	10.76	1.56	0.00	33.40	27.55
Total	**49.25**	**37.84**	**81.37**	**59.27**	**8.16**	**6.83**	**168.89**	**151.36**

NOTE. Exposures include the institutions' lending and derivatives exposures for cross-border as well as local-office operations. Respondents may file information on one bank or on the bank holding company as a whole. Capital is defined as equity, subordinated debt, and loan-loss reserves.

1. Indonesia, Korea, Malaysia, Philippines, and Thailand.

SOURCE. Federal Financial Institutions Examination Council, Country Exposure Report.

mies at these large banks fell nearly 8 percentage points to a bit over 40 percent of capital, with much of the decline resulting from reduced exposures to Brazil.

DEVELOPMENTS IN 1999

Responding, in part, to earnings concerns, but also to the devaluation and subsequent floating of the Brazilian *real*, indexes of bank stock prices fell in January. However, as evidence accumulated that the U.S. economy continued to enjoy strong growth and low inflation, and emerging-market economies appeared to stabilize, bank equities recovered. The stock prices of money center bank holding companies were up about 10 percent for the year through April; those of regional banks were about 4 percent higher, half the rise in the broader market.

Bank stock prices were lifted by first-quarter earnings announcements, which generally exceeded expectations. Bank holding companies again reported hefty gains in fee income, including fees from consumer lending, mortgage banking, and investment banking. Trading revenue also contributed to the gains, in part because credit-risk spreads on emerging-market securities narrowed.

Assets at the domestic offices of U.S. commercial banks were about unchanged in the first quarter of 1999, with weakness in many of the components that had expanded in the wake of financial turmoil in the fall. Business loans declined early in the quarter, as borrowers that had turned to banks returned to the corporate bond and commercial paper markets. Banks' holdings of mortgage-backed securities and other non-Treasury issues, which had ballooned in the fall, fell sharply. As mortgage refinancings ebbed, banks caught up on securitizing the backlog of mortgages that had been brought onto their books when refinanced, and real estate loans were about flat in the first quarter. Those loans may have been supported, in part, by further substitution for consumer loans, which edged down somewhat despite strong consumer spending. □

A.1. Report of income, all U.S. banks, 1989–98
Millions of dollars

Item	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998
Gross interest income	317,046	320,404	290,692	256,415	244,742	257,064	302,376	313,115	338,230	359,250
Taxable equivalent	321,251	324,054	293,879	259,394	247,620	259,821	305,010	315,575	340,664	361,716
Loans	237,815	238,829	215,019	185,938	178,425	189,762	227,218	239,307	255,504	271,012
Securities	46,713	51,031	52,769	51,825	48,678	48,299	51,030	50,601	52,662	56,607
Gross federal funds sold and reverse repurchase agreements	13,059	12,571	9,149	5,913	4,796	6,415	9,744	9,265	13,658	15,001
Other	19,461	17,971	13,757	12,739	12,843	12,587	14,382	13,944	16,407	16,629
Gross interest expense	205,078	204,949	168,492	122,517	105,615	110,849	147,958	150,045	164,516	178,026
Deposits	157,466	161,483	139,431	98,809	79,503	79,106	105,329	107,465	117,351	125,229
Gross federal funds purchased and repurchase agreements	24,898	22,778	14,439	9,263	8,442	12,476	18,424	16,775	20,440	22,184
Other	22,713	20,687	14,623	14,441	17,669	19,269	24,204	25,806	26,724	30,612
Net interest income	111,968	115,455	122,200	133,898	139,127	146,215	154,418	163,070	173,714	181,224
Taxable equivalent	116,173	119,105	125,387	136,877	142,005	148,972	157,052	165,530	176,148	183,690
Loss provisioning[1]	31,297	32,282	34,871	26,813	16,841	10,993	12,631	16,206	19,173	21,217
Noninterest income	51,599	55,684	61,124	67,044	75,847	77,223	83,851	95,278	105,775	123,592
Service charges on deposits	10,270	11,446	12,884	14,126	14,898	15,281	16,057	17,042	18,558	19,773
Income from fiduciary activities	8,313	8,886	9,499	10,452	11,199	12,124	12,890	14,288	16,604	18,972
Trading income	4,051	4,854	5,954	6,273	9,238	6,249	6,337	7,526	8,020	7,678
Other	28,965	30,497	32,785	36,193	40,513	43,572	48,567	56,421	62,593	77,172
Noninterest expense	108,993	116,606	126,665	132,815	140,523	144,905	151,137	162,399	170,995	193,719
Salaries, wages, and employee benefits	49,412	52,111	53,810	55,484	58,507	60,904	64,013	67,775	72,347	79,521
Expenses of premises and fixed assets	16,697	17,547	17,984	18,152	18,578	18,978	19,760	20,883	22,082	24,161
Other	42,885	46,948	54,871	59,181	63,439	65,023	67,363	73,741	76,567	90,038
Net noninterest expense	57,394	60,922	65,541	65,771	64,676	67,682	67,286	67,121	65,220	70,127
Realized gains on investment account securities	800	474	2,897	3,957	3,054	−560	481	1,123	1,826	3,088
Income before taxes and extraordinary items	24,079	22,725	24,684	45,273	60,662	66,989	74,980	80,864	91,145	92,967
Taxes	9,547	7,749	8,292	14,450	19,861	22,430	26,222	28,430	31,988	31,941
Extraordinary items	312	650	1,198	401	2,085	−17	28	88	56	508
Net income	**14,843**	**15,626**	**17,590**	**31,224**	**42,886**	**44,542**	**48,785**	**52,521**	**59,211**	**61,535**
Cash dividends declared	14,127	13,965	15,562	14,226	22,068	28,164	31,105	39,391	42,726	41,300
Retained income	716	1,661	2,028	16,997	20,816	16,377	17,681	13,131	16,485	20,233

1. Includes provisions for loan and lease losses and for allocated transfer risk.

A.2. Portfolio composition, interest rates, and income and expense, all U.S. banks, 1989–98

A. All banks

Item	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998
	Balance sheet items as a percentage of average net consolidated assets									
Interest-earning assets	87.94	87.82	88.04	88.33	88.50	86.55	86.47	86.80	86.58	86.26
Loans and leases, net	60.64	60.53	59.55	57.30	56.25	56.07	58.37	59.89	58.69	58.32
Commercial and industrial	19.09	18.50	17.33	15.78	14.88	14.51	15.20	15.60	15.78	16.37
U.S. addressees	16.54	15.99	15.00	13.54	12.72	12.35	12.87	13.07	13.18	13.62
Foreign addressees	2.55	2.51	2.33	2.24	2.16	2.16	2.33	2.53	2.60	2.75
Consumer	11.89	11.77	11.45	11.00	11.00	11.43	12.08	12.21	11.44	10.36
Credit card	3.69	3.78	3.88	3.80	3.88	4.21	4.69	4.87	4.55	3.97
Installment and other	8.20	7.99	7.57	7.20	7.11	7.22	7.39	7.34	6.89	6.39
Real estate	22.50	23.86	24.87	24.87	24.80	24.43	25.01	25.06	25.02	24.86
In domestic offices	21.78	23.10	24.11	24.18	24.18	23.80	24.36	24.43	24.41	24.29
Construction and land development	4.16	4.00	3.41	2.64	1.99	1.65	1.59	1.63	1.73	1.86
Farmland	.51	.51	.53	.56	.57	.56	.56	.56	.55	.55
One- to four-family residential	10.15	11.21	12.27	12.91	13.49	13.74	14.42	14.43	14.42	14.26
Home equity	1.42	1.67	1.95	2.09	2.07	1.91	1.88	1.85	1.94	1.89
Other	8.73	9.54	10.32	10.83	11.42	11.84	12.54	12.57	12.48	12.37
Multifamily residential	.60	.62	.66	.75	.79	.79	.81	.85	.83	.82
Nonfarm nonresidential	6.36	6.76	7.23	7.32	7.33	7.07	6.97	6.96	6.88	6.81
In foreign offices	.72	.76	.76	.69	.62	.63	.65	.63	.61	.57
Depository institutions	1.76	1.60	1.42	1.24	1.08	1.42	1.88	2.29	1.89	1.88
Foreign governments	1.03	.78	.75	.73	.67	.41	.30	.26	.18	.15
Agricultural production	.96	.96	1.01	1.02	.99	1.00	.96	.92	.90	.89
Other loans	4.31	3.93	3.60	3.50	3.56	3.34	3.15	3.36	2.84	2.81
Lease-financing receivables	1.10	1.12	1.09	1.03	.99	1.03	1.19	1.51	1.87	2.14
LESS: Unearned income on loans	−.48	−.42	−.36	−.28	−.21	−.16	−.14	−.12	−.09	−.07
LESS: Loss reserves[1]	−1.52	−1.57	−1.62	−1.60	−1.51	−1.36	−1.26	−1.21	−1.13	−1.07
Securities	18.39	19.09	20.70	23.52	25.37	24.27	21.94	21.01	20.41	20.38
Investment account	17.14	17.63	18.93	21.18	22.50	21.60	19.39	18.20	17.25	17.48
Debt	16.84	17.37	18.62	20.82	22.12	21.21	18.98	17.75	16.75	16.94
U.S. Treasury	4.98	4.57	5.06	6.49	7.08	6.77	5.25	4.20	3.38	2.71
U.S. government agency and corporation obligations	6.04	7.56	8.75	9.86	10.73	10.24	9.81	9.75	9.74	10.28
Government-backed mortgage pools	3.27	4.08	4.51	4.52	4.74	4.67	4.47	4.80	4.94	5.17
Collateralized mortgage obligations	n.a.	1.25	2.07	3.12	3.72	3.24	2.67	2.11	1.94	2.12
Other	2.77	2.22	2.16	2.21	2.27	2.33	2.68	2.83	2.86	2.99
State and local government	3.15	2.64	2.28	2.08	2.06	2.02	1.80	1.68	1.59	1.57
Private mortgage-backed securities	n.a.	n.a.	.94	.82	.73	.64	.62	.61	.50	.67
Other	2.68	2.59	1.59	1.58	1.52	1.54	1.49	1.51	1.54	1.70
Equity	.30	.27	.31	.37	.38	.39	.41	.45	.50	.55
Trading account	1.25	1.46	1.77	2.34	2.87	2.67	2.55	2.81	3.16	2.89
Gross federal funds sold and reverse RPs	4.33	4.46	4.58	4.54	4.27	3.82	3.93	3.82	5.18	5.37
Interest-bearing balances at depositories	4.58	3.75	3.21	2.97	2.62	2.40	2.23	2.08	2.29	2.19
Non-interest-earning assets	12.06	12.18	11.96	11.67	11.50	13.45	13.53	13.20	13.42	13.74
Revaluation gains on off-balance-sheet items[2]	n.a.	n.a.	n.a.	n.a.	n.a.	2.61	2.90	2.25	2.59	2.95
Other	12.06	12.18	11.96	11.67	11.50	10.84	10.62	10.95	10.83	10.79
Liabilities	93.64	93.60	93.33	92.82	92.15	92.12	91.99	91.73	91.57	91.51
Interest-bearing liabilities	76.02	76.53	76.58	75.32	73.92	71.86	71.86	71.62	71.36	71.35
Deposits	62.58	63.44	64.45	62.94	60.26	57.34	56.30	55.87	55.01	54.67
In foreign offices	9.68	9.26	8.55	8.37	8.32	9.39	10.28	10.01	10.02	10.15
In domestic offices	52.90	54.18	55.90	54.56	51.94	47.96	46.03	45.86	44.99	44.53
Other checkable deposits	6.12	6.19	6.72	7.65	8.24	7.80	6.63	4.75	3.62	3.12
Savings (including MMDAs)	16.28	16.59	18.00	20.28	20.91	19.60	17.48	18.71	19.13	19.92
Small-denomination time deposits	18.38	19.96	21.30	19.21	16.98	15.33	16.14	15.97	15.17	14.16
Large-denomination time deposits	12.13	11.44	9.89	7.42	5.81	5.23	5.77	6.42	7.08	7.34
Gross federal funds purchased and RPs	8.22	8.03	7.09	7.02	7.47	7.60	7.71	7.18	8.13	7.99
Other	5.22	5.07	5.03	5.36	6.19	6.92	7.85	8.56	8.21	8.69
Non-interest-bearing liabilities	17.62	17.07	16.75	17.50	18.23	20.26	20.13	20.11	20.21	20.15
Demand deposits in domestic offices	13.49	12.79	12.59	13.24	13.86	13.49	12.68	12.82	12.16	11.00
Revaluation losses on off-balance-sheet items[2]	n.a.	n.a.	n.a.	n.a.	n.a.	2.32	2.88	2.14	2.64	2.97
Other	4.13	4.27	4.16	4.27	4.37	4.45	4.57	5.14	5.41	6.18
Capital account	6.36	6.40	6.67	7.18	7.85	7.88	8.01	8.27	8.43	8.49
MEMO										
Commercial real estate loans	n.a.	n.a.	12.02	11.34	10.63	9.94	9.83	9.92	9.99	10.12
Other real estate owned	.39	.50	.75	.82	.63	.36	.19	.14	.11	.08
Managed liabilities	35.78	34.31	31.05	28.70	28.28	29.61	32.08	32.73	34.09	34.95
Average net consolidated assets (billions of dollars)	3,187	3,338	3,379	3,442	3,566	3,863	4,148	4,376	4,733	5,145

A.2.—Continued

A. All banks

Item	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998
	Effective interest rate (percent)[3]									
Rates earned										
Interest-earning assets	11.13	10.67	9.57	8.27	7.61	7.61	8.33	8.14	8.15	7.99
Taxable equivalent	11.29	10.80	9.69	8.37	7.71	7.70	8.41	8.21	8.22	8.06
Loans and leases, gross	12.02	11.49	10.40	9.20	8.69	8.62	9.25	8.99	9.01	8.85
Net of loss provisions	10.44	9.94	8.72	7.87	7.87	8.12	8.74	8.39	8.34	8.15
Securities	8.73	8.79	8.19	7.04	6.08	5.96	6.51	6.42	6.50	6.37
Taxable equivalent	9.25	9.21	8.56	7.34	6.36	6.20	6.73	6.66	6.73	6.63
Investment account	8.55	8.67	8.25	7.11	6.07	5.79	6.35	6.35	6.45	6.29
U.S. government and other debt	8.83	8.92	8.43	7.18	6.07	5.80	6.42	6.47	6.60	6.45
State and local	7.45	7.39	7.25	6.81	6.25	5.87	5.82	5.55	5.41	5.23
Equity	7.70	7.34	6.20	5.32	4.79	4.79	5.51	5.23	5.15	4.92
Trading account	11.11	10.15	7.54	6.40	6.16	7.41	7.73	6.86	6.75	6.85
Gross federal funds sold and reverse RPs	9.17	8.08	5.69	3.58	3.04	4.26	5.63	5.21	5.45	5.29
Interest-bearing balances at depositories	10.59	9.96	8.44	7.31	6.61	5.71	6.84	6.21	6.24	6.27
Rates paid										
Interest-bearing liabilities	8.53	8.04	6.55	4.75	4.01	4.01	4.99	4.82	4.92	4.88
Interest-bearing deposits	7.87	7.57	6.34	4.51	3.65	3.53	4.47	4.33	4.39	4.31
In foreign offices	10.87	10.71	8.54	7.32	6.82	5.59	6.12	5.54	5.44	5.66
In domestic offices	7.32	7.02	6.00	4.07	3.14	3.14	4.11	4.07	4.16	4.01
Other checkable deposits	4.83	4.79	4.34	2.70	1.99	1.85	2.06	2.03	2.25	2.29
Savings (including MMDAs)	6.18	5.99	5.11	3.25	2.50	2.58	3.19	2.99	2.93	2.79
Large-denomination time deposits[4]	8.66	8.03	6.69	4.90	4.00	4.09	5.47	5.39	5.45	5.22
Small-denomination time deposits[4]	8.29	7.97	6.93	5.15	4.19	4.17	5.44	5.40	5.54	5.47
Gross federal funds purchased and RPs	9.20	7.97	5.76	3.64	3.07	4.18	5.65	5.12	5.17	5.19
Other interest-bearing liabilities	13.76	12.26	8.65	7.87	8.02	7.25	7.47	6.93	6.95	6.88
	Income and expense as a percentage of average net consolidated assets									
Gross interest income	9.95	9.60	8.60	7.45	6.86	6.65	7.29	7.16	7.15	6.98
Taxable equivalent	10.08	9.71	8.70	7.54	6.94	6.73	7.35	7.21	7.20	7.03
Loans	7.46	7.15	6.36	5.40	5.00	4.91	5.48	5.47	5.40	5.27
Securities	1.47	1.53	1.56	1.51	1.37	1.25	1.23	1.16	1.11	1.10
Gross federal funds sold and reverse RPs	.41	.38	.27	.17	.13	.17	.23	.21	.29	.29
Other	.61	.54	.41	.37	.36	.33	.35	.32	.35	.32
Gross interest expense	6.44	6.14	4.99	3.56	2.96	2.87	3.57	3.43	3.48	3.46
Deposits	4.94	4.84	4.13	2.87	2.23	2.05	2.54	2.46	2.48	2.43
Gross federal funds purchased and RPs	.78	.68	.43	.27	.24	.32	.44	.38	.43	.43
Other	.71	.62	.43	.42	.50	.50	.58	.59	.56	.60
Net interest income	3.51	3.46	3.62	3.89	3.90	3.78	3.72	3.73	3.67	3.52
Taxable equivalent	3.65	3.57	3.71	3.98	3.98	3.86	3.79	3.78	3.72	3.57
Loss provisioning[5]	.98	.97	1.03	.78	.47	.28	.30	.37	.41	.41
Noninterest income	1.62	1.67	1.81	1.95	2.13	2.00	2.02	2.18	2.23	2.40
Service charges on deposits	.32	.34	.38	.41	.42	.40	.39	.39	.39	.38
Income from fiduciary activities	.26	.27	.28	.30	.31	.31	.31	.33	.35	.37
Trading income	.13	.15	.18	.18	.26	.16	.15	.17	.17	.15
Interest rate exposures	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	.09	.08	.05
Foreign exchange exposures	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	.06	.08	.09
Equity, commodity, and other exposures	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	.02	*	.01
Other	.91	.91	.97	1.05	1.14	1.13	1.17	1.29	1.32	1.50
Noninterest expense	3.42	3.49	3.75	3.86	3.94	3.75	3.64	3.71	3.61	3.77
Salaries, wages, and employee benefits	1.55	1.56	1.59	1.61	1.64	1.58	1.54	1.55	1.53	1.55
Expenses of premises and fixed assets	.52	.53	.53	.53	.52	.49	.48	.48	.47	.47
Other	1.35	1.41	1.62	1.72	1.78	1.68	1.62	1.69	1.62	1.75
Net noninterest expense	1.80	1.83	1.94	1.91	1.81	1.75	1.62	1.53	1.38	1.36
Realized gains on investment account securities	.03	.01	.09	.11	.09	−.01	.01	.03	.04	.06
Income before taxes and extraordinary items	.76	.68	.73	1.32	1.70	1.73	1.81	1.85	1.93	1.81
Taxes	.30	.23	.25	.42	.56	.58	.63	.65	.68	.62
Extraordinary items	.01	.02	.04	.01	.06	*	*	*	*	.01
Net income (return on assets)	.47	.47	.52	.91	1.20	1.15	1.18	1.20	1.25	1.20
Cash dividends declared	.44	.42	.46	.41	.62	.73	.75	.90	.90	.80
Retained income	.02	.05	.06	.49	.58	.42	.43	.30	.35	.39
MEMO: Return on equity	7.33	7.31	7.80	12.64	15.32	14.63	14.69	14.52	14.84	14.08

* In absolute value, less than 0.005 percent.

DEFINITIONS. n.a. Not available. MMDA Money market deposit account. RP Repurchase agreement. CD Certificate of deposit.

1. Includes the allowance for loan and lease losses and the allocated transfer risk reserve.

2. Before 1994, the netted value of off-balance-sheet items appeared in "trading account securities" if a gain and "other non-interest-bearing liabilities" if a loss.

3. When possible, based on the average of quarterly balance sheet data reported on schedule RC-K of the quarterly Call Reports.

4. Before 1997, data for large time open accounts are included in small-denomination time deposits.

5. Includes provisions for loan and lease losses and for allocated transfer risk.

A.2. Portfolio composition, interest rates, and income and expense, all U.S. banks, 1989–98

B. Ten largest banks by assets

Item	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998
	Balance sheet items as a percentage of average net consolidated assets									
Interest-earning assets	85.16	84.85	85.41	85.16	84.79	76.97	77.02	79.94	81.62	81.07
Loans and leases, net	59.66	61.69	62.14	58.34	55.57	49.91	50.05	53.51	50.91	50.77
Commercial and industrial	22.61	22.91	22.42	20.32	18.65	16.43	16.16	17.17	16.90	18.07
U.S. addressees	13.18	13.39	13.44	12.00	10.75	9.16	8.66	9.59	10.24	11.76
Foreign addressees	9.43	9.53	8.97	8.32	7.90	7.27	7.50	7.59	6.66	6.31
Consumer	6.21	6.87	7.20	7.31	7.33	6.59	6.60	6.22	6.40	6.04
Credit card	1.99	2.20	2.53	2.61	2.50	2.28	1.96	1.23	1.34	1.30
Installment and other	4.22	4.67	4.67	4.70	4.83	4.31	4.65	4.99	5.06	4.74
Real estate	18.02	20.56	21.68	19.93	18.54	16.21	15.82	16.53	17.42	16.51
In domestic offices	15.05	17.36	18.37	17.07	15.99	13.80	13.48	14.44	15.69	15.08
Construction and land development	3.60	3.79	3.42	2.48	1.59	.84	.58	.51	.68	.77
Farmland	.08	.08	.08	.07	.07	.06	.06	.06	.09	.09
One- to four-family residential	7.45	9.31	10.34	10.08	10.29	9.69	9.62	10.43	11.02	10.33
Home equity	1.04	1.31	1.63	1.63	1.60	1.40	1.40	1.53	1.70	1.72
Other	6.41	8.00	8.71	8.46	8.68	8.29	8.22	8.90	9.31	8.61
Multifamily residential	.68	.68	.57	.58	.53	.41	.38	.38	.39	.38
Nonfarm nonresidential	3.23	3.51	3.95	3.86	3.51	2.79	2.83	3.05	3.52	3.51
In foreign offices	2.97	3.20	3.32	2.85	2.55	2.41	2.35	2.09	1.73	1.43
Depository institutions	4.56	3.64	3.05	2.56	2.35	3.37	4.95	6.06	4.14	4.00
Foreign governments	3.34	2.76	2.88	2.75	2.46	1.27	.90	.69	.45	.35
Agricultural production	.31	.31	.31	.28	.27	.25	.21	.23	.31	.28
Other loans	6.36	6.05	5.61	6.05	6.82	6.44	5.85	6.42	4.21	3.79
Lease-financing receivables	1.49	1.60	1.68	1.51	1.30	1.14	1.14	1.59	2.24	2.81
LESS: Unearned income on loans	–.45	–.39	–.35	–.27	–.21	–.16	–.14	–.11	–.07	–.06
LESS: Loss reserves[1]	–2.77	–2.63	–2.34	–2.08	–1.94	–1.63	–1.45	–1.30	–1.08	–1.01
Securities	13.13	14.03	15.58	19.13	22.74	20.43	19.53	19.83	20.00	19.72
Investment account	9.05	9.22	9.38	10.70	12.45	11.68	10.65	10.60	10.97	12.12
Debt	8.83	8.98	9.08	10.36	12.08	11.30	10.27	10.22	10.55	11.65
U.S. Treasury	1.29	1.09	1.35	2.30	2.39	2.17	2.03	1.93	1.56	1.70
U.S. government agency and corporation obligations	2.29	2.91	3.46	4.45	6.14	5.16	4.46	4.59	5.34	6.31
Government-backed mortgage pools	2.07	2.24	2.26	2.43	3.30	2.79	2.89	3.58	4.26	5.13
Collateralized mortgage obligations	n.a.	.54	1.12	1.97	2.76	2.31	1.50	.95	.93	.93
Other	.22	.14	.08	.05	.08	.06	.08	.06	.15	.26
State and local government	1.58	1.08	.77	.66	.59	.60	.49	.39	.51	.47
Private mortgage-backed securities	n.a.	n.a.	.48	.33	.38	.43	.32	.30	.32	.60
Other	3.68	3.90	3.01	2.62	2.59	2.94	2.97	3.01	2.81	2.57
Equity	.22	.24	.30	.33	.36	.38	.38	.38	.42	.47
Trading account	4.08	4.81	6.19	8.43	10.30	8.74	8.88	9.23	9.03	7.60
Gross federal funds sold and reverse RPs	4.12	2.88	2.96	3.23	2.71	2.68	3.20	3.10	7.56	7.81
Interest-bearing balances at depositories	8.26	6.25	4.74	4.45	3.76	3.95	4.25	3.50	3.15	2.77
Non-interest-earning assets	14.84	15.15	14.59	14.84	15.21	23.03	22.98	20.06	18.38	18.93
Revaluation gains on off-balance-sheet items[2]	n.a.	n.a.	n.a.	n.a.	n.a.	9.89	10.77	7.63	7.36	7.61
Other	14.84	15.15	14.59	14.84	15.21	13.14	12.21	12.43	11.02	11.32
Liabilities	95.11	95.29	94.97	94.44	93.24	93.42	93.59	93.04	92.61	92.57
Interest-bearing liabilities	74.17	73.97	74.62	73.08	71.56	64.33	63.37	64.45	65.83	65.81
Deposits	57.56	57.95	57.67	55.73	52.91	48.20	47.49	47.87	47.36	47.65
In foreign offices	30.08	29.66	28.47	27.16	25.51	26.10	28.36	26.41	22.18	20.17
In domestic offices	27.49	28.28	29.19	28.56	27.41	22.10	19.12	21.46	25.18	27.48
Other checkable deposits	2.70	2.74	3.00	3.38	3.45	2.91	2.30	1.61	1.21	.99
Savings (including MMDAs)	11.32	12.05	13.50	14.91	15.33	12.70	10.56	12.31	14.26	15.84
Small-denomination time deposits	5.64	6.16	6.55	5.72	5.09	3.98	4.04	4.68	5.82	6.03
Large-denomination time deposits	7.82	7.33	6.14	4.56	3.53	2.51	2.23	2.86	3.89	4.62
Gross federal funds purchased and RPs	6.72	6.90	6.80	6.19	6.70	5.83	6.17	5.88	10.26	9.79
Other	9.89	9.13	10.15	11.16	11.94	10.29	9.71	10.69	8.20	8.37
Non-interest-bearing liabilities	20.94	21.32	20.35	21.36	21.68	29.09	30.22	28.59	26.78	26.76
Demand deposits in domestic offices	11.60	10.93	10.36	11.05	11.27	10.15	8.88	9.73	8.98	8.46
Revaluation losses on off-balance-sheet items[2]	n.a.	n.a.	n.a.	n.a.	n.a.	8.75	10.68	7.27	7.53	7.66
Other	9.34	10.39	9.99	10.30	10.41	10.20	10.66	11.59	10.27	10.64
Capital account	4.89	4.71	5.03	5.56	6.76	6.58	6.41	6.96	7.39	7.43
MEMO										
Commercial real estate loans	n.a.	n.a.	9.05	8.01	6.46	4.65	4.40	4.65	5.45	5.61
Other real estate owned	.23	.42	.78	1.13	1.02	.58	.27	.18	.13	.09
Managed liabilities	56.31	54.79	53.23	50.82	49.23	46.21	47.94	47.39	46.02	44.43
Average net consolidated assets (billions of dollars)	693	725	717	775	818	949	1,051	1,189	1,514	1,820

A.2.—Continued

B. Ten largest banks by assets

Item	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998
	Effective interest rate (percent)[3]									
Rates earned										
Interest-earning assets	12.31	11.65	9.92	8.67	8.16	8.15	8.20	7.72	7.55	7.54
Taxable equivalent	12.31	11.70	9.95	8.72	8.20	8.18	8.22	7.74	7.60	7.57
Loans and leases, gross	13.19	12.29	10.46	9.36	9.07	8.89	8.84	8.32	8.25	8.21
Net of loss provisions	10.87	11.10	8.58	7.51	7.95	8.38	8.62	8.11	7.93	7.62
Securities	10.11	9.85	8.52	7.38	6.69	7.09	7.41	6.80	6.70	6.79
Taxable equivalent	10.08	10.00	8.63	7.54	6.77	7.19	7.47	6.85	6.85	6.89
Investment account	9.20	9.34	8.99	7.96	6.90	6.57	7.06	6.71	6.61	6.71
U.S. government and other debt	9.60	9.68	9.29	8.13	6.99	6.70	7.22	6.86	6.80	6.92
State and local	7.69	7.54	7.67	7.40	6.99	6.35	6.23	5.73	5.55	5.50
Equity	7.03	5.82	4.22	4.04	3.72	3.27	4.03	3.84	3.47	2.98
Trading account	12.13	10.75	7.84	6.69	6.45	7.79	7.83	6.90	6.81	6.92
Gross federal funds sold and reverse RPs	8.98	8.01	5.60	3.65	3.02	4.52	5.20	4.92	5.45	5.20
Interest-bearing balances at depositories	10.88	11.06	10.05	9.29	8.34	7.27	7.15	6.71	6.91	7.16
Rates paid										
Interest-bearing liabilities	10.74	10.18	7.71	6.17	5.60	5.43	5.88	5.44	5.41	5.29
Interest-bearing deposits	9.19	9.03	7.09	5.33	4.50	4.32	4.99	4.57	4.54	4.40
In foreign offices	10.96	11.11	8.76	7.55	6.87	6.04	6.07	5.62	5.52	5.83
In domestic offices	7.28	6.81	5.47	3.25	2.36	2.35	3.42	3.32	3.69	3.39
Other checkable deposits	4.40	4.35	3.93	1.97	1.28	1.10	1.29	1.32	1.97	1.67
Savings (including MMDAs)	6.49	6.21	5.09	2.95	2.14	2.35	3.11	2.76	2.68	2.45
Large-denomination time deposits[4]	8.87	7.96	6.50	4.66	3.55	3.12	3.73	4.62	5.17	4.53
Small-denomination time deposits[4]	8.26	7.76	6.09	3.81	3.01	2.80	5.08	4.58	5.45	5.21
Gross federal funds purchased and RPs	9.27	7.75	5.98	4.04	3.26	4.05	5.22	4.93	5.02	5.18
Other interest-bearing liabilities	19.31	17.27	11.20	10.40	11.16	10.87	9.80	8.86	9.13	8.85
	Income and expense as a percentage of average net consolidated assets									
Gross interest income	10.82	10.37	8.77	7.69	7.22	6.37	6.42	6.26	6.31	6.21
Taxable equivalent	10.83	10.43	8.80	7.72	7.25	6.40	6.43	6.27	6.33	6.23
Loans	8.23	7.96	6.77	5.65	5.22	4.49	4.44	4.48	4.31	4.27
Securities	.83	.86	.84	.85	.86	.77	.75	.71	.73	.81
Gross federal funds sold and reverse RPs	.37	.25	.17	.14	.11	.15	.21	.18	.45	.42
Other	1.39	1.30	.98	1.05	1.04	.97	1.00	.88	.82	.70
Gross interest expense	8.01	7.65	5.81	4.54	4.06	3.52	3.74	3.52	3.55	3.48
Deposits	5.37	5.41	4.23	3.09	2.48	2.15	2.43	2.26	2.26	2.20
Gross federal funds purchased and RPs	.72	.64	.43	.28	.24	.24	.35	.31	.54	.54
Other	1.92	1.60	1.15	1.17	1.35	1.13	.95	.95	.75	.74
Net interest income	2.82	2.72	2.96	3.15	3.16	2.86	2.68	2.73	2.76	2.73
Taxable equivalent	2.82	2.77	2.99	3.18	3.19	2.88	2.70	2.75	2.79	2.75
Loss provisioning[5]	1.45	.77	1.21	1.12	.64	.26	.11	.11	.16	.31
Noninterest income	2.19	2.27	2.40	2.59	2.99	2.33	2.16	2.34	2.12	2.15
Service charges on deposits	.22	.23	.26	.30	.30	.26	.25	.28	.32	.33
Income from fiduciary activities	.27	.31	.33	.37	.39	.36	.30	.31	.34	.32
Trading income	.42	.52	.64	.66	.91	.53	.46	.52	.43	.33
Interest rate exposures	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	.30	.23	.10
Foreign exchange exposures	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	.17	.20	.20
Equity, commodity, and other exposures	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	.05	*	.03
Other	1.29	1.21	1.16	1.27	1.38	1.18	1.15	1.23	1.04	1.17
Noninterest expense	3.43	3.55	3.83	3.86	4.13	3.56	3.32	3.57	3.24	3.47
Salaries, wages, and employee benefits	1.66	1.74	1.79	1.78	1.88	1.65	1.58	1.57	1.45	1.45
Expenses of premises and fixed assets	.62	.65	.66	.65	.66	.55	.50	.50	.47	.47
Other	1.15	1.16	1.38	1.43	1.59	1.36	1.24	1.50	1.33	1.54
Net noninterest expense	1.24	1.28	1.44	1.27	1.14	1.23	1.16	1.23	1.12	1.32
Realized gains on investment account securities	.03	.02	.04	.11	.13	.02	.03	.04	.08	.11
Income before taxes and extraordinary items	.16	.69	.34	.87	1.50	1.39	1.44	1.44	1.56	1.22
Taxes	.38	.27	.17	.26	.53	.48	.55	.52	.58	.44
Extraordinary items	.03	.06	.03	*	.16	*	*	*	*	*
Net income (return on assets)	–.19	.48	.21	.61	1.13	.91	.88	.92	.98	.78
Cash dividends declared	.37	.26	.21	.18	.28	.58	.57	.70	.82	.53
Retained income	–.57	.21	*	.43	.85	.33	.31	.21	.15	.25
MEMO: Return on equity	–3.92	10.13	4.23	10.91	16.75	13.86	13.78	13.21	13.22	10.53

* In absolute value, less than 0.005 percent.

DEFINITIONS. n.a. Not available. MMDA Money market deposit account. RP Repurchase agreement. CD Certificate of deposit.

1. Includes the allowance for loan and lease losses and the allocated transfer risk reserve.

2. Before 1994, the netted value of off-balance-sheet items appeared in "trading account securities" if a gain and "other non-interest-bearing liabilities" if a loss.

3. When possible, based on the average of quarterly balance sheet data reported on schedule RC-K of the quarterly Call Reports.

4. Before 1997, data for large time open accounts are included in small-denomination time deposits.

5. Includes provisions for loan and lease losses and for allocated transfer risk.

A.2. Portfolio composition, interest rates, and income and expense, all U.S. banks, 1989–98

C. Banks ranked 11th through 100th by assets

Item	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998
	Balance sheet items as a percentage of average net consolidated assets									
Interest-earning assets	86.91	86.81	86.88	87.97	88.36	88.16	88.31	87.75	86.95	87.40
Loans and leases, net	62.61	61.22	60.08	58.30	57.33	58.56	62.68	64.24	63.89	64.40
Commercial and industrial	22.75	21.76	20.53	18.83	18.03	18.03	19.26	18.95	19.01	18.94
U.S. addressees	21.23	20.44	19.30	17.78	17.05	16.99	18.10	17.71	17.78	17.60
Foreign addressees	1.53	1.33	1.24	1.05	.98	1.04	1.16	1.24	1.22	1.33
Consumer	12.97	12.25	11.66	11.72	11.47	12.62	14.23	15.67	15.62	14.52
Credit card	5.82	5.48	5.04	5.16	5.23	5.99	7.34	8.26	8.50	7.67
Installment and other	7.16	6.76	6.62	6.56	6.24	6.63	6.89	7.40	7.12	6.85
Real estate	19.09	20.21	21.51	21.89	22.11	22.26	23.25	23.26	22.99	24.57
In domestic offices	18.85	20.04	21.37	21.78	22.01	22.17	23.10	23.10	22.85	24.39
Construction and land development	5.25	4.91	4.00	3.02	2.08	1.63	1.50	1.55	1.69	2.02
Farmland	.12	.12	.12	.14	.13	.14	.13	.13	.14	.17
One- to four-family residential	7.54	8.53	10.17	11.36	12.30	12.98	14.16	14.15	13.88	14.84
Home equity	1.41	1.67	2.07	2.50	2.54	2.33	2.19	2.08	2.22	2.17
Other	6.13	6.86	8.10	8.85	9.76	10.65	11.97	12.07	11.65	12.67
Multifamily residential	.45	.46	.54	.66	.71	.71	.77	.89	.93	1.00
Nonfarm nonresidential	5.49	6.01	6.53	6.61	6.79	6.72	6.54	6.37	6.21	6.35
In foreign offices	.24	.18	.14	.11	.10	.09	.15	.16	.15	.18
Depository institutions	1.55	1.57	1.58	1.43	1.30	1.49	1.59	1.50	1.27	1.06
Foreign governments	.88	.52	.39	.33	.30	.28	.20	.20	.09	.06
Agricultural production	.29	.28	.31	.31	.29	.29	.26	.28	.29	.33
Other loans	5.17	4.82	4.55	4.28	4.05	3.47	3.32	3.30	3.21	3.38
Lease-financing receivables	1.73	1.67	1.53	1.49	1.47	1.60	1.96	2.41	2.70	2.75
LESS: Unearned income on loans	–.34	–.26	–.22	–.17	–.11	–.07	–.07	–.06	–.05	–.04
LESS: Loss reserves[1]	–1.48	–1.60	–1.76	–1.79	–1.60	–1.41	–1.32	–1.27	–1.24	–1.16
Securities	15.21	16.19	17.38	20.38	21.97	21.19	18.64	16.87	15.80	16.65
Investment account	14.38	15.32	16.25	19.24	20.60	19.82	17.88	16.06	15.07	16.12
Debt	14.15	15.14	16.02	18.99	20.34	19.50	17.51	15.62	14.58	15.57
U.S. Treasury	4.10	3.42	3.78	5.88	7.05	6.85	4.82	3.34	2.81	2.24
U.S. government agency and corporation obligations	5.01	7.42	8.43	9.26	9.55	9.28	9.40	9.12	8.98	9.93
Government-backed mortgage pools	4.03	5.32	5.38	5.22	5.21	5.30	5.06	5.42	5.17	4.98
Collateralized mortgage obligations	n.a.	1.56	2.48	3.54	3.71	3.07	2.82	2.16	2.13	2.82
Other	.98	.54	.57	.50	.63	.91	1.51	1.54	1.68	2.12
State and local government	2.70	2.03	1.63	1.46	1.31	1.21	1.11	.99	.88	.92
Private mortgage-backed securities	n.a.	n.a.	1.09	1.05	1.06	.93	1.02	.96	.73	.96
Other	2.34	2.27	1.10	1.34	1.37	1.22	1.16	1.21	1.18	1.53
Equity	.23	.18	.22	.25	.26	.32	.37	.44	.49	.55
Trading account	.83	.88	1.13	1.14	1.37	1.37	.76	.80	.73	.54
Gross federal funds sold and reverse RPs	3.71	4.41	4.90	4.78	4.98	5.11	4.52	4.26	4.38	3.58
Interest-bearing balances at depositories	5.38	4.98	4.51	4.52	4.08	3.30	2.47	2.38	2.88	2.77
Non-interest-earning assets	13.09	13.19	13.12	12.03	11.64	11.84	11.69	12.25	13.05	12.60
Revaluation gains on off-balance-sheet items[2]	n.a.	n.a.	n.a.	n.a.	n.a.	.57	.50	.51	.69	.75
Other	13.09	13.19	13.12	12.03	11.64	11.28	11.18	11.75	12.36	11.85
Liabilities	94.45	94.35	93.93	93.13	92.56	92.47	92.23	92.02	91.85	91.63
Interest-bearing liabilities	76.23	77.02	76.07	74.66	73.38	72.86	74.05	73.14	72.62	73.46
Deposits	56.45	57.46	59.24	56.99	54.22	53.03	52.32	51.81	51.47	51.52
In foreign offices	8.63	7.84	6.69	6.20	6.78	8.05	8.12	7.52	7.85	8.16
In domestic offices	47.82	49.62	52.54	50.79	47.43	44.98	44.20	44.30	43.62	43.36
Other checkable deposits	4.67	4.75	5.36	6.26	7.21	6.91	5.62	3.06	1.95	1.75
Savings (including MMDAs)	14.58	15.50	17.62	20.21	20.60	20.13	18.78	20.76	21.09	21.42
Small-denomination time deposits	13.49	15.59	17.99	15.98	14.19	13.26	14.24	14.09	13.43	12.83
Large-denomination time deposits	15.08	13.78	11.56	8.34	5.44	4.68	5.55	6.39	7.15	7.36
Gross federal funds purchased and RPs	13.22	13.03	10.94	11.45	11.93	11.48	11.37	10.00	9.36	9.48
Other	6.57	6.53	5.89	6.22	7.23	8.34	10.36	11.32	11.79	12.46
Non-interest-bearing liabilities	18.22	17.33	17.87	18.47	19.18	19.62	18.18	18.89	19.22	18.17
Demand deposits in domestic offices	13.86	13.23	13.76	14.52	15.38	15.27	14.26	14.47	14.17	12.41
Revaluation losses on off-balance-sheet items[2]	n.a.	n.a.	n.a.	n.a.	n.a.	.53	.49	.49	.68	.76
Other	4.36	4.10	4.10	3.95	3.80	3.82	3.43	3.93	4.37	5.01
Capital account	5.55	5.65	6.07	6.87	7.44	7.53	7.77	7.98	8.15	8.37
MEMO										
Commercial real estate loans	n.a.	n.a.	11.83	11.09	10.29	9.69	9.42	9.38	9.44	10.09
Other real estate owned	.30	.46	.76	.70	.47	.25	.13	.08	.06	.04
Managed liabilities	43.90	41.59	35.49	32.59	31.76	32.89	35.68	35.60	36.60	38.14
Average net consolidated assets (billions of dollars)	940	995	1,006	1,003	1,082	1,204	1,338	1,450	1,604	1,746

A.2.—Continued

C. Banks ranked 11th through 100th by assets

Item	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998
	Effective interest rate (percent)[3]									
Rates earned										
Interest-earning assets	11.10	10.46	9.30	7.97	7.35	7.29	8.31	8.16	8.31	8.10
Taxable equivalent	11.27	10.55	9.39	8.07	7.45	7.37	8.37	8.23	8.36	8.16
Loans and leases, gross	11.74	11.09	9.96	8.75	8.25	8.22	9.10	8.87	9.03	8.82
Net of loss provisions	9.87	9.08	7.98	7.45	7.46	7.68	8.49	8.05	8.11	8.01
Securities	8.76	8.86	8.23	7.00	6.05	5.70	6.38	6.42	6.50	6.21
Taxable equivalent	9.36	9.18	8.57	7.30	6.32	5.92	6.56	6.66	6.70	6.46
Investment account	8.77	8.92	8.37	7.12	6.14	5.70	6.34	6.41	6.52	6.22
U.S. government and other debt	9.09	9.18	8.51	7.16	6.14	5.69	6.38	6.50	6.63	6.31
State and local	7.41	7.32	7.23	6.80	6.30	6.04	6.05	5.84	5.58	5.36
Equity	8.73	8.09	7.36	6.71	5.20	5.00	5.68	4.84	5.07	5.26
Trading account	8.66	8.01	6.46	4.73	4.74	5.75	7.27	6.53	6.05	5.86
Gross federal funds sold and reverse RPs	9.35	8.15	5.80	3.70	3.11	4.31	5.91	5.31	5.45	5.47
Interest-bearing balances at depositories	11.35	9.72	8.15	6.76	6.50	4.69	6.78	5.82	5.77	5.57
Rates paid										
Interest-bearing liabilities	8.66	7.96	6.41	4.43	3.76	3.72	4.94	4.70	4.79	4.76
Interest-bearing deposits	8.14	7.55	6.27	4.30	3.51	3.25	4.35	4.15	4.22	4.15
In foreign offices	11.08	10.08	8.39	7.26	7.37	4.60	6.30	5.29	5.23	5.22
In domestic offices	7.61	7.15	6.01	3.96	2.98	3.03	4.01	3.96	4.04	3.96
Other checkable deposits	4.57	4.67	4.21	2.43	1.70	1.62	1.89	1.78	2.01	2.41
Savings (including MMDAs)	6.42	6.07	5.04	3.07	2.33	2.46	3.10	2.91	2.84	2.77
Large-denomination time deposits[4]	8.75	8.11	6.77	5.10	4.30	4.21	5.70	5.50	5.47	5.32
Small-denomination time deposits[4]	8.72	8.09	6.96	5.07	4.06	4.18	5.35	5.26	5.43	5.33
Gross federal funds purchased and RPs	9.35	8.12	5.75	3.57	3.04	4.28	5.86	5.19	5.29	5.23
Other interest-bearing liabilities	10.23	9.27	6.55	5.77	5.97	5.24	6.43	5.95	5.85	5.80
	Income and expense as a percentage of average net consolidated assets									
Gross interest income	9.77	9.31	8.24	7.12	6.58	6.46	7.40	7.24	7.26	7.16
Taxable equivalent	9.91	9.39	8.31	7.19	6.64	6.51	7.45	7.28	7.30	7.20
Loans	7.51	7.01	6.15	5.23	4.84	4.91	5.79	5.80	5.87	5.79
Securities	1.26	1.37	1.36	1.37	1.26	1.13	1.13	1.03	.98	1.00
Gross federal funds sold and reverse RPs	.36	.38	.28	.18	.15	.21	.27	.23	.22	.19
Other	.65	.56	.45	.34	.32	.21	.21	.18	.19	.18
Gross interest expense	6.50	6.08	4.80	3.26	2.74	2.67	3.62	3.39	3.41	3.45
Deposits	4.59	4.36	3.75	2.48	1.93	1.73	2.29	2.18	2.23	2.23
Gross federal funds purchased and RPs	1.24	1.12	.67	.43	.38	.51	.67	.55	.51	.51
Other	.66	.60	.38	.35	.43	.43	.66	.66	.68	.71
Net interest income	3.27	3.23	3.43	3.86	3.84	3.79	3.78	3.84	3.85	3.71
Taxable equivalent	3.41	3.31	3.51	3.93	3.91	3.85	3.84	3.89	3.89	3.74
Loss provisioning[5]	1.20	1.27	1.22	.78	.47	.32	.39	.54	.60	.53
Noninterest income	1.86	1.84	2.05	2.25	2.29	2.25	2.38	2.61	2.76	3.07
Service charges on deposits	.31	.34	.41	.44	.46	.45	.44	.44	.44	.42
Income from fiduciary activities	.35	.33	.36	.38	.38	.39	.40	.43	.44	.49
Trading income	.08	.08	.10	.09	.14	.08	.09	.08	.08	.09
Interest rate exposures	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	.03	.02	.03
Foreign exchange exposures	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	.04	.05	.06
Equity, commodity, and other exposures	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	.01	*	*
Other	1.12	1.09	1.19	1.33	1.32	1.33	1.45	1.67	1.79	2.07
Noninterest expense	3.34	3.44	3.77	3.98	3.95	3.86	3.79	3.85	3.85	4.03
Salaries, wages, and employee benefits	1.47	1.47	1.52	1.53	1.52	1.50	1.47	1.51	1.51	1.53
Expenses of premises and fixed assets	.50	.50	.51	.49	.47	.47	.47	.48	.46	.46
Other	1.37	1.48	1.74	1.95	1.95	1.89	1.85	1.86	1.88	2.04
Net noninterest expense	1.47	1.60	1.73	1.73	1.65	1.61	1.41	1.24	1.10	.96
Realized gains on investment account securities	.04	.03	.14	.15	.09	−.01	.02	.02	.02	.03
Income before taxes and extraordinary items	.65	.38	.62	1.50	1.81	1.85	2.01	2.09	2.18	2.24
Taxes	.18	.15	.19	.48	.56	.63	.70	.75	.77	.79
Extraordinary items	*	.01	.03	.03	*	*	*	*	*	*
Net income (return on assets)	.47	.24	.47	1.04	1.25	1.22	1.31	1.34	1.42	1.46
Cash dividends declared	.40	.38	.47	.46	.76	.86	.85	1.07	.93	.96
Retained income	.06	−.14	*	.58	.49	.36	.46	.26	.48	.50
MEMO: Return on equity	8.41	4.18	7.71	15.16	16.86	16.27	16.84	16.78	17.36	17.42

* In absolute value, less than 0.005 percent.

DEFINITIONS. n.a. Not available. MMDA Money market deposit account. RP Repurchase agreement. CD Certificate of deposit.

1. Includes the allowance for loan and lease losses and the allocated transfer risk reserve.
2. Before 1994, the netted value of off-balance-sheet items appeared in "trading account securities" if a gain and "other non-interest-bearing liabilities" if a loss.
3. When possible, based on the average of quarterly balance sheet data reported on schedule RC-K of the quarterly Call Reports.
4. Before 1997, data for large time open accounts are included in small-denomination time deposits.
5. Includes provisions for loan and lease losses and for allocated transfer risk.

A.2. Portfolio composition, interest rates, and income and expense, all U.S. banks, 1989–98

D. Banks ranked 101st through 1,000th by assets

Item	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998
	Balance sheet items as a percentage of average net consolidated assets									
Interest-earning assets	88.98	88.84	88.91	89.02	89.55	90.09	90.12	90.13	90.31	90.38
Loans and leases, net	63.62	63.09	61.03	58.49	57.94	59.75	62.18	62.63	62.21	61.12
Commercial and industrial	17.68	16.69	15.04	13.34	12.19	12.07	12.70	12.79	12.43	12.45
U.S. addressees	17.53	16.56	14.88	13.16	12.03	11.90	12.54	12.61	12.20	12.13
Foreign addressees	.15	.13	.16	.18	.16	.16	.16	.18	.23	.32
Consumer	15.49	15.48	15.13	14.18	14.83	15.85	16.25	15.88	13.99	12.29
Credit card	4.83	5.22	5.74	5.37	5.63	6.06	6.30	6.66	5.48	4.48
Installment and other	10.66	10.26	9.39	8.80	9.20	9.79	9.95	9.22	8.51	7.81
Real estate	25.97	27.01	27.51	28.11	28.61	29.42	30.82	31.37	33.26	33.97
In domestic offices	25.95	26.99	27.47	28.07	28.59	29.39	30.80	31.35	33.23	33.95
Construction and land development	4.82	4.37	3.66	2.86	2.26	2.08	2.21	2.38	2.69	2.89
Farmland	.27	.28	.28	.32	.34	.36	.40	.46	.53	.56
One- to four-family residential	11.56	12.49	13.22	14.26	15.17	16.24	17.49	17.34	18.16	18.21
Home equity	2.08	2.31	2.53	2.56	2.50	2.33	2.36	2.31	2.30	2.15
Other	9.48	10.18	10.69	11.69	12.67	13.91	15.13	15.04	15.85	16.06
Multifamily residential	.70	.73	.80	.96	1.07	1.13	1.21	1.29	1.29	1.26
Nonfarm nonresidential	8.61	9.11	9.50	9.69	9.75	9.57	9.48	9.88	10.57	11.04
In foreign offices	.01	.03	.05	.04	.02	.03	.02	.02	.02	.02
Depository institutions	.92	1.05	.93	.80	.43	.40	.35	.48	.57	.50
Foreign governments	.16	.09	.07	.05	.03	.02	.02	.02	.02	.02
Agricultural production	.45	.47	.49	.54	.56	.62	.69	.71	.74	.80
Other loans	3.77	3.16	2.81	2.47	2.16	2.01	1.80	1.69	1.50	1.32
Lease-financing receivables	.82	.83	.85	.79	.77	.83	.90	1.01	.99	.98
LESS: Unearned income on loans	–.56	–.50	–.40	–.30	–.21	–.15	–.12	–.10	–.10	–.09
LESS: Loss reserves[1]	–1.07	–1.20	–1.42	–1.49	–1.44	–1.30	–1.22	–1.22	–1.18	–1.13
Securities	18.75	19.34	21.28	24.13	25.92	25.71	23.09	22.67	23.47	24.28
Investment account	18.38	18.87	20.91	23.78	25.64	25.40	22.89	22.55	23.36	24.17
Debt	18.02	18.54	20.55	23.32	25.16	24.95	22.43	22.03	22.75	23.48
U.S. Treasury	5.91	5.44	6.16	7.75	8.64	8.26	6.49	5.61	4.95	3.93
U.S. government agency and corporation obligations	6.07	7.75	9.35	11.08	12.32	12.67	12.23	12.66	13.98	15.13
Government-backed mortgage pools	3.03	3.83	4.51	4.74	4.97	5.57	5.42	5.68	6.23	6.47
Collateralized mortgage obligations	n.a.	1.72	2.73	3.95	4.82	4.39	3.56	3.12	3.02	3.23
Other	3.04	2.19	2.11	2.39	2.53	2.71	3.25	3.85	4.73	5.44
State and local government	3.50	3.11	2.65	2.27	2.26	2.29	2.13	2.24	2.45	2.71
Private mortgage-backed securities	n.a.	n.a.	1.16	1.01	.84	.75	.68	.76	.59	.65
Other	2.55	2.25	1.23	1.21	1.10	.99	.89	.77	.78	1.06
Equity	.35	.32	.37	.46	.48	.44	.47	.52	.61	.69
Trading account	.38	.48	.36	.35	.28	.31	.20	.12	.10	.11
Gross federal funds sold and reverse RPs	4.11	4.51	4.71	4.92	4.48	3.64	3.91	3.87	3.59	4.17
Interest-bearing balances at depositories	2.49	1.90	1.89	1.47	1.20	.98	.93	.96	1.03	.82
Non-interest-earning assets	11.02	11.16	11.09	10.98	10.45	9.91	9.88	9.87	9.69	9.62
Revaluation gains on off-balance-sheet items[2]	n.a.	n.a.	n.a.	n.a.	n.a.	.02	.05	.02	*	*
Other	11.02	11.16	11.09	10.98	10.45	9.90	9.83	9.84	9.69	9.61
Liabilities	93.28	93.07	92.89	92.47	91.85	91.62	91.36	91.06	90.79	90.54
Interest-bearing liabilities	76.42	77.04	77.26	75.98	74.42	74.77	75.00	75.06	75.19	75.44
Deposits	63.74	65.05	66.35	65.65	63.05	60.38	59.69	59.99	61.51	62.45
In foreign offices	2.09	1.65	1.76	1.56	1.43	1.69	1.71	1.33	1.23	1.29
In domestic offices	61.65	63.40	64.59	64.09	61.62	58.69	57.97	58.66	60.28	61.16
Other checkable deposits	7.14	7.31	7.83	9.14	9.94	9.70	8.54	6.21	4.97	4.24
Savings (including MMDAs)	19.52	19.69	20.79	23.34	24.06	22.92	20.76	22.51	23.60	25.66
Small-denomination time deposits	22.08	24.09	25.22	23.56	20.77	19.29	21.12	21.61	22.05	21.25
Large-denomination time deposits	12.91	12.31	10.76	8.06	6.85	6.78	7.56	8.34	9.66	10.01
Gross federal funds purchased and RPs	9.21	8.43	7.46	7.17	7.43	8.45	8.31	8.19	7.08	6.16
Other	3.47	3.56	3.45	3.15	3.93	5.94	7.00	6.88	6.59	6.83
Non-interest-bearing liabilities	16.85	16.03	15.63	16.49	17.43	16.85	16.36	16.00	15.60	15.10
Demand deposits in domestic offices	14.86	14.07	13.56	14.39	15.07	14.58	14.07	13.84	13.16	11.89
Revaluation losses on off-balance-sheet items[2]	n.a.	n.a.	n.a.	n.a.	n.a.	.02	.05	.02	.01	.01
Other	1.99	1.96	2.07	2.10	2.36	2.25	2.24	2.14	2.44	3.20
Capital account	6.72	6.93	7.11	7.53	8.15	8.38	8.64	8.94	9.21	9.46
MEMO										
Commercial real estate loans	n.a.	n.a.	14.63	13.91	13.37	13.05	13.20	13.84	14.79	15.40
Other real estate owned	.43	.52	.77	.80	.57	.28	.17	.13	.11	.09
Managed liabilities	27.73	26.00	23.48	20.00	19.69	22.89	24.61	24.78	24.63	24.42
Average net consolidated assets (billions of dollars)	892	937	962	968	977	1,032	1,092	1,076	967	935

A.2.—Continued

D. Banks ranked 101st through 1,000th by assets

Item	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998
	Effective interest rate (percent)[3]									
Rates earned										
Interest-earning assets	10.75	10.42	9.55	8.14	7.43	7.58	8.42	8.40	8.50	8.32
Taxable equivalent	10.96	10.57	9.70	8.25	7.55	7.68	8.51	8.49	8.59	8.44
Loans and leases, gross	11.61	11.21	10.43	9.11	8.57	8.64	9.43	9.38	9.48	9.37
Net of loss provisions	10.45	9.48	8.72	7.83	7.76	8.11	8.76	8.59	8.60	8.61
Securities	8.34	8.52	8.11	6.88	5.78	5.69	6.23	6.31	6.42	6.22
Taxable equivalent	8.97	9.00	8.54	7.19	6.10	5.93	6.49	6.59	6.69	6.57
Investment account	8.35	8.49	8.12	6.90	5.79	5.69	6.24	6.31	6.42	6.22
U.S. government and other debt	8.64	8.76	8.30	6.95	5.76	5.68	6.28	6.40	6.55	6.36
State and local	7.28	7.33	7.25	6.83	6.30	5.92	5.80	5.50	5.36	5.16
Equity	7.00	6.94	6.02	5.08	4.95	5.30	6.05	6.30	6.35	6.36
Trading account	7.61	9.92	7.19	5.61	4.74	5.29	5.55	5.94	6.37	6.48
Gross federal funds sold and reverse RPs	9.05	7.99	5.64	3.47	3.02	4.06	5.45	5.24	5.41	5.30
Interest-bearing balances at depositories	9.21	8.52	6.82	4.61	3.51	4.28	6.09	5.54	5.49	5.75
Rates paid										
Interest-bearing liabilities	7.72	7.26	6.11	4.19	3.33	3.57	4.64	4.57	4.66	4.59
Interest-bearing deposits	7.36	7.05	6.06	4.17	3.26	3.31	4.26	4.26	4.34	4.28
In foreign offices	8.98	8.12	6.38	4.25	3.35	4.31	5.94	5.43	5.42	5.54
In domestic offices	7.31	7.02	6.05	4.17	3.25	3.28	4.21	4.23	4.32	4.26
Other checkable deposits	4.88	4.75	4.28	2.67	2.02	1.87	2.02	1.96	2.17	2.16
Savings (including MMDAs)	6.13	5.98	5.14	3.33	2.58	2.64	3.24	3.11	3.08	2.97
Large-denomination time deposits[4]	8.70	8.04	6.64	4.76	3.90	4.23	5.62	5.47	5.56	5.50
Small-denomination time deposits[4]	8.31	8.03	7.08	5.35	4.40	4.40	5.53	5.57	5.57	5.64
Gross federal funds purchased and RPs	9.01	7.86	5.62	3.46	2.95	4.12	5.61	5.16	5.21	5.13
Other interest-bearing liabilities	9.08	8.28	6.78	5.28	4.44	4.92	6.27	5.89	6.12	6.00
	Income and expense as a percentage of average net consolidated assets									
Gross interest income	9.68	9.38	8.64	7.36	6.75	6.90	7.68	7.67	7.76	7.64
Taxable equivalent	9.86	9.51	8.76	7.46	6.84	6.99	7.76	7.75	7.84	7.72
Loans	7.52	7.21	6.52	5.46	5.07	5.26	5.98	5.99	6.01	5.86
Securities	1.54	1.60	1.70	1.64	1.49	1.45	1.43	1.42	1.50	1.50
Gross federal funds sold and reverse RPs	.38	.36	.28	.17	.14	.14	.21	.20	.19	.22
Other	.25	.20	.15	.08	.06	.06	.07	.06	.06	.05
Gross interest expense	5.84	5.54	4.68	3.16	2.46	2.65	3.46	3.40	3.47	3.45
Deposits	4.69	4.58	4.03	2.75	2.07	2.01	2.56	2.57	2.70	2.72
Gross federal funds purchased and RPs	.83	.67	.42	.25	.22	.35	.46	.43	.37	.32
Other	.31	.29	.23	.17	.17	.29	.44	.40	.40	.41
Net interest income	3.84	3.83	3.96	4.19	4.28	4.25	4.23	4.27	4.29	4.19
Taxable equivalent	4.02	3.97	4.08	4.30	4.38	4.34	4.31	4.35	4.37	4.28
Loss provisioning[5]	.75	1.12	1.07	.77	.47	.33	.43	.50	.56	.48
Noninterest income	1.38	1.50	1.65	1.69	1.84	1.86	1.84	1.88	2.08	2.25
Service charges on deposits	.36	.37	.40	.44	.45	.42	.42	.42	.40	.39
Income from fiduciary activities	.25	.26	.27	.28	.29	.28	.27	.28	.32	.34
Trading income	.04	.02	.04	.02	.03	.02	.03	.02	.01	.01
Interest rate exposures	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	.01	.01	.01
Foreign exchange exposures	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	.01	*	*
Equity, commodity, and other exposures	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	*	*	*
Other	.74	.84	.95	.95	1.08	1.14	1.12	1.16	1.34	1.51
Noninterest expense	3.45	3.50	3.77	3.87	3.92	3.78	3.68	3.68	3.73	3.87
Salaries, wages, and employee benefits	1.48	1.47	1.48	1.51	1.51	1.49	1.44	1.44	1.51	1.57
Expenses of premises and fixed assets	.49	.49	.49	.49	.48	.46	.45	.45	.46	.47
Other	1.49	1.55	1.80	1.87	1.93	1.83	1.79	1.80	1.76	1.83
Net noninterest expense	2.07	2.01	2.12	2.18	2.08	1.92	1.84	1.81	1.65	1.61
Realized gains on investment account securities	.01	.01	.09	.10	.06	−.05	−.01	.02	.02	.04
Income before taxes and extraordinary items	1.02	.72	.86	1.35	1.78	1.96	1.96	1.98	2.10	2.14
Taxes	.32	.21	.29	.44	.61	.67	.67	.69	.73	.73
Extraordinary items	*	*	−.07	*	.04	*	*	*	*	.06
Net income (return on assets)	.71	.51	.49	.91	1.22	1.29	1.28	1.29	1.37	1.47
Cash dividends declared	.48	.53	.33	.49	.79	.81	.87	1.04	1.10	1.02
Retained income	.23	−.02	.16	.42	.43	.48	.41	.25	.28	.45
MEMO: Return on equity	10.54	7.37	6.93	12.13	14.93	15.40	14.82	14.45	14.93	15.53

* In absolute value, less than 0.005 percent.

DEFINITIONS. n.a. Not available. MMDA Money market deposit account. RP Repurchase agreement. CD Certificate of deposit.

1. Includes the allowance for loan and lease losses and the allocated transfer risk reserve.
2. Before 1994, the netted value of off-balance-sheet items appeared in "trading account securities" if a gain and "other non-interest-bearing liabilities" if a loss.
3. When possible, based on the average of quarterly balance sheet data reported on schedule RC-K of the quarterly Call Reports.
3. Includes provisions for loan and lease losses and for allocated transfer risk.
4. Before 1997, data for large time open accounts are included in small-denomination time deposits.
5. Includes provisions for loan and lease losses and for allocated transfer risk.

A.2. Portfolio composition, interest rates, and income and expense, all U.S. banks, 1989–98

E. Banks not ranked among the 1,000 largest by assets

Item	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998
	Balance sheet items as a percentage of average net consolidated assets									
Interest-earning assets	90.90	91.06	91.25	91.39	91.65	91.72	91.70	91.64	91.65	91.88
Loans and leases, net	54.84	54.74	54.05	53.03	52.94	54.64	56.62	57.37	58.77	59.13
Commercial and industrial	12.10	11.53	10.60	9.74	9.24	9.31	9.65	9.98	10.15	10.33
U.S. addressees	12.07	11.49	10.56	9.69	9.20	9.26	9.59	9.90	10.07	10.25
Foreign addressees	.03	.04	.04	.04	.04	.05	.06	.07	.08	.08
Consumer	11.46	11.20	10.44	9.69	9.18	9.37	9.57	9.41	9.06	8.48
Credit card	.93	1.00	1.02	1.00	.93	.96	1.04	1.03	.91	.71
Installment and other	10.53	10.20	9.42	8.69	8.25	8.41	8.53	8.38	8.15	7.77
Real estate	27.36	28.35	29.34	30.15	31.09	32.19	33.54	34.10	35.51	36.04
In domestic offices	27.36	28.35	29.33	30.15	31.08	32.19	33.54	34.09	35.50	36.04
Construction and land development	2.29	2.37	2.18	1.98	1.93	2.14	2.38	2.61	2.82	3.01
Farmland	1.82	1.86	1.93	2.06	2.20	2.34	2.48	2.55	2.68	2.83
One- to four-family residential	14.81	15.37	16.00	16.44	16.81	16.95	17.45	17.47	18.15	18.05
Home equity	.94	1.16	1.29	1.34	1.27	1.21	1.20	1.19	1.24	1.21
Other	13.86	14.21	14.71	15.10	15.54	15.73	16.25	16.28	16.91	16.84
Multifamily residential	.62	.66	.71	.77	.84	.93	.95	.92	.95	.93
Nonfarm nonresidential	7.82	8.09	8.50	8.90	9.30	9.83	10.27	10.54	10.91	11.21
In foreign offices	*	*	*	*	*	*	*	*	*	*
Depository institutions	.26	.23	.20	.13	.12	.13	.16	.17	.17	.12
Foreign governments	.01	.01	.01	.01	.02	.01	*	*	*	*
Agricultural production	3.28	3.30	3.48	3.55	3.58	3.89	3.95	3.93	4.05	4.27
Other loans	1.67	1.41	1.24	.99	.87	.81	.76	.72	.70	.69
Lease-financing receivables	.19	.18	.17	.17	.18	.20	.22	.23	.25	.25
LESS: Unearned income on loans	–.60	–.58	–.51	–.43	–.36	–.31	–.30	–.27	–.24	–.20
LESS: Loss reserves[1]	–.88	–.89	–.93	–.96	–.97	–.95	–.93	–.90	–.88	–.86
Securities	27.92	28.38	29.99	32.10	33.06	32.90	30.50	29.53	28.21	26.67
Investment account	27.85	28.28	29.94	32.04	33.00	32.86	30.46	29.50	28.18	26.65
Debt	27.45	27.92	29.56	31.60	32.55	32.42	30.01	29.01	27.65	26.11
U.S. Treasury	8.84	8.77	9.24	10.25	10.48	10.81	9.19	7.85	6.70	5.05
U.S. government agency and corporation obligations	11.37	12.43	13.82	15.04	15.80	15.35	15.12	15.67	15.55	15.42
Government-backed mortgage pools	3.76	4.58	5.59	5.52	5.38	4.81	4.19	4.21	4.00	3.90
Collateralized mortgage obligations	n.a.	.90	1.56	2.66	3.33	3.11	2.75	2.46	2.19	2.01
Other	7.61	6.93	6.68	6.85	7.09	7.43	8.18	9.00	9.37	9.51
State and local government	4.94	4.56	4.26	4.29	4.70	5.01	4.69	4.62	4.59	4.80
Private mortgage-backed securities	n.a.	n.a.	.89	.77	.47	.27	.20	.18	.19	.16
Other	2.29	2.15	1.34	1.26	1.10	.98	.81	.68	.61	.68
Equity	.40	.36	.38	.44	.45	.44	.45	.49	.52	.54
Trading account	.07	.10	.06	.05	.07	.04	.03	.03	.03	.02
Gross federal funds sold and reverse RPs	5.74	6.13	5.64	5.10	4.69	3.42	3.92	4.05	3.96	5.12
Interest-bearing balances at depositories	2.40	1.81	1.57	1.16	.97	.77	.67	.69	.71	.96
Non-interest-earning assets	9.10	8.94	8.75	8.61	8.35	8.28	8.30	8.36	8.35	8.12
Revaluation gains on off-balance-sheet items[2]	n.a.	n.a.	n.a.	n.a.	n.a.	*	*	*	*	*
Other	9.10	8.94	8.75	8.61	8.35	8.28	8.30	8.36	8.35	8.12
Liabilities	91.44	91.40	91.37	91.07	90.63	90.43	90.03	89.81	89.62	89.53
Interest-bearing liabilities	77.13	77.83	78.39	77.83	76.89	76.19	75.74	75.58	75.47	75.35
Deposits	75.00	75.79	76.40	75.75	74.53	73.14	72.68	72.47	71.99	71.76
In foreign offices	.06	.07	.08	.07	.08	.09	.11	.10	.09	.07
In domestic offices	74.93	75.72	76.33	75.68	74.45	73.05	72.56	72.36	71.90	71.70
Other checkable deposits	10.38	10.45	10.99	12.33	13.15	13.31	12.37	11.75	11.37	11.17
Savings (including MMDAs)	19.51	18.73	19.35	22.10	23.55	23.23	20.40	19.56	18.98	19.01
Small-denomination time deposits	33.66	35.37	35.88	32.85	30.10	28.83	30.91	31.28	31.05	30.42
Large-denomination time deposits	11.38	11.17	10.11	8.40	7.65	7.68	8.88	9.77	10.49	11.10
Gross federal funds purchased and RPs	1.35	1.36	1.31	1.36	1.44	1.89	1.78	1.70	1.68	1.50
Other	.78	.67	.68	.72	.91	1.16	1.28	1.41	1.80	2.09
Non-interest-bearing liabilities	14.31	13.57	12.98	13.24	13.75	14.25	14.29	14.23	14.15	14.18
Demand deposits in domestic offices	13.09	12.37	11.84	12.23	12.82	13.34	13.22	13.13	13.09	13.08
Revaluation losses on off-balance-sheet items[2]	n.a.	n.a.	n.a.	n.a.	n.a.	*	*	*	*	*
Other	1.22	1.21	1.14	1.01	.93	.90	1.07	1.10	1.06	1.10
Capital account	8.56	8.60	8.63	8.93	9.37	9.57	9.97	10.19	10.38	10.47
MEMO										
Commercial real estate loans	n.a.	n.a.	11.74	11.84	12.22	13.02	13.71	14.18	14.78	15.26
Other real estate owned	.63	.61	.66	.65	.52	.35	.25	.20	.16	.13
Managed liabilities	13.59	13.29	12.19	10.56	10.10	10.83	12.08	13.00	14.08	14.77
Average net consolidated assets (billions of dollars)	662	681	694	697	688	679	666	661	648	644

A.2.—Continued

E. Banks not ranked among the 1,000 largest by assets

Item	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998
	Effective interest rate (percent)[3]									
Rates earned										
Interest-earning assets	10.50	10.31	9.64	8.43	7.62	7.57	8.41	8.35	8.50	8.33
Taxable equivalent	10.72	10.52	9.82	8.59	7.78	7.72	8.56	8.49	8.63	8.50
Loans and leases, gross	11.76	11.60	11.02	9.83	9.14	9.00	9.85	9.74	9.81	9.70
Net of loss provisions	10.87	10.65	10.08	9.05	8.63	8.65	9.42	9.31	9.36	9.22
Securities	8.37	8.42	8.04	6.99	5.92	5.61	6.09	6.10	6.25	5.98
Taxable equivalent	9.01	8.99	8.53	7.40	6.33	5.99	6.49	6.52	6.65	6.47
Investment account	8.36	8.41	8.04	6.99	5.92	5.61	6.09	6.10	6.25	5.98
U.S. government and other debt	8.53	8.59	8.20	7.06	5.91	5.59	6.17	6.23	6.43	6.16
State and local	7.57	7.46	7.17	6.70	6.09	5.69	5.64	5.44	5.32	5.14
Equity	8.12	8.30	7.14	5.64	5.16	5.52	6.26	6.06	6.40	6.11
Trading account	14.84	12.13	8.41	7.14	4.83	6.03	6.12	6.48	6.60	6.45
Gross federal funds sold and reverse RPs	9.25	8.12	5.66	3.51	2.95	4.08	5.95	5.39	5.51	5.36
Interest-bearing balances at depositories	9.11	8.55	7.35	5.59	4.53	4.64	5.91	6.10	5.70	5.68
Rates paid										
Interest-bearing liabilities	7.16	7.02	6.17	4.44	3.54	3.49	4.47	4.49	4.61	4.61
Interest-bearing deposits	7.10	6.96	6.15	4.44	3.53	3.44	4.39	4.44	4.54	4.53
In foreign offices	9.35	7.57	5.95	3.97	2.91	3.92	5.73	11.43	4.77	5.08
In domestic offices	7.10	6.96	6.15	4.44	3.53	3.44	4.39	4.43	4.54	4.53
Other checkable deposits	5.09	5.02	4.61	3.14	2.42	2.29	2.50	2.41	2.46	2.45
Savings (including MMDAs)	5.82	5.73	5.18	3.62	2.91	2.83	3.32	3.24	3.37	3.39
Large-denomination time deposits[4]	8.35	7.92	6.72	4.90	3.96	4.12	5.55	5.49	5.53	5.54
Small-denomination time deposits[4]	8.03	7.88	6.98	5.36	4.39	4.28	5.51	5.59	5.67	5.64
Gross federal funds purchased and RPs	8.52	8.03	5.72	3.74	3.17	4.12	5.62	5.10	5.23	5.05
Other interest-bearing liabilities	8.31	7.84	7.06	5.01	4.64	4.98	6.87	5.84	6.15	6.44
	Income and expense as a percentage of average net consolidated assets									
Gross interest income	9.65	9.51	8.91	7.79	7.05	7.01	7.80	7.75	7.89	7.74
Taxable equivalent	9.85	9.68	9.06	7.94	7.19	7.15	7.93	7.87	8.01	7.86
Loans	6.53	6.44	6.04	5.30	4.91	4.98	5.66	5.67	5.85	5.80
Securities	2.33	2.38	2.41	2.24	1.95	1.84	1.86	1.80	1.76	1.59
Gross federal funds sold and reverse RPs	.57	.53	.34	.18	.14	.15	.25	.24	.24	.29
Other	.23	.17	.12	.07	.05	.04	.04	.04	.04	.06
Gross interest expense	5.50	5.44	4.82	3.45	2.72	2.65	3.38	3.38	3.47	3.46
Deposits	5.32	5.28	4.70	3.36	2.63	2.52	3.19	3.22	3.28	3.25
Gross federal funds purchased and RPs	.12	.11	.07	.05	.04	.07	.10	.08	.08	.07
Other	.06	.05	.05	.04	.04	.06	.09	.08	.11	.13
Net interest income	4.15	4.07	4.09	4.34	4.33	4.36	4.42	4.37	4.41	4.28
Taxable equivalent	4.35	4.24	4.24	4.49	4.48	4.50	4.55	4.49	4.54	4.40
Loss provisioning[5]	.50	.53	.51	.42	.27	.19	.25	.25	.27	.29
Noninterest income	1.00	1.01	1.07	1.16	1.25	1.30	1.38	1.42	1.44	1.53
Service charges on deposits	.41	.42	.44	.45	.45	.44	.44	.44	.44	.42
Income from fiduciary activities	.14	.14	.14	.16	.16	.17	.22	.20	.20	.23
Trading income	.01	.01	.01	.01	.01	*	.01	*	*	*
Interest rate exposures	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	*	*	*
Foreign exchange exposures	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	*	*	*
Equity, commodity, and other exposures	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	*	*	*
Other	.44	.44	.49	.55	.64	.69	.71	.78	.79	.88
Noninterest expense	3.49	3.49	3.59	3.67	3.74	3.78	3.81	3.70	3.70	3.74
Salaries, wages, and employee benefits	1.65	1.64	1.64	1.69	1.72	1.75	1.80	1.77	1.80	1.82
Expenses of premises and fixed assets	.51	.49	.49	.49	.48	.49	.50	.49	.49	.49
Other	1.33	1.36	1.46	1.49	1.53	1.55	1.51	1.44	1.41	1.43
Net noninterest expense	2.49	2.48	2.52	2.51	2.48	2.48	2.43	2.28	2.27	2.21
Realized gains on investment account securities	.01	*	.06	.09	.07	−0.03	*	.01	.01	.02
Income before taxes and extraordinary items	1.17	1.06	1.11	1.50	1.64	1.66	1.75	1.85	1.89	1.80
Taxes	.37	.34	.35	.47	.51	.51	.55	.59	.59	.54
Extraordinary items	.02	.02	.19	.02	.05	*	*	*	*	*
Net income (return on assets)	.83	.74	.95	1.04	1.19	1.15	1.20	1.26	1.30	1.26
Cash dividends declared	.52	.49	.89	.50	.56	.57	.62	.64	.73	.83
Retained income	.30	.25	.06	.54	.63	.58	.58	.62	.57	.44
MEMO: Return on equity	9.66	8.61	11.05	11.64	12.65	12.05	12.05	12.33	12.54	12.07

* In absolute value, less than 0.005 percent.

DEFINITIONS. n.a. Not available. MMDA Money market deposit account. RP Repurchase agreement. CD Certificate of deposit.

1. Includes the allowance for loan and lease losses and the allocated transfer risk reserve.
2. Before 1994, the netted value of off-balance-sheet items appeared in "trading account securities" if a gain and "other non-interest-bearing liabilities" if a loss.
3. When possible, based on the average of quarterly balance sheet data reported on schedule RC-K of the quarterly Call Reports.
4. Before 1997, data for large time open accounts are included in small-denomination time deposits.
5. Includes provisions for loan and lease losses and for allocated transfer risk.

Treasury and Federal Reserve Foreign Exchange Operations

This quarterly report describes U.S. Treasury and System foreign exchange operations for the period from January through March 1999. It was presented by Peter R. Fisher, Executive Vice President, Federal Reserve Bank of New York, and Manager, System Open Market Account. Laura F. Ambroseno was primarily responsible for preparation of the report.

During the first quarter of 1999, the dollar appreciated 8.4 percent against the euro and 5.3 percent against the yen. The dollar's value was largely influenced by changes in market expectations for economic growth in the United States, Europe, and Japan. Against the euro, the dollar strengthened as the differential between U.S. and European interest rates moved increasingly in favor of the dollar. Against the yen, the dollar fell to a two-and-a-half-year low, then rebounded after the Bank of Japan reportedly intervened to counter yen appreciation and subsequently guided overnight interest rates to near zero. The U.S. monetary authorities did not intervene in the foreign exchange markets during the quarter.

Partial Recovery of Risk Appetite

At the outset of the new year, trading in the major currencies was thin. Reduced activity was attributed in part to a decline in speculative trading and a tentative return of asset managers to higher-yielding markets. Euro trading volumes remained below historical German mark trading volumes over comparable time frames; uncertainty regarding the behavior of the newly established European Central Bank (ECB) contributed to the low volume.

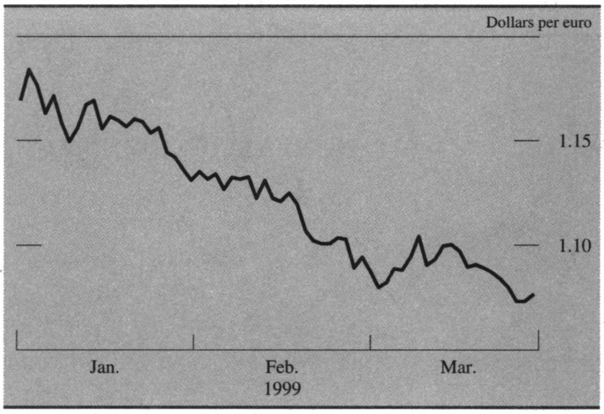
Although new investment supported selected emerging markets and high-yield assets, lingering concern about overall risk exposure resulted in heightened differentiation and relatively high risk premiums. The devaluation of the Brazilian *real* on January 13 evoked some apprehension, but reaction was fairly muted as a result of the position unwinding that had already occurred after the Russian currency devaluation and debt moratorium in August 1998. Reflective of market sentiment, emerging-market sovereign yield spreads over U.S. Treasuries rose sharply after the Brazilian currency devaluation but soon returned to early-January levels. Nonetheless, spreads generally remained well above pre-Russian devaluation levels, and many emerging-market mutual funds continued to experience net outflows. U.S. corporate high-yield spreads over U.S. Treasuries narrowed, reflecting the desire of investors to increase risk exposure on a selective basis.

Rise of the Dollar against the Euro

The dollar depreciated to \$1.1832 against the euro on the first trading day of stage three of the Economic and Monetary Union. However, the dollar then steadily appreciated to \$1.0765 by quarter-end as "europhoria" dissipated and market participants focused on the apparent divergence in the outlooks for growth between the U.S. and European economies. Over the quarter, the implied yield spread between September three-month Eurodollar and Euribor (European interbank offered rate for euro deposits) futures contracts widened 49 basis points, to 232 basis points, supported by market expectations of divergent monetary policy responses to growth trends by the Federal Open Market Committee (FOMC) and the ECB Governing Council. Similarly, the spread between yields of ten-year U.S. Treasuries and German bonds widened 62 basis points from the start of the quarter, to a decade high of 146 basis points on February 25.

The dollar was supported throughout most of the quarter by expectations of a shift in U.S. monetary policy toward a tightening bias. The change in expectations was prompted by stronger-than-expected economic growth, employment, consumer spending, and hourly earnings data, which raised concern that the U.S. economy might begin to show signs of inflationary pressures. Speculation of a near-term change in U.S. monetary policy mounted after the Humphrey–Hawkins testimony on February 23, during which Chairman Greenspan stated that the FOMC would evaluate "whether the full extent of the policy easings undertaken last fall to address the seizing-up of

1. Exchange rate of the euro against the dollar, 1999:Q1

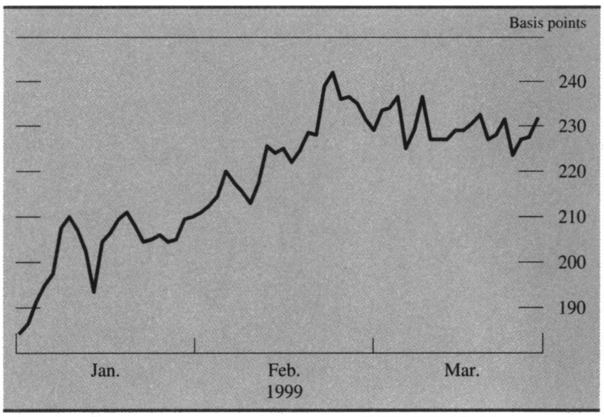


NOTE. The data are daily.
SOURCE. Bloomberg L.P.

financial markets remains appropriate as those disturbances abate." The implied yield of the federal funds futures contract for September rose 44 basis points from the start of the quarter, to a high of 5.09 percent on March 1. U.S. Treasury yields rose in response to rising short-term yields, heavy corporate bond issuance, and reported sales by Japanese financial institutions before their fiscal year-end on March 31.

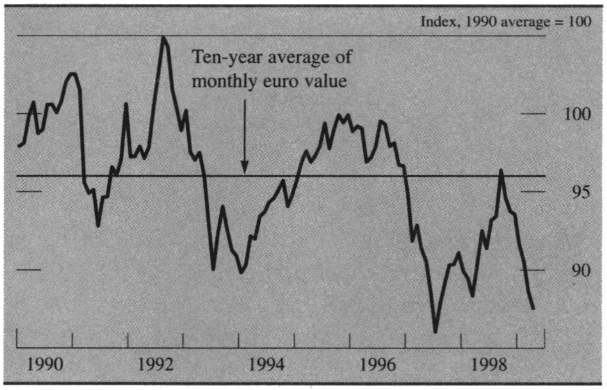
Meanwhile, the euro experienced downward pressure from increasing expectations of a euro area rate cut after several economic data releases indicated further downside risk to European growth and by official commentary that was interpreted as suggesting approval of current exchange rate levels. The resignation of German Finance Minister LaFontaine on March 11, that was perceived as having reduced political pressure on the ECB, also contributed to speculation that the ECB Governing Council would

2. Spread between implied yields of September three-month Eurodollar and Euribor futures, 1999:Q1



NOTE. The data are daily.
SOURCE. Bloomberg L.P.

3. Reconstructed trade-weighted exchange rate of the euro, 1990–April 1999



NOTE. Before year-end 1998, the calculation is based on weighted averages of euro area countries' effective exchange rates; from January 1999, the calculation is based on weighted averages of bilateral euro exchange rates. Weights are based on 1990 manufacturing goods trade and capture third-market effects.
SOURCE. European Central Bank; Bank for International Settlements.

cut rates sooner than previously expected. Implied yield of the September three-month Euribor futures contract fell 27 basis points, to 2.79 percent by quarter-end.

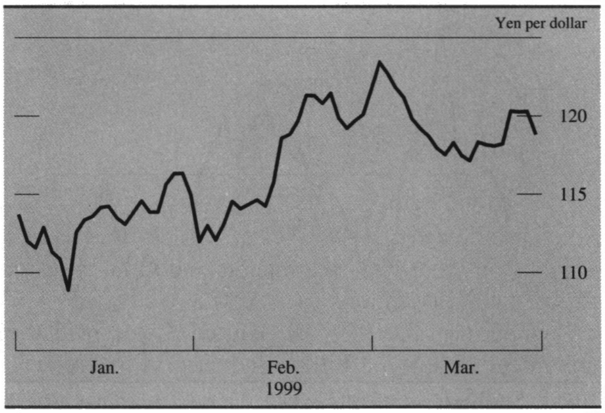
Both the euro–dollar exchange rate and spreads between U.S. and European yields stabilized toward the end of the quarter, as expectations for a near-term shift in U.S. monetary policy receded after the release of U.S. wage data suggesting that inflationary pressures remained quiescent. On a trade-weighted basis, the euro depreciated 5.3 percent over the quarter, approaching the lower end of its reconstructed ten-year trading range.

STRENGTHENING OF THE DOLLAR AGAINST THE YEN

The dollar began the new year at ¥112.80, but soon depreciated to a multiyear low of ¥108.22 on January 11, as Japanese investors reallocated funds from U.S. assets to European and Japanese assets. International investors also expressed interest in Japanese assets, as evidenced by strong foreign demand for Japanese bonds auctioned on January 7. In addition, the perception that Japanese monetary conditions tightened as funding pressures abated at the calendar year-end, along with renewed investor focus on the U.S. current account deficit, appeared to weigh on the dollar–yen exchange rate early in the period.

On January 12, the dollar gained more than four yen from the day's low of ¥108.62 after the Bank of Japan reportedly intervened by selling yen in the foreign exchange market. Market participants interpreted the reported intervention as Japanese resis

4. Exchange rate of the dollar against the Japanese yen, 1999:Q1

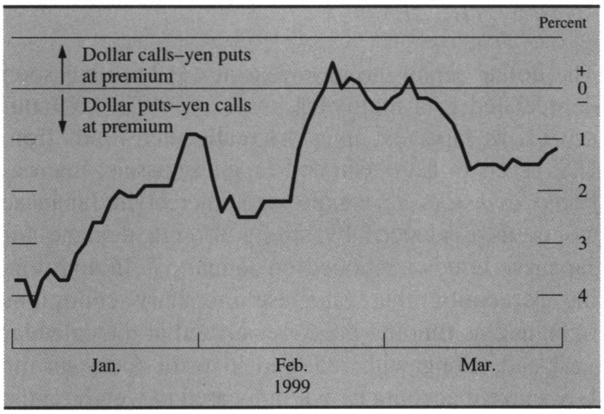


NOTE. The data are daily.
SOURCE. Bloomberg L.P.

tance to yen appreciation above ¥110. Options prices indicated that market anxiety over the possibility of a rapid rise in the yen's value receded after the reported intervention, with one-month implied volatility falling from a high of more than 22 percent on January 5 to about 17 percent by quarter-end. In addition, the premium for one-month yen call options over one-month yen put options, as measured by risk reversal prices, fell from a record high of nearly 4.5 percent on January 6 to approximately 1.2 percent by quarter-end, indicating less demand for protection against further yen appreciation.

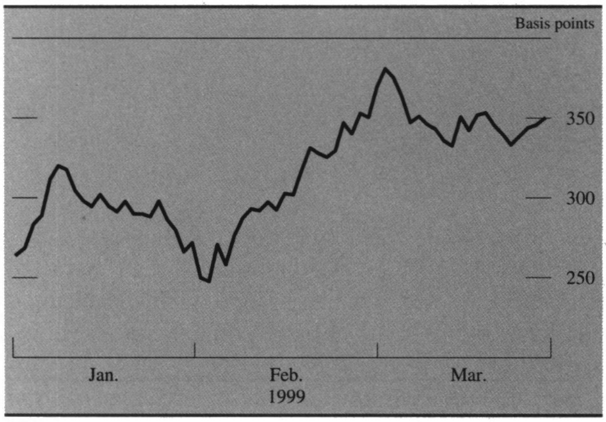
In the weeks following the reported intervention, the dollar traded in a range between ¥110 and ¥117, supported both by commentary from Japanese officials suggesting that "excessive yen strength" would elicit intervention and by expectations of continued disparity between U.S. and Japanese economic growth. However, several factors limited the dollar's upward momentum, including narrower long-term U.S.–Japanese interest rate differentials, concern over U.S. equity market valuation, and nervousness surrounding the Brazilian currency devaluation. The yield on the Japanese government benchmark bond (ten-year) rose 35 basis points from the start of the quarter, to a high of 2.36 percent on February 5, as Japanese investors reduced portfolio duration and realized profits before their fiscal year-end and as market participants became increasingly concerned about the Japanese government's apparent acceptance of rising yields. The spread between yields of ten-year U.S. Treasuries and Japanese government bonds narrowed to a three-year low of 248 basis points by February 3.

5. One-month dollar–yen risk reversals, 1999:Q1



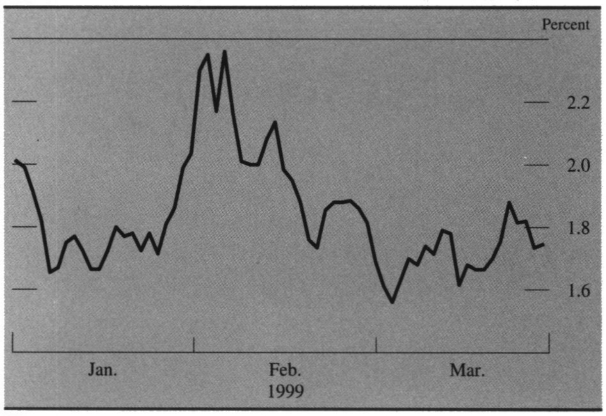
NOTE. The data are daily. A dollar–yen risk reversal is an option position consisting of a purchased dollar call–yen put and a written dollar put–yen call that mature on the same date and are equally out-of-the-money. The price of a risk reversal indicates whether the dollar call or the dollar put is more valuable. If the dollar call is at a premium, the market is willing to pay more to insure against the risk that the dollar will rise against the yen. If the dollar put is at a premium, the market is willing to pay more to insure against the risk that the dollar will fall against the yen.
SOURCE. Citibank, N.A.

6. Spread between ten-year U.S. Treasury and Japanese government bond yields, 1999:Q1



NOTE. The data are daily.
SOURCE. Bloomberg L.P.

7. Ten-year Japanese government bond yield, 1999:Q1



NOTE. The data are daily.
SOURCE. Bloomberg L.P.

The dollar began to appreciate steadily against the yen after the Bank of Japan reduced the target for the overnight call rate from 25 to 15 basis points on February 12 and subsequently guided the rate to as low as 2 basis points. The dollar was further supported by growing expectations of a shift toward quantitative monetary targeting in Japan, official efforts to contain the rapid rise in Japanese bond yields, and signs of persistent strength in the U.S. economy. On March 4, the dollar strengthened to a period high of ¥123.75 and the spread between ten-year U.S. and Japanese bond yields peaked at 381 basis points, up 133 basis points from its February 3 low.

Throughout March, movements in the dollar–yen exchange rate fluctuated in response to shifting expectations for monetary policy objectives and Japanese fiscal year-end dynamics. The dollar initially moved lower in response to U.S. economic data releases suggesting that inflation remained subdued. Meanwhile, the yen was supported by commentary from Japanese officials implying that a shift in monetary policy toward quantitative targets was unlikely in the near term and by substantial purchases of Japanese equities by international investors who were increasing the weight of Japanese assets in their portfolios. At the end of the quarter, the dollar–yen exchange rate drifted back to ¥118.80, as purchases of Japanese equities subsided and Japanese accounts reportedly satisfied fiscal year-end foreign exchange requirements.

TREASURY AND FEDERAL RESERVE FOREIGN EXCHANGE RESERVES

The U.S. monetary authorities did not undertake any intervention operations during the quarter. At the end of the quarter, the current values of euro and Japanese yen reserve holdings totaled $15.2 billion for the Federal Reserve System and $15.2 billion for the Exchange Stabilization Fund. The U.S. monetary authorities invest all of their foreign currency balances in a variety of instruments that yield market-related rates of return and that have a high degree of liquidity and credit quality. A significant portion of these balances is invested in German and Japanese government securities held directly or under repurchase agreement. As of March 31, outright holdings of foreign government securities by U.S. monetary authorities totaled $7.3 billion.

Japanese and German government securities held under repurchase agreement are arranged either through transactions executed directly in the market or through agreements with official institutions. Foreign government securities held under repurchase agreement by the U.S. monetary authorities totaled $12.8 billion at the end of the quarter. Foreign currency reserves are also invested in deposits at the Bank for International Settlements and in facilities at other official institutions.

On February 3, 1999, the United States paid the equivalent of a $14.8 billion increase in its International Monetary Fund (IMF) quota, which had been previously approved by the Congress. The payment was not an outlay of funds, but rather an exchange of monetary assets. In exchange for the payment, the United States received an increase in its IMF reserve position, which is an interest-bearing asset. In accordance with agreed-upon IMF procedures, 25 percent of the quota increase, equal to about $3.7 billion, was transferred to the IMF in the form of foreign currency reserve assets, specifically euros held by the U.S. Treasury's Exchange Stabilization Fund (ESF). Simultaneously, the U.S. Treasury's general account reimbursed the ESF with dollars in an amount equivalent to the value of the euro reserve transfer. The remaining 75 percent of the quota increase, equal to about $11.1 billion, was paid through an increase in the U.S. letter of credit to the IMF and did not involve a flow of funds.

Separately, the U.S monetary authorities conducted an off-market currency transaction that was designed to redress imbalances in their respective foreign currency holdings. Imbalances had evolved over time both in terms of the overall level and currency composition of the foreign exchange reserves held by the Federal Reserve and the ESF. Effective March 18, the Federal Reserve exchanged approximately $4.8 billion of euros for $1.4 billion of Japanese yen and $3.4 billion of U.S. dollars from the ESF. The transaction was executed at prevailing market exchange rates. As designed, this transaction distributed the overall level of the U.S. monetary authorities' foreign reserve assets more evenly between the ESF and the Federal Reserve and left the resulting balances of euros and yen roughly equal for both accounts (see table 1). □

1. Foreign currency holdings of U.S. monetary authorities based on current exchange rates, 1999:Q1

Millions of dollars

Item	Balance, Dec. 31, 1998	Quarterly changes in balances by source					Balance, Mar. 31, 1999
		Net purchases and sales[1]	Effect of sales[2]	Investment income	Currency valuation adjustments[3]	Interest accrual (net) and other[4]	
FEDERAL RESERVE SYSTEM OPEN MARKET ACCOUNT							
EMU euro	12,824.0	−4,780.5	−18.7	118.7	−915.9	0	7,227.6
Japanese yen	6,846.9	1,418.9	0	3.0	−318.7	0	7,950.1
Total	19,670.9	−3,361.6	−18.7	121.7	−1,234.6	0	15,177.7
Interest receivables[5]	82.8	...	...	...	...	−29.1	53.7
Other cash flow from investments[6]	14.8	...	...	...	...	−.9	13.9
Total	**19,768.5**	**−3,361.6**	**−18.7**	**121.7**	**−1,234.6**	**−30.0**	**15,245.3**
U.S. TREASURY EXCHANGE STABILIZATION FUND (ESF)							
EMU euro	6,494.4	1,081.1	−10.4	45.9	−374.4	0	7,236.6
Japanese yen	9,799.4	−1,407.0	11.9	4.2	−458.4	0	7,950.1
Total	16,293.8	−325.9	1.5	50.1	−832.8	0	15,186.7
Interest receivables[5]	44.3	...	...	...	...	−12.0	32.3
Other cash flow from investments[6]	21.4	...	...	...	...	−3.0	18.4
Total	**16,359.5**	**−325.9**	**1.5**	**50.1**	**−832.8**	**−15.0**	**15,237.4**

NOTE. Figures may not sum to totals because of rounding.

1. Purchases and sales reflect changes in the foreign currency holdings as a result of the rebalancing between the SOMA and ESF portfolios and a withdrawal of funds from the ESF euro portfolio to meet an IMF quota.

2. Calculated using marked-to-market exchange rates; represents the difference between the sale exchange rate and the most recent revaluation exchange rate in addition to the gain or loss resulting from changes in the market values of the investments sold. See table 2 for realized profits and losses on sales of foreign currencies computed as the difference between the historic cost-of-acquisition exchange rate and the sale exchange rate, and the gain or loss resulting from the changes in the market values of the investments sold.

3. Foreign currency balances are marked to market monthly at month-end exchange rates.

4. Includes the ESF's payment to meet its IMF quota.

5. Interest receivables for the ESF are as of February 28, 1999, and are revalued at February 28, 1999, month-end exchange rates. Interest receivables for the SOMA are carried at cost and are not marked to market until interest is paid. SOMA interest receivables are net of unearned interest collected.

6. Cash flow differences from payment and collection of funds on Japanese Gensaki investments.

2. Net profits or losses (−) on U.S. Treasury and Federal Reserve foreign exchange operations, based on historical cost-of-acquisition exchange rates, 1999:Q1

Millions of dollars

Period and item	Federal Reserve System Open Market Account	U.S. Treasury Exchange Stabilization Fund
Valuation profits and losses on outstanding assets and liabilities, Dec. 31, 1998		
EMU euro	998.5	96.6
Japanese yen	1,229.8	1,766.0
Total	**2,228.3**	**1,862.6**
Realized profits and losses from foreign currency sales, Jan. 1, 1999–Mar. 31, 1999[1]		
EMU euro	55.7	−71.0
Japanese yen	0	208.0
Total	**55.7**	**137.0**
Valuation profits and losses on outstanding assets and liabilities, Mar. 31, 1999		
EMU euro	−10.6	−227.5
Japanese yen	911.2	1,123.3
Total	**900.6**	**895.8**

1. See table 1 for an explanation of these gains.

3. Currency arrangements, March 31, 1999

Millions of dollars

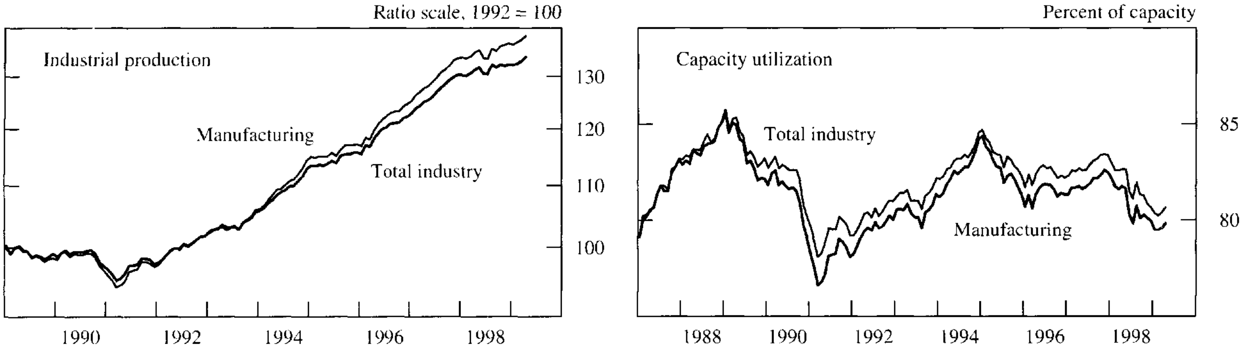
Institution	Amount of facility	Outstanding, Mar. 31, 1999
	Federal Reserve reciprocal currency arrangements	
Bank of Canada	2,000	0
Bank of Mexico	3,000	0
Total	**5,000**	**0**
	U.S. Treasury Exchange Stabilization Fund currency arrangements	
Bank of Mexico	3,000	0
Total	**3,000**	**0**

Industrial Production and Capacity Utilization for April 1999

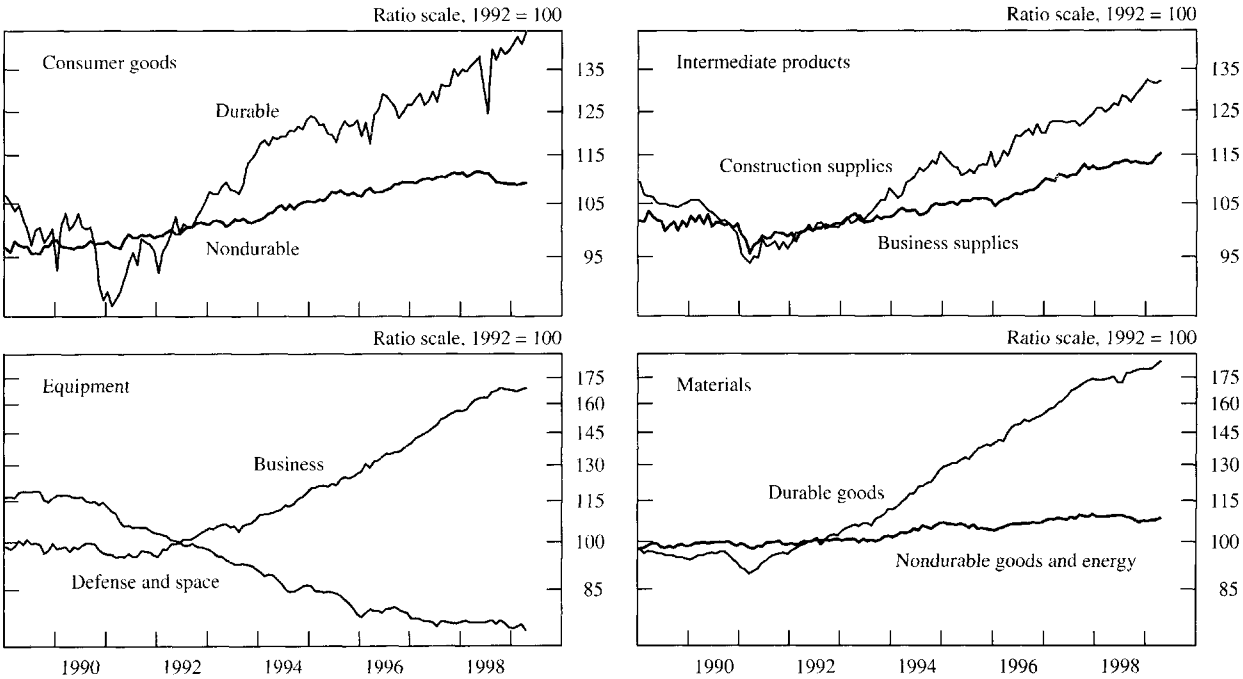
Released for publication May 14

Industrial production, which had been essentially flat between October and February, accelerated in March and April. The total index was revised upward to show a gain of 0.5 percent in March and is estimated to have risen 0.6 percent in April. Manufacturing output also grew 0.6 percent in April, its third straight monthly gain of close to ½ percent. Some of the acceleration came in high-technology industries, but many other industries showed improvement as well. At 134.0 percent of its 1992 average, industrial production in April was 2.0 percent higher than in April 1998. Capacity utilization in manufacturing, mining, and electric and gas utilities rose 0.2 percentage point

Industrial production and capacity utilization



Industrial production, market groups



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

Industrial production and capacity utilization, April 1999

Category	Industrial production, index, 1992=100								
	1999				Percentage change				
					1999[1]				Apr. 1998 to Apr. 1999
	Jan.[r]	Feb.[r]	Mar.[r]	Apr.[p]	Jan.[r]	Feb.[r]	Mar.[r]	Apr.[p]	
Total	**132.3**	**132.5**	**133.2**	**134.0**	**.0**	**.1**	**.5**	**.6**	**2.0**
Previous estimate	132.3	132.6	132.8	...	–.1	.3	.1	...	...
Major market groups									
Products, total[2]	124.5	124.6	125.0	125.5	.1	.1	.3	.4	1.2
Consumer goods	115.2	115.5	115.3	116.0	.2	.3	–.1	.6	–.4
Business equipment	167.3	167.2	168.3	168.9	–.4	.0	.7	.3	4.1
Construction supplies	132.4	131.7	131.5	132.0	1.1	–.5	–.2	.4	5.3
Materials	144.9	145.3	146.5	147.9	–.2	.3	.8	.9	3.3
Major industry groups									
Manufacturing	136.4	136.9	137.5	138.4	–.2	.4	.4	.6	2.5
Durable	161.4	161.7	162.8	164.2	–.1	.2	.7	.8	5.1
Nondurable	111.3	112.0	112.0	112.4	–.4	.6	.1	.3	–.6
Mining	98.5	97.7	97.0	97.1	–.5	–.8	–.7	.1	–8.1
Utilities	114.7	112.3	115.5	116.2	2.7	–2.1	2.8	.7	3.0

	Capacity utilization, percent								Memo Capacity, percentage change, Apr. 1998 to Apr. 1999
	Average, 1967–98	Low, 1982	High, 1988–89	1998	1999				
				Apr.	Jan.[r]	Feb.[r]	Mar.[r]	Apr.[p]	
Total	**82.1**	**71.1**	**85.4**	**82.6**	**80.4**	**80.2**	**80.4**	**80.6**	**4.5**
Previous estimate	...	...	...	...	80.3	80.3	80.1	...	...
Manufacturing	81.1	69.0	85.7	81.7	79.5	79.5	79.6	79.8	5.0
Advanced processing	80.5	70.4	84.2	80.7	78.2	78.4	78.5	78.8	6.0
Primary processing	82.4	66.2	88.9	84.6	83.0	82.8	82.7	83.0	2.6
Mining	87.5	80.3	88.0	88.2	81.5	80.8	80.2	80.2	1.1
Utilities	87.4	75.9	92.6	89.5	90.5	88.5	90.9	91.5	.7

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.

in April, to 80.6 percent, down from 82.6 percent a year earlier.

MARKET GROUPS

The production of consumer goods, which had been little changed in March, advanced 0.6 percent in April. The output of durable consumer goods jumped 2.1 percent, more than reversing a decline in March; output gains were sizable for automotive products, carpeting and furniture, and home electronics. The production of nondurable consumer goods rose 0.2 percent, even though the output of tobacco products declined and the production of gasoline was cut by disruptions at refineries. The advance in the production of non-energy nondurable consumer goods was led by a continued recovery in the output of consumer chemical products and an uptick in apparel production.

The output of business equipment increased 0.3 percent in April after an upward-revised advance of 0.7 percent in March. Although the assembly of business vehicles gained substantially, a further drop in the production of civil transport aircraft caused the measure for transit equipment to decline again. The index for industrial equipment, which had fallen over the two preceding quarters, turned up, and the index for information processing equipment rose substantially further; the latter increased more than 3 percent over March and April. In contrast, the production of farm machinery and equipment fell back after some recovery in February and March. The production of defense and space equipment fell 2.0 percent in April, partly because of a strike at a major shipyard.

The production of construction supplies, which had eased in February and March from the high level in January, resumed its growth. Over the past twelve months, it has increased 5.3 percent. The index for business supplies, which had been stagnant for about a year, has picked up recently. The output of materials increased 0.9 percent in April after an upward-revised gain of 0.8 percent in March. The indexes for both durable goods materials and energy materials rose more than 1 percent, with large increases in semiconductors and computer parts for a second month and a rebound in coal production from a dip in March.

INDUSTRY GROUPS

Production in manufacturing increased 0.6 percent, compared with 0.4 percent in the two preceding months. The factory operating rate rose 0.2 percentage point, to 79.8 percent, but was down from 81.7 percent last April. Durable goods production rose 0.8 percent, a gain similar to that in March, and the advances were again widespread. The increase in the output of electrical machinery, boosted by an acceleration of production in the semiconductor and communications industries, rose to 2.5 percent in April. The production of motor vehicles and parts rose 2.3 percent, and computer output increased nearly 2 percent. Production declined at facilities for iron and steel, aircraft and parts, and shipbuilding. With the solid gains in production, the rate of capacity utilization in durable manufacturing rose 0.3 percentage point, to 79.6 percent, a level close to its 1967–98 average.

The output of nondurable manufactured goods advanced 0.3 percent; production has been in a slow recovery since last fall and has increased about 1 percent over the past three months. The output of textile mill products, apparel, and paper and products rebounded from declines in March, while the production of chemicals and products and rubber and plastics products advanced further. The operating rate in nondurable manufacturing rose 0.2 percentage point. But at 80.6 percent, utilization for these industries is more than 2 percentage points below its level of April 1998 and is nearly 3 percentage points below its long-term average.

Despite rebounds in coal and metal ores, mining production edged up only 0.1 percent; it has dropped 10 percent over the past fifteen months. Drilling for oil and gas wells fell back in April to a very low level. Primarily because of the low level of oil and gas extraction, the rate of capacity utilization in mining remained at 80.2 percent in April, down from 88.2 percent twelve months earlier.

Output at utilities, which had rebounded 2.8 percent in March, advanced another 0.7 percent and is up 3.0 percent from the level of April 1998. The operating rate at electric utilities is near its 1988–89 high, while utilization at gas utilities is below its 1967–98 average. □

Statements to the Congress

Statement by Edward W. Kelley, Jr., Member, Board of Governors of the Federal Reserve System, before the Committee on Banking and Financial Services, U.S. House of Representatives, April 13, 1999

I appreciate the opportunity to appear before this committee to update you on Year 2000 issues. I will describe the Federal Reserve's continuing efforts with respect to our contingency and event management plans as a central bank to ensure that adequate sources of currency and liquidity are available, and summarize the special attention being given to maintaining public confidence in the banking system. I will also focus on the progress of the banking industry in preparing for the new millennium and our supervisory initiatives, where considerable progress has been made since I last testified in September. Next, I will provide an overview of our efforts to support the President's Year 2000 Conversion Council and the international financial regulators' Joint Year 2000 Council, and close with our perspective on legislative proposals relating to Year 2000. I will also discuss the Board's strong support for passage of H.R. 1094, which would amend the Federal Reserve Act to broaden the range of discount window loans that may be used as collateral for Federal Reserve notes.

That is a lot of material to cover, and it reflects our extensive interest in and efforts to address the litany of Year 2000 issues. We are approaching the last months before the century date change (CDC) with a keener understanding of the magnitude of the task the banking industry, our country, and the rest of the world have been confronting. We are continuing our efforts to ensure that our financial system is safe and sound and ready for the century rollover. I am increasingly optimistic that the operational transition will go well and have come to believe that Year 2000 technical issues will not cause major problems in the financial markets of the United States. One issue I *am* concerned about and have raised with the press is how to ensure that the public has reliable, complete information about the readiness of the financial services industry and the other industrial and infrastructure sectors of the country. Actions taken by the public based upon fear or bad information rather than upon fact-based rationality may pose a greater threat to our economy than those caused by Year 2000 computer problems themselves. The public's perception of the Year 2000 challenge and response to that perception relative to our banking system is of critical importance to us all. The banking agencies are increasingly turning their attention to public education, and, in that regard, I welcome the opportunity this hearing affords to explain the Federal Reserve's perspective on the century date change.

Contingency Planning and Event Management

Having worked extensively to correct the Year 2000 computer problems in our systems, we are confident that we will be fully prepared for the new millennium. Nevertheless, as the nation's central bank, the Federal Reserve is actively engaged in contingency and event management planning for any operational disruptions or systemic risks. The Federal Reserve's CDC Council, a group of our most senior officials, is coordinating contingency and event management planning across the Federal Reserve System to ensure a cohesive approach to our preparations. In addition, we are completing plans for our supervision function that provide for monitoring and responding to developments during the transition to the Year 2000, including any disruptions that may occur at financial institutions or in key financial markets for which we have responsibilities. These plans are being coordinated with other federal, state, and foreign regulators and with the Year 2000 Response Center of the President's Council on Year 2000 Conversion.

Business Resumption

The Federal Reserve's plans for ensuring operational continuity build upon existing business resumption contingency plans. As part of our standard business processes, the Federal Reserve has long maintained and tested comprehensive business resumption plans, which have proved successful in providing for our continued operations during past crisis situations and natural disasters. Last fall, each of the Federal Reserve's business functions completed assessments of the adequacy of existing contingency plans for addressing Year 2000 risks. These plans are being enhanced to address issues unique to the century date change.

For example, we are identifying problems external to the Federal Reserve that may arise when the date changes to 2000, such as those affecting telecommunications providers, utility companies, and key market participants. Based on available information, we do not expect widespread problems in these areas, but we nevertheless believe it prudent to develop action plans to mitigate or work around them should they occur. Between now and the century date change, we will test and continue to refine these plans as necessary to optimize operational effectiveness at the century rollover. The goal of the contingency planning process is to minimize the chance for surprise disruptions and to minimize their impact should they occur.

Year 2000 Event Management Plan

Over the years, the Federal Reserve has demonstrated the ability to manage a wide range of crisis situations. Nevertheless, we are augmenting our existing communication and control structures to enhance our ability to collect information and react to issues as they develop during the next six months and, particularly, during the "rollover period," that is, the last few days or weeks of 1999 and the early days of 2000, as well as the leap year at the end of February. The objectives of our event management plan are to

- Monitor and report the status of internal systems, financial institutions and markets, infrastructure, and other pertinent areas
- Maintain a consistent flow of information within the Federal Reserve, to our business partners, and to the public at large
- Identify potential or actual problems and resolve them promptly.

The CDC Council has established an Event Management Planning Team that is formulating recommendations to meet these objectives. As with any complex institution, this is challenging because it is necessary to integrate the myriad needs and functions of all areas of the Federal Reserve System into one coordinated and cohesive plan.

The Event Management Planning Team presented a number of recommendations to the CDC Council last week and will continue to refine them in coming months. As we finalize our plans, we will coordinate with other federal and state regulators as well as the President's Council on Year 2000 Conversion. This should result in further streamlining and enhancements. Our event management plans should be substantially completed during the second quarter 1999 and will be tested during the third quarter 1999—with September 9, 1999, scheduled as our first operational date.

Cash and Liquidity Issues

The Federal Reserve does not believe that the public needs to hold excess cash in anticipation of the century rollover. Although there may be isolated problems, we expect that the usual payment methods of checks, debit cards, and credit cards will operate.

Nevertheless, we recognize that there likely will be some increased demand for cash during the period surrounding the century rollover. In developing cash and liquidity contingency plans, depository institutions have been advised and are taking steps to forecast and prepare for potential spikes in year-end cash demands of their customers. Such plans should address how to distribute cash to locations where it is most needed and provide for close coordination with armored carriers and cash suppliers (their Federal Reserve Bank or correspondent bank). Some of the best practices we've seen include plans to increase cash inventories ahead of seasonal and any anticipated Year 2000-related rise in demand. They also include advance identification of prudent trigger points to replenish currency supplies based upon customer demand that take into account the availability and frequency of transportation arrangements. Equally important, they provide for a customer communication program that explains the Year 2000 problem, how the bank is preparing for it, and any plans to work around minor disruptions in services that could affect access to the bank. We have reminded banks that, as part of their Year 2000 contingency cash planning, they should review their insurance policies and blanket bond limits to ensure they have sufficient coverage.

As I have said in previous testimony, we instituted plans to increase our inventory of currency as a precautionary measure, and not because we believe the public should hold more cash because of the Year 2000. Some observers have suggested that this represents a contradictory message to the public. Not so. Regardless of our view that consumers do not need to hold excess cash during this period, the Federal Reserve has been given the mission by the Congress to provide currency to the public as demanded, and we will be prepared to fulfill this responsibility whatever the level of demand might be.

Another related issue for the central bank is the possibility that despite the best efforts of some depository institutions, they may encounter problems resulting from or affecting relationships with counterparties and customers. To the extent these problems reduce their liquidity, and other sources of funding may no longer be reasonably available, the Federal Reserve is prepared to lend to provide liquidity with adequate collateral.

Depository institutions are expected to address liquidity issues in their contingency plans and to take steps necessary to facilitate the process of borrowing from the Federal Reserve, for example, by completing necessary documentation and prepositioning collateral now rather than waiting for the actual event when there may be other organizations seeking additional funding at the same time. We have sent a letter to all depository institutions encouraging them to consider including the Federal Reserve, as lender of last resort, in their funding contingency plans and, if they do, to complete necessary documentation and collateral arrangements as soon as possible.

PUBLIC AFFAIRS PROGRAM

Let me go back to an earlier comment I made regarding the public's perception of the Year 2000 issue. We believe that the best way to engender a strong and positive public attitude is through open and candid discussion. The public is getting information from a variety of sources. We believe that it is important to ensure that the public can look to the Federal Reserve System as a source of accurate information regarding the readiness of the banking industry and the payments mechanisms through the century rollover. Federal Reserve communications activities have been focused on providing accurate, consistent information to the public and keeping the media informed about our Year 2000 activities.

The Federal Reserve has initiated a series of public affairs activities related to the Year 2000 designed to provide the public with the information it needs. In this regard, the staff is working actively with the communications team for the President's Council on Year 2000 Conversion to develop responses to consumer questions that come in on the Council's Year 2000 "hotline." A Year 2000 consumer web page is being designed to provide easy access to the information already available on the Federal Reserve's Year 2000 web site. A brochure describing the Year 2000 issue and the Federal Reserve's Year 2000 program will soon be available. Many Federal Reserve officials as well as several Board members have been giving speeches on Year 2000. Reserve Banks have scheduled press conferences and briefing sessions for the media, and the media kit that we provide is updated regularly to include current information and new materials.

There are a number of other communications programs under way, including joint programs with the other bank regulatory agencies as well as with banking industry trade groups. In this regard, the regulatory agencies are sponsoring consumer research, planning a consumer awareness video, developing a consumer checklist for financial institution customers, and planning to hold joint press briefings.

Many people would like to have an ironclad guarantee that there will be no Year 2000 disruptions, but that guarantee cannot be made. We cannot know in advance exactly how the millennium rollover will go. The truth is that no one can guarantee that everything will work perfectly even later this morning, but we have every confidence that it will. In fact, banking systems and utilities experience brief disruptions in service from time to time that are transparent to consumers or present only minor inconveniences. Public confidence does not require that everyone believe that everything will work perfectly all the time. Rather, the public needs to be confident that the information it is receiving is complete, reliable, balanced, and adequate to identify actions appropriate to their own circumstances.

BANK SUPERVISION

Turning to our efforts with respect to the readiness of individual banking organizations, let me emphasize today, as I have in the past, that while the bank supervisors have appropriately provided significant guidance and meaningful incentives to the industry to prepare for the Year 2000, we cannot be responsible for ensuring the readiness of any banking organization. The boards of directors and senior management of banks are responsible for ensuring that their organizations are able to provide uninterrupted services and operate in a safe and sound manner after the century date change.

With that said, over the past few months the Federal Reserve and the banking agencies have been active in responding to requests for additional guidance about the difficult tasks of testing and contingency planning and the importance of effective customer communication programs. We also have been extremely active in banker outreach and education programs across the country, and in participating in domestic and international securities industry–payment systems work groups such as the Global 2000 Co-ordinating Group. Even more important, we have completed a second round of on-site Year 2000 supervisory reviews of the banking organizations we supervise to assess their progress in testing remediated systems, evaluating customer and counterparty risk, and in developing their business resumption contingency plans.

Issuance of Supervisory Guidance

Shortly after my testimony to you in September, on October 15, 1998, the Federal Financial Institutions Examination Council (FFIEC) agencies adopted "Interagency Guidelines Establishing Year 2000 Standards for Safety and Soundness," which apply to all insured depository institutions. The guidelines incorporate important elements of previously issued FFIEC guidance, including aggressive milestone dates for testing and implementation. The guidelines were issued under section 39 of the Federal Deposit Insurance Act, which authorizes the Federal Reserve and other banking agencies to direct an insured depository institution to prepare an acceptable corrective action plan and comply with such a plan, without having to initiate an administrative proceeding. The guidelines, therefore, provide an expedited enforcement tool to address serious Year 2000 deficiencies at insured depository institutions and may be useful in addressing any serious deficiencies over the next few months, when time is of the essence.

On December 11, 1998, the FFIEC issued "Questions and Answers Regarding Year 2000 Contingency Planning" to answer frequently asked questions received by the agencies. The statement underscores the importance of implementing an effective business resumption plan that establishes a course of action to resume core business processes in the event of a system failure.

On February 17, 1999, the FFIEC issued additional guidance to assist financial institutions with customer communications on the Year 2000. The guidance supplements the May 1998 FFIEC policy statement on Year 2000 Customer Awareness Programs and emphasizes that maintaining customer confidence in the financial services industry needs to be a top priority of bank management. The guidance outlines key subject matters that could be incorporated into bank customer communication statements. The two papers together emphasize that it is essential for banks to establish customer communication programs and train staff so that they are able to respond to customer inquiries about their readiness.

Outreach to Banking Industry

We stress the importance of customer communications whenever we meet with bankers, and we do that often. We participated in 101 programs during the fourth quarter 1998 that were attended by 5,000 participants. We participated in a total of 497 programs during 1998 that were attended by more than 26,000 participants. So far in 1999, we have participated in more than 75 programs reaching more than 6,600 participants. We think these programs have been extremely useful to all parties because they provide attendees with an opportunity to hear about our expectations "up close and personal" and to ask questions. They also provide us with an opportunity to hear about the concerns, problems, and accomplishments being experienced by participants and their colleagues.

Phase II Supervision Program

The Federal Reserve has just completed Phase II of its Year 2000 supervision program, which ran from July 1, 1998, through March 31, 1999. During Phase II we performed a risk-focused Year 2000 assessment of approximately 1,500 supervised institutions, including state member banks, bank holding companies with at least $1 billion in total assets or with significant information processing activities, and U.S. branches and agencies of certain foreign banking organizations. Our Phase II program called for an evaluation of a bank's overall Year 2000 program and progress relative to FFIEC guidelines and milestone dates. Based on our reviews, 95 percent of the banking organizations we supervise are making satisfactory progress in their Year 2000 programs and are in substantial compliance with the FFIEC milestone dates.

Any financial institution rated less than satisfactory is required to file an acceptable corrective action plan within thirty days of receiving a deficiency notification letter from the Federal Reserve. These institutions are placed on an intensified monthly monitoring plan, and depending on the severity of the deficiencies identified, the use of an appropriate informal or formal supervisory action is considered. This "watch list" program for monitoring less-than-satisfactory banks has proved extremely effective in bringing the issues to the attention of boards of directors and management and obtaining an appropriate response. We find that most banks are able to intensify their programs and begin making satisfactory progress within a few months.

For the small minority of financial organizations found to be making less-than-satisfactory progress, the deficiencies most frequently noted during Phase II reviews have been relatively manageable and include delays in completing evaluations of customer risk, weaknesses or delays in completing remediation or testing programs, and insufficient communication between management and boards of directors. The progress of institutions that lagged behind the December 31, 1998, FFIEC milestone for completion of internal testing is being closely monitored.

With respect to the readiness of bank customers and counterparties, it does appear that banks are formulating policies for managing credit risk and are incorporating Year 2000 considerations into their underwriting and loan-review practices. We are just beginning to see instances in which credit standards and collateral requirements are being tightened when a counterparty or customer is not able to provide sufficient assurances of Year 2000 readiness. We expect to see an increase in the number of banks acting to minimize credit risks over the next few months.

In addition to reviewing the status of banking organizations, the Federal Reserve participates with the other FFIEC agencies in Year 2000 reviews of certain large national and regional data processing service providers and software vendors serving financial institutions. Sixteen national Multiregional Data Processing Servicers (MDPS), twelve national Shared Application Software Review (SASR) software vendors, and approximately 250 other independent service providers and software vendors are in the review program. Because of their importance to the Year 2000 readiness of financial institutions, service providers and software vendors subject to review by the FFIEC agencies were reviewed on site at least twice by December 31, 1998. Review reports for service providers and software vendors are sent to banks that are direct customers for their information. These entities are also subject to quarterly reviews and were contacted during the first quarter of 1999 to assess the availability of testing programs for their bank customers.

Based on reviews completed and other available information, nearly all vendor software products have been renovated and internally tested, and financial institutions are actively testing these products within their own environments. Proxy testing has been pursued by many institutions that rely on a specific vendor software product for its core banking systems when their hardware–software platform and operating environment are identical to the one that was used to perform direct testing with the servicer. National and regional service providers have also implemented Year 2000-ready services and are testing with their customers. Overall, the service providers and software vendors have made meaningful progress in meeting the testing and implementation needs of their financial institution customers. The few service providers that are not rated satisfactory are subject to intense oversight by the FFIEC agencies, and the review reports detailing deficiencies or problems being experienced have been sent to their bank customers.

While I'm on the subject of testing with service providers, I would like to update you on the Federal Reserve's customer testing program. As I informed you last September, beginning June 29, 1998, the Federal Reserve is offering customers the opportunity to test future-dated transactions for Fedwire funds and securities transfer, Fed Automated Clearing House, the Integrated Accounting System, Treasury Tax and Loan, Check, and other services with electronic data exchanges. To date, more than 8,000 institutions have tested with us, and the Financial Management Service of the U.S. Treasury has conducted interface testing for social security payments. We are continuing to offer testing opportunities through the end of 1999.

Phase III Supervision Program

In January, we distributed guidance on our Phase III program, including intensified monitoring procedures for institutions that are rated less than satisfactory, and established broad criteria under which it will be presumed that the Federal Reserve will take an informal or formal enforcement action against such an institution. These procedures provide guidelines for addressing problem institutions through the century date change.

Looking forward to the critical months remaining until the century date change, the Federal Reserve has initiated a Phase III program for monitoring the Year 2000 readiness of banking organizations. Our Phase III supervision program—which began April 1 and runs through December 31, 1999—calls for risk-based Year 2000 reviews of financial institutions during the second and third quarters of 1999 to confirm that all FFIEC milestone dates have been met. Our examiners have been instructed to confirm that every state member bank is in compliance with FFIEC guidelines by the end of the third quarter 1999.

Financial institutions of special importance to key financial and payment systems in the United States will be subject to at least monthly contacts after June 1999, and the top fifty bank holding companies will be subject to at least quarterly contacts, to ensure that implementation is completed and that appropriate risk-management policies and contingency plans are up to date. Service providers and software vendors that service large numbers of banking organizations will continue to be subject to at least quarterly contacts to review the status of third-party testing and contingency planning.

By June 30, 1999, financial institutions are expected to comply with critical FFIEC milestone dates for completing all Year 2000 internal and external testing, implementation of remediated mission-critical systems, and contingency planning. A major emphasis of our supervision program through the century date change will be the adequacy of contingency plans, which should incorporate not only operational issues but liquidity, funding, customer–counterparty risk, customer and community communications, and other subject matters. Through the end of the year, financial institutions will be expected to continue to monitor customer and counterparty credit risk and to update contingency plans as necessary to respond to internal and external events or other Year 2000-related developments that could affect operations.

I must emphasize that the FFIEC milestone dates are not hard and fast deadlines but rather *important benchmarks* for ensuring that a financial institution is managing its Year 2000 program in a prudent manner—one that provides a six-month cushion to tie up loose ends, continue testing activities, complete work on non-mission-critical systems, and observe renovated and newly installed systems in a production environment. During Phase III reviews, we will apply our best judgment in assessing an institution's progress in meeting FFIEC milestones, most important the June 30 date. Let me caution, however, that this process is very complex, and it should not be surprising to see some testing activity prescribed by the FFIEC policy statements extend past the milestone dates. If during our Phase III reviews we find that it is taking an institution a little longer to complete its preparations, we will assess the risk presented and respond accordingly, either through increased monitoring and supervision or through intelligent use of enforcement actions and disclosure. While ratings provide an objective measure of our assessment of an organization's progress relative to the FFIEC's milestones, during Phase III the actual Year 2000 status of an organization through and into the Year 2000 will be the focus of our supervisory activities.

Our Reserve Banks will be assessing each financial institution reviewed under the program by the end of the third quarter 1999. Obviously we want these assessments to reflect the Year 2000 progress and status of each banking organization accurately, and Reserve Banks to be consistent in assigning ratings to organizations within their Districts. In this regard, each Reserve Bank will have an internal review process to ensure that organizations that are similarly situated relative to the extent of work remaining will be comparably rated. Moreover, in our discussions with Reserve Banks, we have established certain parameters that limit somewhat the flexibility examiners have when rating an organization.

Our staff in Washington reviews all reports for organizations rated less than satisfactory as well as a sampling of "satisfactory" reports to ensure that there is consistency across Districts. Implicit in all of this is the understanding that our examiners have a "hands on" understanding of each organization—including the scope of its Year 2000 project and status, the track record of management in responding to challenges and meeting regulatory directives, and the adequacy of the organization's resources. These factors provide the depth and intelligence necessary to formulate realistic and fair appraisals of banking organizations.

FFIEC Contingency Planning Working Group

There is one other supervisory initiative I would like to mention. The FFIEC agencies have established a Year 2000 Contingency Planning Working Group to identify and coordinate contingency planning issues of common interest. The group has agreed upon many areas of common interest and is considering how contingency planning efforts in these areas can be coordinated among the agencies. The subjects for review include communications with the public, monitoring of large institutions, international–payment systems, liquidity, fraud, nonviable and viable financial institutions, service providers and software vendors, and resource sharing among agencies. The Conference of State Banking Supervisors also participates. When appropriate, the group is preparing guidance and planning how to coordinate responses to problems that may arise in these areas.

PRESIDENT'S COUNCIL ON YEAR 2000 CONVERSION FINANCIAL SECTOR GROUP

The Federal Reserve has been extremely active in assisting the government's coordination of the nation's Year 2000 preparations. The Federal Reserve represents the banking industry on the President's Council on Year 2000 Conversion, and a senior Board official chairs the Financial Sector Group (FSG), which is made up of twenty-seven U.S. government agencies and corporations, government-sponsored enterprises, and state regulatory associations that play a role in the credit, equity, debt and exchange-traded derivatives markets. The financial sector includes depository institutions, credit unions, the securities industry, stock markets, clearing and settlement firms, and the insurance industry. The sector group also includes more than fifty trade associations that represent U.S. financial market participants.

The FSG is charged with increasing awareness of the importance of Year 2000 readiness in the financial services industry, as well as promoting communications and cooperation with public and private organizations within the sector. It serves as a forum for addressing interagency issues and developing positions on important matters before the President's Council. For example, the FSG recently took the lead in developing a cross-sector paper examining the pros and cons of establishing a special Year 2000 holiday and related proposals for the President's Council. The FSG is also assisting in the Council's event management planning and will participate in its national communication center during the last quarter of 1999 and the first quarter of 2000.

The FSG sponsored a trade association summit meeting in December 1998. The theme of the meeting was infrastructure readiness, and Senator Bennett was our keynote speaker. More than 250 trade association representatives and members of the press attended this informative event, which significantly expanded the dialogue and opened the door for better coordination of Year 2000 efforts between the financial services industry and the electric power and telecommunications sectors. The FSG is sponsoring a second summit on April 15, addressing the themes of contingency planning and customer awareness. Congressman Leach will be our keynote speaker.

JOINT YEAR 2000 COUNCIL

The Joint Year 2000 Council was established in April 1998 by the Basle Committee on Banking Supervision, the G-10 Committee on Payment and Settlement Systems, the International Association of Insurance Supervisors, and the International Organization of Securities Commissions. My colleague Governor Roger Ferguson chairs the council. The council provides a vital forum for communication among international regulatory and supervisory authorities on Year 2000 issues. It also serves as a point of contact with various national and international private sector initiatives.

Among its initiatives, the council has developed a global supervisory contact list of more than 600 financial regulators and initiated several mechanisms for communicating with them. It is publishing a series of bulletins on different Year 2000 topics and has issued six guidance papers on key phases in the Year 2000 process, including papers on testing, information sharing, and contingency planning, which are published on its web site. The council has conducted regional Year 2000 roundtables for regulators in Europe, Asia–Pacific, North and South America and the Caribbean, the Middle East, and Africa. These conferences provide an excellent means of bringing supervisors together to discuss common interests within specific geographic areas. Another round of regional meetings is being planned for this year, with a focus on the important issues of implementing remediated systems, information sharing, testing, and contingency planning.

The international arena remains an area that needs to be watched closely by all market participants and supervisors. The Year 2000 readiness survey conducted by the Basle Committee on Banking Supervision late last year identified significant progress in the international financial community's efforts to prepare for the century date change and help prevent serious problems. Of the 100 banking supervisors that responded to the survey, all indicated that they had contacted their banks regarding the Year 2000 issue, and the large majority—including all major markets—had initiated supervisory programs to ensure that banks allocate the necessary resources to identify any potential Year 2000 problems. However, much work remains to be done, particularly in smaller, less industrial and emerging countries.

While we do not know with certainty what the outcome will be around the globe, the level of Year 2000 awareness of financial services regulators is now quite high. Moreover, the effect of applying the FFIEC policy statements to the U.S. operations of foreign banking organizations had a salutary effect in making their parent organizations abroad aware of the problem and the need to formulate Year 2000 programs. In light of the recent increase in information showing that the Year 2000 problem is receiving increased attention and resources, and that progress is being made abroad, it is increasingly likely that Year 2000 technical issues will not cause significant problems in the most active foreign global markets. However, to achieve that goal, it is critical that the current momentum and level of resources be maintained. It also is essential that countries coordinate with each other across financial and other sectors to share information and develop contingency plans in areas of common interest.

LEGISLATIVE MATTERS

Federal Reserve Note Collateral

The Board strongly supports adoption of H.R. 1094, which would amend the Federal Reserve Act to broaden the range of discount window loans that may be used as collateral for Federal Reserve notes. Section 16 of the Federal Reserve Act requires that the Federal Reserve collateralize Federal Reserve notes when they are issued. In other words, we are required to hold certain kinds of assets in an amount at least equal to the amount of currency in the hands of the public. The list of eligible collateral includes Treasury and federal agency securities, gold certificates, special drawing right certificates, foreign currencies, and discount window loans made under section 13 of the Federal Reserve Act.

The reference to discount window loans made under section 13 was in the original Federal Reserve Act. Subsequently, however, when the Federal Reserve Act, including section 13, was amended to allow discount window loans to be made against a wider array of collateral, section 16 was not similarly amended. Thus, section 16 currently limits the types of discount window loans the Federal Reserve can use to collateralize the currency. For example, certain discount window loans under section 10B of the act secured by mortgages on one- to four-family residences cannot be used. The margin of available extra currency collateral has been shrinking because of the growth of retail sweep accounts, which reduces reserve balances, causing a corresponding reduction in Treasury securities held by Reserve Banks. In this context and in light of the potential for depository institutions to seek access to the discount window because of events related to the Year 2000, we believe that it would be prudent to amend the Federal Reserve Act to expand the types of assets eligible to collateralize the currency to include all types of discount window loans, thereby assuring flexibility in times of high loan demand.

Year 2000 Holiday

Various segments of the financial services industry, particularly those operating abroad, have suggested that governments adopt an additional holiday around the century date change. There are a number of dates proposed for a Year 2000 holiday—Friday, December 31; Monday, January 3; and even Tuesday, January 4—although there does not appear to be any consensus on which date would be most desirable. Adding to the uncertainty is the question whether the holiday should be mandatory (requiring all businesses to close) or permissive (permitting but not requiring businesses to close). In the United States most holidays are permissive, and December 31 will be such a federal holiday. The Federal Reserve announced last year that the Reserve Banks will be open for business on that day and on Monday, January 3, 2000, and we understand that most businesses plan to be open on those days as well.

We do not support the concept of a special Year 2000 holiday. Some have suggested that a Year 2000 holiday facilitate the transition to the next century. For example, a December 31, 1999, holiday would provide additional time to complete end-of-day (December 30) as well as at least some end-of-quarter and end-of-year processing before the rollover to January 1. A January 3, 2000, holiday—as contemplated by H.J. Res. 14—would provide an additional day for organizations to confirm that computer, telecommunications, and embedded systems are operating properly and to identify and resolve any Year 2000 disruptions that may occur, although, since the holiday would be permissive, the extent to which organizations would take advantage of it is unclear, and it could engender even more confusion as to who is open and who is not. The recently proposed January 4 holiday purportedly would provide time to process and react to any problems that appear on the first business day of the new millennium.

In our view, the drawbacks to a Year 2000 holiday are significant and include additional operational burdens, potential contractual and taxation issues, and potential adverse public reaction. The adoption of a mandatory Year 2000 holiday may require banks to initiate additional procedural and operational changes. Internal systems would have to be reprogrammed to include the new holiday and to treat it as a nonbusiness day for purposes of completing transactions. Because these changes are date-related, systems that already have been remediated would require additional Year 2000 testing to ensure that the changes did not inadvertently create date-related processing problems. Banks would have to revise their test scripts, create different future-dated computing environments to simulate the new sequence of business days, generate new test data to reflect the holiday, and then retest systems that were previously designated as Year 2000 ready. This would place significant additional burdens on firms and may increase, rather than reduce, the risk of disruption. Moreover, the task would divert already scarce resources away from the primary task of completing Year 2000 testing, implementation, and contingency planning. We should understand that all of this work would have to occur long after the FFIEC milestone dates for completion of testing and implementation of remediated systems.

Declaring a new Year 2000 holiday would also further increase transaction volume on the last and first business days of the year, when volume is traditionally higher than average. This may exacerbate workloads on adjacent days, complicating the transition and the resolution of any problems. A special Year 2000 holiday would also affect contractual and other payment obligations, and there would be potential tax implications attendant to any pre- or post-Year 2000 payments made as a result of the new holiday.

Finally, and equally troubling, changes to existing holiday laws would send a signal to the public that the government has serious concerns about the potential for significant Year 2000 problems within the financial services industry. We do not believe significant problems will occur, and we are opposed to taking actions that could unnecessarily erode public confidence in the industry, where erosion of confidence can create significant destabilizing effects on our economy.

The Federal Reserve first discussed the holiday issue with the financial industry more than a year ago. At that time, proponents of a Year 2000 holiday emphasized that the decision must be made *no later than the first quarter 1998* for organizations to derive the intended benefits without incurring undue costs and risks. They correctly believed that declaration of a Year 2000 holiday at a later time would impede an organization's ability to limit changes to remediated systems during the period surrounding the century date change. Indeed, many institutions such as the Federal Reserve have adopted change management policies in order to limit the risks to information systems posed by changes in the second half of 1999. Changes in holidays or payment schedules at this late date would run counter to the risk mitigation objectives of these policies.

Some agencies have asked whether rescheduling payments from early January to late December should be considered as part of their contingency planning. While this initially may seem to be a prudent approach, the premise underlying the proposal must be that either the financial system will be unable to deliver payments to recipients' bank accounts or that, once payments have been delivered, recipients will be unable to use those funds because of problems at their banks. With respect to the ability of the financial system to deliver payments to banks, we have a high degree of confidence that the Federal Reserve will continue to process payments during this period. Further, our understanding of the readiness of private-sector providers of payment services, gained through our supervisory efforts and the efforts of the other financial supervisory agencies, gives us confidence that other wholesale providers of payments services will also continue to process payments during this period.

With respect to individuals' and businesses' ability to use their funds at their banks, we believe that it is reasonable to assume, based on the Year 2000 progress being made by the banking industry, that access to those funds will continue unabated. To assume otherwise could engender problems more severe than the problems that people are seeking to avoid. For example, if a large number of individuals interpret an early payment to mean that they will be unable to access their bank account, or make payments by other means, such as credit cards, for some period, they may seek to withdraw large quantities of cash. Moreover, cash is in many respects an inefficient payment vehicle—the risk of loss or theft is great, and its delivery to remote payees can be difficult and time-consuming. While there may be particular circumstances that warrant rescheduling payments during the Year 2000 rollover period, we would caution against actions that may themselves lead to problems as severe or even more severe than the problems that they are designed to avoid.

Credit Union Liquidity

In an area related to issues of cash availability and liquidity of financial institutions, the Federal Reserve has been working with representatives of the credit union industry and the National Credit Union Administration to address logistical problems that might arise because of any need for a large number of credit unions to obtain liquidity beyond the considerable amount they already have available. Although this work is still in the preliminary stages, we are confident that a relatively cost-effective, efficient means can be found to channel funds through the corporate credit union system to natural person credit unions in need of liquidity. Such a structure would seek to rely to the extent possible on existing credit relationships and documentation.

Litigation Issues

There has been a great deal of talk about litigation that may arise because of Year 2000 problems. This has led to the introduction of a number of bills designed to limit litigation relating to Year 2000, including H.R. 775, the proposed "Year 2000 Readiness and Responsibility Act," as well as concerns whether existing consumer laws limiting liability for bona fide errors should be clarified. We do not have a position as to whether H.R. 775 should be adopted. We do believe that no legislation should be construed to limit the financial supervisory agencies' ability to bring enforcement actions based on Year 2000-related problems. To do so could interfere with the agencies' ability to encourage supervised institutions to address Year 2000 issues appropriately. Accordingly, we recommend that any legislation limiting liability in civil actions should exclude actions brought by a federal, state, or other public entity, agency, or authority acting in a regulatory, supervisory, or enforcement capacity. A similar exclusion was incorporated in the Year 2000 Information and Readiness Disclosure Act.

The issue of banking agency enforcement authority may be of particular significance with respect to section 605 of H.R. 775, "Suspension of Penalties for Certain Year 2000 Failures by Small Business Concerns." That section would provide that, as a general rule, no agency shall impose a civil penalty on a small business concern for a first-time error resulting from a Year 2000 failure. Some banking institutions and their affiliates may come within the definition of small business concerns to which this provision applies. Again, we are concerned that this provision could interfere with the financial supervisory agencies' ability to encourage supervised institutions to address Year 2000 issues appropriately and urge that this limitation not apply to any penalty imposed by a federal banking agency as defined in the Federal Deposit Insurance Act.

Finally, with respect to the bona fide error provisions contained in many consumer laws, in our view, computer malfunctions and programming errors due to Year 2000 problems appear to be covered by statutory provisions dealing with "bona fide errors." Accordingly, we do not see a need for additional clarifying legislation.

CONCLUSION

In closing, I would like to thank the committee for the opportunity to share this information with you. We appreciate your concern and assistance in identifying the appropriate focus of our efforts during the last months before the Year 2000. Financial institutions are continuing their efforts and making significant progress in renovating their systems to prepare for the century rollover. The Federal Reserve is committed to a rigorous program of industry testing and contingency planning and, through our supervisory initiatives, to identifying those organizations that most need to apply additional attention to Year 2000 readiness programs. We are committed to working with national and international counterparts and other groups, including the President's Council on Year 2000 Conversion, the Joint Year 2000 Council, and industry trade associations to assist the industry in preparing for the rollover to the Year 2000.[1]

1. Important Year 2000 web sites are the following:

Federal Reserve Year 2000 web site—
http://www.federalreserve.gov/y2k/

Federal Reserve Century Date Change Project—
http://www.frbsf.org/fiservices/cdc/

Federal Financial Institutions Examination Council—
http://www.ffiec.gov/

President's Council on Year 2000 Conversion—
http://www.y2k.gov/

Bank for International Settlements and Joint Year 2000 Council—
http://www.bis.org/

Global 2000 Co-ordinating Group—
http://www.global2k.org/

Statement by Kenneth D. Buckley, Assistant Director, Division of Reserve Bank Operations and Payment Systems, Board of Governors of the Federal Reserve System, before the Committee on Veterans' Affairs, U.S. Senate, April 20, 1999

I am pleased to appear before the committee to discuss the arrangements the Federal Reserve is making to ensure the timely delivery of veterans' benefit payments made by direct deposit during the rollover to the Year 2000. Veterans and their families depend on Federal Reserve systems to reliably deliver their payments electronically to their banks. We believe that they should feel confident that their benefits will be paid as usual during and after the rollover to the Year 2000. I will review the Federal Reserve's role in processing these payments and address the Federal Reserve's Year 2000 preparations. I will also be pleased to answer any questions you may have.

The Federal Reserve Banks provide a variety of payment services to banks and U.S. government agencies.[1] These services range from electronic payment mechanisms, such as Fedwire funds transfer and automated clearing house (Fed ACH), to check collection. As fiscal agents of the United States, the Reserve Banks use these services to collect and disburse payments on behalf of government agencies. Government payments are typically originated by federal agencies through the Treasury Department's Financial Management Service (FMS), which in turn delivers payment instructions to the Federal Reserve for subsequent delivery to banks or processors. Most government payments are made electronically using the Fed ACH service.

For veterans' benefit payments, the Department of Veterans Affairs provides instructions to FMS about the payments to be made and the method to be used. (Currently 75 percent of veterans' payments are made by ACH and 25 percent by check.[2]) FMS in turn creates an ACH payments file that includes the payment amount, beneficiary identification, settlement date, receiving bank routing information, and total dollar amount for all payments in the file. FMS sends the file electronically to the Federal Reserve three to four days before the payment date. The Fed ACH software edits the data for accuracy, sorts the payment information by receiving bank, sends a payment file to each receiving bank, and initiates accounting entries that will debit the Treasury's account and credit the receiving banks' accounts on the payment date. Receiving banks credit customers' accounts on the scheduled payment date.

Because of our intermediary role as a payments processor, the Federal Reserve's Year 2000 readiness preparations involve both our internal systems and our external interfaces to other organizations, such as banks and FMS. Along with other federal banking regulators, we have advised banks to test, at a minimum, all mission-critical systems by June 30, 1999, and we have provided the facility for banks to test their interfaces with us. We are also working with U.S. government agencies to test their automated interfaces with the Federal Reserve by exchanging ACH test files.

1. For purposes of this discussion, the term "bank" includes all depository institutions, such as savings and loan associations and credit unions.

2. Federal Reserve Banks pay Treasury-issued checks as fiscal agents of the Treasury.

The Federal Reserve's mission-critical systems used to deliver veterans' benefit payments through the ACH are Year 2000 ready and in production. FMS has tested its interface to the Fed ACH system and has reported no problems. In fact, the General Accounting Office (GAO) recently reviewed critical Federal Reserve systems, including Fed ACH, and determined that the Federal Reserve has effective management controls for its internal Year 2000 program. The GAO's report, which was released earlier this month, noted no concerns about the Federal Reserve's Year 2000 readiness.[3,4]

Beginning in June 1998, the Federal Reserve offered to the Treasury, other government agencies, banks, and processors the opportunity to test future-dated ACH transactions and related accounting functions. We are encouraging all banks, especially those that originate a large volume of ACH payments, to test with the Federal Reserve as soon as possible. As of last week, about 6,400 banks, representing 67 percent of the Federal Reserve's ACH customers, had tested their automated interfaces with the Federal Reserve by exchanging Fed ACH test files that contain post-1999 dates. We will continue to offer testing opportunities through early 2000.

We realize that the success of our Year 2000 program will be measured by our ability, and the public's confidence in our ability, to conduct business on and after January 3, 2000. Thus, the Federal Reserve will have contingency and business resumption plans in place for ACH payments. We are coordinating these efforts with the Treasury and other government agencies. Backup arrangements being offered by the Reserve Banks include magnetic tape options and paper listings from which banks could post accounts. We believe, however, that if there are any disruptions, they will be mild and short-lived.

Boards of directors and senior managers of banks are working to ensure the Year 2000 readiness of their systems. Bank regulators are providing guidance, encouragement, and strong incentives to the banking industry to address the Year 2000 challenges, but management bears the responsibility for their institutions' readiness. In 1997, the Federal Reserve and the other Federal Financial Institutions Examination Council agencies started a three-phase Year 2000 supervision program for the banks they oversee. This program is intended to elevate the

3. *Year 2000 Computing Crisis: Federal Reserve Has Established Effective Year 2000 Management Controls for Internal Systems Conversion* (GAO/AIMD–99–78, April 9, 1999).

4. In addition, major private-sector ACH operators—the American Clearing House Association, the New York Automated Clearing House, and Visa USA—have reported that their computer systems are Year 2000 ready.

awareness of Year 2000 issues, monitor the progress of banks' Year 2000 planning and readiness efforts, and require banks that are lagging in their Year 2000 preparedness efforts to develop specific plans to remedy deficiencies. Based on the assessments of bank supervisors at the Federal Reserve and the other banking agencies, we believe that the industry has made great progress in Year 2000 preparedness.

The Federal Reserve actively participates in the President's Council on Year 2000 Conversion, and a senior Federal Reserve official chairs the Council's Financial Sector Group. This group comprises federal agencies with large payment volumes, including the Department of Veterans Affairs. We are also coordinating closely with numerous other government and industry entities to ensure that payments flow normally as the year rolls over.

In conclusion, preparation for the Year 2000 will continue to be one of the Federal Reserve's highest priorities. Internal Federal Reserve systems used to deliver veterans' benefit payments have been modified, tested, and placed into production. As I have indicated, testing with banks and the Treasury is continuing. Extensive business resumption plans are being developed and reviewed. Every bank's Year 2000 preparedness efforts have been examined twice, and the Federal Reserve, like the other regulators, has found that the majority of institutions are making satisfactory progress in their Year 2000 readiness programs. Those institutions identified as lagging in their Year 2000 efforts have been targeted for additional follow-up and, if necessary, formal enforcement actions. While we expect that the industry may experience some minor or localized problems during the rollover, the Federal Reserve fully expects to conduct business as usual through the Year 2000. Veterans and their families should feel confident that their benefits will be paid as usual.

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 General Oversight and Investigations and the Subcommittee on Financial Institutions and Consumer Credit of the Committee on Banking and Financial Services, U.S. House of Representatives, April 20, 1999

I am pleased to appear before the Subcommittee on General Oversight and Investigations and the Subcommittee on Financial Institutions and Consumer Credit to discuss the Federal Reserve's role in the government's efforts to detect and deter money laundering and other financial crimes with a particular emphasis on matters related to the Bank Secrecy Act and suspicious activity reporting.

OVERVIEW

The Federal Reserve has a long-standing commitment to combating money laundering and ensuring compliance with the Bank Secrecy Act and related suspicious-activity reporting requirements by the domestic and foreign banking organizations that it supervises. Compliance with the Bank Secrecy Act and suspicious-activity reporting requirements by financial institutions provides timely and valuable information to law enforcement and is the best indicator of the existence of satisfactory anti-money-laundering and anti-fraud policies and procedures.

Over the past several years, the Federal Reserve has been actively engaged in the government's efforts to deter money laundering through financial institutions by, among other things, redesigning the Bank Secrecy Act examination process, developing anti-money-laundering guidance, regularly examining the institutions we supervise for compliance with the Bank Secrecy Act and relevant regulations, conducting money-laundering investigations, providing expertise to the U.S. law enforcement community for investigation and training initiatives, and providing training to various foreign central banks and government agencies.

Ten years ago the Federal Reserve started its anti-money-laundering program and appointed a senior official to coordinate the Federal Reserve's activities in this area. In 1993, the Federal Reserve established a special investigations unit, with responsibility for, among other things, the oversight of the Federal Reserve's anti-money-laundering program. In the same year, each of the Federal Reserve Banks designated a senior experienced examiner to be the Bank Secrecy Act coordinator.

We have long felt that banking organizations and their employees are the first and strongest line of defense against money laundering and other financial crimes. As a result, the Federal Reserve emphasizes the importance of financial institutions putting in place controls to protect themselves and their customers from illicit activities.

The Congress too has long recognized that a banking organization's best protection against criminal activities is its own policies and procedures designed to identify and then reject potentially illegal or damaging transactions. In 1986, the Congress passed a law (section 8(s) of the Federal Deposit Insurance Act) mandating that the Federal Reserve and the other federal banking agencies issue regulations requiring the domestic and foreign financial institutions that the agencies supervise establish and maintain internal procedures designed to ensure and monitor compliance with the Bank Secrecy Act.

Determining Compliance through Examinations

To understand and properly evaluate the effectiveness of a banking organization's Bank Secrecy Act-related controls and procedures and compliance with the Board's rules issued under section 8(s) of the Federal Deposit Insurance Act, the Federal Reserve has developed comprehensive examination procedures and manuals. In November 1997, the Federal Reserve issued newly revised risk-focused Bank Secrecy Act examination procedures. These enhanced examination procedures specifically address anti-money-laundering compliance. The examination procedures take a multistage "top down" approach.

During every examination of a state member bank and U.S. branch or agency of a foreign bank supervised by the Federal Reserve, specially trained examiners review the institution's previous and current compliance with the Bank Secrecy Act. Examiners first determine whether the institution has included anti-money-laundering procedures in all of its operational areas, including retail operations, credit, private banking, and trust, and has adequate internal audit procedures to detect, deter, and report money-laundering activities, as well as other potential financial crimes. This is done through a review of the institution's written compliance program and documentation of self-testing and training, as well as through a review of the institution's system for capturing and reporting certain transactions pursuant to the Bank Secrecy Act, including any suspicious or unusual transactions possibly associated with money laundering or other financial crimes.

In those instances in which there are deficiencies in the written compliance program, failures to adequately document self-testing or training, obvious breakdowns in operating systems, or failures to implement adequate internal controls, the Federal Reserve's examination procedures require that examiners conduct a more intensified, second-stage examination that would include the review of source documents and expanded transaction testing, among other steps. Enforcement actions, including the assessment of civil money penalties, are used to address situations in which deficiencies are not promptly and fully corrected.

SUSPICIOUS ACTIVITY REPORTING

Before I describe how the Federal Reserve uses Suspicious Activity Reports and other Bank Secrecy Act reports, some background information regarding the new Suspicious Activity Reporting system would be useful.

In 1985, the five federal financial institutions regulatory agencies—the Federal Reserve, the Federal Deposit Insurance Corporation, the Office of the Comptroller of the Currency, the Office of Thrift Supervision (then the Federal Home Loan Bank Board), and the National Credit Union Administration—developed substantially similar, but not uniform, procedures and forms, then known as the criminal referral process, to be used by all financial institutions operating in the United States to report known or suspected criminal law violations. The introduction of the concept of criminal referral forms was the result of the efforts of the interagency Bank Fraud Working Group, which has been addressing the problems of combating white collar financial institution crime since 1984.[1] The use of the forms and the attendant reporting procedures, which were jointly developed by the banking and criminal justice agencies participating in the Working Group, enabled financial institutions and the banking agencies to report all instances of suspected criminal activities to the appropriate law enforcement and supervisory authorities.

In addition to ensuring the timely provision of information about known or suspected criminal activities to law enforcement authorities, the member agencies in the Working Group recognized the importance of sharing criminal referral information among themselves, particularly in the area of background checks and the coordination of particular significant matters of mutual interest. The need for an effective interagency database of criminal referral information was made an objective of the Working Group, and the agency representatives explored various ways to develop such a system.

Beginning in 1994, the Federal Reserve participated in an interagency effort to completely redesign the criminal referral process for banking organiza-

1. The Working Group now consists of senior staff representatives from thirteen federal agencies, including the Federal Reserve, the other federal financial institutions regulators, the Federal Bureau of Investigation, the U.S. Secret Service, the Departments of Justice and the Treasury, including the Treasury's Financial Crimes Enforcement Network, the Internal Revenue Service's Criminal Investigation Division, and the Securities and Exchange Commission. The Working Group meets monthly, and its various subcommittees meet more frequently when necessary.

tions. The banking agencies worked with Treasury's Financial Crimes Enforcement Network (FinCEN) as the manager of the new process because of that agency's experience in processing millions of currency transaction reports and its database management skills, and because the Congress had amended the Bank Secrecy Act to require FinCEN to issue suspicious-activity reporting rules for financial institutions, including banks, broker–dealers, and casinos.

The result of this effort is the existing Suspicious Activity Report. The new Suspicious Activity Report became effective on April 1, 1996, for all banking organizations operating in the United States and subject to the jurisdiction of the five federal banking agencies and FinCEN. Before the effective date of the new Suspicious Activity Report, the Federal Reserve, each of the other federal banking agencies, and FinCEN issued new rules for the reporting of suspicious activity mandating the use of the interagency Suspicious Activity Report.

Along with the enhanced reporting process, another important improvement is the statutory protection that the Congress provided for banking organizations reporting suspicious or criminal conduct. The statutory protection provides banking organizations and their employees with immunity from civil liability for reporting known or suspected criminal offenses or suspicious activities. The law also prohibited financial institutions filing Suspicious Activity Reports from notifying anyone involved with reported transactions about the filings. These protections, long sought by the banking community and supported by the Federal Reserve, give comfort to banking organizations that they will not be held liable for providing timely and useful information to law enforcement authorities or compelled to reveal information that has been reported to law enforcement authorities to help their crime-fighting efforts.

Utility of Bank Secrecy Act and Suspicious Activity Report Information

As more fully detailed by representatives from the various law enforcement agencies, information collected and reported pursuant to the requirements of the Bank Secrecy Act and the suspicious activity-reporting regulations provides necessary and essential assistance to government investigators and prosecutors. Similarly, as I explained earlier, during the course of examinations conducted by the Federal Reserve, a review of the information collected and reported pursuant to the Bank Secrecy Act and the suspicious-activity reporting requirements assists examiners in determining compliance with these regulations.

You asked whether information on the Bank Secrecy Act and Suspicious Activity Report has been beneficial to the Federal Reserve's supervisory and enforcement initiatives. The simple answer is that such information has been valuable and has led to numerous supervisory actions addressing wrongdoing by banking organizations and persons associated with them. Federal Reserve staff reviews Suspicious Activity Reports and Currency Transaction Reports filed by banking organizations supervised by the Federal Reserve. Our purpose in conducting reviews of Suspicious Activity Reports is to identify for further investigation potential problems that would normally not be detected during the course of an examination but that have been reported by a financial institution as being suspicious. Likewise, we review Currency Transaction Reports before we conduct Bank Secrecy Act examinations in order to better focus the scope of the examinations and, when necessary, to more precisely target problem areas.

While the Federal Reserve's investigative initiatives resulting from our review of these reports are not public and cannot be discussed here, two recent events involving large banking organizations supervised by the Federal Reserve involved public court proceedings or reported cases in which the organizations' Suspicious Activity Reports were disclosed. For this reason, I am able to provide some details about how Federal Reserve staff used the information filed by the banking organizations.

As the result of a Suspicious Activity Report filed by Bankers Trust, the Federal Reserve conducted a targeted review of certain activities of the bank involving escheatable funds. After our inquiry, the staff worked extensively with federal investigators and prosecutors, and the result was the recent guilty plea by Bankers Trust and the imposition of a $60 million fine. Similarly, a Suspicious Activity Report containing information of suspected criminal activity by a BankBoston official led to the discovery that the individual apparently defrauded BankBoston out of more than $73 million. After having reviewed the circumstances surrounding the official's actions, the Federal Reserve sought and received federal court orders freezing all of the individual's U.S. assets. We are continuing to work with law enforcement authorities during the course of their criminal investigation of this matter. Additionally, on several occasions, the Federal Reserve has commenced enforcement actions against individuals as the result of information first reported in a Suspicious Activity Report.

Currency transaction information provided to the government pursuant to the Bank Secrecy Act has also been a valuable asset for the Federal Reserve's enforcement function. A Federal Reserve investigation that in large part relied on information reported pursuant to the Bank Secrecy Act led to the conviction of the Bangkok Metropolitan Bank for criminal activity related to money laundering and fraud. This foreign banking organization subsequently was ordered by the Federal Reserve to cease all operations in the United States. Similarly, Bank Secrecy Act information was used during the Federal Reserve's involvement with the recently completed Operation Casablanca investigation, in which Federal Reserve staff worked extensively with federal law enforcement agencies during the course of their investigation of money-laundering activities by several foreign banking organizations and their employees.

FEDERAL RESERVE ROLE

In addition to the Federal Reserve's efforts to develop appropriate anti-money-laundering and anti-fraud-related policies and procedures for the domestic and foreign financial institutions that we supervise and our examination for compliance with those policies and procedures, staff of the Federal Reserve has, as I just discussed, taken an active role among federal bank supervisors in the law enforcement community's battle to deter money laundering by providing expertise for law enforcement initiatives and training to various government agencies.

The Federal Reserve routinely coordinates with federal law enforcement agencies with regard to potential criminal matters, including anti-money-laundering and financial crime activities. The scope of this coordination ranges from our work on the development and implementation of the interagency Suspicious Activity Reporting system to the referral of illicit activities on a case-by-case basis to law enforcement agencies resulting from examinations of banking organizations and a review of Suspicious Activity Reports. The aforementioned situations involving Bankers Trust, BankBoston, and Operation Casablanca are good examples of our efforts in this area.

Training provided by Federal Reserve staff to law enforcement agencies continues to include programs at the U.S. Department of the Treasury's Federal Law Enforcement Training Center and at the FBI Academy, as well as training for the U.S. Secret Service and the U.S. Customs Service. Additionally, Federal Reserve staff has provided training in anti-money-laundering procedures to foreign law enforcement officials and central bank supervisory personnel in such countries as Russia, Poland, Hungary, the Czech Republic, and a number of the emerging Baltic states, as well as Brazil, Ecuador, Argentina, and several other countries in the Middle East and Far East.

Over the years the Federal Reserve has taken the initiative to provide timely and useful information to banking organizations with regard to ongoing criminal conduct or potential schemes that may have an adverse impact on them. In the past few years, the Federal Reserve and the other federal banking supervisory agencies have issued alerts on such matters as "Prime Bank" frauds and credit card fraud schemes. Such notices to the banking industry are intended to advise banking organizations and the public about the potential dangers of such schemes and practices.

Also, from time to time, the Federal Reserve has developed and issued policy statements with regard to activities occurring in banking organizations that we have determined *could* pose a threat to the integrity of a bank. One such example was the Federal Reserve's development and issuance of a policy statement on "payable-through accounts." The purpose of the policy statement was to ensure that banks that engage in payable-through activity, which basically involves the use of a checking account at a bank in the United States by an individual who resides outside of this country, have appropriate procedures in place to ensure that no illicit activities are being conducted through these accounts. The Federal Reserve's 1997 issuance of a sound practices paper on private banking is another example.

CONCLUSION

As bank supervisors, the Federal Reserve believes that it is necessary to take reasonable and prudent steps to ensure that banking organizations are not victims of, and also do not knowingly participate in, illicit activities such as money laundering or other financial crimes. For this reason, and to support our law enforcement agencies in their efforts to combat money laundering and other financial offenses, the Federal Reserve's commitment to ensuring compliance with the Bank Secrecy Act and suspicious-activity reporting requirements continues to be a high bank supervisory priority. The Federal Reserve has an important role in ensuring that criminal activity does not pose a systemic threat and, as important, in improving the ability of individual banking organizations in the United States and abroad to protect themselves from illicit activities. Both the Bank Secrecy Act and suspicious activity reporting requirements are vital to the continued efforts of the Federal Reserve and the government, as a whole, to combat illicit activities through the financial system.

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, April 28, 1999

I would like to thank the committee for the opportunity to present the views of the Federal Reserve on the current version of H.R. 10, the approach to financial modernization most recently approved by the House Banking Committee. Last year, I testified at length before this committee on many of the issues related to your deliberations on this legislation. Our views have not changed on the need to modernize our banking and financial system, on consolidated supervision, on the emphasis on reduced regulation, on the unitary thrift loophole, and especially on continuing to prohibit banks from conducting through their subsidiaries those activities that they are prohibited to do themselves. In the interest of time, however, I thought it might be best if I limit my formal comments only to the latter, that is, the setting of the underlying structure of American banking in the twenty-first century. The issue is whether the important new powers being contemplated are exercised in a financial services holding company through a nonbank affiliate or in a bank through its subsidiary. Such a decision would be of minor significance, and decidedly not a concern of legislators and regulators, if banks were not subsidized.

We at the Federal Reserve strongly support the new powers that would be authorized by H.R. 10. We believe that these powers, however, should be financed essentially in the competitive marketplace and not financed by the sovereign credit of the United States. This requires that the new activities be permitted through holding companies and prohibited through banks.

OPERATING SUBSIDIARIES

The Board believes that any version of financial modernization legislation that authorizes banks to conduct in their subsidiaries any activity as principal that is prohibited to the bank itself is potentially a step backward to greater federal subsidization and eventually to more regulation to contain the subsidies. I and my colleagues, accordingly, are firmly of the view that the long-term stability of U.S. financial markets and the interests of the American taxpayer would be better served by no financial modernization bill rather than one that allows the proposed new activities to be conducted by the bank, as proposed by H.R. 10. For reasons I shall discuss shortly, the Board is not dissuaded from this view by provisions that have been incorporated in H.R. 10 to address our concerns.

Subsidies

Government guarantees of the banking system—deposit insurance and direct access to the Fed's discount window and payments system guarantees—provide banks with a lower average cost of capital than would otherwise be the case. This subsidized cost of capital is achieved through lower market risk premiums on both insured and uninsured debt and through lower capital than would be required by the market if there were no government guarantees. The lower cost of funding gives banks a distinct competitive advantage over nonbank financial competitors and permits them to take greater risks than they could otherwise.

The safety net subsidy is reflected in lower equity capital ratios at banks that are consistently below those of a variety of nonbank financial institutions. Importantly, this is true even when we compare bank and nonbank financial institutions with the same credit ratings: Banks with the same credit ratings as their nonbank competitors are allowed by the market to have lower capital ratios. While the differences in capital ratios could reflect differences in overall asset quality, there is little to suggest that this factor accounts for more than a small part of the difference.

Under H.R. 10, the subsidy that the government provides to banks as a byproduct of the safety net would be directly transferable to their operating subsidiaries to finance powers not currently permissible to the bank or its subsidiaries. The funds a bank uses to invest in the equity of its subsidiaries are available to the bank at a lower cost than that of any other potential investor, save the U.S. government, because of the subsidy. Thus, operating subsidiaries under H.R. 10 could conduct new securities, merchant banking, and other activities with a government-subsidized competitive advantage over independent firms that conduct the same activity.

That is to say, the use of the universal bank structure envisioned in H.R. 10 means the transference of the subsidy to a wider range of financial businesses, producing distortions in the competitive balance between those latter units that receive a subsidy and identical units that do not—whether those units are subs of holding companies or totally independent of banking.

H.R. 10 does not contain provisions that effectively curtail the transfer of the subsidy to operating subsidiaries or address this competitive imbalance. The provisions of H.R. 10 that would require the deduction of such investments from the *regulatory* capital of the bank (after which the bank must still meet the *regulatory* definition of well capitalized) attempt, but fail, to limit the amount of subsidized funds that an individual bank can invest in its subsidiaries. What matters is not *regulatory* capital but actual or *economic* capital. The vast majority of banks now hold significantly more capital than regulatory definitions of "well capitalized" require. This capital is not "excess" in an economic sense that is somehow available for use outside the bank; it is the actual amount required by the market for the bank to conduct its own activities. The actual capital maintained by a bank is established in order to earn the perceived maximum risk-adjusted rate of return on equity. Unless this optimum economic capital is equal to, or less than, regulatory capital, deductions from regulatory capital would in no way inhibit the transfer of the subsidy from the bank to the subsidiary.

Some have argued that the subsidy transference to subsidiaries of banks is no different from the transfer of subsidized bank dividends through the holding company parent to holding company affiliates. The direct upstreaming of dividends by a bank to its holding company parent that in turn invests the proceeds in subsidiaries of the holding company, while legally permissible, in fact does not occur—and for good reasons, as I will explain below. In the 1990s, dividend flows from banks to their parent holding companies have been less than the sum of holding company dividends, interest on holding company debt, and the cost of holding company stock buybacks, a substitute for dividends. Thus, the empirical evidence indicates that, on net, at the largest organizations there has been no financing of a bank's holding company affiliates with subsidized equity of the associated banks. All of that part of the subsidy reflected in earnings has flowed to investors. (There are a few large individual institutions that have, in some years, upstreamed dividends in excess of investor payments, but the cumulative amounts are very small and the conclusions are unchanged.)

That bank dividends are not used to finance holding company subsidiaries should not be surprising. It simply is not in the interest of the *consolidated* banking organization to increase bank dividend flows beyond parent company capital-servicing cash flow needs because the resultant decline in bank capital would increase funding costs of the bank. Research at the Federal Reserve indicates that, over the past quarter of a century, for the largest banks the cost of uninsured bank funds has tended to rise as a bank's capital ratio fell and vice versa. This is just what one should expect: As the risk-absorbing equity cushion falls, the risk for uninsured creditors rises. The flow of dividends from the bank to the parent holding company reduces bank capital. That reduction, in turn, reduces the risk buffer for uninsured creditors, increasing the funding cost of the bank on *all* the uninsured liabilities by more—the data show—than the small subsidy transference of funding the *additional* equity investment in the affiliate.

Thus, if a bank holding company were to finance its nonbank affiliates from bank dividends—that is, to directly pass on the bank's subsidy to the holding company's affiliates—the profitability of the consolidated organization would decline. If there were no net costs to the bank from upstreaming dividends to its parent for affiliate funding, it would be the prevalent practice today. In short, the subsidy appears to have been effectively bottled up in the bank. The Federal Reserve Board believes that this genie would be irreversibly let out of the bottle, however, should the Congress authorize wider financial activities in operating subsidiaries. Subsidized equity investments by banks can be made in their own subsidiaries without increasing funding costs on all of the bank's uninsured liabilities because the consolidated capital of the bank would not change in the process. But since the activities authorized to banks' subsidiaries cannot differ from those available to the bank itself, there is no additional profit to the overall banking organization in shifting bank powers to a subsidiary.

But H.R. 10 would permit activities not now permitted in a bank. Those activities, when performed in bank subsidiaries and financed with bank equity capital, would increase the potential profit to the overall banking organization. It would also inevitably induce the gravitation to subsidiaries of banks, not only of the new powers authorized by H.R. 10 but all of those powers currently financed in holding company affiliates at higher costs of capital than those available to the bank. H.R. 10 thus effectively authorizes all holding company powers to be funded in the bank at funding costs significantly lower than the funding costs of its holding company.

For the thirty-five of the fifty largest bank holding companies for which comparisons are available, ratings on debentures are *always* somewhat higher at the bank than at the holding company parent and, of course, higher ratings translate into lower interest rates. As might be expected, the data show that the value of these differences in bond ratings is higher during periods of market stress, when subsidies are more valuable, because the market is more risk sensitive. But even today, when losses in the financial system are quite low, the cost of debt capital to banks still averages 10 basis points to 12 basis points below that of the parent holding companies. That difference in bond ratings today between banks and bank holding companies, let alone the larger difference between banks and other financial institutions, is a significant part of the 20 basis point to 30 basis point *gross* margin on A-rated or better investment grade business loans—more than enough significantly to change lending behavior if it were not available.

Business loan markets are particularly competitive, and hence there is little leeway for a competitor with higher funding costs to pass on such costs to the borrower. For example, the weakened credit standing of the Japanese banks has engendered a risk premium that these entities have paid—and today would have to pay—to fund their U.S. affiliates; this has required them to sharply reduce their business loan volume in the United States. Japanese bank branches and agencies in the United States have reduced their share of business loans from more than 16 percent of the market in 1995 to less than 11 percent today.

In short, the subsidy is a critical competitive issue in competitive markets. Allowing the bank to inject federal subsidies into the proposed new activities could distort capital markets and the efficient allocation of both financial and real resources. New affiliations, if allowed through banks, would accord them an unfair competitive advantage over comparable nonbank firms. The holding company structure, on the other hand, fosters a level playing field within the financial services industry, contributing to a more competitive environment.

Safety and Soundness

In addition to our concern about the extension of the safety net that would accompany the widening of bank activities through operating subsidiaries, the Federal Reserve Board is also sensitive to the implications of operating subsidiaries for the safety and soundness of the parent *bank.* Most of the new activities contemplated by H.R. 10 would not be accompanied by unusually high risk, but they could imply more risk. The Board believes these activities add the potential for new profitable opportunities for banking organizations, but it is almost always the case that the more potentially profitable the activity, the riskier it is. Although, to be sure, diversification can reduce that risk, the losses that would accompany riskier activities from time to time would fall on the insured bank's capital if the new activities were authorized in bank subsidiaries. Such losses at holding company affiliates would, of course, fall on the uninsured holding company. This is an important distinction for the deposit insurance funds and potentially the taxpayer. This potential for loss and bank capital depletion is another reason for urging that the new activities be conducted in a holding company affiliate rather than in a banking subsidiary.

H.R. 10 is supposed to virtually eliminate this concern. As I earlier noted, the bank's equity investment in the bank subsidiary under H.R. 10 would be deducted from the bank's *regulatory* capital, with the requirement that the remaining regulatory capital still meet the well-capitalized standard. At the same time, the Office of the Comptroller of the Currency has asserted that it would order an operating sub immediately to be sold or declared bankrupt and closed before its cumulative losses exceeded the bank's equity investment in the failing sub. Combined with the provision of H.R. 10 adjusting regulatory capital for investment in subs, this provision is intended to cap the effect on the bank of subsidiary losses to the amount of the bank's original investment. Because that amount would have already been deducted from the bank's regulatory capital, the failure of the subsidiary, it is maintained, could not affect the *regulatory* capital of the bank.

The Board is concerned that this regulatory accounting approach, which does not address the actual capital of a bank, could provide a false sense of security. We had extensive experience with attempts to redefine reality by redefining regulatory capital in the thrift industry in the 1980s. This approach was widely viewed as a major mistake whose echoes we are still dealing with today. Regulatory capital at the time soon began to mean nothing to the market, and, as a consequence, the Congress in the Federal Deposit Insurance Corporation Improvement Act of 1991 ordered the banking agencies to follow Generally Accepted Accounting Principles (GAAP) whenever possible. In the current context, there is—as in the 1980s—no reason to believe the new regulatory definitions will change the reality of the market place. *Economic,* as opposed to *regulatory,* capital of the bank would not, as I have noted, be changed by this special regulatory capital accounting, and such deductions from equity capital would not be reflected under GAAP. It is the economically more relevant GAAP statements to which uninsured creditors of *banks* look when deciding to deal with a *bank*, and they will continue to do so after financial modernization. Bank creditors will, in any event, continue to view the investment in the bank subsidiary as part of the capital protecting their position—for the simple reason that it does. If they see the economic and GAAP capital at the bank declining as operating subsidiary losses occur, they will react as any prudential creditor should—regardless of artificial regulatory accounting adjustments or regulatory measures of capital adequacy.

Perhaps more to the point, it seems to me particularly relevant to underline that losses in financial markets—large losses—can occur so quickly that regulators would be unable to close the failing operating subsidiary as contemplated by H.R. 10 before the subsidiaries' capital ran out. Indeed, losses might even continue to build, producing negative net worth in the subsidiary. At the time of closure of a subsidiary, there is nothing to prevent the total charges for losses against the parent bank's regulatory capital from exceeding the prior deduction required by H.R. 10.[1] Our experience after the stock market crash of 1987—when a subsidiary of a major bank not only lost more than the bank's investment in its subsidiary but the bank was unable to dispose of the subsidiary for several years—underscores the seriousness of such concerns.

H.R. 10 would exclude from permissible bank subsidiaries only insurance underwriting and real estate development. One of the permissible activities is merchant banking, which does not have a long or significant twentieth century history in this country. Merchant banking currently means the negotiated private purchase of equity investments by financial institutions, with the objective of selling these positions at the end of some interval, usually measured in years. Merchant banking has become so important an element of full service investment banking in this country, so much so that to prohibit bank-related investment banks from participating in these activities would put them at a competitive disadvantage. The Board has consequently supported merchant banking as an activity of a holding company subsidiary, but believes it is potentially the most risky activity that would be authorized by H.R. 10 and would be especially risky if permitted to be conducted in bank subsidiaries.

Existing law permits some limited exceptions to the otherwise prohibited outright ownership of equity by banks and their subsidiaries, but these are quite limited both in the aggregate and in the kinds of businesses in which equity can be purchased, as well as in the scale of each investment. True merchant banking, as envisioned by H.R. 10, would place no such limits—either per firm or in total. The potential rewards for such equity investments are substantial, but such potential gains are the mirror image of the potential for substantial loss. In addition, poor equity performance generally occurs during periods of weak nationwide economic performance, the same intervals over which bank loan portfolios are usually under pressure, raising concerns about the compounding of bank problems during such periods.

Functional Regulation

The holding company structure—especially for the new activities—also has the significant benefit of promoting effective supervision and the functional regulation of different activities. The holding company structure, along with the so-called "Fed-lite" provisions in H.R. 10, focuses on and enhances the functional regulation of securities firms, insurance companies, insured depository institutions, and their affiliates by relying on the expertise and supervisory strengths of different functional regulators, reducing the potential burdensome overlap of regulation and providing for increased coordination and reduced potential for conflict among functional regulators.

Executive Branch Prerogatives

There is a final point I want to make because it appears to have driven the Treasury's recent opposition to financial modernization legislation that has not adopted the universal bank model. It is not necessary to adopt the universal bank model in order to preserve the executive branch's supervisory authority for national banks or federal savings associations; nor is it necessary in order to preserve the share of this nation's banking assets controlled by national banks and federal savings associations. In fact, the share of assets controlled by national banks is predominant

1. Moreover, should creditors of the subsidiary choose to attempt to recover their funds from the bank parent, the removal of the loss charged against the bank's capital could occur only when a court has affirmed both the bankruptcy and the rejection of the claims on the bank made by the subsidiary's creditors. This process could and would take some time, during which, even if the court eventually found for the bank and/or the regulator, further losses by the subsidiary could continue to impinge on the bank's capital. And, again, the point is that the bank would have been at risk during that interval.

and growing, in part the result of the enactment of interstate branching authorities, an initiative the Federal Reserve fully supported. As shown in the tables in the appendix to my statement, national bank assets have increased in each of the past three years while state bank assets have declined over the past two years.[2] As of year-end 1998, 58.5 percent of all banking assets were under the supervision of the Comptroller of the Currency, up from a little more than 55 percent at the end of 1996. As the second table clearly suggests, the largest banks, especially those with large branching systems, tend to be national banks, providing a distinct advantage to national banks in an environment of interstate branching.

Furthermore, the Congress for sound public policy reasons has purposefully apportioned responsibility for this nation's financial institutions among the elected executive branch and independent regulatory agencies. Action to alter these responsibilities would be contrary to the deliberate steps that the Congress has taken to ensure a proper balance in the regulation of this nation's dual banking system.

2. The attachment to this statement is 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 at http://www.federalreserve.gov.

Summing Up

The Board is a strong advocate of financial modernization in order both to eliminate the inefficiencies of the current Great Depression regulatory structure and to create a system more in keeping with the technology and markets of the twenty-first century. We strongly support the thrust of H.R. 10 to accomplish these objectives. Equally as strongly, however, we also believe that the new activities should not be authorized for banks through operating subsidiaries. We believe that the holding company structure is the most appropriate and effective one for limiting transfer of the federal subsidy to new activities and fostering a level playing field both for financial firms affiliated with banks and independent firms. It will also, in our judgment, foster the protection of the safety and soundness of our insured banking system and the taxpayers, enhance functional regulation, and achieve all of the benefits of financial modernization for the consumer and the financial services industry. □

Announcements

LAUNCH OF A NEW DESIGN FOR THE FEDERAL RESERVE BOARD WEB SITE

The Federal Reserve Board on May 3, 1999, unveiled a new design for its web site on the Internet.

The new design is constructed to make Federal Reserve information on the Internet easier to navigate through an improved format accompanied by an attractive presentation.

New features include the following:

- "Breaking News," with direct links to announcements, statements, and documents released in the past day or two
- "What's New," which lists the items carried under Breaking News as well as information about statistical releases and other items posted over the past two weeks
- "Publications Schedule," which shows what is expected to be posted on the web site during the next two months, including speeches, congressional testimony, Federal Open Market Committee material, and statistical releases
- "Site Map," featuring a complete list of the links found immediately under the main subject categories.

Some categories have also been consolidated. The "Monetary Policy" site now contains Federal Open Market Committee information, the Beige Books, and Humphrey–Hawkins reports and testimony. The "Banking" site combines the material listed under Regulation and Supervision and under Supervision Manuals. "Research and Data" contains articles from the *Federal Reserve Bulletin* along with material listed under Domestic and International Research.

The broad range of information available on the Board's web site also includes Board actions, press releases, consumer topics, reports to Congress, and connections to other banking regulators and to the Federal Reserve Banks.

The web site was inaugurated in March 1996 and now contains more than 13,000 documents. The site averages 80,000 daily requests during the week and 45,000 daily requests on weekends. The Internet address is http://www.federalreserve.gov

ISSUANCE BY THE BASLE COMMITTEE OF A PAPER ON CREDIT-RISK MODELING

The Basle Committee on Banking Supervision (Basle Committee) recently issued for comment a paper entitled *Credit Risk Modelling: Current Practices and Applications.*

The paper describes the structure of various credit-risk models used by commercial banks worldwide and identifies related supervisory issues pertaining to the use of such models as a basis for regulatory capital standards. Comments are requested by October 1, 1999. The paper is available on the BIS Internet site at http://www.bis.org

The Committee was established by the central bank governors of the Group of Ten countries in 1975 and operates under the auspices of the Bank for International Settlements (BIS) in Basle, Switzerland. It consists of senior supervisory authorities representing the world's largest banking systems and works to strengthen bank supervisory and regulatory practices worldwide.

ENFORCEMENT ACTIONS

The federal financial institution regulators (the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, the National Credit Union Administration, the Office of the Comptroller of the Currency, and the Office of Thrift Supervision) and First Data Corporation reached agreement on March 30, 1999, that the provider of data processing services to banks, thrift institutions, and credit unions will complete Year 2000 testing of the last of six merchant processing systems that serve banking and credit union clients by June 30, 1999, and fully implement the system in a Y2K production mode by July 11, 1999.

The agreement covers a single credit card processing platform at the Nashville (Tennessee) Data Center of First Data Merchant Services, a subsidiary of the corporation. Within fifteen days, First Data will submit to the agencies and its financial institution clients a written report of how it will fulfill the agreement and then update progress regularly. On this system, which is known as the Envoy processing system, First Data services more than 200 banks, thrift institutions, and credit unions.

First Data committed to the federal agencies that it will have ample time to make the necessary adjustments to the Envoy system and to carry out appropriate testing. The agreement covers only the Envoy system, which, according to First Data, represents approximately 2 percent of its entire Y2K remediation effort. An on-site examination by an interagency team of examiners found that the Envoy system was lagging in meeting testing and implementation milestones, which are part of the interagency guidance.

This is the second time regulators have taken action against a service provider. The agencies will continue to monitor financial institutions and service providers for compliance with Year 2000 guidelines.

The Federal Reserve Board on April 16, 1999, announced the issuance of a combined order to cease and desist and order of assessment of a civil money penalty against Paul P. Piper, Jr., a former institution-affiliated party of First National Summit Bankshares, Crested Butte, Colorado, a former registered bank holding company, and the First National Summit Bank, Gunnison, Colorado, a former national bank.

Mr. Piper, without admitting to any allegations, consented to the issuance of the order in connection with his alleged involvement in the acquisition of control of more than 25 percent of the outstanding voting shares of First National Summit Bankshares without prior approval from the Board of Governors. Mr. Piper paid a fine of $25,000.

The Federal Reserve Board on April 22, 1999, announced the execution of a written agreement by and among Foxdale Bancorp, Inc., the Foxdale Bank, both of South Elgin, Illinois, the Federal Reserve Bank of Chicago, and the Illinois Office of Banks and Real Estate.

CHANGES IN BOARD STAFF

The Board of Governors announced the retirement of Betsy Riggs, Assistant Director in the Division of Information Resources Management, effective May 31, 1999, after thirty-two years of service to the Board.

On May 20, 1999, the Board of Governors announced the following official staff actions, also in the Division of Information Resources Management:

The appointment of Richard C. Stevens to the position of Director of the Division of Information Technology. Mr. Stevens joined the Board's staff in 1973. In July 1998, he was promoted to the position of Deputy Director for the Division of Information Resources Management.

The appointment of Marianne M. Emerson to the position of Deputy Director. Ms. Emerson was appointed Assistant Director in 1990 and is ending a two-year assignment as technical adviser to the Division of Banking Supervision and Regulation.

The appointment of Tillena G. Clark to the position of Assistant Director. Ms. Clark joined the Board's staff in 1994 and is currently serving as manager in the division's Year 2000 Program Office. She holds a B.A. from the University of Rochester and an M.A. from Catholic University.

Finally, the name of the division has been changed from Information Resources Management to Information Technology to more accurately reflect the division's responsibilities. □

Minutes of the Federal Open Market Committee Meeting Held on February 2–3, 1999

A meeting of the Federal Open Market Committee was held in the offices of the Board of Governors of the Federal Reserve System in Washington, D.C., on Tuesday, February 2, 1999, at 2:30 p.m. and continued on Wednesday, February 3, 1999, at 9:00 a.m.

Present:

Mr. Greenspan, Chairman
Mr. McDonough, Vice Chairman
Mr. Boehne
Mr. Ferguson
Mr. Gramlich
Mr. Kelley
Mr. McTeer
Mr. Meyer
Mr. Moskow
Ms. Rivlin
Mr. Stern

Messrs. Broaddus, Guynn, Jordan, and Parry, Alternate Members of the Federal Open Market Committee

Ms. Minehan, Messrs. Poole and Hoenig, Presidents of the Federal Banks of Boston, St. Louis, and Kansas City respectively

Mr. Kohn, Secretary and Economist
Mr. Bernard, Deputy Secretary
Ms. Fox, Assistant Secretary
Mr. Gillum, Assistant Secretary
Mr. Mattingly, General Counsel
Mr. Baxter, Deputy General Counsel
Mr. Prell, Economist

Messrs. Alexander, Cecchetti, Hooper, Hunter, Lang, Lindsey, Rolnick, Rosenblum, Slifman, and Stockton, Associate Economists

Mr. Fisher, Manager, System Open Market Account

Mr. Ettin, Deputy Director, Division of Research and Statistics, Board of Governors

Mr. Winn,[1] Assistant to the Board, Office of Board Members, Board of Governors

Messrs. Madigan and Simpson, Associate Directors, Divisions of Monetary Affairs and Research and Statistics respectively, Board of Governors

Mr. Reinhart, Deputy Associate Director, Division of Monetary Affairs, Board of Governors

Mr. Dennis,[2] Assistant Director, Division of Reserve Bank Operations and Payment Systems, Board of Governors

Messrs. Reifschneider[3] and Small,[3] Section Chiefs, Divisions of Research and Statistics and Monetary Affairs respectively, Board of Governors

Ms. Kole,[4] Messrs. English[4] and Rosine,[4] Senior Economists, Divisions of International Finance, Monetary Affairs, and Research and Statistics respectively

Ms. Garrett, Economist, Division of Monetary Affairs, Board of Governors

Mr. Evans,[2] Manager, Division of Reserve Bank Operations and Payment Systems, Board of Governors

Ms. Low, Open Market Secretariat Assistant, Division of Monetary Affairs, Board of Governors

Mr. Conrad, First Vice President, Federal Reserve Bank of Chicago

Messrs. Beebe, Eisenbeis, Goodfriend, Hakkio, and Rasche, Senior Vice Presidents, Federal Reserve Banks of San Francisco, Atlanta, Richmond, Kansas City, and St. Louis respectively

Messrs. Altig, Bentley, and Rosengren, Vice Presidents, Federal Reserve Banks of Cleveland, New York, and Boston respectively

1. Attended Wednesday's session only.

2. Attended portions of meeting relating to the examination of the System Open Market Account and changes to the domestic securities lending program.

3. Attended portions of meeting relating to the discussion of the Committee's consideration of its monetary and debt ranges for 1999.

4. Attended portion of meeting relating to the Committee's review of the economic outlook and consideration of its monetary and debt ranges for 1999.

In the agenda for this meeting, it was reported that advices of the election of the following members and alternate members of the Federal Open Market Committee for the period commencing January 1, 1999, and ending December 31, 1999, had been received and that these individuals had executed their oaths of office.

The elected members and alternate members are as follows:

William J. McDonough, President of the Federal Reserve Bank of New York.[5]

Edward G. Boehne, President of the Federal Reserve Bank of Philadelphia, with J. Alfred Broaddus, Jr., President of the Federal Reserve Bank of Richmond, as alternate.

Michael H. Moskow, President of the Federal Reserve Bank of Chicago, with Jerry L. Jordan, President of the Federal Reserve Bank of Cleveland, as alternate.

Robert D. McTeer, Jr., President of the Federal Reserve Bank of Dallas, with Jack Guynn, President of the Federal Reserve Bank of Atlanta, as alternate.

Gary H. Stern, President of the Federal Reserve Bank of Minneapolis, with Robert T. Parry, President of the Federal Reserve Bank of San Francisco, as alternate.

By unanimous vote, the following officers of the Federal Open Market Committee were elected to serve until the election of their successors at the first meeting of the Committee after December 31, 1999, with the understanding that in the event of the discontinuance of their official connection with the Board of Governors or with a Federal Reserve Bank, they would cease to have any official connection with the Federal Open Market Committee:

Alan Greenspan	Chairman
William J. McDonough	Vice Chairman
Donald L. Kohn	Secretary and Economist
Normand R.V. Bernard	Deputy Secretary
Lynn S. Fox	Assistant Secretary
Gary P. Gillum	Assistant Secretary
J. Virgil Mattingly, Jr.	General Counsel
Thomas C. Baxter, Jr.	Deputy General Counsel
Michael J. Prell	Economist
Karen H. Johnson	Economist

Lewis S. Alexander, Stephen G. Cecchetti, Peter Hooper, III, William C. Hunter, Richard W. Lang, David E. Lindsey, Arthur J. Rolnick, Harvey Rosenblum, Larry Slifman, and David J. Stockton, Associate Economists

5. Mr. Jamie B. Stewart, Jr., incoming First Vice President of the Federal Reserve Bank of New York, took his oath of office as alternate member for Mr. McDonough on February 18, 1999.

By unanimous vote, the Federal Reserve Bank of New York was selected to execute transactions for the System Open Market Account until the adjournment of the first meeting of the Committee after December 31, 1999.

By unanimous vote, Peter R. Fisher was selected to serve at the pleasure of the Committee as Manager, System Open Market Account, on the understanding that his selection was subject to being satisfactory to the Federal Reserve Bank of New York.

Secretary's note: Advice subsequently was received that the selection of Mr. Fisher as Manager was satisfactory to the board of directors of the Federal Reserve Bank of New York.

The Report of Examination of the System Open Market Account, conducted by the Board's Division of Reserve Bank Operations and Payment Systems as of the close of business on November 5, 1998, was accepted.

On the recommendation of the Manager of the System Open Market Account, the Committee amended paragraph 2 of the Authorization for Domestic Open Market Operations relating to the Treasury securities lending program. The revised facility introduces the auction technique for awarding borrowed securities to dealer firms on a competitive basis. The new facility is designed to implement more effectively the objective of providing a short-term "last resort" source of Treasury securities to the dealer market and thereby to facilitate the smooth clearing of Treasury securities and to ease liquidity strains in the market as they arise. The amended Authorization for Domestic Open Market Operations was approved unanimously in the form shown below:

AUTHORIZATION FOR DOMESTIC OPEN MARKET OPERATIONS

Amended February 2, 1999

1. The Federal Open Market Committee authorizes and directs the Federal Reserve Bank of New York, to the extent necessary to carry out the most recent domestic policy directive adopted at a meeting of the Committee:

(a) To buy or sell U.S. Government securities, including securities of the Federal Financing Bank, and securities that are direct obligations of, or fully guaranteed as to principal and interest by, any agency of the United States in the open market, from or to securities dealers and foreign and international accounts maintained at the Federal Reserve Bank of New York, on a cash, regular, or deferred delivery basis, for the System Open Market Account at market prices, and, for such Account, to exchange maturing U.S. Government and Federal agency securities with the Treasury or the individual agencies or to allow them to mature without replacement; provided that the aggregate amount of U.S. Government and Federal agency securities held in such Account (including forward commitments) at the close of business on the day of a meeting of the Committee at which action is taken with respect to a domestic policy directive shall not be increased or decreased by more than $12.0 billion during the period commencing with the opening of business on the day following such meeting and ending with the close of business on the day of the next such meeting;

(b) To buy U.S. Government securities and obligations that are direct obligations of, or fully guaranteed as to principal and interest by, any agency of the United States, from dealers for the account of the Federal Reserve Bank of New York under agreements for repurchase of such securities or obligations in 60 calendar days or less, at rates that, unless otherwise expressly authorized by the Committee, shall be determined by competitive bidding, after applying reasonable limitations on the volume of agreements with individual dealers; provided that in the event Government securities or agency issues covered by any such agreement are not repurchased by the dealer pursuant to the agreement or a renewal thereof, they shall be sold in the market or transferred to the System Open Market Account.

2. In order to ensure the effective conduct of open market operations, the Federal Open Market Committee authorizes the Federal Reserve Bank of New York to lend on an overnight basis U.S. Government securities held in the System Open Market Account to dealers at rates that shall be determined by competitive bidding but that in no event shall be less than 1.0 percent per annum of the market value of the securities lent. The Federal Reserve Bank of New York shall apply reasonable limitations on the total amount of a specific issue that may be auctioned and on the amount of securities that each dealer may borrow. The Federal Reserve Bank of New York may reject bids which could facilitate a dealer's ability to control a single issue as determined solely by the Federal Reserve Bank of New York.

3. In order to ensure the effective conduct of open market operations, while assisting in the provision of short-term investments for foreign and international accounts maintained at the Federal Reserve Bank of New York, the Federal Open Market Committee authorizes and directs the Federal Reserve Bank of New York (a) for System Open Market Account, to sell U.S. Government securities to such foreign and international accounts on the bases set forth in paragraph l(a) under agreements providing for the resale by such accounts of those securities within 60 calendar days on terms comparable to those available on such transactions in the market; and (b) for New York Bank account, when appropriate, to undertake with dealers, subject to the conditions imposed on purchases and sales of securities in paragraph l(b), repurchase agreements in U.S. Government and agency securities, and to arrange corresponding sale and repurchase agreements between its own account and foreign and international accounts maintained at the Bank. Transactions undertaken with such accounts under the provisions of this paragraph may provide for a service fee when appropriate.

On the Manager's recommendation, the Committee also amended the Foreign Currency Authorization and the Foreign Currency Directive to reflect changes triggered by the launch of the euro. Specifically, it dropped from the Authorization those European currencies that now exist as denominations of the euro (Austrian schillings, Belgian francs, French francs, Italian lire, Netherlands guilders, and German marks). The amendments also removed the central banks of Austria, Belgium, Denmark, England, France, Germany, Italy, Japan, Netherlands, Norway, Sweden, and Switzerland, and the Bank for International Settlements from the list of institutions with which the Federal Reserve Bank of New York was authorized to maintain reciprocal currency arrangements (swap facilities). In keeping with the Committee's decision at the November 1998 meeting and after consultations with officials at the foreign institutions, the reciprocal currency arrangements in question were not renewed after they matured on various dates in December.

Accordingly, the amended Authorization for Foreign Currency Operations and the Foreign Currency Directive were unanimously approved in the forms shown below:

AUTHORIZATION FOR FOREIGN CURRENCY OPERATIONS

Amended February 2, 1999

1. The Federal Open Market Committee authorizes and directs the Federal Reserve Bank of New York, for System Open Market Account, to the extent necessary to carry out the Committee's foreign currency directive and express authorizations by the Committee pursuant thereto, and in conformity with such procedural instructions as the Committee may issue from time to time:

A. To purchase and sell the following foreign currencies in the form of cable transfers through spot or forward transactions on the open market at home and abroad, including transactions with the U.S. Treasury, with the U.S. Exchange Stabilization Fund established by Section 10 of the Gold Reserve Act of 1934, with foreign monetary authorities, with the Bank for International Settlements, and with other international financial institutions:

Canadian dollars	Mexican pesos
Danish kroner	Norwegian kroner
Euro	Swedish kronor
Pounds sterling	Swiss francs
Japanese yen	

B. To hold balances of, and to have outstanding forward contracts to receive or to deliver, the foreign currencies listed in paragraph A above.

C. To draw foreign currencies and to permit foreign banks to draw dollars under the reciprocal currency arrangements listed in paragraph 2 below, provided that drawings by either party to any such arrangement shall be fully liquidated within 12 months after any amount outstanding at that time was first drawn, unless the Committee, because of exceptional circumstances, specifically authorizes a delay.

D. To maintain an overall open position in all foreign currencies not exceeding $25.0 billion. For this purpose, the overall open position in all foreign currencies is defined as the sum (disregarding signs) of net positions in individual currencies. The net position in a single foreign currency is defined as holdings of balances in that currency, plus outstanding contracts for future receipt, minus outstanding contracts for future delivery of that currency, i.e., as the sum of these elements with due regard to sign.

2. The Federal Open Market Committee directs the Federal Reserve Bank of New York to maintain reciprocal currency arrangements ("swap" arrangements) for the System Open Market Account for periods up to a maximum of 12 months with the following foreign banks, which are among those designated by the Board of Governors of the Federal Reserve System under Section 214.5 of Regulation N, Relations with Foreign Banks and Bankers, and with the approval of the Committee to renew such arrangements on maturity:

Foreign bank	Amount of arrangement (millions of dollars equivalent)
Bank of Canada	2,000
Bank of Mexico	3,000

Any changes in the terms of existing swap arrangements, and the proposed terms of any new arrangements that may be authorized, shall be referred for review and approval to the Committee.

3. All transactions in foreign currencies undertaken under paragraph 1A. above shall, unless otherwise expressly authorized by the Committee, be at prevailing market rates. For the purpose of providing an investment return on System holdings of foreign currencies, or for the purpose of adjusting interest rates paid or received in connection with swap drawings, transactions with foreign central banks may be undertaken at non-market exchange rates.

4. It shall be the normal practice to arrange with foreign central banks for the coordination of foreign currency transactions. In making operating arrangements with foreign central banks on System holdings of foreign currencies, the Federal Reserve Bank of New York shall not commit itself to maintain any specific balance, unless authorized by the Federal Open Market Committee. Any agreements or understandings concerning the administration of the accounts maintained by the Federal Reserve Bank of New York with the foreign banks designated by the Board of Governors under Section 214.5 of Regulation N shall be referred for review and approval to the Committee.

5. Foreign currency holdings shall be invested to ensure that adequate liquidity is maintained to meet anticipated needs and so that each currency portfolio shall generally have an average duration of no more than 18 months (calculated as Macaulay duration). When appropriate in connection with arrangements to provide investment facilities for foreign currency holdings, U.S. Government securities may be purchased from foreign central banks under agreements for repurchase of such securities within 30 calendar days.

6. All operations undertaken pursuant to the preceding paragraphs shall be reported promptly to the Foreign Currency Subcommittee and the Committee. The Foreign Currency Subcommittee consists of the Chairman and Vice Chairman of the Committee, the Vice Chairman of the Board of Governors, and such other member of the Board as the Chairman may designate (or in the absence of members of the Board serving on the Subcommittee, other Board members designated by the Chairman as alternates, and in the absence of the Vice Chairman of the Committee, his alternate). Meetings of the Subcommittee shall be called at the request of any member, or at the request of the Manager, System Open Market Account ("Manager"), for the purposes of reviewing recent or contemplated operations and of consulting with the Manager on other matters relating to his responsibilities. At the request of any member of the Subcommittee, questions arising from such reviews and consultations shall be referred for determination to the Federal Open Market Committee.

7. The Chairman is authorized:

A. With the approval of the Committee, to enter into any needed agreement or understanding with the Secretary of the Treasury about the division of responsibility for foreign currency operations between the System and the Treasury;

B. To keep the Secretary of the Treasury fully advised concerning System foreign currency operations, and to consult with the Secretary on policy matters relating to foreign currency operations;

C. From time to time, to transmit appropriate reports and information to the National Advisory Council on International Monetary and Financial Policies.

8. Staff officers of the Committee are authorized to transmit pertinent information on System foreign currency operations to appropriate officials of the Treasury Department.

9. All Federal Reserve Banks shall participate in the foreign currency operations for System Account in accordance with paragraph 3 G(1) of the Board of Governors' Statement of Procedure with Respect to Foreign Relationships of Federal Reserve Banks dated January 1, 1944.

FOREIGN CURRENCY DIRECTIVE

Amended February 2, 1999

1. System operations in foreign currencies shall generally be directed at countering disorderly market conditions, provided that market exchange rates for the U.S. dollar reflect actions and behavior consistent with the IMF Article IV, Section 1.

2. To achieve this end the System shall:

A. Undertake spot and forward purchases and sales of foreign exchange.

B. Maintain reciprocal currency ("swap") arrangements with selected foreign central banks.

C. Cooperate in other respects with central banks of other countries and with international monetary institutions.

3. Transactions may also be undertaken:

A. To adjust System balances in light of probable future needs for currencies.

B. To provide means for meeting System and Treasury commitments in particular currencies and to facilitate operations of the Exchange Stabilization Fund.

C. For such other purposes as may be expressly authorized by the Committee.

4. System foreign currency operations shall be conducted:

A. In close and continuous consultation and cooperation with the United States Treasury;

B. In cooperation, as appropriate, with foreign monetary authorities; and

C. In a manner consistent with the obligations of the United States in the International Monetary Fund regarding exchange arrangements under the IMF Article IV.

By unanimous vote, the Procedural Instructions with Respect to Foreign Currency Operations shown below were reaffirmed.

Procedural Instructions with Respect to Foreign Currency Operations

Reaffirmed February 2, 1999

In conducting operations pursuant to the authorization and direction of the Federal Open Market Committee as set forth in the Authorization for Foreign Currency Operations and the Foreign Currency Directive, the Federal Reserve Bank of New York, through the Manager, System Open Market Account ("Manager"), shall be guided by the following procedural understandings with respect to consultations and clearances with the Committee, the Foreign Currency Subcommittee, and the Chairman of the Committee. All operations undertaken pursuant to such clearances shall be reported promptly to the Committee.

1. The Manager shall clear with the Subcommittee (or with the Chairman, if the Chairman believes that consultation with the Subcommittee is not feasible in the time available):

A. Any operation that would result in a change in the System's overall open position in foreign currencies exceeding $300 million on any day or $600 million since the most recent regular meeting of the Committee.

B. Any operation that would result in a change on any day in the System's net position in a single foreign currency exceeding $150 million, or $300 million when the operation is associated with repayment of swap drawings.

C. Any operation that might generate a substantial volume of trading in a particular currency by the System, even though the change in the System's net position in that currency might be less than the limits specified in 1.B.

D. Any swap drawing proposed by a foreign bank not exceeding the larger of (i) $200 million or (ii) 15 percent of the size of the swap arrangement.

2. The Manager shall clear with the Committee (or with the Subcommittee, if the Subcommittee believes that consultation with the full Committee is not feasible in the time available, or with the Chairman, if the Chairman believes that consultation with the Subcommittee is not feasible in the time available):

A. Any operation that would result in a change in the System's overall open position in foreign currencies exceeding $1.5 billion since the most recent regular meeting of the Committee.

B. Any swap drawing proposed by a foreign bank exceeding the larger of (i) $200 million or (ii) 15 percent of the size of the swap arrangement.

3. The Manager shall also consult with the Subcommittee or the Chairman about proposed swap drawings by the System and about any operations that are not of a routine character.

On January 27, 1999, the continuing rules, regulations, and other instructions of the Committee had been distributed with the advice that, in accordance with procedures approved by the Committee, they were being called to the Committee's attention before the February 2–3 meeting to give members an opportunity to raise any questions they might have concerning them. Members were asked to indicate if they wished to have any of the instruments in question placed on the agenda for consideration at this meeting, and no requests for consideration were received. Accordingly, all of these instruments remained in effect in their existing form.

The Committee discussed proposed changes to the Program for Security of FOMC Information to update the document with regard to certain security classifications and access to confidential FOMC information. The Committee decided to continue its discussion at a later meeting.

By unanimous vote, the minutes of the meeting of the Federal Open Market Committee held on December 22, 1998, were approved.

The Manager of the System Open Market Account reported on recent developments in foreign exchange markets. There were no open market operations in foreign currencies for the System's account in the period since the previous meeting, and thus no vote was required of the Committee.

The Manager also reported on developments in domestic financial markets and on System open market transactions in government securities and federal agency obligations during the period December 22, 1998, through February 2, 1999. By unanimous vote, the Committee ratified these transactions.

The Committee then turned to a discussion of the economic and financial outlook and the implementation of monetary policy over the intermeeting period ahead. A summary of the economic and financial information available at the time of the meeting and of the Committee's discussion is provided below, followed by the domestic policy directive that was approved by the Committee and issued to the Federal Reserve Bank of New York.

The information reviewed at this meeting suggested that the economy expanded rapidly in the closing months of 1998. Widespread strength in domestic final demand and a diminished drag from net exports underpinned further solid gains in production, employment, and income. Inflation remained subdued despite very tight labor markets.

Nonfarm payroll employment recorded robust increases in November and December. Although manufacturing experienced further sizable job losses over the two months, strong employment gains were achieved in construction, retail trade, and the services industries. The civilian unemployment rate fell to 4.3 percent in December, and other measures of labor conditions also indicated that labor markets remained quite tight through year-end.

Industrial production rebounded in December from a small November decline. Industrial output strengthened for the fourth quarter as a whole, largely reflecting a surge in the production of motor vehicles and parts that more than offset sizable reductions in mining and utility output. The manufacture of high-tech equipment surged further and the production of construction supplies stayed on a brisk upward trend, while activity in other manufacturing categories remained weak. On balance, output in manufacturing expanded at about the same pace as capacity, leaving the factory operating rate unchanged at a relatively low level.

Consumer spending, supported by further sizable gains in income and net worth, remained robust through year-end. Retail sales rose sharply in the fourth quarter. Expenditures for durable goods, particularly motor vehicles, were very strong. Outlays for nondurable goods were brisk despite sluggish growth in spending for apparel. Unseasonably mild weather held down spending for energy services in November and December, but purchases of other types of services recorded moderate increases. Surveys in early 1999 indicated buoyant consumer sentiment, reflecting optimism about personal finances and the employment outlook.

Residential housing activity continued to display substantial strength in the fourth quarter. Single-family housing starts remained at a very high level in December, and sales of new homes in that month were only slightly below the record established in November. Sales of existing homes hit a record high in December. Unseasonably favorable weather extended the construction season in some areas of the country, but low mortgage rates, rapid employment growth, rising net worth, and special financing programs designed to broaden opportunities for homeownership were important factors in the strength of home sales. Multifamily housing starts edged lower in the fourth quarter as a December increase partially reversed a November decline; rents have continued to rise in real terms over the last several years, but vacancy rates have changed little.

Business fixed investment picked up markedly in the fourth quarter after the small decline of the previous quarter. Much of the surge in spending on producers' durable equipment was attributable to a pickup in purchases of motor vehicles and aircraft. Elsewhere, investment in high-tech equipment expanded rapidly further, while spending for other types of durable equipment decelerated somewhat. Nonresidential construction activity apparently rose moderately in the fourth quarter. Office construction picked up further in an environment of falling vacancy rates and rising rental costs, but other building activity remained sluggish.

The pace of business inventory investment in October and November was slightly above that of the third quarter, but in comparison with strong sales inventory positions were relatively lean in most industries. In manufacturing, stocks increased moderately in the October–November period, and the aggregate stock–shipments ratio was in the middle of its narrow range for the past year. Inventory investment in the wholesale sector slowed considerably, but much of the swing reflected the unusually early harvest of farm products. The inventory–sales ratio for this sector was still at the top of its range for the last year, and inventory overhangs persisted in metals and minerals, machinery, and chemicals. Retailers stepped up their inventory accumulation in the October–November period. However, sales were robust and the inventory–sales ratio for this sector continued to trend downward.

The average deficit on U.S. trade in goods and services for October and November was a little smaller than the rate for the third quarter. The value of exports for the two-month period rose considerably, with the largest gains occurring in automotive products shipped to Canada, aircraft, machinery, agricultural products, and services. The value of imports also moved up, but by less than the value of exports. While the increases in imports were widespread across trade categories, particularly large advances were recorded for automotive products from Canada and Mexico and for computers. The available data suggested a weaker economic performance in most of the major foreign industrial countries in the fourth quarter; economic activity likely fell further in Japan, and economic growth apparently slowed in most countries of the euro bloc. Activity in most Asian developing countries remained depressed, though some seemed to be approaching a trough and Korea appeared to be in the early stages of a recovery.

Moreover, economic conditions worsened in most Latin American economies.

Inflation remained low in 1998. Consumer prices changed little in December, reflecting a sizable drop in energy prices that offset the large increase in tobacco prices put in place after a settlement was reached between the states and the tobacco makers. For 1998 as a whole, CPI inflation was slightly lower than in 1997; a substantial decline in energy prices more than offset a sizable pickup in food inflation and a small increase in core inflation. At the producer level, prices of finished goods edged down in 1998 following an appreciable decline in 1997. While finished energy prices fell by more in 1998, finished food prices were down only slightly and prices of core finished goods turned up after having been unchanged in 1997. Growth of hourly compensation of private industry workers slowed considerably in the fourth quarter of 1998, and the increase in hourly compensation for the year was little changed from that of 1997.

At its meeting on December 22, 1998, the Committee adopted a directive that called for maintaining conditions in reserve markets that were consistent with an unchanged federal funds rate of about 4¾ percent and that did not contain any bias with regard to the direction of possible adjustments to policy during the intermeeting period. In the Committee's view, the stance of policy appeared to be consistent with its objectives of fostering sustained low inflation and high employment, and the risks to this outlook were reasonably well balanced over the near term.

Open market operations during the intermeeting period were directed toward maintaining the federal funds rate at the Committee's desired level. In the event, however, the rate averaged a little below its intended level, largely reflecting the efforts of the Trading Desk to keep reserve pressures around year-end to a minimum. Other short-term market rates declined somewhat on balance, partly owing to the disappearance of year-end pressures. Most long-term interest rates changed little over the intermeeting period, but Treasury bond yields moved up slightly on balance, apparently in response to incoming data suggesting stronger-than-expected economic growth.

In foreign exchange markets, the trade-weighted value of the dollar appreciated slightly on balance over the period. A small decline in the dollar relative to other major currencies was more than offset by the dollar's appreciation in terms of the currencies of a broader group of countries that also are important trading partners of the United States. The dollar appreciated against the euro following the release of data confirming a slowdown of economic growth in much of the euro area and the absence of inflationary pressures, and it rose against the British pound after the Bank of England unexpectedly cut its repo rate. Moreover, the economic crisis in Brazil apparently contributed to an increase in the dollar relative to some emerging market currencies. Against the yen, however, the dollar fell in early January to its lowest level in more than two years, evidently in response to sharp increases in yields on Japanese bonds, but the decline was partially reversed subsequently.

M2 and M3 continued to expand rapidly in December, with their liquid components, especially money market funds, registering particularly large increases. The effects of recent monetary policy easings in reducing the opportunity costs of these components, strong growth in GDP, and perhaps continued heightened demands for liquid and safe assets seemed to have contributed to this performance. Available data for January pointed to appreciable moderation in the growth of both aggregates. From the fourth quarter of 1997 to the fourth quarter of 1998, M2 and M3 rose at rates well above their annual ranges, while total domestic nonfinancial debt expanded at a pace somewhat above the middle of its range.

The staff forecast prepared for this meeting pointed to a substantial moderation in the expansion to a rate commensurate with the growth of the economy's potential. Growth of private final demand would be damped by the anticipated waning of positive wealth effects stemming from earlier large increases in equity prices and by slow growth of spending on consumer durables, housing units, and business capital goods after the earlier buildup in the stocks of these items. Subdued expansion of foreign economic activity and the lagged effects of the earlier rise in the foreign exchange value of the dollar were expected to place continuing, though diminishing, restraint on the demand for U.S. exports for some period ahead and to lead to further substitution of imports for domestic products. Pressures on labor resources were likely to remain near current levels and inflation was projected to rise somewhat over the projection horizon, largely as a result of an expected upturn in energy prices.

In the Committee's discussion of current and prospective economic conditions, members referred to continuing indications of an exceptional economic performance that was characterized by the persistence of quite low inflation despite very high and rapidly rising levels of overall output and employment. The members currently saw few signs that the economic expansion had moderated to a more sustainable rate, but most continued to anticipate substantial slowing over the year ahead to a pace close to or somewhat above that of the economy's long-run potential. While many agreed that such an outlook was subject to greater upside risk than they had anticipated a few months ago—given the abatement of market turmoil and positive business and consumer sentiment—such factors as the waning effects of the earlier increases in stock market wealth on consumer spending and some slowing in the extraordinary growth in business expenditures for equipment were likely to exert a moderating effect on the expansion. Moreover, potentially greater weakness in foreign economies and possible disruption to foreign financial markets remained a downside risk to the outlook. Against this background, the members generally anticipated some pickup in inflation, though to a still relatively low rate, primarily as last year's declines in oil and other import prices were not repeated. A number referred, however, to the experience of recent years, which suggested that the inflation process was not well understood and that inflation forecasts were subject to a wide range of uncertainty.

In keeping with the practice at meetings just before the Federal Reserve's semiannual monetary policy report to the Congress and the Chairman's associated testimony, the members of the Committee and the Federal Reserve Bank presidents not currently serving as members had provided individual projections of the growth in real and nominal GDP, the rate of unemployment, and the rate of inflation for the year 1999. Their forecasts of the rate of expansion in real GDP in 1999 had a central tendency of 2½ to 3 percent and a full range of 2 to 3½ percent. Such growth was expected to be associated with a civilian unemployment rate in a range centering on 4¼ to 4½ percent in the fourth quarter of this year, implying little or no change from the current level. With regard to nominal GDP growth in 1999, the forecasts were mainly in a range of 4 to 4½ percent, with an overall range of 3¾ to 5 percent. Projections of the rate of inflation, as measured by the consumer price index, had a central tendency of 2 to 2½ percent, somewhat above the outcome for 1998 when the rise in the index was held down by a marked decline in energy prices and reduced prices of non-oil imports.

In their review of developments across the nation, members reported a mix of high overall levels of economic activity in every region but softness in a number of specific business activities, notably those affected by foreign competition. In particular, many manufacturing firms along with businesses engaged in agriculture, mining, and energy were being adversely affected by weak demand in foreign markets, strong import competition, and depressed oil and other commodity prices in world markets. Foreign developments were seen as a continuing element of weakness for the U.S. economy and also as a major source of uncertainty in the outlook for the year ahead. In this regard many members referred in particular to the problems facing Brazil and the risk that further financial and economic instability in that nation would spread to other Latin American countries, with repercussions on the U.S. economy. Markets in the major trading nations around the world were likely to remain on the soft side, with Japan struggling to recover from its ongoing recession and economic growth in Europe showing signs of becoming more sluggish.

Robust domestic demand clearly had offset weakness in net exports by a large margin in 1998, and while the growth in such demand was projected to slow this year it was expected to remain sufficient to support appreciable further expansion in overall economic activity. Consumer spending had exhibited considerable vigor during the recent holiday season, and anecdotal reports from several regions suggested that the momentum in such spending had carried into the opening weeks of this year. Further, though prospectively moderating, growth in jobs and incomes, supportive credit conditions, and upbeat consumer sentiment suggested that consumer expenditures were likely to be well maintained over coming quarters. Even so, members anticipated at least some moderation in the growth of consumption after an extended period of sizable accumulation of consumer durable goods. Among other factors, the positive effects on consumer spending of the large accumulation of stock market wealth in recent years were likely to abate over time in the absence of a further and unanticipated surge in stock market prices.

Growth in business capital spending also was expected to moderate as the year progressed to a pace well below that experienced in recent years. Members commented in this regard that slowing growth in overall spending normally fostered reduced capital investment, and indeed developments in the second half of 1998 suggested that such investment might already be on a less strong uptrend. Moreover, the prospects of reduced growth in profits and a less ebullient stock market could also be expected to damp business fixed investment. Nonetheless, growth in such investment likely would continue to exceed that of overall spending, reflecting ongoing efforts to improve efficiency and hold down labor costs in highly competitive markets and more generally to take advantage of the declining costs of business equipment and the rapid pace of technological innovation. Members also cited reports from contacts in various sectors of the economy and areas of the country that business plans continued to call for substantial outlays for business equipment. Nonresidential building activity remained robust in several regions, but given already ample capacity in many sectors, the prospects for such construction were relatively weak.

Housing activity had continued to display impressive strength in many parts of the country, evidently reflecting rapid growth in employment and incomes, rising household net worth, and low mortgage interest rates. With the affordability of new homes expected to remain unusually attractive, the members anticipated that housing activity would be sustained at a high level. Some moderation in housing starts from recent peak levels appeared likely, however, in the context of the slowing in job and income gains associated with the members' overall forecasts.

With regard to the outlook for inflation, the members saw no evidence of accelerating price inflation despite high levels of business activity and very tight labor markets across most of the nation. Indeed, the conjuncture over an extended period of strong economic growth, very low rates of unemployment, and the absence of any buildup of inflation could not be explained in terms of normal historical relationships. While temporary factors, such as declining oil prices, had played a role in depressing inflation, the persistence of very low inflation under these conditions most likely also resulted from more lasting changes in economic relationships. These were perhaps best evidenced by the widespread inability of business firms to raise prices because of strong competitive pressures in domestic and global markets and the related efforts to hold down costs, including labor costs. Contributing importantly to the success of those cost-saving efforts were the continued rapid growth of increasingly efficient business capital. The accumulation of such capital evidently had greatly enhanced productivity in a broad range of economic activities. In this regard, available indicators suggested that productivity gains had essentially matched increases in labor costs for nonfinancial corporations over the past year. Members also cited widespread expectations of low inflation as an important underlying factor in moderating wage and price increases.

Looking ahead, an abatement or reversal of some of the temporary factors reducing prices was likely to raise measured inflation. The course of underlying inflation pressures was more difficult to gauge, however. If growth slowed to trend, as many expected, uncertainty about evolving relationships among economic activity, productivity growth, and wages made it unclear whether the enhanced competitiveness in many markets and greater cost reducing efforts of businesses would be sufficient to continue to hold price increases in check at the current degree of tautness in labor markets. Members generally agreed that if labor markets continued to tighten, cost and price pressures would begin to pick up. Some members also expressed concern that rapid money growth, should it persist, would suggest that monetary policy was too accommodative to contain inflation pressures. On balance, while a somewhat less favorable inflation performance was viewed as likely over the year ahead, the members did not anticipate any substantial deterioration in the inflation climate if growth in economic activity approximated the central tendency of their forecasts.

In keeping with the requirements of the Full Employment and Balanced Growth Act of 1978 (the Humphrey–Hawkins Act), the Committee reviewed the ranges for growth of the monetary and debt aggregates in 1999 that it had established on a tentative basis in early July 1998. Those ranges included expansion of 1 to 5 percent for M2 and 2 to 6 percent for M3, measured from the fourth quarter of 1998 to the fourth quarter of 1999. The associated range for growth of total domestic nonfinancial sector debt was provisionally set at 3 to 7 percent for 1999. The tentative ranges for 1999 were unchanged from the ranges that had been adopted for the past several years.

All the members endorsed a proposal to adopt the growth ranges for M2 and M3 in 1999 that had been established on a provisional basis in July of last year. According to a staff analysis, growth of these aggregates would moderate considerably this year but was likely to remain above the tentative ranges, especially in the case of M3. The rapid growth of M2 and M3 in 1998 was associated with outsized declines in their velocities that appeared to have resulted in part from the turbulent behavior of financial markets and related efforts by the public to move funds to relatively safe and liquid assets and to turn to banks for credit. Other factors appear to have included some rechanneling of financial flows into money-type balances after an extended period of surging stock market prices and the drop in the opportunity cost of holding money as market interest rates fell over the latter part of the year. The expansion of M3 was further stimulated by the ongoing strength in institution-only money market funds whose popularity as a cash management tool continued to grow.

The calming of financial markets and forecasts of moderating nominal GDP growth pointed to reduced growth in the broad monetary aggregates this year. However, it was clear that substantial uncertainty still surrounded any projection of monetary expansion and the linkage between particular rates of money growth over a year and the basic objectives of monetary policy. In these circumstances, the members did not see any firm basis for deviating from the practice in recent years of setting ranges that, assuming velocity behavior consistent with average historical patterns, would serve as benchmarks for monetary expansion consistent with longer-run price stability and a sustainable rate of real economic growth.

Domestic nonfinancial debt, which had grown at a rate in the upper part of its 3 to 7 percent range in 1998, was thought likely to remain within that range this year, indeed near the midpoint of the range according to a staff analysis. Outstanding federal debt was expected to contract by a larger amount this year and, given current economic forecasts, the debt of the major nonfinancial sectors of the economy seemed likely to grow a bit more slowly. Thus, the members saw no reason to depart from the tentative range for nonfinancial debt, which was expected to readily encompass the likely rate of growth in this aggregate.

At the conclusion of this review, the Committee voted to approve without change the ranges for 1999 that it had established on a tentative basis on July 1, 1998. Accordingly, the following statement of longer-run policy and growth ranges for 1999 was approved for inclusion in the domestic policy directive:

> The Federal Open Market Committee seeks monetary and financial conditions that will foster price stability and promote sustainable growth in output. In furtherance of these objectives, the Committee at this meeting established ranges for growth of M2 and M3 of 1 to 5 percent and 2 to 6 percent respectively, measured from the fourth quarter of 1998 to the fourth quarter of 1999. The range for growth of total domestic nonfinancial debt was set at 3 to 7 percent for the year. The behavior of the monetary aggregates will continue to be evaluated in the light of progress toward price level stability, movements in their velocities, and developments in the economy and financial markets.

Votes for this action: Messrs. Greenspan, McDonough, Boehne, Ferguson, Gramlich, Kelley, McTeer, Meyer, Moskow, Ms. Rivlin, and Mr. Stern. Votes against this action: None.

In the Committee's discussion of policy for the intermeeting period ahead, all the members favored an unchanged policy stance. Many were concerned that the odds were tilted toward rising inflation over time, especially if the expansion did not slow to a more sustainable rate. Members commented that the market unsettlement that had in large measure prompted the Committee's easing actions during the fall had now lessened appreciably. In the view of some, those actions might need to be reversed, at least in part, to restore what they regarded as a policy stance that seemed most likely to prove consistent with desirable economic trends. Still, the persistence of subdued inflation and the absence of current evidence of accelerating inflation were seen as arguing against a policy tightening move at this point. Moreover, it was clear that the outlook for economic activity was subject to considerable uncertainty and that some shortfall from current forecasts, perhaps in conjunction with unexpectedly adverse trade and financial influences stemming from developments abroad, might materialize and damp inflationary demand pressures. Even in the absence of greater-than-anticipated slowing in the economic expansion, the experience of recent years had amply demonstrated that the relationship between demand pressures on resources and inflation was not following historical patterns, and developments exerting a more lasting moderating effect on inflation, such as more productive capital investment and effective access to spare capacity overseas, could help to contain inflation for some time. Against this background, the members agreed on the need to continue to monitor the economy with care for signs either of a potential upturn in inflation or greater softness in the expansion than they were currently forecasting and to be prepared to respond promptly in either direction.

In light of the uncertainties and diversity of risks surrounding the economic outlook, most members were in favor of retaining the existing symmetry of the directive. In one view, however, the risks of rising inflation were strong enough to warrant consideration of an asymmetrical directive that was tilted toward restraint. Nonetheless, since inflation was difficult to predict and any needed adjustment to policy in the period ahead could readily be implemented even with a symmetrical directive, all the members indicated that they could accept such a directive.

At the conclusion of this discussion, the Committee voted to authorize and direct the Federal Reserve Bank of New York, until it was instructed otherwise, to execute transactions in the System Account in accordance with the following domestic policy directive:

> The information reviewed at this meeting suggests that the economy expanded rapidly in the closing months of 1998. Nonfarm payroll employment posted strong gains in November and December, and the civilian unemployment rate fell to 4.3 percent in December. Total industrial production strengthened in the fourth quarter, owing in large measure to a surge in the production of motor vehicles and parts. Total retail sales rose sharply in the fourth quarter, and home sales and housing starts increased appreciably. Available indicators suggest that business capital spending picked up markedly in the fourth quarter after a lull in the

third. In November, the nominal deficit on U.S. trade in goods and services was somewhat larger than in October, but the combined October–November deficit was slightly smaller than its third-quarter average. Inflation has remained subdued despite very tight labor markets.

Most short-term interest rates have declined somewhat on balance since the meeting on December 22, while longer-term rates have changed little. Share prices in equity markets have posted further sizable gains on balance over the intermeeting period. In foreign exchange markets, the trade-weighted value of the dollar has depreciated slightly over the period in relation to other major currencies but it has appreciated somewhat in terms of the currencies of a broader group that also includes other important trading partners of the United States.

M2 and M3 continued to record very large increases in late 1998, but available data pointed to some moderation in January. From the fourth quarter of 1997 to the fourth quarter of 1998, both aggregates rose at rates well above the Committee's annual ranges. Total domestic nonfinancial debt expanded at a pace somewhat above the middle of its range in 1998.

The Federal Open Market Committee seeks monetary and financial conditions that will foster price stability and promote sustainable growth in output. In furtherance of these objectives, the Committee at this meeting established ranges for growth of M2 and M3 of 1 to 5 percent and 2 to 6 percent respectively, measured from the fourth quarter of 1998 to the fourth quarter of 1999. The range for growth of total domestic nonfinancial debt was set at 3 to 7 percent for the year. The behavior of the monetary aggregates will continue to be evaluated in the light of progress toward price level stability, movements in their velocities, and developments in the economy and financial markets.

To promote the Committee's long-run objectives of price stability and sustainable economic growth, the Committee in the immediate future seeks conditions in reserve markets consistent with maintaining the federal funds rate at an average of around 4¾ percent. In view of the evidence currently available, the Committee believes that prospective developments are equally likely to warrant an increase or a decrease in the federal funds rate operating objective during the intermeeting period.

Votes for this action: Messrs. Greenspan, McDonough, Boehne, Ferguson, Gramlich, Kelley, McTeer, Meyer, Moskow, Ms. Rivlin, and Mr. Stern. Votes against this action: None.

Sunset Legislation Relating to Humphrey–Hawkins Reports

The Committee discussed the Federal Reports Elimination and Sunset Act of 1995, which provides for the termination of the legal requirements for semiannual Humphrey–Hawkins reports to the Congress after 1999. At this meeting, the members agreed that the semiannual reports and associated congressional hearings had been quite useful and should be continued. They had given the Committee an effective means to explain its policies and communicate its views on a variety of issues and had enhanced its accountability to the public and the Congress.

Sale of Euro Reserves

In a notation vote completed on March 22, 1999, the Committee unanimously approved an off-market sale of approximately $4.8 billion equivalent of the System's euro reserves to the Exchange Stabilization Fund (ESF). In return, the System received $3.4 billion in dollars and $1.4 billion equivalent of Japanese yen from the ESF. The transaction reduced the System's overall holdings of foreign currencies to the level of those held by the ESF and left the resulting balances of euro and yen equal in both the System and ESF accounts.

It was agreed that the next meeting of the Committee would be held on Tuesday, March 30, 1999.

The meeting adjourned at 11:40 a.m. on February 3, 1999.

Donald L. Kohn
Secretary

Legal Developments

Joint Final Rule—Amendment to Risk-Based Capital Standards for Market Risk

The Office of the Comptroller of the Currency (OCC), the Board of Governors of the Federal Reserve System (Board), and the Federal Deposit Insurance Corporation (FDIC) (collectively, the agencies) are adopting as a final rule an interim rule amending their respective risk-based capital standards for market risk applicable to certain banks and bank holding companies with significant trading activities. The interim rule implemented a revision to the Basle Accord adopted in 1997. Prior to the revision, an institution that measured specific risk with an internal model that adequately measured such risk was subject to a minimum capital charge. An institution's capital charge for specific risk had to be at least as large as 50 percent of a specific risk charge calculated using the standardized approach. The rule will finalize the interim rule, which reduced regulatory burden for institutions with qualifying internal models because they no longer must calculate a standardized specific risk capital charge.

Effective July 1, 1999, 12 C.F.R. Parts 3, 208, 225, and 325 are amended as follows.

Part 3—Risk-Based Capital Standards: Market Risk

For the reasons set out in the joint preamble, the OCC's portion of the joint interim rule with request for comment amending 12 C.F.R. parts titled Risk-Based Capital Standards: Market Risk, published on December 30, 1997, at 62 *Federal Register* 68,067 is adopted as final without change.

Part 208—Membership of State Banking Institutions in the Federal Reserve System (Regulation H)

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

Authority: 12 U.S.C. 24, 36, 92a, 93a, 248(a), 248(c), 321–338a, 371d, 461, 481–486, 601, 611, 1814, 1816, 1818, 1823(j), 1828(o), 1831o, 1831p-1, 1831r-1, 1835a, 1882, 2901-2907, 3105, 3310, 3331-3351, and 3906-3909; 15 U.S.C. 78b, 78l(b), 78l(g), 78l(i), 78o-4(c)(5), 78q, 78q-1, and 78w; 31 U.S.C. 5318; 42 U.S.C. 4012a, 4104a, 4104b, 4106, and 4128.

2. In Appendix E to Part 208, the appendix heading is revised to read as follows:

Appendix E to Part 208—Capital Adequacy Guidelines for State Member Banks; Market Risk Measure

3. In Appendix E to Part 208, section 2., paragraph (b)(2) is revised to read as follows:

* * * * *

Section 2.—Definitions

* * * * *

(b) * * *

(2) *Specific risk* means changes in the market value of specific positions due to factors other than broad market movements and includes event and default risk as well as idiosyncratic variations.

* * * * *

4. In Appendix E to Part 208, section 5., paragraphs (a), (b), and the introductory text of paragraph (c) are revised to read as follows:

* * * * *

Section 5.—Specific Risk

(a) *Modeled specific risk.* A bank may use its internal model to measure specific risk. If the bank has demonstrated to the Federal Reserve that its internal model measures the specific risk, including event and default risk as well as idiosyncratic variation, of covered debt and equity positions and includes the specific risk measures in the VAR-based capital charge in section 3(a)(2)(i) of this appendix, then the bank has no specific risk add-on for purposes of section 3(a)(2)(ii) of this appendix. The model should explain the historical price variation in the trading portfolio and capture concentration, both magnitude and changes in composition. The model should also be robust to an adverse environment and have been validated through backtesting which assesses whether specific risk is being accurately captured.

(b) *Partially modeled specific risk.*

(1) A bank that incorporates specific risk in its internal model but fails to demonstrate to the Federal Reserve that its internal model adequately measures all aspects of specific risk for covered debt and equity positions, including event and default risk, as provided by section 5(a) of the appendix, must

calculate its specific risk add-on in accordance with one of the following methods:
- (i) If the model is susceptible to valid separation of the VAR measure into a specific risk portion and a general market risk portion, then the specific risk add-on is equal to the previous day's specific risk portion.
- (ii) If the model does not separate the VAR measure into a specific risk portion and a general market risk portion, then the specific risk add-on is the sum of the previous day's VAR measures for subportfolios of covered debt and equity positions that contain specific risk.

(2) If a bank models the specific risk of covered debt positions but not covered equity positions (or vice versa), then the bank may determine its specific risk charge for the included positions under section 5(a) or 5(b)(1) of this appendix, as appropriate. The specific risk charge for the positions not included equals the standard specific risk capital charge under paragraph (c) of this section.

(c) *Specific risk not modeled.* If a bank does not model specific risk in accordance with section 5(a) or 5(b) of this appendix, then the bank's specific risk capital charge shall equal the standard specific risk capital charge, calculated as follows:

* * * * *

Part 225—Bank Holding Companies and Change in Bank Control (Regulation Y)

1. The authority citation for Part 225 continues to read as follows:

Authority: 12 U.S.C. 1817(j)(13), 1818, 1828(o), 1831i, 1831p-1, 1843(c)(8), 1844(b), 1972(1), 3106, 3108, 3310, 3331-3351, 3907, and 3909.

2. In Appendix E to part 225, the appendix heading is revised to read as follows:

Appendix E to Part 225—Capital Adequacy Guidelines for Bank Holding Companies: Market Risk Measure

3. In Appendix E to Part 225, section 2., paragraph (b)(2) is revised to read as follows:

* * * * *

Section 2.—Definitions

* * * * *

(b) * * *
(2) *Specific risk* means changes in the market value of specific positions due to factors other than broad market movements and includes event and default risk as well as idiosyncratic variations.

* * * * *

4. In Appendix E to Part 225, section 5., paragraphs (a), (b), and the introductory text of paragraph (c) are revised to read as follows:

* * * * *

Section 5.—Specific Risk

(a) *Modeled specific risk.* A bank holding company may use its internal model to measure specific risk. If the organization has demonstrated to the Federal Reserve that its internal model measures the specific risk, including event and default risk as well as idiosyncratic variation, of covered debt and equity positions and includes the specific risk measures in the VAR-based capital charge in section 3(a)(2)(i) of this appendix, then the organization has no specific risk add-on for purposes of section 3(a)(2)(ii) of this appendix. The model should explain the historical price variation in the trading portfolio and capture concentration, both magnitude and changes in composition. The model should also be robust to an adverse environment and have been validated through backtesting which assesses whether specific risk is being accurately captured.

(b) *Partially modeled specific risk.*

(1) A bank holding company that incorporates specific risk in its internal model but fails to demonstrate to the Federal Reserve that its internal model adequately measures all aspects of specific risk for covered debt and equity positions, including event and default risk, as provided by section 5(a) of this appendix, must calculate its specific risk add-on in accordance with one of the following methods:
- (i) If the model is susceptible to valid separation of the VAR measure into a specific risk portion and a general market risk portion, then the specific risk add-on is equal to the previous day's specific risk portion.
- (ii) If the model does not separate the VAR measure into a specific risk portion and a general market risk portion, then the specific risk add-on is the sum of the previous day's VAR measures for subportfolios of covered debt and equity positions that contain specific risk.

(2) If a bank holding company models the specific risk of covered debt positions but not covered equity positions (or vice versa), then the bank holding company may determine its specific risk charge for the included positions under section 5(a) or 5(b)(1) of this appendix, as appropriate. The specific risk charge for the positions not included equals the standard specific risk capital charge under paragraph (c) of this section.

(c) *Specific risk not modeled.* If a bank holding company does not model specific risk in accordance with section

5(a) or 5(b) of this appendix, then the organization's specific risk capital charge shall equal the standard specific risk capital charge, calculated as follows:

* * * * *

Part 325—Capital Maintenance

1. The authority citation for Part 325 continues to read as follows:

Authority: 12 U.S.C. 1815(a), 1815(b), 1816, 1818(a), 1818(b), 1818(c), 1818(t), 1819(Tenth), 1828(c), 1828(d), 1828(i), 1828(n), 1828(o), 1831o, 1835, 3907, 3909, 4808; Pub. L. 102–233, 105 Stat. 1761, 1789, 1790 (12 U.S.C. 1831n note); Pub. L. 102- 242, 105 Stat. 2236, 2355, 2386 (12 U.S.C. 1828 note).

2. In Appendix C to Part 325, the appendix heading is revised to read as follows:

Appendix C to Part 325—Risk-Based Capital For State Non-Member Banks: Market Risk

3. In Appendix C to Part 325, section 2., paragraph (b)(2) is revised to read as follows:

* * * * *

Section 2.—Definitions.

* * * * *

(b) * * *

* * * * *

(2) *Specific risk* means changes in the market value of specific positions due to factors other than broad market movements and includes event and default risk as well as idiosyncratic variations.

* * * * *

4. In Appendix C to Part 325, section 5., paragraphs (a), (b), and (c) introductory text are revised to read as follows:

* * * * *

Section 5.—Specific Risk.

(a) *Modeled specific risk.* A bank may use its internal model to measure specific risk. If the bank has demonstrated to the FDIC that its internal model measures the specific risk, including event and default risk as well as idiosyncratic variation, of covered debt and equity positions and includes the specific risk measure in the VAR-based capital charge in section 3(a)(2)(i) of this appendix, then the bank has no specific risk add-on for purposes of section 3(a)(2)(ii) of this appendix. The model should explain the historical price variation in the trading portfolio and capture concentration, both magnitude and changes in composition. The model should also be robust to an adverse environment and have been validated through backtesting which assesses whether specific risk is being accurately captured.

(b) *Add-on charge for modeled specific risk.* A bank that incorporates specific risk in its internal model but fails to demonstrate to the FDIC that its internal model adequately measures all aspects of specific risk for covered debt and equity positions, including event and default risk, as provided by section 5(a) of this appendix, must calculate the bank's specific risk add-on for purposes of section 3(a)(2)(ii) of this appendix as follows:

(1) If the model is capable of valid separation of the VAR measure into a specific risk portion and a general market risk portion, then the specific risk add-on is equal to the previous day's specific risk portion.

(2) If the model does not separate the VAR measure into a specific risk portion and a general market risk portion, then the specific risk add-on is the sum of the previous day's VAR measures for subportfolios of covered debt and equity positions.

(c) *Add-on charge if specific risk is not modeled.* If a bank does not model specific risk in accordance with paragraph (a) or (b) of this section, the bank's specific risk add-on charge for purposes of section 3(a)(2)(ii) of this appendix equals the sum of the components for covered debt and equity positions. If a bank models, in accordance with paragraph (a) or (b) of this section, the specific risk of covered debt positions but not covered equity positions (or vice versa), then the bank's specific risk add-on charge for the positions not modeled is the component for covered debt or equity positions as appropriate:

* * * * *

Orders Issued Under Bank Holding Company Act

Orders Issued Under Section 3 of the Bank Holding Company Act

ANB Corporation
Muncie, Indiana

Order Approving the Acquisition of a Bank Holding Company

ANB Corporation ("ANB"), 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 Farmers State Bancorp ("Bancorp") and thereby to acquire The Farmers State Bank of Union City ("Bank"), both in Union City, Ohio.

Notice of proposal, affording interested persons an opportunity to submit comments, has been published (64 *Federal Register* 6361 (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.

ANB is the 33rd largest depository institution in Indiana, controlling deposits of approximately $417.5 million, representing less than 1 percent of total deposits in depository institutions in Indiana ("state deposits").[1] Bank is the 179th largest depository institution in Ohio, controlling deposits of $63.3 million, representing less than 1 percent of state deposits. Bank also is the 112th largest depository institution in Indiana, controlling approximately $18.2 million in deposits, representing less than 1 percent of state deposits.[2] On consummation of the proposal, ANB would become the 32nd largest depository institution in Indiana, controlling $435.7 million, representing less than 1 percent of state deposits.

Interstate Analysis

Section 3(d) of the BHC Act allows the Board to approve an application by a bank holding company to acquire control of a bank located in a state other than the home state[3] of such bank holding company, provided that certain conditions are met. For purposes of the BHC Act, the home state of ANB is Indiana, and ANB proposes to acquire a bank in Ohio. The proposed transaction meets all of the conditions for an interstate acquisition that are enumerated in section 3(d).[4] In view of all the facts of record, the Board is permitted to approve the proposal under section 3(d) of the BHC Act.

Competitive Considerations

The BHC Act prohibits the Board from approving an application under section 3 of the BHC Act if the proposal would result in a monopoly or would be in furtherance of any attempt to monopolize the business of banking. The BHC Act also prohibits the Board from approving a proposed combination that would substantially lessen competition or tend to create a monopoly in any relevant banking market, unless the Board finds that 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.

ANB and Bank compete in the Muncie, Indiana, banking market ("Muncie banking market").[5] The Board has carefully reviewed the competitive effects of the proposal in the Muncie banking market in light of all of the facts of record, including the characteristics of the market and the projected increase in the concentration of total deposits in insured depository institutions in this market ("market deposits") as measured by the Herfindahl–Hirschman Index ("HHI") under the Department of Justice Merger Guidelines ("DOJ Guidelines"). The Board also has carefully considered the number of competitors that would remain in the market after consummation of the proposal.

ANB is the second largest depository institution in the Muncie banking market, controlling $355.5 million in deposits, representing 23 percent of market deposits.[6] Bank is the seventh largest depository institution in the market, controlling $81.5 million in deposits, representing 5.3 percent of market deposits. On consummation of the proposal, ANB would remain the second largest depository institution in the market, controlling deposits of $437 million, representing 28.3 percent of market deposits. The HHI would increase by 243 points to 2450.[7]

The Board believes that several characteristics of the Muncie banking market mitigate the proposal's potential anticompetitive effects. First, a significant number of other depository institutions would have the market share and resources to compete effectively in the banking market. Eight bank and thrift institutions, including ANB, would remain in the market after consummation of the proposal, including several multistate banking organizations. Four of

1. Deposit data are as of June 30, 1998. In this context, depository institutions include commercial banks, savings banks, and savings associations.

2. Bank controls total deposits of $81.5 million, $18.2 million of which are booked in its branch office in Indiana. The balance of the bank's deposits are booked in its main office in Ohio.

3. 12 U.S.C. § 1842(d). A bank holding company's home state is that state in which the total deposits of all banking subsidiaries of such company were the largest on July 1, 1966, or on the date on which the company became a bank holding company, whichever is later. 12 U.S.C. 1841(o)(4)(C).

4. *See* 12 U.S.C. §§ 1842(d)(1)(A) & (B) and 1842(d)(2)(A) & (B). ANB is adequately capitalized and adequately managed, as defined by applicable law. Bank has been in existence and operated continuously during the five-year minimum statutory period. On consummation of the proposal, ANB would control less than 10 percent of the total amount of deposits of insured depository institutions in the United States. All other requirements of section 3(d) of the BHC Act would be met on consummation of the proposal.

5. The Muncie banking market is defined as Delaware County excluding Salem township; Randolph County excluding Washington and Greensfork townships; Licking and Johnson townships in Blackford County, all in Indiana; and Jackson township in Darke County, Ohio.

6. Market share data are reported as of June 30, 1998. 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).

7. Under the revised DOJ Guidelines, 49 *Federal Register* 26,823 (June 29, 1984), a market in which the post-merger HHI exceeds 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 effect of limited-purpose lenders and other nondepository financial entities.

these institutions, including ANB, would each control market shares of 9 percent or more of market deposits and several large regional bank holding companies would continue to operate in the market.

The Muncie banking market also is attractive for entry. Data for the year ending June 30, 1998 show that the Muncie Metropolitan Statistical Area ("MSA"), which encompasses most of the population of the Muncie banking market, has had a larger increase in total deposits and per capita income than the increase on average in these statistics for other MSAs in Indiana. The market also has recently experienced *de novo* entry and entry by acquisition, including two entries by acquisition in 1998. Indiana, moreover, permits unrestricted intrastate branching.[8]

The Department of Justice reviewed the proposal and advised the Board that consummation of the proposal would not likely have any significantly adverse competitive effects in the Muncie banking market or any other relevant banking market. The Federal Deposit Insurance Corporation has been consulted and 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 is not likely to result in any significantly adverse effects on competition or on the concentration of banking resources in the Muncie banking market or any other relevant banking market, and that competitive factors are consistent with approval of the proposal.

Other Considerations

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, the convenience and needs of the communities to be served, and certain supervisory factors. 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 the organizations. Based on all the facts of record, the Board concludes that the financial and managerial resources and future prospects of ANB, its subsidiary banks, and Bank are consistent with approval, as are the other supervisory factors the Board must consider under section 3 of the BHC Act. Considerations related to the convenience and needs of communities to be served, including the records of performance of the institutions involved under the Community Reinvestment Act (12 U.S.C. § 2901 *et seq.*), also are consistent with approval of the proposal.

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. Approval of the application is specifically conditioned on compliance by ANB with all the commitments made in connection with the application. For the purposes of this order, 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 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 by the Federal Reserve Bank of Chicago, acting pursuant to delegated authority.

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

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

JENNIFER J. JOHNSON
Secretary of the Board

8. Ind. Code Ann. §§ 28–2-13–19 & 28–2-16–15 (West 1998).

Banco Santander, S.A.
Madrid, Spain

Order Approving Acquisition of a Bank Holding Company

Banco Santander, S.A. ("Santander"), 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 BCH-USA, New York, New York ("Bank"), a wholly owned subsidiary bank of Banco Central Hispanoamericano, S.A., Madrid, Spain ("BCH").[1]

Notice of the proposal, affording interested persons an opportunity to submit comments, has been published (64 *Federal Register* 9995 (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.

Santander, with total consolidated assets of approximately $181 billion, is the largest banking organization in Spain.[2] In the United States, Santander operates a branch in New York, New York; and an agency and an Edge corporation in Miami, Florida. Santander also controls Banco Santander Puerto Rico, San Juan, Puerto Rico ("Santander-

1. Santander and BCH are two large foreign banks headquartered in Spain, each with modest operations in the United States. This application involves a review of the proposed combination of the U.S. operations of these banks as part of a merger of BCH with and into Santander, in which Santander would be the surviving corporation. On consummation, Santander would change its corporate name to "Banco Santander Central Hispano, S.A." Santander also has applied under the International Banking Act, 12 U.S.C. § 3101 *et seq.*, to retain BCH's direct U.S. branches and other offices. That application will be considered separately.

2. Asset data are as of December 31, 1998, using exchange rates then in effect. Ranking data are as of December 31, 1997.

PR"), a subsidiary bank that also maintains a branch in New York, New York. Santander also has an indirect interest in Citizens Financial Group, Inc., Providence, Rhode Island, a registered bank holding company.[3] In addition, Santander engages directly and through subsidiaries in a number of permissible nonbanking activities in the United States.

BCH, with total consolidated assets of approximately $95 billion, is the third largest banking organization in Spain. In addition to Bank, BCH's U.S. banking operations consist of branches in New York, New York, and Miami, Florida.

Interstate Analysis

Section 3(d) of the BHC Act allows the Board to approve an application by a bank holding company to acquire control of a bank located in a state other than the home state of such bank holding company if certain conditions are met.[4] For purposes of the BHC Act, the home state of Santander is Rhode Island and Santander proposes to acquire control of a bank in New York.[5] All the conditions for an interstate acquisition under section 3(d) are met in this case.[6] In light of all the facts of record, the Board is permitted to approve the proposal under section 3(d) of the BHC Act.

Competitive Considerations

As noted above, Santander and BCH operate various banking entities that compete in the Metropolitan New York-New Jersey banking market.[7] Each of these banking entities is relatively small and 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. The banking market would remain unconcentrated with numerous competitors operating in the market.[8] Based on all the facts of record, the Board concludes that consummation of the proposal would not have a significantly adverse effect on competition or on the concentration of banking resources in the Metropolitan New York-New Jersey banking market or any other relevant banking market.

Financial and Managerial 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 the proposal. Santander's capital ratios 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. Bank's capital ratios exceed the "well capitalized" thresholds and would be unchanged by this transaction. Based on these and all the other facts of record, including confidential examination and other supervisory information concerning the foreign banks involved in the proposal and their existing U.S. operations and the commitments provided in this case, the Board concludes that financial and managerial factors are consistent with approval.[9]

3. Santander owns its indirect minority interest in Citizens Financial Group, Inc. ("Citizens") through The Royal Bank of Scotland Group plc and its subsidiary, The Royal Bank of Scotland plc, both of Edinburgh, Scotland. *See Banco de Santander, S.A. de Credito*, 78 *Federal Reserve Bulletin* 60 (1992).

4. 12 U.S.C. § 1842(d). A bank holding company's home state is that state in which the total deposits of all banking subsidiaries of such company were the largest on July 1, 1966, or the date on which the company became a bank holding company, whichever is later. 12 U.S.C. § 1841(o)(4)(C).

5. For purposes of section 3(d) of the BHC Act, the home state of Santander is Rhode Island by virtue of Santander's indirect ownership interest in Citizens, a bank holding company in Providence, Rhode Island. *See The Royal Bank of Scotland Group plc*, 82 *Federal Reserve Bulletin* 428 (1996).

6. 12 U.S.C. §§ 1842(d)(1)(A) and (B) and 1842(d)(2)(A) and (B). Santander meets the capital and managerial requirements established by applicable law. On consummation of the proposal, Santander and its affiliates would control less than 10 percent of the total amount of deposits of insured depository institutions in the United States, and less than 30 percent of the total amount of deposits in New York. *See* N.Y. Banking Law § 142-a (McKinney 1999). All other requirements of section 3(d) of the BHC Act also would be met on consummation of the proposal.

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

8. Market share data used to analyze the competitive effects of the proposal are as of June 30, 1997, and are based on calculations in which the deposits of thrift institutions are included at 50 percent. 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.

9. On May 18, 1998, the Board issued a temporary cease and desist order (the "Order") pursuant to section 8(c) of the Federal Deposit Insurance Act (12 U.S.C. § 1818(c)) against Santander to address deficiencies in its anti-money laundering programs. *See Issuance of Enforcement Actions*, 84 *Federal Reserve Bulletin* 539 (1998). The Order arose out of an investigation into the improper activities of two employees of Santander's subsidiary bank in Mexico, Banco Santander Mexicano, S.A. In response to the Order, Santander completed an internal investigation of the subject accounts and transactions and reported its findings to the appropriate U.S. and Mexican authorities. In addition, Santander, with the assistance of outside counsel and independent auditors, conducted a review of its anti-money laundering policies and on June 30, 1998, submitted a confidential report to the Board on the adequacy of its procedures and a plan designed to ensure that the conduct described in the Order would not occur in the future. The Board received a comment from Inner City Press/Community on the Move ("Protestant") stating that the issues raised by the Order

Convenience and Needs Considerations

The Board also has carefully considered the effect of the proposal on the convenience and needs of the communities to be served in light of all the facts of record. The Board has long held that consideration of the convenience and needs factor includes a review of the records of the relevant depository institutions under the Community Reinvestment Act (12 U.S.C. § 2901 *et seq.*) ("CRA"). 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.

CRA Performance Examinations. Santander-PR, the only Santander banking operation that is subject to the CRA, received an "outstanding" rating at its most recent CRA performance evaluation from its primary federal financial supervisory agency, the Federal Deposit Insurance Corporation ("FDIC"), as of October 14, 1997.[10] Bank received a "satisfactory" rating from the FDIC at its most recent CRA performance evaluation, as of December 31, 1998.[11]

Santander's CRA Performance Record. According to examiners, Santander-PR's lending activities reflected responsiveness to credit needs in the bank's assessment area.[12] From January 1 through September 30, 1997, Santander-PR originated more than 3,200 small business loans, totaling more than $247 million, and more than 100 small farm loans, totaling more than $9 million. Of these loans, Santander originated more than 400 of the small business loans, totaling more than $36 million, and 16 of the small farm loans, totaling more than $700,000 in low- and moderate-income ("LMI") census tracts.

Examiners stated that from October 1, 1996, through September 30, 1997, Santander-PR originated 180 Small Business Administration ("SBA") loans totaling more than $26 million. Examiners noted that Santander-PR had been designated a "Preferred Lender" and "Certified Lender" by the SBA. Examiners also commended the bank on the distribution of its loans to businesses of different sizes. Of the small business loans made by Santander-PR since its last CRA evaluation, 22 percent were to businesses with gross annual revenues of less than $50,000, and 74 percent were to businesses with gross annual revenues of less than $250,000.

Examiners also noted that Santander-PR had made $81 million in qualified community development loans since its October 1995 CRA evaluation, including a loan to a consortium of small poultry processors under the Rural Housing and Community Development Service guarantee program to construct a poultry processing facility in a low-income census tract in Salinas, Puerto Rico; a loan to a builder under the affordable housing guidelines set by the Government Development Bank of Puerto Rico to construct 49 single-family homes in a moderate-income census tract in Barceloneta, Puerto Rico; and a loan to construct a condominium project in a moderate-income census tract in Rio Piedras, Puerto Rico, with one-third of the units designated for affordable housing.

Bank's CRA Performance Record. On May 21, 1998, the FDIC granted Bank's request for designation as a "wholesale institution" for purposes of evaluation under the CRA, and Bank's CRA activities have been focused on lending to community development intermediaries operating in its assessment area.[13] At Bank's December 31, 1998 examination, examiners noted that Bank's CRA performance had improved since its previous CRA performance evaluation because the bank had improved its ascertainment and financial support of local community development initiatives consistent with its resources and capabilities.

Examiners noted that Bank's community development lending (including new originations from January 1997 through December 1998 and prior loans funded with outstanding balances) totaled more than $1 million. Examiners stated that, since its last CRA examination, Bank has increased its community development lending by providing six commitments totaling $900,000, representing a 600 percent increase in funding.[14] Examiners also stated that Bank's levels of qualified investments and community development service since its prior CRA evaluation were adequate.

were grounds on which the application should be denied. In light of Santander's compliance with the Order to date, and its other efforts, the Board concludes that these matters do not warrant denial of the proposal.

10. Santander-PR also received an "outstanding" rating at its CRA performance evaluation by the FDIC, as of September 18, 1995. Examiners noted in the October 14, 1997, CRA performance evaluation that Santander-PR's branch in New York, New York, does not generally engage in domestic retail deposit or lending activities. The examiners found that the branch had performed in a satisfactory manner under the CRA when the branch was compared to similar institutions in the assessment area.

11. Bank received "needs to improve" ratings from the FDIC in two prior CRA performance evaluations, as of July 15, 1996, and May 31, 1995. Protestant argues that these earlier CRA ratings support a denial of the proposal. Bank's current CRA performance evaluation was recently completed by the FDIC, and its rating of "satisfactory" was announced by the bank after the date of Protestant's comment letter.

12. Examiners noted that Santander-PR did not engage in residential mortgage lending, but that Bank's affiliate, Santander Mortgage Corporation ("SMC"), offered affordable and first-time buyer programs sponsored by the Government National Mortgage Association. In addition, examiners stated that SMC offered Federal Housing Administration and Veterans Administration mortgage products.

13. *See* 12 C.F.R. 345.25 (community development test for wholesale institutions).

14. These commitments included a $150,000 three-year term loan to a nonprofit community development financial institution to assist with the construction of affordable housing; a three-year, low-interest $200,000 loan to a nonprofit community development support organization that acts as an intermediary by channeling grants, loans, and equity investments to underserved communities; and a two-year, low-interest $150,000 loan to the capitalization program of a nonprofit association that assists community development credit unions serving low-income communities and community groups seeking to form credit unions.

Conclusion on Convenience and Needs Considerations. The Board has carefully considered all the facts of record, including the comments received and the public CRA performance records of the institutions involved. In particular, the Board has considered the efforts by Bank to improve its CRA performance, as verified by the FDIC in a recently concluded CRA performance examination, and the fact that this proposal represents an acquisition by an applicant that has maintained a consistently outstanding CRA performance record. Based on a review of the entire record, including the relevant reports of examination, the Board concludes that considerations relating to the convenience and needs of the communities to be served are consistent with approval.

Other 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."[15] The Board previously determined that Santander was subject to such supervision and regulation,[16] and based on all the facts of record, the Board has concluded that Santander 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 Santander has material operations and has communicated with relevant banking authorities concerning access to information. Santander has committed that, to the extent not prohibited by applicable law, it will make available to the Board such information on the operations of Santander 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. Santander also has committed to cooperate with the Board to obtain any waivers or exemptions that may be necessary to enable Santander to make any such information available to the Board. In light of these commitments and other facts of record, the Board has concluded that Santander 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.[17]

Conclusion

Based on the foregoing and all other facts of record, the Board has determined that the application should be, and hereby is, approved. The Board's approval of the proposal is expressly conditioned on Santander'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.

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 New York, acting pursuant to delegated authority.

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

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

JENNIFER J. JOHNSON
Secretary of the Board

Community Capital Bancshares, Inc.
Albany, Georgia

Order Approving Formation of a Bank Holding Company

Community Capital Bancshares, Inc. ("CCB") 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 all the voting shares of Albany Bank & Trust, N.A., Albany, Georgia ("Bank"), a *de novo* bank.

Notice of the proposal, affording interested persons an opportunity to submit comments, has been published (64 *Federal Register* 9155 (1999)). The time for filing

15. 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).

16. *See, e.g., Banco Santander, S.A.*, 82 *Federal Reserve Bulletin* 833 (1996).

17. Protestant argues that the Board should deny Santander's application because the matters described by the Order referred to in footnote 9 raise questions about whether Santander is subject to comprehensive consolidated supervision by its home country supervisor under section 3 of the BHC Act. As noted above, in light of Santander's compliance with the Order to date, and its other efforts, the Board does not believe that these matters warrant denial of the subject proposal.

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.

CCB is a corporation formed for the purpose of acquiring control of Bank.[1] The Board previously has noted that establishment of a *de novo* bank enhances competition in the relevant banking market and is a positive consideration in an application under section 3 of the BHC Act.[2] Accordingly, the Board concludes that consummation of the proposal would not have a significantly adverse effect on competition or on the concentration of banking resources in any relevant banking market and that competitive considerations are consistent with approval. Based on all the facts of record, the Board also concludes that the financial and managerial resources and future prospects of CCB and Bank are consistent with approval of the proposal, as are the other supervisory factors the Board must consider under section 3 of the BHC Act.

The Board also has considered carefully the effect of the proposal on the convenience and needs of the communities to be served in light of all the facts of record, including a comment submitted on behalf of Business Research and Development, Albany, Georgia ("Commenter"). Commenter contends that Bank will not adequately serve the credit and banking needs of minorities nor of low- and moderate-income ("LMI") individuals and neighborhoods in the Albany area. Commenter also contends that Bank has not sufficiently marketed its proposed products and services to African Americans in Albany.[3]

Bank is a *de novo* insured depository institution and, accordingly, has no record of performance under the Community Reinvestment Act (12 U.S.C. § 2901 *et seq.*) ("CRA"). Bank, however, has established a comprehensive CRA plan that details the products and services that Bank intends to offer to assist in meeting the credit, service and investment needs of Bank's entire community, including LMI neighborhoods. For example, Bank plans to offer a variety of housing-related loans, including first- and second-mortgages, home equity, and home improvement loans. Bank also plans to originate small business loans guaranteed by the Small Business Administration and lines of credit to help agricultural borrowers meet seasonal demand for credit. In addition, Bank intends to make available consumer loans and student loans to assist in meeting the credit needs of its local community, and to offer workshops in LMI neighborhoods on basic money management skills and the fundamentals of maintaining a bank account. Bank also would offer several types of deposit accounts, including a checking account with a $100 minimum balance, no monthly maintenance fees, and unlimited check-writing privileges.[4]

Bank's CRA plan provides that Bank will actively market its products and services throughout its community, including LMI neighborhoods, in several ways, including direct mail and telemarketing programs and the sponsorship of community programs. Bank also has held three public forums in the Albany area to inform members of the local community about Bank's proposed products and services,[5] and Bank plans to hold an additional three public forums in the Albany area before commencing operations. The Board notes, moreover, that Bank's President and Chief Executive Officer and Bank's Executive Vice President and Senior Loan Officer recently served in management positions at insured depository institutions that received "outstanding" ratings at their most recent CRA performance evaluation by their appropriate federal supervisory agency.

As noted above, the OCC recently approved Bank's application for a national bank charter after considering Bank's proposed assessment area and plans to meet the credit needs of the local community, including LMI areas, in light of substantially similar comments filed by Commenter. Consistent with the CRA, Bank has delineated a local assessment area within which the OCC, Bank's appropriate federal supervisory agency, will evaluate the performance of Bank under the CRA in future examinations.[6] Bank's delineated assessment area includes all of Dougherty County and the southern half of Lee County, both in Georgia. Bank's assessment area includes all of Albany and does not arbitrarily exclude LMI areas.

Based on all the facts of record, and for reasons discussed above, the Board concludes that considerations relating to the convenience and needs factor are consistent with approval of the application. The Board notes that the OCC will evaluate Bank's actual record of meeting the credit needs of the Albany community, including LMI neighborhoods, in future CRA performance examinations of Bank, and the Board will carefully consider that record in acting on future applications by CCB to acquire an insured depository institution.

Based on the foregoing, and in light of all the facts of record, the Board has determined that the application

1. The Office of the Comptroller of the Currency ("OCC") recently approved Bank's application for a national bank charter, subject to the Board's approval of this application. *See* Letter from John O. Stein, II, Corporate Manager, Southeastern District Office, to Robert E. Lee, dated February 9, 1999.

2. *See CFBanc Holdings, Inc.*, 85 *Federal Reserve Bulletin* 52 (1999); *Wilson Bank Holding Co.*, 82 *Federal Reserve Bulletin* 568 (1996).

3. Commenter also contends that African Americans are not fairly represented in the management of CCB and Bank. The racial composition of an applicant's management is not a factor the Board is permitted to consider in acting on an application under section 3 of the BHC Act. The Board notes that the Equal Employment Opportunity Commission has jurisdiction to determine whether banking organizations such as CCB and Bank are in compliance with Federal equal employment opportunity statutes under the regulations of the Department of Labor. *See* 41 C.F.R. 60–1.7(a), 60–1.40.

4. Bank also plans to establish an additional branch in downtown Albany during its third year of operation. This branch would further increase Bank's ability to serve the banking and credit needs of its community, including African-American and LMI residents of Albany.

5. Before holding these public forums, Bank advertised the date, location, and purpose of the forums in a newspaper of general circulation in the Albany area.

6. *See* 12 C.F.R. 25.41(a).

should be, and hereby is, approved.[7] The Board's approval is specifically conditioned on compliance by CCB with all the commitments made in connection with the application. For the purpose 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.[8]

The acquisition of Bank 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, and Bank shall be open for business within six months following the effective date of this order, unless such periods are extended for good cause by the Board or the Federal Reserve Bank of Atlanta, acting pursuant to delegated authority.

By order of the Board of Governors, effective April 12, 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

7. Commenter has requested that the Board hold public meetings or hearings on the proposal. Section 3(b) of the BHC Act does not require the Board to hold a public hearing on an application unless the appropriate supervisory authority for the bank to be acquired makes a timely written recommendation of denial. The Board has not received such a recommendation from the OCC.

Under its rules, the Board also may, in its discretion, hold a public meeting or hearing on an application to acquire a bank if a meeting or hearing is necessary or appropriate to clarify factual issues related to the application and to provide an opportunity for testimony, if appropriate. 12 C.F.R. 225.16(e). The Board has carefully considered Commenter's request in light of all the facts of record. In the Board's view, Commenter has had ample opportunity to submit its views, and did submit written comments that have been carefully considered by the Board in acting on the proposal. Commenter's request fails to demonstrate why its written comments do not adequately present its evidence and fails to identify disputed issues of fact that are material to the Board's decision that would be clarified by a public meeting or hearing. For these reasons, and based on all the facts of record, the Board has determined that a public meeting or hearing is not required or warranted in this case.

8. Commenter also has requested that the Board delay action on the proposal for at least 90 days. The Board is required under applicable law and its processing procedures to act on applications submitted under the BHC Act within a specified time. The Board has reviewed Commenter's request in light of these requirements and the record compiled in this case. As noted above, Commenter was afforded ample opportunity to comment and its comments were carefully considered. Based on a review of all the facts of record, the Board concludes that the record in this case is sufficient to warrant Board action on the proposal at this time, and further delay is not warranted.

ORDERS ISSUED UNDER INTERNATIONAL BANKING ACT

Banco de Credito é Inversiones S.A. Santiago, Chile

Order Approving Establishment of an Agency

Banco de Credito é Inversiones S.A. ("Bank"), Santiago, Chile, a foreign bank within the meaning of the International Banking Act ("IBA"), has applied under section 7(d) of the IBA (12 U.S.C. § 3105(d)) to establish an agency in Miami, Florida. The Foreign Bank Supervision Enhancement Act of 1991 ("FBSEA"), which amended the IBA, provides that a foreign bank must obtain the approval of the Board to establish an agency 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 Miami, Florida (*The Miami Herald*, April 23, 1998). The time for filing comments has expired, and the Board has considered the application and all comments received.

Bank, with total consolidated assets of approximately \$5.9 billion,[1] is the sixth largest bank in Chile. Approximately 70 percent of the shares of Bank are held by related parties.[2] Mr. Yarur directly owns less than 1 percent of Bank's shares, and persons related to Mr. Yarur directly and indirectly own another 15 percent of Bank's shares. The remaining shares of Bank are widely held, with no single shareholder owning more than 5 percent of shares.[3]

Bank engages in a full range of wholesale, retail, and investment banking activities, including deposit-taking, private-sector lending, foreign exchange trading, and trade-related financing. Bank operates 139 branches or offices in Chile. In addition, Bank operates six subsidiaries in Chile, which engage in stock brokerage, mutual fund administration, financial consulting, collections, insurance brokerage, and marketing activities, and owns a one-third equity interest in an unincorporated association that engages in electronic funds clearing activities. At present, Bank does not operate any foreign branches, agencies, or subsidiaries.

Bank's primary purposes for establishing the proposed agency in Florida are to enhance its ability to serve existing customers and to expand its international customer base.

1. Asset data are as of June 30, 1998.

2. Empresas Juan Yarur S.A.C., Santiago, Chile ("Empresas"), which owns 54.7 percent of Bank's shares, is the only shareholder that directly owns more than 5 percent of Bank's shares. Mr. Luis Enrique Yarur Rey, chairman of Bank's board, controls Empresas through two holding companies: Inversiones Petro S.A., Santiago, Chile ("Petro"), which directly owns 55.2 percent of Empresas; and Inversiones Baquio S.A., Santiago, Chile ("Baquio"), which directly owns 5.7 percent of Empresas's shares and directly owns 53 percent of Petro. Together, Mr. Yarur and his wife own all of the shares of Baquio.

3. Approximately 12 percent of Bank's shares are held in custodial accounts by Deposito Central de Valores ("DCV"), the clearinghouse for the Santiago stock exchange. DCV acts only as a clearinghouse and custodian of securities and does not exercise any voting authority over shares in its custody.

The agency would provide correspondent banking, corporate banking, private banking, and investment advisory and fund management services. Bank does not engage directly or indirectly in any nonbanking activities in the United States. Bank would be a qualifying foreign banking organization within the meaning of Regulation K (12 C.F.R. 211.23(b)).

The Superintendencia de Bancos e Instituciones Financieras ("SBIF"), Bank's primary home country supervisor, has indicated that it has no objection to establishment of the proposed agency.

In order to approve an application by a foreign bank to establish an agency in the United States, the IBA and Regulation K require the Board to determine that the foreign bank applicant 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 generally also must determine that the foreign bank is subject to comprehensive supervision or regulation on a consolidated basis by its home country supervisor (12 U.S.C. § 3105(d)(2); 12 C.F.R. 211.24). 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)).

As noted above, Bank engages directly in the business of banking outside of the United States. Bank also has provided the Board with information necessary to assess the application through submissions that address the relevant issues.

Regulation K provides that a foreign bank will be considered to be subject to comprehensive supervision or regulation on a consolidated basis if the Board determines that the bank is supervised and regulated in such a manner that its home country supervisor receives sufficient information on the foreign bank's worldwide operations, including the relationship of the foreign bank to any affiliate, to assess the overall financial condition of the foreign bank and its compliance with law and regulation (12 C.F.R. 211.24(c)(1)).[4]

With respect to the issue of supervision by home country authorities, the Board has considered the following information. Bank is supervised and regulated by the SBIF. The Board previously determined that another Chilean credit institution was subject to comprehensive supervision on a consolidated basis by the SBIF.[5] The Board has determined that Bank is supervised on substantially the same terms and conditions as that other institution. Moreover, there have been recent enhancements to Chilean supervision in a number of areas, including increasing risk-based capital requirements and promoting information exchanges with foreign supervisory authorities. Based on all the facts of record, the Board concludes that Bank is subject to comprehensive supervision and regulation on a consolidated basis by its home country supervisor.

The Board also has taken into account the additional standards set forth in section 7 of the IBA (*see* 12 U.S.C. § 3105(d)(3)-(4); 12 C.F.R. 211.24(c)(2)). As noted above, the SBIF has indicated no objection to establishment of the proposed agency.

Chile's risk-based capital standards conform to those established by the Basle Capital Accord ("Accord"). Bank's capital is in excess of the minimum levels that would be required by the Accord and is considered equivalent to capital that would be required of a U.S. banking organization. Managerial and other financial resources of Bank also are considered consistent with approval of the proposed agency. Bank does not currently have operations outside Chile. Nevertheless, in view of the experience of the proposed agency manager, and given the fact that Bank has had extensive experience conducting the types of activities in which the proposed agency would be engaged, Bank appears to have the experience and capacity to support the activities to be conducted by the proposed agency. Bank has established controls and procedures for the proposed agency to ensure compliance with U.S. law and for its operations in general.

Finally, the Board has reviewed the restrictions on disclosure in relevant jurisdictions in which Bank operates and has communicated with relevant government authorities about access to information. Bank and Baquio have committed to make available to the Board such information on the operations of Bank and any affiliate of Bank 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 is prohibited or impeded by law, Bank and Baquio have committed to cooperate with the Board to obtain any necessary consents or waivers that might be required from third parties in connection with disclosure of such information. In addition, subject to certain conditions, the SBIF 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 and Baquio have provided adequate assurances of access to any necessary information the Board may request.

4. In determining whether this standard is met, the Board considers, among other factors, the extent to which the home country supervisor:
(a) Ensures that the bank has adequate procedures for monitoring and controlling its activities worldwide;
(b) Obtains information on the condition of the bank and its subsidiaries and offices through regular examination reports, audit reports, or otherwise;
(c) Obtains information on the dealings with and relationship between the bank and its affiliates, both foreign and domestic;
(d) Receives 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;
(e) Evaluates 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.

5. *See Banco de Chile*, 80 *Federal Reserve Bulletin* 179 (1994).

On the basis of all the facts of record, and subject to the commitments made by Bank and Baquio and the terms and conditions set forth in this order, the Board has determined that Bank's application to establish a state-licensed agency should be, and hereby is, approved. Should any restrictions on access to information on the operations or activities of Bank or 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 direct or indirect activities in the United States. Approval of this application is also specifically conditioned on Bank's compliance with the commitments made in connection with this application, and with the conditions in this order.[6] 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 or 12 U.S.C. § 1847 against Bank, its offices, and its affiliates.

By order of the Board of Governors, effective April 12, 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

6. The Board's authority to approve the establishment of the proposed agency parallels the continuing authority of the Florida Department of Banking and Finance to license offices of a foreign bank. The Board's approval of the application does not supplant the authority of the State of Florida and its agent, the Florida Department of Banking and Finance, to license the proposed agency of Bank in accordance with any terms or conditions that the Florida Department of Banking and Finance may impose.

ING Bank, N.V.
Amsterdam, The Netherlands

Order Approving Establishment of a Representative Office

ING Bank, N.V. ("Bank"), Amsterdam, The Netherlands, 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*, September 14, 1998). The time for filing comments has expired, and the Board has considered the application and all comments received.

Bank, with assets of $298.5 billion,[1] is the third largest bank in The Netherlands. Bank has 380 offices in The Netherlands, and approximately 125 offices in more than 50 countries.

Bank's parent company, ING Groep, N.V. ("ING Group"),[2] Amsterdam, The Netherlands, with total assets of $460.6 billion,[3] is one of the world's largest financial services providers, offering life and non-life insurance, commercial and investment banking, asset management and related products and services. ING Group has operations in Europe, North America, South America, Africa, Asia, and Australia.

The proposed representative office's activities would include marketing the products of Bank, maintaining relationships with U.S. corporate clients, and supporting Bank's Latin American offices on such matters as product development and marketing.

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)).[4] In addition, 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, Bank engages 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.

1. Unless otherwise indicated, data are as of January 5, 1998.

2. Ninety-nine percent of the outstanding voting shares of ING Group are owned by a Dutch trust, Stichting Administratiekantoor ING Groep (the "Trust"). The Trust engages in no activity other than holding shares of ING Group. Interests in the Trust are evidenced by bearer receipts which carry no voting rights. Other than the Trust, no person owns more than 10 percent of the voting shares or bearer receipts.

3. Data as of December 31, 1998.

4. 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.

With respect to supervision by home country authorities, the Board previously has determined, in connection with applications involving other banks in The Netherlands, that those banks were subject to home country supervision on a consolidated basis.[5] Bank is supervised by De Nederlandsche Bank (the "Central Bank") on substantially the same terms and conditions as those other banks.[6] Based on all the facts of record, the Board has determined that Bank is subject to comprehensive supervision and regulation on a consolidated basis by its home country supervisor.

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)). The Central Bank 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 operations in its home country, its overall financial resources, and its standing with its home country supervisors, the Board has also 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 to the Board 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 Central Bank 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 that 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 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.[7] 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 April 19, 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

Paribas
Paris, France

Order Approving Establishment of a Representative Office

Paribas, Paris, France, 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 Atlanta, Georgia. 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 Atlanta, Georgia (*Atlanta Journal and Constitution*, October 23, 1998). The time for filing comments has expired, and the Board has considered the application and all comments received.

Paribas, with total consolidated assets of approximately \$309 billion,[1] is the surviving entity resulting from the merger into Banque Paribas of its parent company, Compagnie Financiè re de Paribas, and certain other subsidiaries and affiliated companies in May 1998.

5. *See MeesPierson, N.V.*, 80 *Federal Reserve Bulletin* 662 (1994); *Cooperatieve Centrale Raiffeisen-Boerenleenbank B.A., Rabobank Nederland*, 80 *Federal Reserve Bulletin* 947 (1994).

6. The Central Bank also receives information on ING Group with regard to its nonbanking operations. The Central Bank and the Insurance Supervisory Board have entered into a protocol for the purpose of jointly regulating groups with interests in both banks and insurance companies.

7. 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.

1. Data are as of December 31, 1998.

Paribas, which primarily engages in investment banking, asset management, and retail financial services, is the fifth largest banking group in France and has offices in more than 60 countries. In the United States, Paribas operates branches in New York, New York, and Chicago, Illinois; agencies in Houston, Texas, and Los Angeles, California; and representative offices in Dallas, Texas, and San Francisco, California. Paribas also owns several U.S. subsidiaries that engage in nonbanking activities. The proposed representative office would market Paribas's products and services.

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 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)).[2] In addition, the Board may take into account additional standards 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, Paribas engages directly in the business of banking outside the United States. Paribas also has provided the Board with information necessary to assess the application through submissions that address the relevant issues. With respect to supervision by home country authorities, the Board previously has determined, in connection with applications involving other banks in France, that those banks were subject to home country supervision on a consolidated basis.[3] Paribas is supervised by the French regulators on substantially the same terms and conditions as those other banks. Based on all the facts of record, the Board has determined that Paribas is subject to comprehensive supervision and regulation on a consolidated basis by its home country supervisors.[4] 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)). The *Commission Bancaire* has no objection to the establishment of the proposed representative office.

With respect to the financial and managerial resources of Paribas, taking into consideration Paribas's record of operations in its home country, its overall financial resources, and its standing with its home country supervisors, the Board has also determined that financial and managerial factors are consistent with approval of the proposed representative office. Paribas 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 Paribas's operations, the Board has reviewed the restrictions on disclosure in relevant jurisdictions in which Paribas operates and has communicated with relevant government authorities regarding access to information. Paribas has committed to make available to the Board such information on the operations of Paribas 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 to the Board may be prohibited by law, Paribas has 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 *Commission Bancaire* may share information on Paribas's operations with other supervisors, including the Board. In light of these commitments and other facts of record, and subject to the conditions described below, the Board concludes that Paribas has provided adequate assurances of access to any necessary information that the Board may request.

On the basis of all the facts of record, and subject to the commitments made by Paribas, as well as the terms and conditions set forth in this order, the Board has determined that Paribas's application to establish a representative office should be, and hereby is, approved. Should any restrictions on access to information on the operations or activities of Paribas and its affiliates subsequently interfere with the Board's ability to obtain information to determine and enforce compliance by Paribas or its affiliates with applicable federal statutes, the Board may require termination of any of Paribas's direct or indirect activities in the United States. Approval of this application is also specifically conditioned on Paribas's compliance with the commitments made in connection with this application and with the conditions in this order.[5] The commitments and condi-

2. 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.

3. *See Banque Nationale de Paris*, 81 *Federal Reserve Bulletin* 515 (1995); *Caisse Nationale de Crédit Agricole*, 81 *Federal Reserve Bulletin* 1055 (1995); *Crédit Agricole Indosuez*, 83 *Federal Reserve Bulletin* 1025 (1997).

4. On February 1, 1999, *Société Générale* ("SoGen") announced its intention to make a stock-for-stock exchange offer for all of the shares of Paribas. The Board previously determined that the home country supervision of SoGen was consistent with the approval of a representative office. *See Société Générale*, 80 *Federal Reserve Bulletin* 665 (1994).

5. The Board's authority to approve the establishment of the proposed office parallels the continuing authority of the State of Georgia

tions 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 Paribas and its affiliates.

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

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

JENNIFER J. JOHNSON
Secretary of the Board

to license offices of a foreign bank. The Board's approval of this application does not supplant the authority of the State of Georgia and the State of Georgia Department of Banking and Finance ("Department") to license the proposed office of Paribas in accordance with any terms of conditions that the Department may impose.

ORDERS ISSUED OR ACTIONS TAKEN BY THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM (JANUARY 1, 1999-MARCH 31, 1999)

Applicant	Merged or Acquired Bank or Activity	Date of Approval	*Bulletin* Volume and Page
Arizona Bank, Tucson, Arizona	To acquire 15 branches in Arizona	March 3, 1999	85, 343
The Banc Corporation, Birmingham, Alabama	Emerald Coast Bancshares, Inc., Panama City Beach, Florida Emerald Coast Bank, Panama City Beach, Florida	February 1, 1999	85, 269
BankAmerica Corporation, Charlotte, North Carolina BancWest Corporation, Honolulu, Hawaii BB&T Corporation, Winston-Salem, North Carolina First Union Corporation, Charlotte, North Carolina SunTrust Banks, Inc., Atlanta, Georgia Wachovia Corporation, Winston-Salem, North Carolina Zions Bancorporation, Salt Lake City, Utah	Honor Technologies, Inc., Maitland, Florida Star Systems, Inc., San Diego, California	February 1, 1999	85, 271
Bay Port Financial Corporation, Bay Port, Michigan	Bay Port State Bank, Bay Port, Michigan	March 22, 1999	85, 333
C-B-G, Inc., Wilton, Iowa	Peoples National Corporation, Columbus Junction, Iowa Community Bank, Muscatine, Iowa	March 29, 1999	85, 335
Commerzbank AG, Frankfurt am Main, Germany	Korea Exchange Bank, Seoul, Korea California Korea Bank, Los Angeles, California	March 15, 1999	85, 336
First Banks, Inc., Creve Coeur, Missouri First Banks America, Inc., Clayton, Missouri	Redwood Bancorp, San Francisco, California Redwood Bank, San Francisco, California	February 12, 1999	85, 268
First Security Corporation, Salt Lake City, Utah	Van Kasper & Company, San Francisco, California Redwood Securities Group, Inc., San Francisco, California	January 25, 1999	85, 207

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Applicant	Merged or Acquired Bank or Activity	Date of Approval	*Bulletin* Volume and Page
The Fuji Bank, Limited, Tokyo, Japan	The Yasuda Trust and Banking Co., Ltd., Tokyo, Japan Yasuda Bank and Trust Company, New York, New York	March 15, 1999	85, 338
Istituto Bancario San Paolo di Torino-Istituto Mobiliare Italiano S.p.A., Turin, Italy	Mabon Securities Corp., New York, New York Cedar Street Securities Corp., New York, New York	February 1, 1999	85, 275
Union Planters Corporation, Memphis, Tennessee Union Planters Holding Corporation, Memphis, Tennessee	First Mutual Bancorp, Inc., Decatur, Illinois First Mutual Bank, S.B., Decatur, Illinois	January 11, 1999	85, 205
Wachovia Corporation, Winston-Salem, North Carolina	Interstate/Johnson Lane, Inc., Charlotte, North Carolina Interstate/Johnson Lane Corporation, Charlotte, North Carolina	March 17, 1999	85, 340
Westdeutsche Immobilienbank, Mainz, Germany	To establish a representative office in New York, New York	March 1, 1999	85, 346

APPLICATIONS APPROVED UNDER BANK HOLDING COMPANY ACT
By the Secretary of the Board

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

Section 3

Applicant(s)	Bank(s)	Effective Date
BancTenn Corporation, Kingsport, Tennessee	Paragon Commercial Bank, Raleigh, North Carolina	April 22, 1999
Capital City Group, Inc., Tallahassee, Florida	Grady Holding Company, Cairo, Georgia First National Bank of Grady County, Cairo, Georgia	April 7, 1999
Cullen/Frost Bankers, Inc., San Antonio, Texas	Commerce Financial Corporation, Fort Worth, Texas Bank of Commerce, Fort Worth, Texas	April 23, 1999

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
1st Constitution Bancorp, Cranbury, New Jersey	1st Constitution Bank, Cranbury, New Jersey	New York	March 26, 1999
1st State Bancorp, Inc., Burlington, North Carolina	1st State Bank, Burlington, North Carolina	Richmond	April 8, 1999
1st State Bank Foundation, Inc., Burlington, North Carolina	1st State Bancorp, Inc., Burlington, North Carolina 1st State Bank, Burlington, North Carolina	Richmond	April 8, 1999
Ameriwest Corporation, Omaha, Nebraska	Otoe County Bancorporation, Inc., Nebraska City, Nebraska	Kansas City	April 5, 1999
Bank of DeSoto, N.A., Employee Stock Ownership Trust, DeSoto, Texas	D Bancorp, Inc., DeSoto, Texas Bank of DeSoto, N.A., DeSoto, Texas	Dallas	April 15, 1999
Banterra Corp., Eldorado, Illinois	Heartland Bancshares, Inc., Herrin, Illinois Heartland National Bank, Herrin, Illinois	St. Louis	April 5, 1999
Barret Bancorp, Inc., Barretville, Tennessee	Somerville Bank and Trust Company, Somerville, Tennessee	St. Louis	April 14, 1999
Belvedere Capital Partners LLC, San Francisco, California	The California Community Financial Institutions Fund Limited Partnership, San Francisco, California California Financial Bancorp, Newport Beach, California Security First Bank, Fullerton, California The Bank of Orange County, Fountain Valley, California Downey National Bank, Downey, California National Business Bank, Torrance, California	San Francisco	April 15, 1999
Citizens Corporation, Columbia, Mississippi	Walthall Capital Group, Ltd., Tylertown, Mississippi Walthall Citizens Bank, Tylertown, Mississippi	Atlanta	March 26, 1999
Commerce Bancshares, Inc., Adair, Oklahoma	Chelsea Bancshares, Inc., Chelsea, Oklahoma	Kansas City	April 13, 1999
Community Commercial Bancshares, Inc., Germantown, Tennessee	Community Commercial Bank, Germantown, Tennessee	St. Louis	April 16, 1999
Community First Bancshares, Inc., New Iberia, Louisiana	Community First Bank, New Iberia, Louisiana	Atlanta	April 14, 1999
Community State Bancshares, Inc., Wichita, Kansas	Community Bank of Wichita, Inc., Wichita, Kansas	Kansas City	March 31, 1999

Section 3—Continued

Applicant(s)	Bank(s)	Reserve Bank	Effective Date
First Capital Bank Holding Corporation, Fernandina Beach, Florida	First National Bank of Nassau County, Fernandina Beach, Florida	Atlanta	March 26, 1999
First Financial Bancorp, Hamilton, Ohio	Hebron Bancorp, Inc., Hebron, Kentucky	Cleveland	April 15, 1999
Goodenow Bancorporation, Okoboji, Iowa	Southwest State Bank, Windom, Minnesota	Chicago	April 9, 1999
Greater Community Bancorp, Totowa, New Jersey	Rock Community Bank, Glen Rock, New Jersey	New York	April 8, 1999
Habersham Bancorp, Cornelia, Georgia	CB Financial Corp., Warrenton, Georgia	Atlanta	April 2, 1999
Horizon Financial Corp., Bellingham, Washington	Bellingham Bancorporation, Bellingham, Washington Bank of Bellingham, Bellingham, Washington	San Francisco	April 15, 1999
Independence Bancorp, New Albany, Indiana	Crawford Financial Corporation, Indianapolis, Indiana Marengo State Bank, Marengo, Indiana	St. Louis	April 2, 1999
Iowa Community Bancorp, Inc., Creston, Iowa	Union-Adams Bancorp., Creston, Iowa Iowa State Savings Bank, Creston, Iowa	Chicago	April 21, 1999
Letchworth Independent Bancshares Corporation, Castile, New York	The Mahopac National Bank, Mahopac, New York	New York	April 6, 1999
Mercantile Bancorp, Inc., Dallas, Texas Mercantile Delaware Bancorp, Inc., Dover, Delaware	First Mercantile Bank, N.A., Dallas, Texas	Dallas	April 13, 1999
Midwest Bancorporation, Inc., Okoboji, Iowa	Southwest State Bank, Windom, Minnesota	Chicago	April 9, 1999
M.R. Melton Limited Partnership, Mt. Sterling, Kentucky	Morgantown Deposit Bancorp, Inc., Morgantown, Kentucky	St. Louis	April 7, 1999
Northfield Bancshares, Inc., Northfield, Minnesota	RCB Holding Company, Roseville, Minnesota Roseville Community Bank, N.A., Roseville, Minnesota	Minneapolis	March 30, 1999
Piesco, Inc., Springfield, Minnesota	Norwood Bancshares, Inc., Norwood Young America, Minnesota Citizens State Bank of Norwood, Norwood Young America, Minnesota Springfield Investment Company, Springfield, Minnesota Farmers and Merchants State Bank of Springfield, Springfield, Minnesota	Minneapolis	April 8, 1999
Reliance Bancshares, Inc., Des Peres, Missouri	Reliance Bank, Des Peres, Missouri	St. Louis	April 1, 1999
SJN Banc Co., St. John, Kansas	St. John National Bank, St. John, Kansas	Kansas City	April 15, 1999
Southeast Bancshares, Inc., Mediapolis, Iowa	Southeast Security Bank, Mediapolis, Iowa	Chicago	April 15, 1999

Section 3—Continued

Applicant(s)	Bank(s)	Reserve Bank	Effective Date
Stearns Financial Services, Inc. Employee Stock Ownership Plan and Trust, St. Cloud, Minnesota	Stearns Financial Services, Inc., St. Cloud, Minnesota	Minneapolis	April 7, 1999
Suncoast Bancorp, Inc., Sarasota, Florida	Suncoast National Bank, Sarasota, Florida	Atlanta	April 8, 1999
Swedish-American Bancshares, Inc., Courtland, Kansas	Swedish-American State Bank, Courtland, Kansas	Kansas City	April 21, 1999
Violeta Investments, Ltd., Hebbronville, Texas	Hebbronville State Bank, Hebbronville, Texas	Dallas	April 15, 1999

Section 4

Applicant(s)	Nonbanking Activity/Company	Reserve Bank	Effective Date
Centennial Bank Holdings, Inc., Eaton, Colorado	Centennial Bankers Mortgage, LLC, Eaton, Colorado	Kansas City	March 24, 1999
Citigroup, Inc., New York, New York	Associates Corporation of North America, Irving, Texas	New York	March 31, 1999
Commercial Credit Corporation, Baltimore, Maryland			
Consolidated Equity Corporation, Purcell, Oklahoma	Heart of Oklahoma Community Development Corporation, Purcell, Oklahoma	Kansas City	March 30, 1999
Lubbock National Bancshares, Inc., Lubbock, Texas	Commerce Southwest Mortgage, L.L.C., Lubbock, Texas	Dallas	March 31, 1999
McClain County Bancorporation, Purcell, Oklahoma	Heart of Oklahoma Community Development Corporation, Purcell, Oklahoma	Kansas City	March 30, 1999
National Australia Bank Limited, Melbourne, Australia			
Homeside Lending, Inc., Jacksonville, Florida	First Chicago NBD Mortgage Company, Troy, Michigan	Chicago	April 16, 1999
Standard Chartered PLC, London, England	UBS AG, Basle, Switzerland	New York	April 1, 1999
Standard Chartered Bank, London, England			
Stockgrowers Banc Corporation, Ashland, Kansas	Howell Insurance Agency of Ashland, Ashland, Kansas	Kansas City	March 29, 1999
UBS AG, Basle, Switzerland	Warburg Dillon Read, LLC, New York, New York	New York	April 19, 1999
Wells Fargo & Company, San Francisco, California			
Norwest Financial Services, Inc., Des Moines, Iowa	TCF National Bank Minnesota Minneapolis, Minnesota	San Francisco	April 15, 1999
Norwest Financial, Inc., Des Moines, Iowa	TCF Consumer Financial Services, Inc., Minneapolis, Minnesota		
	TCF Financial Services, Inc., Minneapolis, Minnesota		
Wells Fargo & Company, San Francisco, California	ATI Title Agency of Ohio, Inc., Cleveland, Ohio	San Francisco	March 30, 1999

Section 4—Continued

Applicant(s)	Nonbanking Activity/Company	Reserve Bank	Effective Date
Norwest Insurance, Inc., West Des Moines, Iowa Wells Fargo & Company, San Francisco, California	PaymentNet, Inc., Pleasanton, California Norwest Services, Inc., Minneapolis, Minnesota	San Francisco	March 29, 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
Farmers Bank of Maryland, Annapolis, Maryland	First Virginia Bank-Maryland, Upper Marlboro, Maryland	Richmond	April 6, 1999
First Interstate Bank, Billings, Montana	First National Bank of Montana, Libby, Montana	Minneapolis	April 15, 1999
The Northwestern Bank, Chippewa Falls, Wisconsin	M&I Community State Bank, Eau Claire, Wisconsin	Minneapolis	March 30, 1999
Premier Bank, Lenexa, Kansas	Bank of Craig, Craig, Missouri	Kansas City	March 30, 1999
WestStar Bank, Vail, Colorado	World Savings Bank, FSB, Oakland, California	Kansas City	April 12, 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.

Sedgwick v. Board of Governors, No. Civ 99 0702 (D. Arizona, filed April 14, 1999). Action under Federal Tort Claims Act alleging violation of bank supervision requirements.

Hunter v. Board of Governors, No. 1:98CV02994 (TFH) (D.D.C., filed December 9, 1998). Action under the Freedom of Information Act and the Privacy Act.

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. The court dismissed the action on March 31, 1999.

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

Final Enforcement Orders Issued by the Board of Governors

Paul P. Piper
Crested Butte, Colorado

The Federal Reserve Board announced on April 16, 1999, the issuance of a Combined Order to Cease and Desist and Order of Assessment of a Civil Money Penalty against Paul P. Piper, Jr., a former institution- affiliated party of first National Summit Bankshares, Crested Butte, Colorado, a former registered bank holding company, and the First National Summit Bank, Gunnison, Colorado, a former national bank.

Written Agreements Approved by Federal Reserve Banks

Foxdale Bancorp, Inc.
South Elgin, Illinois

The Federal Reserve Board announced on April 22, 1999, the execution of a Written Agreement by and among Foxdale Bancorp, Inc., the Foxdale Bank, both of South Elgin, Illinois, the Federal Reserve Bank of Chicago, and the Illinois Office of Banks and Real Estate.

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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			1999	1998		1999		
	Q2	Q3	Q4	Q1	Nov.	Dec.	Jan.	Feb.[r]	Mar.
Reserves of depository institutions[2]									
1 Total	−3.8	−7.4	−1.6	−2.3	5.0	9.0	−.5	−14.4	−13.1
2 Required	−2.5	−9.0	−2.3	−.1	3.8	10.5	.8	−6.0	−16.1
3 Nonborrowed	−4.3	−8.4	−.4	−2.3	7.5	8.1	−2.9	−12.0	−11.8
4 Monetary base[3]	5.3	6.8	8.9	8.9	8.9	8.3	8.4	9.5	9.8
Concepts of money, liquid assets, and debt[4]									
5 M1	1.0	−2.0	5.0	2.5	9.6	4.7	−3.0[r]	1.4	9.8
6 M2	7.5	6.9	11.0	7.2	10.6	10.1	6.5	5.6	2.8
7 M3	10.1	8.6	12.9	7.1	13.4	12.0	3.9[r]	8.8	−3.0
8 Debt	6.0	6.0[r]	6.4[r]	n.a.	7.4[r]	6.1[r]	5.1[r]	4.8	n.a.
Nontransaction components									
9 In M2[5]	9.8	9.9	13.0	8.7	11.0	11.8	9.6	7.1	.4
10 In M3 only[6]	17.8	13.5	18.4	6.9	21.2	17.3	−3.2[r]	17.6	−18.8
Time and savings deposits									
Commercial banks									
11 Savings, including MMDAs	13.4	15.8	17.6	11.4	16.4	19.2	12.3	5.1	.0
12 Small time[7]	.1	.1	.4	−5.4	1.5	−4.2	−7.9	−7.5	−3.5
13 Large time[8,9]	16.4	3.5	3.9	−3.6	8.1	8.0	10.6	−27.0	−34.2
Thrift institutions									
14 Savings, including MMDAs	10.8	9.0	10.1	12.7	10.9	10.8	14.7[r]	14.6	7.3
15 Small time[7]	−4.4	−7.3	−6.7	−6.4	−10.5	−5.9[r]	−5.2	−5.9	−8.2
16 Large time[8]	−4.5	.5	10.4	7.4	2.7	16.4	25.6	−14.5	−16.0
Money market mutual funds									
17 Retail	20.9	19.0	28.4	21.0	20.5	22.3	23.2	23.7	4.0
18 Institution-only	34.7	26.6	41.8	17.9	42.2	29.5	−2.8	34.7	−1.8
Repurchase agreements and Eurodollars									
19 Repurchase agreements[10]	14.5	11.7	16.4	11.2	25.4	34.0	−25.0	68.7	−50.2
20 Eurodollars[10]	−3.3	21.7	7.6	−.4	1.5	−20.0	−28.1[r]	42.4	36.3
Debt components[4]									
21 Federal	−1.4	−1.5	−2.0	n.a.	−.5	−.4	−2.1	−7.3	n.a.
22 Nonfederal	8.4[r]	8.4[r]	9.1[r]	n.a.	9.9[r]	8.1[r]	7.3[r]	8.4	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						
	1999			1999						
	Jan.	Feb.	Mar.	Feb. 17	Feb. 24	Mar. 3	Mar. 10	Mar. 17	Mar. 24	Mar. 31
SUPPLYING RESERVE FUNDS										
1 Reserve Bank credit outstanding	504,486	501,636[r]	507,920	501,302	503,709	503,858	507,119	507,613	508,369	509,500
U.S. government securities[2]										
2 Bought outright—System account[3]	453,333	458,706	464,000	458,088	459,973	461,317	462,738	464,197	464,809	465,257
3 Held under repurchase agreements	7,056	3,310	6,499	2,292	4,829	4,805	5,832	4,497	8,006	7,863
Federal agency obligations										
4 Bought outright	337	336	318	336	336	336	332	311	311	311
5 Held under repurchase agreements	4,670	3,222	3,408	3,359	3,542	3,478	2,739	3,690	3,944	3,387
6 Acceptances	0	0	0	0	0	0	0	0	0	0
Loans to depository institutions										
7 Adjustment credit	201	118	32	99	107	12	5	4	87	44
8 Seasonal credit	6	10	17	8	10	14	14	16	20	21
9 Extended credit	0	0	0	0	0	0	0	0	0	0
10 Float	2,313	446[r]	210	1,229	375	−320	1,134	62	−453	−41
11 Other Federal Reserve assets	36,570	35,488[r]	33,436	35,891	34,536	34,218	34,326	34,837	31,646	32,657
12 Gold stock	11,046	11,049	11,048	11,049	11,049	11,047	11,047	11,049	11,048	11,048
13 Special drawing rights certificate account	9,200	9,200	8,329	9,200	9,200	9,200	8,343	8,200	8,200	8,200
14 Treasury currency outstanding	26,329	26,454[r]	26,540	26,453[r]	26,480[r]	26,508	26,522	26,536	26,550	26,564
ABSORBING RESERVE FUNDS										
15 Currency in circulation	510,137	510,631[r]	514,694	511,751[r]	512,217[r]	512,507	513,872	514,742	515,057	515,688
16 Treasury cash holdings	87	114	132	125	117	121	131	132	134	135
Deposits, other than reserve balances, with Federal Reserve Banks										
17 Treasury	6,597	4,800	5,463	4,223	4,998	4,974	5,087	6,313	5,309	5,160
18 Foreign	186	202	177	204	186	188	190	180	166	168
19 Service-related balances and adjustments	7,618	7,129[r]	6,981	6,865	6,944[r]	7,030	6,958	6,896	7,232	6,817
20 Other	443	270	247	288	279	254	251	261	236	227
21 Other Federal Reserve liabilities and capital	16,711	16,686	17,002	16,838	16,942	16,520	16,855	17,117	17,184	17,091
22 Reserve balances with Federal Reserve Banks[4]	9,281	8,507[r]	9,141	7,710	8,755[r]	9,019	9,688	7,758	8,851	10,026

Factor	End-of-month figures			Wednesday figures						
	Jan.	Feb.	Mar.	Feb. 17	Feb. 24	Mar. 3	Mar. 10	Mar. 17	Mar. 24	Mar. 31
SUPPLYING RESERVE FUNDS										
1 Reserve Bank credit outstanding	498,740	503,077[r]	516,387	502,533	514,187	505,212	514,527	508,228	516,531	516,387
U.S. government securities[2]										
2 Bought outright—System account[3]	454,439	461,036	465,686	456,987	461,106	461,998	463,621	464,506	464,744	465,686
3 Held under repurchase agreements	4,485	3,558	12,730	4,101	9,870	5,562	9,498	4,495	17,013	12,730
Federal agency obligations										
4 Bought outright	336	336	311	336	336	336	311	311	311	311
5 Held under repurchase agreements	2,535	3,884	5,606	3,314	7,223	2,047	5,402	3,840	4,533	5,606
6 Acceptances	0	0	0	0	0	0	0	0	0	0
Loans to depository institutions										
7 Adjustment credit	55	4	223	59	433	1	4	1	2	223
8 Seasonal credit	5	12	22	8	12	16	12	20	17	22
9 Extended credit	0	0	0	0	0	0	0	0	0	0
10 Float	164	39[r]	−882	3,552	−68	1,372	935	163	−305	−882
11 Other Federal Reserve assets	36,721	34,208[r]	32,690	34,176	35,275	33,881	34,745	34,893	30,217	32,690
12 Gold stock	11,048	11,047	11,049	11,049	11,048	11,047	11,047	11,049	11,047	11,049
13 Special drawing rights certificate account	9,200	9,200	8,200	9,200	9,200	9,200	8,200	8,200	8,200	8,200
14 Treasury currency outstanding	26,397	26,508[r]	26,564	26,453[r]	26,480[r]	26,508	26,522	26,536	26,550	26,564
ABSORBING RESERVE FUNDS										
15 Currency in circulation	505,528	511,709[r]	517,716	513,043[r]	512,884[r]	514,036	515,272	515,737	516,122	517,716
16 Treasury cash holdings	98	120	135	117	120	131	131	134	134	135
Deposits, other than reserve balances, with Federal Reserve Banks										
17 Treasury	7,623	4,538	5,374	4,893	4,753	5,050	4,722	6,318	5,199	5,374
18 Foreign	234	200	166	185	218	185	165	173	169	166
19 Service-related balances and adjustments	7,828	7,030[r]	6,817	6,865	6,944[r]	7,030	6,958	6,896	7,229	6,817
20 Other	246	225	235	291	271	265	250	247	220	235
21 Other Federal Reserve liabilities and capital	16,269	16,460	16,805	16,695	16,858	16,257	16,982	16,906	17,089	16,805
22 Reserve balances with Federal Reserve Banks[4]	7,558	9,551[r]	14,952	7,145	18,867[r]	9,013	15,816	7,602	16,166	14,952

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	1996	1997	1998	1998				1999		
	Prorated monthly averages of biweekly averages									
	Dec.	Dec.	Dec.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.[r]	Mar.
1 Reserve balances with Reserve Banks[2]	13,395	10,673	9,022	9,284	9,026	8,855	9,022	9,659	8,578	8,854
2 Total vault cash[3]	44,525	44,740	44,305	42,524	43,268	43,104	44,305	45,499	46,468	42,898
3 Applied vault cash[4]	37,848	37,206	35,997	34,909	35,090	35,297	35,997	36,687	36,660	34,271
4 Surplus vault cash[5]	6,678	7,534	8,308	7,614	8,178	7,807	8,308	8,812[r]	9,809	8,627
5 Total reserves[6]	51,242	47,880	45,019	44,193	44,115	44,152	45,019	46,346	45,237	43,125
6 Required reserves	49,819	46,196	43,435	42,509	42,544	42,527	43,435	44,811	44,022	41,817
7 Excess reserve balances at Reserve Banks[7]	1,423	1,683	1,584	1,684	1,572	1,624	1,584	1,535	1,215	1,308
8 Total borrowings at Reserve Banks[8]	155	324	117	251	174	84	117	206	116	65
9 Seasonal borrowings	68	79	15	178	107	37	15	7	9	18
10 Extended credit[9]	0	0	0	0	0	0	0	0	0	0

Reserve classification	1998			1999						
	Biweekly averages of daily figures for two week periods ending on dates indicated									
	Dec. 2	Dec. 16	Dec. 30	Jan. 13	Jan. 27	Feb. 10	Feb. 24	Mar. 10[r]	Mar. 24	Apr. 7
1 Reserve balances with Reserve Banks[2]	9,028	8,949	9,057	9,551	10,019	8,750	8,233	9,356	8,309	9,229
2 Total vault cash[3]	43,313	43,230	45,470	45,023	44,837[r]	49,363[r]	45,597[r]	42,284	43,524	42,525
3 Applied vault cash[4]	35,853	35,273	36,748	35,911	36,847	38,649	35,997	34,007	34,521	34,149
4 Surplus vault cash[5]	7,460	7,957	8,722	9,113	7,990[r]	10,714[r]	9,600[r]	8,277	9,004	8,376
5 Total reserves[6]	44,880	44,222	45,805	45,462	46,866	47,399	44,230	43,362	42,830	43,377
6 Required reserves	43,221	42,917	43,999	43,240	45,878	46,181	43,040	42,062	41,613	41,874
7 Excess reserve balances at Reserve Banks[7]	1,659	1,304	1,806	2,221	988	1,217	1,189	1,300	1,217	1,503
8 Total borrowings at Reserve Banks[8]	79	26	195	370	68	158	112	22	63	130
9 Seasonal borrowings	20	13	18	9	5	8	9	14	18	24
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 5/7/99	Effective date	Previous rate	On 5/7/99	Effective date	Previous rate	On 5/7/99	Effective date	Previous rate
Boston	4.50	11/18/98	4.75	4.85	5/6/99	4.75	5.35	5/6/99	5.25
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	5/6/99	4.75	5.35	5/6/99	5.25

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
Nov. 2	13–14	13
6	13	13
Dec. 4	12	12

Effective date	Range (or level)—All F.R. Banks	F.R. Bank of N.Y.
1982—July 20	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
1988—Aug. 9	6–6.5	6.5
11	6.5	6.5
1989—Feb. 24	6.5–7	7
27	7	7

Effective date	Range (or level)—All F.R. Banks	F.R. Bank of N.Y.
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 May 7, 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					1999	
				Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.
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	34,607	33,140	40,712	34,957	41,393	35,069	36,862
4 For new bills	426,928	435,907	450,835	34,607	33,140	40,712	34,957	41,393	35,069	36,862
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	986	1,038	741	662	0	0	2,103
7 Gross sales	0	0	0	0	0	0	0	0	0	0
8 Maturity shifts	30,512	41,716	46,062	6,367	2,301	2,423	5,444	2,539	2,865	5,578
9 Exchanges	−41,394	−27,499	−49,434	−8,964	−2,242	−400	−8,093	−2,555	−400	−7,458
10 Redemptions	2,015	1,996	2,676	0	0	602	0	0	492	0
One to five years										
11 Gross purchases	3,898	19,680	12,901	535	3,989	725	2,397	0	0	2,752
12 Gross sales	0	0	0	0	0	0	0	0	0	0
13 Maturity shifts	−25,022	−37,987	−37,777	−2,168	−2,301	−2,423	−4,574	−2,539	−2,865	−4,928
14 Exchanges	31,459	20,274	37,154	5,828	2,242	0	6,013	2,555	0	4,778
Five to ten years										
15 Gross purchases	1,116	3,849	2,294	303	351	0	862	0	0	335
16 Gross sales	0	0	0	0	0	0	0	0	0	0
17 Maturity shifts	−5,469	−1,954	−5,908	−3,411	0	0	718	0	0	−650
18 Exchanges	6,666	5,215	7,439	1,364	0	400	1,135	0	400	1,340
More than ten years										
19 Gross purchases	1,655	5,897	4,884	1,769	0	1,674	698	0	615	0
20 Gross sales	0	0	0	0	0	0	0	0	0	0
21 Maturity shifts	−20	−1,775	−2,377	−789	0	0	−1,589	0	0	0
22 Exchanges	3,270	2,360	4,842	1,772	0	0	945	0	0	1,340
All maturities										
23 Gross purchases	17,094	44,122	29,926	3,593	5,377	3,140	4,619	0	615	5,190
24 Gross sales	0	0	0	0	0	0	0	0	0	0
25 Redemptions	2,015	1,996	4,676	0	0	602	0	0	492	0
Matched transactions										
26 Gross purchases	3,092,399	3,577,954	4,395,430	346,245	380,594	402,581	358,438	418,538	365,779	324,078
27 Gross sales	3,094,769	3,580,274	4,399,330	348,318	382,063	400,995	359,256	420,397	363,604	322,669
Repurchase agreements										
28 Gross purchases	457,568	810,485	512,671	39,078	63,924	40,823	23,884	49,296	21,968	26,098
29 Gross sales	450,359	809,268	514,186	38,402	59,731	48,672	19,200	38,592	37,157	27,025
30 Net change in U.S. Treasury securities	19,919	41,022	19,835	2,196	8,101	−3,725	8,484	8,845	−12,891	5,672
FEDERAL AGENCY OBLIGATIONS										
Outright transactions										
31 Gross purchases	0	0	0	0	0	0	0	0	0	0
32 Gross sales	0	0	25	25	0	0	0	0	0	0
33 Redemptions	409	1,540	322	50	48	15	20	30	2	0
Repurchase agreements										
34 Gross purchases	75,354	160,409	284,316	33,431	18,486	51,471	51,419	48,815	23,577	37,416
35 Gross sales	74,842	159,369	276,266	30,625	19,953	50,032	48,785	44,285	31,744	36,067
36 Net change in federal agency obligations	103	−500	7,703	2,731	−1,515	1,424	2,614	4,500	−8,169	1,349
37 Total net change in System Open Market Account	**20,021**	**40,522**	**27,538**	**4,927**	**6,586**	**−2,301**	**11,098**	**13,345**	**−21,060**	**7,021**

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 1999 Mar. 3	Mar. 10	Mar. 17	Mar. 24	Mar. 31	End of month 1999 Jan. 31	Feb. 28	Mar. 31
	Consolidated condition statement							
ASSETS								
1 Gold certificate account	11,047	11,047	11,049	11,047	11,049	11,048	11,047	11,049
2 Special drawing rights certificate account	9,200	8,200	8,200	8,200	8,200	9,200	9,200	8,200
3 Coin	435	441	450	446	428	459	464	428
Loans								
4 To depository institutions	17	16	21	18	246	60	16	246
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	311	311	311	311	336	336	311
8 Held under repurchase agreements	2,047	5,402	3,840	4,533	5,606	2,535	3,884	5,606
9 **Total U.S. Treasury securities**	**467,560**	**473,119**	**469,001**	**481,757**	**478,416**	**458,924**	**464,594**	**478,416**
10 Bought outright[2]	461,998	463,621	464,506	464,744	465,686	454,439	461,036	465,686
11 Bills	199,319	199,366	199,231	197,733	196,759	196,948	198,357	196,759
12 Notes	191,126	191,474	192,493	193,554	194,968	187,403	191,126	194,968
13 Bonds	71,553	72,781	72,781	73,457	73,959	70,089	71,553	73,959
14 Held under repurchase agreements	5,562	9,498	4,495	17,013	12,730	4,485	3,558	12,730
15 **Total loans and securities**	**469,960**	**478,847**	**473,172**	**486,619**	**484,578**	**461,855**	**468,830**	**484,578**
16 Items in process of collection	10,059	8,235	7,350	6,555	7,097	5,325	5,176	7,097
17 Bank premises	1,302	1,302	1,303	1,304	1,303	1,299	1,302	1,303
Other assets								
18 Denominated in foreign currencies[3]	18,707	18,715	18,722	15,360	15,171	19,235	18,702	15,171
19 All other[4]	14,117	14,844	14,889	16,393	16,126	16,165	14,313	16,126
20 **Total assets**	**534,826**	**541,630**	**535,135**	**545,923**	**543,952**	**524,586**	**529,034**	**543,952**
LIABILITIES								
21 Federal Reserve notes	488,094	489,322	489,785	490,152	491,715	479,689	485,784	491,715
22 **Total deposits**	**22,023**	**27,994**	**20,877**	**31,955**	**28,316**	**23,682**	**21,798**	**28,316**
23 Depository institutions	16,524	22,857	14,138	26,366	22,541	15,577	16,835	22,541
24 U.S. Treasury—General account	5,050	4,722	6,318	5,199	5,374	7,623	4,538	5,374
25 Foreign—Official accounts	185	165	173	169	166	234	200	166
26 Other	265	250	247	220	235	246	225	235
27 Deferred credit items	8,452	7,332	7,568	6,727	7,117	4,948	4,992	7,117
28 Other liabilities and accrued dividends[5]	4,087	4,403	4,277	4,449	4,328	4,183	4,205	4,328
29 **Total liabilities**	**522,656**	**529,051**	**522,507**	**533,284**	**531,475**	**512,501**	**516,779**	**531,475**
CAPITAL ACCOUNTS								
30 Capital paid in	6,076	6,074	6,077	6,090	6,122	5,955	6,063	6,122
31 Surplus	5,894	5,937	5,952	5,952	5,944	5,943	5,872	5,944
32 Other capital accounts	200	568	600	598	411	188	320	411
33 **Total liabilities and capital accounts**	**534,826**	**541,630**	**535,135**	**545,923**	**543,952**	**524,586**	**529,034**	**543,952**
MEMO								
34 Marketable U.S. Treasury securities held in custody for foreign and international accounts	n.a.	n.a.	n.a.	n.a.	n.a.	600,443	n.a.	n.a.
	Federal Reserve note statement							
35 Federal Reserve notes outstanding (issued to Banks)	643,700	648,379	654,316	660,570	665,942	625,230	641,086	665,942
36 LESS: Held by Federal Reserve Banks	155,606	159,057	164,531	170,418	174,228	145,541	155,302	174,228
37 Federal Reserve notes, net	488,094	489,322	489,785	490,152	491,715	479,689	485,784	491,715
Collateral held against notes, net								
38 Gold certificate account	11,047	11,047	11,049	11,047	11,049	11,048	11,047	11,049
39 Special drawing rights certificate account	9,200	8,200	8,200	8,200	8,200	9,200	9,200	8,200
40 Other eligible assets	0	0	0	0	0	0	0	0
41 U.S. Treasury and agency securities	467,847	470,075	470,536	470,905	472,466	459,441	465,537	472,466
42 **Total collateral**	**488,094**	**489,322**	**489,785**	**490,152**	**491,715**	**479,689**	**485,784**	**491,715**

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					1999		
	Mar. 3	Mar. 10	Mar. 17	Mar. 24	Mar. 31	Jan. 29	Feb. 26	Mar. 31
1 **Total loans**	**17**	**16**	**21**	**18**	**246**	**143**	**445**	**65**
2 Within fifteen days[1]	2	4	18	18	243	143	445	64
3. Sixteen days to ninety days	14	12	3	—	3	0	0	1
4 **Total U.S. Treasury securities**[2]	**467,560**	**473,119**	**469,001**	**481,757**	**478,416**	**458,924**	**470,976**	**478,416**
5 Within fifteen days[1]	19,073	17,348	18,333	29,788	26,785	10,051	24,996	26,785
6 Sixteen days to ninety days	104,811	105,319	99,462	99,537	98,303	110,149	98,522	98,303
7 Ninety-one days to one year	129,960	135,160	134,895	135,444	134,439	130,178	133,298	134,439
8 One year to five years	109,847	109,848	110,865	110,866	112,263	107,040	110,291	112,263
9 Five years to ten years	46,246	46,594	46,595	46,596	46,598	45,222	46,246	46,598
10 More than ten years	57,623	58,851	58,851	59,527	60,029	56,284	57,623	60,029
11 **Total federal agency obligations**	**2,383**	**5,713**	**4,151**	**4,844**	**5,917**	**2,871**	**7,559**	**5,917**
12 Within fifteen days[1]	2,072	5,402	3,840	4,533	5,606	2,535	7,248	5,606
13 Sixteen days to ninety days	—	—	23	23	27	25	0	27
14 Ninety-one days to one year	106	106	83	83	79	81	106	79
15 One year to five years	30	30	30	30	30	55	30	30
16 Five years to ten years	175	175	175	175	175	175	175	175
17 More than ten years	—	—	—	—	—	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 Aug.	1998 Sept.	1998 Oct.	1998 Nov.	1998 Dec.	1999 Jan.	1999 Feb.[r]	1999 Mar.
ADJUSTED FOR CHANGES IN RESERVE REQUIREMENTS[2]	Seasonally adjusted											
1 Total reserves[3]	56.40	50.08	46.67	44.91	45.00	44.59	44.39	44.57	44.91	44.89	44.35	43.86
2 Nonborrowed reserves[4]	56.14	49.93	46.35	44.79	44.73	44.33	44.21	44.49	44.79	44.68	44.23	43.80
3 Nonborrowed reserves plus extended credit[5]	56.14	49.93	46.35	44.79	44.73	44.33	44.21	44.49	44.79	44.68	44.23	43.80
4 Required reserves	55.12	48.66	44.99	43.32	43.48	42.90	42.81	42.95	43.32	43.35	43.13	42.56
5 Monetary base[6]	434.03	451.60	479.39	513.04	498.17	502.24	505.77	509.50	513.04	516.64	520.73	524.96
	Not seasonally adjusted											
6 Total reserves[7]	58.02	51.52	47.97	45.17	44.81	44.31	44.24	44.29	45.17	46.34	45.25	43.14
7 Nonborrowed reserves	57.76	51.37	47.65	45.06	44.54	44.06	44.07	44.21	45.06	46.13	45.13	43.08
8 Nonborrowed reserves plus extended credit[5]	57.76	51.37	47.65	45.06	44.54	44.06	44.07	44.21	45.06	46.13	45.13	43.08
9 Required reserves[8]	56.74	50.10	46.29	43.59	43.30	42.63	42.67	42.67	43.59	44.81	44.03	41.83
10 Monetary base[9]	439.02	456.71	485.05	518.33	497.49	500.99	504.51	510.19	518.33	520.01	519.70	523.32
NOT ADJUSTED FOR CHANGES IN RESERVE REQUIREMENTS[10]												
11 Total reserves[11]	57.90	51.24	47.88	45.02	44.71	44.19	44.12	44.15	45.02	46.35	45.24	43.13
12 Nonborrowed reserves	57.64	51.09	47.56	44.90	44.44	43.94	43.94	44.07	44.90	46.14	45.12	43.06
13 Nonborrowed reserves plus extended credit[5]	57.64	51.09	47.56	44.90	44.44	43.94	43.94	44.07	44.90	46.14	45.12	43.06
14 Required reserves	56.62	49.82	46.20	43.44	43.19	42.51	42.54	42.53	43.44	44.81	44.02	41.82
15 Monetary base[12]	444.44	463.48	491.86	525.06	504.39	507.80	511.36	516.96	525.06	527.59	526.85	530.27
16 Excess reserves[13]	1.28	1.42	1.68	1.58	1.51	1.68	1.57	1.62	1.58	1.54	1.22	1.31
17 Borrowings from the Federal Reserve	.26	.16	.32	.12	.27	.25	.17	.08	.12	.21	.12	.07

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.	1998	1999		
					Dec.	Jan.	Feb.	Mar.
	Seasonally adjusted							
Measures[2]								
1 M1	1,126.7	1,081.3	1,074.9	1,093.3	1,093.3	1,090.6[r]	1,091.9[r]	1,100.8
2 M2	3,649.1	3,823.9	4,046.6	4,401.9[r]	4,401.9[r]	4,425.6[r]	4,446.4[r]	4,456.6
3 M3	4,618.5	4,955.6	5,404.7	5,999.6	5,999.6	6,019.0[r]	6,063.3[r]	6,048.1
4 Debt	13,703.2	14,425.3[r]	15,141.3[r]	16,087.3[r]	16,087.3[r]	16,155.4[r]	16,219.8	n.a.
M1 components								
5 Currency[3]	372.3	394.1	424.5	459.2	459.2	462.7	467.7[r]	472.0
6 Travelers checks[4]	8.3	8.0	7.7	7.8	7.8	7.8	7.7	7.8
7 Demand deposits[5]	389.4	403.0	396.5	377.5	377.5	371.0[r]	371.6[r]	373.8
8 Other checkable deposits[6]	356.7	276.2	246.2	248.7	248.7	249.2	244.9	247.1
Nontransaction components								
9 In M2[7]	2,522.4	2,742.6	2,971.8	3,308.6	3,308.6	3,335.0	3,354.6	3,355.8
10 In M3 only[8]	969.4	1,131.7	1,358.0	1,597.7	1,597.7	1,593.4[r]	1,616.8[r]	1,591.5
Commercial banks								
11 Savings deposits, including MMDAs	775.3	905.2	1,022.9	1,189.8	1,189.8	1,202.0	1,207.1	1,207.1
12 Small time deposits[9]	575.0	593.7	626.1	626.1	626.1	622.0	618.1[r]	616.3
13 Large time deposits[10, 11]	346.6	414.8	490.2	541.1	541.1	545.9	533.6[r]	518.4
Thrift institutions								
14 Savings deposits, including MMDAs	359.8	367.1	377.3	415.2	415.2	420.3[r]	425.4	428.0
15 Small time deposits[9]	356.7	353.8	343.2	325.9[r]	325.9[r]	324.5[r]	322.9	320.7
16 Large time deposits[10]	74.5	78.4	85.9	89.1	89.1	91.0	89.9[r]	88.7
Money market mutual funds								
17 Retail	455.5	522.8	602.3	751.6	751.6	766.1	781.2	783.8
18 Institution-only	255.9	313.3	379.9	516.2	516.2	515.0	529.9	529.1
Repurchase agreements and Eurodollars								
19 Repurchase agreements[12]	198.7	211.3	252.8	297.7	297.7	291.5	308.2	295.3
20 Eurodollars[12]	93.7	113.9	149.2	153.6	153.6	150.0[r]	155.3[r]	160.0
Debt components								
21 Federal debt	3,638.9	3,780.6	3,798.4	3,747.4	3,747.4	3,740.9	3,718.2	n.a.
22 Nonfederal debt	10,064.2	10,644.7	11,342.9[r]	12,339.9[r]	12,339.9[r]	12,414.5[r]	12,501.6	n.a.
	Not seasonally adjusted							
Measures[2]								
23 M1	1,152.4	1,104.9	1,097.4	1,115.3	1,115.3	1,098.0	1,082.6[r]	1,096.0
24 M2	3,671.7	3,843.7	4,064.8	4,418.7[r]	4,418.7[r]	4,429.0[r]	4,440.8[r]	4,480.1
25 M3	4,638.0	4,972.5	5,420.8	6,015.7[r]	6,015.7[r]	6,027.2[r]	6,072.1[r]	6,087.1
26 Debt	13,704.6	14,425.3[r]	15,140.9[r]	16,087.7[r]	16,087.7[r]	16,138.9[r]	16,191.1	n.a.
M1 components								
27 Currency[3]	376.2	397.9	428.9	464.2	464.2	462.5	466.6[r]	471.3
28 Travelers checks[4]	8.5	8.3	7.9	8.0	8.0	7.9	7.9	7.9
29 Demand deposits[5]	407.2	419.9	412.3	392.4	392.4	375.7	364.6[r]	368.6
30 Other checkable deposits[6]	360.5	278.8	248.3	250.7	250.7	251.9	243.6	248.1
Nontransaction components								
31 In M2[7]	2,519.3	2,738.9	2,967.4	3,303.5	3,303.5	3,331.1	3,358.1	3,384.1
32 In M3 only[8]	966.4	1,128.8	1,356.0	1,597.0	1,597.0	1,598.2[r]	1,631.3[r]	1,607.0
Commercial banks								
33 Savings deposits, including MMDAs	774.1	903.3	1,020.4	1,186.7	1,186.7	1,197.0	1,203.2	1,216.7
34 Small time deposits[9]	573.8	592.7	625.3	625.4	625.4	622.7	619.4	617.1
35 Large time deposits[10, 11]	345.8	413.3	487.7	537.5	537.5	532.2	529.0[r]	522.8
Thrift institutions								
36 Savings deposits, including MMDAs	359.2	366.3	376.4	414.1	414.1	418.6	424.0	431.5
37 Small time deposits[9]	355.9	353.2	342.8	325.6	325.6	324.9	323.6	321.1
38 Large time deposits[10]	74.3	78.1	85.4	88.5	88.5	88.7[r]	89.1	89.5
Money market mutual funds								
39 Retail	456.1	523.2	602.5	751.6	751.6	767.8	787.9	797.7
40 Institution-only	257.7	316.0	384.5	523.3	523.3	529.3	547.3	537.9
Repurchase agreements and Eurodollars								
41 Repurchase agreements[12]	193.8	205.7	246.1	290.3	290.3	292.9	307.7	297.9
42 Eurodollars[12]	94.9	115.7	152.3	157.4	157.4	155.1[r]	158.1[r]	159.0
Debt components								
43 Federal debt	3,645.9	3,787.9	3,805.8	3,754.9	3,754.9	3,736.6	3,721.8	n.a.
44 Nonfederal debt	10,058.7	10,637.3[r]	11,335.1[r]	12,332.8[r]	12,332.8[r]	12,402.2[r]	12,469.3	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[r]				1999			1999			
	Mar.[r]	Sept.	Oct.	Nov.	Dec.	Jan.[r]	Feb.[r]	Mar.	Mar. 10	Mar. 17	Mar. 24	Mar. 31
	Seasonally adjusted											
Assets												
1 Bank credit	4,215.8	4,387.5	4,486.5	4,526.7	4,545.8	4,529.5	4,515.5	4,482.9	4,488.2	4,472.7	4,479.0	4,484.0
2 Securities in bank credit	1,125.1	1,172.4	1,214.8	1,218.8	1,222.8	1,214.5	1,204.2	1,185.2	1,186.5	1,175.4	1,185.2	1,187.6
3 U.S. government securities	777.1	771.0	776.4	789.6	791.4	792.4	789.6	797.2	791.8	790.0	801.7	806.9
4 Other securities	348.0	401.5	438.4	429.2	431.4	422.2	414.7	388.0	394.7	385.4	383.5	380.8
5 Loans and leases in bank credit[2]	3,090.7	3,215.0	3,271.7	3,307.9	3,323.0	3,315.0	3,311.3	3,297.7	3,301.8	3,297.3	3,293.9	3,296.3
6 Commercial and industrial	871.1	915.3	938.2	948.8	946.7	943.7	943.9	947.5	943.5	949.4	953.1	944.6
7 Real estate	1,265.3	1,284.2	1,292.1	1,315.2	1,329.8	1,333.4	1,335.6	1,335.9	1,340.6	1,338.3	1,331.6	1,334.1
8 Revolving home equity	98.0	97.7	96.7	96.9	96.7	96.6	96.2	96.3	96.1	96.2	96.3	96.5
9 Other	1,167.3	1,186.5	1,195.4	1,218.2	1,233.1	1,236.8	1,239.4	1,239.7	1,244.5	1,242.0	1,235.3	1,237.6
10 Consumer	500.2	496.0	498.0	501.1	503.0	504.7	504.2	503.1	502.4	503.4	502.9	503.5
11 Security[3]	115.9	142.9	157.6	150.9	151.3	146.8	139.1	119.2	124.5	116.0	112.7	120.4
12 Other loans and leases	338.1	376.7	385.8	391.8	392.2	386.3	388.5	392.0	390.8	390.1	393.6	393.7
13 Interbank loans	215.0	217.0	218.8	217.6	217.3	222.4	225.7	219.1	220.0	216.2	232.9	207.8
14 Cash assets[4]	272.1	253.4	247.7	255.0	257.6	264.5	262.3	262.6	265.3	251.1	265.1	269.9
15 Other assets[5]	299.5	326.2	326.9	334.9	336.1	348.7	354.2	353.7	356.5	359.7	350.9	347.6
16 **Total assets**[6]	**4,945.5**	**5,126.6**	**5,221.9**	**5,276.2**	**5,298.9**	**5,307.1**	**5,299.6**	**5,259.9**	**5,271.7**	**5,241.5**	**5,269.6**	**5,250.4**
Liabilities												
17 Deposits	3,197.4	3,264.2	3,289.7	3,324.9	3,341.0	3,363.9	3,372.4	3,360.6	3,362.4	3,358.3	3,342.3	3,364.7
18 Transaction	689.8	675.2	673.4	670.7	672.3	667.2	662.0	668.7	651.1	658.1	674.9	694.3
19 Nontransaction	2,507.6	2,589.1	2,616.3	2,654.2	2,668.7	2,696.7	2,710.5	2,691.9	2,711.3	2,700.2	2,667.4	2,670.4
20 Large time	687.0	702.0	716.4	727.8	719.4	724.9	728.2	718.1	724.4	722.3	710.7	710.5
21 Other	1,820.6	1,887.1	1,899.9	1,926.4	1,949.4	1,971.7	1,982.3	1,973.8	1,986.9	1,977.9	1,956.6	1,959.9
22 Borrowings	889.9	945.0	983.7	1,017.5	1,023.1	1,004.1	990.0	983.7	1,000.9	974.1	983.6	973.9
23 From banks in the U.S.	306.3	304.9	315.0	323.9	323.2	318.0	315.9	318.0	324.6	312.5	324.9	312.9
24 From others	583.5	640.1	668.6	693.6	699.8	686.2	674.1	665.7	676.3	661.6	658.8	661.0
25 Net due to related foreign offices	205.4	206.4	220.9	214.4	213.9	213.5	217.4	217.1	217.8	215.2	225.8	218.3
26 Other liabilities	258.5	296.5	310.9	297.8	301.0	300.7	294.8	271.3	269.9	266.8	270.2	272.5
27 **Total liabilities**	**4,551.2**	**4,712.2**	**4,805.2**	**4,854.7**	**4,878.9**	**4,882.1**	**4,874.7**	**4,832.7**	**4,851.1**	**4,814.4**	**4,821.9**	**4,829.3**
28 Residual (assets less liabilities)[7]	394.3	414.4	416.7	421.6	419.9	424.9	425.0	427.3	420.6	427.1	447.7	421.1
	Not seasonally adjusted											
Assets												
29 Bank credit	4,213.7	4,379.6	4,491.6	4,540.2	4,561.4	4,538.7	4,513.2	4,481.2	4,485.5	4,472.3	4,469.4	4,486.9
30 Securities in bank credit	1,131.7	1,163.1	1,212.7	1,225.0	1,224.5	1,217.1	1,209.7	1,191.9	1,195.1	1,182.4	1,188.2	1,195.0
31 U.S. government securities	783.4	762.3	771.7	792.0	792.2	792.7	793.8	803.6	799.0	796.2	806.3	814.5
32 Other securities	348.3	400.8	441.0	433.0	432.3	424.5	416.0	388.3	396.1	386.2	381.9	380.5
33 Loans and leases in bank credit[2]	3,082.0	3,216.5	3,278.9	3,315.2	3,336.9	3,321.6	3,303.5	3,289.3	3,290.4	3,290.0	3,281.2	3,291.9
34 Commercial and industrial	873.9	912.1	937.9	948.3	946.7	942.6	945.3	951.0	944.0	953.3	956.5	950.5
35 Real estate	1,259.3	1,287.6	1,295.6	1,319.1	1,331.7	1,332.5	1,329.9	1,329.4	1,335.3	1,331.6	1,323.5	1,328.3
36 Revolving home equity	97.2	98.4	97.5	97.7	97.1	96.7	95.9	95.4	95.4	95.4	95.3	95.5
37 Other	1,162.1	1,189.2	1,198.1	1,221.4	1,234.7	1,235.8	1,234.1	1,234.0	1,239.9	1,236.1	1,228.2	1,232.8
38 Consumer	495.3	498.9	498.5	501.5	508.3	511.0	504.0	498.3	497.7	498.8	497.9	497.8
39 Security[3]	119.3	139.0	159.2	153.4	153.5	146.9	138.8	122.5	127.8	120.9	115.9	122.2
40 Other loans and leases	334.2	378.8	387.8	392.9	396.7	388.7	385.3	388.1	385.6	385.4	387.4	393.2
41 Interbank loans	218.0	213.1	216.7	227.0	225.5	225.3	225.4	222.2	225.5	219.8	228.5	214.1
42 Cash assets[4]	263.8	250.9	248.1	261.8	273.1	277.8	263.4	255.0	256.2	247.4	246.8	268.6
43 Other assets[5]	295.7	328.4	324.7	333.3	336.9	341.4	351.0	349.1	350.5	352.0	343.6	348.3
44 **Total assets**[6]	**4,934.3**	**5,114.3**	**5,223.3**	**5,304.3**	**5,339.0**	**5,325.6**	**5,294.9**	**5,249.2**	**5,259.3**	**5,233.3**	**5,230.0**	**5,259.3**
Liabilities												
45 Deposits	3,192.0	3,261.9	3,289.2	3,350.7	3,374.8	3,363.2	3,349.5	3,355.2	3,357.7	3,352.1	3,317.7	3,379.7
46 Transaction	682.7	668.8	663.3	681.0	706.5	682.0	657.1	662.2	645.0	653.9	647.9	702.5
47 Nontransaction	2,509.3	2,593.1	2,625.9	2,669.7	2,668.4	2,681.2	2,692.4	2,693.0	2,712.7	2,698.2	2,669.8	2,677.2
48 Large time	688.7	703.7	718.0	732.7	723.9	723.1	728.9	720.1	726.9	724.2	713.0	711.4
49 Other	1,820.6	1,889.4	1,907.9	1,937.0	1,944.4	1,958.1	1,963.5	1,972.9	1,985.8	1,974.0	1,956.8	1,965.8
50 Borrowings	885.3	940.8	985.9	1,023.1	1,025.7	1,020.4	993.1	978.0	986.6	974.2	982.9	964.8
51 From banks in the U.S.	306.4	301.7	313.1	327.6	329.2	323.0	316.4	317.9	321.4	313.1	326.2	313.8
52 From others	578.9	639.1	672.7	695.5	696.4	697.4	676.6	660.2	665.1	661.1	656.7	651.1
53 Net due to related foreign offices	203.8	203.1	223.4	216.3	219.1	216.4	227.1	215.1	212.6	210.0	230.5	215.1
54 Other liabilities	259.2	295.5	309.4	298.2	301.8	301.6	297.2	272.0	271.5	267.5	270.3	272.1
55 **Total liabilities**	**4,540.2**	**4,701.3**	**4,807.9**	**4,888.2**	**4,921.3**	**4,901.6**	**4,866.8**	**4,820.3**	**4,828.3**	**4,803.8**	**4,801.4**	**4,831.8**
56 Residual (assets less liabilities)[7]	394.0	413.0	415.3	416.1	417.7	424.1	428.1	428.8	431.0	429.4	428.6	427.5
MEMO												
57 Revaluation gains on off-balance-sheet items[8]	88.1	109.4	130.7	111.2	113.2	111.9	108.1	86.5	91.4	83.5	82.1	82.9
58 Revaluation losses on off-balance-sheet items[8]	89.7	109.3	128.0	110.1	111.4	108.1	106.6	85.2	89.6	81.5	82.4	80.7

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[r]				1999			1999			
	Mar.[r]	Sept.	Oct.	Nov.	Dec.	Jan.[r]	Feb.[r]	Mar.	Mar. 10	Mar. 17	Mar. 24	Mar. 31
	Seasonally adjusted											
Assets												
1 Bank credit	3,651.9	3,789.4	3,866.8	3,916.1	3,948.0	3,946.4	3,946.7	3,928.5	3,930.4	3,920.5	3,927.6	3,928.1
2 Securities in bank credit	927.6	960.6	996.2	1,003.6	1,009.9	1,003.6	1,000.1	986.9	985.6	979.1	987.1	990.0
3 U.S. government securities	688.6	687.7	695.6	708.2	709.8	709.0	707.1	713.4	708.6	708.2	717.5	719.9
4 Other securities	239.1	272.9	300.5	295.4	300.2	294.5	293.1	273.5	277.1	270.9	269.6	270.1
5 Loans and leases in bank credit[2]	2,724.2	2,828.8	2,870.6	2,912.5	2,938.1	2,942.9	2,946.5	2,941.7	2,944.7	2,941.4	2,940.6	2,938.1
6 Commercial and industrial	651.7	698.5	714.7	724.8	728.5	730.0	731.5	736.7	734.5	735.9	740.4	737.1
7 Real estate	1,239.5	1,260.6	1,268.6	1,292.5	1,308.1	1,311.6	1,314.0	1,314.2	1,319.1	1,316.6	1,309.7	1,312.1
8 Revolving home equity	98.0	97.7	96.7	96.9	96.7	96.6	96.2	96.3	96.1	96.2	96.3	96.5
9 Other	1,141.4	1,162.9	1,171.9	1,195.6	1,211.4	1,215.0	1,217.7	1,218.0	1,223.0	1,220.4	1,213.5	1,215.6
10 Consumer	500.2	496.0	498.0	501.1	503.0	504.7	504.2	503.1	502.4	503.4	502.9	503.5
11 Security[3]	65.8	76.2	87.8	86.1	85.6	84.3	80.6	69.3	73.3	69.6	66.1	65.3
12 Other loans and leases	267.0	297.6	301.5	308.0	312.9	312.3	316.3	318.3	315.4	315.8	321.5	320.1
13 Interbank loans	191.9	189.7	193.1	190.4	189.3	192.9	193.8	192.8	195.6	189.7	207.5	179.9
14 Cash assets[4]	237.7	219.1	212.0	220.1	221.8	228.1	226.1	225.4	226.0	213.9	227.1	235.1
15 Other assets[5]	263.5	288.8	288.4	298.0	297.7	310.2	316.6	315.9	318.7	321.0	313.8	310.3
16 **Total assets**[6]	**4,288.4**	**4,429.8**	**4,502.7**	**4,566.8**	**4,599.1**	**4,619.9**	**4,625.1**	**4,604.5**	**4,612.6**	**4,587.2**	**4,617.9**	**4,594.8**
Liabilities												
17 Deposits	2,907.7	2,948.9	2,971.9	3,009.4	3,032.4	3,045.6	3,051.5	3,049.3	3,044.5	3,044.2	3,037.4	3,060.7
18 Transaction	678.1	659.8	658.0	657.9	660.7	654.3	648.0	655.6	637.8	644.4	662.5	681.5
19 Nontransaction	2,229.6	2,289.1	2,313.9	2,351.6	2,371.7	2,391.3	2,403.4	2,393.7	2,406.7	2,399.9	2,374.8	2,379.2
20 Large time	410.3	404.6	415.9	426.9	423.0	420.7	422.3	421.0	420.8	422.6	418.4	421.4
21 Other	1,819.3	1,884.4	1,898.1	1,924.6	1,948.7	1,970.7	1,981.1	1,972.7	1,985.9	1,977.3	1,956.4	1,957.8
22 Borrowings	718.0	739.7	768.4	802.9	819.3	810.5	809.3	809.5	824.0	801.3	814.2	797.0
23 From banks in the U.S.	279.3	276.5	284.5	291.8	296.0	296.5	298.0	293.6	300.7	287.8	300.4	286.9
24 From others	438.7	463.3	484.0	511.2	523.3	514.0	511.4	515.9	523.2	513.6	513.8	510.1
25 Net due to related foreign offices	81.7	108.4	115.3	115.2	112.4	111.7	117.3	117.7	118.5	115.5	126.8	116.0
26 Other liabilities	188.2	220.6	231.8	221.7	224.3	226.4	224.4	203.2	201.2	198.5	203.1	204.5
27 **Total liabilities**	**3,895.6**	**4,017.6**	**4,087.4**	**4,149.3**	**4,188.5**	**4,194.2**	**4,202.6**	**4,179.7**	**4,188.2**	**4,159.5**	**4,181.4**	**4,178.3**
28 Residual (assets less liabilities)[7]	392.8	412.2	415.3	417.5	410.7	425.6	422.6	424.7	424.4	427.7	436.5	416.5
	Not seasonally adjusted											
Assets												
29 Bank credit	3,647.3	3,782.3	3,867.7	3,926.4	3,960.9	3,952.2	3,940.5	3,925.2	3,926.0	3,917.6	3,918.6	3,929.9
30 Securities in bank credit	932.8	951.8	991.0	1,006.6	1,013.1	1,005.9	1,003.9	992.4	991.9	983.6	991.0	997.4
31 U.S. government securities	693.9	679.8	690.9	710.1	710.4	709.7	710.9	718.9	714.9	712.9	721.4	727.0
32 Other securities	238.9	272.0	300.0	296.4	302.6	296.3	293.0	273.5	277.0	270.7	269.6	270.4
33 Loans and leases in bank credit[2]	2,714.5	2,830.5	2,876.7	2,919.8	2,947.8	2,946.2	2,936.5	2,932.9	2,934.1	2,934.0	2,927.6	2,932.5
34 Commercial and industrial	654.1	695.8	713.5	723.0	725.7	727.0	731.1	739.9	735.4	739.4	743.7	742.2
35 Real estate	1,233.4	1,264.0	1,271.8	1,296.3	1,310.0	1,310.4	1,307.9	1,307.7	1,313.6	1,309.8	1,301.7	1,306.6
36 Revolving home equity	97.2	98.4	97.5	97.7	97.1	96.7	95.9	95.4	95.4	95.4	95.3	95.5
37 Other	1,136.2	1,165.6	1,174.3	1,198.6	1,212.9	1,213.8	1,212.1	1,212.2	1,218.1	1,214.3	1,206.4	1,211.1
38 Consumer	495.3	498.9	498.5	501.5	508.3	511.0	504.0	498.3	497.7	498.8	497.9	497.8
39 Security[3]	68.1	72.1	89.6	89.1	87.3	84.4	80.6	72.1	76.4	73.9	68.5	66.2
40 Other loans and leases	263.6	299.7	303.3	309.9	316.5	313.4	312.9	314.9	311.0	312.1	315.8	319.7
41 Interbank loans	194.9	185.8	191.0	199.8	197.5	195.8	193.5	195.8	201.1	193.3	203.1	186.2
42 Cash assets[4]	230.4	216.9	212.0	226.3	235.8	241.0	227.9	219.0	218.4	211.5	209.9	234.2
43 Other assets[5]	259.2	290.6	286.5	296.2	297.1	302.6	312.2	310.7	310.7	312.5	306.7	311.7
44 **Total assets**[6]	**4,275.3**	**4,418.1**	**4,499.5**	**4,590.9**	**4,633.5**	**4,634.2**	**4,616.2**	**4,592.6**	**4,598.2**	**4,576.8**	**4,580.2**	**4,603.7**
Liabilities												
45 Deposits	2,899.6	2,946.8	2,971.0	3,035.6	3,062.6	3,047.5	3,029.8	3,040.7	3,038.6	3,034.9	3,007.3	3,071.7
46 Transaction	670.8	652.8	647.9	668.2	694.5	669.0	643.4	649.0	631.8	640.2	635.3	689.3
47 Nontransaction	2,228.8	2,294.0	2,323.1	2,367.4	2,368.1	2,378.5	2,386.4	2,391.8	2,406.8	2,394.7	2,372.0	2,382.4
48 Large time	410.1	404.1	417.6	432.4	425.5	422.3	424.8	420.8	422.9	422.7	417.1	418.5
49 Other	1,818.6	1,889.9	1,905.4	1,935.0	1,942.6	1,956.2	1,961.6	1,971.0	1,983.9	1,972.0	1,954.9	1,963.9
50 Borrowings	713.4	735.5	770.6	808.5	821.9	826.8	812.4	803.9	809.6	801.4	813.5	787.9
51 From banks in the U.S.	279.3	273.3	282.6	295.4	302.0	301.6	298.5	293.5	297.6	288.3	301.7	287.8
52 From others	434.1	462.3	488.1	513.0	519.9	525.2	513.9	510.4	512.1	513.1	511.7	500.2
53 Net due to related foreign offices	82.1	106.8	115.5	113.7	111.4	112.0	123.4	117.6	119.4	113.8	129.3	113.7
54 Other liabilities	188.7	220.0	231.0	221.1	223.7	227.0	225.2	203.8	202.1	199.0	203.5	204.9
55 **Total liabilities**	**3,883.8**	**4,009.1**	**4,088.2**	**4,178.9**	**4,219.6**	**4,213.3**	**4,190.7**	**4,165.9**	**4,169.7**	**4,149.2**	**4,153.5**	**4,178.3**
56 Residual (assets less liabilities)[7]	391.4	409.0	411.4	412.0	413.9	420.9	425.5	426.7	428.4	427.6	426.8	425.4
MEMO												
57 Revaluation gains on off-balance-sheet items[8]	47.2	61.7	78.7	62.7	65.2	66.0	64.5	46.3	49.0	44.1	43.0	43.6
58 Revaluation losses on off-balance-sheet items[8]	49.6	65.1	80.5	65.1	66.8	65.8	65.3	46.0	48.4	43.5	44.3	42.3
59 Mortgage-backed securities[9]	299.8	313.2	335.8	346.0	345.4	341.3	339.3	333.3	332.8	332.0	332.3	334.9

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			
	Mar.^r	Sept.	Oct.	Nov.	Dec.	Jan.^r	Feb.^r	Mar.	Mar. 10	Mar. 17	Mar. 24	Mar. 31
	Seasonally adjusted											
Assets												
1 Bank credit	2,259.1	2,337.5	2,395.4	2,416.5	2,428.0	2,420.7	2,414.4	2,387.2	2,391.2	2,379.5	2,385.8	2,383.5
2 Securities in bank credit	530.1	545.6	573.6	572.0	571.1	562.6	556.5	540.0	539.6	532.9	539.9	541.6
3 U.S. government securities	377.8	369.8	373.2	379.1	376.7	375.1	372.4	376.1	372.0	371.3	380.1	381.1
4 Trading account	25.1	22.2	21.0	22.3	23.0	25.1	17.5	22.2	19.5	18.9	26.0	25.5
5 Investment account	352.7	347.6	352.2	356.9	353.7	350.1	354.9	353.8	352.4	352.4	354.1	355.6
6 Other securities	152.3	175.8	200.5	192.9	194.4	187.5	184.1	163.9	167.6	161.6	159.8	160.5
7 Trading account	73.1	86.4	108.8	96.8	97.4	90.9	87.5	66.4	70.2	64.3	62.7	61.6
8 Investment account	79.1	89.4	91.7	96.1	97.0	96.6	96.7	97.5	97.4	97.3	97.1	98.9
9 State and local government	22.6	23.4	23.9	24.5	24.8	24.6	24.7	24.9	24.8	24.9	24.9	24.9
10 Other	56.5	66.0	67.8	71.7	72.2	71.9	72.0	72.7	72.6	72.3	72.2	74.1
11 Loans and leases in bank credit[2]	1,729.0	1,791.9	1,821.7	1,844.5	1,856.8	1,858.0	1,857.8	1,847.2	1,851.6	1,846.6	1,845.8	1,841.9
12 Commercial and industrial	472.6	507.9	521.4	528.5	529.3	529.3	530.5	534.7	532.6	534.0	538.6	534.6
13 Bankers acceptances	1.2	1.3	1.3	1.3	1.3	1.3	1.2	1.1	1.1	1.1	1.1	1.2
14 Other	471.3	506.6	520.1	527.2	528.0	528.1	529.3	533.6	531.5	532.9	537.5	533.4
15 Real estate	698.1	689.3	689.2	700.4	705.9	704.3	703.5	700.1	705.5	702.7	695.4	696.2
16 Revolving home equity	69.7	68.9	68.0	67.8	67.6	67.6	67.5	67.4	67.4	67.5	67.4	67.5
17 Other	628.4	620.4	621.2	632.6	638.3	636.8	636.1	632.7	638.2	635.3	628.0	628.7
18 Consumer	300.2	298.8	300.7	302.0	302.4	305.3	304.3	301.9	302.8	301.9	301.0	301.3
19 Security[3]	59.8	69.9	81.3	79.3	79.2	78.1	74.5	63.2	67.0	63.5	60.1	59.4
20 Federal funds sold to and repurchase agreements with broker–dealers	42.0	51.5	63.3	61.8	62.5	61.4	57.6	46.1	50.0	46.1	43.3	42.4
21 Other	17.8	18.5	17.9	17.5	16.7	16.7	16.9	17.1	17.0	17.4	16.8	17.0
22 State and local government	11.6	11.6	11.6	11.9	11.6	11.6	11.5	11.5	11.5	11.5	11.5	11.6
23 Agricultural	10.0	10.0	10.0	10.1	10.2	10.2	10.2	10.2	10.1	10.1	10.1	10.2
24 Federal funds sold to and repurchase agreements with others	7.4	12.4	12.9	12.4	16.2	12.6	12.0	12.0	10.3	11.7	12.9	13.1
25 All other loans	81.3	92.0	92.9	96.1	95.7	97.7	97.8	97.8	96.9	95.4	99.7	98.3
26 Lease-financing receivables	88.0	99.9	101.7	103.8	106.4	108.8	113.4	115.9	114.8	115.6	116.4	117.2
27 Interbank loans	131.6	118.7	120.3	120.6	123.1	125.2	126.7	128.9	131.6	125.5	142.7	119.0
28 Federal funds sold to and repurchase agreements with commercial banks	82.1	65.4	74.3	74.6	73.9	78.5	78.6	81.6	84.2	79.9	93.6	72.5
29 Other	49.5	53.3	46.0	46.0	49.2	46.7	48.0	47.2	47.5	45.5	49.0	46.5
30 Cash assets[4]	174.5	151.0	144.1	149.8	151.2	157.1	155.0	153.5	155.6	145.0	154.1	159.5
31 Other assets[5]	205.9	223.9	220.8	225.8	223.3	232.4	239.0	238.9	241.6	243.1	236.6	233.9
32 **Total assets**[6]	**2,733.4**	**2,793.5**	**2,842.5**	**2,874.7**	**2,887.6**	**2,897.3**	**2,896.8**	**2,870.1**	**2,881.7**	**2,854.8**	**2,880.8**	**2,857.1**
Liabilities												
33 Deposits	1,652.6	1,640.5	1,651.0	1,667.0	1,671.6	1,672.6	1,668.1	1,666.5	1,664.3	1,663.4	1,656.3	1,674.6
34 Transaction	394.7	373.7	371.9	369.4	369.4	364.3	357.9	362.0	353.7	356.4	364.1	375.7
35 Nontransaction	1,257.9	1,266.8	1,279.1	1,297.7	1,302.1	1,308.3	1,310.2	1,304.5	1,310.6	1,307.0	1,292.2	1,298.9
36 Large time	229.5	213.8	223.1	229.9	228.2	227.5	226.8	224.2	225.2	226.2	221.0	223.1
37 Other	1,028.4	1,053.0	1,056.0	1,067.8	1,074.0	1,080.7	1,083.4	1,080.3	1,085.4	1,080.8	1,071.3	1,075.8
38 Borrowings	567.0	574.0	596.2	622.4	633.6	627.8	622.9	619.0	632.5	609.0	621.4	610.9
39 From banks in the U.S.	209.1	199.2	203.5	207.1	209.0	213.3	213.5	208.2	214.7	201.4	213.4	204.8
40 From others	357.9	374.8	392.7	415.3	424.6	414.5	409.4	410.8	417.8	407.6	408.1	406.1
41 Net due to related foreign offices	77.6	104.6	110.6	111.6	108.8	108.7	114.1	113.2	114.6	111.7	121.6	110.2
42 Other liabilities	160.7	191.1	201.5	190.7	193.0	195.4	193.9	172.6	170.6	168.1	172.5	173.5
43 **Total liabilities**	**2,457.9**	**2,510.2**	**2,559.3**	**2,591.8**	**2,606.9**	**2,604.5**	**2,598.9**	**2,571.4**	**2,582.1**	**2,552.2**	**2,571.9**	**2,569.2**
44 Residual (assets less liabilities)[7]	275.4	283.3	283.2	282.9	280.7	292.8	297.8	298.8	299.6	302.6	308.8	288.0

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]	Sept.	Oct.	Nov.	Dec.	Jan.[r]	Feb.[r]	Mar.	Mar. 10	Mar. 17	Mar. 24	Mar. 31
	Not seasonally adjusted											
Assets												
45 Bank credit	2,260.4	2,327.0	2,397.1	2,429.6	2,442.5	2,432.9	2,418.9	2,389.6	2,395.7	2,383.2	2,380.6	2,386.7
46 Securities in bank credit	533.9	538.7	571.3	577.3	574.6	565.7	562.6	544.0	545.9	536.3	541.0	545.4
47 U.S. government securities	381.7	363.4	371.2	383.4	377.4	376.4	377.8	380.1	378.1	374.7	381.4	385.2
48 Trading account	26.6	22.0	21.9	24.6	23.7	25.2	18.2	23.2	21.9	20.4	25.8	25.1
49 Investment account	355.2	341.4	349.3	358.9	353.7	351.2	359.6	356.9	356.2	354.3	355.5	360.1
50 Mortgage-backed securities	232.9	236.4	255.3	258.2	253.5	250.1	247.9	241.4	241.5	239.5	240.1	242.6
51 Other	122.3	105.0	94.0	100.7	100.2	101.1	111.7	115.5	114.7	114.8	115.4	117.5
52 One year or less	31.8	27.7	26.1	27.2	26.6	27.5	25.6	23.8	23.5	23.7	24.2	23.8
53 One to five years	54.7	44.3	37.2	38.2	38.4	37.6	46.8	52.1	51.6	51.9	51.3	54.0
54 More than five years	35.8	33.0	30.6	35.2	35.2	36.0	39.3	39.6	39.5	39.2	39.9	39.8
55 Other securities	152.2	175.3	200.1	193.9	197.2	189.3	184.7	163.9	167.8	161.6	159.6	160.2
56 Trading account	73.1	86.4	108.8	96.8	97.4	90.9	87.5	66.4	70.2	64.3	62.7	61.6
57 Investment account	79.0	88.9	91.3	97.1	99.8	98.4	97.3	97.5	97.6	97.2	96.9	98.7
58 State and local government	22.7	23.2	24.0	24.6	25.0	24.8	24.8	24.9	24.9	24.9	24.9	24.9
59 Other	56.3	65.6	67.4	72.5	74.8	73.6	72.5	72.6	72.7	72.3	72.0	73.8
60 Loans and leases in bank credit[2]	1,726.5	1,788.3	1,825.9	1,852.3	1,867.9	1,867.2	1,856.3	1,845.7	1,849.8	1,847.0	1,839.7	1,841.3
61 Commercial and industrial	474.4	506.3	521.5	528.1	527.4	527.1	530.4	537.3	533.5	536.8	540.8	538.8
62 Bankers acceptances	1.2	1.3	1.3	1.3	1.3	1.3	1.2	1.1	1.1	1.1	1.1	1.2
63 Other	473.2	505.0	520.2	526.8	526.1	525.8	529.3	536.2	532.4	535.7	539.7	537.7
64 Real estate	695.4	689.6	691.0	703.7	709.5	707.1	702.2	697.1	704.2	700.0	690.9	692.8
65 Revolving home equity	69.0	69.3	68.6	68.3	67.8	67.6	67.2	66.8	66.8	66.8	66.6	66.8
66 Other	386.4	381.0	382.9	394.1	398.6	394.1	386.7	381.1	389.3	383.7	374.3	376.0
67 Commercial	240.0	239.2	239.5	241.3	243.0	245.4	248.4	249.3	248.1	249.5	250.0	250.0
68 Consumer	297.5	300.8	300.6	301.6	305.7	310.7	304.7	299.2	300.3	299.4	298.3	297.8
69 Security[3]	62.0	65.9	83.1	82.3	80.9	78.2	74.5	66.0	70.1	67.8	62.5	60.4
70 Federal funds sold to and repurchase agreements with broker–dealers	44.1	47.6	65.2	65.0	63.7	62.0	58.1	48.7	53.4	50.3	45.3	42.8
71 Other	17.9	18.3	17.9	17.3	17.1	16.2	16.4	17.3	16.7	17.5	17.2	17.5
72 State and local government	11.6	11.7	11.7	12.0	11.7	11.6	11.5	11.5	11.5	11.5	11.5	11.5
73 Agricultural	9.6	10.3	10.1	10.1	10.1	10.1	9.9	9.8	9.8	9.8	9.8	9.9
74 Federal funds sold to and repurchase agreements with others	7.4	12.4	12.9	12.4	16.2	12.6	12.0	12.0	10.3	11.7	12.9	13.1
75 All other loans	79.8	92.5	93.8	99.2	100.4	99.3	96.3	96.0	94.2	93.5	95.8	99.1
76 Lease-financing receivables	88.7	98.9	101.0	102.8	106.0	110.5	114.7	116.8	115.9	116.4	117.2	118.0
77 Interbank loans	131.5	116.8	116.7	122.0	126.3	128.1	126.5	129.0	130.9	126.3	138.6	122.7
78 Federal funds sold to and repurchase agreements with commercial banks	81.9	63.9	71.3	77.3	77.7	82.1	79.2	81.4	83.4	79.6	89.3	75.7
79 Other	49.6	52.9	45.4	44.7	48.5	46.0	47.3	47.6	47.5	46.6	49.3	47.0
80 Cash assets[4]	168.7	150.0	144.8	153.9	161.7	166.8	155.8	148.6	148.9	142.9	142.3	159.2
81 Other assets[5]	202.7	225.2	218.7	222.7	222.8	227.9	235.9	235.1	235.2	238.5	231.3	233.7
82 **Total assets**[6]	**2,725.6**	**2,781.1**	**2,839.3**	**2,890.1**	**2,915.4**	**2,917.9**	**2,898.9**	**2,863.9**	**2,872.3**	**2,852.6**	**2,854.6**	**2,864.0**
Liabilities												
83 Deposits	1,650.2	1,636.0	1,647.4	1,681.0	1,695.7	1,681.8	1,663.8	1,664.9	1,664.7	1,663.5	1,638.2	1,683.9
84 Transaction	389.0	369.7	364.9	376.1	392.4	374.6	354.9	356.7	346.4	352.8	346.0	381.4
85 Nontransaction	1,261.2	1,266.3	1,282.6	1,304.9	1,303.3	1,307.2	1,308.9	1,308.2	1,318.3	1,310.7	1,292.2	1,302.5
86 Large time	229.3	213.3	224.8	235.4	230.7	229.2	229.3	224.0	227.3	226.3	219.6	220.2
87 Other	1,031.9	1,053.0	1,057.7	1,069.6	1,072.6	1,078.1	1,079.6	1,084.2	1,091.0	1,084.4	1,072.5	1,082.3
88 Borrowings	566.9	567.7	596.0	625.8	634.2	643.6	628.5	618.9	626.5	615.0	624.8	605.8
89 From banks in the U.S.	211.0	195.6	199.9	209.0	213.0	217.7	215.2	210.5	215.2	204.5	216.3	207.3
90 From nonbanks in the U.S.	355.8	372.1	396.2	416.8	421.2	425.9	413.3	408.4	411.3	410.6	408.5	398.5
91 Net due to related foreign offices	78.0	103.0	110.9	110.1	107.8	109.0	120.2	113.0	115.6	110.0	124.1	107.8
92 Other liabilities	160.7	191.1	201.5	190.7	193.0	195.4	193.9	172.6	170.6	168.1	172.5	173.5
93 **Total liabilities**	**2,455.8**	**2,497.8**	**2,555.8**	**2,607.7**	**2,630.8**	**2,629.8**	**2,606.4**	**2,569.5**	**2,577.4**	**2,556.6**	**2,559.7**	**2,571.1**
94 Residual (assets less liabilities)[7]	269.8	283.3	283.5	282.4	284.7	288.1	292.5	294.4	294.9	295.9	294.9	292.9
MEMO												
95 Revaluation gains on off-balance-sheet items[8]	47.2	61.7	78.7	62.7	65.2	66.0	64.5	46.3	49.0	44.1	43.0	43.6
96 Revaluation losses on off-balance-sheet items[8]	49.6	65.1	80.5	65.1	66.8	65.8	65.3	46.0	48.4	43.5	44.3	42.3
97 Mortgage-backed securities[9]	253.9	260.5	280.7	287.0	284.0	279.6	276.7	269.8	269.4	268.9	268.6	270.8
98 Pass-through securities	171.0	167.3	189.5	196.6	194.7	191.9	187.3	180.3	179.6	179.5	179.7	180.9
99 CMOs, REMICs, and other mortgage-backed securities	82.9	93.2	91.2	90.4	89.3	87.7	89.4	89.5	89.7	89.3	88.9	90.0
100 Net unrealized gains (losses) on available-for-sale securities[10]	2.9	3.7	4.4	3.1	3.0	3.0	2.4	1.5	1.5	1.6	1.5	1.6
101 Offshore credit to U.S. residents[11]	35.2	36.8	38.5	39.1	38.5	38.9	38.9	39.0	39.1	40.0	39.5	37.6

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			
	Mar.[r]	Sept.	Oct.	Nov.	Dec.	Jan.[r]	Feb.[r]	Mar.	Mar. 10	Mar. 17	Mar. 24	Mar. 31
	Seasonally adjusted											
Assets												
1 Bank credit	1,392.7	1,451.8	1,471.4	1,499.6	1,520.0	1,525.8	1,532.3	1,541.3	1,539.2	1,541.0	1,541.9	1,544.6
2 Securities in bank credit	397.5	414.9	422.5	431.6	438.8	441.0	443.6	446.9	446.1	446.2	447.1	448.4
3 U.S. government securities	310.7	317.9	322.5	329.0	333.0	333.9	334.7	337.3	336.6	336.8	337.4	338.8
4 Other securities	86.8	97.0	100.1	102.6	105.8	107.1	108.9	109.5	109.5	109.3	109.8	109.6
5 Loans and leases in bank credit[2]	995.3	1,036.9	1,048.9	1,068.0	1,081.2	1,084.8	1,088.7	1,094.5	1,093.1	1,094.9	1,094.7	1,096.2
6 Commercial and industrial	179.1	190.6	193.3	196.3	199.2	200.7	201.1	202.0	201.9	201.9	201.8	202.5
7 Real estate	541.3	571.3	579.4	592.1	602.2	607.3	610.4	614.1	613.5	613.9	614.4	615.9
8 Revolving home equity	28.3	28.8	28.7	29.1	29.1	29.0	28.8	28.8	28.7	28.8	28.9	29.0
9 Other	513.0	542.5	550.7	563.0	573.1	578.2	581.7	585.3	584.8	585.1	585.5	587.0
10 Consumer	200.1	197.2	197.3	199.1	200.6	199.4	199.9	201.2	199.7	201.5	201.9	202.2
11 Security[3]	6.0	6.2	6.5	6.8	6.4	6.2	6.1	6.1	6.3	6.1	6.0	5.8
12 Other loans and leases	68.7	71.6	72.4	73.7	72.8	71.4	71.3	71.0	71.8	71.4	70.8	69.7
13 Interbank loans	60.4	71.0	72.8	69.8	66.2	67.7	67.1	63.9	64.0	64.3	64.9	60.9
14 Cash assets[4]	63.2	68.1	67.9	70.3	70.7	71.0	71.1	71.9	70.4	68.9	73.0	75.5
15 Other assets[5]	57.6	64.9	67.6	72.2	74.3	77.8	77.6	77.0	77.1	77.9	77.2	76.4
16 **Total assets**[6]	**1,555.0**	**1,636.3**	**1,660.2**	**1,692.1**	**1,711.5**	**1,722.6**	**1,728.4**	**1,734.3**	**1,730.9**	**1,732.3**	**1,737.1**	**1,737.6**
Liabilities												
17 Deposits	1,255.0	1,308.4	1,320.9	1,342.4	1,360.9	1,373.0	1,383.4	1,382.8	1,380.2	1,380.8	1,381.0	1,386.1
18 Transaction	283.3	286.1	286.1	288.5	291.3	289.9	290.2	293.6	284.1	288.0	298.5	305.8
19 Nontransaction	971.7	1,022.3	1,034.9	1,053.9	1,069.5	1,083.1	1,093.2	1,089.2	1,096.1	1,092.8	1,082.6	1,080.3
20 Large time	180.8	190.8	192.8	197.0	194.8	193.2	195.5	196.8	195.6	196.4	197.4	198.3
21 Other	790.9	831.5	842.1	856.9	874.7	889.9	897.7	892.4	900.5	896.5	885.1	882.0
22 Borrowings	151.0	165.7	172.2	180.5	185.7	182.7	186.4	190.5	191.5	192.3	192.8	186.1
23 From banks in the U.S.	70.2	77.2	81.0	84.7	87.0	83.2	84.4	85.3	86.0	86.4	87.0	82.1
24 From others	80.8	88.5	91.2	95.8	98.8	99.5	102.0	105.1	105.4	106.0	105.7	104.0
25 Net due to related foreign offices	4.1	3.7	4.7	3.6	3.6	3.0	3.2	4.5	3.9	3.8	5.1	5.9
26 Other liabilities	27.5	29.5	30.3	30.9	31.3	31.0	30.6	30.6	30.6	30.3	30.5	31.0
27 **Total liabilities**	**1,437.6**	**1,507.4**	**1,528.1**	**1,557.5**	**1,581.5**	**1,589.8**	**1,603.6**	**1,608.4**	**1,606.1**	**1,607.3**	**1,609.5**	**1,609.1**
28 Residual (assets less liabilities)[7]	117.4	128.9	132.0	134.6	130.0	132.8	124.8	126.0	124.8	125.0	127.6	128.5
	Not seasonally adjusted											
Assets												
29 Bank credit	1,386.9	1,455.3	1,470.5	1,496.8	1,518.3	1,519.3	1,521.6	1,535.6	1,530.3	1,534.3	1,537.9	1,543.2
30 Securities in bank credit	398.9	413.1	419.7	429.3	438.4	440.2	441.4	448.4	446.0	447.3	450.0	452.0
31 U.S. government securities	312.1	316.4	319.7	326.7	333.0	333.3	333.1	338.9	336.8	338.2	340.1	341.9
32 Other securities	86.8	96.7	99.9	102.6	105.5	106.9	108.3	109.6	109.2	109.1	110.0	110.1
33 Loans and leases in bank credit[2]	988.0	1,042.2	1,050.8	1,067.5	1,079.9	1,079.0	1,080.2	1,087.2	1,084.3	1,087.0	1,087.9	1,091.2
34 Commercial and industrial	179.7	189.5	191.9	194.9	198.3	199.9	200.7	202.6	201.9	202.6	202.8	203.4
35 Real estate	538.0	574.4	580.8	592.6	600.5	603.4	605.7	610.5	609.4	609.7	610.8	613.8
36 Revolving home equity	28.2	29.1	28.9	29.3	29.3	29.0	28.7	28.7	28.6	28.6	28.7	28.7
37 Other	509.8	545.4	551.9	563.2	571.2	574.3	577.0	581.9	580.7	581.1	582.1	585.1
38 Consumer	197.8	198.1	197.9	199.9	202.6	200.3	199.3	199.1	197.4	199.4	199.7	199.9
39 Security[3]	6.0	6.2	6.5	6.8	6.4	6.2	6.1	6.1	6.3	6.1	6.0	5.8
40 Other loans and leases	66.5	73.9	73.7	73.4	72.0	69.3	68.5	68.9	69.3	69.1	68.6	68.2
41 Interbank loans	63.4	69.0	74.3	77.8	71.2	67.7	67.0	66.9	70.3	67.1	64.4	63.5
42 Cash assets[4]	61.7	66.9	67.2	72.4	74.1	74.2	72.1	70.4	69.5	68.6	67.6	74.9
43 Other assets[5]	56.6	65.3	67.8	73.5	74.2	74.7	76.3	75.6	75.4	74.0	75.4	78.0
44 **Total assets**[6]	**1,549.7**	**1,637.0**	**1,660.2**	**1,700.8**	**1,718.1**	**1,716.2**	**1,717.3**	**1,728.7**	**1,725.9**	**1,724.3**	**1,725.6**	**1,739.7**
Liabilities												
45 Deposits	1,249.4	1,310.8	1,323.6	1,354.6	1,366.9	1,365.7	1,366.0	1,375.8	1,373.9	1,371.4	1,369.1	1,387.7
46 Transaction	281.8	283.2	283.1	292.2	302.1	294.4	288.4	292.3	285.4	287.4	289.3	307.9
47 Nontransaction	967.5	1,027.6	1,040.5	1,062.5	1,064.8	1,071.3	1,077.5	1,083.5	1,088.5	1,084.1	1,079.8	1,079.9
48 Large time	180.8	190.8	192.8	197.0	194.8	193.2	195.5	196.8	195.6	196.4	197.4	198.3
49 Other	786.7	836.8	847.7	865.4	870.0	878.1	882.0	886.7	892.9	887.7	882.4	881.6
50 Borrowings	146.6	167.8	174.6	182.6	187.7	183.1	183.8	184.9	183.1	186.4	188.6	182.1
51 From banks in the U.S.	68.3	77.6	82.7	86.4	89.0	83.9	83.3	83.0	82.4	83.9	85.4	80.4
52 From others	78.3	90.2	91.9	96.2	98.7	99.2	100.6	101.9	100.7	102.5	103.3	101.7
53 Net due to related foreign offices	4.1	3.7	4.7	3.6	3.6	3.0	3.2	4.5	3.9	3.8	5.1	5.9
54 Other liabilities	28.0	28.9	29.6	30.3	30.7	31.7	31.4	31.1	31.5	30.9	31.0	31.4
55 **Total liabilities**	**1,428.1**	**1,511.3**	**1,532.4**	**1,571.2**	**1,588.9**	**1,583.5**	**1,584.4**	**1,596.5**	**1,592.4**	**1,592.6**	**1,593.8**	**1,607.1**
56 Residual (assets less liabilities)[7]	121.6	125.7	127.8	129.6	129.2	132.7	133.0	132.3	133.5	131.7	131.9	132.6
MEMO												
57 Mortgage-backed securities[9]	45.9	52.7	55.2	59.0	61.4	61.7	62.6	63.5	63.4	63.1	63.6	64.1

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[r]				1999			1999			
	Mar.[r]	Sept.	Oct.	Nov.	Dec.	Jan.[r]	Feb.[r]	Mar.	Mar. 10	Mar. 17	Mar. 24	Mar. 31
	Seasonally adjusted											
Assets												
1 Bank credit	564.0	598.1	619.7	610.6	597.7	583.1	568.9	554.4	557.9	552.2	551.4	555.8
2 Securities in bank credit	197.5	211.9	218.6	215.2	212.8	211.0	204.1	198.4	200.8	196.3	198.1	197.6
3 U.S. government securities	88.6	83.3	80.8	81.4	81.6	83.3	82.5	83.8	83.2	81.8	84.2	87.0
4 Other securities	109.0	128.6	137.8	133.8	131.2	127.6	121.6	114.5	117.6	114.5	113.9	110.6
5 Loans and leases in bank credit[2]	366.4	386.2	401.1	395.4	384.9	372.1	364.8	356.0	357.1	355.9	353.3	358.2
6 Commercial and industrial	219.4	216.8	223.5	224.1	218.2	213.7	212.4	210.8	209.0	213.5	212.7	207.5
7 Real estate	25.9	23.6	23.5	22.6	21.7	21.8	21.6	21.7	21.5	21.6	21.8	21.9
8 Security[3]	50.1	66.7	69.8	64.9	65.7	62.6	58.5	49.9	51.2	46.4	46.6	55.1
9 Other loans and leases	71.1	79.1	84.3	83.8	79.4	74.0	72.3	73.7	75.4	74.3	72.1	73.6
10 Interbank loans	23.1	27.3	25.7	27.2	28.0	29.5	31.9	26.4	24.4	26.5	25.4	27.9
11 Cash assets[4]	34.4	34.3	35.7	34.9	35.8	36.4	36.2	37.2	39.3	37.2	38.1	34.9
12 Other assets[5]	36.0	37.3	38.5	36.9	38.4	38.5	37.7	37.8	37.8	38.7	37.1	37.3
13 **Total assets**[6]	**657.1**	**696.7**	**719.3**	**709.4**	**699.7**	**687.2**	**674.5**	**655.5**	**659.1**	**654.3**	**651.7**	**655.6**
Liabilities												
14 Deposits	289.7	315.3	317.8	315.4	308.6	318.3	321.0	311.2	317.9	314.0	305.0	304.0
15 Transaction	11.8	15.3	15.4	12.8	11.5	12.9	13.9	13.1	13.3	13.7	12.4	12.7
16 Nontransaction	278.0	300.0	302.4	302.6	297.1	305.3	307.0	298.1	304.6	300.3	292.6	291.2
17 Borrowings	171.9	205.3	215.3	214.6	203.7	193.6	180.7	174.2	177.0	172.8	169.4	176.9
18 From banks in the U.S.	27.1	28.4	30.6	32.1	27.2	21.5	18.0	24.4	23.9	24.7	24.5	26.0
19 From others	144.8	176.8	184.7	182.5	176.5	172.2	162.7	149.8	153.1	148.0	145.0	150.9
20 Net due to related foreign offices	123.7	98.1	105.6	99.2	101.5	101.7	100.1	99.4	99.3	99.7	99.0	102.2
21 Other liabilities	70.3	75.9	79.1	76.2	76.7	74.3	70.4	68.1	68.7	68.4	67.1	67.9
22 **Total liabilities**	**655.6**	**694.6**	**717.8**	**705.4**	**690.5**	**687.9**	**672.1**	**652.9**	**662.9**	**654.9**	**640.5**	**651.0**
23 Residual (assets less liabilities)[7]	1.4	2.1	1.5	4.0	9.2	−.7	2.4	2.5	−3.8	−.6	11.2	4.6
	Not seasonally adjusted											
Assets												
24 Bank credit	566.4	597.3	623.9	613.8	600.6	586.5	572.7	556.0	559.5	554.8	550.8	557.0
25 Securities in bank credit	198.9	211.3	221.7	218.4	211.4	211.2	205.8	199.5	203.1	198.8	197.2	197.6
26 U.S. government securities	89.5	82.5	80.7	81.8	81.8	83.0	82.9	84.7	84.0	83.3	84.9	87.5
27 Trading account	17.5	20.7	16.6	14.1	15.2	17.5	18.5	19.9	19.7	19.1	19.9	21.5
28 Investment account	72.1	61.8	64.2	67.7	66.6	65.5	64.4	64.8	64.3	64.2	65.0	66.0
29 Other securities	109.3	128.8	141.0	136.6	129.6	128.2	122.9	114.8	119.1	115.5	112.3	110.2
30 Trading account	66.0	84.2	91.6	84.8	78.9	79.1	75.4	71.8	74.3	72.0	69.9	70.1
31 Investment account	43.3	44.6	49.3	51.8	50.8	49.1	47.5	43.1	44.8	43.5	42.4	40.0
32 Loans and leases in bank credit[2]	367.5	386.0	402.2	395.4	389.1	375.3	366.9	356.5	356.3	356.0	353.6	359.4
33 Commercial and industrial	219.8	216.3	224.4	225.3	221.0	215.5	214.2	211.1	208.6	213.9	212.9	208.3
34 Real estate	25.9	23.6	23.7	22.9	21.8	22.0	22.0	21.8	21.8	21.8	21.8	21.7
35 Security[3]	51.2	66.8	69.6	64.3	66.2	62.5	58.2	50.5	51.4	47.0	47.4	56.0
36 Other loans and leases	70.6	79.2	84.5	83.0	80.3	75.3	72.5	73.1	74.6	73.3	71.5	73.5
37 Interbank loans	23.1	27.3	25.7	27.2	28.0	29.5	31.9	26.4	24.4	26.5	25.4	27.9
38 Cash assets[4]	33.4	34.1	36.1	35.5	37.3	36.9	35.5	36.1	37.8	35.9	36.9	34.4
39 Other assets[5]	36.4	37.8	38.3	37.1	39.9	38.8	38.8	38.4	39.8	39.5	36.9	36.6
40 **Total assets**[6]	**659.0**	**696.2**	**723.7**	**713.4**	**705.5**	**691.4**	**678.7**	**656.5**	**661.2**	**656.4**	**649.7**	**655.6**
Liabilities												
41 Deposits	292.4	315.1	318.2	315.0	312.2	315.7	319.7	314.5	319.1	317.2	310.5	308.0
42 Transaction	11.9	16.0	15.4	12.7	11.9	13.0	13.7	13.2	13.2	13.7	12.6	13.3
43 Nontransaction	280.5	299.1	302.8	302.3	300.3	302.7	306.0	301.3	306.0	303.5	297.9	294.8
44 Borrowings	171.9	205.3	215.3	214.6	203.7	193.6	180.7	174.2	177.0	172.8	169.4	176.9
45 From banks in the U.S.	27.1	28.4	30.6	32.1	27.2	21.5	18.0	24.4	23.9	24.7	24.5	26.0
46 From others	144.8	176.8	184.7	182.5	176.5	172.2	162.7	149.8	153.1	148.0	145.0	150.9
47 Net due to related foreign offices	121.7	96.3	107.8	102.6	107.7	104.4	103.7	97.6	93.2	96.2	101.3	101.4
48 Other liabilities	70.4	75.5	78.4	77.1	78.1	74.5	71.9	68.2	69.3	68.5	66.8	67.2
49 **Total liabilities**	**656.4**	**692.2**	**719.7**	**709.4**	**701.7**	**688.2**	**676.0**	**654.4**	**658.6**	**654.6**	**648.0**	**653.6**
50 Residual (assets less liabilities)[7]	2.6	4.0	4.0	4.0	3.8	3.2	2.6	2.1	2.6	1.8	1.8	2.1
MEMO												
51 Revaluation gains on off-balance-sheet items[8]	40.9	47.7	52.0	48.6	48.1	45.9	43.6	40.3	42.4	39.4	39.1	39.3
52 Revaluation losses on off-balance-sheet items[8]	40.2	44.2	47.5	44.9	44.5	42.2	41.3	39.1	41.2	38.0	38.2	38.4

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	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.
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, total[2]	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, total[3]	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				
				Dec.	Jan.	Feb.	Mar.	Feb. 26	Mar. 5	Mar. 12	Mar. 19	Mar. 26
MONEY MARKET INSTRUMENTS												
1 Federal funds[1,2,3]	5.30	5.46	5.35	4.68	4.63	4.76	4.81	4.75	4.85	4.80	4.79	4.79
2 Discount window borrowing[2,4]	5.02	5.00	4.92	4.50	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	5.24	4.80	4.80	4.82	4.81	4.83	4.82	4.81	4.82
4 2-month	n.a.	5.57	5.38	5.12	4.78	4.80	4.82	4.82	4.83	4.82	4.82	4.80
5 3-month	n.a.	5.56	5.34	5.00	4.77	4.79	4.81	4.81	4.83	4.81	4.81	4.81
Financial												
6 1-month	n.a.	5.59	5.42	5.31	4.83	4.82	4.84	4.83	4.84	4.84	4.83	4.83
7 2-month	n.a.	5.59	5.40	5.13	4.81	4.82	4.83	4.84	4.85	4.84	4.83	4.83
8 3-month	n.a.	5.60	5.37	5.04	4.81	4.82	4.84	4.83	4.86	4.84	4.83	4.82
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	5.08	4.80	4.79	4.82	4.81	4.82	4.82	4.82	4.82
16 6-month	5.31	5.57	5.30	4.91	4.73	4.74	4.82	4.79	4.80	4.82	4.81	4.82
Certificates of deposit, secondary market[3,10]												
17 1-month	5.35	5.54	5.49	5.47	4.89	4.86	4.88	4.87	4.89	4.88	4.86	4.87
18 3-month	5.39	5.62	5.47	5.14	4.89	4.90	4.91	4.92	4.93	4.90	4.89	4.90
19 6-month	5.47	5.73	5.44	5.01	4.90	4.95	4.98	4.99	5.03	4.98	4.96	4.97
20 Eurodollar deposits, 3-month[3,11]	5.38	5.61	5.45	5.13	4.88	4.86	4.88	4.88	4.88	4.88	4.88	4.88
U.S. Treasury bills												
Secondary market[3,5]												
21 3-month	5.01	5.06	4.78	4.39	4.34	4.44	4.44	4.53	4.52	4.48	4.42	4.39
22 6-month	5.08	5.18	4.83	4.40	4.33	4.44	4.47	4.51	4.56	4.51	4.48	4.38
23 1-year	5.22	5.32	4.80	4.32	4.31	4.48	4.53	4.58	4.63	4.53	4.50	4.50
Auction high[3,5,12]												
24 3-month	5.02	5.07	4.81	4.42	4.34	4.45	4.48	4.53	4.57	4.51	4.47	4.38
25 6-month	5.09	5.18	4.85	4.43	4.36	4.43	4.52	4.43	4.59	4.54	4.53	4.42
26 1-year	5.23	5.36	4.85	4.31	4.34	4.37	4.67	n.a.	4.67	n.a.	n.a.	n.a.
U.S. TREASURY NOTES AND BONDS												
Constant maturities[13]												
27 1-year	5.52	5.63	5.05	4.52	4.51	4.70	4.78	4.82	4.89	4.77	4.74	4.75
28 2-year	5.84	5.99	5.13	4.51	4.62	4.88	5.05	5.05	5.18	5.05	5.00	5.02
29 3-year	5.99	6.10	5.14	4.48	4.61	4.90	5.11	5.09	5.25	5.10	5.03	5.07
30 5-year	6.18	6.22	5.15	4.45	4.60	4.91	5.14	5.11	5.29	5.13	5.05	5.11
31 7-year	6.34	6.33	5.28	4.65	4.80	5.10	5.36	5.29	5.47	5.35	5.27	5.34
32 10-year	6.44	6.35	5.26	4.65	4.72	5.00	5.23	5.18	5.38	5.21	5.14	5.20
33 20-year	6.83	6.69	5.72	5.36	5.45	5.66	5.87	5.80	5.93	5.86	5.78	5.87
34 30-year	6.71	6.61	5.58	5.06	5.16	5.37	5.58	5.49	5.65	5.56	5.50	5.58
Composite												
35 More than 10 years (long-term)	6.80	6.67	5.69	5.29	5.39	5.60	5.81	5.74	5.88	5.80	5.73	5.81
STATE AND LOCAL NOTES AND BONDS												
Moody's series[14]												
36 Aaa	5.52	5.32	4.93	4.83	4.85	4.80	4.96	4.75	5.00	4.97	4.92	4.95
37 Baa	5.79	5.50	5.14	5.17	5.21	5.21	5.32	5.19	5.35	5.32	5.29	5.31
38 *Bond Buyer* series[15]	5.76	5.52	5.09	4.98	5.01	5.03	5.10	5.08	5.14	5.11	5.07	5.08
CORPORATE BONDS												
39 Seasoned issues, all industries[16]	7.66	7.54	6.87	6.72	6.76	6.89	7.07	6.99	7.14	7.05	7.01	7.06
Rating group												
40 Aaa	7.37	7.27	6.53	6.22	6.24	6.40	6.62	6.51	6.69	6.60	6.55	6.62
41 Aa	7.55	7.48	6.80	6.65	6.68	6.79	6.98	6.89	7.03	6.96	6.92	6.97
42 A	7.69	7.54	6.93	6.80	6.84	6.97	7.14	7.07	7.22	7.13	7.08	7.12
43 Baa	8.05	7.87	7.22	7.23	7.29	7.39	7.53	7.47	7.61	7.52	7.47	7.53
MEMO												
Dividend–price ratio[17]												
44 Common stocks	2.19	1.77	1.49	1.37	1.30	1.32	1.30	1.31	1.34	1.28	1.28	1.30

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						1999		
				July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.
	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	586.39	539.16	506.56	511.49	564.26	576.05	595.43	588.70	603.69
2 Industrial	453.57	574.97	684.35	718.54	665.66	629.51	636.62	704.46	717.14	741.43	736.20	751.93
3 Transportation	327.30	415.08	468.61	503.89	441.36	408.75	396.61	442.95	456.70	479.72	477.47	491.25
4 Utility	126.36	143.87	190.52	189.95	186.24	186.17	195.09	206.29	215.57	224.75	218.24	218.11
5 Finance	303.94	424.84	516.65	579.67	511.22	454.28	448.12	501.45	510.31	523.38	514.75	544.08
6 Standard & Poor's Corporation (1941–43 = 10)[2]	670.49	873.43	1,085.50	1,156.58	1,074.62	1,020.64	1,032.47	1,144.43	1,190.05	1,248.77	1,246.58	1,281.66
7 American Stock Exchange (Aug. 31, 1973 = 50)[3]	570.86	628.34	682.69	724.83	655.67	621.48	607.16	667.60	660.76	704.22	699.15	711.08
Volume of trading (thousands of shares)												
8 New York Stock Exchange	409,740	523,254	666,534	639,744	712,710	790,238	808,816	668,932	680,397	847,135	756,932	776,538
9 American Stock Exchange	22,567	24,390	28,870	26,473	32,721	33,331	31,946	27,266	28,756	31,015	31,774	29,563
	Customer financing (millions of dollars, end-of-period balances)											
10 **Margin credit at broker–dealers**[4]	**97,400**	**126,090**	**140,980**	**154,370**	**147,800**	**137,540**	**130,160**	**139,710**	**140,980**	**153,240**	**151,530**	**156,440**
Free credit balances at brokers[5]												
11 Margin accounts[6]	22,540	31,410	40,250	31,820	38,460	41,970	43,500	40,620	40,250	36,880	38,850	40,120
12 Cash accounts	40,430	52,160	62,450	53,780	53,850	54,240	54,610	56,170	62,450	59,600	57,910	59,435

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			Calendar year					
				1998			1999		
	1996	1997	1998	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.
U.S. budget[1]									
1 Receipts, total	1,453,062	1,579,292	1,721,798	119,974	113,978	178,646	171,722	99,414	130,292
2 On-budget	1,085,570	1,187,302	1,305,999	90,064	81,836	143,337	129,921	65,058	92,425
3 Off-budget	367,492	391,990	415,799	29,910	32,142	35,309	41,801	34,356	37,867
4 Outlays, total	1,560,512	1,601,235	1,652,552	152,436	131,095	184,056	101,386	142,281	152,707
5 On-budget	1,259,608	1,290,609	1,335,948	123,687	100,078	149,401	102,489	111,007	122,005
6 Off-budget	300,904	310,626	316,604	28,749	31,017	34,655	−1,103	31,274	30,702
7 Surplus or deficit (−), total	−107,450	−21,943	69,246	−32,462	−17,117	−5,410	70,336	−42,867	−22,415
8 On-budget	−174,038	−103,307	−29,949	−33,623	−18,242	−6,064	27,432	−45,949	−29,580
9 Off-budget	66,588	81,364	99,195	1,161	1,125	654	42,904	3,082	7,165
Source of financing (total)									
10 Borrowing from the public	129,712	38,171	−51,049	15,330	22,364	−5,390	−31,249	1,688	37,013
11 Operating cash (decrease, or increase (−))	−6,276	604	4,743	2,661	20,335	−1,621	−39,567	52,432	−16,988
12 Other[2]	−15,986	−16,832	−22,940	14,471	−25,582	12,421	480	−11,253	2,390
MEMO									
13 Treasury operating balance (level, end of period)	44,225	43,621	38,878	36,217	15,882	17,503	57,070	4,638	21,626
14 Federal Reserve Banks	7,700	7,692	4,952	4,440	5,219	6,086	7,623	4,538	5,374
15 Tax and loan accounts	36,525	35,930	33,926	31,776	10,663	11,417	49,446	100	16,252

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		1999		
			H1	H2	H1	H2	Jan.	Feb.	Mar.
RECEIPTS									
1 **All sources**	**1,579,292**	**1,721,798**	**845,527**	**773,812**	**922,632**	**825,055**	**171,722**	**99,414**	**130,292**
2 Individual income taxes, net	737,466	828,586	400,436	354,072	447,514	392,332	99,857	42,792	50,468
3 Withheld	580,207	646,483	292,252	306,865	316,309	339,144	58,527	59,055	69,559
4 Nonwithheld	250,753	281,527	191,050	58,069	219,136	65,204	42,324	2,949	7,245
5 Refunds	93,560	99,476	82,926	10,869	87,989	12,032	994	19,219	26,351
Corporation income taxes									
6 Gross receipts	204,493	213,249	106,451	104,659	109,353	104,163	7,185	3,641	23,131
7 Refunds	22,198	24,593	9,635	10,135	14,220	14,250	2,055	2,465	4,578
8 Social insurance taxes and contributions, net	539,371	571,831	288,251	260,795	312,713	268,466	54,928	46,683	49,216
9 Employment taxes and contributions[2]	506,751	540,014	268,357	247,794	293,520	256,142	53,725	43,735	48,592
10 Unemployment insurance	28,202	27,484	17,709	10,724	17,080	10,121	867	2,594	269
11 Other net receipts[3]	4,418	4,333	2,184	2,280	2,112	2,202	337	353	355
12 Excise taxes	56,924	57,673	28,084	31,133	29,922	33,366	4,806	3,892	5,880
13 Customs deposits	17,928	18,297	8,619	9,679	8,546	9,838	1,286	1,403	1,546
14 Estate and gift taxes	19,845	24,076	10,477	10,262	12,971	12,359	2,206	1,600	2,172
15 Miscellaneous receipts[4]	25,465	32,658	12,866	13,348	15,829	18,735	3,509	1,868	2,457
OUTLAYS									
16 **All types**	**1,601,235**	**1,652,552**	**797,418**	**824,370**	**815,886**	**877,026**	**101,386**	**142,281**	**152,707**
17 National defense	270,473	268,456	132,698	140,873	129,351	140,196	19,270	20,909	25,469
18 International affairs	15,228	13,109	5,740	9,420	4,610	8,297	1,179	1,372	949
19 General science, space, and technology	17,174	18,219	8,938	10,040	9,426	10,142	1,398	1,312	1,663
20 Energy	1,483	1,270	803	411	957	699	−107	−189	588
21 Natural resources and environment	21,369	22,396	9,628	11,106	10,051	12,671	1,458	1,919	1,862
22 Agriculture	9,032	12,206	1,465	10,590	2,387	16,757	3,939	1,074	1,046
23 Commerce and housing credit	−14,624	1,014	−7,575	−3,526	−2,483	4,046	745	−1,237	−1,474
24 Transportation	40,767	40,332	16,847	20,414	16,196	20,834	2,558	2,259	2,636
25 Community and regional development	11,005	9,720	5,678	5,749	4,863	6,972	709	720	1,148
26 Education, training, employment, and social services	53,008	54,919	25,080	26,851	25,928	28,216	5,136	5,429	6,641
27 Health	123,843	131,440	61,809	63,552	65,053	67,836	10,984	11,100	11,988
28 Social security and Medicare	555,273	572,047	278,863	283,109	286,305	316,809	15,248	46,727	49,846
29 Income security	230,886	233,202	124,034	106,353	125,196	109,481	17,349	29,856	26,749
30 Veterans benefits and services	39,313	41,781	17,697	22,077	19,615	22,750	1,828	3,574	3,693
31 Administration of justice	20,197	22,832	10,670	10,212	11,287	12,041	2,090	1,832	2,180
32 General government	12,768	13,444	6,623	7,302	6,139	9,136	188	274	1,130
33 Net interest[5]	244,013	243,359	122,655	122,620	122,345	116,954	19,947	18,049	19,970
34 Undistributed offsetting receipts[6]	−49,973	−47,194	−24,235	−22,795	−21,340	−25,795	−2,530	−2,700	−3,376

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	1997	1997			1998				1999
	Mar. 31	June 30	Sept. 30	Dec. 31	Mar. 31	June 30	Sept. 30	Dec. 31	Mar. 31
1 **Federal debt outstanding**	**5,415**	**5,410**	**5,446**	**5,536**	**5,573**	**5,578**	**5,556**	**5,643**	**5,726**
2 Public debt securities	5,381	5,376	5,413	5,502	5,542	5,548	5,526	5,614	5,652
3 Held by public	3,874	3,805	3,815	3,847	3,872	3,790	3,761	3,787	n.a.
4 Held by agencies	1,507	1,572	1,599	1,656	1,670	1,758	1,766	1,827	n.a.
5 Agency securities	34	34	33	34	31	30	29	29	74
6 Held by public	26	26	26	27	26	26	26	29	n.a.
7 Held by agencies	8	7	7	7	5	4	4	1	n.a.
8 **Debt subject to statutory limit**	**5,294**	**5,290**	**5,328**	**5,417**	**5,457**	**5,460**	**5,440**	**5,530**	**5,566**
9 Public debt securities	5,294	5,290	5,328	5,416	5,456	5,460	5,439	5,530	5,566
10 Other debt[1]	0	0	0	0	0	0	0	0	0
MEMO									
11 Statutory debt limit	5,500	5,500	5,950	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			1999
					Q2	Q3	Q4	Q1
1 **Total gross public debt**	**4,988.7**	**5,323.2**	**5,502.4**	**5,614.2**	**5,547.9**	**5,526.2**	**5,614.2**	**5,651.6**
By type								
2 Interest-bearing	4,964.4	5,317.2	5,494.9	5,605.4	5,540.2	5,518.7	5,605.4	5,643.1
3 Marketable	3,307.2	3,459.7	3,456.8	3,355.5	3,369.5	3,331.0	3,355.5	3,361.3
4 Bills	760.7	777.4	715.4	691.0	641.1	637.7	691.0	725.5
5 Notes	2,010.3	2,112.3	2,106.1	1,960.7	2,064.6	2,009.1	1,960.7	1,912.0
6 Bonds	521.2	555.0	587.3	621.2	598.7	610.4	621.2	632.5
7 Inflation-indexed notes and bonds[1]	n.a.	n.a.	33.0	50.6	50.1	41.9	50.6	59.2
8 Nonmarketable[2]	1,657.2	1,857.5	2,038.1	2,249.9	2,170.7	2,187.7	2,249.9	2,281.8
9 State and local government series	104.5	101.3	124.1	165.3	155.0	164.4	165.3	167.5
10 Foreign issues[3]	40.8	37.4	36.2	34.3	36.0	35.1	34.3	33.5
11 Government	40.8	47.4	36.2	34.3	36.0	35.1	34.3	33.5
12 Public	.0	.0	.0	.0	.0	.0	.0	.0
13 Savings bonds and notes	181.9	182.4	181.2	180.3	180.7	180.8	180.3	180.6
14 Government account series[4]	1,299.6	1,505.9	1,666.7	1,840.0	1,769.1	1,777.3	1,840.0	1,870.2
15 Non-interest-bearing	24.3	6.0	7.5	8.8	7.7	7.5	8.8	8.5
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	1,757.6	1,765.6	1,826.8	
17 Federal Reserve Banks	391.0	410.9	451.9	471.7	458.4	458.1	471.7	
18 Private investors	3,294.9	3,411.2	3,393.4	3,334.0	3,330.6	3,301.0	3,334.0	
19 Commercial banks	278.7	261.8	269.8	215.0	263.6	219.8	215.0	
20 Money market funds	71.5	91.6	88.9	105.8	82.7	84.2	105.8	
21 Insurance companies	241.5	214.1	224.9	186.0	183.6	186.1	186.0	
22 Other companies	228.8	258.5	265.0	267.9	267.2	271.4	267.9	n.a.
23 State and local treasuries[6,7]	469.6	482.5	493.0	490.0	470.0	487.4	490.0	
Individuals								
24 Savings bonds	185.0	187.0	186.5	186.7	186.0	186.0	186.7	
25 Other securities	162.7	169.6	168.4	164.9	165.0	166.4	164.9	
26 Foreign and international[8]	835.2	1,102.1	1,241.6	1,276.3	1,256.0	1,221.8	1,276.3	
27 Other miscellaneous investors[7,9]	825.9	678.9	552.0	441.4	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	1999		1999, week ending								
	Dec.	Jan.	Feb.	Feb. 3	Feb. 10	Feb. 17	Feb. 24	Mar. 3	Mar. 10	Mar. 17	Mar. 24	Mar. 31
OUTRIGHT TRANSACTIONS[2]												
By type of security												
1 U.S. Treasury bills	30,397	32,211	31,811	31,081	28,338	30,512	29,067	51,699	28,431	26,936	25,567	46,405
Coupon securities, by maturity												
2 Five years or less	76,147	100,641	107,777	112,778	113,895	91,824	108,612	122,778	99,358	79,570	97,269	92,383
3 More than five years	47,464	68,441	71,489	70,930	79,070	68,136	62,772	83,554	73,684	51,433	54,205	55,781
4 Inflation-indexed	415	1,552	772	934	471	991	776	727	548	276	264	323
Federal agency												
5 Discount notes	38,998	43,028	41,355	39,619	41,477	43,823	39,499	42,125	40,996	41,217	37,095	39,828
Coupon securities, by maturity												
6 One year or less	716	1,098	1,796	867	1,579	2,715	1,764	1,515	1,009	1,176	1,281	672
7 More than one year, but less than or equal to five years	3,491	6,150	7,446	6,254	9,021	5,200	6,995	12,035	4,829	8,518	8,832	5,743
8 More than five years	2,413	4,079	3,633	4,984	3,639	3,118	3,459	3,312	5,367	3,068	1,974	2,052
9 Mortgage-backed	59,167	82,210	75,923	66,974	100,554	69,208	61,462	80,707	94,031	68,385	50,182	58,892
By type of counterparty												
With interdealer broker												
10 U.S. Treasury	84,186	113,084	117,230	117,573	123,277	103,664	114,347	142,719	112,829	87,756	98,164	106,251
11 Federal agency	2,193	3,806	3,791	3,965	3,623	4,064	3,229	4,677	3,908	5,290	3,853	3,099
12 Mortgage-backed	20,854	24,932	25,301	21,099	31,935	22,694	23,967	24,875	31,902	24,202	16,254	21,281
With other												
13 U.S. Treasury	70,237	89,761	94,620	98,150	98,497	87,798	86,880	116,038	89,192	70,459	79,140	88,640
14 Federal agency	43,424	50,548	50,438	47,758	52,093	50,791	48,487	54,311	48,293	48,689	45,329	45,195
15 Mortgage-backed	38,314	57,278	50,622	45,875	68,620	46,515	37,495	55,832	62,129	44,183	33,928	37,611
FUTURES TRANSACTIONS[3]												
By type of deliverable security												
16 U.S. Treasury bills	108	0	0	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Coupon securities, by maturity												
17 Five years or less	2,731	2,225	2,512	2,234	2,587	1,618	2,457	5,110	3,180	2,399	2,048	1,492
18 More than five years	10,292	15,953	17,132	16,756	16,565	15,906	16,597	23,513	19,329	12,912	13,793	13,116
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	934	1,673	1,153	1,327	1,005	783	1,710	797	1,442	1,929	1,105	1,972
27 More than five years	3,004	4,712	5,798	4,838	6,564	5,688	5,854	5,483	5,276	5,257	4,763	4,662
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	806	1,309	844	529	1,121	839	650	1,123	650	832	1,184	431

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 Dec.	1999 Jan.	1999 Feb.	1999, week ending Feb. 3	Feb. 10	Feb. 17	Feb. 24	Mar. 3	Mar. 10	Mar. 17	Mar. 24
	Positions[2]										
NET OUTRIGHT POSITIONS[3]											
By type of security											
1 U.S. Treasury bills	−4,551	1,346	4,509	1,248	1,023	4,804	−2,884	25,480	25,042	20,081	17,666
Coupon securities, by maturity											
2 Five years or less	−5,388	−8,148	−12,028	−10,856	−3,817	−15,331	−12,089	−21,390	−21,756	−19,183	−13,623
3 More than five years	3,180	432	1,465	−391	2,950	5,354	121	−4,195	−5,998	−5,538	−6,597
4 Inflation-indexed	1,186	1,973	1,931	1,869	1,900	1,980	1,811	2,157	2,160	1,849	1,754
Federal agency											
5 Discount notes	20,788	18,818	18,671	19,092	20,929	20,165	16,897	14,894	20,544	17,653	19,310
Coupon securities, by maturity											
6 One year or less	2,075	2,858	3,450	2,727	3,899	3,340	3,429	3,439	2,744	3,060	2,361
7 More than one year, but less than or equal to five years	3,093	4,441	5,044	5,350	3,949	3,411	5,772	8,311	6,820	3,150	5,669
8 More than five years	3,499	4,545	3,146	3,325	2,847	2,918	3,941	2,544	4,670	5,455	3,710
9 Mortgage-backed	38,689	23,961	17,432	19,792	12,377	16,853	19,918	21,168	17,990	15,397	18,817
NET FUTURES POSITIONS[4]											
By type of deliverable security											
10 U.S. Treasury bills	507	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Coupon securities, by maturity											
11 Five years or less	−4,012	−777	459	144	23	161	1,776	−328	−576	−1,329	−791
12 More than five years	−24,757	−20,814	−14,876	−18,225	−12,831	−16,884	−15,464	−11,398	−11,713	−12,930	−15,466
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	−3,155	−1,090	−1,960	−3,481	−2,858	−1,209	−1,284	−1,743	−1,893	−854	−970
21 More than five years	−1,387	−1,004	−1,487	122	−2,984	−1,024	−1,299	−1,215	−982	380	826
22 Inflation-indexed	0	0	0	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
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.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
27 Mortgage-backed	1,213	3,410	5,873	3,850	4,936	5,607	6,204	8,918	6,829	6,304	6,720
	Financing[5]										
Reverse repurchase agreements											
28 Overnight and continuing	242,653	239,627	261,190	248,218	249,836	276,427	253,860	276,948	258,279	250,927	247,536
29 Term	807,304	799,672	788,073	862,566	898,988	709,335	738,485	762,673	783,478	800,575	829,709
Securities borrowed											
30 Overnight and continuing	205,654	222,768	225,926	228,350	227,431	228,684	219,436	228,006	232,396	236,084	223,042
31 Term	112,684	105,788	100,463	101,670	103,907	98,571	101,781	94,536	92,844	93,192	97,864
Securities received as pledge											
32 Overnight and continuing	2,952	2,509	2,380	2,477	2,403	2,306	2,389	n.a.	n.a.	n.a.	2,555
33 Term	67	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Repurchase agreements											
34 Overnight and continuing	608,988	633,520	666,536	634,074	661,367	683,030	661,472	679,928	659,715	677,844	654,994
35 Term	713,037	695,303	674,687	745,088	782,905	589,106	635,295	651,208	668,923	686,985	719,778
Securities loaned											
36 Overnight and continuing	9,369	10,040	11,753	9,616	10,997	12,722	12,265	12,090	11,998	12,304	11,226
37 Term	3,567	n.a.	5,776	0	n.a.	n.a.	n.a.	5,776	6,242	6,142	6,129
Securities pledged											
38 Overnight and continuing	47,565	48,487	48,945	50,497	49,509	49,112	47,693	48,696	47,985	49,625	49,795
39 Term	5,075	5,776	5,896	6,076	6,015	4,567	6,747	6,388	6,843	6,890	8,249
Collateralized loans											
40 Total	21,850	17,735	18,388	20,727	19,414	18,259	16,775	17,885	19,168	19,349	17,296

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 Sept.	1998 Oct.	1998 Nov.	1998 Dec.	1999 Jan.
1 **Federal and federally sponsored agencies**	**844,611**	**925,823**	**1,022,609**	**1,296,477**	**1,172,575**	**1,207,495**	**1,255,412**	**1,296,477**	n.a.
2 Federal agencies	37,347	29,380	27,792	26,502	26,691	26,350	26,315	26,502	26,355
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	174	188	205	205	70
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	26,685	26,344	26,309	26,496	26,349
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	1,145,884	1,181,145	1,229,097	1,269,975	n.a.
11 Federal Home Loan Banks	243,194	263,404	313,919	382,131	343,188	367,274	373,755	382,131	383,572
12 Federal Home Loan Mortgage Corporation	119,961	156,980	169,200	287,396	232,994	246,708	267,890	287,396	300,927
13 Federal National Mortgage Association	299,174	331,270	369,774	460,291	430,582	431,300	446,377	460,291	461,157
14 Farm Credit Banks[8]	57,379	60,053	63,517	63,488	64,332	60,720	66,086	63,488	61,292
15 Student Loan Marketing Association[9]	47,529	44,763	37,717	35,399	33,760	33,981	33,928	35,399	n.a.
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**	**45,955**	**44,952**	**44,824**	**44,129**	**43,803**
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	9,500	9,500	9,500	9,500	9,500
26 Rural Electrification Administration	17,144	16,702	14,898	14,091	14,166	14,191	14,199	14,091	14,101
27 Other	29,513	21,714	20,110	20,538	22,289	21,261	21,125	20,538	20,202

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					1999		
				Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.
1 **All issues, new and refunding**[1]	**171,222**	**214,694**	**262,342**	**20,344**	**17,526**	**19,528**	**19,325**	**24,288**	**16,926**	**16,233**	**24,323**
By type of issue											
2 General obligation	60,409	69,934	87,015	5,812	5,619	6,791	5,433	8,632	6,925	6,786	8,323
3 Revenue	110,813	134,989	175,327	14,532	11,907	12,737	13,892	15,656	10,001	9,446	16,000
By type of issuer											
4 State	13,651	18,237	23,506	1,483	1,280	1,865	778	2,561	318	1,837	1,895
5 Special district or statutory authority[2]	113,228	134,919	178,421	14,233	12,490	12,924	13,473	15,937	12,929	11,145	14,604
6 Municipality, county, or township	44,343	70,558	60,173	4,628	3,756	4,739	5,073	5,790	3,679	3,251	7,825
7 **Issues for new capital**	**112,298**	**135,519**	**160,568**	**11,258**	**9,106**	**12,736**	**12,452**	**14,517**	**11,917**	**10,674**	**16,201**
By use of proceeds											
8 Education	26,851	31,860	36,904	2,435	2,041	2,605	2,353	2,766	2,936	3,751	3,537
9 Transportation	12,324	13,951	19,926	1,982	918	1,598	806	1,800	1,706	628	1,640
10 Utilities and conservation	9,791	12,219	21,037	1,179	831	2,785	2,225	984	672	394	2,839
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	709	315	471	638	1,376	452	343	1,084
13 Other purposes	32,462	35,095	42,450	2,764	2,726	3,359	3,242	4,477	4,439	3,207	3,918

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[r]						1999	
				July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.[r]	Feb.
1 **All issues**[1]	n.a.	n.a.	↑	**77,750**	**60,708**	**85,833**	**70,907**	**104,288**	**73,414**	**89,632**	n.a.
2 **Bonds**[2]	n.a.	n.a.		**68,133**	**57,145**	**81,352**	**62,692**	**95,910**	**65,374**	**82,523**	n.a.
By type of offering											
3 Public, domestic	465,489	537,880	n.a.	54,266	45,745	71,134	48,256	80,556	54,513	64,905	67,528
4 Private placement, domestic[3]	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		6,267	3,800	2,618	6,837	7,754	3,261	10,018	8,376
By industry group											
6 Nonfinancial	n.a.	n.a.		24,821	20,399	16,562	16,632	31,911	21,397	19,853	n.a.
7 Financial	429,157	510,953	↓	43,313	36,746	64,790	46,060	63,999	43,977	62,670	63,049
8 **Stocks**[2]	**122,006**	**117,880**	**126,755**	**9,772**	**3,725**	**4,640**	**8,655**	**8,902**	**8,670**	**7,136**	**10,066**
By type of offering											
9 Public	122,006	117,880	126,755	9,772	3,725	4,640	8,655	8,902	8,670	7,136	10,066
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	6,390	2,560	2,266	5,879	6,145	7,559	3,701	8,911
12 Financial	41,546	57,494	52,642	3,382	1,165	2,374	2,776	2,757	1,111	3,435	1,155

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		
			Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.[r]	Mar.
1 **Sales of own shares**[2]	**1,190,900**	**1,461,430**	**111,587**	**118,478**	**116,471**	**112,627**	**140,700**	**161,889**	**132,199**	**164,681**
2 Redemptions of own shares	918,728	1,217,022	118,812	107,049	108,838	89,702	134,289	135,713	128,125	146,567
3 Net sales[3]	272,172	244,408	−7,225	11,429	7,633	22,925	6,412	26,176	4,074	18,114
4 **Assets**[4]	**3,409,315**	**4,173,531**	**3,479,401**	**3,625,841**	**3,804,591**	**4,002,089**	**4,173,531**	**4,298,071**	**4,180,115**	**4,330,269**
5 Cash[5]	174,154	191,393	194,435	211,253	210,026	207,422	191,393	203,470	198,134	199,742
6 Other	3,235,161	3,982,138	3,284,967	3,414,588	3,594,565	3,794,667	3,982,138	4,094,601	3,981,982	4,130,526

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	73.8	75.5	77.2	80.1	84.9	89.4	94.8	100.2

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	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	1998 Sept.	1998 Oct.	1998 Nov.	1998 Dec.	1999 Jan.	1999 Feb.
	Seasonally adjusted								
1 **Total**	**761.9**	**809.8**	**874.9**	**852.6**	**865.9**	**871.1**	**874.9**	**888.5[r]**	**899.1**
2 Consumer	307.7	327.7	352.5	343.0	350.4	352.1	352.5	356.8[r]	361.3
3 Real estate	111.9	121.1	131.4	128.8	132.3	134.3	131.4	135.7	135.7
4 Business	342.4	361.0	391.0	380.7	383.2	384.7	391.0	396.0	402.0
	Not seasonally adjusted								
5 **Total**	**769.7**	**818.1**	**884.0**	**849.0**	**864.2**	**872.8**	**884.0**	**888.7[r]**	**898.4**
6 Consumer	310.6	330.9	356.1	344.0	350.0	352.2	356.1	356.1[r]	358.1
7 Motor vehicles loans	86.7	87.0	103.1	96.2	97.6	99.0	103.1	102.8[r]	105.0
8 Motor vehicle leases	92.5	96.8	93.3	94.9	94.6	94.4	93.3	93.9[r]	94.5
9 Revolving[2]	32.5	38.6	32.3	28.4	33.3	33.1	32.3	32.4[r]	32.2
10 Other[3]	33.2	34.4	33.1	34.6	34.6	34.6	33.1	32.1[r]	32.5
Securitized assets[4]									
11 Motor vehicle loans	36.8	44.3	54.8	51.8	51.6	53.4	54.8	56.0[r]	54.9
12 Motor vehicle leases	8.7	10.8	12.7	14.2	14.4	14.2	12.7	12.5	12.3
13 Revolving	0.0	0.0	8.7	5.3	5.3	5.3	8.7	8.6	8.7
14 Other	20.1	19.0	18.1	18.8	18.6	18.4	18.1	17.9	18.1
15 Real estate	111.9	121.1	131.4	128.8	132.3	134.3	131.4	135.7	135.7
16 One- to four-family	52.1	59.0	75.7	68.4	72.2	74.1	75.7	80.1	80.3
17 Other	30.5	28.9	26.6	30.1	30.2	30.7	26.6	26.9	27.1
Securitized real estate assets[4]									
18 One- to four-family	28.9	33.0	29.0	30.2	29.8	29.4	29.0	28.6	28.3
19 Other	.4	.2	.1	.1	.1	.1	.1	.1	.1
20 Business	347.2	366.1	396.5	376.2	382.0	386.3	396.5	396.9	404.6
21 Motor vehicles	67.1	63.5	79.6	65.5	68.5	70.9	79.6	79.1	82.1
22 Retail loans	25.1	25.6	28.1	30.0	30.4	29.4	28.1	28.4	28.9
23 Wholesale loans[5]	33.0	27.7	32.8	24.2	27.0	30.3	32.8	31.9	34.3
24 Leases	9.0	10.2	18.7	11.3	11.1	11.2	18.7	18.9	18.9
25 Equipment	194.8	203.9	198.0	210.8	211.5	212.0	198.0	197.6	200.7
26 Loans	59.9	51.5	50.4	47.9	47.2	47.8	50.4	49.7	51.0
27 Leases	134.9	152.3	147.6	162.9	164.3	164.2	147.6	147.8	149.8
28 Other business receivables[6]	47.6	51.1	69.9	58.9	59.6	60.4	69.9	72.5	73.3
Securitized assets[4]									
29 Motor vehicles	24.0	33.0	29.2	24.5	25.0	25.8	29.2	28.2	28.8
30 Retail loans	2.7	2.4	2.6	2.0	1.9	2.4	2.6	2.5	2.4
31 Wholesale loans	21.3	30.5	24.7	22.5	23.2	23.4	24.7	23.8	24.6
32 Leases	.0	.0	1.9	.0	.0	.0	1.9	1.9	1.9
33 Equipment	11.3	10.7	13.0	11.3	12.0	11.8	13.0	12.7	12.9
34 Loans	4.7	4.2	6.6	4.9	5.6	5.4	6.6	6.3	6.2
35 Leases	6.6	6.5	6.4	6.4	6.4	6.4	6.4	6.4	6.7
36 Other business receivables[6]	2.4	4.0	6.8	5.3	5.2	5.3	6.8	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				1999		
				Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.
	Terms and yields in primary and secondary markets									
PRIMARY MARKETS										
Terms[1]										
1 Purchase price (thousands of dollars)	182.4	180.1	195.2	192.7	201.4	192.1	206.0	202.3	204.1	211.0
2 Amount of loan (thousands of dollars)	139.2	140.3	151.1	150.8	155.8	148.1	159.0	153.3	155.4	162.9
3 Loan-to-price ratio (percent)	78.2	80.4	80.0	80.9	79.8	79.5	79.4	78.0	78.2	79.4
4 Maturity (years)	27.2	28.2	28.4	28.7	28.6	28.3	28.7	28.4	28.7	28.8
5 Fees and charges (percent of loan amount)[2]	1.21	1.02	.89	.85	.86	.76	.98	1.01	.92	.82
Yield (percent per year)										
6 Contract rate[1]	7.56	7.57	6.95	6.85	6.72	6.68	6.80	6.81	6.78	6.74
7 Effective rate[1,3]	7.77	7.73	7.08	6.98	6.85	6.80	6.94	6.96	6.92	6.86
8 Contract rate (HUD series)[4]	8.03	7.76	7.00	6.64	6.86	6.84	6.83	6.80	7.02	7.03
SECONDARY MARKETS										
Yield (percent per year)										
9 FHA mortgages (Section 203)[5]	8.19	7.89	7.04	6.53	7.07	7.02	7.06	7.08	7.10	7.07
10 GNMA securities[6]	7.48	7.26	6.43	6.05	6.10	6.25	6.18	6.18	6.42	6.58
	Activity in secondary markets									
FEDERAL NATIONAL MORTGAGE ASSOCIATION										
Mortgage holdings (end of period)										
11 Total	287,052	316,678	414,515	375,665	386,452	399,804	414,515	418,323	431,836	440,139
12 FHA/VA insured	30,592	31,925	33,770	32,903	32,814	33,420	33,770	33,483	34,000	34,870
13 Conventional	256,460	284,753	380,745	342,762	353,638	366,384	380,745	384,840	397,836	405,269
14 Mortgage transactions purchased (during period)	68,618	70,465	188,448	15,681	18,967	23,557	26,222	14,005	22,029	16,923
Mortgage commitments (during period)										
15 Issued[7]	65,859	69,965	193,795	16,282	30,551	17,994	16,803	20,754	26,509	16,891
16 To sell[8]	130	1,298	1,880	249	393	0	434	0	0	266
FEDERAL HOME LOAN MORTGAGE CORPORATION										
Mortgage holdings (end of period)[8]										
17 Total	137,755	164,421	255,010	216,521	231,458	242,270	255,010	257,062	262,921	277,624
18 FHA/VA insured	220	177	785	569	569	602	785	387	755[r]	750
19 Conventional	137,535	164,244	254,225	215,952	230,889	241,668	254,225	256,675	262,166[r]	276,874
Mortgage transactions (during period)										
20 Purchases	125,103	117,401	267,402	25,366	20,629	23,986	34,299	27,672	25,225	29,921
21 Sales	119,702	114,258	250,565	24,294	19,472	22,660	28,024	31,431	24,232[r]	28,740
22 Mortgage commitments contracted (during period)[9]	128,995	120,089	281,899	23,375	25,025	28,903	29,703	23,900	24,829	32,546

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	Q4[p]
1 **All holders**	**4,610,350**	**4,928,367**	**5,257,422**	**5,257,422**	**5,371,196**	**5,487,535**	**5,623,695**	**5,782,027**
By type of property								
2 One- to four-family residences	3,532,977	3,755,719	3,998,763	3,998,763	4,082,959	4,163,964	4,268,149	4,375,730
3 Multifamily residences	286,875	309,321	329,733	329,733	338,439	347,449	353,546	362,092
4 Nonfarm, nonresidential	705,937	776,193	838,627	838,627	858,641	883,476	908,192	949,230
5 Farm	84,561	87,134	90,299	90,299	91,157	92,646	93,808	94,974
By type of holder								
6 Major financial institutions	1,900,089	1,981,885	2,083,978	2,083,978	2,114,528	2,121,939	2,137,412	2,193,378
7 Commercial banks[2]	1,090,189	1,145,389	1,245,315	1,245,315	1,271,037	1,281,849	1,295,768	1,337,664
8 One- to four-family	669,434	698,508	762,533	762,533	779,941	785,019	784,987	810,680
9 Multifamily	43,837	46,675	50,651	50,651	51,688	52,077	53,049	53,586
10 Nonfarm, nonresidential	353,088	375,322	405,144	405,144	411,949	416,434	429,045	444,363
11 Farm	23,830	24,883	26,986	26,986	27,458	28,319	28,688	29,034
12 Savings institutions[3]	596,763	628,335	631,822	631,822	637,012	632,359	634,244	643,773
13 One- to four-family	482,353	513,712	520,672	520,672	527,036	522,088	525,842	533,680
14 Multifamily	61,987	61,570	59,543	59,543	59,074	58,908	56,706	56,806
15 Nonfarm, nonresidential	52,135	52,723	51,252	51,252	50,532	50,978	51,297	52,871
16 Farm	288	331	354	354	369	386	399	417
17 Life insurance companies	213,137	208,161	206,841	206,841	206,480	207,730	207,399	211,940
18 One- to four-family	8,890	6,977	7,187	7,187	7,174	7,218	7,206	7,364
19 Multifamily	28,714	30,750	30,402	30,402	31,156	31,849	31,661	32,354
20 Nonfarm, nonresidential	165,876	160,314	158,780	158,780	157,696	158,146	158,032	161,492
21 Farm	9,657	10,120	10,472	10,472	10,454	10,517	10,500	10,730
22 Federal and related agencies	308,757	295,192	286,167	286,167	286,877	287,161	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	178,807	168,813	161,308	161,308	160,048	159,816	159,104	157,675
45 One- to four-family	163,648	155,008	149,831	149,831	149,254	149,383	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]	538,295	586,408	614,279	614,279	639,117	635,833	651,109	665,001
74 One- to four-family	371,806	376,039	388,988	388,988	409,548	402,395	413,480	425,836
75 Multifamily	73,528	82,492	90,879	90,879	93,430	95,534	95,992	94,686
76 Nonfarm, nonresidential	75,154	109,707	115,633	115,633	117,176	118,633	122,123	124,762
77 Farm	17,806	18,169	18,779	18,779	18,964	19,271	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	1998 Sept.	1998 Oct.	1998 Nov.	1998 Dec.	1999 Jan.[r]	1999 Feb.
	Seasonally adjusted								
1 **Total**	**1,181,913**	**1,233,099**	**1,299,207[r]**	**1,283,573[r]**	**1,294,917[r]**	**1,296,630[r]**	**1,299,207[r]**	**1,314,471**	**1,323,166**
2 Automobile	392,321	413,369	447,013[r]	435,592[r]	437,820[r]	442,430[r]	447,013[r]	454,096	459,265
3 Revolving	499,486	531,140	560,515[r]	551,673[r]	557,644[r]	556,535[r]	560,515[r]	566,690	568,979
4 Other[2]	290,105	288,590	291,680[r]	296,308[r]	299,453[r]	297,665[r]	291,680[r]	293,684	294,922
	Not seasonally adjusted								
5 **Total**	**1,211,590**	**1,264,103**	**1,331,742[r]**	**1,286,589[r]**	**1,297,576[r]**	**1,304,499[r]**	**1,331,742[r]**	**1,323,250**	**1,316,336**
By major holder									
6 Commercial banks	526,769	512,563	508,932	497,870	502,076	498,838	508,932	507,264	497,701
7 Finance companies	152,391	160,022	168,491	159,141	165,573	166,622	168,491	167,305	169,664
8 Credit unions	144,148	152,362	155,406[r]	154,339[r]	154,991[r]	155,221[r]	155,406[r]	155,726	155,141
9 Savings institutions	44,711	47,172	51,611	50,307	50,966	51,625	51,611	52,047	52,482
10 Nonfinancial business[3]	77,745	78,927	74,877[r]	65,539[r]	65,962[r]	66,615[r]	74,877[r]	70,950	67,915
11 Pools of securitized assets[4]	265,826	313,057	372,425	359,393	358,008	365,578	372,425	369,958	373,433
By major type of credit[5]									
12 Automobile	395,609	416,962	450,968[r]	439,598[r]	443,120[r]	446,566[r]	450,968[r]	452,181	454,136
13 Commercial banks	157,047	155,254	158,072	156,287	156,788	157,126	158,072	160,273	159,922
14 Finance companies	86,690	87,015	103,094	96,183	97,637	98,954	103,094	102,822	104,987
15 Pools of securitized assets[4]	51,719	64,950	72,955	72,146	71,788	72,582	72,955	73,232	73,232
16 Revolving	522,860	555,858	586,528[r]	549,001[r]	556,006[r]	559,211[r]	586,528[r]	575,675	568,991
17 Commercial banks	228,615	219,826	210,346	197,615	200,869	196,923	210,346	204,774	197,571
18 Finance companies	32,493	38,608	32,309	28,375	33,309	33,056	32,309	32,414	32,195
19 Nonfinancial business[3]	44,901	44,966	39,166[r]	33,743	33,762	33,756	39,166[r]	36,389	34,295
20 Pools of securitized assets[4]	188,712	221,465	272,327	259,348	258,139	265,311	272,327	269,918	272,551
21 Other	293,121	291,283	294,246[r]	297,990[r]	298,450[r]	298,722[r]	294,246[r]	295,394	293,209
22 Commercial banks	141,107	137,483	140,514	143,968	144,419	144,789	140,514	142,217	140,208
23 Finance companies	33,208	34,399	33,088	34,583	34,627	34,612	33,088	32,069	32,482
24 Nonfinancial business[3]	32,844	33,961	35,711[r]	31,796[r]	32,200[r]	32,859[r]	35,711[r]	34,561	33,620
25 Pools of securitized assets[4]	25,395	26,642	27,143	27,899	28,081	27,685	27,143	26,808	27,650

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 Aug.	1998 Sept.	1998 Oct.	1998 Nov.	1998 Dec.	1999 Jan.	1999 Feb.
INTEREST RATES										
Commercial banks[2]										
1 48-month new car	9.05	9.02	8.72	8.71	n.a.	n.a.	8.62	n.a.	n.a.	8.34
2 24-month personal	13.54	13.90	13.74	13.45	n.a.	n.a.	13.75	n.a.	n.a.	13.41
Credit card plan										
3 All accounts	15.63	15.77	15.71	15.83	n.a.	n.a.	15.69	n.a.	n.a.	15.41
4 Accounts assessed interest	15.50	15.57	15.59[r]	15.85	n.a.	n.a.	15.54[r]	n.a.	n.a.	14.73
Auto finance companies										
5 New car	9.84	7.12	6.30	6.00	5.92	6.33	6.79	6.43	6.22	6.43
6 Used car	13.53	13.27	12.64	12.68	12.65	12.58	12.41	12.31	11.81	12.08
OTHER TERMS[3]										
Maturity (months)										
7 New car	51.6	54.1	52.1	53.0	53.1	53.1	52.8	52.2	52.1	53.4
8 Used car	51.4	51.0	53.5	54.1	54.2	54.2	54.3	54.2	56.0	55.9
Loan-to-value ratio										
9 New car	91	92	92	93	93	92	91	91	92	92
10 Used car	100	99	99	101	101	100	100	100	99	99
Amount financed (dollars)										
11 New car	16,987	18,077	19,083	19,068	19,028	19,199	19,590	19,734	19,628	19,304
12 Used car	12,182	12,281	12,691	12,407	12,731	12,914	13,112	13,202	13,497	13,604

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 Q2	1997 Q3	1997 Q4	1998 Q1	1998 Q2	1998 Q3	1998 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 July	1998 Aug.	1998 Sept.	1998 Oct.	1998 Nov.	1998 Dec.[r]	1999 Jan.[r]	1999 Feb.[r]	1999 Mar.
1 **Industrial production**[1]	**119.5**	**126.8**	**131.3[r]**	**130.5**	**132.4**	**131.9**	**132.4**	**132.2**	**132.3**	**132.3**	**132.6**	**132.8**
Market groupings												
2 Products, total	114.4	119.6	123.5	123.3	124.9	124.1	124.9	124.5	124.4	124.5	124.6	124.6
3 Final, total	115.5	121.1	125.4	124.7	126.8	126.0	126.7	126.1	125.9	125.7	125.8	125.9
4 Consumer goods	111.3	114.1	115.2	114.0	116.1	114.8	115.2	114.8	114.9	115.1	115.2	115.2
5 Equipment	122.7	133.9	144.2[r]	143.9	146.0	146.2	147.5	146.5	145.6	144.8	144.8	145.1
6 Intermediate	110.9	115.2	118.0	119.1	119.1	118.3	119.0	119.3	119.8	120.5	120.8	120.5
7 Materials	127.8	138.2	144.0	141.9	144.4	144.4	144.5	144.6	145.2	144.9	145.6	146.1
Industry groupings												
8 Manufacturing	121.4	129.7	135.1	133.6	135.7	135.2	136.1	136.4	136.7	136.5	137.0	137.0
9 Capacity utilization, manufacturing (percent)[2]	81.4	82.0	80.8	79.8	80.7	80.1	80.3	80.1	80.0	79.6	79.5	79.3
10 Construction contracts[3]	130.9	142.7[r]	153.7[r]	156.0	155.0	153.0[r]	152.0[r]	158.0[r]	161.0	159.0	148.0	145.0
11 Nonagricultural employment, total[4]	117.3	120.3	123.4	123.5	123.8	123.9	124.1	124.4	124.7	124.9	125.2	125.2
12 Goods-producing, total	2.4	2.4	2.3	101.9	102.4	102.3	102.2	102.1	102.4	102.3	102.4	102.1
13 Manufacturing, total	97.4	98.2	98.5	97.9	98.4	98.4	98.1	97.8	97.7	97.6	97.3	97.1
14 Manufacturing, production workers	98.6	99.6	99.6	98.4	99.1	99.3	99.0	98.6	98.5	98.4	98.1	97.9
15 Service-producing	123.1	126.5	130.1	130.4	130.6	130.9	131.1	131.5	131.8	132.1	132.5	132.6
16 Personal income, total	165.2	174.5	183.3[r]	183.4	184.2	184.8	185.6[r]	187.2[r]	187.1	188.3	189.3	n.a.
17 Wages and salary disbursements	159.8	171.2	182.6[r]	182.8	184.1	184.6	185.7[r]	186.7[r]	187.6	189.0	190.2	n.a.
18 Manufacturing	135.7	144.7	151.1	149.6	151.3	152.1	151.8	151.6[r]	151.7	152.1	152.1	n.a.
19 Disposable personal income[5]	164.0	171.7	178.6	178.7	179.4	179.9	180.7[r]	182.4[r]	182.1	183.5	184.5	n.a.
20 Retail sales[5]	159.6	166.9	175.2	174.8	174.9	175.6	177.7	178.9	180.9	183.3	186.4	186.9
Prices[6]												
21 Consumer (1982–84=100)	156.9	160.5	163.0	163.2	163.4	163.6	164.0	164.0	163.9	164.3	164.5	165.0
22 Producer finished goods (1982=100)	131.3	131.8	130.7	131.0	130.7	130.6	131.4	130.9[r]	131.0	131.5	130.9	131.2

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 Aug.	1998 Sept.	1998 Oct.	1998 Nov.	1998 Dec.	1999 Jan.[r]	1999 Feb.[r]	1999 Mar.
HOUSEHOLD SURVEY DATA[1]											
1 Civilian labor force[2]	133,943	136,297	137,673	137,481	138,081	138,116	138,193	138,547	139,347	139,271	138,816
Employment											
2 Nonagricultural industries[3]	123,264	126,159	128,085	127,772	128,348	128,300	128,765	129,304	130,097	129,817	129,752
3 Agriculture	3,443	3,399	3,378	3,492	3,470	3,558	3,348	3,222	3,299	3,328	3,281
Unemployment											
4 Number	7,236	6,739	6,210	6,217	6,263	6,258	6,080	6,021	5,950	6,127	5,783
5 Rate (percent of civilian labor force)	5.4	4.9	4.5	4.5	4.5	4.5	4.4	4.3	4.3	4.4	4.2
ESTABLISHMENT SURVEY DATA											
6 **Nonagricultural payroll employment**[4]	**119,608**	**122,690**	**125,833**	**126,191**	**126,363**	**126,527**	**126,804**	**127,118**	**127,335**	**127,632**	**127,678**
7 Manufacturing	18,495	18,657	18,716	18,693	18,692	18,633	18,573	18,559	18,534	18,483	18,448
8 Mining	580	592	575	571	568	564	560	557	547	539	532
9 Contract construction	5,418	5,686	5,965	5,989	5,981	6,012	6,051	6,153	6,170	6,249	6,202
10 Transportation and public utilities	6,253	6,395	6,551	6,570	6,579	6,595	6,604	6,627	6,644	6,657	6,665
11 Trade	28,079	28,659	29,299	29,383	29,454	29,453	29,549	29,594	29,662	29,746	29,744
12 Finance	6,911	7,091	7,341	7,372	7,393	7,417	7,441	7,458	7,488	7,491	7,505
13 Service	34,454	36,040	37,525	37,691	37,768	37,905	38,040	38,148	38,245	38,369	38,464
14 Government	19,419	19,570	19,862	19,922	19,928	19,948	19,986	20,022	20,045	20,098	20,118

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				1999				1999			1999
	Q2	Q3	Q4[r]	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4[r]	Q1
	Output (1992=100)				Capacity (percent of 1992 output)				Capacity utilization rate (percent)[2]			
1 **Total industry**	**131.3**	**131.6**	**132.3**	**132.5**	**159.6**	**161.5**	**163.5[r]**	**165.1**	**82.3**	**81.5**	**80.9**	**80.3**
2 Manufacturing	134.7	134.8	136.4	136.8	165.8	168.1	170.3	172.2	81.2	80.2	80.1	79.5
3 Primary processing[3]	121.1	120.2	120.6	121.7	144.0	145.1	146.1	146.9	84.1	82.9	82.5	82.8
4 Advanced processing[4]	141.4	142.1	144.4	144.4	176.4	179.2	182.0	184.5	80.2	79.3	79.3	78.3
5 Durable goods	156.1	157.9	161.2	161.8	193.9	197.5	201.2[r]	204.4	80.5	79.9	80.1	79.2
6 Lumber and products	116.4	117.7	119.2	121.4	143.0	143.9	144.9	145.8	81.4	81.8	82.3	83.3
7 Primary metals	125.3	122.4	119.3	118.9	142.0	143.2	144.4	145.4	88.3	85.5	82.6	81.8
8 Iron and steel	124.0	118.7	112.9	114.1	142.8	144.6	146.5	147.9	86.9	82.1	77.0	77.2
9 Nonferrous	127.0	126.8	126.9	124.6	140.8	141.3	141.7	142.1	90.1	89.7	89.6	87.6
10 Industrial machinery and equipment	203.0	207.9	211.7	213.6	234.7	242.9	251.6	259.6	86.5	85.6	84.1	82.3
11 Electrical machinery	282.8	292.7	304.8	312.2	366.6	381.6	396.6	411.0	77.1	76.7	76.9	76.0
12 Motor vehicles and parts	135.3	137.2	148.5	146.7	183.9	184.9	186.0	186.7	73.6	74.2	79.8	78.6
13 Aerospace and miscellaneous transportation equipment	106.1	106.6	105.8	102.7	127.5	128.0	128.5	128.8	83.2	83.3	82.4	79.8
14 Nondurable goods	112.7	111.3	111.4	111.7	136.6	137.5	138.4	139.1	82.5	80.9	80.5	80.3
15 Textile mill products	113.2	112.1	110.2	109.8	134.9	135.1	135.2	135.2	83.9	83.0	81.5	81.2
16 Paper and products	115.0	115.0	114.3	116.9	131.6	132.5	133.4	134.2	87.4	86.8	85.7	87.1
17 Chemicals and products	116.9	114.4	114.0	113.7	148.0	148.9	149.7	150.3	79.0	76.8	76.1	75.6
18 Plastics materials	127.5	128.4	131.9	128.0	140.7	141.9	143.2	144.4	90.6	90.5	92.1	88.7
19 Petroleum products	112.0	112.7	111.9	115.0	116.5	116.8	117.1	117.4	96.1	96.5	95.6	98.0
20 Mining	105.3	103.6	100.7	97.5	119.9	120.1	120.6	120.9	87.8	86.2	83.5	80.7
21 Utilities	115.6	119.6	112.9	114.2	126.2	126.5	126.7	126.9	91.6	94.6	89.2	90.0
22 Electric	118.3	121.2	116.7	116.9	123.8	124.0	124.3	124.5	95.6	97.7	93.9	93.9

Series	1973	1975	Previous cycle[5]		Latest cycle[6]		1998	1998			1999		
	High	Low	High	Low	High	Low	Mar.	Oct.	Nov.	Dec.[r]	Jan.[r]	Feb.[r]	Mar.[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**	**80.8**	**80.7**	**80.3**	**80.3**	**80.1**
2 Manufacturing	88.5	70.5	86.9	69.0	85.7	76.6	81.6	80.3	80.1	80.0	79.6	79.5	79.3
3 Primary processing[3]	91.2	68.2	88.1	66.2	88.9	77.7	84.4	82.4	82.4	82.9	83.1	82.8	82.6
4 Advanced processing[4]	87.2	71.8	86.7	70.4	84.2	76.1	80.6	79.6	79.4	79.0	78.3	78.4	78.2
5 Durable goods	89.2	68.9	87.7	63.9	84.6	73.1	81.1	80.6	80.0	79.8	79.4	79.2	78.9
6 Lumber and products	88.7	61.2	87.9	60.8	93.6	75.5	81.0	81.6	81.6	83.6	83.7	83.6	82.5
7 Primary metals	100.2	65.9	94.2	45.1	92.7	73.7	90.0	83.7	82.2	81.9	82.8	81.2	81.3
8 Iron and steel	105.8	66.6	95.8	37.0	95.2	71.8	90.2	78.4	74.9	77.9	78.9	76.2	76.4
9 Nonferrous	90.8	59.8	91.1	60.1	89.3	74.2	89.9	90.4	91.3	87.0	87.7	87.6	87.6
10 Industrial machinery and equipment	96.0	74.3	93.2	64.0	85.4	72.3	86.6	84.9	83.9	83.6	82.6	82.6	81.7
11 Electrical machinery	89.2	64.7	89.4	71.6	84.0	75.0	78.1	77.2	76.8	76.5	76.2	75.9	75.7
12 Motor vehicles and parts	93.4	51.3	95.0	45.5	89.1	55.9	76.4	80.9	80.0	78.7	77.9	79.1	78.7
13 Aerospace and miscellaneous transportation equipment	78.4	67.6	81.9	66.6	87.3	79.2	82.2	83.3	82.3	81.5	80.0	79.8	79.6
14 Nondurable goods	87.8	71.7	87.5	76.4	87.3	80.7	82.6	80.3	80.7	80.6	80.2	80.4	80.3
15 Textile mill products	91.4	60.0	91.2	72.3	90.4	77.7	83.5	83.2	80.5	80.9	81.1	82.0	80.6
16 Paper and products	97.1	69.2	96.1	80.6	93.5	85.0	87.9	86.7	84.2	86.2	86.7	87.3	87.3
17 Chemicals and products	87.6	69.7	84.6	69.9	86.2	79.3	79.1	75.7	76.6	76.1	75.2	75.8	76.0
18 Plastics materials	102.0	50.6	90.9	63.4	97.0	74.8	89.5	89.1	94.1	93.1	88.2	88.8	88.9
19 Petroleum products	96.7	81.1	90.0	66.8	88.5	85.1	97.2	94.4	96.3	96.0	99.8	97.4	96.7
20 Mining	94.3	88.2	96.0	80.3	88.0	87.0	88.4	84.7	83.8	82.0	80.6	81.0	80.4
21 Utilities	96.2	82.9	89.1	75.9	92.6	83.4	90.5	92.0	87.3	88.2	89.9	89.2	90.9
22 Electric	99.0	82.7	88.2	78.9	95.0	87.1	93.6	96.9	92.2	92.6	93.5	93.4	95.0

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 Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.[r]	1999 Jan.[r]	Feb.[r]	Mar.[p]
			Index (1992 = 100)												
MAJOR MARKETS															
1 **Total index**	**100.0**	**131.3**	**130.7**	**131.3**	**131.9**	**130.6**	**130.5**	**132.4**	**131.9**	**132.4**	**132.2**	**132.3**	**132.3**	**132.6**	**132.8**
2 Products	60.5	123.5	123.2	124.0	124.5	123.6	123.3	124.9	124.1	124.9	124.5	124.4	124.5	124.6	124.6
3 Final products	46.3	125.4	125.3	126.2	126.6	125.5	124.7	126.8	126.0	126.7	126.1	125.9	125.7	125.8	125.9
4 Consumer goods, total	29.1	115.2	115.8	116.4	116.8	115.1	114.0	116.1	114.8	115.2	114.8	114.9	115.1	115.2	115.2
5 Durable consumer goods	6.1	135.7	135.9	136.9	138.3	130.7	124.6	140.1	137.4	140.5	138.9	139.8	141.4	142.5	141.8
6 Automotive products	2.6	132.9	132.7	134.6	136.8	121.7	107.3	141.7	136.4	141.1	139.6	139.8	141.7	141.1	139.6
7 Autos and trucks	1.7	137.8	138.9	141.3	143.5	118.2	92.8	151.4	143.4	150.6	149.1	147.7	149.4	149.4	147.1
8 Autos, consumer	.9	109.2	106.5	107.4	108.4	93.8	75.8	124.4	128.3	119.9	113.7	115.5	111.7	107.0	109.7
9 Trucks, consumer	.7	166.2	169.8	173.8	177.1	142.2	110.0	178.9	161.1	181.0	183.2	179.1	185.2	188.9	182.7
10 Auto parts and allied goods	.9	125.0	122.7	123.7	126.0	125.4	125.6	127.6	125.9	127.4	125.9	128.2	130.4	129.2	128.6
11 Other	3.5	137.8	138.5	138.8	139.4	137.8	138.7	138.5	138.0	139.7	137.9	139.5	140.9	143.3	143.2
12 Appliances, televisions, and air conditioners	1.0	206.2	203.8	203.4	202.7	199.9	207.8	209.4	209.9	215.2	222.5	226.0	229.5	233.9	231.2
13 Carpeting and furniture	.8	117.1	114.3	115.9	119.1	117.0	117.3	116.7	116.3	120.3	117.5	116.8	120.3	122.6	121.5
14 Miscellaneous home goods	1.6	114.7	118.3	118.2	117.9	117.1	115.9	115.3	114.5	113.6	109.5	111.4	110.9	112.6	114.0
15 Nondurable consumer goods	23.0	110.1	110.8	111.4	111.5	111.2	111.2	110.3	109.3	109.1	109.0	108.9	108.8	108.6	108.8
16 Foods and tobacco	10.3	109.0	109.1	110.2	110.8	108.5	108.5	107.5	106.9	108.0	109.6	109.6	110.0	109.9	109.5
17 Clothing	2.4	97.8	100.4	99.9	98.8	98.8	98.4	97.7	97.1	95.4	94.5	94.6	93.6	93.9	92.8
18 Chemical products	4.5	120.5	121.3	123.2	122.5	122.8	122.2	119.0	118.0	117.2	119.3	118.7	116.3	117.4	118.2
19 Paper products	2.9	105.8	106.3	106.2	105.7	105.3	106.3	106.6	105.9	105.2	104.1	103.6	102.0	101.2	101.1
20 Energy	2.9	112.2	113.2	111.5	112.5	118.2	118.4	120.1	116.8	115.0	106.5	107.1	110.9	109.3	111.6
21 Fuels	.8	110.5	111.2	111.6	110.9	111.4	112.9	112.1	108.3	108.4	109.1	109.6	112.2	109.4	108.8
22 Residential utilities	2.1	112.3	113.7	111.0	112.9	121.2	120.7	123.7	120.7	117.8	104.5	105.2	109.7	108.8	112.5
23 Equipment	17.2	144.2	142.4	143.6	144.2	144.1	143.9	146.0	146.2	147.5	146.5	145.6	144.8	144.8	145.1
24 Business equipment	13.2	163.5	160.1	162.2	163.1	163.6	163.5	166.6	167.4	169.0	168.1	167.9	167.1	167.2	166.9
25 Information processing and related	5.4	209.9	202.3	206.0	209.2	210.3	211.8	213.1	217.3	219.0	219.7	220.8	221.5	222.0	223.3
26 Computer and office equipment	1.1	646.0	584.9	601.5	620.6	638.6	654.6	671.6	693.6	716.7	745.2	759.9	776.8	789.6	800.5
27 Industrial	4.0	140.0	139.4	139.4	138.1	142.9	144.2	142.3	139.5	141.6	139.9	141.3	139.8	138.4	137.9
28 Transit	2.5	133.7	130.3	133.6	135.5	128.2	121.9	141.6	140.1	141.6	140.5	139.6	137.4	135.5	135.3
29 Autos and trucks	1.2	124.6	121.6	123.4	125.1	108.6	91.7	136.9	135.6	136.1	136.4	136.0	134.8	133.1	131.6
30 Other	1.3	138.9	139.8	140.8	139.6	141.7	146.6	132.6	140.9	141.1	138.5	131.7	131.8	140.0	136.6
31 Defense and space equipment	3.3	75.7	75.9	75.9	76.0	75.8	76.1	76.5	75.5	76.4	75.7	74.6	74.5	74.8	75.4
32 Oil and gas well drilling	.6	134.7	155.7	147.6	147.1	136.7	131.9	127.7	123.4	119.4	115.2	103.2	99.2	97.4	104.2
33 Manufactured homes	.2	149.2	148.0	148.0	149.0	146.1	151.1	145.7	147.8	150.9	154.6	156.6	159.1	154.1	153.9
34 Intermediate products, total	14.2	118.0	116.9	117.3	118.2	118.0	119.1	119.1	118.3	119.0	119.3	119.8	120.5	120.8	120.5
35 Construction supplies	5.3	127.2	124.7	125.4	126.6	126.1	128.5	128.0	126.9	128.4	129.6	131.0	132.5	131.8	131.0
36 Business supplies	8.9	112.6	112.2	112.5	113.3	113.2	113.6	113.8	113.3	113.5	113.2	113.3	113.4	114.2	114.2
37 Materials	39.5	144.0	142.7	143.1	143.6	141.8	141.9	144.4	144.4	144.5	144.6	145.2	144.9	145.6	146.1
38 Durable goods materials	20.8	176.4	173.7	174.5	175.4	171.7	171.8	177.4	177.7	178.8	179.9	180.4	180.3	181.1	182.2
39 Durable consumer parts	4.0	144.0	143.7	144.4	147.9	131.9	129.7	149.6	147.7	146.2	145.6	144.8	141.9	146.0	146.5
40 Equipment parts	7.6	277.4	265.8	266.9	268.6	271.0	274.1	278.0	282.7	287.0	289.9	292.6	294.7	295.9	298.7
41 Other	9.2	129.0	129.7	130.3	129.6	128.3	128.1	128.3	127.7	128.4	129.3	129.3	129.5	128.7	129.3
42 Basic metal materials	3.1	121.2	123.7	123.5	123.0	120.1	120.2	121.9	118.2	118.3	117.3	116.3	117.8	116.6	116.8
43 Nondurable goods materials	8.9	113.5	114.2	114.4	114.1	113.9	114.1	113.1	112.0	111.7	112.2	112.5	112.4	113.2	113.1
44 Textile materials	1.1	108.7	110.6	110.5	111.0	110.2	110.1	107.7	107.6	108.8	103.0	102.5	99.2	99.6	98.8
45 Paper materials	1.8	116.0	116.3	116.3	115.5	117.3	117.3	116.4	115.0	115.8	112.7	114.7	116.5	116.9	117.4
46 Chemical materials	3.9	114.5	115.6	116.2	115.6	114.8	114.6	113.6	111.8	111.1	113.7	113.0	113.0	113.6	113.6
47 Other	2.1	111.5	111.0	110.9	111.2	110.6	111.7	111.6	111.5	110.4	113.2	114.4	113.6	115.6	115.2
48 Energy materials	9.7	103.5	103.7	103.8	104.3	104.8	104.8	104.4	105.2	103.7	101.5	102.6	101.5	102.2	101.7
49 Primary energy	6.3	101.2	101.0	101.3	101.0	101.8	102.9	101.2	102.3	102.6	99.8	100.3	98.3	99.8	98.1
50 Converted fuel materials	3.3	108.1	109.0	108.6	110.8	110.7	108.6	110.7	110.9	106.1	104.9	107.2	107.7	106.8	108.8
SPECIAL AGGREGATES															
51 Total excluding autos and trucks	97.1	131.3	130.7	131.3	131.8	131.2	131.6	132.1	131.7	132.1	131.9	132.1	132.0	132.4	132.6
52 Total excluding motor vehicles and parts	95.1	130.8	130.3	130.9	131.3	131.2	131.7	131.3	131.0	131.5	131.4	131.7	131.6	131.9	132.1
53 Total excluding computer and office equipment	98.2	127.1	126.7	127.3	127.7	126.4	126.2	128.0	127.4	127.8	127.4	127.5	127.4	127.7	127.8
54 Consumer goods excluding autos and trucks	27.4	113.9	114.5	115.1	115.3	114.8	114.9	114.3	113.2	113.4	113.0	113.2	113.3	113.4	113.5
55 Consumer goods excluding energy	26.2	115.5	116.1	117.0	117.3	114.7	113.5	115.7	114.6	115.3	115.8	115.8	115.6	115.9	115.6
56 Business equipment excluding autos and trucks	12.0	167.9	164.6	166.7	167.4	170.0	171.8	169.9	171.0	172.7	171.6	171.5	170.7	171.0	170.9
57 Business equipment excluding computer and office equipment	12.1	142.4	140.8	142.3	142.6	142.7	142.2	144.8	145.1	146.2	144.6	144.1	143.0	142.8	142.3
58 Materials excluding energy	29.8	156.7	154.9	155.5	156.0	153.4	153.6	156.9	156.7	157.3	158.2	158.6	158.5	159.3	160.0

2.13 INDUSTRIAL PRODUCTION Indexes and Gross Value[1]—Continued

Group	SIC code[2]	1992 proportion	1998 avg.	1998 Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.[r]	1999 Jan.[r]	Feb.[r]	Mar.[p]
				Index (1992 = 100)												
MAJOR INDUSTRIES																
59 **Total index**	...	**100.0**	**131.3**	**130.7**	**131.3**	**131.9**	**130.6**	**130.5**	**132.4**	**131.9**	**132.4**	**132.2**	**132.3**	**132.3**	**132.6**	**132.8**
60 Manufacturing	...	85.4	135.1	134.1	134.9	135.4	133.7	133.6	135.7	135.2	136.1	136.4	136.7	136.5	137.0	137.0
61 Primary processing	...	26.5	120.7	121.0	121.5	121.4	120.2	120.7	120.6	119.3	120.1	120.3	121.3	121.9	121.6	121.5
62 Advanced processing	...	58.8[r]	142.1	140.6	141.6	142.3	140.4	139.9	143.3	143.2	144.2	144.6	144.4	143.9	144.7	144.8
63 Durable goods	...	45.0	157.5	155.2	156.2	157.2	154.8	154.4	159.8	159.6	161.2	161.0	161.5	161.5	161.9	162.0
64 Lumber and products	24	2.0	117.0	115.3	116.1	116.4	116.7	117.5	118.5	117.0	118.0	118.3	121.4	121.9	121.9	120.6
65 Furniture and fixtures	25	1.4	121.4	121.5	121.0	120.6	122.0	120.8	120.1	121.6	124.5	123.6	122.9	122.5	124.1	125.4
66 Stone, clay, and glass products	32	2.1	126.2	124.5	124.0	124.5	123.5	125.4	127.0	126.6	128.3	130.5	131.6	133.6	132.1	131.0
67 Primary metals	33	3.1	123.8	127.1	127.5	126.5	122.1	122.6	124.4	120.1	120.6	118.7	118.6	120.1	118.1	118.4
68 Iron and steel	331,2	1.7	121.1	127.7	126.7	125.5	119.8	120.2	122.5	113.4	114.4	109.7	114.6	116.4	112.7	113.2
69 Raw steel	331PT	.1	115.7	120.0	122.4	121.9	116.0	118.3	120.3	112.6	109.7	100.2	102.0	106.6	106.6	107.2
70 Nonferrous	333–6,9	1.4	127.0	126.4	128.4	127.6	124.9	125.4	126.7	128.1	128.0	129.3	123.4	124.6	124.5	124.6
71 Fabricated metal products	34	5.0	127.3	127.2	127.8	128.7	128.0	127.8	126.3	126.2	126.9	127.7	128.7	127.9	127.2	127.5
72 Industrial machinery and equipment	35	8.0	203.7	198.4	200.6	202.5	205.8	209.0	207.0	207.7	211.2	211.1	212.7	212.3	214.4	214.0
73 Computer and office equipment	357	1.8	649.1	589.6	605.4	623.9	641.4	657.0	673.6	695.5	718.5	746.9	761.6	778.7	791.7	802.8
74 Electrical machinery	36	7.3	291.9	278.2	280.8	282.0	285.5	289.4	290.8	297.7	302.4	304.8	307.3	309.8	312.1	314.6
75 Transportation equipment	37	9.5	123.0	122.3	123.3	125.2	114.2	108.2	130.3	127.6	128.4	127.1	125.6	124.0	125.0	124.5
76 Motor vehicles and parts	371	4.9	141.1	140.0	140.8	144.1	121.1	107.6	154.2	149.9	150.2	148.8	146.6	145.3	147.7	147.0
77 Autos and light trucks	371PT	2.6	128.5	128.8	130.9	132.7	110.1	86.9	142.0	136.5	140.4	138.1	137.3	137.9	137.0	135.8
78 Aerospace and miscellaneous transportation equipment	372–6,9	4.6	104.9	104.5	105.7	106.3	106.3	107.1	106.9	105.8	106.9	105.7	104.8	103.0	102.7	102.5
79 Instruments	38	5.4	113.0	112.8	113.0	113.8	112.4	112.6	113.0	114.2	114.6	114.1	113.9	114.4	113.7	114.4
80 Miscellaneous	39	1.3	117.7	120.0	120.1	119.1	118.5	118.5	117.7	117.0	115.9	114.1	115.4	114.8	116.0	117.0
81 Nondurable goods	...	40.4	111.9	112.4	113.0	113.0	112.0	112.1	111.3	110.6	110.9	111.6	111.7	111.4	111.9	111.8
82 Foods	20	9.4	109.6	109.7	110.3	110.7	109.2	109.0	107.9	107.7	109.1	111.3	111.1	111.9	112.2	111.5
83 Tobacco products	21	1.6	106.0	105.3	109.8	111.5	104.7	106.0	107.0	104.2	101.9	99.8	100.0	96.9	97.1	97.8
84 Textile mill products	22	1.8	112.2	112.6	113.3	114.5	112.0	113.2	111.8	111.2	112.4	108.8	109.4	109.6	110.9	109.0
85 Apparel products	23	2.2	99.2	101.6	101.0	100.4	100.5	100.1	99.2	98.3	97.3	95.5	95.3	94.2	93.9	93.0
86 Paper and products	26	3.6	115.0	115.0	115.2	115.0	114.9	115.9	115.3	113.9	115.4	112.3	115.3	116.2	117.1	117.4
87 Printing and publishing	27	6.7	105.1	105.4	105.5	105.6	105.5	105.4	104.9	104.6	104.2	105.4	105.1	103.6	103.9	103.7
88 Chemicals and products	28	9.9	115.5	116.6	117.7	116.9	116.2	115.7	114.3	113.3	113.1	114.7	114.0	112.8	113.9	114.3
89 Petroleum products	29	1.4	112.0	113.0	112.8	111.5	111.6	113.4	114.1	110.7	110.4	112.8	112.5	117.1	114.3	113.7
90 Rubber and plastic products	30	3.5	132.6	131.4	133.2	133.1	132.4	132.7	132.2	132.6	133.4	135.0	136.0	135.4	136.3	137.6
91 Leather and products	31	.3	75.3	77.9	76.3	75.8	74.5	75.3	74.0	73.5	72.8	74.3	73.0	71.1	71.1	70.1
92 Mining	...	6.9	104.0	105.8	105.7	105.4	104.7	104.6	103.7	102.4	102.0	101.1	99.0	97.4	98.0	97.3
93 Metal	10	.5	110.0	109.3	106.9	108.5	108.0	105.7	109.0	106.4	113.6	110.7	108.3	110.1	110.9	110.9
94 Coal	12	1.0	109.7	103.4	107.2	106.0	110.4	112.8	109.7	115.8	110.8	108.6	114.5	102.0	108.6	101.1
95 Oil and gas extraction	13	4.8	99.6	104.0	102.9	102.4	100.4	100.0	99.2	96.8	96.8	94.2	91.0	90.9	90.9	91.6
96 Stone and earth minerals	14	.6	124.7	120.0	123.3	124.4	125.6	125.4	124.3	120.3	118.8	132.1	125.6	128.1	123.9	123.8
97 Utilities	...	7.7	113.9	114.0	112.8	115.2	118.7	118.3	120.2	120.3	116.5	110.6	111.8	114.0	113.2	115.4
98 Electric	491,493PT	6.2	117.2	115.7	115.2	118.9	121.0	119.8	121.2	122.6	120.3	114.6	115.2	116.3	116.3	118.3
99 Gas	492,493PT	1.6	101.9	106.3	102.0	98.3	108.4	111.7	115.7	109.7	98.7	92.0	96.0	103.6	99.1	102.4
SPECIAL AGGREGATES																
100 Manufacturing excluding motor vehicles and parts	...	80.5	134.7	133.8	134.6	134.9	134.5	135.1	134.6	134.4	135.3	135.7	136.2	136.1	136.4	136.5
101 Manufacturing excluding computer and office equipment	...	83.6	130.2	129.5	130.2	130.6	128.8	128.6	130.6	130.0	130.8	130.9	131.1	130.9	131.2	131.2
102 Computers, communications equipment, and semiconductors	...	5.9	515.6	473.4	482.7	490.7	502.9	511.8	522.5	538.3	552.1	562.8	571.2	578.1	586.1	594.3
103 Manufacturing excluding computers and semiconductors	...	81.1	120.1	120.2	120.9	121.1	119.2	118.9	120.6	119.9	120.4	120.4	120.5	120.2	120.4	120.3
104 Manufacturing excluding computers, communications equipment, and semiconductors	...	79.5	118.5	118.7	119.3	119.5	117.5	117.2	119.0	118.1	118.7	118.8	118.9	118.6	118.8	118.6
				Gross value (billions of 1992 dollars, annual rates)												
Major Markets																
105 **Products, total**	...	**2,001.9**	**2,489.8**[r]	**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**	**2,513.9**	**2,525.8**	**2,522.6**	**2,519.6**
106 Final	...	1,552.1	1,958.0[r]	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	1,972.7	1,979.9	1,975.4	1,974.4
107 Consumer goods	...	1,049.6	1,212.3[r]	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	1,215.0	1,225.5	1,221.5	1,220.2
108 Equipment	...	502.5	746.9[r]	732.5	739.9	744.2	740.1	734.3	762.5	762.7	769.8	765.2	762.0	758.2	757.8	758.1
109 Intermediate	...	449.9	533.6[r]	527.6	529.7	533.6	532.6	538.4	540.3	535.7	538.7	539.1	541.9	546.3	547.4	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	1998								1999	
				May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.[r]	Feb.
	Private residential real estate activity (thousands of units except as noted)												
NEW UNITS													
1 Permits authorized	1,426	1,441	1,604	1,543	1,517	1,581	1,618	1,544	1,690	1,656	1,729	1,778	1,741
2 One-family	1,070	1,062	1,184	1,152	1,128	1,173	1,180	1,164	1,198	1,238	1,306	1,275	1,303
3 Two-family or more	356	379	421	391	389	408	438	380	492	418	423	503	438
4 Started	1,477	1,474	1,617	1,541	1,626	1,719	1,615	1,576	1,698	1,654	1,750	1,820	1,790
5 One-family	1,161	1,134	1,271	1,221	1,274	1,306	1,264	1,251	1,298	1,375	1,383	1,393	1,402
6 Two-family or more	316	340	346	320	352	413	351	325	400	279	367	427	388
7 Under construction at end of period[1]	819	834	935	916	930	938	939	946	968	971	999	1,011	1,033
8 One-family	584	570	638	626	639	642	644	648	659	667	688	697	713
9 Two-family or more	235	264	297	290	291	296	295	298	309	304	311	314	320
10 Completed	1,406	1,406	1,473[r]	1,457	1,480	1,549	1,517	1,459	1,455	1,600	1,440[r]	1,645	1,546
11 One-family	1,123	1,120	1,158[r]	1,114	1,169	1,230	1,183	1,184	1,164	1,254	1,150[r]	1,287	1,265
12 Two-family or more	283	285	315[r]	343	311	319	334	275	291	346	290[r]	358	281
13 Mobile homes shipped	361	354	372	374	362	380	368	369	352	389	382	390	381
Merchant builder activity in one-family units													
14 Number sold	757	804	886	893	909	883	836	861	903	985	964	899	881
15 Number for sale at end of period[1]	326	287	300	287	286	283	285	289	293	292	295	297	301
Price of units sold (thousands of dollars)[2]													
16 Median	140.0	146.0	152.2	153.2	148.0	149.9	154.9	155.0	154.5	151.0	152.0	150.8	158.0
17 Average	166.4	176.2	181.9	183.5	175.9	179.8	186.5	182.7	182.8	178.6	183.1	184.1	187.2
EXISTING UNITS (one-family)													
18 Number sold	4,087	4,215	4,785	4,770	4,780	4,860	4,740	4,710	4,800	4,900	5,030	5,040	5,020
Price of units sold (thousands of dollars)[2]													
19 Median	118.2	124.1	130.6	130.5	134.0	133.8	132.9	131.2	130.7	131.7	130.5	131.3	129.5
20 Average	145.5	154.2	162.9	162.3	169.2	168.4	165.9	162.9	161.8	163.9	163.0	161.8	162.6
	Value of new construction (millions of dollars)[3]												
CONSTRUCTION													
21 **Total put in place**	**581,813**	**618,051**	**654,528[r]**	**635,396**	**650,341**	**658,673**	**663,300**	**670,133**	**668,287[r]**	**670,996[r]**	**679,428[r]**	**691,022**	**706,511**
22 Private	444,743	470,969	508,539[r]	496,495	503,592	511,514	516,601	521,050	523,642[r]	525,453[r]	531,004[r]	536,493	544,849
23 Residential	255,570	265,536	295,586[r]	288,003	291,907	299,300	300,612	304,993	306,264[r]	307,259[r]	311,529[r]	317,372	319,930
24 Nonresidential	189,173	205,433	212,953[r]	208,492	211,685	212,214	215,989	216,057	217,378[r]	218,194[r]	219,475[r]	219,121	224,919
25 Industrial buildings	32,563	31,417	30,340[r]	29,642	30,067	28,616	32,302	30,300	29,246	30,011[r]	28,971[r]	28,721	30,985
26 Commercial buildings	75,722	83,727	88,131[r]	86,321	88,480	88,310	86,243	87,553	90,986[r]	93,644[r]	96,033[r]	93,886	97,819
27 Other buildings	30,637	37,382	38,111[r]	37,678	37,334	37,406	38,305	38,309	37,538[r]	37,793[r]	39,149[r]	37,900	38,586
28 Public utilities and other	50,252	52,906	56,371[r]	54,851	55,804	57,882	59,139	59,895	59,608[r]	56,746[r]	55,322[r]	58,614	57,529
29 Public	137,070	147,082	145,989[r]	138,901	146,749	147,159	146,699	149,083	144,644[r]	145,544[r]	148,425[r]	154,530	161,662
30 Military	2,639	2,625	2,725[r]	2,471	2,659	3,325	3,187	2,325	2,568[r]	2,502[r]	2,608[r]	2,058	2,781
31 Highway	41,326	45,246	44,742[r]	42,030	44,541	43,809	44,291	45,719	45,166[r]	43,721[r]	44,269[r]	52,096	57,505
32 Conservation and development	5,926	5,628	5,529[r]	5,146	5,989	5,475	5,442	5,904	5,146[r]	5,643[r]	5,539[r]	5,584	6,011
33 Other	87,179	93,583	92,993[r]	89,254	93,560	94,550	93,779	95,135	91,764[r]	93,678[r]	96,009[r]	94,792	95,365

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, Mar. 1999[1]
	1998 Mar.	1999 Mar.	1998			1999	1998		1999			
			June	Sept.	Dec.	Mar.	Nov.	Dec.	Jan.	Feb.	Mar.	
CONSUMER PRICES[2] (1982–84=100)												
1 **All items**	**1.4**	**1.7**	**2.2**	**1.5**	**2.0**	**1.5**	**.2**	**.1**	**.1**	**.1**	**.2**	**165.0**
2 Food	2.0	2.3	2.3	2.5	2.8	1.7	.1	.1	.5	.1	−.2	163.3
3 Energy items	−8.6	−3.1	−3.4	−9.0	−5.1	5.8	−.3	−1.1	−.2	.0	1.6	98.4
4 All items less food and energy	2.1	2.1	2.6	2.3	2.5	.9	.1	.3	.1	.1	.1	176.2
5 Commodities	.1	.6	1.7	1.1	2.5	−3.0	−.1	.6	.0	−.4	−.3	143.9
6 Services	3.0	2.8	2.8	3.0	2.5	2.7	.3	.2	.2	.2	.3	194.7
PRODUCER PRICES (1982=100)												
7 Finished goods	−1.5	.8	−.3	.6	1.5	1.5	−.2[r]	.3[r]	.5	−.4	.2	131.2
8 Consumer foods	−1.3	.9	−.6	1.8	−.3	2.7	−.4[r]	−.1[r]	1.6	−1.4	.4	134.6
9 Consumer energy	−10.6	−3.8	−3.1	−9.2	−10.4	8.6	−1.3[r]	−2.2[r]	1.8	−1.0	1.2	71.4
10 Other consumer goods	1.2	2.9	1.4	3.0	8.0	−.3	.0[r]	1.7[r]	−.1	−.1	.1	151.4
11 Capital equipment	−.6	−.1	−1.2	.9	.3	−.3	.1[r]	−.1[r]	−.1	.1	.0	137.8
Intermediate materials												
12 Excluding foods and feeds	−1.5	−1.9	−1.6	−2.2	−3.8	.0	−.3	−.5	.1	−.4	.3	121.3
13 Excluding energy	−.1	−1.6	−1.2	−1.8	−2.4	−1.2	−.2	−.1[r]	−.2	−.2	.1	132.0
Crude materials												
14 Foods	−6.8	−7.0	−3.3	−19.6	−6.2	3.3	−.6	−4.1	5.1	−2.8	−1.3	98.9
15 Energy	−9.7	−11.9	−14.6	−25.3	−1.3	−4.4	2.0[r]	−7.3[r]	.6	−7.4	6.1	61.3
16 Other	−6.5	−12.9	−5.8	−19.9	−24.6	1.6	−2.2[r]	−1.8[r]	.2	1.1	−.8	130.0

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 Q4	1998 Q1	1998 Q2	1998 Q3	1998 Q4[r]
GROSS DOMESTIC PRODUCT								
1 **Total**	**7,661.6**	**8,110.9**	**8,511.0**	**8,254.5**	**8,384.2**	**8,440.6**	**8,537.9**	**8,681.2**
By source								
2 Personal consumption expenditures	5,215.7	5,493.7	5,807.9	5,593.2	5,676.5	5,773.7	5,846.7	5,934.8
3 Durable goods	643.3	673.0	724.7	682.2	705.1	720.1	718.9	754.5
4 Nondurable goods	1,539.2	1,600.6	1,662.4	1,613.2	1,633.1	1,655.2	1,670.0	1,691.3
5 Services	3,033.2	3,220.1	3,420.8	3,297.8	3,338.2	3,398.4	3,457.7	3,488.9
6 Gross private domestic investment	1,131.9	1,256.0	1,367.1	1,292.0	1,366.6	1,345.0	1,364.4	1,392.4
7 Fixed investment	1,099.8	1,188.6	1,307.8	1,220.1	1,271.1	1,305.8	1,307.5	1,346.7
8 Nonresidential	787.9	860.7	938.2	882.8	921.3	941.9	931.6	957.9
9 Structures	216.9	240.2	246.9	246.4	245.0	245.4	246.2	250.9
10 Producers' durable equipment	571.0	620.5	691.3	636.4	676.3	696.6	685.4	706.9
11 Residential structures	311.8	327.9	369.6	337.4	349.8	363.8	375.8	388.9
12 Change in business inventories	32.1	67.4	59.3	71.9	95.5	39.2	57.0	45.7
13 Nonfarm	24.5	63.1	52.7	66.9	90.5	31.5	49.3	39.3
14 Net exports of goods and services	−91.2	−93.4	−151.2	−98.8	−123.7	−159.3	−165.5	−156.2
15 Exports	873.8	965.4	959.0	988.6	973.3	949.6	936.2	976.8
16 Imports	965.0	1,058.8	1,110.2	1,087.4	1,097.1	1,108.9	1,101.7	1,133.0
17 Government consumption expenditures and gross investment	1,405.2	1,454.6	1,487.1	1,468.1	1,464.9	1,481.2	1,492.3	1,510.2
18 Federal	518.4	520.2	520.6	520.1	511.6	520.7	519.4	530.7
19 State and local	886.8	934.4	966.5	947.9	953.3	960.4	972.9	979.5
By major type of product								
20 Final sales, total	7,629.5	8,043.5	8,451.6	8,182.6	8,288.7	8,401.3	8,480.9	8,635.5
21 Goods	2,780.3	2,911.2	3,044.7	2,948.7	3,005.8	3,025.3	3,029.0	3,118.8
22 Durable	1,228.8	1,310.1	1,391.0	1,334.3	1,376.9	1,380.8	1,373.0	1,433.1
23 Nondurable	1,551.6	1,601.0	1,653.7	1,614.4	1,628.8	1,644.4	1,655.9	1,685.7
24 Services	4,179.5	4,414.1	4,641.0	4,501.2	4,538.4	4,619.5	4,678.5	4,727.7
25 Structures	669.7	718.3	765.9	732.7	744.6	756.6	773.5	789.0
26 Change in business inventories	32.1	67.4	59.3	71.9	95.5	39.2	57.0	45.7
27 Durable goods	20.8	33.6	25.2	34.0	49.9	4.5	19.5	27.0
28 Nondurable goods	11.4	33.8	34.1	37.9	45.6	34.7	37.5	18.7
MEMO								
29 **Total GDP in chained 1992 dollars**	**6,994.8**	**7,269.8**	**7,551.9**	**7,364.6**	**7,464.7**	**7,498.6**	**7,566.5**	**7,677.7**
NATIONAL INCOME								
30 **Total**	**6,256.0**	**6,646.5**	**6,994.7**	**6,767.9**	**6,875.0**	**6,945.5**	**7,032.3**	**7,126.0**
31 Compensation of employees	4,409.0	4,687.2	4,981.0	4,798.0	4,882.8	4,945.2	5,011.6	5,084.3
32 Wages and salaries	3,640.4	3,893.6	4,153.9	3,993.6	4,065.9	4,121.6	4,181.1	4,246.8
33 Government and government enterprises	640.9	664.2	689.3	671.4	679.5	685.8	692.7	699.2
34 Other	2,999.5	3,229.4	3,464.6	3,322.2	3,386.4	3,435.8	3,488.4	3,547.6
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	577.2	558.0	564.2	571.7	576.1	596.9
39 Business and professional[1]	488.8	515.8	548.5	526.6	536.8	544.0	550.9	562.2
40 Farm[1]	38.9	35.5	28.7	31.4	27.4	27.7	25.2	34.7
41 Rental income of persons[2]	150.2	158.2	162.6	158.8	158.3	161.0	163.6	167.5
42 Corporate profits[1]	750.4	817.9	824.6	820.8	829.2	820.6	827.0	821.7
43 Profits before tax[3]	680.2	734.4	717.8	736.4	719.1	723.5	720.5	708.1
44 Inventory valuation adjustment	−1.2	6.9	14.5	4.3	25.3	7.8	11.7	13.4
45 Capital consumption adjustment	71.4	76.6	92.3	80.1	84.9	89.4	94.8	100.2
46 Net interest	418.6	432.0	449.3	432.4	440.5	447.1	454.0	455.6

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	1997	1998			
				Q4	Q1	Q2	Q3	Q4[r]
PERSONAL INCOME AND SAVING								
1 **Total personal income**	**6,425.2**	**6,784.0**	**7,126.1[r]**	**6,904.9**	**7,003.9**	**7,081.9**	**7,160.8**	**7,257.9**
2 Wage and salary disbursements	3,631.1	3,889.8	4,149.9[r]	3,989.9	4,061.9	4,117.6	4,177.1	4,242.8
3 Commodity-producing industries	909.0	975.0	1,026.9	1,003.7	1,019.0	1,023.2	1,028.0	1,037.4
4 Manufacturing	674.6	719.5	751.5	741.3	750.4	750.8	750.9	754.1
5 Distributive industries	823.3	879.8	939.6[r]	904.5	918.9	932.2	945.8	961.5
6 Service industries	1,257.9	1,370.8	1,494.0	1,410.2	1,444.5	1,476.4	1,510.6	1,544.6
7 Government and government enterprises	640.9	664.2	689.3	671.4	679.5	685.8	692.7	699.2
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	577.2[r]	558.0	564.2	571.7	576.1	596.9
10 Business and professional[1]	488.8	515.8	548.5	526.6	536.8	544.0	550.9	562.2
11 Farm[1]	38.9	35.5	28.7[r]	31.4	27.4	27.7	25.2	34.7
12 Rental income of persons[2]	150.2	158.2	162.6[r]	158.8	158.3	161.0	163.6	167.5
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	769.9
15 Transfer payments	1,068.0	1,110.4	1,149.0[r]	1,120.5	1,139.0	1,145.8	1,152.9	1,158.3
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	7,126.1[r]	6,904.9	7,003.9	7,081.9	7,160.8	7,257.9
19 LESS: Personal tax and nontax payments	890.5	989.0	1,098.3[r]	1,025.5	1,066.8	1,092.9	1,108.4	1,124.9
20 EQUALS: Disposable personal income	5,534.7	5,795.1	6,027.9[r]	5,879.4	5,937.1	5,988.9	6,052.4	6,133.1
21 LESS: Personal outlays	5,376.2	5,674.1	6,000.2[r]	5,781.2	5,864.0	5,963.3	6,039.8	6,133.6
22 EQUALS: Personal saving	158.5	121.0	27.7[r]	98.2	73.0	25.6	12.6	−.6
MEMO								
Per capita (chained 1992 dollars)								
23 Gross domestic product	26,335.7	27,136.2	27,938.9[r]	27,398.2	27,718.8	27,783.0	27,972.1	28,299.8
24 Personal consumption expenditures	17,893.0	18,340.9	19,065.0[r]	18,530.5	18,771.1	19,007.8	19,156.3	19,336.4
25 Disposable personal income	18,989.0	19,349.0	19,790.0[r]	19,478.0	19,632.0	19,719.0	19,829.0	19,980.0
26 Saving rate (percent)	2.9	2.1	.5	1.7	1.2	.4	.2	.0
GROSS SAVING								
27 **Gross saving**	**1,274.5**	**1,406.3**	**1,468.0**	**1,428.0**	**1,482.5**	**1,448.5**	**1,474.5**	**1,466.6**
28 Gross private saving	1,114.5	1,141.6	1,090.4	1,131.6	1,130.1	1,079.0	1,078.7	1,073.7
29 Personal saving	158.5	121.0	27.7[r]	98.2	73.0	25.6	12.6	−.6
30 Undistributed corporate profits[1]	262.4	296.7	305.4	295.0	312.0	300.9	304.8	303.9
31 Corporate inventory valuation adjustment	−1.2	6.9	14.5	4.3	25.3	7.8	11.7	13.4
Capital consumption allowances								
32 Corporate	452.0	477.3	500.6	487.7	492.5	497.8	503.1	508.9
33 Noncorporate	232.3	242.8	252.7	247.0	248.6	250.7	254.2	257.5
34 Gross government saving	160.0	264.7	377.6	296.4	352.4	369.4	395.7	392.9
35 Federal	−39.6	49.5	142.5	72.3	128.7	143.9	161.6	135.8
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	72.8	2.2	58.8	74.4	92.0	65.8
38 State and local	199.7	215.2	235.2	224.1	223.7	225.6	234.2	257.1
39 Consumption of fixed capital	77.1	81.1	85.0[r]	82.7	83.5	84.3	85.4	86.6
40 Current surplus or deficit (−), national accounts	122.6	134.1	150.2	141.4	140.2	141.3	148.7	170.5
41 **Gross investment**	**1,242.3**	**1,350.5**	**1,391.5**	**1,360.7**	**1,428.4**	**1,362.7**	**1,372.5**	**1,402.4**
42 Gross private domestic investment	1,131.9	1,256.0	1,367.1[r]	1,292.0	1,366.6	1,345.0	1,364.4	1,392.4
43 Gross government investment	229.7	235.4	237.0[r]	236.5	237.4	232.5	239.7	238.3
44 Net foreign investment	−119.2	−140.9	−212.6	−167.8	−175.6	−214.8	−231.6	−228.3
45 **Statistical discrepancy**	**−32.2**	**−55.8**	**−76.5**	**−67.3**	**−54.1**	**−85.7**	**−102.0**	**−64.2**

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	−56,971	−65,694	−63,765
2 Merchandise trade balance[2]	−191,337	−197,954	−247,985	−49,839	−56,033	−64,778	−64,899	−62,275
3 Merchandise exports	611,983	679,325	671,055	174,284	171,190	164,543	163,414	171,908
4 Merchandise imports	−803,320	−877,279	−919,040	−224,123	−227,223	−229,321	−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	19,500	17,573	18,592
7 Investment income, net	14,236	−5,318	−22,479	−4,247	−2,218	−3,346	−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	−1,073	−1,080	−1,078
10 Private remittances and other transfers	−21,112	−23,408	−25,059	−6,055	−6,089	−6,254	−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	−107,786	−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	−40,966	−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	175,241	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	19,249	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	2,168	27,347	−30,573
37 Due to seasonal adjustment	...	...	...	3,528	6,769	2,024	−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	1998					1999	
				Aug.	Sept.	Oct.	Nov.	Dec.	Jan.[r]	Feb.[p]
1 Goods and services, balance	−108,574	−110,207	−169,288	−16,733	−14,595	−13,963	−15,165	−14,055	−16,808	−19,438
2 Merchandise	−191,337	−197,955	−248,159	−22,847	−20,914	−20,280	−21,669	−20,499	−23,259	−26,150
3 Services	82,763	87,748	78,871	6,114	6,319	6,317	6,504	6,444	6,451	6,712
4 Goods and services, exports	850,775	937,593	931,026	74,986	77,443	80,415	78,942	77,873	77,082	76,597
5 Merchandise	611,983	679,325	670,641	53,769	55,912	58,246	57,110	56,133	55,168	54,339
6 Services	238,792	258,268	260,385	21,217	21,531	22,169	21,832	21,740	21,914	22,258
7 Goods and services, imports	−959,349	−1,047,799	−1,100,314	−91,719	−92,038	−94,378	−94,107	−91,928	−93,890	−96,035
8 Merchandise	−803,320	−877,279	−918,800	−76,616	−76,826	−78,526	−78,779	−76,632	−78,427	−80,489
9 Services	−156,029	−170,520	−181,514	−15,103	−15,212	−15,852	−15,328	−15,296	−15,463	−15,546

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		
				Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.[p]
1 **Total**	**85,832**	**75,090**	**69,954**	**73,544**	**75,66**	**79,183**	**77,683**	**81,755**	**80,675**	**75,322**	**74,359**
2 Gold stock, including Exchange Stabilization Fund[1]	11,050	11,049	11,050	11,046	11,044	11,041	11,041	11,041	11,046	11,048	11,049
3 Special drawing rights[2,3]	11,037	10,312	10,027	9,891	10,106	10,379	10,393	10,603	10,465	9,474	9,682
4 Reserve position in International Monetary Fund[2]	14,649	15,435	18,071	21,161	21,644	22,278	22,049	24,111	24,129	24,283	23,231
5 Foreign currencies[4]	49,096	38,294	30,809	31,446	32,882	35,485	34,200	36,001	35,035	30,517	30,397

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		
				Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.[p]
1 **Deposits**	**386**	**167**	**457**	**161**	**347**	**154**	**211**	**167**	**233**	**200**	**166**
Held in custody											
2 U.S. Treasury securities[2]	522,170	638,049	620,885	588,337	578,403	588,768	608,060	607,574	612,670	615,139	610,649
3 Earmarked gold[3]	11,702	11,197	10,763	10,510	10,457	10,403	10,355	10,343	10,343	10,347	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[r]	1997[r]	1998[r] Aug.	Sept.	Oct.	Nov.	Dec.	1999 Jan.[r]	Feb.[p]
1 **Total**[1]	**756,533**	**776,505**	**758,773**	**733,030**	**745,152**	**751,482**	**757,934**	**762,236**	**761,013**
By type									
2 Liabilities reported by banks in the United States[2]	113,098	135,384	144,120	131,551	134,822	125,132	123,915	121,834	125,275
3 U.S. Treasury bills and certificates[3]	198,921	148,301	130,398	128,146	128,598	133,702	134,141	136,840	135,471
U.S. Treasury bonds and notes									
4 Marketable	384,045	428,004	416,313	406,009	415,010	426,853	432,127	434,601	430,902
5 Nonmarketable[4]	5,968	5,994	6,311	6,350	5,997	6,035	6,074	6,113	6,151
6 U.S. securities other than U.S. Treasury securities[5]	54,501	58,822	61,631	60,974	60,725	59,760	61,677	62,848	63,214
By area									
7 Europe[1]	246,983	252,289	255,668	247,302	259,698	261,028	256,026	258,298	256,164
8 Canada	38,723	36,177	33,815	33,598	34,644	36,885	36,715	37,471	38,462
9 Latin America and Caribbean	79,949	96,942	97,806	79,164	77,469	76,759	79,417	73,986	75,986
10 Asia	403,265	400,144	381,683	383,412	385,565	389,359	398,717	405,425	404,111
11 Africa	7,242	9,981	11,364	11,584	10,976	10,084	10,059	10,144	9,838
12 Other countries	6,457	7,058	4,523	4,056	2,886	3,453	3,086	2,998	2,538

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 1994 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.	June	Sept.	Dec.
1 Banks' liabilities	109,713	103,383	117,524	100,708	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	
				Aug.	Sept.	Oct.	Nov.	Dec.[r]	Jan.[r]	Feb.[p]
BY HOLDER AND TYPE OF LIABILITY										
1 **Total, all foreigners**	**1,162,148**	**1,283,787**	**1,346,654**	**1,341,295**	**1,350,292**	**1,371,998**	**1,346,154**	**1,346,654**	**1,332,241**	**1,339,175**
2 Banks' own liabilities	758,998	883,740	884,356	928,182	917,008	911,258	880,616	884,356	872,123	879,415
3 Demand deposits	27,034	32,104	29,341	33,038	33,547	32,071	32,104	29,341	33,039	31,681
4 Time deposits[2]	186,910	198,546	151,589	183,556	174,173	158,664	149,746	151,589	147,456	153,247
5 Other[3]	143,510	168,011	140,753	190,542	165,205	153,269	143,341	140,753	145,309	161,556
6 Own foreign offices[4]	401,544	485,079	562,673	521,046	544,083	567,254	555,425	562,673	546,319	532,931
7 Banks' custodial liabilities[5]	403,150	400,047	462,298	413,113	433,284	460,740	465,538	462,298	460,118	459,760
8 U.S. Treasury bills and certificates[6]	236,874	193,239	183,490	162,235	160,598	168,764	182,917	183,490	185,231	184,851
9 Other negotiable and readily transferable instruments[7]	72,011	93,641	141,103	123,378	142,169	151,239	142,399	141,103	137,428	134,109
10 Other	94,265	113,167	137,705	127,500	130,517	140,737	140,222	137,705	137,459	140,800
11 Nonmonetary international and regional organizations[8]	13,972	11,690	11,833	15,188	15,215	12,810	13,207	11,833	13,839	19,187
12 Banks' own liabilities	13,355	11,486	10,850	13,684	13,862	11,644	12,267	10,850	12,829	18,430
13 Demand deposits	29	16	172	59	408	97	234	172	62	187
14 Time deposits[2]	5,784	5,466	5,793	6,252	5,763	5,418	5,802	5,793	6,161	7,315
15 Other[3]	7,542	6,004	4,885	7,373	7,691	6,129	6,231	4,885	6,606	10,928
16 Banks' custodial liabilities[5]	617	204	983	1,504	1,353	1,166	940	983	1,010	757
17 U.S. Treasury bills and certificates[6]	352	69	636	490	435	509	570	636	623	549
18 Other negotiable and readily transferable instruments[7]	265	133	347	1,012	818	657	370	347	387	207
19 Other	0	2	0	2	100	0	0	0	0	1
20 Official institutions[9]	312,019	283,685	258,056	274,518	259,697	263,420	258,834	258,056	258,674	260,746
21 Banks' own liabilities	79,406	102,028	79,149	101,608	85,310	84,826	79,450	79,149	76,044	77,262
22 Demand deposits	1,511	2,314	2,787	3,456	3,607	3,325	2,744	2,787	3,666	2,850
23 Time deposits[2]	33,336	41,396	28,947	35,578	28,076	26,148	25,659	28,947	24,176	25,988
24 Other[3]	44,559	58,318	47,415	62,574	53,627	55,353	51,047	47,415	48,202	48,424
25 Banks' custodial liabilities[5]	232,613	181,657	178,907	172,910	174,387	178,594	179,384	178,907	182,630	183,484
26 U.S. Treasury bills and certificates[6]	198,921	148,301	134,141	130,398	128,146	128,598	133,702	134,141	136,840	135,471
27 Other negotiable and readily transferable instruments[7]	33,266	33,151	44,092	41,759	45,684	49,691	45,213	44,092	45,202	47,213
28 Other	426	205	674	753	557	305	469	674	588	800
29 Banks[10]	694,835	816,007	885,269	852,890	876,463	898,909	885,767	885,269	866,002	854,319
30 Banks' own liabilities	562,898	642,207	676,035	673,127	687,824	690,862	673,486	676,035	657,930	647,945
31 Unaffiliated foreign banks	161,354	157,128	113,362	152,081	143,741	123,608	118,061	113,362	111,611	115,014
32 Demand deposits	13,692	17,527	14,072	16,063	15,799	15,802	15,119	14,072	15,327	15,335
33 Time deposits[2]	89,765	83,433	46,273	74,201	71,259	56,193	51,352	46,273	46,745	46,728
34 Other[3]	57,897	56,168	53,017	61,817	56,683	51,613	51,590	53,017	49,539	52,951
35 Own foreign offices[4]	401,544	485,079	562,673	521,046	544,083	567,254	555,425	562,673	546,319	532,931
36 Banks' custodial liabilities[5]	131,937	173,800	209,234	179,763	188,639	208,047	212,281	209,234	208,072	206,374
37 U.S. Treasury bills and certificates[6]	23,106	31,915	35,544	20,696	21,563	27,556	35,213	35,544	35,325	34,472
38 Other negotiable and readily transferable instruments[7]	17,027	35,393	45,102	40,180	44,807	48,240	45,132	45,102	44,087	40,108
39 Other	91,804	106,492	128,588	118,887	122,269	132,251	131,936	128,588	128,660	131,794
40 Other foreigners	141,322	172,405	191,496	198,699	198,917	196,859	188,346	191,496	193,726	204,923
41 Banks' own liabilities	103,339	128,019	118,322	139,763	130,012	123,926	115,413	118,322	125,320	135,778
42 Demand deposits	11,802	12,247	12,310	13,460	13,733	12,847	14,007	12,310	13,984	13,309
43 Time deposits[2]	58,025	68,251	70,576	67,525	69,075	70,905	66,933	70,576	70,374	73,216
44 Other[3]	33,512	47,521	35,436	58,778	47,204	40,174	34,473	35,436	40,962	49,253
45 Banks' custodial liabilities[5]	37,983	44,386	73,174	58,936	68,905	72,933	72,933	73,174	68,406	69,145
46 U.S. Treasury bills and certificates[6]	14,495	12,954	13,169	10,651	10,454	12,101	13,432	13,169	12,443	14,359
47 Other negotiable and readily transferable instruments[7]	21,453	24,964	51,562	40,427	50,860	52,651	51,684	51,562	47,752	46,581
48 Other	2,035	6,468	8,443	7,858	7,591	8,181	7,817	8,443	8,211	8,205
MEMO										
49 Negotiable time certificates of deposit in custody for foreigners	14,573	16,083	27,026	25,867	27,391	29,933	28,793	27,026	25,858	23,341

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	1998 Aug.	1998 Sept.	1998 Oct.	1998 Nov.	1998 Dec.	1999 Jan.[r]	1999 Feb.[p]
Area										
50 **Total, all foreigners**	**1,162,148**	**1,283,787**	**1,346,654[r]**	**1,341,295**	**1,350,292**	**1,371,998**	**1,346,154**	**1,346,654[r]**	**1,332,241**	**1,339,175**
51 **Foreign countries**	**1,148,176**	**1,272,097**	**1,334,821[r]**	**1,326,107**	**1,335,077**	**1,359,188**	**1,332,947**	**1,334,821[r]**	**1,318,402**	**1,319,988**
52 Europe	376,590	420,432	427,367[r]	457,537	450,587	451,350	449,567	427,367[r]	429,636	436,331
53 Austria	5,128	2,717	3,178[r]	2,671	3,137	2,799	2,824	3,178[r]	2,902	3,070
54 Belgium and Luxembourg	24,084	41,007	42,818[r]	35,086	33,934	39,911	42,014	42,818[r]	38,897	41,594
55 Denmark	2,565	1,514	1,437[r]	2,128	1,578	1,813	1,675	1,437[r]	1,200	1,826
56 Finland	1,958	2,246	1,862	1,350	1,181	1,193	1,706	1,862	1,989	1,643
57 France	35,078	46,607	44,616[r]	48,328	50,405	47,348	48,169	44,616[r]	44,444	47,620
58 Germany	24,660	23,737	21,357	28,751	25,811	22,024	22,606	21,357	20,315	23,111
59 Greece	1,835	1,552	2,066	2,941	2,544	2,901	2,444	2,066	2,195	2,509
60 Italy	10,946	11,378	7,103	10,625	9,183	7,124	6,378	7,103	6,155	6,684
61 Netherlands	11,110	7,385	10,793[r]	9,239	8,066	7,251	9,298	10,793[r]	10,580	14,792
62 Norway	1,288	317	710	1,469	688	1,149	797	710	1,065	1,102
63 Portugal	3,562	2,262	3,235	2,424	2,292	2,377	2,400	3,235	2,543	2,225
64 Russia	7,623	7,968	2,439[r]	2,718	3,085	3,735	2,698	2,439[r]	2,231	2,438
65 Spain	17,707	18,989	15,775	14,283	20,485	26,569	27,017	15,775	12,843	13,457
66 Sweden	1,623	1,628	3,027	1,769	3,285	3,257	3,857	3,027	3,132	2,918
67 Switzerland	44,538	39,023	50,654	39,362	48,393	47,332	50,167	50,654	59,871	60,345
68 Turkey	6,738	4,054	4,286	4,317	4,264	4,105	3,842	4,286	5,105	5,045
69 United Kingdom	153,420	181,904	181,554[r]	219,197	204,915	202,536	195,099	181,554[r]	177,240	173,543
70 Yugoslavia[11]	206	239	258	242	253	362	271	258	275	287
71 Other Europe and other former U.S.S.R.[12]	22,521	25,905	30,199[r]	30,637	27,088	27,564	26,305	30,199[r]	36,654	32,122
72 Canada	38,920	28,341	30,212	27,844	28,701	31,278	29,249	30,212	29,725	28,019
73 Latin America and Caribbean	467,529	536,393	554,561[r]	556,699	561,502	575,837	545,251	554,561[r]	540,480	537,394
74 Argentina	13,877	20,199	19,013	21,655	18,384	17,706	18,892	19,013	17,175	18,228
75 Bahamas	88,895	112,217	118,085	113,543	124,249	128,893	115,598	118,085	121,606	118,727
76 Bermuda	5,527	6,911	6,839	7,332	7,920	7,247	7,241	6,839	8,969	8,370
77 Brazil	27,701	31,037	15,800	27,824	18,453	17,308	13,370	15,800	12,268	12,913
78 British West Indies	251,465	276,418	302,299[r]	291,098	298,697	310,058	298,260	302,299[r]	287,124	284,639
79 Chile	2,915	4,072	5,010	4,726	5,725	5,598	4,778	5,010	5,188	5,189
80 Colombia	3,256	3,652	4,616	4,102	4,475	4,888	4,124	4,616	4,535	4,462
81 Cuba	21	66	62	62	62	57	63	62	64	56
82 Ecuador	1,767	2,078	1,573	1,608	1,540	1,679	1,510	1,573	1,525	1,513
83 Guatemala	1,282	1,494	1,332[r]	1,237	1,241	1,232	1,204	1,332[r]	1,224	1,337
84 Jamaica	628	450	539	550	541	578	524	539	565	542
85 Mexico	31,240	33,972	37,148	38,087	35,681	38,058	36,720	37,148	35,965	35,891
86 Netherlands Antilles	6,099	5,085	5,010	8,340	8,588	6,255	6,009	5,010	5,681	8,406
87 Panama	4,099	4,241	3,864	3,675	3,826	3,793	3,774	3,864	4,499	4,401
88 Peru	834	893	840	900	843	799	814	840	864	828
89 Uruguay	1,890	2,382	2,486	2,091	2,276	2,223	2,199	2,486	2,380	2,274
90 Venezuela	17,363	21,601	19,894	20,125	19,180	19,662	19,631	19,894	20,250	19,354
91 Other	8,670	9,625	10,151	9,744	9,821	9,803	10,540	10,151	10,598	10,264
92 Asia	249,083	269,379	307,140[r]	266,480	275,745	284,441	293,584	307,140[r]	301,454	302,514
China										
93 Mainland	30,438	18,252	13,041	18,506	18,523	15,814	13,784	13,041	14,854	15,345
94 Taiwan	15,995	11,840	12,708	11,290	12,080	12,802	12,361	12,708	10,980	12,211
95 Hong Kong	18,789	17,722	20,898[r]	18,349	16,627	16,508	16,739	20,898[r]	22,844	25,509
96 India	3,930	4,567	5,250[r]	6,437	5,144	5,337	5,089	5,250[r]	5,279	5,241
97 Indonesia	2,298	3,554	8,282[r]	5,651	5,470	5,671	6,247	8,282[r]	7,909	6,172
98 Israel	6,051	6,281	7,749	5,296	5,984	4,781	8,106	7,749	7,287	7,598
99 Japan	117,316	143,401	168,236[r]	131,376	142,767	156,340	164,311	168,236[r]	161,207	161,073
100 Korea (South)	5,949	13,060	12,454	12,493	12,971	12,505	12,396	12,454	12,446	9,990
101 Philippines	3,378	3,250	3,324[r]	2,777	2,712	2,539	2,849	3,324[r]	2,318	2,482
102 Thailand	10,912	6,501	7,359[r]	7,869	6,664	7,134	6,788	7,359[r]	7,300	6,590
103 Middle Eastern oil-exporting countries[13]	16,285	14,959	15,609[r]	14,532	16,627	14,718	16,370	15,609[r]	14,655	16,152
104 Other	17,742	25,992	32,230[r]	31,904	30,176	30,292	28,544	32,230[r]	34,375	34,151
105 Africa	8,116	10,347	8,905[r]	10,562	11,098	9,749	8,889	8,905[r]	9,110	8,658
106 Egypt	2,012	1,663	1,339	1,459	1,616	1,288	1,498	1,339	1,856	1,902
107 Morocco	112	138	97	76	88	78	75	97	98	73
108 South Africa	458	2,158	1,522	2,428	2,658	2,358	1,659	1,522	1,308	1,343
109 Zaire	10	10	5	35	6	7	12	5	6	13
110 Oil-exporting countries[14]	2,626	3,060	3,088	3,684	3,727	3,291	3,017	3,088	2,989	2,737
111 Other	2,898	3,318	2,854[r]	2,880	3,003	2,727	2,628	2,854[r]	2,853	2,590
112 Other	7,938	7,205	6,636[r]	6,985	7,444	6,533	6,407	6,636[r]	7,997	7,072
113 Australia	6,479	6,304	5,495[r]	5,931	6,427	5,372	5,180	5,495[r]	6,854	5,550
114 Other	1,459	901	1,141	1,054	1,017	1,161	1,227	1,141	1,143	1,522
115 Nonmonetary international and regional organizations	13,972	11,690	11,833[r]	15,188	15,215	12,810	13,207	11,833[r]	13,839	19,187
116 International[15]	12,099	10,517	10,221[r]	12,825	12,782	10,519	11,298	10,221[r]	11,787	16,560
117 Latin American regional[16]	1,339	424	594[r]	721	803	1,008	598	594[r]	917	1,411
118 Other regional[17]	534	749	1,018	1,642	1,630	1,283	1,311	1,018	1,135	1,216

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	1998 Aug.	1998 Sept.	1998 Oct.	1998 Nov.	1998 Dec.	1999 Jan.[r]	1999 Feb.[p]
1 **Total, all foreigners**	**599,925**	**708,225**	**734,794[r]**	**764,878**	**768,427**	**749,543**	**756,110**	**734,794[r]**	**716,521**	**710,070**
2 **Foreign countries**	**597,321**	**705,762**	**731,176[r]**	**760,488**	**763,105**	**744,153**	**751,872**	**731,176[r]**	**712,936**	**706,055**
3 Europe	165,769	199,880	233,480[r]	227,688	234,967	224,661	228,924	233,480[r]	225,892	229,661
4 Austria	1,662	1,354	1,043	1,856	1,849	2,358	2,311	1,043	2,634	1,809
5 Belgium and Luxembourg	6,727	6,641	7,187	6,779	8,200	9,245	7,409	7,187	5,599	6,933
6 Denmark	492	980	2,383[r]	1,374	1,059	1,768	2,524	2,383[r]	1,816	1,616
7 Finland	971	1,233	1,070	1,161	1,073	1,149	1,050	1,070	963	1,233
8 France	15,246	16,239	15,251	17,314	17,077	16,307	18,881	15,251	18,575	18,418
9 Germany	8,472	12,676	15,922	12,029	15,375	15,121	17,997	15,922	15,115	16,362
10 Greece	568	402	575	530	373	415	510	575	533	624
11 Italy	6,457	6,230	7,283	8,617	6,510	7,153	6,544	7,283	6,168	5,714
12 Netherlands	7,117	6,141	5,734	4,321	4,803	5,230	5,686	5,734	5,828	5,866
13 Norway	808	555	827	1,110	640	662	385	827	645	561
14 Portugal	418	777	669[r]	725	975	885	679	669[r]	584	888
15 Russia	1,669	1,248	789	1,209	920	883	760	789	742	724
16 Spain	3,211	2,942	5,735	5,225	7,980	6,051	5,234	5,735	4,560	4,260
17 Sweden	1,739	1,854	4,223	4,456	4,319	4,508	5,087	4,223	4,338	4,589
18 Switzerland	19,798	28,846	46,880[r]	49,258	55,798	43,337	45,858	46,880[r]	46,122	50,797
19 Turkey	1,109	1,558	1,982	1,990	1,900	1,848	1,915	1,982	1,796	1,857
20 United Kingdom	85,234	103,143	106,358[r]	99,174	97,436	98,746	97,072	106,358[r]	98,959	97,424
21 Yugoslavia[2]	115	52	53	53	53	53	53	53	53	57
22 Other Europe and other former U.S.S.R.[3]	3,956	7,009	9,516[r]	10,507	8,627	8,942	8,969	9,516[r]	10,862	9,929
23 Canada	26,436	27,189	47,212	41,402	41,165	37,316	44,830	47,212	42,925	40,743
24 Latin America and Caribbean	274,153	343,730	342,081[r]	379,383	373,237	368,394	368,212	342,081[r]	344,020	340,291
25 Argentina	7,400	8,924	9,553	8,724	8,777	9,087	9,225	9,553	9,713	10,184
26 Bahamas	71,871	89,379	96,455	77,875	86,867	88,923	91,171	96,455	93,000	91,102
27 Bermuda	4,129	8,782	4,969	9,629	10,610	6,585	5,702	4,969	5,547	6,028
28 Brazil	17,259	21,696	16,193	23,530	19,073	17,644	17,801	16,193	15,616	15,357
29 British West Indies	105,510	145,471	153,269	192,334	182,757	183,122	179,223	153,269	157,683	154,982
30 Chile	5,136	7,913	8,261	8,307	8,345	8,549	8,824	8,261	8,232	8,085
31 Colombia	6,247	6,945	6,523	6,905	6,813	6,764	6,639	6,523	6,433	6,462
32 Cuba	0	0	0	0	0	0	0	0	0	0
33 Ecuador	1,031	1,311	1,400	1,518	1,458	1,444	1,351	1,400	1,403	1,341
34 Guatemala	620	886	1,127	950	1,166	947	1,483	1,127	1,107	1,269
35 Jamaica	345	424	239	318	305	330	299	239	333	588
36 Mexico	18,425	19,428	21,143	20,078	20,677	22,039	22,483	21,143	21,128	21,534
37 Netherlands Antilles	25,209	17,838	6,779	12,939	10,294	7,323	7,696	6,779	7,403	6,571
38 Panama	2,786	4,364	3,584[r]	4,157	4,226	4,011	3,864	3,584[r]	3,549	3,384
39 Peru	2,720	3,491	3,260	4,061	3,829	3,706	3,618	3,260	3,364	3,353
40 Uruguay	589	629	1,126	1,055	955	958	1,040	1,126	997	934
41 Venezuela	1,702	2,129	3,089	2,649	2,638	2,689	2,788	3,089	3,312	3,684
42 Other	3,174	4,120	5,111	4,354	4,447	4,273	5,005	5,111	5,200	5,433
43 Asia	122,478	125,092	98,650[r]	102,382	104,614	104,781	100,768	98,650[r]	90,840	86,388
China										
44 Mainland	1,401	1,579	1,311	2,703	1,380	2,275	2,488	1,311	2,691	2,400
45 Taiwan	1,894	922	1,041	651	1,031	1,079	957	1,041	728	778
46 Hong Kong	12,802	13,991	9,082[r]	13,821	10,548	8,244	8,238	9,082[r]	8,332	6,736
47 India	1,946	2,200	1,440[r]	1,878	1,823	1,582	1,533	1,440[r]	1,483	1,529
48 Indonesia	1,762	2,651	1,954[r]	2,031	2,108	2,044	2,069	1,954[r]	1,948	2,110
49 Israel	633	768	1,166	898	941	1,504	916	1,166	833	774
50 Japan	59,967	59,549	46,712	44,822	52,213	52,904	48,406	46,712	41,817	39,064
51 Korea (South)	18,901	18,162	8,238[r]	11,508	9,823	9,733	8,947	8,238[r]	8,679	8,461
52 Philippines	1,697	1,689	1,465[r]	1,259	1,280	1,128	1,619	1,465[r]	1,310	1,589
53 Thailand	2,679	2,259	1,806[r]	1,883	2,129	1,952	1,895	1,806[r]	1,759	1,708
54 Middle Eastern oil-exporting countries[4]	10,424	10,790	16,145	12,136	12,681	13,531	15,077	16,145	14,328	12,861
55 Other	8,372	10,532	8,290[r]	8,792	8,657	8,805	8,623	8,290[r]	6,932	8,378
56 Africa	2,776	3,530	3,122	3,262	3,012	2,785	2,611	3,122	2,899	3,027
57 Egypt	247	247	257	279	272	322	259	257	302	264
58 Morocco	524	511	372	426	390	405	390	372	378	361
59 South Africa	584	805	643	653	694	665	704	643	802	876
60 Zaire	0	0	0	0	0	0	0	0	0	0
61 Oil-exporting countries[5]	420	1,212	936	1,046	787	533	454	936	516	625
62 Other	1,001	755	914	858	869	860	804	914	901	901
63 Other	5,709	6,341	6,631[r]	6,371	6,110	6,216	6,527	6,631[r]	6,360	5,945
64 Australia	4,577	5,300	6,167	5,999	5,783	5,809	6,008	6,167	5,866	5,275
65 Other	1,132	1,041	464[r]	372	327	407	519	464[r]	494	670
66 Nonmonetary international and regional organizations[6]	2,604	2,463	3,618	4,390	5,322	5,390	4,238	3,618	3,585	4,015

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	1998[r]	1998					1999	
				Aug.	Sept.	Oct.	Nov.	Dec.[r]	Jan.[r]	Feb.[p]
1 **Total**	**743,919**	**852,852**	**875,332**	...	**926,478**	...	...	**875,332**	...	...
2 Banks' claims	599,925	708,225	734,794	764,878	768,427	749,543	756,110	734,794	716,521	710,070
3 Foreign public borrowers	22,216	20,581	23,540	29,758	26,377	28,164	25,993	23,540	28,848	29,688
4 Own foreign offices[2]	341,574	431,685	484,356	466,019	486,452	476,973	487,641	484,356	459,017	461,685
5 Unaffiliated foreign banks	113,682	109,230	105,732	106,034	108,972	109,140	117,919	105,732	106,230	102,235
6 Deposits	33,826	30,995	26,808	24,593	30,426	26,713	33,774	26,808	30,231	29,291
7 Other	79,856	78,235	78,924	81,441	78,546	82,427	84,145	78,924	75,999	72,944
8 All other foreigners	122,453	146,729	121,166	163,067	146,626	135,266	124,557	121,166	122,426	116,462
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	28,436	25,082	34,265	32,888	39,978	38,941	n.a.

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**	**285,590**	**292,788**	**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	16,874	16,997	14,613	13,675
4 All other foreigners	163,862	196,448	193,700	197,905	194,350	193,761	172,747
5 Maturity of more than one year	46,075	46,247	70,769	70,811	81,441	72,762	63,944
6 Foreign public borrowers	7,522	6,790	8,499	11,285	10,688	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	10,806	12,630	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	1995	1996	1997	1997		1998			
				Sept.	Dec.	Mar.	June	Sept.	Dec.[p]
1 **Total**	**46,448**	**61,782**	**60,037**	**55,891**	**60,037**	**58,040**	**51,433**	**49,278**	**46,553**
2 Payable in dollars	33,903	39,542	41,956	39,746	41,956	42,258	40,026	38,409	36,651
3 Payable in foreign currencies	12,545	22,240	18,081	16,145	18,081	15,782	11,407	10,869	9,902
By type									
4 Financial liabilities	24,241	33,049	29,532	26,461	29,532	28,050	22,322	19,331	19,255
5 Payable in dollars	12,903	11,913	13,043	11,487	13,043	13,568	11,988	9,812	10,371
6 Payable in foreign currencies	11,338	21,136	16,489	14,974	16,489	14,482	10,334	9,519	8,884
7 Commercial liabilities	22,207	28,733	30,505	29,430	30,505	29,990	29,111	29,947	27,298
8 Trade payables	11,013	12,720	10,904	10,885	10,904	10,107	9,537	10,276	10,961
9 Advance receipts and other liabilities	11,194	16,013	19,601	18,545	19,601	19,883	19,574	19,671	16,337
10 Payable in dollars	21,000	27,629	28,913	28,259	28,913	28,690	28,038	28,597	26,280
11 Payable in foreign currencies	1,207	1,104	1,592	1,171	1,592	1,300	1,073	1,350	1,018
By area or country									
Financial liabilities									
12 Europe	15,622	23,179	19,657	18,019	19,657	20,307	15,468	12,905	12,589
13 Belgium and Luxembourg	369	632	186	89	186	127	75	150	79
14 France	999	1,091	1,684	1,334	1,684	1,795	1,699	1,457	1,097
15 Germany	1,974	1,834	2,018	1,730	2,018	2,578	2,441	2,167	2,063
16 Netherlands	466	556	494	507	494	472	484	417	1,406
17 Switzerland	895	699	776	645	776	345	189	179	155
18 United Kingdom	10,138	17,161	12,737	12,165	12,737	13,145	8,765	6,610	5,980
19 Canada	632	1,401	2,392	651	2,392	1,045	539	389	693
20 Latin America and Caribbean	1,783	1,668	1,386	1,067	1,386	965	1,320	1,351	1,495
21 Bahamas	59	236	141	10	141	17	6	1	7
22 Bermuda	147	50	229	64	229	86	49	73	101
23 Brazil	57	78	143	52	143	91	76	154	152
24 British West Indies	866	1,030	604	669	604	517	845	834	957
25 Mexico	12	17	26	76	26	21	51	23	59
26 Venezuela	2	1	1	1	1	1	1	1	2
27 Asia	5,988	6,423	5,394	6,239	5,394	5,024	4,315	4,005	3,785
28 Japan	5,436	5,869	5,085	5,725	5,085	4,767	3,869	3,754	3,612
29 Middle Eastern oil-exporting countries[1]	27	25	32	23	32	23	0	0	0
30 Africa	150	38	60	33	60	33	29	31	28
31 Oil-exporting countries[2]	122	0	0	0	0	0	0	0	0
32 All other[3]	66	340	643	452	643	676	651	650	665
Commercial liabilities									
33 Europe	7,700	9,767	10,228	9,343	10,228	9,951	9,987	11,010	10,032
34 Belgium and Luxembourg	331	479	666	703	666	565	557	623	278
35 France	481	680	764	782	764	840	612	740	920
36 Germany	767	1,002	1,274	945	1,274	1,068	1,219	1,408	1,394
37 Netherlands	500	766	439	452	439	443	485	440	429
38 Switzerland	413	624	375	400	375	407	349	507	499
39 United Kingdom	3,568	4,303	4,086	3,829	4,086	4,041	3,743	4,286	3,697
40 Canada	1,040	1,090	1,175	1,150	1,175	1,347	1,206	1,504	1,390
41 Latin America and Caribbean	1,740	2,574	2,176	2,224	2,176	2,051	2,285	1,840	1,619
42 Bahamas	1	63	16	38	16	27	14	48	14
43 Bermuda	205	297	203	180	203	174	209	168	198
44 Brazil	98	196	220	233	220	249	246	256	152
45 British West Indies	56	14	12	23	12	5	27	5	10
46 Mexico	416	665	565	562	565	520	557	511	347
47 Venezuela	221	328	261	322	261	219	196	230	202
48 Asia	10,421	13,422	14,966	14,628	14,966	14,672	13,611	13,538	12,322
49 Japan	3,315	4,614	4,500	4,553	4,500	4,372	3,995	3,779	3,808
50 Middle Eastern oil-exporting countries[1]	1,912	2,168	3,111	2,984	3,111	3,138	3,194	3,582	2,851
51 Africa	619	1,040	874	929	874	833	921	810	794
52 Oil-exporting countries[2]	254	532	408	504	408	376	354	372	393
53 Other[3]	687	840	1,086	1,156	1,086	1,136	1,101	1,245	1,141

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	1995	1996	1997	1997		1998			
					Sept.	Dec.	Mar.	June	Sept.	Dec.p
1	**Total**	**52,509**	**65,897**	**68,128**	**70,506**	**68,128**	**71,004**	**63,202**	**67,976**	**77,543**
2	Payable in dollars	48,711	59,156	62,173	64,144	62,173	65,359	57,601	62,034	72,263
3	Payable in foreign currencies	3,798	6,741	5,955	6,362	5,955	5,645	5,601	5,942	5,280
	By type									
4	Financial claims	27,398	37,523	36,959	41,805	36,959	40,301	32,355	37,262	46,324
5	Deposits	15,133	21,624	22,909	23,951	22,909	20,863	14,762	15,406	30,192
6	Payable in dollars	14,654	20,852	21,060	22,392	21,060	19,155	13,084	13,374	28,549
7	Payable in foreign currencies	479	772	1,849	1,559	1,849	1,708	1,678	2,032	1,643
8	Other financial claims	12,265	15,899	14,050	17,854	14,050	19,438	17,593	21,856	16,132
9	Payable in dollars	10,976	12,374	11,806	14,795	11,806	16,981	14,918	19,867	14,124
10	Payable in foreign currencies	1,289	3,525	2,244	3,059	2,244	2,457	2,675	1,989	2,008
11	Commercial claims	25,111	28,374	31,169	28,701	31,169	30,703	30,847	30,714	31,219
12	Trade receivables	22,998	25,751	27,536	25,110	27,536	26,888	26,764	26,330	27,211
13	Advance payments and other claims	2,113	2,623	3,633	3,591	3,633	3,815	4,083	4,384	4,008
14	Payable in dollars	23,081	25,930	29,307	26,957	29,307	29,223	29,599	28,793	29,590
15	Payable in foreign currencies	2,030	2,444	1,862	1,744	1,862	1,480	1,248	1,921	1,629
	By area or country									
	Financial claims									
16	Europe	7,609	11,085	14,999	15,608	14,999	14,187	14,105	14,473	12,362
17	Belgium and Luxembourg	193	185	406	360	406	378	518	496	661
18	France	803	694	1,015	1,112	1,015	902	810	1,140	863
19	Germany	436	276	427	352	427	393	290	359	379
20	Netherlands	517	493	677	764	677	911	975	867	875
21	Switzerland	498	474	434	448	434	401	403	409	414
22	United Kingdom	4,303	7,922	10,337	11,000	10,337	9,289	9,639	9,849	7,765
23	Canada	2,851	3,442	3,313	4,279	3,313	4,688	3,020	4,090	2,502
24	Latin America and Caribbean	14,500	20,032	15,543	19,176	15,543	18,207	11,967	15,758	27,714
25	Bahamas	1,965	1,553	2,308	2,442	2,308	1,316	1,306	2,105	403
26	Bermuda	81	140	108	190	108	66	48	63	39
27	Brazil	830	1,468	1,313	1,501	1,313	1,408	1,394	710	835
28	British West Indies	10,393	15,536	10,462	12,957	10,462	13,551	7,349	10,960	24,388
29	Mexico	554	457	537	508	537	967	1,089	1,122	1,245
30	Venezuela	32	31	36	15	36	47	57	50	55
31	Asia	1,579	2,221	2,133	2,015	2,133	2,174	2,376	2,121	3,026
32	Japan	871	1,035	823	999	823	791	886	928	1,194
33	Middle Eastern oil-exporting countries[1]	3	22	11	15	11	9	12	13	9
34	Africa	276	174	319	174	319	325	155	157	160
35	Oil-exporting countries[2]	5	14	15	16	15	16	15	16	16
36	All other[3]	583	569	652	553	652	720	732	663	560
	Commercial claims									
37	Europe	9,824	10,443	12,120	10,486	12,120	12,854	12,882	13,029	13,249
38	Belgium and Luxembourg	231	226	328	331	328	232	216	219	238
39	France	1,830	1,644	1,796	1,642	1,796	1,939	1,955	2,098	2,172
40	Germany	1,070	1,337	1,614	1,395	1,614	1,670	1,757	1,502	1,822
41	Netherlands	452	562	597	573	597	534	492	463	467
42	Switzerland	520	642	554	381	554	476	418	546	484
43	United Kingdom	2,656	2,946	3,660	2,904	3,660	4,828	4,664	4,681	4,769
44	Canada	1,951	2,165	2,660	2,649	2,660	2,882	2,779	2,291	2,595
45	Latin America and Caribbean	4,364	5,276	5,750	5,028	5,750	5,481	6,082	5,773	6,328
46	Bahamas	30	35	27	22	27	13	12	39	24
47	Bermuda	272	275	244	128	244	238	359	173	536
48	Brazil	898	1,303	1,162	1,101	1,162	1,128	1,183	1,062	992
49	British West Indies	79	190	109	98	109	88	110	91	137
50	Mexico	993	1,128	1,392	1,219	1,392	1,302	1,462	1,356	1,574
51	Venezuela	285	357	576	418	576	441	585	566	401
52	Asia	7,312	8,376	8,713	8,576	8,713	7,638	7,367	7,190	7,194
53	Japan	1,870	2,003	1,976	2,048	1,976	1,713	1,757	1,789	1,681
54	Middle Eastern oil-exporting countries[1]	974	971	1,107	987	1,107	987	1,127	967	1,131
55	Africa	654	746	680	764	680	613	657	740	712
56	Oil-exporting countries[2]	87	166	119	207	119	122	116	128	165
57	Other[3]	1,006	1,368	1,246	1,198	1,246	1,235	1,080	1,691	1,141

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.– Feb.	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.[r]	Feb.[p]
	U.S. corporate securities									
STOCKS										
1 Foreign purchases	1,097,958	1,596,255	315,351	141,566	137,418	145,588	126,571	138,942	155,819	159,532
2 Foreign sales	1,028,361	1,542,099	307,271	139,722	147,891	142,831	119,042	134,306	152,303	154,968
3 Net purchases, or sales (−)	**69,597**	**54,156**	**8,080**	**1,844**	**−10,473**	**2,757**	**7,529**	**4,636**	**3,516**	**4,564**
4 Foreign countries	**69,754**	**54,536**	**8,066**	**1,843**	**−10,430**	**2,754**	**7,546**	**4,634**	**3,502**	**4,564**
5 Europe	62,688	72,349	12,413	5,459	2,182	−249	4,406	2,441	6,048	6,365
6 France	6,641	6,099	362	988	85	360	50	−614	537	−175
7 Germany	9,059	10,609	1,907	1,326	1,281	68	372	−189	1,035	872
8 Netherlands	3,831	8,326	1,042	163	876	1,009	1,816	332	86	956
9 Switzerland	7,848	6,269	572	−277	−307	−1,974	−420	−314	−10	582
10 United Kingdom	22,478	24,336	6,688	1,740	700	632	1,902	3,154	3,893	2,795
11 Canada	−1,406	−4,766	976	−276	−195	−507	−201	−976	728	248
12 Latin America and Caribbean	5,203	781	−2,558	610	−11,766	2,058	3,691	3,088	−1,279	−1,279
13 Middle East[1]	383	−1,082	−88	−157	148	−177	−334	−219	152	−240
14 Other Asia	2,072	−12,554	−2,936	−4,112	−678	1,823	−8	155	−2,306	−630
15 Japan	4,787	−1,407	−960	214	519	597	822	141	−616	−344
16 Africa	472	624	33	159	−98	−217	41	16	22	11
17 Other countries	342	−816	226	160	−23	23	−49	129	137	89
18 Nonmonetary international and regional organizations	**−157**	**−380**	**14**	**1**	**−43**	**3**	**−17**	**2**	**14**	**0**
BONDS[2]										
19 Foreign purchases	610,116	905,272	141,009	67,529	100,186	108,678	81,943	58,884	66,585	74,424
20 Foreign sales	475,958	727,866	109,705	58,678	92,663	105,437	60,480	41,141	53,759	55,946
21 Net purchases, or sales (−)	**134,158**	**177,406**	**31,304**	**8,851**	**7,523**	**3,241**	**21,463**	**17,743**	**12,826**	**18,478**
22 Foreign countries	**133,595**	**177,749**	**31,262**	**8,813**	**7,473**	**3,230**	**22,433**	**17,665**	**12,825**	**18,437**
23 Europe	71,631	127,932	16,755	5,813	12,323	12,062	16,717	9,099	2,857	13,898
24 France	3,300	3,390	269	233	184	701	235	−170	145	124
25 Germany	2,742	4,381	1,666	139	268	−135	435	217	398	1,268
26 Netherlands	3,576	3,490	389	32	275	704	64	996	60	329
27 Switzerland	187	4,856	938	100	1,003	−50	251	−36	403	535
28 United Kingdom	54,134	97,683	11,002	3,924	9,760	10,182	13,777	6,863	703	10,299
29 Canada	6,264	6,077	575	439	443	292	558	184	100	475
30 Latin America and Caribbean	34,733	24,731	8,439	1,592	−2,927	−11,135	2,295	2,688	6,382	2,057
31 Middle East[1]	2,155	4,994	1,750	−188	−58	2	835	2,472	1,436	314
32 Other Asia	16,996	12,679	3,471	1,709	−1,847	1,185	1,904	3,152	2,032	1,439
33 Japan	9,357	8,381	726	−10	−713	1,624	1,194	2,238	561	165
34 Africa	1,005	190	306	−17	−61	55	24	16	40	266
35 Other countries	811	1,146	−34	−535	−400	769	100	54	−22	−12
36 Nonmonetary international and regional organizations	**563**	**−343**	**42**	**38**	**50**	**11**	**−970**	**78**	**1**	**41**
	Foreign securities									
37 Stocks, net purchases, or sales (−)	−40,942	8,503	6,966	5,557	6,107	8,046	−2,729	841	3,305	3,661
38 Foreign purchases	756,015	940,678	151,863	74,376	89,496	90,407	70,402	69,578	77,922	73,941
39 Foreign sales	796,957	932,175	144,897	68,819	83,389	82,361	73,131	68,737	74,617	70,280
40 Bonds, net purchases, or sales (−)	−48,171	−18,957[r]	−2,274	1,049	3,384	15,980	−918	−4,684[r]	−2,304	30
41 Foreign purchases	1,451,704	1,335,314	122,214	139,393	152,881	102,202	55,573	56,845	56,072	66,142
42 Foreign sales	1,499,875	1,354,271[r]	124,488	138,344	149,497	86,222	56,491	61,529[r]	58,376	66,112
43 Net purchases, or sales (−), of stocks and bonds	**−89,113**	**−10,454[r]**	**4,692**	**6,606**	**9,491**	**24,026**	**−3,647**	**−3,843[r]**	**1,001**	**3,691**
44 Foreign countries	**−88,921**	**−10,125[r]**	**4,295**	**6,623**	**9,492**	**24,119**	**−3,641**	**−3,683[r]**	**880**	**3,415**
45 Europe	−29,874	11,139	7,354	1,202	6,007	10,792	2,326	3,072	403	6,951
46 Canada	−3,085	−1,163	−861	2,667	−1,118	946	562	−4,828	−310	−551
47 Latin America and Caribbean	−25,258	−12,860[r]	3,187	−1,196	1,214	4,585	−4,074	−19[r]	2,355	832
48 Asia	−25,123	−3,326	−4,902	4,227	3,550	6,699	−2,064	−1,489	−1,558	−3,344
49 Japan	−10,001	−1,663	−3,249	1,741	2,239	6,134	−2,390	−1,882	141	−3,390
50 Africa	−3,293	−1,411	−3	−122	−163	4	−56	5	22	−25
51 Other countries	−2,288	−2,504	−480	−155	2	1,093	−335	−424	−32	−448
52 Nonmonetary international and regional organizations	**−192**	**−329**	**397**	**−17**	**−1**	**−93**	**−6**	**−160**	**121**	**276**

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.–Feb.	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.[r]	Feb.[p]
1 **Total estimated**	**184,171**	**46,677**	**−18,788**	**−15,795**	**−5,270**	**−2,193**	**25,456**	**10,549**	**−4,165**	**−14,623**
2 Foreign countries	183,688	44,208	−18,289	−15,795	−5,261	−2,855	25,556	9,426	−4,107	−14,182
3 Europe	144,921	21,586	−5,835	−2,823	−2,771	−9,869	5,475	8,077	1,519	−7,354
4 Belgium and Luxembourg	3,427	3,805	−25	667	113	−606	510	2,148	−229	204
5 Germany	22,471	148	−51	−1,799	894	1,171	307	−556	−268	217
6 Netherlands	1,746	−5,533	1,763	−3,081	−579	1,543	−1,156	898	2,347	−584
7 Sweden	−465	1,486	−65	−152	−330	193	586	581	163	−228
8 Switzerland	6,028	5,240	−2,124	−680	363	2,811	531	175	−2,171	47
9 United Kingdom	98,253	12,120	−5,003	8,000	2,217	−13,168	3,207	3,074	718	−5,721
10 Other Europe and former U.S.S.R.	13,461	4,320	−330	−5,778	−5,449	−1,813	1,490	1,757	959	−1,289
11 Canada	−811	572	−602	−2,088	−663	−1,188	3,694	614	−1,729	1,127
12 Latin America and Caribbean	−2,554	−3,735	−11,658	−5,940	−1,233	−491	1,961	−3,817	−5,621	−6,037
13 Venezuela	655	59	446	−1,308	6	−35	327	108	−17	463
14 Other Latin America and Caribbean	−549	9,450	−4,003	3,914	2,982	−1,288	−5,411	−165	−1,979	−2,024
15 Netherlands Antilles	−2,660	−13,244	−8,101	−8,546	−4,221	832	7,045	−3,760	−3,625	−4,476
16 Asia	39,567	27,383	94	−3,856	−207	7,756	13,632	4,347	2,310	−2,216
17 Japan	20,360	13,048	−3,258	299	128	1,233	7,311	3,750	−2,134	−1,124
18 Africa	1,524	751	11	62	81	87	145	16	17	−6
19 *Other*	1,041	−2,349	−299	−1,150	−468	850	649	189	−603	304
20 Nonmonetary international and regional organizations	483	2,469	−499	0	−9	662	−100	1,123	−58	−441
21 International	621	1,502	−448	−10	−288	645	−19	1,084	−77	−371
22 Latin American regional	170	199	4	8	−5	0	−6	2	3	1
MEMO										
23 Foreign countries	183,688	44,208	−18,289	−15,795	−5,261	−2,855	25,556	9,426	−4,107	−14,182
24 Official institutions	43,959	4,123	−1,225	−16,920	−10,304	9,001	11,843	5,274	2,474	−3,699
25 Other foreign	139,729	40,085	−17,064	1,125	5,043	−11,856	13,713	4,152	−6,581	−10,483
Oil-exporting countries										
26 Middle East[2]	7,636	−16,554	3,462	−4,160	−5,837	−276	233	−2,442	4,080	−618
27 Africa[3]	−12	2	0	1	0	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 Nov.	1998 Dec.	1999 Jan.	1999 Feb.	1999 Mar.	1999 Apr.
	Exchange Rates								
COUNTRY/CURRENCY UNIT									
1 Australia/dollar[2]	78.28	74.37	62.91	63.49	61.82	63.20	63.99	63.08	64.20
2 Austria/schilling	10.589	12.206	12.379	11.840	11.746	n.a.	n.a.	n.a.	n.a.
3 Belgium/franc	30.97	35.81	36.31	34.71	34.44	n.a.	n.a.	n.a.	n.a.
4 Brazil/real	1.0051	1.0779	1.1605	1.1932	1.2052	1.5120	1.9261	1.9057	1.7025
5 Canada/dollar	1.3638	1.3849	1.4836	1.5404	1.5433	1.5194	1.4977	1.5176	1.4881
6 China, P.R./yuan	8.3389	8.3193	8.3008	8.2778	8.2780	8.2789	8.2755	8.2792	8.2792
7 Denmark/krone	5.8003	6.6092	6.7030	6.3960	6.3531	6.4194	6.6379	6.8287	6.9475
8 European Monetary Union/euro[3]	n.a.	n.a.	n.a.	n.a.	n.a.	1.1591	1.1203	1.0886	1.0701
9 Finland/markka	4.5948	5.1956	5.3473	5.1163	5.0769	n.a.	n.a.	n.a.	n.a.
10 France/franc	5.1158	5.8393	5.8995	5.6422	5.5981	n.a.	n.a.	n.a.	n.a.
11 Germany/deutsche mark	1.5049	1.7348	1.7597	1.6827	1.6698	n.a.	n.a.	n.a.	n.a.
12 Greece/drachma	240.82	273.28	295.70	282.64	280.43	278.91	287.41	296.36	304.26
13 Hong Kong/dollar	7.7345	7.7431	7.7467	7.7432	7.7471	7.7486	7.7490	7.7493	7.7495
14 India/rupee	35.51	36.36	41.36	42.43	42.59	42.55	42.53	42.52	42.80
15 Ireland/pound[2]	159.95	151.63	142.48	147.77	148.76	n.a.	n.a.	n.a.	n.a.
16 Italy/lira	1,542.76	1,703.81	1,736.85	1,664.91	1,653.23	n.a.	n.a.	n.a.	n.a.
17 Japan/yen	108.78	121.06	130.99	120.29	117.07	113.29	116.67	119.47	119.77
18 Malaysia/ringgit	2.5154	2.8173	3.9254	3.8000	3.8014	3.8000	3.8000	3.8000	3.8000
19 Mexico/peso	7.600	7.918	9.152	9.969	9.907	10.128	10.006	9.732	9.430
20 Netherlands/guilder	1.6863	1.9525	1.9837	1.8969	1.8816	n.a.	n.a.	n.a.	n.a.
21 New Zealand/dollar[2]	68.77	66.25	53.61	53.40	52.23	53.88	54.35	53.45	54.27
22 Norway/krone	6.4594	7.0857	7.5521	7.4562	7.6050	7.4532	7.7240	7.8151	7.7750
23 Portugal/escudo	154.28	175.44	180.25	172.52	171.19	n.a.	n.a.	n.a.	n.a.
24 Singapore/dollar	1.4100	1.4857	1.6722	1.6378	1.6515	1.6791	1.7004	1.7292	1.7134
25 South Africa/rand	4.3011	4.6072	5.5417	5.6511	5.9030	5.9931	6.1146	6.2136	6.1186
26 South Korea/won	805.00	947.65[r]	1,400.40	1,294.01	1,213.22	1,175.11	1,188.84	1,229.72	1,209.96
27 Spain/peseta	126.68	146.53	149.41	143.05	142.08	n.a.	n.a.	n.a.	n.a.
28 Sri Lanka/rupee	55.289	59.026	65.006	67.578	68.117	68.630	69.070	69.570	69.588
29 Sweden/krona	6.7082	7.6446	7.9522	8.0140	8.0716	7.8188	7.9532	8.2144	8.3293
30 Switzerland/franc	1.2361	1.4514	1.4506	1.3852	1.3604	1.3856	1.4272	1.4660	1.4971
31 Taiwan/dollar	27.468	28.775	33.547	32.603	32.337	32.300	32.564	33.165	32.965
32 Thailand/baht	25.359	31.072	41.262	36.527	36.276	36.622	37.137	37.557	37.631
33 United Kingdom/pound[2]	156.07	163.76	165.73	166.11	167.08	164.98	162.76	162.13	160.89
34 Venezuela/bolivar	417.19	488.39	548.39	569.66	565.89	569.80	577.32	580.06	587.79
	Indexes[3]								
NOMINAL									
35 G-10 (March 1973=100)[4]	87.34	96.38	98.85	95.46	94.61	n.a.	n.a.	n.a.	n.a.
36 Broad (January 1997=100)[5]	97.43	104.47	116.25	115.34	114.56	114.68	116.37	117.80	117.15
37 Major currencies (March 1973=100)[6]	85.23	91.85	96.52	94.23	93.40	92.37	93.76	95.69	95.76
38 Other important trading partners (January 1997=100)[7]	98.25	104.67	125.70	127.31	126.80	128.98	130.83	131.03	129.24
REAL									
39 Broad (March 1973=100)[5]	85.99[r]	90.59[r]	98.46[r]	96.71[r]	95.93[r]	96.04[r]	97.10[r]	98.34[r]	97.77
40 Major currencies (March 1973=100)[6]	85.88[r]	93.24[r]	98.36[r]	96.24[r]	95.47[r]	94.88[r]	96.35[r]	98.17[r]	98.30
41 Other important trading partners (March 1973=100)[7]	92.52	93.61[r]	105.83[r]	104.47[r]	103.61[r]	104.75[r]	105.30[r]	105.79[r]	104.18

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.

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Short pamphlets suitable for classroom use. Multiple copies are available without charge.

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- Federal Reserve Bank Board of Directors
- Federal Reserve Banks

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Home Mortgages: Understanding the Process and Your Right to Fair Lending
How to File a Consumer Complaint
Making Sense of Savings
SHOP: The Card You Pick Can Save You Money
Welcome to the Federal Reserve
When Your Home is on the Line: What You Should Know About Home Equity Lines of Credit
Keys to Vehicle Leasing
Looking for the Best Mortgage

STAFF STUDIES: Only Summaries Printed in the BULLETIN

Studies and papers on economic and financial subjects that are of general interest. Requests to obtain single copies of the full text or to be added to the mailing list for the series may be sent to Publications Services.

Staff Studies 1–157, 161, and 168–169 are out of print.

158. The Adequacy and Consistency of Margin Requirements in the Markets for Stocks and Derivative Products, by Mark J. Warshawsky with the assistance of Dietrich Earnhart. September 1989. 23 pp.
159. New Data on the Performance of Nonbank Subsidiaries of Bank Holding Companies, by Nellie Liang and Donald Savage. February 1990. 12 pp.
160. Banking Markets and the Use of Financial Services by Small and Medium-Sized Businesses, by Gregory E. Elliehausen and John D. Wolken. September 1990. 35 pp.
162. Evidence on the Size of Banking Markets from Mortgage Loan Rates in Twenty Cities, by Stephen A. Rhoades. February 1992. 11 pp.
163. Clearance and Settlement in U.S. Securities Markets, by Patrick Parkinson, Adam Gilbert, Emily Gollob, Lauren Hargraves, Richard Mead, Jeff Stehm, and Mary Ann Taylor. March 1992. 37 pp.
164. The 1989–92 Credit Crunch for Real Estate, by James T. Fergus and John L. Goodman, Jr. July 1993. 20 pp.
165. The Demand for Trade Credit: An Investigation of Motives for Trade Credit Use by Small Businesses, by Gregory E. Elliehausen and John D. Wolken. September 1993. 18 pp.
166. The Economics of the Private Placement Market, by Mark Carey, Stephen Prowse, John Rea, and Gregory Udell. January 1994. 111 pp.
167. A Summary of Merger Performance Studies in Banking, 1980–93, and an Assessment of the "Operating Performance" and "Event Study" Methodologies, by Stephen A. Rhoades. July 1994. 37 pp.
170. The Cost of Implementing Consumer Financial Regulations: An Analysis of Experience with the Truth in Savings Act, by Gregory Elliehausen and Barbara R. Lowrey, December 1997. 17 pp.
171. The Cost of Bank Regulation: A Review of the Evidence, by Gregory Elliehausen, April 1998. 35 pp.

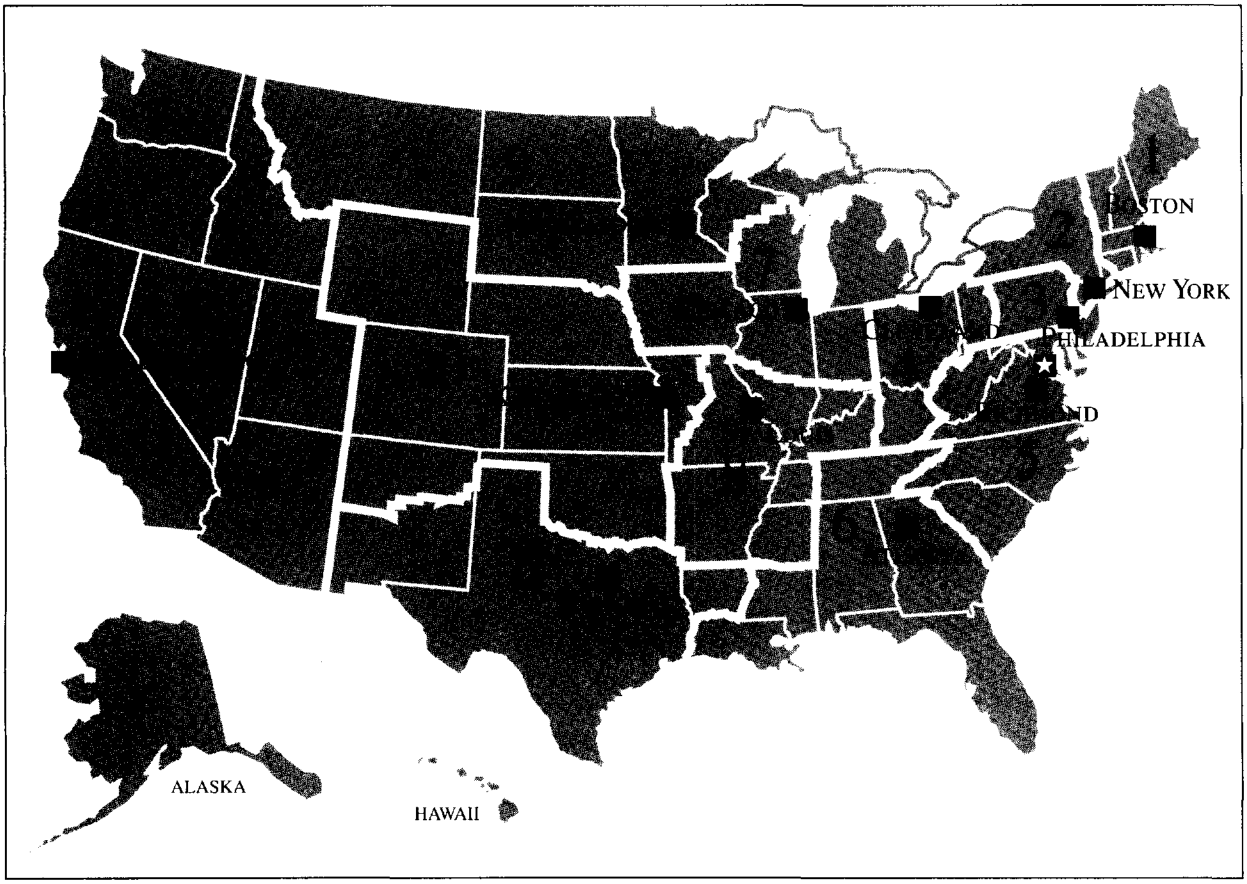
ANTICIPATED SCHEDULE OF RELEASE DATES FOR PERIODIC RELEASES OF THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM (PAYMENT MUST ACCOMPANY REQUESTS)

Release number and title	Annual USPS rate	Annual fax rate	Approximate release days[1]	Period or date to which data refer	Corresponding *Bulletin* table numbers[2]
Weekly Releases					
H.2. Actions of the Board: Applications and Reports Received	$55.00	n.a.	Friday	Week ended previous Saturday	. . .
H.3. Aggregate Reserves of Depository Institutions and the Monetary Base[3]	$20.00	n.a.	Thursday	Week ended previous Wednesday	1.20
H.4.1. Factors Affecting Reserve Balances of Depository Institutions and Condition Statement of Federal Reserve Banks[3]	$20.00	n.a.	Thursday	Week ended previous Wednesday	1.11, 1.18
H.6. Money Stock, Liquid Assets, and Debt Measures[3]	$35.00	n.a.	Thursday	Week ended Monday of previous week	1.21
H.8. Assets and Liabilities of Commercial Banks in the United States[3]	$30.00	n.a.	Friday	Week ended previous Wednesday	1.26A–E
H.10. Foreign Exchange Rates[3]	$20.00	$20.00	Monday	Week ended previous Friday	3.28
H.15. Selected Interest Rates[3]	$20.00	$20.00	Monday	Week ended previous Friday	1.35
Monthly Releases					
G.5. Foreign Exchange Rates[3]	$ 5.00	$ 5.00	First of month	Previous month	3.28
G.13. Selected Interest Rates	$ 5.00	$ 5.00	First Tuesday of month	Previous month	1.35
G.15. Research Library—Recent Acquisitions	No charge	n.a.	First of month	Previous month	. . .
G.17. Industrial Production and Capacity Utilization[3]	$15.00	n.a.	Midmonth	Previous month	2.12, 2.13
G.19. Consumer Credit[3]	$ 5.00	$ 5.00	Fifth working day of month	Second month previous	1.55, 1.56
G.20. Finance Companies	$ 5.00	n.a.	End of month	Second month previous	1.51, 1.52

Release number and title		Annual USPS rate	Annual fax rate	Approximate release days[1]	Period or date to which data refer	Corresponding *Bulletin* table numbers[2]
Quarterly Releases						
E.2.	Survey of Terms of Lending	$ 5.00	$5.00	Midmonth of March, June, September, and December	February, May, August, and November	4.23
E.7.	List of Foreign Margin Stocks	No charge	n.a.	March and September	March and September	. . .
E.11.	Geographical Distribution of Assets and Liabilities of Major Foreign Branches of U.S. Banks	$ 5.00	n.a.	15th of March, June, September, and December	Previous quarter	. . .
E.15.	Agricultural Finance Databook	$ 5.00	n.a.	End of March, June, September, and December	January, April, July, and October	. . .
E.16.	Country Exposure Lending Survey	$ 5.00	n.a.	January, April, July, and October	Previous quarter	. . .
Z.1.	Flow of Funds Accounts of the United States: Flows and Outstandings[3]	$25.00	n.a.	Second week of March, June, September, and December	Previous quarter	1.57, 1.58, 1.59, 1.60
Annual Release						
C.2.	Aggregate Summaries of Annual Surveys of Securities Credit Extension	$ 5.00	n.a.	February	End of previous June	. . .

1. Please note that for some releases there is normally a certain variability in the release date because of reporting or processing procedures. Moreover, for all series unusual circumstances may, from time to time, result in a release date being later than anticipated.
2. The data in some releases are also reported in the *Bulletin* statistical appendix.
3. These releases are also available on the Board's World Wide Web site (http://www.federalreserve.gov) under **Domestic and International Research, Statistical releases**.
n.a. Not available.

Maps of the Federal Reserve System



LEGEND

Both pages

■ Federal Reserve Bank city

⧈ Board of Governors of the Federal Reserve System, Washington, D.C.

Facing page

• Federal Reserve Branch city

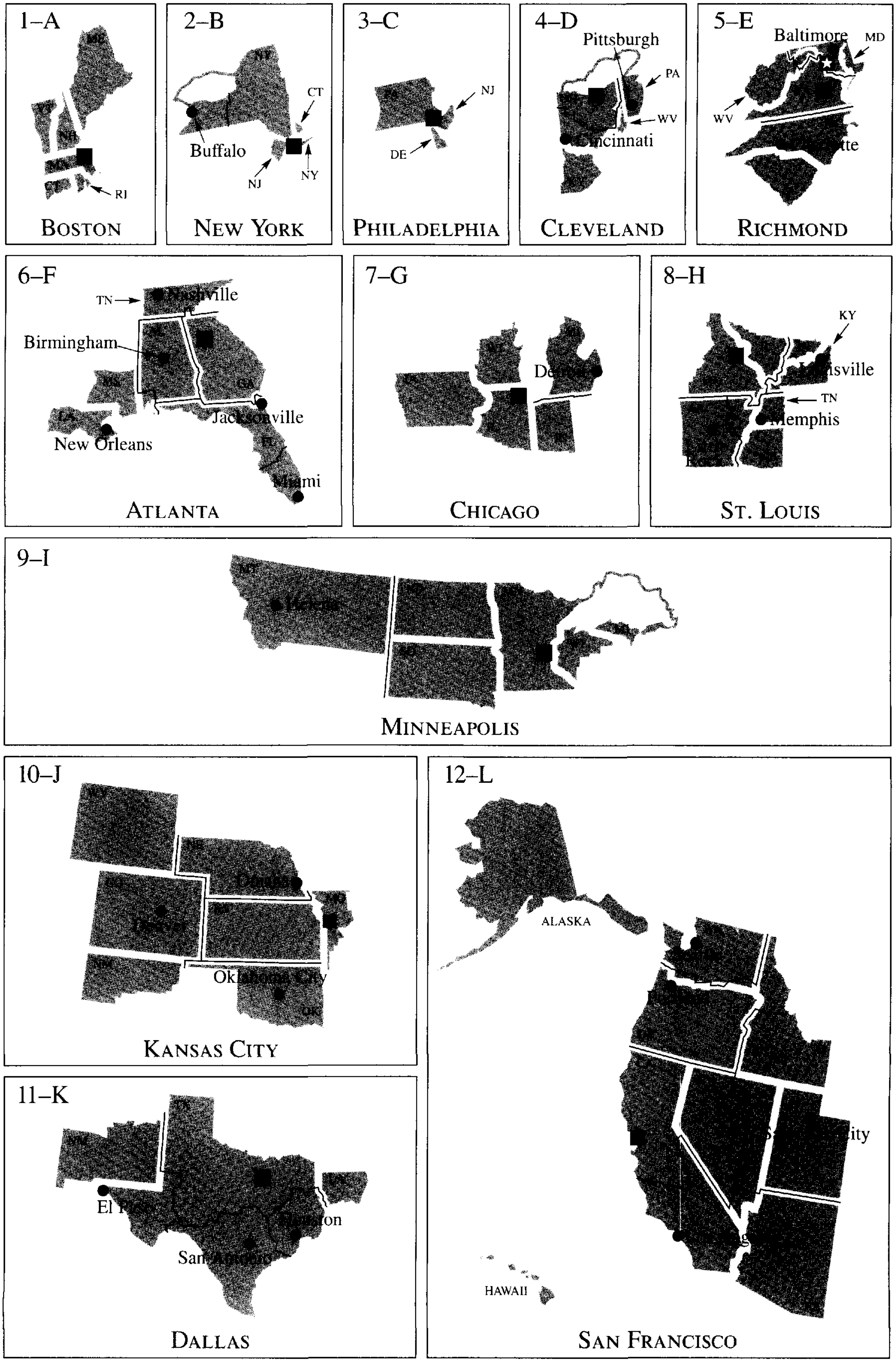
— Branch boundary

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.


1–A
RI
BOSTON
2–B
CT
Buffalo
NJ
NY
NEW YORK
3–C
NJ
DE
PHILADELPHIA
4–D
Pittsburgh
PA
WV
CLEVELAND
5–E
Baltimore
MD
WV
RICHMOND
6–F
TN
Birmingham
Jacksonville
New Orleans
ATLANTA
7–G
CHICAGO
8–H
KY
TN
Memphis
ST. LOUIS
9–I
MINNEAPOLIS
10–J
Oklahoma City
KANSAS CITY
11–K
DALLAS
12–L
ALASKA
HAWAII
SAN FRANCISCO

Federal Reserve Banks, Branches, and Offices

FEDERAL RESERVE BANK branch, or *facility*	Zip	Chairman / Deputy Chairman	President / First Vice President	Vice President in charge of branch
BOSTON*	02106	William C. Brainard William O. Taylor	Cathy E. Minehan Paul M. Connolly	
NEW YORK*	10045	John C. Whitehead Peter G. Peterson	William J. McDonough Jamie B. Stewart, Jr.	
Buffalo	14240	Bal Dixit		Carl W. Turnipseed[1]
PHILADELPHIA	19105	Joan Carter Charisse R. Lillie	Edward G. Boehne William H. Stone, Jr.	
CLEVELAND*	44101	G. Watts Humphrey, Jr. David H. Hoag	Jerry L. Jordan Sandra Pianalto	
Cincinnati	45201	George C. Juilfs		Charles A. Cerino[1]
Pittsburgh	15230	John T. Ryan, III		Robert B. Schaub
RICHMOND*	23219	Claudine B. Malone Jeremiah J. Sheehan	J. Alfred Broaddus, Jr. Walter A. Varvel	
Baltimore	21203	Daniel R. Baker		William J. Tignanelli[1]
Charlotte	28230	Joan H. Zimmerman		Dan M. Bechter[1]
ATLANTA	30303	John F. Wieland Paula Lovell	Jack Guynn Patrick K. Barron	James M. Mckee
Birmingham	35283	V. Larkin Martin		Fred R. Herr[1]
Jacksonville	32231	Marsha G. Rydberg		James D. Hawkins[1]
Miami	33152	Mark T. Sodders		James T. Curry III
Nashville	37203	N. Whitney Johns		Melvyn K. Purcell[1]
New Orleans	70161	R. Glenn Pumpelly		Robert J. Musso[1]
CHICAGO*	60690	Lester H. McKeever, Jr. Arthur C. Martinez	Michael H. Moskow William C. Conrad	
Detroit	48231	Florine Mark		David R. Allardice[1]
ST. LOUIS	63166	Susan S. Elliott Charles W. Mueller	William Poole W. LeGrande Rives	
Little Rock	72203	Diana T. Hueter		Robert A. Hopkins
Louisville	40232	Roger Reynolds		Thomas A. Boone
Memphis	38101	Mike P. Sturdivant, Jr.		Martha Perine Beard
MINNEAPOLIS	55480	David A. Koch James J. Howard	Gary H. Stern Colleen K. Strand	
Helena	59601	Thomas O. Markle		Samuel H. Gane
KANSAS CITY	64198	Jo Marie Dancik Terrence P. Dunn	Thomas M. Hoenig Richard K. Rasdall	
Denver	80217	Kathryn A. Paul		Carl M. Gambs[1]
Oklahoma City	73125	Larry W. Brummett		Kelly J. Dubbert
Omaha	68102	Gladys Styles Johnston		Steven D. Evans
DALLAS	75201	Roger R. Hemminghaus James A. Martin	Robert D. McTeer, Jr. Helen E. Holcomb	
El Paso	79999	Patricia Z. Holland-Branch		Sammie C. Clay
Houston	77252	Edward O. Gaylord		Robert Smith, III[1]
San Antonio	78295	Bartell Zachry		James L. Stull[1]
SAN FRANCISCO	94120	Gary G. Michael Nelson C. Rising	Robert T. Parry John F. Moore	
Los Angeles	90051	Lonnie Kane		Mark L. Mullinix[1]
Portland	97208	Nancy Wilgenbusch		Raymond H. Laurence[1]
Salt Lake City	84125	Barbara L. Wilson		Andrea P. Wolcott
Seattle	98124	Richard R. Sonstelie		Gordon R. G. Werkema[2]

*Additional offices of these Banks are located at Windsor Locks, Connecticut 06096; East Rutherford, New Jersey 07016; Utica at Oriskany, New York 13424; Columbus, Ohio 43216; Columbia, South Carolina 29210; Charleston, West Virginia 25311; Des Moines, Iowa 50306; Indianapolis, Indiana 46204; Milwaukee, Wisconsin 53202; and Peoria, Illinois 61607.

1. Senior Vice President.
2. Executive Vice President

Publications of Interest

FEDERAL RESERVE REGULATORY SERVICE

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.

All subscription requests must be accompanied by a check or money order payable to the Board of Governors of the Federal Reserve System. Orders should be addressed to Publications Services, mail stop 127, Board of Governors of the Federal Reserve System, Washington, DC 20551.

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.

Federal Reserve Statistical Releases Available on the Commerce Department's Economic Bulletin Board

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:

Reference Number	*Statistical release*	*Frequency of release*
H.3	Aggregate Reserves	Weekly/Thursday
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