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Interstate Banking: A Status Report

Donald T. Savage, of the Board's Division of Research and Statistics, prepared this article.

In the late 1980s, about a decade after Maine became the first state to permit some form of interstate banking, thirty states had interstate bank holding company laws in effect and another seven had enacted laws that had not yet taken effect. Fifty-one multistate bank holding companies were in operation, but only 6 percent of domestic commercial banking assets were held by banks owned by out-of-state bank holding companies.¹

The picture has changed considerably over the past several years. All states except Hawaii now have interstate bank holding company laws in effect, and several states have interstate branch banking laws. The number of multistate bank holding companies has risen to 178 (as of June 30, 1993), and the share of domestic commercial banking assets held by out-of-state organizations has increased to 21.3 percent (as of December 31, 1992).

This article reports on the status of interstate banking laws, discusses the issues involved in the choice between interstate bank holding companies and interstate branch banking as alternative means of geographic expansion, provides some data on interstate banking organizations, and reviews the effect of interstate banking on bank concentration.

HISTORICAL BACKGROUND

Before 1956, federal laws and regulations did not prohibit bank holding companies from owning subsidiary banks in more than one state, although both federal and state laws did prohibit banks from establishing branches across state lines. Despite the lack of statutory barriers to the expansion of bank

holding companies across state lines, only nineteen multistate bank holding companies were operating in 1956.

The Bank Holding Company Act of 1956 introduced barriers to the interstate expansion of bank holding companies. The Douglas Amendment to the bill, introduced in floor debate, prohibits a holding company from acquiring a bank outside its home state unless the acquisition is specifically permitted by the statutes of the home state of the bank to be acquired. In 1956, no state had a statute permitting bank acquisitions by out-of-state bank holding companies; therefore, no new multistate organizations could be formed.

Although it effectively prohibited new interstate banking organizations, the Bank Holding Company Act of 1956 did provide grandfather rights for the nineteen existing multistate companies. Most of the grandfathered companies were quite small; the four largest together held 86 percent of the total deposits of the nineteen.

The 1956 act regulated only holding companies that owned more than one bank. The smaller multibank, multistate companies chose to reorganize and give up their grandfathered rights to operate in more than one state so as to avoid the new federal regulations being applied to multibank holding companies. Over time, the number of grandfathered multistate bank holding companies decreased to seven.

The states' option to allow bank acquisitions by out-of-state holding companies, provided by the Douglas Amendment, went unused until 1975. In that year, a general revision of the Maine state banking code made it possible for out-of-state bank holding companies, beginning in 1978, to acquire Maine banks. The Maine legislation was motivated in large measure by a desire to attract new investment capital to the state. The law initially required reciprocity: Bank holding companies headquartered in another state, Massachusetts, for example, could acquire Maine banks only if bank holding companies headquartered in Maine were allowed

1. The early stages of interstate banking were described in Donald T. Savage, "Interstate Banking Developments," *Federal Reserve Bulletin*, vol. 73 (February 1987), pp. 79-92.

to acquire Massachusetts banks. Because of this reciprocity requirement, no acquisitions of Maine banks were possible until another state enacted a statute allowing the acquisition of its banks by Maine bank holding companies.

Other interstate banking statutes began appearing in the early 1980s, with Alaska, Massachusetts, and New York passing laws that became effective in 1982. Since then, all the remaining states except Hawaii have enacted some form of interstate bank holding company law.

Despite congressional consideration of various changes in federal laws, the movement to interstate bank holding companies has largely been a product of state action. However, after several unsuccessful attempts to pass such legislation, the Garn-St Germain Depository Institutions Act of 1982 amended the Bank Holding Company Act of 1956 to allow for the interstate acquisition of large failed banks, regardless of state laws. This provision had been sought, especially by the federal bank regulatory agencies, for many years. Its purpose was not to promote interstate banking, but rather to increase the number of firms that would be eligible to acquire a large failed bank. In many states, the argument went, there would be few potential buyers if one of the state's largest banks were to fail; expanding the number of potential purchasers would, supporters contended, lower the cost of resolving the failure.

In February 1991, the U.S. Department of the Treasury, as required by the Financial Institutions Reform, Recovery and Enforcement Act of 1989, produced a report to the Congress on reforming and strengthening the banking system. The report, *Modernizing the Financial System: Recommendations for Safer, More Competitive Banks*, recommended that three years after enactment of enabling legislation, bank holding companies be allowed to acquire banks in all states, regardless of state laws. Further, the report recommended that national banks immediately be allowed to branch into those states in which their parent holding company could acquire a bank. The report also recommended that state banks be given any necessary federal permission to branch across state lines, and that the states retain control over branching within states. Although many of the other proposals made in the report were included in the Federal Deposit Insurance Corporation Improvement Act

of 1991, that act contained no provisions for the deregulation of geographic expansion by banks and bank holding companies.

Although the Congress has not made any major changes in the federal statutes regarding branching or bank holding company expansion since 1956, the issue continues to be under active consideration. John P. LaWare, member of the Board of Governors of the Federal Reserve System, has in recent months presented the Board's views on various aspects of several interstate banking bills before committees of both the U.S. Senate and the U.S. House of Representatives.²

THE INTERSTATE BANK HOLDING COMPANY LAWS

The interstate bank holding company laws enacted by the states and the District of Columbia since 1975 differ in several respects. The states' reasons for passing the laws also vary.

The Forces of Change

Why did so many states decide to permit entry by out-of-state bank holding companies, especially considering that some of them still restricted in-state branching and bank holding company expansion? The events leading to passage of the legislation in each state probably were unique to that state. Several factors that may have played a role in changing the opinions of bankers and state legislators are identified below, but undoubtedly the list is not exhaustive.

- In some states, legislators believed that interstate banking would lead to an inflow of investment capital.
- Large banks in major financial centers wanted to expand geographically, but the states they wanted to expand into required reciprocity; the

2. Statements before the Subcommittee on Financial Institutions Supervision, Regulation and Deposit Insurance of the Committee on Banking, Finance and Urban Affairs, U.S. House of Representatives, June 22, 1993, *Federal Reserve Bulletin*, vol. 79 (August 1993), pp. 772-77; and before the Committee on Banking, Housing and Urban Affairs, U.S. Senate, October 5, 1993, appearing on pp. 1093-97 of this issue.

changes in their home state laws accommodated the wishes of the large banks. Elsewhere, the views of large banks, which traditionally favored geographic expansion, came to outweigh the views of smaller banks, which traditionally opposed expansion.

- Many bankers, especially at medium-sized, regional banks, believed that their banks could survive and attain competitive operating cost levels only by growing larger. Wanting to enhance their banks' ability to compete, some states decided to allow interstate banking.

- Interstate activity allows expansion into markets that may be considered more attractive than markets within a bank's home state. Funds may be less expensive than in the home state, or the investment opportunities may promise higher yields at lower risk or offer portfolio diversification. Many banks wanted the right to explore these opportunities.

- Many banks wanted to be able to establish offices throughout a market area made up of parts of two or more states. Some wanted to follow their customers to suburbs in adjacent states or to their homes in popular retirement states.

- Some banking organizations may have argued for interstate banking because they expected to be acquired. For a bank that expects to be acquired in a consolidation of the industry, there is an advantage to increasing the number of potential purchasers.

- In some states, imitation and "level playing field" effects played a role as bankers argued that to be competitive with banks in neighboring states, they too had to have interstate banking rights.

- The views of some opponents of change were countered by the argument that large out-of-state companies would not enter the smaller local banking markets served by many of the small banks, but instead would be competitors for the state's large banks. In addition, some smaller banks thought the out-of-state bankers would not know the local market and would not be able to compete as effectively as the banks that were being acquired.

- Everyone in the industry increasingly recognized that interstate banking was occurring despite laws prohibiting it. The proliferation of loan production offices, nonbank subsidiaries of bank holding companies, nonbank banks, and interstate thrift

institutions, the widespread use of credit cards, and the provision of financial services by nonfinancial firms not subject to geographic limitations all made the traditional restrictions on the geographic expansion of banks more difficult to explain and justify. If so many financial services could be provided across state lines by these various means, why shouldn't deposit-taking institutions be allowed to expand as well?

- Finally, many in the industry came to believe that interstate banking was inevitable, and that the banks in their states should be permitted to participate in the evolution to a new financial structure, lest they be left behind.

Characteristics of the Laws

Provisions of the interstate banking laws of forty-nine states and the District of Columbia are listed in table 1. Thirty-four states now allow acquisition of banks in their state by holding companies headquartered in any other state. Many of these thirty-four states at first allowed acquisition by holding companies headquartered in only a limited number of states; later, either on a predetermined "trigger" date or by subsequent legislation, they began to allow entry from all other states.

Twenty-one of the thirty-four states that allow entry from all other states require reciprocal entry rights for bank holding companies headquartered in their state. For example, New York has a nationwide reciprocal interstate banking law; a bank holding company headquartered in any other state can acquire banks in New York if its home state allows acquisition of that state's banks by New York bank holding companies. Because not all states allow entry by New York holding companies, not all holding companies can enter New York. The thirteen states whose interstate banking laws do not require reciprocity can be entered by bank holding companies headquartered in any other state, regardless of the law of the home state of the entering holding company.

Fifteen states and the District of Columbia allow entry only by bank holding companies headquartered in selected states within a region. Currently defined regions range from areas as small as the six adjacent states to areas as large as sixteen states and the District of Columbia. All the states that

1. State legislation on interstate bank holding companies, November 1, 1993¹

State	Area covered and reciprocity requirement	State	Area covered and reciprocity requirement
Alabama	Reciprocal, 13 states (AR, FL, GA, KY, LA, MD, MS, NC, SC, TN, TX, VA, WV) and DC	Missouri	Reciprocal, 8 states (AR, IA, IL, KS, KY, NE, OK, TN)
Alaska	National, no reciprocity	Montana	Reciprocal, 7 states (CO, ID, MN, ND, SD, WI, WY)
Arizona	National, no reciprocity	Nebraska	National, reciprocal
Arkansas	Reciprocal, 16 states (AL, FL, GA, KS, LA, MD, MO, MS, NC, NE, OK, SC, TN, TX, VA, WV) and DC	Nevada	National, no reciprocity
California	National, reciprocal	New Hampshire	National, no reciprocity
Colorado	National, no reciprocity	New Jersey	National, reciprocal
Connecticut	National, reciprocal	New Mexico	National, no reciprocity
Delaware	National, reciprocal	New York	National, reciprocal
District of Columbia	Reciprocal, 11 states (AL, FL, GA, LA, MD, MS, NC, SC, TN, VA, WV)	North Carolina ²	Reciprocal, 13 states (AL, AR, FL, GA, KY, LA, MD, MS, SC, TN, TX, VA, WV) and DC
Florida	Reciprocal, 11 states (AL, AR, GA, LA, MD, MS, NC, SC, TN, VA, WV) and DC	North Dakota	National, reciprocal
Georgia	Reciprocal, 10 states (AL, FL, KY, LA, MD, MS, NC, SC, TN, VA) and DC	Ohio	National, reciprocal
Idaho	National, no reciprocity	Oklahoma	National, no reciprocity for initial entry; after initial entry, bank holding company must be from state offering reciprocity or wait 4 years to expand
Illinois	National, reciprocal	Oregon	National, no reciprocity
Indiana	National, reciprocal	Pennsylvania	National, reciprocal
Iowa	Reciprocal, 6 states (IL, MN, MO, NE, SD, WI)	Rhode Island	National, reciprocal
Kansas	Reciprocal, 6 states (AR, CO, IA, MO, NE, OK)	South Carolina	Reciprocal, 12 states (AL, AR, FL, GA, KY, LA, MD, MS, NC, TN, VA, WV) and DC
Kentucky	National, reciprocal	South Dakota	National, reciprocal
Louisiana	National, reciprocal	Tennessee	National, reciprocal
Maine	National, no reciprocity	Texas	National, no reciprocity
Maryland	Reciprocal, 14 states (AL, AR, DE, FL, GA, KY, LA, MS, NC, PA, SC, TN, VA, WV) and DC	Utah	National, no reciprocity
Massachusetts	National, reciprocal	Vermont	National, reciprocal
Michigan	National, reciprocal	Virginia	Reciprocal, 12 states (AL, AR, FL, GA, KY, LA, MD, MS, NC, SC, TN, WV) and DC
Minnesota	Reciprocal, 16 states (CO, IA, ID, IL, IN, KS, MI, MO, MT, ND, NE, OH, SD, WA, WI, WY)	Washington	National, reciprocal
Mississippi	Reciprocal, 13 states (AL, AR, FL, GA, KY, LA, MO, NC, SC, TN, TX, VA, WV)	West Virginia	National, reciprocal
		Wisconsin	Reciprocal, 8 states (IA, IL, IN, KY, MI, MN, MO, OH)
		Wyoming	National, no reciprocity

1. Not listed in the table is Hawaii, which has not enacted interstate bank holding company legislation.

2. On July 1, 1996, will become national, reciprocal.

SOURCE: Financial Structure Section, Division of Research and Statistics, Board of Governors of the Federal Reserve System.

allow entry only by bank holding companies headquartered in a limited region require reciprocity for their bank holding companies.

Although regions such as New England and the southeast were initially thought of as interstate compact areas, states in these regions did not develop formal compacts or treaties among themselves. Instead, each state defined its region as it thought best. Today, only states in the southeast are a somewhat cohesive unit, generally allowing entry from the other states in the region and generally excluding entry from states outside the region.

Even within the southeast, however, the states differ in their definition of "region." For example, some of the states include Texas and Arkansas in their region, but others do not. Also, some states permit a holding company headquartered in their region to enter only if a certain high percentage of the holding company's deposits (in most cases, 80 percent) are in banks in states in the region. With such a restriction, a state is able to prevent entry by bank holding companies that are head-

quartered in its region but have more than a minor part of their operations in states outside the region.

As the states have crafted their legislation, they have placed a variety of other conditions on interstate banking activity.

- Many states restrict de novo entry. Out-of-state bank holding companies may not enter these states by forming a new bank, but must acquire a bank that has been in existence for a certain period, typically between three and six years. Although few large bank holding companies have chosen to enter new markets within their home state by forming a de novo bank, a desire to protect the franchise value of existing bank charters has prompted many states to erect barriers to the formation of new banks by out-of-state holding companies.

- Eighteen states place a cap on the share of state deposits that may be controlled by any single banking organization (in most states, the cap applies to in-state as well as out-of-state organizations). These restrictions were prompted by the

arguments of many opponents of interstate banking that the entering out-of-state bank holding company would have major operating advantages over local banking organizations or would use unfair tactics to acquire an overwhelming share of the state's deposits.

The cap on the share of state deposits that may be held by any one organization ranges from as low as 10 percent in Iowa to as high as 30 percent in Minnesota. The base against which the cap is measured also differs among states: In some states the cap is stated as a percentage of deposits at banks, but in other states the base includes deposits at thrift institutions and credit unions as well as banks.

- Some states promote specific forms of economic activity. For example, Delaware encourages holding companies from other states to establish banks in that state for the purpose of issuing credit cards and processing credit card transactions. Many of these special-purpose banks concentrate on their defined purpose and do not compete generally with local banks.

- A few states allow individual banks to "opt out" of the interstate banking provisions, making them ineligible for acquisition by an out-of-state organization. In some cases, banks choosing to avoid acquisition in this way are themselves not allowed to acquire banks in other states.

- Some states differentiate between out-of-state bank holding companies and foreign banking organizations. Foreign ownership of a full-service, state-chartered commercial bank is prohibited in a number of states. Other states require that a certain percentage of the directors of a bank must be citizens of the United States or impose requirements on foreign banks that are not applied to banks chartered in the United States.

Although not all states allow nationwide entry yet, the laws have become more permissive over time. As more states allow entry from all states, bank holding company expansion opportunities increase. Treating each pair of states (and the District of Columbia) as a combination results in 2,550 possible two-state combinations (for example, Alabama entry into Alaska is one combination, and Alaska entry into Alabama is a second). At this time, entry is permitted in 1,570 (62 percent) of the 2,550 possible instances. The percentage would increase significantly if the states in the southeast

region were to allow nationwide entry. In mid-1993, North Carolina established a mid-1996 date for allowing nationwide entry; whether this change will lead to similar action by other southeastern states and to a breaking down of the regional system is uncertain.

THE INTERSTATE BRANCHING LAWS

The likely final step in the geographic expansion of banking will be interstate branch banking. Historically, both the federal government and the states have prohibited interstate branch banking. However, eight states have enacted laws that permit some degree of interstate branching for state non-member banks (state-chartered banks that are not members of the Federal Reserve System) (table 2). The main reason the interstate branching laws have been enacted is a belief among bankers that interstate branch banks could provide bank services at a lower cost than interstate bank holding companies.

The process of deregulating interstate branch banking will be different from that for interstate bank holding companies. The Douglas Amendment provided the states with the means of controlling the expansion of interstate bank holding companies. However, the states do not have such wide authority to control interstate expansion via branch banking. The states can permit interstate branching only by state-chartered banks that are not members of the Federal Reserve System. The McFadden Act of 1927 as amended, which sets the branching laws for national banks and for state-chartered banks that are members of the Federal Reserve System, prohibits these banks from branching outside their home state.

2. State legislation on interstate branch banking, November 1, 1993

State	Effective date	Area covered and reciprocity requirement
Alaska	January 1, 1994	National, reciprocal
Massachusetts	Currently	National, reciprocal
Nevada	Currently	Permitted in counties with population less than 100,000
New York	Currently	National, reciprocal
North Carolina	Currently	National, reciprocal
Oregon	November 4, 1993	National, reciprocal
Rhode Island	Currently	National, reciprocal
Utah	Currently	National, no reciprocity

If branching across state lines is to grow substantially, federal legislation granting interstate branching powers to national banks and state-chartered Federal Reserve System member banks will be necessary. These banks typically are larger, and have more branch offices, than state nonmember banks. At the end of 1992, 3,555 national banks and 1,001 state member banks were in operation; the average national bank had \$507.7 million in domestic banking assets and 7.9 branches, and the average state member bank had \$509.0 million in domestic banking assets and 7.5 branches. In contrast, the averages for the 6,873 insured state nonmember banks were \$120.6 million in domestic banking assets and 2.7 branches. Because the nation's larger banks, which have a greater propensity to branch, are not state nonmember banks, interstate branch banking is likely to be limited until the McFadden Act is further amended or repealed—unless banking organizations are willing to give up their national charter or Federal Reserve System membership.

A change in the McFadden Act could take one of two courses. Under one approach, national banks could be allowed to branch nationwide. Removal of the McFadden Act's restrictions on national bank branching would provide uniform branching rights for all national banks, regardless of their home state; state member banks would remain subject to the interstate branching restrictions imposed by their home state. If national banks were permitted to branch across state lines, the states likely would be pressured to provide equal opportunities for state-chartered banks, and this pressure would almost surely result eventually in changes in state laws.

Alternatively, a change in the McFadden Act could leave control over branching with the states, as the Douglas Amendment left to the states the decision about bank holding companies. This option would follow the dual banking system's approach to regulating branching within states. National and state-chartered member banks would be allowed to branch interstate to the same extent that their home state allowed state nonmember banks to branch, just as national and state member banks are currently allowed to branch within a state to the same extent that state-chartered nonmember banks are allowed to branch within that state.

INTERSTATE EXPANSION: WHICH APPROACH IS BEST?

Most of the benefits of interstate banking will be achieved regardless of whether holding company expansion across state lines or interstate branching is ultimately the main vehicle for interstate expansion. Either way, interstate banking will increase customer convenience and will enable banking organizations to diversify their loan portfolios over a wide geographic area. The removal of barriers to entry into new banking markets will also help promote and protect competition; the knowledge that any other bank in the nation can, if it chooses, enter its market area should serve as a significant deterrent to anticompetitive practices on the part of an existing bank.

The means by which these gains are to be achieved have been discussed extensively. Many observers believe that holding companies that own more than one bank, whether within one state or in multiple states, are merely a product of restrictions on branch banking. By this line of thought, interstate bank holding companies serve only as a transition between a system that limits interstate banking and a full nationwide branch banking system. Other observers believe that multibank holding companies offer advantages and argue that such companies would continue to exist even if full interstate branch banking were permitted. Several issues have emerged in the debate about the best way to achieve interstate banking.

Customer Service

The original issue in the discussion of the relative merits of the two forms of interstate banking is that of customer convenience. Although two banks may be owned by the same holding company, they are not "branches" of each other, and there are limits on the services that one bank can provide to the customers of the other. For example, a customer moving from one state to another would most likely need to move his or her account to the subsidiary bank located in the new state of residence. Interstate branch banking would eliminate that need; the customer would be able to obtain services at any branch office of the bank. Opponents of branching, whether within one state or

across state lines, note that in this case only branch office services would be available, instead of the full line of services typically provided at the main office of a bank.

The ability to provide customers with easy access to cash from their account while they are away from home was once a major argument for allowing branching. This pressure for geographic deregulation has been alleviated by the spread of automated teller machine (ATM) networks that can connect a consumer with his or her bank account from machines all over the nation, and in a growing number of foreign countries as well. Most likely, no one bank would ever be able to provide a branch office network comparable in size or coverage to the major ATM networks. The development of ATM networks has also reduced the magnitude of one of the claimed advantages of banks that have many branches; through ATM networks, a small bank can provide customers with access to funds over just as wide an area as can a large bank that has many branches.

Cost of Operation

Cost is a second issue in the debate about the best approach to geographic expansion. Proponents of interstate branching argue that it is much less expensive to operate branches than to maintain a large number of separately incorporated subsidiary banks. Branching should offer savings on administrative costs because only one bank must be examined and one set of regulatory reports filed, and because the bank has only one board of directors and one set of officers. Although a bank holding company can centralize some operating functions—such as personnel management and training, data processing, and advertising—in the parent organization, each bank is a separate legal entity, and some functions must be performed at each subsidiary.

Research findings raise questions about the claim that the operating costs of branch banking organizations are indeed lower than those of multibank holding companies. If one form of organization were substantially less costly than an alternative form, the difference would be reflected in profitability and long-run survival; the bank organized in the less efficient manner would not be able to

compete. The fact that, within states, some banks choose the branching format while others choose the multibank holding company format suggests that there may be little cost difference between the two approaches.

Even if there are cost differences between the two formats, there may also be offsetting revenue differences. The multibank format, though requiring separate boards of directors for each bank owned by the holding company, may give the banking organization greater identification with the local market; each bank is essentially a local bank rather than a branch of an out-of-town bank. Likewise, although multiple boards of directors must be paid, the separate board may increase the bank's income by bringing in new loan customers, and may lower the bank's costs by providing information on the local market that reduces loan losses.

Although questions concerning the least costly means of providing interstate banking services are interesting to researchers, different banking organizations may find different organizational structures more efficient. Some organizations might choose to have one bank with numerous branch offices in many states. Others might choose to be multibank holding companies having perhaps one bank in each state and branches radiating from that bank. If one form of organization were vastly superior to others, the market would lead all banking organizations to adopt that structure. More likely, however, cost differences are not significant across forms of organization, and banks should be free to find the structure that leads to the achievement of their organizational goals. In the long run, a variety of organizational structures probably would coexist.

Effect on Small Banks

A third issue in the debate over interstate branch banking versus interstate bank holding companies is their potentially different impact on small banks. Some small banks believe that requiring a new organization to enter a community by opening a full-service bank, rather than a branch, would reduce the likelihood that the new organization would be able to lower prices, cut services, and drive out the small bank. However, this point of view is undercut by the demonstrated ability of many small banks to compete with large banks

within their home state. Out-of-state banking organizations should pose no new problems. In addition, small banks typically earn a rate of return on assets as high as, or higher than, that earned by large banks, and there is no evidence that they are any less competitive when they are competing with a branch office than when they are competing with a full-service bank.

Service to the Local Community

Another issue in the debate is service to the local community and the measurement of that service. Community groups often argue that large banks from outside the area drain funds from the local community, collecting deposits but not extending loans to local businesses and consumers. To an extent, service to the local community is easier to measure in the context of interstate bank holding companies. Banks report on deposits held by individual branch offices once a year, but they are not required to report loans originated on a branch office basis. For that reason, monitoring of lending at the local level (absent additional reporting requirements) would be more difficult with branch banking. In contrast, each bank owned by a holding company must report quarterly on both its deposits and its loans.

Funds flow into and out of communities according to the forces of supply and demand. Measuring the flow is difficult because bank loans and investments can be local or nonlocal. For example, a bank invests in its local community when it makes loans to local businesses and consumers, but it invests local deposits outside the market when it purchases government securities or sells federal funds.

Although the Community Reinvestment Act requires banks to serve their community or communities, the market also plays a major role in this cause. A bank or branch that does not serve its community is likely to face competition from one that provides better service. So long as new banking organizations are allowed to enter the market and the costs of entry are low, the failure of existing banks to make worthwhile loans and to provide other needed services to the community should attract new banking institutions into the market.

New entry occurs via acquisition of an existing bank, formation of a new branch, or the chartering

of a new bank. Since 1979, more than 3,500 new banks have been chartered, though more than 5,000 existing banks have been absorbed by mergers; in addition, more than 24,000 new branches have been opened, while 10,500 existing branches have been closed. These numbers suggest that the industry does respond to the needs of markets. If, as is likely the case, entry via the opening of a new branch is less costly than entry via the chartering of a new bank, the achievement of community reinvestment objectives may be accomplished more easily by lowering restrictions on branching.

The Dual Banking System

Finally, the debate about the best way to achieve interstate banking has implications for the preservation of the dual banking system. Many observers believe that a bank with branches in more than one state would be chartered as a national bank. If that were the case, all the bank's branches would be regulated by the federal authority, the Comptroller of the Currency. If, on the other hand, a bank with branches in more than one state were to be state-chartered, it would be subject to regulation by each of the states in which it had a branch. Although the banking authorities of the various states could make agreements as to how such an organization would be examined and which state's regulations would prevail, many issues would have to be resolved. An individual bank, having a choice of regulators, might find it less costly to deal with the national bank regulators.

Although banks planning multistate branch networks might find it more efficient to be regulated as national banks, the rate of formation of interstate banks thus far suggests that relatively few large multistate organizations will be formed. Because of the apparent lack of significant scale economies, as evidenced by direct studies of the subject as well as the observed profitability of small banks, thousands of banks will probably survive into the future. Some of these institutions will likely choose to be state-regulated banks, and the dual banking system will continue.

In summary, several important issues will be debated as policymakers continue to discuss potential changes in the geographic regulation of bank-

ing. The resolution of these issues will determine the structure of the banking system of the future. Regardless of the method of geographic expansion, however, the current large number of financial institutions and the evidence suggesting that smaller institutions are surviving seem to ensure that the U.S. banking system will continue to be characterized by a large number of financial institutions.

THE INTERSTATE BANKING ORGANIZATIONS

This section turns from the issues involved in a geographic restructuring of the banking system to an examination of progress in the development of interstate banking.

Interstate Branch Banking

The few state laws permitting interstate branch banking have not yet been widely utilized. As of June 30, 1992, 146 branches were being operated across the borders of states, territories, or possessions, according to the Summary of Deposits, an annual survey conducted by the Federal Deposit Insurance Corporation (FDIC) that reports the amount of deposits each bank has at each of its offices. These 146 branches represent only a tiny fraction of the more than 56,000 branch offices operated by commercial and savings banks insured by the FDIC. Most of the 146 were branches of U.S. banks headquartered in the United States but operating branches in territories and possessions of the United States (for example, a branch on Guam of a bank headquartered in California). Others were U.S. branches of banks headquartered in a U.S. territory or possession (for example, a New York branch of a Puerto Rican bank).

Only 43 of the 146 branches were operating across state lines. These branches exist as a result of a variety of historical exceptions to the general prohibitions: Some were grandfathered from earlier periods, some were permitted as a means of resolving a bank failure or potential failure, and some are branches of banks serving more than one military installation.

Interstate Bank Holding Companies

Beyond the few interstate branches, the remaining interstate banking activity is conducted through multistate bank holding companies. As of June 30, 1993, 170 U.S. bank holding companies and 8 foreign bank holding companies owned banks in more than one state. These 178 companies represent only 3.2 percent of the 5,509 bank holding companies currently active in the United States. Although many of these companies are major banking organizations, as suggested by their average holdings of U.S. deposits of just over \$8 billion, 71 of the 178 companies have domestic deposits of less than \$1 billion.

Many of the multistate bank holding companies—111 of the 178—have subsidiary banks in only two states, their home state and one other state. Another 45 have banks in three or four states, and 17 have subsidiaries in five to nine states. Only 5 holding companies have subsidiary banks in ten or more states, and 2 of these 5 were among the grandfathered interstate bank holding companies that had acquired some of their out-of-state subsidiary banks before the Bank Holding Company Act of 1956. Clearly, only a few banking organizations have used the state interstate banking laws to make significant progress toward becoming truly nationwide banks.

EXTENT OF INTERSTATE BANKING

Although the share of deposits held by out-of-state bank holding companies nationwide has grown in recent years, the record differs from state to state. In some states, interstate banking activity is still insignificant, but in others, nearly all deposits are held by banks that are owned by out-of-state holding companies.

Share at the National Level

The share of domestic commercial banking assets controlled by interstate bank holding companies has expanded substantially over time, though not as rapidly as many observers, particularly the opponents of change, had expected. In February 1987, 6 percent of domestic banking assets were held by

banks controlled by out-of-state bank holding companies, compared with 21.3 percent at the end of 1992. Looking at a different measure of activity, at the end of June 1993, 22.8 percent of domestic banking deposits were held by insured commercial banks that were subsidiaries of out-of-state bank holding companies.

The slower-than-expected increase in interstate banking activity may be due to several factors. The financial problems encountered by some of the nation's largest banks during the period when many states were enacting their interstate bank holding company laws provide one explanation. Many of the holding companies that had been expected to expand rapidly did not have the resources to grow at the anticipated rate. Therefore, as the condition of the banking system continues to improve, additional interstate expansion can be expected.

Research on the post-acquisition performance of bank holding companies provides another possible explanation for the slower-than-expected growth in interstate banking. Although some holding companies have been able to make numerous large acquisitions, integrate the new banks into their organizations, and in the process increase their profit rate, studies of hundreds of mergers within and across state boundaries suggest that, on average, mergers do not increase the profitability or efficiency of the combined firm. As noted earlier, studies have not found the economies of scale that would require firms to become very large in order to be competitive and profitable. Thus, smaller banks are not under great pressure to be acquired; the vast majority can remain independent and still be profitable.

The slow growth of interstate banking may also be explained by the fact that most acquisitions must be negotiated. Only a relatively few bank holding companies have publicly traded stock that could be acquired in a hostile takeover. Therefore, if the target firm does not want to be acquired, or is not willing to accept the per share price offered by the acquiring firm, the takeover attempt is usually unsuccessful.

Share at the State Level

State-by-state data reveal large differences among states in the percentage of domestic banking deposits held by insured commercial banks that are sub-

3. Share of domestic banking deposits held by insured commercial banks owned by out-of-state bank holding companies, by state, June 30, 1993¹
- Percent

State	Share
Alabama	3.19
Alaska	23.55
Arizona	89.69
Arkansas	1.99
California	1.10
Colorado	56.89
Connecticut	49.40
Delaware	37.96
District of Columbia	58.70
Florida	50.04
Georgia	42.19
Hawaii	8.42
Idaho	56.67
Illinois	15.31
Indiana	53.42
Iowa	23.16
Kansas	10.15
Kentucky	35.44
Louisiana	5.34
Maine	78.15
Maryland	24.60
Massachusetts	29.81
Michigan	3.58
Minnesota	3.15
Mississippi	2.18
Missouri	1.18
Montana	31.14
Nebraska	10.15
Nevada	89.41
New Hampshire	23.43
New Jersey	21.12
New Mexico	32.93
New York	6.46
North Carolina	2.25
North Dakota	30.66
Ohio	3.36
Oklahoma	12.69
Oregon	48.23
Pennsylvania	10.66
Rhode Island	26.85
South Carolina	64.15
South Dakota	52.96
Tennessee	29.46
Texas	53.01
Utah	27.45
Vermont	4.40
Virginia	39.73
Washington	81.19
West Virginia	26.97
Wisconsin	16.66
Wyoming	53.58
National average	22.81

1. Based on Reports of Condition and Income for June 30, 1993, but covers acquisitions approved and reported in the *Federal Reserve Bulletin* through September 1993. Excludes data for foreign banks, except foreign-owned bank holding companies that have bank subsidiaries in two or more states; also excludes special-purpose banks, nonbank banks, and nondeposit trust companies.

sidaries of out-of-state bank holding companies. In four states, more than 75 percent of domestic bank-

ing deposits are held by banks owned by out-of-state holding companies (table 3). In nine states, 50 percent to 75 percent of deposits are under out-of-state ownership; in twenty-five states, 10 percent to 50 percent; and in the remaining thirteen states, less than 10 percent.

The states in which banks owned by out-of-state holding companies hold more than 75 percent of domestic banking deposits are Arizona, Maine, Nevada, and Washington. Before they allowed interstate banking, these four states had relatively few banking organizations and relatively few large banking organizations, and a relatively high percentage of deposits were held by the largest banks. Thus, only a few acquisitions by out-of-state firms were required to bring more than 75 percent of banking deposits under out-of-state control.

Bank failures are another important factor explaining levels of out-of-state ownership. In a few states, most notably Texas, the relatively high percentage of deposits held by out-of-state holding companies (53 percent) is due in large part to the failure of one or more major banking organizations in the state and their subsequent acquisition by out-of-state holding companies.

Several possible explanations can be offered for the low percentages of out-of-state control of deposits in some states. Some states may be viewed as not particularly attractive for entry because of their low income levels or low rates of economic growth. Other states, such as New York, are home to many very large banks; few out-of-state entrants would be able to acquire one of these large banks and gain a large share of the state's deposits. Finally, in some of the states the largest banks hold relatively small shares of total deposits; several of the largest banks in those states could be acquired without transferring a large percentage of total deposits in the states to out-of-state firms.

Thirty-nine states (including the District of Columbia) are home to at least one banking organization that has acquired an out-of-state subsidiary (table 4). In most of these states, the ratio of out-of-state deposits to total deposits held by the state's multistate bank holding companies is not particularly high. In a few states, such as Minnesota, North Carolina, Georgia, Rhode Island, and Ohio, the state's multistate banking organizations obtain a large share of their total deposits through their out-of-state subsidiaries.

4. Multistate bank holding companies, by state, June 30, 1993

State	Number	Total domestic deposits (billions of dollars)	Share of total domestic deposits held by out-of-state subsidiary banks (percent)
Alabama	5	30.72	26.85
Arkansas	4	4.99	20.84
California	5	183.75	35.01
Connecticut	1	15.58	46.98
District of Columbia ...	1	3.67	13.35
Florida	2	32.35	3.49
Georgia	7	38.66	60.87
Hawaii	1	4.87	1.64
Idaho	1	5.37	48.79
Illinois	14	58.43	13.18
Indiana	5	6.22	24.60
Iowa	3	.67	22.42
Kansas	5	6.22	20.28
Kentucky	3	3.92	8.52
Maryland	7	24.52	16.64
Massachusetts	3	29.20	19.32
Michigan	6	80.65	29.65
Minnesota	8	51.07	55.00
Mississippi	4	9.55	21.99
Missouri	11	47.40	33.38
Nebraska	8	3.81	12.31
New Jersey	7	52.88	29.80
New Mexico	2	3.35	43.02
New York	11	243.25	23.70
North Carolina	7	166.40	74.23
North Dakota	1	1.05	68.57
Ohio	10	126.09	48.97
Oklahoma	1	.18	27.78
Oregon	1	15.10	48.54
Pennsylvania	7	78.95	18.07
Rhode Island	1	31.41	83.06
South Carolina	1	.38	65.79
South Dakota	1	.23	13.04
Tennessee	5	11.84	8.07
Utah	2	8.37	32.38
Virginia	4	24.84	22.95
Washington	2	1.11	10.81
West Virginia	5	2.70	10.44
Wisconsin	6	19.73	23.18

SOURCES. Reports of Condition and Income, June 30, 1993, and NIC (the Federal Reserve's National Information Center for Systemwide Structure and Financial Information).

INTERSTATE BANKING AND DEPOSIT CONCENTRATION

Critics of the concept of interstate banking have argued that the removal of traditional barriers to nationwide banking would result in a more concentrated banking system. Over time, they have maintained, the number of banks would decline and the remaining banks would control an increasingly large share of total banking system deposits. In this more concentrated system, the users of bank

services—consumers and businesses—would be harmed because the few remaining firms would be free to charge higher prices than would prevail in a more competitive environment.

Banking concentration has been examined on a number of levels. Nationwide concentration has been of historical interest because of a concern about the overall control of credit in the United States that dates back to the earliest years of the nation. Concentration at the state level has been examined because, traditionally, banking organizations could expand only within the boundaries of their home state. As these barriers are broken down, the relevance of state concentration decreases. Concentration at the local level is of paramount concern because the local banking market is where most bank customers—such as households and small businesses—seek out financial services. To the extent that these customers are restricted to the local banking market, the preservation of unconcentrated markets that provide a high level of competition for banking services is critical.

In discussing banking concentration, especially changes in concentration over time, it is important to note that the concentration data reported in this section are based on insured commercial banks. The numbers do not capture any increase in financial activity by other depository and nondepository institutions. To the extent that other institutions perform financial services that were once the exclusive province of commercial banks, an increase in a concentration ratio that is based solely on banking will almost surely overstate the actual change in financial concentration.

National Concentration

At the national level, banking has become much more concentrated over the period during which interstate banks have been formed. The increased concentration is particularly noticeable for the nation's 100 largest insured commercial banking organizations (as measured by volume of deposits). For several decades, the percentage of total domestic deposits held by the 100 largest banking organizations hovered just below 50 percent (table 5). Now, that percentage is 64 percent. The rise is a result of both interstate mergers asso-

5. Shares of domestic commercial banking deposits held by largest U.S. banking organizations, selected years, 1960–93¹

Percent

Year	Largest 10	Largest 25	Largest 50	Largest 100
1960	20.4	31.7	40.3	49.6
1965	21.3	32.7	40.9	49.8
1970	20.0	30.8	38.9	48.1
1975	19.9	30.6	38.7	48.2
1980	18.6	29.1	37.1	46.8
1985	17.0	28.5	40.5	52.6
1986	17.6	29.6	42.4	55.6
1987	18.1	31.1	44.1	57.4
1988	19.2	33.2	47.5	59.9
1989	19.9	34.1	48.1	60.5
1990	20.0	34.9	48.9	61.4
1991	22.7	37.5	49.6	61.3
1992	24.1	39.2	51.7	62.6
1993	25.0	40.4	53.1	64.0

1. Banking organizations are ranked by volume of domestic commercial banking deposits. Rankings and shares for 1960–92 are as of December 31; for 1993, as of June 30.

SOURCES: Reports of Condition and Income and NIC database.

ciated with the formation and growth of multistate bank holding companies and large mergers in which the merged banks were headquartered in the same state.

The percentage of domestic deposits held by the ten largest banking organizations has risen more slowly. As recently as 1990, the ten largest organizations held a smaller percentage of deposits than they did in 1960. Over the past two and one-half years, however, the ten largest banking organizations have increased their share of deposits. This recent growth reflects several events. Some of the fastest growing organizations have moved into the top ten, replacing banks that were acquired by other bank holding companies or that, in spite of their size, were not able to maintain their relative rank in a dynamic industry. In addition, improvements in their financial condition removed a barrier to the expansion of some major bank holding companies. Finally, mergers occurred between some very large banking organizations.

The relative importance of in-state and interstate acquisitions in the increase in national concentration can be seen in data on turnover, over time, among the 100 largest banking organizations. Beginning with the largest 100 organizations as of June 1985 and tracing these firms forward in time, 49 had been acquired by mid-1993. Of the 49 firms, 34 were acquired by an out-of-state bank

holding company, while 15 were acquired by another firm in their home state.

Concentration at the State Level

Concentration at the state level has also increased substantially. Table 6 gives data for 1980 and mid-1993, by state, on the shares of domestic banking deposits in the state held by the three largest banking organizations, individually and as a group. In eleven states and the District of Columbia, the three-firm share decreased; in the other states, the share increased. The average of the state three-firm concentration ratios increased from 42.0 percent in 1980 to 50.5 percent in June 1993.

Table 6 also identifies the banking organizations among the largest three in each state that are owned by out-of-state bank holding companies. In 1980, these organizations were the subsidiaries of the multistate bank holding companies that were grandfathered by the Bank Holding Company Act of 1956. By the end of June 1993, the number of instances in which one or more of the three largest firms were controlled by an out-of-state bank holding company had increased substantially.

Although in many states one or more of the three largest banks are owned by out-of-state bank holding companies, this does not mean that concentration has increased as a result of interstate banking. It simply means that an out-of-state owner has replaced the in-state owner of the bank; the bank's share of state deposits has not necessarily changed. Thus, to the extent that out-of-state firms have merely gained control of shares previously held by in-state firms, interstate banking has not led to increased concentration at the state level. Concentration in a state increases when the out-of-state firm is able to increase the share of state deposits held by its subsidiary, or when the out-of-state firm subsequently acquires additional banks in the state so as to increase its state share. Evidence suggests that firms entering new markets by acquiring large banks in the market are not, on average, able to increase the market share of the acquired bank.

The data in tables 3 and 6 appear to suggest a positive relationship between the percentage of out-of-state ownership and the level of state concentration. Many of the states where concentration is

high also have a relatively high level of out-of-state ownership. The high level of statewide concentration may have contributed to a high percentage of out-of-state ownership, because in the highly concentrated states only a few acquisitions were necessary to bring a high percentage of the state's deposits under the control of out-of-state bank holding companies.

Local Banking Market Concentration

Most bank customers are concerned with competition at the local level, rather than the national or state level. A large business might seek banking services over a wide geographic area, but a household or small business typically does not search the nation or the state for banking services. The relevant banking market for the vast majority of households and small businesses is a local banking market.

The 1989 Survey of Consumer Finances demonstrated the importance of the local market to households.³ Nearly 96 percent of the households surveyed indicated that their primary financial institution was a local bank, thrift institution, or credit union. Fewer than 20 percent of the households reported using a nonlocal financial institution for any services.

The importance of the local market for small businesses was revealed by the 1988–89 National Survey of Small Business Finances.⁴ The survey concluded that the vast majority of small businesses rely on local firms for the bulk of their financial needs. Only 20 percent of the firms surveyed reported using a financial institution located thirty miles or more from the firm's home office.

Because households and small businesses rely so heavily on local financial institutions, the local banking market is generally considered the appropriate market for analysis under antitrust laws. Although a more exact definition of the market is

3. Gregory E. Elliehausen and John D. Wolken, "Banking Markets and the Use of Financial Services by Households," *Federal Reserve Bulletin*, vol. 78 (March 1992), pp. 169–81.

4. Gregory E. Elliehausen and John D. Wolken, "Banking Markets and the Use of Financial Services by Small and Medium-Sized Businesses," *Federal Reserve Bulletin*, vol. 76 (October 1990), pp. 801–17.

6. Shares of domestic commercial banking deposits held by largest banking organizations in state, by state, 1980 and 1993¹

Percent

State	Largest organization		Second largest organization		Third largest organization		Sum of three largest organizations		Change in share for three largest organizations, 1980 to 1993
	1980	1993	1980	1993	1980	1993	1980	1993	
Alabama	15.3	18.3	11.6	17.6	11.3	17.2	38.2	53.1	14.9
Alaska	30.9	42.3	22.5	25.5	10.3	18.6*	63.7	86.3	22.6
Arizona	42.1	31.5*	27.3*	25.0*	15.5	21.7*	84.8	78.2	-6.6
Arkansas	6.7	13.1	3.2	10.3	3.1	4.7	13.0	28.0	15.0
California	35.1	36.5	12.9	17.3	10.0	7.2	58.0	61.1	3.1
Colorado	15.8	24.1*	15.3	16.6*	9.9	9.1*	41.1	49.7	8.6
Connecticut	19.1	32.3	18.7	24.3*	9.3	9.4**	47.1	66.1	19.0
Delaware	34.3	16.2	21.8	15.5*	18.1	11.0*	74.1	42.6	-31.5
District of Columbia	32.3	33.1	28.4	21.4*	10.5	12.7*	71.2	67.2	-4.0
Florida	10.5	26.1	9.2	17.9*	7.3	14.0*	27.0	58.0	31.0
Georgia	16.5	13.6*	11.9	13.1	11.5	12.9*	39.8	39.5	-.3
Hawaii	38.6	42.5	32.5	37.1	8.2**	9.3**	79.2	88.9	9.7
Idaho	36.6	35.0	26.0*	28.3*	11.6*	12.5*	74.2	75.8	1.6
Illinois	16.8	13.5	12.0	7.1	4.5	5.2**	33.3	25.8	-7.5
Indiana	6.4	18.3*	6.1	11.7*	4.9	8.5*	17.4	38.5	21.1
Iowa	7.4*	12.3*	5.9	6.7*	5.3	5.2	18.6	24.1	5.4
Kansas	4.7	14.9	2.7	4.1*	1.8	3.8	9.1	22.8	13.7
Kentucky	9.5	12.3*	8.9	10.8*	4.4	10.3	22.8	33.4	10.6
Louisiana	6.7	15.1	4.1	12.1	3.8	9.5	14.6	36.6	22.0
Maine	18.4	32.3*	16.5	28.3*	14.0	14.2*	48.9	74.8	25.9
Maryland	20.9	19.2	13.3	12.9**	10.7	10.4	44.9	42.4	-2.5
Massachusetts	23.9	23.8	12.6	15.7	10.9	13.1*	47.5	52.7	5.2
Michigan	15.4	19.9	11.6	19.3	9.4	14.6	36.4	53.8	17.4
Minnesota	26.1	25.6	24.8	22.4	2.4	2.6	53.3	50.5	-2.8
Mississippi	12.1	16.2	10.9	15.1	4.2	8.6	27.2	39.9	12.6
Missouri	11.1	21.9	10.0	12.2	8.5	10.9	29.5	45.0	15.5
Montana	24.0*	16.9*	12.0*	11.0*	5.9	10.3	41.9	38.2	-3.7
Nebraska	7.8*	14.8	6.5	11.8	5.1	10.0*	19.4	36.6	17.2
Nevada	47.5*	34.6*	22.4	32.9*	13.6*	9.6*	83.5	77.1	-6.4
New Hampshire	15.5	23.4*	11.7	18.7	7.3	14.9	34.5	57.0	22.5
New Jersey	8.5	20.4**	8.4	11.2	7.9	10.5	24.7	42.1	17.3
New Mexico	23.1	25.1*	11.9*	14.7	8.9	11.0	43.9	50.8	6.8
New York	15.3	20.2	12.7	15.1	12.2	12.7	40.1	48.0	7.9
North Carolina	19.9	18.8	19.3	18.4	11.9	14.0	51.2	51.3	.1
North Dakota	16.2*	13.7*	15.8*	10.7*	6.8*	6.3*	38.8	30.7	-8.1
Ohio	9.2	15.9	8.7	14.9	7.1	14.5	25.0	45.3	20.3
Oklahoma	7.8	9.1	6.4	7.0	4.7	4.8*	18.9	20.9	2.0
Oregon	34.4	37.8	33.8*	24.9*	7.8	12.3*	76.0	75.0	-1.0
Pennsylvania	12.3	16.7	6.3	15.0	4.7	8.7	23.2	40.3	17.1
Rhode Island	41.5	57.5	25.1	28.2*	24.0	8.3**	90.6	94.0	3.4
South Carolina	19.1	24.5*	13.4	24.0*	12.8	8.6*	45.4	57.0	11.7
South Dakota	23.0*	26.7*	17.0*	18.3*	3.2	4.4*	43.2	49.5	6.2
Tennessee	11.5	15.0	8.1	12.1	7.9	10.2*	27.5	37.2	9.7
Texas	9.0	16.4*	8.2	11.8*	8.1	10.0*	25.3	38.2	12.9
Utah	27.8	31.5	20.6	23.6	11.2*	9.1*	59.6	64.2	4.6
Vermont	17.2	27.0	13.2	20.9	12.8	15.4	43.2	63.2	20.0
Virginia	13.7	16.4*	10.8	14.6	10.1	12.3*	34.5	43.4	8.9
Washington	37.0	35.8*	18.7	17.0*	8.6*	14.4*	64.3	67.1	2.8
West Virginia	3.8	14.3*	2.6	14.2	1.8	7.7	8.2	36.1	28.0
Wisconsin	13.3	15.8	8.3	13.4	7.0	10.5*	28.7	39.7	11.0
Wyoming	16.0	23.7*	12.9*	7.9*	9.7	6.8	38.7	38.4	-.3

1. Banking organizations are ranked by volume of domestic commercial banking deposits. Rankings and shares for 1980 are as of December 31; for 1993, as of June 30. Components may not sum to totals because of rounding.

* Out-of-state bank holding company.

** Foreign bank holding company.

SOURCES: NIC database and Reports of Condition and Income.

necessary when an application for a specific bank merger or bank holding company acquisition is being reviewed, the local banking market is

frequently approximated by a metropolitan statistical area, as defined by the federal government, or by a nonmetropolitan county.

7. Average share of domestic commercial banking deposits held by the three largest banking organizations in metropolitan statistical areas and nonmetropolitan counties, 1976-92

Year	Metropolitan statistical areas	Nonmetropolitan counties
1976	68.5	90.0
1977	67.9	89.9
1978	67.4	89.9
1979	66.8	89.7
1980	66.4	89.6
1981	66.1	89.4
1982	65.9	89.4
1983	66.0	89.4
1984	66.4	89.4
1985	66.7	89.5
1986	67.5	89.5
1987	67.7	89.5
1988	67.8	89.7
1989	67.5	89.7
1990	67.3	89.6
1991	66.7	89.3
1992	67.5	89.2

SOURCE: Federal Deposit Insurance Corporation, Summary of Deposits, 1976-92.

These local banking markets have not, on average, become more concentrated over recent years (table 7). In spite of the thousands of mergers that have occurred, the average concentration in local banking markets has remained remarkably stable over time. Because many of the banks involved in

mergers had not been competitors in the same local banking market, their combination did not increase local market concentration. In some cases in which the merging banks were major competitors in the same local market, divestitures were used to limit the impact of the merger on local market concentration.

SUMMARY

Nearly all states now have some form of law permitting interstate bank holding companies, some have laws allowing interstate branch banking, and more will be considering the liberalization of their laws in coming years. The debate in the next few years will likely focus on the relative merits of interstate bank holding companies and interstate branch banking as a means of geographic expansion. Today, however, there are still relatively few interstate banking organizations. Although the share of deposits owned by out-of-state bank holding companies has grown substantially, it is less than many had predicted. Interstate banking has contributed to an increase in the concentration of deposits at the national level, but, thus far, local banking markets have not become more concentrated. □

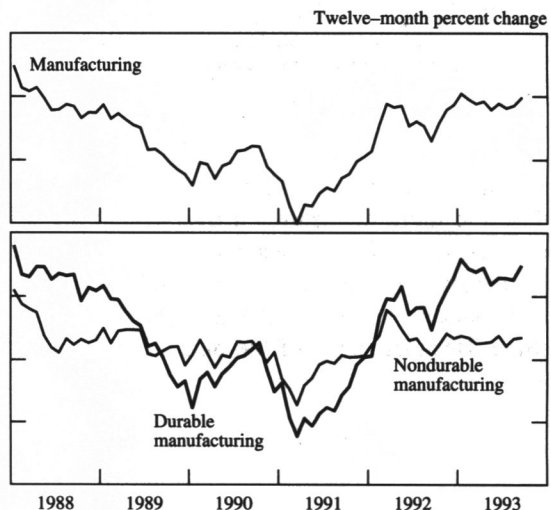
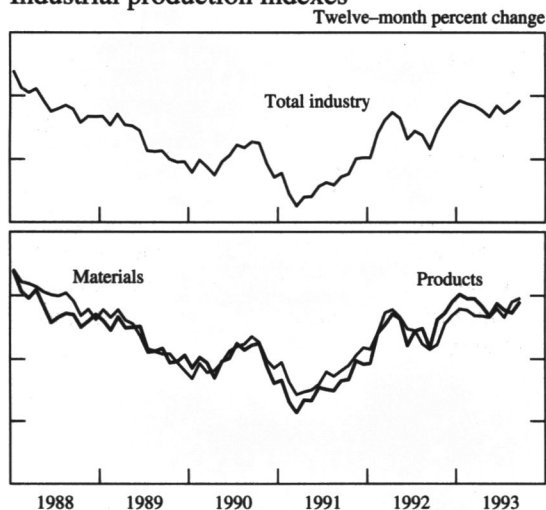
Industrial Production and Capacity Utilization for September 1993

Released for publication October 15

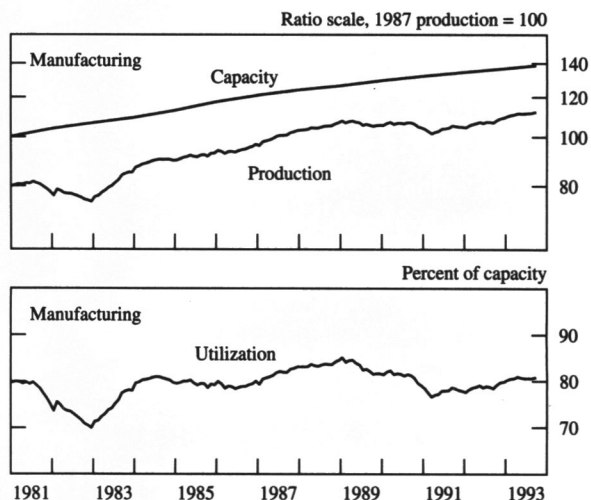
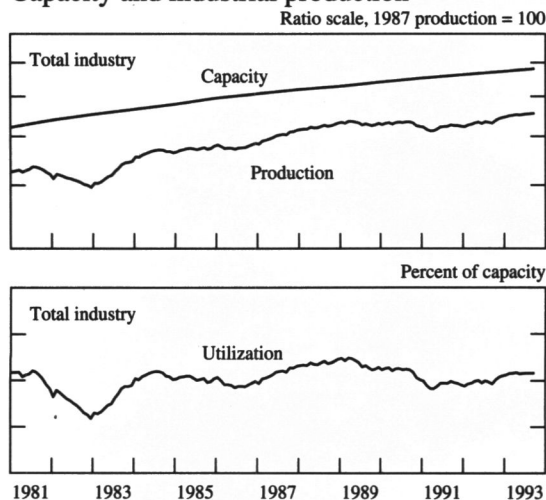
Industrial production increased 0.2 percent in September; the revised index showed gains of 0.1 percent in August and 0.2 percent in July. The production of motor vehicles and parts rose nearly

4 percent last month, boosting output in the related categories of durable consumer goods, transit equipment, and durable goods materials. Utilities output, which had risen sharply over the previous three months because of the extreme weather, fell back to a more normal level in September and

Industrial production indexes



Capacity and industrial production



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

Industrial production and capacity utilization¹

Category	Industrial production, index, 1987 = 100								
	1993				Percentage change				Sept. 1992 to Sept. 1993
					1993 ²				
	June ^r	July ^r	Aug. ^r	Sept. ^p	June ^r	July ^r	Aug. ^r	Sept. ^p	
Total	110.5	110.7	110.9	111.0	.2	.2	.1	.2	4.6
Previous estimate	110.4	110.9	111.1	. . .	.2	.4	.2	. . .	. . .
Major market groups									
Products, total ³	109.4	109.8	109.8	110.0	.1	.4	.0	.2	4.4
Consumer goods	107.3	107.5	107.2	107.2	.0	.2	-.3	.0	2.7
Business equipment	136.1	136.6	137.1	138.3	.5	.4	.4	.8	10.6
Construction supplies	96.8	98.2	98.3	98.9	-.9	1.5	.1	.6	6.4
Materials	112.1	112.0	112.4	112.5	.5	.0	.3	.1	4.8
Major industry groups									
Manufacturing	111.3	111.5	111.6	112.0	.0	.2	.1	.4	4.9
Durable	114.6	115.2	115.4	116.1	-.2	.6	.1	.6	7.3
Nondurable	107.2	106.9	107.0	107.1	.3	-.3	.1	.1	1.8
Mining	98.0	97.2	97.1	98.2	.7	-.8	-.1	1.1	1.1
Utilities	114.9	116.2	117.3	113.6	2.5	1.1	.9	-3.1	2.2
Capacity utilization, percent									MEMO Capacity, per- centage change, Sept. 1992 to Sept. 1993
Average, 1967-92	Low, 1982	High, 1988-89	1992	1993					
			Sept.	June ^r	July ^r	Aug. ^r	Sept. ^p		
Total	81.9	71.8	84.8	79.3	81.5	81.6	81.6	81.6	1.6
Manufacturing	81.2	70.0	85.1	78.4	80.6	80.6	80.6	80.8	1.8
Advanced processing	80.7	71.4	83.3	77.0	78.9	79.0	78.9	79.1	2.2
Primary processing	82.2	66.8	89.1	81.7	84.5	84.6	84.7	84.7	.9
Mining	87.4	80.6	87.0	86.5	87.9	87.3	87.2	88.3	-.8
Utilities	86.7	76.2	92.6	84.5	86.6	87.5	88.3	85.4	1.1

1. Data seasonally adjusted or calculated from seasonally adjusted monthly data.

2. Change from preceding month.

3. Contains components in addition to those shown.

r Revised.

p Preliminary.

reduced the output of nondurable consumer goods and energy materials. The production of business equipment and construction supplies rose again, while the output of defense and space equipment was curtailed further. At 111.0 percent of its 1987 annual average, total industrial production was 4.6 percent above its year-earlier level, but growth in the third quarter was 1.8 percent at an annual rate. Utilization of total industrial capacity, at 81.6 percent, has been essentially unchanged since February.

When analyzed by market group, the data show that the output of consumer goods excluding utilities and motor vehicles has changed little since February. Over this period, the production of durables edged up, but the output of nondurables declined, in part, because of weakness in clothing output.

In August and September, the production of business equipment other than motor vehicles grew an average of about 0.4 percent per month, whereas it grew at nearly twice that rate over the preceding three months. The deceleration in growth was concentrated in information processing equipment and industrial equipment. Even so, production of business equipment has grown more than 10 percent over the past year; about half of this gain reflected increased production of computers.

The output of materials, held down by the decline in electricity generation, was about unchanged last month. Along with the gains in parts for motor vehicles and for computers, a rebound in iron ore mining following the settlement of a strike boosted production of durable goods materials. Output of nondurable materials also rose, led by gains in textiles and chemicals.

When analyzed by industry group, the data show that manufacturing output increased 0.4 percent. The rise in production of motor vehicles and parts accounted for about one-half of the overall gain in manufacturing. Output also grew significantly in machinery, petroleum products, and construction-related industries such as lumber, but production of steel and apparel fell.

The utilization of manufacturing capacity, at 80.8 percent, has changed little over the past six months. The operating rate for advanced-processing industries increased to 79.1 percent in

September but was still a bit below levels seen last spring; apart from machinery and furniture, operating rates for most major industries remained below their April levels. The rate for primary-processing industries, at 84.7 percent, also was unchanged but has risen since last spring; the only major industries that have not shown improvement over this period are paper, fabricated metals, and rubber and plastic products.

The production at mines rose 1.1 percent; the iron ore strike ended, and coal output rose sharply despite an ongoing strike. □

Statements to the Congress

Statement by John P. LaWare, Member, Board of Governors of the Federal Reserve System, before the Committee on Banking, Housing, and Urban Affairs, U.S. Senate, October 5, 1993

I am pleased to appear on behalf of the Federal Reserve Board to discuss the interstate banking and insurance provisions of S.543 as approved by the Senate in 1991. For many years, the Board has believed that full interstate banking would benefit bank customers and lead to a stronger and safer banking system, and it has supported the thrust of various legislative initiatives to accomplish that goal. Similarly, the Board has long been on record in support of legislation to update the nation's banking statutes to allow banks to adapt to changes in the financial services marketplace and to better serve consumers. In this context, we have consistently supported the provision of insurance activities by banks and bank holding companies. Thus, we support the provisions of S.543, which would permit national banks to engage in insurance agency activities permissible for state banks but oppose other provisions that limit bank insurance activities.

This morning, besides making some specific comments about the 1991 legislation, I would like to explain the reasons for our support of interstate banking and provide information about the current status of interstate activities. To assist the committee in its deliberations, the appendixes to my statement provide an up-to-date summary of state laws regarding interstate banking, a discussion of recent trends, and several statistical tables providing information relevant to the issue.¹

NATIONWIDE BANKING

It is perhaps best to start with the observation that interstate banking is now a reality and has been for some time. For years, banks—both domestic and foreign—have maintained loan production offices outside their home states, have issued credit cards nationally, have made loans from their head offices to

borrowers around the nation and the world, have solicited deposits throughout the country, have engaged in a trust business for customers domiciled outside the banks' local markets, and—through bank holding companies—have operated mortgage banking, consumer finance, and similar affiliates without geographic restraint. Since the early 1980s, moreover, individual states have modified their statutes to permit—under the Douglas Amendment to the Bank Holding Company Act—out-of-state bank holding companies to own banks within their jurisdiction. Indeed, today only Hawaii prohibits bank ownership by out-of-state bank holding companies.

Although state legislatures have supported interstate banking and more than one-fifth of domestic banking assets are already held in banks controlled by out-of-state bank holding companies, the Board believes that there is a need for congressional action. Our dual banking system has a desirable genius for resisting government-imposed uniformity, but the large number of significant differences among the states impedes the interstate delivery of services to the public and reduces the efficiency of the banking business. The differences in state laws are discussed in the first appendix to this statement, but notable examples include restrictions on the home state of banking organizations allowed to enter some states, reciprocity requirements in some other states, the prohibition of *de novo* entry, and variable caps on the deposit shares of new entrants in still other states. In short, the states have made clear that they accept—and perhaps prefer—interstate banking, and their legislatures have made interstate banking a substantial reality today, but actions at the state level have resulted in a hodgepodge of laws and regulations that permit interstate banking but in an inefficient and high-cost manner.

Restrictions on both intra- and interstate banking were imposed in an era in which commercial banks were the dominant provider of financial services to households and businesses. These restrictions were clearly intended to limit competition and thereby insulate local banks from market pressures. Over time, branching and other geographic restraints became part of the totality of regulations designed to protect bank profits through limitations on entry and deposit rate competition. In recent years, however, banks have seen their market position eroded by nonbank provid-

1. The attachments to this statement are available from Publications Services, Board of Governors of the Federal Reserve System, Washington, DC 20551.

ers of financial services that are not subject to banklike regulation. Indeed, the unwinding of the historically protected position of banks, such as the removal of deposit rate ceilings, has proceeded on most fronts as a lagged response to market developments that had themselves been encouraged by those same restraints on banks. Attempts to maintain antiquated geographic restrictions will only protect inefficient banks, disadvantage users of bank services, particularly those like small businesses that still have relatively few alternative sources of credit, encourage the entry of less regulated nonbank competitors, and increase the potential stress on the safety net as the long-run viability of banks is undermined.

Action to provide more uniform rules for interstate banking would provide several public benefits. First, reducing obsolete barriers to entry would increase actual and potential competition in the provision of financial services to those customers that for one reason or another, have, at best, very limited access to out-of-market banks, nonbank lenders, or the securities markets. Bank customers would benefit from the resulting lower prices for credit, higher rates on their deposits, and improved quality and easier access to banking and related services. In addition, a significant proportion of our citizens live in areas in which state borders intersect; interstate banking would provide households and businesses in these regions with significantly increased convenience in conducting their banking business.

Second, greater opportunities for geographic diversification through interstate banking could help to restore a level of stability to the banking system that once was accomplished, in part, through protection of local banks from competition. Although increased competition from nonbanks has undermined the protection intended to be provided to banks through controlled entry and geographic constraints, those same restrictions have made it more difficult for banks to diversify their risks and seek out new opportunities. Thus, many banks operating in a region that has experienced a local economic contraction have been neither protected by limits on bank competition nor able to avoid the disastrous effects of dependence on one market for both deposits and loans. Being able to cushion losses in one region with earnings in others would make banks better able to contribute to the recovery of their local economy, and more diversified banks would expose the federal safety net to fewer losses. Clearly, greater geographic diversification would have provided more stability over the past decade to banks operating in the agricultural areas of the Midwest, the oil patch of the Southwest, and the high tech and defense regions of New England and California. In short, the elimination of geographic

restraints would provide an important tool in diversifying individual bank risk, providing for stability of the banking system, and improving the flow of credit to local economies under duress.

Third, interstate banking would facilitate the allocation of resources to regions that offer both safety and higher returns and assist in the reduction of excess banking capacity. The United States will continue to be a dynamic economy with both expanding and declining industries and expanding and temporarily declining regions. Banks pinned by artificial geographic restrictions to local areas experiencing difficulties have no choice but to pull in their horns, as it were, to protect their own viability. Only through interbank credit extensions and loan participations can they diversify their portfolio and make loans to borrowers unaffected by the depressed local economy. In fact, many of these institutions no doubt tend to have lower loan-to-deposit ratios, in part, because of their inability to find bankable local credits. Note that, given banks' long-run interest in geographic diversification, banking offices would still remain in regions experiencing difficulty but would be in a stronger position to finance local expansion when growth opportunities return.

COMMENTS ON S.543

The benefits from removal of restrictions on geographic expansion could occur through either the acquisition or *de novo* chartering of bank subsidiaries of bank holding companies headquartered in another state or through the establishment of branches of a bank in another state. All of the interstate banking laws enacted by the states provide for interstate banking through bank subsidiaries of bank holding companies, although some states permit interstate banking through branches for state nonmember banks. S.543 would authorize interstate banking on a nationwide basis through the acquisition of existing banks one year after enactment. The Board strongly supports such statutory change and would recommend that the Congress authorize the interstate acquisition of *de novo* banks as well. Authorizing *de novo* banking should enhance competition in many markets, although we recognize that most expansion would occur through acquisition. The Board also supports removing entirely the McFadden Act's restrictions on interstate branching for national and state member banks. This would permit banking organizations to choose between alternative combinations of subsidiary banks and branches in the manner that best balances their own perceived costs and benefits. S.543 takes the intermediate step of requiring the states to individually

authorize interstate branching outside the holding company structure. The Board believes that the positive experience with interstate banking, and the efficiencies that can be gained by some institutions through branching, provide a compelling case for authorizing interstate branching without further delay. Moreover, this cautious approach to branching could put independent banks at a competitive disadvantage in branching against banks in holding companies.

A limited number of studies comparing the costs of operating an interstate banking network with the costs of operating a branching system have been done. Those studies suggest that, on average, both delivery systems have about the same cost structure. However, this finding is not inconsistent with the view that for some banks branching may have the lowest cost structure. Indeed, as a matter of logic, the Board believes that the cost savings from elimination of separate boards of directors, separate management teams, and separate capitalization for banks that could be branches would be significant for some organizations. In any event, we believe that no good public policy purpose is served by restraining the freedom of choice of individual banking organizations that know best what is the least cost operating structure for them. We therefore support the provision of S.543 that would permit interstate banking offices to be converted to branches should a banking organization choose to do so.

We also support the bill's approach of extending interstate branching powers only to those banks that are at least adequately capitalized and adequately managed (which we assume means having acceptable supervisory ratings). In the Board's testimony during the drafting of and debate about the Federal Deposit Insurance Corporation Improvement Act of 1991, the Board supported the principle of expanded activities only for strongly capitalized banks. In drafting recent regulations, the banking agencies have attempted, when possible, to apply this principle. A policy that rewards stronger banks is a desirable supplement to the regulatory limits imposed on weaker banks. Provisions authorizing the regulators to approve interstate combinations to improve the financial condition of critically undercapitalized bank holding companies are also desirable.

State supervisors would no doubt prefer interstate operations through separate banks in each state because it is much easier for them to supervise the activities of a single organization in their jurisdiction. It seems to the Board, however, that the criterion of ease of regulation for states is only one part of a broader cost-benefit test. So long as safety and soundness are not compromised, efficiency and least cost are far more important factors on which to base policy.

We support the solution to this problem proposed in S.543. As we understand it, the state in which branches of an out-of-state bank operate would negotiate a supervisory agreement with the bank's home state supervisor that is acceptable to both states and to the relevant primary federal regulator. Failure to reach agreement would require the primary federal supervisor to conduct examinations without deferring to the state authorities. Such an approach creates desirable incentives for the states to reach reasonable accord.

When interstate banking is implemented through bank subsidiaries, the bank in each state has all the powers that go with its charter—national or state. However, should interstate banking occur through branches, legislation must clarify whether those branches must limit their activities to those permitted to banks chartered in their host state, to activities permitted to banks in their home states, or—for national or state banks—to the powers granted to national banks. The issue of the powers that interstate branches should be permitted to exercise requires balancing several competing concerns, including preserving the dual banking system and creating incentives that could make certain types of bank charters more attractive than others. We read the Senate bill as attempting the balance by providing that interstate branches of state-chartered banks may not engage in any activities in the host state that are not permitted for banks chartered by the host state, although national banks would retain the same powers in all states. Under the bill, out-of-state branches of national banks would be subject to the same state laws governing intrastate branching, consumer protection, fair lending, and community reinvestment as apply to national banks headquartered in that state.

I should note also that the Board supports permitting foreign banks to establish and operate interstate branches on the same terms and conditions as apply to national and state banks. The Board believes that the provisions of S.543 that prohibit foreign banks from opening new interstate branches except through an insured subsidiary bank are not consistent with the principle of national treatment and should be reviewed to ensure that foreign banks receive parity of treatment in their interstate operations.

Whether interstate banking is achieved through bank subsidiaries, bank branches, or both, and regardless of how powers are exported from the home state to the branching host state, the arguments used by those that oppose interstate banking must be carefully reviewed.

The first concern is that interstate banking would result in undue concentration—and ultimately higher loan rates and lower deposit rates—as large out-of-state banks drive small in-state banks out of business.

In-state market evidence simply does not support this contention. All of the relevant evidence indicates that small banks generally survive entry by large out-of-market banks and are very frequently more profitable than the entrant. Similar evidence indicates that new large bank entrants to local markets, whether by *de novo* or by acquisition, are able to expand market share by only modest amounts, if at all.

In the 1970s, for example, when statewide branching was authorized in New York State, several large New York City banks sought an upstate presence by acquiring small banks in these markets. By the early 1980s, the acquired banks had gained on average less than 1 percentage point in market share, with the largest gain less than 3 percentage points. The acquired banks or branches continue to have small market shares or they have been sold to local banks, as the New York City banks have exited the market. Experience in California also illustrates the ability of small banks to remain viable in the face of competition from much larger organizations. California has permitted unrestricted statewide branching since 1927, and several of the state's banking organizations, most notably BankAmerica, have operated extensive branch networks for years. In spite of these extensive branch banks, California continues to have many successful independent banking organizations. For example, as of year-end 1992, there were 395 banking organizations in California of which 101 had less than \$50 million in assets. Interestingly, in the period 1981 through 1991, 311 *de novo* banks (almost 11 percent of the U.S. total of *de novo* banks formed in those years) began operation in this unlimited branching state.

Besides their difficulties in winning customers away from existing banks, entrants by acquisition are often soon confronted with competition from a *de novo* bank organized by local citizens, at times led by the former managers of the acquired bank. The potential for entry—both *de novo* and by acquisitions by other banks outside the market—plus evidence of continued small bank success suggest that it is unlikely that there would be consumer harm from interstate banking. It is well to remember that since 1979, although more than 5,000 banks were absorbed by merger, about 3,500 new banks were chartered. In addition, although almost 10,500 branches were closed, 24,000 new ones were opened in that period. The vast majority of local banking markets in the United States are incredibly dynamic and sensitive to consumer demand, and interstate banking seems likely to make them more so. The concern that interstate banking would lead to excessive concentration in local banking markets is further mitigated by the fact that antitrust enforcement in banking focuses on maintaining competitive local markets. Concentration ratios have not increased in

local markets despite the substantial overall consolidation in banking in recent years. Local competition has been maintained, in part, because many bank mergers have been between firms operating in different local markets. In addition, increased concentration has been avoided by factors already noted: the anti-trust laws, limited ability of new large banks to increase market share, and the continued vitality of small local competitors.

The importance of local markets and the evidence of little change in local market concentration suggest that attempts to ensure competition through statewide or national deposit caps are unnecessary at best and may, in fact, be anticompetitive to the extent that they prohibit entry. The Board would recommend deletion of the imposition of statewide and national deposit share caps.

Another concern of some is that new entrants will vacuum up local deposits and channel them to out-of-market loans or that managers brought into local markets will be insensitive to, or have no authority to adjust to, local demands. However, it is important to recall that an insured bank must fulfill its Community Reinvestment Act (CRA) responsibilities in all the markets in which it operates. Moreover, the ease of entry, just discussed, should soften concerns that out-of-market entrants will ignore local customers. If a local branch does not meet both the deposit needs and credit demands of the community, it will not succeed and it will attract a rival that will. In this context, the Board sees no need for the provisions of S.543, which would require the promulgation of regulations prohibiting the establishment of branches for the purposes of deposit production.

However, because the Board realizes that the expansion of nationwide banking raises several issues regarding the impact on local community credit needs, it supports provisions of S.543, which would amend the CRA to require that performance of interstate institutions be assessed on a statewide or metropolitan area basis. This approach would maintain the concept embodied in the CRA that insured banks should be evaluated on overall performance without imposing arbitrary or costly regulatory requirements at the level of the individual branch and would, in the Board's view, provide adequate information to determine that an interstate institution is meeting community needs in the markets it serves.

Finally, in considering the needs of local markets, the Congress should consider the fact that large banks have higher loan-to-deposit ratios than small banks. This implies that large banks entering new markets could make both more in-market loans and more out-of-market loans. Many assume that most of the loans would, in fact, be made outside the community.

However, as I noted, banks must both meet their CRA requirements and service their customers to remain competitive in the market. It should also be kept in mind that small, independent banks also export funds: They are relatively large lenders to other banks through the federal funds and correspondent deposit markets and purchase relatively more Treasury and out-of-market state and local bonds than do large banks.

LIMITATIONS ON BANK INSURANCE ACTIVITIES

The committee has also requested the Board's views of the insurance provisions included in S.543 as approved on the Senate floor. S.543 would permit national banks to engage in insurance agency activities in states that permit state-chartered banks to conduct these activities. In these states, national banks would be subject to the same rules and limitations that govern state banks that conduct insurance agency activities. The bill would also prohibit any banking organization—state or national—located in a state that authorizes banks to sell insurance from selling insurance in another state unless that state also had authorized the sale of insurance by banking organizations.

Another provision of the bill would restrict the authority of national banks to sell insurance in small towns in which the state has not otherwise authorized state banks to act as an insurance agent. The bill would overrule the Office of the Comptroller of the Currency's current interpretation permitting national banks to use small towns as a base for selling insurance products broadly. Under the bill, national banks would be restricted to selling insurance to residents, businesses, and workers within towns of 5,000 and within a 7.5 mile radius of these towns.

An insurance provision of S.543 that was enacted as part of the Federal Deposit Insurance Company Improvement Act prohibits state banks from engaging in insurance underwriting activities other than underwriting credit-related insurance. The bill retains the general prohibitions on bank holding companies selling or underwriting insurance and does not expand the limited exceptions to these prohibitions, which currently limit bank holding companies primarily to credit-related insurance activities, certain grandfathered insurance activities, and insurance agency activities within small towns.

The Board has consistently supported the provision of insurance agency activities by banks and bank holding companies and believes that increased bank participation will enhance competition and improve customer convenience without adversely affecting safety and soundness. Thus, the Board sees no argument on either competitive or risk-management grounds to retain or impose limitations on insurance agency activities.

Several states already permit their state-chartered banks to engage in insurance agency activities. The Board supports the bill's provisions to amend the National Bank Act to authorize national banks to conduct insurance agency activities to the same degree permitted for state banks in those states. However, the proposed limitations on existing authority to conduct insurance agency activities outside the state in which the bank is headquartered and the limitations on insurance activities in small towns promise continuation of the fractured and anticonsumer rules that currently hobble the banking industry, stifle competition and innovation, and divert resources toward legal and regulatory maneuvering. Particularly in the context of today's debate over the nature of appropriate regulation, little justification exists for devising a system of artificial controls based on the kind of statutory limits on population and geography proposed in S.543.

It is also the position of the Board that insurance-underwriting activities should be authorized for banking organizations so long as the activities are conducted in a separate holding company subsidiary. Although certain types of insurance-underwriting activities pose more risk, those risks can be successfully managed and insulated from the deposit insurance fund through the umbrella of the holding company. The Board sees no reason to prohibit insurance-underwriting activities when they are conducted in a holding company.

In sum, the Board believes that interstate banking and branching and broader insurance authority would provide wider household and business choices at better prices. These needed reforms would also strengthen our nation's banking system by increasing competitive efficiency, eliminating unnecessary costs associated with the delivery of services, and encouraging the reduction of risk through geographic and product diversification. □

Statement by John P. LaWare, Member, Board of Governors of the Federal Reserve System, before the Subcommittee on Economic Growth and Credit Formation of the Committee on Banking, Finance and Urban Affairs, U.S. House of Representatives, October 7, 1993

I am here today to discuss the Federal Reserve Board's views on the Business, Commercial, and Community Development Secondary Market Development Act (H.R.2600). The objective of this legislation is to promote economic growth and credit formation by facilitating the development of a secondary market for business, commercial, and community development debt and equity investments in the private sector. The Federal Reserve shares this important objective. Many businesses, particularly smaller businesses, have been encountering difficulties in obtaining credit. Moreover, there is a well-recognized need for community development financing.

Securitization can confer benefits to financial organizations as well as the credit customers they serve, as we have seen in other sectors of the credit markets in which securitization of bank-generated loans is common. While borrowers in these sectors have benefited from an increased availability of credit, banking organizations and other financial institutions have been able to improve their liquidity and diversification of risk. This experience suggests that similar salubrious benefits could result from the development of a secondary market that would encourage the securitization of loans to businesses and community development projects. In this regard, the Federal Reserve favors the approach of H.R.2600 of promoting securitization in these sectors by relying on the private sector rather than by creating a new governmental program that would extend an explicit full faith and credit U.S. government guarantee to achieve that end.

The bill's objective of providing additional sources of credit to the business community is, we believe, particularly important as it pertains to smaller businesses. Over the past two decades, such businesses have become increasingly important to the U.S. economy. Most of the recent gains in employment are largely attributable to industries that are dominated by smaller businesses, such as retailing. In the aggregate, the volume of business activity generated by small and medium-sized firms accounts for approximately one-half of the employment and receipts in the nonfinancial, nonfarm business sector. Clearly, the prospect for the future growth and prosperity of our economy is closely tied to the health and vigor of smaller businesses.

The bill's objective of enhancing the availability of financial resources to community development enter-

prises is also of great importance. These enterprises support projects—such as improving the stock of affordable housing and providing financing to minority-owned businesses—that are crucial to the economic advancement of disadvantaged urban areas and distressed rural communities.

An important factor in the success of smaller firms and community development projects is their ability to acquire adequate credit accommodation. Historically, the commercial banking system has been the primary source of financing to smaller businesses, which have few funding alternatives. Community development programs also tend to rely on commercial banks for financing.

As is well known, however, many smaller businesses and community development enterprises have encountered difficulty in obtaining financing from depository institutions in recent years. These institutions, having experienced substantial loan-quality problems—which stemmed from nearly a decade of aggressive lending often on terms more liberal than warranted by the credit standing of their borrowers—significantly tightened their lending standards in the late 1980s and early years of this decade. Recently, with improving asset quality and profitability, banks appear ready to begin increasing lending activity, as indicated by our surveys. This development should benefit the small business sector and community development programs. Nonetheless, given the importance of smaller businesses and community development enterprises to the well-being of our country, innovations that can appropriately increase their access to financial resources would be most welcome.

I should note here that to promote greater availability of credit, the Federal Reserve and the other bank supervisory agencies have recently implemented several initiatives designed to ensure that regulatory practices, or perceptions of regulatory procedures, do not impede lending by banking institutions. Some of these initiatives were designed particularly to benefit smaller business borrowers and low-income and minority neighborhoods, possibly through community development programs.

One such initiative was a program to allow banks to establish a "basket" of loans that will be judged on the basis of performance and not be criticized on the basis of documentation deficiencies. Another important initiative is the agencies' proposal to increase from \$100,000 to \$250,000 the threshold amount below which real estate-related loans—including loans to businesses that are collateralized by property—do not require appraisals under Title XI of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989.

In addition, an interagency letter was issued giving guidance on fair lending. The letter stressed the seri-

ous nature of violations of antidiscrimination laws and included guidance on the steps that financial institutions can take to ensure compliance with relevant fair lending statutes and regulations.

Given the importance of ensuring an adequate flow of financial resources to businesses and community development enterprises, new means for promoting that end should be sought, and, as H.R.2600 points out, securitization might serve that purpose. Banks and other financial institutions have been active in the securitization of other types of loans, such as mortgages, and it is possible that they could also be active in the pooling and securitizing of business and community development loans. This activity is altogether appropriate for banking organizations if it is done in a manner consistent with safe and sound banking practices.

Asset securitization consists of placing loans into a pool and issuing securities that entitle the holders to the proceeds of the principal and interest payments flowing from the underlying loans. Bank lenders that engage in securitization can benefit from improved liquidity, enhanced fee income, and—if a true sale has occurred resulting in the removal of the assets from their balance sheets—less need for capital. On the other hand, investors are able to purchase securities that require no management of the underlying loans and provide an attractive return for instruments that bear little or no credit risk, depending upon the nature of the credit enhancement.

Thus, securitized assets can offer improved diversification and a greater selection of risk and return alternatives. Purchases of asset-backed securities may be valuable to smaller banks that do not have the capability of diversifying their portfolio geographically or according to industrial sector.

The impressive growth in the residential mortgage-backed securities market and in the markets for securities based on auto loans and other consumer loans has dramatically demonstrated the benefits that securitization has to offer. In view of these benefits, the Federal Reserve believes that it is important to give significant thought to all proposals designed to promote this activity and expand it to other types of assets such as loans to businesses and community development enterprises.

Nonetheless, it should be recognized that the nature of business and community development loans differs significantly from the types of loans—such as residential mortgages and credit card receivables—that are now being securitized. Although these latter types of loans are relatively homogeneous, business and community development loans tend to be quite heterogeneous in nature, in part because of the differences among the enterprises themselves. Moreover, the terms

of such loans tend to differ widely because they are most often individually negotiated to suit each borrower's unique credit needs. As a result, these types of loans have a wide range of maturities and repayment terms, different degrees of documentation, and disparate amounts of information regarding the underlying financial conditions of the obligors. The high degree of heterogeneity among these loans greatly complicates the ability to predict future cash flows that will be produced by pools of even the highest credit quality.

Pools of business and community development loans often also exhibit diversity with regard to credit quality, which, coupled with diversity in documentation standards, greatly complicates the task of performing due diligence and reaching a judgment on the overall quality of the pool. Finally, the lack of a historical database on business loan performance that is sufficiently broad and deep makes actuarial methods of estimating loan losses extremely difficult.

Furthermore, community development loans may manifest even more heterogeneity. These loans are often quite large, entail extensions of credit to several borrowers with different credit standings, and exhibit complicated structures that may include public and private sector involvement on several different levels. For example, a single loan to a program for the revitalization of several properties within a particular neighborhood could involve several borrowers having varying degrees of experience and financial capacity and be supported by numerous state, federal, and private assistance programs.

The heterogeneity of business and community development loans not only represents a hurdle to their successful widespread securitization but also causes securities markets to require substantial credit enhancements on pools of such loans. At the same time, the special nature of business and community development loans makes it relatively difficult for banks to accurately assess the riskiness of issuing such credit enhancements. On the other hand, underwriting such loans to have similar maturities, repayment schedules, and yield could make them more homogeneous and, thus, could facilitate their securitization. However, these types of loans are often specifically tailored to meet the unique needs of each borrower.

A standardized loan product would introduce inflexibility into the business lending process and could preclude banks from extending credit to certain firms and organizations because they do not fit the "mold." In addition, the standardization of business and community development loans could increase the amount of documentation needed to obtain such loans. In this regard, it should be noted that since the advent of securitization of residential mortgages, mortgage lend-

ers have tended to require significantly more documentation to facilitate the sale of mortgages into the secondary market. It is possible that rigid and inflexible underwriting standards and increased documentation requirements could actually curtail the amount of available credit for businesses and for community development.

Given the amount of innovation in the securitization market over the past several years, we do not believe that the hurdles to securitizing business and community development loans are insurmountable. As I mentioned earlier, this activity may be appropriate for banking organizations if it is conducted in a safe and sound banking manner. In our view, one of these safeguards would require that adequate capital be maintained against participating organizations' risk exposure. In this regard, the banking agencies are currently drafting proposals that are aimed at revising the capital treatment of recourse arrangements, which we believe, when finalized, should reduce any obstacles in our current capital rules that may be hindering the securitization of business and community development loans.

Turning to the provisions of H.R.2600, I would reiterate that the reliance on the private sector is the preferable approach. However, we have concerns about certain aspects of the legislation. We believe that it would create a new regulatory structure for secondary market facilitating organizations, or SMFOs. These institutions would be certified by the Treasury Department, which would also establish capital standards and loss reserve requirements, promulgate minimum operating standards and reporting requirements, and arrange for regulatory examinations. These are traditional regulatory and supervisory functions, but under the legislation none of them would be carried out by the agencies currently responsible for

the regulation and supervision of insured depository institutions and consolidated banking organizations.

Thus, we believe that, with respect to financial institutions that already are regulated by a federal government agency such as the Federal Reserve, the Federal Deposit Insurance Corporation, the Office of the Comptroller of the Currency, and the Office of Thrift Supervision, this legislation would create a parallel regulatory structure that duplicates the work of those agencies. As we have discussed with committee staff members, the Federal Reserve will continue to work with the committee to address these issues.

As the Congress continues to consider ways to facilitate securitization of business and community development loans, we believe that the preferable approach would be to fashion legislation directing the primary federal regulatory agencies to develop appropriate standards. This legislation would enable the agencies to address the securitization of such loans in a manner that would be consistent with the prudential framework for securitization more generally. We believe that such an approach is more likely to promote economic efficiency and bank safety and soundness. It also would avoid the rigidities that result when technical and complex regulatory requirements are written into law. The agencies need flexibility to be able to adjust the rules to later experience in the market.

As I said earlier, we support the overall objectives of H.R.2600. The bill places a reliance on the private sector to develop the secondary market for business, commercial, and community development loans, and we find that aspect of the bill attractive. It is imperative that in attempting to facilitate the securitization of these types of loans we avoid creating another government agency or increasing government liabilities by extending additional government guarantees. □

Statement by Alan Greenspan, Chairman, Board of Governors of the Federal Reserve System, before the Committee on Banking, Finance and Urban Affairs, U.S. House of Representatives, October 13, 1993

I appreciate this opportunity to discuss the important issues raised by recent legislative initiatives to alter the structure of the Federal Reserve System. I will begin my remarks this morning by placing these issues in some historical perspective before commenting specifically on provisions that would change the status of Reserve Bank presidents, broaden the authority of the General Accounting Office (GAO) to audit the Federal

Reserve, and mandate additional disclosure of monetary policy decisions and discussions.

The appropriate role of a central bank in a democratic society is an important and controversial issue. The performance of such an institution has profound implications for the nation's economy and the people's standard of living. Americans have pondered the question of the appropriate role and structure for the central bank at length, beginning with the debate over the First Bank of the United States, which George Washington signed into existence in 1791.

Echoing the earlier discussions surrounding the chartering of the First and Second Banks of the United

States, extended debate and compromise preceded the establishment of the Federal Reserve System. Much of the focus of the debate was on the balance that should be struck between public and private authorities in governing the central bank.

In 1908, in response to the periodic financial crises that had plagued the country in the latter part of the nineteenth century and in the early years of the twentieth century, a National Monetary Commission, consisting entirely of members of the Congress, was established by legislation. Four years later, the commission, in submitting its report to the Congress, called for the creation of a National Reserve Association to provide stability to our financial system. Both the commission's plan and an alternative, proposed by President Woodrow Wilson, envisioned the central bank as containing public and private elements. President Wilson's plan won the approval of the Congress and established the Federal Reserve System as our nation's central bank. Over the intervening years, the Congress has initiated many reviews of the System's structure but with rare exceptions has chosen to leave the basic structure intact.

The major piece of legislation affecting the Federal Reserve's organization since its inception in 1913 was the Banking Act of 1935, which established the Federal Open Market Committee (FOMC) in its current form as the central decisionmaking body for monetary policy. When it was clear by the 1930s that the buying and selling of securities by the Federal Reserve was a crucial monetary policy instrument, there was again debate in the Congress over whether it should be carried out entirely by government appointees or whether the Reserve Bank presidents, who were not politically appointed, should share in that policymaking role. In the 1935 act, the Congress reaffirmed that the Reserve Bank presidents should have a substantive voice in policy. They were granted five of the twelve positions on the FOMC, while the seven members of the Board constituted the majority.

The wisdom of the Congress in setting up the structure of the System has stood the test of time. Federal District Court Judge Harold Greene, in commenting in 1986 on the constitutionality of the FOMC, noted, "The current system[. . .] the product of an unusual degree of debate and reflection[. . .] represents an exquisitely balanced approach to an extremely difficult problem."

The role of a central bank in a democratic society requires a very subtle balancing of priorities between the need for sound, farsighted monetary policy and the imperative of effective accountability by policymakers. Accountability and control by the electorate are vital; the nation cannot allow any instrument of government to operate unchecked. The central bank, just

like other governmental institutions in a democracy, must ultimately be subject to the will of the people.

In this regard, the Federal Reserve's activities are constantly scrutinized by this committee and others in the Congress. The Federal Reserve Board reports semiannually both to the House of Representatives and to the Senate pursuant to the Humphrey-Hawkins Act, and we regularly respond to other congressional requests for testimony. We recognize our obligation to do so and appreciate the importance of maintaining open communication with the nation's elected representatives. We also provide a great deal of information about our operations directly to the public. And we consult frequently with those responsible for economic and financial policy in the Administration.

We have to be sensitive to the appropriate degree of accountability accorded a central bank in a democratic society. If accountability is achieved by putting the conduct of monetary policy under the close influence of politicians subject to short-term election-cycle pressures, the resulting policy would likely prove disappointing over time. That is the conclusion of financial analysts, of economists, and of others who have studied the experiences of central banks around the globe, and of the legislators who built the Federal Reserve.

The lure of short-run gains from gunning the economy can loom large in the context of an election cycle, but the process of reaching for such gains can have costly consequences for the nation's economic performance and standards of living over the longer term. The temptation is to step on the monetary accelerator, or at least to avoid the monetary brake, until after the next election. Giving in to such temptations is likely to impart an inflationary bias to the economy and could lead to instability, recession, and economic stagnation. Interest rates would be higher, and productivity and living standards lower, than if monetary policy were freer to approach the nation's economic goals with a longer-term perspective.

The recognition that monetary policies that are in the best long-run interest of the nation may not always be popular in the short run has led not only the United States but also most other developed nations to limit the degree of immediate control that legislatures and administrations have over their central banks. More and more countries have been taking actions to increase the amount of separation between monetary policy and the political sphere.

In this nation, several aspects of the current setup promote the central bank's distance from the political fray. The fourteen-year terms of the governors on the Federal Reserve Board are one of those elements, with only two vacancies scheduled to occur during the four years of any single presidential term. Once in office,

those governors cannot be removed by the President over a policy dispute. In addition, regional Reserve Bank presidents—who are selected at some remove from political channels—are included on the FOMC. To prevent political pressure from being applied on monetary policymakers via the power of the purse, the Federal Reserve is not required to depend upon appropriated funds to meet its expenses.

H.R.28, The Federal Reserve System Accountability Act of 1993, would remove some of that insulation. I would view the enactment of legislation of this type as a major mistake. Provisions that, in effect, increase political leverage on Federal Reserve decisionmaking amount to assaults on the defenses that Congress has consciously put in place to ensure the appropriate degree of central bank independence. Weaken those defenses, and, I firmly believe, the economy is at risk. The Federal Reserve must be free to focus on advancing the nation's ultimate economic goals.

In an amendment to the Federal Reserve Act, the Congress has charged the central bank with furthering the goals of "maximum employment, stable prices, and moderate long-term interest rates." To promote those objectives, the Federal Reserve must take a long-run perspective.

In that vein, as I have indicated to this committee on previous occasions, the determination of the effectiveness of a federal agency has to be based, in the end, on whether it has carried out the objectives the Congress has set for it. In discharging its tasks over the years, the Federal Reserve has faced a variety of challenges; our economy has been buffeted by swings in fiscal policy and by strong external forces, including oil price shocks and wars. In often difficult economic circumstances, the Federal Reserve has implemented policies aimed at promoting the nation's economic health. We have not always been entirely successful, but we have learned from experience what monetary policy can do and what it cannot do.

In my view, current Federal Reserve policy is promoting conditions vital to maximizing the productive potential of the U.S. economy. Monetary policy is, and will continue to be, directed toward fostering sustained growth in economic output and employment.

As the nation's central bank, the Federal Reserve stands at the nexus of monetary policy, supervisory policy, and the payments system. Part of our task is to minimize the risk of systemic crises while endeavoring to implement a macroeconomic policy that supports maximum sustainable economic growth. When, for example, threats to the nation's financial system loomed large in the wake of the 1987 stock market crash, the Federal Reserve effectively contained the secondary consequences of the crash with prompt but

prudent injections of liquidity and with constant consultations with depository institutions during the crisis. The bulk of our efforts in this area, however, of necessity garners considerably less publicity, as it is directed at ongoing efforts to fend off financial sector problems before those problems emerge as full-blown crises that could threaten American jobs and living standards. Much of our success over the years, therefore, reflects crises that did *not* happen. In working with other regulatory agencies, the Federal Reserve has also brought its broad perspective to bear on supervisory actions that could have had macroeconomic or monetary policy implications.

In practice, the central bank of the United States works, and it works well. On paper, however, its structure can appear unwieldy—an amalgam of regional and centralized authority and of public and private interests. If we were constructing a central bank for the United States now, starting from scratch, would it be identical to the Federal Reserve System described in current law? Perhaps not. But the Federal Reserve has evolved to be well suited to today's policy tasks.

One of the reasons why the Federal Reserve is effective is that its basic structure has been in place for a long time. The institution has been able to take that framework as a given and to adapt and build on it during decades of invaluable experience in the financial and economic setting of this country.

As the Federal Reserve has evolved over the years, it has been permeated by a culture of competence and dedication to public service. As a consequence, the Federal Reserve has attracted highly skilled analysts, technicians, and policymakers. Although we might imagine a different initial structure for our central bank, implementing a major change at this stage could, for all intents and purposes, destroy the exceptionally valuable culture that has evolved over time and that continues to serve this nation well. And there is always the risk that changing a complex organization, even with the laudable goal of improving one or more parts of it, may well have unforeseen and unfortunate consequences elsewhere in the structure.

Nonetheless, the Federal Reserve recognizes that an organization that does not appropriately respond to changes in the environment in which it functions will soon become ineffectual. Accordingly, the Federal Reserve has suggested, initiated, and instituted several measured changes over the years. When confronted with a new development requiring change, we advocate change. For example, not long ago we recognized, as did this committee, an apparent weakness in the way the discount window could be used in the case of insured failing institutions, a condition that we had rarely before experienced. We saw change as a con-

structive response, and, while we were prepared to implement the change by adapting our regulations, we cooperated with this committee, which chose to amend our discount window procedures as part of the Federal Deposit Insurance Corporation Improvement Act of 1991.

I hope, and I expect, that the Federal Reserve will continue to change but always prudently—in response to clearly identified problems—and only for the better. One area in which I see major need for change is the inadequate pace at which women and minorities have moved into the top echelons of the Federal Reserve. We share your concerns in this regard and are working diligently to improve opportunities for women and minorities throughout the System.

In the remainder of my remarks this morning, I would like to address three specific issues, under the more general topic of Federal Reserve accountability. These issues are, first, the status of the Reserve Bank presidents on the FOMC, second the General Accounting Office's purview in auditing the Federal Reserve System, and, third, the disclosure of FOMC deliberations and decisions.

THE STATUS OF RESERVE BANK PRESIDENTS

The Federal Reserve Banks represent a unique blend of the public and private sectors. I believe that those who label the Reserve Bank presidents as representatives of the banking interests, as opposed to the public interest, misunderstand the position of the presidents—and the Reserve Banks—in the Federal Reserve System.

The Federal Reserve Banks are instrumentalities of the U.S. government organized on a regional basis. They are in a tangible sense “owned” by the federal government. The bulk of their net income is handed over to the government each year. Their accumulated surplus, were they to be liquidated, would revert to the U.S. Treasury. And although a portion of the capital of the Reserve Banks represents contributions by member commercial banks, those member banks are not free to withdraw the capital, their dividends are fixed by statute, and their capital stake in no way affords them the usual attributes of control and financial interest.

The member commercial banks do select the majority of the directors of their local Reserve Bank. But the Federal Reserve Board chooses the remaining directors and, among those directors, designates a chairman and a deputy chairman. The directors, in turn, select the Reserve Bank's president, but their selection is subject to the Board's approval.

Those Reserve Bank presidents then receive top-secret clearances from our government and are subject to the federal conflict-of-interest statute. They can be removed by the Federal Reserve Board, and it is the Board that sets their pay. Upon joining the FOMC, they take an oath of office to uphold the Constitution of the United States, and—uniformly in my experience—they are dedicated to the service of our country.

However, regardless of whether the presidents of the Reserve Banks are viewed as more public than private or more private than public, the real question remains, Does their participation on the FOMC make for better monetary policy? I can assure you that it does.

The input of Reserve Bank presidents who reside in and represent the various regions of the country has been an extremely useful element in the deliberations of the FOMC. By virtue of their day-to-day location and their ongoing ties to regions and communities outside of the nation's capital, the presidents see and understand developments that we in Washington can overlook. They consult routinely with a wide variety of sources within their districts, drawing information from manufacturing concerns, retail establishments, agricultural interests, financial institutions, consumer groups, labor and community leaders, and others. Moreover, because their selection is apolitical, they tend to bring different skills and perspectives to the policymaking process.

The public and private and the regional makeup of the Federal Reserve System was chosen by the Congress, in preference to a unitary public central bank, only after long and careful debate. The system was designed to avoid an excessive concentration of authority in federal hands and to ensure responsiveness to local needs. Nonetheless, then as now, the operations of the Reserve Banks were placed under the general supervision of the Board of Governors. When the FOMC was given its current form in 1935, five Reserve Bank presidents were placed on that committee, but their presence was outweighed by the seven presidentially appointed members of the Board.

This blending of public and quasipublic institutions has a long history in this country and has been reaffirmed repeatedly in the Congress. Nonetheless, the presence of Reserve Bank presidents on the FOMC periodically resurfaces as an issue. This occurs despite the long and successful history of the presidents' membership on the FOMC, which counters a similarly lengthy history of claims that their participation would be detrimental to our nation. The involvement of quasigovernment officials in monetary policymaking has survived a series of challenges over the years. It has survived the test of time. One must

wonder why we would wish to tinker with a unique partnership of the public and the private that has worked well for more than half a century.

Some who agree that the Reserve Bank presidents provide a unique perspective would nonetheless argue that such input could still be obtained by reducing the Reserve Bank presidents' role to an advisory one. I doubt that, for two reasons. First, let us not delude ourselves: Anyone permanently denied a vote sees his or her influence diminish markedly. Not only would the presidents' varied experiences and regional perspectives likely become less well reflected in policy decisions, but their ability to solicit real-time information from their communities would be diminished as well. Second, I believe that a fair number of my colleagues who serve as presidents of the Reserve Banks would have declined that office had voting rights on the FOMC not attached to it. These people do not lack for opportunities. If the Reserve Bank presidents were denied votes, we could not attract individuals of the same caliber to these jobs that we do today. As a result, the advice received would be adversely affected, and FOMC deliberations would be less productive.

A different proposal would retain the Reserve Bank presidents on the FOMC but would have them appointed by the President of the United States. Such a proposal is not new: It was considered and rejected by this committee as recently as 1976. The clearest drawback to this suggestion is one that I have already mentioned, that is, the potential for increased partisanship that would erode the quality of policy, as the central bank was drawn more closely into the ambit of daily political concerns. In addition, however, such an arrangement would create significant managerial problems for the Federal Reserve System as an organization.

Under current law, Reserve Bank presidents are directly accountable to the Board for their performance in carrying out Systemwide policies in such areas as bank supervision, payments systems responsibilities, and discount window administration. The Board's ultimate defense against a Bank president who is either incompetent or purposely obstructing the effective implementation of System policy is its power to remove that person from office.

If the heads of the Reserve Banks were instead presidentially appointed, we presume that they could be constitutionally removed only by the President. In that circumstance, Systemwide coordination of policies and interbank cooperation could be seriously impaired.

In sum, if the sole duty of Reserve Bank presidents were to vote on the FOMC, granting the President of the United States the power to appoint and remove

them would be unwise on only one count—that of adversely affecting the conduct of the nation's monetary policy. However, Reserve Bank presidents also run large organizations charged with such tasks as collecting data, processing currency, operating the book entry system, and auctioning Treasury bills. The twelve Banks must operate as one in these various areas, and the Congress has given the Board general oversight of the Banks to ensure that they do. A proposal that divested the Board of the power to remove a Reserve Bank president from office would subtly but significantly undermine the ability of the Board to manage the Federal Reserve System.

SCOPE OF GAO AUDITS

As you know, the passage in 1978 of the Federal Banking Agency Audit Act made most of the operations of both the Federal Reserve Board and the Federal Reserve Banks subject to review by the General Accounting Office. Since then, the GAO has completed more than 100 reports on various aspects of System operations, as well as numerous others that involved us less directly. At present, the GAO has roughly twenty-five audits of the Federal Reserve under way and maintains several of its staff in residence at the Board and at selected Reserve Banks.

The GAO has free rein to audit the System, with the explicit exemption of only three functions: Those are deliberations, decisions, or actions on monetary policy matters; transactions made under the direction of the FOMC; and transactions with, or for, foreign official entities. By excluding these areas, the 1978 act represented another effort to balance, on the one hand, the public accountability of the Federal Reserve with, on the other hand, its ability to perform its policy functions most effectively.

The benefits, if any, of broadening the GAO's authority into the monetary policy and FOMC areas would be small, in part because a GAO audit would tend to duplicate functions that are already performed. With regard to purely financial audits, the Federal Reserve Act already requires that the Board conduct an annual financial examination of each Reserve Bank, including open market and international operations. And these exams are complemented by other Board reviews of Reserve Bank effectiveness and efficiency, as well as by comprehensive audits conducted by each Reserve Bank's independent internal audit function. To provide the Board with additional assurance of the quality and comprehensiveness of the Board's audit process, complete financial audits are currently being conducted by nationally recognized independent accounting firms at Reserve Banks. Two such audits

were conducted this year. The results of these audits to date have confirmed the integrity and quality of the System's audit process. In addition, the Board itself is audited annually by an independent public accounting firm, and the results of those audits are furnished regularly to the Congress.

More broadly, the Congress has, in effect, mandated its own review of monetary policy by requiring semi-annual monetary policy reports and by holding hearings. In addition, a vast and continuously updated literature of expert evaluations of U.S. monetary policy exists. In this environment, the contribution that a GAO audit would make to the active public discussion of the conduct of monetary policy is not likely to outweigh the negatives.

Those negatives would include a potential compromising of Federal Reserve effectiveness, in part, because the change could peel away a layer of the central bank's insulation from day-to-day political pressures. Even what appears to be a very limited audit of the efficiency of our operations could, in fact, turn into pressure for a change in monetary policy itself as the 1978 act understood. For example, the question being posed to Comptroller Bowsher in these hearings of whether the magnitude of our open market operations reflects unnecessary buying and selling of government securities is a monetary policy question, not an efficiency question. The volume of transactions that the Open Market Desk completes in carrying out the FOMC's directive correlates directly with the substance of the policy in place.

GAO scrutiny of policy deliberations, discussions, and actions could also impede the process of formulating policy. A free discussion of alternative policies and possible outcomes is essential to minimize the chance of policy errors. The prospect of GAO review of formative discussions, background documents, and preliminary conclusions could have an adverse effect on the free interchange and consensus building that leads to good policy.

Transactions made under the direction of the FOMC primarily involve domestic monetary policy operations but also include foreign exchange operations. Expanding GAO audit authority into this latter area would risk impairing our sensitive working relations with foreign central banks and governments. Important daily contacts and exchanges of information with foreign monetary authorities now take place in a candid and constructive atmosphere. The possibility of a GAO audit of our foreign exchange operations would reduce the willingness of foreign authorities to share information with us and thereby would reduce the effectiveness and efficiency of our operations. This caution also applies to the third exempted area—transactions with or for foreign entities; however,

there the principal issue is one of sensitive proprietary information about foreign governments, foreign central banks, and international organizations.

In sum, I believe that the current structure of internal controls and audits and congressional review strikes the right balance between public accountability and policy effectiveness.

FOMC DISCLOSURE

The issue of fuller or more immediate disclosure of FOMC discussions and decisions has been a controversial one historically. In the Congress, the financial markets, and academia, this topic has been debated repeatedly over the years. The FOMC itself has frequently reviewed policies and procedures in this area and has revised its practices several times. At the heart of this issue is, again, balance. The appropriate degree of openness comes from striking the right balance between the public's right to know and the need for effective policymaking and implementation.

In a democratic society, all public policymaking should be in the open, except when such a forum impedes the primary function assigned to an institution by law. Accordingly, the Federal Reserve makes its decisions public immediately, except when doing so could undercut the efficacy of policy or compromise the integrity of the policy process. When we change the discount rate or reserve requirements, those decisions are announced at once. When we establish new ranges for money and credit growth, those ranges are set forth promptly in our reports to the Congress. And when the Congress requests our views, we come before this committee and others to testify. Moreover, we publish our balance sheet every week with just a one-day lag, enabling analysts to review our operations in considerable detail.

What we do not disclose immediately are the implementing decisions with respect to our open market operations. However, any changes in our objectives in reserve markets are quickly and publicly signalled by our open market operations. We publish a lengthy record of the policy deliberations and decisions from each FOMC meeting shortly after the next regular meeting has taken place.

Nevertheless, the Federal Reserve has a reputation, along with other central banks, of being secretive. I suspect this is largely a result of the nature of a central bank's mission. The operations of central banks have a direct impact on financial and exchange markets; therefore, these institutions often find themselves in the position in which premature openness and disclosure could inhibit or even thwart the implementation of their public purpose.

Suppose, for example, a central bank that operated by targeting the foreign exchange rate decided that it might be appropriate to change the target rate at a given point in the future. Or, to bring the discussion closer to home, say that the central bank phrased its policies in terms of contingency plans—that is, if a given economic or financial event occurs, a particular policy action would ensue. If those decisions were made public, markets would tend to incorporate the changes immediately, preventing the policies from being effectively carried out as planned.

More broadly, immediate disclosure of these types of contingencies would tend to produce increased volatility in financial markets, as market participants reacted not only to *actual* Federal Reserve actions but also to *possible* Federal Reserve actions. It is often the case that the FOMC places a bias toward change into its directive to the Open Market Desk, without any change in instrument settings in fact resulting. In such circumstances, the release of those directives during the period in which they are in force would only add to fluctuations in financial markets, moving rates when no immediate change was intended.

As a consequence, a disclosure requirement would impair the usefulness of the directives, as Committee members, concerned about the announcement effect of a directive biased either toward ease or tightening, would tend to shy away from anything but a vote of immediate change or of no change at the meeting. An important element of flexibility in the current procedures would be lost, which can scarcely serve the public interest. Immediate disclosure of the directive would change the nature of monetary policymaking, and it would not be a change for the better.

Of course, our current policies on information release are grounded on an assumption of confidentiality. Any unauthorized, premature release of FOMC decisions is a very serious matter, and it undermines our policies. Such leaks are abhorrent. As I noted in my recent letter to you, leaks of FOMC proceedings are clearly unfair to the public, potentially disruptive of the policymaking process, and undoubtedly destructive of public confidence in the Federal Reserve. We have taken steps that we believe will be effective to curb any further unauthorized release of information.

To repeat, as a general matter, public institutions are obliged to conduct their business in open forums. The Federal Reserve endorses this principle and adheres to it, except when doing so would prevent us from fulfilling our fundamental mission of producing sound public policy.

Holding open meetings of the FOMC or releasing a

videotape, audiotape, or transcript of them would so seriously constrain the process of formulating policy as to render those meetings nearly unproductive. The candid airing of views, the forthright give and take, and the tentative posing of new ideas would likely disappear. Monetary policy would suffer, and the economy with it.

In open forum, several important items currently discussed at FOMC meetings simply could not be mentioned. We would no longer have the benefit of sensitive information from foreign central banks and other official institutions or of proprietary information from private sector sources, as we could not risk the publication of information given us in confidence.

Moreover, to avoid creating unnecessary volatility in financial and exchange markets, the FOMC might have to forgo explorations of the full range of policy options. Our discussions would, in effect, become self-censored to prevent the voicing of any views that might prove unsettling to the markets. Even a lag in releasing a verbatim record of the meetings would not eliminate this problem but only attenuate it. Unconventional policy prescriptions and ruminations about the longer-term outlook for economic and financial market developments might never be surfaced at meetings, for fear of igniting a speculative reaction when the discussion was disclosed.

It has been averred that because the minutes we release do not indicate which individuals voiced which views at the meetings, the FOMC members themselves escape accountability for their actions. This is contrary to fact. The vote of each FOMC member is recorded, by name, and the reasons for that vote are also recorded. In the case of a dissent from the majority, the reasoning behind the vote is generally explained separately. In the case of a vote cast with the majority, the members assure themselves that the minutes accurately reflect their views and the reasons for voting as they did.

In both the Freedom of Information Act (FOIA) and the Government in the Sunshine Act, the Congress explicitly recognized that types of information and kinds of meetings should be protected from dissemination to the public. Certain exemptions have been provided in the FOIA for information that, for example, is of a confidential financial nature and in the Sunshine Act for meetings that would prompt speculation in financial markets. In the exempted areas, it was determined that information release would not be in the public interest. As I have indicated, I believe that the consequences of requiring the prompt release of a verbatim record of FOMC meetings would most certainly not be in the nation's best interest.

CONCLUSION

You have made it clear that, in your view, this legislation does not represent an attempt to politicize the Federal Reserve or to infringe on its independence. I feel I must respond that, whatever its intent, legislation of this type would have precisely that deleterious effect.

I take this legislative initiative seriously not only because it would emanate from this committee but also because of monetary policy's key position in the nation's overall economic policy. At the flashpoint of financial crisis, monetary policy, if mishandled, can pose a threat to our economic system. And in this century we have witnessed inflation—a monetary phe-

nomenon—turn virulent in too many nations around the world. To a considerable degree, then, both the earnestness with which we approach our task and the unique position accorded the Federal Reserve in our governmental structure derive from the potential for just such dire consequences of monetary policy mismanagement.

In imposing significant change on the Federal Reserve System, we would run the risk of real damage to the institution's effectiveness from unintended, adverse consequences. The Federal Reserve is not a flawless institution. It is, however, a very good one. In my view, it would be a mistake to legislate structural reform when, as in this case, compelling evidence of the need for change is lacking. □

Statement by Alan Greenspan, Chairman, Board of Governors of the Federal Reserve System, before the Committee on Banking, Finance and Urban Affairs, U.S. House of Representatives, October 19, 1993

I appreciate this opportunity to provide my views on the appropriate degree of disclosure by the Federal Open Market Committee (FOMC).

The issue of fuller or more immediate disclosure of FOMC discussions and decisions has been a controversial one historically. In the Congress, the financial markets, and academia, this topic has been debated repeatedly over the years. The FOMC itself has reviewed its policies and procedures in this area frequently and has revised its practices several times. At the heart of this issue is balance: The appropriate degree of openness comes from striking the right balance between the public's right to know and the need for effective policymaking and implementation.

In a democratic society, public policy decisions should be in the open, except when exposure impedes the primary function assigned to an institution by law. Accordingly, the Federal Reserve makes its decisions public immediately, except when doing so could undercut the efficacy of policy or compromise the integrity of the policy process. When we change the discount rate or reserve requirements, those decisions are announced at once. When we establish new ranges for money and credit growth, those ranges are set forth promptly in our reports to the Congress. Moreover, we publish our balance sheet every week with just a one-day lag, enabling analysts to review our operations in considerable detail.

What we do not disclose immediately are the implementing decisions with respect to our open market operations. However, any changes in our objectives in

reserve markets are quickly and publicly signalled by our open market operations. And we publish minutes of the policy deliberations and decisions from each FOMC meeting shortly after the next regular meeting has taken place. These minutes, a copy of which for the meeting of February 1993 I have attached to this statement, can run from fifteen to more than thirty pages, presenting a comprehensive record of the economic factors and analysis and alternative policy approaches considered in reaching our decisions.¹

Nevertheless, the Federal Reserve, like other central banks, has a reputation for being secretive. I suspect that this is largely a result of the nature of a central bank's mission. The operations of central banks have a direct impact on financial and foreign exchange markets; therefore, these institutions often find themselves in the position in which complete openness and disclosure could inhibit, or even thwart, the implementation of their public purpose.

Suppose, for example, a central bank that operated by targeting the foreign exchange rate decided that it might be appropriate to change the target rate at a given point in the future. Or, to bring the discussion closer to home, say that the central bank phrased its policies in terms of contingency plans—that is, if certain economic or financial conditions prevailed, a particular action would be taken. If those decisions were made public, markets would tend to incorporate the changes immediately, preventing the policies from being effectively carried out as planned.

More broadly, immediate disclosure of these types of contingencies would tend to produce increased volatility in financial markets, as market participants reacted

1. See "Minutes of Federal Open Market Committee Meeting," *Federal Reserve Bulletin*, vol. 79 (May 1993), pp. 479–93.

not only to *actual* Federal Reserve actions but also to *possible* Federal Reserve actions. It is often the case that the FOMC expresses a predisposition toward a policy change in its directive to the Open Market Desk. Such a predisposition, for example toward easing, implies that the FOMC is more concerned about developments that would dictate an easing of policy rather than a tightening and therefore wants to respond relatively promptly to information suggesting the need for such action. We often express this predisposition without any change in instrument settings in fact resulting. In such circumstances, the release of those directives during the period in which they are in force would only add to fluctuations in financial markets, moving rates when no immediate change was intended.

As a consequence, a disclosure requirement would impair the usefulness of the directives, as Committee members, concerned about the announcement effect of a directive biased either toward ease or tightening, would tend to shy away from anything but a vote of immediate change or of no change at the meeting. An important element of flexibility in the current procedures would be lost, which can scarcely serve the public interest. Immediate disclosure of the directive would change the nature of monetary policymaking, and it would not be a change for the better.

To repeat, as a general matter, it is desirable for public institutions to conduct their business in the open. The Federal Reserve endorses this principle and adheres to it, except when doing so would prevent us from fulfilling our fundamental mission of producing sound public policy.

Holding open meetings of the FOMC or releasing a videotape, audiotape, or transcript of them would so seriously constrain the process of formulating policy as to render those meetings nearly unproductive. The candid airing of views, the forthright give and take, and the tentative posing of new ideas likely would disappear. Monetary policy would suffer and the economy with it.

Several important items currently discussed at FOMC meetings simply could not be mentioned in open forum. We would no longer have the benefit of sensitive information from foreign central banks and other official institutions or of proprietary information from private sector sources, as we could not risk the publication of information given us in confidence.

Moreover, to avoid creating unnecessary volatility in financial and foreign exchange markets, the FOMC might have to forgo explorations of the full range of policy options. Our discussions would, in effect, become self-censored to prevent the voicing of any views that might prove unsettling to the markets. Even a lag in releasing a verbatim record of the meetings would not eliminate this problem but only attenuate it. Un-

conventional policy prescriptions and ruminations about the longer-term outlook for economic and financial market developments might never be surfaced at meetings, for fear of igniting a speculative reaction when the discussion was disclosed.

Let me take a moment to describe more fully the process followed at FOMC meetings to reach decisions on monetary policy. After staff presentations of recent developments and emerging economic trends, a roundtable discussion of all nineteen participants begins. The Reserve Bank presidents describe conditions and developments within their districts, and both they and the members of the Board of Governors go on to evaluate the outlook for the U.S. economy. All members bring in, when relevant, international economic and financial considerations. In light of this discussion, we then consider whether the stance of monetary policy needs to be adjusted, either immediately, or possibly in the future under particular circumstances.

A considerable amount of free discussion and probing questioning by the participants of each other and of key FOMC staff members takes place. In the wide-ranging debate, new ideas are often tested, many of which are rejected. Ideas initiated by one participant are frequently built upon by others. This type of discourse is an invaluable ingredient of our policymaking process.

As I indicated before this committee last week, the prevailing views of many participants change as evidence and insights emerge. This process has proved to be a very effective procedure for gaining a consensus around which a directive to the Open Market Desk can be crafted. It could not function effectively if participants had to be concerned that their half-thought-through, but nonetheless potentially valuable, notions would soon be made public.

I fear in such a situation that the public record would be a sterile set of bland pronouncements scarcely capturing the necessary debates that are required of monetary policymaking. A tendency would arise for one-on-one premeeting discussions, with public meetings merely announcing already agreed-upon positions or for each participant to enter the meeting with a final position not subject to the views of others. Such a record would be far less informative than the minutes we currently publish.

It has been averred that, because the minutes we release do not indicate which individuals voiced which views at the meetings, the FOMC members themselves escape accountability for their actions. This is contrary to fact. The vote of each FOMC member is recorded, by name, and the reasons for that vote are also recorded. In the case of a dissent from the majority, the reasoning behind the vote is generally explained separately. In the case of a vote cast with

the majority, the members review drafts of the minutes to assure themselves that the record will accurately reflect their views and the reasons for voting as they did.

In both the Freedom of Information Act (FOIA) and the Government in the Sunshine Act, the Congress explicitly recognized that there were types of information and kinds of meetings that should be protected from dissemination to the public. Certain exemptions have been provided in the FOIA for information that, for example, is of a confidential financial nature and in the Sunshine Act for meetings that would prompt speculation in financial markets. In the various exempted areas, it was determined that release of information would not be in the public interest. For similar reasons, I believe that the consequences of requiring the prompt release of a verbatim record of FOMC meetings would most certainly not be in the nation's best interest.

In your letter of invitation to this hearing, you also posed several specific questions related to the maintenance of notes or records of FOMC meetings and to the premature release of FOMC information. I would like to turn now to the answers to those three questions.

At FOMC meetings, I take very brief, rough notes on the views expressed by participants. These notes assist me in keeping track of Committee sentiment as the meeting progresses and thus in judging when a consensus may be reached with respect to monetary policy. After the meeting, the notes are kept in a locked file cabinet along with other FOMC materials.

Others attending the FOMC meetings may also be taking notes, and I am sure they will tell you about them in their own responses. I have suggested to the Reserve Bank presidents that they respond to your questions regarding whatever records may be kept at their own Banks; I will cover records made by the Board staff and, in particular, by the FOMC secretariat.

Some individual members of the Board staff take handwritten notes and retain them to help them in discharging their responsibilities. The meetings are recorded electronically by the FOMC secretariat. These audiotapes are used to assist in the preparation of the minutes that are released to the public after the subsequent meeting; thereafter, the tapes are recorded over. In the process of putting together the minutes, an unedited transcript is prepared from the tapes, as are detailed notes on selected topics discussed in the course of the meeting. These materials are generally seen only by the staff members involved in preparing the minutes, and the documents are kept under lock and key by the FOMC secretariat.

With regard to your final query, on the release of

information about FOMC meetings, I would again state my strong view that any unauthorized release of FOMC decisions is a very serious matter. Leaks of FOMC proceedings are clearly unfair to the public, potentially disruptive of the policymaking process, and undoubtedly destructive of public confidence in the Federal Reserve.

Any leaks that may have occurred were most assuredly not orchestrated or directed by the FOMC. A deliberate premature leak of information is repugnant. Our current policies that call for delayed release of information are in place for good reasons, as I indicated previously. They are grounded on an assumption of confidentiality; leaks undermine these policies.

I suspect that, to an extent, what appear to be deliberate leaks may instead represent something quite different. In some cases, FOMC participants who speak to the press may believe that they have revealed nothing about recent monetary policy decisions, but they may, in fact, have inadvertently provided enough of a sense of the policy considerations to allow conclusions to be drawn, especially for experienced reporters speaking to several sources. This puts us in a difficult situation. We should not reveal confidential information about our decisions. At the same time, we cannot, and should not, wall ourselves off entirely from the media; it is our obligation to explain the broad considerations that motivate monetary policy, to correct certain misimpressions, and to convey as much information as possible, without roiling markets, creating inequities, or violating the trust of our colleagues.

The FOMC has discussed this issue extensively, and we have taken several steps that we believe will curb any further unauthorized release of information. We have reemphasized the necessity of avoiding contact with the press during the periods surrounding FOMC meetings and of caution at other times. Moreover, it has been made clear that any future leak from an FOMC meeting will be followed up very aggressively—by a full investigation that will include gathering sworn statements from all attendees.

As to whether I personally played a part in past leaks of FOMC information, I can assure you that I have never knowingly released to the press or to other members of the public any information about the results of an FOMC meeting before the formal, scheduled release. I would include one footnote to this statement, however: From time to time, I have briefed members of various administrations about the outcomes of FOMC meetings because that knowledge could assist them in the formulation of government policies for which they have responsibility. This qualification has not, however, been a relevant one over

the past year or so, as the Federal Reserve has not altered its instrument settings.

I trust the problem of leaks is behind us. If I am wrong about this, the FOMC's policy on delayed disclosure of decisions will have to be reevaluated.

Should we have to change our policy as a result, it would be unfortunate, for I firmly believe that a shift to prompter disclosure of the substance of our deliberations will adversely affect our discussions and decisions and therefore monetary policy itself. □

Statement by David W. Mullins, Jr., Vice Chairman, Board of Governors of the Federal Reserve System, before the Committee on Banking, Finance and Urban Affairs, U.S. House of Representatives, October 19, 1993

I appreciate your invitation to report my views on that portion of H.R.28, The Federal Reserve System Accountability Act, dealing with disclosure. I would like to offer this committee a perspective that was gained from my career both inside and outside the Beltway.

Before I arrived in Washington, I taught and conducted research in financial economics for more than a decade. Many of my professional writings explored the estimable ability of financial market participants to absorb and interpret information and then reflect that knowledge in market prices. As a policymaker in Washington, serving in a variety of jobs at the Treasury and the Federal Reserve, I have been exposed to the flow of confidential intelligence on the condition of financial institutions, the settings of policy instruments, contingency plans for a wide array of conceivable emergencies, the views of other agencies, and the operations of foreign official institutions. I have routinely participated in meetings with other officials and staff members of the Federal Reserve, the Congress, the Treasury, and banking and securities regulators, as well as representatives of foreign governments and international institutions. From this experience I would respectfully offer three points.

First, what often makes news is not always informative. As the members of this panel are well aware, part of the deliberative process is actually thinking out loud. In my current role, whether in meetings of the Board or the Federal Open Market Committee (FOMC) or in less formal settings, I routinely engage in dialogues with others who are concerned about the nation's interest, exchanging views on possible policy options, planning for contingencies that none of us hope will happen but that must not catch us unprepared, and contemplating the market's reaction to what we might do. Much of the job of a central banker involves worrying about events that have a small probability of occurrence but would impose large costs on the financial system and the economy were they to occur. Unfortunately, the public release of such dis-

cussions would only serve to focus attention on the sensational—the differences in opinion, the fears about individual institutions, and the concerns about worst-case scenarios—that normally have little consequence on net to the setting of policy and that would distract people from more fundamental issues, almost certainly heightening market volatility.

Secondly, and this is generalizing from a frustration that I likely share with anyone who has sat in many public meetings, the prospect of detailed and complete exposure tends to cast a chill on some proceedings. A speaker has to weigh the effects of every word, guarding against the possibility that subtle distinctions in opinion or conditional speculations will be splashed about the newspapers. One possible outcome of this fear of unfortunate headlines is that the critical conduct of policy gets pushed onto the sidelines, where fewer people can participate. The result could be less public disclosure of the policy process. My chief concern is that the quality of policymaking would suffer, with adverse consequences for the nation. If too many participants in a deliberative group speak to the record rather than to each other, innovative ideas do not get their due and the search for a consensus settles too quickly on the status quo or the easiest, though not the best, solutions.

Third, from my experience, the monetary policy process is open where it counts. Our actions matter, not just our deliberations. It is our actions that affect interest rates and the economy, and those actions are made public immediately. Changes in reserve conditions are transparent to the market by 11:30 a.m. on the day of the change in the open forum of the financial market. The reasons for the action are laid out in the minutes of the meeting that are released just six weeks later, and all votes are tallied and dissents explained. Discount rate changes are also publicly announced. To provide a broader overview to the Congress, the Chairman of the Federal Reserve offers a semiannual review to members of the Banking Committee and their counterparts in the Senate encompassing recent policy decisions, a summary of the economic forecasts of members of the Board and Reserve Bank presidents, and plans for policy for the coming year. On a more irregular schedule, members of the Board, Reserve Bank presidents, and officials of the Federal

Reserve System often sit before committees of the Congress to discuss aspects of monetary policy. Meanwhile, System staff members produce a steady stream of analyses of the economy and critiques of policy that are published in the *Federal Reserve Bulletin*, Reserve Bank reviews, and the academic press.

To sum up my views on the issue of disclosure, the central concern is the quality of monetary policy decisionmaking, which depends upon the effectiveness of the FOMC deliberative process. I believe that a substantial degree of confidentiality is necessary to ensure the effectiveness of this deliberative process. It is my view that, on the whole, the current process works well and proposed substantial changes in disclosure of FOMC deliberations would threaten the quality of monetary policy decisions, and therefore such proposed changes would not, in my view, serve the public interest.

With respect to the other information requested in your letter of invitation, during FOMC meetings I do occasionally note very rough summary observations,

which are subsequently kept in my locked confidential files and are destroyed after approximately one year's time. I also keep edited notes of some of my personal oral interventions in the FOMC meetings in my locked files. I have observed others present at FOMC meetings occasionally engaged in notetaking as well. As I believe Chairman Greenspan plans to discuss, I am aware that FOMC staff members do retain some detailed, though edited, notes and rough transcripts for use in preparation of FOMC minutes.

As for your third question, I do not know of any case of willful or intentional leaking of confidential FOMC information to the press or the public, although I am aware that there has been confidential communication with appropriate senior administration officials. Although all involved are very careful to avoid release of confidential information, it is possible that leaked stories may have resulted from inadvertence or skillful inferences. In my view, it is imperative that we ensure the confidentiality of FOMC information, and I can assure the committee that we are making every effort to do so. □

Statement by Wayne D. Angell, Member, Board of Governors of the Federal Reserve System, before the Committee on Banking, Finance and Urban Affairs, U.S. House of Representatives, October 19, 1993

I appreciate this opportunity to give you my views on the accountability of monetary policy. As I have indicated previously in correspondence with you, my perspective is of one who throughout his career as an elected and appointed official has been in favor of opening government proceedings to the public and the press. Our democracy demands that the actions of its government be conducted "in the sunshine" to the greatest extent possible to ensure that the process of public policy formulation is appropriate and equitable; it also demands that government agencies adopt the very best policies. In some cases, there is a tradeoff between these two objectives. As my statement will explain, I believe the current legislative requirements for monetary policy accountability and the Federal Reserve's current policies regarding the provision of monetary policy information strike a reasonable balance between these objectives.

Monetary policy is best formulated within a framework that provides an appropriate degree of insulation from day-to-day political pressures while requiring full accountability. The Congress gave the Federal Reserve some insulation, for example, by establishing long terms for members of the Board of Governors and

by exempting the budget of the Federal Reserve System from congressional appropriations of funds.

But at the same time, the Congress has provided for full accountability of monetary policy. As you know, the Board of Governors is required to report to the Congress on its monetary policy plans and objectives twice each year. In hearings before this committee and the corresponding body in the Senate, the Chairman of the Board presents testimony on the monetary policy report and responds fully to your questions on monetary policy. Federal Reserve policymakers also testify as requested before this committee and other congressional committees about monetary policy and other matters of interest, including a detailed accounting of our expenditures.

Beyond the statutory requirements, the Federal Reserve provides significant additional information to the public about the conduct of monetary policy. In particular, the Federal Open Market Committee (FOMC) publishes minutes of each of its meetings. These minutes summarize fully the discussion and indicate the attendance at the meetings. They show the results of all recorded votes, including statements that explain dissenting votes. Significant decisions taken by the FOMC should always be made on the basis of recorded votes—in accord with an important principle of accountability. Each member of the Committee is afforded an opportunity to participate in the preparation of the minutes so that no individual or shared

views are omitted. In my view, the minutes present an accurate account of each FOMC meeting.

With regard to the timeliness of the release of such minutes, as you know they are published shortly after the following Committee meeting. It seems to me that such a lag is appropriate. The immediate release of information on the Committee's plans for contingencies could increase market volatility, particularly in circumstances when the contingencies do not eventuate. Such volatility is unnecessary and could be especially counterproductive if concerns about possible volatility deterred some members of the Federal Open Market Committee from discussing such contingencies or drove them to relying on implicit or behind-the-scenes understandings. On balance, the market and the public are better served by more detail and more openness with delayed publication as compared with the realistic alternative of less specificity that would likely accompany earlier publication.

Similarly, I believe that provisions in the Federal Reserve System Accountability Act (H.R.28) that would require release of videotapes or transcripts of Committee meetings would have deleterious consequences. In any setting, the recognition that one's remarks will be reported verbatim will dampen participation of most members in the discussion. In the context of monetary policy, such provisions likely would cause many policymakers to be much less willing to conjecture about future economic and financial developments, to explore alternative policies, or to challenge others' views. Under those conditions, discussions during FOMC meetings are less likely to lead to appropriate policy decisions. The willingness of individual members to explore verbally what may seem to be low probability events may be the beginning of a new perspective that elicits more careful watching and continued debate. The process of devel-

oping a consensus view through an open contrarian forum is essential if monetary policy is to lead toward monetary stability.

For these reasons, I believe that the relevant provisions of H.R.28 would do little to make the monetary policy process more transparent and, unfortunately, would do much to make the conduct of monetary policy less effective. In my view, our current procedures regarding disclosure are on the right track: They permit a careful review of alternative policies while allowing the Congress and the public to analyze both the process by which our decisions are reached and their results.

Besides soliciting my comments on the accountability of monetary policy, you also asked about notes or records regarding FOMC meetings and about premature release of information pertaining to the discussion at such meetings. It has been my practice to take sketchy notes during the course of FOMC meetings; the notes are kept, solely for my own use, in a locked file cabinet in my office at the Federal Reserve. Others may also take notes, but I have no information regarding the location and disposition, and I assume the others will answer your question themselves. Some years ago I became aware of the existence of rough transcripts of the meetings when I was writing a dissenting statement. The Secretary of the FOMC made available to me a transcript of my statements, and only my statements, from the previous meeting. With regard to premature disclosure of confidential FOMC information, over the years I have been troubled by the appearance in the press of information that serves to give credence to conjecture and thereby damages Federal Reserve credibility. I have no knowledge as to the source of such information.

Thank you again for the opportunity to testify on this important subject. □

Statement by Edward W. Kelly, Jr., Member, Board of Governors of the Federal Reserve System, before the Committee on Banking, Finance and Urban Affairs, U.S. House of Representatives, October 19, 1993

Thank you for an opportunity to present my views on H.R.28, the Federal Reserve System Accountability Act of 1993. Pursuant to the request in the Chairman's letter of invitation, I shall first answer, in order, the three specific questions posed therein and then offer my perspectives on the bill in the area of maintaining a record of the Federal Open Market Committee (FOMC) meetings.

Question 1: I have generated rough pencil notes of my own thoughts, and summaries of the views of other members as I understood them, at most meetings. These notes reside in a locked file in my office.

Question 2: I would assume that various persons present at the meetings prepare and keep notes and records of their own, including the FOMC secretariat, but I am unaware of specifically who does what in this regard. Doubtless others will report on their own activities.

Question 3: I have no information whatsoever about unauthorized or premature release of FOMC information.

Let me move on to comment on H.R.28, which

would require, among other things, complete release of FOMC meeting proceedings within sixty days. I must oppose this proposal.

It seems to me that the issue here is the reconciliation of two basic principles for conducting public business in a democracy. The first is the obvious requirement that public policy be generated to further the public interest in the soundest possible way. The second is that the public has the right to know what its leaders are doing in the conduct of its business, including how and why they are doing it. Although these two principles can often be fully accommodated, there are clearly cases wherein the second, fully implemented, can potentially degrade the first. In such cases, the overriding requirement is that public policy must be of the highest possible quality.

The meetings of the FOMC are such a case. In these meetings twelve voting members, augmented by the seven additional Reserve Bank presidents, debate and decide important public matters of monetary policy. To work well, such arrangements must proceed in private, where the participants may freely and easily exchange perspectives and confidential information, dispute, alter viewpoints, and work toward discovery of common ground. In this manner, responsible public

policy is created. To expose this process to public scrutiny would, in my view, very clearly introduce an atmosphere that would be detrimental to the final result. The quality of the final result, sound monetary policy to undergird and support our economy, is the most important of the interests in question. I believe that H.R.28 would be counterproductive in this respect.

The requirement remains that the public be as informed as possible in these matters and that those involved in the process be accountable. I believe that the existing procedures for release of FOMC decisions are responsive to the public's right to be informed. Concerning accountability, FOMC decisions are the result of the votes of the participating members, and each participant's vote is recorded and made public. Affirmative votes are explained in the minutes as released, and dissenting votes are accompanied by individual explanations. Thus, there is complete accountability for results.

In summary, I feel that the public's interest in this matter is best served by maintaining a system wherein the process is confidential and the policy results are made public in appropriate ways, with personal and group accountability for such results. □

Statement by John P. LaWare, Member, Board of Governors of the Federal Reserve System, before the Committee on Banking, Finance and Urban Affairs, U.S. House of Representatives, October 19, 1993

I am here with my Federal Open Market Committee (FOMC) colleagues to comment on the initiatives in H.R.28 that are purportedly designed to improve the accountability of the Federal Open Market Committee for monetary policy. Specifically, you have asked for comment on the proposed requirement for a full and timely accounting of each FOMC meeting.

I would strongly urge that the committee continue, as in the past, to concentrate its appropriate oversight efforts on the substance of monetary policy rather than on the procedures by which it is determined. The mandated Humphrey-Hawkins testimony, presented twice a year and intensely scrutinized and analyzed by the Congress and the media, provides a rather full description of policy moves, historic economic performance, and future objectives for policy, expressed in terms prescribed by the statute. It is perhaps the fullest public accounting of monetary policy provided by any central bank in the world.

I can honestly see no purpose to be gained by publication of a verbatim transcript of the Federal

Open Market Committee's deliberations and even less purpose in a videotape record of the proceedings, which might provide prime time competition for congressional committee hearings and speeches on the floor of the House, which I do not believe have particularly high ratings.

A verbatim transcript or a videotape recording of the meetings of the Federal Open Market Committee might significantly inhibit the members from the free exchange of ideas, which presently characterizes our meetings. We are, after all, human, and we all have a certain amount of self-consciousness about being "on stage," as we would certainly be under the suggested protocol. This problem would be heightened by the knowledge that the matters under discussion are highly sensitive for financial markets here and around the world. Consultation "in camera" gives the members of the Federal Open Market Committee the same privileges of open communication and free exchange enjoyed by juries. Importantly, it also gives the Committee members the same right to change their minds as jurors enjoy. I cannot imagine how juries might deliberate in the presence of a scribe or a tape recorder or a video camera. I am sure that the quality of jury decisions would be significantly changed. I am equally sure that the process of developing monetary policy

would suffer under such a regime of public performance.

I am much less concerned that the quality of policy decisions would be adversely affected by a memorandum of discussion carefully edited to delete market-sensitive information provided on a confidential basis and released on some delayed schedule, perhaps one year after the meeting it described. Even there, some behavioral change on the part of members of the Federal Open Market Committee could be expected, but I would not think it would be sufficient to significantly inhibit the deliberations of the Committee or alter the course of policy.

Finally, the issue of the timely release of the directive for open market operations is a tricky one. On the one hand, the market knows at 11:30 a.m. or so the morning after the FOMC meetings whether there has been a policy shift. This is almost immediately discernible from the way the Desk at the Federal Reserve Bank of New York enters the market. So, from this perspective, little is to be gained or lost from the publication of FOMC decisions within a week, as proposed under H.R.28. On the other hand, immediate release of the directive would probably discourage the use of asymmetric language in the directive because asymmetry reflects the tilt of the Committee either toward ease or tightening. Markets might react

impulsively on such news, to no one's best interest except speculators. And, internally, such a stricture against asymmetric language would inhibit quick intermeeting response to changing market conditions.

As to the three specific questions in your letter of invitation:

1. I make no notes at FOMC meetings other than brief bullet points to outline my own comments to assure coherence. These, together with all analytical materials supplied by the staff before the meeting, are given by me to my executive assistant for destruction as soon as the FOMC meeting adjourns.

2. I have no knowledge of notes or records made or retained by other members of the Committee.

3. I have no knowledge of the source of the notorious "leaks" of FOMC information. Such leaks are irresponsible and reprehensible. If they are unintentional, they reflect a naiveté that should not be allowed to lurk anywhere near the FOMC. If they are intentional, they should be punished to the full extent of whatever remedies are available, no matter who the culprit may be.

I appreciate the opportunity to participate in this hearing and look forward to answering any further questions the committee may have. □

Statement by Lawrence B. Lindsey, Member, Board of Governors of the Federal Reserve System, before the Committee on Banking, Finance and Urban Affairs, U.S. House of Representatives, October 19, 1993

I appreciate this opportunity to comment on provisions of the Federal Reserve System Accountability Act (H.R.28) that pertain to the release of information on monetary policy.

The Federal Reserve currently provides a great deal of information to the public about the monetary policymaking process both formally and informally. We report to the Congress semiannually on our objectives and plans for monetary policy, and we provide additional testimony on request. We publish a considerable volume of timely data on our monetary policy actions. In addition, we publish minutes of each Federal Open Market Committee (FOMC) meeting shortly after the following meeting. These minutes fully summarize the discussion at Committee meetings and are reasonably timely. Federal Reserve officials frequently discuss the economic situation and monetary policy in informal contacts with mem-

bers of the Congress and with members of the Administration and their staffs. We publish numerous articles relating to monetary policy in System publications.

Members of the Board and presidents of Federal Reserve Banks have an obligation to the public to explain their policy positions, and we often therefore speak out through speeches and other forums, not just on monetary policy but on economic policy more generally. We go out into communities across the nation, partly to understand the economic circumstances and concerns of all Americans but also to articulate the Federal Reserve's position on the economy. For example, I have visited the fine city of San Antonio twice during my twenty-three months as a Governor and have met with citizens from all walks of life to listen to their needs and to explain our mission. In fact, in virtually every city to which I have travelled, more than thirty in all since becoming a Governor, I have met with local business people, bankers, and citizens to discuss the economy and its direct impact on their businesses and daily lives. I consider the process of carrying on a public dialogue to be central to my responsibilities. There are no

mysteries regarding my position or thinking. And I believe the same is true of my colleagues.

In my view, the provisions of the proposed legislation directed at increasing the availability of information on monetary policy probably would suffer from the law of unintended consequences. Videotaping FOMC meetings would likely reduce the usefulness of these meetings considerably. Participants would hesitate to use hypothetical or speculative examples to explain points because these examples could be misinterpreted and cause unnecessary volatility in the financial markets. Information learned from meetings and travels is often proprietary in nature and thus could not be shared if the meetings were taped. More generally, the give and take in the discussion among policymakers would be sharply reduced. Policy discussions would tend to take place outside Committee meetings, and members of the Board and Reserve Bank presidents would come into meetings with preconceived views to a much greater degree than is the case currently. Videotapes of these meetings might, in fact, consist of nothing more than prepared speeches by the Board members and Reserve Bank Presidents.

The ideas that arise in the current process of open, candid discussion would no longer be produced at Committee meetings and thus would not be reported in FOMC minutes. Their loss would limit the flexibility and give and take of the policy process and in so doing produce the unintended consequence of actually reducing the net amount of publicly available informed debate on monetary policy.

I am also skeptical that, on balance, immediate release of the directive would be useful. Although

there may be some advantages, there are also costs. Under current procedures, market participants and others are able to recognize an actual shift in the Federal Reserve's policy stance on the morning that the change is implemented. Thus, an immediate verbal statement on policy changes would provide no additional information to the market. A requirement to publish information could be damaging in cases in which policy contingencies are part of the FOMC directive. In fact, increased market volatility could potentially result because of market speculation. Moreover, such a requirement could diminish the Committee's ability to provide instructions to the Federal Reserve Bank of New York to respond to contingencies, potentially hobbling the Federal Reserve's ability to resolve financial crises.

Let me turn next to the three specific questions that you posed in your letter of invitation to this hearing. First, I do take very sketchy notes during FOMC meetings to help organize my own comments. These notes are discarded by me after each meeting. Second, I believe that others will be describing their own notetaking practices and that the Chairman will describe the notetaking process of the FOMC Secretariat. Finally, I have no information for the committee on any premature release of FOMC confidential material.

In summary, I believe that there will always be a tension between the benefits of an open and ongoing public debate on economic policy and the benefits of confidentiality. Although the current system is imperfect, it is probably better than resolving the current tension in favor of either fuller openness or greater confidentiality. □

Statement by Susan M. Phillips, Member, Board of Governors of the Federal Reserve System, before the Committee on Banking, Finance and Urban Affairs, U.S. House of Representatives, October 19, 1993

I am pleased to have the opportunity to appear before this committee to present my views on the reporting of Federal Open Market Committee (FOMC) actions, with specific reference to sections of H.R.28, Federal Reserve System Accountability Act of 1993, that focus on maintaining a record of the FOMC meetings. I am the newest member of the Board of Governors and am therefore also a voting member of the FOMC.

Since joining the Federal Reserve Board, I have been deeply impressed by the care and attention given throughout the System to the incorporation of a broad range of viewpoints in the development and conduct of

monetary policy. This information gathering or economic monitoring is done through a variety of means—advisory and consultative committees to the Board and individual Reserve Banks, studies requiring specialized surveys or data gathering, financial reports submitted to the Board as part of the regulatory oversight process, Reserve Bank reports, and the various analyses and studies undertaken as background for the Beige Book and staff FOMC documents. The cooperation received by the Federal Reserve System in this enormous task of economic monitoring is no doubt attributable to the serious manner, and in some cases the confidentiality, in which business and economic information is treated by the Board and the Reserve Banks. This cooperation demonstrates considerable confidence in the FOMC's processes and is likely bolstered by the unique quasi-

public organizational structure of the Federal Reserve System, carefully crafted by the Congress to contain an inherent number of checks and balances, with the private sector an integral part of the System.

The manner in which the Board and the FOMC communicate with the markets and the public is crucial not only to maintain trust and confidence in the nation's central bank but also to assist members of the FOMC in gathering sufficient information to assess the various trends in both the real and financial sectors of the economy. The ability to receive and relay to the FOMC confidential financial information is vital to a full understanding of the complex U.S. economy. I believe that releasing a literal transcription or videotape of the meetings would seriously inhibit members' abilities to obtain and relate such information because of its potential market sensitivity.

A videotape or transcript also could have other harmful effects on the nature of discussions at FOMC meetings. The structure of those meetings allows all Board members and Bank presidents an opportunity to present their views. These voting and nonvoting members come from very diverse backgrounds, representing different parts of the country and varying perspectives on the macroeconomy and the operation of monetary policy. The process of explaining different viewpoints and reconciling them requires significant explanations and considerable give and take. Efforts are made by members to compare and contrast their particular regional or economic observations with those of other members, rendering the use of complete prepared statements extremely difficult. If a literal transcript or videotape of FOMC meetings were to be released, I believe many members would feel constrained to speak only from prepared statements, thereby losing the analytical approach now used in building upon each other's observations in a truly deliberative process. Moreover, there would be reduced capability to reach a consensus, as members'

initial statements may limit their flexibility to adjust their positions. The current approach to constructing and releasing the minutes, which allows complete recordation of the subjects discussed and views presented without specific attribution, contributes to this analytical deliberative process. All members have an opportunity to edit the minutes before the next meeting.

I review the draft to ensure that my own views are adequately reflected in the minutes and make editorial suggestions as appropriate. To assist in this process, I take sporadic personal notes during some parts of the FOMC meetings to remind myself of, for example, economic conditions noted by other members and my own positions on various issues. Those handwritten notes are retained in my personal confidential files, shared with no one. I presume other members will comment on their own or their staff members' notes.

The preparation, circulation, and editing of the minutes takes some time, but in any case the process is complete before the next meeting. I know of no one who shares this information with members of the public or the press before its official release.

Earlier release of the minutes, or very rapid release of the Committee's decisions and directives, would curtail the flexibility of the Committee's decisions. Those directives frequently contain or reference longer-run strategies the Committee wishes to adopt, although the precise form those strategies would take depends on subsequent economic developments. No major market participant can announce its future strategy without having an impact on the market itself. Such announcements would be self-defeating and would limit the Federal Reserve's flexibilities and ability to affect the market when it wishes to do so.

I hope these comments are helpful to the committee in its deliberations. I would be pleased to respond to additional questions. □

Statement by Richard F. Syron, President, Federal Reserve Bank of Boston, before the Committee on Banking, Finance and Urban Affairs, U.S. House of Representatives, October 19, 1993

Thank you for this opportunity to share my views on maintaining a more extensive record of Federal Open Market Committee (FOMC) meetings.

Being involved in the making of monetary policy is a great honor and something in which I take deep personal pride. Thus, from a purely personal perspective, I might welcome my views and positions being

made more public. However, the key issue to me is what will provide the best policy for the people of the United States and of the First District. I believe there are difficult trade-offs between openness and the effectiveness of the deliberations that lead to monetary policy. I would like to mention two specific reasons that contribute to this trade-off.

First, I am concerned that a highly detailed accounting of FOMC deliberations, unless its release were delayed several years, would impair the ability of the FOMC to obtain and discuss confidential information on individual companies and foreign central banks—

information that is essential to conducting monetary policy.

New England's experience in the recent recession is a relevant case in point. The recession began earlier in New England, and proportionately many more jobs were lost in the region than in the rest of the country. As a consequence, some problems surfaced in New England before they emerged elsewhere.

For example, the difficulties experienced by New England banks contributed to a "credit crunch" for small and medium-sized businesses. These problems were discussed at FOMC meetings and helped shape policy. It would not have been possible to convey the seriousness of the banking problems in New England, the potential for reduced credit availability, and its impact on the economy as a whole without reference to individual borrowers and lenders. Yet to make such information public would have violated confidences; indeed, much information would never have been volunteered, and our understanding of the problems would have suffered greatly. Again, trade-offs are involved: The more specific are the references in the record of FOMC deliberations, the longer would be the time lag required before disclosure if access to valuable but confidential information on individual companies is to be maintained and used.

Second, much of the discussion and economic information disclosed in FOMC meetings pertains to the valuation of assets priced continuously in world financial markets. Fluctuations in asset values can have a significant impact on the jobs of workers and on the incomes of investors. Public disclosure of preliminary and exploratory FOMC discussions could generate unintended value changes that could lead to harmful reactions and unnecessary volatility in the economy.

In summary, the ultimate objective of monetary policy is to promote the highest standard of living possible for Americans. The policymaking process should be as open as it can be, without diminishing our ability to achieve that objective.

In regard to the three specific questions you posed, I generally take rough, handwritten notes at FOMC meetings; these notes are subsequently kept in a locked drawer. Any notes taken by the senior economist accompanying me are also kept securely or disposed of according to procedures governing confidential documents. Except for the Secretary's maintenance of Committee records, I have no direct information about how others may keep notes. I have no information about individuals imparting information about FOMC meetings before official release. □

Statement by William J. McDonough, President, Federal Reserve Bank of New York, before the Committee on Banking, Finance and Urban Affairs, U.S. House of Representatives, October 19, 1993

You invited me to appear before the committee to present my independent views regarding the accounting of Federal Open Market Committee (FOMC) meetings. As you know, it is not possible for me to appear at the hearings, but I submit herewith my views, as well as the answers to three questions to me in your letter of September 20.

I believe that the primary responsibility of the Federal Open Market Committee is to develop and carry out a monetary policy that contributes to sustained economic growth with price stability. Therefore, I address myself to the question before us guided essentially by whether the present accounting of the FOMC meetings is more or less supportive of that responsibility than would be the case under the provisions proposed in the legislation being considered, H.R.28.

Besides serving as president of the Federal Reserve Bank of New York and vice chairman of the FOMC, I also bring to this consideration a period as

Manager of the Federal Reserve System Open Market Account with responsibility for the day-to-day execution of FOMC decisions. In the hope of adding some specialized value to the committee's consideration, I will direct my consideration to the market effect of one aspect of H.R.28, release of the policy decision of the FOMC within seven days as compared with the releases of the directive the Friday after the subsequent meeting, that is, with a delay of about seven weeks.

We all may have differing views either in general or from time to time regarding the right direction of monetary policy. But whatever these views, the actual carrying out of monetary policy in the best interest of the American people must involve flexibility. Why?

It is frequently the case that the right monetary policy conclusion is not an immediate change in policy. On occasion, the FOMC decides that there should be a tilt between meetings towards a shift in monetary policy; that tilt may or may not result in an actual policy change, depending on how circumstances in the economy and in financial markets play out. The present policy of releasing the minutes and the directive after the following meeting permits this flexibility because by the time of release under the present

policy, it is a clear fact whether policy has been changed or not.

A person who has not spent much of his or her life in these markets may say that nothing would be lost by immediate disclosure. That is simply not so. I can assure the committee, based on more than two decades of private sector experience in financial markets, that the disclosure of an FOMC policy tilt would be translated by the financial markets, in moments after the release, to an execution of the policy shift. A policy change that the FOMC thought *might* make sense only if certain economic circumstances evolve would become an executed policy as market participants acted instantly to either profit or avoid loss. In other words, market participants would immediately assume that the policy tilt would become reality and protect themselves by immediately moving market rates accordingly. With that being the case, the FOMC would be deprived of the intermeeting flexibility that I believe is essential for carrying out the optimum monetary policy. The Committee would be convinced that it could not choose a tilt, even if it thought a tilt was the right decision. The FOMC would be left with only the binary choice of maintaining present policy or changing it immediately. Monetary policy is simply too important to the good of the American people to force it into that kind of arbitrary and inappropriate straightjacket. The greater good of the best monetary policy that the FOMC can devise and carry out must be given priority over a great, but lesser, good of immediately informing the public.

You asked that I also respond to three specific questions included in your letter to me of September 20. I provided these answers as follows:

First, I have made no notes or records of the FOMC meetings I have attended.

Second, an officer of the Open Market Function at the New York Fed attends the FOMC meetings to provide backup for the Manager for Domestic Operations. That officer prepares informal written notes during the meeting that are not intended to be a record of events but rather a guide to the officers of the Federal Open Market Committee in the day-to-day management of the account between meetings. These notes are given very limited distribution within the New York Fed: to the president, the first vice president, the general counsel, and the other System account officers, a total of about seven people. Recipients return the notes to the officer who has prepared them, and they are immediately destroyed. No file is maintained.

The research director of the New York Fed is my principal adviser on monetary policy matters. He attends the FOMC meetings and keeps handwritten notes; these notes are not transcribed and are kept in the Research Director's own files, not those of the Research Group.

I have no personal knowledge of any other notes or records that others may have made at FOMC meetings or the release of FOMC meeting information before the official release of that information.

As president of the Federal Reserve Bank of New York, I appreciate this opportunity to address myself to the committee. The Federal Reserve was created by the Congress, and we are accountable to the American people through the Congress as the people's elected representatives. I hope that these comments are helpful to you in your deliberations. □

Statement by Edward G. Boehne, President, Federal Reserve Bank of Philadelphia, before the Committee on Banking, Finance and Urban Affairs, U.S. House of Representatives, October 19, 1993

I am pleased to testify on the provisions of section 4 of H.R.28, the Federal Reserve System Accountability Act of 1993, that involve public disclosure of Federal Open Market Committee (FOMC) meetings.

Let me begin by saying that I take very seriously my role in FOMC proceedings and have a natural bias toward public disclosure and personal accountability. I also take seriously the collective responsibility of the FOMC to formulate the best possible monetary policy. An essential ingredient in formulating the best possible monetary policy is an effective deliberative process—one that fosters the free flow of information, the ability

to speculate about the effects of alternative policies, the general give and take among members, and the ability to reach a consensus. The challenge is how to maintain an effective deliberative process and still achieve meaningful disclosure and accountability. I believe that the FOMC's existing procedures provide a workable balance between the need for a process that allows for the formulation of an effective monetary policy and the need for public disclosure and accountability.

Let me comment briefly on the specific provisions of the bill. I believe that the FOMC already complies with the provision of H.R.28 that requires that a written copy of the minutes of each FOMC meeting be made available to the public within sixty days of the meeting. The FOMC currently releases minutes of its meetings six to eight weeks after each meeting, which

is consistent with the bill's proposed sixty-day period. For those who read them regularly, these minutes are quite comprehensive. They include information about current and prospective economic and financial conditions, the pros and cons of alternative policy actions, the reasons why a majority favored a particular action, plus comments, by name, of those members dissenting.

The minutes the Committee now releases are not as detailed as the Memorandum of Discussion that was released before 1976. But in my view the old memorandum had some disadvantages that hindered the FOMC's deliberative process. I attended FOMC meetings in the early 1970s when the memorandum was still being prepared. At those meetings, as I recall, members of the Committee tended to stick to their prepared statements, and there was less give and take about alternative views of the economy and policy options. This occurred even though the memorandum was released only with a long lag of five years. I believe that the current arrangement of releasing the minutes of the FOMC meeting in summary form—but much more promptly than the memorandum—has served the deliberative process well, while at the same time providing relatively prompt public disclosure.

For the same reasons, I believe that the bill's provisions to require a verbatim transcript or videotape of each meeting would impede the FOMC's deliberative process. They would tend to lock members into prepared statements and reduce the give and take of discussion. Innovative proposals could easily be stifled. Members would be less willing to play

devil's advocate in proposing policy alternatives, and the quality of monetary policy decisionmaking would suffer accordingly.

With regard to the bill's proposal for public release of the directive or other FOMC decisions within one week, I believe that such a provision would not be very helpful to the public. The directive is best read along with minutes of the meeting. Indeed, the two are currently released together within sixty days of each meeting. To release the directive earlier is likely to confuse, rather than clarify, people's perceptions of the stance for monetary policy because they will not have the full context in which the directive was prepared. Consequently, I do not favor this provision of the bill.

In your letter of invitation to appear today, you also requested my comments on three other areas. Let me now turn to those. First, during my tenure as president of the Federal Reserve Bank of Philadelphia, which began in 1981, I have not taken notes during FOMC meetings. My economic adviser usually takes handwritten notes during meetings, which are then kept in a locked file cabinet with other materials prepared for each FOMC meeting. He uses these notes to identify issues that should be investigated for future pre-FOMC economic briefings. And finally, I am aware, of course, of news stories that have discussed the premature release of information about FOMC meetings. I deplore such leaks. Security of FOMC information is taken very seriously at the Federal Reserve Bank of Philadelphia, and I do not have any direct knowledge about how such leaks occurred. □

Statement by Jerry L. Jordan, President, Federal Reserve Bank of Cleveland, before the Committee on Banking, Finance and Urban Affairs, U.S. House of Representatives, October 19, 1993

I welcome the opportunity to appear before you this morning to discuss the release of information about the meetings of the Federal Open Market Committee (FOMC).

Before I respond to the three specific questions raised in your letter of September 24, 1993, I would like to address a general issue that I believe is highly relevant.

The questions of what information to release and when to release it must be answered in the context of accountability for achieving clear, unambiguous objectives for monetary policy. If the FOMC is charged with conflicting or unattainable objectives, discussions about the appropriate timing and content of disclosure

could easily reflect misplaced priorities. The Congress could best contribute to a clarification of the FOMC's policy direction by enacting the Neal Resolution, which specifies an ultimate goal of achieving the highest sustainable rate of real economic growth through the maintenance of purchasing power stability. The timing and content of disclosure become less contentious issues in the presence of a credible framework for monetary policy.

Markets operate more efficiently with knowledge of the collective thought process that generates Committee decisions. Such information allows people to deal with uncertainties about how policy actions might respond to unknowable future developments.

It takes some time to ensure members' agreement on an accurate portrayal of a meeting and to remove sensitive material. Thus, the minutes of a meeting, describing the climate and substance of Federal Open Market Committee decisionmaking, are released only

after their formal acceptance, at the next regularly scheduled meeting.

Meeting minutes are released through an orderly process that guarantees equal access for everyone who wants to receive them, simultaneously, at numerous sites nationwide. In the interim before release, actions in the open market are taken in accordance with a publicly understood procedure. Within seconds of any market action, electronic information services communicate the facts nationwide.

As a member of the Committee, I find it objectionable to see news stories that are not written on the basis of the Committee's well-defined, orderly procedures for information security and release. I do not condone the actions of individuals who unilaterally release such information, even through inadvertence. Chairman Greenspan indicated last week that measures have been taken to ensure that the procedures adopted by the Committee are followed.

You have asked me to respond to three specific

questions. First, I do not take notes at an FOMC meeting. At the first few meetings I attended in 1992, I took a few notes during Committee meetings to remind me later of issues raised in the course of discussion, but soon decided that I did not need notes to remind me of the important issues. If I want staff analyses of theoretical or empirical issues in preparation for subsequent meetings, I discuss the issues with senior policy advisers. All this is done in accordance with the Committee's standard rules for maintaining confidential FOMC information. We adhere to a "need to know" policy when relating information to research economists conducting studies on policy issues. Second, I have not questioned any other participants in FOMC meetings about the procedures they follow and consequently am not aware of whether they keep notes or records of the meetings. Finally, I have no information about the premature disclosure of FOMC meeting materials by anyone employed at the Federal Reserve. □

Statement by J. Alfred Broaddus, Jr., President, Federal Reserve Bank of Richmond, before the Committee on Banking, Finance and Urban Affairs, U.S. House of Representatives, October 19, 1993

I am pleased to be here today to discuss the procedures that the Federal Open Market Committee (FOMC) follows in recording policy information and releasing it to the public. My views in this area are based on two principles. First, these procedures should enable us to make the best possible monetary policy decisions. Second, in general we should release as much information to the public on our policy decisions as promptly as possible, provided such release does not compromise our ability to make sound decisions. My views also reflect substantial experience with the Committee. Although I have been in my present position only since the beginning of the year, I previously attended Committee meetings as an adviser over a period of approximately twenty years.

At each FOMC meeting, the Committee reviews current and prospective economic conditions, discusses current policy issues, and then decides on an appropriate policy direction. This decision is communicated to the Trading Desk at the Federal Reserve Bank of New York in a directive that instructs the Desk to take actions in the money market that are consistent with the desired policy direction. The directive is the Committee's primary policy document. It contains the Committee's decision on whether to ease or tighten reserve conditions or leave them unchanged

immediately after the meeting. It also signals, through the symmetry or asymmetry of some of its language, the most likely direction of any prospective changes in policy during the period up to the next meeting.

Currently, the directive for a particular FOMC meeting is released immediately after the next meeting along with a record of policy actions. This record provides a lengthy and thorough summary of the discussion leading up to the Committee's policy decision. It indicates in considerable detail the views of those supporting the decision and contains a full explanation of any dissenting votes. It also lists by name the Committee members voting for or against the policy decision. As a long-time attendee at FOMC meetings, I can attest that the record of policy actions always conveys the content and flavor of the Committee's deliberations, as well as its specific decisions, fully and accurately. In my view, the record fully satisfies the need for the Committee to be accountable to the public.

H.R.28 would change these procedures in two ways. First, it would require that videotapes of FOMC meetings be made and released along with verbatim transcripts within sixty days. Second, it would require that Committee decisions (that is, the directive) be released within one week. Let me comment on each of these changes.

FOMC Policy Discussions. My views on releasing videotapes and verbatim transcripts of FOMC meetings have not changed since I responded to Chairman Gonzalez on this issue earlier this year. I believe that

the prospect of a literal record, even if it were released after a long period of time, inevitably would introduce a self-consciousness into Committee proceedings that would seriously inhibit the flow of information and ideas. Members would almost certainly be reluctant to speak and argue as freely and frankly as they do now if they knew that their statements would be recorded and released publicly. In sum, I believe that releasing a literal record of Committee meetings in any form would restrain Committee members in debate, undermine the deliberative process, and therefore risk lowering the quality of policy decisions.

Although I cannot support release of a videotape or any other verbatim transcript of the FOMC meetings, I do believe that there might be benefits from releasing a nonliteral but relatively complete record of FOMC proceedings similar to the "memorandum of discussion" that we prepared until 1976 *if there were a long and enforceable delay of the release*. As I said in my earlier letter, such a record would assist researchers interested in monetary policy by helping them focus more clearly on the issues that most concerned the Committee at a particular meeting and by strengthening their appreciation of some of the more practical aspects of formulating policy. Over a long period of time it might also provide a clearer picture of the evolution of the positions of various members of the FOMC than is currently available, which some researchers might find useful.

I believe strongly that such a nonliteral record should be released only after a delay of several years, such as the five-year period in the case of the memorandum of discussion. Early release of even a nonliteral record like the memorandum could inhibit FOMC discussion and reduce the quality of monetary policy decisions. Consequently, I think it is essential that any reinstitution of something like the memorandum of discussion be accompanied by a legislative guarantee that it would not be released prematurely.

FOMC Policy Decisions. The second change proposed in H.R.28 is to release the directive one week after an FOMC meeting. Arguments can be made both for and against this proposal. Earlier release would be consistent with the general principle that we should inform the public of policy decisions as soon as possible. At the same time, I believe that early release of the directive could well have announcement effects that could create unnecessary volatility in interest rates. The FOMC's policy decision at a particular meeting is often *conditional* on economic data that become available in the period after the meeting, and the language of the directive frequently reflects this conditional element. If the directive were released

soon after the meeting, interest rates typically would react immediately to any policy action contemplated in the directive even though the actual policy action had not yet been taken. If the action subsequently did not take place, then the initial reaction of rates would be reversed.

One can distinguish, of course, between the part of the directive that announces the Committee's decision regarding any *immediate* policy actions and the part that may predispose the Committee to undertake a particular *future* action. It is the latter, conditional part of the current directive that causes my concern regarding financial volatility because it suggests a direction in future policy that may or may not be implemented subsequently. This problem could be dealt with by removing the conditional language from the directive. Doing so, however, could well reduce the usefulness of the directive, both as a policy instruction to the Trading Desk and as a focal point for the Committee's deliberations. The Committee would need to consider very carefully the potential loss from changing the form of the directive before making any such change.

Notes on FOMC Meetings. Let me respond now to the specific questions raised in Chairman Gonzalez's letter regarding my knowledge of notes made at FOMC meetings. As I indicated earlier, I have attended FOMC meetings for a number of years, mostly as the adviser to the president of the Richmond Reserve Bank. While I was in this advisory position, I took notes so I could serve the president more effectively. Monetary policy is a continuous process in which particular issues, such as how to interpret the behavior of the monetary aggregates, frequently recur at subsequent meetings. Consequently, it is sometimes helpful, in preparing for a meeting, to be able to review the discussion of a particular issue at an earlier meeting. I used my notes for this purpose during my years as an adviser. The notes were handwritten, were never transcribed to typewritten or any other form, and were not distributed to anyone. I have always kept these notes in locked, confidential files. I should add that I have taken only very partial notes since assuming my current position at the beginning of the year. I now rely on the notes taken by my adviser, who follows exactly the same procedures I did.

I have only limited knowledge of notes or records made by other FOMC participants and have not read or used any such notes. Finally, I do not personally know of any information that has been released by anyone at the Federal Reserve Bank of Richmond or elsewhere in the Federal Reserve to persons outside the Federal Reserve before its official release. □

Statement by Silas Keehn, President, Federal Reserve Bank of Chicago, before the Committee on Banking, Finance and Urban Affairs, U.S. House of Representatives, October 19, 1993

As requested, let me briefly summarize my views on the question of the appropriate recordkeeping and public release of the deliberations of the Federal Open Market Committee (FOMC).

As I stated in my letter of January 13 of this year to the chairman of this committee, I fully support Chairman Greenspan's previously stated position on the various proposals for maintaining and releasing a more detailed record of the FOMC's deliberations. In my view, the minutes of the FOMC, as they are currently written, provide the right level of reporting and detail necessary to communicate the current policy concerns and actions of the Committee. The minutes explicitly document the full range of policy arguments made during the discussion, and when a member of the Committee disagrees with the resulting consensus that member's dissent becomes an integral part of the public policy record.

Based on my participation in FOMC deliberations, I believe that releasing more detailed minutes, most especially a verbatim transcript of the meeting, without a significant delay would be counterproductive and would impede the development of sound monetary policy—first, by limiting the free flow of necessary information into the policy process and second, by hindering the consensus process so essential if policy is to adequately reflect economic conditions in all regions of the country.

As president of the Federal Reserve Bank of Chicago, I have an important responsibility to convey to the FOMC the economic conditions of the Seventh Federal Reserve District. To meet this responsibility, I and other senior members of our staff maintain extensive contacts with District businesses (large and small), community groups, and state and local government officials. From these individuals we are able to gather a wide array of highly significant information about the District that cannot be derived from the public data sources—information not only about current economic conditions but also about changes in business practices, future production, labor negotiations, investment and hiring plans, and a host of other issues that have important value to the policy process.

This type of information is particularly important at the present time. The economy is going through a very different phase than any that we have experienced in the past. Many of the economic indicators that have been useful guideposts in developing policy in the past

are now proving unreliable. In such an environment, I find the regional information derived from local contacts, both about the Seventh District and elsewhere in the country, essential to the policy process. In the context of these hearings, it is important to understand that much of the information that these contacts provide is highly proprietary and very confidential in nature. I have absolutely assured these contacts that the source and nature of the data will not be divulged in a way that they would find compromising. I have never had anyone decline to speak with me about their activities. If I could not provide such assurances, then much of this significant information would not be forthcoming and the development of monetary policy would be impeded.

It is precisely this type of information about local businesses, communities, and financial institutions that demonstrates the value of the regional structure of the Federal Reserve System and District representation on the FOMC. The impact of releasing such information as part of the written record of the FOMC without a significant delay would only result in the exclusion of this vital information from the FOMC policy discussion. In my view, this would not be in the public interest, especially when the current system of disclosure is able to convey an accurate description of the key issues and arguments underlying the FOMC decisions as well as record individual votes and dissenting positions. If it became necessary to prepare more detailed minutes, then they should only be released after a period of five years and with all confidential information about individual corporations excised, as well as confidential information about foreign countries, foreign central banks, and international institutions.

As to the specific questions you asked us to address:

I prepare an outline of economic conditions in the District, which forms the basis for my remarks at each meeting of the FOMC. After the meeting, these notes are kept secured in my office until the next meeting, at which time I destroy them. I do not maintain notes on the discussion that takes place at the meeting itself, and Chairman Greenspan is in a better position to describe the records that are kept by the FOMC secretariat.

As to the premature release of information from the FOMC meetings, I have not talked to the press or other outside contacts nor to other Federal Reserve officials who do not have authorized access to FOMC information, and my only direct knowledge of such premature releases arises from articles that I have seen in various newspapers. I completely concur with Chairman Greenspan that premature releases of this type are highly inappropriate and totally unacceptable. □

Statement by Thomas C. Melzer, President, Federal Reserve Bank of St. Louis, before the Committee on Banking, Finance and Urban Affairs, U.S. House of Representatives, October 19, 1993

I am pleased to appear before the committee today to testify on section 4 of the Federal Reserve System Accountability Act of 1993, entitled "Prompt Public Disclosure of Open Market Committee Meetings." As a creation of the Congress, the Federal Reserve System is fully accountable to the public for its monetary policy actions. One way the Federal Reserve ensures this accountability is by releasing information about its policy decisions. The Federal Open Market Committee (FOMC) provides a full accounting of its actions in its Minutes of the Federal Open Market Committee (minutes).

The minutes contain all important information about FOMC decisions, including the policy directive agreed upon by the majority and the reasons underlying policy decisions. Any significant differences among those voting with the majority, as well as the views of any dissenting members, are included in the document. The minutes are released upon their approval by Committee members at the next FOMC meeting. The public record thus contains the outcome of FOMC deliberations and the policy views of each member of the Committee.

I am not in favor of producing a further detailed account of FOMC deliberations, either in the form of an edited transcript, such as the "memorandum of discussion," verbatim minutes, or an audiotape or videotape. Such a release would impede the deliberative process and thereby impair policymaking. Arriving at appropriate policy often involves considerable give and take, consensus building, and debate of alternative actions. Because of the possibility that a particular statement might be misunderstood or taken out of context, FOMC members would be reticent to engage in the kind of open discussion that leads to good policymaking if they knew that all of their statements would be in the public record. Furthermore, the release of verbatim minutes or any other detailed record of deliberations would discourage other parties from supplying the FOMC with confidential information that is useful in determining appropriate policy.

Turning to the timing of the release of the FOMC policy directives, I believe that immediate release of the outcome of FOMC deliberations would interfere

with the deliberative process and would lessen the flexibility with which the Federal Reserve can respond to changing economic conditions. If directives were released immediately, the FOMC might be reluctant, even if economic conditions warranted, to take a timely subsequent action because of concern that such action would add to the uncertainty in financial markets. In addition, the FOMC would be less inclined to bias its directives toward ease or restraint, in effect, limiting its policy options. Consequently, reaching a consensus among FOMC members would be difficult and might delay policy actions and add uncertainty to financial markets.

Finally, let me turn to the specific questions that I was asked to address in my statement.

- In response to your inquiry about my own notes or records, I usually take some notes at FOMC meetings for my personal use. They are not typed, copied, or shared with anyone else and are maintained in a locked file cabinet in my office.

- Your second question concerns my knowledge of notes or records that others have made at FOMC meetings. Although others who attend FOMC meetings sometimes appear to take notes, I am unaware of their content, disposition, or location.

- In response to your third query, I have no knowledge about the release of information on FOMC meetings before its official release by the Federal Reserve.

To sum up, the Federal Open Market Committee is committed to informing the public of its policies, which ultimately must be judged by their results. The Minutes of the Federal Open Market Committee fully convey the relevant information about FOMC decisions and do so in a timely way. Thus, in my view, little is to be gained by providing detailed minutes or mechanical reproduction of FOMC deliberations because the adverse consequences of doing so are potentially very great. In addition, the benefits of immediate release of the policy directive would not seem to outweigh the potential costs of doing so. By inhibiting the frank exchange of views and possibly reducing the willingness of the FOMC to take actions, public release of the details of Committee deliberations or immediate release of the policy directive could harm the policymaking process. Although the proposed changes intend to increase the accountability of FOMC members, those specified in H.R.28 may thus impede monetary policy performance. □

Statement by Gary H. Stern, President, Federal Reserve Bank of Minneapolis, before the Committee of Banking, Finance and Urban Affairs, U.S. House of Representatives, October 19, 1993

I appreciate this opportunity to discuss issues related to maintaining a record of Federal Open Market Committee (FOMC) meetings and procedures followed at the Federal Reserve Bank of Minneapolis to handle confidential monetary policy material. These matters are indeed significant.

As I indicated in my January correspondence, I am convinced that there is considerable value in our current report of FOMC proceedings. As you know, we release extensive minutes of each FOMC meeting shortly after the subsequent meeting. The minutes describe the discussion and the votes of individual members. More specifically, they include an assessment of business conditions here and abroad, price developments, and the performance of financial markets and monetary aggregates. They report the Committee's views of prospects for the economy and frequently include information gleaned from personal contacts in individual Federal Reserve Districts. The minutes also report discussion of monetary policy options as well as the decision ultimately reached by the Committee, including dissents, if any, and the logic underpinning the dissents.

In light of these minutes, I believe that the views of the Committee members are known. In addition, FOMC members reveal their policy positions in other ways. Certainly, I take full responsibility for my positions at FOMC meetings, and I have presented my policy views in Federal Reserve Bank of Minneapolis publications, among other places. (Two examples, one from 1990 and one from 1993, are appended to this document).¹ In addition, the Congress can at any time ask us about our views, as the Senate Banking Committee did last March.

Thus, a good deal of information is available, in my

1. The attachments to this statement are available from the Federal Reserve Bank of Minneapolis, Minneapolis, MN 55401.

view, and I do not find merit in suggestions to prepare and release, at any time, a literal record of FOMC deliberations—through videotaping or other vehicles. Three issues, in particular, concern me. First, given the gravity of our responsibilities, I believe it imperative that the quality of our deliberations be maintained. Open discussion of ideas, of policy alternatives, and of significant potential risks to the economy are critical to sound policymaking. Second, some of the information we discuss is voluntarily provided on a confidential basis. Much of this information would be lost if we have an obligation to respect anonymity and confidentiality. Third, I believe that our procedures carefully balance the need to provide information to the public with the necessities of effective monetary policy. Even small changes carry the considerable risk that they will disturb, perhaps unknowingly and unintentionally, this balance, with adverse consequences for financial markets and economic performance.

As I indicated in my earlier correspondence, I believe that there could be some merit in reintroducing something like the "memorandum of discussion," a very detailed, although edited, accounting of FOMC discussions, provided that the confidentiality of such material is assured for several years. As I see it, such a document could be useful to historians and students of monetary policy when they investigate the broad context of policy decisions and the evolution of the policymaking process.

Finally, in response to your specific inquiries about confidentiality, I am unaware of any unauthorized release of monetary policy information ever having emanated from the Federal Reserve Bank of Minneapolis. My economic adviser and I leave highly confidential material at the Board of Governors and do not return with it to Minneapolis. I take limited notes during the meeting, as does my adviser. All notes and other materials are handled according to strict guidelines, the essence of which is to limit their distribution and access and assure proper disposal. A copy of our Bank's procedure is appended to this testimony. □

Statement by Thomas M. Hoenig, President, Federal Reserve Bank of Kansas City, before the Committee on Banking, Finance and Urban Affairs, U.S. House of Representatives, October 19, 1993

My name is Thomas M. Hoenig, and I am president of the Federal Reserve Bank of Kansas City. This

Bank serves the Tenth Federal Reserve District, which includes Colorado, Kansas, Nebraska, Oklahoma, Wyoming, the northern half of New Mexico, and the western third of Missouri. I am pleased to have the opportunity to express my views on the disclosure of information from Federal Open Market Committee (FOMC) meetings.

The Federal Reserve must be accountable for its actions and has an obligation to disclose as much information as possible about its deliberations and decisions, subject to maintaining the highest possible level of policy effectiveness. It is my belief that the Federal Reserve's current disclosure policies achieve these ends.

The current policies provide a detailed accounting of FOMC deliberations and decisions. The minutes of FOMC meetings are comprehensive. They document the information considered during a meeting and the decision of each voting member. Moreover, the minutes provide the rationale for the majority's decision and include statements filed by members who dissent from the majority. In addition, the Federal Reserve reports regularly and frequently to the Congress, ensuring further that we are accountable for our monetary policy actions.

Current procedures foster an environment of open and candid discussion among the members of the FOMC. Valuable information from a variety of sources is brought to the discussion, and some of it is provided with the understanding that it be kept confidential. The give and take among members provides an opportunity to clarify issues and allows the FOMC to synthesize a range of views. Any proposals that would impair this deliberative process, given current procedures that ensure accountability, would compromise the quality and effectiveness of Federal Reserve monetary policy.

Current procedures, in my opinion, also strike an

effective balance between timely disclosure and the need for flexibility in the conduct of monetary policy. These procedures, which provide for the release of the minutes shortly after the subsequent meeting, allow the FOMC to respond flexibly to various contingencies over the intermeeting period. Earlier release of the minutes would restrict this flexibility and could have the unintended effect of contributing to market volatility.

With regard to the three specific questions posed to me in Chairman Gonzalez's letter of September 24, 1993, my answers are as follows: First, I make brief notes for my personal use during FOMC meetings. Our Bank's research director also occasionally takes notes. These notes are kept in locked files, as is other confidential FOMC material. Second, I have observed other participants taking notes during FOMC meetings, but I have no knowledge of their content or disposition. Third, I have no information about the release of information by anyone employed at the Federal Reserve about FOMC meetings before the official release of that information by the Federal Reserve.

In closing, let me reiterate that I believe the FOMC must be accountable for its actions, and I believe that its current disclosure policies are appropriate and effective in achieving this end. They provide the public with comprehensive information about the FOMC's decisions and deliberative process, and they enhance the Federal Reserve's ability to pursue the nation's objectives of economic growth and price stability. □

Statement by Robert D. McTeer, Jr., President, Federal Reserve Bank of Dallas, before the Committee on Banking, Finance and Urban Affairs, U.S. House of Representatives, October 19, 1993

Thank you for your invitation to testify on H.R.28. As requested, I will limit my testimony to the issue of Federal Open Market Committee (FOMC) records, although I do have opinions on other parts of H.R.28, especially the part that puts me out of work.

I became president of the Federal Reserve Bank of Dallas in February 1991, so I am a relative newcomer both to the FOMC and to your great state of Texas. As the bumper sticker says, "I wasn't born in Texas, but I got there as soon as I could."

Before moving to Texas two and a half years ago, I was with the Federal Reserve Bank of Richmond for twenty-three years, the last eleven of which I served as manager of its Baltimore Branch. I have partici-

pated in FOMC meetings since 1991 but did not vote until this year.

You asked us to respond to three specific questions regarding notetaking in FOMC meetings. Regarding my own practice, I do not take notes of the type I assume you mean. I do a lot of reading and homework before the meeting, and I go into the meeting with some tentative ideas in mind. I doodle during our discussion and occasionally write down a word or phrase for reference when I speak. I do not write down decisions because they are simple and easy to remember and come at the end of the meeting. My doodles and notes would be of no use to traders or journalists. I destroy them after the meeting and rely only on official documents for future reference.

Regarding your second question, notes kept by others, my impression is that most other FOMC members and staff members probably follow a pattern similar to my own because all who are present pre-

sumably have access to the official records and documents. At least, I have no knowledge to the contrary.

In answer to your third question, I have no information about the premature release of FOMC information by anyone at the Federal Reserve. Let me add that, in my opinion, if someone wanted to leak valuable information about the Committee's decisions, such notes would not be necessary nor even very helpful. Although the decision process may be difficult, the decisions themselves are simple and easy to remember. Let me comment briefly on other aspects of meeting records. As a former economist, I have some sympathy for the idea of immediate release of the directive. Immediate releases of the decision would eliminate any question of leaks or the appearance of leaks.

The practical problem with immediate release of the directive is that not all decisions are clear-cut decisions to ease, tighten, or remain unchanged. On occasion, the Committee votes to hold steady, pending further information or developments, and wishes to give the Chairman extra leeway to act on his own before the next scheduled meeting. More often than not, I believe, these "asymmetric directives" are not acted on, but occasionally they are. To announce a decision of "no change" without the proviso would be misleading, and to announce it with the proviso would likely cause the markets to react in a way not necessarily warranted by subsequent information.

Given this dilemma, I believe that the current arrangement is best. Markets are able to discern the immediate decision by watching the federal funds rate the following morning, and we retain maximum flexibility to react to incoming data and changing circumstances without misleading anyone. Then as soon as another meeting is behind us, we release the directive that includes the prevailing circumstances, the rationale for the decision, and the identity of any dissenters and their reasons for dissenting.

I, personally, have a greater problem with videotaping and verbatim transcripts of discussions than with prompt release of decisions. I believe that videotaping or verbatim transcripts, no matter when they are released to the public, would diminish the quality of our deliberations. My colleagues and I are willing to listen to each other and adjust our initial leanings in the interest of consensus building. We currently do not posture for the record or for the camera. There is no winning or losing the debate. There is no playing to the gallery or to the folks back home. This, I am afraid, would all change with videotaping or its equivalent.

I would much prefer present arrangements even with more detail added, so long as the detail involves the substance of the discussions and decisions rather than the language used. I would also have no objection to detailed minutes (not a verbatim transcript) being released after a lengthy period, so long as the legal obstacles to a decent delay could be overcome. □

Statement by Robert T. Parry, President, Federal Reserve Bank of San Francisco, before the Committee on Banking, Finance and Urban Affairs, U.S. House of Representatives, October 19, 1993

As president of the Federal Reserve Bank of San Francisco, one of my jobs is to contribute to Federal Reserve policy deliberations with information and ideas from my District. The Twelfth Federal Reserve District is highly diverse: It is made up of nine western states, which at present include three of the more robust state economies in the country (Utah, Idaho, and Nevada), and one of the weakest—California. In fact, California has seen employment fall by 592,000 jobs (4.7 percent) since mid-1990.

With that introduction, I would like to express my appreciation for this opportunity to discuss my views on the disclosure of information about Federal Open Market Committee (FOMC) meetings. I believe that there should be a presumption that Federal Reserve deliberations should be fully disclosed unless there is a compelling reason not to do so. (I expressed this view

in my letter to you dated January 13, 1993.) However, in the case of FOMC deliberations, such a compelling reason exists. Given the importance of the decisions being made, it is essential to ensure the effectiveness of the decisionmaking process. To reach the best possible policy decisions, it is important that there be a free flow of information and ideas at each meeting.

Some of the information discussed at FOMC meetings is inherently confidential—for example, because it pertains to individual firms and was obtained under a promise of confidentiality, or, in some instances, because it pertains to confidential matters in other countries. Videotapes or verbatim records of our meetings would severely limit the information that would be brought into the decisionmaking process.

It is also important that members of the FOMC feel free to advance their ideas in the context of a freely flowing discussion. By the very nature of any productive discussion, some ideas are discarded or modified in the process of reaching a consensus. Yet such comments, which may include discussions at previous meetings or collective institutional memories, could be

seriously misinterpreted if taken out of the full context. I am concerned that verbatim records or videotapes would inhibit the free flow of comments at our meetings and, in the process, limit the effectiveness of our policy discussions.

I have considered the merits of returning to detailed nonverbatim minutes with attribution revealed after a long delay, as was done until the mid-1970s. If it was possible to ensure that such minutes would not be made public for an extended period of time—say, five years—after a meeting was held, many of my objections would be assuaged. Such records might have value to researchers studying U.S. monetary policy. However, I am skeptical that such delay in the release of information could be guaranteed. Even the possibility of an early release of a transcript could hamper the deliberations process at FOMC meetings. I might also add that the preparation of such detailed minutes would be very burdensome, and I am not convinced that the social benefits would justify the costs.

Also, I believe that the minutes of FOMC meetings that currently are made available provide an accurate and thorough distillation of all the comments made by me and my FOMC colleagues, while avoiding the problems associated with direct attribution or a verbatim record. The current document accurately reflects the issues and discussions leading to policy decisions by clearly describing the views of the majority, as well as contrary points raised in the discussion. Moreover, members who dissent from the final decision of the Committee explain their reasoning and are identified by name in the minutes. The document covers expectations of policy over the period until the subsequent meeting and normally is released a few days after that subsequent meeting.

In your letter requesting me to attend this session, you asked for information concerning notes or records

that I have made in connection with FOMC meetings I have attended and any knowledge I have of notes that others have made.

I do not take notes on what is said at FOMC meetings. However, I do take into the meetings notes concerning the comments I plan to make about the national and Twelfth Federal Reserve District economies, about monetary policy, and occasionally about special topics that are on the agenda for a particular meeting. These “talking points” are stored in locked files at the Federal Reserve Bank of San Francisco in accordance with FOMC security procedures. My actual statements often diverge somewhat from my notes, and I also make impromptu comments at each meeting, for which I have no notes. I also take into FOMC meetings a briefing book prepared by the research department at the Bank. This book contains analysis and forecasts of developments in the U.S. economy, analysis of developments in the Twelfth Federal Reserve District, occasionally discussions of special topics related to FOMC issues, and analysis of monetary policy issues and recommendations by my staff members.

The director of research at the San Francisco Reserve Bank, and occasionally his alternate, take handwritten notes of comments made at FOMC meetings when they attend as my adviser. These notes are for their own use in directing FOMC policy analysis within the research department. They are stored in their locked files in the Federal Reserve Bank of San Francisco in accordance with FOMC security procedures.

Finally, with respect to your question about “leaks” of confidential FOMC information, I have never divulged any FOMC information to unauthorized persons before the official release date, and I have no information concerning anyone else having done so. □

Statement by Lawrence B. Lindsey, Member, Board of Governors of the Federal Reserve System, before the Subcommittee on Consumer Credit and Insurance of the Committee on Banking, Finance and Urban Affairs, U.S. House of Representatives, October 21, 1993

I appreciate the opportunity to appear before this subcommittee to discuss the Community Reinvestment Act (CRA) and the current efforts of the agencies to strengthen and improve its administration. This statute has become an extremely important part of the landscape of financial institution supervision in recent years. Across our nation it has affected the relation-

ship between thousands of banks and thrift institutions and their communities—particularly low- and moderate-income neighborhoods. Both large and small institutions have struggled with the law’s demands. Local groups have aggressively used the law—particularly in the applications process—to prompt commitments for increased lending to those who may have been overlooked before. The regulators have sought to enforce the law fairly and fully in the face of the enormous diversity that exists among America’s communities and its financial institutions.

The results of the CRA have seldom been to the full satisfaction of either the covered institutions or community groups, and the President has directed that the

agencies conduct a thorough reexamination of our supervisory approach. This is a zero-based review that will take into account the views of all affected parties. In doing so, it is important to start from a common understanding of the road we have traveled since the statute was enacted in 1977.

IMPACT OF CRA

Although the total impact of the CRA is very hard to measure, I believe a fair assessment would have to conclude that it has generally made many depository institutions more responsive to the needs of their communities. Of course, the level of effort has varied widely among institutions. Certainly it has not cured the disinvestment that plagues many of our cities. But the CRA has, in my view, been very instrumental in opening channels of communication between banks and thrift institutions and previously underserved segments of their communities. New relationships have been established with community groups and individuals, new products have been designed and marketed, and many thousands of credit applications have been taken from those who previously had no banking relationship. Most important, I am convinced that thousands of loans have been made throughout the United States that would not have been made but for the CRA. I have personally traveled to many communities and toured numerous projects that are now helping to stabilize and revitalize communities as a result of the CRA. In addition, numerous witnesses from consumer and community organizations at hearings held recently have testified to the valuable contributions the CRA has made.

But exactly what is the overall level of that lending? I do not know, and I suspect that no one does. The community groups who track lending agreements with institutions point to more than \$30 billion in commitments for new credit. Many of these commitments cover several years and therefore extend into the future. Moreover, I know of no overall assessment of the extent to which the commitments have been realized. Although formal commitments to community groups get considerable media attention, I suspect that most CRA-related activity goes on outside the high profile negotiated agreements that receive so much attention. My own belief is that the true impact of the CRA has far exceeded any number derived strictly from the formal commitments. If the figure is, for example, double the committed amount, it is a formidable amount indeed, and this fact should not be overlooked as we evaluate the CRA's effectiveness.

Whatever the degree of new lending attributable to the CRA, it has not been accomplished without nu-

merous problems, which I will refer to later. But before doing that, an important point about the CRA is often lost in the debate about its flaws. If this federal statute has, in fact, had the considerable impact I have described, it is important to note that this has been accomplished without a huge appropriation of government dollars and without legions of bureaucrats to administer the program. These matters, of course, are very significant and topical—as current as the recently announced campaign to “reinvent” government in ways that emphasize these very characteristics.

The CRA established a national goal and put considerable power in both supervisory agencies and the public to enforce it but left the details of how this goal would be accomplished to local communities and depository institutions. The CRA counted on the unique economic needs, and the give and take in the local social and political scene, to define the specifics of the CRA program for each community. No one in Washington has yet been employed to decide how much or what type of CRA lending should be made in the individual communities you represent. To my way of thinking, that has been a considerable strength of the law. In any review of the CRA I believe that we must acknowledge the value of this approach at the same time that we search for improvements.

NEED FOR IMPROVEMENT

But all is not perfect, as you well know. The flexibility that I have referred to has come with a price. Bankers and many community groups alike complain that the standards are too vague. Our own examiners would be more comfortable as they go about their very difficult job of assessing compliance if the rules of the game were more precise. Despite the ever-increasing efforts of the agencies over the years to define more specifically the various levels of performance used in our rating system, we are constantly faced with questions about “how much is enough,” what loans get the CRA credit, and exactly what “weight” different categories of loans will receive. Living with the current uncertainty makes bankers nervous, community groups dissatisfied with their ability to hold institutions accountable, and everyone involved concerned about ensuring fair and consistent evaluations by the agencies. And believe me, no one would be happier than those in my agency, who are charged with the day-to-day enforcement of the law, if we were “going by the book.”

Common agreement also appears that too much emphasis has been placed on paperwork and process as opposed to performance. There is undoubtedly some truth to this despite the agencies' efforts to

ensure otherwise. But, it is important to keep in mind that, in some sense, the focus on process is a natural outgrowth of leaving the definition of an appropriate level of performance up to the needs of the community and the capacity of its institutions. Nevertheless, the concern about focusing on paperwork rather than results is widespread enough to require careful evaluation.

And, of course, there are other criticisms as well—that the CRA is “too much stick and too little carrot” and that we must search for more incentives to encourage good performance, that too many institutions receive satisfactory or better ratings, and that either too much or too little emphasis is given to the CRA in the context of application processing. Suffice it to say that there are numerous areas of controversy in which improvements may be desirable.

Thus, we have what to me is a rather confusing scene. On the one hand, we have an important national program that appears to have stimulated considerable lending and revitalization in low-income and minority communities. And it has done so in a period of great shortage of federal dollars and without the rules and red tape that bedevil so many government efforts. On the other hand, I know of no other regulatory area in which there is such common agreement that all is not right and that some “reform” is necessary. My overall sense, however, is that in focusing so much on the imperfections of the CRA, we may have lost sight of its considerable benefits.

REVIEW PROCESS

But surely we can do better. And, it was in response to widespread concern that the CRA can be improved that the President issued his charge to the agencies to rethink their administration of this law. In the President's CRA reform request, he asked the agencies to address several specific areas. These include the following:

- Developing new regulations and procedures that replace paperwork and uncertainty with greater performance, clarity, and objectivity
- Developing a core of well-trained CRA examiners
- Working together to promote consistency, and even-handedness, to improve public CRA performance evaluations, to institute more effective sanctions against financial institutions with consistently poor performance, and to develop more objective, performance-based CRA assessment standards that minimize the compliance burden on financial institutions, while stimulating CRA performance.

As you are aware, we are presently working with the other agencies to carry out the President's initiative.

Working together is not new to us in this area. To promote uniformity in the approach to the CRA, the Board, along with the other banking and thrift regulatory agencies, has worked through the Federal Financial Institutions Examination Council (FFIEC) for some time. For example, through the FFIEC the agencies developed a common approach to the regulation, interagency CRA examination procedures, a uniform format for CRA public disclosures, and other regulatory material. We have a commitment to cooperation and uniformity, and I am confident that together we can meet the President's goals and that any revision of CRA will be adopted on a common basis.

Initially, our focus has been on ensuring wide public input. The agencies have held public CRA meetings across the country to solicit comments on how to improve the CRA process. We have heard the views of more than 250 bankers, community groups, and small business owners, as well as members of the general public. From these meetings, we have been told what is working with CRA, what is not working, and what we need to consider to “fix” it. I can tell you that many of the stories I have heard—from bankers, small business owners, and community groups—have been compelling. The stories, however, point up as many differences in perspective among the various groups as they do common concerns.

For example, although many may agree that it is important to find new incentives to encourage better CRA performance, there is great disagreement about what they might be. Very understandably, banks that have sought and achieved an “outstanding” rating would like to see this rewarded with a “safe harbor” from protests. Community groups, to put it mildly, do not favor the idea. Although there is common concern about paperwork, there is a growing recognition that any movement toward more quantifiable standards may require more, not less, data, and this is not a happy thought for many. Likewise, concern about the disproportionate burden on small institutions has caused some to suggest an exemption for small institutions. Others find this untenable. The idea of more precision in the requirements has widespread support, but difficult and controversial issues arise when it comes to defining what the specific numbers might be or even the process by which they might be set. Moreover, there is broadbased concern that in attempting to be precise, we may fall into the credit allocation trap. In short, although there may be widespread agreement that the CRA requires some major repairs, there is very little agreement about the appropriate fix.

At this point, we are still analyzing the information we have collected, and it would be premature for us to offer any proposals. The Board, along with the other

agencies, will continue this process of assessing the various arguments and concerns. I expect that a proposal will be published for additional public comment in the next few weeks.

You have asked whether the statutory language will permit the necessary reforms. There may or may not be a constructive role for legislation at some point, but it seems premature to make that judgment now. We will be in a much better position to provide meaningful thoughts on whether legislation is needed at a later date.

FAIR LENDING ENFORCEMENT

Finally, you have asked for information on the steps that we have taken to ensure compliance with fair lending laws.

Initially, let me say that no single consumer compliance issue is of more concern to the Board, and me personally, than assuring that the credit-granting process is absolutely free of unfair bias.

Fairness in assessing credit applications, without regard to race, sex, or other prohibited bases, is absolutely essential in our country. Let no one have any misunderstanding on the point. Racial discrimination, no matter how subtle—and whether intended or not—cannot be tolerated. It robs the lending industry and our economy of growth potential and harms both individuals and society.

We have a coordinated approach to this issue at the Federal Reserve that focuses both narrowly on examination for compliance with fair lending laws and more broadly at trying to ensure that credit is made widely available to low- and moderate-income areas of our country—including those with substantial minority populations. Our approach to fair lending issues is thus a comprehensive one that goes beyond examinations. It also involves an aggressive program to investigate consumer complaints, provide consumer and creditor education, and gain insight through research. Let me describe each segment briefly.

In the research area, the study by the Federal Reserve Bank of Boston is well known. In my view, despite its shortcomings, that study has done more than any other single effort to advance our understanding—and increase our concern—about fair lending in the mortgage market. Other research pieces on Home Mortgage Disclosure Act (HMDA) data, household debt, credit shopping practices, the secondary market, and other related subjects have also added to our knowledge. Within the next few weeks we will be releasing a comprehensive report to the Congress comparing the risks and returns of lending in low income, minority, and distressed neighborhoods, com-

pared with those in other communities. This too will advance our knowledge of the problem and how to help solve it.

With regard to examinations, the Board supervises approximately 1,000 state member banks for compliance with fair lending laws. This supervision involves consumer compliance examinations, consumer complaint investigations, and community affairs efforts. The consumer compliance examinations are conducted by examiners at the Reserve Banks who are specially trained in consumer affairs and civil rights examination techniques. The Board and each of the Reserve Banks also have staff members who deal with consumer complaints. In addition, the System has a substantial community affairs program, many of whose activities help to advance fair lending. The Board provides general guidance and oversight to Reserve Banks in these areas.

The Board first established a specialized consumer compliance examination program in 1977. Through it, the twelve Reserve Banks conduct examinations of state member banks to determine compliance with consumer protection legislation by using a group of specially trained examiners. The scope of these examinations specifically includes the Equal Credit Opportunity and Fair Housing Acts. From the beginning, the examiners were instructed to place special emphasis on violations involving potential discrimination of the kind prohibited by those statutes.

The Federal Reserve System's consumer compliance examinations are scheduled at regular intervals and are comprehensive. Each state member bank is examined on a regular basis. An average of two-thirds of state member banks are examined each year. In general, examinations are scheduled every eighteen months for a bank with a satisfactory record. A limited number of banks with exceptional records can be examined every two years. Those banks with less than satisfactory records are to be examined every six months or every year, depending on the severity of their problems.

The examination procedures focus primarily on comparing the treatment of members of a protected class with other loan applicants. First, the bank's loan policies and procedures are reviewed. This is done by reviewing bank documents, as well as interviewing loan personnel. During this phase, the examiner will seek to determine, among other things, the bank's credit standards. After the standards have been identified, the examiner will determine whether those standards were, in fact, uniformly applied using a sample of actual loan applicants. Special note will be taken of applications received from minorities, women, and others whom the laws were designed to protect. This means that the examiner is looking at the

same information that the bank used to make its credit decision, including credit history, income, and total debt burden. If those standards appear not to have been used, or not used consistently, this would be discussed with lending personnel, and a more intensive investigation would typically be undertaken. Finally, an overall analysis of the bank's treatment of applications from minorities, women, and others with the characteristics described in the fair lending laws is conducted to determine whether there are any patterns or individual instances when such applicants were treated less favorably than other loan applicants.

Another regular part of the examination includes conversations with persons in the community who are knowledgeable about local credit needs. The examiners will routinely ask about public perceptions of the availability of credit to minorities and low- and moderate-income persons. This information may suggest that a particular area of the bank needs additional scrutiny and may provide insights into how the bank is serving the credit needs of its local community, particularly those protected by the antidiscrimination statutes. Violations found through the techniques described above require correction by the institution, notification to the applicant, and referral to the Department of Justice in appropriate cases.

As you know, despite these efforts we have rarely found evidence that we can be sure proves racial discrimination. Consequently, we have been concerned about providing examiners with better tools to help them get the job done. Recently, the Federal Reserve System developed a computerized model for using HMDA data in connection with the fair lending portion of the examination. This model allows examiners to match minority and nonminority pairs of applicants with similar credit characteristics, but different loan outcomes, for a more extensive fair lending review. Once the pairs are selected, examiners pull the credit files for the applicants to determine if discrimination played a part in the credit-granting process. Although a comparison of minority and majority applicants has always been a part of the Federal Reserve's fair lending examination, we believe that this computerized selection process will enable examiners to focus their efforts and spend more time on the actual fair lending review of loan files.

Besides this "micro" use of the HMDA data, the Federal Reserve has developed, on behalf of the Federal Financial Institutions Examination Council (FFIEC), a computerized system for analyzing the expanded data collected under the Home Mortgage Disclosure Act. The system is extremely versatile and allows the data to be segmented by demographic characteristics such as race, gender, and income levels, or geographic boundaries. Examiners can now

sort through vast quantities of data to focus attention on specific lending markets and draw comparisons between an individual HMDA reporter's performance and that of all lenders in the area. With these capabilities, examiners can more readily determine whether a bank is effectively serving all segments of its market, including low- and moderate-income and minority neighborhoods. We have been holding HMDA training sessions on how to use this system around the country for our examiners, as well as those from other agencies.

The Federal Reserve has also developed the capability to map by computer the geographic location of a bank's lending products, including mortgage loans. This mapping includes demographic information for the bank's local community. We believe that this type of analysis and presentation will enhance our ability to assess a bank's CRA performance in meeting the credit needs of its local community, including minority areas. It should also be helpful in evaluating a bank's geographic delineation of its local CRA service area to ensure that it does not exclude low- and moderate-income neighborhoods.

CONSUMER COMPLAINT PROGRAM

The Federal Reserve's consumer complaint program is an important element in our overall effort to enforce fair lending laws. The investigation procedures in this regard provide special guidance with respect to complaints involving loan discrimination. Such complaints can prompt an on-site investigation by Reserve Bank personnel at the state member bank accused of discrimination. We have a referral agreement with the Department of Housing and Urban Development (HUD) for mortgage complaints, and we have referred several complaints to that agency for further investigation. Like our examinations area, we are devoting considerable attention to strengthening our complaint-processing system by increasing oversight, tightening deadlines for investigation, assuring more personal contact, and making the public more aware of our procedures.

EDUCATIONAL EFFORTS

We believe that education is an important part of our coordinated approach. We have distributed a brochure to all the institutions we supervise entitled *Home Mortgage Lending and Equal Treatment*. The brochure identifies and cautions lenders about lending standards and practices that may produce unintended discriminatory effects. It focuses on race and includes

examples of subtle forms of discrimination, such as unduly conservative appraisal practices in minority areas; property standards such as size and age, which may exclude homes in minority and low-income areas; and unrealistically high minimum-loan amounts. More recently, a comprehensive booklet was published by the Federal Reserve Bank of Boston entitled *Closing The Gap: A Guide To Equal Opportunity Lending*. It too has been widely circulated. It is another useful tool for lenders that suggests adjustments in institutional behavior to correct racially disparate loan practices that may be occurring in spite of bank policies to the contrary. We have also published a brochure, entitled *Home Mortgages: Understanding the Process and Your Right to Fair Lending*, to inform consumers about the mortgage application process and about their rights under fair lending and consumer protection laws.

COMMUNITY AFFAIRS PROGRAM

The Board believes that the goal of ensuring fair access to credit can also be advanced by focusing on positive actions that a lender may take to address such concerns. Consequently, through its Community Affairs program, the Federal Reserve conducts outreach, education, and technical assistance activities to help financial institutions and the public understand and address community development and reinvestment issues. We have increased resources devoted to Community Affairs activities at the Reserve Banks—now staffed with more than fifty people—to enable the Federal Reserve System to respond to the growing number of requests for information and assistance from banks and others on the Community Reinvestment Act, fair lending, and community development topics. Efforts have been expanded to work with financial institutions, banking associations, govern-

mental entities, businesses, and community groups to develop community lending programs that help finance affordable housing, small and minority business, and other revitalization projects. Overall the Reserve Bank's Community Affairs program sponsors or co-sponsors about a hundred programs a year involving thousands of participants as a way to encourage economic development and ensure fair lending.

CONCLUSION

Our commitment to fair lending has been emphasized by Chairman Greenspan and the heads of each of the other federal financial institutions supervisory agencies in a letter to every bank and thrift institution in the country. That letter dated May 27, 1993, expressed the agencies' concern that some minority consumers and small business owners may be experiencing discriminatory treatment when trying to obtain credit. The letter put the institutions on notice of our very serious concern and urged financial institutions to aggressively undertake lending programs. Various suggestions were provided on how institutions could help ensure fair lending.

In spite of these efforts, I am well aware of the concern about whether our enforcement—indeed our overall program—has been vigorous enough. I can only assure you of our commitment to routing out every instance of unfair treatment and helping to ensure more opportunities for all our citizens. The actions we are taking to augment our traditional examination techniques through new computer assisted analysis should help us considerably. Moreover, our many efforts to encourage and instruct banks in ways to broaden their lending to low- and moderate-income borrowers should provide more open access. It is my goal and it is the goal of the Federal Reserve System to ensure that all our citizens are being treated fairly. □

Statement by Wayne D. Angell, Governor, Board of Governors of the Federal Reserve System, before the Committee on Banking, Finance and Urban Affairs, U.S. House of Representatives, October 27, 1993

I am pleased to have this opportunity to speak on the authority of the General Accounting Office (GAO) to audit Federal Reserve operations and the changes to that authority that would be made by H.R.28, "The Federal Reserve System Accountability Act of 1993." President McDonough is addressing the scope of GAO

audit authority from the perspective of the Federal Reserve Bank of New York.

At the outset, I would like to dispel the notion I have frequently heard that the Federal Reserve is not subject to GAO audit. In 1978 the Federal Banking Agency Audit Act gave the GAO broad authority to audit most of the operations of both the Federal Reserve Board and the Federal Reserve Banks. Since then, the GAO has completed more than 100 reports on various aspects of System operations, as well as numerous other reports that involved us less directly. At present, the GAO has roughly twenty-five audits of

the Federal Reserve under way and maintains several of its staff in residence at the Board and at selected Reserve Banks.

The GAO has free rein to audit the System, subject to explicit exemptions for deliberations, decisions, or actions on monetary policy matters, including discount window credit operations, reserves of member banks, securities credit, interest on deposits and open market operations; transactions made under the direction of the FOMC; transactions with, or for, foreign central banks and governmental entities; and discussions or communications among or between members of the Board and officers and employees of the Federal Reserve System related to these matters and transactions. By excluding these areas, the act attempts to balance the need for public accountability of the Federal Reserve through GAO audits against the need to insulate the central bank's monetary policy functions from short-term political pressures and the need to ensure that foreign central banks and governmental entities can transact business in U.S. financial markets through the Federal Reserve on a confidential basis.

The precise line differentiating those specific operations of the Federal Reserve and activities that are subject to GAO audit under the Banking Agency Audit Act and those that are exempt from audit is difficult to draw in the abstract. Over the years since the passage of the act, the Federal Reserve has worked with the GAO to define those limited areas that are not subject to audit on a case-by-case basis in the context of individual audits. In those cases, the Federal Reserve has worked with the GAO to further the GAO's audit objectives while honoring the statutory exemptions designed to ensure the independent conduct of monetary policy and the confidentiality of foreign transactions. In the future, we will continue to work with the GAO to address its concerns consistent with the mandate of the act.

Expanding the GAO's audit authority over the Federal Reserve into the exempt areas would be contrary to the public interest. Such an expansion could adversely affect Federal Reserve effectiveness in the conduct of monetary policy. As the Banking Agency Audit Act recognized, such a change could reduce the central bank's insulation from day-to-day political pressures. Even what appears to be a very limited audit of the efficiency of monetary policy operations could, in fact, turn into pressure for a change in monetary policy itself. For example, the questions posed to Comptroller Bowsher in connection with these hearings as to whether the magnitude of our open market operations reflects unnecessary buying and selling of government securities are monetary policy questions, not efficiency questions. The number of transactions that the Open Market Desk completes

in carrying out the FOMC's directive correlates directly with the substance of the policy in place. Indeed, a comprehensive audit of these operations would likely require a comparison of the actual results of the operations with intended results.

GAO scrutiny of policy deliberations, discussions, and actions could also impede the process of formulating policy. A free discussion of alternative policies and possible outcomes is essential to minimize the chance of policy errors. The prospect of GAO review of formative discussions, background documents, and preliminary conclusions could have an adverse effect on the free interchange and consensus building that leads to good policy.

Transactions made under the direction of the Federal Open Market Committee (FOMC) include foreign exchange operations. The efficacy of these operations is crucially dependent on confidentiality. Important daily contacts and exchanges of information with foreign monetary authorities are an integral part of these operations. They now take place in a candid and constructive atmosphere. The possibility of a GAO audit of our foreign exchange operations would reduce the willingness of foreign authorities to share information with us and would thereby reduce the effectiveness and efficiency of our operations, which are frequently coordinated with foreign authorities. This caution also applies to the exemption for transactions that the Federal Reserve carries out as agent for foreign entities; however, there the principal issue is one of sensitive proprietary information about foreign governments, foreign central banks, and international financial organizations.

The benefits, if any, of broadening the GAO's authority into the areas of monetary policy and transactions with foreign official entities would be small. With regard to purely financial audits, the Federal Reserve Act already requires that the Board conduct an annual financial examination of each Reserve Bank. The Federal Reserve places great importance on both the Reserve Banks' internal audit responsibilities and the Board's responsibilities for examination of Federal Reserve Banks, in part, because it recognizes that its ability to police Federal Reserve Bank operations is critical to public and congressional confidence in the Federal Reserve System.

The process of conducting annual financial audits is reviewed by a public accounting firm to confirm that the methods and techniques being employed are effective and that the program follows generally accepted auditing standards applicable to the audit of Federal Reserve Banks. These examinations are complemented by extensive Board oversight and supervision of Federal Reserve Bank activities, including Board operations reviews of Reserve Bank effectiveness and

efficiency, as well as by comprehensive audits conducted by each Reserve Bank's independent internal audit function. Oversight and supervision of Federal Reserve Bank activities include review of Federal Reserve Bank budgets and expenditures as well as personnel and operating policies.

The Board's annual financial examinations of Federal Reserve Banks, operations reviews, and its oversight and supervision of Federal Reserve Bank activities specifically include examinations, operations reviews, and oversight of open market and foreign transactions. The annual financial examinations include review of all accounts for accuracy, compliance with internal controls, and confirmation that balances reflected on the books agree with the records of account holders. Operations reviews for effectiveness and efficiency of open market and foreign operations are conducted by multidisciplinary teams, including economists familiar with FOMC operations, and specialists in data and physical security, automation, communication, accounting, and secondary market trading and settlement. These operations reviews also include the Federal Reserve Bank of New York's internal audit attentions to the open market account.

Further, a private accounting firm audits the Board's balance sheet, and the Board's Inspector General audits the effectiveness and efficiency of Board programs and operations under the Inspector General Act of 1978 as amended.

The Board has continually reviewed its procedures for examinations and oversight of Federal Reserve activities. For example, recently the Board has contracted for independent private audits of two Federal Reserve Banks (Kansas City and Cleveland) to provide an independent evaluation of the Reserve Banks' control environments and the Board's examination procedures and to determine the feasibility of substituting, from time to time, outside audits for financial examinations by the Board's examiners. These audits have indicated that previous financial examinations of these Reserve Banks were at least as thorough as the outside audits, that those Reserve Banks were well controlled, and that financial controls may be regarded as satisfactory from an audit perspective. Indeed these audits have indicated that many policies are uniquely applicable to Federal Reserve Banks and that in these areas the Board's examiners have a significant advantage in auditing for Reserve Bank compliance.

The Board is strongly committed to ensuring that its examinations, both internal and external, oversight and supervision of the Federal Reserve Banks, as well as its own internal audit function and external audits, are as effective as possible and will continue to review these functions with an eye to ensuring their future effectiveness.

Finally, and more broadly, the Congress has, in effect, mandated its own review of monetary policy by requiring semiannual reports to the Congress on monetary policy under the Full Employment and Balanced Growth Act of 1978 (also known as the Humphrey-Hawkins Act) and by holding hearings on various monetary policy issues as they arise. In addition, there is a vast and continuously updated body of literature and expert evaluation of U.S. monetary policy. In this environment, the contribution that a GAO audit would make to the active public discussion of the conduct of monetary policy is not likely to outweigh the disadvantages of expanding GAO audit authority in this area.

In sum, we believe that the Board's supervision and oversight of Federal Reserve Bank activities and the Board's own audit functions have served the public interest well, particularly in the area of confidentiality of monetary policy information. In this regard, you have asked about the security checks on personnel involved in the monetary policy process and incidents of so-called insider trading by Federal Reserve officials. Attendees at FOMC meetings are now required to have "secret" or higher clearances, and over the years, there have been only three known incidents in which monetary policy information may have been used for private gain. In the first instance, in October 1979, there were errors in the deposit data reported by a large New York commercial bank. These errors were technical or clerical and were not intentional on the part of the bank. The Federal Reserve's screening procedures flagged the data as possible errors, but the bank stated that the numbers were correct as reported. The data therefore resulted in overstatements of the estimates of the money supply published by the Board. Subsequent data submitted by the bank indicated that the deposit data were indeed incorrect; as a result the bank revised its deposit data and the money supply figures were revised downward correspondingly. At the request of the House Committee on Banking, Finance and Urban Affairs, the Board conducted an investigation to determine if any institution or individual had improperly profited from the errors.

To ensure objectivity in the investigation, the Board engaged the services of a private law firm to conduct a complete inquiry and prepare a report. That firm, with the Board's concurrence, in turn, engaged a private accounting firm to review trading activity. The report concluded that neither the bank that had made the reporting error nor persons connected with it, the Board, or the Federal Reserve Bank of New York had improperly and knowingly profited from the erroneous estimates or revision of the erroneous money supply estimates. Nor did the report find that any other

institution or individual had improperly and knowingly profited from that error.

Nevertheless the report did identify one transaction that gave rise to an appearance of a conflict of interest in which an officer of the Federal Reserve Bank of New York who had knowledge of the impending revision of the money supply data had purchased units of a municipal bond fund immediately after the revised data had become publicly available. That officer resigned from the Reserve Bank shortly thereafter.

In the second incident, in 1982, an ex-employee of the Board managed to gain telephonic access to confidential money supply data stored in the Board's computer system shortly after the employee had left the Board to work for a private firm. This access was identified quickly, and the matter was promptly referred to the Federal Bureau of Investigation. The individual ultimately pleaded guilty to one count of wire fraud and received one year's probation. Subsequently, additional security measures were implemented to prevent a recurrence of similar data security violations.

In the third incident, in 1986, in connection with the U.S. Attorneys' investigation of allegations of securities fraud and tax evasion by former principals of a failed government securities dealer, the U.S. Attor-

ney's office contacted the Federal Reserve Bank of New York concerning a former director of that Reserve Bank. After further investigation by both the Reserve Bank and the U.S. Attorney's office, the U.S. Attorney's office brought a criminal proceeding against the former director. In 1989, the former director pleaded guilty to charges of bank fraud based on the illegal disclosure of sensitive, and nonpublic information regarding changes in the discount rate and was sentenced to a jail term, probation, and community service. Again, Board and Reserve Bank procedures were revised after this event to prevent a recurrence.

We believe that the paucity and nature of the incidents that have occurred over the eighty-year history of the Federal Reserve System are strong evidence of the integrity of the monetary policy process of the Federal Reserve. Further, it is doubtful that any of these incidents would have been prevented by a broadened GAO audit authority.

For these reasons and the reasons stated previously, we believe that enactment of the provisions of H.R.28 that would expand the GAO's audit authority by removing the current exception for monetary policy matters; transactions made under the direction of the FOMC; and transactions with, or for, foreign official entities would be counter to the public interest. □

Statement by William J. McDonough, President, Federal Reserve Bank of New York, before the Committee on Banking, Finance and Urban Affairs, U.S. House of Representatives, October 27, 1993

I welcome the opportunity to appear before the committee today to provide my views on the provisions of H.R.28, the Federal Reserve System Accountability Act of 1993, which relate to the audit of Reserve Banks by the Government Accounting Office. H.R.28 would eliminate the exemptions in the Federal Banking Agency Audit Act for foreign central banks and government transactions, monetary policy deliberations, decisions, and actions, and Federal Open Market Committee (FOMC) transactions. Governor Angell will be addressing the concerns of the Board of Governors on this legislative proposal. I will focus on the implications of the proposal for the actions taken by the Federal Reserve Bank of New York in implementing FOMC decisions and carrying out activities for our foreign accounts.

I want to comment on the scope of the current exemption and to make clear to the committee my appreciation and respect for the audit process. Also, I would like to take this opportunity to note steps that

can be taken to further ensure the effectiveness of GAO audits of the Bank, within the GAO's current authority. In my opinion, that authority provides sufficient scope to address many of the concerns you have asked me to discuss today.

I believe that the elimination of the current exemption would interfere with the Federal Reserve's ability to formulate and execute an optimal monetary policy. It would introduce the unmistakable potential for political influence; every movement and nuance of policy would then have to be examined in light of that potential. At the core of my concern is the fact that the process by which we implement monetary policy is inextricably entwined with the policy itself. For example, questions regarding the volume of open market operations may appear on the surface to be questions of efficiency. In fact, they relate to the policy intent to avoid undue volatility in the markets. The idea that the process of executing open market operations may be audited without imposing judgments about the policy itself is simply not realistic.

Simply put, optimal monetary policy is achieved only when the public and the markets perceive no short-term political influence. This issue is not new, nor is it a new conclusion on my part. I have had

plenty of opportunity to consider the import of the exclusion of the GAO from auditing monetary policy in my former role as manager of both the domestic and foreign open market accounts. I have no doubt that the potential for damage to a credible and effective monetary policy would be very real if the exclusion were to be lifted. This potential for damage would clearly outweigh any possible benefit to the public from GAO audits of monetary policy operations.

I feel equally strongly about the impairment of our policy implementation if the exclusion were to be lifted on the foreign side. Foreign exchange intervention is conducted not only in conjunction with the Treasury, through the Exchange Stabilization Fund, which is exempt from GAO audit, but also frequently with or on behalf of foreign central banks and monetary authorities.

We hold a very large amount—more than \$300 billion at present—of marketable U.S. government securities, representing dollar reserves of these official foreign entities. I cannot presume to gauge the response of all of these central bank governors and finance ministers, but I can tell you with absolute certainty that some number of them, and perhaps a large number, would question the appropriateness of their reserve activity being scrutinized by the GAO and the Congress. This would almost certainly be damaging to the relationships that are so central to international monetary cooperation and, perhaps, to the role of the dollar. Certainly, it would impair the ability of the U.S. monetary authorities to conduct their foreign exchange intervention policies on a coordinated basis with the same effectiveness and efficiency we enjoy today.

Having said that, I want to reiterate that I do not have some sort of reflexive distaste for auditors or the audit process. To the contrary, as someone who has had managerial responsibility for large organizations in both the public and private sectors, I have a keen appreciation for the role of auditors and the improvements they bring to the table in the form of operational quality and effectiveness.

I view auditors as an important asset for management. There is a long tradition at the Federal Reserve of recognizing the value of independent oversight. Indeed, I believe we subject ourselves to an extraordinarily rigorous series of performance and operational appraisals. Within each Reserve Bank an independent audit function reports directly to the board of directors and performs comprehensive audits of all aspects of that Bank's work.

At the New York Federal Reserve Bank, we have had a constructive and positive relationship with the GAO for almost fifteen years. We supply the GAO permanent space in the Bank and have assigned staff

as liaison to assist them in the orderly completion of their tasks. In addition, we take seriously their findings and are responsive to their suggestions for improvements. Although I do not want to wax too poetic and imply that we love their result of each and every audit, I do want to make clear that we have a great appreciation for the role of auditors.

The conduct of Bank personnel with responsibility for monetary policy matters is subject to the Bank's rules of conduct, stringent standards regarding outside financial interests, and potential conflicts stemming from family and other personal relationships. The GAO always has had full audit authority over Reserve Banks' personnel policies and practices, disclosure statements, and the like and, thus, has been able to assure itself and the Congress of the ethical standards and practices of all our employees.

We are not, however, resting on our laurels. There are always ways to enhance the effectiveness of operations, and audits by GAO can contribute significantly to that process. I plan to call Comptroller General Bowsher from time to time to offer suggestions as to how the GAO might be even more useful to the Bank.

I would now like to respond to matters raised in Chairman Gonzalez's October 21 letter to me regarding our policy on meals and entertainment and our ethics officer. As I have noted, there is no limitation on the GAO that prevents its looking at our meals and entertainment practices or policy. Moreover, we do not impart information on monetary policy or our foreign account relationships to any outsiders, at luncheons or elsewhere. To the contrary, we use meetings with knowledgeable people to gain information about market conditions that is helpful in our monetary policy deliberations.

The chairman asked a question regarding the cost of meals at expensive restaurants hosted by regulated institutions. Because others paid for these approximately two dozen meals that were identified as having occurred over a period of a year and a half, we do not have that cost information. We are however, very sensitive to the appearances of such things, and our internal rules specifically caution against accepting inappropriate entertainment, lavish meals, or frequent meals from a particular institution. Further, we concluded that we do not have an adequate audit trail. Therefore, we are about to issue a policy requiring that all business meals paid by regulated institutions or vendors be documented as to restaurant, purpose, and attendees, to provide an audit trail for us, the Board of Governors, and the GAO going forward.

Finally, as the chairman noted, we recently named an ethics officer. That does not mean that this role was not being previously performed within the Bank. That function was fulfilled by the Bank's first vice presi-

dent, its general counsel, and the personnel officers. We concluded that we would focus those responsibilities in a single individual, a senior vice president of the Bank. Since his appointment as ethics officer, he has responded to inquiries from members of the Bank's staff regarding ethics and conflict of interest questions. He also has participated in redrafting our rules of conduct, which should be concluded by year-end, and other documents that will be helpful to the

Bank's staff in their compliance with these rules. We regard his efforts as a continuation and refinement of the policies we have already put in place. As far as I am concerned, GAO staff members have access to those policies and procedures, and I look forward to receiving GAO's input on them.

I appreciate this opportunity to participate in this hearing and look forward to answering any further questions the committee members may have. □

Statement by Susan M. Phillips, Member, Board of Governors of the Federal Reserve System, before the Committee on Banking, Finance and Urban Affairs, U.S. House of Representatives, October 28, 1993

Thank you for this opportunity to present the views of the Federal Reserve Board on safety and soundness issues associated with derivatives activities of banking organizations. The Board believes that these issues are important and is devoting substantial resources to improving understanding of derivatives and to developing appropriate public policies for these instruments. Today I shall begin by sharing with you our perspective on the public benefits and public policy concerns associated with the use of derivatives by banks and by others. Then I shall summarize the Board's strategy for addressing those concerns and discuss the specific policy actions that we have taken and are planning to take to implement that strategy.

PUBLIC BENEFITS AND PUBLIC POLICY CONCERNS

A derivative is a financial contract whose value is derived from the values of one or more underlying assets or reference rates or indexes of asset values. Derivatives include standardized contracts that are traded on futures and securities exchanges and also customized, privately negotiated contracts known as over-the-counter (OTC) derivatives. Both types of derivatives have been in existence for hundreds of years. In the United States, commodity futures exchanges date to the mid-nineteenth century, and foreign exchange forward contracts have been offered by some U.S. banks since early this century.

Since around 1980, however, the scale, diversity, and complexity of derivatives activities have increased greatly. On the futures exchanges, interest rate derivatives, which were first introduced in the mid-1970s, today account for more than half of total activity. OTC

interest rate derivatives did not emerge until the early 1980s, but today these instruments are available and actively used in all of the major financial centers in North America, Europe, and Asia. Foreign exchange contracts are also actively traded over the counter and on exchanges in all the major financial centers, and commodity-linked and equity-linked derivatives are now widely available.

The Board believes that the development of new derivative products and the overall expansion of derivatives activities have provided important public benefits. The primary economic function of derivatives is to transfer market risk, that is, the risk of an adverse change in the price of an asset or a portfolio of assets. The importance of this function has increased, as competitive pressures have intensified in many economic sectors and interest rates, exchange rates, and other asset prices have tended to be quite volatile. In this environment, many financial and nonfinancial businesses, federally sponsored agencies, and state and local governments have concluded that active management of their exposures to financial market risks is essential. They recognize that such risks, if left unmanaged, can jeopardize their ability to successfully perform their primary economic functions. Because derivatives, especially customized OTC derivatives, allow financial market risks to be adjusted more precisely and at lower cost than is possible with other financial instruments, many entities have come to rely on such contracts to achieve their risk management objectives.

At the same time, the Board recognizes that derivatives are complex instruments and that, if not clearly understood and properly managed, their use can threaten the safety and soundness of banks and other users. To date, few institutions have suffered significant losses from derivatives activities, and no commercial bank has failed as a result of such activities. But the potential clearly exists for an individual bank or other institution to misuse derivatives in ways that create risk exposures that could materially weaken its

financial condition, either because of ignorance or because of an imprudent attitude toward risk.

The Board is also concerned that derivatives activities could have implications for the stability of the financial system. Whether derivatives have increased or decreased systemic risk is still a subject of ongoing review and analysis. Derivatives have fostered greater awareness and understanding of risks and enhanced methods of risk management. It is clear, however, that derivatives activities have become a significant factor in the overall risk profiles of some banks and other financial intermediaries. Although these institutions are still relatively few in number, they are among the largest and most active in the financial and banking markets. If one of them failed to manage its derivatives activities prudently, its financial condition could be weakened, and concern about its financial health could jeopardize the smooth operation of financial markets. More generally, derivatives have been a major factor in tightening linkages among markets and potentially altering the transmission of economic and financial shocks. If a firm that was very active in these markets came under extreme financial stress, regardless of the source of its difficulties, the unwinding of its outstanding derivatives positions and related positions in other financial markets could pose significant challenges both to the firm and to regulatory authorities seeking to contain the effects of its difficulties.

It is also clear that weaknesses in the financial infrastructure for derivatives activities are a potential source of systemic problems. In fact, the largest single source of losses from derivatives activities to date resulted from a court decision that invalidated derivatives contracts with certain local authorities in the United Kingdom. In the United States, before the passage of the Futures Trading Practices Act of 1992 and subsequent regulatory action by the Commodity Futures Trading Commission (CFTC), the exchange-trading restriction of the Commodity Exchange Act had raised serious concerns about the legal enforceability of many OTC derivatives contracts. Of remaining infrastructure problems, perhaps the most serious relate to the legal enforceability of so-called netting agreements for derivatives contracts, which still is questionable in several important foreign jurisdictions.

A STRATEGY FOR ADDRESSING PUBLIC POLICY CONCERNS

The strategy that the Federal Reserve has pursued to address concerns about the risks associated with derivatives activities has three basic elements. First, the Board has used its banking supervisory authority to attempt to ensure that the risks associated with the

derivatives activities of the institutions it regulates are prudently managed and do not pose a threat to the deposit insurance fund. Along with other banking supervisors in the United States and abroad, the Federal Reserve has worked to incorporate such risks into regulatory minimum capital requirements. At the same time, however, the Board's policies have emphasized the responsibility of a bank's senior management for ensuring that risks of the institution's derivatives activities are effectively controlled and are limited to levels that do not pose a threat of seriously impairing its capital. This emphasis reflects the Board's belief that regulation cannot substitute for effective risk management, especially in the case of activities as complex and diverse as derivatives activities.

Second, the Federal Reserve has strongly encouraged private sector initiatives to foster sound risk management of derivatives activities. Because banks are not the only large-scale users of derivatives, concerns about risks to individual institutions and to the financial system must extend to other entities, some of which are not subject to prudential regulation by banking supervisors or by other authorities. Private sector initiatives offer the promise of strengthening risk management practices of both regulated and unregulated entities in the United States and abroad.

Third, the Board has worked with users of derivatives, other regulators in the United States and abroad, and legislators to strengthen the financial infrastructure for derivatives activities. To date, these efforts have focused on legal enforceability issues. Further efforts are needed, both on legal issues and on other issues, notably accounting and financial reporting issues.

BANK REGULATORY AND SUPERVISORY POLICIES

Before discussing the specific regulations and supervisory policies and procedures that the Federal Reserve has implemented to address the risks of bank derivatives activities, several points about the extent and nature of such activities should be noted. Most important, very few banking organizations make use of derivatives. As of midyear, only 13 percent of U.S. bank holding companies and just 8 percent of state-chartered member banks reported any positions in either exchange-traded or OTC derivative contracts.

Moreover, for the vast majority even of these banking organizations, exposures related to derivatives activities do not appear significant relative to their exposures from their other activities or relative to their capital. In fact, most of these institutions appear to use derivatives solely or at least primarily for hedging, that

is, to reduce the interest rate risks and other market risks associated with their traditional portfolios of loans, securities, and deposits. The use of derivatives, especially OTC derivatives, by these institutions does create credit exposures to counterparties. Analysis of reported data indicates, however, that these credit exposures tend to be quite small relative to credit exposures from traditional activities.

By contrast, for at most a dozen or so very large banks and bank holding companies, nearly all of which have their headquarters in New York or Chicago, derivatives activities have become a significant component of their overall risk profile. Like the other banks, these banks use derivatives to hedge market risks associated with more traditional activities, but by far the largest share of their activity relates to their role as "dealers" in OTC derivatives. These banks compete with other large financial institutions in the United States and abroad to meet demands from a wide range of end users for customized derivatives contracts to achieve specific risk management objectives. They also use derivatives (both exchange-traded and OTC) as vehicles for proprietary trading, that is, trading designed to profit from movements in absolute or relative levels of interest rates, foreign exchange rates, or other asset prices. Internal bank data gathered in the examination process suggest that the derivatives activities of these dealer banks have been quite profitable and no serious losses have been incurred. Nonetheless, the magnitude and complexity of the risks these banks manage quite naturally have been a focus of concern for the Federal Reserve and other banking supervisors.

A key element of the Board's efforts to strengthen regulatory and supervisory policies relating to derivatives activities has been the incorporation of measures of credit risks, market risks, and interest rate risks associated with these activities into risk-based capital requirements. Risk-based capital requirements for credit exposures on OTC derivative contracts were part of the original Basle Accord that was published in 1989. These requirements provide a methodology for translating market values and notional amounts of derivatives contracts into amounts that are comparable to credit exposures on balance sheet assets. It is important to note that these "credit equivalent amounts," which include both the current exposure to loss from default of a counterparty and an estimate of potential future increases in exposure, are a very small fraction of the notional values. Nonetheless, for a few of the largest U.S. bank holding companies these credit equivalent amounts equal as much as 20 percent to 35 percent of their balance sheet assets.

At the end of April, the Board made available for public comment proposals by the Basle Supervisors

Committee to revise the Basle Accord. The revisions would recognize reductions in credit risk from use of legally enforceable netting arrangements for derivatives contracts and would incorporate measures of market risks on foreign exchange and traded debt and equity positions, including derivatives positions. Implementation of the netting proposal would provide incentives for wider use of netting agreements in legal jurisdictions in which concerns about enforceability have been addressed; it also would encourage efforts to reduce legal uncertainty in the remaining jurisdictions, through legislation if necessary. With regard to market risk, the treatment of derivatives is an integral component of the proposal. Market risk would be assessed on a portfolio basis, taking into account the cash flows associated with both derivatives and the underlying instruments.

The incorporation of risks associated with derivatives in risk-based capital requirements has required banking regulators to set out rather complex and detailed rules. Nonetheless, the rules arguably do not fully capture the complexity and diversity of the risks involved. In particular, the proposed treatment of market risks on options positions is crude and may need to be revised in light of public comments and further analysis. More elaborate rules could be developed, but the added complexity would be burdensome to banks and still might not fully capture the risks of complex portfolios. These difficulties underscore a point I made earlier—regulation simply cannot substitute for effective risk management, especially management of such complex activities. One potential solution to these difficulties is to allow banks to use their own internal models to compute capital requirements for market risk, subject to examiner review of the models and in accordance with parameters set by regulators. Indeed, the Basle supervisors have requested comment on the merits of such an approach to assessing market risks on complex options portfolios and on foreign exchange positions. Likewise, the Federal Reserve and other U.S. bank regulators have proposed the use of internal models, subject to examiner review, as a means of determining capital requirements for interest rate risk.

The on-site examination and evaluation of internal risk management models, systems, and controls are already the most important elements of our supervision and regulation of derivatives activities. Examiners assess the risk management systems and internal controls in the banking organization's core trading and derivatives activities and devote special attention to new products and new approaches to risk management and control. Accordingly, the Federal Reserve has made the continuous updating and strengthening of policies and procedures for on-site examination of

derivatives activities a top priority. These efforts have built on our many years of experience supervising foreign exchange derivatives and on experience with supervising merchant bank subsidiaries in London, which were among the first entities to begin actively trading OTC interest rate derivatives in the mid-1980s. In fact, our first attempt to formalize examination objectives and procedures for derivatives activities was contained in a *Merchant and Investment Bank Examination Manual*, which was field tested in 1987 and published in 1988.

Just recently, Federal Reserve staff members, including examiners from the Federal Reserve Bank of New York who have considerable experience with bank derivatives activities, have completed an extensive effort to consolidate and enhance examination procedures for derivatives activities and trading activities generally. The result is a new *Trading Activities Examination Manual*, which provides examiners with procedures for evaluating a firm's organizational structure, front office and back office operations and systems, and its approaches to measuring and managing market, credit, and liquidity risks associated with derivatives. Examiners in each of the Reserve Banks have begun field testing this new manual. When the testing is complete, the Board will review the proposed manual and make revisions where necessary.

Of course, examiners need to be trained to make effective use of these new materials. As with other banking activities, examiner expertise in derivatives activities is being developed through an apprenticeship program that combines various types of formal education programs with on-the-job training under the supervision of senior examiners. The Federal Reserve and the other bank regulatory agencies have been working for some time to enhance the coverage of derivatives activities in the core examination curriculum and have offered a variety of specialized courses, conferences, and seminars on derivatives issues. The Federal Reserve is also making special efforts to ensure a sharing of expertise in examining derivatives activities between Federal Reserve Districts in which this activity is widespread and those in which it is just developing.

Looking ahead, the Board believes that accounting and financial reporting standards for bank derivatives activities will require further attention from U.S. and foreign regulators. The accounting profession in the United States has not yet developed consistent accounting principles for derivatives activities, and there is a diversity of accounting practice among major U.S. banks. With respect to financial reporting of derivatives activities, U.S. banks already report more information than most foreign banks have been required or have chosen to divulge. Nonetheless, expanded re-

porting requirements may be appropriate for U.S. banks whose derivatives activities are a significant element in their overall risk profile and profitability. The Board believes that the Interagency Task Force on Derivatives, which has recently been formed by banking regulators, should focus on assisting other existing interagency groups in resolving these accounting and reporting issues.

ENCOURAGEMENT AND SUPPORT FOR PRIVATE-SECTOR INITIATIVES

The Board believes that concerns about risks to individual institutions and systemic risks cannot be fully addressed unless actions by regulators are complemented by private efforts to promote sound risk management. Users of derivatives are a broad and diverse group. Of the leading derivatives dealers, only a handful are U.S. banking organizations. Other leading dealers in these highly competitive markets include some U.S. securities firms and insurance companies and many of the leading banks and securities firms in Canada, France, Germany, Japan, Switzerland, the United Kingdom, and other countries. Major end users include a variety of regulated and unregulated entities in the United States and many other countries.

Accordingly, the Board has encouraged and supported private sector initiatives to address risks in derivatives activities. In particular, the Board believes that the Global Derivatives Study, which was published recently by the Group of Thirty, holds considerable promise for strengthening the risk management practices of a wide range of derivatives dealers and end users. The study is a complete and lucid source of information on the nature of derivatives activities and the types of risks that such activities entail. Potentially an even more important contribution of the study is the practical guidance it provides on risk management.

This potential may not be realized, however, unless concerted efforts are made to ensure implementation of the recommended practices. A survey conducted as part of the study revealed that significant numbers of dealers and end users have not yet implemented the recommended practices. Moreover, implementation of some of the recommendations is not straightforward and may be quite costly. Partly in response to concerns that Board members and other regulators expressed about prospects for implementation, the International Swaps and Derivatives Association (ISDA) recently announced a set of new initiatives to foster adoption of the report's recommendations by derivatives users. These initiatives include a follow-up survey of practices, conferences, and workshops, and special efforts to reach end users through their trade

associations. The Board believes that further efforts of this kind, whether by the Group of Thirty, ISDA, or other groups, are highly desirable.

EFFORTS TO STRENGTHEN THE INFRASTRUCTURE FOR DERIVATIVES ACTIVITIES

The Board has worked with central banks in other countries to develop a clearer understanding of the implications of derivatives activities for systemic risk. These efforts have culminated in publication by the Bank for International Settlements of several reports. In particular, a working group chaired by a Board staff member prepared a Report on Recent Developments in International Interbank Relations, which provides perhaps the most complete discussion of the systemic risk issues. This report emphasized not only the importance of sound risk management practices at individual institutions but also the need to strengthen the legal and institutional infrastructure for derivatives activities.

As I have noted, in the United States, legislators, regulatory authorities, and derivatives users already have taken a series of steps to ensure the legal enforceability of netting agreements for derivatives. The Board believes that the enforceability of such contracts is critical from a systemic risk perspective. If a counterparty measures its credit exposure on a net basis but the netting agreement is not enforceable, the true exposure is the gross exposure. The counterparty thus could face losses and liquidity pressures far larger than expected and, perhaps, larger than could readily be absorbed.

The latest effort to address enforceability concerns was a far-reaching provision of the FDIC Improvement Act. This provision validated under U.S. law all netting contracts between and among depository institutions, securities brokers or dealers, and futures commission merchants. Furthermore, it authorized the Federal Reserve Board to broaden the coverage to other financial institutions if it determined that doing so was appropriate to promote market efficiency or to reduce systemic risk. In early May, the Board issued a proposed rule that would broaden the definition of financial institution to include all legal entities that are large-scale dealers in the OTC derivatives markets. Implementation of this proposal would eliminate uncertainty about the legal enforceability of netting agreements between certain affiliates of securities firms and insurance companies that are active dealers in the OTC derivatives market and banks and other entities that already meet the statutory definition of financial institution. The Board is currently considering public comments on the proposal and plans to take final action early next year.

The Federal Reserve also has worked with the Commodity Futures Trading Commission and the Congress to eliminate the threat that OTC derivatives contracts could be deemed unenforceable off-exchange futures contracts, an event that, were it to have occurred, clearly could have caused systemic problems. The Futures Trading Practices Act of 1992 provided the CFTC with explicit authority to exempt OTC derivatives from most provisions of the Commodity Exchange Act, including the exchange trading restriction that had posed the threat. When the CFTC moved promptly to utilize the new authority to eliminate the threat to OTC derivatives, the Board supported its action.

As I have indicated in discussing bank supervisory issues, one area of the infrastructure that needs immediate attention is the development of consistent accounting and financial reporting standards for derivatives. The Federal Reserve and other banking regulatory agencies plan to press ahead in developing appropriate standards for U.S. banking organizations. But, clearly it would be preferable for the Financial Accounting Standards Board (FASB) to develop and implement standards that would apply to all U.S. firms. The Working Paper of the Accounting and Reporting Subcommittee, which was included in the Group of Thirty's Global Derivatives Study, discussed some promising approaches to these issues that deserve further consideration by banking regulators and by FASB. The FASB and the banking regulators have been discussing these issues but need to intensify discussions with each other and with dealers and end users of derivatives. Ultimately, it will be important to work toward international harmonization of accounting and reporting standards for both regulated and unregulated entities.

CONCLUSION

In conclusion, the Board believes that it has developed a sound and appropriate strategy for addressing public policy concerns about potential risks from derivatives activities. The Federal Reserve and other banking supervisors have made significant progress in strengthening policies relating to bank derivatives activities and have the authority necessary to address such issues as accounting and financial reporting. With respect to other users of derivatives, at this time the Board believes that official encouragement of private sector initiatives is the most effective way of addressing public policy concerns about risks to individual institutions and systemic risks. Nonetheless, the Board continues to analyze these issues and plans to

monitor carefully the progress of the private sector initiatives and to consider carefully the results of the study on OTC derivatives regulation that the CFTC just recently completed. At the same time, regulatory

and supervisory programs related to derivatives activities of banking institutions will be reviewed frequently as these instruments evolve and as banks' use of them develops further. □

Announcements

ISSUANCE OF WARNING ON THE USE OF QUESTIONABLE FINANCIAL INSTRUMENTS

Federal regulators issued a warning on October 21, 1993, to financial institutions on the increased use of questionable instruments in complex and possibly illegal schemes aimed at defrauding borrowers and investors as well as banks.

The questionable instruments are known by such names as "prime bank notes," "prime bank guarantees," and "prime bank letters of credit."

Staff members of the bank and thrift regulatory agencies are unaware of the legitimate use of any financial instrument known by these names and cautioned financial institutions to be aware of the potential dangers associated with any transactions using this type of instrument.

AVAILABILITY OF REVISED LISTS OF OTC MARGIN STOCKS AND OF FOREIGN MARGIN STOCKS

The Federal Reserve Board published on October 22, 1993, a revised list of over-the-counter (OTC) stocks that are subject to its margin regulations. Also published was the List of Foreign Margin Stocks (Foreign List) for foreign equity securities that meet the criteria in Regulation T (Credit by Brokers and Dealers).

The lists were effective November 8, 1993, and supersede the previous lists that were effective August 9, 1993.

The Foreign List specifies those foreign equity securities that are eligible for margin treatment at

broker-dealers. There are two additions to and four deletions from the Foreign List, which now contains 299 foreign equity securities.

The changes that have been made to the revised OTC List, which now contains 3,553 OTC stocks, are as follows:

- Two hundred twelve stocks have been included for the first time, 165 under National Market System (NMS) designation.
- Eighteen stocks previously on the list have been removed for substantially failing to meet the requirements for continued listing.
- Twenty-nine stocks have been removed for reasons such as listing on a national securities exchange or involvement in an acquisition.

The OTC List is published by the Board for the information of lenders and the general public. It includes all over-the-counter securities designated by the Board pursuant to its established criteria as well as all OTC stocks designated as NMS securities for which transaction reports are required to be made pursuant to an effective transaction reporting plan. Additional OTC securities may be designated as NMS securities in the interim between the Board's quarterly publications and will be immediately marginable. The next publication of the Board's list is scheduled for January 1994.

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

Legal Developments

FINAL RULE—AMENDMENTS TO REGULATIONS G, T, U AND X

The Board of Governors is amending 12 C.F.R. Parts 207, 220, 221 and 224, its Regulations G, T, U and X (Securities Credit Transactions; List of Marginable OTC Stocks; List of Foreign Margin Stocks). The List of Marginable OTC Stocks (OTC List) is composed of stocks traded over-the-counter (OTC) in the United States that have been determined by the Board of Governors of the Federal Reserve System to be subject to the margin requirements under certain Federal Reserve regulations. The List of Foreign Margin Stocks (Foreign List) is composed of foreign equity securities that have met the Board's eligibility criteria under Regulation T. The OTC List and the Foreign List are published four times a year by the Board. This document sets forth additions to and deletions from the previous OTC List and the Foreign List.

Effective November 8, 1993, accordingly, pursuant to the authority of sections 7 and 23 of the Securities Exchange Act of 1934, as amended (15 U.S.C. 78g and 78w), and in accordance with 12 C.F.R. 207.2(k) and 207.6 (Regulation G), 12 C.F.R. 220.2(u) and 220.17 (Regulation T), and 12 C.F.R. 221.2(j) and 221.7 (Regulation U), there is set forth below a listing of deletions from and additions to the OTC List and the Foreign List.

Deletions from the List of Marginable OTC Stocks

Stocks Removed for Failing Continued Listing Requirements

All American Semiconductor, Inc.: Class A, Warrants (expire 06-18-97)

American City Business Journals, Inc.: 6% convertible debentures

American Health Services Corp.: \$.03 par common

Assix International, Inc.: \$.001 par common

Bruno's Inc.: 6.5% convertible subordinated debentures

BTR Realty Inc.: \$.01 par common

Cimflex Tecknowledge Corporation: \$.01 par common

Fabri-Centers of America, Inc.: 6-1/4% convertible subordinated debentures

F.F.O. Financial Group, Inc.: \$.10 par common

Genetics Institute Inc.: \$4.00 convertible exchangeable preferred

NHD Stores, Inc.: \$.10 par common

Perceptronics, Inc.: \$.001 par common

Price/Stern/Sloan, Inc.: \$.10 par common

Sahara Resorts: \$.20 par common

Sciclone Pharmaceuticals Inc.: Warrants (expire 03-16-97)

Sierra Real Estate Equity Trust '84: No par common

United Coasts Corporation: \$.01 par common

Warehouse Club, Inc.: Warrants (expire 11-13-94)

Stocks Removed for Listing on a National Securities Exchange or Being Involved in an Acquisition

American National Petroleum Company: \$.01 par common

ATKM Metals Center Inc.: No par common

Aztar Corporation: \$.01 par common

Ballard Medical Products: \$.10 par common

Centennial Savings Bank, FSB: \$1.00 par common

Columbia Hospital Corporation: \$.01 par common

Commerce Banc Corporation: \$1.25 par common

Commonwealth Bancshares Corp.: \$3.50 par common

Costar Corporation: \$.10 par common

Crestar Financial Corporation: \$5.00 par common

Cybertek Corporation: \$.01 par common

Dahlberg, Inc.: \$.10 par common

Enclean, Inc.: \$.10 par common

Equitable of Iowa Companies: No par common

Franklin First Financial Corp.: \$.01 par common

H D R Power Systems Inc.: \$.01 par common
Home Intensive Care Inc.: \$.01 par common

ICF Kaiser International Inc.: \$.01 par common

La Petite Academy, Inc.: \$.10 par common

National Community Banks, Inc.: \$2.00 par common;
Series B, \$2.00 par cumulative convertible preferred
Naylor Industries, Inc.: \$.01 par common

Perception Technology Corporation: \$.10 par common
Pioneer Bancorp, Inc.: \$1.00 par common
Pioneer Fed Bancorp, Inc.: \$.01 par common
Preston Corporation: \$1.00 par common
Protective List Corporation: \$.50 par common

USA Waste Services, Inc.: \$.01 par common

Vari-Care Inc.: \$.01 par common
Village Financial Services Ltd.: \$.01 par common

Additions to the List of Marginable OTC Stocks

A Pea in the Pod, Inc.: \$.01 par common
A+ Communications, Inc.: \$.01 par common
Actel Corporation: \$.001 par common
Aetrium Incorporated: \$.001 par common
Air Methods Corporation: \$.06 par common
Allied Holdings Inc.: No par common
American Oilfield Divers, Inc.: No par common
Antec Corporation: \$.01 par common
APS Holding Corporation: Class A, \$.01 par common
Aramed, Inc.: \$.01 par common
Arbor Health Care Company: \$.03 par common
Arethusa (Off-Shore) Limited: \$.10 par common
Arrow Transportation Company: No par common
Asyst Technologies Inc.: No par common
Atchison Casting Corporation: \$.01 par common
Atlantic Coast Airlines, Inc.: \$.02 par common

Baker, J., Inc.: 7% convertible subordinated debentures due 2002

Bank of Nashville, The: \$.60 par common
Benton Oil & Gas Company: \$.01 par common
Best Power Technology, Incorporated: \$.01 par common
Big Rock Brewery Ltd.: No par common
Billy Blues Food Corporation: \$.05 par common
Biosafety Systems, Inc.: \$.01 par common
Broadcasting Partners Inc.: Class A, \$.01 par common
Builders Transport, Incorporated: 8% convertible debentures due 2005

Cairn Energy USA, Inc.: \$.01 par common
Capital Gaming International, Inc.: No par common
Carolina First Corporation: Series 1993, 7.50% non-cumulative convertible preferred
Casino & Credit Services, Inc.: \$.001 par common;
Warrants (expire 08-10-98)
Casino Resource Corporation: \$.01 par common;
Class A, Warrants (expire 09-15-96)
CB Bancorp, Inc. (Indiana): \$.01 par common
Cencall Communications Corporation: \$.001 par common
Central Garden & Pet Company: \$.01 par common
Central Virginia Bankshares, Inc.: \$2.50 par common
CFI Proservices, Inc.: No par common
Checkmate Electronics, Inc.: \$.01 par common
Churchill Downs Incorporated: No par common
Cobancorp, Inc. (Ohio): No par common
Cobra Gulf Incorporated: \$.001 par common
Commander Aircraft Company: \$.50 par common
Commercial Bankshares Inc. (Florida): \$.08 par common
Community First Bank (Florida): \$2.00 par common
Complink, Ltd.: \$.01 par common
Computer Concepts Corp.: \$.0001 par common
Comstock Bank (Nevada): \$.50 par common
Conductus, Inc.: \$.0001 par common
Cornerstone Imagings, Inc.: \$.01 par common
CSB Financial Corporation (Virginia): \$.01 par common
Cygne Designs, Inc.: \$.01 par common
Cyrix Corp.: \$.004 par common

Dataware Technologies, Inc.: \$.01 par common
Davco Restaurants, Inc.: \$.001 par common
Dasonics Ultrasound, Inc.: \$.01 par common
Discovery Zone Inc.: Liquid Yield Option Notes due 10-14-2013
Dual Drilling Company: \$.01 par common

Elek-Tek, Inc.: \$.01 par common
Envirofil Inc.: \$.001 par common
EP Technologies, Inc.: \$.01 par common
Equivest Finance, Inc.: \$.05 par common
EV Environmental, Inc.: \$.01 par common
Evans Systems, Inc.: \$.01 par common
Excel Technology, Inc.: Class B, Warrants (expire 02-08-98)
Executone Information Systems, Inc.: Series A, preferred
EZ Communications, Inc.: Class A, \$.01 par common

FCB Financial Corporation: \$.01 par common
FFW Corporation: \$.01 par common
First Colonial Group, Inc. (Pennsylvania): \$5.00 par common

- First Federal Savings and Loan (Ohio): \$.01 par common
 First Midwest Financial, Inc.: \$.01 par common
 First Palm Beach Bancorp, Inc. (Florida): \$.01 par common
 First Southeast Financial Corporation: \$.01 par common
 Founders Financial Corporation (Florida): \$1.00 par common
 Futuremedia Public Limited Company: American Depositary Receipts; Warrants (expire 08-19-96)
- Gartner Group Inc.: Class A, \$.001 par common
 General Atlantic Resources, Inc.: \$.01 par common
 Gensia, Inc.: Warrants (expire 12-31-96)
 Govett & Company Limited: American Depositary Receipts
 Great American Management and Investment, Inc.: \$.01 par common
 Great Central Mines, N.L.: American Depositary Receipts
 Great Wall Electronic International Ltd.: American Depositary Receipts
 Greenfield Industries, Inc.: \$.01 par common
 Grow Biz International, Inc.: No par common
 GTE California, Inc.: 4.5% 1956 cumulative preferred
- Hariston Corporation: No par common
 Haven Bancorp Inc. (New York): \$.01 par common
 Hollinger, Inc.: No par common
 Hollywood Entertainment Corporation: No par common
 Home State Holdings, Inc.: \$.01 par common
 Hometown Buffet, Inc.: \$.01 par common
- Image Industries, Inc.: \$.01 par common
 Inbrand Corporation: \$.10 par common
 Independence Bancorp, Inc. (New Jersey): \$1.00 par preferred
 Innodata Corporation: Warrants (expire 08-09-97)
 INVG Mortgage Securities Corp.: \$.01 par common
 Invitro International: Warrants (expire 05-16-96)
 IVI Publishing Inc.: \$.01 par common
- Johnstown America Industries Inc.: \$.01 par common
- K-Tel International, Inc.: \$.01 par common
 Kenetech Corporation: \$.0001 par common
 Kentucky Electric Steel Inc.: \$.01 par common
 Key Technology, Inc.: No par common
 Kurzweil Applied Intelligence, Inc.: \$.01 par common
- Lady Luck Gaming Corporation: \$.001 par common
 Lam Research Corporation: 6% convertible subordinated debentures due 2003
- Landry's Seafood Restaurants, Inc.: \$.01 par common
 Las Began Entertainment Network, Inc.: \$.001 par common
 Laurel Bancorp, Inc. (Maryland): \$.01 par common
 LCI International, Inc.: 5% cumulative convertible exchangeable preferred
 Leader Financial Corporation: \$1.00 par common
 Level One Communications Incorporated: No par common
 Lidak Pharmaceuticals: Class A, No par common; Class B, Warrants (expire 05-08-95); Class C, Warrants (expire 05-26-95)
 Life Medical Sciences, Inc.: \$.01 par common
 Live Entertainment Inc.: Series B, No par cumulative preferred
 Loewenstein Furniture Group, Inc.: \$.01 par common
- M-Systems Flash Disk Pioneers Ltd.: Ordinary Shares, NIS \$.001
 Madge, N.V.: 1g par common
 Magnetech Corporation: \$.000025 par common
 Manugistics Group, Inc.: \$.002 par common
 Maxim Group, Inc., The: \$.001 par common; Warrants (expire 09-30-98)
 MDL Information Systems, Inc.: \$.01 par common
 Metrocall, Inc.: \$.01 par common
 Micro Component Technology Inc.: \$.01 par common
 Microprobe Corporation: \$.001 par common; Warrants (expire 09-28-98)
 Mid Ocean Limited: Class A, \$.20 par ordinary shares
 Milgray Electronics, Inc.: \$.25 par common
 Momentum Corporation: \$1.00 par common
 Monaco Coach Corporation: \$.01 par common
 Monarch Casino & Resort, Inc.: \$.01 par common
 Morgan Group, Inc., The: Class A, \$.015 par common
 Mountain Parks Financial Corporation: \$.001 par common
 MRS Technology, Inc.: \$.01 par common
- National Gypsum Company: \$.01 par common; Warrants (expire 07-01-2000)
 National Picture & Frame Company: \$.01 par common
 National R. V. Holdings Inc.: \$.01 par common
 National Record Mart, Inc.: \$.01 par common
 Netmanage, Inc.: \$.01 par common
 Network Solutions, Inc.: \$.10 par common
 Neurex Corporation: \$.01 par common
 North American Savings Bank (Missouri): \$1.00 par common
 North American Watch Corporation: \$.01 par common
 North Coast Energy, Inc.: Series B, \$.01 par cumulative preferred
 NSD Bancorp, Inc.: \$1.00 par common

Octus, Inc.: No par common
 OHSL Financial Corp.: \$.01 par common
 Old Lyme Holding Corporation: \$.01 par common
 Omega Environmental, Inc.: \$.0025 par common
 Omni Insurance Group, Inc.: \$.01 par common
 Oroamerica, Inc.: \$.001 par common

Pairgain Technologies, Inc.: \$.001 par common
 Panhandle Royalty Company: Class A, \$.10 par common
 Park View Federal Savings Bank (Ohio): \$.01 par common
 Performance Food Group Company: \$.01 par common
 Petsmart, Inc.: \$.0001 par common
 Philadelphia Consolidated Holding Company: No par common
 Phillips & Jacobs, Incorporated: \$.01 par common
 Preferred Entertainment, Inc.: \$.01 par common
 Price Company, The: Convertible subordinated debentures due 2012
 Price Reit, Inc., The: Series B, \$.01 par common

Quickresponse Services, Inc.: No par common

Redman Industries, Inc.: \$.01 par common
 Renal Treatment Centers, Inc.: \$.01 par common
 Revenue Properties Company Limited: No par common
 RFS Hotel Investors, Inc.: \$.01 par common
 RHNB Corporation: \$2.50 par common
 Rimage Corporation: \$.01 par common
 River Oaks Furnitures, Inc.: \$.01 par common
 Royal Grip, Inc.: \$.001 par common
 Rural/Metro Corporation: \$.01 par common

Schuler Homes, Inc.: 6-1/2% convertible subordinated debentures due 2003
 Scientific Games Holding Corporation: \$.001 par common
 Servicios Financieros Quadrum, S.A.: American Depositary Receipts
 SFX Broadcasting, Inc.: Class A, \$.01 par common
 Shuffle Master, Inc.: \$.01 par common
 Si Diamond Technology, Inc.: \$.001 par common
 Simmons Outdoor Corporation: \$.01 par common
 Speizman Industries, Inc.: \$.10 par common
 SPSS, Inc.: \$.01 par common
 Stant Corporation: \$.01 par common
 Starcraft Automotive Corporation: No par common
 Starsight Telecast, Inc.: No par common
 Statesman Group, Inc., The: 6-1/4% convertible subordinated debentures due 2003
 Steck-Vaughn Publishing Corporation: \$.01 par common

Suburban Bancorporation, Inc. (Ohio): \$.01 par common
 Sudbury, Inc.: \$.01 par common
 Summa Four, Inc.: \$.01 par common

Taro-Vit Industries Ltd.: Ordinary shares (NIS .0001 par common)
 Thomas Group, Inc.: \$.01 par common
 Tinsley Laboratores, Inc.: No par common
 Triangle Pacific Corporation: \$.01 par common

Ultratech Stepper, Inc.: \$.001 par common
 Uniflex, Inc.: \$.10 par common
 Union Bankshares Corporation: \$.50 par common
 United International Holdings, Inc.: Class A, \$.01 par common
 Urethane Technologies, Inc.: \$.01 par common

Vaalco Energy, Inc.: \$.10 par common
 Valley Fashions Corporation: Class A, \$.01 par common
 Valuevision International, Inc.: \$.01 par common
 Victoria Financial Corporation: \$.01 par common

Washington Mutual Savings Bank (Washington):
 Series E, 7.6% No par non-cumulative perpetual preferred
 Wellcare Management Group, Inc., The: \$.01 par common
 Wonderware Corporation: \$.001 par common

Zale Corporation: \$.01 par common; Class A, Warrants (expire 07-29-98)
 Zonagen, Inc.: \$.001 par common

Additions to the List of Foreign Margin Stocks

Canadian Natural Resources Ltd.: No par common
 Nippon Paper Industries Co., Ltd.: ¥50 par common

Deletions from the List of Foreign Margin Stocks

Jujo Paper Company Ltd.: ¥50 par common
 Midland Bank PLC: Ordinary shares, par value 100 p
 Rank Hovis McDougall PLC: Common, par value 25 p
 Sanyo-Kokusaku Pulp Co., Ltd.: ¥50 par common

**FINAL RULE—AMENDMENT TO RULES
REGARDING DELEGATION OF AUTHORITY**

The Board of Governors is amending 12 C.F.R. Part 265, its Rules Regarding Delegation of Authority, to grant individual waivers under the federal conflicts of interest statute in cases in which the employee's financial interest is not so substantial as to be likely to affect the integrity of the employee's services to the Board. This delegation of authority will reduce the administrative burden of acting on such waiver requests.

Effective September 1, 1993, 12 C.F.R. Part 265 is amended as follows:

Part 265—Rules Regarding Delegation of Authority

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

Authority: 12 U.S.C. 248(i) and (k).

2. Section 265.6 is amended by adding paragraph (g) to read as follows:

Section 265.6—Functions delegated to General Counsel.

* * * * *

(g) *Conflicts of interest waivers.* To issue individual conflicts of interest waivers under 18 U.S.C. 208(b)(1) to employees and officials other than Board members.

**ORDERS ISSUED UNDER BANK HOLDING
COMPANY ACT**

**Orders Issued Under Section 3 of the Bank
Holding Company Act**

**AmSouth Bancorporation
Birmingham, Alabama**

**Order Approving the Acquisition of a Bank Holding
Company**

AmSouth Bancorporation, Birmingham, Alabama ("AmSouth"), a bank holding company within the meaning of the Bank Holding Company Act ("BHC Act"), has applied under section 3 of the BHC Act (12 U.S.C. § 1842) to acquire all the voting shares of Orange Banking Corporation ("Orange Corpora-

tion"), and thereby indirectly acquire Orange Bank ("Orange Bank"), both of Orlando, Florida.¹

Notice of the application, affording interested persons an opportunity to submit comments, has been published (58 *Federal Register* 39,815 (1993)). 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.

AmSouth, with total consolidated assets of \$11.2 billion, controls subsidiary banks in Alabama, Florida, Georgia, and Tennessee.² AmSouth is the fifth largest commercial banking organization in Florida, controlling deposits of \$2.2 billion, representing 1.9 percent of total deposits in commercial banks in the state.³ Orange Corporation is the 30th largest commercial banking organization in Florida, controlling deposits of \$318.8 million, representing less than 1 percent of total deposits in commercial banks in the state. Upon consummation of this proposal, AmSouth would remain the fifth largest commercial banking organization in Florida, controlling deposits of \$2.5 billion, representing 2.1 percent of total deposits in commercial banks in the state.⁴

AmSouth and Orange Corporation do not compete directly in any relevant banking market. Based on all the facts of record, the Board concludes that consummation of this proposal would not result in any significantly adverse effects on competition in any relevant banking market.

Convenience and Needs Considerations

In reviewing an application to acquire a depository institution under the BHC Act, the Board must consider the convenience and needs of the communities to be served, and take into account the records of the relevant depository institutions under the Community Reinvestment Act (12 U.S.C. § 2901 *et seq.*) ("CRA"). The CRA requires the federal financial

1. Upon consummation of this proposal, Orange Corporation will merge into AmSouth and Orange Bank will merge into AmSouth's subsidiary bank, AmSouth Bank of Florida, Pensacola, Florida. In this regard, AmSouth has filed an application with the Federal Deposit Insurance Corporation pursuant to the Bank Merger Act (12 U.S.C. § 1828(c)) for approval of this bank merger.

2. Asset data are as of June 30, 1993.

3. State deposit data are as of June 30, 1993, and include acquisitions by AmSouth of Charter Banking Corp., St. Petersburg, Florida (see *AmSouth Bancorporation*, 79 *Federal Reserve Bulletin* 951 (1993)), and Mid-State Federal Savings Bank, Ocala, Florida (see *AmSouth Bancorporation*, 79 *Federal Reserve Bulletin* 981 (1993)).

4. The Board previously has determined that the interstate banking statute of Florida permits an Alabama bank holding company to acquire banking organizations in Florida. See *SouthTrust Corporation*, 74 *Federal Reserve Bulletin* 56 (1988). Thus, consummation of this transaction is not barred by section 3(d) of the BHC Act (12 U.S.C. § 1842(d)).

supervisory agencies to encourage financial institutions to help meet the credit needs of the local communities in which they operate, consistent with the safe and sound operation of such institutions. To accomplish this end, the CRA requires the appropriate federal supervisory authority to "assess the institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with the safe and sound operation of such institution," and to take that record into account in its evaluation of bank holding company applications.⁵

In this regard, the Board has received comments from the Southern Christian Leadership Conference ("Protestant")⁶ critical of the record of AmSouth's subsidiary bank, AmSouth Bank of Florida, Pensacola, Florida ("AmSouth Bank-Florida"), in meeting the credit needs of African-American residents within its delineated community.⁷ In particular, Protestant alleges that AmSouth Bank-Florida has not adequately provided credit to the African-American community for low- and middle-income housing or for the revitalization of business and residential districts. The Board has carefully reviewed the CRA performance records of AmSouth, Orange Corporation, and their subsidiary banks, as well as the comments received, AmSouth's responses to those comments, and all other relevant facts of record in light of the CRA, the Board's regulations, and the Statement of the Federal Finan-

cial Supervisory Agencies Regarding the Community Reinvestment Act ("Agency CRA Statement").⁸

A. CRA Performance Examinations

The Agency CRA Statement provides that a CRA examination is an important, and often controlling, factor in the consideration of an institution's CRA record, and that these reports will be given great weight in the applications process.⁹ The record in this case indicates that all of AmSouth's subsidiary banks have received "outstanding" or "satisfactory" ratings during the most recent examinations of their CRA performance. In particular, AmSouth's lead subsidiary bank, AmSouth Bank, N.A., Birmingham, Alabama, received an "outstanding" rating for CRA performance from its primary regulator, the Office of the Comptroller of the Currency ("OCC"), in October 1992, and AmSouth Bank-Florida received an "outstanding" CRA rating from the Federal Deposit Insurance Corporation ("FDIC") in January 1993.¹⁰ In addition, Orange Bank received a "satisfactory" CRA rating from the FDIC in February 1993.

B. Other Aspects of CRA Performance

The Board has carefully reviewed the CRA performance record of AmSouth Bank-Florida, including its most recent CRA examination and information the bank is required to file under the Home Mortgage Disclosure Act ("HMDA"), in light of the allegations made by Protestant. In this regard, the most recent CRA examination found no evidence of illegal discrimination or other illegal credit practices at AmSouth Bank-Florida. This examination also found no evidence of any practices or procedures that would discourage or attempt to discourage credit applications, and noted that AmSouth Bank-Florida's credit extensions, applications, and denials reflected a reasonable penetration into all segments of its delineated communities.

Lending and Investment Programs. In its most recent CRA examination of AmSouth Bank-Florida, the FDIC indicated that the bank's lending record is "exceptional" and consistent with credit needs iden-

5. 12 U.S.C. § 2903.

6. The Board also has received comments from the Alabama Community Reinvestment Alliance ("ACRA") alleging that AmSouth has not met the convenience and needs of low- and moderate-income African-American residents in Jefferson County and Birmingham, Alabama, and that AmSouth has not made direct investments in inner-city neighborhoods. These comments were considered by the Board in connection with AmSouth's acquisition of Charter Banking, Corp., St. Petersburg, Florida. See 79 *Federal Reserve Bulletin* 951 (1993) ("Charter Banking Order"). Based on all the facts of record, and for the reasons discussed in the *Charter Banking Order* and in this order, the Board does not believe that these comments warrant denial of this proposal.

7. Protestant also asserts that AmSouth Bank-Florida has not implemented an affirmative action program, does not employ any African-American males, and that African-Americans are, on the whole, under-represented at the bank. AmSouth has responded to these allegations by stating that AmSouth Bank-Florida has an affirmative action program in place that has resulted in the employment of African-Americans in several capacities at the bank. AmSouth also indicates that 50 percent of the bank's 1993 management trainees are African-Americans and that African-Americans serve on the bank's advisory boards of directors in Pensacola and Panama City.

Because AmSouth Bank-Florida employs more than 50 people and acts as an agent to sell or redeem U.S. savings bonds and notes, it is required by Treasury Department and Department of Labor regulations to:

- (1) File annual reports with the Equal Employment Opportunity Commission; and
- (2) Have in place a written affirmative action program which states its intentions, efforts, and plans to achieve equal opportunity in the employment, hiring, promotion, and separation of personnel.

8. 54 *Federal Register* 13,742 (1989).

9. 54 *Federal Register* 13,745 (1989).

10. AmSouth's other subsidiary banks have received the following CRA ratings: AmSouth Bank of Tennessee, Nashville, Tennessee, received a "satisfactory" rating from the FDIC in September 1992, and AmSouth Bank of Walker County, Jasper, Alabama, received a "satisfactory" rating from the FDIC in January 1991. AmSouth Bank of Georgia, Summerville, Georgia, opened for business in February 1993, and has not yet been examined for CRA performance.

tified within its delineated community.¹¹ In particular, AmSouth Bank-Florida offers a variety of products and services to attempt to meet the credit needs of low- and moderate-income and minority communities.¹² For example, in July 1992, the bank introduced a special mortgage loan program for borrowers making 80 percent or less of the median income in the community. This program, which provides 100 percent financing for homes with a maximum purchase price of \$50,000, has resulted in the bank's extending 151 new loans totalling \$5.7 million. AmSouth Bank-Florida also has developed the "Affordable Housing Program" designed to provide low-income housing within its community.

A review of HMDA data filed by AmSouth Bank-Florida shows an increase in the number of loan applications received by the bank from African-Americans and an increase in the number of loans originated to African-Americans. In particular, 1992 HMDA data indicate that AmSouth Bank-Florida has nearly tripled the number of loans extended to African-American residents in certain census tracts within its delineated community as compared to 1991. At the same time, the number of mortgage applications received by the bank from African-Americans in Florida has significantly increased, as has AmSouth Bank-Florida's ratio of loan originations to loan applications.¹³

AmSouth Bank-Florida also has provided credit for the construction or renovation of low-income rental housing. For example, the bank has extended a loan to a minority-owned developer to build low-income apartment units in the Ft. Walton, Florida area. AmSouth Bank-Florida also has provided financing to a nonprofit developer to finance the purchase and renovation of 90 low-income rental units. In addition, the Ft. Walton branch of AmSouth Bank-Florida has provided financing for low-income housing loans ap-

proved by the Department of Housing and Urban Development, and the Panama City branch has extended a loan to the Panama City Housing Authority for the provision of low-income housing.

AmSouth Bank-Florida also participates in various programs designed to provide credit to local small businesses. For example, the bank's CRA examination indicates that it is an active participant in Community Equity Investment, Inc. ("CEII"), an organization which helps minority-owned businesses obtain credit. AmSouth Bank-Florida, as an authorized Small Business Administration ("SBA") lender, also had extended 63 SBA-guaranteed loans totalling \$9 million as of January 1993. Additionally, as of April 1992, AmSouth Bank-Florida had 1,055 business loans of \$100,000 or less outstanding, totalling \$32.1 million.

C. Conclusion Regarding the Convenience and Needs Factor

The Board has carefully considered the entire record of the CRA performance of AmSouth, Orange Corporation, and their subsidiary banks, including the comments filed in this case by Protestant, in reviewing the convenience and needs factors under the BHC Act. Based on a review of the entire record of performance by AmSouth, Orange Corporation, and their subsidiary banks, the Board believes that the record of AmSouth, Orange Corporation, and their subsidiary banks in helping to meet the credit needs of all segments of the communities they serve, including low- and moderate-income neighborhoods, are consistent with approval.¹⁴ For these reasons, and on the basis of all the facts of record, the Board concludes that the convenience and needs considerations, including the CRA performance of AmSouth, Orange Corporation, and their subsidiary banks, are consistent with approval of this application.¹⁵

11. In addition, AmSouth Bank-Florida recently received an award from the Escambia County, Florida, division of the National Association for the Advancement of Colored People (NAACP) for its efforts in meeting local credit needs.

12. Protestant asserts that AmSouth Bank-Florida has not marketed available credit products to African-Americans in its delineated community. In this regard, the most recent CRA examination for AmSouth Bank-Florida notes that the bank has developed marketing and advertising programs to inform all segments of the bank's delineated communities about available credit products and services.

13. Protestant asserts that AmSouth has allocated \$35 million in mortgage financing to minorities in four states and requests that AmSouth account for disbursement of these funds. AmSouth denies having made such a representation, and states that its \$35 million special low-income mortgage loan program, developed in mid-1992, is designed to meet the credit needs of all low- and moderate-income residents within its delineated communities, including, but not limited to, minorities. Through this program, AmSouth Bank-Florida has originated 217 loans, totalling \$8.4 million, to low-income applicants since mid-1992.

14. Protestant asserts that AmSouth Bank-Florida has not employed African-American vendors or firms. AmSouth Bank-Florida indicates that it recognizes the need to expand the use of minority vendors in Florida and presently is taking steps to address this issue. While the Board fully supports affirmative action programs designed to promote equal opportunities for third-party contractors, the Board believes that the bank's contracting practices are beyond the scope of factors that may be assessed under the CRA.

15. ACRA has requested that the Board hold a public meeting or hearing on this application. The Board is not required under section 3(b) of the BHC Act to hold a hearing on an application unless the appropriate banking authority for the bank to be acquired makes a timely written recommendation of denial of the application. In this case, the Florida Comptroller has not recommended denial.

Generally, under the Board's rules, the Board may, in its discretion, hold a public hearing or meeting on an application to clarify factual issues related to the application, and to provide an opportunity for testimony, if appropriate. 12 C.F.R. 262.3(e) and 262.25(d). The Board has carefully considered this request. In the Board's view, interested parties have had a sufficient opportunity to present written

Other Considerations

The Board also concludes that the financial and managerial resources and future prospects of AmSouth, Orange Corporation, and their subsidiary banks, and other supervisory factors the Board must consider under section 3 of the BHC Act, are consistent with approval.

Based on all the facts of record, the Board has determined that this application should be, and hereby is, approved. The Board's approval is specifically conditioned upon compliance by AmSouth with all the commitments made in connection with this application. For the purpose of this action, these commitments and conditions will both be considered conditions imposed in writing and, as such, may be enforced in proceedings under applicable law.

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

By order of the Board of Governors, effective October 18, 1993.

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

JENNIFER J. JOHNSON
Associate Secretary of the Board

Banc One Corporation
Columbus, Ohio

Banc One Illinois Corporation
Springfield, Illinois

Order Approving the Acquisition of a Bank Holding Company

Banc One Corporation, Columbus, Ohio, and Banc One Illinois Corporation, Springfield, Illinois (together "Banc One"), bank holding companies within the meaning of the Bank Holding Company Act ("BHC Act"), have applied under section 3 of the BHC Act (12 U.S.C. § 1842) to acquire Mid States Bancshares,

submissions, and have submitted substantial written comments that have been considered by the Board. On the basis of all the facts of record, the Board has determined that a public meeting or hearing is not necessary to clarify the factual record in this application, or otherwise warranted in this case. Accordingly, the request for a public meeting or hearing on this application is hereby denied.

Inc. ("Mid States"), and thereby indirectly acquire The First National Bank of Moline ("Moline Bank"), both of Moline, Illinois.¹

Notice of the application, affording interested persons an opportunity to submit comments, has been published (58 *Federal Register* 41,090 (1993)). The time for filing comments has expired, and the Board has considered the application and all comments received in light of the factors set forth in section 3(c) of the BHC Act.

Banc One, with total deposits of approximately \$59.2 billion, controls banking subsidiaries in Ohio, Indiana, Michigan, Wisconsin, Illinois, Colorado, Kentucky, West Virginia, Texas, Arizona, Utah, California, Oklahoma, and Nebraska.² Banc One is the ninth largest commercial banking organization in Illinois, controlling deposits of \$3.3 billion, representing 2.3 percent of the total deposits in commercial banks in the state. Mid States is the 117th largest commercial banking organization in Illinois, controlling deposits of \$165.2 million, representing less than 1 percent of the total deposits in commercial banks in the state. Upon consummation of this proposal, Banc One would remain the ninth largest commercial banking organization in Illinois, controlling 2.3 percent of the total deposits in commercial banks in the state.³

Banc One and Mid States do not compete directly in any relevant banking markets. Based on all the facts of record, the Board concludes that consummation of this proposal would not result in any significantly adverse effects on competition in any relevant banking market.

Convenience and Needs Considerations

In acting on an application to acquire a depository institution under the BHC Act, the Board must consider the convenience and needs of the communities to be served, and take into account the records of the relevant depository institutions under the Community Reinvestment Act (12 U.S.C. § 2901 *et seq.*) ("CRA"). The CRA requires the federal financial

1. Banc One proposes to merge Mid States and Banc One's subsidiary, Banc One Illinois Corporation, with Banc One Illinois Corporation surviving the merger.

2. State deposit data are as of June 30, 1993, and include acquisitions approved by the Board as of that date. The Board recently has approved applications by Banc One to control banks in Oklahoma and Nebraska. See *Banc One Corporation*, 79 *Federal Reserve Bulletin* 1055 (1993) ("Central Banking Order") and *Banc One Corporation*, 79 *Federal Reserve Bulletin* 1168 (1993) ("FirsTier Order").

3. The Board previously has determined that the interstate banking statute of Illinois permits an Ohio bank holding company to acquire banking organizations in Illinois. See *Banc One Corporation*, 79 *Federal Reserve Bulletin* 519 (1993). Thus, consummation of this transaction is not barred by section 3(d) of the BHC Act (12 U.S.C. § 1842(d)).

supervisory agencies to encourage financial institutions to help meet the credit needs of the local communities in which they operate consistent with the safe and sound operation of such institutions. To accomplish this end, the CRA requires the appropriate federal supervisory authority to "assess the institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with the safe and sound operation of such institution," and to take that record into account in its evaluation of applications.⁴

In connection with this application, the Board has received comments from the Black State Employees Association of Texas, Inc. ("Protestant"), criticizing the CRA performance of Banc One and Mid States. Protestant generally alleges that Banc One, through its subsidiary bank, Bank One Texas, N.A., Dallas, Texas ("Bank"), has not complied with the spirit and requirements of various laws and regulations designed to prevent discrimination in bank credit practices, including the CRA, in attempting to meet the credit needs of the African-American and ethnic minority communities in Dallas, Fort Worth, Irving and Grand Prairie, all in Texas.⁵

The Board has carefully reviewed the CRA performance records of Banc One and its subsidiary banks, the comments received and Banc One's responses to those comments, as well as all other relevant facts of record, in light of the CRA, the Board's regulations, and the Statement of the Federal Financial Supervisory Agencies Regarding the Community Reinvestment Act ("Agency CRA Statement").⁶

4. See 12 U.S.C. § 2903.

5. Specifically, Protestant alleges that:

(1) Bank has not developed a plan, or any lending, marketing and outreach programs, to meet the credit needs of low-income African-Americans and other minorities in these communities;

(2) Banc One has "redlined" these communities by not providing bank branches or sufficient credit to individuals in these communities, as indicated by data Bank has filed under the Home Mortgage Disclosure Act; and

(3) Bank has provided no technical assistance or other support to individuals and organizations with an understanding of the credit needs of these communities, such as African-American managers of Bank, community groups, and consulting groups.

6. 54 *Federal Register* 13,742 (1989). The Board also has received comments from the Coalition of Neighborhoods alleging that Banc One and its subsidiary bank, Banc One Cincinnati, N.A., Cincinnati, Ohio, generally have not met the credit needs of minorities, women, and low- and moderate-income individuals in the Cincinnati area. These comments were considered by the Board in connection with Banc One's acquisition of Central Banking Group, Inc., Oklahoma City, Oklahoma. See *Central Banking Order*. Based on all the facts of record, and for the reasons discussed in the *Central Banking Order*, the *First Tier Order*, and in this order, the Board does not believe that these comments warrant denial of this proposal.

A. Bank's Performance Under the CRA

Examination Record for CRA Performance. The Board has carefully reviewed the CRA performance of Bank in light of Protestant's comments, relevant reports of examination and data required to be filed under the Home Mortgage Disclosure Act ("HMDA"). Initially the Board notes that the Office of the Comptroller of the Currency ("OCC") determined that Bank has a "satisfactory" record of meeting community credit needs in an examination that was completed on June 29, 1993. In this regard, the Agency CRA Statement provides that a CRA examination is an important and often controlling factor in the consideration of an institution's CRA record and that these reports will be given great weight in the applications process.⁷

The most recent examination for CRA compliance and performance of Bank found no evidence of illegal discrimination. Examiners concluded that Bank affirmatively encourages credit applications from all segments of its delineated community, including low- and moderate-income neighborhoods, for all types of credit being offered. OCC examiners noted that Bank is in substantial compliance with laws and regulations that ensure fair lending practices, and that Bank recently initiated a "second-look process" that reviews all minority mortgage and home improvement loan applications that have been denied. In addition, Bank has hired an independent consulting firm to ensure that the lending practices at each of its branches is not discriminatory.

Lending Programs. Bank offers a variety of credit products and services designed to meet the credit needs of low- and moderate-income and minority neighborhoods within its delineated communities. In this regard, the bank's most recent CRA examination indicates that its total loan production in 1992 in low- and moderate-income census tracts was approximately \$300 million, including more than 650 loans totalling \$28 million originated by Bank through its Affordable Housing Lenders in Dallas, Austin, Fort Worth, Houston, Midcities, and San Antonio. In 1992, Bank also introduced the American Dream Mortgage Program. Through this program, which provides flexible underwriting criteria, Bank extended \$9.5 million in 1992. Bank also offers a First Time Borrowers program for individuals who have no established credit history.

Bank has taken steps to assist in meeting the credit needs of the African-American community in its

7. 54 *Federal Register* at 13,745 (1989). The Board also notes that Moline Bank received an "outstanding" CRA rating from the OCC in September 1990.

service area. For example, Bank extended over 1,000 loans totalling over \$10 million in the Dallas community of Southeast Oak Cliff in 1992. These loans included mortgages, home-improvement, small business, and consumer loans. In addition, through its relationship with the Voice of Hope organization, Bank provided the financing necessary to construct new housing units in a predominantly African-American section of West Dallas. Bank also has established relationships with other Dallas-based community groups, such as the Oak Cliff Development Corporation and the Inner-city Community Development Corporation, who work in predominantly African-American communities. Similar relationships with Rainbow Bridge and the Dallas West Interdenominational Ministerial Alliance have resulted in new housing construction in South Dallas/Fair Park and other West Dallas communities.

Marketing Efforts and Community Involvement. In its most recent CRA examination of Bank, the OCC indicated that the bank has implemented sound marketing and advertising programs to inform all segments of its delineated communities about available credit products and services. It is the responsibility of Bank's statewide marketing department to develop marketing programs that are targeted to various consumer segments. In this regard, Bank's marketing program recently has targeted African-Americans, Hispanics, small businesses, and low- and moderate-income individuals. Bank's marketing efforts in the African-American community are directed by an African-American advertising agency and include print advertisements in the *Minority Opportunity News*, a publication that focuses specifically on the African-American market.

Bank's CRA examination also indicates that Bank has established ongoing relationships with various community groups to help address affordable housing needs in inner-city communities in Texas. In this regard, Bank communicates with the Voice of Hope and the Dallas Affordable Housing Partnership, as well as local and state government agencies, to better understand community credit needs and to participate in local community development projects. Bank also has an ongoing relationship with the Dallas Urban League whereby Bank gives informational seminars on home ownership and mortgage products to targeted segments of the African-American community. In addition, through the Center for Housing Resources ("CHR"), Bank provides technical assistance to non-profit housing and neighborhood community groups in Dallas. Bank also is holding home improvement seminars in the Dalworth neighborhood of Grand Prairie.

Bank meets with small businesses in South Dallas in order to assess and meet their financing needs.⁸ These community contacts have led to the development of a variety of products and services for small businesses, including the Flat Fee Small Business Checking Account and the Small Business Loan Center.⁹ In addition, Bank's Texas Small Business Loan Kit and Business Banking Guide help small business owners assess their financial needs and in preparing loan applications. To supplement this information, Bank's Texas Small Business group sponsored over 60 seminars with over 3,000 participants in Dallas in 1992.

Bank's CRA examination states that Bank has established branches throughout its twenty-three delineated communities, including low- and moderate-income and minority neighborhoods, to attempt to meet community credit needs. Moreover, the record in this case indicates that Bank operates branches that serve each of the communities identified by Protestant, including a branch on Martin Luther King Boulevard that Bank established in 1992 to address the banking needs of low- and moderate-income neighborhoods in South Dallas.

B. Other Aspects of Banc One's CRA Performance

In reviewing recent acquisitions by Banc One, the Board has carefully considered the record of performance of Banc One and its various subsidiary banks under the CRA.¹⁰ The record in this case indicates that all but two of Banc One's 78 subsidiary banks have received either "outstanding" or "satisfactory" ratings from their primary regulators in their most recent examinations of their CRA performance, and that one of these banks was assigned this rating prior to being acquired by Banc One.¹¹ Additionally, Banc One's lead subsidiary bank, Bank One Columbus, N.A., Columbus, Ohio, received an "outstanding" rating for CRA performance from its primary regulator, the OCC, in April 1993.

The Board is continuously reviewing Banc One's CRA program and the effectiveness of this program in addressing identified deficiencies in the CRA programs

8. In the Southern Dallas market, Bank's Small Business Lenders have made over 1,350 calls on small businesses and others in the business community since January 1992.

9. The Small Business Loan Center attempts to meet the special credit needs of small businesses in a variety of ways, including offering to process applications for credit of \$100,000 or less within four days.

10. See, e.g., *Banc One Corporation*, 79 *Federal Reserve Bulletin* 524 (1993) ("Valley National Order"); *Banc One Corporation*, 79 *Federal Reserve Bulletin* 872 (1993) ("Colorado Western Order"); and *FirstTier Order*.

11. See *FirstTier Order* p. 6 at note 14.

in its subsidiary banks that are rated less than satisfactory.¹² In this regard, the record indicates that Banc One has, to date, taken successful steps to correct any of the identified weaknesses in the CRA programs of its subsidiary banks.¹³

C. Conclusion Regarding Convenience and Needs Factor

The Board has carefully considered all the facts of record, including the comments received, in reviewing the convenience and needs factor under the BHC Act. Based on a review of the entire record of performance by Banc One, Mid States, and their subsidiary banks, the Board believes that the efforts of Banc One, Mid States, and their subsidiary banks to help meet the convenience and needs of all segments of the communities they serve, including the credit needs of low- and moderate-income neighborhoods, are consistent with approval of this proposal.¹⁴

Other Considerations

The Board concludes that the financial and managerial resources, supervisory factors, and future prospects of Banc One, Mid States, and their respective subsidiaries, are consistent with approval of this proposal.

Based on the foregoing and other facts of record, the Board has determined that the application should be, and hereby is, approved. The Board's approval is specifically conditioned upon compliance with all of the commitments made by Banc One in connection with this application. For purposes of this action, these commitments and conditions will both be considered conditions imposed in writing by the Board

and, as such, may be enforced in proceedings under applicable law.

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

By order of the Board of Governors, effective October 18, 1993.

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

JENNIFER J. JOHNSON
Associate Secretary of the Board

Barnett Banks, Inc.
Jacksonville, Florida

Order Approving Acquisition of a Bank, Merger of Banks, and Increase of Investment in Bank Premises

Barnett Banks, Inc., Jacksonville, Florida ("Barnett"), a bank holding company within the meaning of the Bank Holding Company Act ("BHC Act"), has applied under section 3(a)(3) of the BHC Act (12 U.S.C. § 1842(a)(3)) to acquire all the voting shares of The Citizens and Peoples National Bank of Pensacola, Pensacola, Florida ("Citizens Bank"), a wholly owned subsidiary bank of Bank South Corporation, Atlanta, Georgia. In addition, Barnett Bank of West Florida, Pensacola, Florida ("West Florida Bank"), a wholly owned, state member subsidiary bank of Barnett, has applied under section 18(c) of the Federal Deposit Insurance Act (12 U.S.C. § 1828(c)) ("Bank Merger Act") to merge with Citizens Bank, with West Florida Bank to be the surviving entity. West Florida Bank has also applied to increase its investment in bank premises pursuant to section 24A of the Federal Reserve Act (12 U.S.C. § 371d).

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

12. See *FirstTier Order* at p. 16.

13. See *FirstTier Order* at pp. 16-17 (review of steps by Bank One Cleveland, N.A., Cleveland, Ohio to address its "needs to improve" rating).

14. Protestant has requested that the Board hold a public meeting or hearing on this application. The Board is not required under section 3(b) of the BHC Act to hold a hearing on an application unless the appropriate banking authority for the bank to be acquired makes a timely written recommendation of denial of the application. In this case, the OCC has not recommended denial of this proposal.

Generally, under the Board's rules, the Board may, in its discretion, hold a public hearing or meeting on an application to clarify factual issues related to the application, and to provide an opportunity for testimony, if appropriate. 12 C.F.R. 262.3(e) and 262.25(d). The Board has carefully considered this request. In the Board's view, interested parties have had a sufficient opportunity to present written submissions, and have submitted substantial written comments that have been considered by the Board. On the basis of all the facts of record, the Board has determined that a public meeting or hearing is not necessary to clarify the factual record in this application, or otherwise warranted in this case. Accordingly, the request for a public meeting or hearing on this application is hereby denied.

forth in the BHC Act, the Bank Merger Act, and the Federal Reserve Act.

Barnett, with total consolidated assets of \$38.2 billion, operates 34 subsidiary banks in Florida and Georgia.¹ Barnett is the largest commercial banking organization in Florida, controlling deposits of \$31.8 billion, representing 26.8 percent of total deposits in commercial banking organizations in the state. Citizens Bank is the 25th largest commercial banking organization in Florida, controlling deposits of \$330.7 million, representing less than 1 percent of total deposits in commercial banking organizations in the state.²

West Florida Bank and Citizens Bank compete directly in the Pensacola banking market.³ Barnett is the second largest depository institution in the market, controlling deposits of \$369.7 million, representing 15.2 percent of total deposits in depository institutions in the market ("market deposits").⁴ Citizens Bank is the third largest depository institution in the market, controlling deposits of \$330.7 million, representing 13.6 percent of market deposits. Upon consummation, Barnett would become the largest depository institution in the market, controlling total deposits of \$700.4 million, representing 28.9 percent of market deposits. The Herfindahl-Hirschman Index ("HHI") would increase by 415 points to 1662, and, therefore, would not exceed the threshold standards in the Department of Justice's revised guidelines.⁵

A number of other factors also indicate that this proposal would not have a significantly adverse effect on competition. For example, following consummation of this proposal, fifteen competitors, including seven large regional and super-regional commercial banking organizations, would continue to serve the market. In addition, the legal barriers to entry are low. Florida is a

member of the southeast regional interstate banking compact, and permits the entry of bank holding companies from fourteen other states and the District of Columbia. Since 1990, one thrift institution has made a de novo entry, and four commercial banking organizations, including two large regional commercial banking organizations, have entered the market by acquisition. The Attorney General, the OCC, and the FDIC have not objected to consummation of this proposal or indicated that the proposal would have any significantly adverse competitive effects.

Based on all the facts of record, and for the reasons discussed above, the Board concludes that consummation of this proposal would not have a significantly adverse effect on competition or the concentration of banking resources in the Pensacola banking market or any other relevant banking market.⁶

The Board also concludes that the financial and managerial resources, future prospects, and supervisory factors of Barnett and Citizens Bank are consistent with approval of these applications.⁷ In addition, the Board has reviewed the convenience and needs factor in light of comments filed in connection with these applications, and has determined that considerations relating to the convenience and needs of the communities to be served are consistent with approval.⁸

6. In reviewing the competitive factors, the Board has carefully considered a comment from an individual ("Commenter") alleging that this proposal would adversely affect competition in Florida by increasing Barnett Bank's presence in the state. The Board continues to believe that the appropriate banking market for reviewing the competitive effects of a proposed bank acquisition is local in nature. See, e.g., *SouthTrust Corporation*, 78 *Federal Reserve Bulletin* 710 (1992); *First Hawaiian, Inc.*, 77 *Federal Reserve Bulletin* 52 (1991); *United States v. Philadelphia National Bank*, 374 U.S. 321 (1963). For the reasons discussed above, the Board concludes that these comments do not raise issues that would warrant denial of the proposal.

7. Commenter also generally alleges that Barnett has treated its employees unfairly by over-compensating senior officers and eliminating positions through consolidation. The Board notes that Barnett received no criticism of its salary or employment practices during its most recent supervisory examination as of June 1992 or in previous examinations. Based on all the facts of record, including reports of examination and information collected in the examination process, the Board does not believe that these comments warrant denial of this application.

8. The Board also has considered Commenter's general assertion that Barnett has a deficient record of lending to small businesses, minorities, and lower-income customers, in light of its performance under the Community Reinvestment Act (12 U.S.C. § 2901 *et seq.*) ("CRA"). All Barnett subsidiary banks have received "satisfactory" or "outstanding" evaluations for CRA performance in their most recent examinations by their primary regulators. In addition, Barnett has announced a five-year, \$2 billion lending goal, beginning in 1993, targeted to housing for low- and moderate-income families and credit for small businesses owned by women and minorities. During the first two quarters of 1993, Barnett made approximately \$300 million of loans in Florida as part of this effort. In light of all the facts of record, including the CRA and supervisory examinations of Barnett and its subsidiary banks, the Board does not believe that these comments warrant denial of these applications.

1. Asset data are as of March 31, 1993.

2. State and market deposit data are as of June 30, 1992.

3. The Pensacola banking market is approximated by Escambia and Santa Rosa Counties, both in Florida.

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

5. Under the revised Department of Justice Merger Guidelines, 49 *Federal Register* 26,823 (1984), a market in which the post-merger HHI is between 1000 and 1800 is considered moderately concentrated. The 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 or acquisition increases the HHI by at least 200 points. The Department of Justice has stated that the higher than normal HHI thresholds for screening bank mergers for anticompetitive effects implicitly recognizes the competitive effect of limited purpose lenders and other non-depository financial entities.

West Florida Bank also has applied under section 24A of the Federal Reserve Act (12 U.S.C. § 371d) to increase its investment in bank premises. The Board has considered the factors it is required to consider when reviewing an application for increasing investment in bank premises and finds those factors to be consistent with approval.

Based on the foregoing and other facts of record, the Board has determined that the applications under the BHC Act, the Bank Merger Act, and the Federal Reserve Act should be, and hereby are, approved.⁹ The Board's approval is specifically conditioned upon compliance with all the commitments made by Barnett in connection with these applications. For purposes of this action, both the commitments and conditions relied upon by the Board in reaching its decision are commitments imposed in writing by the Board in connection with its findings and decision, and, as such, may be enforced in proceedings under applicable law.

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

By order of the Board of Governors, effective October 25, 1993.

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

JENNIFER J. JOHNSON
Associate Secretary of the Board

9. Commenter has asked to participate in any public hearing or meeting convened involving Barnett, and the Board has carefully considered this request. The Board is not required under section 3 of the BHC Act to hold a public hearing or meeting unless the OCC or the state supervisory authority for the bank to be acquired does not approve the proposal. In this case, the state supervisory authority for the bank does not object to the proposal.

Generally, under the Board's rules, the Board may, in its discretion, hold a public hearing or meeting on an application to clarify factual issues related to the application and to provide an opportunity for testimony, if appropriate. See 12 C.F.R. 262.3(e) and 262.25(d). In the Board's view, Commenter has had ample opportunity to present submissions, and has submitted substantial written comments that have been considered by the Board. In light of these facts, the Board has determined that a public hearing or meeting is neither necessary to clarify the factual record in these applications nor otherwise warranted in this case. Accordingly, a public hearing or meeting on these applications will not be convened.

First Delta Corporation Helena, Arkansas

Order Approving the Acquisition of a Bank

First Delta Corporation, Helena, Arkansas ("First Delta"), a bank holding company within the meaning of the Bank Holding Company Act ("BHC Act"), has applied under section 3(a)(3) of the BHC Act (12 U.S.C. § 1842(a)(3)) to acquire at least 75.2 percent of the voting shares of The Delta State Bank, Elaine, Arkansas ("Bank").

Notice of the application, affording interested persons an opportunity to submit comments, has been published (58 *Federal Register* 43,897 (1993)). The time for filing comments has expired, and the Board has considered the application and all comments received in light of the factors set forth in section 3(c) of the BHC Act.

First Delta, which operates one subsidiary bank, First National Bank of Phillips County, Helena, Arkansas ("First National"), is the 54th largest commercial banking organization in Arkansas, controlling deposits of approximately \$88.4 million, representing less than 1 percent of total deposits in commercial banking organizations in the state.¹ Bank is the 184th largest commercial banking organization in the state, controlling deposits of \$1 million, representing less than 1 percent of total deposits in commercial banking organizations in the state. Upon consummation of this proposal, First Delta will become the 53d largest commercial banking organization in the state with deposits of \$89.4 million, representing less than 1 percent of total deposits in commercial banking organizations in the state.

First Delta and Bank compete directly in the Phillips County, Arkansas, banking market.² First Delta is the largest commercial banking organization,³ controlling deposits of \$88.4 million, representing 35.5 percent of total deposits in commercial banking organizations in the market ("market deposits").⁴ Bank is the fourth largest commercial banking organization in the market, controlling market deposits of \$1 million, representing less than 1 percent of market deposits. Upon consummation of this proposal, First Delta would remain the largest commercial banking organization in the market, controlling deposits of \$89.4 million, representing 35.9 percent of market deposits. The

1. Deposit data are as of June 30, 1992.

2. The Phillips County, Arkansas banking market is approximated by Phillips County, Arkansas.

3. No thrift institutions operate in the Phillips County, Arkansas, banking market.

4. Market data are as of June 30, 1992.

Herfindahl-Hirschman Index ("HHI") for the market would increase by 29 points to 3345.⁵

The increase in market concentration, as measured by the HHI, is relatively small and does not exceed the Department of Justice merger guidelines. In addition, three commercial banking organizations would remain in the Phillips County banking market with comparable market shares, and each competitor in the market would control over 30 percent of market deposits. After considering the competition offered by other commercial banking organizations in the market, the relatively small increase in market share and market concentration, and all other facts of record, the Board concludes that consummation of the proposal would not have a significantly adverse effect on competition in the Phillips County banking market or any other relevant banking market.

The Board also concludes that the financial and managerial resources and future prospects of First Delta, First National, and Bank are consistent with approval. Convenience and needs considerations and other supervisory factors that the Board is required to consider under section 3 of the BHC Act also are consistent with approval of this application.

Based on the foregoing and other facts of record, the Board has determined that the application should be, and hereby is, approved. The Board's approval of this transaction is specifically conditioned upon compliance with the commitments given in connection with this application. For the purposes of this action, the commitments and conditions relied on in reaching this decision are both considered to be conditions imposed in writing by the Board and, as such, may be enforced in proceedings under applicable laws. The transaction approved in this Order shall not be consummated before the thirtieth calendar day following the effective date of this Order, or later than three months after the effective date of this Order, unless such period is extended for good cause by the Board or by the Federal Reserve Bank of St. Louis, pursuant to delegated authority.

By order of the Board of Governors, effective October 25, 1993.

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

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

JENNIFER J. JOHNSON
Associate Secretary of the Board

Orders Issued Under Section 4 of the Bank Holding Company Act

Banc One Corporation
Columbus, Ohio

CoreStates Financial Corp
Philadelphia, Pennsylvania

PNC Financial Corp
Pittsburgh, Pennsylvania

Society Corporation
Cleveland, Ohio

Order Approving Applications to Conduct Certain Data Processing and Other Nonbanking Activities

Banc One Corporation, Columbus, Ohio ("Banc One"), CoreStates Financial Corp, Philadelphia, Pennsylvania ("CoreStates"), PNC Financial Corp, Pittsburgh, Pennsylvania ("PNC"), and Society Corporation, Cleveland, Ohio ("Society") (collectively, "Applicants"), bank holding companies within the meaning of the Bank Holding Company Act ("BHC Act"), have applied for the Board's approval under section 4(c)(8) of the BHC Act (12 U.S.C. § 1843(c)(8)) and section 225.23(a) of the Board's Regulation Y (12 C.F.R. 225.23(a)) to engage *de novo*, through their joint venture corporation, Electronic Payment Services, Inc., Wilmington, Delaware ("Company"), in certain nonbanking activities, including data processing and data transmission activities pursuant to section 225.25(b)(7) of Regulation Y.

Applicants currently provide data processing and transmission services through Company to retail merchants using point-of-sale ("POS") terminals and to banks who are members of Company's automated teller machine ("ATM") network.¹ Applicants now propose to offer through Company certain data processing and transmission services and electronic payment services that have not previously been consid-

1. On November 30, 1992, acting pursuant to delegated authority, the Federal Reserve Banks of Cleveland and Philadelphia approved a proposal by Applicants to form Company through the consolidation of their respective ATM and POS networks.

ered by the Board. In particular, Company proposes to provide:

(1) *Electronic Benefit Transfer Services*. Data processing and transmission services required to permit the delivery of governmental program benefits (such as welfare payments and food stamps) through the POS and ATM terminals of participating merchants and banks ("Benefits services"). Under a Benefits services system, a benefit recipient would be issued a magnetically encoded card, similar to an ATM card, which could be used to obtain access to a government benefit account maintained on behalf of the recipient.

(2) *Stored Value Card Services*. Data processing and transmission services and electronic payment services related to stored value cards, which are cards similar to credit or debit cards to which funds could be credited through magnetic stripe or computer chip technology. These services would be provided in connection with both single-vendor stored value card systems and multiple-vendor systems currently in development.

(3) *Electronic Data Interchange Services*. The provision to retail merchants of data collected from sales transactions processed at the merchants' POS terminals ("Data services"). These data would relate to specific product purchases and customer purchasing patterns, and could be used by the merchants for inventory control, targeted marketing, and other purposes.

Applicants propose to engage in these activities throughout the United States.

Notice of these applications, affording interested persons an opportunity to submit comments, has been published (57 *Federal Register* 44,571 (1992)). The time for filing comments has expired, and the Board has considered the applications and all comments received in light of the factors set forth in section 4(c)(8) of the BHC Act.

Banc One, with \$75.4 billion in total consolidated assets, is the eighth largest commercial banking organization in the United States, controlling \$59.4 billion in deposits.² Banc One operates subsidiary banks in Ohio, Kentucky, Indiana, Michigan, Illinois, Wisconsin, Texas, Colorado, Arizona, California, Utah, and West Virginia, and engages directly and through its subsidiaries in a broad range of banking and permissible nonbanking activities.

CoreStates, with \$23.6 billion in total consolidated assets, is the 33d largest commercial banking organization in the United States, controlling \$16.5 billion in

deposits. CoreStates operates subsidiary banks in Pennsylvania, New Jersey, and Delaware, and engages through its subsidiaries in a broad range of banking and permissible nonbanking activities.

PNC, with \$53.3 billion in total consolidated assets, is the tenth largest commercial banking organization in the United States, controlling \$27.9 billion in deposits. PNC operates subsidiary banks in Pennsylvania, Ohio, Kentucky, Indiana, and Delaware, and engages directly and through its subsidiaries in a broad range of banking and permissible nonbanking activities.

Society, with \$26 billion in total consolidated assets, is the 28th largest commercial banking organization in the United States, controlling \$16.6 billion in deposits. Society operates subsidiary banks in Ohio, Indiana, and Michigan, and engages directly and through its subsidiaries in a broad range of banking and permissible nonbanking activities.

Closely Related to Banking Analysis

Section 4(c)(8) of the BHC Act provides that a bank holding company may, with Board approval, engage in any activity that the Board determines to be "so closely related to banking or managing or controlling banks as to be a proper incident thereto." An activity may be deemed to be closely related to banking if it is demonstrated that:

- (1) Banks generally provide the proposed services; or
- (2) Banks generally provide services that are operationally or functionally so similar to the proposed services as to equip them particularly well to provide the proposed services; or
- (3) Banks generally provide services that are so integrally related to the proposed services as to require their provision in a specialized form. *See National Courier Association v. Board of Governors of the Federal Reserve System*, 516 F.2d 1229, 1237 (D.C. Cir. 1975).³

The Board has determined that certain data processing activities are closely related to banking and, therefore, permissible for bank holding companies under section 4(c)(8) of the BHC Act. Section 225.25(b)(7) of Regulation Y permits bank holding companies to provide data processing and data transmission services, facilities, data bases, or access to

2. Asset and deposit data are as of June 30, 1993.

3. In addition, the Board may consider any other basis that may demonstrate that the proposed activity has a reasonable or close connection or relationship to banking or managing or controlling banks. *See Board Statement Regarding Regulation Y*, 49 *Federal Register* 806 (1984); *Securities Industry Association v. Board of Governors of the Federal Reserve System*, 468 U.S. 207, 210-11 n. 5 (1984).

such services, facilities, or data bases by any technological means, so long as the data to be processed or furnished are "financial, banking, or economic" in nature.⁴

Electronic Benefit Transfer Services. Under a Benefits services program, a benefit recipient would have access to a benefit account maintained by a governmental agency or by the agency's transaction processor on behalf of the recipient. The account would be credited by the agency or transaction processor with the amount of benefits to which the recipient is entitled, such as for welfare payments or food stamps. The recipient would be issued a magnetic card, similar to an ATM card, which could be used (i) at ATM terminals to receive cash benefits from the account, and (ii) at POS terminals to pay for food or other in-kind entitlements, or to obtain cash benefits in the account.

The proposed Benefits services would be provided through Company's existing ATM and POS networks, and, in general, the system would operate like existing electronic fund transfer systems. As in the operation of an ATM or POS network, Company's primary activities would consist of processing and transmitting access requests and payment authorizations entered into the Benefits services system. In addition, Company may function as the transaction processor for one or more governmental agencies. In this role, Company would provide record maintenance and payment authorization services similar to those currently furnished to Company's financial institution customers.⁵

These activities represent the electronic payment of government benefits and are financial activities that are operationally and functionally similar to the electronic payment and data processing services provided by banks and bank holding companies in the operation of ATM and POS networks. In particular, the proposed Benefits services involve the processing of

access and authorization requests submitted to, and electronic payments originating from, financial accounts on the same basis as transactions initiated with traditional debit and credit cards. Based on the record, the Board has concluded that the proposed Benefits services constitute financial data processing and transmission activities, are closely related to banking, and are permissible for bank holding companies under the BHC Act.

Stored Value Card Services. Company proposes to provide data processing and transmission services and electronic payment services related to stored value cards, which are cards similar to credit or debit cards to which funds could be credited through magnetic stripe or computer chip technology. Company's services would be provided in connection with both "closed" and "open" stored value card systems. "Closed systems" include both single-vendor stored value card systems and systems designed for single-site use, such as at a college or university. An "open system", by contrast, refers to a multiple-vendor, multiple-site stored value card system.

Closed Systems. Currently, open systems are in developmental stages only, while closed systems are in limited operation in the United States. In current closed systems, in general, cash must be deposited in a particular vendor's card-dispensing terminal, and the card received from the terminal may be used only for purchases from that specific vendor. The card itself is disposable, and the only account reconciliation that may be required would involve the vendor's own cash receipts, the amount of funds debited from the cards at turnstiles or other points of sale, and the amount of the vendor's liabilities stored on outstanding cards. Company does not intend to play a role in the operation of this basic type of closed system.

Company does propose to play a role in the development and operation of more complex closed systems. These systems would use a plastic card containing electronic technology such as a computer chip or magnetic stripe to which funds could be credited, and from which funds could be debited, for an indefinite period of time. Company's primary activities would include the performance of accounting functions in such customer accounts, as well as the level of the vendor's stored value liabilities. In this capacity, Company also would be responsible for settlement and reconciliation of these customer and vendor accounts. Company also would perform other functions, such as embossing and issuing cards and arranging for funds collection.

Closed systems also may be developed—for example, in a university setting—in which pre-paid accounts are maintained by the vendor or some central party (in this example, the university) on behalf of a

4. Regulation Y also requires that the services be provided pursuant to a written agreement, and places certain limitations on the facilities and hardware provided with the data processing services. See 12 C.F.R. 225.25(b)(7). See also *Association of Data Processing Service Organizations, Inc. v. Board of Governors of the Federal Reserve System*, 745 F.2d 677 (D.C. Cir. 1984). Applicants have represented that Company will provide the proposed services pursuant to a written agreement, and will provide facilities and hardware within the limitations established by Regulation Y. The hardware to be provided by Company consists of debit and credit access cards, the ATM and POS terminals that will be used in delivering the proposed services, and special terminals designed for use in a stored value card system.

5. The eligibility of recipients of government benefits, and the eligibility of items for purchase under the food stamp program and other in-kind benefit programs, are currently decided by governmental agencies, with individual merchants making determinations as to the qualification of particular items at the point of sale. Company has indicated that it does not propose at this time to furnish software for, or provide other services relating to, any such determination of eligibility.

customer (in this case, a student or other member of the university community). In such a system, value could be placed on a stored value card either at a cash-to-card machine or through a direct electronic debit to one's pre-paid account. Such a direct debit would be made at an ATM-type machine specially adapted for that purpose ("value transfer machine"). Closed systems also may involve multiple vendors at a single site. For example, in the university case, the stored value cards could be used to pay charges at locations such as student centers, cafeterias, bookstores, and copy machines. In each case, however, Company's activities in connection with these more complex closed systems would be essentially the same as the accounting, settlement, and reconciliation functions and other activities described in the preceding paragraph. In addition, Company may operate value transfer machines used in these more complex closed systems.

Open Systems. Applicants anticipate that stored value cards eventually will operate in an open system similar to a POS network, so that value stored on the card could be used with a wide range of participating vendors. Applicants expect that Company's principal stored value card activities would involve the development and operation of such open systems.

In an open system, customers' debit cards would hold an integrated computer chip or comparable technology capable of storing value for use in stored value card transactions. Value could be placed on the card at an ATM adapted to read and place value on the chip, at a limited purpose ATM-type machine whose only functions would be to add value to the chip and to transfer stored value back to the customer's account, or at a cash-to-card machine or other value transfer device (collectively, "Value Terminals"). These Value Terminals would be operated, in at least some cases, by Company. Once value is placed on a card, equivalent funds would be transferred to Company, which would hold the funds for payment of stored value card transactions. Stored value would leave the chip when the customer purchases goods or services either at a POS terminal (which may be operated by Company) or at a vending machine, telephone booth, mass transit turnstile, or other unmanned delivery location (collectively, "Reader Terminals"), or when the customer transfers funds back to an account at a Value Terminal. Reader Terminals generally would be off-line devices, not connected to Company's ATM or POS networks. Instead of a direct electronic connection, a Reader Terminal would retain, for a period of time, value representing the amount of customer purchases at the terminal. Then, at the vendor's convenience, Company, the vendor, or a third party would collect value from the Reader Terminals using special-

ly-designed collection cards issued by Company. The collection cards would then be submitted to Company so that funds can be properly credited. Once these transactions occur, Company would be responsible for making settlement by transferring funds to the accounts of participating merchants and other appropriate parties.

Closely Related to Banking Analysis. The Board believes that Company's activities in providing stored value card services, in both closed and open systems, are closely related to banking. These activities involve processing debits and credits to the stored value cards, and performing related accounting and settlement functions. This aspect of the proposal is a data processing activity in which financial balances are maintained and adjusted at POS and other terminals as the customer purchases various items, or adds value to the card, and constitutes the processing of banking, financial, or economic data within the meaning of Regulation Y. In addition, aspects of Company's stored value card services are functionally similar to the issuance and sale of consumer payment instruments such as travelers checks, which also are activities that banks conduct and that the Board has previously determined are closely related to banking within the meaning of the BHC Act.⁶ For these reasons, and based on the record, the Board has concluded that Company's proposed services in connection with stored value cards, in either an open system or a closed system, are closely related to banking.

Electronic Data Interchange Services. Company also proposes to furnish retail merchants with data collected from sales transactions consummated at the merchant's place of business ("Data services").⁷ The data collected and furnished would relate to specific items and quantities of products purchased by the customer, as well as customer purchasing patterns over a period of time. The data would be formatted so that it could be used by the merchant for inventory control, targeted marketing, and other purposes. Company's Data services generally would be furnished to merchants as an adjunct to Company's POS transaction processing services, and would be rendered through a retail merchant's POS terminals. Company does not intend to offer Data services on an independent basis. In addition, data collected by Company would be furnished only to the merchant that is party to the underlying sales transaction: that is, Company does not intend to provide such information to third parties.

6. See 12 C.F.R. 225.25(b)(12). See also *Citicorp*, 79 *Federal Reserve Bulletin* 42 (1993).

7. Ordinarily, the sales transaction and the related payment would be processed electronically through Company's POS network. However, Data services also could be furnished when cash payments are tendered, through the use of a merchant proprietary card held by the consumer.

Company's Data services would be limited to capturing, formatting, and furnishing data collected from sales transactions consummated at a particular merchant's place of business. In addition, the data collected would be furnished only to that merchant, and only in accordance with the merchant's specific instructions. Company does not intend to provide software or render advice or provide other services associated with the marketing or other uses of the data.⁸ Applicants do anticipate, however, that Company could provide additional related functions, such as the issuance at POS terminals of store coupons or credits related to a merchant's marketing programs.

The Board believes that the sales data that would be processed under the proposed Data services are financial and economic data within the meaning of Regulation Y. In 1971, the Board determined that the processing of "banking, financial, or related economic data, such as performing payroll, accounts receivable or payable, or billing services", was an activity closely related to banking and therefore permissible for bank holding companies under the BHC Act. In 1982, the regulatory standard was expanded to include all types of economic data. This includes the processing of microeconomic data, such as data collected in the performance of accounts receivable and payable functions and inventory and sales analyses. On the basis of the record and these considerations, the Board has concluded that Company's proposed Data services, which involve the processing of financial and sales data, are within the range of financial and economic data processing activities contemplated by Regulation Y.

Other Enhanced ATM and POS Functions. Applicants have stated that Company will place significant emphasis on research relating to and the development and provision of new and enhanced ATM and POS services. For this reason, Applicants have requested authority for Company to provide such new or enhanced services (in addition to the activities discussed above) without further application, under a general authority to provide data processing services pursuant to Regulation Y. The Board believes that the enhanced functions that Applicants have specifically proposed, such as providing electronic access to additional government benefit programs, and developing the ability to cash checks, to allocate deposits, or to make loan payments at an ATM, as well as bill paying services and account maintenance functions such as check ordering, constitute the processing of banking, financial, or economic data, and are permissible under the BHC Act.⁹

8. In addition, Company will not furnish software that provides broad-based marketing or demographic analysis.

9. Applicants have indicated that, in the future, Company may develop other data processing and transmission services that are not described in the applications, and are not discussed in this order.

Other Considerations

In every case involving a nonbanking acquisition by a bank holding company under section 4 of the BHC Act, the Board considers the financial condition and resources of the applicant and its subsidiaries and the effect of the transaction on these resources.¹⁰ Based on all the facts of record, the Board concludes that financial considerations are consistent with approval of these applications. The managerial resources of each of the Applicants also are consistent with approval.

In order to approve these applications, the Board also must find that the performance of the proposed activities by Applicants through Company "can reasonably be expected to produce benefits to the public . . . that outweigh possible adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interests, or unsound banking practices." 12 U.S.C. § 1843(c)(8). The Board expects that the participation of Company in the market for the proposed data processing and electronic payment services would increase the level of competition among providers of those services. The Board also anticipates that Company's proposed activities would result in new products, improved service, greater efficiencies, and increased convenience for consumers. In particular, the electronic delivery of government benefits offers opportunities for improving the delivery service to recipients, maximizing the efficiency of operations at state agencies, and minimizing costs for all parties.¹¹ The Board also notes that services rendered in connection with stored value cards would extend the benefits associated with electronic funds transfer systems to a greater range of consumer transactions.

In addition, there is no evidence in the record that consummation of the proposed activities would result in any significantly adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interests, or unsound banking practices.¹² Accordingly, the Board has concluded

Applicants must consult with the Federal Reserve System before commencing any new activity not described in this order to ensure that the activity will satisfy the criteria set forth in the BHC Act and Regulation Y, and to allow the Federal Reserve System an opportunity to consider whether a separate application should be reviewed in any particular case.

10. See 12 C.F.R. 225.24. See also *The Fuji Bank, Limited*, 75 *Federal Reserve Bulletin* 94 (1989); *Bayerische Vereinsbank AG*, 73 *Federal Reserve Bulletin* 155 (1987).

11. *Electronic Transfer of Government Benefits*, 77 *Federal Reserve Bulletin* 203 (1991).

12. In this regard, the Board notes that Applicants have committed to provide to the Federal Reserve System data regarding the aggregate balances being held by Company in connection with its stored value card activities. The Board's approval is subject to compliance with this commitment.

that the balance of the public interest factors that it is required to consider under section 4(c)(8) of the BHC Act is favorable.

Based on all the facts of record, the Board has determined that the applications should be, and hereby are, approved. The Board's approval is specifically conditioned on compliance with the commitments made in connection with these applications and with the conditions referred to in this order. The Board's determination also is subject to all of the conditions set forth in Regulation Y, including those in sections 225.4(d) and 225.23(b) of Regulation Y, and to the Board's authority to require such modification or termination of the activities of a bank holding company or any of its subsidiaries as the Board finds necessary to ensure compliance with, and to prevent evasion of, the provisions of the BHC Act and the Board's regulations and orders issued thereunder. For purposes of this action, these commitments and conditions are deemed to be conditions imposed in writing by the Board in connection with its findings and decision, and, as such, may be enforced in proceedings under applicable law.

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

By order of the Board of Governors, effective October 28, 1993.

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

JENNIFER J. JOHNSON
Associate Secretary of the Board

BankAmerica Corporation
San Francisco, California

*Order Approving an Application to Engage in
Various Securities-Related Activities*

BankAmerica Corporation, San Francisco, California ("Applicant"), a bank holding company within the meaning of the Bank Holding Company Act ("BHC Act"), has applied under section 4(c)(8) of the BHC Act (12 U.S.C. § 1843(c)(8)) and section 225.23 of the

Board's Regulation Y (12 C.F.R. 225.23), to engage *de novo* through its wholly owned subsidiary, BA Securities, Inc., Seattle, Washington ("Company"), in the following securities-related activities:

- (1) Acting as agent in the private placement of all types of securities, including providing related advisory services;
- (2) Buying and selling all types of securities on the order of investors as a "riskless principal"; and
- (3) Providing securities brokerage and investment advisory services, both separately and in combination.¹

Applicant would conduct the proposed activities throughout the United States and the world.²

Notice of the application, affording interested persons an opportunity to submit comments, has been published (58 *Federal Register* 35,003, 44,838 (1993)). The time for filing comments has expired, and the Board has considered the application and all comments received in light of the public interest factors set forth in section 4(c)(8) of the BHC Act.

Applicant, with total consolidated assets of \$185.5 billion, is the second largest commercial bank-

1. In connection with this proposal, Applicant intends to transfer to Company certain securities-related businesses and activities currently being conducted by Applicant's lead bank, Bank of America National Trust and Savings Association, San Francisco, California ("Bank"). In particular, Applicant proposes to transfer certain investment advisory and securities brokerage activities from Bank to Company. Applicant also would transfer Bank's primary dealer activities to Company.

Company also proposes to act as agent for Bank and other bank affiliates with respect to loan syndications and securities brokerage transactions in accordance with the servicing exemption of section 4(c)(1)(C) of the BHC Act and section 225.22(a) of the Board's Regulation Y. See 12 U.S.C. § 1843(c)(1)(C); 12 C.F.R. 225.22(a). Moreover, Company intends to enter into contracts with Bank, whereby Bank would provide various legal, audit, premises and equipment, bookkeeping, securities clearing, and other back office support services. All inter-affiliate activities would be conducted in accordance with sections 23A and 23B of the Federal Reserve Act, and the conditions and limitations that the Board has imposed on bank holding companies engaging in underwriting and dealing in bank-ineligible securities ("section 20 firewalls"). See 12 U.S.C. §§ 371c, 371c-1; *Citicorp, et al.*, 73 *Federal Reserve Bulletin* 473 (1987), *aff'd sub nom. Securities Industry Ass'n v. Board of Governors of the Federal Reserve System*, 839 F.2d 47 (2d Cir.), *cert. denied*, 486 U.S. 1059 (1988).

Upon consummation of the proposal, Company also would act under existing authority pursuant to sections 225.25(b)(1) and (b)(18) of Regulation Y to make and service loans and other extensions of credit, and to act as a futures commission merchant ("FCM") in executing and clearing exchange-traded financial contracts for Company's own account for hedging purposes. See 12 C.F.R. 225.25(b)(1), (b)(18). Company would not act as an FCM for the accounts of customers. Applicant has committed that Company will abide by the Board's policy statement on trading derivatives for one's own account. See 12 C.F.R. 225.142.

2. Upon consummation of the proposal, Applicant intends to transfer Company's principal place of business from Seattle, Washington, to San Francisco, California, and to establish branch offices in Los Angeles, California; New York, New York; Atlanta, Georgia; and Dallas, Texas.

In addition, the Board's approval is subject to the requirement that, to the extent the proposed activities are subject to state or federal laws relating to branching, deposit-taking and other matters, the activities will be conducted in conformity with all such legal requirements.

ing organization in the United States, and engages directly and through subsidiaries in a broad range of permissible nonbanking activities.³ Company is engaged in limited bank-eligible and bank-ineligible securities underwriting and dealing activities permissible under section 20 of the Glass-Steagall Act (12 U.S.C. § 377).⁴ Company also is, and will continue to be, a broker-dealer registered with the Securities and Exchange Commission ("SEC"), and a member of the National Association of Securities Dealers, Inc. ("NASD"). Accordingly, Company is subject to the recordkeeping, reporting, fiduciary standards, and other requirements of the Securities Exchange Act of 1934 (15 U.S.C. § 78a *et seq.*), the SEC, and the NASD.

Securities Brokerage and Investment Advisory Activities

The Board has previously determined by regulation that the provision of securities brokerage and investment advisory services, either separately or in combination, are activities closely related to banking under section 4(c)(8) of the BHC Act.⁵ Applicant has committed that Company will engage in the proposed securities brokerage and investment advisory activities in accordance with all the conditions and limitations placed on those activities as set forth in Regulation Y.

Private Placement and "Riskless Principal" Activities

Private placement involves the placement of new issues of securities with a limited number of sophisticated purchasers in a nonpublic offering. A financial intermediary in a private placement transaction acts solely as an agent of the issuer in soliciting purchasers, and does not purchase the securities and attempt to resell them. Securities that are privately placed are not subject to the registration requirements of the Securities Act of 1933, and are offered only to financially sophisticated institutions and individuals and not to

the public. Applicant has committed that Company will not privately place registered securities, and will only place securities with "institutional customers" as that term is defined in section 225.2(g) of the Board's Regulation Y (12 C.F.R. 225.2(g)).

"Riskless principal" is the term used in the securities business to refer to a transaction in which a broker-dealer, after receiving an order to buy (or sell) a security from a customer, purchases (or sells) the security for its own account to offset a contemporaneous sale to (or purchase from) the customer.⁶ "Riskless principal" transactions are understood in the industry to include only transactions in the secondary market. Thus, Applicant proposes that Company would not act as a "riskless principal" in selling securities at the order of a customer that is the issuer of the securities to be sold, or in any transaction where Company has a contractual agreement to place the securities as agent of the issuer. Company also would not act as a "riskless principal" in any transaction involving a security for which it makes a market.

The Board previously has determined by order that, subject to prudential limitations that address the potential for conflicts of interests, unsound banking practices, and other adverse effects, the proposed private placement and riskless principal activities are closely related to banking as to be a proper incident thereto within the meaning of section 4(c)(8) of the BHC Act.⁷ The Board also previously has determined that acting as agent in the private placement of securities, and purchasing and selling securities on the order of investors as a "riskless principal", do not constitute underwriting and dealing in securities for purposes of section 20 of the Glass-Steagall Act (12 U.S.C. § 377), and that revenue derived from such activities is not subject to the 10 percent revenue limitation on bank-ineligible securities underwriting and dealing.⁸ Applicant has committed that Company will conduct its private placement and "riskless principal" activities using the same methods and procedures, and subject to the same prudential limitations established by the Board in *Bankers Trust* and *J.P. Morgan*,⁹ including the comprehensive framework of

3. Asset and ranking data are as of June 30, 1993. Applicant's subsidiary banks operate approximately 2,300 branches in 11 states, excluding those branches that Applicant has agreed to divest in connection with its merger with Security Pacific Corporation. See *BankAmerica Corporation*, 78 *Federal Reserve Bulletin* 338 (1992). Applicant acquired Company (formerly Security Pacific Securities, Inc.) through this merger.

4. Company may underwrite and deal in municipal revenue bonds, 1-4 family mortgage-related securities, commercial paper, and consumer-receivable-related securities. See *Security Pacific Corporation*, 73 *Federal Reserve Bulletin* 622 (1987); *Chemical New York Corporation, et al.*, 73 *Federal Reserve Bulletin* 731 (1987).

5. See 12 C.F.R. 225.25(b)(4) and (15).

6. See Securities and Exchange Commission Rule 10b-10. 17 C.F.R. 240.10b-10(a)(8)(i).

7. See *J.P. Morgan & Company Incorporated*, 76 *Federal Reserve Bulletin* 26 (1990) ("*J.P. Morgan*"); *Bankers Trust New York Corporation*, 75 *Federal Reserve Bulletin* 829 (1989) ("*Bankers Trust*").

8. *Id.*

9. Among the prudential limitations detailed more fully in *Bankers Trust* and *J.P. Morgan* are that Company will maintain specific records that will clearly identify all "riskless principal" transactions, and that Company will not engage in any "riskless principal" transactions for any securities carried in its inventory. When acting as a "riskless principal", Company will only engage in transactions in the secondary market, and not at the order of a customer that is the issuer of the securities to be sold; will not act as "riskless principal" in any

restrictions designed to avoid potential conflicts of interests, unsound banking practices, or other adverse effects imposed by the Board in connection with underwriting and dealing in securities.¹⁰

Cross-Marketing Activities

As part of this application, Applicant proposes to act, through a wholly owned broker-dealer subsidiary of Bank, BA Investment Services, Inc. ("BAIS"), as a riskless principal or broker for customers in buying and selling bank-eligible securities that Company underwrites or deals in. Applicant contends that this activity is consistent with the section 20 firewall ("cross-marketing firewall") that prohibits bank and thrift affiliates of a section 20 company from acting as an agent for, or engaging in marketing activities on behalf of, the underwriting company. Applicant proposes to have a broker-dealer subsidiary of its lead bank cross-market only those securities that the bank itself could underwrite or deal in, *i.e.*, bank-eligible securities.

One of the principal purposes of the section 20 firewalls is to ensure that the bank-ineligible securities activities of a bank holding company are conducted in a corporation over which affiliated banks have no ownership, or financial or managerial control. Applicant has committed that Company would remain separately incorporated, capitalized, and funded, and would be operationally distinct from its bank affiliates.

transaction involving a security for which it makes a market; and will not hold itself out as making a market in the securities that it buys and sells as a "riskless principal". Moreover, Company will not engage in "riskless principal" transactions on behalf of its foreign affiliates that engage in securities dealing activities outside the United States and will not act as "riskless principal" for registered investment company securities. In addition, Company will not act as a "riskless principal" with respect to any securities of investment companies that are advised by Applicant or any of its affiliates. With regard to private placement activities, Applicant has committed that Company will not privately place registered investment company securities or securities of investment companies that are advised by Applicant or any of its affiliates.

10. In previous orders approving riskless principal activities, the Board has relied on commitments by bank holding companies to refrain from entering quotes for specific securities in the NASDAQ or any other dealer quotation system in connection with riskless principal transactions. *Bankers Trust*, at 832. Applicant proposes that Company, in acting as a riskless principal, may:

- (i) enter bid or ask quotations; or
- (ii) publish "offering wanted" or "bid wanted" notices on trading systems other than an exchange or the NASDAQ.

In order to ensure that Company would not hold itself out as a market maker with respect to securities for which it acts as riskless principal, Applicant has committed that Company would not enter price quotations on different sides of the market for a particular security for two business days. In other words, Company would not enter an "ask" quote for two business days after entering a "bid" quote with respect to the same security, and vice versa. The Board previously has determined that these activities do not constitute underwriting and dealing in securities for purposes of the Glass-Steagall Act. *Dauphin Deposit Corporation*, 77 Federal Reserve Bulletin 672 (1991).

There would be no employees in common between Company and any of its bank affiliates or their subsidiaries. In addition, Company's arrangement to sell bank-eligible securities through Bank or Bank's broker-dealer subsidiary would not be an exclusive arrangement; thus, Company also would sell its bank-eligible securities both directly and through other brokers, and Bank and its broker-dealer subsidiary would sell bank-eligible securities underwritten or dealt in by other broker-dealers. Moreover, Applicant has committed that Company's role in underwriting or dealing in the securities that are being brokered by its national bank subsidiary will be fully disclosed to the bank's brokerage customers, and that Company's brokerage transactions in such securities will be conducted on an arm's length basis. Based on the foregoing and all the facts of record, the Board has determined that BAIS may act as a riskless principal or broker for customers in buying and selling bank-eligible securities that Company underwrites or deals in.¹¹

Financial Factors, Managerial Resources, and Other Considerations

In order to approve this application, the Board is required to determine that the performance of the proposed activities by Applicant can reasonably be expected to produce public benefits that outweigh adverse effects under the proper incident to banking standard of section 4(c)(8) of the BHC Act. In this regard, in every case under section 4 of the BHC Act, the Board considers the financial condition and resources of the applicant and its subsidiaries, and the effect of the proposed transaction on these resources.¹² Based on the facts of this case, the Board concludes that the financial considerations are consistent with approval of this application. The managerial resources of Applicant also are consistent with approval.

Under the framework established in this and prior Board decisions, consummation of this proposal is not likely to result in any significantly adverse effects, such as an undue concentration of resources, decreased or unfair competition, conflicts of interests, or unsound banking practices. Moreover, the Board ex-

11. In 1990, the Board sought public comment on a proposal to modify or remove the cross-marketing restriction as it applied to all activities of a section 20 affiliate, including bank-ineligible underwriting activities. 55 *Federal Register* 28,295 (1990). Applicant's proposal is narrower in scope than the Board's 1990 proposal, and would apply only to bank-eligible securities. The Board notes that no comments were received in opposition to Applicant's limited proposal, and one comment was submitted in favor of the proposal.

12. 12 C.F.R. 225.24.

pects that the *de novo* entry of Applicant into the market for the proposed services in the United States would provide added convenience to Applicant's customers, and would increase the level of competition among existing providers of these services. Accordingly, the Board has determined that the performance of the proposed activities by Applicant can reasonably be expected to produce public benefits that would outweigh possible adverse effects under the proper incident to banking standard of section 4(c)(8) of the BHC Act.

Based on the foregoing and all the facts of record, the Board has determined to, and hereby does, approve the application subject to all of the terms and conditions set forth in this Order, and in the above noted Board orders that relate to these activities. The Board's determination is also subject to all the terms and conditions set forth in Regulation Y, including those in sections 225.4(d) and 225.23(b), and to the Board's authority to require modification or termination of the activities of a bank holding company or any of its subsidiaries as the Board finds necessary to assure compliance with, and to prevent evasion of, the provisions of the BHC Act, and the Board's regulations and orders issued thereunder. The Board's decision is specifically conditioned on compliance with all the commitments made in connection with this application, including the commitments discussed in this Order and the conditions set forth in the above noted Board regulations and orders. These commitments and conditions shall be deemed to be conditions imposed in writing by the Board in connection with its findings and decisions, and, as such, may be enforced in proceedings under applicable law.

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

By order of the Board of Governors, effective October 18, 1993.

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

JENNIFER J. JOHNSON
Associate Secretary of the Board

Concurring Statement of Governor Angell

I would approve Applicant's proposal to engage in private placement, riskless principal and other securities activities. However, I do not believe that this application is a proper context for the Board to con-

sider Applicant's proposal regarding the cross-marketing firewall. The proposal by Applicant raises issues that, in my opinion, would be more appropriate for the Board to consider in the context of a rulemaking. I, therefore, would reserve judgment on this aspect of the application.

October 18, 1993

Irwin Financial Corporation
Columbus, Indiana

Order Approving an Application to Engage in "Riskless Principal" Activities

Irwin Financial Corporation, Columbus, Indiana ("Applicant"), a bank holding company within the meaning of the Bank Holding Company Act ("BHC Act"), has applied under section 4(c)(8) of the BHC Act (12 U.S.C. § 1843(c)(8)) and section 225.23 of the Board's Regulation Y (12 C.F.R. 225.23) to engage *de novo* through its subsidiary, Irwin Union Securities, Inc., Columbus, Indiana ("Company"), in buying and selling all types of securities on the order of investors as a "riskless principal."

Notice of the application, affording interested persons an opportunity to submit comments, has been published (58 *Federal Register* 41,091 (1993)). The time for filing comments has expired, and the Board has considered the application and all comments received in light of the public interest factors set forth in section 4(c)(8) of the BHC Act.

Applicant, with total consolidated assets of approximately \$693 million, is the 16th largest commercial banking organization in Indiana, controlling approximately 1 percent of deposits in commercial banking organizations in the state.¹ Applicant controls one bank subsidiary in Indiana, and engages directly and through subsidiaries in a broad range of permissible nonbanking activities.

Company is registered with the Securities and Exchange Commission ("SEC"), and is a member of the National Association of Securities Dealers, Inc. ("NASD"). Accordingly, Company is subject to the recordkeeping, reporting, fiduciary standards, and other requirements of the Securities Exchange Act of 1934 (15 U.S.C. § 78a *et seq.*), the SEC, and the NASD.

"Riskless Principal" Activities

"Riskless principal" is the term used in the securities business to refer to a transaction in which a broker-

1. Asset, deposit, and ranking data are as of June 30, 1993.

dealer, after receiving an order to buy (or sell) a security from a customer, purchases (or sells) the security for its own account to offset a contemporaneous sale to (or purchase from) the customer.² "Riskless principal" transactions are understood in the industry to include only transactions in the secondary market. Thus, Applicant proposes that Company would not act as a "riskless principal" in selling securities at the order of a customer that is the issuer of the securities to be sold, or in any transaction where Company has a contractual agreement to place the securities as agent of the issuer. Company also would not act as a "riskless principal" in any transaction involving a security for which it makes a market.

The Board previously has determined by order that, subject to prudential limitations that address the potential for conflicts of interests, unsound banking practices, and other adverse effects, the proposed riskless principal activities are so closely related to banking as to be a proper incident thereto within the meaning of section 4(c)(8) of the BHC Act.³ The Board also has previously determined that purchasing and selling securities on the order of investors as a "riskless principal" does not constitute underwriting and dealing in securities for purposes of section 20 of the Glass-Steagall Act (12 U.S.C. § 377), and that revenue derived from such activities is not subject to the 10 percent revenue limitation on bank-ineligible securities underwriting and dealing.⁴ Applicant has committed that Company will conduct its "riskless principal" activities using the same methods and procedures, and subject to the same prudential limitations established by the Board in *Bankers Trust* and *J.P. Morgan*,⁵ including the comprehensive framework of restrictions designed to avoid potential conflicts of interests, unsound banking practices, or other

adverse effects imposed by the Board in connection with underwriting and dealing in securities.

Financial Factors, Managerial Resources, and Other Considerations

In order to approve this application, the Board is required to determine that the performance of the proposed activities by Applicant can reasonably be expected to produce public benefits that outweigh adverse effects under the proper incident to banking standard of section 4(c)(8) of the BHC Act. In this regard, in every case under section 4 of the BHC Act, the Board considers the financial condition and resources of the applicant and its subsidiaries, and the effect of the proposed transaction on these resources.⁶ Based on the facts of this case, the Board concludes that the financial considerations are consistent with approval of this application. The managerial resources of Applicant also are consistent with approval.

Under the framework established in this and prior Board decisions, consummation of this proposal is not likely to result in any significantly adverse effects, such as an undue concentration of resources, decreased or unfair competition, conflicts of interests, or unsound banking practices. Moreover, the Board expects that the *de novo* entry of Applicant into the market for the proposed "riskless principal" services in the United States would provide added convenience to Applicant's customers, and would increase the level of competition among existing providers of these services. Accordingly, the Board has determined that the performance of the proposed activities by Applicant could reasonably be expected to produce public benefits that would outweigh possible adverse effects under the proper incident to banking standard of section 4(c)(8) of the BHC Act.

Based on the foregoing and all the facts of record, the Board has determined to, and hereby does, approve the application subject to all the terms and conditions set forth in this Order, and in the above noted Board orders that relate to these activities. The Board's determination is also subject to all the terms and conditions set forth in Regulation Y, including those in section 225.4(d) and 225.23(b), and to the Board's authority to require modification or termination of the activities of a bank holding company or any of its subsidiaries as the Board finds necessary to ensure compliance with, and to prevent evasion of, the provision of the BHC Act, and the Board's regulations and orders issued thereunder. The Board's decision is specifically conditioned on compliance with all the

2. See Securities and Exchange Commission Rule 10b-10. 17 C.F.R. 240.10b-10(a)(8)(i).

3. See *J.P. Morgan & Company Incorporated*, 76 *Federal Reserve Bulletin* 26 (1990) ("*J.P. Morgan*"); *Bankers Trust New York Corporation*, 75 *Federal Reserve Bulletin* 829 (1989) ("*Bankers Trust*").

4. *Id.*

5. Among the prudential limitations detailed more fully in *Bankers Trust* and *J.P. Morgan* are that Company will maintain specific records that will clearly identify all "riskless principal" transactions, and that Company will not engage in any "riskless principal" transactions for any securities carried in its inventory. When acting as a "riskless principal", Company will only engage in transactions in the secondary market, and not at the order of a customer that is the issuer of the securities to be sold; will not act as "riskless principal" in any transaction involving a security for which it makes a market; and will not hold itself out as making a market in the securities that it buys and sells as a "riskless principal." Moreover, Company will not engage in "riskless principal" transactions on behalf of its foreign affiliates that engage in securities dealing activities outside the United States and will not act as "riskless principal" for registered investment company securities. In addition, Company will not act as a "riskless principal" with respect to any securities of investment companies that are advised by Applicant or any of its affiliates.

6. 12 C.F.R. 225.24.

commitments made in connection with this application, including the commitments discussed in this Order and the conditions set forth in the above noted Board regulations and orders. These commitments and conditions shall be deemed to be conditions imposed in writing by the Board in connection with its findings and decisions, and, as such, may be enforced in proceedings under applicable law.

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

By order of the Board of Governors, effective October 4, 1993.

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

JENNIFER J. JOHNSON
Associate Secretary of the Board

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

Banc One Corporation
Columbus, Ohio

Banc One Beta Corporation
Columbus, Ohio

Order Approving Merger of Bank Holding Companies and Acquisition of Banks

Banc One Corporation and Banc One Beta Corporation, both of Columbus, Ohio (together "Banc One"), bank holding companies within the meaning of the Bank Holding Company Act ("BHC Act"), have applied under sections 3 and 4 of the BHC Act (12 U.S.C. §§ 1842 and 1843) to acquire FirstTier Financial, Inc., Omaha, Nebraska ("FirstTier"), and thereby indirectly acquire FirstTier Bank, N.A., Omaha; FirstTier Bank, N.A., Lincoln; FirstTier Bank, N.A., Scottsbluff; and FirstTier Bank, N.A., Norfolk, all in Nebraska.¹ Banc One also has applied under

section 4(c)(8) of the BHC Act (12 U.S.C. § 1843) to acquire the nonbanking subsidiaries of FirstTier.²

Notice of the applications, affording interested persons an opportunity to submit comments, has been published (58 *Federal Register* 39,026 (1993)). The time for filing comments has expired, and the Board has considered the applications and all comments received in light of the factors set forth in sections 3(c) and 4(c)(8) of the BHC Act.

Banc One, with total deposits of approximately \$59.2 billion, controls banking subsidiaries in Ohio, Indiana, Michigan, Wisconsin, Illinois, Colorado, Kentucky, West Virginia, Texas, Arizona, Utah, California, and Oklahoma.³ Banc One does not currently control any banks in Nebraska. FirstTier is the second largest commercial banking organization in Nebraska, controlling deposits of \$2.3 billion, representing 11.8 percent of the total deposits in commercial banks in the state. Upon consummation of this proposal, Banc One would become the second largest commercial bank in Nebraska, controlling 11.8 percent of the total deposits in commercial banks in the state.

Banc One and FirstTier do not compete directly in any relevant banking market.⁴ Based on all the facts of record, the Board concludes that Banc One's acquisition of FirstTier and its subsidiary banks would not result in any significantly adverse effects on competition in any relevant banking market.

Douglas Amendment Analysis

Section 3(d) of the BHC Act, the Douglas Amendment, prohibits the Board from approving an application by a bank holding to acquire control of any bank located outside of the bank holding company's home state, unless such acquisition is "specifically autho-

2. Banc One has applied to acquire the following FirstTier nonbanking subsidiaries:

- (1) FirstTier Mortgage Company, Omaha, Nebraska, and thereby engage in mortgage banking activities pursuant to section 225.25(b)(1) of the Board's Regulation Y;
- (2) FirstTier Insurance, Inc., Omaha, Nebraska, and thereby engage in the sale of credit-related insurance in connection with extensions of credit by affiliated banks, pursuant to section 225.25(b)(8)(i) of Regulation Y; and
- (3) Wyoming Trust & Management Co., Gillette, Wyoming, and thereby engage in providing trust and asset management services pursuant to section 225.25(b)(3) of Regulation Y.

3. State deposit data are as of June 30, 1993, and include acquisitions approved by the Board as of that date. The Board recently has approved an application by Banc One to acquire banks in Oklahoma. See *Banc One Corporation*, 79 *Federal Reserve Bulletin* 1055 (1993) ("Central Banking Order").

4. The Board has carefully considered a comment maintaining that this proposal could result in anti-competitive effects in Nebraska. Because this proposal represents Banc One's initial entry into Nebraska, the proposed acquisition of FirstTier will not increase market concentration or eliminate any existing competition in any relevant banking market in Nebraska.

1. Banc One proposes to merge FirstTier and Banc One Beta Corporation with FirstTier surviving the merger. The surviving corporation will be renamed Banc One Nebraska Corporation. In connection with the proposed acquisition, Banc One also seeks approval to acquire an option to purchase up to 18 percent of the voting shares of FirstTier, which option will become moot upon consummation of the proposed acquisition.

rized by the statute laws of the State in which such bank is located, by language to that effect and not merely by implication."⁵ For purposes of the Douglas Amendment, the home state of Banc One is Ohio.⁶

This proposal represents the initial entry of an Ohio bank holding company into Nebraska. In considering this proposal, the Board has analyzed the interstate banking statutes of Ohio and Nebraska, and has concluded that Banc One is authorized under the laws of Nebraska to acquire the subsidiary banks of FirstTier.⁷ Accordingly, the Board's approval of this proposal is not prohibited by the Douglas Amendment. Approval of the proposed transaction is conditioned, however, upon Banc One receiving the necessary approval from the Nebraska Director of Banking and Finance.

Convenience and Needs Considerations

In acting upon an application to acquire a depository institution under the BHC Act, the Board must consider the convenience and needs of the communities to be served, and take into account the records of the relevant depository institutions under the Community Reinvestment Act (12 U.S.C. § 2901 *et seq.*) ("CRA"). The CRA requires the federal financial supervisory agencies to encourage financial institutions to help meet the credit needs of the local communities in which they operate consistent with the safe and sound operation of such institutions. To accomplish this end, the CRA requires the appropriate federal supervisory authority to "assess the institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with the safe and sound operation of such institution," and to take that record into account in its evaluation of applications.⁸

In connection with these applications, the Board has received a number of comments from public officials, small businesses, and local community groups in Nebraska, expressing their support for the proposed

acquisition based on the CRA performance of both Banc One and FirstTier.⁹ The Board also has received comments from The Main Street Business Association ("MSBA") generally critical of Banc One's corporate CRA program and its record of lending to individuals in cities throughout Ohio.¹⁰

The Board has carefully reviewed the CRA performance records of Banc One and its subsidiary banks, the comments received and Banc One's responses to those comments, as well as all other relevant facts of record, in light of the CRA, the Board's regulations, and the Statement of the Federal Financial Supervisory Agencies Regarding the Community Reinvestment Act ("Agency CRA Statement").¹¹

Record of Performance Under the CRA

The Board believes that in reviewing an application by a bank holding company to acquire a bank under section 3 of the BHC Act, the Board should look at the entire record of performance of the applicant bank holding company in meeting the convenience and needs of the community, including the record of all its subsidiary banks under the CRA.¹² In reviewing the record of each institution under the CRA, the Agency CRA Statement provides that a CRA examination is an important and often controlling factor in the consideration of an institution's CRA record and that these reports will be given great weight in the applications process.¹³ The record in this case indicates that all but two of Banc One's 78 subsidiary banks have received either "outstanding" or "satisfactory" ratings from their primary regulators in their most recent examinations of their CRA performance, and that one of these banks was assigned this rating prior to being acquired by Banc One.¹⁴ Additionally, Banc One's lead subsid-

9. The Board received comments from the Nebraska Community Re-Investment Act Coalition ("Coalition") expressing concern about Banc One's level of commitment to working with non-profit community groups in Nebraska. As a result of a meeting between Banc One representatives and members of the Coalition, some members of the Coalition have expressed their support for this proposal.

10. The Board also has received comments from the Coalition of Neighborhoods alleging that Banc One and its subsidiary bank, Banc One Cincinnati, N.A., Cincinnati, Ohio, generally have not met the credit needs of minorities, women and low- and moderate-income individuals in the Cincinnati area. These comments were considered by the Board in connection with Banc One's acquisition of Central Banking Group, Inc., Oklahoma City, Oklahoma. See *Central Banking Order*. Based on all the facts of record, and for the reasons discussed in the *Central Banking Order* and in this Order, the Board does not believe that these comments warrant denial of this proposal.

11. 54 *Federal Register* 13,742 (1989).

12. See, e.g., *SunTrust Banks, Inc.*, 76 *Federal Reserve Bulletin* 542 (1990).

13. 54 *Federal Register* at 13,745 (1989).

14. The second rating of "needs to improve" was assigned to Nicholas County Bank, Summersville, West Virginia ("Summersville Bank"), at its most recent examination conducted by the Federal

5. 12 U.S.C. § 1842(d).

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

7. See Neb. Rev. Stat. § 8-902.02 (1991); Ohio Rev. Code. Ann. 1101.05. Nebraska's interstate banking statute permits an out-of-state bank holding company to acquire a bank in Nebraska provided that the applicant's home state authorizes the acquisition or control of banks in that state by a Nebraska bank or bank holding company under conditions no more restrictive than those imposed by the laws of Nebraska as determined by the Nebraska Director of Banking and Finance. The Nebraska Director of Banking and Finance has indicated that the interstate statutes of Nebraska and Ohio are reciprocal, and has preliminarily indicated that this proposal is permissible under Nebraska banking law.

8. See 12 U.S.C. § 2903.

ary bank, Bank One Columbus, N.A., Columbus, Ohio ("Bank One Columbus"), received an "outstanding" rating for CRA performance from the Office of the Comptroller of the Currency ("OCC") in April 1993.¹⁵

A. CRA Performance of Banc One in Inner-City Areas in Ohio

MSBA alleges that Banc One, along with its various subsidiaries, has denied equal access to credit to individuals residing in low- and moderate-income and inner-city neighborhoods in Columbus, Cincinnati, Cleveland, Mansfield, Youngstown, Dayton, Lima, Akron, and Steubenville. The Board has carefully reviewed the CRA performance record of Banc One's subsidiary banks in Ohio in light of the allegations made by the MSBA. In particular, the Board has reviewed information relating to the CRA programs of each of Banc One's subsidiary banks that service communities the MSBA contends have been underserved by Banc One (the "Ohio Banks"), including the most recent CRA examinations of each bank, and information that each bank is required to file under the Home Mortgage Disclosure Act ("HMDA").

The most recent examinations for CRA compliance and performance of each of the Ohio Banks conducted by each institution's primary regulator found no evidence of illegal discrimination or other illegal credit practices. Examiners also found no evidence of any practices or procedures which would discourage applications for available credit for any segment of the delineated communities of the Ohio Banks. Moreover, these examinations indicate that the geographic distribution of each institution's credit extensions, applications, and denials reflect reasonable penetration in all segments of their delineated communities, including low- and moderate-income areas.¹⁶ The record also

indicates that Banc One's subsidiary banks have taken steps to ensure that all loan applicants are handled in a non-discriminatory manner.

Columbus. Banc One's lead subsidiary bank, Bank One Columbus, participates in a variety of programs designed to meet the credit needs of low- and moderate-income and inner-city neighborhoods in Columbus. For example, Bank One Columbus offers direct and subsidized home-loan products through both the Community Home Buyers Program and the Ohio Housing Finance Agency First Time Homebuyers Program, in which Bank One Columbus extended 70 loans totalling \$3.5 million from 1990-1992. Bank One Columbus also participates in various government-sponsored loan programs. For the years 1990-1992, Bank One Columbus extended 209 FHA housing loans totalling \$12.6 million, and 97 VA housing loans totalling \$6.7 million. Bank One Columbus also participates in the Columbus Housing Partnership, which has developed and financed over 550 homes for low-income families. Furthermore, through its Community Banking Group, Bank One Columbus has extended approximately \$674.5 million in local consumer loans.

Bank One Columbus also addresses the needs of local small businesses throughout the Columbus MSA. In this regard, Bank One Columbus's Business Banking Group extended 1,709 commercial loans totalling \$171.6 million to local small businesses from 1991 through the first quarter of 1993. During this period, Bank One Columbus also extended 1,627 small business loans totalling \$61.5 million, \$47 million of which was generated by branches serving low- and moderate-income areas. The bank also participates in the Small Business Administration's ("SBA") certified and preferred lender programs. Over the period 1990 through 1992, Bank One Columbus made 73 SBA loans totalling \$8.7 million and, in partnership with another local financial institution, produced start-up business loans through an SBA loan program. Moreover, as part of The City of Columbus Business Development Fund and Neighborhood Revitalization Program, Bank One Columbus extended eight loans for \$617,000. Bank One Columbus recently invested \$23.5 million in local bond issuances throughout its delineated community. These investments provide financing for Columbus urban development, local school districts, hospitals, and for the State of Ohio's subsidized real estate mortgage down-payment assistance program for first-time homebuyers.

Cincinnati. Bank One Cincinnati, N.A. ("Bank One Cincinnati"), has taken certain measures to increase the availability of mortgage financing for low- and moderate-income individuals, including hiring an officer specializing in affordable housing lending and

Deposit Insurance Corporation ("FDIC") as of December 1991. The Board also has considered information collected in the course of certain ongoing examinations of subsidiary banks of Banc One.

15. All of FirstTier's subsidiary banks have received either "outstanding" or "satisfactory" ratings for CRA performance from the OCC at their most recent examinations. FirstTier's lead subsidiary bank, FirstTier Bank, N.A., Omaha received an "outstanding" rating from the OCC in December 1992; FirstTier Bank, N.A., Lincoln received an "outstanding" rating from the OCC in December 1992; FirstTier Bank, N.A., Scottsbluff received a "satisfactory" rating from the OCC in September 1990; and FirstTier Bank, N.A., Norfolk received an "outstanding" rating from the OCC in November 1988.

16. The most recent CRA examination of Bank One Cleveland, N.A., Cleveland, Ohio, noted weaknesses in the bank's geographic distribution of housing-related lending throughout its entire delineated community, particularly in low- and moderate-income census tracts. Examiners indicated, however, that Bank One Cleveland is aware of disparities that exist in the geographic distribution of its credit extensions, and that Bank One Cleveland has taken certain steps to improve its record of lending in low- and moderate-income areas.

developing the "Welcome Home" loan program.¹⁷ This program is designed to facilitate home ownership for low- and moderate-income individuals by reducing down payment requirements and closing costs, eliminating mortgage guaranty insurance, and employing flexible underwriting guidelines. As of June 30, 1993, 131 applications had been approved from low- and moderate-income borrowers under this program, including 22 applications from African-American borrowers, for a total of approximately \$7.8 million in housing loans.

With respect to small business lending, Bank One Cincinnati formed a Small Business Banking Division in 1992 to promote lending to area firms with annual sales of less than \$2 million. During the first half of 1993, Bank One Cincinnati generated 71 applications from low- and moderate-income neighborhoods, and has made 30 of these loans. The bank also has introduced a revolving line of credit designed to meet the needs of small business borrowers.

Mansfield. The most recent CRA examination of Bank One Mansfield ("Bank One Mansfield"), conducted by the Federal Reserve Bank of Cleveland in March 1992, indicates that the bank serves local community credit needs through various government-guaranteed and internally-developed special loan programs.¹⁸ From September 1990 through March 1992, Bank One Mansfield extended \$3.8 million through its participation in the following loan programs: City of Mansfield Revolving Loan Fund, FmHA loans, Ohio Pooled Bond Program, Ohio energy action loans, small business loans, student loans, FHA/VA loans, and Withrow Linked Deposit Loans (loans designed to stimulate small business development and job growth). The examination also indicates that, in response to the ascertained need for small business credit, Bank One Mansfield has become active in creating credit opportunities for minority-owned small businesses within its delineated community.

Youngstown. Bank One Youngstown, N.A. ("Bank One Youngstown"), has introduced two new credit products designed to service the credit needs of low- and moderate-income communities.¹⁹ In October 1992, Bank One Youngstown introduced the "American Dream Program" which offers first mortgage loans on more liberal credit terms to individuals with household incomes of less than \$26,209 and who are purchasing houses with a maximum sales price of \$40,000.

As of September 1993, 44 loans totalling \$1.2 million have been extended as part of this program.

In April 1993, Bank One Youngstown introduced the Community Home Improvement Program ("CHIP") to provide home improvement financing to low- and moderate-income individuals in its delineated community. As of September 1, 1993, Bank One Youngstown has extended seven loans totalling \$15,000 through this program. Bank One Youngstown also participates in various lending programs sponsored by the State of Ohio, including the Withrow Linked Deposit Program, the Ohio Energy Action Loan Program, and the Ohio Mini-Loan Fund (designed to provide an affordable financing alternative for low- and moderate-income individuals and small businesses).

Dayton. Bank One Dayton, N.A. ("Bank One Dayton"), recently has developed several credit products in response to ascertained community needs.²⁰ In particular, Bank One Dayton provides credit for affordable housing to low- and moderate-income individuals through its Sponsored Purchase Mortgage Program and through the extension of "Visionloans." Bank One Dayton also recently has established the Neighborhood Development Mortgage loan for first-time homebuyers and the bank's Community Home Buyer's Program features reduced down payment and underwriting cost requirements for low- to moderate-income individuals.

Bank One Dayton is an active participant in the City of Dayton Neighborhood Lending Program (designed to make housing and home improvement loans available in low- and moderate-income neighborhoods), Dayton's Home Purchase and Purchase-Rehab Program, and the Ohio Housing Finance Agency's First-time Homebuyer's Program, which offers below-market interest rates and reduced down payment requirements. Bank One Dayton also extends FHA/VA loans and is a certified SBA lender.

Lima. As part of its CRA program, Bank One Lima, N.A. ("Bank One Lima"), has a formal program designed to ascertain the credit needs of its delineated community.²¹ In this regard, Bank One Lima has identified home improvement loans, purchase money mortgages (especially for first-time home buyers), rehabilitation loans, and small business start-up and working capital loans as some of the banking needs of low- and moderate-income neighborhoods within its delineated community.

17. Banc One Cincinnati received a "satisfactory" rating for CRA performance from the OCC in July 1993.

18. In this March 1992 examination, Bank One Mansfield received an "outstanding" rating for CRA performance.

19. Banc One Youngstown received a "satisfactory" rating for CRA performance from the OCC in April 1993.

20. Banc One Dayton received a "satisfactory" rating for CRA performance from the OCC in June 1993.

21. Banc One Lima received an "outstanding" rating for CRA performance from the OCC in March 1993.

The most recent examination of its CRA performance indicates that, in response to these identified needs, Bank One Lima has developed and marketed several credit products. For example, the bank participates in the "Fix Up Lima Program," which provides below-market interest rate loans for property improvement, and the Bank One Community Home Buyers Program which provides special credit counselling and low-money-down mortgages to low- and moderate-income individuals. The most recent CRA examination of Bank One Lima noted that the bank also has appointed an officer to specialize and oversee the bank's government loan program, including SBA, VA/FHA, and FmHA loans.

Akron. The most recent CRA examination of Bank One, Akron, N.A. ("Bank One Akron"), indicates that the bank has a comprehensive program for ascertaining the credit needs of individuals within its delineated community.²² In response to ascertained credit needs, Bank One Akron established an affordable housing lending department and developed the "Own-A-Home Program," an affordable housing loan product targeting low- and moderate-income individuals in its delineated community. Through this program, Bank One Akron extended 77 loans totalling \$2.8 million in 1992.

Bank One Akron also extended 385 small business loans totalling \$31.9 million in 1992, and participates in various government-sponsored loan programs such as FHA/VA. In addition, Bank One Akron extends home improvement loans through the Ohio Energy Action Program, and extends credit to small businesses in conjunction with the Akron Regional Development Board.

Steubenville. In its most recent examination of Bank One Steubenville, N.A. ("Bank One Steubenville"), the OCC indicated that the bank's efforts to ascertain the credit needs of its community, including low- and moderate-income areas, are "excellent."²³ Bank One Steubenville performed an extensive analysis of local demographic data and reviewed the results of professionally generated market research data to develop an understanding of its local community. In addition, the bank performed a geocoding analysis of loans extended. Although this analysis showed no exclusionary lending patterns within its delineated community, Bank One Steubenville developed two residential real estate loan products designed to address the needs of low- to moderate-income neighborhoods.

B. CRA Performance of Bank One Cleveland

MSBA also alleges that the "needs to improve" rating assigned by the OCC to Bank One Cleveland, N.A., Cleveland, Ohio ("Bank One Cleveland"), in April 1993, indicates that there are deficiencies in the corporate CRA program of Banc One that have contributed to weaknesses in the CRA programs of its subsidiary banks, and that the present applications should be denied because of these alleged deficiencies. The Board has, in several recent cases, reviewed in detail the corporate CRA policies of Banc One and found those policies to be satisfactory.²⁴ The Board notes that these policies have contributed to at least a satisfactory CRA evaluation at nearly all of Banc One's subsidiary banks.

The Board also has recognized the CRA performance deficiencies at Bank One Cleveland, and considered Banc One's proposals to address those deficiencies. In approving Banc One's acquisition of Valley National Corporation, Phoenix, Arizona ("Valley National"), the Board required Banc One to submit to the Board, when delivered to the OCC, a copy of its plan to address the deficiencies in the CRA program of Bank One Cleveland, and to submit periodic reports on the progress of this plan.²⁵ The Board believes that progress has been shown since the Valley National acquisition to improve Bank One Cleveland's CRA performance. For example, Bank One Cleveland has introduced several new loan products designed to meet the credit needs of low- and moderate-income communities including:

- (1) A home mortgage product with low down payment requirements and flexible underwriting criteria;
- (2) A mortgage loan product that will cover both acquisition costs and rehabilitation costs;
- (3) A secured home-improvement loan product; and
- (4) A mortgage loan for one-to-eight unit rental properties.

Bank One-Cleveland also has recruited a new CRA Officer, who reports directly to the chief executive officer and board of directors of the bank. This CRA Officer will coordinate the efforts of an expanded CRA staff, including regional CRA coordinators, a community lending officer, and a low- and moderate-income market analyst. In addition, Bank One-Cleveland has reorganized its CRA Management Committee to in-

22. Banc One Akron received a "satisfactory" rating for CRA performance from the OCC in February 1993.

23. Banc One Steubenville received a "satisfactory" rating for CRA performance from the OCC in May 1992.

24. See *Banc One Corporation*, 79 *Federal Reserve Bulletin* 524 ("Valley National Order"); *Banc One Corporation*, 79 *Federal Reserve Bulletin* 872 (1993) ("Colorado Western Order"); and *Central Banking Order*.

25. See *Valley National Order*.

clude members of the bank's senior management. The Board will continue to monitor the progress of this bank in improving its CRA program, including reviewing progress reports when they are submitted.²⁶

The Board believes that it is important that Bank One Cleveland improve its record of performance under the CRA, especially in light of the relative size of this institution and its presence in the communities in which it operates. At the same time, the Board believes that the CRA performance of Banc One must be considered in light of the performance of the entire organization, including the satisfactory CRA performance of the other subsidiary banks, representing approximately 95 percent of the assets controlled by Banc One. For these reasons, and based on all the facts of record, including the steps already taken by Bank One Cleveland, the Board believes that, overall, the CRA performance record of Banc One is consistent with approval of this proposal. Based on a review of the entire record, including information provided by the MSBA and other commenters, Banc One's responses to these comments, and relevant reports of examination, the Board believes that the convenience and needs considerations, including the CRA performance records of Banc One, FirstTier, and their subsidiary banks, are consistent with approval of these applications.²⁷

Other Considerations

The financial and managerial resources and future prospects of Banc One, FirstTier, and their respective subsidiaries, and other supervisory factors the Board

must consider under section 3 of the BHC Act, also are consistent with approval.

Banc One also has applied, pursuant to section 4 of the BHC Act, to acquire the nonbanking subsidiaries of FirstTier that engage in mortgage banking activities, the sale of credit-related insurance in connection with extensions of credit by affiliated banks, and trust and asset management services. As noted above, the Board previously has determined that these activities are permissible for bank holding companies under section 4(c)(8) of the BHC Act and the Board's Regulation Y,²⁸ and Banc One proposes to conduct these activities in accordance with the Board's regulations. The record in this case indicates that there are numerous providers of these nonbanking services, and there is no evidence in the record to indicate that consummation of this proposal is likely to result in any significantly adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interests, or unsound banking practices that would outweigh the public benefits of this proposal. Accordingly, the Board has determined that the balance of public interest factors it must consider under section 4(c)(8) of the BHC Act is favorable and consistent with approval of Banc One's application to acquire FirstTier's nonbanking subsidiaries.

Conclusion

Based on the foregoing and other facts of record, the Board has determined that the applications should be, and hereby are, approved. The Board's approval is expressly conditioned upon compliance with all the commitments made by Banc One in connection with these applications. 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 determinations as to the nonbanking activities are subject to all of the conditions in the Board's Regulation Y, including those in sections 225.4(d) and 225.23(b)(3) (12 C.F.R. 225.4(d) and 225.23(b)(3)), and to the Board's authority to require such modification or termination of the activities of a holding company or any of its subsidiaries as the Board finds necessary to assure compliance with, or to prevent evasions of, the provisions and purposes of the BHC Act and the Board's regulations and orders issued thereunder.

26. The FDIC has indicated to the Board that it recently conducted a limited review of Summersville Bank's CRA program and procedures, and believes that this bank has strengthened its CRA program and has addressed concerns raised by examiners at the 1991 examination. See *Central Banking Order* at note 13. The Board will continue to monitor the progress of Banc One in addressing the problems in the CRA program of Summersville Bank.

27. Several comments received by the Board during the processing period requested that the Board hold a public meeting or hearing on these applications. The Board is not required under section 3(b) of the BHC Act to hold a hearing on an application unless the appropriate banking authority for the bank to be acquired makes a timely written recommendation of denial of the application. In this case, the OCC has not recommended denial of this proposal.

Generally, under the Board's rules, the Board may, in its discretion, hold a public hearing or meeting on an application to clarify factual issues related to the application, and to provide an opportunity for testimony, if appropriate. 12 C.F.R. 262.3(e) and 262.25(d). The Board has carefully considered this request. In the Board's view, interested parties have had a sufficient opportunity to present written submissions, and have submitted substantial written comments that have been considered by the Board. On the basis of all the facts of record, the Board has determined that a public meeting or hearing is not necessary to clarify the factual record in these applications, or otherwise warranted in this case. Accordingly, the request for a public meeting or hearing on these applications is hereby denied.

28. See 12 C.F.R. 225.25(b)(1),(8)(i) and (3).

The acquisition of FirstTier's subsidiary banks shall not be consummated before the thirtieth calendar day following the effective date of this Order, and the acquisition of FirstTier's subsidiary banks and nonbanking subsidiaries shall not be consummated later than three months after the effective date of this Order, unless such period is extended for good cause by the Board or by the Federal Reserve Bank of Cleveland, acting pursuant to delegated authority.

By order of the Board of Governors, effective October 12, 1993.

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

JENNIFER J. JOHNSON
Associate Secretary of the Board

ACTIONS TAKEN UNDER THE FEDERAL DEPOSIT INSURANCE CORPORATION IMPROVEMENT ACT

By the Board

SouthTrust Corporation
Birmingham, Alabama

Order Approving the Acquisition of Two Branches of a Savings Bank

SouthTrust Corporation, Birmingham, Alabama ("SouthTrust"), and SouthTrust of Florida, Inc., Jacksonville, Florida (collectively, "Applicants"), propose to acquire certain assets and assume certain liabilities of the Fernandina Beach and St. Augustine, Florida, branch offices of Anchor Savings Bank, FSB, Hewlett, New York ("Anchor"), by merging these offices with SouthTrust Bank of Jacksonville, N.A. ("SouthTrust-Jacksonville"), a wholly owned national bank subsidiary of SouthTrust of Florida, Inc. Applicants have requested the Board's approval of this transaction pursuant to section 5(d)(3) of the Federal Deposit Insurance Act (12 U.S.C. § 1815(d)(3) ("FDI Act")), as amended by the Federal Deposit Insurance Corporation Improvement Act of 1991 (Pub. L. No. 102-242, § 501, 105 Stat. 2236, 2388-2392 (1991)). Section 5(d)(3) of the FDI Act requires the Board to review any proposed merger between a Savings Association Insurance Fund member and any Bank Insurance Fund ("BIF") member if the acquiring or resulting institution is a BIF insured subsidiary of a bank holding company, and, in reviewing these proposals, to follow the procedures and consider the factors set forth in Section 18(c) of the FDI Act.

(12 U.S.C. § 1828(c)) (the "Bank Merger Act").¹ The proposed transaction is also subject to review under the Bank Merger Act by the Office of the Comptroller of the Currency ("OCC"), the primary banking regulator for SouthTrust-Jacksonville.

Notice of the application, affording interested persons an opportunity to submit comments, has been given in accordance with the Bank Merger Act and the Board's Rules of Procedure (12 C.F.R. 262.3(b)). Reports on the competitive effects of the merger were requested from the United States Attorney General, the OCC, and the Federal Deposit Insurance Corporation. The time for filing comments has expired, and the Board has considered the application and all comments received in light of the factors set forth in the Bank Merger Act and section 5(d)(3) of the FDI Act.

SouthTrust, with consolidated assets of approximately \$13.7 billion, controls 41 subsidiary banks in Alabama, Florida, Georgia, North Carolina, South Carolina, and Tennessee.² SouthTrust is the fifth largest depository institution³ in Florida, controlling total deposits of \$1.3 billion, representing approximately 1 percent of total deposits in depository institutions in the state.⁴ The Fernandina Beach and St. Augustine branches of Anchor collectively control deposits of \$52.4 million, representing less than 1 percent of total deposits in depository institutions in Florida. Upon consummation of the proposed transaction, SouthTrust would remain the fifth largest depository institution in Florida, controlling deposits of \$1.4 billion, representing approximately 1 percent of total deposits in depository institutions in the state.

SouthTrust proposes to acquire Anchor branches in the St. Johns County banking market and the Jacksonville Area banking market. SouthTrust and Anchor compete directly only in the Jacksonville Area banking

1. 12 U.S.C. § 1815(d)(3)(E). These factors include considerations relating to competition, financial and managerial resources, future prospects of the existing and proposed institutions, and the convenience and needs of the communities to be served. 12 U.S.C. § 1828(c).

2. Asset data are as of June 30, 1993.

3. In this context, depository institutions include commercial banks, savings banks, and savings associations. State and market share data before consummation are based on calculations in which the deposits of thrift institutions are included at 50 percent. The Board previously has indicated that thrift institutions have become, or have the potential to become, significant competitors of commercial banks. See *WM Bancorp.*, 76 *Federal Reserve Bulletin* 788 (1990); *National City Corporation* 70 *Federal Reserve Bulletin* 743 (1984). Because the deposits of the Fernandina Beach and St. Augustine branch offices of Anchor will be transferred to a commercial bank under this proposal, those deposits are included at 100 percent in the calculation of *pro forma* state and market share. See *Norwest Corporation*, 78 *Federal Reserve Bulletin* 452 (1992); *First Banks, Inc.*, 76 *Federal Reserve Bulletin* 669, 670 n.9 (1990).

4. State deposit data are as of June 30, 1992.

market.⁵ SouthTrust is the fifth largest depository institution in that market, controlling deposits of \$216 million, representing approximately 3 percent of total deposits in depository institutions in the market ("market deposits").⁶ The Fernandina Beach branch office of Anchor is one of four Anchor branch offices located in the Jacksonville Area banking market. It controls deposits of \$25.1 million, representing less than 1 percent of market deposits. Upon consummation of this proposal, SouthTrust would control \$241.1 million in deposits, representing approximately 3.4 percent of market deposits. Anchor would remain as a competitor in the market; the post-merger Herfindahl-Hirschman Index ("HHI") for this market would be 2536, and would not appreciably increase as a result of this transaction.⁷

Based on all the facts of record in this case, including the fact that the number of competitors would remain unchanged and there would be no significant increase in market concentration in the Jacksonville Area banking market, the Board concludes that consummation of this proposal would not have a significantly adverse effect on competition or the concentration of banking resources in this market. The Board also concludes that consummation of this proposal would not have a significantly adverse effect on competition in any other relevant banking market.

Convenience and Needs Considerations

In analyzing the convenience and needs factor, the Board has carefully considered comments submitted to the Board by the Alabama Community Reinvestment Alliance, Birmingham, Alabama ("Protestant"). Protestant alleges that SouthTrust has not met the convenience and needs of low- and moderate-income African-American residents in Jefferson County and Birmingham, Alabama.

In assessing the impact of this proposal on the convenience and needs of the communities to be served, the

Board also has considered the record of performance of SouthTrust under the CRA and the programs that SouthTrust has in place to serve community needs.

A. CRA Examinations

All of SouthTrust's subsidiary banks that have been evaluated for CRA performance have received "outstanding" or "satisfactory" ratings from their primary regulators in their most recent examinations for CRA performance. SouthTrust's lead subsidiary bank, SouthTrust Bank of Alabama, N.A., Birmingham, Alabama ("SouthTrust-Alabama"), which includes Birmingham and Jefferson County in its delineated service area, received an "outstanding" rating for CRA performance from the OCC in October 1991. This rating reflects an improvement from the "satisfactory" rating received from the OCC in July 1989. In addition, SouthTrust-Jacksonville received a "satisfactory" rating from the OCC in October 1992.

B. HMDA Data and Lending Practices

The Board has carefully reviewed data filed by SouthTrust-Alabama and its wholly owned subsidiaries, SouthTrust Mortgage Corporation ("STMC") and SouthTrust Mobile Services ("SMS"), under the Home Mortgage Disclosure Act (12 U.S.C. § 2801 *et seq.*) ("HMDA") for the years 1990 through 1992. These data indicate some disparities in approvals and denials of loan applications according to racial group and income status in the Birmingham Metropolitan Statistical Area ("MSA").⁸ Because all banks are obligated to adopt and implement lending practices that ensure not only safe and sound lending, but also equal access to credit by creditworthy applicants regardless of race, the Board is concerned when the record of an institution indicates disparities in lending to minority credit applicants. The Board recognizes, however, that HMDA data alone provide only a limited measure of any given institution's lending in its community. The Board also recognizes that HMDA data have limitations that make the data an inadequate basis, absent other information, for conclusively determining whether an institution has engaged in illegal discrimination on the basis of race or ethnicity in making lending decisions.

None of the recent CRA performance examinations for SouthTrust-Alabama found any evidence of illegal discrimination or illegal credit practices. In addition, the OCC recently performed a targeted fair lending review of STMC's residential mortgage lending and

5. The Jacksonville Area banking market is defined as Baker, Clay, Duval, and Nassau Counties and Ponte Vedra in St. Johns County, all located in Florida, and the city of Folkston in Charlton County, Georgia.

6. Market deposit data are as of June 30, 1992.

7. Under the revised Department of Justice Merger Guidelines, 49 *Federal Register* 26,823 (June 29, 1984), a market in which the post-merger HHI is above 1800 is considered to be highly concentrated. In such markets, the Justice Department is likely to challenge a merger that increases the HHI by more than 50 points. The Justice Department has informed the Board that a bank merger or acquisition 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 Justice Department has stated that the higher than normal HHI thresholds for screening bank mergers for anticompetitive effects implicitly recognize the competitive effect of limited-purpose lenders and other non-depository financial institutions.

8. The Birmingham MSA includes Jefferson County, Alabama.

found no indication of violations of any fair lending laws. The OCC examiners reviewed all denied conventional mortgage applications and 75 percent of denied government-insured mortgage applications received from minorities during a 12-month period, and compared them to a large sample of approved non-minority mortgage applications received during the same period. The OCC found no evidence of disparate treatment based on race or ethnicity. SouthTrust-Alabama and STMC have also instituted a secondary review process, pursuant to which a committee reviews the file of every mortgage application recommended for denial to insure that the recommendation is appropriate. Furthermore, the 1991 CRA examination of SouthTrust-Alabama indicated that the geographic distribution of the bank's credit extensions, applications, and denials reflected a reasonable penetration of all segments of the local community, including low- and moderate-income tracts.

The Board notes that SouthTrust-Alabama and its subsidiary, STMC, have undertaken a number of steps to increase their lending activities in low- and moderate-income and minority areas in the Birmingham MSA. SouthTrust-Alabama has developed marketing programs to address lending weaknesses in two communities with heavy concentrations of minority residents. The programs include advertising in news publications and on radio stations that target the minority population living in those communities. In addition, SouthTrust-Alabama has developed a Blueprint Loan program that offers home purchase and home improvement products designed to meet the specific housing needs of low- and moderate-income individuals. The home purchase product has low downpayment requirements, and both the home purchase and home improvement products offer financing of closing costs and flexible underwriting criteria. The Blueprint Loan program was initiated in April 1993. As of September 1, 1993, SouthTrust-Alabama has approved 18 home purchase loans totalling \$725,899, and 34 home improvement loans totalling \$143,000. SouthTrust-Alabama, through STMC, also offers residential loans with more flexible lending criteria under the Birmingham Residential Mortgage Plan.⁹ As of August 31, 1993, STMC has closed 31 loans totalling \$1.3 million under this program.¹⁰

9. The Birmingham Residential Mortgage Plan was initiated by eight lenders in the Birmingham area who committed to provide a total of \$25 million in residential mortgage loans under favorable lending criteria. Loans made under this program offer reduced closing costs, minimum downpayments of 3 percent, and underwriting criteria similar to FHA loan requirements.

10. STMC is also a provider of FHA and VA home mortgage loans in Alabama. In 1992, STMC originated 237 FHA/VA loans totaling \$15.6 million.

In addition, SouthTrust-Alabama and STMC actively participate in projects that support community development activities in providing housing for low- and moderate-income individuals. In this regard, STMC has committed to provide \$300,000 in first mortgage financing at favorable interest rates for the purchase by eligible low- and moderate-income families of housing units being developed by Rosedale Community Development Corporation. The housing units are located in a low-income area of Birmingham. In addition, STMC has allocated \$350,000 for residential first mortgage loans to be used in conjunction with downpayment funding provided through the City of Birmingham to the Smithfield Neighborhood, Incorporation.¹¹ SouthTrust-Alabama made a \$900,000 investment in connection with the rehabilitation of a 64-unit, multifamily project located in a low-income area of the City of Birmingham. Subsequent to that investment, the SouthTrust Community Reinvestment Corporation, a corporation established by SouthTrust, made a firm commitment of \$1 million for the development of a multifamily housing project located in another low-income area of the City of Birmingham. As further evidence of its support for the community, SouthTrust-Alabama joined with eight banks to form a Community Development Corporation which provides financial assistance to small businesses which are considered "disadvantaged" under the City of Birmingham's Disadvantaged Business Enterprise Program. SouthTrust-Alabama has committed to provide 29.6 percent of the \$1.5 million to be spent each year under this program. Loans totalling \$4.5 million have been made under this program.

C. Other Aspects of CRA Performance

SouthTrust-Alabama has in place many of the elements of an effective CRA program. The board of directors of SouthTrust-Alabama has approved a comprehensive CRA policy that outlines goals, objectives, and levels of responsibility and accountability for management and employees of the bank. STMC has implemented a formal community outreach program which includes seminars on the availability and use of mortgage loan products. In addition, STMC has a housing specialist who meets with nonprofit and neighborhood associations in an effort to create products that meet the credit needs of low- and moderate-income communities.

For the foregoing reasons, and based on all the facts of record in this case, including Protestant's comments

11. Loans under this program offer flexible underwriting criteria and special financing terms.

and SouthTrust's response to these comments, the Board concludes that convenience and needs considerations, including the records of SouthTrust, SouthTrust-Alabama and SouthTrust-Jacksonville under the CRA, are consistent with approval of this application.

Other Considerations

The Board also concludes that the financial and managerial resources and future prospects of SouthTrust-Jacksonville are consistent with approval of this application. Moreover, the record in this case shows that:

- (1) The transaction will not result in the transfer of any federally insured depository institution's federal deposit insurance from one federal deposit insurance fund to the other;
- (2) Applicants and SouthTrust-Jacksonville currently meet, and upon consummation of the proposed transaction will continue to meet, all applicable capital standards; and
- (3) The proposed transaction would comply with the interstate banking provisions of the Bank Holding Company Act (the "BHC Act") (12 U.S.C. § 1842(d)) if Anchor were a state bank that SouthTrust was applying to acquire directly. See 12 U.S.C. § 1815(d)(3).¹²

12. The Board previously has determined that the interstate banking statute of Florida permits an Alabama bank holding company to acquire banking organizations in Florida (see *SouthTrust Corporation*, 74 *Federal Reserve Bulletin* 56 (1988)). Thus, consummation of this transaction is not barred by section 3(d) of the BHC Act (12 U.S.C. § 1842(d)).

Based on the foregoing and all other facts of record, the Board has determined that this application should be, and hereby is, approved. This approval is subject to SouthTrust-Jacksonville obtaining the OCC's approval for the proposed transaction under the Bank Merger Act. The Board's approval of this application also is conditioned upon Applicants' compliance with the commitments made in connection with this application. For purposes of this action, the commitments and conditions relied on in reaching this decision are conditions imposed in writing by the Board and, as such, may be enforced in proceedings under applicable law. This approval is limited to the proposal presented to the Board by the Applicants, and may not be construed as applying to any other transaction.

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

By order of the Board of Governors, effective October 12, 1993.

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

JENNIFER J. JOHNSON
Associate Secretary of the Board

ACTIONS TAKEN UNDER THE FEDERAL DEPOSIT INSURANCE CORPORATION IMPROVEMENT ACT OF 1991

By the Secretary of the Board

Copies are available upon request to the Freedom of Information Office, Office of the Secretary, Board of Governors of the Federal Reserve System, Washington, D.C. 20551.

Bank Holding Company	Acquired Thrift	Acquiring Bank(s)	Approval Date
Southern National Corporation, Lumberton, North Carolina	First Savings Bank, Greenville, South Carolina	Southern National Bank of South Carolina, Columbia, South Carolina	October 28, 1993
Southern National Corporation, Lumberton, North Carolina	First Savings Bank, Inc., Hickory, North Carolina Davidson Savings Bank, Inc., Lexington, North Carolina	Southern National Bank of North Carolina, Lumberton, North Carolina	October 28, 1993

By the Director of the Division of Banking Supervision and Regulation and the General Counsel of the Board

Copies are available upon request to the Freedom of Information Office, Office of the Secretary, Board of Governors of the Federal Reserve System, Washington, D.C. 20551.

Bank Holding Company	Acquired Thrift	Acquiring Bank(s)	Approval Date
Blue Ridge Bank, Inc., Martinsburg, West Virginia	Shenandoah Federal Savings Association, Martinsburg, West Virginia	City Holding Company, Charleston, West Virginia	October 15, 1993
First Citizens Bancshares Company, Marion, Arkansas	Federal Savings Bank, Rogers, Arkansas	Citizens Bank, Marion, Arkansas	October 19, 1993

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

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

Section 3

Applicant(s)	Bank(s)	Effective Date
First Security Corporation, Salt Lake City, Utah	First National Financial Corporation, Albuquerque, New Mexico	October 4, 1993
First United Bancshares, Inc., El Dorado, Arkansas	Commerce Financial Corporation, Alma, Arkansas	October 25, 1993
Southern National Corporation, Lumberton, North Carolina	Regency Bancshares, Inc., Hickory, North Carolina	October 28, 1993

Section 4

Applicant(s)	Bank(s)	Effective Date
First Bank System, Inc., Minneapolis, Minnesota	FBS Information Services Corporation, St. Paul, Minnesota	October 14, 1993

APPLICATIONS APPROVED UNDER BANK HOLDING COMPANY ACT

By Federal Reserve Banks

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

Section 3

Applicant(s)	Bank(s)	Reserve Bank	Effective Date
Anchor Financial Corporation, Myrtle Beach, South Carolina	Topsail State Bank, Hampstead, North Carolina	Richmond	October 15, 1993
Boatmen's Bancshares, Inc., St. Louis, Missouri FAB Acquisition Company, St. Louis, Missouri	First Amarillo Bancorporation, Inc., Amarillo, Texas	St. Louis	September 29, 1993
CBT Corporation, Paducah, Kentucky	Pennyrile Bancshares, Inc., Hopkinsville, Kentucky	St. Louis	October 5, 1993
Centura Banks, Inc., Rocky Mount, North Carolina	Canton Interim Bank, Canton, North Carolina	Richmond	September 29, 1993
Commerce Bancshares, Inc., Kansas City, Missouri	Firstbank Investment Co., Inc., Lawrence, Kansas	Kansas City	October 8, 1993
CBI-Kansas, Inc., Kansas City, Missouri			
Community Bancshares, Inc., Blountsville, Alabama	City and County Bank of McMinn County, Athens, Tennessee	Atlanta	October 13, 1993
CSB Bancorp, Inc., Walsh, Colorado	The Colorado State Bank of Walsh, Walsh, Colorado	Kansas City	October 15, 1993
FEO Investments, Inc., Hoskins, Nebraska	Elkhorn Valley Bank, Norfolk, Nebraska	Kansas City	October 15, 1993
GP FINANCIAL CORP., Flushing, New York	The Green Point Savings Bank, Brooklyn, New York	New York	October 12, 1993
Heritage Bancshares Group, Inc., Minneapolis, Minnesota	Geiger Corporation, Minneapolis, Minnesota Heritage Bancshares, Inc., Minneapolis, Minnesota	Chicago	October 8, 1993
Klein Bancorporation, Inc., Chaska, Minnesota	R.O.M. Financial Services, Inc., Chanhassen, Minnesota	Minneapolis	September 28, 1993

Section 3—Continued

Applicant(s)	Bank(s)	Reserve Bank	Effective Date
Mabrey Bancorporation, Inc., Okmulgee, Oklahoma	Mabrey Insurance Agency, Inc., Okmulgee, Oklahoma Haskell Bancorporation, Inc., Haskell, Oklahoma Weleetka Bancorporation, Inc., Weleetka, Oklahoma	Kansas City	September 24, 1993
MNB Bancshares, Inc., Malvern, Arkansas	First Sheridan Bancshares, Inc., Sheridan, Arkansas	St. Louis	October 1, 1993
National City Bancshares, Inc., Evansville, Indiana	Sure Financial Corporation, Washington, Indiana	St. Louis	October 14, 1993
Olney Bancshares, Inc., Olney, Texas Olney Bancorp of Delaware, Inc., Olney, Texas	Graham National Bank, Graham, Texas	Dallas	September 28, 1993
PCM Acquisition Group, Inc., Deerfield, Florida	Florida First International Bank, Hollywood, Florida	Atlanta	October 8, 1993
The Peoples BancTrust Company, Inc., Selma, Alabama	CeeBee Corporation, Prattville, Alabama	Atlanta	October 20, 1993
The Poca Valley Bankshares, Inc., Walton, West Virginia	The Poca Valley Bank, Walton, West Virginia	Richmond	October 18, 1993
Smithdown Investments, Lake Forest, Illinois	Hinsdale Bank & Trust Company, Hinsdale, Illinois	Chicago	September 24, 1993
Texas Financial Bancorporation, Inc., Minneapolis, Minnesota First Bancorp, Inc., Denton, Texas First Delaware Bancorp, Inc., Dover, Delaware	First National Bank of Grapevine, Grapevine, Texas	Dallas	October 8, 1993
Whitman Bancorporation, Inc., Colfax, Washington	Bank of Whitman, Colfax, Washington	San Francisco	October 15, 1993

Section 4

Applicant(s)	Nonbanking Activity/Company	Reserve Bank	Effective Date
Central Bancshares of the South, Inc., Birmingham, Alabama	First Federal Savings Bank of Northwest Florida, Fort Walton Beach, Florida	Atlanta	October 13, 1993
Central Bancshares of the South, Inc., Birmingham, Alabama	The Peoples Holding Company, Fort Walton Beach, Florida	Atlanta	October 13, 1993
Huntington Bancshares, Incorporated, Columbus, Ohio	Huntington Federal Savings Bank of Illinois, Chicago, Illinois	Cleveland	October 15, 1993
Huntington Bancshares, Indiana, Inc., Columbus, Ohio			
Lena Spitzer Limited Partnership, Streeter, North Dakota	Helmuth Spitzer Insurance, Streeter, North Dakota	Minneapolis	October 6, 1993
The Magnolia State Corporation, Bay Springs, Mississippi	Jones County Finance Company, Laurel, Mississippi	Atlanta	October 8, 1993
Mid-America Bancorp., Louisville, Kentucky	Mid-America Bank, Federal Savings Bank, Pewee Valley, Kentucky	St. Louis	October 6, 1993
The Peoples Holding Company, Fort Walton Beach, Florida	Liberty Interim, F.S.B., Fort Walton Beach, Florida	Atlanta	October 13, 1993
PNC Bank Corp., Pittsburgh, Pennsylvania	Sears Savings Bank, FSB, Glendale, California	Cleveland	October 8, 1993
Security Capital Corporation, Batesville, Mississippi	to engage <i>de novo</i> in making loans	St. Louis	September 30, 1993
Security Richland Bancorporation, Miles City, Montana	FirstWest Insurance, Inc., Miles City, Montana	Minneapolis	October 15, 1993
The Toronto-Dominion Bank, Toronto, Canada	Toronto-Dominion Capital Markets USA, Inc., New York, New York	New York	October 15, 1993

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
Canton Interim Bank, Canton, North Carolina	Centura Bank, Rocky Mount, North Carolina	Richmond	September 29, 1993
Fourth Financial Corporation, Wichita, Kansas	Western National Bancorporation, Inc., Tulsa, Oklahoma	Kansas City	October 8, 1993
Triangle Bank and Trust Company, Raleigh, North Carolina	New East Bank of Greenville, Greenville, North Carolina New East Bank of New Bern, New Bern, North Carolina New East Bank of Goldsboro, Goldsboro, North Carolina New East Bank of the Cape Fear, Fayetteville, North Carolina New East Bank of the Albemarle, Elizabeth City, North Carolina	Richmond	September 27, 1993

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.

Scott v. Board of Governors, No. 930905843CV (Dist. Ct., Salt Lake County, Utah, filed October 8, 1993). Action against Board and others for damages and injunctive relief for alleged constitutional and statutory violations caused by issuance of Federal Reserve notes.

Richardson v. Board of Governors, et al., No. 93-C 836A (D. Utah, filed August 30, 1993). Action against Board and others for damages and injunctive relief for alleged constitutional and statutory violations caused by issuance of Federal Reserve notes. On September 20, 1993, the Board filed a motion to dismiss.

Kubany v. Board of Governors, et al., No. 93-1428 (D. D.C., filed July 9, 1993). Action challenging Board determination under the Freedom of Infor-

mation Act. The Board's motion to dismiss was filed on October 15, 1993.

Bennett v. Greenspan, No. 93-1813 (D. D.C., filed April 20, 1993). Employment discrimination action.

Amann v. Prudential Home Mortgage Co., et al., No. 93-10320 WD (D. Massachusetts, filed February 12, 1993). Action for fraud and breach of contract arising out of a home mortgage. On April 17, 1993, the Board filed a motion to dismiss.

Adams v. Greenspan, No. 93-0167 (D. D.C., filed January 27, 1993). Action by former employee under the Civil Rights Act of 1964 and the Rehabilitation Act of 1973 concerning termination of employment.

Sisti v. Board of Governors, No. 93-0033 (D. D.C., filed January 6, 1993). Challenge to Board staff interpretation with respect to margin accounts. The Board's motion to dismiss was granted on May 13, 1993. On June 3, 1993, the petitioner filed a notice of appeal. Cross-motions for summary disposition were filed on August 13, 1993.

U.S. Check v. Board of Governors, No. 92-2892 (D. D.C., filed December 30, 1992). Challenge to partial denial of request for information under the Freedom of Information Act.

CBC, Inc. v. Board of Governors, No. 92-9572 (10th Cir., filed December 2, 1992). Petition for review of civil money penalty assessment against a bank holding company and three of its officers and directors for failure to comply with reporting requirements. Oral argument is scheduled for November 8, 1993.

DLG Financial Corporation v. Board of Governors, No. 392 Civ. 2086-G (N.D. Texas, filed October 9, 1992). Action to enjoin the Board and the Federal Reserve Bank of Dallas from taking certain enforcement actions, and seeking money damages on a variety of tort and contract theories. On October 9, 1992, the court denied plaintiffs' motion for a temporary restraining order. On March 30, 1993, the court granted the Board's motion to dismiss as to it, and also dismissed certain claims against the Reserve Bank. On April 29, the plaintiffs filed an amended complaint. The Board's motion to dismiss the amended complaint was filed on May 17.

Zemel v. Board of Governors, No. 92-1056 (D. D.C., filed May 4, 1992). Age Discrimination in Employment Act case. The parties' cross-motions for summary judgment are pending.

Board of Governors v. Ghaith R. Pharaon, No. 91-CIV-6250 (S.D. New York, filed September 17, 1991). Action to freeze assets of individual pending administrative adjudication of civil money penalty assessment by the Board. On September 17, 1991, the court issued an order temporarily restraining the transfer or disposition of the individual's assets.

FINAL ENFORCEMENT ORDERS ISSUED BY THE BOARD OF GOVERNORS

Florida First International Bank
Hollywood, Florida

The Federal Reserve Board announced on October 5, 1993, the issuance of a Prompt Corrective Action Directive by Consent against Florida First International Bank, Hollywood, Florida.

Sentry Bancorp, Inc.
Edina, Minnesota

The Federal Reserve Board announced on October 4, 1993, the issuance of Orders of Assessment of a Civil Money Penalty against Sentry Bancorp, Inc., Edina, Minnesota, and Robert J. Ziton, an officer and director of Sentry Bancorp, Inc..

United Mizrahi Bank, Ltd.
Tel Aviv, Israel

The Federal Reserve Board announced on October 1, 1993, the joint issuance with the Federal Deposit Insurance Corporation and the Superintendent of Banks of the State of California of a Cease and Desist Order against the United Mizrahi Bank, Ltd., Tel Aviv, Israel, and the United Mizrahi Bank's branch in Los Angeles, California.

The Federal Reserve Board also issued an Order of Assessment of a Civil Money Penalty against the United Mizrahi Bank.

TERMINATION OF ENFORCEMENT ACTIONS

The Federal Reserve Board announced on October 8, 1993, the termination of the following enforcement actions:

Bank of Boston Corporation
Boston, Massachusetts

Written Agreement dated September 3, 1991, terminated October 7, 1993.

Buffalo Bank
Eleanor, West Virginia

Written Agreement dated January 31, 1991, terminated June 28, 1993. Cease and Desist Order dated August 12, 1992, terminated June 28, 1993.

Credit and Commerce American Holdings, N.V.
Netherlands Antilles

Consent Order dated February 1, 1991, terminated
June 23, 1993.

First American Corporation
Washington, D.C.

First American Bankshares, Inc.
Washington, D.C.

Written Agreement dated September 10, 1991, terminated
June 23, 1993.

First State Bank of Maple Park
Maple Park, Illinois
Bruce Madden
Joe A. Pruess

Cease and Desist Order dated December 19, 1990,
terminated July 23, 1993.

Multibank Financial Corp.
Dedham, Massachusetts

Written Agreement dated February 28, 1992, terminated
September 27, 1993.

Paonia Financial Services, Inc.
Paonia, Colorado
George J. Murphy, Jr.

Written Agreement dated September 21, 1993, terminated
June 21, 1993.

Presidential Holdings, Inc.
Bourbonnais, Illinois
Joseph A. Ferante
James E. Malecha
Anthony J. Unruh

Written Agreement dated November 25, 1993, terminated
August 5, 1993.

Society for Savings Bancorp, Inc.
Hartford, Connecticut

Written Agreement dated January 24, 1992, terminated
September 27, 1993.

South Texas Bancshares, Inc.
Beeville, Texas

Written Agreement dated May 20, 1991, terminated
October 1, 1993.

State Bank and Trust of Colorado Springs
Colorado Springs, Colorado

Cease and Desist Order dated April 14, 1992, terminated
August 5, 1993.

*WRITTEN AGREEMENTS APPROVED BY FEDERAL
RESERVE BANKS*

Banco Boliviano Americana, S.A.
La Paz, Bolivia

The Federal Reserve Board announced on October 26, 1993, the execution of a Written Agreement among the Federal Reserve Bank of Atlanta, the Office of the Comptroller of the State of Florida, Banco Boliviano Americana, S.A., La Paz, Bolivia, and Banco Boliviano Americana's agency in Miami, Florida.

Financial and Business Statistics

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Guide to Tabular Presentation

SYMBOLS AND ABBREVIATIONS

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

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.

A4 Domestic Financial Statistics □ December 1993

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

Percent annual rate of change, seasonally adjusted¹

Monetary or credit aggregate	1992	1993			1993				
	Q4	Q1 ^r	Q2 ^r	Q3	May ^r	June ^r	July	Aug.	Sept.
<i>Reserves of depository institutions²</i>									
1 Total	25.8	9.3	10.8	12.4	36.5	5.1	9.4	9.7	16.7
2 Required	25.3	8.7	12.4	12.3	39.5	7.0	5.7	12.8	14.1
3 Nonborrowed	27.1	9.5	10.6	10.9	35.5	3.8	8.1	7.5	15.3
4 Monetary base ³	12.6	9.1	9.8	11.5	13.8	10.9	9.5	11.5	15.2
<i>Concepts of money, liquid assets, and debt⁴</i>									
5 M1	16.8	6.5	10.5	13.2	27.3	7.2	13.6	10.5	14.0
6 M2	2.6 ^r	-1.9	2.2	3.3	10.5	2.5	2.0 ^r	1.7	4.3
7 M3	-4 ^r	-3.8	2.5	1.3	8.6	.0	-.7 ^r	.8	3.7
8 L	1.4 ^r	-2.3	3.4	n.a.	9.5	.7	-.4	1.6	n.a.
9 Debt	4.3	3.8	4.6	n.a.	4.8	6.2	5.4	5.3	n.a.
<i>Nontransaction components</i>									
10 In M2 ⁵	-3.0 ^r	-5.4	-1.4	-1.1	3.3	.4	-3.2 ^r	-2.1	-.1
11 In M3 only ⁶	-15.0 ^r	-13.8	4.1	-9.0	-1.6	-13.0	-15.2 ^r	-4.4	.6
<i>Time and savings deposits</i>									
<i>Commercial banks</i>									
12 Savings, including MMDAs	12.9	1.6	4.6	5.4	14.0	6.4	.8	6.9	5.4
13 Small time ^{8,9}	-17.2	-7.9	-7.9	-10.5	-10.1	-10.2	-12.0 ^r	-10.7	-7.8
14 Large time ^{8,9}	-20.0 ^r	-20.0	.2	-8.7	3.5	-12.1	-19.1 ^r	3.1	-7.1
<i>Thrift institutions</i>									
15 Savings, including MMDAs	8.7	-.2	.8	2.9	9.3	2.8	2.2 ^r	1.7	1.4
16 Small time ^{8,9}	-23.1 ^r	-18.6	-10.5	-12.5	-8.7	-12.3	-14.9 ^r	-11.1	-13.1
17 Large time ^{8,9}	-10.8 ^r	-15.5	-10.1	-7.2	-16.6	-9.3	-3.8 ^r	-9.4	.0
<i>Money market mutual funds</i>									
18 General purpose and broker-dealer	-4.2	-10.2	-.7	-.6	17.7	-.7	-1.1 ^r	-5.7	-6.8
19 Institution-only	-19.4	-14.1	.5	-12.6	14.4	-27.8	-18.8	-10.5	5.0
<i>Debt components⁴</i>									
20 Federal	6.7 ^r	7.6	10.4	n.a.	10.2	12.2	7.4	9.1	n.a.
21 Nonfederal	3.5 ^r	2.5	2.5	n.a.	2.8	4.1	4.7	4.0	n.a.

1. Unless otherwise noted, rates of change are calculated from average amounts outstanding during preceding month or quarter.

2. Figures incorporate adjustments for discontinuities, 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) overnight (and continuing-contract) repurchase agreements (RPs) issued by all depository institutions and overnight Eurodollars issued to U.S. residents by foreign branches of U.S. banks worldwide, (2) savings (including MMDAs) and small time deposits (time deposits—including retail RPs—in amounts of less than \$100,000), and (3) balances in both taxable and tax-exempt general-purpose and broker-dealer money market funds. Excludes individual retirement accounts (IRAs) and Keogh balances at depository institutions and money market funds. Also excludes all balances held by U.S. commercial banks, money market funds (general purpose and broker-dealer), foreign governments and commercial banks, and the U.S. government. Seasonally adjusted M2 is computed by adjusting its non-M1 component as a whole and then adding this result to seasonally adjusted M1.

M3: M2 plus (1) large time deposits and term RP liabilities (in amounts of \$100,000 or more) issued by all depository institutions, (2) term Eurodollars held by U.S. residents at foreign branches of U.S. banks worldwide and at all banking offices in the United Kingdom and Canada, and (3) balances in both taxable and

tax-exempt, institution-only money market funds. Excludes amounts held by depository institutions, the U.S. government, money market funds, and foreign banks and official institutions. Also excluded is the estimated amount of overnight RPs and Eurodollars held by institution-only money market funds. Seasonally adjusted M3 is computed by adjusting its non-M2 component as a whole and then adding this result to seasonally adjusted M2.

L: M3 plus the nonbank public holdings of U.S. savings bonds, short-term Treasury securities, commercial paper, and bankers acceptances, net of money market fund holdings of these assets. Seasonally adjusted L is computed by summing U.S. savings bonds, short-term Treasury securities, commercial paper, and bankers acceptances, each seasonally adjusted separately, and then adding this result to M3.

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

5. Sum of (1) overnight RPs and Eurodollars, (2) money market fund balances (general purpose and broker-dealer), (3) savings deposits (including MMDAs), and (4) small time deposits.

6. Sum of (1) large time deposits, (2) term RPs, (3) term Eurodollars of U.S. residents, and (4) money market fund balances (institution-only), less (5) a consolidation adjustment that represents the estimated amount of overnight RPs and Eurodollars held by institution-only money market funds. This sum is seasonally adjusted as a whole.

7. Small time deposits—including retail RPs—are those issued in amounts of less than \$100,000. All IRA and Keogh account balances at commercial banks and thrift institutions are subtracted from small time deposits.

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

9. Large time deposits at commercial banks less those held by money market funds, depository institutions, U.S. government and foreign banks and official institutions.

1.11 RESERVES OF DEPOSITORY INSTITUTIONS AND RESERVE BANK CREDIT¹

Millions of dollars

Factor	Average of daily figures			Average of daily figures for week ending on date indicated						
	1993			1993						
	July	Aug.	Sept.	Aug. 18	Aug. 25	Sept. 1	Sept. 8	Sept. 15	Sept. 22	Sept. 29
SUPPLYING RESERVE FUNDS										
1 Reserve Bank credit outstanding	354,700 ¹	356,229	363,813	357,156	354,833	357,696	360,756	361,001	366,623	366,653
U.S. government securities ²										
2 Bought outright—System account	313,725	314,668	320,040	314,821	315,522	316,136	319,765	320,041	320,653	320,456
3 Held under repurchase agreements	3,235	4,033	4,891	4,540	2,948	4,729	2,442	2,832	6,567	7,284
Federal agency obligations										
4 Bought outright	5,011	4,936	4,835	4,964	4,947	4,839	4,839	4,839	4,839	4,824
5 Held under repurchase agreements	278	207	539	237	158	231	236	416	671	570
6 Acceptances	0	0	0	0	0	0	0	0	0	0
Loans to depository institutions										
7 Adjustment credit	16	119	273	32	7	111	632	4	126	22
8 Seasonal credit	211	235	236	236	247	245	224	227	234	259
9 Extended credit	0	0	0	0	0	0	0	0	0	0
10 Float	490	434	369	493	343	262	671	341	428	-13
11 Other Federal Reserve assets	31,734	31,597	32,631	31,832	30,661	31,143	31,947	32,301	33,104	33,250
12 Gold stock	11,057	11,057	11,056	11,057	11,057	11,056	11,056	11,056	11,056	11,056
13 Special drawing rights certificate account	8,018	8,018	8,018	8,018	8,018	8,018	8,018	8,018	8,018	8,018
14 Treasury currency outstanding	21,731	21,780	21,843	21,778	21,793	21,808	21,822	21,836	21,850	21,864
ABSORBING RESERVE FUNDS										
15 Currency in circulation	346,485	348,213	351,133	348,801	348,223	348,405	351,317	352,124	350,871	350,368
16 Treasury cash holdings	414	385	378	386	386	383	383	377	374	377
Deposits, other than reserve balances, with Federal Reserve Banks										
17 Treasury	6,266	5,764	9,633	5,675	5,970	5,544	5,949	5,117	16,981	10,104
18 Foreign	222	230	230	238	186	186	222	276	181	209
19 Service-related balances and adjustments	6,186	6,097	6,117	6,095	6,159	6,117	6,117	6,102	6,082	6,169
20 Other	274	281	329	294	268	282	328	319	336	334
21 Other Federal Reserve liabilities and capital	9,232	9,423	9,640	9,403	9,387	9,662	9,964	9,548	9,448	9,565
22 Reserve balances with Federal Reserve Banks ³	26,428	26,691	27,269	27,116	25,119	27,998	27,372	28,047	23,274	30,465
End-of-month figures										
Wednesday figures										
SUPPLYING RESERVE FUNDS										
1 Reserve Bank credit outstanding	352,092	359,057	369,482	359,567	354,757	359,676	362,683	363,513	385,116	366,583
U.S. government securities ²										
2 Bought outright—System account	314,614	316,985	319,357	315,117	315,630	315,426	321,238	320,070	320,287	319,344
3 Held under repurchase agreements	0	4,790	6,296	7,675	2,825	6,570	2,274	3,601	22,036	7,594
Federal agency obligations										
4 Bought outright	4,964	4,839	4,804	4,964	4,839	4,839	4,839	4,839	4,839	4,804
5 Held under repurchase agreements	0	70	2,146	170	184	781	95	1,866	1,506	1,621
6 Acceptances	0	0	0	0	0	0	0	0	0	0
Loans to depository institutions										
7 Adjustment credit	11	7	2,680	38	6	6	3	10	74	7
8 Seasonal credit	223	229	239	243	252	226	216	231	248	262
9 Extended credit	0	0	0	0	0	0	0	0	0	0
10 Float	460	720	939	429	292	139	2,112	375	1,123	-441
11 Other Federal Reserve assets	31,819	31,417	33,022	30,931	30,727	31,688	31,906	32,520	35,004	33,392
12 Gold stock	11,057	11,057	11,057	11,057	11,057	11,056	11,056	11,056	11,056	11,057
13 Special drawing rights certificate account	8,018	8,018	8,018	8,018	8,018	8,018	8,018	8,018	8,018	8,018
14 Treasury currency outstanding	21,748	21,808	21,878	21,778	21,793	21,808	21,822	21,836	21,850	21,864
ABSORBING RESERVE FUNDS										
15 Currency in circulation	346,113	349,169	351,536	348,732	348,112	349,695	352,336	351,738	350,651	350,856
16 Treasury cash holdings	386	383	384	387	383	384	378	373	376	384
Deposits, other than reserve balances, with Federal Reserve Banks										
17 Treasury	5,818	7,975	17,289	6,650	6,202	4,659	4,116	5,974	26,895	11,438
18 Foreign	284	187	501	221	201	194	191	444	211	294
19 Service-related balances and adjustments	6,076	6,117	6,107	6,095	6,159	6,117	6,117	6,102	6,082	6,169
20 Other	232	272	306	261	380	335	338	353	333	348
21 Other Federal Reserve liabilities and capital	9,349	10,164	9,687	9,256	9,240	9,837	9,420	9,306	9,383	9,400
22 Reserve balances with Federal Reserve Banks ³	24,658 ¹	25,673	24,624	28,818	25,048	29,337	30,683	30,133	32,111	28,631

1. For amounts of cash held as reserves, see table 1.12.

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

A6 Domestic Financial Statistics □ December 1993

1.12 RESERVES AND BORROWINGS Depository Institutions¹

Millions of dollars

Reserve classification	Prorated monthly averages of biweekly averages									
	1990	1991	1992	1993						
	Dec.	Dec.	Dec.	Mar.	Apr.	May	June	July	Aug.	Sept.
1 Reserve balances with Reserve Banks ²	30,237	26,659	25,368	24,383	26,975	25,968	26,462	26,562 ^f	26,564	27,279
2 Total vault cash ³	31,789	32,510	34,535	33,293	32,721	33,462	34,106	34,535	34,516	35,217
3 Applied vault cash ⁴	28,884	28,872	31,172	29,912	29,567	30,133	30,776	31,189	31,203	31,863
4 Surplus vault cash ⁵	2,905	3,638	3,364	3,381	3,154	3,329	3,330	3,347	3,313	3,355
5 Total reserves ⁶	59,120	55,532	56,540	54,296	56,541	56,101	57,238	57,750	57,767	59,142
6 Required reserves	57,456	54,553	55,385	53,083	55,445	55,104	56,328	56,661	56,815	58,050
7 Excess reserve balances at Reserve Banks ⁷	1,664	979	1,155	1,213	1,096	996	911	1,089	952	1,092
8 Total borrowings at Reserve Banks ⁸	326	192	124	91	73	121	181	244	352	428
9 Seasonal borrowings	76	38	18	26	41	84	142	210	234	236
10 Extended credit ⁹	23	1	1	0	0	0	0	0	0	0
Biweekly averages of daily figures for weeks ending on date indicated										
	1993									
	June 9	June 23	July 7	July 21	Aug. 4	Aug. 18	Sept. 1	Sept. 15	Sept. 29	Oct. 13
1 Reserve balances with Reserve Banks ²	26,543	26,352	26,579	27,489	25,251 ^f	26,939	26,564	27,719	26,846	27,891
2 Total vault cash ³	33,685	34,237	34,385	34,026	35,354	34,869	33,879	35,332	35,157	35,805
3 Applied vault cash ⁴	30,391	30,897	31,032	30,772	31,883	31,483	30,693	31,999	31,781	32,275
4 Surplus vault cash ⁵	3,294	3,341	3,354	3,255	3,471 ^f	3,386	3,187	3,333	3,377	3,530
5 Total reserves ⁶	56,933	57,248	57,610	58,261	57,133 ^f	58,422	57,257	59,718	58,626	60,166
6 Required reserves	56,109	56,477	56,311	57,294	56,021	57,673	56,136	58,845	57,322	59,046
7 Excess reserve balances at Reserve Banks ⁷	824	772	1,299	967	1,112	750	1,121	874	1,305	1,120
8 Total borrowings at Reserve Banks ⁸	118	158	311	220	232	431	305	544	321	420
9 Seasonal borrowings	101	145	190	211	222	227	246	226	247	222
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.

2. Excludes required clearing balances and adjustments to compensate for float and includes other off-balance-sheet "as-of" adjustments.

3. Total "lagged" vault cash held by depository institutions subject to reserve requirements. Dates refer to the maintenance periods during which the vault cash can be used to satisfy reserve requirements. The maintenance period for weekly reporters ends sixteen days after the lagged computation period during which the vault cash is held. Before Nov. 25, 1992, the maintenance period ended thirty days after the lagged computation period.

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 impact of extended credit is similar to that of nonborrowed reserves.

1.13 SELECTED BORROWINGS IN IMMEDIATELY AVAILABLE FUNDS Large Banks¹

Millions of dollars, averages of daily figures

Source and maturity	1993, week ending Monday								
	Aug. 2	Aug. 9	Aug. 16	Aug. 23	Aug. 30	Sept. 6	Sept. 13	Sept. 20	Sept. 27
<i>Federal funds purchased, repurchase agreements, and other selected borrowings</i>									
From commercial banks in the United States									
1 For one day or under continuing contract	74,855	75,728	72,871	69,075	71,269	78,371	78,121	71,293	69,004
2 For all other maturities	13,557	13,880	13,175	12,567	12,520	12,657	12,213	12,592	13,249
From other depository institutions, foreign banks and official institutions, and U.S. government agencies									
3 For one day or under continuing contract	15,641	15,437	15,026	17,891	14,103	15,563	17,201	16,123	17,454
4 For all other maturities	19,524	20,420	22,755	22,720	25,095	23,077	22,806	22,381	24,744
<i>Repurchase agreements on U.S. government and federal agency securities</i>									
Brokers and nonbank dealers in securities									
5 For one day or under continuing contract	17,674	15,624	17,180	16,819	13,481	16,211	17,836	16,939	16,829
6 For all other maturities	43,227	48,249	44,438	41,710	41,795	40,350	40,442	42,366	44,700
All other customers									
7 For one day or under continuing contract	28,358	26,244	27,070	29,762	29,013	30,159	29,925	30,865	31,152
8 For all other maturities	14,649	14,267	14,357	14,730	14,833	15,095	15,293	15,520	16,278
MEMO									
<i>Federal funds loans and resale agreements in immediately available funds in maturities of one day or under continuing contract</i>									
9 To commercial banks in the United States	42,558	42,575	43,825	39,502	38,110	45,295	41,258	42,051	39,579
10 To all other specified customers ²	28,326	27,033	31,094	27,852	28,986	28,858	27,828	30,603	27,736

1. Banks with assets of \$4 billion or more as of Dec. 31, 1988.
Data in this table also appear in the Board's H.5 (507) weekly statistical release.
For ordering address, see inside front cover.

2. Brokers and nonbank dealers in securities, other depository institutions, foreign banks and official institutions, and U.S. government agencies.

1.14 FEDERAL RESERVE BANK INTEREST RATES

Percent per year

Federal Reserve Bank	Current and previous levels								
	Adjustment credit ¹			Seasonal credit ²			Extended credit ³		
	On 10/28/93	Effective date	Previous rate	On 10/28/93	Effective date	Previous rate	On 10/28/93	Effective date	Previous rate
Boston	3	7/2/92	3.5	3.10	10/28/93	3.15	3.60	10/28/93	3.65
New York		7/2/92			10/28/93			10/28/93	
Philadelphia		7/2/92			10/28/93			10/28/93	
Cleveland		7/6/92			10/28/93			10/28/93	
Richmond		7/2/92			10/28/93			10/28/93	
Atlanta		7/2/92			10/28/93			10/28/93	
Chicago	3	7/2/92	3.5	3.10	10/28/93	3.15	3.60	10/28/93	3.65
St. Louis		7/7/92			10/28/93			10/28/93	
Minneapolis		7/2/92			10/28/93			10/28/93	
Kansas City		7/2/92			10/28/93			10/28/93	
Dallas		7/2/92			10/28/93			10/28/93	
San Francisco		7/2/92			10/28/93			10/28/93	

Range of rates for adjustment credit in recent years⁴

Effective date	Range (or level)—All F.R. Banks	F.R. Bank of N.Y.	Effective date	Range (or level)—All F.R. Banks	F.R. Bank of N.Y.	Effective date	Range (or level)—All F.R. Banks	F.R. Bank of N.Y.
In effect Dec. 31, 1977	6	6	1981—May 5	13–14	14	1986—Aug. 21	5.5–6	5.5
1978—Jan. 9	6–6.5	6.5	8	14	14	22	5.5	5.5
20	6.5	6.5	Nov. 2	13–14	13			
May 11	6.5–7	7	6	13	13	1987—Sept. 4	5.5–6	6
12	7	7	Dec. 4	12	12	11	6	6
July 3	7–7.25	7.25						
10	7.25	7.25	1982—July 20	11.5–12	11.5	1988—Aug. 9	6–6.5	6.5
Aug. 21	7.75	7.75	23	11.5	11.5	11	6.5	6.5
Sept. 22	8	8	Aug. 2	11–11.5	11			
Oct. 16	8–8.5	8.5	3	11	11	1989—Feb. 24	6.5–7	7
20	8.5	8.5	16	10.5	10.5	27	7	7
Nov. 1	8.5–9.5	9.5	27	10–10.5	10			
3	9.5	9.5	30	10	10	1990—Dec. 19	6.5	6.5
			Oct. 12	9.5–10	9.5			
1979—July 20	10	10	13	9.5	9.5	1991—Feb. 1	6–6.5	6
Aug. 17	10–10.5	10.5	Nov. 22	9–9.5	9	4	6	6
20	10.5	10.5	26	9	9	Apr. 30	5.5–6	5.5
Sept. 19	10.5–11	11	Dec. 14	8.5–9	9	May 2	5.5	5.5
21	11	11	15	8.5–9	8.5	Sept. 13	5–5.5	5
Oct. 8	11–12	12	17	8.5	8.5	17	5	5
12	12	12				Nov. 6	4.5–5	4.5
			1984—Apr. 9	8.5–9	9	7	4.5	4.5
1980—Feb. 15	12–13	13	13	9	9	Dec. 20	3.5–4.5	3.5
19	13	13	Nov. 21	8.5–9	8.5	24	3.5	3.5
May 29	12–13	13	26	8.5	8.5			
30	12	12	Dec. 24	8	8	1992—July 2	3–3.5	3
June 13	11–12	11				7	3	3
16	11	11	1985—May 20	7.5–8	7.5			
29	10	10	24	7.5	7.5			
July 28	10–11	10						
Sept. 26	11	11	1986—Mar. 7	7–7.5	7			
Nov. 17	12	12	10	7	7			
Dec. 5	12–13	13	Apr. 21	6.5–7	6.5			
			July 11	6	6			
						In effect Oct. 28, 1993	3	3

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 intrayear 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 on 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 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 INSTITUTIONS¹

Type of deposit ²	Requirement	
	Percentage of deposits	Effective date
<i>Net transaction accounts</i> ³		
1 \$0 million–\$46.8 million.....	3	12/15/92
2 More than \$46.8 million ⁴	10	12/15/92
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 provisions of the Monetary Control Act, depository institutions include commercial banks, mutual savings banks, savings and loan associations, credit unions, agencies and branches of foreign banks, and Edge Act corporations.

2. The Garn-St Germain Depository Institutions Act of 1982 (Public Law 97-320) requires that \$2 million of reservable liabilities of each depository institution be subject to a zero percent reserve requirement. The Board is to adjust the amount of reservable liabilities subject to this zero percent reserve requirement each year for the succeeding calendar year by 80 percent of the percentage increase in the total reservable liabilities of all depository institutions, measured on an annual basis as of June 30. No corresponding adjustment is to be made in the event of a decrease. On Dec. 15, 1992, the exemption was raised from \$3.6 million to \$3.8 million. The exemption applies in the following order: (1) net negotiable order of withdrawal (NOW) accounts (NOW accounts less allowable deductions); and (2) net other transaction accounts. The exemption applies only to accounts that would be subject to a 3 percent reserve requirement.

3. Include all deposits against which the account holder is permitted to make withdrawals by negotiable or transferable instruments, payment orders of withdrawal, and telephone and preauthorized transfers in excess of three per month for the purpose of making payments to third persons or others. However, money market deposit accounts (MMDAs) and similar accounts subject to the rules that

permit no more than six preauthorized, automatic, or other transfers per month, of which no more than three may be checks, are not transaction accounts (such accounts are savings deposits).

The Monetary Control Act of 1980 requires that the amount of transaction accounts against which the 3 percent reserve requirement applies be modified annually by 80 percent of the percentage change in transaction accounts held by all depository institutions, determined as of June 30 each year. Effective Dec. 15, 1992, for institutions reporting quarterly, and Dec. 24, 1992, for institutions reporting weekly, the amount was increased from \$42.2 million to \$46.8 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. The reserve requirement on nonpersonal time deposits with an original maturity of 1½ years or more has been zero since Oct. 6, 1983.

For institutions that report quarterly, the reserve requirement on nonpersonal time deposits with an original maturity of less than 1½ years was reduced from 3 percent to zero on Jan. 17, 1991.

6. The reserve requirement on Eurocurrency liabilities was reduced from 3 percent to zero in the same manner and on the same dates as was the reserve requirement on nonpersonal time deposits with an original maturity of less than 1½ years (see note 4).

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1.17 FEDERAL RESERVE OPEN MARKET TRANSACTIONS¹

Millions of dollars

Type of transaction and maturity	1990	1991	1992	1993						
				Feb.	Mar.	Apr.	May	June	July	Aug.
U.S. TREASURY SECURITIES										
Outright transactions (excluding matched transactions)										
Treasury bills										
1 Gross purchases	24,739	20,158	14,714	0	0	121	349	7,280	0	902
2 Gross sales	7,291	120	1,628	0	0	0	0	0	0	0
3 Exchanges	241,086	277,314	308,699	19,832	23,796	30,124	26,610	24,821	35,943	27,775
4 Redemptions	4,400	1,000	1,600	0	0	0	0	0	0	0
Others within one year										
5 Gross purchases	425	3,043	1,096	0	279	244	0	0	0	100
6 Gross sales	0	0	0	0	0	0	0	0	0	0
7 Maturity shifts	25,638	24,454	36,662	2,892	4,303	1,950	4,108	4,002	0	0
8 Exchanges	-27,424	-28,090	-30,543	-6,044	-2,602	-1,100	-4,013	-2,152	0	0
9 Redemptions	0	1,000	0	0	0	0	0	0	0	0
One to five years										
10 Gross purchases	250	6,583	13,118	0	1,441	2,490	0	0	200	1,100
11 Gross sales	200	0	0	0	0	0	0	0	0	0
12 Maturity shifts	-21,770	-21,211	-34,478	-2,617	-4,303	-1,630	-3,652	-4,002	666	0
13 Exchanges	25,410	24,594	25,811	4,564	2,602	800	3,245	2,152	0	0
Five to ten years										
14 Gross purchases	0	1,280	2,818	0	716	1,147	0	0	0	500
15 Gross sales	100	0	0	0	0	0	0	0	0	0
16 Maturity shifts	-2,186	-2,037	-1,915	-98	0	-320	-333	0	-666	0
17 Exchanges	789	2,894	3,532	1,000	0	300	468	0	0	0
More than ten years										
18 Gross purchases	0	375	2,333	0	705	1,110	0	0	0	100
19 Gross sales	0	0	0	0	0	0	0	0	0	0
20 Maturity shifts	-1,681	-1,209	-269	-177	0	0	-123	0	0	0
21 Exchanges	1,226	600	1,200	480	0	0	300	0	0	0
All maturities										
22 Gross purchases	25,414	31,439	34,079	0	3,141	5,111	349	7,280	200	2,702
23 Gross sales	7,591	120	1,628	0	0	0	0	0	0	0
24 Redemptions	4,400	1,000	1,600	0	0	0	0	0	0	0
Matched transactions										
25 Gross sales	1,369,052	1,570,456	1,482,467	111,491	146,563	127,115	124,462	111,726	115,504	136,037
26 Gross purchases	1,363,434	1,571,534	1,480,140	113,349	143,049	128,924	123,227	113,095	117,074	135,705
Repurchase agreements										
27 Gross purchases	219,632	310,084	378,374	28,544	37,815	30,197	33,987	53,051	41,190	53,053
28 Gross sales	202,551	311,752	386,257	25,889	33,714	36,953	28,640	43,342	56,246	48,263
29 Net change in U.S. Treasury securities	24,886	29,729	20,642	4,513	3,728	163	4,461	18,357	-13,286	7,160
FEDERAL AGENCY OBLIGATIONS										
Outright transactions										
30 Gross purchases	0	0	0	0	0	0	0	0	0	0
31 Gross sales	0	5	0	0	0	0	0	0	0	0
32 Redemptions	183	292	632	85	101	28	41	22	366	125
Repurchase agreements										
33 Gross purchases	41,836	22,807	14,565	1,107	1,811	197	2,105	2,968	3,479	2,485
34 Gross sales	40,461	23,595	14,486	832	1,519	764	2,105	2,019	4,428	2,415
35 Net change in federal agency obligations	1,192	-1,085	-554	190	191	-595	-41	927	-1,315	-55
36 Total net change in System Open Market Account	26,078	28,644	20,089	4,703	3,918	-431	4,420	19,284	-14,601	7,105

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

1.18 FEDERAL RESERVE BANKS Condition and Federal Reserve Note Statements¹

Millions of dollars

Account	Wednesday					End of month		
	1993					1993		
	Sept. 1	Sept. 8	Sept. 15	Sept. 22	Sept. 29	July 31	Aug. 31	Sept. 30
Consolidated condition statement								
ASSETS								
1 Gold certificate account	11,056	11,056	11,056	11,056	11,057	11,057	11,057	11,057
2 Special drawing rights certificate account	8,018	8,018	8,018	8,018	8,018	8,018	8,018	8,018
3 Coin	379	370	367	377	378	398	382	378
<i>Loans</i>								
4 To depository institutions	233	219	241	321	268	234	236	2,918
5 Other	0	0	0	0	0	0	0	0
6 Acceptances held under repurchase agreements	0	0	0	0	0	0	0	0
<i>Federal agency obligations</i>								
7 Bought outright	4,839	4,839	4,839	4,839	4,804	4,964	4,839	4,804
8 Held under repurchase agreements	781	95	1,866	1,506	1,621	0	70	2,146
9 Total U.S. Treasury securities	321,996	323,512	323,671	342,323	326,938	314,614	321,775	325,653
10 Bought outright ²	315,426	321,238	320,070	320,287	319,344	314,614	316,985	319,357
11 Bills	152,377	154,164	152,996	153,212	152,069	153,366	153,936	151,982
12 Notes	125,211	128,297	128,297	128,297	128,497	123,772	125,211	128,597
13 Bonds	37,838	38,778	38,778	38,778	38,778	37,477	37,838	38,778
14 Held under repurchase agreements	6,570	2,274	3,601	22,036	7,594	0	4,790	6,296
15 Total loans and securities	327,849	328,665	330,618	348,990	333,632	319,813	326,920	335,521
16 Items in process of collection	6,206	9,435	6,210	6,277	5,001	4,958	7,560	4,349
17 Bank premises	1,044	1,045	1,045	1,046	1,047	1,043	1,044	1,047
<i>Other assets</i>								
18 Denominated in foreign currencies ³	22,902	22,922	22,938	22,999	23,011	22,352	22,899	23,272
19 All other ⁴	7,782	8,120	8,470	10,397	9,379	8,336	7,485	8,771
20 Total assets	385,236	389,632	388,722	409,160	391,523	375,975	385,364	392,412
LIABILITIES								
21 Federal Reserve notes	328,650	331,262	330,642	329,554	329,755	325,149	328,125	330,421
22 Total deposits	41,204	41,663	43,173	65,298	47,535	37,062	40,368	48,030
23 Depository institutions	36,017	37,018	36,402	37,860	35,455	30,725	31,931	29,934
24 U.S. Treasury—General account	4,659	4,116	5,974	26,895	11,438	5,818	7,975	17,289
25 Foreign—Official accounts	194	191	444	211	294	284	187	501
26 Other	335	338	353	333	348	232	272	306
27 Deferred credit items	5,545	7,287	5,600	4,925	4,833	4,415	6,707	4,275
28 Other liabilities and accrued dividends ⁵	2,408	2,460	2,351	2,387	2,418	2,369	2,408	2,460
29 Total liabilities	377,807	382,671	381,767	402,163	384,541	368,995	377,608	385,186
CAPITAL ACCOUNTS								
30 Capital paid in	3,318	3,318	3,328	3,329	3,331	3,299	3,317	3,331
31 Surplus	3,054	3,054	3,054	3,054	3,054	3,054	3,054	3,054
32 Other capital accounts	1,058	589	574	613	598	628	1,385	842
33 Total liabilities and capital accounts	385,236	389,632	388,722	409,160	391,523	375,975	385,364	392,412
MEMO								
34 Marketable U.S. Treasury securities held in custody for foreign and international accounts	326,229	325,559	328,957	333,061	332,545	316,176	332,238	330,479
Federal Reserve note statement								
35 Federal Reserve notes outstanding (issued to Banks)	391,919	392,708	393,919	394,873	395,304	389,182	391,822	395,420
36 Less: Held by Federal Reserve Banks	63,268	61,446	63,277	65,319	65,549	64,034	63,697	64,999
37 Federal Reserve notes, net	328,650	331,262	330,642	329,554	329,755	325,149	328,125	330,421
<i>Collateral held against notes, net:</i>								
38 Gold certificate account	11,056	11,056	11,056	11,056	11,057	11,057	11,057	11,057
39 Special drawing rights certificate account	8,018	8,018	8,018	8,018	8,018	8,018	8,018	8,018
40 Other eligible assets	0	0	0	0	0	0	0	0
41 U.S. Treasury and agency securities	309,576	312,188	311,568	310,480	310,680	306,073	309,051	311,346
42 Total collateral	328,650	331,262	330,642	329,554	329,755	325,149	328,125	330,421

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 excludes securities sold and scheduled to be bought back under matched sale-purchase transactions.

3. Valued monthly at market exchange rates.

4. Includes special investment account at the Federal Reserve Bank of Chicago in Treasury bills maturing within ninety days.

5. Includes exchange-translation account reflecting the monthly revaluation at market exchange rates of foreign exchange commitments.

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1.19 FEDERAL RESERVE BANKS Maturity Distribution of Loan and Security Holding

Millions of dollars

Type of holding and maturity	Wednesday					End of month		
	1993					1993		
	Sept. 1	Sept. 8	Sept. 15	Sept. 22	Sept. 29	July 30	Aug. 31	Sept. 30
1 Total loans	232	219	241	321	268	234	236	2,918
2 Within fifteen days ¹	60	60	185	284	235	103	99	2,793
3 Sixteen days to ninety days	173	158	57	38	34	132	137	125
4 Ninety-one days to one year	0	0	0	0	0	0	0	0
5 Total acceptances	0	0	0	0	0	0	0	0
6 Within fifteen days ¹	0	0	0	0	0	0	0	0
7 Sixteen days to ninety days	0	0	0	0	0	0	0	0
8 Ninety-one days to one year	0	0	0	0	0	0	0	0
9 Total U.S. Treasury securities	321,996	323,512	323,671	342,323	319,351	314,614	316,985	319,357
10 Within fifteen days ¹	17,048	17,149	19,169	37,971	11,886	7,871	6,730	4,423
11 Sixteen days to ninety days	78,503	76,033	74,184	77,639	77,157	79,998	82,664	76,689
12 Ninety-one days to one year	101,665	101,737	101,724	98,119	101,514	104,466	102,812	109,686
13 One year to five years	72,679	74,979	74,979	74,979	75,179	71,241	72,679	74,942
14 Five years to ten years	21,707	22,505	22,504	22,505	22,505	20,940	21,707	22,505
15 More than ten years	30,394	31,111	31,111	31,111	31,111	30,099	30,394	31,111
16 Total federal agency obligations	5,620	4,934	6,705	6,345	6,426	4,964	4,839	4,804
17 Within fifteen days ¹	781	95	1,901	1,761	1,841	101	302	220
18 Sixteen days to ninety days	439	704	694	474	555	747	439	550
19 Ninety-one days to one year	1,461	1,197	1,172	1,172	1,102	1,087	1,142	1,102
20 One year to five years	2,150	2,150	2,198	2,198	2,187	2,156	2,168	2,187
21 Five years to ten years	647	647	599	599	599	732	647	599
22 More than ten years	142	142	142	142	142	142	142	142

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

1.20 AGGREGATE RESERVES OF DEPOSITORY INSTITUTIONS AND MONETARY BASE¹

Billions of dollars, averages of daily figures

Item	1989 Dec.	1990 Dec.	1991 Dec.	1992 Dec.	1993								
					Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	
ADJUSTED FOR CHANGES IN RESERVE REQUIREMENTS ²	Seasonally adjusted												
	1 Total reserves ³	40.49	41.77	45.53	54.35	54.92	55.17	55.20	56.88	57.12	57.57	58.03	58.84
	2 Nonborrowed reserves ⁴	40.23	41.44	45.34	54.23	54.88	55.07	55.12	56.76	56.94	57.32	57.68	58.42
	3 Nonborrowed reserves plus extended credit ⁵	40.25	41.46	45.34	54.23	54.88	55.07	55.12	56.76	56.94	57.32	57.68	58.42
	4 Required reserves	39.57	40.10	44.56	53.20	53.82	53.95	54.10	55.88	56.21	56.48	57.08	57.75
	5 Monetary base ⁶	267.73	293.19	317.17	350.80	355.73	358.37	360.63	364.77	368.07	370.98	374.53	379.27
	Not seasonally adjusted												
	6 Total reserves ⁷	41.77	43.07	46.98	56.06	53.81	54.18	56.37	55.88	56.96	57.42	57.38	58.69
	7 Nonborrowed reserves	41.51	42.74	46.78	55.93	53.77	54.09	56.29	55.76	56.78	57.17	57.03	58.27
	8 Nonborrowed reserves plus extended credit ⁸	41.53	42.77	46.78	55.93	53.77	54.09	56.29	55.76	56.78	57.17	57.03	58.27
9 Required reserves ⁹	40.85	41.40	46.00	54.90	52.71	52.96	55.27	54.88	56.05	56.33	56.43	57.60	
10 Monetary base ⁹	271.18	296.68	321.07	354.55	353.18	356.00	361.64	364.08	368.73	372.02	374.10	377.76	
NOT ADJUSTED FOR CHANGES IN RESERVE REQUIREMENTS ¹⁰													
11 Total reserves ¹¹	62.81	59.12	55.53	56.54	53.88	54.30	56.54	56.10	57.24	57.75	57.77	59.14	
12 Nonborrowed reserves	62.54	58.80	55.34	56.42	53.84	54.20	56.47	55.98	57.06	57.51	57.42	58.71	
13 Nonborrowed reserves plus extended credit ¹²	62.56	58.82	55.34	56.42	53.84	54.20	56.47	55.98	57.06	57.51	57.42	58.71	
14 Required reserves	61.89	57.46	54.55	55.39	52.78	53.08	55.45	55.10	56.33	56.66	56.82	58.05	
15 Monetary base ¹²	292.55	313.70	333.61	360.90	359.56	362.59	368.18	370.46	375.19	378.48	380.53	384.26	
16 Excess reserves ¹³	.92	1.66	.98	1.16	1.10	1.21	1.10	1.00	.91	1.09	.95	1.09	
17 Borrowings from the Federal Reserve	.27	.33	.19	.12	.05	.09	.07	.12	.18	.24	.35	.43	

1. Latest monthly and biweekly figures are available from the Board's H.3 (502) weekly statistical release. Historical data and estimates of the impact on required reserves of changes in reserve requirements are available from the Monetary and Reserves Projections Section, Division of Monetary Affairs, Board of Governors of the Federal Reserve System, Washington, 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 impact of extended credit is similar to that of nonborrowed reserves.

6. The seasonally adjusted, break-adjusted monetary base consists of (1) seasonally adjusted, break-adjusted total reserves (line 1), plus (2) the seasonally adjusted currency component of the money stock, plus (3) (for all quarterly reporters on the "Report of Transaction Accounts, Other Deposits and Vault Cash" and for all those weekly reporters whose vault cash exceeds their required reserves) the seasonally adjusted, break-adjusted difference between current vault cash and the amount applied to satisfy current reserve requirements.

7. Break-adjusted total reserves equal break-adjusted required reserves (line 9) plus excess reserves (line 16).

8. To adjust required reserves for discontinuities that are due to regulatory changes in reserve requirements, a multiplicative procedure is used to estimate

what required reserves would have been in past periods had current reserve requirements been in effect. Break-adjusted required reserves include required reserves against transactions deposits and nonpersonal time and savings deposits (but not reservable nondeposit liabilities).

9. The break-adjusted monetary base equals (1) break-adjusted total reserves (line 6), plus (2) the (unadjusted) currency component of the money stock, plus (3) (for all quarterly reporters on the "Report of Transaction Accounts, Other Deposits and Vault Cash" and for all 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 changes in reserve requirements.

11. Reserve balances with Federal Reserve Banks plus vault cash used to satisfy reserve requirements.

12. The monetary base, not break-adjusted and not seasonally adjusted, consists of (1) total reserves (line 11), plus (2) required clearing balances and adjustments to compensate for float at Federal Reserve Banks, plus (3) the currency component of the money stock, plus (4) (for all quarterly reporters on the "Report of Transaction Accounts, Other Deposits and Vault Cash" and for all those weekly reporters whose vault cash exceeds their required reserves) the difference between current vault cash and the amount applied to satisfy current reserve requirements. Since the introduction of changes in reserve requirements (CRR), currency and vault cash figures have been measured over the computation periods ending on Mondays.

13. Unadjusted total reserves (line 11) less unadjusted required reserves (line 14).

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1.21 MONEY STOCK, LIQUID ASSETS, AND DEBT MEASURES¹

Billions of dollars, averages of daily figures

Item	1989 Dec.	1990 Dec.	1991 Dec.	1992 Dec. ⁷	1993			
					June ⁷	July ⁷	Aug.	Sept.
	Seasonally adjusted							
<i>Measures²</i>								
1 M1.....	794.6	827.2	899.3	1,026.6	1,073.1	1,085.3	1,094.8	1,107.6
2 M2.....	3,233.3	3,345.5	3,445.8	3,494.9	3,510.9	3,516.8	3,521.9	3,534.5
3 M3.....	4,056.1	4,116.8 ⁷	4,168.1	4,162.5	4,167.5	4,165.1	4,167.9	4,180.7
4 L.....	4,886.1	4,966.6	4,982.3 ⁷	5,039.5	5,070.2	5,068.4	5,075.2	n.a.
5 Debt.....	10,030.7 ⁷	10,670.1 ⁷	11,141.9 ⁷	11,718.6	11,972.0	12,025.9	12,079.5	n.a.
<i>M1 components</i>								
6 Currency ³	222.7	246.7	267.2	292.3	306.8	309.6	312.6	316.4
7 Travelers checks ⁴	6.9	7.8	7.8	8.1	8.0	7.9	7.8	7.8
8 Demand deposits ⁵	279.8	278.2	290.5	340.8	360.5	365.7	370.7	376.5
9 Other checkable deposits ⁶	285.3	294.5	333.8	385.2	397.8	402.2	403.8	406.9
<i>Nontransaction components</i>								
10 In M2 ²	2,438.7	2,518.3	2,546.6	2,468.3	2,437.8	2,431.4	2,427.1	2,426.9
11 In M3 ⁸	822.8	771.3 ⁷	722.3	667.7	656.6	648.3	645.9	646.2
<i>Commercial banks</i>								
12 Savings deposits, including MMDAs.....	541.4	582.2	666.2	756.1	769.0	769.5	773.9	777.4
13 Small time deposits ⁹	534.9	610.3	601.5	506.9	488.7	483.8	479.5	476.4
14 Large time deposits ^{10, 11}	387.7	368.8 ⁷	341.3	288.1	276.0	271.6	272.3	270.7
<i>Thrift institutions</i>								
15 Savings deposits, including MMDAs.....	349.6	338.6	376.3	429.9	429.8	430.6	431.2	431.7
16 Small time deposits ⁹	617.8	562.0	463.2	360.4	338.0	333.8	330.7	327.1
17 Large time deposits ¹⁰	161.1	120.9	83.4	67.5	63.8	63.6	63.1	63.1
<i>Money market mutual funds</i>								
18 General purpose and broker-dealer.....	317.4	350.5	363.9	342.3	336.2	335.9	334.3	332.4
19 Institution-only.....	108.8	135.9	182.1	202.3	198.1	195.0	193.3	194.1
<i>Debt components</i>								
20 Federal debt.....	2,247.6 ⁷	2,490.7 ⁷	2,763.8 ⁷	3,068.4	3,207.9	3,227.8	3,252.2	n.a.
21 Nonfederal debt.....	7,783.1 ⁷	8,179.4 ⁷	8,378.1 ⁷	8,650.2	8,764.1	8,798.1	8,827.4	n.a.
	Not seasonally adjusted							
<i>Measures²</i>								
22 M1.....	811.5	843.7	916.4	1,045.7	1,072.6	1,084.1	1,088.4	1,099.3
23 M2.....	3,245.1	3,357.0	3,457.9	3,509.1	3,506.5	3,513.3	3,514.7	3,520.8
24 M3.....	4,066.4	4,126.3	4,178.1	4,174.6	4,162.6	4,158.6	4,165.7	4,168.0
25 L.....	4,906.0	4,988.0	5,004.2	5,064.0	5,057.1	5,050.4	5,062.4	n.a.
26 Debt.....	10,026.5 ⁷	10,667.7 ⁷	11,141.0 ⁷	11,717.2	11,937.8	11,984.5	12,040.4	n.a.
<i>M1 components</i>								
27 Currency ³	225.3	249.5	269.9	295.0	307.4	311.0	312.8	314.8
28 Travelers checks ⁴	6.5	7.4	7.4	7.8	8.2	8.4	8.4	8.2
29 Demand deposits ⁵	291.5	289.9	302.9	355.2	359.4	365.4	367.4	373.0
30 Other checkable deposits ⁶	288.1	296.9	336.3	387.7	397.5	399.1	399.8	403.3
<i>Nontransaction components</i>								
31 In M2 ²	2,433.6	2,513.2	2,541.5	2,463.4	2,434.0	2,429.2	2,426.3	2,421.5
32 In M3 ⁸	821.3 ⁷	769.3	720.1	665.5	656.1	645.3	651.0	647.1
<i>Commercial banks</i>								
33 Savings deposits, including MMDAs.....	543.0	580.1	663.3	752.3	772.3	772.2	774.5	775.3
34 Small time deposits ⁹	533.8	610.5	602.0	507.7	486.9	483.7	479.6	477.1
35 Large time deposits ^{10, 11}	386.9	367.7	340.1	287.1	277.5	271.2	273.4	271.1
<i>Thrift institutions</i>								
36 Savings deposits, including MMDAs.....	347.4	337.3	374.7	427.8	431.6	432.1	431.6	430.5
37 Small time deposits ⁹	616.2	562.1	463.6	360.9	336.8	333.8	330.8	327.6
38 Large time deposits ¹⁰	162.0	120.6	83.1	67.3	64.1	63.6	63.4	63.2
<i>Money market mutual funds</i>								
39 General purpose and broker-dealer.....	315.7	348.4	361.5	340.0	333.0	331.7	331.5	329.8
40 Institution-only.....	109.1	136.2	182.4	202.4	194.3	191.8	193.3	190.7
<i>Repurchase agreements and Eurodollars</i>								
41 Overnight.....	77.5	74.7	76.3	74.8	73.5	75.7	78.3	81.3
42 Term.....	178.4	158.3	130.1	126.2	140.6	140.7	141.8	142.4
<i>Debt components</i>								
43 Federal debt.....	2,247.5	2,491.3	2,765.0	3,069.8	3,188.9	3,201.8	3,229.4	n.a.
44 Nonfederal debt.....	7,779.0 ⁷	8,176.3 ⁷	8,376.0 ⁷	8,647.4	8,748.9	8,782.7	8,810.9	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 are available from the Money and Reserves Projection 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) overnight (and continuing-contract) repurchase agreements (RPs) issued by all depository institutions and overnight Eurodollars issued to U.S. residents by foreign branches of U.S. banks worldwide, (2) savings (including MMDAs) and small time deposits (time deposits—including retail RPs—in amounts of less than \$100,000), and (3) balances in both taxable and tax-exempt general-purpose and broker-dealer money market funds. Excludes individual retirement accounts (IRAs) and Keogh balances at depository institutions and money market funds. Also excludes all balances held by U.S. commercial banks, money market funds (general purpose and broker-dealer), foreign governments and commercial banks, and the U.S. government. Seasonally adjusted M2 is computed by adjusting its non-M1 component as a whole and then adding this result to seasonally adjusted M1.

M3: M2 plus (1) large time deposits and term RP liabilities (in amounts of \$100,000 or more) issued by all depository institutions, (2) term Eurodollars held by U.S. residents at foreign branches of U.S. banks worldwide and at all banking offices in the United Kingdom and Canada, and (3) balances in both taxable and tax-exempt, institution-only money market funds. Excludes amounts held by depository institutions, the U.S. government, money market funds, and foreign banks and official institutions. Also excluded is the estimated amount of overnight RPs and Eurodollars held by institution-only money market funds. Seasonally adjusted M3 is computed by adjusting its non-M2 component as a whole and then adding this result to seasonally adjusted M2.

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

market fund holdings of these assets. Seasonally adjusted L is computed by summing U.S. savings bonds, short-term Treasury securities, commercial paper, and bankers acceptances, each seasonally adjusted separately, and then adding this result to M3.

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

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

4. Outstanding amount of U.S. dollar-denominated travelers checks of 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) overnight RPs and overnight Eurodollars, (2) money market fund balances (general purpose and broker-dealer), (3) savings deposits (including MMDAs), and (4) small time deposits.

8. Sum of (1) large time deposits, (2) term RPs, (3) term Eurodollars of U.S. residents, and (4) money market fund balances (institution-only), less (5) a consolidation adjustment that represents the estimated amount of overnight RPs and Eurodollars held by institution-only money market funds.

9. Small time deposits—including retail RPs—are those issued in amounts of less than \$100,000. All IRAs and Keogh accounts at commercial banks and thrift institutions are subtracted from small time deposits.

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

11. Large time deposits at commercial banks less those held by money market funds, depository institutions, U.S. government, and foreign banks and official institutions.

1.22 DEPOSIT INTEREST RATES AND AMOUNTS OUTSTANDING Commercial and BIF-insured saving banks¹

Item	1991	1992	1993								
			Jan.	Feb.	Mar.	Apr.	May ^r	June ^r	July ^r	Aug.	Sept.
Interest rates (annual effective yields)											
INSURED COMMERCIAL BANKS											
1 Negotiable order of withdrawal accounts . . .	3.76	2.33	2.32	2.27	2.21	2.15	2.12	2.09	2.06	2.01	1.96
2 Savings deposits ²	4.30	2.88	2.85	2.80	2.73	2.68	2.65	2.61	2.59	2.55	2.51
Interest-bearing time deposits with balances of less than \$100,000, by maturity											
3 7 to 91 days	4.18	2.90	2.86	2.81	2.75	2.72	2.70	2.68	2.67	2.66	2.63
4 92 to 182 days	4.41	3.16	3.13	3.08	3.03	2.99	2.97	2.97	2.97	2.96	2.92
5 183 days to 1 year	4.59	3.37	3.35	3.29	3.22	3.19	3.18	3.19	3.18	3.17	3.12
6 More than 1 year to 2½ years	4.95	3.88	3.88	3.83	3.74	3.66	3.64	3.65	3.64	3.63	3.56
7 More than 2½ years	5.52	4.77	4.72	4.59	4.52	4.47	4.47	4.44	4.43	4.40	4.28
BIF-INSURED SAVINGS BANKS ³											
8 Negotiable order of withdrawal accounts . . .	4.44	2.45	2.40	2.37	2.32	2.25	2.20	2.13	2.09	2.07	2.01
9 Savings deposits ²	4.97	3.20	3.17	3.14	3.05	2.98	2.93	2.88	2.83	2.80	2.73
Interest-bearing time deposits with balances of less than \$100,000, by maturity											
10 7 to 91 days	4.68	3.13	3.06	3.01	2.95	2.91	2.87	2.86	2.80	2.79	2.76
11 92 to 182 days	4.92	3.44	3.38	3.35	3.28	3.23	3.19	3.17	3.15	3.12	3.05
12 183 days to 1 year	4.99	3.61	3.58	3.57	3.52	3.48	3.45	3.44	3.40	3.37	3.33
13 More than 1 year to 2½ years	5.23	4.02	3.94	3.89	3.83	3.86	3.76	3.79	3.72	3.73	3.68
14 More than 2½ years	5.98	5.00	5.02	4.97	4.89	4.84	4.79	4.75	4.73	4.73	4.62
Amounts outstanding (millions of dollars)											
INSURED COMMERCIAL BANKS											
15 Negotiable order of withdrawal accounts . . .	244,637	286,541	277,271	279,944	287,811	280,073	283,860	287,555	284,496	287,675	286,046
16 Savings deposits ²	652,058	738,253	733,836	742,952	747,809	745,038	753,452	754,790	757,716	761,919	758,627
17 Personal	508,191	578,757	579,701	585,189	591,388	586,863	591,231	592,545	593,448	593,318	592,003
18 Nonpersonal	143,867	159,496	154,135	157,764	156,422	158,175	162,221	162,245	164,268	168,601	166,624
Interest-bearing time deposits with balances of less than \$100,000, by maturity											
19 7 to 91 days	47,094	38,474	38,256	36,738	35,459	34,675	33,213	31,743	30,803	30,017	30,307
20 92 to 182 days	158,605	127,831	128,083	128,209	125,630	122,136	119,096	114,846	112,497	109,603	107,778
21 183 days to 1 year	209,672	163,098	160,630	159,631	158,173	156,957	157,559	156,549	156,431	155,074	153,059
22 More than 1 year to 2½ years	171,721	152,977	151,905	151,798	147,798	146,830	144,330	144,804	143,605	141,377	140,086
23 More than 2½ years	158,078	169,708	169,371	172,362	177,558	178,657	179,761	179,297	180,983	181,762	184,375
24 IRA/Keogh Plan deposits	147,266	147,350	147,069	146,841	148,515	147,463	146,450	146,549	146,234	145,624	144,965
BIF-INSURED SAVINGS BANKS ³											
25 Negotiable order of withdrawal accounts . . .	9,624	10,871	9,858	9,821	10,199	9,876	10,000	10,313	10,457	10,468	10,459
26 Savings deposits ²	71,215	81,786	79,271	79,649	77,390	76,970	77,352	77,495	78,390	78,387	78,196
27 Personal	68,638	78,695	76,337	76,634	74,430	74,077	74,376	74,569	75,049	75,153	74,992
28 Nonpersonal	2,577	3,091	2,934	3,016	2,961	2,893	2,976	2,926	3,341	3,234	3,204
Interest-bearing time deposits with balances of less than \$100,000, by maturity											
29 7 to 91 days	4,146	3,867	3,541	3,468	3,201	3,167	3,103	3,022	2,871	2,928	2,886
30 92 to 182 days	21,688	17,345	16,088	15,857	14,468	14,328	14,129	13,808	13,773	13,525	13,261
31 183 days to 1 year	29,715	21,780	20,627	20,301	19,074	18,778	18,520	18,427	18,454	18,143	17,798
32 More than 1 year to 2½ years	25,379	18,442	17,524	17,387	16,842	16,433	16,155	15,972	16,250	16,200	16,160
33 More than 2½ years	18,665	18,845	18,461	18,759	18,564	18,646	18,725	18,989	19,229	19,331	19,610
34 IRA/Keogh Plan accounts	23,007	21,713	21,320	21,260	20,089	19,969	19,861	19,855	19,920	19,802	19,766

1. BIF, Bank Insurance Fund. Data in this table also appear in the Board's H.6 (508) Special Supplementary Table monthly statistical release. For ordering address, see inside front cover. Estimates are based on data collected by the Federal Reserve System from a stratified random sample of about 460 commercial banks and 80 savings banks on the last Wednesday of each period. Data are not

seasonally adjusted and include IRA/Keogh deposits and foreign currency denominated deposits. Data exclude retail repurchase agreements and deposits held in U.S. branches and agencies of foreign banks.

2. Includes personal and nonpersonal money market deposits.

3. BIF-insured savings banks include both mutual and federal savings banks.

1.23 BANK DEBITS AND DEPOSIT TURNOVER¹

Debits are in billions of dollars; turnover is ratio of debits to deposits; monthly data are at annual rates

Bank group, or type of customer	1990 ²	1991 ²	1992 ²	1993					
				Feb.	Mar.	Apr. ^r	May ^r	June	July
DEBITS	Seasonally adjusted								
<i>Demand deposits</i> ³									
1 All insured banks	277,157.5	277,758.0	315,806.1	331,126.3	331,026.3	324,638.7	306,642.9	335,248.5	330,562.7
2 Major New York City banks	131,699.1	137,352.3	165,572.7	176,683.2	166,866.6	163,540.1	155,495.0	170,062.9	166,870.0
3 Other banks	145,458.4	140,405.7	150,233.5	154,443.1	164,159.7	161,098.6	151,147.9	165,185.6	163,692.7
4 Other checkable deposits ⁴	3,349.0	3,645.5	3,788.1	3,601.4	3,572.6	3,524.7	3,284.7	3,620.9	3,390.6
5 Savings deposits (including MMDAs) ⁵	3,483.3	3,266.1	3,331.3	3,363.3	3,562.8	3,523.3	3,436.1	3,637.4	3,665.9
DEPOSIT TURNOVER									
<i>Demand deposits</i> ³									
6 All insured banks	797.8	803.5	832.4	817.3	811.3	792.3	722.8	791.3	777.1
7 Major New York City banks	3,819.8	4,270.8	4,797.9	4,525.8	4,129.1	4,120.9	3,852.9	4,197.5	4,291.2
8 Other banks	464.9	447.9	435.9	421.9	446.6	435.4	393.7	431.1	423.5
9 Other checkable deposits ⁴	16.5	16.2	14.4	12.6	12.5	12.5	11.2	12.3	11.5
10 Savings deposits (including MMDAs) ⁵	6.2	5.3	4.7	4.5	4.8	4.7	4.5	4.7	4.8
DEBITS	Not seasonally adjusted								
<i>Demand deposits</i> ³									
11 All insured banks	277,290.5	277,715.4	315,808.2	303,619.8	339,172.4	324,530.2	306,746.1	345,368.7	332,500.1
12 Major New York City banks	131,784.7	137,307.2	165,595.0	161,174.1	170,855.0	161,923.2	154,606.6	176,874.8	168,018.4
13 Other banks	145,505.8	140,408.3	150,213.3	142,445.7	168,317.4	162,607.0	152,139.5	168,493.9	164,481.7
14 Other checkable deposits ⁴	3,346.7	3,645.6	3,788.1	3,296.7	3,630.2	3,741.6	3,201.0	3,645.9	3,314.9
15 Savings deposits (including MMDAs) ⁵	3,483.0	3,267.7	3,329.0	3,080.3	3,529.2	3,741.3	3,445.0	3,758.1	3,676.3
DEPOSIT TURNOVER									
<i>Demand deposits</i> ³									
16 All insured banks	798.2	803.4	832.5	771.7	854.5	787.0	738.2	818.3	776.7
17 Major New York City banks	3,825.9	4,274.3	4,803.5	4,213.4	4,385.4	4,108.4	3,948.9	4,412.6	4,265.3
18 Other banks	465.0	447.9	436.0	401.1	470.2	436.0	404.2	441.1	423.1
19 Other checkable deposits ⁴	16.4	16.2	14.4	11.6	12.6	12.8	11.1	12.5	11.4
20 Savings deposits (including MMDAs) ⁵	6.2	5.3	4.7	4.1	4.7	5.0	4.5	4.9	4.8

1. Historical tables containing revised data for earlier periods can be obtained from the Banking and Money Market Statistics Section, Division of Monetary Affairs, Board of Governors of the Federal Reserve System, Washington, DC 20551.

Data in this table also appear in the Board's G.6 (406) monthly statistical release. For ordering address, see inside front cover.

2. Annual averages of monthly figures.

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

4. Accounts authorized for negotiable orders of withdrawal (NOWs) and accounts authorized for automatic transfer to demand deposits (ATs).

5. Money market deposit accounts.

A18 Domestic Financial Statistics □ December 1993

1.24 LOANS AND SECURITIES All Commercial Banks¹

Billions of dollars, averages of Wednesday figures

Item	1992			1993								
	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May ²	June ²	July ²	Aug.	Sept.
Seasonally adjusted												
1 Total loans, leases, and securities ²	2,926.0	2,932.4	2,937.6	2,935.3	2,943.9	2,960.2 ²	2,971.3 ²	2,992.5	3,016.0	3,038.6	3,047.2	3,058.1
2 U.S. government securities	647.3	651.4	657.1	656.5	666.2	680.3 ²	691.3 ²	693.9	704.5	708.2	714.6	720.2
3 Other securities	178.8	177.3	176.0	174.5	176.4	178.8 ²	180.4 ²	181.0	179.7	181.2	182.1	182.2
4 Total loans and leases ²	2,099.8	2,103.8	2,104.6	2,104.4	2,101.3	2,101.1 ²	2,099.6 ²	2,117.7	2,131.8	2,149.2	2,150.6	2,155.7
5 Commercial and industrial	600.8	600.5	597.6	598.0	596.7	593.1 ²	587.6 ²	590.7	592.3	591.2	590.6	587.5
6 Bankers acceptances held ³	7.5	7.9	7.7	7.3	8.4	8.5	8.5	9.1	9.0	9.6	10.0	9.2
7 Other commercial and industrial	593.3	592.6	589.9	590.7	588.3	584.5 ²	579.1 ²	581.6	583.3	581.6	580.6	578.3
8 U.S. addressees ⁴	582.6	582.3	580.2	581.2	578.8	574.9 ²	570.0 ²	572.3	574.7	572.6	571.6	569.0
9 Non-U.S. addressees ⁴	10.7	10.3	9.7	9.6	9.5	9.7	9.1	9.3	8.7	9.0	9.0	9.3
10 Real estate	890.7	892.5	892.4	890.8	890.1	892.0 ²	892.8 ²	898.5	904.3	907.6	910.6	914.2
11 Individual	355.8	355.4	355.5	358.4	361.9	362.3	364.1 ²	367.0	368.1	371.8	373.9	375.1
12 Security	64.7	64.2	64.8	63.5	62.8	64.3	62.6	69.1	72.2	82.5	80.5	83.4
13 Nonbank financial institutions	43.9	44.7	43.6	45.1	44.6	44.2	44.8	45.5	45.4	46.0	46.3	45.6
14 Agricultural	35.1	35.2	35.0	34.5	34.3	34.0	34.0	34.2	34.1	34.5	34.6	34.7
15 State and political subdivisions	25.4	25.1	24.8	24.2	23.8	23.7	23.4	23.5	23.6	23.7	23.6	23.2
16 Foreign banks	7.6	7.5	7.7	7.7	8.8	8.5	8.4	8.5	8.7	9.2	9.6	8.8
17 Foreign official institutions	2.4	2.8	2.8	2.9	3.2	3.2	3.2	3.1	3.3	3.3	3.2	3.5
18 Lease-financing receivables	30.8	30.9	30.9	30.4	30.6	30.6	30.7	31.0	31.3	31.7	31.8	31.9
19 All other loans	42.6	45.0	49.5	48.8	44.5	45.3	47.9 ²	46.5	48.7	47.9	45.8	47.7
Not seasonally adjusted												
20 Total loans, leases, and securities ²	2,925.2	2,939.0	2,947.4	2,937.4	2,946.7	2,963.9 ²	2,972.8 ²	2,987.4	3,015.7	3,026.8	3,038.8	3,054.9
21 U.S. government securities	645.1	654.1	655.8	656.9	669.8	685.9 ²	693.1 ²	692.8	702.3	703.5	712.9	717.8
22 Other securities	179.2	178.3	176.2	175.0	176.6	178.6 ²	179.8 ²	180.5	179.2	180.1	181.9	181.8
23 Total loans and leases ²	2,100.9	2,106.6	2,115.4	2,105.5	2,100.3	2,099.4	2,099.9	2,114.1	2,134.3	2,143.3	2,144.0	2,155.3
24 Commercial and industrial	598.4	600.8	600.6	596.4	595.9	596.2 ²	590.6 ²	592.4	594.1	590.2	586.9	584.0
25 Bankers acceptances held ³	7.4	8.2	8.0	7.4	8.8	8.6	8.4	9.0	8.8	9.3	9.7	9.0
26 Other commercial and industrial	591.0	592.6	592.5	589.0	587.1	587.6 ²	582.2 ²	583.4	585.3	580.8	577.2	575.0
27 U.S. addressees ⁴	580.7	582.8	583.0	579.5	577.5	578.1 ²	573.0 ²	574.2	575.8	571.5	568.0	565.8
28 Non-U.S. addressees ⁴	10.3	9.8	9.5	9.5	9.5	9.5	9.2	9.2	9.5	9.3	9.2	9.2
29 Real estate	891.5	893.9	893.7	890.5	888.3	889.5 ²	891.6 ²	898.6	904.6	907.9	911.4	915.0
30 Individual	356.2	356.3	360.0	362.5	361.9	359.8 ²	361.5 ²	365.2	366.2	369.4	373.4	376.8
31 Security	64.2	63.5	65.6	65.0	65.8	66.4	66.0	65.9	71.5	78.3	77.5	81.4
32 Nonbank financial institutions	43.5	45.0	45.6	45.3	44.5	43.9	44.2	44.9	46.0	45.7	46.1	45.0
33 Agricultural	36.1	35.2	34.8	33.6	32.9	32.7 ²	33.2	33.8	34.6	35.4	35.8	36.1
34 State and political subdivisions	25.5	25.2	24.8	24.0	23.7	23.7	23.4	23.5	23.6	23.6	23.6	23.4
35 Foreign banks	7.8	7.8	8.2	7.8	8.6	8.2	8.1	8.3	8.5	9.2	9.3	9.0
36 Foreign official institutions	2.4	2.8	2.8	2.9	3.2	3.2	3.2	3.1	3.3	3.3	3.2	3.5
37 Lease-financing receivables	30.8	30.8	30.9	30.8	30.8	30.8	30.8	31.0	31.3	31.4	31.6	31.7
38 All other loans	44.4	45.4	48.6	46.6	44.6	45.0	47.4	47.3	50.7	48.9	45.3	49.4

1. All commercial banks include domestically chartered insured banks, U.S. branches and agencies of foreign banks, New York state investment companies majority owned by foreign banks, and Edge Act and agreement corporations owned by domestically chartered foreign banks. Data are prorated averages of Wednesday estimates for domestically chartered and foreign related institutions, based on weekly reports of a sample of domestically chartered insured banks and

large branches and agencies and quarterly reports of all domestically chartered insured banks and all agencies, branches, investment companies, and Edge Act and agreement corporation engaged in banking.

2. Adjusted to exclude loans to commercial banks in the United States.

3. Includes nonfinancial commercial paper held.

4. United States includes the fifty states and the District of Columbia.

1.25 MAJOR NONDEPOSIT FUNDS OF COMMERCIAL BANKS¹

Billions of dollars, monthly averages

Source of funds	1992			1993								
	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.
Seasonally adjusted												
1 Total nondeposit funds ²	303.9 ^f	307.7 ^f	311.4 ^f	314.1 ^f	317.4 ^f	331.7 ^f	344.0	341.8	354.3	378.8	389.8	401.3
2 Net balances owed to related foreign offices ³ ...	62.6	67.3	71.1	74.2	73.6	79.5	89.5	84.0	87.2	101.4	115.9	120.7
3 Borrowings from other than commercial banks in United States ⁴	241.3 ^f	240.4 ^f	240.3 ^f	239.9 ^f	243.9 ^f	252.2 ^f	254.5	257.8	267.1	277.4	273.9	280.6
4 Domestically chartered banks.....	155.4 ^f	154.8 ^f	155.9 ^f	156.8 ^f	157.2 ^f	161.4 ^f	167.1	167.5	176.2	186.7	184.1	188.4
5 Foreign-related banks.....	85.9	85.6	84.4	83.1	86.6	90.8	87.4	90.3	90.9	90.7	89.8	92.2
Not seasonally adjusted												
6 Total nondeposit funds ²	306.2 ^f	313.0 ^f	311.4 ^f	312.9 ^f	321.8 ^f	336.7 ^f	340.4	346.6	353.6	372.5	384.6	395.6
7 Net balances owed to related foreign offices ³ ...	63.8	68.9	75.2	76.8	75.4	80.2	86.5	86.1	85.3	98.1	112.1	118.4
8 Domestically chartered banks.....	-13.4	-12.4	-15.0	-15.8	-10.6	-7.0	-9.4	-9.7	-15.3	-15.2	-13.6	-11.2
9 Foreign-related banks.....	77.2	81.4	90.2	92.6	86.0	87.2	96.0	95.8	100.6	113.4	125.7	129.6
10 Borrowings from other than commercial banks in United States ⁴	242.4 ^f	244.1 ^f	236.2 ^f	236.1 ^f	246.4 ^f	256.4 ^f	253.8	260.5	268.3	274.4	272.5	277.2
11 Domestically chartered banks.....	156.5 ^f	159.2 ^f	154.9 ^f	153.7 ^f	159.0 ^f	164.3 ^f	165.1	169.2	176.0	182.8	182.8	187.0
12 Federal funds and security RP borrowings ⁵	153.0 ^f	155.1 ^f	151.0 ^f	150.1 ^f	155.8 ^f	160.9 ^f	161.6	165.4	172.1	178.6	178.7	182.6
13 Other ⁶	3.6	4.1	4.0	3.6	3.2	3.3	3.5	3.8	3.8	4.3	4.0	4.4
14 Foreign-related banks ⁶	85.9	84.8	81.2	82.4	87.4	92.2	88.7	91.4	92.3	91.6	89.7	90.2
MEMO												
Gross large time deposits ⁷												
15 Seasonally adjusted.....	375.7	371.3	366.5	359.9	358.4	355.7	355.0	356.3	352.6	344.6	339.7	335.4
16 Not seasonally adjusted.....	374.9	371.1	365.5	358.0	358.0	356.5	354.2	357.9	354.1	344.2	340.8	335.8
U.S. Treasury demand balances at commercial banks ⁸												
17 Seasonally adjusted.....	21.5	20.7	20.4	25.6	23.6	18.8	24.2	19.1	26.1	30.1	29.4	24.3
18 Not seasonally adjusted.....	21.9	16.5	19.5	33.1	29.5	17.4	20.3	20.3	26.5	25.6	23.8	28.8

1. Commercial banks are nationally and state-chartered banks in the fifty states and the District of Columbia, agencies and branches of foreign banks, New York State investment companies majority owned by foreign banks, and Edge Act and agreement corporations owned by domestically chartered and foreign banks.

Data in this table also appear in the Board's G.10 (411) monthly statistical release. For ordering address, see inside front cover.

2. Includes federal funds, repurchase agreements (RPs), and other borrowing from nonbanks and net balances due to related foreign offices.

3. Reflects net positions of U.S. chartered banks, Edge Act corporations, and U.S. branches and agencies of foreign banks with related foreign offices plus net positions with own international banking facilities (IBFs).

4. Borrowings through any instrument, such as a promissory note or due bill, given for the purpose of borrowing money for the banking business. This includes

borrowings from Federal Reserve Banks and from foreign banks, term federal funds, loan RPs, and sales of participations in pooled loans.

5. Figures are based on averages of daily data reported weekly by approximately 120 large banks and on quarterly or annual data reported by other banks.

6. Figures are partly averages of daily data and partly averages of Wednesday data.

7. Time deposits in denominations of \$100,000 or more. Estimated averages of daily data.

8. U.S. Treasury demand deposits and Treasury tax and loan notes at commercial banks. Averages of daily data.

1.26 ASSETS AND LIABILITIES OF COMMERCIAL BANKS¹ Wednesday figures

Millions of dollars

Account	1993								
	Aug. 4	Aug. 11	Aug. 18	Aug. 25	Sept. 1	Sept. 8	Sept. 15	Sept. 22	Sept. 29
ALL COMMERCIAL BANKING INSTITUTIONS²									
<i>Assets</i>									
1 Loans and securities	3,204,820	3,182,857	3,185,357	3,166,924	3,208,336	3,190,241	3,226,220	3,187,847	3,200,916
2 Investment securities	849,654	847,402	849,265	843,317	852,285	852,837	855,140	855,801	850,057
3 U.S. government securities	683,627	681,024	683,530	678,576	686,597	687,391	689,114	690,288	684,415
4 Other	166,027	166,378	165,734	164,742	165,688	165,446	166,026	165,513	165,642
5 Trading account assets	47,544	44,931	48,856	44,491	48,092	46,601	46,701	44,546	47,166
6 U.S. government securities	31,726	29,252	32,206	28,180	31,484	30,186	30,626	28,704	30,807
7 Other securities	2,897	2,831	2,947	2,724	2,929	2,868	2,711	2,815	2,727
8 Other trading account assets	12,922	12,849	13,703	13,587	13,679	13,547	13,363	13,028	13,632
9 Total loans	2,307,622	2,290,525	2,287,236	2,279,116	2,307,959	2,290,803	2,324,379	2,287,500	2,303,693
10 Interbank loans	154,377	148,046	147,786	142,063	154,923	145,568	158,140	136,332	145,262
11 Loans excluding interbank	2,153,244	2,142,478	2,139,450	2,137,053	2,153,036	2,145,234	2,166,239	2,151,167	2,158,431
12 Commercial and industrial	591,639	589,170	587,628	583,457	584,295	579,810	585,574	584,828	585,726
13 Real estate	910,746	912,608	909,808	909,991	913,913	915,396	915,884	912,665	915,920
14 Revolving home equity	74,520	74,520	74,653	74,662	74,793	74,755	74,799	74,778	74,860
15 Other	836,226	838,088	835,155	835,329	839,120	840,641	841,085	837,888	841,060
16 Individual	372,122	371,702	373,618	374,071	375,171	374,475	376,374	377,421	378,993
17 All other	278,738	268,999	268,397	269,534	279,658	275,553	288,408	276,253	277,792
18 Total cash assets	212,413	206,202	209,816	203,215	245,502	230,370	245,790	211,764	221,957
19 Balances with Federal Reserve Banks	29,555	30,699	30,602	27,708	31,973	33,294	31,776	34,400	31,828
20 Cash in vault	30,545	32,701	33,018	33,405	32,989	33,585	33,812	33,445	33,898
21 Demand balances at U.S. depository institutions	30,975	28,768	29,593	29,403	33,477	32,556	35,701	28,847	31,380
22 Cash items	80,123	73,299	75,033	72,042	107,350	89,924	104,076	75,062	83,476
23 Other cash assets	41,214	40,735	41,570	40,638	39,714	41,012	40,425	40,010	41,374
24 Other assets	284,023	281,279	275,690	271,449	275,510	282,104	280,847	271,188	275,011
25 Total assets	3,701,255	3,670,338	3,670,863	3,641,587	3,729,348	3,702,715	3,752,857	3,670,798	3,697,883
<i>Liabilities</i>									
26 Total deposits	2,520,742	2,503,524	2,486,856	2,478,736	2,546,143	2,532,645	2,570,122	2,470,501	2,491,559
27 Transaction accounts	791,838	776,399	770,731	763,156	831,726	811,387	854,312	767,444	791,887
28 Demand, U.S. government	3,593	2,998	2,927	2,897	5,880	3,056	26,299	3,956	3,284
29 Demand, depository institutions	39,413	36,238	36,820	38,685	44,750	42,613	46,655	37,350	38,939
30 Other demand and all checkable deposits	748,832	737,163	730,985	721,575	781,097	765,717	781,359	726,138	749,663
31 Savings deposits (excluding checkable)	773,168	776,633	769,418	768,047	771,584	778,572	773,510	766,761	764,202
32 Small time deposits	614,213	612,142	610,928	609,552	611,121	610,347	609,177	607,183	606,940
33 Time deposits over \$100,000	341,524	338,350	335,778	337,981	331,712	332,339	333,123	329,112	328,532
34 Borrowings	524,520	512,355	519,993	500,525	520,737	503,276	524,039	534,563	534,156
35 Treasury tax and loan notes	17,805	21,407	17,689	19,180	24,817	10,561	12,531	34,553	35,277
36 Other	506,715	490,948	502,304	481,345	495,920	492,715	511,508	500,010	498,879
37 Other liabilities	365,490	362,701	371,153	369,495	370,263	371,167	363,409	369,877	379,360
38 Total liabilities	3,410,752	3,378,580	3,378,001	3,348,756	3,437,144	3,407,088	3,457,570	3,374,940	3,405,075
39 Residual (assets less liabilities) ³	290,503	291,759	292,861	292,832	292,205	295,627	295,287	295,858	292,808

Footnotes appear on following page.

1.26 ASSETS AND LIABILITIES OF COMMERCIAL BANKS¹ Wednesday figures—Continued

Millions of dollars

Account	1993								
	Aug. 4	Aug. 11	Aug. 18	Aug. 25	Sept. 1	Sept. 8	Sept. 15	Sept. 22	Sept. 29
DOMESTICALLY CHARTERED COMMERCIAL BANKS⁴									
<i>Assets</i>									
40 Loans and securities	2,834,642	2,821,866	2,823,361	2,809,188	2,847,768	2,836,453	2,861,569	2,826,175	2,839,040
41 Investment securities	772,325	773,473	772,899	768,312	777,015	778,421	780,408	780,927	776,260
42 U.S. government securities	630,106	631,019	630,815	626,318	634,526	635,880	637,485	638,505	634,014
43 Other	142,219	142,454	142,084	141,994	142,490	142,541	142,923	142,423	142,246
44 Trading account assets	47,544	44,931	48,856	44,491	48,092	46,601	46,701	44,546	47,166
45 U.S. government securities	31,726	29,252	32,206	28,180	31,484	30,186	30,626	28,704	30,807
46 Other securities	2,897	2,831	2,947	2,724	2,929	2,868	2,711	2,815	2,727
47 Other trading account assets	12,922	12,849	13,703	13,587	13,679	13,547	13,363	13,028	13,632
48 Total loans	2,014,773	2,003,462	2,001,606	1,996,385	2,022,661	2,011,432	2,034,460	2,000,701	2,015,615
49 Interbank loans	133,659	127,230	127,123	124,459	135,297	126,975	135,135	114,911	121,048
50 Loans excluding interbank	1,881,115	1,876,232	1,874,483	1,871,926	1,887,364	1,884,457	1,899,325	1,885,790	1,894,567
51 Commercial and industrial	433,141	430,094	429,175	427,028	428,725	426,208	430,508	430,135	431,365
52 Real estate	863,218	865,381	862,809	861,616	865,567	867,163	867,773	864,675	868,101
53 Revolving home equity	74,520	74,520	74,653	74,662	74,793	74,755	74,799	74,778	74,860
54 Other	788,698	790,861	788,157	786,954	790,774	792,408	792,974	789,897	793,241
55 Individual	372,122	371,702	373,618	374,071	375,171	374,475	376,374	377,421	378,993
56 All other	212,634	209,055	208,881	209,212	217,901	216,611	224,671	213,560	216,107
57 Total cash assets	184,446	179,103	182,705	175,913	218,265	202,854	218,260	184,652	193,762
58 Balances with Federal Reserve Banks	28,621	30,024	29,773	27,145	30,900	32,608	30,713	33,726	30,994
59 Cash in vault	30,511	32,663	32,980	33,369	32,954	33,548	33,773	33,404	33,860
60 Demand balances at U.S. depository institutions	29,664	27,367	28,249	28,110	32,048	31,142	34,197	27,314	29,942
61 Cash items	77,494	71,048	73,095	69,891	105,204	87,545	101,482	72,055	80,171
62 Other cash assets	18,157	18,001	18,608	17,399	17,159	18,011	18,095	18,153	18,795
63 Other assets	187,358	185,913	180,699	175,851	183,917	187,417	186,052	180,216	180,918
64 Total assets	3,206,446	3,186,881	3,186,766	3,160,952	3,249,950	3,226,725	3,265,880	3,191,043	3,213,720
<i>Liabilities</i>									
65 Total deposits	2,372,855	2,358,619	2,343,632	2,333,088	2,404,960	2,391,976	2,426,497	2,328,555	2,347,370
66 Transaction accounts	780,536	765,745	760,355	732,456	820,050	800,068	841,930	754,542	778,126
67 Demand, U.S. government	3,593	2,998	2,926	2,896	5,878	3,056	26,294	3,955	3,283
68 Demand, depository institutions	36,776	33,891	34,408	36,320	42,255	40,014	44,185	34,933	36,256
69 Other demand and all checkable deposits	740,167	728,856	723,021	713,240	771,917	756,998	771,451	715,653	738,587
70 Savings deposits (excluding checkable)	768,502	771,933	764,767	763,392	766,984	773,959	768,910	762,247	759,739
71 Small time deposits	611,733	609,679	608,512	607,101	608,681	607,926	606,749	604,764	604,550
72 Time deposits over \$100,000	212,084	211,262	209,998	210,140	209,245	210,023	208,908	207,003	204,955
73 Borrowings	403,882	399,031	413,509	393,298	411,656	399,918	406,304	429,043	431,447
74 Treasury tax and loan notes	17,805	21,407	17,689	19,180	24,817	10,561	12,531	34,553	35,277
75 Other	386,077	377,624	395,820	374,118	386,839	389,357	393,773	394,490	396,170
76 Other liabilities	142,236	140,503	139,793	144,765	144,160	142,234	140,823	140,617	145,125
77 Total liabilities	2,918,973	2,898,152	2,896,934	2,871,150	2,960,775	2,934,127	2,973,623	2,898,215	2,923,942
78 Residual (assets less liabilities) ³	287,473	288,729	289,832	289,802	289,175	292,598	292,257	292,828	289,778

1. Excludes assets and liabilities of international banking facilities.

2. Includes insured domestically chartered commercial banks, agencies and branches of foreign banks, Edge Act and agreement corporations, and New York State investment corporations majority owned by foreign banks. Data are estimates for the last Wednesday of the month based on a sample of weekly reporting foreign-related and domestic institutions and quarter-end condition reports.

3. This balancing item is not intended as a measure of equity capital for use in capital-adequacy analysis.

4. Includes all member banks and insured nonmember banks. Loans and securities data are estimates for the last Wednesday of the month based on a sample of weekly reporting banks and quarter-end condition reports.

1.27 ASSETS AND LIABILITIES OF LARGE WEEKLY REPORTING COMMERCIAL BANKS

Millions of dollars, Wednesday figures

Account	1993								
	Aug. 4	Aug. 11	Aug. 18	Aug. 25	Sept. 1	Sept. 8	Sept. 15	Sept. 22	Sept. 29
ASSETS									
1 Cash and balances due from depository institutions	106,925	103,659	107,047	101,589	135,356	120,015	135,185	110,278	115,939
2 U.S. Treasury and government securities	302,136	300,574	304,744	296,879	305,747	305,009	305,666	304,336	301,852
3 Trading account	28,975	26,640	29,432	25,650	28,814	27,841	28,292	25,858	26,905
4 Investment account	273,161	273,934	275,312	271,229	276,933	277,168	277,374	278,479	274,946
5 Mortgage-backed securities ¹	87,578	87,353	86,800	86,236	86,712	86,613	85,766	87,263	87,215
All others, by maturity									
6 One year or less	47,964	48,114	50,883	50,269	50,905	50,735	50,761	51,517	49,328
7 One year through five years	70,480	70,694	70,573	69,923	70,517	71,487	72,847	70,629	70,226
8 More than five years	67,140	67,773	67,057	64,802	68,799	68,333	68,000	69,070	68,177
9 Other securities	56,898	57,049	57,322	56,843	57,156	57,195	56,939	56,549	56,277
10 Trading account	2,800	2,734	2,851	2,628	2,832	2,772	2,614	2,717	2,629
11 Investment account	54,098	54,315	54,472	54,216	54,325	54,423	54,326	53,831	53,647
12 State and political subdivisions, by maturity	19,467	19,574	19,744	19,752	19,687	19,742	19,810	19,919	19,997
13 One year or less	3,487	3,522	3,560	3,574	3,548	3,619	3,655	3,701	3,761
14 More than one year	15,980	16,052	16,184	16,178	16,139	16,123	16,154	16,218	16,236
15 Other bonds, corporate stocks, and securities	34,631	34,742	34,727	34,464	34,638	34,681	34,516	33,912	33,650
16 Other trading account assets	12,258	12,094	13,136	12,823	13,039	12,952	12,763	12,650	13,265
17 Federal funds sold ²	91,587	85,317	87,870	86,848	93,973	86,414	102,655	82,726	87,655
18 To commercial banks in the United States	56,407	51,264	53,219	52,207	57,861	49,600	60,424	45,736	52,365
19 To nonbank brokers and dealers	30,389	30,081	30,338	30,391	31,779	31,796	36,209	31,301	29,664
20 To others	4,791	3,972	4,314	4,250	4,333	5,018	6,022	5,689	5,626
21 Other loans and leases, gross	991,250	986,923	983,851	981,326	991,789	987,173	993,324	988,109	995,412
22 Commercial and industrial	273,749	271,296	270,334	268,378	270,071	267,690	271,234	270,683	271,309
23 Bankers acceptances and commercial paper	3,375	3,388	3,417	3,283	3,308	3,230	3,190	3,071	2,829
24 All other	270,374	267,908	266,916	265,095	266,763	264,459	268,045	267,612	268,480
25 U.S. addressees	268,771	266,279	265,284	263,514	265,181	262,952	266,529	266,084	266,958
26 Non-U.S. addressees	1,603	1,629	1,632	1,581	1,582	1,507	1,515	1,528	1,522
27 Real estate loans	402,739	404,323	401,720	400,307	403,003	404,132	403,841	401,296	403,254
28 Revolving, home equity	43,666	43,717	44,164	44,138	44,220	44,150	44,173	44,050	44,090
29 All other	359,073	360,606	357,556	356,169	358,782	359,981	359,668	357,246	359,164
30 To individuals for personal expenditures	189,712	189,495	190,486	191,122	191,526	190,906	191,707	192,364	193,458
31 To financial institutions	39,682	37,074	36,082	35,588	37,361	36,594	35,691	35,964	36,949
32 Commercial banks in the United States	14,580	13,823	13,865	13,504	13,580	12,556	12,207	13,510	13,365
33 Banks in foreign countries	4,242	2,516	2,168	2,415	2,869	2,678	2,500	2,304	2,414
34 Nonbank financial institutions	20,861	20,735	20,049	19,669	20,912	21,360	20,984	20,149	21,170
35 For purchasing and carrying securities	15,505	15,966	16,271	17,428	18,955	17,848	19,696	17,590	19,294
36 To finance agricultural production	5,850	5,831	5,803	5,778	5,802	5,800	5,775	5,736	5,796
37 To states and political subdivisions	13,664	13,688	13,707	13,679	13,587	13,442	13,380	13,448	13,398
38 To foreign governments and official institutions	1,285	1,336	1,142	1,210	1,285	1,272	1,318	1,259	1,499
39 All other loans	24,084	22,956	23,379	22,890	25,183	24,480	25,631	24,698	25,288
40 Lease-financing receivables	24,981	24,959	24,927	24,946	25,017	25,009	25,050	25,071	25,167
41 LESS: Unearned income	2,096	2,104	2,053	2,048	2,031	2,018	2,007	2,055	2,033
42 Loan and lease reserve ³	35,728	35,794	35,782	35,761	35,743	35,968	36,017	35,924	35,604
43 Other loans and leases, net	953,426	949,026	946,015	943,517	954,015	949,188	955,299	950,130	957,776
44 Other assets	172,891	170,625	167,281	162,849	169,057	170,962	171,368	166,586	167,347
45 Total assets	1,696,120	1,678,344	1,683,415	1,661,348	1,728,343	1,701,735	1,739,875	1,683,255	1,700,110

Footnotes appear on the following page.

1.27 ASSETS AND LIABILITIES OF LARGE WEEKLY REPORTING COMMERCIAL BANKS—Continued

Millions of dollars, Wednesday figures

Account	1993								
	Aug. 4	Aug. 11	Aug. 18	Aug. 25	Sept. 1	Sept. 8	Sept. 15	Sept. 22	Sept. 29
LIABILITIES									
46 Deposits	1,120,441	1,111,225	1,102,743	1,094,028	1,144,696	1,128,826	1,163,389	1,090,582	1,103,563
47 Demand deposits	280,691	274,039	274,219	269,278	312,046	291,209	330,484	272,075	290,592
48 Individuals, partnerships, and corporations	230,291	228,027	225,372	221,587	253,265	239,411	255,717	223,077	237,155
49 Other holders	50,401	46,012	48,848	47,691	58,781	51,798	74,767	48,998	53,438
50 States and political subdivisions	9,276	8,374	8,815	8,390	9,857	7,952	9,242	8,932	8,672
51 U.S. government	2,295	1,821	1,763	1,806	3,954	1,866	20,438	2,882	2,148
52 Depository institutions in the United States	22,478	20,248	21,249	22,670	27,578	24,929	28,668	20,960	22,406
53 Banks in foreign countries	5,315	5,289	4,608	5,182	5,084	5,451	5,503	5,760	5,559
54 Foreign governments and official institutions	801	716	721	627	632	689	629	618	556
55 Certified and officers' checks	10,236	9,564	11,691	9,016	11,677	10,911	10,288	9,845	14,096
56 Transaction balances other than demand deposits	122,554	119,861	119,366	117,887	122,574	123,429	123,601	118,063	117,095
57 Nontransaction balances	717,196	717,325	709,158	706,863	710,076	714,188	709,305	700,444	695,875
58 Individuals, partnerships, and corporations	693,335	693,365	685,488	682,963	686,727	691,110	686,906	678,149	673,866
59 Other holders	23,861	23,960	23,670	23,900	23,349	23,078	22,399	22,296	22,009
60 States and political subdivisions	18,932	19,044	19,069	19,257	18,863	18,919	18,262	18,172	18,185
61 U.S. government	2,694	2,705	2,671	2,672	2,633	2,317	2,310	2,310	1,991
62 Depository institutions in the United States	1,922	1,898	1,614	1,658	1,544	1,514	1,494	1,482	1,502
63 Foreign governments, official institutions, and banks	313	312	317	313	308	328	333	332	330
64 Liabilities for borrowed money ⁵	312,968	307,224	319,779	301,370	317,547	307,965	312,500	328,700	329,202
65 Borrowings from Federal Reserve Banks	0	0	30	0	0	0	0	0	0
66 Treasury tax and loan notes	15,094	18,417	15,400	16,524	21,442	9,165	10,881	29,860	30,306
67 Other liabilities for borrowed money ⁶	297,874	288,807	304,349	284,846	296,105	298,800	301,619	298,840	298,896
68 Other liabilities (including subordinated notes and debentures)	110,304	107,699	107,784	112,589	112,565	110,488	109,140	109,118	113,858
69 Total liabilities	1,543,713	1,526,148	1,530,306	1,507,987	1,574,809	1,547,279	1,585,029	1,528,400	1,546,623
70 Residual (total assets less total liabilities) ⁷	152,407	152,196	153,109	153,362	153,534	154,456	154,846	154,855	153,487
MEMO									
71 Total loans and leases, gross, adjusted, plus securities ⁸	1,383,141	1,376,870	1,379,839	1,369,008	1,390,264	1,386,586	1,398,716	1,385,123	1,388,730
72 Time deposits in amounts of \$100,000 or more	104,353	103,481	102,147	102,265	101,747	102,128	101,191	99,057	96,795
73 Loans sold outright to affiliates ⁹	821	816	814	814	789	786	786	786	828
74 Commercial and industrial	402	401	400	400	402	402	402	402	401
75 Other	419	415	414	414	387	384	384	385	427
76 Foreign branch credit extended to U.S. residents ¹⁰	21,843	21,653	21,936	21,552	21,299	21,825	21,512	21,303	20,688
77 Net owed to related institutions abroad	-18,439	-20,863	-18,220	-8,666	-14,014	-17,440	-16,447	-10,531	-9,715

1. Includes certificates of participation, issued or guaranteed by agencies of the U.S. government, in pools of residential mortgages.

2. Includes securities purchased under agreements to resell.

3. Includes allocated transfer risk reserve.

4. Includes negotiable order of withdrawal accounts (NOWs), automatic transfer service (ATS), and telephone and preauthorized transfers of savings deposits.

5. Includes borrowings only from other than directly related institutions.

6. Includes federal funds purchased and securities sold under agreements to repurchase.

7. This balancing item is not intended as a measure of equity capital for use in capital-adequacy analysis.

8. Excludes loans to and federal funds transactions with commercial banks in the United States.

9. Affiliates include a bank's own foreign branches, nonconsolidated nonbank affiliates of the bank, the bank's holding company (if not a bank), and nonconsolidated nonbank subsidiaries of the holding company.

10. Credit extended by foreign branches of domestically chartered weekly reporting banks to nonbank U.S. residents. Consists mainly of commercial and industrial loans, but includes an unknown amount of credit extended to other than nonfinancial businesses.

NOTE: Data that formerly appeared in table 1.28, Assets and Liabilities of Large Weekly Reporting Commercial Banks in New York City, can be obtained from the Board's H.4.2 (504) weekly statistical release. For ordering address, see inside front cover.

1.28 LARGE WEEKLY REPORTING U.S. BRANCHES AND AGENCIES OF FOREIGN BANKS Assets and Liabilities¹

Millions of dollars, Wednesday figures

Account	1993								
	Aug. 4	Aug. 11	Aug. 18	Aug. 25	Sept. 1	Sept. 8	Sept. 15	Sept. 22	Sept. 29
ASSETS									
1 Cash and balances due from depository institutions	18,578	18,029	18,057	18,157	18,096	18,325	18,324	18,018	18,797
2 U.S. Treasury and government agency securities	34,469	32,277	34,084	33,723	33,571	33,267	33,324	33,405	32,542
3 Other securities	8,627	8,698	8,604	8,243	8,406	8,311	8,382	8,372	8,497
4 Federal funds sold ¹	28,367	25,129	24,059	22,056	23,073	21,770	26,035	25,025	26,975
5 To commercial banks in the United States	5,913	6,099	6,027	4,259	5,462	4,871	7,295	6,550	7,791
6 To others ²	22,454	19,030	18,032	17,797	17,612	16,899	18,741	18,474	19,184
7 Other loans and leases, gross	161,714	160,915	161,010	161,226	161,705	158,976	161,693	160,633	159,255
8 Commercial and industrial	97,719	98,357	98,084	96,604	95,979	94,904	95,759	95,454	95,347
9 Bankers acceptances and commercial paper	2,800	2,795	2,879	2,752	2,776	2,708	2,664	2,616	2,466
10 All other	94,919	95,562	95,204	93,851	93,203	92,196	93,095	92,838	92,881
11 U.S. addressees	91,710	92,270	91,902	90,529	89,876	88,835	89,742	89,506	89,565
12 Non-U.S. addressees	3,209	3,293	3,303	3,322	3,327	3,360	3,353	3,332	3,316
13 Loans secured by real estate	30,937	30,835	30,720	31,562	31,516	31,500	31,403	31,301	31,226
14 To financial institutions	26,380	25,980	26,416	26,745	26,281	25,094	25,629	25,157	23,545
15 Commercial banks in the United States	5,419	5,327	5,321	5,273	5,248	5,253	5,411	5,219	5,628
16 Banks in foreign countries	2,322	2,097	2,293	2,191	2,208	2,202	2,288	2,051	1,946
17 Nonbank financial institutions	18,639	18,557	18,802	19,282	18,825	17,640	17,930	17,887	15,971
18 For purchasing and carrying securities	3,817	3,016	2,946	3,508	5,175	4,099	5,371	5,070	5,233
19 To foreign governments and official institutions	395	390	411	412	435	418	467	472	497
20 All other	2,467	2,337	2,433	2,394	2,319	2,959	3,065	3,178	3,407
21 Other assets (claims on nonrelated parties) ..	32,268	32,062	31,352	31,113	31,060	31,814	31,553	30,764	32,466
22 Total assets ³	309,383	302,055	302,468	300,233	299,435	297,234	304,327	299,665	302,511
LIABILITIES									
23 Deposits or credit balances owed to other than directly-related institutions	95,274	93,629	93,261	94,332	90,944	90,850	92,160	91,297	93,056
24 Demand deposits ⁴	4,395	4,083	4,008	4,163	4,589	4,530	4,991	5,230	5,706
25 Individuals, partnerships, and corporations	3,290	3,097	3,161	3,301	3,403	3,712	3,856	3,878	4,260
26 Other	1,105	985	847	863	1,186	818	1,135	1,351	1,445
27 Nontransaction accounts	90,879	89,546	89,253	90,169	86,355	86,320	87,169	86,068	87,350
28 Individuals, partnerships, and corporations	62,969	61,237	61,017	62,124	59,466	60,054	61,263	60,438	60,570
29 Other	27,911	28,309	28,236	28,045	26,888	26,267	25,906	25,629	26,780
30 Borrowings from other than directly-related institutions	87,563	82,716	77,645	78,555	80,645	76,788	86,750	78,680	76,345
31 Federal funds purchased ⁵	51,458	46,956	41,105	40,473	41,844	38,064	48,182	39,112	38,009
32 From commercial banks in the United States	16,309	13,249	9,770	12,960	13,633	11,291	19,563	9,475	12,027
33 From others	35,149	33,707	31,335	27,513	28,211	26,774	28,619	29,638	25,982
34 Other liabilities for borrowed money	36,106	35,760	36,540	38,081	38,801	38,723	38,568	39,568	38,336
35 To commercial banks in the United States	6,892	6,321	6,796	5,682	4,856	4,380	4,884	4,360	4,519
36 To others	29,214	29,439	29,744	32,399	33,945	34,343	33,684	35,208	33,817
37 Other liabilities to nonrelated parties	31,202	29,389	29,241	29,494	29,319	29,581	29,000	29,407	30,258
38 Total liabilities ⁶	309,383	302,055	302,468	300,233	299,435	297,234	304,327	299,665	302,511
MEMO									
39 Total loans (gross) and securities, adjusted ⁷ ..	221,845	215,594	216,409	215,717	216,045	212,200	216,729	215,665	213,850
40 Net owed to related institutions abroad	69,982	71,377	77,019	72,138	75,003	75,244	71,403	76,833	78,872

1. Includes securities purchased under agreements to resell.
2. Includes transactions with nonbank brokers and dealers in securities.
3. Includes net due from related institutions abroad for U.S. branches and agencies of foreign banks having a net "due from" position.
4. Includes other transaction deposits.

5. Includes securities sold under agreements to repurchase.
6. Includes net owed to related institutions abroad for U.S. branches and agencies of foreign banks having a net "due to" position.
7. Excludes loans to and federal funds transactions with commercial banks in the United States.

1.32 COMMERCIAL PAPER AND BANKERS DOLLAR ACCEPTANCES OUTSTANDING

Millions of dollars, end of period

Item	Year ending December					1993					
	1988	1989	1990	1991	1992	Mar.	Apr.	May	June	July	Aug.
Commercial paper (seasonally adjusted unless noted otherwise)											
1 All issuers	458,464	525,831	562,656	531,724	549,433	534,118	535,966	541,761	544,107	539,149	545,527
Financial companies ¹											
Dealer-placed paper ²											
2 Total	159,777	183,622	214,706	213,823	228,260	218,925	210,230	214,558	221,834	210,224	216,245
3 Bank-related (not seasonally adjusted) ³	1,248	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Directly placed paper ⁴											
4 Total	194,931	210,930	200,036	183,379	172,813	171,959	175,384	174,558	171,479	170,192	172,093
5 Bank-related (not seasonally adjusted) ³	43,155	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
6 Nonfinancial companies ⁵	103,756	131,279	147,914	134,522	148,360	143,234	150,352	152,645	150,794	158,733	157,189
Bankers dollar acceptances (not seasonally adjusted) ⁶											
7 Total	66,631	62,972	54,771	43,770	38,200	34,939	35,317	34,927	34,149	33,120	32,572
By holder											
8 Accepting banks	9,086	9,433	9,017	11,017	10,561	11,036	10,688	11,096	11,568	11,422	12,370
9 Own bills	8,022	8,510	7,930	9,347	9,103	9,162	9,315	9,786	10,236	10,140	10,663
10 Bills bought from other banks	1,064	924	1,087	1,670	1,458	1,873	1,372	1,310	1,333	1,282	1,707
Federal Reserve Banks											
11 Foreign correspondents	1,493	1,066	918	1,739	1,276	1,108	909	690	613	582	635
12 Others	56,052	52,473	44,836	31,014	26,364	22,795	23,720	23,141	21,967	21,116	19,567
By basis											
13 Imports into United States	14,984	15,651	13,095	12,843	12,212	11,129	10,746	10,274	10,066	10,149	10,422
14 Exports from United States	14,410	13,683	12,703	10,351	8,096	7,304	7,629	7,809	7,650	7,673	7,534
15 All other	37,237	33,638	28,973	20,577	17,893	16,506	16,942	16,844	16,433	15,299	14,616

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. Series were discontinued in January 1989.

4. As reported by financial companies that place their paper directly with investors.

5. Includes public utilities and firms engaged primarily in such activities as communications, construction, manufacturing, mining, wholesale and retail trade, transportation, and services.

6. Data on bankers dollar acceptances are gathered from approximately 100 institutions. The reporting group is revised every January.

7. In 1977 the Federal Reserve discontinued operations in bankers dollar acceptances for its own account.

1.33 PRIME RATE CHARGED BY BANKS Short-Term Business Loans¹

Percent per year

Date of change	Rate	Period	Average rate	Period	Average rate	Period	Average rate
1990— Jan. 1	10.50	1990	10.01	1991— Jan.	9.52	1992— June	6.50
8	10.00	1991	8.46	Feb.	9.05	July	6.02
		1992	6.25	Mar.	9.00	Aug.	6.00
1991— Jan. 2	9.50			Apr.	9.00	Sept.	6.00
Feb. 4	9.00	1990— Jan.	10.11	May	8.50	Oct.	6.00
May 1	8.50	Feb.	10.00	June	8.50	Nov.	6.00
Sept. 13	8.00	Mar.	10.00	July	8.50	Dec.	6.00
Nov. 6	7.50	Apr.	10.00	Aug.	8.50		
Dec. 23	6.50	May	10.00	Sept.	8.20	1993— Jan.	6.00
1992— July 2	6.00	June	10.00	Oct.	8.00	Feb.	6.00
		July	10.00	Nov.	7.58	Mar.	6.00
		Aug.	10.00	Dec.	7.21	Apr.	6.00
		Sept.	10.00			May	6.00
		Oct.	10.00	1992— Jan.	6.50	June	6.00
		Nov.	10.00	Feb.	6.50	July	6.00
		Dec.	10.00	Mar.	6.50	Aug.	6.00
				Apr.	6.50	Sept.	6.00
				May	6.50	Oct.	6.00

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

Averages, percent per year; figures are averages of business day data unless otherwise noted

Item	1990	1991	1992	1993				1993, week ending				
				June	July	Aug.	Sept.	Aug. 27	Sept. 3	Sept. 10	Sept. 17	Sept. 24
MONEY MARKET INSTRUMENTS												
1 Federal funds ^{1,2,3}	8.10	5.69	3.52	3.04	3.06	3.03	3.09	2.98	3.08	2.99	3.03	3.12
2 Discount window borrowing ⁴	6.98	5.45	3.25	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00
Commercial paper ^{3,5,6}												
3 1-month	8.15	5.89	3.71	3.19	3.15	3.14	3.14	3.11	3.14	3.12	3.14	3.15
4 3-month	8.06	5.87	3.75	3.25	3.20	3.18	3.16	3.14	3.16	3.13	3.15	3.16
5 6-month	7.95	5.85	3.80	3.38	3.35	3.33	3.25	3.27	3.27	3.22	3.24	3.26
Finance paper, directly placed ^{3,5,7}												
6 1-month	8.00	5.73	3.62	3.12	3.08	3.08	3.07	3.03	3.07	3.05	3.07	3.08
7 3-month	7.87	5.71	3.65	3.16	3.12	3.13	3.09	3.11	3.11	3.09	3.09	3.09
8 6-month	7.53	5.60	3.63	3.16	3.15	3.16	3.11	3.15	3.13	3.10	3.11	3.11
Bankers acceptances ^{3,5,8}												
9 3-month	7.93	5.70	3.62	3.16	3.12	3.10	3.07	3.08	3.08	3.06	3.08	3.08
10 6-month	7.80	5.67	3.67	3.28	3.26	3.23	3.17	3.20	3.18	3.16	3.18	3.17
Certificates of deposit, secondary market ⁹												
11 1-month	8.15	5.82	3.64	3.13	3.10	3.09	3.09	3.09	3.09	3.08	3.09	3.10
12 3-month	8.15	5.83	3.68	3.21	3.16	3.14	3.12	3.14	3.13	3.11	3.12	3.11
13 6-month	8.17	5.91	3.76	3.36	3.34	3.32	3.24	3.27	3.26	3.22	3.26	3.24
14 Eurodollar deposits, 3-month ^{3,10}	8.16	5.86	3.70	3.21	3.17	3.14	3.08	3.13	3.11	3.06	3.08	3.06
U.S. Treasury bills												
Secondary market ^{1,5}												
15 3-month	7.50	5.38	3.43	3.07	3.04	3.02	2.95	3.00	2.99	2.96	2.96	2.93
16 6-month	7.46	5.44	3.54	3.20	3.16	3.14	3.06	3.10	3.09	3.06	3.07	3.06
17 1-year	7.35	5.52	3.71	3.39	3.33	3.30	3.22	3.24	3.21	3.18	3.24	3.26
Auction average ^{3,5,11}												
18 3-month	7.51	5.42	3.45	3.10	3.05	3.05	2.96	3.02	3.02	2.95	2.98	2.93
19 6-month	7.47	5.49	3.57	3.23	3.15	3.17	3.06	3.12	3.11	3.03	3.06	3.06
20 1-year	7.36	5.54	3.75	3.40	3.42	3.30	3.27	3.30	n.a.	n.a.	n.a.	3.27
U.S. TREASURY NOTES AND BONDS												
Constant maturities ¹²												
21 1-year	7.89	5.86	3.89	3.54	3.47	3.44	3.36	3.37	3.34	3.32	3.38	3.39
22 2-year	8.16	6.49	4.77	4.16	4.07	4.00	3.85	3.88	3.83	3.79	3.88	3.90
23 3-year	8.26	6.82	5.30	4.53	4.43	4.36	4.17	4.22	4.16	4.09	4.19	4.22
24 5-year	8.37	7.37	6.19	5.22	5.09	5.03	4.73	4.87	4.76	4.66	4.73	4.80
25 7-year	8.52	7.68	6.63	5.61	5.48	5.35	5.08	5.18	5.09	5.00	5.10	5.16
26 10-year	8.55	7.86	7.01	5.96	5.81	5.68	5.36	5.51	5.41	5.28	5.35	5.44
27 30-year	8.61	8.14	7.67	6.81	6.63	6.32	6.00	6.16	6.06	5.90	5.98	6.09
Composite												
28 More than 10 years (long-term)	8.74	8.16	7.52	6.55	6.34	6.18	5.94	6.08	5.97	5.84	5.93	6.03
STATE AND LOCAL NOTES AND BONDS												
Moody's series ¹³												
29 Aaa	6.96	6.56	6.09	5.35	5.27	5.37	n.a.	5.33	5.33	5.33	5.27	5.23
30 Baa	7.29	6.99	6.48	5.80	5.74	5.84	n.a.	5.82	5.82	5.82	5.78	5.74
31 Bond Buyer series ¹⁴	7.27	6.92	6.44	5.63	5.57	5.45	5.29	5.35	5.35	5.24	5.27	5.30
CORPORATE BONDS												
32 Seasoned issues, all industries ¹⁵	9.77	9.23	8.55	7.66	7.50	7.19	6.98	7.04	6.95	6.87	6.96	7.08
Rating group												
33 Aaa	9.32	8.77	8.14	7.33	7.17	6.85	6.66	6.71	6.61	6.51	6.66	6.79
34 Aa	9.56	9.05	8.46	7.51	7.35	7.06	6.85	6.91	6.82	6.74	6.85	6.96
35 A	9.82	9.30	8.62	7.74	7.53	7.25	7.05	7.11	7.02	6.95	7.02	7.15
36 Baa	10.36	9.80	8.98	8.07	7.93	7.60	7.34	7.43	7.34	7.26	7.33	7.43
37 A-rated, recently offered utility bonds ¹⁶	10.01	9.32	8.52	7.59	7.43	7.16	6.94	6.97	6.83	6.85	6.99	7.07
MEMO												
Dividend-price ratio ¹⁷												
38 Preferred stocks	8.96	8.17	7.46	6.97	6.89	6.83	6.70	6.85	6.85	6.79	6.76	6.76
39 Common stocks	3.61	3.24	2.99	2.81	2.81	2.76	2.73	2.73	2.71	2.75	2.72	2.76

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. An average of offering rates on commercial paper placed by several leading dealers for firms whose bond rating is AA or the equivalent.

7. An average of offering rates on paper directly placed by finance companies.

8. Representative closing yields for acceptances of the highest-rated money center banks.

9. An average of dealer offering rates on nationally traded certificates of deposit.

10. Bid rates for Eurodollar deposits at 11:00 a.m. London time. Data are for indication purposes only.

11. Auction date for daily data; weekly and monthly averages computed on an issue-date basis.

12. Yields on actively traded issues adjusted to constant maturities. Source: U.S. Treasury.

13. General obligations based on Thursday figures; Moody's Investors Service.

14. General obligations only, with twenty years to maturity, issued by twenty state and local governmental units of mixed quality. Based on figures for Thursday.

15. Daily figures from Moody's Investors Service. Based on yields to maturity on selected long-term bonds.

16. Compilation of the Federal Reserve. This series is an estimate of the yield on recently offered, A-rated utility bonds with a thirty-year maturity and five years of call protection. Weekly data are based on Friday quotations.

17. Standard & Poor's corporate series. Preferred stock ratio is based on a sample of ten issues: four public utilities, four industrials, one financial, and one transportation. Common stock ratio is based on the 500 stocks in the price index.

NOTE: 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	1990	1991	1992	1993								
				Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.
Prices and trading volume (averages of daily figures)												
Common stock prices (indexes)												
1 New York Stock Exchange (Dec. 31, 1965 = 50)	183.66	206.35	229.00	239.75	243.41	248.12	244.72	246.02	247.16	247.85	251.93	254.86
2 Industrial	226.06	258.16	284.26	292.11	294.40	298.75	292.19	297.83	298.78	295.34	298.83	300.92
3 Transportation	158.80	173.97	201.02	221.00	226.96	229.42	237.97	237.80	234.30	238.30	250.82	247.74
4 Utility	90.72	92.64	99.48	105.52	109.45	112.53	113.78	111.21	113.27	116.27	118.72	122.32
5 Finance	133.21	150.84	179.29	203.38	209.93	217.01	216.02	209.40	209.75	218.89	224.96	229.35
6 Standard & Poor's Corporation (1941-43 = 10) ¹	335.01	376.20	415.75	435.40	441.76	450.15	443.08	445.25	448.06	447.29	454.13	459.24
7 American Stock Exchange (Aug. 31, 1973 = 50) ²	338.32	360.32	391.28	402.75	409.39	418.56	418.54	429.72	436.13	434.99	444.75	454.91
Volume of trading (thousands of shares)												
8 New York Stock Exchange	156,359	179,411	202,558	266,011	288,540	251,170	279,778	255,843	250,230	247,574	247,324	261,770
9 American Stock Exchange	13,155	12,486	14,171	17,184	18,154	16,150	15,521	20,433	17,753 ³	17,744 ⁴	19,352	18,889
Customer financing (millions of dollars, end-of-period balances)												
10 Margin credit at broker-dealers ³	28,210	36,660	43,990	44,020	44,290	45,160	47,420	48,630	49,550	49,080	52,760	53,700
Free credit balances at brokers ⁴												
11 Margin accounts ⁵	8,050	8,290	8,970	8,980	9,790	9,650	9,805	9,560	9,820	9,585	9,480	10,030
12 Cash accounts	19,285	19,255	22,510	20,360	22,190	21,395	21,450	21,610	22,625	21,475	21,915	23,170
Margin requirements (percent of market value and effective date) ⁵												
	Mar. 11, 1968	June 8, 1968	May 6, 1970	Dec. 6, 1971	Nov. 24, 1972	Jan. 3, 1974						
13 Margin stocks	70	80	65	55	65	50						
14 Convertible bonds	50	60	50	50	50	50						
15 Short sales	70	80	65	55	65	50						

1. Effective July 1976, includes a new financial group, banks and insurance companies. With this change the index includes 400 industrial stocks (formerly 425), 20 transportation (formerly 15 rail), 40 public utility (formerly 60), and 40 financial.

2. On July 5, 1983, the American Stock Exchange rebased its index, effectively cutting previous readings in half.

3. Since July 1983, under the revised Regulation T, margin credit at broker-dealers has included credit extended against stocks, convertible bonds, stocks acquired through 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.

4. Free credit balances are amounts in accounts with no unfulfilled commitments to brokers and are subject to withdrawal by customers on demand.

5. New series since June 1984.

6. These requirements, stated in regulations adopted by the Board of Governors pursuant to the Securities Exchange Act of 1934, limit the amount of credit that can be used to purchase and carry "margin securities" (as defined in the regulations) when such credit is collateralized by securities. Margin requirements

on securities other than options are the difference between the market value (100 percent) and the maximum loan value of collateral as prescribed by the Board. Regulation T was adopted effective Oct. 15, 1934; Regulation U, effective May 1, 1936; Regulation G, effective Mar. 11, 1968; and Regulation X, effective Nov. 1, 1971.

On Jan. 1, 1977, the Board of Governors for the first time established in Regulation T the initial margin required for writing options on securities, setting it at 30 percent of the current market value of the stock underlying the option. On Sept. 30, 1985, the Board changed the required initial margin, allowing it to be the same as the option maintenance margin required by the appropriate exchange or self-regulatory organization; such maintenance margin rules must be approved by the Securities and Exchange Commission. Effective Jan. 31, 1986, the SEC approved new maintenance margin rules, permitting margins to be the price of the option plus 15 percent of the market value of the stock underlying the option.

Effective June 8, 1988, margins were set to be the price of the option plus 20 percent of the market value of the stock underlying the option (or 15 percent in the case of stock-index options).

1.38 FEDERAL FISCAL AND FINANCING OPERATIONS

Millions of dollars

Type of account or operation	Fiscal year			Calendar year					
	1991	1992	1993	1993					
				Apr.	May	June	July	Aug.	Sept.
<i>U.S. budget¹</i>									
1 Receipts, total	1,054,264	1,090,453	1,153,175	132,021 ^r	70,640 ^r	128,568 ^r	80,633 ^r	86,741 ^r	127,469
2 On-budget	760,380	788,027	841,241	96,312 ^r	44,518 ^r	98,662 ^r	57,146 ^r	62,060 ^r	98,609
3 Off-budget	293,885	302,426	311,934	35,709	26,122	29,906	23,487	24,681	28,860
4 Outlays, total	1,323,785	1,380,794 ^r	1,408,122	123,930 ^r	107,603 ^r	117,469 ^r	120,211 ^r	109,819 ^r	119,168
5 On-budget	1,082,098	1,128,455 ^r	1,142,110	101,757 ^r	83,208 ^r	103,475 ^r	96,245 ^r	84,953 ^r	91,039
6 Off-budget	241,687	252,339 ^r	266,012	22,174	24,395	13,994	23,965	24,867	28,130
7 Surplus or deficit (-), total	-269,521	-290,340 ^r	-254,948	8,091	-36,963	11,099	-39,577	-23,078 ^r	8,300
8 On-budget	-321,719	-340,428 ^r	-300,869	-5,445	-38,690	-4,813	-39,099	-22,893 ^r	7,570
9 Off-budget	52,198	50,087 ^r	45,922	13,535	1,727	15,912	-478	-186	730
<i>Source of financing (total)</i>									
10 Borrowing from the public	276,802	310,918	248,619	5,464	30,832	24,757	1,055	54,301	-9,346
11 Operating cash (decrease, or increase (-))	-1,329	-17,305	6,283	-18,945	20,196	-40,288	32,447	-12,652	-11,713
12 Other ²	-5,952	-3,273 ^r	46	5,390	-14,065	4,432	6,075	-18,571 ^r	12,759
MEMO									
13 Treasury operating balance (level, end of period)	41,484	58,789	52,506	40,496	20,300	60,588	28,141	40,793	52,506
14 Federal Reserve Banks	7,928	24,586	17,289	7,273	5,787	28,386	5,818	7,975	17,289
15 Tax and loan accounts	33,556	34,203	35,217	33,223	14,514	32,202	22,324	32,818	35,217

1. In accordance with the Balanced Budget and Emergency Deficit Control Act of 1985, all former off-budget entries are now presented on-budget. Federal Financing Bank (FFB) activities are now shown as separate accounts under the agencies that use the FFB to finance their programs. The act has also moved two social security trust funds, (federal old-age survivors insurance and federal disability insurance) off-budget. The Postal Service is included as an off-budget item in the *Monthly Treasury Statement* beginning in 1990.

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.

Sources. U.S. Department of the Treasury, *Monthly Treasury Statement of Receipts and Outlays of the U.S. Government* and Office of Management and Budget, *Budget of the U.S. Government*.

1.39 U.S. BUDGET RECEIPTS AND OUTLAYS¹

Millions of dollars

Source or type	Fiscal year		Calendar year						
	1992 ^f	1993	1991	1992		1993	1993		
			H2	H1	H2	H1	July	Aug.	Sept.
RECEIPTS									
1 All sources	1,090,453	1,153,175	519,165	560,318	540,472 ^f	593,200 ^f	80,633 ^f	86,741	127,469
2 Individual income taxes, net	475,964	509,680	234,939	236,576	246,938 ^f	255,556 ^f	37,483 ^f	39,440	55,653
3 Withheld	408,352	430,427	210,552	198,868	215,591	210,066	36,396	36,751	31,991
4 Presidential Election Campaign Fund	30	28	1	20	10	25	2	0	0
5 Nonwithheld	149,342	154,772	33,296	110,995	39,284	113,482	2,759	3,928	25,579
6 Refunds	81,760	75,546	8,910	73,308	7,937 ^f	67,468	1,668	1,235	1,918
Corporation income taxes									
7 Gross receipts	117,951	131,548	54,016	61,682	58,022	69,044	3,848	2,422	25,909
8 Refunds	17,680	14,027	8,649	9,403	7,219	7,198	1,154	479	1,398
9 Social insurance taxes and contributions, net	413,689	428,300	186,839	224,569	192,599	227,177	32,284	36,657	37,768
10 Employment taxes and contributions ²	385,491	396,939	175,802	208,110	180,758	208,776	30,156	31,447	36,908
11 Self-employment taxes and contributions ³	24,421	20,604	3,306	20,434	3,988	16,270	104	0	4,231
12 Unemployment insurance	23,410	26,556	8,721	14,070	9,397	16,074	1,709	4,810	413
13 Other net receipts ⁴	4,788	4,805	2,317	2,389	2,445	2,326	419	400	447
14 Excise taxes	45,569	48,057	24,429	22,389	23,456	23,398	4,214	4,295	4,385
15 Customs deposits	17,359	18,802	8,694	8,146	9,497	8,860	1,761	1,828	1,646
16 Estate and gift taxes	11,143	12,577	5,507	5,701	5,733	6,494	944	1,150	1,049
17 Miscellaneous receipts ⁵	26,459	18,239	13,390	10,658	11,446 ^f	9,867	1,252	1,429	2,456
OUTLAYS									
18 All types	1,380,794	1,408,122	694,345	704,266	723,515 ^f	673,328 ^f	120,211 ^f	109,819	119,168
19 National defense	298,350	290,590	147,669	147,065	155,501	140,535	25,916	21,278	24,903
20 International affairs	16,107	17,175	7,691	8,540	9,911	6,565	1,241	493	1,556
21 General science, space, and technology	16,409	17,055	8,472	7,951	8,521	7,996	1,521	1,556	1,388
22 Energy	4,499	4,445	1,698	1,442	3,109	2,462	198	400	-276
23 Natural resources and environment	20,025	20,088	11,130	8,594	11,467 ^f	8,588	1,421	1,487	1,907
24 Agriculture	15,205	20,257	7,418	7,526	8,881	11,824	206	171	205
25 Commerce and housing credit	10,118	-23,532	36,534	15,615	-7,694 ^f	-15,112	-2,014	-2,855	3,003
26 Transportation	33,333	35,238	17,074	15,651	18,421 ^f	16,077	3,250	3,270	3,760
27 Community and regional development	6,838	10,395	3,783	3,903	4,540	4,935	962	876	1,168
28 Education, training, employment, and social services	45,250	48,872	21,114	23,767	21,026 ^f	23,983	3,113	4,937	4,326
29 Health	89,497	99,249	41,459	44,164	47,232 ^f	49,882	8,023	8,632	9,080
30 Social security and Medicare	406,569	435,137 ^f	193,098	205,500	232,109	195,933	37,670	36,334	36,697
31 Income security	196,891	207,933	87,693	104,537	98,579 ^f	108,559	18,665	14,925	15,696
32 Veterans benefits and services	34,133	35,715	17,425	15,597	18,561	16,385 ^f	4,289	2,063	3,010
33 Administration of justice	14,426	14,983	6,574	7,435	7,238 ^f	7,463	1,350	1,122	1,415
34 General government	12,945	13,039	6,794	5,050	8,226 ^f	5,205	340	848	1,712
35 Net interest ⁶	199,439	198,870	99,149	100,161	98,709 ^f	99,635	17,159	17,473	15,440
36 Undistributed offsetting receipts ⁷	-39,280	-37,386	-20,436	-18,229	-20,914	-17,035	-3,094	-3,187	-5,823

1. Functional details do not sum to total outlays for calendar year data because revisions to monthly totals have not been distributed among functions. Fiscal year total for outlays does not correspond to calendar year data because revisions from the Budget have not been fully distributed across months.

2. Old-age, disability, and hospital insurance, and railroad retirement accounts.
3. Old-age, disability, and hospital insurance.
4. Federal employee retirement contributions and civil service retirement and disability fund.

5. Deposits of earnings by Federal Reserve Banks and other miscellaneous receipts.
6. Includes interest received by trust funds.

7. Consists of rents and royalties for the outer continental shelf and U.S. government contributions for employee retirement.

SOURCES: U.S. Department of the Treasury, *Monthly Treasury Statement of Receipts and Outlays of the U.S. Government*, and the U.S. Office of Management and Budget, *Budget of the U.S. Government, Fiscal Year 1994*.

A30 Domestic Financial Statistics □ December 1993

1.40 FEDERAL DEBT SUBJECT TO STATUTORY LIMITATION

Billions of dollars, end of month

Item	1991		1992				1993		
	Sept. 30	Dec. 31	Mar. 31	June 30	Sept. 30	Dec. 31	Mar. 31	June 30	Sept. 30
1 Federal debt outstanding	3,683	3,820	3,897	4,001	4,083	4,196	4,250	4,373	n.a. ^r
2 Public debt securities	3,665	3,802	3,881	3,985	4,065	4,177	4,231	4,352	4,412 ^r
3 Held by public	2,746	2,833	2,918	2,977	3,048	3,129	3,188	3,252	n.a. ^r
4 Held by agencies	920	969	964	1,008	1,016	1,048	1,043	1,100	n.a. ^r
5 Agency securities	18	19	16	16	18	19	20	21	n.a. ^r
6 Held by public	18	19	16	16	18	19	20	21	n.a. ^r
7 Held by agencies	0	0	0	0	0	0	0	0	n.a. ^r
8 Debt subject to statutory limit	3,569	3,707	3,784	3,891	3,973	4,086	4,140	4,256	4,316 ^r
9 Public debt securities	3,569	3,706	3,783	3,890	3,972	4,085	4,139	4,256	4,315 ^r
10 Other debt	0	0	0	0	0	0	0	0	0 ^r
MEMO									
11 Statutory debt limit	4,145	4,145	4,145	4,145	4,145	4,145	4,145	4,370	4,900 ^r

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.

SOURCES: 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	1989	1990	1991	1992	1992	1993			
					Q4	Q1	Q2	Q3	
1 Total gross public debt	2,953.0	3,364.8	3,801.7	4,177.0	4,177.0	4,230.6	4,352.0	4,411.5	
By type									
2 Interest-bearing	2,931.8	3,362.0	3,798.9	4,173.9	4,173.9	4,227.6	4,349.0	4,408.6	
3 Marketable	1,945.4	2,195.8	2,471.6	2,754.1	2,754.1	2,807.1	2,860.6	2,904.9	
4 Bills	430.6	527.4	590.4	657.7	657.7	659.9	659.3	658.4	
5 Notes	1,151.5	1,265.2	1,430.8	1,608.9	1,608.9	1,652.1	1,698.7	1,734.2	
6 Bonds	348.2	388.2	435.5	472.5	472.5	480.2	487.6	497.4	
7 Nonmarketable ¹	986.4	1,166.2	1,327.2	1,419.8	1,419.8	1,420.5	1,488.4	1,503.7	
8 State and local government series	163.3	160.8	159.7	153.5	153.5	151.6	152.8	149.5	
9 Foreign issues ²	6.8	43.5	41.9	37.4	37.4	37.0	43.0	42.5	
10 Government	0	0	0	0	0	0	0	0	
11 Public	115.7	124.1	135.9	155.0	155.0	161.4	164.4	167.0	
12 Savings bonds and notes	695.6	813.8	959.2	1,043.5	1,043.5	1,040.0	1,097.8	1,114.3	
13 Government account series ³	21.2	2.8	2.8	3.1	3.1	3.0	2.9	2.9	
14 Non-interest-bearing									
By holder ⁴									
15 U.S. Treasury and other federal agencies and trust funds	707.8	828.3	968.7	1,047.8	1,047.8	1,043.2	1,099.8		
16 Federal Reserve Banks	228.4	259.8	281.8	302.5	302.5	305.2	328.2		
17 Private investors	2,015.8	2,288.3	2,563.2	2,839.9	2,839.9	2,895.0	2,938.4		
18 Commercial banks	164.9	171.5	233.4	294.0 ^r	294.0 ^r	310.0 ^r	322.0		
19 Money market funds	14.9	45.4	80.0	79.4 ^r	79.4 ^r	77.7 ^r	75.8		
20 Insurance companies	125.1	142.0	168.7	190.3	190.3	194.0	198.0		
21 Other companies	93.4	108.9	150.8	192.5	192.5	199.3	206.1		
22 State and local treasuries	487.5	490.4	520.3	534.8	534.8	541.0 ^r	546.0		n.a.
Individuals									
23 Savings bonds	117.7	126.2	138.1	157.3	157.3	163.6	166.5		
24 Other securities	98.7	107.6	125.8	131.9	131.9	134.1	136.4		
25 Foreign and international ⁵	392.9	438.4 ^r	491.8 ^r	549.2 ^r	549.2 ^r	564.4 ^r	567.5		
26 Other miscellaneous investors	520.7	637.7 ^r	651.3 ^r	710.5 ^r	710.5 ^r	710.8 ^r	720.0		

1. Includes (not shown separately) securities issued to the Rural Electrification Administration, depository bonds, retirement plan bonds, and individual retirement bonds.

2. Nonmarketable series denominated in dollars, and series denominated in foreign currency held by foreigners.

3. Held almost entirely by U.S. Treasury and other federal agencies and trust funds.

4. Data for Federal Reserve Banks and U.S. government agencies and trust funds are actual holdings; data for other groups are Treasury estimates.

5. Consists of investments of foreign balances and international accounts in the United States.

6. Includes savings and loan associations, nonprofit institutions, credit unions, mutual savings banks, corporate pension trust funds, dealers and brokers, certain U.S. Treasury deposit accounts, and federally sponsored agencies.

SOURCES: 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 Transactions¹

Millions of dollars, daily averages

Item	1993			1993, week ending								
	June ²	July ²	Aug.	Aug. 4	Aug. 11	Aug. 18	Aug. 25	Sept. 1	Sept. 8	Sept. 15	Sept. 22	Sept. 29
IMMEDIATE TRANSACTIONS²												
<i>By type of security</i>												
U.S. Treasury securities												
1 Bills	44,236	38,518	39,177	38,473	36,552	38,359	43,128	39,068	41,911	43,125	45,908	44,651
Coupon securities, by maturity												
2 Less than 3.5 years	44,070	41,112	50,523	43,909	53,289	50,165	57,205	44,119	44,623	55,450	53,332	47,456
3 3.5 to 7.5 years	39,730	38,413	39,718	35,633	33,711	42,549	44,158	41,199	44,681	50,829	49,365	51,469
4 7.5 to 15 years	19,269	21,192	26,988	25,006	29,867	28,630	23,261	27,482	28,220	30,835	22,532	25,102
5 15 years or more	15,950	17,907	27,557	24,005	28,833	32,315	26,059	24,553	25,125	25,866	22,962	19,735
Federal agency securities												
Debt, by maturity												
6 Less than 3.5 years	7,228	6,647	8,361	7,993	7,431	8,001	9,537	8,778	7,256	8,084	7,887	10,687
7 3.5 to 7.5 years	624	605	512	478	440	575	517	540	790	450	584	864
8 7.5 years or more	428	712	650	743	651	612	639	640	756	779	391	689
Mortgage-backed												
9 Pass-throughs	17,002	19,563	18,926	14,078	23,813	24,340	15,200	14,345	22,011	28,261	18,158	16,316
10 All others	2,949	3,266	3,079	2,486	2,850	3,106	2,842	4,070	3,493	4,066	2,121	3,273
<i>By type of counterparty</i>												
Primary dealers and brokers												
11 U.S. Treasury securities	100,173	97,390	114,324	103,464	116,099	117,729	120,938	107,725	111,771	129,147	128,459	117,580
Federal agency securities												
12 Debt	1,147	1,073	1,554	1,518	1,454	1,548	1,727	1,497	1,487	1,245	1,361	1,751
13 Mortgage-backed	8,852	10,157	9,462	6,141	11,519	12,741	7,832	7,318	9,210	12,866	9,445	8,015
Customers												
14 U.S. Treasury securities	63,082	59,751	69,638	63,562	66,153	74,289	72,873	68,695	72,789	76,958	65,639	70,834
Federal agency securities												
15 Debt	7,134	6,891	7,968	7,697	7,068	7,640	8,966	8,461	7,315	8,069	7,501	10,488
16 Mortgage-backed	11,099	12,672	12,544	10,424	15,145	14,705	10,211	11,097	16,294	19,461	10,833	11,575
FUTURES AND FORWARD TRANSACTIONS⁴												
<i>By type of deliverable security</i>												
U.S. Treasury securities												
17 Bills	3,189	2,511	1,906	1,960	1,250	2,289	1,999	2,090	2,637	3,364	2,080	1,980
Coupon securities, by maturity												
18 Less than 3.5 years	1,931	2,055	2,264	1,675	2,334	2,190	2,367	2,582	2,197	2,562	2,997	1,406
19 3.5 to 7.5 years	1,943	1,382	2,062	2,234	1,106	1,603	2,274	3,435	3,075	2,174	2,388	1,359
20 7.5 to 15 years	2,990	2,751	3,398	3,516	2,901	3,640	3,810	3,112	3,198	3,155	3,409	2,626
21 15 years or more	9,228	11,588	14,008	12,656	11,841	14,207	15,604	15,486	12,076	14,267	15,204	11,387
Federal agency securities												
Debt, by maturity												
22 Less than 3.5 years	222	86	80	64	137	65	28	104	63	71	212	271
23 3.5 to 7.5 years	54	105	124	128	50	192	161	81	59	133	123	47
24 7.5 years or more	84	23	35	94	19	4	7	82	33	22	44	6
Mortgage-backed												
25 Pass-throughs	23,647	23,296	24,157	20,286	30,715	24,255	20,778	22,966	25,088	36,462	22,545	22,621
26 Others ⁵	1,463	2,026	2,093	1,487	2,135	1,929	2,430	2,281	1,221	1,863	2,647	1,917
OPTIONS TRANSACTIONS⁵												
<i>By type of underlying security</i>												
U.S. Treasury, coupon securities, by maturity												
27 Less than 3.5 years	1,002	1,512	1,205	1,218	869	1,241	1,252	1,513	1,940	2,149	1,659	1,484
28 3.5 to 7.5 years	438	801	739	622	722	687	872	744	1,217	486	975	903
29 7.5 to 15 years	571	1,019	982	903	1,209	913	1,229	536	1,103	998	847	724
30 15 years or more	799	2,503	2,758	3,062	3,075	2,324	2,472	3,033	4,472	3,446	3,804	3,564
Federal agency, mortgage-backed securities												
31 Pass-throughs	600	533	598	496	591	499	572	842	942	855	685	786

1. Transactions are market purchases and sales of securities as reported to the Federal Reserve Bank of New York by the U.S. government securities dealers on its published list of primary dealers. Averages are based on the number of trading days in the period. 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. Transactions for immediate delivery include purchases or sales of securities (other than mortgage-backed agency securities) for which delivery is scheduled in five business days or less and "when-issued" securities that settle on the issue date of offering. Transactions for immediate delivery of mortgage-backed 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.

3. Includes such securities as collateralized mortgage obligations (CMOs), real estate mortgage investment conduits (REMICs), interest-only securities (IOs), and principal-only securities (POs).

4. Futures transactions are standardized agreements arranged on an exchange. Forward transactions are agreements made in the over-the-counter market that specify delayed delivery. All futures transactions are included regardless of time to delivery. Forward contracts for U.S. Treasury securities and federal agency debt securities are included when the time to delivery is more than five business days. Forward contracts for mortgage-backed agency securities are included when the time to delivery is more than thirty business days.

5. Options transactions are purchases or sales of put-and-call options, whether arranged on an organized exchange or in the over-the-counter market, and include options on futures contracts on U.S. Treasury and federal agency securities.

NOTE. In tables 1.42 and 1.43, "n.a." indicates that data are not published because of insufficient activity.

Data for several types of options transactions—U.S. Treasury securities, bills; Federal agency securities, debt; and federal agency securities, mortgage-backed, other than pass-throughs—are no longer available because activity is insufficient.

1.43 U.S. GOVERNMENT SECURITIES DEALERS Positions and Financing¹

Millions of dollars

Item	1993			1993, week ending							
	June	July	Aug.	Aug. 4	Aug. 11	Aug. 18	Aug. 25	Sept. 1	Sept. 8	Sept. 15	Sept. 22
Positions²											
NET IMMEDIATE POSITIONS³											
<i>By type of security</i>											
U.S. Treasury securities											
1 Bills	4,999 ^f	5,394	8,508	7,443	7,501	6,089	13,636	7,234	3,332	7,222	12,628
<i>Coupon securities, by maturity</i>											
2 Less than 3.5 years	10,982	9,704	7,631	6,092	8,607	5,828	11,797	4,760	8,450	-1,040	570
3 3.5 to 7.5 years	-16,778	-17,643	-21,963	-17,778	-21,026	-25,283	-22,767	-21,034	-21,637	-23,757	-21,007
4 7.5 to 15 years	-10,050 ^f	-5,042	-1,200	-4,628	-1,023	-582	-394	-781	-927	-3,511	-3,378
5 15 years or more	11,817 ^f	10,367	6,931	5,103	4,778	9,028	6,348	8,895	10,688	11,987	10,520
<i>Federal agency securities</i>											
<i>Debt, by maturity</i>											
6 Less than 3.5 years	6,578 ^f	7,924	9,611	10,638	9,930	9,423	9,611	8,775	10,149	10,093	8,002
7 3.5 to 7.5 years	2,192 ^f	3,023	2,899	2,953	2,854	2,825	2,909	3,112	3,172	3,172	3,262
8 7.5 years or more	2,916 ^f	3,568	3,783	3,616	3,580	3,778	3,890	4,014	4,412	4,011	3,787
<i>Mortgage-backed</i>											
9 Pass-throughs	36,731	37,760	44,748	34,151	44,214	49,801	50,430	39,910	45,730	60,078	58,332
10 All others	26,354	25,204	24,588	24,101	22,447	23,431	24,057	29,378	29,992	26,638	25,997
<i>Other money market instruments</i>											
11 Certificates of deposit	3,280	2,673 ^f	3,251	3,479	2,584	3,574	3,599	3,096	2,910	2,518	2,621
12 Commercial paper	6,950	6,669 ^f	7,093	7,804	7,106	6,580	5,873	8,627	6,646	10,216	7,351
13 Bankers acceptances	1,048	1,114	1,135	1,168	1,211	1,399	949	931	1,097	1,016	1,051
FUTURES AND FORWARD POSITIONS⁵											
<i>By type of deliverable security</i>											
U.S. Treasury securities											
14 Bills	-5,751	-6,396	-7,235	-5,230	-5,999	-10,144	-7,834	-5,920	-4,695	-6,187	-6,707
<i>Coupon securities, by maturity</i>											
15 Less than 3.5 years	-3,212 ^f	-1,787	-1,741	-1,794	-2,548	-1,510	-1,213	-1,649	-1,983	-2,641	-1,691
16 3.5 to 7.5 years	3,432 ^f	4,012	3,649	4,146	4,176	5,341	3,606	778	387	2,311	981
17 7.5 to 15 years	2,013	4,208	6,989	7,657	8,657	5,790	6,017	7,130	7,605	8,988	8,229
18 15 years or more	-6,174 ^f	-6,493 ^f	-8,172	-7,044	-8,375	-9,372	-9,159	-6,138	-8,249	-7,281	-6,962
<i>Federal agency securities</i>											
<i>Debt, by maturity</i>											
19 Less than 3.5 years	38	4	-18	-11	37	-172	25	44	120	187	83
20 3.5 to 7.5 years	-33	-72	11	-113	5	115	36	-52	-56	94	-19
21 7.5 years or more	85	33	36	48	-3	32	-9	132	30	16	-91
<i>Mortgage-backed</i>											
22 Pass-throughs	-15,023 ^f	-20,369	-26,253	-14,319	-27,181	-31,780	-29,796	-22,547	-31,821	-48,895	-45,603
23 All others	1,764	2,782	5,513	2,456	6,390	7,824	5,574	3,759	3,980	7,335	10,297
24 Certificates of deposit	-149,595 ^f	-178,596	-198,937	-178,774	-206,357	-202,067	-200,180	-198,623	-226,976	-219,241	-206,633
Financing⁶											
<i>Reverse repurchase agreements</i>											
25 Overnight and continuing	221,171	244,345 ^f	246,671	259,418	248,234	259,657	234,378	235,540	246,529	249,390	235,263
26 Term	370,986	406,245 ^f	400,077	417,217	435,607	379,961	403,705	366,433	385,406	397,434	417,557
<i>Repurchase agreements</i>											
27 Overnight and continuing	410,307 ^f	452,885 ^f	468,541	468,663	449,937	493,309	462,812	467,950	475,861	489,909	470,579
28 Term	340,843 ^f	370,581 ^f	371,613	376,215	408,875	349,947	386,980	332,424	339,056	360,260	389,234
<i>Securities borrowed</i>											
29 Overnight and continuing	129,101	128,685	134,639	131,003	133,048	136,896	133,887	137,165	139,030	140,492	132,625
30 Term	41,518	46,807	45,868	45,232	46,163	44,037	47,523	46,154	42,470	42,281	40,553
<i>Securities loaned</i>											
31 Overnight and continuing	4,774	5,355	5,760	5,776	5,634	5,219	5,449	6,891	5,735	6,330	7,869
32 Term	639	773	981	790	864	1,062	1,057	1,061	1,136	1,612	1,799
<i>Collateralized loans</i>											
33 Overnight and continuing	14,128	16,304	16,061	14,405	17,888	17,417	16,819	12,566	16,452	16,779	16,173
MEMO: Matched book⁷											
<i>Reverse repurchase agreements</i>											
34 Overnight and continuing	149,942	161,088	166,820	170,341	164,772	178,568	159,176	162,073	160,205	169,168	162,151
35 Term	317,835	351,971 ^f	342,286	357,002	375,482	322,989	347,003	310,758	332,579	340,953	358,656
<i>Repurchase agreements</i>											
36 Overnight and continuing	210,760 ^f	227,742 ^f	224,196	235,648	224,628	240,968	210,005	213,048	222,078	223,808	212,838
37 Term	256,609 ^f	278,162 ^f	274,942	285,124	308,755	253,082	285,973	241,341	246,361	262,542	288,254

1. Data for positions and financing are obtained from reports submitted to the Federal Reserve Bank of New York by the U.S. government securities dealers on its published list of primary dealers. Weekly figures are close-of-business Wednesday data; monthly figures are averages of weekly data.

2. Securities positions are reported at market value.

3. Net immediate positions include securities purchased or sold (other than mortgage-backed agency securities) that have been delivered or are scheduled to be delivered in five business days or less and "when-issued" securities that settle on the issue date of offering. Net immediate positions of 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.

4. Includes such securities as collateralized mortgage obligations (CMOs), real estate mortgage investment conduits (REMICs), interest-only securities (IOs), and principal-only securities (POs).

5. Futures positions reflect standardized agreements arranged on an exchange. Forward positions reflect agreements made in the over-the-counter market that specify delayed delivery. All futures positions are included regardless of time to

delivery. Forward contracts for U.S. Treasury securities and 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.

6. Overnight financing refers to agreements made on one business day that mature on the next business day; continuing contracts are agreements that remain in effect for more than one business day but have no specific maturity and can be terminated without advance notice by either party; term agreements have a fixed maturity of more than one business day.

7. Matched-book data reflect financial intermediation activity in which the borrowing and lending transactions are matched. Matched-book data are included in the financing breakdowns given above. The reverse repurchase and repurchase numbers are not always equal because of the "matching" of securities of different values or different types of collateralization.

NOTE. Data for futures and forward commercial paper and bankers acceptances and for term financing of collateralized loans are no longer available because of insufficient activity.

1.44 FEDERAL AND FEDERALLY SPONSORED CREDIT AGENCIES Debt Outstanding

Millions of dollars, end of period

Agency	1989	1990	1991	1992	1993				
					Mar.	Apr.	May	June	July
1 Federal and federally sponsored agencies	411,805	434,668	442,772	483,970	494,656	0	0	0	0
2 Federal agencies	35,664	42,159	41,035	41,829	42,051	42,619	42,738	42,218	44,656
3 Defense Department ¹	7	7	7	7	7	7	7	7	7
4 Export-Import Bank ^{2,3}	10,985	11,376	9,809	7,208	6,749	6,749	6,749	6,258	6,258
5 Federal Housing Administration ⁴	328	393	397	374	259	263	271	283	97
6 Government National Mortgage Association certificates of participation ⁵	0	0	0	0	0	0	0	0	0
7 Postal Service ⁶	6,445	6,948	8,421	10,660	10,440	10,440	10,440	10,182	10,182
8 Tennessee Valley Authority	17,899	23,435	22,401	23,580	24,596	25,160	25,271	25,488	28,112
9 United States Railway Association ⁶	0	0	0	0	0	0	0	0	0
10 Federally sponsored agencies⁷	375,428	392,509	401,737	442,141	452,605	459,749	466,894	469,854	477,838
11 Federal Home Loan Banks	136,108	117,895	107,543	114,733	115,272	117,363	120,172	127,289	125,448
12 Federal Home Loan Mortgage Corporation	26,148	30,941	30,262	29,631	41,183	47,903	46,555	35,572	42,291
13 Federal National Mortgage Association	116,064	123,403	133,937	166,300	165,818	165,135	170,768	176,527	180,730
14 Farm Credit Banks ⁸	54,864	53,590	52,199	51,910	51,630	51,210	51,538	51,686	51,698
15 Student Loan Marketing Association ⁹	28,705	34,194	38,319	39,650	38,776	38,209	37,967	38,884	37,801
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	847	1,261	1,261	1,261	1,261	1,261	1,261	1,261	1,261
18 Resolution Funding Corporation ¹²	4,522	23,055	29,996	29,996	29,996	29,996	29,996	29,996	29,996
MEMO									
19 Federal Financing Bank debt¹³	134,873	179,083	185,576	154,994	146,097	140,807	137,215	132,953	132,307
<i>Lending to federal and federally sponsored agencies</i>									
20 Export-Import Bank ³	10,979	11,370	9,803	7,202	6,743	6,743	6,743	6,252	6,252
21 Postal Service ⁶	6,195	6,698	8,201	10,440	10,440	10,440	10,440	10,182	10,182
22 Student Loan Marketing Association	4,880	4,850	4,820	4,790	4,790	4,790	4,790	4,790	4,790
23 Tennessee Valley Authority	16,519	14,055	10,725	6,975	6,675	6,675	6,575	6,575	6,575
24 United States Railway Association ⁶	0	0	0	0	0	0	0	0	0
<i>Other lending¹⁴</i>									
25 Farmers Home Administration	53,311	52,324	48,534	42,979	42,979	41,629	40,379	39,729	39,129
26 Rural Electrification Administration	19,265	18,890	18,562	18,172	17,966	18,008	17,970	17,895	17,883
27 Other	23,724	70,896	84,931	64,436	56,504	52,522	50,318	47,530	47,496

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. Some data are estimated.

8. Excludes borrowing by the Farm Credit Financial Assistance Corporation, 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 in order 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.

A34 Domestic Financial Statistics □ December 1993

1.45 NEW SECURITY ISSUES Tax-Exempt State and Local Governments

Millions of dollars

Type of issue or issuer, or use	1990	1991	1992	1993							
				Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.
1 All issues, new and refunding¹	120,339	154,402	215,191	18,285	28,920	20,956	27,178	28,529	21,603	21,258	21,555
<i>By type of issue</i>											
2 General obligation	39,610	55,100	78,611	6,963	8,254	8,272	9,452	8,415	7,713	6,065	5,455
3 Revenue	81,295	99,302	136,580	11,322	20,666	12,684	17,726	20,114	13,890	15,193	16,100
<i>By type of issuer</i>											
4 State	15,149	24,939	25,295	3,485	2,139	1,463	2,910	3,562	2,944	2,319	2,758
5 Special district or statutory authority ²	72,661	80,614	129,686	10,146	19,804	9,923	15,441	18,132	10,043	10,632	11,321
6 Municipality, county, or township	32,510	48,849	60,210	4,654	6,977	9,570	8,827	6,835	8,616	8,307	7,476
7 Issues for new capital	103,235	116,953	120,272	4,775^f	9,741^f	4,941^f	8,681^f	11,208^f	7,737	7,029	8,350
<i>By use of proceeds</i>											
8 Education	17,042	21,121	22,071	1,264	1,482	833	1,596	2,208	1,723 ^f	1,883	1,886
9 Transportation	11,650	13,395	17,334	131	2,111	699	813	772	653 ^f	1,062	789
10 Utilities and conservation	11,739	21,039	20,058	423	538	806	955	1,629	922 ^f	1,646	1,255
11 Social welfare	23,099	25,648	21,796	618	1,556	942	1,756	2,073	1,555	681	2,199
12 Industrial aid	6,117	8,376	5,424	69	765	134	601	1,042	429	212	329
13 Other purposes	34,607	30,275	33,589	2,131	3,264	1,971	3,665	3,046	2,455	1,545	1,892

1. Par amounts of long-term issues based on date of sale.

2. Includes school districts.

SOURCES. Securities Data Company beginning January 1993; *Investment Dealer's Digest* before then.

1.46 NEW SECURITY ISSUES U.S. Corporations

Millions of dollars

Type of issue, offering, or issuer	1990	1991	1992	1993							
				Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.
1 All issues¹	340,049	465,243	559,449	50,692	59,427	56,265^f	40,654^f	42,961^f	65,574^f	49,987	54,156
2 Bonds²	299,884	389,822	471,125	45,458	49,367	47,427^f	34,403^f	34,263^f	55,780^f	40,219	44,894
<i>By type of offering</i>											
3 Public, domestic	188,848	286,930	377,681	41,575	47,084	42,223 ^f	31,199 ^f	30,934 ^f	51,183 ^f	37,569	41,050
4 Private placement, domestic ³	86,982	74,930	65,853	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
5 Sold abroad	23,054	27,962	27,591	3,884	2,283	5,203	3,204	3,329	4,597 ^f	2,650	3,845
<i>By industry group</i>											
6 Manufacturing	51,779	86,628	81,998	9,393	8,150	8,137	6,515 ^f	3,690	8,397 ^f	2,448	6,278
7 Commercial and miscellaneous	40,733	36,666	42,869	3,074	2,268	2,695	2,194	3,015	2,505	5,491	2,331
8 Transportation	12,776	13,598	9,979	316	248	1,067	123	685	948	607	723
9 Public utility	17,621	23,945	48,055	4,282	5,624	7,058	5,767	2,857	5,849 ^f	5,687	3,212
10 Communication	6,687	9,431	15,394	3,019	2,890	3,270	2,015	1,820	2,473	2,331	2,979
11 Real estate and financial	170,288	219,750	272,830	25,374	30,187	25,201 ^f	17,788 ^f	22,196 ^f	35,608 ^f	23,654	29,372
12 Stocks²	40,175	75,424	88,325	5,234	10,060	8,838	6,251	8,698	9,794	9,768	9,262
<i>By type of offering</i>											
13 Public preferred	3,998	17,085	21,339 ^f	1,112	1,898	1,647	702	3,124	876	2,113	3,376
14 Common	19,442	48,230	57,118 ^f	4,122	8,161	7,191	5,549	5,574	8,918	7,655	5,886
15 Private placement ³	16,736	10,109	9,867	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
<i>By industry group</i>											
16 Manufacturing	5,649	24,111	22,723	722	2,616	1,741	1,387	1,413	1,982	1,810	1,961
17 Commercial and miscellaneous	10,171	19,418	20,231	1,688	2,021	2,488	1,564	2,836	2,025	2,505	1,456
18 Transportation	369	2,439	2,595	65	64	336	250	111	168	114	405
19 Public utility	416	3,474	6,532	310	350	743	412	753	893	495	582
20 Communication	3,822	475	2,366	0	0	7	30	279	65	n.a.	115
21 Real estate and financial	19,738	25,507	33,879	2,438	5,009	3,522	2,579	3,307	4,660	4,844	4,732

1. Figures represent gross proceeds of issues maturing in more than one year; they are the principal amount or number of units calculated by multiplying by the offering price. Figures exclude secondary offerings, employee stock plans, investment companies other than closed-end, intracorporate transactions, equities sold abroad, and Yankee bonds. Stock data include ownership securities issued by limited partnerships.

2. Monthly data cover only public offerings.

3. Monthly data are not available.

SOURCES. IDD Information Services, Inc., Securities Data Company, and the Board of Governors of the Federal Reserve System.

1.47 OPEN-END INVESTMENT COMPANIES Net Sales and Assets¹

Millions of dollars

Item	1991	1992	1993							
			Jan.	Feb.	Mar.	Apr.	May	June ^f	July	Aug.
1 Sales of own shares ²	463,645	647,055	71,607	60,676	69,080	66,766	60,504	68,373	72,503	73,294
2 Redemptions of own shares	342,547	447,140	46,545	39,684	47,414	46,518	38,752	46,923	44,922	46,473
3 Net sales ³	121,098	199,915	25,062	20,992	21,666	20,248	21,759	21,650	27,581	26,821
4 Assets ⁴	808,582	1,056,310	1,082,653	1,116,784	1,154,445	1,178,663	1,219,863	1,255,377	1,284,842	1,344,261
5 Cash ⁵	60,292	73,999	76,764	79,763	81,536	87,140	85,677	84,177	93,345	94,489
6 Other	748,290	982,311	1,005,889	1,037,021	1,072,910	1,091,523	1,134,186	1,171,200	1,191,497	1,249,772

1. Data on sales and redemptions exclude money market mutual funds but include limited-maturity municipal bond funds. Data on asset positions exclude both money market mutual funds and limited-maturity municipal bond funds.

2. Includes reinvestment of net income dividends. Excludes reinvestment of 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 new companies.

1.48 CORPORATE PROFITS AND THEIR DISTRIBUTION

Billions of dollars; quarterly data at seasonally adjusted annual rates

Account	1990 ^f	1991 ^f	1992 ^f	1991 ^f		1992 ^f				1993	
				Q3	Q4	Q1	Q2	Q3	Q4	Q1 ^f	Q2
1 Profits with inventory valuation and capital consumption adjustment	380.6	369.5	407.2	359.0	378.8	409.9	411.7	367.5	439.5	432.1	458.1
2 Profits before taxes	365.7	362.3	395.4	362.0	373.5	404.3	409.5	357.9	409.9	419.8	445.6
3 Profits tax liability	138.7	129.8	146.3	132.5	133.4	147.0	153.0	130.1	155.0	160.9	173.3
4 Profits after taxes	227.1	232.5	249.1	229.5	240.1	257.3	256.5	227.8	254.9	258.9	272.3
5 Dividends	153.5	137.4	150.5	133.4	133.9	138.0	146.1	155.2	162.9	167.5	168.5 ^f
6 Undistributed profits	73.6	95.2	98.6	96.1	106.1	119.3	110.4	72.7	92.0	91.4	103.9
7 Inventory valuation	-11.0	4.9	-5.3	-3.0	1.9	-4.6	-13.7	-7.8	4.9	-12.7	-12.2 ^f
8 Capital consumption adjustment	25.9	2.2	17.1	.0	3.5	10.2	16.0	17.4	24.7	25.1	24.7 ^f

SOURCE: U.S. Department of Commerce, *Survey of Current Business*.

1.50 NONFARM BUSINESS EXPENDITURES New Plant and Equipment

Billions of dollars; quarterly data at seasonally adjusted annual rates

Industry	1991	1992	1993 ¹	1992				1993			
				Q1	Q2	Q3	Q4	Q1	Q2	Q3 ¹	Q4 ¹
1 Total nonfarm business	528.39	546.60	585.20	534.85	541.41	547.40	559.24	564.13	579.79	598.91	597.98
Manufacturing											
2 Durable goods industries	77.64	73.32	80.94	73.98	74.07	72.09	73.30	79.11	80.88	82.73	81.06
3 Nondurable goods industries	105.17	100.69	98.95	99.85	97.91	100.77	103.56	95.94	96.21	103.96	99.69
Nonmanufacturing											
4 Mining	10.02	8.88	9.29	8.92	9.20	8.98	8.47	8.89	9.10	9.65	9.52
Transportation											
5 Railroad	5.95	6.67	6.57	6.63	6.32	6.70	7.04	6.00	6.00	7.17	7.09
6 Air	10.17	8.93	7.25	8.76	9.65	9.69	7.60	7.30	6.54	8.35	6.82
7 Other	6.54	7.04	9.16	6.44	7.19	7.52	6.97	9.17	9.04	8.90	9.53
Public utilities											
8 Electric	43.76	48.22	52.11	46.11	48.35	48.17	49.57	49.92	50.51	54.81	53.20
9 Gas and other	22.82	23.99	23.54	22.89	24.29	24.01	24.50	23.59	24.04	23.06	23.46
10 Commercial and other ²	246.32	268.84	297.39	261.27	264.46	269.46	278.24	284.21	297.46	300.26	307.62

1. Figures are amounts anticipated by business.

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

SOURCE: U.S. Department of Commerce, *Survey of Current Business*.

A36 Domestic Financial Statistics □ December 1993

1.51 DOMESTIC FINANCE COMPANIES Assets and Liabilities¹

Billions of dollars, end of period; not seasonally adjusted

Account	1990	1991	1992	1991	1992				1993	
				Q4	Q1	Q2	Q3	Q4	Q1	Q2
ASSETS										
1 Accounts receivable, gross ²	492.3	480.6	482.1	480.6	475.6	476.7	473.9	482.1	469.6	469.3
2 Consumer	133.3	121.9	117.1	121.9	118.4	116.7	116.7	117.1	111.9	111.3
3 Business	293.6	292.9	296.5	292.9	290.8	293.2	288.5	296.5	289.6	290.7
4 Real estate	65.5	65.8	68.4	65.8	66.4	66.8	68.8	68.4	68.1	67.2
5 Less: Reserves for unearned income	57.6	55.1	50.8	55.1	53.6	51.2	50.8	50.8	47.4	48.1
6 Reserves for losses	9.6	12.9	15.8	12.9	13.0	12.3	12.0	15.8	15.5	15.8
7 Accounts receivable, net	425.1	412.6	415.5	412.6	409.0	413.2	411.1	415.5	406.6	405.4
8 All other	113.9	149.0	150.6	149.0	145.5	139.4	146.5	150.6	155.0	156.9
9 Total assets	539.0	561.6	566.1	561.6	554.5	552.6	557.6	566.1	561.6	562.3
LIABILITIES AND CAPITAL										
10 Bank loans	31.0	42.3	37.6	42.3	38.0	37.8	38.1	37.6	34.1	29.5
11 Commercial paper	165.3	159.5	156.4	159.5	154.4	147.7	153.2	156.4	149.8	144.5
Debt										
12 Other short-term	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
13 Long-term	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
14 Owed to parent	37.5	34.5	37.8	34.5	34.5	34.8	34.9	37.8	41.9	44.9
15 Not elsewhere classified	178.2	191.3	195.3	191.3	189.8	191.9	191.4	195.3	195.1	195.1
16 All other liabilities	63.9	69.0	71.2	69.0	72.0	73.4	73.7	71.2	74.2	81.3
17 Capital, surplus, and undivided profits	63.7	64.8	67.8	64.8	66.0	67.1	68.1	67.8	66.6	67.1
18 Total liabilities and capital	539.6	561.2	566.1	561.2	554.6	552.7	559.4	566.1	561.7	562.4

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 Consumer, Real Estate, and Business Credit¹

Millions of dollars, amounts outstanding, end of period

Type of credit	1990	1991	1992	1993					
				Mar.	Apr.	May	June	July	Aug.
Seasonally adjusted									
1 Total	522,474	519,910	534,845	528,046	529,552	523,111	522,981	523,539	525,744
2 Consumer	160,468	154,822	157,707	156,257	156,441	153,275	152,979	153,228	153,420
3 Real estate	65,147	65,383	68,011	68,726	69,803	66,396	67,223	67,426	67,216
4 Business	296,858	299,705	309,127	303,062	303,308	303,440	302,778	302,885	305,109
Not seasonally adjusted									
5 Total	525,888	523,192	538,158	528,172	531,380	524,180	526,818	523,389	521,094
6 Consumer	161,360	155,713	158,631	154,913	155,440	152,708	152,995	153,733	154,218
7 Motor vehicles	75,045	63,415	57,605	53,508	53,977	53,878	55,592	56,817	55,247
8 Other consumer ¹	58,213	58,522	59,522	58,346	58,546	55,433	55,737	56,259	56,616
9 Securitized motor vehicles ⁴	19,837	23,166	29,775	32,904	32,527	33,174	31,642	30,787	32,856
10 Securitized other consumer ⁴	8,265	10,610	11,729	10,155	10,390	10,223	10,023	9,870	9,498
11 Real estate ²	65,509	65,760	68,410	68,135	69,356	66,150	67,230	67,649	67,565
12 Business	299,019	301,719	311,118	305,123	306,584	305,322	306,593	302,007	299,311
13 Motor vehicles	92,125	90,613	87,456	87,542	88,692	89,317	90,263	87,745	84,921
14 Retail ⁵	26,454	22,957	19,303	16,961	17,228	16,513	16,995	17,561	17,264
15 Wholesale ⁶	33,573	31,216	29,962	31,788	32,064	32,242	31,787	27,442	25,136
16 Leasing	32,098	36,440	38,191	38,792	39,400	40,562	41,481	42,743	42,520
17 Equipment	137,654	141,399	151,607	145,878	145,877	145,237	146,487	146,408	146,404
18 Retail	31,968	30,962	32,212	32,560	32,170	32,384	32,775	33,209	33,676
19 Wholesale ⁶	11,101	9,671	8,669	8,656	8,642	8,556	8,482	8,224	8,059
20 Leasing	94,585	100,766	110,726	104,662	105,066	104,297	105,230	104,975	104,669
21 Other business ⁵	63,773	60,900	57,464	56,153	56,144	54,487	53,987	53,243	53,536
22 Securitized business assets ⁴	5,467	8,807	14,590	15,551	15,870	16,281	15,856	14,611	14,451
23 Retail	667	576	1,118	904	1,434	1,375	1,324	1,268	1,220
24 Wholesale	3,281	5,285	8,756	9,824	9,745	9,590	9,539	8,318	8,329
25 Leasing	1,519	2,946	4,716	4,823	4,691	5,316	4,993	5,025	4,902

1. Includes finance company subsidiaries of bank holding companies but not of retailers and banks. Data are before deductions for unearned income and losses. Data in this table also appear in the Board's G.20 (422) monthly statistical release. For ordering address, see inside front cover.

2. Includes all loans secured by liens on any type of real estate, for example, first and junior mortgages and home equity loans.

3. Includes personal cash loans, mobile home loans, and loans to purchase other types of consumer goods such as appliances, apparel, general merchandise, 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. Passenger car fleets and commercial land vehicles for which licenses are required.

6. Credit arising from transactions between manufacturers and dealers, that is, floor plan financing.

7. 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	1990	1991	1992	1993						
				Mar.	Apr.	May	June	July	Aug.	Sept.
Terms and yields in primary and secondary markets										
PRIMARY MARKETS										
<i>Terms¹</i>										
1 Purchase price (thousands of dollars).....	153.2	155.0	158.1	156.2	150.9	153.1	185.6	168.7	158.1	155.3
2 Amount of loan (thousands of dollars).....	112.4	114.0	118.1	121.5	115.0	118.8	125.3	127.4	122.2	120.8
3 Loan-to-price ratio (percent).....	74.8	75.0	76.6	79.3	78.5	79.5	75.3	77.8	78.4	78.5
4 Maturity (years).....	27.3	26.8	25.6	26.9	24.9	26.9	25.4	26.2	26.4	26.5
5 Fees and charges (percent of loan amount) ²	1.93	1.71	1.60	1.50	1.23	1.43	1.32	1.28	1.21	1.13
<i>Yield (percent per year)</i>										
6 Contract rate.....	9.68	9.02	7.98	7.22	7.26	7.14	7.02	6.99	6.86	6.76
7 Effective rate ³	10.01	9.30	8.25	7.46	7.46	7.37	7.23	7.20	7.05	6.95
8 Contract rate (HUD series) ⁴	10.08	9.20	8.43	7.59	7.51	7.59	7.33	7.31	6.89	6.94
SECONDARY MARKETS										
<i>Yield (percent per year)</i>										
9 FHA mortgages (Section 203) ⁵	10.17	9.25	8.46	7.57	7.56	7.59	7.52	7.51	7.02	7.03
10 GNMA securities ⁶	9.51	8.59	7.77	6.79	6.77	6.79	6.75	6.55	6.43	6.21
Activity in secondary markets										
FEDERAL NATIONAL MORTGAGE ASSOCIATION										
<i>Mortgage holdings (end of period)</i>										
11 Total.....	113,329	122,837	142,833	161,147	163,719	166,849	171,232	174,674	177,992	180,057
12 FHA/VA insured.....	21,028	21,702	22,168	22,700	22,682	22,691	22,656	22,761	22,834	22,810
13 Conventional.....	92,302	101,135	120,664	138,447	141,037	144,158	148,576	151,913	155,158	157,247
<i>Mortgage transactions (during period)</i>										
14 Purchases.....	23,959	37,202	75,905	4,730	6,761	7,526	9,131	7,854	8,176	8,866
<i>Mortgage commitments (during period)</i>										
15 Issued ⁷	23,689	40,010	74,970	6,644	7,764	7,791	8,697	7,760	8,581	9,814
16 To sell ⁸	5,270	7,608	10,493	0	112	30	323	458	2,585	0
FEDERAL HOME LOAN MORTGAGE CORPORATION										
<i>Mortgage holdings (end of period)⁸</i>										
17 Total.....	20,419	24,131	29,959	35,421	38,361	39,960	42,477	43,119	44,396	46,858
18 FHA/VA insured.....	547	484	408	337	330	325	319	314	324	323
19 Conventional.....	19,871	23,283	29,552	35,084	38,031	39,635	42,158	42,805	44,072	46,536
<i>Mortgage transactions (during period)</i>										
20 Purchases.....	75,517	99,965	191,125	12,587	15,885	18,842	21,529	19,700	19,636	18,372
21 Sales.....	73,817	92,478	179,208	10,286	13,807	17,532	18,968	18,631	18,008	16,230
<i>Mortgage commitments (during period)⁹</i>										
22 Contracted.....	102,401	114,031	261,637	21,103	20,731	18,908	28,831	21,722	17,085	16,495

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 OUTSTANDING¹

Millions of dollars, end of period

Type of holder and property	1989	1990	1991	1992			1993	
				Q2	Q3	Q4	Q1 ²	Q2 ²
1 All holders	3,549,290 ²	3,761,262 ²	3,922,980 ²	3,981,827 ²	4,019,409 ²	4,041,590 ²	4,056,749	4,085,483
<i>By type of property</i>								
2 One- to four-family residences	2,408,342 ²	2,615,344 ²	2,778,716 ²	2,856,601 ²	2,911,354 ²	2,953,464 ²	2,976,287	3,014,387
3 Multifamily residences	306,472 ²	309,326 ²	306,392 ²	304,792 ²	301,957 ²	294,959 ²	293,382	291,029
4 Commercial	754,000 ²	758,189 ²	758,739 ²	740,702 ²	726,273 ²	713,408 ²	707,041	699,994
5 Farm	80,476	78,403 ²	79,133 ²	79,733 ²	79,824 ²	79,759 ²	80,040	80,073
<i>By type of holder</i>								
6 Major financial institutions	1,931,537	1,914,315	1,846,726 ²	1,803,836 ²	1,793,492 ²	1,769,267 ²	1,751,941	1,758,285
7 Commercial banks	767,069	844,826	876,100 ²	884,962 ²	891,445 ²	894,593 ²	890,672	910,867
8 One- to four-family	389,632	455,931	483,623 ²	493,199 ²	502,075 ²	507,830 ²	506,976	526,394
9 Multifamily	38,876	37,015	36,935 ²	37,724 ²	38,757 ²	38,027 ²	37,596	37,840
10 Commercial	321,906	334,648	337,095 ²	334,488 ²	330,705 ²	328,854 ²	326,128	326,033
11 Farm	16,656	17,231	18,447 ²	19,552 ²	19,908 ²	19,882	19,972	20,600
12 Savings institutions ³	910,254	801,628	705,367	659,624	648,178	627,972	617,141	608,528
13 One- to four-family	669,220	600,154	538,358	508,545	501,604	489,622	480,398	473,949
14 Multifamily	106,014	91,806	79,881	74,788	73,723	69,791	70,656	69,408
15 Commercial	134,370	109,168	86,741	75,947	72,517	68,235	65,755	64,837
16 Farm	650	500	388	345	334	324	332	334
17 Life insurance companies	254,214	267,861	265,258	259,250 ²	253,869 ²	246,702 ²	244,128	238,890
18 One- to four-family	12,231	13,005	11,547	12,041 ²	11,779 ²	11,441 ²	11,316	11,071
19 Multifamily	26,907	28,979	29,562	29,226 ²	28,591 ²	27,770 ²	27,466	26,871
20 Commercial	205,472	215,121	214,105	208,665 ²	204,132 ²	198,269 ²	196,100	191,852
21 Farm	9,604	10,756	10,044	9,318 ²	9,366 ²	9,222 ²	9,246	9,095
22 Federal and related agencies	197,778	239,003	266,146	278,091	277,485	285,965	287,182	299,214
23 Government National Mortgage Association	23	20	19	23	27	30	45	45
24 One- to four-family	23	20	19	23	27	30	37	38
25 Multifamily	0	0	0	0	0	0	8	7
26 Farmers Home Administration ⁴	41,176	41,439	41,713	41,628	41,671	41,695	41,630	41,669
27 One- to four-family	18,422	18,527	18,496	17,718	17,292	16,912	18,149	18,313
28 Multifamily	9,054	9,640	10,141	10,356	10,468	10,575	10,235	10,197
29 Commercial	4,443	4,690	4,905	4,998	5,072	5,158	4,934	4,915
30 Farm	9,257	8,582	8,171	8,557	8,839	9,050	8,313	8,245
31 Federal Housing and Veterans' Administrations	6,087	8,801	10,733	11,581	11,768	12,581	13,027	12,945
32 One- to four-family	2,875	3,593	4,036	4,403	4,531	5,153	5,631	5,635
33 Multifamily	3,212	5,208	6,697	7,077	7,236	7,428	7,396	7,311
34 Resolution Trust Corporation	0	32,600	45,822	44,624	37,099	32,045	27,331	21,973
35 One- to four-family	0	15,800	14,535	15,032	12,614	12,960	11,375	8,955
36 Multifamily	0	8,064	15,018	13,316	11,130	9,621	8,070	6,743
37 Commercial	0	8,736	16,269	16,276	13,356	9,464	7,886	6,275
38 Farm	0	0	0	0	0	0	0	0
39 Federal National Mortgage Association	99,001	104,870	112,283	122,939	126,476	137,584	141,192	151,513
40 One- to four-family	90,575	94,323	100,387	110,223	113,407	124,016	127,252	137,340
41 Multifamily	8,426	10,547	11,896	12,716	13,069	13,568	13,940	14,173
42 Federal Land Banks	29,640	29,416	28,767	28,775	28,815	28,365	28,536	28,592
43 One- to four-family	1,210	1,838	1,693	1,695	1,695	1,669	1,679	1,682
44 Farm	28,430	27,577	27,074	27,082	27,119	26,696	26,857	26,909
45 Federal Home Loan Mortgage Corporation	21,851	21,857	26,809	28,621	31,629	33,665	35,421	42,477
46 One- to four-family	18,248	19,185	24,125	26,001	29,039	31,032	32,831	39,905
47 Multifamily	3,603	2,672	2,684	2,620	2,591	2,633	2,589	2,572
48 Mortgage pools or trusts ⁵	917,848	1,079,103	1,250,666	1,341,338	1,385,460	1,425,546	1,461,612	1,472,844
49 Government National Mortgage Association	368,367	403,613	425,295	422,922	422,255	419,516	421,514	413,166
50 One- to four-family	358,142	391,505	415,767	413,828	413,063	410,675	412,798	404,425
51 Multifamily	10,225	12,108	9,528	9,094	9,192	8,841	8,716	8,741
52 Federal Home Loan Mortgage Corporation	272,870	316,359	359,163	382,797	391,762	407,514	420,932	422,882
53 One- to four-family	266,060	308,369	351,906	376,177	385,400	401,525	415,279	417,646
54 Multifamily	6,810	7,990	7,257	6,620	6,362	5,989	5,654	5,236
55 Federal National Mortgage Association	228,232	299,833	371,984	413,226	429,935	444,979	457,316	465,220
56 One- to four-family	219,577	291,194	362,667	403,940	420,835	435,979	448,483	456,645
57 Multifamily	8,655	8,639	9,317	9,286	9,100	9,000	8,833	8,575
58 Farmers Home Administration ⁴	80	66	47	43	41	38	44	45
59 One- to four-family	21	17	11	9	9	8	10	10
60 Multifamily	0	0	0	0	0	0	0	0
61 Commercial	26	24	19	18	18	17	18	19
62 Farm	33	26	17	15	14	13	16	16
63 Private mortgage conduits	48,299	59,232	94,177	122,350	141,468	153,499	161,805	171,532
64 One- to four-family	43,325	53,335	84,000	105,700	123,000	132,000	137,000	145,000
65 Multifamily	462	731	3,698	5,796	5,796	6,305	6,662	7,410
66 Commercial	4,512	5,166	6,479	10,855	12,673	15,194	18,143	19,121
67 Farm	0	0	0	0	0	0	0	0
68 Individuals and others ⁶	502,127 ²	528,841 ²	559,442 ²	558,562 ²	562,971 ²	560,812 ²	556,015	555,140
69 One- to four-family	318,782 ²	348,547 ²	367,546 ²	368,068 ²	374,984 ²	372,613 ²	367,072	367,378
70 Multifamily	84,228 ²	85,926 ²	83,778 ²	86,174 ²	85,942 ²	85,410 ²	85,561	85,947
71 Commercial	83,272 ²	80,636 ²	93,126 ²	89,456 ²	87,802 ²	88,217 ²	88,077	86,941
72 Farm	15,846	13,732 ²	14,992 ²	14,864 ²	14,243 ²	14,572 ²	15,304	14,874

1. Based on data from various institutional and governmental sources; figures for some quarters estimated in part by the Federal Reserve. Multifamily debt refers to loans on structures of five or more units.

2. Includes loans held by nondeposit trust companies but not loans held by bank trust departments.

3. Includes savings banks and savings and loan associations.

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. 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.

SOURCES. 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, are estimated mainly by the Federal Reserve. Line 64, from Inside Mortgage Securities.

1.55 CONSUMER INSTALLMENT CREDIT¹

Millions of dollars, amounts outstanding, end of period

Holder and type of credit	1990	1991	1992	1993					
				Mar.	Apr. ^r	May ^r	June ^r	July	Aug.
	Seasonally adjusted								
1 Total	738,765	733,510	741,093	750,131 ^r	752,193	750,293	752,428	757,465	761,093
2 Automobile	284,739	260,898	259,627	262,313 ^r	262,463	264,007	265,388	267,468	268,382
3 Revolving	222,552	243,564	254,299	259,661	261,450	262,690	263,338	266,938	269,781
4 Other	231,474	229,048	227,167	228,157 ^r	228,280	223,596	223,701	223,058	222,931
	Not seasonally adjusted								
5 Total	752,883	749,052	756,944	743,133 ^r	746,447	744,778	748,830	753,645	761,859
By major holder									
6 Commercial banks	347,087	340,713	331,869	329,764	332,266	333,415	335,592	339,948	344,040
7 Finance companies	133,258	121,937	117,127	111,854	112,523	109,311	111,330	113,076	111,864
8 Credit unions	93,057	92,681	97,641	99,778	101,534	103,019	104,781	106,027	108,095
9 Retailers	43,464	39,832	42,079	38,030	38,218	38,681	38,813	39,043	39,688
10 Savings institutions	52,164	45,965	43,461	41,695	40,275	39,210	37,250	36,485	35,919
11 Gasoline companies	4,822	4,362	4,365	4,080	4,280	4,486	4,567	4,668	4,728
12 Pools of securitized assets ²	79,030	103,562	120,402	117,932 ^r	117,351	116,656	116,497	114,398	117,525
By major type of credit ³									
13 Automobile	284,903	261,219	259,964	259,945 ^r	260,857	262,860	265,345	267,646	270,090
14 Commercial banks	124,913	112,666	109,743	111,287	111,121	112,700	114,901	116,729	118,130
15 Finance companies	75,045	63,415	57,605	53,508	53,977	53,878	55,592	56,817	55,247
16 Pools of securitized assets ²	24,620	28,915	33,878	36,085 ^r	36,262	36,431	34,701	33,673	35,569
17 Revolving	234,801	256,876	267,949	256,233	257,783	259,566	260,993	264,100	268,695
18 Commercial banks	133,385	138,005	132,582	128,079	129,550	130,871	129,921	132,984	134,498
19 Retailers	38,448	34,712	36,629	32,681	32,838	33,254	33,328	33,505	34,099
20 Gasoline companies	4,822	4,362	4,365	4,080	4,280	4,486	4,567	4,668	4,728
21 Pools of securitized assets ²	45,637	63,595	74,243	70,890	69,919	69,054	70,842	69,935	71,562
22 Other	233,178	230,957	229,031	226,955 ^r	227,807	222,352	222,491	221,899	223,073
23 Commercial banks	88,789	90,042	89,544	90,398	91,595	89,844	90,770	90,235	91,412
24 Finance companies	58,213	58,522	59,522	58,346	58,546	55,433	55,737	56,259	56,616
25 Retailers	5,016	5,120	5,450	5,349	5,380	5,427	5,485	5,538	5,589
26 Pools of securitized assets ²	8,773	11,052	12,281	10,957 ^r	11,170	11,171	10,954	10,790	10,394

1. The Board's series on amounts of credit covers most short- and intermediate-term credit extended to individuals that is scheduled to be repaid (or has the option of repayment) in two or more installments.

Data in this table also appear in the Board's G.19 (421) monthly statistical release. For ordering address, see inside front cover.

2. Outstanding balances of pools upon which securities have been issued; these balances are no longer carried on the balance sheets of the loan originator.

3. Totals include estimates for certain holders for which only consumer credit totals are available.

1.56 TERMS OF CONSUMER INSTALLMENT CREDIT¹

Percent per year except as noted

Item	1990	1991	1992	1993						
				Feb.	Mar.	Apr.	May	June	July	Aug.
INTEREST RATES										
<i>Commercial banks²</i>										
1 48-month new car	11.78	11.14	9.29	8.57	n.a.	n.a.	8.17	n.a.	n.a.	7.98
2 24-month personal	15.46	15.18	14.04	13.57	n.a.	n.a.	13.63	n.a.	n.a.	13.45
3 120-month mobile home	14.02	13.70	12.67	12.38	n.a.	n.a.	12.00	n.a.	n.a.	11.53
4 Credit card	18.17	18.23	17.78	17.26	n.a.	n.a.	17.15	n.a.	n.a.	16.59
<i>Auto finance companies</i>										
5 New car	12.54	12.41	9.93	10.32	9.95	9.61	9.51	9.45	9.37	9.21
6 Used car	15.99	15.60	13.80	13.90	13.21	12.74	12.61	12.55	12.46	12.48
OTHER TERMS ³										
<i>Maturity (months)</i>										
7 New car	54.6	55.1	54.0	54.3	54.6	54.5	54.4	54.6	54.7	54.9
8 Used car	46.0	47.2	47.9	49.0	49.0	48.9	48.9	49.0	49.0	49.0
<i>Loan-to-value ratio</i>										
9 New car	87	88	89	91	90	90	91	91	91	91
10 Used car	95	96	97	98	98	98	98	98	98	99
<i>Amount financed (dollars)</i>										
11 New car	12,071	12,494	13,584	13,849	14,013	14,021	14,146	14,296	14,430	14,324
12 Used car	8,289	8,884	9,119	9,457	9,641	9,731	9,829	9,912	9,996	10,054

1. The Board's series on amounts of credit covers most short- and intermediate-term credit extended to individuals that is scheduled to be repaid (or has the option of repayment) in two or more installments. Data in this table also appear in the Board's G.19 (421) monthly statistical release. For ordering address, see inside front cover.

2. Data are available for only the second month of each quarter.

3. At auto finance companies.

1.57 FUNDS RAISED IN U.S. CREDIT MARKETS¹

Billions of dollars; quarterly data at seasonally adjusted annual rates

Transaction category or sector	1988	1989	1990	1991	1992	1991	1992				1993	
						Q4	Q1	Q2	Q3	Q4	Q1	Q2
	Nonfinancial sectors											
1 Total net borrowing by domestic nonfinancial sectors	752.6	723.0	631.0	475.5	581.5	411.4	603.0	584.6	611.3	526.9	400.2	667.2
By sector and instrument												
2 U.S. government	155.1	146.4	246.9	278.2	304.0	272.5	323.8	352.9	299.1	240.1	229.6	348.2
3 Treasury securities	137.7	144.7	238.7	292.0	303.8	268.7	335.0	352.5	290.1	237.4	226.4	344.1
4 Agency issues and mortgages	17.4	1.6	8.2	-13.8	.2	3.8	-11.2	.4	9.0	2.7	3.2	4.1
5 Private	597.5	576.6	384.1	197.3	277.5	138.9	279.2	231.8	312.1	286.8	170.7	319.0
By instrument												
6 Tax-exempt obligations	53.7	65.3	57.3	69.6	65.7	77.6	68.0	76.6	75.8	42.4	62.1	60.7
7 Corporate bonds	103.1	73.8	47.1	78.8	67.3	60.2	76.3	77.8	61.3	53.7	75.0	65.0
8 Mortgages	279.6	269.1	188.7	165.1	120.0	145.2	183.2	71.0	135.0	90.9	95.8	118.7
9 Home mortgages	219.6	212.5	177.2	166.0	176.0	176.5	216.5	111.6	203.3	172.7	126.2	155.4
10 Multifamily residential	16.1	12.0	3.4	-2.5	-11.1	.2	11.6	-16.3	-11.1	-28.5	-5.6	-10.6
11 Commercial	48.5	47.3	8.9	.9	-45.5	-28.6	-46.9	-24.6	-57.6	-53.0	-26.0	-26.2
12 Farm	-4.6	-2.7	-.8	.7	.6	-2.9	2.0	.4	.4	-.3	1.1	.1
13 Consumer credit	50.1	49.5	13.4	-13.1	9.3	-10.7	-9.8	-14.7	13.5	48.2	20.0	30.7
14 Bank loans n.e.c.	44.7	36.4	4.2	-46.8	-4.7	-53.7	-43.6	27.3	-24.3	22.0	-36.1	35.9
15 Commercial paper	11.9	21.4	9.7	-18.4	8.6	-5.0	2.5	-2.6	9.3	25.4	-24.2	34.8
16 Other loans	54.3	61.0	63.6	-37.8	11.2	-74.9	2.6	-3.5	41.5	4.2	-21.9	-26.9
By borrowing sector												
17 Household	300.1	276.7	207.7	168.4	215.9	193.8	202.9	176.1	217.6	267.0	139.7	216.8
18 Nonfinancial business	248.4	236.3	121.9	-33.4	2.2	-129.0	14.2	-11.2	21.1	-15.3	-39.9	39.5
19 Farm	-10.0	.5	1.8	2.4	.6	-4.6	2.1	3.2	-.5	-2.5	-1.5	3.3
20 Nonfarm noncorporate	57.2	49.4	19.4	-24.5	-39.5	-57.9	-21.7	-47.7	-37.5	-50.9	-28.8	-36.6
21 Corporate	201.3	186.5	100.7	-11.3	41.0	-66.5	33.7	33.3	59.1	38.0	-9.6	72.8
22 State and local government	48.9	63.5	54.5	62.3	59.4	74.0	62.1	66.9	73.5	35.1	70.9	62.7
23 Foreign net borrowing in United States	6.4	10.2	23.9	13.9	24.2	34.3	1.9	57.7	37.8	-.6	50.3	26.9
24 Bonds	6.9	4.9	21.4	14.1	17.3	18.5	4.9	21.9	20.3	22.2	75.6	30.4
25 Bank loans n.e.c.	-1.8	-.1	-2.9	3.1	2.3	6.5	1.5	14.1	3.9	-10.3	1.6	6.3
26 Open market paper	8.7	13.1	12.3	6.4	5.2	14.9	-8.0	27.8	13.1	-12.1	-21.7	-.6
27 U.S. government loans	-7.5	-7.6	-7.0	-9.8	-.6	-5.6	3.6	-6.1	.5	-.4	-5.3	-9.2
28 Total domestic plus foreign	759.0	733.1	654.9	489.4	605.7	445.6	604.9	642.3	649.1	526.3	450.5	694.1
	Financial sectors											
29 Total net borrowing by financial sectors	239.9	213.7	193.5	150.4	209.8	190.5	167.6	204.6	294.8	172.2	148.7	121.2
By instrument												
30 U.S. government-related	119.8	149.5	167.4	145.7	155.8	150.4	126.8	195.2	169.3	131.8	165.8	62.6
31 Government-sponsored enterprises securities	44.9	25.2	17.1	9.2	40.3	32.6	11.5	48.3	67.7	33.6	32.2	68.7
32 Mortgage pool securities	74.9	124.3	150.3	136.6	115.6	117.9	115.3	146.9	101.6	98.4	133.6	-.6
33 Loans from U.S. government	.0	.0	-.1	.0	.0	-.1	.0	.0	.0	-.1	.0	.0
34 Private	120.1	64.2	26.1	4.6	54.0	40.1	40.8	9.4	125.5	40.4	-17.1	58.6
35 Corporate bonds	49.0	37.3	40.8	56.8	58.7	73.7	28.6	59.1	73.0	74.2	60.1	53.6
36 Mortgages	.3	.5	.4	.8	.0	1.2	-.4	-1.5	.0	2.0	.9	.2
37 Bank loans n.e.c.	-3.8	6.0	1.1	17.1	-4.8	3.8	22.0	-39.1	16.9	-19.2	-21.2	-10.6
38 Open market paper	54.8	31.3	8.6	-32.0	-.7	-9.9	1.1	-14.8	17.5	-6.5	-75.5	-18.1
39 Loans from Federal Home Loan Banks	19.7	-11.0	-24.7	-38.0	.8	-28.6	-10.4	5.8	18.1	-10.1	18.6	33.5
By borrowing sector												
40 Government sponsored enterprises	44.9	25.2	17.0	9.1	40.2	32.5	11.5	48.3	67.7	33.5	32.2	68.7
41 Federally related mortgage pools	74.9	124.3	150.3	136.6	115.6	117.9	115.3	146.9	101.6	98.4	133.6	-.6
42 Private	120.1	64.2	26.1	4.6	54.0	40.1	40.8	9.4	125.5	40.4	-17.1	58.6
43 Commercial banks	-3.0	-1.4	-.7	-11.7	8.8	-9.5	3.2	5.5	12.1	14.5	5.4	10.4
44 Bank affiliates	5.2	6.2	-27.7	-2.5	2.3	7.0	10.9	-9.2	6.6	.8	21.1	10.8
45 Funding corporations	39.1	13.8	12.5	-13.6	2.1	-14.0	16.1	28.6	-5.7	-30.5	-54.2	-5.7
46 Savings institutions	21.7	-15.1	-30.2	-44.5	-6.7	-34.0	-18.3	-5.4	11.2	-14.4	7.9	18.3
47 Credit unions	.0	.0	.0	.0	.0	.0	.0	.0	.0	.1	.0	.3
48 Life insurance companies	.0	.0	.0	.0	.0	.0	.0	.0	.2	-.2	.1	.6
49 Finance companies	23.9	27.4	24.0	18.6	-3.6	39.0	-35.6	-20.1	21.2	19.9	-33.1	-41.4
50 Mortgage companies	-6.2	3.0	-4.0	5.7	.1	1.9	27.5	-35.3	14.4	-6.4	-10.4	10.3
51 Real estate investment trusts (REITs)	1.8	1.3	1.0	1.6	1.1	3.3	1.7	.3	.9	-2.7	-1.4	.7
52 Securitized credit obligation (SCO) issuers	37.6	28.9	51.1	51.0	51.0	46.5	35.3	45.0	64.4	59.2	47.5	54.3

1.57 FUNDS RAISED IN U.S. CREDIT MARKETS¹—Continued

Transaction category or sector	1988	1989	1990	1991	1992	1991	1992				1993	
						Q4	Q1	Q2	Q3	Q4	Q1	Q2
	All sectors											
53 Total net borrowing, all sectors	998.8	946.8	848.4	639.8	815.5	636.2	772.5	847.0	943.9	698.5	599.2	815.2
54 U.S. government securities	274.9	295.8	414.4	424.0	459.8	423.0	450.6	548.1	468.5	372.0	395.3	410.8
55 Tax-exempt securities	53.7	65.3	57.3	69.6	65.7	77.6	68.0	76.6	75.8	42.4	62.1	60.7
56 Corporate and foreign bonds	159.0	116.0	109.2	149.6	143.3	152.4	109.8	158.8	154.6	150.1	210.8	149.0
57 Mortgages	280.0	269.6	189.1	165.8	120.1	146.5	182.8	69.5	135.0	93.0	96.7	118.9
58 Consumer credit	50.1	49.5	13.4	-13.1	9.3	-10.7	-9.8	-14.7	13.5	48.2	20.0	30.7
59 Bank loans n.e.c.	39.2	42.3	2.4	-26.6	-7.2	-43.4	-20.2	2.3	-3.4	-7.5	-55.7	31.6
60 Open market paper	75.4	65.9	30.7	-44.0	13.1	.0	-4.5	10.3	39.9	6.8	-121.4	16.1
61 Other loans	66.6	42.4	31.8	-85.6	11.4	-109.3	-4.2	-3.8	60.0	-6.5	-8.7	-2.6
	External corporate equity funds raised in United States											
62 Total net share issues	-98.6	-59.6	22.2	210.6	293.5	290.6	271.6	306.1	283.3	313.1	332.3	469.8
63 Mutual funds	6.1	38.5	67.9	150.5	215.4	208.9	174.4	240.7	223.3	223.0	263.8	357.5
64 All other	-104.7	-98.1	-45.7	60.1	78.2	81.7	97.2	65.3	60.0	90.1	68.5	112.3
65 Nonfinancial corporations	-129.5	-124.2	-63.0	18.3	26.8	48.0	46.0	36.0	11.0	14.0	27.0	32.0
66 Financial corporations	23.9	8.8	9.9	11.2	20.8	10.0	22.1	18.2	14.2	28.6	9.5	30.0
67 Foreign shares purchased in United States .....	.9	17.2	7.4	30.7	30.6	23.7	29.1	11.2	34.8	47.5	31.9	50.3

1. Data in this table also appear in the Board's Z.1 (780) quarterly statistical release, tables F.2 through F.5. For ordering address, see inside front cover.

1.58 SUMMARY OF FINANCIAL TRANSACTIONS¹

Billions of dollars except as noted; quarterly data at seasonally adjusted annual rates

Transaction category or sector	1988	1989	1990	1991	1992	1991	1992				1993	
						Q4	Q1	Q2	Q3	Q4	Q1	Q2
NET LENDING IN CREDIT MARKETS ²												
1 Total net lending in credit markets	998.8	946.8	848.4	639.8	815.5	636.2	772.5	847.0	943.9	698.5	599.2	815.2
2 Private domestic nonfinancial sectors	196.1	122.6	162.8	-16.1	69.1	-70.7	136.6	93.4	-43.4	89.9	-174.4	-83.5
3 Households	170.3	78.6	140.1	-49.7	40.2	-123.3	119.3	52.1	-80.7	70.2	-144.7	-93.7
4 Nonfarm noncorporate business	3.1	-7	-1.7	-4.2	-2.4	-2.6	-3.9	-2.7	-2.0	-1.0	-3.7	-3.0
5 Nonfinancial corporate business	5.7	13.6	-5.3	4.3	36.3	11.0	25.1	36.8	46.5	36.9	-18.5	5.1
6 State and local governments	17.1	31.1	29.6	33.5	-5.0	44.2	-3.9	7.2	-7.1	-16.3	-7.5	8.1
7 U.S. government	-10.6	-3.1	33.7	10.5	-11.9	-20.0	15.2	-23.0	-26.7	-13.1	-24.1	-27.8
8 Foreign	108.6	84.4	82.1	25.6	100.0	41.3	94.4	138.9	79.3	87.6	74.6	92.4
9 Financial sectors	704.8	742.9	569.9	619.8	658.2	685.6	526.3	637.7	934.7	534.2	723.1	834.2
10 Government sponsored enterprises	33.2	-4.1	16.4	14.2	68.7	24.9	92.7	38.6	73.0	70.5	15.8	144.1
11 Federally related mortgage pools	74.9	124.3	150.3	136.6	115.6	117.9	115.3	146.9	101.6	98.4	133.6	-6.1
12 Monetary authority	10.5	-7.3	8.1	31.1	27.9	16.9	28.5	19.0	15.7	48.3	44.5	32.6
13 Commercial banking	156.5	177.2	125.1	84.3	94.8	120.4	85.1	72.7	148.0	73.3	86.4	147.9
14 U.S. commercial banks	126.4	146.1	94.9	39.2	69.8	56.9	76.3	13.3	123.5	66.0	100.4	142.0
15 Foreign banking offices	29.4	26.7	28.4	48.5	16.5	64.9	-5	56.7	5.2	4.8	-12.5	3.8
16 Bank holding companies	-1	2.8	-2.8	-1.5	5.6	0	7.1	-4	16.4	-6	-4.3	-4
17 Banks in U.S. affiliated areas	8	1.6	4.5	-1.9	2.9	-1.5	2.2	3.2	3.0	3.0	2.9	2.6
18 Private nonbank finance	429.7	452.9	270.0	353.7	351.3	405.5	204.8	360.5	596.3	243.7	442.8	515.5
19 Thrift institutions	114.8	-86.6	-153.3	-123.0	-39.9	-56.7	-104.6	-76.3	-43.6	-15.2	-27.2	15.0
20 Insurance	199.0	257.4	181.6	234.3	166.1	199.3	96.6	188.3	221.7	157.8	295.7	166.8
21 Life insurance companies	104.0	101.8	94.4	83.2	82.4	24.6	73.7	66.9	85.1	103.7	122.1	119.5
22 Other insurance companies	29.2	29.7	26.5	32.3	12.7	28.9	28.8	16.4	-2.8	8.3	8.9	10.6
23 Private pension funds	29.2	81.1	17.2	85.3	38.9	135.0	-33.8	77.0	103.9	8.4	122.3	-9.1
24 State and local government retirement funds	36.6	44.7	43.5	33.5	32.2	10.8	27.8	28.0	35.6	37.4	42.4	45.9
25 Finance n.e.c.	115.9	282.2	241.7	242.3	245.2	263.0	212.8	248.5	418.2	101.1	174.3	333.8
26 Finance companies	38.1	32.0	28.4	-12.1	1.7	-28.0	-5.3	-16.0	4.0	24.0	-34.0	-22.8
27 Mortgage companies	-7.4	6.1	-8.0	11.4	1	3.9	23.0	-38.5	28.9	-12.8	-20.9	21.0
28 Mutual funds	11.9	23.8	41.4	90.3	132.3	137.9	95.1	171.1	138.6	124.5	156.8	191.2
29 Closed-end funds	19.8	6.3	0	15.2	12.3	13.5	17.9	9.4	8.7	13.1	8.9	13.0
30 Money market funds	10.7	67.1	80.9	30.1	1.3	44.6	19.1	10.0	4.7	-28.4	-65.0	51.8
31 Real estate investment trusts (REITs)	9	5	-7	-1.0	6	-1.9	3	2.6	-3	-1	2.9	9
32 Brokers and dealers	-8.2	96.3	34.9	49.0	40.2	50.5	-2.4	73.0	180.3	-90.2	79.5	14.7
33 Asset-backed securities (ABSs)	35.9	27.7	49.9	49.0	48.6	44.2	33.0	45.2	62.6	53.6	47.0	49.5
34 Bank personal trusts	14.3	22.4	14.8	10.4	8.0	-1.8	32.2	-8.4	-9.3	17.3	-9	14.4
RELATION OF LIABILITIES TO FINANCIAL ASSETS												
35 Net flows through credit markets	998.8	946.8	848.4	639.8	815.5	636.2	772.5	847.0	943.9	698.5	599.2	815.2
Other financial sources												
36 Official foreign exchange	4.0	24.8	2.0	-5.9	-1.6	-5.0	3.5	-6.5	-8.5	5.1	3.4	-3.5
37 Treasury currency and special drawing rights	5	4.1	2.5	0	-1.8	5	1	3	2	-7.7	3	4
38 Life insurance reserves	25.3	28.8	25.7	25.7	28.4	19.2	33.8	22.7	27.3	29.8	51.4	41.0
39 Pension fund reserves	140.1	309.7	158.1	358.8	228.4	419.6	118.0	191.6	301.3	302.9	371.7	196.9
40 Interbank claims	2.9	-16.5	34.2	-3.7	51.8	10.3	32.1	39.4	82.9	52.8	12.7	47.2
41 Deposits at financial institutions	278.6	284.8	98.1	48.2	9.3	48.5	-7	4.6	175.3	-142.2	-4.6	272.7
42 Checkable deposits and currency	43.2	6.1	44.2	75.8	122.7	102.8	86.4	108.2	201.2	95.1	30.1	233.7
43 Small time and savings deposits	121.6	100.4	59.0	16.7	-60.8	8.7	-40.1	-81.8	-83.6	-37.7	-157.8	-27.6
44 Large time deposits	53.1	13.9	-65.7	-60.8	-80.0	-108.8	-72.9	-109.9	-52.9	-84.2	-6	-19.8
45 Money market fund shares	21.9	90.1	70.3	41.2	3.9	30.5	44.4	27.5	-22.0	-34.1	-37.7	66.8
46 Security repurchase agreements	23.7	77.8	-24.2	-16.5	33.6	23.8	8.1	103.7	89.6	-67.1	180.3	17.2
47 Foreign deposits	15.2	-3.6	14.6	-8.2	-10.2	-8.4	-26.6	-43.2	43.0	-14.2	-18.8	2.4
48 Mutual fund shares	6.1	38.5	67.9	150.5	215.4	208.9	174.4	240.7	223.3	223.0	263.8	357.5
49 Corporate equities	-104.7	-98.1	-45.7	60.1	78.2	81.7	97.2	65.3	60.0	90.1	68.5	112.3
50 Security credit	3.0	15.6	3.5	51.4	4.2	118.0	-66.7	-4.9	82.8	5.5	39.7	37.4
51 Trade debt	89.6	59.4	32.1	-2.2	57.9	-16.3	79.8	56.5	57.8	37.5	28.6	42.5
52 Taxes payable	5.3	2.0	-4.5	-8.5	7.7	-3.3	8.5	6.1	6.5	9.9	9.7	6.6
53 Noncorporate proprietors' equity	-24.0	-31.1	-35.5	-12.5	-13.3	12.9	-21.9	7.1	-39.6	1.3	-15.9	-7.3
54 Investment in bank personal trusts	7.2	23.1	21.5	29.8	-7.5	10.8	40.2	20.2	-55.4	-35.2	-10.1	35.8
55 Miscellaneous	199.2	292.1	98.2	169.9	203.9	256.4	103.2	284.8	214.4	213.3	255.9	332.1
56 Total financial sources	1,632.0	1,883.8	1,306.5	1,501.3	1,676.4	1,798.4	1,374.0	1,774.9	2,072.2	1,484.7	1,674.2	2,286.7
Floats not included in assets (-)												
57 U.S. government checkable deposits	1.6	8.4	3.3	-13.1	7	-88.2	11.3	-9.5	4.4	-3.6	.1	6.1
58 Other checkable deposits	8	-3.2	2.5	2.0	1.6	-5.5	13.8	2.0	-11.7	2.3	-21.8	-11.4
59 Trade credit	-6.2	-1.9	2.5	8.1	21.7	-14.1	25.0	11.3	44.6	5.7	-11.8	-2.1
Liabilities not identified as assets (-)												
60 Treasury currency	-1	-2	2	-6	-2	-1	-4	-1	-3	-1	-1	-2
61 Interbank claims	-3.0	-4.4	1.6	26.2	-4.0	16.6	8.2	-18.2	-5.3	-6	9.3	-2.3
62 Security repurchase agreements	-29.6	32.4	-31.5	5.2	31.1	66.7	-26.7	84.1	45.5	21.4	136.6	2.2
63 Taxes payable	6.3	2.3	5	4	6.7	5	-7.6	7.0	23.8	3.7	-11.1	24.4
64 Miscellaneous	47.3	-77.8	-23.6	-32.1	-15.2	-7.6	-60.3	-51.2	10.7	40.0	39.9	-59.2
65 Total identified to sectors as assets	1,614.8	1,928.2	1,351.0	1,505.2	1,634.2	1,830.2	1,410.7	1,749.5	1,960.5	1,416.0	1,533.2	2,329.2

1. Data in this table also appear in the Board's Z.1 (780) quarterly statistical release, tables F.6 and F.7. For ordering address, see inside front cover.

2. Excludes corporate equities and mutual fund shares.

1.59 SUMMARY OF CREDIT MARKET DEBT OUTSTANDING¹

Billions of dollars, end of period

Transaction category or sector	1989	1990	1991	1992	1991	1992				1993	
					Q4	Q1	Q2	Q3	Q4	Q1	Q2
Nonfinancial sectors											
1 Total credit market debt owed by domestic nonfinancial sectors	10,054.3	10,692.0	11,160.6	11,742.1	11,160.6	11,285.2	11,422.7	11,576.1	11,742.1	11,817.8	11,973.8
By lending sector and instrument											
2 U.S. government	2,251.2	2,498.1	2,776.4	3,080.3	2,776.4	2,859.7	2,923.3	2,998.9	3,080.3	3,140.2	3,201.2
3 Treasury securities	2,227.0	2,465.8	2,757.8	3,061.6	2,757.8	2,844.0	2,907.4	2,980.7	3,061.6	3,120.6	3,180.6
4 Agency issues and mortgages	24.2	32.4	18.6	18.8	18.6	15.8	15.9	18.1	18.8	19.6	20.6
5 Private	7,803.1	8,193.9	8,384.3	8,661.8	8,384.3	8,425.5	8,499.4	8,577.2	8,661.8	8,677.6	8,772.6
By instrument											
6 Tax-exempt obligations	1,004.7	1,062.1	1,131.6	1,197.3	1,131.6	1,145.5	1,163.7	1,186.4	1,197.3	1,209.9	1,224.0
7 Corporate bonds	961.1	1,008.2	1,086.9	1,154.2	1,086.9	1,106.0	1,125.4	1,140.8	1,154.2	1,173.0	1,189.2
8 Mortgages	3,512.8	3,715.4	3,880.4	4,000.4	3,880.4	3,917.2	3,940.9	3,979.0	4,000.4	4,015.4	4,051.2
9 Home mortgages	2,380.5	2,580.6	2,746.6	2,922.6	2,746.6	2,791.7	2,825.5	2,880.7	2,922.6	2,945.1	2,990.1
10 Multifamily residential	304.3	305.5	303.0	291.9	303.0	305.9	301.8	299.0	291.9	290.5	287.8
11 Commercial	747.6	750.8	751.7	706.2	751.7	740.0	733.8	719.4	706.2	699.7	693.2
12 Farm	80.5	78.4	79.1	79.8	79.1	79.6	79.7	79.8	79.8	80.0	80.1
13 Consumer credit	799.5	813.0	799.9	809.2	799.9	777.6	776.9	784.5	809.2	793.9	804.5
14 Bank loans n.e.c.	750.8	747.8	701.0	696.3	701.0	686.3	694.7	686.8	696.3	683.9	693.8
15 Commercial paper	107.1	116.9	98.5	107.1	98.5	110.4	112.0	108.2	107.1	114.6	125.0
16 Other loans	667.0	730.6	685.9	697.1	685.9	682.4	685.8	691.6	697.1	686.9	684.9
By borrowing sector											
17 Household	3,371.4	3,594.8	3,762.7	3,976.0	3,762.7	3,782.6	3,836.6	3,898.7	3,976.0	3,979.4	4,043.2
18 Nonfinancial business	3,615.7	3,728.5	3,688.7	3,693.5	3,688.7	3,697.6	3,701.8	3,695.5	3,693.5	3,691.2	3,707.8
19 Farm	134.4	134.9	134.8	135.4	134.8	133.1	136.4	137.1	135.4	132.8	136.0
20 Nonfarm noncorporate	1,199.6	1,219.0	1,192.3	1,152.9	1,192.3	1,186.1	1,175.7	1,163.4	1,152.9	1,144.6	1,137.3
21 Corporate	2,281.7	2,374.6	2,361.6	2,405.3	2,361.6	2,378.5	2,389.7	2,394.9	2,405.3	2,413.9	2,434.5
22 State and local government	816.1	870.5	932.8	992.2	932.8	945.3	961.0	983.1	992.2	1,007.0	1,021.6
23 Foreign credit market debt held in United States	261.2	285.1	298.9	313.8	298.9	288.7	304.7	312.9	313.8	324.8	333.2
24 Bonds	94.1	115.4	129.5	146.9	129.5	130.8	136.2	141.3	146.9	165.8	173.4
25 Bank loans n.e.c.	21.4	18.5	21.6	23.9	21.6	22.0	25.5	26.5	23.9	24.3	25.9
26 Open market paper	63.0	75.3	81.8	77.7	81.8	70.5	77.4	80.7	77.7	72.3	72.1
27 U.S. government loans	82.7	75.8	66.0	65.4	66.0	65.5	65.6	64.4	65.4	62.5	61.8
28 Total credit market debt owed by nonfinancial sectors, domestic and foreign	10,315.5	10,977.1	11,459.5	12,055.9	11,459.5	11,573.9	11,727.4	11,889.0	12,055.9	12,142.6	12,307.0
Financial sectors											
29 Total credit market debt owed by financial sectors	2,362.7	2,559.4	2,709.7	2,928.8	2,709.7	2,751.2	2,805.3	2,877.1	2,928.8	2,962.1	2,995.5
By instrument											
30 U.S. government-related	1,247.8	1,418.4	1,564.2	1,720.0	1,564.2	1,590.3	1,641.6	1,683.5	1,720.0	1,755.8	1,774.4
31 Government-sponsored enterprises securities	373.3	393.7	402.9	443.1	402.9	405.7	417.8	434.7	443.1	451.2	468.3
32 Mortgage pool securities	869.5	1,019.9	1,156.5	1,272.0	1,156.5	1,179.8	1,219.0	1,244.0	1,272.0	1,299.8	1,301.3
33 Loans from U.S. government	5.0	4.9	4.8	4.8	4.8	4.8	4.8	4.8	4.8	4.8	4.8
34 Private	1,114.8	1,140.9	1,145.6	1,208.9	1,145.6	1,160.9	1,163.7	1,193.6	1,208.9	1,206.3	1,221.0
35 Corporate bonds	509.1	549.9	606.6	665.4	606.6	613.8	628.6	646.8	665.4	680.4	693.8
36 Mortgages	4.0	4.3	5.1	5.1	5.1	5.0	4.6	4.6	5.1	5.4	5.4
37 Bank loans n.e.c.	50.9	52.0	69.1	64.2	69.1	72.7	63.1	67.3	64.2	56.9	54.6
38 Open market paper	409.1	417.7	385.7	394.3	385.7	393.2	390.5	394.6	394.3	378.7	375.2
39 Loans from Federal Home Loan Banks	141.8	117.1	79.1	79.9	79.1	76.3	76.9	80.2	79.9	85.0	92.1
By borrowing sector											
40 Government-sponsored enterprises	378.3	398.5	407.7	447.9	407.7	410.5	422.6	439.5	447.9	456.0	473.1
41 Federally related mortgage pools	869.5	1,019.9	1,156.5	1,272.0	1,156.5	1,179.8	1,219.0	1,244.0	1,272.0	1,299.8	1,301.3
42 Private financial sectors	1,114.8	1,140.9	1,145.6	1,208.9	1,145.6	1,160.9	1,163.7	1,193.6	1,208.9	1,206.3	1,221.0
43 Commercial banks	77.4	76.7	65.0	73.8	65.0	63.8	66.2	69.0	73.8	73.1	76.7
44 Bank affiliates	142.5	114.8	112.3	114.6	112.3	115.0	112.7	114.4	114.6	119.9	122.6
45 Funding corporations	125.4	137.9	124.3	135.7	124.3	137.6	144.8	143.3	135.7	127.6	126.1
46 Savings institutions	169.2	139.1	94.6	87.8	94.6	89.8	87.6	89.2	87.8	90.3	93.6
47 Credit unions	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.1
48 Life insurance companies	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.2
49 Finance companies	350.4	374.4	393.0	389.4	393.0	382.2	377.4	382.7	389.4	379.1	369.1
50 Mortgage companies	11.3	7.3	13.0	13.0	13.0	19.8	11.0	14.6	13.0	10.4	13.0
51 Real estate investment trusts (REITs)	11.4	12.4	14.0	14.1	14.0	14.4	14.5	14.8	14.1	13.7	13.9
52 Securitized credit obligation (SCO) issuers	227.3	278.3	329.4	380.4	329.4	338.2	349.5	365.6	380.4	392.2	405.8
All sectors											
53 Total credit market debt, domestic and foreign	12,678.2	13,536.5	14,169.3	14,984.7	14,169.3	14,325.1	14,532.7	14,766.1	14,984.7	15,104.7	15,302.5
54 U.S. government securities	3,494.1	3,911.7	4,335.7	4,795.5	4,335.7	4,445.2	4,560.1	4,677.6	4,795.5	4,891.2	4,970.9
55 Tax-exempt securities	1,004.7	1,062.1	1,131.6	1,197.3	1,131.6	1,145.5	1,163.7	1,186.4	1,197.3	1,209.9	1,224.0
56 Corporate and foreign bonds	1,564.3	1,673.5	1,823.1	1,966.4	1,823.1	1,850.5	1,890.2	1,928.9	1,966.4	2,019.1	2,056.4
57 Mortgages	3,516.8	3,719.7	3,885.5	4,005.6	3,885.5	3,922.2	3,945.5	3,983.6	4,005.6	4,020.7	4,056.6
58 Consumer credit	799.5	813.0	799.9	809.2	799.9	777.6	776.9	784.5	809.2	793.9	804.5
59 Bank loans n.e.c.	823.0	818.3	791.7	784.5	791.7	780.9	783.3	780.6	784.5	765.2	774.3
60 Open market paper	579.2	609.9	565.9	579.0	565.9	574.1	579.9	583.6	579.0	565.5	572.3
61 Other loans	896.5	928.4	835.8	847.2	835.8	829.0	833.0	841.0	847.2	839.2	843.6

1.60 SUMMARY OF FINANCIAL ASSETS AND LIABILITIES¹

Billions of dollars except as noted, end of period

Transaction category or sector	1989	1990	1991	1992	1991	1992				1993	
					Q4	Q1	Q2	Q3	Q4	Q1	Q2
CREDIT MARKET DEBT OUTSTANDING ²											
1 Total credit market assets	12,678.2	13,536.5	14,169.3	14,984.7	14,169.3	14,325.1	14,532.7	14,766.1	14,984.7	15,104.7	15,302.5
2 Private domestic nonfinancial sectors	2,096.4	2,246.8	2,205.8	2,280.8	2,205.8	2,211.7	2,219.0	2,212.2	2,280.8	2,228.3	2,189.6
3 Households	1,326.8	1,454.6	1,380.0	1,426.1	1,380.0	1,389.1	1,381.1	1,371.7	1,426.1	1,389.6	1,342.3
4 Nonfarm noncorporate business	56.5	54.9	50.7	48.3	50.7	49.3	48.7	48.1	48.3	47.0	46.3
5 Nonfinancial corporate business	181.2	175.8	180.1	216.4	180.1	180.0	192.6	199.5	216.4	204.5	209.8
6 State and local governments	531.9	561.5	595.1	590.0	595.1	593.3	596.6	592.9	590.0	587.3	591.1
7 U.S. government	205.4	239.1	247.0	235.1	247.0	251.2	246.3	239.2	235.1	229.5	223.4
8 Foreign	778.7	897.5	936.2	1,030.4	936.2	959.8	994.5	1,014.3	1,030.4	1,040.5	1,063.6
9 Financial sectors	9,597.7	10,153.1	10,780.3	11,438.5	10,780.3	10,902.4	11,072.9	11,300.3	11,438.5	11,606.5	11,825.9
10 Government-sponsored enterprises	355.4	371.8	397.7	466.4	397.7	419.9	429.0	446.3	466.4	464.1	499.2
11 Federally related mortgage pools	869.5	1,019.9	1,156.5	1,272.0	1,156.5	1,179.8	1,219.0	1,244.0	1,272.0	1,299.8	1,301.3
12 Monetary authority	233.3	241.4	272.5	300.4	272.5	271.8	282.6	285.2	300.4	303.6	318.2
13 Commercial banking	2,647.4	2,772.5	2,856.8	2,951.6	2,856.8	2,864.5	2,887.6	2,928.2	2,951.6	2,960.9	3,001.8
14 U.S. commercial banks	2,371.9	2,466.7	2,506.0	2,575.7	2,506.0	2,517.3	2,525.2	2,560.0	2,575.7	2,594.6	2,633.8
15 Foreign banking offices	242.3	270.8	319.2	335.8	319.2	313.3	328.2	328.9	335.8	326.7	328.2
16 Bank holding companies	16.2	13.4	11.9	17.5	11.9	13.6	13.1	17.5	17.5	16.4	15.9
17 Banks in U.S. affiliated areas	17.1	21.6	19.7	22.5	19.7	20.2	21.0	21.8	22.5	23.3	23.9
18 Private nonbank finance	5,491.9	5,747.4	6,096.7	6,448.1	6,096.7	6,166.5	6,254.8	6,396.6	6,448.1	6,578.0	6,705.4
19 Thrift institutions	1,475.4	1,324.6	1,197.3	1,137.3	1,197.3	1,168.6	1,150.5	1,141.3	1,137.3	1,127.9	1,132.7
20 Insurance	2,320.7	2,473.7	2,708.0	2,874.1	2,708.0	2,736.4	2,788.0	2,843.3	2,874.1	2,953.0	2,999.9
21 Life insurance companies	1,022.0	1,116.5	1,199.6	1,282.0	1,199.6	1,222.3	1,243.6	1,264.7	1,282.0	1,317.3	1,352.3
22 Other insurance companies	317.5	344.0	376.3	389.0	376.3	383.5	387.6	386.9	389.0	391.2	393.8
23 Private pension funds	590.2	607.4	692.7	731.5	692.7	684.2	703.4	729.4	731.5	762.3	760.0
24 State and local government retirement funds	390.9	405.9	439.4	471.6	439.4	446.3	453.3	462.2	471.6	482.2	493.7
25 Finance n.e.c.	1,695.9	1,949.1	2,191.5	2,436.6	2,191.5	2,261.5	2,316.2	2,412.0	2,436.6	2,497.1	2,572.8
26 Finance companies	468.6	497.0	484.9	486.6	484.9	479.5	480.5	477.8	486.6	473.7	473.5
27 Mortgage companies	22.6	14.6	25.9	26.1	25.9	31.7	22.1	29.3	26.1	20.8	26.1
28 Mutual funds	307.2	360.2	450.5	582.8	450.5	478.8	522.0	557.5	582.8	626.6	674.7
29 Closed-end funds	37.1	37.1	52.4	64.6	52.4	56.8	59.2	61.3	64.6	66.9	70.1
30 Money market funds	291.8	372.7	402.7	404.1	402.7	424.0	413.5	408.8	404.1	404.5	404.0
31 Real estate investment trusts (REITs)	8.4	7.7	6.8	7.4	6.8	7.5	7.5	7.4	7.4	8.1	8.3
32 Brokers and dealers	142.9	177.9	226.9	267.1	226.9	226.3	244.6	289.6	267.1	287.0	290.6
33 Asset-backed securities (ABSs)	219.3	269.1	318.1	366.7	318.1	326.3	337.6	353.3	366.7	378.4	390.8
34 Bank personal trusts	198.0	212.9	223.3	231.2	223.3	231.3	229.2	226.9	231.2	231.0	234.6
RELATION OF LIABILITIES TO FINANCIAL ASSETS											
35 Total credit market debt	12,678.2	13,536.5	14,169.3	14,984.7	14,169.3	14,325.1	14,532.7	14,766.1	14,984.7	15,104.7	15,302.5
Other liabilities											
36 Official foreign exchange	53.6	61.3	55.4	51.8	55.4	52.7	54.4	55.4	51.8	54.5	53.9
37 Treasury currency and special drawing rights certificates	23.8	26.3	26.3	24.5	26.3	26.3	26.4	26.5	24.5	24.6	24.7
38 Life insurance reserves	354.3	380.0	405.7	434.1	405.7	414.2	419.8	426.7	434.1	447.0	457.2
39 Pension fund reserves	3,356.1	3,400.3	4,056.5	4,420.2	4,056.5	4,077.9	4,134.5	4,265.7	4,420.2	4,560.8	4,618.3
40 Interbank claims	32.4	64.0	65.2	116.8	65.2	64.6	70.8	103.7	116.8	111.4	118.2
41 Deposits at financial institutions	4,736.7	4,836.8	4,885.2	4,892.1	4,885.2	4,878.6	4,870.2	4,909.2	4,892.1	4,886.8	4,941.5
42 Checkable deposits and currency	888.6	932.8	1,008.5	1,131.0	1,008.5	984.3	1,032.3	1,071.6	1,131.0	1,093.4	1,170.7
43 Small time and savings deposits	2,277.4	2,336.3	2,353.0	2,292.2	2,353.0	2,351.3	2,325.8	2,303.7	2,292.2	2,261.6	2,249.2
44 Large time deposits	603.4	537.7	476.9	397.2	476.9	459.2	427.5	418.4	397.2	397.7	388.7
45 Money market fund shares	428.1	498.4	539.6	543.6	539.6	572.0	557.2	553.2	543.6	556.6	549.9
46 Security repurchase agreements	396.5	372.3	355.8	389.4	355.8	367.0	393.5	417.6	389.4	443.5	448.2
47 Foreign deposits	142.8	159.4	151.3	138.8	151.3	144.7	133.9	144.6	138.8	134.1	134.7
48 Mutual fund shares	566.2	602.1	813.9	1,050.2	813.9	860.4	928.3	971.2	1,050.2	1,155.7	1,256.5
49 Security credit	133.9	137.4	188.9	217.3	188.9	194.6	193.3	214.5	217.3	225.1	234.5
50 Trade debt	904.2	936.4	926.7	984.7	926.7	938.0	950.0	970.5	984.7	982.6	991.5
51 Taxes payable	81.8	77.4	68.9	76.6	68.9	73.1	70.7	74.5	76.6	81.3	78.6
52 Investment in bank personal trusts	503.2	509.9	596.7	619.1	596.7	612.9	612.7	610.9	619.1	625.0	635.6
53 Miscellaneous	2,591.1	2,732.4	2,884.3	3,052.8	2,884.3	2,891.2	2,951.9	3,023.6	3,052.8	3,086.1	3,145.5
54 Total liabilities	26,015.5	27,300.7	29,143.0	30,924.9	29,143.0	29,409.7	29,815.8	30,418.2	30,924.9	31,345.6	31,858.4
Financial assets not included in liabilities (+)											
55 Gold and special drawing rights	21.0	22.0	22.3	19.6	22.3	22.0	22.7	23.2	19.6	19.8	20.0
56 Corporate equities	3,812.9	3,543.7	4,869.4	5,540.6	4,869.4	4,925.6	4,837.0	4,995.4	5,540.6	5,725.7	5,743.8
57 Household equity in noncorporate business	2,508.1	2,440.6	2,344.6	2,269.2	2,344.6	2,353.5	2,337.5	2,316.3	2,269.2	2,239.9	2,248.0
Floats not included in assets (-)											
58 U.S. government checkable deposits	6.1	15.0	3.8	6.8	3.8	.9	1.4	4.0	6.8	3.4	3.5
59 Other checkable deposits	26.5	28.9	30.9	32.5	30.9	29.5	32.6	23.3	32.5	22.2	22.1
60 Trade credit	-148.6	-146.0	-144.1	-121.8	-144.1	-142.7	-151.1	-144.0	-121.8	-129.5	-141.9
Liabilities not identified as assets (-)											
61 Treasury currency	-4.3	-4.1	-4.8	-5.0	-4.8	-4.9	-4.9	-5.0	-5.0	-5.0	-5.1
62 Interbank claims	-31.0	-32.0	-4.2	-8.4	-4.2	-1.8	-4.0	-4.3	-8.4	-5.2	-4.5
63 Security repurchase agreements	13.7	-17.7	-12.5	18.6	-12.5	-4.8	19.6	33.6	18.6	67.1	71.9
64 Taxes payable	20.6	17.8	15.5	28.5	15.5	10.4	18.9	24.0	28.5	27.9	28.3
65 Miscellaneous	-210.7	-213.4	-254.6	-265.7	-254.6	-295.1	-293.7	-279.6	-265.7	-291.7	-295.7
66 Total identified to sectors as assets	32,685.1	33,658.6	36,749.2	39,068.7	36,749.2	37,119.2	37,394.2	38,101.1	39,068.7	39,641.7	40,191.5

1. Data in this table also appear in the Board's Z.1 (780) quarterly statistical release, tables L.6 and L.7. 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 1987=100, except as noted

Measure	1990	1991	1992	1993								
				Jan.	Feb.	Mar.	Apr.	May ^f	June ^f	July ^f	Aug.	Sept.
1 Industrial production¹	106.0	104.1	106.5	109.3	109.9	110.1	110.4	110.2	110.5	110.7	110.9	111.0
<i>Market groupings</i>												
2 Products, total	105.5	103.1	105.6	108.5	109.2	109.5	109.6	109.3	109.4	109.8	109.8	110.0
3 Final, total	107.0	105.3	108.2	111.9	112.4	112.7	112.8	112.5	112.7	113.0	113.0	113.3
4 Consumer goods	103.4	102.8	105.2	107.6	108.5	108.6	108.1	107.3	107.3	107.5	107.2	107.2
5 Equipment	112.1	108.9	112.7	118.1	118.0	118.7	119.7	119.9	120.4	120.8	121.3	122.2
6 Intermediate	101.2	96.5	97.6	98.2	99.3	99.6	100.0	99.7	99.4	100.2	100.1	100.0
7 Materials	106.8	105.5	107.9	110.4	110.9	110.9	111.5	111.6	112.1	112.0	112.4	112.5
<i>Industry groupings</i>												
8 Manufacturing	106.1	103.7	106.9	109.9	110.5	110.8	111.4	111.3	111.3	111.5	111.6	112.0
9 Capacity utilization, manufacturing (percent) ²	81.1	77.8	78.8	80.3	80.5	80.6	80.9	80.7	80.6	80.6	80.6	80.8
10 Construction contracts ³	95.3	89.7	96.1 ^f	100.0	95.0	94.0	94.0	91.0	104.0	98.0	99.0	101.0
11 Nonagricultural employment, total ⁴	107.3	106.2	106.4	107.1	107.4	107.5	107.7	107.9	108.0	108.2	108.2	108.3
12 Goods-producing, total	101.2	96.6	94.9	93.2	93.5	93.3	93.1	93.2	93.0	93.0	92.8	92.8
13 Manufacturing, total	100.6	97.1	95.8	94.4	94.5	94.4	94.0	93.8	93.5	93.5	93.2	93.1
14 Manufacturing, production workers	100.2	96.3	95.3	94.3	94.5	94.4	94.0	93.8	93.5	93.5	93.2	93.1
15 Service-producing	109.8	109.3	110.0	111.6	111.9	112.0	112.4	112.6	112.8	113.1	113.1	113.3
16 Personal income, total	122.9 ^f	127.6 ^f	135.3 ^f	137.4	138.1 ^f	139.1 ^f	141.1 ^f	141.5	141.3	140.9	142.8	n.a.
17 Wages and salary disbursements	121.4 ^f	124.5 ^f	131.5 ^f	131.4 ^f	131.6 ^f	131.6 ^f	135.7 ^f	136.8	136.5	137.2	138.4	n.a.
18 Manufacturing	113.4 ^f	113.7 ^f	117.8 ^f	114.0 ^f	114.5 ^f	114.2 ^f	118.8 ^f	118.4	118.0	118.2	118.7	n.a.
19 Disposable personal income ⁵	123.1 ^f	128.6 ^f	136.8 ^f	138.9 ^f	139.6 ^f	140.8 ^f	142.5 ^f	142.8	142.6	142.1	144.1	n.a.
20 Retail sales ⁶	120.2	121.3	127.2	132.0	131.9	130.5	133.0	133.9	134.6	135.2	135.9	136.1
<i>Prices⁷</i>												
21 Consumer (1982-84=100)	130.7	136.2	140.3	142.6	143.1	143.6	144.0	144.2	144.4	144.4	144.8	145.1
22 Producer finished goods (1982=100)	119.2	121.7	123.2	124.2	124.5	124.7	125.5 ^f	125.8	125.6	125.3	124.3	123.9

1. A major revision of the industrial production index and the capacity utilization rates was released in April 1990. See "Industrial Production: 1989 Developments and Historical Revision," *Federal Reserve Bulletin*, vol. 76 (April 1990), pp. 187-204.

2. Ratio of index of production to index of capacity. Based on data from the Federal Reserve, DRI McGraw-Hill, U.S. Department of Commerce, and other sources.

3. Index of dollar value of total construction contracts, including residential, nonresidential, and heavy engineering, from McGraw-Hill Information Systems 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 from U.S. Department of Commerce, *Survey of Current Business*.

7. 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, 5, and 6, and indexes for series mentioned in notes 3 and 7 can also be found in the *Survey of Current Business*.

Figures for industrial production for the latest month are preliminary, and many figures for the three months preceding the latest month have been revised. See "Recent Developments in Industrial Capacity and Utilization," *Federal Reserve Bulletin*, vol. 76 (June 1990), pp. 411-35. See also "Industrial Production Capacity and Capacity Utilization since 1987," *Federal Reserve Bulletin*, vol. 79, (June 1993), pp. 590-605.

2.11 LABOR FORCE, EMPLOYMENT, AND UNEMPLOYMENT

Thousands of persons; monthly data seasonally adjusted except as noted

Category	1990	1991	1992	1993							
				Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.
HOUSEHOLD SURVEY DATA											
1 Noninstitutional population ¹	189,686	191,329	193,142	194,298	194,456	194,618	194,767	194,933	195,104	195,275	195,453
2 Labor force ¹	126,424	126,867	128,548	128,839	128,926	128,833	129,615	129,604	129,541	129,852	129,457
3 Civilian labor force	124,787	125,303	126,982	127,327	127,429	127,341	128,131	128,127	128,070	128,370	127,975
<i>Employment</i>											
4 Nonagricultural industries ²	114,728	114,644	114,391	115,335	115,483	115,356	116,203	116,195	116,262	116,729	116,362
5 Agriculture	3,186	3,233	3,207	3,116	3,082	3,060	3,070	3,024	3,039	2,980	3,095
<i>Unemployment</i>											
6 Number	6,874	8,426	9,384	8,876	8,864	8,925	8,858	8,908	8,769	8,661	8,517
7 Rate (percent of civilian labor force)	5.5	6.7	7.4	7.0	7.0	7.0	6.9	7.0	6.8	6.7	6.7
8 Not in labor force	63,262	64,462	64,594	65,459	65,530	65,785	65,152	65,329	65,563	65,423	65,996
ESTABLISHMENT SURVEY DATA											
9 Nonagricultural payroll employment ³	109,419	108,256	108,519	109,539	109,565	109,820	110,058	110,101 ^f	110,338 ^f	110,297	110,453
10 Manufacturing	19,117	18,455	18,192	17,954	17,935	17,863	17,827	17,771 ^f	17,760 ^f	17,712	17,694
11 Mining	709	689	631	600	600	600	602	596	595 ^f	592	597
12 Contract construction	5,120	4,650	4,471	4,515	4,481	4,517	4,577	4,574 ^f	4,593 ^f	4,591	4,596
13 Transportation and public utilities	5,793	5,762	5,709	5,725	5,724	5,720	5,719	5,711 ^f	5,709 ^f	5,693	5,705
14 Trade	25,774	25,365	25,391	25,726	25,707	25,758	25,827	25,861 ^f	25,916 ^f	25,903	25,948
15 Finance	6,709	6,646	6,571	6,577	6,574	6,585	6,588	6,590 ^f	6,604 ^f	6,601	6,611
16 Service	27,934	28,336	29,053	29,665	29,756	29,977	30,099	30,175 ^f	30,320 ^f	30,370	30,396
17 Government	18,304	18,402	18,653	18,777	18,788	18,800	18,819	18,823 ^f	18,841	18,835	18,906

1. 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.

2. Includes self-employed, unpaid family, and domestic service workers.

3. Includes all full- and part-time employees who worked during, or received

pay for, the pay period that includes the twelfth day of the month; excludes proprietors, self-employed persons, household and unpaid family workers, and members of the armed forces. Data are adjusted to the March 1984 benchmark, and only seasonally adjusted data are available at this time.

SOURCE: Based on data from U.S. Department of Labor, *Employment and Earnings*.

2.12 OUTPUT, CAPACITY, AND CAPACITY UTILIZATION¹

Seasonally adjusted

Series	1992	1993				1992	1993				1992	1993			
	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2 ^f	Q3	Q4	Q1	Q2 ^f
	Output (1987=100)				Capacity (percent of 1987 output)				Capacity utilization rate (percent) ²						
1 Total industry	108.3	109.7	110.4	110.9	134.2	134.8	135.3	135.9	80.7	81.4	81.6	81.6	80.7	81.4	81.6
2 Manufacturing	108.7	110.4	111.3	111.7	136.6	137.2	137.8	138.5	79.6	80.5	80.8	80.7	79.6	80.5	80.7
3 Primary processing ³	104.7	106.4	107.2	107.9	126.6	126.8	127.1	127.4	82.7	83.9	84.3	84.7	82.7	83.9	84.7
4 Advanced processing ⁴	110.6	112.3	113.2	113.5	141.3	142.1	142.9	143.7	78.3	79.0	79.2	79.0	78.3	79.0	79.0
5 Durable goods	110.8	113.6	114.8	115.6	142.6	143.4	144.1	144.9	77.7	79.2	79.7	79.8	77.7	79.2	79.8
6 Lumber and products	98.5	99.7	97.3	99.4	112.5	112.6	112.7	112.9	87.6	88.5	86.3	88.0	87.6	88.5	88.0
7 Primary metals	101.5	105.0	104.8	105.9	125.0	124.9	124.9	124.9	81.2	84.1	83.9	84.8	81.2	84.1	84.8
8 Iron and steel	105.0	109.1	109.1	111.1	129.9	129.8	130.0	130.1	80.8	84.1	84.0	85.4	80.8	84.1	85.4
9 Nonferrous	96.7	99.3	98.8	98.6	118.2	118.1	117.9	117.7	81.8	84.1	83.8	83.8	81.8	84.1	83.8
10 Nonelectrical machinery	132.4	137.1	144.2	149.0	162.1	163.7	165.5	167.3	81.7	83.8	87.1	89.1	81.7	83.8	89.1
11 Electrical machinery	124.0	127.1	129.6	132.7	152.6	154.1	155.7	157.3	81.2	82.5	83.2	84.3	81.2	82.5	84.3
12 Motor vehicles and parts	111.4	120.6	117.6	111.6	154.5	155.8	156.8	157.7	72.1	77.4	75.0	70.7	72.1	77.4	75.0
13 Aerospace and miscellaneous transportation equipment	97.7	95.7	93.2	91.4	135.8	135.7	135.5	135.4	72.0	70.5	68.8	67.5	72.0	70.5	68.8
14 Nondurable goods	106.1	106.5	107.0	107.0	129.1	129.6	130.1	130.6	82.1	82.2	82.3	81.9	82.1	82.2	81.9
15 Textile mill products	105.2	106.2	106.1	107.2	116.7	116.9	117.1	117.3	90.1	90.8	90.6	91.4	90.1	90.8	91.4
16 Paper and products	107.9	110.0	113.1	113.4	122.1	122.5	122.9	123.3	88.4	89.8	92.0	92.0	88.4	89.8	92.0
17 Chemicals and products	116.9	116.9	118.3	118.5	143.5	144.4	145.4	146.3	81.4	80.9	81.4	81.0	81.4	80.9	81.0
18 Plastics materials	106.6	111.7	113.1	113.1	128.8	129.5	130.5	130.5	82.8	86.2	86.7	86.7	82.8	86.2	86.7
19 Petroleum products	104.2	104.2	103.9	103.2	116.2	115.9	115.7	115.4	89.7	89.9	89.8	89.4	89.7	89.9	89.4
20 Mining	97.9	96.5	97.2	97.5	112.0	111.7	111.5	111.3	87.4	86.3	87.2	87.6	87.4	86.3	87.6
21 Utilities	114.7	116.0	113.8	115.7	131.8	132.2	132.5	132.9	87.1	87.8	85.9	87.1	87.1	87.8	85.9
22 Electric	114.3	115.2	114.7	116.6	128.5	129.0	129.4	129.9	89.0	89.3	88.6	89.7	89.0	89.3	88.6

Series	1973	1975	Previous cycle ²		Latest cycle ³		1992	1993							
	High	Low	High	Low	High	Low	Sept.	Apr.	May	June ^f	July ^f	Aug. ^f	Sept. ^p	Aug. ^f	Sept. ^p
	Capacity utilization rate (percent) ²														
1 Total industry	99.0	82.7	87.3	71.8	84.8	78.3	79.3	81.7	81.5	81.5	81.6	81.6	81.6	81.6	81.6
2 Manufacturing	99.0	82.7	87.3	70.0	85.1	76.6	78.4	80.9	80.7 ^f	80.6	80.6	80.6	80.6	80.6	80.8
3 Primary processing ³	99.0	82.7	89.7	66.8	89.1	77.9	81.7	84.3	84.2 ^f	84.5	84.6	84.7	84.7	84.7	84.7
4 Advanced processing ⁴	99.0	82.7	86.3	71.4	83.3	76.1	77.0	79.5	79.3 ^f	78.9	79.0	79.0	78.9	79.1	79.1
5 Durable goods	99.0	82.7	86.9	65.0	83.9	73.8	76.1	79.9	79.7	79.4	79.7	79.6	79.6	80.0	80.0
6 Lumber and products	99.0	82.7	87.6	60.9	93.3	76.8	84.3	87.1	86.4 ^f	85.5	87.8	87.6	87.6	88.6	88.6
7 Primary metals	99.0	82.7	102.4	46.8	92.9	74.3	78.2	83.6	83.5 ^f	84.6	84.5	85.3	84.4	85.3	84.4
8 Iron and steel	99.0	82.7	110.4	38.3	95.7	72.3	78.3	83.4	83.2	85.3	86.0	85.7	84.4	85.7	84.4
9 Nonferrous	99.0	82.7	90.5	62.2	88.9	75.9	78.1	83.9	83.9 ^f	83.6	82.2	84.8	84.5	84.8	84.5
10 Nonelectrical machinery	99.0	82.7	92.1	64.9	83.7	73.0	79.4	86.6	87.1 ^f	87.5	88.7	89.0	89.5	89.0	89.5
11 Electrical machinery	99.0	82.7	89.4	71.1	84.9	76.8	80.1	83.1	83.3	83.3	84.4	84.3	84.4	84.3	84.4
12 Motor vehicles and parts	99.0	82.7	93.0	44.5	84.5	57.9	66.8	77.0	75.3	72.7	70.0	69.8	72.4	69.8	72.4
13 Aerospace and miscellaneous transportation equipment	99.0	82.7	81.1	66.9	88.3	78.1	72.7	69.5	69.1	67.7	67.8	67.6	67.2	67.6	67.2
14 Nondurable goods	99.0	82.7	87.0	76.9	86.8	80.4	81.7	82.3	82.2 ^f	82.3	81.9	81.9	81.9	81.9	81.9
15 Textile mill products	99.0	82.7	91.7	73.8	92.1	78.7	90.1	89.0	91.2	91.4	91.8	91.0	91.5	91.0	91.5
16 Paper and products	99.0	82.7	94.2	82.0	94.9	86.0	89.9	92.2	91.2 ^f	92.8	91.9	92.2	91.9	92.2	91.9
17 Chemicals and products	99.0	82.7	85.1	70.1	85.9	78.5	80.6	81.2	81.3	81.7	81.0	81.0	80.9	81.0	80.9
18 Plastics materials	99.0	82.7	90.9	63.4	97.0	75.5	85.4	87.7	85.7	86.7	85.0	85.0	85.0	85.0	85.0
19 Petroleum products	99.0	82.7	89.5	68.2	88.5	84.2	86.8	90.1	89.6	89.9	88.6	88.5	91.1	88.5	91.1
20 Mining	99.0	82.7	96.6	80.6	87.0	86.8	86.5	86.4	87.2 ^f	87.9	87.3	87.2	88.3	87.2	88.3
21 Utilities	99.0	82.7	88.3	76.2	92.6	83.4	84.5	86.4	84.6 ^f	86.6	87.5	88.3	85.4	87.5	85.4
22 Electric	99.0	82.7	88.3	78.7	94.8	87.4	86.6	88.6	88.1 ^f	89.2	90.3	91.3	87.7	90.3	87.7

1. Data in this table also appear in the Board's G.17 (419) monthly statistical release. For ordering address, see inside front cover. For a detailed description of the series, see "Recent Developments in Industrial Capacity and Utilization," *Federal Reserve Bulletin*, vol. 76 (June 1990), pp. 411-35. See also "Industrial Production Capacity and Capacity Utilization Since 1987," *Federal Reserve Bulletin*, vol. 79, (June 1993), pp. 590-605.

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; petroleum refining; rubber and plastics; stone, clay, and glass; and primary and fabricated metals.

4. Advanced processing includes food, tobacco, apparel, furniture, printing, chemical products such as drugs and toiletries, leather and products, machinery, transportation equipment, instruments, miscellaneous manufacturing, and ordnance.

5. Monthly highs, 1978 through 1980; monthly lows, 1982.

6. Monthly highs, 1988-89; monthly lows, 1990-91.

2.13 INDUSTRIAL PRODUCTION Indexes and Gross Value¹

Monthly data seasonally adjusted

Group	1987 pro- por- tion	1992 avg.	1992				1993										
			Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May ^r	June ^r	July ^r	Aug. ^r	Sept. ^p		
Index (1987 = 100)																	
MAJOR MARKETS																	
1 Total index	100.0	106.5	106.2	107.5	108.4	108.9	109.3	109.9	110.1	110.4	110.2	110.5	110.7	110.9	111.0		
2 Products	60.8	105.6	105.3	107.1	107.8	108.2	108.5	109.2	109.5	109.6	109.3	109.4	109.8	109.8	110.0		
3 Final products	46.0	108.2	108.1	110.1	111.0	111.5	111.9	112.4	112.7	112.8	112.5	112.7	113.0	113.0	113.3		
4 Consumer goods, total	26.0	105.2	104.4	106.4	107.1	107.5	107.6	108.5	108.6	108.1	107.3	107.3	107.5	107.2	107.2		
5 Durable consumer goods	5.6	102.5	100.9	104.1	105.7	107.9	110.9	111.3	111.5	112.2	110.8	107.9	109.0	107.7	108.6		
6 Automotive products	2.5	99.4	97.3	103.1	104.1	108.7	112.7	111.9	111.2	112.1	109.7	105.3	103.3	102.8	105.8		
7 Autos and trucks	1.5	96.9	93.5	101.5	102.9	111.7	116.8	114.6	113.4	114.3	110.1	105.0	100.3	99.2	104.1		
8 Autos, consumer .....	.9	79.0	77.9	78.5	79.6	86.9	86.6	90.2	90.5	90.2	86.5	83.5	78.2	71.8	75.4	
9 Trucks, consumer .....	.6	127.9	120.4	141.3	143.3	154.6	169.1	156.9	153.1	155.9	150.9	142.3	138.6	146.7	153.9	
10 Auto parts and allied goods	1.0	103.7	103.7	105.9	106.0	103.8	105.8	107.4	107.5	108.5	109.1	105.8	108.4	108.7	108.7		
11 Other	3.1	105.2	104.1	104.9	107.1	107.2	109.3	110.7	111.7	112.3	111.8	110.2	114.1	112.0	111.1		
12 Appliances, A/C, and TV .....	.8	110.4	112.9	110.8	110.8	110.5	116.0	117.6	125.0	124.3	121.1	116.1	130.4	122.4	118.9	
13 Carpeting and furniture .....	.9	99.9	98.2	98.5	103.7	105.4	105.5	106.7	104.5	106.2	108.9	109.1	110.1	109.2	108.6	
14 Miscellaneous home goods	1.4	105.6	102.9	105.8	107.1	106.6	108.0	109.5	108.9	109.6	108.4	107.6	107.4	107.8	108.2		
15 Nondurable consumer goods	20.4	105.9	105.3	107.1	107.5	107.4	106.7	107.7	107.7	106.9	106.3	107.2	107.1	107.1	106.8		
16 Foods and tobacco	9.1	104.7	104.9	105.9	105.2	104.8	104.6	105.5	104.3	103.9	104.3	104.7	104.5	104.9	104.8		
17 Clothing	2.6	95.0	94.3	94.5	95.9	96.0	95.7	95.0	94.6	94.9	94.2	94.6	93.6	93.3	92.7		
18 Chemical products	3.5	118.7	118.5	121.1	123.3	121.7	122.4	121.1	123.7	123.1	122.6	123.0	123.6	122.7	122.7		
19 Paper products	2.5	100.8	100.4	100.1	100.9	100.9	100.2	101.8	102.1	101.7	101.8	102.6	101.6	100.9	101.4		
20 Energy	2.7	108.3	104.6	111.1	112.0	114.4	109.5	115.5	116.0	111.5	107.4	110.4	112.1	112.7	110.9		
21 Fuels .....	.7	104.7	103.5	109.8	107.7	106.1	106.5	108.9	107.1	106.6	106.5	105.8	105.0	104.5	109.6	
22 Residential utilities	2.0	109.6	105.1	111.6	113.6	111.5	110.7	118.0	119.5	113.4	107.7	112.2	114.9	115.9	111.4		
23 Equipment	20.0	112.7	113.5	115.4	116.7	117.2	118.1	118.0	118.7	119.7	119.9	120.4	120.8	121.3	122.2		
24 Business equipment	13.9	123.2	125.0	127.5	129.0	129.6	131.2	131.7	133.4	134.8	135.4	136.1	136.6	137.1	138.3		
25 Information processing and related	5.6	134.7	138.2	142.2	142.9	143.2	144.4	146.1	149.1	150.6	153.5	155.7	157.7	158.3	159.6		
26 Office and computing	1.9	168.3	178.3	183.1	184.5	186.4	192.0	198.0	203.3	209.5	216.5	221.0	226.0	230.0	233.0		
27 Industrial	4.0	108.5	109.6	110.1	112.0	112.3	113.1	112.2	113.7	115.0	115.0	115.6	116.6	116.8	116.9		
28 Transit	2.5	137.1	134.5	137.4	140.4	144.1	146.7	146.5	145.0	145.0	142.5	138.0	133.2	132.9	136.3		
29 Autos and trucks	1.2	117.9	114.7	121.7	123.9	131.4	136.7	136.8	135.8	136.2	133.1	127.2	118.9	119.6	126.5		
30 Other	1.9	104.7	107.3	108.8	110.7	109.2	112.6	113.4	114.9	117.5	116.2	117.6	118.6	120.7	121.1		
31 Defense and space equipment	5.4	85.9	84.4	83.5	83.2	82.5	82.0	81.5	80.7	80.5	79.5	78.6	78.5	78.2	78.0		
32 Oil and gas well drilling .....	.6	78.3	76.3	82.7	86.4	91.2	89.0	77.9	71.1	72.4	75.1	82.4	81.0	87.8	90.5	
33 Manufactured homes .....	.2	99.7	100.9	110.4	118.5	128.6	129.4	127.1	116.2	114.9	112.1	113.6	115.5	116.2	...	
34 Intermediate products, total	14.7	97.6	96.9	97.8	98.1	98.3	98.2	99.3	99.6	100.0	99.7	99.4	100.2	100.1	100.0		
35 Construction supplies	6.0	93.8	93.0	94.7	95.1	94.5	94.8	97.5	96.4	96.4	97.7	96.8	98.2	98.3	98.9		
36 Business supplies	8.7	100.1	99.5	99.9	100.0	100.8	100.5	100.5	101.8	102.5	101.0	101.1	101.5	101.4	100.7		
37 Materials	39.2	107.9	107.4	108.1	109.3	110.0	110.4	110.9	110.9	111.5	111.6	112.1	112.0	112.4	112.5		
38 Durable goods materials	19.4	108.9	107.6	109.7	111.1	111.9	113.3	114.2	114.1	114.9	114.8	114.9	115.3	115.6	116.3		
39 Durable consumer parts	4.2	101.5	98.5	101.8	104.3	107.5	110.8	111.8	112.2	112.6	111.6	110.2	109.6	110.1	111.1		
40 Equipment parts	7.3	116.5	116.2	118.3	119.3	119.7	120.4	121.0	121.3	122.7	123.5	124.1	124.7	125.7	127.1		
41 Other	7.9	106.0	104.6	106.2	107.4	107.5	108.6	109.7	108.9	109.5	109.2	109.4	110.0	109.7	109.8		
42 Basic metal materials	2.8	108.3	105.8	108.3	109.8	108.8	110.4	113.2	109.9	110.3	111.1	111.3	111.5	110.8	110.7		
43 Nondurable goods materials	9.0	110.9	111.7	110.7	112.0	111.5	112.4	112.1	112.8	113.8	114.1	114.8	114.3	114.8	115.1		
44 Textile materials	1.2	102.8	103.3	102.7	103.4	102.9	104.2	103.2	104.2	102.7	104.3	104.9	105.7	104.8	105.7		
45 Pulp and paper materials	1.9	109.9	112.3	109.1	110.2	110.7	110.7	111.9	112.8	115.3	114.1	115.9	114.0	114.0	113.5		
46 Chemical materials	3.8	114.2	114.5	114.4	115.6	114.6	114.9	114.6	115.6	116.1	117.2	118.6	117.4	118.9	119.3		
47 Other	2.1	110.4	110.5	109.7	112.0	111.3	114.1	112.5	112.6	114.2	113.6	112.3	113.6	113.7	114.2		
48 Energy materials	10.9	103.4	103.6	103.0	103.9	105.1	103.4	103.8	103.5	103.4	103.4	104.6	104.2	104.4	103.3		
49 Primary energy	7.2	99.7	99.6	99.4	100.2	101.3	100.4	98.3	97.4	99.9	101.6	100.9	99.1	99.3	99.1		
50 Converted fuel materials	3.7	110.6	111.4	110.0	111.1	112.4	109.1	114.6	115.4	110.3	106.8	111.7	114.0	114.5	111.5		
SPECIAL AGGREGATES																	
51 Total excluding autos and trucks	97.3	106.6	106.3	107.4	108.4	108.6	108.9	109.5	109.7	110.1	110.0	110.4	110.8	111.0	111.0		
52 Total excluding motor vehicles and parts	95.3	106.6	106.4	107.5	108.4	108.6	108.7	109.3	109.6	109.9	109.8	110.3	110.7	110.9	110.9		
53 Total excluding office and computing machines	97.5	105.0	104.5	105.7	106.6	107.1	107.3	107.8	107.8	108.0	107.7	107.8	108.0	108.0	108.1		
54 Consumer goods excluding autos and trucks	24.5	105.7	105.1	106.8	107.4	107.3	107.0	108.1	108.2	107.6	107.1	107.5	108.1	107.8	107.4		
55 Consumer goods excluding energy	23.3	104.8	104.3	105.9	106.6	106.8	107.4	107.7	107.7	107.6	107.3	107.0	107.0	106.6	106.7		
56 Business equipment excluding autos and trucks	12.7	123.7	125.9	128.0	129.5	129.5	130.7	131.3	133.2	134.6	135.6	136.8	138.1	138.6	139.3		
57 Business equipment excluding office and computing equipment	12.0	115.7	116.1	118.1	119.7	120.1	121.0	120.6	121.6	122.2	121.8	121.8	121.5	121.5	122.3		
58 Materials excluding energy	28.4	109.5	108.8	110.0	111.4	111.8	113.0	113.6	113.7	114.6	114.6	114.9	115.0	115.4	116.0		

2.13 INDUSTRIAL PRODUCTION Indexes and Gross Value¹—Continued

Group	SIC code ²	1987 pro- por- tion	1992 avg.	1992				1993									
				Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May ^r	June ^r	July ^r	Aug. ^r	Sept. ^p	
Index (1987 = 100)																	
MAJOR INDUSTRIES																	
59 Total index .....	...	100.0	106.5	106.2	107.5	108.4	108.9	109.3	109.9	110.1	110.4	110.2	110.5	110.7	110.9	111.0
60 Manufacturing .....	...	84.3	106.9	106.8	108.0	108.9	109.2	109.9	110.5	110.8	111.4	111.3	111.3	111.5	111.6	112.0
61 Primary processing .....	...	27.1	103.8	103.3	104.1	105.1	105.0	105.8	106.9	106.4	107.1	107.1	107.5	107.7	108.0	108.1
62 Advanced processing .....	...	57.1	108.3	108.4	109.9	110.7	111.3	111.9	112.2	112.9	113.4	113.3	113.0	113.3	113.3	113.9
63 Durable goods .....	...	46.5	108.1	108.1	109.8	110.9	111.8	112.9	113.8	114.1	115.0	114.9	114.6	115.2	115.4	116.1
64 Lumber and products	24	2.1	96.4	94.7	97.8	99.8	98.0	99.3	101.8	98.0	98.1	97.4	96.5	99.1	98.9	100.1	
65 Furniture and fixtures	25	1.5	99.0	100.5	100.4	102.3	103.9	105.2	106.0	107.3	108.8	108.4	109.5	111.1	111.2	110.4	
66 Clay, glass, and stone products	32	2.4	96.0	96.5	96.8	97.6	98.0	97.0	98.9	98.6	99.8	99.6	100.5	101.1	100.7	101.2	
67 Primary metals	33	3.3	101.1	98.0	100.5	101.6	102.4	102.8	108.0	104.2	104.4	104.2	105.7	105.5	106.6	105.5	
68 Iron and steel	331.2	1.9	104.7	102.0	104.1	103.6	107.4	107.0	112.9	107.6	108.4	108.1	110.9	111.9	111.5	109.9	
69 Raw steel .....	...	.1	101.2	98.9	99.8	102.8	104.6	103.4	105.9	102.0	102.6	105.1	106.8	108.2	106.2	...
70 Nonferrous	333-6.9	1.4	96.1	92.4	95.6	98.7	95.7	97.1	101.4	99.4	98.9	98.9	98.5	96.8	99.8	99.3	
71 Fabricated metal products	34	5.4	96.7	96.5	97.5	97.6	97.8	99.8	99.7	100.3	101.4	100.6	100.1	101.0	100.7	100.3	
72 Industrial and commercial machinery and computer equipment	35	8.5	124.8	127.9	130.6	132.8	133.8	135.0	136.7	139.6	142.8	144.2	145.4	147.8	148.9	150.2	
73 Office and computing machines	357	2.3	168.3	178.3	183.1	184.5	186.4	192.0	198.0	203.3	209.5	216.5	221.0	226.0	230.0	233.0	
74 Electrical machinery	36	6.9	119.8	121.5	122.6	124.4	124.8	125.8	127.1	128.5	129.0	129.7	130.1	132.3	132.6	133.2	
75 Transportation equipment	37	9.9	102.6	100.5	103.0	103.6	106.3	108.4	107.8	106.9	106.9	105.5	102.6	100.7	100.5	102.3	
76 Motor vehicles and parts	371	4.8	104.8	102.6	108.0	109.9	116.2	120.9	120.7	120.1	120.4	118.1	114.3	110.1	110.2	114.5	
77 Autos and light trucks .....	...	2.2	101.4	97.9	104.1	105.4	114.4	118.2	117.8	116.9	117.5	113.1	108.2	102.8	99.9	104.8
78 Aerospace and miscel- laneous transpor- tation equipment	372-6.9	5.1	100.6	98.6	98.3	97.7	97.1	96.7	95.8	94.6	94.2	93.7	91.8	91.8	91.4	90.9	
79 Instruments	38	5.1	104.2	103.7	103.7	103.6	103.3	103.0	102.2	103.3	102.6	102.5	102.5	102.4	101.6	102.0	
80 Miscellaneous	39	1.3	109.7	108.7	110.5	111.4	111.8	110.9	111.9	112.6	114.3	113.1	112.1	112.3	112.4	113.9	
81 Nondurable goods .....	...	37.8	105.4	105.2	105.8	106.4	106.0	106.4	106.4	106.6	106.9	106.9	107.2	106.9	107.0	107.1
82 Foods	20	8.8	106.0	105.6	106.8	106.4	106.2	105.9	106.9	106.7	106.7	106.7	107.1	106.7	107.1	107.0	
83 Tobacco products	21	1.0	99.2	101.7	102.4	101.9	96.1	100.5	99.3	92.4	90.2	92.1	89.1	92.0	92.9	94.1	
84 Textile mill products	22	1.8	104.7	105.1	103.5	106.0	106.0	106.9	106.2	105.4	104.2	106.9	107.1	107.6	106.7	107.4	
85 Apparel products	23	2.3	92.3	91.5	91.7	92.9	92.7	93.1	92.5	92.1	92.0	91.2	91.1	90.7	90.6	89.6	
86 Paper and products	26	3.6	108.2	109.5	107.3	108.2	108.3	108.6	110.4	111.1	113.1	112.1	114.2	113.2	113.7	113.4	
87 Printing and publishing	27	6.5	95.0	94.1	94.5	94.2	94.7	94.7	94.0	94.7	95.6	94.7	94.5	93.8	93.2	93.3	
88 Chemicals and products	28	8.8	115.0	115.2	116.2	117.7	116.7	116.8	116.2	117.6	117.8	118.1	119.1	118.3	118.6	118.7	
89 Petroleum products	29	1.3	102.0	101.1	105.3	103.9	103.4	103.2	104.7	104.7	104.3	103.6	103.9	102.4	102.1	105.1	
90 Rubber and plastic products	30	3.2	109.7	108.5	109.9	111.3	111.3	113.6	112.7	112.9	113.6	113.8	112.8	114.2	114.4	114.5	
91 Leather and products	31	.3	92.6	93.8	95.1	96.6	96.7	97.1	99.0	99.1	100.1	98.2	97.0	96.8	96.6	97.6	
92 Mining .....	...	8.0	97.6	97.1	97.6	97.8	98.2	98.3	95.9	95.3	96.4	97.3	98.0	97.2	97.1	98.2
93 Metal	10	.3	161.7	159.8	168.1	171.6	158.1	167.7	163.0	158.2	162.5	169.3	164.4	167.8	157.4	164.0	
94 Coal	11,12	1.2	105.5	103.6	103.8	103.5	107.9	108.2	101.7	102.3	108.2	106.4	106.7	101.0	95.9	102.1	
95 Oil and gas extraction	13	5.8	92.6	92.7	92.7	92.8	93.4	92.7	90.9	90.4	90.5	91.6	93.1	92.8	94.1	93.9	
96 Stone and earth minerals	14	.7	93.8	91.9	93.6	94.4	92.6	93.8	95.2	93.4	92.3	94.0	91.7	93.2	95.0	95.3	
97 Utilities .....	...	7.7	112.0	111.2	112.7	114.7	116.8	112.8	117.5	117.8	114.4	112.1	114.9	116.2	117.3	113.6
98 Electric	491,3PT	6.1	111.6	110.9	112.6	114.1	116.4	112.9	116.5	116.3	114.5	114.0	115.6	117.2	118.6	114.0	
99 Gas	492,3PT	1.6	113.2	112.0	113.2	117.3	118.2	112.4	121.4	123.3	113.9	104.9	112.2	112.6	112.6	112.4	
SPECIAL AGGREGATES																	
100 Manufacturing excluding motor vehicles and parts .....	...	79.5	107.0	107.1	108.0	108.8	108.8	109.3	109.8	110.2	110.8	110.9	111.1	111.6	111.7	111.9
101 Manufacturing excluding office and computing machines .....	...	81.9	105.1	104.8	105.9	106.7	107.0	107.6	108.0	108.1	108.6	108.3	108.1	108.2	108.2	108.6
Gross value (billions of 1987 dollars, annual rates)																	
MAJOR MARKETS																	
102 Products, total .....	...	1,707.0	1,806.4	1,799.9	1,835.6	1,846.7	1,857.5	1,864.9	1,880.2	1,880.3	1,882.8	1,872.6	1,873.2	1,875.5	1,872.4	1,881.7
103 Final .....	...	1,314.6	1,420.1	1,415.7	1,448.1	1,457.1	1,466.8	1,476.4	1,485.7	1,484.3	1,485.6	1,477.9	1,477.5	1,477.7	1,475.2	1,485.3
104 Consumer goods .....	...	866.6	913.0	905.1	928.4	931.6	936.3	940.0	949.4	946.1	943.6	936.1	935.5	936.0	931.7	936.4
105 Equipment .....	...	448.0	507.1	510.6	519.7	525.5	530.5	536.5	536.3	538.2	541.9	541.8	541.9	541.7	543.5	548.9
106 Intermediate .....	...	392.5	386.4	384.2	387.4	389.6	390.7	388.4	394.5	396.0	397.3	394.7	395.7	397.8	397.1	396.4

1. Data in this table also appear in the Board's G.17 (419) monthly statistical release. For ordering address, see inside front cover.
A revision of the industrial production index and the capacity utilization rates

was released in May 1993. See "Industrial Production, Capacity, and Capacity Utilization since 1987," *Federal Reserve Bulletin*, vol. 79 (June 1993), pp. 590-605.
2. Standard industrial classification.

2.14 HOUSING AND CONSTRUCTION

Monthly figures at seasonally adjusted annual rates except as noted

Item	1990	1991	1992	1992		1993							
				Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.
Private residential real estate activity (thousands of units except as noted)													
New Units													
1 Permits authorized	1,111	949	1,095	1,136	1,196	1,157	1,141	1,034	1,101	1,121	1,115	1,162	1,242
2 One-family	794	754	911	963	1,037	972	957	871	925	919	925	977	1,015
3 Two-or-more-family	317	195	184	173	159	185	184	163	176	202	190	185	227
4 Started	1,193	1,014	1,200	1,226	1,286	1,171	1,180	1,124	1,206	1,248	1,248	1,232	1,314
5 One-family	895	840	1,030	1,089	1,133	1,051	1,036	987	1,059	1,107	1,079	1,064	1,176
6 Two-or-more-family	298	174	169	137	153	120	144	137	147	141	169	168	138
7 Under construction at end of period ¹ ..	711	606	612	641	644	641	641	635	637	645	649	661	668
8 One-family	449	434	473	498	501	506	508	502	506	515	517	528	537
9 Two-or-more-family	262	173	140	143	143	135	133	133	131	130	132	133	131
10 Completed	1,308	1,091	1,158	1,229	1,227	1,136	1,241	1,108	1,222	1,129	1,158	1,084	1,207
11 One-family	966	838	964	1,002	1,016	980	1,049	995	1,075	987	987	942	1,047
12 Two-or-more-family	342	253	194	227	211	156	192	113	147	142	171	142	160
13 Mobile homes shipped	188	171	210	244	266	267	262	247	241	230	237	241	245
Merchant builder activity in one-family units													
14 Number sold	535	507	610	615	662	603	597	602	689 ²	629	647	636	616
15 Number for sale at end of period ¹ ...	321	284	265	262	265	266	268	270	271	274	274	277	288
Price of units sold (thousands of dollars) ²													
16 Median	122.3	120.0	121.3	128.9	126.0	118.0	129.4	125.0	127.0	129.9	123.0	123.0	128.0
17 Average	149.0	147.0	144.9	147.2	146.2	138.9	149.4	146.6	148.4 ²	152.3	145.8	142.4	153.6
EXISTING UNITS (one-family)													
18 Number sold	3,211	3,219	3,520	3,860	4,040	3,780	3,460	3,370	3,450	3,620	3,680	3,860	3,810
Price of units sold (thousands of dollars) ²													
19 Median	95.2	99.7	103.6	102.7	104.2	103.1	103.6	105.1	105.8	106.5	109.3	108.5	109.0
20 Average	118.3	127.4	130.8	128.8	131.0	129.4	129.6	131.5	133.0	132.8	137.4	136.0	135.8
Value of new construction (millions of dollars) ³													
CONSTRUCTION													
21 Total put in place	442,142	403,439	436,043	449,269	455,239	451,271	453,820	454,465	449,054 ²	453,256	460,680	461,250	455,964
22 Private	334,681	293,536	317,256	328,196	335,354	335,484	334,801	336,972	328,150 ²	332,231	335,028	332,652	331,338
23 Residential	182,856	157,837	187,820	199,304	206,417	207,214	205,730	205,519	197,317 ²	198,380	200,496	200,383	201,495
24 Nonresidential	151,825	135,699	129,436	128,892	128,937	128,270	129,071	131,453	130,833 ²	133,851	134,532	132,269	129,843
25 Industrial buildings	23,849	22,281	20,720	19,246	19,961	19,600	20,484	22,152	19,458 ²	20,091	19,316	19,681	19,282
26 Commercial buildings	62,866	48,482	41,523	41,143	39,602	41,414	42,317	41,323	42,426 ²	42,428	42,723	41,358	40,424
27 Other buildings	21,591	20,797	21,494	21,517	20,900	21,123	21,564	21,484	22,568 ²	23,293	23,849	23,776	24,233
28 Public utilities and other	43,519	44,139	45,699	46,986	48,474	46,133	44,706	46,494	46,381 ²	48,039	48,644	47,454	45,904
29 Public	107,461	109,900	118,784	121,073	119,885	115,786	119,019	117,493	120,904 ²	121,025	125,652	128,599	124,626
30 Military	2,664	1,837	2,502	2,557	2,394	2,621	2,703	2,586	2,533 ²	2,393	2,234	2,355	2,366
31 Highway	32,108	32,026	34,929	37,698	33,411	30,648	33,009	33,413	34,534	34,320	37,649	36,769	33,719
32 Conservation and development	4,557	4,861	5,918	6,441	8,144	5,732	6,688	7,112	5,875 ²	6,019	6,103	5,971	5,871
33 Other	68,132	71,176	75,435	74,377	75,936	76,785	76,619	74,382	77,962 ²	78,293	79,666	83,504	82,670

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 17,000 jurisdictions beginning in 1984.

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, Sept. 1993 ¹
	1992 Sept.	1993 Sept.	1992	1993			1993 ²					
			Dec.	Mar.	June	Sept.	May	June	July	Aug.	Sept.	
CONSUMER PRICES ² (1982-84=100)												
1 All items	3.0	2.7	3.2	4.0	2.2	1.4	.1	.0	.1	.3	.0	145.1
2 Food	1.8	1.9	1.4	2.6	1.4	1.7	.4	-.4	.0	.3	.1	141.1
3 Energy items	2.2	-.7	1.9	3.1	-3.8	-3.4	-1.0	-.2	.0	-.5	-.4	105.2
4 All items less food and energy	3.3	3.2	3.8	4.3	2.9	1.9	.2	.1	.1	.3	.1	152.9
5 Commodities	2.5	1.5	1.5	4.6	.6	-.3	.0	-.1	.0	.3	-.4	135.1
6 Services	3.6	4.0	4.7	4.4	4.1	2.7	.3	.2	.2	.3	.2	163.1
PRODUCER PRICES (1982=100)												
7 Finished goods	1.6	.5	-.3	4.3	.6	-2.5	.0	-.4 ^r	-.2	-.6	.2	123.9
8 Consumer foods .....	.5	1.9	3.3	-1.6	1.3	4.6	.0 ^r	-1.0 ^r	-.1	.5	.7	125.6
9 Consumer energy	2.1	-1.6	-10.2	16.6	-3.5	-6.9	-.5 ^r	-.6 ^r	-1.0	-.8	.0	79.5
10 Other consumer goods	2.2	-.3	1.2	3.2	1.2	-6.4	.1 ^r	-.4 ^r	.1	-1.7	.0	136.0
11 Capital equipment	1.5	1.7	.6	4.4	1.2	1.2	.1 ^r	.1 ^r	.1	.2	.0	130.3
Intermediate materials												
12 Excluding foods and feeds	1.1	.8	-2.1	5.7	.3	-.3	-.3 ^r	.3	-.2	.0	.1	117.0
13 Excluding energy	1.2	1.3	-.3	4.7	-.3	1.0	-.2	.0 ^r	.1	.2	.0	124.0
Crude materials												
14 Foods	-.1	4.5	5.1	1.9	-1.5	12.2	.5	-3.3 ^r	1.2	1.6	.1	107.5
15 Energy	8.8	-10.6	-17.8	-10.1	19.3	-27.6	4.2 ^r	-.1 ^r	-4.9	-1.8	-1.2	74.9
16 Other	3.8	6.5	1.9	24.3	10.9	-7.9	1.3 ^r	.0 ^r	.6	-2.6	.0	138.9

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	1990 ^f	1991 ^f	1992 ^f	1992 ^f			1993 ^f	
				Q2	Q3	Q4	Q1	Q2
GROSS DOMESTIC PRODUCT								
1 Total	5,546.1	5,722.9	6,038.5	5,991.4	6,059.5	6,194.4	6,261.6	6,327.6
By source								
2 Personal consumption expenditures	3,761.2	3,906.4	4,139.9	4,099.9	4,157.1	4,256.2	4,296.2	4,359.9
3 Durable goods	468.2	457.8	497.3	487.8	500.9	516.6	515.3	531.6
4 Nondurable goods	1,229.2	1,257.9	1,300.9	1,288.2	1,305.7	1,331.7	1,335.3	1,344.8
5 Services	2,063.8	2,190.7	2,341.6	2,323.8	2,350.5	2,407.9	2,445.5	2,483.4
6 Gross private domestic investment	808.9	736.9	796.5	799.7	802.2	833.3	874.1	874.1
7 Fixed investment	802.0	745.5	789.1	786.8	792.5	821.3	839.5	861.0
8 Nonresidential	586.7	555.9	565.5	566.3	569.2	579.5	594.7	619.1
9 Structures	201.6	182.6	172.6	174.5	170.8	171.1	172.4	177.6
10 Producers' durable equipment	385.1	373.3	392.9	391.7	398.4	408.3	422.2	441.6
11 Residential structures	215.3	189.6	223.6	220.6	223.3	241.8	244.9	241.9
12 Change in business inventories	6.9	-8.6	7.3	12.9	9.7	12.0	34.6	13.1
13 Nonfarm	3.8	-8.6	2.3	6.2	4.4	9.5	33.0	16.8
14 Net exports of goods and services	-71.4	-19.6	-29.6	-33.9	-38.8	-38.8	-48.3	-65.1
15 Exports	557.1	601.5	640.5	632.4	641.1	654.7	651.3	660.0
16 Imports	628.5	621.1	670.1	666.3	679.9	693.5	699.6	725.0
17 Government purchases of goods and services	1,047.4	1,099.3	1,131.8	1,125.8	1,139.1	1,143.8	1,139.7	1,158.6
18 Federal	426.5	445.9	448.8	444.6	452.8	452.4	442.7	447.5
19 State and local	620.9	653.4	683.0	681.2	686.2	691.4	697.0	711.1
By major type of product								
20 Final sales, total	5,539.3	5,731.6	6,031.2	5,978.6	6,049.9	6,182.5	6,227.1	6,314.5
21 Goods	2,178.4	2,227.0	2,305.5	2,278.4	2,308.6	2,365.6	2,362.9	2,395.0
22 Durable	933.6	934.3	975.8	963.2	978.4	1,008.3	1,003.5	1,037.8
23 Nondurable	1,244.8	1,292.8	1,329.6	1,315.1	1,330.2	1,357.3	1,359.3	1,357.1
24 Services	2,849.5	3,032.7	3,221.1	3,196.2	3,239.3	3,296.1	3,341.8	3,388.1
25 Structures	511.5	471.9	504.7	504.0	501.9	520.8	522.4	531.5
26 Change in business inventories	6.9	-8.6	7.3	12.9	9.7	12.0	34.6	13.1
27 Durable goods	-2.1	-12.9	2.1	16.7	5.7	-1.2	15.0	2.7
28 Nondurable goods	9.0	4.3	5.3	-3.8	4.0	13.2	19.5	10.4
MEMO								
29 Total GDP in 1987 dollars	4,897.3	4,861.4	4,986.3	4,956.5	4,998.2	5,068.3	5,078.2	5,102.1
NATIONAL INCOME								
30 Total	4,491.0	4,598.3	4,836.6	4,814.6	4,800.8	4,975.8	5,038.9	5,104.0
31 Compensation of employees	3,297.6	3,402.4	3,582.0	3,558.1	3,603.6	3,658.6	3,705.1	3,750.6
32 Wages and salaries	2,745.0	2,814.9	2,953.1	2,933.6	2,970.7	3,015.8	3,054.3	3,082.7
33 Government and government enterprises	516.0	545.3	567.5	566.9	569.7	574.2	584.1	586.3
34 Other	2,229.0	2,269.6	2,385.6	2,366.8	2,401.0	2,441.6	2,470.2	2,496.3
35 Supplement to wages and salaries	552.5	587.5	629.0	624.5	632.9	642.8	650.7	668.0
36 Employer contributions for social insurance	278.3	290.6	306.3	304.6	306.9	311.3	312.2	321.4
37 Other labor income	274.3	296.9	322.7	319.9	326.0	331.5	338.5	346.6
38 Proprietors' income ¹	363.3	376.4	414.3	411.1	408.1	431.2	444.1	439.4
39 Business and professional ¹	321.4	339.5	370.6	366.2	371.3	383.6	388.4	392.4
40 Farm ¹	41.9	36.8	43.7	44.9	36.8	47.6	55.7	47.0
41 Rental income of persons ²	-14.2	-12.8	-8.9	-7.2	-18.5	-1.2	7.5	12.7
42 Corporate profits ¹	380.6	369.5	407.2	411.7	367.5	439.5	432.1	458.1
43 Profits before tax	365.7	362.3	395.4	409.5	357.9	409.9	419.8	445.6
44 Inventory valuation adjustment	-11.0	4.9	-5.3	-13.7	-7.8	4.9	-12.7	-12.2
45 Capital consumption adjustment	25.9	2.2	17.1	16.0	17.4	24.7	25.1	24.7
46 Net interest	463.7	462.8	442.0	440.8	440.1	447.7	450.1	443.2

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	1990 ¹	1991 ¹	1992 ¹	1992 ²			1993 ²	
				Q2	Q3	Q4	Q1	Q2
PERSONAL INCOME AND SAVING								
1 Total personal income	4,673.8	4,850.9	5,144.9	5,093.8	5,139.8	5,328.3	5,254.7	5,373.2
2 Wage and salary disbursements	2,745.0	2,815.0	2,973.1	2,933.6	2,970.7	3,095.8	2,974.3	3,082.7
3 Commodity-producing industries	745.7	738.1	756.5	750.0	751.6	783.3	740.7	765.1
4 Manufacturing	555.6	557.2	577.6	571.2	573.3	602.0	559.7	580.3
5 Distributive industries	635.1	648.0	682.0	672.2	682.5	709.9	682.9	709.1
6 Service industries	848.3	883.5	967.0	944.6	966.8	1,028.4	966.6	1,022.2
7 Government and government enterprises	515.9	545.4	567.5	566.9	569.7	574.2	584.1	586.3
8 Other labor income	274.3	296.9	322.7	319.9	326.0	331.5	338.5	346.6
9 Proprietors' income ¹	363.3	376.4	414.3	411.1	408.1	431.2	444.1	439.4
10 Business and professional ¹	321.4	339.5	370.6	366.2	371.3	383.6	388.4	392.4
11 Farm ¹	41.9	36.8	43.7	44.9	36.8	47.6	55.7	47.0
12 Rental income of persons ²	-14.2	-12.8	-8.9	-7.2	-18.5	-1.2	-7.5	12.7
13 Dividends	144.4	127.9	140.4	136.0	144.9	152.3	157.0	157.8
14 Personal interest income	698.2	715.6	694.3	696.0	692.2	694.5	695.4	693.1
15 Transfer payments	687.6	769.9	858.4	852.4	866.1	877.4	894.4	905.5
16 Old-age survivors, disability, and health insurance benefits	352.0	382.3	413.9	412.0	416.6	420.8	433.1	435.0
17 LESS: Personal contributions for social insurance	224.9	237.8	249.3	248.1	249.8	253.3	256.6	264.5
18 EQUALS: Personal income	4,673.8	4,850.9	5,144.9	5,093.8	5,139.8	5,328.3	5,254.7	5,373.2
19 LESS: Personal tax and nontax payments	623.3	620.4	644.8	634.6	642.8	670.7	657.1	681.0
20 EQUALS: Disposable personal income	4,050.5	4,230.5	4,500.2	4,459.2	4,497.0	4,657.6	4,597.5	4,692.2
21 LESS: Personal outlays	3,880.6	4,029.0	4,261.5	4,221.3	4,277.3	4,377.9	4,419.7	4,483.6
22 EQUALS: Personal saving	170.0	201.5	238.7	237.9	219.6	279.7	177.9	208.7
MEMO								
Per capita (1987 dollars)								
23 Gross domestic product	19,593.0	19,237.9	19,518.0	19,430.4	19,536.7	19,754.1	19,744.4	19,785.4
24 Personal consumption expenditures	13,093.0	12,895.2	13,080.9	13,002.5	13,097.8	13,240.9	13,234.2	13,311.6
25 Disposable personal income	14,101.0	13,965.0	14,219.0	14,142.0	14,169.0	14,490.0	14,163.0	14,326.0
26 Saving rate (percent)	4.2	4.8	5.3	5.3	4.9	6.0	3.9	4.4
GROSS SAVING								
27 Gross saving	722.7	733.7	717.8	715.5	727.0	718.8	762.0	766.7
28 Gross private saving	861.1	929.9	986.9	987.7	1,016.5	969.4	1,024.8	988.3
29 Personal saving	170.0	201.5	238.7	237.9	219.6	279.7	177.9	208.7
30 Undistributed corporate profits ¹	88.5	102.3	110.4	112.6	82.3	121.7	103.7	116.3
31 Corporate inventory valuation adjustment	-11.0	4.9	-5.3	-13.7	-7.8	4.9	-12.7	-12.2
Capital consumption allowances								
32 Corporate	368.2	383.2	396.6	391.5	410.3	396.5	402.2	405.2
33 Noncorporate	234.5	242.8	261.3	245.7	304.3	251.5	261.0	258.1
34 Government surplus, or deficit (-), national income and product accounts	-138.4	-196.2	-269.1	-272.2	-289.5	-250.6	-262.8	-221.5
35 Federal	-163.5	-203.4	-276.3	-279.9	-290.7	-264.2	-263.5	-222.6
36 State and local	25.1	7.3	7.2	7.8	1.2	13.5	.8	1.1
37 Gross investment	730.4	743.3	741.4	739.1	742.7	750.9	796.5	778.7
38 Gross private domestic	808.9	736.9	796.5	799.7	802.2	833.3	874.1	874.1
39 Net foreign	-78.5	6.4	-55.1	-60.6	-59.4	-82.4	-77.6	-95.4
40 Statistical discrepancy	7.8	9.6	23.6	23.6	15.7	32.1	34.4	12.0

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 noted¹

Item credits or debits	1990	1991	1992	1992			1993	
				Q2	Q3	Q4	Q1 ²	Q2 ²
1 Balance on current account	-91,861	-8,324	-66,400	-18,253	-17,775	-23,687	-22,308	-26,934
2 Merchandise trade balance	-109,033	-73,802	-96,138	-24,801	-27,612	-25,962	-29,309	-34,388
3 Merchandise exports	389,303	416,937	440,138	108,306	109,493	113,992	111,530	113,125
4 Merchandise imports	-498,336	-490,739	-536,276	-133,107	-137,105	-139,954	-140,839	-147,513
5 Military transactions, net	-7,834	-5,851	-2,751	-727	-617	-836	-145	23
6 Other service transactions, net	38,485	51,733	59,163	14,378	15,898	14,265	14,769	14,772
7 Investment income, net	20,348	13,021	6,222	907	1,703	-806	-37	-275
8 U.S. government grants	-17,434	24,073	-14,688	-3,234	-2,783	-5,883	-3,242	-2,578
9 U.S. government pensions and other transfers	-2,934	-3,461	-3,735	-1,118	-940	-846	-978	-975
10 Private remittances and other transfers	-13,459	-14,037	-14,473	-3,659	-3,424	-3,619	-3,366	-3,513
11 Change in U.S. government assets other than official reserve assets, net (increase, -)	2,307	2,905	-1,609	-293	-305	-737	535	55
12 Change in U.S. official reserve assets (increase, -)	-2,158	5,763	3,901	1,464	1,952	1,542	-983	720
13 Gold	0	0	0	0	0	0	0	0
14 Special drawing rights (SDRs)	-192	-177	2,316	-168	-173	2,829	-140	-166
15 Reserve position in International Monetary Fund	731	-367	-2,692	1	-118	-2,685	-228	211
16 Foreign currencies	-2,697	6,307	4,277	1,631	2,243	1,398	-615	675
17 Change in U.S. private assets abroad (increase, -)	-44,280	-68,643	-53,253	-9,866	-12,445	-31,243	-11,910	-26,203
18 Bank-reported claims	16,027	3,278	24,948	4,050	6,584	-3,481	28,055	4,743
19 Nonbank-reported claims	-4,433	1,932	4,551	1,294	-3,214	1,132	-4,774	...
20 U.S. purchases of foreign securities, net	-28,765	-44,740	-47,961	-8,276	-13,787	-17,405	-26,889	-20,180
21 U.S. direct investments abroad, net	-27,109	-29,113	-34,791	-6,934	-2,028	-11,489	-8,302	-10,766
22 Change in foreign official assets in United States (increase, +)	34,198	17,564	40,684	21,008	-7,378	5,931	10,929	17,839
23 U.S. Treasury securities	29,576	14,846	18,454	11,240	-323	-7,379	1,039	6,042
24 Other U.S. government obligations	667	1,301	3,949	1,699	912	874	710	1,082
25 Other U.S. government liabilities	2,156	1,542	2,542	678	864	943	-395	191
26 Other U.S. liabilities reported by U.S. banks	3,385	-1,484	16,427	7,466	-7,831	11,219	8,171	9,425
27 Other foreign official assets	-1,586	1,359	-688	-75	-1,000	274	1,404	1,099
28 Change in foreign private assets in United States (increase, +)	70,976	65,875	88,895	23,442	33,828	32,914	14,789	20,453
29 U.S. bank-reported liabilities	16,370	-11,371	18,609	-528	23,647	-1,171	-18,862	-2,462
30 U.S. nonbank-reported liabilities	7,533	-699	741	979	1,553	-2,717	2,057	...
31 Foreign private purchases of U.S. Treasury securities, net	-2,534	18,826	36,893	10,168	4,870	21,232	13,599	-411
32 Foreign purchases of other U.S. securities, net	1,592	35,144	30,274	10,453	2,730	12,478	9,394	15,000
33 Foreign direct investments in United States, net	48,015	23,975	2,378	2,370	1,028	3,092	8,601	8,326
34 Allocation of special drawing rights	0	0	0	0	0	0	0	0
35 Discrepancy	30,820	-15,140	-12,218	-17,502	2,123	15,280	8,948	14,070
36 Due to seasonal adjustment	...	...	...	653	-6,754	1,222	5,814	816
37 Before seasonal adjustment	30,820	-15,140	-12,218	-18,155	8,877	14,058	3,134	13,254
MEMO								
Changes in official assets								
38 U.S. official reserve assets (increase, -)	-2,158	5,763	3,901	1,464	1,952	1,542	-983	720
39 Foreign official assets in United States, excluding line 25 (increase, +)	32,042	16,022	38,142	20,330	-8,242	4,988	11,324	17,648
40 Change in Organization of Petroleum Exporting Countries official assets in United States (part of line 22)	1,707	-4,882	5,857	-2,113	3,051	2,336	463	-940

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 institution 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 TRADE¹

Millions of dollars; monthly data seasonally adjusted

Item	1990	1991	1992	1993						
				Feb.	Mar.	Apr.	May	June ^r	July ^r	Aug. ^p
1 Exports of domestic and foreign merchandise, excluding grant-aid shipments	393,592	421,730	448,164	36,928	38,895	38,479	38,930	37,639	37,109	38,212
2 General imports including merchandise for immediate consumption plus entries into bonded warehouses	495,311	488,453	532,665	44,832	49,347	48,660	47,306	49,698	47,534	47,925
3 Trade balance	-101,718	-66,723	-84,501	-7,904	-10,453	-10,182	-8,376	-12,058	-10,425	-9,713

1. Government and nongovernment shipments of merchandise between foreign countries and the fifty states, including the District of Columbia, Puerto Rico, the U.S. Virgin Islands, and U.S. Foreign Trade Zones. Data exclude (1) shipments among the United States, Puerto Rico, the U.S. Virgin Islands, and other U.S. affiliated insular areas, (2) shipments to U.S. Armed Forces and diplomatic missions abroad for their own use, (3) U.S. goods returned to the United States by its Armed Forces, (4) personal and household effects of travelers, and (5) in-transit shipments. Data reflect the total arrival of merchandise from foreign countries that immediately entered consumption channels, warehouses, or U.S. Foreign Trade Zones (general imports). Import data are Customs value; export data are F.A.S. value. Since 1990, data for U.S. exports to Canada have been derived from import data compiled by Canada; similarly, in Canadian statistics, Canadian exports to the United States are derived from import data compiled by

the United States. Since Jan. 1, 1987, merchandise trade data have been released forty-five days after the end of the month; the previous month is revised to reflect late documents.

Data in this table differ from figures for merchandise trade shown in the U.S. balance of payments accounts (table 3.10, lines 2 through 4) primarily for reasons of coverage. For both exports and imports, a large part of the difference is the treatment of military sales and purchases. The military sales to foreigners (exports) and purchases from foreigners (imports) that are included in this table as merchandise trade are shifted, in the balance of payments accounts, from "merchandise trade" into the broader category "military transactions."

SOURCE: (U.S. Department of Commerce, Bureau of the Census), FT900, U.S. Merchandise Trade.

3.12 U.S. RESERVE ASSETS

Millions of dollars, end of period

Asset	1990	1991	1992	1993						
				Mar.	Apr.	May	June	July	Aug.	Sept. ^p
1 Total	83,316	77,719	71,323	74,378	75,644	76,711	73,968	74,139	75,231	75,835
2 Gold stock, including Exchange Stabilization Fund ¹	11,058	11,057	11,056	11,054	11,054	11,053	11,057	11,057	11,057	11,057
3 Special drawing rights ²	10,989	11,240	8,503	8,787	8,947	9,147	8,987	8,905	9,133	9,203
4 Reserve position in International Monetary Fund ²	9,076	9,488	11,759	12,184	12,317	12,195	11,926	12,083	12,118	12,101
5 Foreign currencies ⁴	52,193	45,934	40,005	42,353	43,326	44,316	41,998	42,094	42,923	43,474

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 BANKS¹

Millions of dollars, end of period

Asset	1990	1991	1992	1993						
				Mar.	Apr.	May	June	July	Aug.	Sept. ^p
1 Deposits	369	968	205	317	221	193	286	284	357	501
Held in custody										
2 U.S. Treasury securities ²	278,499	281,107	314,481	326,486	339,396	345,060	343,672	343,378	356,671	358,860
3 Earmarked gold ³	13,387	13,303	13,686	12,989	12,924	12,854	12,829	12,756	12,686	12,562

1. Excludes deposits and U.S. Treasury securities held for international and regional organizations.

2. Marketable U.S. Treasury bills, notes, and bonds and nonmarketable U.S. Treasury securities payable at face value in dollars or foreign currencies.

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.

3.14 FOREIGN BRANCHES OF U.S. BANKS Balance Sheet Data¹

Millions of dollars, end of period

Account	1990	1991	1992	1993						
				Feb.	Mar.	Apr.	May	June	July	Aug.
ASSETS	All foreign countries									
1 Total payable in any currency	556,925	548,999	542,545	554,127 ^f	547,425 ^f	544,497 ^f	548,893 ^f	562,590 ^f	551,342	560,539
2 Claims on United States	188,496	176,487	166,798	172,776 ^f	172,132 ^f	164,652 ^f	162,355 ^f	176,025 ^f	163,793	166,817
3 Parent bank	148,837	137,695	132,275	139,642 ^f	139,016 ^f	129,121 ^f	127,126 ^f	141,024 ^f	127,474	130,865
4 Other banks in United States	13,296	12,884	9,703	9,249	9,073	10,830	9,169	9,498	8,993	9,457
5 Nonbanks	26,363	25,908	24,820	23,885	24,043	24,701	26,060	25,503	27,326	26,495
6 Claims on foreigners	312,449	303,934	318,071	317,473 ^f	314,912	316,001 ^f	321,065 ^f	316,533 ^f	316,989	325,948
7 Other branches of parent bank	135,003	111,729	123,256	115,991 ^f	112,598	109,966 ^f	111,314	111,708	105,095	108,071
8 Banks	72,602	81,970	82,190	83,264 ^f	84,819 ^f	86,940 ^f	88,188 ^f	85,972 ^f	88,648	90,008
9 Public borrowers	17,555	18,652	20,756	19,934 ^f	19,005 ^f	18,577 ^f	18,251	18,183	17,687	18,364
10 Nonbank foreigners	87,289	91,583	91,869	98,284	98,490	100,518 ^f	103,312	100,670 ^f	105,559	109,505
11 Other assets	55,980	68,578	57,676	63,878 ^f	60,381	63,844 ^f	65,473 ^f	70,032 ^f	70,560	67,774
12 Total payable in U.S. dollars	379,479	364,078	365,824	361,729 ^f	353,799 ^f	345,053 ^f	344,926 ^f	355,298 ^f	340,948	338,896
13 Claims on United States	180,174	169,848	162,125	168,245 ^f	167,535 ^f	160,120 ^f	156,418 ^f	169,502 ^f	155,387	157,538
14 Parent bank	142,962	133,662	129,329	137,122 ^f	136,423 ^f	126,760 ^f	123,957 ^f	137,711 ^f	124,072	127,028
15 Other banks in United States	12,513	12,025	9,266	8,704	8,336	10,168	8,209	8,638	8,270	8,475
16 Nonbanks	24,699	24,161	23,530	22,419	22,776	23,192	24,252	23,153	23,045	22,035
17 Claims on foreigners	174,451	167,010	183,527	174,726	170,338	169,360 ^f	170,475 ^f	168,824 ^f	167,183	164,318
18 Other branches of parent bank	95,298	78,114	83,117	77,681	75,871	73,049	73,068	73,014 ^f	70,293	68,567
19 Banks	36,440	41,635	47,250	43,067	41,266	43,783 ^f	44,920 ^f	43,674 ^f	44,262	42,378
20 Public borrowers	12,298	13,685	14,313	13,710	13,068	12,537	12,244	12,049	11,951	11,999
21 Nonbank foreigners	30,415	33,576	38,847	40,268	40,133	39,991 ^f	40,243	40,087 ^f	40,677	41,374
22 Other assets	24,854	27,220	20,172	18,758 ^f	15,926	15,573 ^f	18,033 ^f	16,972 ^f	18,378	17,040
United Kingdom										
23 Total payable in any currency	184,818	175,599	165,850	164,507 ^f	162,122	163,193 ^f	165,044	173,158	167,046	172,710
24 Claims on United States	45,560	35,257	36,403	34,919	34,989	33,353	31,239	37,038	34,032	35,491
25 Parent bank	42,413	31,931	33,460	32,779	31,719	29,605	27,523	33,059	29,184	30,612
26 Other banks in United States	792	1,267	1,298	783	892	757	747	1,006	808	877
27 Nonbanks	2,355	2,059	1,645	1,357	2,378	2,991	2,969	2,973	4,040	4,002
28 Claims on foreigners	115,536	109,692	111,623	110,025 ^f	106,944	108,963 ^f	111,830	109,528	107,799	114,150
29 Other branches of parent bank	46,367	35,735	46,165	41,317	39,466	39,450 ^f	41,458	40,130	37,164	39,778
30 Banks	31,604	36,394	33,399	36,206 ^f	34,914	37,823 ^f	37,282	36,848 ^f	38,543	40,332
31 Public borrowers	3,860	3,306	3,329	2,542	2,531	2,513 ^f	2,420	2,342	2,341	2,606
32 Nonbank foreigners	33,705	34,257	28,730	29,960	30,033	29,177 ^f	30,670	30,208 ^f	29,751	31,434
33 Other assets	23,722	30,650	17,824	19,563 ^f	20,189	20,877 ^f	21,975	26,592	25,215	23,069
34 Total payable in U.S. dollars	116,762	105,974	109,493	99,761 ^f	94,870	95,612	97,431	100,422	96,200	93,739
35 Claims on United States	41,259	32,418	34,508	32,929	32,783	31,233	28,634	34,110	30,573	31,753
36 Parent bank	39,609	30,370	32,186	31,559	30,443	28,420	25,996	31,265	27,580	28,938
37 Other banks in United States	334	822	1,022	428	413	393	326	533	300	308
38 Nonbanks	1,316	1,226	1,300	942	1,927	2,420	2,312	2,312	2,693	2,507
39 Claims on foreigners	63,701	58,791	66,335	60,695	57,530	60,180	61,742	60,479	58,944	56,603
40 Other branches of parent bank	37,142	28,667	34,124	28,856	30,017	29,388	30,753	30,287	27,814	27,713
41 Banks	13,135	15,219	17,089	16,800	13,422	16,903	17,073	16,658 ^f	17,590	15,466
42 Public borrowers	3,143	2,853	2,349	1,883	1,949	1,888	1,808	1,804	1,744	1,832
43 Nonbank foreigners	10,281	12,052	12,773	13,156	12,142	12,001	12,108	11,730 ^f	11,796	11,592
44 Other assets	11,802	14,765	8,650	6,137 ^f	4,557	4,637	7,055	5,833	6,683	5,383
Bahamas and Cayman Islands										
45 Total payable in any currency	162,316	168,512	147,422	151,647 ^f	149,351 ^f	144,524 ^f	142,737 ^f	148,814 ^f	140,256	140,172
46 Claims on United States	112,989	115,430	96,280	103,308 ^f	101,171 ^f	97,339 ^f	94,759 ^f	101,941 ^f	93,412	93,661
47 Parent bank	77,873	81,706	66,608	74,297 ^f	73,325 ^f	67,700 ^f	66,035 ^f	73,855 ^f	66,039	67,055
48 Other banks in United States	11,869	10,907	7,828	7,892	7,424	9,279	7,184	7,651	7,477	7,360
49 Nonbanks	23,247	22,817	21,844	21,119	20,422	20,360	21,540	20,435	19,896	19,246
50 Claims on foreigners	41,356	45,229	44,509	40,821	41,314	40,596 ^f	41,378 ^f	40,437 ^f	39,609	39,588
51 Other branches of parent bank	13,416	11,098	7,293	7,311	6,650	6,873	6,999	7,009	6,772	7,226
52 Banks	16,310	20,174	21,212	17,440	18,797	17,816 ^f	18,527 ^f	18,117 ^f	17,688	16,863
53 Public borrowers	5,807	7,161	7,786	7,422	7,188	6,690	6,527	6,334	6,185	6,102
54 Nonbank foreigners	5,823	6,796	8,218	8,648	8,679	9,217	9,325	8,977	8,964	9,397
55 Other assets	7,971	7,853	6,633	7,518	6,866	6,589 ^f	6,600 ^f	6,436 ^f	7,235	6,923
56 Total payable in U.S. dollars	158,390	163,957	142,861	147,281 ^f	145,111 ^f	140,016 ^f	138,067 ^f	143,732 ^f	135,701	135,698

1. Since June 1984, reported claims held by foreign branches have been reduced by an increase in the reporting threshold for "shell" branches from \$50

million to \$150 million equivalent in total assets, the threshold now applicable to all reporting branches.

3.14 FOREIGN BRANCHES OF U.S. BANKS Balance Sheet Data¹—Continued

Account	1990	1991	1992	1993						
				Feb.	Mar.	Apr.	May	June	July	Aug.
LIABILITIES	All foreign countries									
57 Total payable in any currency	556,925	548,999	542,545	554,127 ^f	547,425 ^f	544,497 ^f	548,893 ^f	562,590 ^f	551,342	560,539
58 Negotiable certificates of deposit (CDs)	18,060	16,284	10,032	11,871 ^f	11,596	13,748	14,348	14,154	14,568	14,604
59 To United States	189,412	198,307	189,444	184,627 ^f	187,572 ^f	176,747 ^f	175,442 ^f	186,374 ^f	174,089	172,074
60 Parent bank	138,748	136,431	134,339	124,595 ^f	126,134 ^f	119,752 ^f	117,207 ^f	129,486 ^f	120,953	118,724
61 Other banks in United States	7,463	13,260	12,182	12,373	13,306	11,952	14,062	13,514	10,440	9,561
62 Nonbanks	43,201	48,616	42,923	47,659	48,132	45,043 ^f	44,173 ^f	43,374 ^f	42,696	43,789
63 To foreigners	311,668	288,254	309,704	319,409 ^f	312,417	316,661	322,140	318,956 ^f	319,464	333,015
64 Other branches of parent bank	139,113	112,033	125,160	119,601	115,535	113,845	115,189	115,725	108,925	113,550
65 Banks	58,986	63,097	62,189	70,086 ^f	68,411	68,381	69,323	67,243 ^f	71,491	73,663
66 Official institutions	14,791	15,596	19,731	21,469	18,312	21,326	22,271	22,466	23,147	23,049
67 Nonbank foreigners	98,778	97,528	102,624	108,253 ^f	110,159	113,109	115,357	113,522	115,901	122,753
68 Other liabilities	37,785	46,154	33,365	38,220 ^f	35,840	37,341 ^f	36,963	43,106 ^f	43,221	40,846
69 Total payable in U.S. dollars	383,522	370,710	368,773	363,528 ^f	353,840 ^f	344,532 ^f	344,319 ^f	357,116 ^f	342,287	339,344
70 Negotiable CDs	14,094	11,909	6,238	6,640	6,519	7,062	7,248	8,138	7,958	7,370
71 To United States	175,654	185,472	178,674	172,695 ^f	175,763 ^f	164,380 ^f	162,328 ^f	172,708 ^f	160,499	157,841
72 Parent bank	130,510	129,669	127,948	117,700 ^f	119,524 ^f	112,736 ^f	110,161 ^f	121,922 ^f	113,313	110,881
73 Other banks in United States	6,052	11,707	11,512	11,418	12,467	11,282	13,126	12,862	9,789	8,842
74 Nonbanks	39,092	44,096	39,214	43,577	43,772 ^f	40,362 ^f	39,041 ^f	37,924 ^f	37,397	38,118
75 To foreigners	179,002	158,993	172,189	170,527 ^f	160,774	163,149	165,162	166,130 ^f	163,567	165,055
76 Other branches of parent bank	98,128	76,601	83,700	79,594	77,685	75,682	75,313	75,783	72,900	72,467
77 Banks	20,251	24,156	26,118	25,571	21,227	22,150	22,969	23,440 ^f	23,631	24,522
78 Official institutions	7,921	10,304	12,430	14,034	10,762	12,627	12,653	12,951	12,868	12,031
79 Nonbank foreigners	52,702	47,932	49,941	51,328 ^f	51,100	52,690	54,227	53,956	54,168	56,035
80 Other liabilities	14,772	14,336	11,672	13,666	10,784	9,941	9,581	10,140 ^f	10,263	9,078
United Kingdom										
81 Total payable in any currency	184,818	175,599	165,850	164,507 ^f	162,122	163,193 ^f	165,044	173,158	167,046	172,710
82 Negotiable CDs	14,256	11,333	4,517	5,596 ^f	4,753	5,414	5,644	6,566	6,364	6,674
83 To United States	39,928	37,720	39,174	33,092	38,011	34,661	37,272	39,514	35,521	36,600
84 Parent bank	31,806	29,834	31,100	24,250	29,759	26,781 ^f	28,095	30,410	27,183	28,076
85 Other banks in United States	1,505	1,438	1,065	1,633	1,192	1,110	1,652	1,097	850	741
86 Nonbanks	6,617	6,448	7,009	7,209	7,060	6,770 ^f	7,525	8,007	7,488	7,783
87 To foreigners	108,531	98,167	107,176	110,285 ^f	104,356	108,670	106,834	106,725 ^f	105,949	112,121
88 Other branches of parent bank	36,709	30,054	35,983	35,143	33,424	33,545	31,437	32,275	28,408	30,534
89 Banks	25,126	25,541	25,231	27,227	23,985	26,082	27,184	25,848 ^f	28,504	29,039
90 Official institutions	8,361	9,670	12,090	12,938	10,531	12,342	11,752	12,139	11,885	11,575
91 Nonbank foreigners	38,335	32,902	33,872	34,977 ^f	36,416	36,701	36,461	36,463	37,152	40,973
92 Other liabilities	22,103	28,379	14,983	15,534 ^f	15,002	14,448 ^f	15,294	20,353 ^f	19,212	17,315
93 Total payable in U.S. dollars	116,094	108,755	108,214	101,113 ^f	95,892	94,159	96,152	98,465	93,360	92,066
94 Negotiable CDs	12,710	10,076	3,894	4,444	3,765	4,214	4,392	5,462	5,197	4,890
95 To United States	34,697	33,003	35,417	28,874	33,552	30,170	32,457	34,523	30,669	31,579
96 Parent bank	29,955	28,260	29,957	23,097	28,405	25,315 ^f	26,631	28,747	25,753	26,600
97 Other banks in United States	1,156	1,177	709	1,097	707	676	1,311	847	637	476
98 Nonbanks	3,586	3,566	4,751	4,680	4,440	4,179 ^f	4,515	4,929	4,279	4,503
99 To foreigners	60,014	56,626	62,048	59,414 ^f	51,850	54,407	54,576	53,282 ^f	52,336	51,256
100 Other branches of parent bank	25,957	20,800	22,026	20,516	19,516	18,958	17,449	17,691	16,198	16,063
101 Banks	9,488	11,069	12,540	10,359	6,702	8,327	9,065	8,305 ^f	8,347	7,666
102 Official institutions	4,692	7,156	8,847	9,967	7,008	8,803	8,210	8,812	8,720	8,042
103 Nonbank foreigners	19,877	17,601	18,635	18,572 ^f	18,624	18,319	19,852	18,474	19,071	19,485
104 Other liabilities	8,673	9,050	6,855	8,381	6,725	5,368	4,727	5,198 ^f	5,158	4,341
Bahamas and Cayman Islands										
105 Total payable in any currency	162,316	168,512	147,422	151,647 ^f	149,351 ^f	144,524 ^f	142,737 ^f	148,814 ^f	140,256	140,172
106 Negotiable CDs	646	1,173	1,350	1,142	1,713	1,692	1,812	1,535	1,562	1,307
107 To United States	114,738	130,058	111,861	111,201 ^f	110,875 ^f	106,560 ^f	102,764 ^f	109,128 ^f	100,819	99,418
108 Parent bank	74,941	79,394	67,347	62,808 ^f	60,152 ^f	60,033 ^f	57,082 ^f	64,508 ^f	59,152	58,031
109 Other banks in United States	4,526	10,231	10,445	10,059	11,492	10,291	11,220	11,567	8,603	7,791
110 Nonbanks	35,271	40,433	34,069	38,334	39,231	36,236 ^f	34,462 ^f	33,053 ^f	33,064	33,596
111 To foreigners	44,444	35,200	32,556	37,690	35,369	34,773	36,146	36,563	35,866	37,808
112 Other branches of parent bank	24,715	17,388	15,169	18,056	18,015	17,462	18,626	18,927	18,104	19,103
113 Banks	5,588	5,662	6,422	7,967	6,476	6,219	6,123	6,382	6,954	7,766
114 Official institutions	622	572	805	1,036	858	905	1,052	1,025	897	836
115 Nonbank foreigners	13,519	11,578	10,160	10,631	10,020	10,187	10,345	10,229	9,911	10,103
116 Other liabilities	2,488	2,081	1,655	1,614	1,394	1,499	2,015	1,588	2,009	1,639
117 Total payable in U.S. dollars	157,132	163,789	143,150	147,347 ^f	144,700 ^f	139,406 ^f	137,712 ^f	143,846 ^f	135,569	135,483

3.15 SELECTED U.S. LIABILITIES TO FOREIGN OFFICIAL INSTITUTIONS

Millions of dollars, end of period

Item	1991 ^f	1992 ^f	1993						
			Feb. ^f	Mar. ^f	Apr. ^f	May ^f	June ^f	July ^f	Aug. ^p
1 Total ¹	360,530	398,672	413,185	410,078	413,660	424,298	427,399	426,695	436,657
By type									
2 Liabilities reported by banks in the United States ²	38,396	54,823	66,464	63,079	62,814	69,199	72,552	67,116	68,540
3 U.S. Treasury bills and certificates ³	92,692	104,596	113,594	113,547	113,293	120,194	119,860	128,843	136,488
U.S. Treasury bonds and notes									
4 Marketable	203,677	210,553	203,209	202,593	205,302	201,878	201,118	196,238	196,990
5 Nonmarketable ⁴	4,858	4,532	4,592	4,622	5,431	5,417	5,451	5,487	5,453
6 U.S. securities other than U.S. Treasury securities ⁵	20,907	24,168	25,326	26,237	26,820	27,610	28,418	29,011	29,186
By area									
7 Europe ¹	171,317	191,708	201,930	189,804	187,899	193,673	193,378	188,892	191,866
8 Canada	7,460	7,920	7,886	9,326	8,302	8,899	8,297	8,808	8,075
9 Latin America and Caribbean	33,554	40,015	42,457	44,464	49,145	48,130	48,524	53,763	55,275
10 Asia	139,465	152,142	154,019	158,017	159,860	164,947	169,389	168,867	174,678
11 Africa	2,092	3,565	3,866	3,919	3,782	3,782	3,621	2,844	3,109
12 Other countries ⁶	6,640	3,320	3,025	4,546	4,670	4,865	4,188	3,519	3,652

1. Includes the Bank for International Settlements.

2. Principally demand deposits, time deposits, bankers acceptances, commercial paper, negotiable time certificates of deposit, and borrowings under repurchase agreements.

3. Includes nonmarketable certificates of indebtedness (including those payable in foreign currencies through 1974) and Treasury bills issued to official institutions of foreign countries.

4. Excludes notes issued to foreign official nonreserve agencies. Includes bonds and notes payable in foreign currencies; zero coupon bonds are included at current value.

5. Debt securities of U.S. government corporations and federally sponsored agencies, and U.S. corporate stocks and bonds.

6. Includes countries in Oceania and Eastern Europe.

SOURCE: Based on Treasury Department data and on data reported to the Treasury Department by banks (including Federal Reserve Banks) and securities dealers in the United States and on the 1984 benchmark survey of foreign portfolio investment in the United States.

3.16 LIABILITIES TO, AND CLAIMS ON, FOREIGNERS Reported by Banks in the United States¹
Payable in Foreign Currencies

Millions of dollars, end of period

Item	1989	1990	1991	1992		1993	
				Sept.	Dec.	Mar. ^f	June
1 Banks' liabilities	67,835	70,477	75,129	84,162	72,796	80,999	74,697
2 Banks' claims	65,127	66,796	73,195	72,165 ^f	62,789	64,057	55,161
3 Deposits	20,491	29,672	26,192	28,074	24,240	24,928	23,449
4 Other claims	44,636	37,124	47,003	44,091 ^f	38,549	39,129	31,712
5 Claims of banks' domestic customers ²	3,507	6,309	3,398	3,987	4,432	2,625	3,234

1. Data on claims exclude foreign currencies held by U.S. monetary authorities.

2. Assets owned by customers of the reporting bank located in the United States that represent claims on foreigners held by reporting banks for the accounts of the domestic customers.

3.17 LIABILITIES TO FOREIGNERS Reported by Banks in the United States¹

Payable in U.S. dollars

Millions of dollars, end of period

Item	1990	1991	1992 ^r	1993						
				Feb. ^r	Mar. ^r	Apr. ^r	May ^r	June ^r	July	Aug. ^p
HOLDER AND TYPE OF LIABILITY										
1 Total, all foreigners	759,634	756,066	811,371	816,438	799,660	792,760	793,584	821,911	819,783	843,093
2 Banks' own liabilities	577,229	575,374	607,556	607,718	587,716	582,931	574,822	598,591	591,193	607,391
3 Demand deposits	21,723	20,321	21,824	22,310	21,572	22,243	22,144	21,467	21,815	21,499
4 Time deposits ^s	168,017	159,649	160,476	148,482	143,996	148,064	147,923	151,965	151,392	152,927
5 Other ^t	65,822	66,305	93,824	105,047	97,128	101,148	104,513	108,495	108,807	118,456
6 Own foreign offices ⁴	321,667	329,099	331,432	331,879	325,020	311,476	300,242	316,664	309,179	314,509
7 Banks' custodial liabilities ⁵	182,405	180,692	203,815	208,720	211,944	209,829	218,762	223,320	228,590	235,702
8 U.S. Treasury bills and certificates ⁶	96,796	110,734	127,644	135,298	137,059	138,014	144,129	144,059	153,365	162,054
9 Other negotiable and readily transferable instruments ⁷	17,578	18,664	21,974	20,721	22,303	21,539	24,515	30,056	26,455	27,396
10 Other	68,031	51,294	54,197	52,701	52,582	50,276	50,118	49,205	48,770	46,252
11 Nonmonetary international and regional organizations ⁸	5,918	8,981	9,350	11,538	9,295	10,731	8,934	9,130	9,387	12,157
12 Banks' own liabilities	4,540	6,827	6,951	8,884	6,037	5,834	6,481	6,070	6,197	8,463
13 Demand deposits	36	43	46	47	196	33	35	19	29	37
14 Time deposits ^s	1,050	2,714	3,214	2,321	2,722	1,687	2,989	3,407	2,920	2,824
15 Other ^t	3,455	4,070	3,691	6,516	3,119	4,114	3,457	2,644	3,248	5,602
16 Banks' custodial liabilities ⁵	1,378	2,154	2,399	2,654	3,258	4,897	2,453	3,060	3,190	3,694
17 U.S. Treasury bills and certificates ⁶	364	1,730	1,908	2,348	2,876	4,461	1,883	2,320	2,635	3,418
18 Other negotiable and readily transferable instruments ⁷	1,014	424	486	306	382	433	564	740	549	276
19 Other	0	0	5	0	0	3	6	0	6	0
20 Official institutions ⁹	119,303	131,088	159,419	180,058	176,626	176,107	189,393	192,412	195,959	205,028
21 Banks' own liabilities	34,910	34,411	51,058	62,697	59,576	59,393	63,575	62,810	61,714	61,968
22 Demand deposits	1,924	2,626	1,274	1,764	1,457	1,361	1,386	2,204	1,519	1,243
23 Time deposits ^s	14,359	16,504	17,823	19,006	18,814	19,166	21,682	19,408	18,626	17,800
24 Other ^t	18,628	15,281	31,961	41,927	39,305	38,866	40,507	41,198	41,569	42,925
25 Banks' custodial liabilities ⁵	84,393	96,677	108,361	117,361	117,050	116,714	125,818	129,602	134,245	143,060
26 U.S. Treasury bills and certificates ⁶	79,424	92,692	104,596	113,594	113,547	113,293	120,194	119,860	128,843	136,488
27 Other negotiable and readily transferable instruments ⁷	4,766	3,879	3,726	3,648	3,411	3,284	5,480	9,602	5,297	6,514
28 Other	203	106	39	119	92	137	144	140	105	58
29 Banks ¹⁰	540,805	522,265	547,988	532,148	521,961	512,921	503,421	525,513	517,384	527,754
30 Banks' own liabilities	458,470	459,335	476,785	464,562	452,894	446,694	436,547	459,617	450,380	462,001
31 Unaffiliated foreign banks	136,802	130,236	145,353	132,683	127,874	135,218	136,305	142,953	141,201	147,492
32 Demand deposits	10,053	8,648	10,168	10,974	10,485	10,883	11,386	9,918	10,713	10,526
33 Time deposits ^s	88,541	82,857	90,368	78,991	74,331	79,592	76,439	83,143	84,751	86,192
34 Other ^t	38,208	38,731	44,817	42,718	43,058	44,743	48,480	49,892	45,737	50,774
35 Own foreign offices ⁴	321,667	329,099	331,432	331,879	325,020	311,476	300,242	316,664	309,179	314,509
36 Banks' custodial liabilities ⁵	82,335	62,930	71,203	67,586	69,067	66,227	66,874	65,896	67,004	65,753
37 U.S. Treasury bills and certificates ⁶	10,669	7,471	11,087	9,296	9,976	9,908	10,837	10,546	10,627	11,327
38 Other negotiable and readily transferable instruments ⁷	5,341	5,694	7,555	6,682	7,946	7,349	7,397	7,741	9,049	8,760
39 Other	66,325	49,765	52,561	51,608	51,145	48,970	48,640	47,609	47,328	45,666
40 Other foreigners	93,608	93,732	94,614	92,694	91,778	93,001	91,836	94,856	97,053	98,154
41 Banks' own liabilities	79,309	74,801	72,762	71,575	69,209	71,010	68,219	70,094	72,902	74,959
42 Demand deposits	9,711	9,004	10,336	9,525	9,434	9,966	9,337	9,326	9,554	9,693
43 Time deposits ^s	64,067	57,574	49,071	48,164	48,129	47,619	46,813	46,007	45,095	46,111
44 Other ^t	5,530	8,223	13,355	13,886	11,646	13,425	12,069	14,761	18,253	19,155
45 Banks' custodial liabilities ⁵	14,299	18,931	21,852	21,119	22,569	21,991	23,617	24,762	24,151	23,195
46 U.S. Treasury bills and certificates ⁶	6,339	8,841	10,053	10,060	10,660	10,352	11,215	11,333	11,260	10,821
47 Other negotiable and readily transferable instruments ⁷	6,457	8,667	10,207	10,085	10,564	10,473	11,074	11,973	11,560	11,846
48 Other	1,503	1,423	1,592	974	1,345	1,166	1,328	1,456	1,331	528
MEMO										
49 Negotiable time certificates of deposit in custody for foreigners	7,073	7,456	9,111	9,496	9,545	9,409	9,582	10,388	9,389	9,481

1. Reporting banks include all types of depository institution, as well as some brokers and dealers.

2. Excludes negotiable time certificates of deposit, which are included in "Other negotiable and readily transferable instruments."

3. Includes borrowing under repurchase agreements.

4. For U.S. banks, includes amounts owed to own foreign branches and foreign subsidiaries consolidated in Consolidated Report of Condition filed with bank regulatory agencies. For agencies, branches, and majority-owned subsidiaries of foreign banks, consists principally of amounts owed to head office or parent foreign bank, and foreign branches, agencies, or wholly owned subsidiaries of head office or parent foreign bank.

5. Financial claims on residents of the United States, other than long-term securities, held by or through reporting banks.

6. Includes nonmarketable certificates of indebtedness and Treasury bills issued to official institutions of foreign countries.

7. Principally bankers acceptances, commercial paper, and negotiable time certificates of deposit.

8. Principally the International Bank for Reconstruction and Development, 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 States¹—Continued

Item	1990	1991	1992	1993						
				Feb.	Mar.	Apr.	May	June	July	Aug. ^P
AREA										
1 Total, all foreigners	759,634	756,066	811,371 ^f	816,438 ^f	799,660 ^f	792,760 ^f	793,584 ^f	821,911 ^f	819,783	843,093
2 Foreign countries	753,716	747,085	802,021 ^f	804,900 ^f	790,365 ^f	782,029 ^f	784,650 ^f	812,781 ^f	810,396	830,936
3 Europe	254,452	249,097	308,423 ^f	304,755 ^f	293,374 ^f	298,984	313,834	324,951 ^f	322,868	336,911
4 Austria	1,229	1,193	1,611	1,942	1,256	1,497	1,525	1,496	1,415	1,514
5 Belgium and Luxembourg	12,382	13,337	20,572	19,729	19,475	19,775	21,099	21,817	20,805	23,391
6 Denmark	1,399	937	3,060	2,835	1,536	1,229	2,464	3,088	3,983	3,024
7 Finland	602	1,341	1,299	2,049	2,297	2,265	2,185	2,580	2,873	2,940
8 France	30,946	31,808	41,459	32,457	31,712	31,087	33,825	33,744 ^f	33,963	36,224
9 Germany	7,485	8,619	18,631	18,934	16,069 ^f	19,912	23,959	22,752	24,498	22,198
10 Greece	934	765	913 ^f	758	763	742	859	819	1,078	1,122
11 Italy	17,735	13,541	10,041	10,701	8,889	8,094	9,089	10,402	10,721	11,426
12 Netherlands	5,350	7,161	7,372	11,702	11,409	11,502	13,903	11,271	10,443	10,792
13 Norway	2,357	1,866	3,319	2,521	2,350	2,355	2,690	2,840	2,757	2,833
14 Portugal	2,958	2,184	2,465	2,508	2,489	2,476	2,674	2,764	2,894	3,015
15 Russia	119	241	577	497	535	847	726	1,129	1,447	2,307
16 Spain	7,544	11,391	9,796	17,233	15,735	14,055	13,588	15,484	16,593	17,157
17 Sweden	1,837	2,222	2,986	1,902	1,619	3,149	2,140	2,336	2,210	1,460
18 Switzerland	36,690	37,328	39,440	40,227	39,596	39,703	41,775 ^f	41,270 ^f	40,494	40,987
19 Turkey	1,169	1,598	2,666	2,862	2,520	2,664	2,761	2,497 ^f	2,882	2,618
20 United Kingdom	109,555	100,292	112,456 ^f	105,513 ^f	106,394	109,553	106,638	116,035	115,169	120,774
21 Yugoslavia ¹¹	928	622	504	512	523	507	510	512	501	511
22 Other Europe and former U.S.S.R. ¹²	13,234	12,741	29,256	29,873	28,207	27,693	31,303 ^f	32,115 ^f	28,142	32,618
23 Canada	20,349	21,605	22,746	22,898	25,045 ^f	22,303 ^f	21,331	20,051 ^f	22,264	23,900
24 Latin America and Caribbean	332,997	345,529	317,236 ^f	322,662 ^f	319,872 ^f	317,876 ^f	303,630 ^f	312,647 ^f	311,950	311,676
25 Argentina	7,365	7,753	9,477	10,608	11,569 ^f	11,066 ^f	11,339 ^f	11,289 ^f	14,120	14,579
26 Bahamas	107,386	100,622	82,288 ^f	87,863 ^f	83,633 ^f	81,763 ^f	80,333 ^f	80,673	73,401	73,780
27 Bermuda	2,822	3,178	7,079	6,508	6,271 ^f	5,297	5,297	6,074 ^f	6,969	6,889
28 Brazil	5,834	5,704	5,584	5,304	5,462	5,466 ^f	5,339 ^f	4,936 ^f	5,425	5,299
29 British West Indies	147,321	163,620	153,035 ^f	151,600 ^f	152,448 ^f	148,628 ^f	138,996 ^f	147,753 ^f	147,618	144,708
30 Chile	3,145	3,283	3,035	3,420	3,325	3,480 ^f	3,520 ^f	3,552 ^f	3,934	3,596
31 Colombia	4,492	4,661	4,580	4,417	4,183	4,360 ^f	4,338 ^f	4,405 ^f	4,464	4,383
32 Cuba	11	2	3	3	3	2	2	3	5	5
33 Ecuador	1,379	1,232	993	889 ^f	931 ^f	923 ^f	956 ^f	924 ^f	889	860
34 Guatemala	1,541	1,594	1,377	1,311	1,382	1,352	1,323	1,397	1,304	1,315
35 Jamaica	257	231	371	279	309	293	289	341	341	364
36 Mexico	16,650	19,957	19,456	21,196	21,762	24,896	23,351	22,295	24,114	24,813
37 Netherlands Antilles	7,357	5,592	5,205	4,870 ^f	4,222 ^f	4,537	3,813 ^f	4,059 ^f	4,162	5,491
38 Panama	4,574	4,695	4,177	4,208 ^f	3,918 ^f	4,135 ^f	4,054 ^f	3,747 ^f	3,747	3,657
39 Peru	1,294	1,249	1,080	1,045	995	1,070	977	979	891	898
40 Uruguay	2,520	2,096	1,955	2,061	1,815	1,775 ^f	1,742 ^f	1,775 ^f	1,775	1,822
41 Venezuela	12,271	13,181	11,387	10,989 ^f	11,452 ^f	11,517 ^f	11,644	12,242 ^f	12,737	12,782
42 Other	6,779	6,879	6,154 ^f	6,091 ^f	6,192 ^f	6,478 ^f	6,317 ^f	6,203 ^f	6,418	6,435
43 Asia	136,844	120,462	143,561 ^f	143,749 ^f	140,519 ^f	131,117 ^f	134,032 ^f	143,566 ^f	143,337	147,755
44 China	2,421	2,626	3,202	3,007	2,957	3,527	3,008	2,885	2,728	3,292
45 People's Republic of China	11,246	11,491	8,379	9,102	9,042	8,884	8,790	9,638	9,992	9,477
46 Republic of China (Taiwan)	12,754	14,269	18,509	19,543	17,041	16,353	15,832	16,212	16,417	15,832
47 Hong Kong	1,233	2,418	1,396	1,377	1,399	989	1,341	1,312	1,050	1,220
48 India	1,238	1,463	1,480	1,460	1,871	1,464	1,861	2,132	1,688	1,582
49 Indonesia	2,767	2,015	3,775	3,373 ^f	3,932 ^f	3,765 ^f	3,163 ^f	2,764	2,790	2,705
50 Japan	67,076	47,069	58,466 ^f	58,121 ^f	57,014 ^f	51,204 ^f	54,462 ^f	62,784 ^f	62,226	68,049
51 Korea (South)	2,287	2,587	3,337 ^f	3,471 ^f	3,330 ^f	3,584 ^f	3,922 ^f	3,842 ^f	4,298	3,873
52 Philippines	1,585	2,449	2,275	2,746	2,774	2,785	2,458	2,933	3,196	2,648
53 Thailand	1,443	2,252	5,582	5,375	5,342	4,967	5,377	5,233	5,830	6,058
54 Middle Eastern oil-exporting countries ¹³	15,829	15,752	21,446	19,897	19,718	19,687	19,272	20,325	18,407	19,139
55 Other	16,965	16,071	15,714	16,277	16,099	13,908	14,546	13,506 ^f	14,715	13,880
56 Africa	4,630	4,825	5,884	6,361 ^f	6,508	6,441 ^f	6,477 ^f	6,537 ^f	5,742	5,721
57 Egypt	1,425	1,621	2,472	3,077	3,084	2,938	2,922	2,784	1,880	2,018
58 Morocco	104	79	76	92	87	151	144	181	200	150
59 South Africa	228	228	190	319	243	246	198	265	172	233
60 Zaire	53	31	19	17	13	14	16	15	25	20
61 Oil-exporting countries ¹⁴	1,110	1,082	1,346	1,135	1,239	1,294	1,368	1,332	1,417	1,279
62 Other	1,710	1,784	1,781	1,721 ^f	1,842	1,798 ^f	1,829 ^f	1,960 ^f	2,048	2,021
63 Other	4,444	5,567	4,171	4,475	5,047	5,308	5,346	5,029 ^f	4,235	4,973
64 Australia	3,807	4,464	3,047	3,388	4,013	4,056	4,449	4,078	3,253	3,892
65 Other	637	1,103	1,124	1,087	1,034	1,252	897	951 ^f	982	1,081
66 Nonmonetary international and regional organizations	5,918	8,981	9,350	11,538	9,295	10,731	8,934	9,130	9,387	12,157
67 International ¹⁵	4,390	6,485	7,434	8,857	6,251	7,590	5,388	5,612	5,828	8,159
68 Latin American regional ¹⁶	1,048	1,181	1,415	1,738	2,021	2,223	2,412	2,318	2,077	2,737
69 Other regional ¹⁷	479	1,315	501	943	1,023	918	1,134	1,200	1,482	1,261

11. Since December 1992, has excluded Bosnia, Croatia, and Slovenia.

12. Includes the Bank for International Settlements and Eastern European countries not listed in line 23. Since December 1992, includes all parts of the former U.S.S.R. (except Russia), and Bosnia, Croatia, and Slovenia.

Comprises Bulgaria, Czechoslovakia, Hungary, Poland, and Romania.

13. Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).

14. Comprises Algeria, Gabon, Libya, and Nigeria.

15. 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 Western Europe."

3.18 BANKS' OWN CLAIMS ON FOREIGNERS Reported by Banks in the United States¹

Payable in U.S. Dollars

Millions of dollars, end of period

Area and country	1990	1991	1992	1993						
				Feb.	Mar. ^r	Apr. ^r	May ^r	June ^r	July ^r	Aug. ^p
1 Total, all foreigners	511,543	514,339	500,511 ^r	498,439 ^r	477,782	471,288	461,179	483,017	471,905	463,351
2 Foreign countries	506,750	508,056	495,429 ^r	494,331 ^r	474,460	468,871	459,497	480,937	470,598	461,399
3 Europe	113,093	114,310	123,999 ^r	124,650 ^r	122,504	120,313	118,213	122,356	124,472	118,494
4 Austria	362	327	331 ^r	520 ^r	894	1,013	941	1,080	587	691
5 Belgium and Luxembourg	5,473	6,158	6,404	5,886	6,273	6,177	5,513	5,955	6,127	6,554
6 Denmark	497	686	707	785	682	645	628	721	835	693
7 Finland	1,047	1,907	1,419	1,226	1,010	998	885	1,225	1,007	724
8 France	14,468	15,112	14,803 ^r	14,650 ^r	13,235	13,141	11,614	11,818	11,832	11,486
9 Germany	3,343	3,371	4,229	5,370	5,725	5,322	6,089	6,236	7,746	6,765
10 Greece	727	553	718	668	583	618	596	564	509	508
11 Italy	6,052	8,242	9,048	8,466	8,418	8,724	8,218	9,250	8,053	8,839
12 Netherlands	1,761	2,546	2,472 ^r	3,754 ^r	2,676	2,607	3,278	2,764	3,260	3,078
13 Norway	761	669	356	750	645	714	676	789	823	944
14 Portugal	292	344	325	494	454	513	593	670	710	803
15 Russia	530	1,970	3,147	3,154	2,906	2,889	3,080	3,045	2,799	2,591
16 Spain	2,668	1,881	2,772	4,158	3,859	3,642	3,441	3,607	5,117	4,184
17 Sweden	2,094	2,335	4,929	5,155	4,809	4,509	4,229	4,062	5,131	4,273
18 Switzerland	4,202	4,540	4,722	4,971	4,348	4,361	4,735	4,123	5,193	5,634
19 Turkey	1,405	1,063	962	1,041	943	1,285	1,508	1,584	1,492	1,549
20 United Kingdom	65,151	60,395	63,928 ^r	61,375 ^r	62,241	60,725	59,703	62,639	60,825	55,233
21 Yugoslavia ²	1,142	825	569	567	553	551	550	548	547	547
22 Other Europe and former U.S.S.R. ³	1,095	1,386	2,158	2,160	2,250	1,879	1,936	1,676	1,879	3,398
23 Canada	16,091	15,113	14,155 ^r	14,906 ^r	18,287	16,977	16,393	16,693	17,776	17,365
24 Latin America and Caribbean	231,506	246,137	218,133 ^r	215,167 ^r	205,796	202,149	197,039	212,642	208,231	208,098
25 Argentina	6,967	5,869	4,958 ^r	4,869 ^r	4,844	3,931	3,942	4,066	4,842	4,740
26 Bahamas	76,525	87,138	60,868 ^r	65,624 ^r	59,018	59,418	56,188	59,979	56,832	56,266
27 Bermuda	4,056	2,270	5,934	2,851	3,910	5,609	3,089	4,319	8,578	7,160
28 Brazil	17,995	11,894	10,774 ^r	10,513 ^r	10,871	10,815	10,710	12,319	10,842	10,926
29 British West Indies	88,565	107,846	101,523 ^r	97,341 ^r	93,896	88,975	89,853	97,307	91,566	93,924
30 Chile	3,271	2,805	3,397	3,795	5,638	3,552	3,718	3,675	3,898	3,796
31 Colombia	2,587	2,425	2,750	2,819	2,807	2,786	2,876	2,847	2,886	2,916
32 Cuba	0	0	0	0	0	0	0	0	0	0
33 Ecuador	1,387	1,053	884	845 ^r	819	807	770	771	732	739
34 Guatemala	191	228	262	258 ^r	274	269	256	266	240	256
35 Jamaica	238	158	162 ^r	164	168	161	165	184	182	181
36 Mexico	14,851	16,567	14,997 ^r	15,990 ^r	15,115	15,534	14,967	15,300	15,685	15,591
37 Netherlands Antilles	7,998	1,207	1,379	1,938	2,105	1,971	2,354	3,011	3,172	3,243
38 Panama	1,471	1,560	4,654 ^r	2,489 ^r	2,721	2,491	2,440	2,549	2,532	2,361
39 Peru	663	739	730	708	650	691	675	657	651	667
40 Uruguay	786	599	936	844	846	787	778	904	807	816
41 Venezuela	2,571	2,516	2,525	2,485	2,558	2,495	2,542	2,803	3,001	2,876
42 Other	1,384	1,263	1,400	1,634 ^r	1,556	1,857	1,716	1,684	1,785	1,640
43 Asia	138,722	125,262	131,857 ^r	132,080 ^r	120,213	122,414	120,983	122,128	112,897	111,163
44 China	620	747	906	892	939	1,388	881	1,898	860	638
45 People's Republic of China	1,952	2,087	2,046	1,585	1,630	1,670	1,561	1,840	1,549	1,585
46 Republic of China (Taiwan)	10,648	9,617	9,673	10,298	10,563	9,215	10,420	9,747	10,637	9,390
47 Hong Kong	655	441	529	549	443	549	489	438	470	439
48 India	933	952	1,189	1,292	1,469	1,432	1,386	1,504	1,283	1,290
49 Indonesia	774	860	820	809	896	1,057	814	777	733	792
50 Israel	90,699	84,807	79,189 ^r	80,356 ^r	67,887	71,681	71,908	71,327	62,501	64,837
51 Japan	5,766	6,048	6,180	6,753	6,938	7,048	7,152	7,421	7,587	7,245
52 Korea (South)	1,247	1,910	2,145	1,842	1,713	1,645	1,521	1,402	1,357	1,250
53 Philippines	1,573	1,713	1,867	1,737	1,678	1,794	1,763	1,865	2,006	2,018
54 Thailand	10,749	8,284	18,559	17,775	19,048	17,909	17,937	17,437	16,946	15,917
55 Middle Eastern oil-exporting countries ⁴	13,106	7,796	8,754 ^r	8,192 ^r	7,009	7,026	5,151	6,472	6,968	5,762
56 Africa	5,445	4,928	4,279 ^r	4,183 ^r	3,907	3,767	3,661	3,810	3,854	3,901
57 Egypt	380	294	186 ^r	291	192	151	151	177	148	168
58 Morocco	513	575	441	403	396	396	420	416	437	443
59 South Africa	1,525	1,235	1,041	1,030	1,011	924	803	746	740	704
60 Zaire	16	4	4	3	3	3	3	3	4	4
61 Oil-exporting countries ⁵	1,486	1,298	1,002 ^r	1,108	1,140	1,128	1,144	1,156	1,232	1,224
62 Other	1,525	1,522	1,605	1,348 ^r	1,165	1,165	1,140	1,312	1,293	1,358
63 Other	1,892	2,306	3,006 ^r	3,345	3,753	3,251	3,208	3,308	3,368	2,378
64 Australia	1,413	1,665	2,262 ^r	2,552	3,117	2,635	2,534	2,574	2,443	1,847
65 Other	479	641	744	793	636	616	674	734	925	531
66 Nonmonetary international and regional organizations ⁶	4,793	6,283	5,082	4,108	3,322	2,417	1,682	2,080	1,307	1,952

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 and Eastern European countries not listed in line 23. Since December 1992, includes all parts of the former U.S.S.R. (except Russia), and Bosnia, Croatia, and Slovenia.

Comprises Bulgaria, Czechoslovakia, Hungary, Poland, and Romania.

4. Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).

5. Comprises Algeria, Gabon, Libya, and Nigeria.

6. Excludes the Bank for International Settlements, which is included in "Other Western Europe."

3.19 BANKS' OWN AND DOMESTIC CUSTOMERS' CLAIMS ON FOREIGNERS Reported by Banks in the United States¹
Payable in U.S. Dollars
Millions of dollars, end of period

Claim	1990	1991	1992 ^r	1993						
				Feb. ^r	Mar. ^r	Apr. ^r	May ^r	June ^r	July ^r	Aug. ^p
1 Total.....	579,044	579,683	560,549	...	530,698	...	...	531,488	...	...
2 Banks' claims.....	511,543	514,339	500,511	498,439	477,782	471,288	461,179	483,017	471,905	463,351
3 Foreign public borrowers.....	41,900	37,126	31,376	30,370	33,722	30,390	29,601	29,409	32,579	30,295
4 Own foreign offices ²	304,315	318,800	304,623	308,762	294,513	287,119	282,587	298,973	280,121	274,980
5 Unaffiliated foreign banks.....	117,272	116,602	109,643	102,610	97,041	97,747	94,727	94,016	92,895	95,310
6 Deposits.....	65,253	69,018	61,277	50,637	48,778	47,816	47,327	46,139	44,713	45,440
7 Other.....	52,019	47,584	48,366	51,973	48,263	49,931	47,400	47,877	48,182	49,870
8 All other foreigners.....	48,056	41,811	54,869	56,697	52,506	56,032	54,264	60,619	66,310	62,766
9 Claims of banks' domestic customers ³ ...	67,501	65,344	60,038	...	52,916	...	...	48,471	...	...
10 Deposits.....	14,375	15,280	15,452	...	14,363	...	...	12,600	...	...
11 Negotiable and readily transferable instruments ⁴	41,333	37,125	31,454	...	24,976	...	...	22,436	...	...
12 Outstanding collections and other claims.....	11,792	12,939	13,132	...	13,577	...	...	13,435	...	...
MEMO										
13 Customer liability on acceptances.....	13,628	8,974	8,670	...	7,958	...	...	8,121	...	...
14 Dollar deposits in banks abroad, reported by nonbanking business enterprises in the United States ⁵	44,638	40,297	33,604	36,801	36,425	32,962	33,814	29,686	n.a.	n.a.

1. For banks' claims, data are monthly; for claims of banks' domestic customers, data are quarterly.

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 Consolidated Report of Condition filed with bank regulatory agencies. For agencies, branches, and majority-owned subsidiaries of foreign banks, consists principally of amounts due from head office or parent

foreign bank, and foreign branches, agencies, or wholly owned subsidiaries of head office or parent foreign bank.

3. Assets held by reporting banks in the accounts of their domestic customers.

4. Principally negotiable time certificates of deposit and bankers acceptances.

5. Includes demand and time deposits and negotiable and nonnegotiable certificates of deposit denominated in U.S. dollars issued by banks abroad. For description of changes in data reported by nonbanks, see *Federal Reserve Bulletin*, vol. 65 (July 1979), p. 550.

3.20 BANKS' OWN CLAIMS ON UNAFFILIATED FOREIGNERS Reported by Banks in the United States¹
Payable in U.S. Dollars
Millions of dollars, end of period

Maturity, by borrower and area ²	1989	1990	1991	1992		1993	
				Sept. ^r	Dec. ^r	Mar. ^r	June ^p
1 Total	238,123	206,903	195,302	187,468	195,560	182,873	183,271
<i>By borrower</i>							
2 Maturity of one year or less.....	178,346	165,985	162,573	155,074	163,775	152,673	154,704
3 Foreign public borrowers.....	23,916	19,305	21,050	17,905	17,809	21,210	17,941
4 All other foreigners.....	154,430	146,680	141,523	137,169	145,966	131,463	136,763
5 Maturity of more than one year.....	59,776	40,918	32,729	32,394	31,785	30,200	28,567
6 Foreign public borrowers.....	36,014	22,269	15,859	13,333	13,279	12,220	11,252
7 All other foreigners.....	23,762	18,649	16,870	19,061	18,506	17,980	17,315
<i>By area</i>							
8 Maturity of one year or less.....							
9 Europe.....	53,913	49,184	51,835	55,819	53,707	55,292	54,431
10 Canada.....	5,910	5,450	6,444	5,926	6,096	7,890	8,011
11 Latin America and Caribbean.....	53,003	49,782	43,597	45,411	50,398	45,141	48,605
12 Asia.....	57,755	53,258	51,059	40,664	45,726	37,895	38,812
13 Africa.....	3,225	3,040	2,549	2,183	1,784	1,680	1,715
14 All other ³	4,541	5,272	7,089	5,071	6,064	4,775	3,130
Maturity of more than one year.....							
15 Europe.....	4,121	3,859	3,878	6,624	5,367	4,896	4,546
16 Canada.....	2,353	3,290	3,595	3,222	3,282	3,117	2,877
17 Latin America and Caribbean.....	45,816	25,774	18,277	15,291	15,312	14,567	13,812
18 Asia.....	4,172	5,165	4,459	4,872	5,034	5,054	4,795
19 Africa.....	2,630	2,374	2,335	2,107	2,380	2,130	2,048
20 All other ³	684	456	185	278	410	436	489

1. Reporting banks include all kinds of depository institutions besides commercial banks, as well as some brokers and dealers.

2. Maturity is time remaining to maturity.

3. Includes nonmonetary international and regional organizations.

3.21 CLAIMS ON FOREIGN COUNTRIES Held by U.S. Offices and Foreign Branches of U.S.-Chartered Banks¹

Billions of dollars, end of period

Area or country	1989	1990	1991			1992				1993	
			June	Sept.	Dec.	Mar.	June	Sept.	Dec.	Mar.	June
1 Total	340.9	320.1	322.3	338.4	343.6	351.7 ^f	359.4 ^f	346.0 ^f	347.6 ^f	363.0 ^f	377.7 ^f
2 G-10 countries and Switzerland	152.9	132.2	130.3	135.0	137.6	130.9 ^f	136.2 ^f	137.4 ^f	133.9 ^f	143.6 ^f	149.7 ^f
3 Belgium and Luxembourg	6.3	5.9	6.1	5.8	6.0	5.3	6.2	6.2	5.6	6.1	7.0
4 France	11.7	10.4	10.5	11.1	11.0	10.0	11.9 ^f	15.3 ^f	15.3 ^f	13.6	13.8
5 Germany	10.5	10.6	8.3	9.7	8.3	8.4	8.8	10.9	9.3	9.9	10.8
6 Italy	7.4	5.0	3.6	4.5	5.6	5.4	8.0	6.4	6.5	6.7	7.6
7 Netherlands	3.1	3.0	3.3	3.0	4.7	4.3	3.3	3.7	2.8	3.7	3.7
8 Sweden	2.0	2.2	2.5	2.1	1.9	2.0	1.9	2.2	2.3	3.0	2.5
9 Switzerland	7.1	4.4	3.3	3.9	3.4	3.2	4.6	5.2	4.8	5.3	4.7 ^f
10 United Kingdom	67.2	60.9	59.5	65.6	68.5	64.8	65.9	61.8 ^f	61.3 ^f	66.3 ^f	73.6 ^f
11 Canada	5.4	5.9	8.2	5.8	5.8	6.5 ^f	6.7	6.7	6.6	8.6	8.1
12 Japan	32.3	24.0	25.1	23.5	22.6	21.1	18.7	18.9	19.3 ^f	20.4	17.9 ^f
13 Other industrialized countries	21.0	22.9	21.3	22.1	22.8	21.4 ^f	25.5	25.1	24.0 ^f	25.5	27.2
14 Austria	1.5	1.4	1.1	1.0	.6	.8	.8	.7 ^f	1.2	1.2	1.3
15 Denmark	1.1	1.1	1.2	.9	.9	.8	1.3	1.5	.9	.8	1.0
16 Finland	1.0	.7	.8	.6	.7	.8	.8	1.0	.7	.7	.9
17 Greece	2.5	2.7	2.4	2.3	2.6	2.3	2.8	3.0	3.0	2.8	3.1
18 Norway	1.4	1.6	1.5	1.4	1.4	1.5	1.7	1.6	1.2	1.8	1.8
19 Portugal	.4	.6	.6	.5	.6	.5	.5	.5	.4	.7	.9
20 Spain	7.1	8.3	7.1	8.3	8.3	7.7	10.1	9.8	9.0	9.5	10.5
21 Turkey	1.2	1.7	1.9	1.6	1.4	1.2	1.5	1.5	1.3	1.4	2.1 ^f
22 Other Western Europe	1.0	1.2	1.1	1.3	1.8	1.5	2.0	1.5	1.7	2.0	1.7 ^f
23 South Africa	2.0	1.8	1.8	1.6	1.9	1.8	1.7	1.7	1.7	1.6	1.3
24 Australia	1.6	1.8	2.0	2.4	2.7	2.3	2.3	2.3	2.9	2.9	2.5
25 OPEC ²	17.1	12.8	14.0	15.6	14.5	15.8	16.2	15.9	16.1	16.9	15.9
26 Ecuador	1.3	1.0	.9	.8	.7	.7	.7	.7	.6	.6	.6
27 Venezuela	7.0	5.0	5.3	5.6	5.4	5.4	5.3	5.4	5.2	5.3	5.6
28 Indonesia	2.0	2.7	2.6	2.8	2.7	3.0	3.0	3.0	3.0	3.1	3.1
29 Middle East countries	5.0	2.5	3.7	5.0	4.2	5.3	5.9	5.4	6.2	6.7	5.4
30 African countries	1.7	1.7	1.5	1.5	1.5	1.4	1.4	1.4	1.1	1.1	1.1 ^f
31 Non-OPEC developing countries	77.5	65.4	64.4	64.7	63.9	69.7	68.1	72.8 ^f	72.1 ^f	74.3 ^f	76.5 ^f
Latin America											
32 Argentina	6.3	5.0	4.6	4.5	4.8	5.0	5.1	6.2	6.6	7.0	6.6
33 Brazil	19.0	14.4	11.6	10.5	9.6	10.8	10.6	10.8	10.8	11.6	12.3 ^f
34 Chile	4.6	3.5	3.6	3.7	3.6	3.9	4.0	4.2	4.4	4.6	4.6 ^f
35 Colombia	1.8	1.8	1.6	1.6	1.7	1.6	1.6	1.7	1.8	1.9	1.9
36 Mexico	17.7	13.0	14.3	16.2	15.5	17.7	16.3	17.1	16.0	16.8	16.7 ^f
37 Peru	.6	.5	.5	.4	.4	.4	.4	.5	.5	.4	.4
38 Other	2.8	2.3	2.0	1.9	2.1	2.2	2.2	2.5	2.6	2.6	2.7 ^f
Asia											
39 China											
Peoples Republic of China	.3	.2	.6	.4	.3	.3	.3	.3	.7	.6	1.6
Republic of China (Taiwan)	4.5	3.5	4.1	4.1	4.1	4.8	4.6	5.0	5.2	5.3	5.9
40 India	3.1	3.3	3.0	2.8	3.0	3.6	3.8	3.6	3.2	3.1	3.1
41 Israel	.7	.5	.5	.5	.5	.4	.4	.4	.4	.5	.4
42 Korea (South)	5.9	6.2	6.9	6.5	6.8	6.9	6.9	7.4	6.6	6.5	6.9
43 Malaysia	1.7	1.9	2.1	2.3	2.3	2.5	2.7	3.0	3.1 ^f	3.3	3.7
44 Philippines	4.1	3.8	3.7	3.6	3.7	3.6	3.1	3.6	3.6	3.4	2.9
45 Thailand	1.3	1.5	1.7	1.9	1.7	1.7	1.9	2.2	2.2	2.2	2.4
46 Other Asia ³	1.0	1.7	1.8	2.0	2.0	2.3	2.5	2.7	2.7	2.7	2.6
Africa											
48 Egypt	.4	.4	.4	.4	.4	.3	.5	.3	.2	.2	.2
49 Morocco	.9	.8	.7	.7	.7	.7	.7	.6	.6	.5	.6
50 Zaire	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
51 Other Africa ⁴	1.0	1.0	.8	.8	.7	.7	.6	.9	1.0	.8	.9
52 Eastern Europe	3.5	2.3	2.1	1.8	2.4	2.9	3.0	3.1	3.1	2.9	3.2 ^f
53 Russia	.7	.2	.4	.4	.9	1.4	1.7	1.8	1.9	1.7	1.9
54 Yugoslavia	1.6	1.2	1.0	.8	.9	.8	.7	.7	.6	.6	.6
55 Other	1.3	.9	.7	.7	.7	.6	.6	.7	.6	.7	.7 ^f
56 Offshore banking centers	38.4	44.7	50.2	54.6	54.2	63.0 ^f	61.5 ^f	54.6 ^f	58.4 ^f	60.2 ^f	57.8 ^f
57 Bahamas	5.5	2.9	6.8	6.7	11.9	15.3 ^f	13.0 ^f	9.0 ^f	6.9 ^f	9.6 ^f	6.9
58 Bermuda	1.7	4.4	4.2	7.1	2.3	3.9	5.1	3.8	6.2	4.1	4.5
59 Cayman Islands and other British West Indies	9.0	11.7	14.9	13.8	15.8	18.6 ^f	19.3 ^f	16.9 ^f	21.8 ^f	17.6	15.7 ^f
60 Netherlands Antilles	2.3	7.9	1.4	3.9	1.2	1.0	.8	.7	1.1	1.6	2.5
61 Panama ⁵	1.4	1.4	1.3	1.3	1.4	1.6 ^f	1.9 ^f	2.0 ^f	1.9 ^f	2.0 ^f	2.1 ^f
62 Lebanon	.1	.1	.1	.1	.1	.1	.1	.1	.1	.1	.1
63 Hong Kong	11.3	9.7	14.3	14.0	14.4	14.0	15.0	15.2	13.8	16.7	16.8
64 Singapore	7.0	6.6	7.2	7.7	7.1	8.5	6.4	6.8	6.5	8.4	9.3 ^f
65 Other	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
66 Miscellaneous and unallocated ⁶	30.5	39.9	40.0	44.4	48.0	47.8	48.6	36.8	39.7 ^f	39.5 ^f	47.3 ^f

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

Since June 1984, reported claims held by foreign branches have been reduced

by an increase in the reporting threshold for "shell" branches from \$50 million to \$150 million equivalent in total assets, the threshold now applicable to all reporting branches.

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

3. Excludes Liberia.

4. Includes Canal Zone.

5. Foreign branch claims only.

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

3.22 LIABILITIES TO UNAFFILIATED FOREIGNERS Reported by Nonbanking Business Enterprises in the United States¹

Millions of dollars, end of period

Type of liability and area or country	1989	1990	1991	1992				1993	
				Mar.	June	Sept.	Dec.	Mar.	June ²
1 Total	38,764	46,043	43,453	44,193	44,109	45,184	43,144	44,111 ³	46,141
2 Payable in dollars	33,973	40,786	38,061	38,735	37,616	36,792	35,739	36,074 ³	36,602
3 Payable in foreign currencies	4,791	5,257	5,392	5,458	6,493	8,392	7,405	8,037 ³	9,539
<i>By type</i>									
4 Financial liabilities	17,879	21,066	21,872	22,185	21,756	23,281	22,047	22,840 ³	24,219
5 Payable in dollars	14,035	16,979	17,760	17,957	16,714	16,546	15,700	16,189 ³	16,262
6 Payable in foreign currencies	3,844	4,087	4,112	4,228	5,042	6,735	6,347	6,651 ³	7,957
7 Commercial liabilities	20,885	24,977	21,581	22,008	22,353	21,903	21,097	21,271 ³	21,922
8 Trade payables	8,070	10,683	8,662	9,125	9,715	9,586	9,046	9,873	9,692
9 Advance receipts and other liabilities	12,815	14,294	12,919	12,883	12,638	12,317	12,051	11,398 ³	12,230
10 Payable in dollars	19,938	23,807	20,301	20,778	20,902	20,246	20,039	19,885 ³	20,340
11 Payable in foreign currencies	947	1,170	1,280	1,230	1,451	1,657	1,058	1,386	1,582
<i>By area or country</i>									
<i>Financial liabilities</i>									
12 Europe	11,660	10,978	11,805	12,349	12,728	13,767	12,530	12,995	14,355
13 Belgium and Luxembourg	340	394	217	174	194	256	434	299	268
14 France	258	975	2,106	1,997	2,324	2,785	1,608	1,610	2,295
15 Germany	464	621	682	666	634	738	740	751	781
16 Netherlands	941	1,081	1,056	1,025	979	980	606	639	690
17 Switzerland	541	545	408	355	490	627	569	503	554
18 United Kingdom	8,818	6,357	6,329	7,238	7,244	7,580	7,910	8,632	9,112
19 Canada	610	229	267	283	337	320	491	551	492
20 Latin America and Caribbean	1,357	4,153	4,404	4,092	3,373	3,462	3,515	3,624 ³	3,428
21 Bahamas	157	371	537	396	343	220	349	509 ³	404
22 Bermuda	17	0	114	114	114	115	114	114	124
23 Brazil	0	0	6	8	10	18	19	18	18
24 British West Indies	724	3,160	3,144	2,960	2,232	2,408	2,342	2,307 ³	2,202
25 Mexico	6	5	7	7	8	12	12	13	11
26 Venezuela	0	4	4	4	4	5	6	5	5
27 Asia	4,151	5,295	5,338	5,366	5,229	5,642	5,477	5,620 ³	5,764
28 Japan	3,299	4,065	4,102	4,107	4,136	4,609	4,451	4,648 ³	4,621
29 Middle East oil-exporting countries ⁴	2	5	13	13	10	17	19	24	19
30 Africa	2	2	6	7	0	5	6	6	130
31 Oil-exporting countries ⁴	0	0	4	6	0	0	0	0	123
32 All other ⁴	100	409	52	88	89	85	28	44	50
<i>Commercial liabilities</i>									
33 Europe	9,071	10,310	8,126	7,666	7,309	6,879	6,704	6,640 ³	6,945
34 Belgium and Luxembourg	175	275	248	256	240	173	287	143	267
35 France	877	1,218	957	678	659	688	663	669	769
36 Germany	1,392	1,270	944	880	702	744	621	613	634
37 Netherlands	710	844	709	574	605	601	556	666	710
38 Switzerland	693	775	575	543	461	430	398	532	435
39 United Kingdom	2,620	2,792	2,310	2,445	2,404	2,262	2,250	2,135 ³	2,186
40 Canada	1,124	1,261	990	1,095	1,077	1,085	892	929	933
41 Latin America and Caribbean	1,224	1,672	1,352	1,701	1,803	1,496	1,586	1,620	1,814
42 Bahamas	41	12	3	13	8	3	6	18	6
43 Bermuda	308	538	310	493	409	338	293	437	356
44 Brazil	100	145	219	230	212	115	203	107	225
45 British West Indies	27	30	107	108	73	85	57	87	16
46 Mexico	323	475	304	375	475	322	444	385	659
47 Venezuela	164	130	94	168	279	125	130	167	163
48 Asia	7,550	9,483	9,330	9,890	10,439	11,006	10,787	10,840	10,965
49 Japan	2,914	3,651	3,720	3,549	3,537	3,909	3,994	4,007	3,723
50 Middle Eastern oil-exporting countries ^{4,5}	1,632	2,016	1,498	1,591	1,778	1,813	1,792	1,723	1,771
51 Africa	886	844	713	644	775	675	556	574	603
52 Oil-exporting countries ⁴	339	422	327	253	389	335	295	236	315
53 Other ⁴	1,030	1,406	1,070	1,012	950	762	572	668	662

1. For a description of the changes in the international statistics tables, see *Federal Reserve Bulletin*, vol. 65, (July 1979), p. 550.

2. Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).

3. Comprises Algeria, Gabon, Libya, and Nigeria.

4. Includes nonmonetary international and regional organizations.

5. Revisions include a reclassification of transactions, which also affects the totals for Asia and the grand totals.

3.23 CLAIMS ON UNAFFILIATED FOREIGNERS Reported by Nonbanking Business Enterprises in the United States¹

Millions of dollars, end of period

Type, and area or country	1989	1990	1991	1992				1993	
				Mar.	June	Sept.	Dec.	Mar. ²	June ²
1 Total	33,173	35,348	42,233	40,899	41,037	38,345	38,039	44,811	40,849
2 Payable in dollars	30,773	32,760	39,688	38,281	38,071	35,460	35,562	42,086	37,797
3 Payable in foreign currencies	2,400	2,589	2,545	2,618	2,966	2,885	2,477	2,725	3,052
<i>By type</i>									
4 Financial claims	19,297	19,874	25,264	24,289	24,037	21,311	21,041	25,823	21,480
5 Deposits	12,353	13,577	17,290	16,262	15,056	12,436	12,615	16,463	11,598
6 Payable in dollars	11,364	12,552	16,415	15,076	13,717	11,353	11,826	15,407	10,682
7 Payable in foreign currencies	989	1,025	875	1,186	1,339	1,083	789	1,056	916
8 Other financial claims	6,944	6,297	7,974	8,027	8,981	8,875	8,426	9,360	9,882
9 Payable in dollars	6,190	5,280	7,094	7,305	8,277	7,868	7,688	8,634	8,985
10 Payable in foreign currencies	754	1,017	880	722	704	1,007	738	726	897
11 Commercial claims	13,876	15,475	16,969	16,610	17,000	17,034	16,998	18,988	19,369
12 Trade receivables	12,253	13,657	14,244	14,044	14,538	14,330	14,711	16,924	16,939
13 Advance payments and other claims	1,624	1,817	2,725	2,566	2,462	2,704	2,287	2,064	2,430
14 Payable in dollars	13,219	14,927	16,179	15,900	16,077	16,239	16,048	18,045	18,130
15 Payable in foreign currencies	657	548	790	710	923	795	950	943	1,239
<i>By area or country</i>									
<i>Financial claims</i>									
16 Europe	8,463	9,645	13,724	14,243	13,225	11,433	9,514	10,162	9,407
17 Belgium and Luxembourg	28	76	13	12	25	16	8	6	13
18 France	153	371	314	279	788	811	776	905	774
19 Germany	238	367	335	285	377	319	399	364	377
20 Netherlands	152	265	385	727	732	767	537	544	499
21 Switzerland	153	357	591	682	780	602	507	478	460
22 United Kingdom	7,496	7,971	11,445	11,669	8,789	7,915	6,130	6,833	6,350
23 Canada	1,904	2,934	2,716	2,753	2,533	2,245	1,721	2,090	1,758
24 Latin America and Caribbean	8,020	6,201	7,689	6,200	6,849	6,452	8,326	9,553	6,612
25 Bahamas	1,890	1,090	758	493	523	1,099	618	320	697
26 Bermuda	7	3	8	12	12	65	40	79	258
27 Brazil	224	68	144	143	134	396	496	592	590
28 British West Indies	5,486	4,635	6,304	5,124	5,759	4,449	6,530	8,101	4,558
29 Mexico	94	177	212	212	244	239	286	235	270
30 Venezuela	20	25	40	34	32	26	29	23	24
31 Asia	590	860	675	642	975	727	846	3,263	2,961
32 Japan	213	523	385	380	728	481	683	3,066	2,444
33 Middle East oil-exporting countries ³	8	8	5	3	4	4	3	8	10
34 Africa	140	37	57	60	57	71	79	128	125
35 Oil-exporting countries ³	12	0	1	0	0	1	9	1	1
36 All other ⁴	180	195	403	391	398	383	555	627	617
<i>Commercial claims</i>									
37 Europe	6,209	7,044	7,935	7,842	8,087	7,742	7,442	8,274	8,770
38 Belgium and Luxembourg	242	212	192	181	255	172	184	167	170
39 France	964	1,240	1,542	1,560	1,561	1,739	1,392	1,397	1,452
40 Germany	696	807	940	933	905	870	880	939	964
41 Netherlands	479	555	643	646	666	588	541	724	555
42 Switzerland	313	301	295	323	394	294	260	426	441
43 United Kingdom	1,575	1,775	2,084	2,082	2,169	1,973	1,799	2,282	2,506
44 Canada	1,091	1,074	1,109	1,115	1,058	1,105	1,192	1,186	1,285
45 Latin America and Caribbean	2,184	2,375	2,562	2,544	2,653	3,113	2,827	3,381	3,376
46 Bahamas	58	14	11	11	9	7	18	18	16
47 Bermuda	323	246	263	272	291	245	237	195	239
48 Brazil	297	326	418	364	438	395	336	820	780
49 British West Indies	36	40	41	45	32	43	39	17	42
50 Mexico	508	661	801	865	829	942	837	963	876
51 Venezuela	147	192	202	206	251	302	317	336	310
52 Asia	3,570	4,127	4,558	4,343	4,456	4,300	4,649	5,289	5,029
53 Japan	1,199	1,460	1,878	1,782	1,786	1,793	1,850	2,148	1,824
54 Middle Eastern oil-exporting countries ³	518	460	621	635	609	511	677	769	659
55 Africa	429	488	418	418	422	430	540	453	507
56 Oil-exporting countries ³	108	67	95	75	73	60	78	75	97
57 Other ⁴	393	367	387	348	324	344	348	405	402

1. For a description of the changes in the international statistics tables, see *Federal Reserve Bulletin*, vol. 65, (July 1979), p. 550.

2. Comprises Bahrain, Iran, Iraq, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates (Trucial States).

3. Comprises Algeria, Gabon, Libya, and Nigeria.

4. Includes nonmonetary international and regional organizations.

3.24 FOREIGN TRANSACTIONS IN SECURITIES

Millions of dollars

Transaction and area or country	1991	1992	1993	1993						
			Jan. - Aug.	Feb.	Mar. ^r	Apr. ^r	May ^r	June ^r	July ^r	Aug. ^p
	U.S. corporate securities									
STOCKS										
1 Foreign purchases	211,207	221,426 ^r	198,087	28,766 ^r	27,061	25,123	23,094	24,310	24,439	26,111
2 Foreign sales	200,116	226,548 ^r	189,928	25,995 ^r	24,615	25,454	22,308	23,467	25,042	23,687
3 Net purchases or sales (-)	11,091	-5,122 ^r	8,159	2,771 ^r	2,446	-331	786	843	-603	2,424
4 Foreign countries	10,522	-5,155 ^r	7,811	2,681 ^r	2,289	-339	790	815	-650	2,397
5 Europe	53	-4,913 ^r	2,936	2,269 ^r	972	-650	-619	415	-185	676
6 France	9	-1,350	-255	223	-183	-154	-86	-66	45	-9
7 Germany	-63	-66 ^r	811	95 ^r	100	137	6	99	76	202
8 Netherlands	-227	-262	-222	-11	68	32	35	-91	-452	133
9 Switzerland	-131	168	2,293	501	356	280	50	178	369	354
10 United Kingdom	-352	-3,301	-646	1,135	475	-1,140	-689	195	-73	-199
11 Canada	3,845	1,407	-2,218	57	167	91	-132	-532	-1,400	-128
12 Latin America and Caribbean	2,177	2,203	2,304	-235	403	246	509	72	413	591
13 Middle East ¹	-134	-88	-306	-65	-13	7	56	-22	-133	-44
14 Other Asia	4,255	-3,943	5,054	593	763	2	910	1,073	632	1,204
15 Japan	1,179	-3,598	1,292	-624	250	-530	452	230	626	860
16 Africa	153	10	29	27	2	-48	10	20	-49	63
17 Other countries	174	169	12	35	-5	13	56	-211	72	35
18 Nonmonetary international and regional organizations	568	33	348	90	157	8	-4	28	47	27
BONDS ²										
19 Foreign purchases	153,096	214,922 ^r	173,866	22,184 ^r	25,216	20,817	19,325	24,091	22,738	22,288
20 Foreign sales	125,637	175,737 ^r	142,592	18,573 ^r	23,264	15,765	15,514	16,825	20,730	16,475
21 Net purchases or sales (-)	27,459	39,185 ^r	31,274	3,611 ^r	1,952	5,052	3,811	7,266	2,008	5,813
22 Foreign countries	27,590	38,069 ^r	31,652	3,737 ^r	2,088	5,073	3,843	7,229	2,018	5,807
23 Europe	13,112	17,540 ^r	9,670	2,761 ^r	31	1,616	360	2,710	-1,001	2,108
24 France	847	1,203	1,566	311	75	508	595	-12	-76	64
25 Germany	1,577	2,480 ^r	682	54 ^r	-55	815	228	-241	2	-207
26 Netherlands	482	540	-135	-133	-178	108	-7	-134	11	317
27 Switzerland	656	-579	-574	-38	11	-239	-219	-56	172	-327
28 United Kingdom	8,931	12,526 ^r	7,433	2,992 ^r	-237	975	-303	3,033	-1,214	1,853
29 Canada	1,623	237	936	145	138	291	20	397	218	164
30 Latin America and Caribbean	2,672	9,300	7,589	437 ^r	490	632	1,262	1,770	901	1,678
31 Middle East ¹	1,787	3,166	1,896	248	263	463	115	202	147	158
32 Other Asia	8,459	7,545	10,717	149	1,216	2,082	2,062	2,089	1,382	1,432
33 Japan	5,767	-450	5,449	61	595	991	940	863	890	919
34 Africa	52	354	749	27	-10	0	21	2	224	317
35 Other countries	-116	-73	95	-30	-40	-11	3	59	147	-50
36 Nonmonetary international and regional organizations	-131	1,116	-378	-126	-136	-21	-32	37	-10	6
	Foreign securities									
37 Stocks, net purchases or sales (-) ³	-31,967	-32,295 ^r	-38,916	-1,561 ^r	-4,583	-4,029	-3,793	-6,317	-7,768	-8,517
38 Foreign purchases	120,598	150,037 ^r	139,821	15,063 ^r	17,436	19,297	16,465	18,523	19,620	20,682
39 Foreign sales ³	152,565	182,332 ^r	178,737	16,624 ^r	22,019	23,326	20,258	24,840	27,388	29,199
40 Bonds, net purchases or sales (-)	-14,828	-19,585 ^r	-41,913	-9,528	-4,631	-2,913	-545	-7,528	-10,608	-1,053
41 Foreign purchases	330,311	486,238	494,180	56,046	70,132	55,766	58,771	70,377	68,779	75,764
42 Foreign sales	345,139	505,823 ^r	536,093	65,574	74,763	58,679	59,316	77,905	79,387	76,817
43 Net purchases or sales (-), of stocks and bonds	-46,795	-51,880 ^r	-80,829	-11,089 ^r	-9,214	-6,942	-4,338	-13,845	-18,376	-9,570
44 Foreign countries	-46,711	-55,216 ^r	-80,546	-11,227 ^r	-8,945	-7,221	-4,671	-13,907	-18,486	-9,641
45 Europe	-34,452	-37,284 ^r	-58,863	-6,663 ^r	-3,098	-3,252	-5,382	-11,719	-15,279	-6,985
46 Canada	-7,004	-6,635	-11,229	-5,028	-3,034	-818	11	-1,277	-2,557	1,635
47 Latin America and Caribbean	759	-3,881 ^r	-2,461	25	68	-2,551	1,092	421	-647	-1,064
48 Asia	-7,350	-6,654 ^r	-6,290	546 ^r	-2,481	-531	-185	-780	131	-2,600
49 Africa	-9	-2	-192	3	-18	-18	-186	9	18	7
50 Other countries	1,345	-760	-1,511	-110 ^r	-382	-51	-21	-561	-152	-634
51 Nonmonetary international and regional organizations	-84	3,336	-283	138	-269	279	333	62	110	71

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. In a July 1989 merger, the former stockholders of a U.S. company received \$5,453 million in shares of the new combined U.K. company. This transaction is not reflected in the data.

3.25 MARKETABLE U.S. TREASURY BONDS AND NOTES Foreign Transactions

Millions of dollars

Country or area	1991	1992	1993	1993						
			Jan. - Aug.	Feb.	Mar.	Apr. ^r	May ^r	June ^r	July ^r	Aug. ^p
			Transactions, net purchases or sales (-) during period ¹							
1 Estimated total	19,865	39,288	15,457	-1,273	6,581 ^r	4,232	-1,159	-5,710	-1,531	13,878
2 Foreign countries	19,687	37,935	14,516	-2,166	6,029 ^r	4,393	-877	-5,955	-1,144	14,380
3 Europe	8,663	19,625	580	-382	-3,379 ^r	1,518	-190	1,473	-1,539	3,679
4 Belgium and Luxembourg	523	1,985	1,259	45	640 ^r	-387	647	86	505	-218
5 Germany	-4,725	2,076	-12,183	-1,632	-2,757	-1,382	-3,396	-1,100	-2,918	305
6 Netherlands	-3,735	-2,959	-30	206	66	731	108	-393	524	-34
7 Sweden	-663	-804	1,211	258	-540	-100	649	673	32	293
8 Switzerland	1,007	488	-2,243	-455	-1,569	-719	108	888	-223	-74
9 United Kingdom	6,218	24,184	15,940	183	742 ^r	2,659	2,948	2,147	1,455	3,781
10 Other Europe and former U.S.S.R.	10,037	-5,345	-3,374	1,013	39 ^r	716	-1,254	-828	-914	-374
11 Canada	-3,019	562	10,509	82	2,490	1,386	522	133	2,270	324
12 Latin America and Caribbean	10,285	-3,222	-2,452	445	-537	-2,020	-3,880	-1,419	-333	6,787
13 Venezuela	10	539	384	179	154	74	152	5	2	-7
14 Other Latin America and Caribbean	4,179	-1,956	-3,801	-1,656	-471	1,096	-1,863	711	510	1,181
15 Netherlands Antilles	6,097	-1,805	965	1,922	-220	-3,190	-2,169	-2,135	-845	5,613
16 Asia	3,367	23,517	7,350	-1,032	7,220 ^r	3,813	2,994	-5,687	-2,587	3,765
17 Japan	-4,081	9,817	12,413	804	3,457	3,324	3,291	-301	-980	3,561
18 Africa	689	1,103	316	-139	-66	67	-2	81	116	292
19 Other	-298	-3,650	-1,787	-1,140	301	-371	-321	-536	929	-467
20 Nonmonetary international and regional organizations	178	1,353	941	893	552	-161	-282	245	-387	-502
21 International	-358	1,018	-287	581	56	-228	-318	402	-321	-687
22 Latin American regional	-72	533	620	235	1	16	-17	106	-21	30
MEMO										
23 Foreign countries	19,687	37,935	14,516	-2,166	6,029 ^r	4,393	-877	-5,955	-1,144	14,380
24 Official institutions	1,190	6,876	-13,563	-4,364	-616 ^r	2,709	-3,424	-760	-4,880	752
25 Other foreign ²	18,496	31,059	28,079	2,198	6,645 ^r	1,684	2,547	-5,195	3,736	13,628
Oil-exporting countries										
26 Middle East ³	-6,822	4,317	-7,114	-1,855	811	114	-1,070	-2,443	-1,261	-1,172
27 Africa ³	239	11	4	0	0	-4	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.

3.26 DISCOUNT RATES OF FOREIGN CENTRAL BANKS¹

Percent per year

Country	Rate on Oct. 30, 1993		Country	Rate on Oct. 30, 1993		Country	Rate on Oct. 30, 1993	
	Percent	Month effective		Percent	Month effective		Percent	Month effective
Austria	5.75	Oct. 1993	Germany	5.75	Oct. 1993	Norway	7.0	Oct. 1993
Belgium	6.0	Oct. 1993	Italy	8.0	Oct. 1993	Switzerland	4.25	Oct. 1993
Canada	4.63	Oct. 1993	Japan	1.75	Sept. 1993	United Kingdom	12.0	Sept. 1992
Denmark	7.25	Oct. 1993	Netherlands	5.25	Oct. 1993			
France ²	6.45	Oct. 1993						

1. Rates shown are mainly those at which the central bank either discounts or makes advances against eligible commercial paper or government securities for commercial banks or brokers. For countries with more than one rate applicable to such discounts or advances, the rate shown is the one at which it is understood that the central bank transacts the largest proportion of its credit operations.

2. Since February 1981, the rate has been that at which the Bank of France discounts Treasury bills for seven to ten days.

3.27 FOREIGN SHORT-TERM INTEREST RATES¹

Percent per year, averages of daily figures

Type or country	1990	1991	1992	1993						
				Apr.	May	June	July	Aug.	Sept.	Oct.
1 Eurodollars	8.16	5.86	3.70	3.10	3.12	3.21	3.17	3.14	3.08	3.26
2 United Kingdom	14.73	11.47	9.56	5.90	5.91	5.83	5.88	5.79	5.88	5.74
3 Canada	13.00	9.07	6.76	5.43	5.29	4.91	4.48	4.58 ^f	4.90	4.76
4 Germany	8.41	9.15	9.42	7.81	7.41	7.51	7.12	6.49	6.52	6.53
5 Switzerland	8.71	8.01	7.67	4.97	4.97	4.99	4.62	4.56	4.61	4.44
6 Netherlands	8.57	9.19	9.25	7.43	6.98	6.64	6.45	6.27	6.26	6.20
7 France	10.20	9.49	10.14	8.73	7.48	7.19	7.72	7.45 ^f	7.07	6.85
8 Italy	12.11	12.04	13.91	11.41	10.74	10.18	9.42	9.20	9.05	8.69
9 Belgium	9.70	9.30	9.31	7.94	7.16	6.87	7.12	9.02 ^f	9.82	9.05
10 Japan	7.75	7.33	4.39	3.22	3.24	3.23	3.22	3.02 ^f	2.59	2.44

1. Rates are for three-month interbank loans, with the following exceptions: Canada, finance company paper; Belgium, three-month Treasury bills; and Japan, CD rate.

3.28 FOREIGN EXCHANGE RATES¹

Currency units per dollar except as noted

Country/currency unit	1990	1991	1992	1993					
				May	June	July	Aug. ²	Sept.	Oct.
1 Australia/dollar ²	78.069	77.872	73.521	69.859	67.492	67.788	67.736	65.167	66.100
2 Austria/schilling	11.331	11.686	10.992	11.305	11.637	12.071	11.920	11.402	11.540
3 Belgium/franc	33.424	34.195	32.148	33.044	34.009	35.483	35.985	34.847	35.674
4 Canada/dollar	1.1668	1.1460	1.2085	1.2698	1.2789	1.2820	1.3080	1.3215	1.3263
5 China, P.R./yuan	4.7921	5.3337	5.5206	5.7392	5.7504	5.7756	5.7906	5.8015	5.8013
6 Denmark/krone	6.1899	6.4038	6.0372	6.1751	6.3380	6.6531	6.8976	6.6336	6.6379
7 Finland/markka	3.8300	4.0521	4.4865	5.4847	5.5674	5.7852	5.8315	5.7868	5.7554
8 France/franc	5.4467	5.6468	5.2935	5.4180	5.5700	5.8464	5.9298	5.6724	5.7541
9 Germany/deutsche mark	1.6166	1.6610	1.5618	1.6071	1.6547	1.7157	1.6944	1.6219	1.6405
10 Greece/drachma	158.59	182.63	190.81	218.12	225.45	234.77	237.64	232.56	237.93
11 Hong Kong/dollar	7.7899	7.7712	7.7402	7.7290	7.7362	7.7556	7.7515	7.7384	7.7307
12 India/rupee	17.492	22.712	28.156	31.613	31.668	31.600	31.612	31.578	31.505
13 Ireland/pound ²	165.76	161.39	170.42	151.65	147.47	140.83	139.05	143.40	143.19
14 Italy/lira	1,198.27	1,241.28	1,232.17	1,475.66	1,505.05	1,586.02	1,603.75	1,569.10	1,600.93
15 Japan/yen	145.00	134.59	126.78	110.34	107.41	107.69	103.77	105.57	107.02
16 Malaysia/ringgit	2.7057	2.7503	2.5463	2.5661	2.5696	2.5672	2.5514	2.5475	2.5478
17 Netherlands/guilder	1.8215	1.8720	1.7587	1.8026	1.8559	1.9299	1.9062	1.8214	1.8438
18 New Zealand/dollar ²	59.619	57.832	53.792	54.290	53.949	54.900	55.261	55.157	55.260
19 Norway/krone	6.2541	6.4912	6.2142	6.8027	6.9986	7.3179	7.3579	7.0829	7.1755
20 Portugal/escudo	142.70	144.77	135.07	151.89	157.63	167.87	173.27	166.28	169.60
21 Singapore/dollar	1.8134	1.7283	1.6294	1.6136	1.6175	1.6206	1.6100	1.5972	1.5735
22 South Africa/rand	2.5885	2.7633	2.8524	3.1787	3.2408	3.3518	3.3660	3.4135	3.3924
23 South Korea/won	710.64	736.73	784.58	803.19	805.91	809.58	811.94	811.84	813.45
24 Spain/peseta	101.96	104.01	102.38	121.30	127.11	134.93	138.51	130.54	132.18
25 Sri Lanka/rupee	40.078	41.200	44.013	47.965	48.073	48.643	48.750	48.854	48.954
26 Sweden/krona	5.9231	6.0521	5.8258	7.3271	7.4541	7.9802	8.0466	8.0170	8.0195
27 Switzerland/franc	1.3901	1.4356	1.4064	1.4504	1.4769	1.5147	1.4966	1.4182	1.4432
28 Taiwan/dollar	26.918	26.759	25.160	25.978	26.267	26.682	26.950	26.931	26.865
29 Thailand/baht	25.609	25.528	25.411	25.234	25.214	25.331	25.191	25.196	25.269
30 United Kingdom/pound ²	178.41	176.74	176.63	154.77	150.82	149.55	149.14	152.48	150.23
MEMO									
31 United States/dollar ³	89.09	89.84	86.61	90.24	91.81	94.59	94.32	92.07	93.29

1. Averages of certified noon buying rates in New York for cable transfers. Data in this table also appear in the Board's G.5 (405) monthly statistical release. For ordering address, see inside front cover.

2. Value in U.S. cents.

3. Index of weighted-average exchange value of U.S. dollar against the currencies of ten industrial countries. The weight for each of the ten countries is

the 1972-76 average world trade of that country divided by the average world trade of all ten countries combined. Series revised as of August 1978 (see *Federal Reserve Bulletin*, vol. 64 (August 1978), p. 700).

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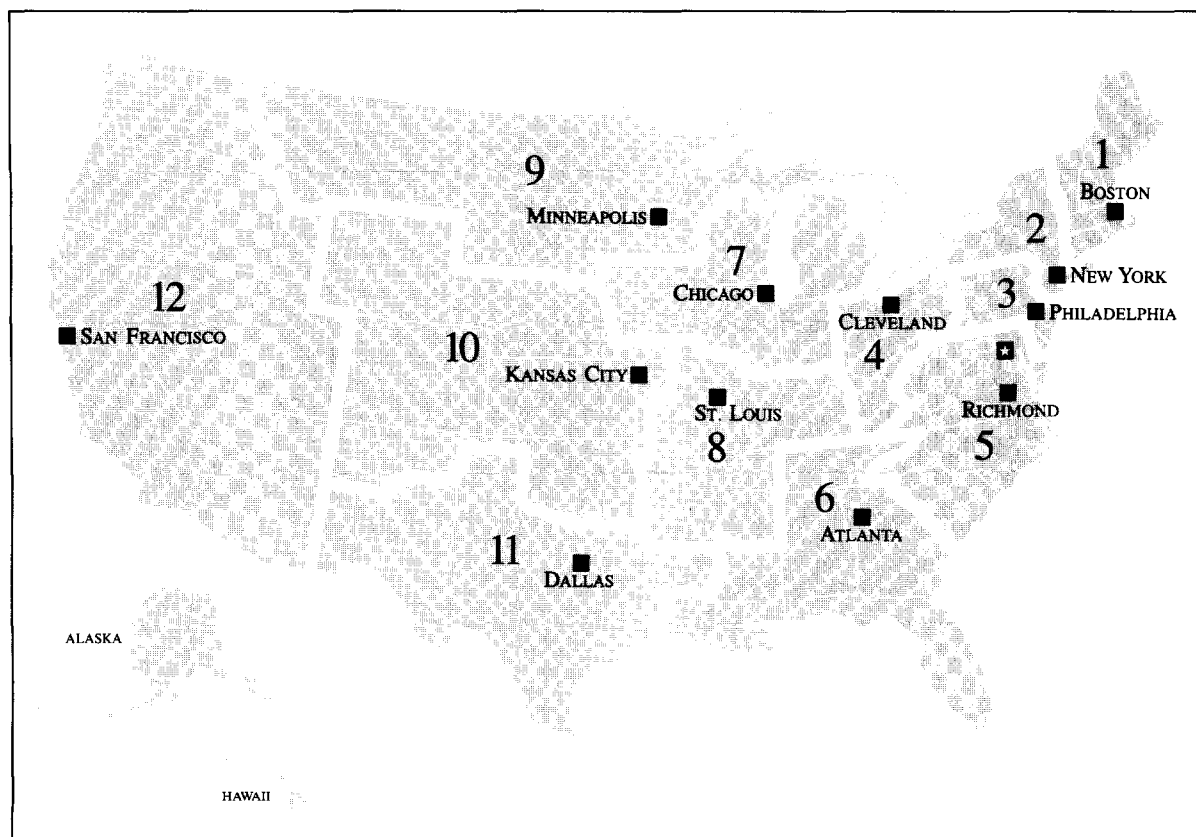
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Maps of the Federal Reserve System



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- Branch boundary

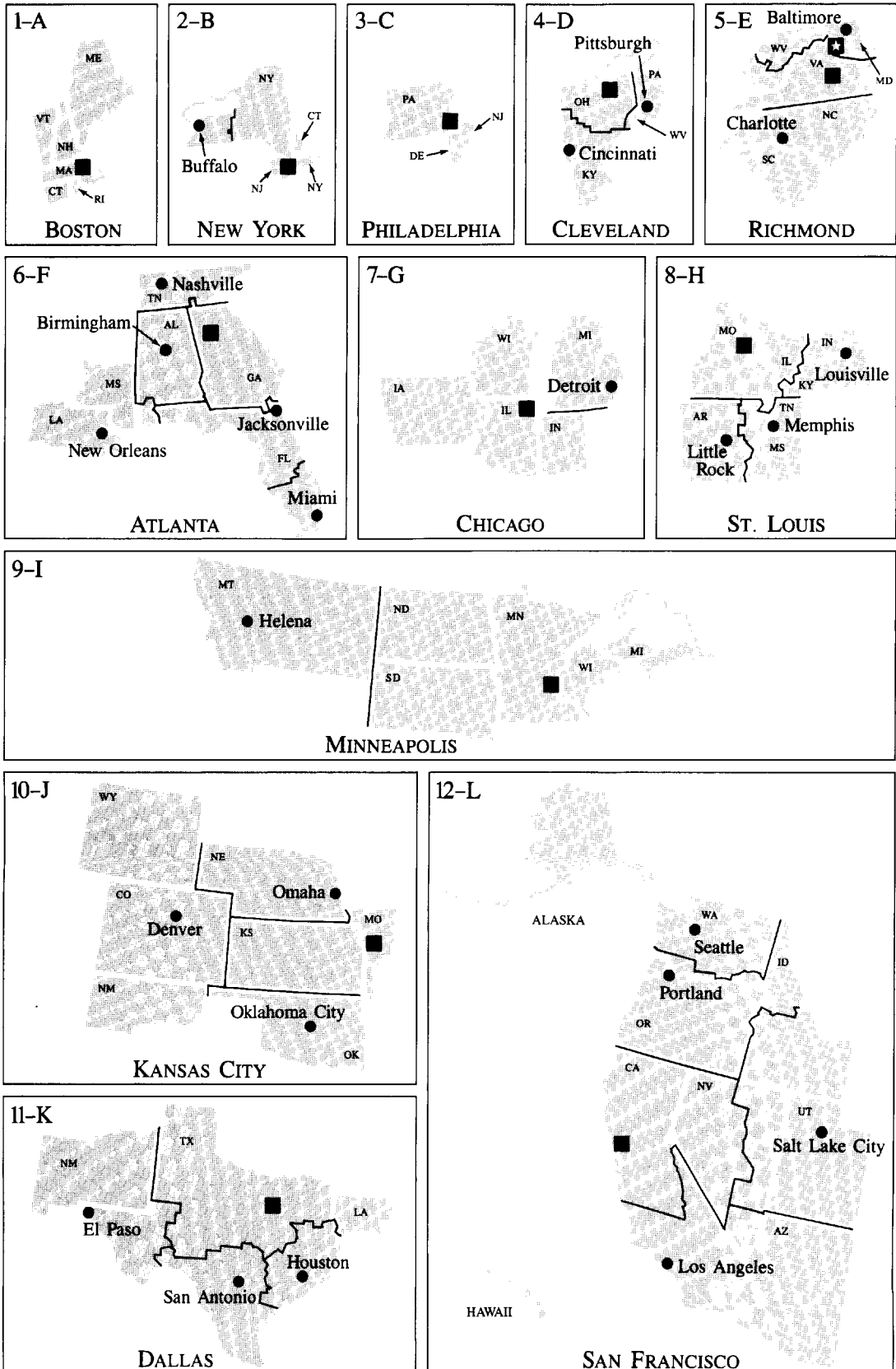
NOTE

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 December 1991.



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	Jerome H. Grossman Warren B. Rudman	Richard F. Syron Cathy E. Minehan	
NEW YORK*	10045	Ellen V. Futter Maurice R. Greenberg	William J. McDonough James H. Oltman	
Buffalo	14240	Joseph J. Castiglia		James O. Aston
PHILADELPHIA	19105	Jane G. Pepper James M. Mead	Edward G. Boehne William H. Stone, Jr.	
CLEVELAND*	44101	A. William Reynolds G. Watts Humphrey, Jr.	Jerry L. Jordan Sandra Pianalto	
Cincinnati	45201	Marvin Rosenberg		Charles A. Cerino ¹
Pittsburgh	15230	Robert P. Bozzone		Harold J. Swart ¹
RICHMOND*	23219	Anne Marie Whittemore Henry J. Faison	J. Alfred Broaddus, Jr. Jimmie R. Monhollon	
Baltimore	21203	Rebecca Hahn Windsor		Ronald B. Duncan ¹
Charlotte	28230	Anne M. Allen		Walter A. Varvel ¹
<i>Culpeper Communications and Records Center 22701</i>				John G. Stoides ¹
ATLANTA	30303	Edwin A. Huston Leo Benatar	Robert P. Forrestal Jack Guynn	Donald E. Nelson ¹
Birmingham	35283	Donald E. Boomershine		Fred R. Herr ¹
Jacksonville	32231	Joan D. Ruffier		James D. Hawkins ¹
Miami	33152	R. Kirk Landon		James T. Curry III
Nashville	37203	James R. Tuerff		Melvyn K. Purcell
New Orleans	70161	Lucimarian Roberts		Robert J. Musso
CHICAGO*	60690	Richard G. Cline Robert M. Healey	Silas Keehn William C. Conrad	
Detroit	48231	J. Michael Moore		Roby L. Sloan ¹
ST. LOUIS	63166	Robert H. Quenon Janet McAfee Weakley	Thomas C. Melzer James R. Bowen	
Little Rock	72203	Robert D. Nabholz, Jr.		Karl W. Ashman
Louisville	40232	John A. Williams		Howard Wells
Memphis	38101	Seymour B. Johnson		John P. Baumgartner
MINNEAPOLIS	55480	Delbert W. Johnson Gerald A. Rauenhurst	Gary H. Stern Colleen K. Strand	
Helena	59601	James E. Jenks		John D. Johnson
KANSAS CITY	64198	Burton A. Dole, Jr. Herman Cain	Thomas M. Hoenig Henry R. Czerwinski	
Denver	80217	Barbara B. Grogan		Kent M. Scott
Oklahoma City	73125	Ernest L. Holloway		David J. France
Omaha	68102	Sheila Griffin		Harold L. Shewmaker
DALLAS	75201	Leo E. Linbeck, Jr. Cece Smith	Robert D. McTeer, Jr. Tony J. Salvaggio	
El Paso	79999	W. Thomas Beard, III		Sammie C. Clay
Houston	77252	Judy Ley Allen		Robert Smith, III ¹
San Antonio	78295	Erich Wendt		Thomas H. Robertson
SAN FRANCISCO	94120	James A. Vohs Judith M. Runstad	Robert T. Parry Patrick K. Barron	
Los Angeles	90051	Donald G. Phelps		John F. Moore ¹
Portland	97208	William A. Hilliard		E. Ronald Liggett ¹
Salt Lake City	84125	Gary G. Michael		Andrea P. Wolcott
Seattle	98124	George F. Russell, Jr.		Gordon Werkema ¹

*Additional offices of these Banks are located at Lewiston, Maine 04240; Windsor Locks, Connecticut 06096; East Rutherford, New Jersey 07016; Jericho, New York 11753; Utica at Oriskany, New York 13424; Columbus, Ohio 43216; Columbia, South Carolina 29210; Charleston, West Virginia 25311; Des Moines, Iowa 50306; Indianapolis, Indiana 46204; and Milwaukee, Wisconsin 53202.

¹ Senior Vice President.

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 sub-

scription. 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:

<i>Reference Number</i>	<i>Statistical release</i>	<i>Frequency of release</i>
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.7	Flow of Funds	Quarterly

Publications of Interest

FEDERAL RESERVE REGULATORY SERVICE

To promote public understanding of its regulatory functions, the Board publishes the Federal Reserve Regulatory Service, a three-volume looseleaf 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 G, 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 are the Board's list

of marginable OTC stocks and its list of foreign margin stocks.

The Consumer and Community Affairs Handbook contains Regulations B, C, E, M, Z, AA, and BB, and associated materials.

The Payment System Handbook deals with expedited funds availability, check collection, wire transfers, and risk-reduction policy. It includes Regulation CC, Regulation J, the Expedited Funds Availability Act and related statutes, the official Board commentary on Regulation CC, 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. 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 138, Board of Governors of the Federal Reserve System, Washington, DC 20551.

U.S. MONETARY POLICY AND FINANCIAL MARKETS

U.S. Monetary Policy and Financial Markets by Ann-Marie Meulendyke offers an in-depth description of the way monetary policy is developed by the Federal Open Market Committee and the techniques employed to implement policy at the Open Market Trading Desk. Written from her perspective as a senior economist in the Open Market Function at the Federal Reserve Bank of New York, Ann-Marie Meulendyke describes the tools and the setting of policy, including many of the complexities that differentiate the process from simpler textbook models. Included is an account of a day at the Trading Desk, from morning information-gathering through daily decisionmaking and the execution of an open market operation.

The book also places monetary policy in a broader

context, examining first the evolution of Federal Reserve monetary policy procedures from their beginnings in 1914 to the end of the 1980s. It indicates how policy operates most directly through the banking system and the financial markets and describes key features of both. Finally, the book turns its attention to the transmittal of monetary policy actions to the U.S. economy and throughout the world.

The book is \$5.00 a copy for U.S. purchasers and \$10.00 for purchasers outside the United States. Copies are available from the Public Information Department, Federal Reserve Bank of New York, 33 Liberty Street, New York, NY 10045. Checks must accompany orders and should be payable to the Federal Reserve Bank of New York in U.S. dollars.

Publications of Interest

FEDERAL RESERVE CONSUMER CREDIT PUBLICATIONS

The Federal Reserve Board publishes a series of pamphlets covering individual credit laws and topics, as pictured below. The series includes such subjects as how the Equal Credit Opportunity Act protects women against discrimination in their credit dealings, how to use a credit card, and how to resolve a billing error.

The Board also publishes the *Consumer Handbook to Credit Protection Laws*, a complete guide to consumer credit protections. This forty-four-page booklet explains how to shop and obtain credit, how to maintain a good credit rating, and how to dispute unfair credit transactions.

Three booklets on the mortgage process are also available: *A Consumer's Guide to Mortgage Lock-Ins*, *A Consumer's Guide to Mortgage Refinancings*, and *A Consumer's Guide to Mortgage Settlement Costs*. These booklets were prepared in conjunction with the Federal Home Loan Bank Board and in consultation with other federal agencies and trade and consumer groups.

Copies of consumer publications are available free of charge from Publications Services, mail stop 138, Board of Governors of the Federal Reserve System, Washington, DC 20551. Multiple copies for classroom use are also available free of charge.

