Glossary: Weekly Federal Reserve Statements

Federal Reserve Bank of New York

Glossary: Weekly Federal Reserve Statements *is designed to provide a general understanding of the meaning and relationship of each term used in the major Federal Reserve statistical releases. It is not a substitute for the technical instruction booklets and forms the Federal Reserve issues to assist banks in reporting data.*

Consolidated Statement of Condition of all Federal Reserve Banks

This statement—H.4.1(a)—is released by the Board of Governors in Washington, D.C. each Thursday afternoon (Friday if Thursday is a holiday). Column 1 shows, to the nearest million dollars, the condition of the 12 Reserve Banks at the end of the previous day (Wednesday). Column 2 reports the change from the previous Wednesday and column 3 the change from the Wednesday 52 weeks earlier. Section 11(a) of the Federal Reserve Act provides that the Board of Governors shall publish once each week a statement showing the condition of each Reserve Bank and a consolidated statement for all Reserve Banks. A combined statement showing the condition of each Reserve Bank—H.4.1(b) and (c)—is released by the Board of Governors each Thursday afternoon with the Consolidated Statement.

A consolidated statement of condition appears, with a one-month lag, in the *Federal Reserve Bulletin*, published monthly by the Board of Governors. In a consolidated statement, offsetting assets and liabilities among the 12 Reserve Banks are netted out; in a combined statement, the data for each Reserve Bank are given and each of the accounts is reported gross, i.e., before the netting out of the interoffice totals.

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H.4.1(a) CONSOLIDATED STATEMENT OF CONDITION OF ALL FEDERAL RESERVE BANKS
(In millions of dollars)

		Wednesday July 23, ** 1975	Change since July 16, 1975	Change since July 24, 1974
A S S E T S				
Gold certificate account		11,620	--	+ 160
Special Drawing Rights certif. acct.	*	500	--	+ 100
Cash	(1,686)	320	+ 9	+ 122
Loans		1,999	+ 868	- 3,640
Acceptances--Bought outright		673	- 7	+ 473
Held under repurchase agreements		76	+ 76	- 189
Federal Agency obligations--Bought outright		5,083	- 1	+ 1,496
Held under repurchase agreements		211	+ 22	- 117
U.S. Government securities:				
Bought outright--Bills		35,140	- 97	- 2,928
Certificates		--	--	--
Notes		42,886	--	+ 3,105
Bonds		4,522	--	+ 1,664
Total bought outright	1/2/	82,548	- 97	+ 1,841
Held under repurchase agreements		820	- 631	+ 213
Total U.S. Government securities		83,368	- 728	+ 2,054
Total loans and securities		91,410	+ 230	+ 77
Cash items in process of collection	(1,652)	7,257	- 793	- 380
Bank premises		298	--	+ 56
Operating Equipment		2	--	+ 2
Other assets 3/		2,900	+ 124	+ 1,723
TOTAL ASSETS	(3,338)	114,307	- 430	+ 1,860
L I A B I L I T I E S				
Federal Reserve notes	(1,686)	72,787	- 443	+ 6,927
Deposits: Member bank-reserves account		30,899	- 259	- 2,872
U.S. Treasury--general account		1,333	+ 736	- 1,668
Foreign		276	+ 52	+ 22
Other 4/		795	+ 122	+ 63
Total deposits		33,303	+ 651	- 4,455
Deferred availability cash items	(1,652)	5,036	- 626	- 443
Other liabilities and accrued dividends		1,021	- 117	- 184
TOTAL LIABILITIES	(3,338)	112,147	- 535	+ 1,845
C A P I T A L A C C O U N T S				
Capital paid in		912	+ 1	+ 32
Surplus		897	--	+ 53
Other capital accounts		351	+ 104	- 70
Contingent liability on acceptances purchased for foreign correspondents		--	--	- 975

* Figures in parentheses are the eliminations made in the consolidating process.
1/ Excludes $438 million of securities sold, and scheduled to be bought back, under matched sale-purchase transactions.
2/ Includes $112 million securities loaned--fully secured by U.S. Government securities pledged with Federal Reserve Banks.
3/ Includes assets denominated in foreign currencies.
4/ Includes $6 million of certain deposits of foreign-owned banking institutions held with member banks and redeposited in full with Federal Reserve Banks in connection with voluntary participation by nonmember institutions in the Federal Reserve System's program of credit restraint.
** Estimated (San Francisco District).

MATURITY DISTRIBUTION OF LOANS AND SECURITIES, JULY 23, 1975
(Acceptances and securities held under repurchase agreements are classified as maturing within 15 days in accordance with maximum maturity of the agreements.)

	Loans	Acceptances	U.S. Government securities Holdings	U.S. Government securities Weekly changes	Federal Agency obligations Holdings	Federal Agency obligations Weekly changes
Within 15 days	1,995	168	5,468	+ 374	237	+ 47
16 days to 90 days	4	403	18,725	- 85	276	- 15
91 days to 1 year	--	178	20,476	-1,017	532	+ 15
Over 1 year to 5 years	--	--	28,366	--	2,544	- 23
Over 5 years to 10 years	--	--	7,137	--	1,144	- 3
Over 10 years	--	--	3,196	--	561	--
Total	1,999	749	83,368	- 728	5,294	+ 21

Assets

1. Gold Certificate Account

Gold certificate credits held by the Federal Reserve Banks.* Some credits are pledged with Federal Reserve Agents** as collateral for Federal Reserve notes issued.***

Except for some actual gold certificates that Federal Reserve Banks use for public education displays, all "gold certificates" are bookkeeping credits.

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* When the Treasury purchases gold and needs to replenish its dollar balances, it "monetizes" the gold. The Treasury issues gold certificate credits to the Federal Reserve Banks and an equal amount in dollars is credited to its account at the Reserve Banks. If the Treasury wishes to sell gold that has already been monetized, it must free the gold by redeeming gold certificate credits issued to the Reserve Banks. When redeeming credits, the Treasury pays by reducing its balances at the Reserve Banks.

In August 1971, the U.S. suspended virtually all Treasury buying and selling of gold. In 1972 and 1973, Congress raised the U.S. official gold price and the Treasury issued gold certificates against the increased value of the U.S. gold stock. In 1974, the Treasury monetized the last, small, remaining amount of nonmonetized gold.

On December 31, 1974, the 41-year old legal prohibition against Americans buying, selling and holding gold ended, and, in January 1975, the Treasury sold gold to the public, redeeming gold certificates held by the Reserve Banks.

** The Federal Reserve Agent is the Board of Governors' representative at each Reserve Bank. The Agent and the Reserve Bank have joint custody of the Bank's unissued Federal Reserve notes. To obtain the release of notes, the Reserve Bank is required to pledge collateral at least equal to the amount of notes it wishes to issue.

The Federal Reserve Act (Section 4) specifies that the Board of Governors shall designate one of the three "Class C" directors of each Federal Reserve Bank (directors appointed by the Board) as Chairman of the Board of Directors and Federal Reserve Agent.

*** Statutory minimum gold reserve requirements against Federal Reserve deposit liabilities and notes were abolished on March 3, 1965 and March 18, 1968, respectively. However, each Reserve Bank must maintain collateral equal to the amount of its Federal Reserve notes outstanding. This collateral may be gold certificate credits or Special Drawing Rights certificate credits, U.S. Government securities, or collateral received in making loans. Most Federal Reserve Banks continue to pledge a portion of their gold certificate credits as collateral against these Federal Reserve note liabilities.

Each Reserve Bank receives a share of the total gold certificate credits in the account equal to the percentage of total Federal Reserve notes outstanding that it has issued. Redistribution of credits is made on or about each January 15, beginning in 1976, to reflect changes in the percentages of notes issued by individual Reserve Banks during the previous year.

Until April 30, 1975, Federal Reserve Banks used gold certificate credits to settle daily amounts due one another from the movement of checks and wire transfers of securities and funds between districts. To effect settlements, a pool of gold certificate credits was established that was not available for use as a collateral against Federal Reserve notes issued. With the ending of the practice, the gold certificate credits in the entire pool became available for pledging as a collateral against Federal Reserve notes. Thus, at present, Federal Reserve Banks settle amounts due one another with "debit" and "credit" asset entries. Each Reserve Bank records on its own Condition Statement, in a separate "Interdistrict settlement account" item, the net balance "due to" or "due from" other Reserve Banks. The item appears directly below "other assets" in the separate condition statements, but does not appear on the Consolidated Statement because the sum of the "due to" and "due from" balances of the 12 Federal Reserve Banks always nets out to zero.

As transactions are made between Reserve Banks, each Bank's "Interdistrict settlement account" is increased (debited with a "due from" entry) or reduced (credited with a "due to" entry) as appropriate, on a daily basis. "Due to" and "due from" settlements are netted against one another; there is no corresponding liability adjustment. This asset item, therefore, is reported as a negative number when "due to" balances exceed "due from" balances.

Each year, on the last business day of

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January, beginning in 1976, the cumulative amounts in the "Interdistrict settlement account" as of a business day between January 15 and the last business day of the month are "settled" by reallocating the ownership of the U.S. Government securities and/or Federal agency securities held in the System Open Market Account portfolio. Federal Reserve Banks having "due to" balances "pay" Federal Reserve Banks having "due from" balances by reducing their holdings in the portfolio in favor of those Reserve Banks with "due from" balances.

2. Special Drawing Rights Certificate Account

Special Drawing Rights certificate credits held by the Federal Reserve Banks.*

* On January 1, 1970, the United States received an initial allocation of $866.9 million of Special Drawing Rights (SDR) from the International Monetary Fund. The Treasury, through its Exchange Stabilization Fund—an account used for stabilization operations in foreign exchange markets and for official purchases and sales of gold—monetized $400 million of this allocation within a few months.

In monetizing, the Treasury issues to the Federal Reserve Bank of New York SDR certificate credits that are subsequently allocated among all 12 Reserve Banks. In return the Treasury receives an equal amount of dollars credited to its Exchange Stabilization Fund account at the New York Reserve Bank. This dollar crediting is reflected as an increase in the "special checking account of the Exchange Stabilization Fund," included in "deposits: other" liability account, line 21.

On January 1, 1971, the United States received its second SDR allocation from the IMF—$716.9 million. A third allocation—$710.2 million—was received on January 1, 1972. No further allocations of SDR have been made since 1972.

3. Cash

Coin and currency on hand in the Federal Reserve Banks and branches, except gold certificates and Federal Reserve notes. Virtually all of this item is coin; held in very small amounts are U.S. notes, which are still issued by the Treasury, and other paper currencies, such as silver certificates, which are being retired.

The Consolidated Statement excludes all Federal Reserve notes issued by one Reserve Bank and held by another Reserve Bank from this item and the liability account "Federal Reserve notes" (line 17). The amount excluded appears in parentheses to the left of column 1, lines 3 and 17.

4. Loans*

Credit granted by the Federal Reserve Banks,** almost exclusively to member banks, at the borrower's initiative.

The following types of loans may be made by Federal Reserve Banks:

To Member Banks

(1) Advances on the bank's promissory note secured by U.S. Government securities or certain Federal agency obligations. Maximum maturity: 15 days.

(2) Discounts of eligible paper. Maximum maturity: 90 days.

(3) Advances on the bank's promissory note secured by eligible paper or any obligations eligible for Federal Reserve Bank purchase. Maximum maturity: 90 days.

(4) Discounts of certain bankers' acceptances. Maximum maturity: 6 months.

(5) Discounts of agricultural paper. Maximum maturity: 9 months.

(6) Advances secured to the satisfaction of the Federal Reserve Bank. Maximum maturity: 4 months. The interest rate charged on such loans cannot be less than one-half percentage point higher than the prevailing discount rate.

Seasonal Credit

In April 1973, the Federal Reserve established a new borrowing privilege for member banks that demonstrate a seasonal need for funds and lack access to national money markets. They can borrow for up to 90 days at the discount rate and renew these loans if their seasonal need exceeds original expectations.

Borrowing under the seasonal privilege is ordinarily limited to the amount by which banks' seasonal needs exceed 5 percent of average total deposits in the previous calendar year.

Emergency Credit

Federal Reserve credit may also be extended for prolonged periods (such as for more than eight weeks) to individual banks in exceptional circumstances, such as sustained deposit drains, impaired access to money market funds, or sudden deterioration in loan repayment performance. Under this category of lending, loans can be in significant amounts (amounts that exceed, on average, the borrowing bank's required reserves, for example), but at a special, higher discount rate.

The purpose of the special rate, which cannot exceed the rate established for emergency loans to nonmember banks, is to limit any advantage a bank might obtain through borrowing from the Federal Reserve rather than from the money market and to encourage the borrowing bank to make those adjustments in its operations that will permit repayment of the loan in a reasonable period.

To Others

(1) Advances to foreign governments, central banks or monetary authorities secured by gold. No maximum maturity is specified in the Federal Reserve Act.

(2) Advances to individuals, partnerships or corporations secured by U.S. Government or agency obligations. Maximum maturity: 90 days.

(3) In unusual and exigent circumstances, and when authorized by the Board of Governors, discounts for individuals, partnerships or corporations of paper that would be eligible for discounting if presented by member banks. No maximum maturity is specified in the Federal Reserve Act.

Banks usually borrow on their own promissory notes secured by U.S. Government securities.*** Under continuing lending agreements instituted by the Reserve Banks in February 1971, member banks need not physically present a promissory note. Borrowers may request an advance by telephone or wire. Many member banks keep Government securities at their Reserve Bank or branch, thus making sure collateral is always immediately available. Reserve Banks may grant an advance even without physical possession of the collateral if distance or poor transportation facilities would make actual delivery difficult. In these cases, member banks may pledge as collateral securities held in a safekeeping account at another member bank.

The interest rate the Reserve Banks charge on loans is called the "discount rate" and is payable when the loan is repaid. The discount rate is always expressed in annual terms (i.e., a 365- or 366-day year). However, interest charges are computed on the basis of the number of days funds are actually borrowed. Thus, charges on a 24-hour loan would amount to 1/365 of the discount rate. The discount rate is fixed by each Reserve Bank, subject to review and determination by the Board of Governors.

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* Loans are "discounts" or "advances." "Discounts" are made when a member bank presents customers' short-term commercial, industrial, agricultural or other business paper for rediscounting. "Advances" are loans made on the borrowing bank's own promissory note secured by Government obligations, paper eligible for discounting or other satisfactory collateral.

** The granting of credit by Federal Reserve Banks is authorized and limited by the Federal Reserve Act—basic provisions are in Sections 10(b), 13 and 13(a)—and regulated by the Board of Governors' Regulation A.

*** A maturity distribution of loans outstanding on the statement date appears

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directly below the Consolidated Statement on the H.4.1(a) release. Virtually all loans appear in the first maturity category, "within 15 days."

A more refined distribution would show the bulk of borrowings maturing in one or two days, reflecting the borrowing pattern of the large city banks which account for most of the dollar volume. As a separate group, the borrowing of country banks clusters at seven or eight days.

5. Acceptances

a. Bought Outright

Prime bankers' acceptances bought outright by the Federal Reserve Bank of New York for its own account.*

b. Held Under Repurchase Agreements

Prime bankers' acceptances bought by the New York Reserve Bank for its own account under agreements with nonbank dealers.** These agreements call for the dealer to buy the acceptances back on a specified date (usually within 15 days) or earlier at the dealer's option. The Reserve Bank also has the right to require repurchase any time before maturity of the agreement, but this right is rarely exercised.

* Bankers' acceptances are drafts or bills of exchange that banks have "accepted" as their own liabilities, in effect pledging their credit on behalf of their customers. Those acceptances of the largest and best known banks are considered prime quality money market instruments. In 1955, the Federal Open Market Committee (FOMC) authorized the Federal Reserve Bank of New York to deal in prime bankers' acceptances for its own account.

The FOMC determines Federal Reserve System policy on open market operations—purchases or sales of U.S. Government and Federal agency securities, bankers' acceptances and foreign exchange. The Committee consists of the seven members of the Board of Governors and five Reserve Bank presidents.

The New York Reserve Bank conducts open market operations for the Federal Reserve System with about 25 primary dealers in Government securities and bankers' acceptances. The manager of the System Open Market Account is Executive Vice President in charge of the New York Reserve Bank's open market operations and is appointed annually by the FOMC to carry out its policy directives.

Ownership of the System Open Market Account portfolio is allocated among all the Reserve Banks, except for acceptances and securities held under repurchase agreements, which are carried on the books of the New York Reserve Bank. On the Combined Statement of Condition net purchases or sales of securities are reflected in proportional increases or reductions in the security holdings of each Reserve Bank.

** Dealers engaging in repurchase agreements with the New York Reserve Bank receive, in effect, short-term loans.

6. Federal Agency Obligations

a. Bought Outright

Federal agency obligations bought outright by the Federal Reserve Bank of New York for the System Open Market Account. Federal agencies established by law primarily to implement the Government's farm and home lending programs, issue obligations to finance their activities. Most agency securities are not guaranteed by the U.S. Government but are direct obligations of the agencies.

A 1966 amendment to Section 14(b) of the Federal Reserve Act authorized Federal Reserve Banks to buy and sell Federal agency obligations. Until September 1971, however, the FOMC restricted the System Account manager to repurchase agreements* when dealing in agency obligations. Authorization for outright purchases and sales was given to widen the base of System open market operations and add breadth to the agency securities market.

b. Held Under Repurchase Agreements

Federal agency obligations bought under repurchase agreements with nonbank dealers in Government securities. Such agreements are used to provide a temporary and self-reversing injection of reserves into the banking system.

* An agreement under which the System Account manager buys a security from a nonbank dealer under the condition that the dealer repurchase the security on a specified date (within 15 days), or earlier at the dealer's or the Federal Reserve's option. In April 1972, the FOMC authorized the System Account manager to institute competitive bidding when buying securities under repurchase agreements. Under competitive bidding, each dealer is requested to present a schedule of rates the dealer is willing to pay for various amounts of credit. The System Account manager selects the best bids presented.

7. U.S. Government Securities: Bought Outright*

a. Bills

b. Certificates—Special**
Other

c. Notes

d. Bonds

These lines give a breakdown of Treasury securities bought by the Federal Reserve in the open market from primary dealers in Government securities, foreign official accounts and the U.S. Treasury. Except for purchases in exchange for maturing issues, direct purchases from the Treasury are infrequent, for very short periods, and are for relatively small amounts.

The distinction between bills, certificates, notes and bonds is based essentially on the maturity of the obligation. Bills are the shortest term Treasury obligation, are sold at auction, on a discount basis, and may have maturities not to exceed one year. Certificates—certificates of indebtedness of the Treasury, which would be classified as "other"—also may have maturities not to exceed one year but differ from Treasury bills in that certificates carry an interest coupon. Notes, which also carry an interest coupon, have maturities of not less than one year nor more than seven years. While bonds may be issued in any maturity, they are generally issued with maturities in excess of seven years. They are the longest term Treasury obligations. Coupon-bearing issues may be sold at auction or at a set price.

(A maturity distribution of U.S. Government securities held by the System Account on the statement date appears directly below the Consolidated Statement on the H.4.1(a) release.)

* Securities purchased by the Federal Reserve are carried on the books at maturity value. See "other assets" (line 15) and its footnote for the treatment of any premiums paid on securities purchased. See "other liabilities" (line 24) and its footnote for the treatment of securities purchased at discount.

** When the Treasury borrows directly from Federal Reserve Banks, it issues "special certificates of indebtedness" to the Reserve Banks for the amount of the loan and receives a corresponding increase in its general account (line 19). Such borrowing is done infrequently and almost exclusively to cover overdrafts on the Treasury's account with the Federal Reserve Banks immediately before quarterly tax payment dates, when the Treasury's balances are low and a large inflow of funds is soon to take place. Such borrowing is recorded on the "certificates—special" line (line 7b).

8. Total Bought Outright

The sum of lines 7a, b, c and d.*

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* Included in the total are Government securities loaned to dealers. Such loans are made to facilitate deliveries of securities by the dealers. These loans are fully secured by other Government securities the dealers pledge with Reserve Banks. The amount of such loans outstanding Wednesday night is indicated in a footnote to the Consolidated Statement.

9. U.S. Government Securities: Held Under Repurchase Agreements

U.S. Government securities (defined in line 7) purchased from nonbank dealers under an agreement calling for the seller to repurchase them on a specified date (within 15 days) or earlier at the dealer's or the Federal Reserve's option.

10. Total U.S. Government Securities*

The sum of lines 8 and 9.

* Securities held by the Reserve Banks may be sold to dealers under a matched sale-purchase agreement (so called "reverse repos"). The dealers are required to sell the securities back to the Reserve Banks on the date specified in the agreement. Typically, these contracts mature in a day or two. Outstanding matched sale-purchase transactions on the date of the statement are indicated in a footnote. If a transaction has not been completed by Wednesday evening, the statistics include the "sale." The purchase is included the following week.

11. Total Loans and Securities

The sum of lines 4 (loans), 5a and b (acceptances bought outright and held under repurchase agreements), 6a and b (Federal agency obligations bought outright and held under repurchase agreements) and 10 (total U.S. Government securities).

12. Cash Items in Process of Collection

Checks and any other item payable on demand which the Federal Reserve accepts as a cash item (e.g., matured corporate and municipal coupons presented by banks, negotiable orders of withdrawal) that have been received by Federal Reserve Banks and, on the date of the statement, are being collected, including those being transported to the banks on which they are drawn. Government checks, postal money orders and food coupons, although classified as cash items, would not be included here since such items are debited to the Treasury's account on the day received.

(In the Consolidated Statement, cash items in transit from one Federal Reserve Bank or branch to another are eliminated from "cash items in the process of collection" and from "deferred availability cash items" to avoid double counting of items in the process of collection within the System. The amount appears in parentheses to the left of column 1, lines 12 and 23.)

13. Bank Premises

The value of the land and buildings of the Federal Reserve Banks and branches, less an allowance for depreciation on the buildings.

14. Operating Equipment

The total value, less an allowance for depreciation, of the equipment of the Federal Reserve Banks and branches with an individual book value of $10,000 or more, such as computers. (Equipment with a book value of less than $10,000 is counted in the Federal Reserve Banks' current expenses.)

15. Other Assets*

Miscellaneous assets, including accumulated interest** and other accounts receivable, premiums paid on securities bought,*** and assets denominated in foreign currencies such as those acquired through "swap" drawings.****

The last item is listed separately in the Consolidated Statement that appears in the *Federal Reserve Bulletin.*

* Since October 8, 1974, this item has included a Federal Reserve Bank of New York loan to the Federal Deposit Insurance Corporation (FDIC). The FDIC, as receiver for Franklin National Bank, assumed the Federal Reserve loan to the insolvent bank, amounting to $1.723 billion, and agreed to repay the Federal Reserve over a three-year period as collateral supplied by Franklin to back the loan was liquidated.

** This item represents the daily accumulation of accrued interest earned on: Government securities owned, Government securities held under repurchase agreements, loans made to member banks, loans made to central banks and foreign currency investments.

*** The amount paid by the Federal Reserve above the face value of the securities it has purchased. Each day part of this amount is amortized into earnings. (This item is decreased and the "other capital accounts" (line 28) decreased by an equal amount.) This amortization is at a uniform rate to exhaust the premium on the maturity date of each security.

A security purchased at a premium is treated on the books in this way because at maturity the Federal Reserve collects only the face amount of the security (i.e., over the life of the security its value gradually declines).

The premium paid on securities bought under repurchase agreements is not amortized. The premium is, in effect, paid back to the Federal Reserve when the securities are repurchased by the dealer. The negotiated price includes the premium.

**** A "swap" drawing is a reciprocal credit exchange between the Federal Reserve and a foreign central bank where the foreign central bank exchanges on request its own currency for dollars up to a maximum amount over a limited period of time, such as three months or six months. In a swap drawing, the "other assets" item is increased and the "deposits: foreign" liability item (line 20) increased by an equal amount. For an explanation of the use of swap drawings since 1962, see the semiannual reports of "Treasury and Federal Reserve Foreign Exchange Operations," which appear in the *Federal Reserve Bulletin* and the *Federal Reserve Bank of New York Monthly Review* usually in March and September of each year.

16. Total Assets

The sum of lines 1 (gold certificate account), 2 (SDR certificate account), 3 (cash), 11 (total loans and securities), 12 (cash items in process of collection), 13 (bank premises), 14 (operating equipment) and 15 (other assets).

Liabilities

17. Federal Reserve Notes

The total amount of Federal Reserve notes in circulation, including those held in commercial bank vaults and those held by the U.S. Treasury. This item excludes notes held in the vaults of Reserve Banks and branches and canceled notes forwarded to the Treasury for destruction. (In the Consolidated Statement, the notes of one Reserve Bank held by another Reserve Bank are eliminated. The amount appears in parentheses to the left of column 1, lines 3 and 17.)

18. Deposits: Member Bank Reserve Accounts

Demand balances in reserve accounts of member banks.

19. Deposits: U.S. Treasury—General Account

Demand balances in the general checking account of the Treasury with Federal Reserve Banks and branches. Virtually all of the U.S. Government's disbursements are made from these accounts.*

* The Treasury maintains part of its operating cash balance in "Tax and Loan" accounts at about 13,000 commercial banks. A portion of tax receipts and, on occasion, funds from the sale of new Treasury obligations are deposited by the Treasury in these accounts to moderate the impact of Treasury borrowing and tax collections on bank reserves. As funds are needed for disbursements, the Treasury issues "calls" to commercial banks—through the district Reserve Banks—directing them to transfer funds to the Treasury's account at the Reserve Banks.

20. Deposits: Foreign*

Demand balances of foreign central banks, the Bank for International Settlements, and a few foreign governments.

* While transactions for these accounts are handled by the New York Reserve Bank, the deposit liabilities are allocated among all Reserve Banks.

21. Deposits: Other

Includes demand balances of international organizations such as the International Monetary Fund (IMF), United Nations, and International Bank for Reconstruction and Development (World Bank); the special checking account of the Exchange Stabilization Fund;* demand balances of "Edge Act" (international banking and financial) corporations held as reserves;** and demand balances of certain U.S. Government agencies.

* The account that holds the dollars credited to the Exchange Stabilization Fund in monetizing SDR (see asset item, "special drawing rights certificate account" line 2 and corresponding footnote).

** The "Edge Act" is the 1919 amendment to the Federal Reserve Act—Section 25(a)—that empowers the Board of Governors to charter corporations for the purpose of engaging in the financing of international commerce. The amendment is commonly referred to as the "Edge Act" after its sponsor, Senator Walter E. Edge of New Jersey. Edge Act corporations are granted certain powers subject to rules and regulations of the Board of Governors. Regulation K, first issued by the Board in 1920, governs Edge corporation activities. The regulation specifies that deposits of such corporations are subject to reserve requirements and their required reserves must be held in cash or in demand balances at Federal Reserve Banks.

22. Total Deposits

The sum of lines 18 (member bank reserves), 19 (U.S. Treasury—general account), 20 (foreign) and 21 (other).

23. Deferred Availability Cash Items

Checks and other cash items (see line 12 under assets) that, although received by the Reserve Banks, are not due to be credited for one or two days to the accounts of the depositing banks. The Reserve Banks defer credit according to a schedule that allows time for out-of-town checks to be mailed or carried to the banks on which they are drawn. After a maximum of two business days, the member bank's reserve account is credited whether or not the item is collected from the bank on which it is drawn.

24. Other Liabilities and Accrued Dividends

Includes liabilities for statutory dividends on paid-in Federal Reserve Bank capital stock (all owned by member banks) accrued between semiannual payment dates (the last business day of June and December); unearned discount on securities bought outright,* sundry items payable, and accrued expenses.

* The amount paid by the Federal Reserve below the maturity value of the securities and bankers' acceptances it has purchased. Each day part of this amount is transferred to the earnings account to eliminate the discount on the maturity date. (This item is decreased and the "other capital accounts" item (line 28) increased by an equal amount.)

A security or acceptance purchased at a discount is treated on the books this way because at maturity the Federal Reserve collects more than it paid for the instrument. Thus, the difference between what it paid and what it will receive at maturity represents a discount not yet earned.

The discount on securities bought under repurchase agreements is not accumulated into earnings. It is paid back to the dealer when the securities are repurchased from the Federal Reserve.

The discount on acceptances bought under repurchase agreements is treated differently. It is accumulated daily into earnings—the "other capital accounts" item (line 28)—to eliminate the discount on the termination date of the repurchase agreements. If the dealer repurchases an acceptance before termination, the Federal Reserve gives a rebate of the remaining discount.

25. Total Liabilities

The sum of lines 17 (F.R. notes), 22 (total deposits), 23 (deferred availability cash items) and 24 (other liabilities and accrued dividends).

Capital Accounts

26. Capital Paid In

Amount paid for Federal Reserve Bank capital stock. All member banks are shareholders by law (Federal Reserve Act, Section 5) and must subscribe to shares of the Reserve Bank of their district in an amount equal to 6 percent of their own paid-up capital stock and surplus. Of this amount, one-half (3 percent) must be paid in and one-half (3 percent) remains subject to call by the Board of Governors. When a member bank changes its own capital or surplus, its ownership of Reserve Bank stock must be altered accordingly.

27. Surplus

After necessary expenses are paid and the statutory cumulative 6 percent dividend on the paid-in capital stock is met, Reserve Banks are required by law to pay the net earnings into a surplus fund. (At the end of 1964, the Board of Governors

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concluded that the growth of the capital, accumulated surplus and net earnings of the Reserve Banks warranted halving the surplus of the Reserve Banks from the total of subscribed capital, (6 percent) to the level of paid-in capital (3 percent). (See item 26.)

28. Other Capital Accounts

Unallocated net earnings since the last payment of dividends to stockholders* and payment of interest to the Treasury on Federal Reserve notes outstanding.**

* Dividends are paid in semiannual instalments, on the last business day in June and the last business day in December.

** Each Reserve Bank pays part of its accumulated net earnings to the Treasury as "interest on Federal Reserve notes outstanding" on the second business day of each month, except in January when payments are made on the first business day. The payments reduce this account and increase the U.S. Treasury's general account (line 19) at the Reserve Banks. Section 16 of the Federal Reserve Act grants the Board of Governors authority to levy an interest charge on outstanding Federal Reserve notes not fully covered by gold certificate reserves. This authority has been used since 1947. The purpose of the interest charge is to transfer to the Treasury any excess earnings of the Reserve Banks after expenses, dividends and adjustments that are necessary to make surplus equal to paid-in capital. Prior to 1933, each Reserve Bank was required to pay a franchise tax to the Government, which accomplished the same end. From 1933 to 1946, the Reserve Banks did not transfer excess earnings but used these earnings to restore their surplus accounts, which had been depleted by mandatory purchases of the capital stock of the Federal Deposit Insurance Corporation (FDIC) in 1933.

29. Contingent Liability on Acceptances Purchased for Foreign Correspondents

The total amount of the Reserve Banks' liability on acceptances purchased for the accounts of foreign central banks. This potential liability arises from the Reserve Banks' guarantee that such acceptances will be paid at maturity.*

* On November 22, 1974, the Board of Governors terminated the System guarantee on acceptances purchased by the New York Bank for official foreign accounts.

The practice of guaranteeing acceptances was adopted more than fifty years ago in conjunction with reciprocal relationships with other central banks. It was designed to help encourage the development of acceptance financing in the United States and to provide an investment outlet for the funds of foreign monetary authorities. The acceptance market subsequently became well established. Foreign holdings of guaranteed acceptances, after remaining stable at moderate levels for many years, rose rapidly in 1974, increasing by $1.5 billion to over $2 billion in the first ten months of that year.

The Board's action reflected concern over the desirability of continuing the Federal Reserve's guarantee, which had been likened to a United States Government guarantee, on a private credit instrument purchased by foreign central banks and monetary authorities.

Until 1921, the Federal Reserve did not charge central banks for its guarantee (in effect, an insurance service). Maintaining a demand deposit with the Federal Reserve was considered sufficient compensation. This policy was changed when the Netherlands Bank contended that maintaining a demand deposit was an arbitrary form of payment. From 1921 to 1974, a commission was charged for the guarantee. The charge was ¼ of 1 percent on the face amount of the acceptance until 1926; ⅛ of 1 percent after 1926.

The Federal Reserve had to make only one payment under the guarantee. During the U.S. banking crisis in 1933, the System assumed the liability for $634,000 of unpaid acceptances from foreign accounts. These acceptances were all collected in full in 1933 and 1934. The Federal Reserve's "loss" consisted of $136.50 in uncollected protest fees and $6.00 in interest.

Although this item appears below "capital accounts," it is really a memorandum item not included when balancing "total assets" with "total liabilities and capital accounts."

Factors Affecting Bank Reserves

This release—H.4.1—itemizes the factors affecting member bank reserves that stem from the monetary activities of the public, the Treasury, the banks themselves and the Federal Reserve. The release is a rearrangement of the Consolidated Statement of Condition of all Federal Reserve Banks, plus a partial Treasury balance sheet containing the Treasury's monetary accounts. It is divided into two sections: one showing the factors supplying bank reserves; the other, the factors absorbing reserves. Increases in factors supplying reserves (e.g., securities bought by the System account, member bank borrowings) produce increases in bank reserves and decreases produce declines. Increases in factors absorbing reserves (e.g., currency in circulation) produce declines in bank reserves and decreases produce increases.

A separate section, "member bank reserves," shows the net effect of all factors on total, required, and excess reserves of member banks.

This statement shows averages of daily figures for the statement week, which are more useful for analyzing the causes of changes in bank reserves than figures for a specific date. The right hand column, which gives Wednesday night figures, can be traced directly to the Consolidated Statement. The monthly *Federal Reserve Bulletin* contains a time series on factors affecting reserves showing daily averages for each week and each calendar month as well as Wednesday night and last-day-of-month figures.

Contents

FEDERAL RESERVE

Factors Affecting Bank Reserves and Condition Statement of F.R. Banks

H.4.1

For immediate release
July 24, 1975

Member bank reserves, Reserve Bank credit, and related items	Averages of daily figures: Week ended July 23, 1975 *	Change from week ended July 16, 1975	Change from week ended July 24, 1974	Wednesday July 23, 1975 *
Reserve Bank credit:	1/	(In millions of dollars)		2/3/
U.S. Government securities--				
Bought outright--System account	82,766	+ 587	+ 2,191	82,548
Held under repurchase agreements	117	- 90	- 18	820
Federal Agency obligations--				
Bought outright	5,084	--	+ 1,506	5,083
Held under repurchase agreements	30	+ 3	- 111	211
Acceptances--				
Bought outright	680	- 6	+ 512	673
Held under repurchase agreements	11	+ 11	- 48	76
Loans--				
Total member bank borrowing	382	+ 180	- 3,259	1,999
Includes seasonal borrowing of:	19	+ 3	- 136	21
Other borrowing	--	--	--	--
Float	1,859	- 287	- 168	2,221
Other F.R. assets	3,122	+ 72	+ 1,725	3,200
Total Reserve Bank credit	94,051	+ 470	+ 2,329	96,831
Gold Stock	11,620	--	+ 53	11,620
Special Drawing Rights certif. acct.	500	--	+ 100	500
Treasury currency outstanding	9,630	+ 12	+ 723	9,637
	115,801	+ 481	+ 3,206	118,588
Currency in circulation **	81,743	- 409	+ 7,302	81,734
Treasury cash holdings **	370	--	+ 100	370
Treasury deposits with F.R. Banks	1,370	+ 172	- 1,351	1,333
Foreign deposits with F.R. Banks	240	- 56	- 43	276
Other deposits with F.R. Banks 4/	690	+ 14	- 67	795
Other F.R. liabilities and capital	3,148	+ 38	- 123	3,181
	87,561	- 241	+ 5,819	87,689
Member bank reserves:				
With Federal Reserve Banks	28,240	+ 723	- 2,613	30,899
Currency and coin	6,718	- 637	+ 154	6,718
Total reserves held	34,958	+ 86	- 2,459	37,617
Required reserves	34,693	- 106	- 2,609	34,693
Excess reserves	265	+ 192	+ 150	2,924

NOTE: A net of $20 million of surplus reserves were eligible to be carried forward from the week ended July 16, into the week ending July 23.
On July 23, 1975, marketable U.S. Government securities held in custody by the Federal Reserve Banks for foreign and international accounts were $41,423 million, an increase of $368 million for the week.

1/ Net of $462 million, daily average, matched sale-purchase transactions outstanding during the statement week.

2/ Excludes $438 million of securities sold, and scheduled to be bought back, under matched sale-purchase transactions.

3/ Includes $112 million securities loaned--fully secured by U.S. Government securities pledged with Federal Reserve Banks.

4/ Includes $6 million of certain deposits of foreign-owned banking institutions held with member banks and redeposited in full with Federal Reserve Banks in connection with voluntary participation by non-member institutions in the Federal Reserve System's program of credit restraint.

** Estimated (Treasury's Figures).
* Estimated (San Francisco District).

30a. Reserve Bank Credit:

U.S. Government Securities—Bought Outright—System Account

Equals line 8 of Consolidated Statement.

30b. U.S. Government Securities—Held Under Repurchase Agreements*

Equals line 9 of Consolidated Statement.

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* Repurchase agreements supply reserves for only a limited period of time since repurchase agreements call for dealers to buy back the securities within 15 days.

31a. Federal Agency Obligations—Bought Outright

Equals line 6a of Consolidated Statement.

31b. Federal Agency Obligations—Held Under Repurchase Agreements

Equals line 6b of Consolidated Statement.

32a. Acceptances—Bought Outright

Equals line 5a of Consolidated Statement.

32b. Acceptances—Held Under Repurchase Agreements

Equals line 5b of Consolidated Statement.

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33. Loans

a. Total Member Bank Borrowing

b. Includes Seasonal Borrowing of:

c. Other Borrowing

The sum of lines 33a, b and c equals line 4 of Consolidated Statement.

"Includes seasonal borrowing of" refers to the borrowings by member banks from Federal Reserve Banks to meet specific seasonal needs for funds. (For an explanation of this item, see line 11 of Weekly Summary of Banking and Credit Measures.)

"Other borrowing" refers to the borrowing of foreign monetary authorities, individuals, partnerships or corporations. (For an explanation of this item, see line 4 of Consolidated Statement.)

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34. Float

Checks sent to the Reserve Banks for collection are credited to the depositing bank's reserve account according to a schedule that allows time for the checks to be presented to the banks on which they are drawn. The maximum deferral is two business days. The member bank's account is credited whether or not the checks have reached the banks on which they are drawn. Because it may take longer than two days to process and collect some checks presented for collection, some member banks receive credit in their accounts for these checks before the banks on which the checks are drawn lose reserves. This "extra" amount of reserves in the banking system is called Federal Reserve float.

continued on next page

The volume of Federal Reserve float is computed by subtracting deferred availability cash items from cash items in process of collection (line 12 less line 23 on the Consolidated Statement of Condition). Line 12 represents the total amount of items that are in the process of collection. Line 23 represents the amount that is not yet credited to a reserve account. The difference, therefore, represents the amount of items that the Federal Reserve has not yet collected but has already credited.

35. Other F. R. Assets*

The sum of other assets, bank premises and operating equipment (equals lines 13, 14 and 15 of Consolidated Statement).

* The most notable changes in this account are (1) the accrual and payment of interest earned on assets and (2) the buying and selling of foreign currencies.

(1) As the Federal Reserve Banks accrue interest on assets such as Government securities and loans to member banks, there is no net reserve effect since the accrual entry in this asset account is offset by an equivalent rise in "other capital accounts." When the Treasury pays the Federal Reserve Banks interest earned on their Government securities holdings, the accrued interest is deducted, resulting in a decline in "other assets." Deposits of the U.S. Treasury (line 19 of Consolidated Statement) are reduced by the same amount, reflecting the Treasury's payment of the interest.

(2) Federal Reserve holdings of foreign currencies are included in this account. When the Federal Reserve buys foreign currencies, "other assets" increase and reserves of the commercial banking system tend to increase. The Federal Reserve pays with checks drawn on itself. Sellers deposit these checks in U.S. banks, which send them to a Federal Reserve Bank for payment. The Federal Reserve credits the reserve accounts of the depositing banks, thus increasing member bank reserves.

When the Federal Reserve sells foreign currencies, "other assets" decrease and bank reserves tend to decrease. Purchasers pay by drawing on balances at banks in this country. Upon receipt of payment, the Federal Reserve reduces the reserve account of the banks on which the checks are drawn.

System purchases and sales of foreign currencies are made by the Federal Reserve Bank of New York, usually on behalf of, or in cooperation with, foreign central banks. New York City banks with overseas branches are the primary market for System purchases and sales.

36. Total Reserve Bank Credit

The sum of lines 30a through 35 inclusive.

Total Reserve Bank credit is the sum of factors affecting member bank reserves that are under the control of the Federal Reserve.

The System exercises its most direct controls on two components of Reserve Bank credit—its holding of securities and its lending to member banks. The other components—Federal Reserve float and other Federal Reserve assets—are controlled less directly.

37. Gold Stock*

The "monetary" or "Treasury" gold stock of the United States.

Consists of:

(a) Monetized gold—measured by the total of gold certificate credits issued by the Treasury to the Federal Reserve Banks (line 1 of Consolidated Statement).

(b) Nonmonetized gold—against which no gold certificate credits have been issued by the Treasury.**

Only changes in the Treasury gold stock affect bank reserves.***

The value of the gold stock is carried on the books of the Treasury at the official U.S. Government gold price of $42.22 a troy ounce, established by Congress in 1973.

* From 1956 to 1972, the monetary or Treasury gold stock included gold sold to the U.S. by the International Monetary Fund with the right of repurchase. During this period, the IMF occasionally sold gold to the U.S. for dollars used to purchase income-earning U.S. Treasury securities. Under the terms of these sales, the same quantity of gold could be repurchased by the IMF upon termination of the investment. In February 1972, both parties agreed to end this arrangement and the U.S. "sold" back to the IMF the $400 million in gold (at $35 per ounce) acquired under these transactions.

From 1965 to 1972, the monetary or Treasury gold stock included the $144 million gold deposit of the IMF at the Federal Reserve Bank of New York. In February 1972, that gold deposit was also turned back to the IMF.

** See footnotes to line 1 of Consolidated Statement for additional information on Treasury monetization and nonmonetized gold.

*** The Treasury gold stock differs from the "total" gold stock of the United States. The total gold stock, which is published monthly in the *Federal Reserve Bulletin* with a one-month lag, consists of the Treasury gold stock *plus* gold in the Exchange Stabilization Fund, a Treasury account used for stabilization operations in foreign exchange markets and as a conduit for offical purchases and sales of gold. In December 1974, the Treasury monetized all of the remaining gold in its Exchange Stabilization Fund. Since then, there has been no numerical difference between the two gold stock measures.

Both the Treasury and total gold stock measures exclude:

(a) The United States' gold subscription to the International Monetary Fund.

(b) Gold held under earmark at the Federal Reserve Bank of New York for foreign and international accounts.

38. Special Drawing Rights Certificate Account

Equals line 2 of Consolidated Statement.

39. Treasury Currency Outstanding

Consists of coin and that currency for which the United States has legal responsibility (but not including Federal Reserve notes) held by the public, financial institutions, Federal Reserve Banks* and the Treasury itself.

This item consists primarily of coin.** The only United States currency currently authorized for issue is United States notes. The books of the Treasury carry approximately $323 million of United States notes outstanding; the amount of such notes outstanding may not be increased beyond this sum. Included in Treasury currency outstanding, however, are outstanding currencies no longer being issued and currencies originally issued by Federal Reserve Banks and national banks for which the United States has assumed liability. These currencies include Federal Reserve notes issued before July 1, 1929 (large size), Federal Reserve Bank notes, national bank notes, gold certificates issued before the 1934 series, silver certificates and Treasury notes of 1890.

* Excludes gold certificates, series of 1934, which are issued only to Federal Reserve Banks and are not in circulation.

** Includes a very small amount of standard silver dollars.

40. Currency in Circulation

The amount of currency and coin held outside the Treasury and the Federal Reserve Banks. This item consists primarily of Federal Reserve notes issued on and after July 1, 1929 by the Federal Reserve Banks. This total includes cash held in the vaults of all commercial banks.*

* To obtain the "currency outside banks" component of the money supply, vault cash of all commercial banks must be subtracted from currency in circulation.

41. Treasury Cash Holdings*

Any currency and coin held by the Treasury in its own vaults. Includes silver bullion, silver dollars and nonsilver coinage metal.

* The Treasury cash holdings item represents the funds that the Treasury has at its disposal without writing checks on its Federal Reserve or Tax and Loan accounts.

42. Treasury Deposits with F.R. Banks

The U.S. Treasury—general account (line 19 of Consolidated Statement).

43. Foreign Deposits with F.R. Banks

Equals line 20 of Consolidated Statement.

44. Other Deposits with F.R. Banks

Equals line 21 of Consolidated Statement.

45. Other F.R. Liabilities and Capital

The sum of capital, surplus, other capital accounts, and accrued dividends (lines 24, 26, 27 and 28 of Consolidated Statement).*

* To interpret changes in this account, see line 28 of Consolidated Statement and the corresponding footnote on page 14.

46a. Member Bank Reserves: With Federal Reserve Banks

Demand balances of member banks with their district Reserve Banks.

This item is the difference between all the factors supplying reserves (lines 30a through 39) and all the factors absorbing reserves (lines 40 through 45).

46b. Member Bank Reserves: Currency and Coin

Currency and coin held by member banks in their vaults or being transported to or from a Federal Reserve Bank.

The figures on the H.4.1 release are estimates and are based on close-of-business figures for the seven-day reserve computation period (Thursday through Wednesday) two weeks prior to the statement date.

47. Total Reserves Held

The sum of lines 48 and 49.

48. Required Reserves

The amount of reserves member banks must hold against their net demand deposits,* time and savings deposits,** and certain other liabilities, such as Eurodollar borrowings,*** and funds received from affiliates' sales of commercial paper.****

Required reserves are calculated by applying the percentages set by the Board of Governors (Regulation D) to the classes of liabilities noted above. These percentages are applied to the average daily close-of-business balances for a seven-day period Thursday through Wednesday.

To aid member banks in determining the amount of reserves required against these classes of liabilities, in any given statement week, the Board of Governors in September 1968 authorized member banks to use the average daily figures computed two statement weeks earlier. Thus, reserves required in any given week are based on average daily liability data for the period ending two weeks earlier. The same procedures apply to a member bank's use of vault cash to meet reserve requirements.

A member bank may carry forward an excess or deficiency of reserves of not more than 2 percent of the amount required into the following statement week. The net amount of carryovers into the current statement week is reported in the first footnote at the bottom of the H.4.1 release.

If a member bank's reserves are still deficient, the bank becomes subject to a penalty on the deficiency at a rate 2 percentage points above the discount rate.

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* Net demand deposits equal total demand deposits minus cash items in the process of collection and demand balances due from domestic commercial banks.

** Time deposits consist of:

(a) certificates of deposit—deposits evidenced by negotiable or nonnegotiable instruments providing for a maturity not less than 30 days after the date of deposit.

(b) time deposits open account—balances which may be added to or withdrawn in accordance with a written contract providing that maturity shall not be less than 30 days after the date of deposit.

(c) savings deposits—deposits of individuals, certain nonprofit organizations, the United States, or any state or political subdivision thereof with respect to which the bank may require that 30 days' notice of withdrawal be given. This provision is not generally invoked.

Savings deposits have no specified maturity. All other time deposits mature at a specified date or at the expiration of a specified period of time, and any withdrawal before maturity results in a substantial interest penalty.

*** Eurodollars are dollar deposits with U.S. and foreign banking offices outside the United States. When these funds are borrowed by member banks—essentially the large banks with overseas branches—the member banks enter the receipt of the funds on their books as "liabilities due to foreign branches." Such liabilities (Eurodollar borrowings) are subject to a reserve requirement. A reserve requirement also applies to assets acquired by the overseas branch of a member bank from domestic offices of the member bank and loans made by the overseas branch of a member bank to U.S. residents.

**** A corporation that controls a member bank (a bank holding company) can acquire ownership of certain nonbank businesses closely related to banking. If the holding company or a nonbank affiliate borrows funds and makes the funds available to the member bank, these funds are subject to a reserve requirement.

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49. Excess Reserves

This item is computed by subtracting required reserves from total reserves. Excess reserves represent the funds banks have that can be invested in earning assets.

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50. Note:

The Federal Reserve holds deposit balances, U.S. Government securities and earmarked gold as a service for foreign governments, central banks, and official international and regional organizations.

Marketable U.S. Government securities (only Treasury bills, certificates of indebtedness, notes and bonds, including repurchase agreements in these securities) held in custody for these accounts as of the previous day (Wednesday) and the change in holdings for the week are reported in a footnote to the H.4.1 release.

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The Federal Reserve also holds in custody for these foreign and international accounts "nonmarketable" U.S. Government securities payable in dollars and in foreign currencies. These holdings are not reported on the H.4.1 release. However, the month-end total of marketable and nonmarketable U.S. Government securities held in custody is reported in the *Federal Reserve Bulletin* with a one-month lag. Nonmarketable securities cannot be sold by one official account to another or sold in the open market. They can be purchased from and redeemed by the Treasury only.

Weekly Condition Report of Large Commercial Banks

This section of the glossary explains the terms used in three different Federal Reserve statements whose format and items are substantially identical. These are:

1. *Weekly Condition Report of Large Commercial Banks and Domestic Subsidiaries*, the H.4.2 statistical release of the Board of Governors of the Federal Reserve System,
2. *Weekly Condition Report of Large Commercial Banks in New York and Chicago*, the H.4.3 statistical release of the Board of Governors,
3. *Assets and Liabilities of 12 Weekly Reporting Banks in New York City*, the release of the Federal Reserve Bank of New York.

The defined items are treated as they appear in the statements. For ease of reference each of the items in the sample statement (page 24) is indexed by page number.

The Board's H.4.3 statement, released each Thursday afternoon, shows in aggregate the principal assets and liabilities of weekly reporting banks in New York City and Chicago separately as of the preceding night. Changes in the accounts from a week earlier and a year earlier are also shown by city.

A report on the assets and liabilities of the 12 weekly reporting banks in New York City as of the preceding night is released simultaneously by the Federal Reserve Bank of New York.

Each Wednesday, the Board of Governors, in its H.4.2 release, reports asset and liability data for weekly reporting banks in all Reserve districts as of the prior Wednesday. In addition to countrywide totals, the statement provides totals by Reserve district for each of the reported assets and liabilities.

The aggregate condition statements of reporting banks in New York City, reporting banks outside New York City and all reporting banks in the country are published with a one-month lag in the *Federal Reserve Bulletin*. Data are given for each week of the month, each week of the prior month and each week of the like month a year earlier.

The "Large Commercial Banks" referred to in the H.4.2 and H.4.3 releases are banks that had total deposits of $100 million or more on December 31, 1965.

Contents

FEDERAL RESERVE

statistical release

For Immediate Release

July 24, 1975

H.4.3 WEEKLY CONDITION REPORT OF LARGE COMMERCIAL BANKS IN NEW YORK AND CHICAGO

	NEW YORK CITY			CHICAGO		
		CHANGE SINCE			CHANGE SINCE	
	JULY 23, 1975	JULY 16, 1975	JULY 24, 1974	JULY 23, 1975	JULY 16, 1975	JULY 24, 1974
	(IN MILLIONS OF DOLLARS)					
ASSETS						
TOTAL LOANS AND INVESTMENTS, (GROSS)	86,916	-1,601	- 1,107	30,553	- 116	-1,147
FEDERAL FUNDS SOLD AND SECURITIES						
PURCHASED UNDER AGREEMENTS TO RESELL--TOTAL	1,482	- 665	- 387	1,264	+ 185	+ 208
COMMERCIAL BANKS	1,032	- 843	- 744	1,044	+ 230	+ 315
BROKERS AND DEALERS						
INVOLVING U. S. TREASURY SECURITIES	224	+ 171	+ 168	220	- 45	- 60
INVOLVING OTHER SECURITIES	--	--	--	--	--	--
OTHERS	226	+ 7	+ 189	--	--	- 27
OTHER LOANS--TOTAL	69,359	- 855	- 2,647	22,976	- 237	-1,971
COMMERCIAL AND INDUSTRIAL LOANS	36,773	- 462	- 833	12,747	- 105	- 892
AGRICULTURAL LOANS	80	+ 2	- 53	194	+ 4	- 23
LOANS TO BROKERS AND DEALERS FOR PURCHASING						
OR CARRYING--U. S. TREASURY SECURITIES	772	+ 81	+ 418	54	- 146	+ 52
OTHER SECURITIES	2,464	+ 33	+ 205	362	--	- 345
OTHER LOANS FOR PURCHASING OR CARRYING--						
U. S. TREASURY SECURITIES	50	+ 14	+ 22	14	+ 1	- 5
OTHER SECURITIES	450	- 31	- 107	344	+ 11	- 86
LOANS TO NON-BANK FINANCIAL INSTITUTIONS						
SALES FINANCE, PERSONAL FINANCE, ETC.	3,046	- 100	- 302	1,342	- 59	- 123
OTHER	7,534	- 44	- 132	3,207	+ 7	+ 175
REAL ESTATES LOANS	7,445	+ 21	+ 442	1,644	+ 2	+ 97
LOANS TO DOMESTIC COMMERCIAL BANKS	1,170	- 9	- 477	194	+ 13	- 273
LOANS TO FOREIGN COMMERCIAL BANKS	2,467	- 36	- 633	419	+ 15	- 276
CONSUMER INSTALMENT LOANS	2,539	--	+ 71	996	- 3	+ 66
LOANS TO FOR. GOVTS., OFFICIAL INSTS., ETC.	512	- 29	- 298	81	--	- 251
OTHER LOANS	3,657	- 295	- 970	1,378	+ 23	- 87
U. S. TREASURY SECURITIES--TOTAL	7,000	+ 319	+ 3,904	2,165	- 41	+ 861
TREASURY BILLS	1,629	+ 189	+ 1,081	729	- 9	+ 663
TREASURY CERTIFICATES OF INDEBTEDNESS	--	--	--	--	--	--
TREASURY NOTES AND U. S. BONDS MATURING--						
WITHIN 1 YEAR	607	+ 12	+ 234	361	- 3	+ 30
1 YEAR TO 5 YEARS	3,938	- 92	+ 2,179	895	- 28	+ 156
AFTER 5 YEARS	826	+ 10	- 390	180	- 1	+ 12
OTHER SECURITIES--TOTAL	9,075	- 200	- 1,977	4,148	- 73	- 245
OBLIGATIONS OF STATES AND POLITICAL SUBDIVISIONS--						
TAX WARRANTS AND SHORT-TERM NOTES AND BILLS	1,458	- 37	- 896	193	- 15	- 168
ALL OTHER	5,106	- 152	- 786	2,939	+ 8	+ 127
OTHER BONDS, CORPORATE STOCKS, AND SECURITIES						
PARTICIPATION CERTIFICATES IN FED. AGENCY LOANS	534	- 1	- 11	119	- 12	- 7
ALL OTHER (INCLUDING CORPORATE STOCKS)	1,977	- 10	- 284	897	- 4	- 197
CASH ITEMS IN PROCESS OF COLLECTION	10,601	- 763	- 2,186	1,849	- 733	+ 14
RESERVES WITH FEDERAL RESERVE BANKS	6,753	- 819	- 1,569	1,845	- 366	- 296
CURRENCY AND COIN	515	+ 11	+ 11	165	+ 7	- 3
BALANCES WITH DOMESTIC BANKS	5,371	- 218	+ 656	301	- 124	- 152
INVESTMENTS IN SUBSIDIARIES NOT CONSOLIDATED	798	+ 3	+ 88	133	--	+ 26
OTHER ASSETS	12,547	- 130	+ 3,671	2,075	+ 291	+ 595
TOTAL ASSETS/LIABILITIES	123,503	-3,517	- 436	36,921	-1,041	- 965
LIABILITIES						
DEMAND DEPOSITS - TOTAL	44,546	-1,626	- 887	9,365	- 508	+ 508
INDIVIDUALS, PARTNERSHIPS, AND CORPORATIONS	25,174	- 625	- 196	7,315	- 168	+ 473
STATES AND POLITICAL SUBDIVISIONS	318	+ 50	- 29	184	- 52	+ 8
U. S. GOVERNMENT	80	- 125	- 149	28	- 52	- 66
DOMESTIC INTERBANK -- COMMERCIAL	11,184	- 912	+ 621	1,438	- 206	+ 48
MUTUAL SAVINGS	384	- 38	+ 41	1	- 1	--
FOREIGN--GOVTS., OFFICIAL INSTITUTIONS, ETC.	904	+ 10	- 4	20	- 3	- 1
COMMERCIAL BANKS	3,676	--	- 132	153	+ 1	+ 7
CERTIFIED AND OFFICERS CHECKS	2,832	+ 14	- 1,039	226	- 27	+ 33
TIME AND SAVINGS DEPOSITS--TOTAL (1)	44,496	+ 116	+ 95	17,243	+ 185	- 181
INDIVIDUALS, PARTNERSHIPS, AND CORPORATIONS--						
SAVINGS DEPOSITS	5,853	- 33	+ 814	2,939	- 5	+ 372
OTHER TIME DEPOSITS	25,699	+ 288	- 246	10,771	+ 211	- 693
STATES AND POLITICAL SUBDIVISIONS	1,194	+ 8	- 893	1,362	- 23	- 467
DOMESTIC INTERBANK	3,307	+ 50	- 1,640	769	+ 26	+ 163
FOREIGN--GOVTS., OFFICIAL INSTITUTIONS, ETC.	7,456	- 234	+ 1,741	1,363	- 24	+ 451
FEDERAL FUNDS PURCHASED AND SECURITIES SOLD						
UNDER AGREEMENTS TO REPURCHASE	12,865	-2,523	+ 1,565	5,937	- 262	- 479
BORROWINGS--FROM FEDERAL RESERVE BANKS	1,655	+ 509	+ 194	354	- 21	- 91
FROM OTHERS	1,676	+ 97	- 698	32	+ 3	- 190
OTHER LIABILITIES AND MINORITY INTEREST						
IN CONSOLIDATED SUBSIDIARIES	7,628	- 72	- 1,712	1,085	- 431	- 834
RESERVES FOR LOANS	1,653	+ 2	+ 279	549	- 1	+ 94
RESERVES ON SECURITIES	--	--	--	1	--	--
TOTAL CAPITAL ACCOUNTS	9,382	- 20	+ 728	2,355	- 6	+ 208
MEMORANDA						
TOTAL LOANS, GROSS ADJUSTED	68,639	- 665	- 1,813	23,002	- 295	-1,805
TOTAL LOANS AND INVESTMENTS, GROSS ADJUSTED	84,714	- 749	+ 114	29,315	- 359	-1,189
DEMAND DEPOSITS ADJUSTED	22,681	+ 174	+ 827	6,050	+ 483	+ 506
TIME DEPOSITS ISSUED IN DENOMINATIONS						
OF $100,000 OR MORE--TOTAL	36,182	+ 173	N.A.	12,054	+ 190	N.A.
NEGOTIABLE TIME CERTIFICATES OF DEPOSIT	28,373	+ 371	- 299	8,619	+ 172	- 491
TO INDIVIDUALS, PARTNERSHIPS, AND CORPS.	18,462	+ 368	- 95	6,391	+ 188	- 693
TO OTHERS	9,911	+ 3	- 204	2,228	- 16	+ 202
ALL OTHER TIME DEPOSITS	7,809	- 198	N.A.	3,435	+ 18	N.A.
TO INDIVIDUALS, PARTNERSHIPS, AND CORPS.	4,799	- 58	N.A.	2,167	+ 24	N.A.
TO OTHERS	3,010	- 140	N.A.	1,268	- 6	N.A.

Gross Liabilities of Banks to Their Foreign Branches

1. Total Loans and Investments, (gross)

The total book value* of loans, discounts** and investments, before deductions of reserves for bad debt losses; the sum of lines 2, 3, 15 and 16. These items are the total principal earning assets of reporting banks.

* Book value is the value carried on the books of reporting banks. All banks do not use the same internal accounting methods (i.e., treat identically discounts received and premiums paid on securities, discount loans and fixed assets). However, for reporting purposes, banks are requested to make adjustments so reported book value of securities and loans reflects face or maturity value, and reported book value of fixed assets reflects cost less depreciation.

** Discounts are distinguished from loans on the basis of whether interest is paid when the credit is extended or when it is repaid. Interest on a "loan" is paid at maturity or in instalments during the life of the loan. Interest on a "discount" is deducted at the time the loan is made.

2. Federal Funds Sold and Securities Purchased Under Agreements to Resell—Total

Transactions that involve the sale of immediately available funds for one business day* are "Federal funds" transactions. Purchases of securities under agreements to resell (RPs)** made in immediately available funds for one business day are also considered "Federal funds" transactions. All sales of "Federal funds" are reported here. However, banks also report two other types of transactions in this item that are not considered "Federal funds" transactions. They are:

(1) RPs, other than those made in immediately available funds for one business day, regardless of the maturity of the agreement to resell, and

(2) Purchases of participations in pools of securities.

Thus, the data in this item are the sum of all of the transactions cited above, that are made with:

a. Commercial Banks

Domestic commercial banks.

b. Brokers and Dealers

Brokers and dealers in U.S. Treasury securities and dealers in other securities.

Involving U.S. Treasury Securities

RPs involving direct obligations of the U.S. Treasury and Federal funds sold to brokers and dealers.

Involving Other Securities

RPs involving other securities, such as Federal agency securities and state and local government obligations.

c. Others

Any firm, institution or organization other than a domestic commercial bank or securities broker or dealer, except foreign branches of reporting banks.

* Transactions made on Friday to mature on Monday and those made the day before a holiday to mature the day after a holiday are also included. Immediately available funds sold under a continuing contract are considered "Federal funds", but "term" Federal funds transactions—those with maturities greater than one business day—are not. Those transactions are included in the appropriate loan categories by business of purchaser. Borrowings and loans of immediately available funds are referred to as "purchases" and "sales" on bank balance sheets.

** These agreements—called repurchase agreements or RPs—involve the sale of securities on condition that after a specified time the original seller will buy them back at a predetermined price or yield.

3. Other Loans—Total*

The sum of lines 4 through 14.

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* Both the H.4.2 release and the release of the Federal Reserve Bank of New York contain a footnote reporting the amount, for the prior Wednesday, of loans sold outright by reporting banks to:

(1) Their own holding company (if the holding company is not a bank),
(2) Nonbank subsidiaries of their own holding company whose assets and liabilities are not consolidated on a line-by-line basis with the bank's report of assets and liabilities,
(3) Nonbank affiliates whose assets and liabilities are not consolidated on a line-by-line basis with the bank's report of assets and liabilities (for example, companies directly or indirectly owned or controlled by the bank that provide data processing services or that own the bank's property or branches),
(4) Nonconsolidated branches (branches located outside the United States).

Loans sold outright to these institutions are removed from reporting banks' loan portfolios and, thus, are not entered as "loans" in the appropriate categories in the Weekly Condition Report. These loan sales, however, are reported separately and appear in the footnote. Analysts often add back these loan sales to the loan figures to obtain a clearer picture of changes in bank lending activity.

Loans sold under repurchase agreements (where the bank agrees to buy back the loan after a specified time) are reported in the liability item "Borrowings—From Others" (see line 29b). These loan sales are not included in the footnoted data.

When a bank sells a loan outright, the sale is treated on the books as an asset adjustment—one type of asset (a loan) is sold for another type of asset (an increase in the bank's cash assets). However, when a bank sells a loan under a repurchase agreement, the sale is treated on the books as a form of borrowing. Thus, the increase in cash assets (funds received from the purchasing institution) is offset by a corresponding increase in borrowing liabilities.

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4. Commercial and Industrial Loans

Loans to individuals, partnerships and corporations (other than financial institutions and farmers) for business or professional purposes, including single payment and instalment loans, whether secured or unsecured (except those secured by real estate). This item also includes banks' holdings of their own and other bankers' acceptances*, and commercial paper** purchased in the open market.

Commercial and industrial loans exclude the following "business" loans that are counted in other items:

(1) Loans to farmers (line 5),
(2) Loans to companies that purchase or carry securities (line 6 or 7),
(3) Real estate loans (line 9),
(4) Loans to nonprofit organizations such as hospitals (line 14),
(5) Loans to companies that primarily extend credit for business or personal finance (line 8),
(6) Commercial paper purchased from nonbank financial institutions (line 8).

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* Bankers' acceptances are drafts or bills of exchange that banks have "accepted" as their own liabilities, in effect pledging their credit on behalf of their customers.

** Commercial paper is the designation for unsecured, short-term negotiable promissory notes issued by nonbank business institutions and sold to investors, usually other companies.

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5. Agricultural Loans

(1) Loans—secured* (except loans secured by real estate) and unsecured—to farm or ranch owners, operators or tenants for any purpose associated with the maintenance

or operation of a farm as a business or a home, including instalment purchases of autos or other retail consumer goods,

(2) Farmers' notes purchased from, or discounted for, merchants.

* Includes loans secured by a commodity whose price the Commodity Credit Corporation (CCC) is supporting. The CCC, an agency of the Department of Agriculture, implements price support programs for certain agricultural commodities.

6. Loans to Brokers and Dealers for Purchasing or Carrying:

a. U.S. Treasury Securities

b. Other Securities

Secured and unsecured loans to securities brokers and dealers to enable them to purchase or carry **U.S. Treasury** and **Other Securities** for their own accounts or for customers. Also included are "matched sale-purchase agreements" (reverse RPs) between the Federal Reserve and a reporting bank. Other securities include stocks, bonds and obligations of Federal agencies.

7. Other Loans for Purchasing or Carrying:

a. U.S. Treasury Securities

b. Other Securities

(1) Secured or unsecured loans, or loan renewals, that enable borrowers (other than brokers and dealers) to purchase or carry **U.S. Treasury** and **Other Securities,**

(2) Loans subject to the provisions of Federal Reserve Regulation U.*

Reporting banks determine whether loans were made to purchase or carry stocks or other securities. For loans where stock, or securities convertible into stock, is used as collateral, the banks must obtain statements from borrowers noting the purpose of the loan. Those statements determine whether the loans are included in this item.

* Regulation U limits the amount of credit banks may extend to persons, other than securities brokers and dealers, to purchase certain stocks and securities that are convertible into those stocks, where the credit is secured directly or indirectly by any stock or security convertible into stock. This limitation is expressed as the maximum loan value of the collateral.

8. Loans to Nonbank Financial Institutions:

Loans to organizations whose major business is extending credit for business purposes, personal expenditures or the sale of insurance. Loans purchased from such institutions under resale agreements and commercial paper purchased from such institutions are also included. This item excludes loans to closed-end investment funds (line 7), loans to brokers and dealers (line 6), and real estate loans (line 9).

Loans to nonbank financial institutions are separated into two categories: to sales and personal finance companies and to all others.

a. Sales Finance, Personal Finance, etc.

(1) Loans to sales finance companies,

(2) Holdings of finance company commercial paper,

(3) Loans to personal finance and loan companies,

(4) Loans to factors.

b. Other

(1) Loans to real estate companies and mortgage lenders (except if secured by real estate),

continued on next page

(2) Loans to mutual savings banks, credit unions, savings and loan associations, other similar associations, insurance companies and Federal lending agencies,

(3) Loans to investment companies that hold the stock of operating companies for management or development purposes,

(4) Loans to regional or local industrial authorities that extend credit to relocating or expanding business firms,

(5) Loans to real estate investment trusts,

(6) Loans to bank holding companies.

9. Real Estate Loans

Loans secured by mortgages, deeds of trust, land contracts or other liens on real estate (in which the lending bank may acquire title to the property if certain obligations are not met). Real estate loans are the only loans classified by type of collateral. Excluded are mortgage loans purchased from insurance companies, mortgage companies or other lenders or investors under resale agreements. Also excluded are loans to real estate companies, if the companies' mortgages are not sold to reporting banks but merely pledged as collateral (the borrower rather than the lending bank holds the lien on the property). These loans are classified as loans to nonbank financial institutions (line 8).

10. Loans to Domestic Commercial Banks

(1) Notes and other instruments representing loans to domestic commercial banks and "Edge Act" corporations,*

(2) Loans purchased from domestic commercial banks or "Edge Act" corporations under resale (repurchase) agreements,

(3) Sales of "term" Federal funds (i.e., sales of immediately available funds with a maturity greater than one business day) to domestic commercial banks and "Edge Act" corporations.

This item excludes one-day Federal funds sold by reporting banks to other banks, securities purchased from other banks under resale (repurchase) agreements, and purchases of participations in pools of securities, all of which are counted in line 2a.

* "Edge Act" corporations are chartered by the Board of Governors to engage in financing international commerce. The Board was given this chartering authority in 1919 through an amendment to the Federal Reserve Act—Section 25(a)—called the "Edge Act" after its sponsor, Senator Walter E. Edge of New Jersey.

11. Loans to Foreign Commercial Banks

Loans to foreign commercial banks (including foreign branches of other U.S. banks) and other foreign financial institutions, such as savings banks, discount houses or similar institutions, that accept short-term deposits—typically of one year or less.

12. Consumer Instalment Loans*

(1) Instalment loans to individuals, except farmers (see line 5), regardless of the size of the loan or its maturity, for personal expenditures other than purchasing real estate or securities,

(2) Credit extended to individuals under "bank credit," "check credit," "revolving credit," or similar plans where repayments may be made in instalments,

(3) Retail instalment paper purchased by banks from such firms as automobile dealers and department stores.

* To the extent that banks receive instalment payments on consumer loans and do not immediately reduce the amount of the loans on their internal books, they accumulate such payments as "deposits" to repay the loans at maturity. For purposes of this report, however, "deposits" accumulated for repayments of personal loans are netted against this item.

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13. Loans to Foreign Governments, Official Institutions, etc.

Loans to foreign governments, central banks, development banks, treasuries, exchange control offices, stabilization funds, nationalized banks, banks owned by foreign governments, and international institutions, such as the International Bank for Reconstruction and Development (World Bank), and the Inter-American Development Bank.

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14. Other Loans

Loans and discounts not classified in previous categories. Principal types are:

(1) Ordinary overdrafts* of demand deposit accounts,

(2) Demand loans and single-payment time loans to individuals (except farmers) for personal expenditures,

(3) Loans to nonprofit institutions, such as churches, hospitals, schools, charities and clubs.

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* An ordinary overdraft is the amount by which a checkbook balance has been overdrawn by a depositor through error. In effect, overdrafts are unsecured loans. "Planned" or "advance agreement" overdrafts, like any other loans, are reported according to their "purpose," e.g., consumer overdrafts under line of credit agreements (line 12) and business overdrafts under commercial and industrial loans (line 4).

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15. U.S. Treasury Securities—Total

a. Treasury Bills

b. Treasury Certificates of Indebtedness

c. Treasury Notes and U.S. Bonds Maturing

Within 1 Year
1 Year to 5 Years
After 5 Years

This item consists of:

(1) Direct U.S. Treasury obligations held outright. Treasury obligations held under repurchase agreements are excluded here but are counted in line 2.

(2) Obligations of the Federal Financing Bank,* reported in appropriate Treasury securities categories depending upon form and maturity of issue.

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* The Federal Financing Bank, which is under the control of the Treasury Department, purchases securities of Federal agencies, financing these transactions by issuing its own securities to the public. The Bank was established in December 1973 to improve Government debt management practices and maintain an orderly money market through the centralized sale of Federal securities.

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16. Other Securities—Total

Stocks, bonds and securities (other than U.S. Treasury obligations) owned by reporting banks; the sum of lines 17 and 18.

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17. Obligations of States and Political Subdivisions:

a. Tax Warrants and Short-Term Notes and Bills

Tax warrants and tax anticipation notes,* and other obligations with an original maturity of one year or less issued by states, political subdivisions (such as: counties, municipalities, local housing authorities, and school, irrigation, drainage, and reclamation districts), instrumentalities of one or more states, and territories or insular possessions of the United States.

b. All Other

Obligations having an original maturity greater than one year, issued by states, political subdivisions, instrumentalities of one or more states, and territories or insular possessions of the United States.

* Tax warrants and tax anticipation notes are short-term obligations of a municipality or other political subdivision issued in anticipation of the collection of specific taxes pledged to their retirement.

18. Other Bonds, Corporate Stocks, and Securities:

a. Participation Certificates in Federal Agency Loans

Participation certificates issued by such agencies as the Federal National Mortgage Association, Federal Housing Administration, Government National Mortgage Association and the Export-Import Bank of the United States that represent participations in pools of loans held by these agencies.

b. All Other (including corporate stocks)

(1) Obligations issued by U.S. Government-owned corporations and agencies (other than participation certificates) such as those issued by the:

Federal Land Banks
Federal Intermediate Credit Banks
Banks for Cooperatives
Federal National Mortgage Association
Federal Home Loan Banks
Tennessee Valley Authority
Federal Housing Administration
Government National Mortgage Association

(2) Corporate stocks* and bonds,

(3) Stock of Federal Reserve Banks,

(4) Equipment trust securities,**

(5) Foreign securities.

* The Banking Act of 1933 provides that, except as otherwise permitted by law, member banks may not purchase corporate stock for their own account. A bank may legally come to own stock as a result of a defaulted loan secured by stock but may not retain it indefinitely. The Banking Act of 1933 does not affect corporate stock that a bank may have acquired prior to the passage of the Act.

** Securities issued as part of a financing arrangement often used in the acquisition of railroad equipment. Railroads generally raise capital by mortgaging their equipment and selling securities based on the mortgage. The mortgage is held by a trustee, and it, rather than the equipment, becomes the security for the certificates.

19. Cash Items in Process of Collection

Checks, including U.S. Government checks, postal money orders, Federal food coupons and such other items payable on demand that have been classified by the Federal Reserve as cash items and have been received and are being collected.

Cash items in the process of collection include those:

(1) Being processed for reporting banks by Federal Reserve Banks,

(2) That will be presented for payment or forwarded for collection the following business day,

(3) Drawn on a reporting bank itself that, although paid or credited to customers' accounts by the reporting bank, have not yet been charged to deposit liabilities on the reporting date. These items are referred to as "unposted debits."

20. Reserves with Federal Reserve Banks

Balances at Federal Reserve Banks. The Federal Reserve Act—Section 19—requires member banks to maintain balances equal to specified percentages of their demand and time deposits, and certain other liabilities at the district Reserve Bank.

21. Currency and Coin

U.S. currency and coin owned and held by reporting banks, including currency and coin in transit to or from Federal Reserve Banks. This "vault cash" may be counted as part of member banks' legal reserves.

22. Balances with Domestic Banks

Demand and time balances (including certificates of deposit) at other commercial banks, private banks, "Edge Act" corporations, mutual savings banks, credit unions and branches and agencies of foreign banks in the United States, its territories and insular possessions.

Since banks maintain demand deposit balances with each other, a reporting bank may have a "due from" (this line) and "due to" (line 26d) account with another bank or banks. These "reciprocal demand balances" are netted and reported either as "due from" or "due to" except when the other bank is an American branch or agency of a foreign bank. Then the "due from" balances are reported gross.

23. Investments in Subsidiaries Not Consolidated*

Reporting banks' total investment in majority-owned domestic and foreign subsidiaries, including commercial banks, not consolidated on a line-by-line basis with the banks' report of assets and liabilities.

* Reporting banks must consolidate into their condition statements, on a line-by-line basis, the assets and liabilities of any "significant" domestic subsidiary in which they own or control 50 percent or more of the outstanding stock, except "Edge Act" corporations or a domestic commercial bank subsidiary that files a Call Report with the Comptroller of the Currency, Federal Deposit Insurance Corporation, or Federal Reserve. A subsidiary is "significant" if (a) the reporting bank's investment equals 5 percent or more of the bank's own capital accounts, (b) the gross operating earnings of the subsidiary amount to 5 percent or more of the reporting bank's own gross operating revenue, or (c) the subsidiary's income (loss) before income taxes and securities gains or losses amounts to 5 percent or more of that of the reporting bank.

Investments in majority-owned subsidiaries that are not "significant" do not have to be consolidated. However, reporting banks may, if they choose, consolidate these investments as long as they maintain a consistent reporting policy.

Therefore, this item includes only investments in (a) majority-owned subsidiaries not "significant" and not being consolidated at the option of the banks and (b) investments in majority-owned "Edge Act" corporations, foreign subsidiaries and domestic commercial bank subsidiaries not filing Call Reports.

24. Other Assets

(1) Demand and time balances (including certificates of deposit) with banks in foreign countries, including foreign branches of other American banks,

(2) Net amounts "due from" foreign branches of reporting banks, (If outstanding balances with all foreign branches result in a net "due to," the amount is reported with "other liabilities" in line 40.)

(3) Bank premises and other real estate, furniture and fixtures, and assets indirectly representing bank premises,*

(4) Customers' liabilities on acceptances not held by the reporting banks, (If held by the banks, the acceptances are included with "commercial loans" in line 4.)

(5) Income earned but not collected,

(6) Insurance and other prepaid expenses,

(7) Cash items not in the process of collection,

(8) Securities borrowed,

(9) Foreign currency and coin,

(10) Equipment owned under direct-lease financing arrangements.

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* Many banks incorporate their premises and hold this asset as stock in a subsidiary corporation. That stock is counted here.

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25. Total Assets/Liabilities

The sum of line 1 plus lines 19 through 24. Also the sum of lines 26 through 33.

Liabilities

26. Demand Deposits—Total

Balances payable on demand. The sum of lines 26a through 26f.

a. Individuals, Partnerships and Corporations

Demand deposits of private, domestic and foreign individuals, partnerships and corporations, including:

(1) The banks' own trust departments, when they are acting as trustee for a trust,

(2) Other banks' trust departments,

(3) Building, savings and loan, and similar associations,

(4) Federal agencies.

This item excludes demand deposits of:

(a) "Edge Act" corporations, which are deposits of domestic banks (line 26d),

(b) The banks' own trust departments, when they are acting as their own trustees.

b. States and Political Subdivisions

Demand deposits of states, political subdivisions, (such as: counties, municipalities, local housing authorities, school, irrigation, drainage, and reclamation districts), instrumentalities of one or more states, territories or insular possessions of the U.S.

c. U.S. Government*

Demand deposits of the U.S. Government, Treasury, and Postal Service.

d. Domestic Interbank:

Commercial
Mutual Savings

Demand deposits of domestic commercial and private banks, mutual savings banks, the American branches and agencies of foreign banks, and "Edge Act" corporations in the United States, its territories or insular possessions.

Reciprocal demand balances of these banks are netted and reported either as "due from" or "due to," except that reciprocal demand balances with the American branches and agencies of foreign banks are reported gross.

e. Foreign:

Governments, Official Institutions, etc.

Demand deposits of:

(1) Central banks, foreign development banks, treasuries, exchange control offices and stabilization funds,

(2) International institutions such as the International Bank for Reconstruction and Development (World Bank), and the Inter-American Development Bank,

(3) Foreign governments, their agencies, instrumentalities or representatives in the United States,

(4) Nationalized banks and banks owned by foreign governments.

Commercial Banks

Demand deposits of:

(1) Commercial banks in foreign countries,

(2) Foreign branches of other U.S. banks, (Amounts "due to" reporting banks' own foreign branches are counted in line 30.)

(3) Foreign savings banks, discount houses and similar institutions that accept short-term deposits—typically of one year or less. Reciprocal demand balances of these banks and institutions are included and reported gross.

f. Certified and Officers' Checks

(1) Unpaid certified checks of depositors,

(2) Cashiers', officers' and registered checks,

(3) Bank money orders,

(4) Outstanding travelers' checks,

(5) Travelers' letters of credit, drafts and bills of exchange issued for money or its equivalent.

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*The U.S. Government maintains part of its operating cash balance in "Tax and Loan" accounts at about 13,000 commercial banks. A portion of tax receipts and, on occasion, funds from the sale of new Treasury obligations are deposited in these accounts to moderate the impact of Treasury borrowing and tax collections on bank reserves. As funds are needed for disbursements, the Treasury issues "calls" directing commercial banks to transfer funds to the Treasury's account at the Reserve Banks.

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27. Time and Savings Deposits*—Total

The total of lines 27a through 27d, plus time deposits of the U.S. Government and foreign commercial banks, two accounts which are not itemized.

a. Individuals, Partnerships and Corporations:

Savings Deposits

Funds deposited by one or more individuals, nonprofit organizations, the U.S. Government or any state or political subdivision.** The depositor may be required to give 30 days written notice of intent to withdraw the funds, but this provision is seldom invoked.

continued on next page

Other Time Deposits

(1) Certificates of deposit issued to, and time deposits, open account, held by, individuals, partnerships and corporations,

(2) Christmas club, vacation club and similar accounts,

(3) Open accounts of, and certificates of deposit issued to, the banks' trust departments,

(4) Certificates of deposit issued to, and open accounts of, trust departments of other banks.

Deposits accumulated for repayment of personal loans are not included. They are netted against consumer instalment loans (line 12).

b. States and Political Subdivisions

Time deposits of states, political subdivisions, (such as: counties, municipalities, local housing authorities, school, irrigation, drainage, and reclamation districts), instrumentalities of one or more states, territories or insular possessions of the United States.

c. Domestic Interbank

Time deposits of domestic commercial and private banks, mutual savings banks, the American branches and agencies of foreign banks, and "Edge Act" corporations in the U.S., its territories or insular possessions. Since banks maintain time deposit balances with each other, a reporting bank may have a "due from" (line 22) and "due to" (this line) account with another bank or banks. In contrast to the treatment of demand balances, reciprocal time deposit balances of banks are reported gross.

d. Foreign—Governments, Official Institutions, etc.

Time deposits of:

(1) Foreign central banks, development banks, treasuries, exchange control offices and stabilization funds,

(2) International institutions, such as the International Bank for Reconstruction and Development (World Bank), and the Inter-American Development Bank,

(3) Foreign governments, their agencies, instrumentalities or U.S. representatives,

(4) Nationalized banks and banks owned by foreign governments that perform, as an important part of their function, central bank-type activities.

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* Time and savings deposits include "time certificates of deposit (unmatured)," "time deposits, open account" and "savings deposits."

"Time certificates of deposit (unmatured)" are negotiable or nonnegotiable instruments evidencing a deposit. The certificates may not be made payable in less than 30 days after the date of deposit.

"Time deposits, open account" are deposits made in accordance with a written contract specifying that maturity shall not be less than 30 days after the date of deposit.

For a definition of a "savings deposit", see line 27a.

** Funds in which individuals, nonprofit organizations, the U.S. Government or any state or political subdivision hold the entire beneficial interest may also be deposited in savings accounts. For example, a corporation may deposit employees' pension funds in a savings account if the entire beneficial interest is owned by the employees, not the corporation. A corporation that owns an apartment house operated for profit may deposit tenants' rent security in a savings account if the entire beneficial interest is held by tenants who could themselves maintain a savings account, not the corporation.

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28. Federal Funds Purchased and Securities Sold Under Agreements to Repurchase

Purchases (borrowings) of immediately available funds for one business day, securities sold under agreements to repurchase identical or similar securities, regardless of maturity, and sales of participations in pools of securities.

Included are transactions with commercial banks, securities dealers, the American branches and agencies of foreign banks or any other firm, institution or organization but not transactions with foreign branches of the reporting banks.

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29. Borrowings:

a. From Federal Reserve Banks

b. From Others

The total borrowed by reporting banks on their promissory notes, customers' notes and any other collateral. Included are loans and participations in certain types of pools of loans sold under agreements to repurchase, regardless of maturity,* and purchases of immediately available funds maturing in more than one business day.

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* Not all participations in pools of loans are counted in this item. "Pass through" participations, where the terms of the participation, both initial sale and maturity, are the same as the terms of the loans in the pool, are written-off on the asset side, rather than being shown as borrowings.

Note: Line 30 appears in the following form on the H.4.2 and H.4.3 releases but is reported as two items, "other liabilities" and "minority interest in consolidated subsidiaries," on the New York Reserve Bank's release.

30. Other Liabilities and Minority Interest in Consolidated Subsidiaries

(1) Net amounts "due to" foreign branches of reporting banks,

(2) Mortgages and other liens on bank premises and other bank real estate,

(3) Reporting banks' outstanding acceptances,

(4) Securities borrowed,

(5) Dividends declared but not yet paid,

(6) Income collected but not yet earned,

(7) Expenses accrued but not yet paid,

(8) Ownership of others in majority-owned subsidiaries consolidated by reporting banks,

(9) Amounts due Federal Reserve Banks or other banks for check-clearing accounts.*

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* Virtually all these balances disappeared with the November 1972 change in Federal Reserve Regulation J, which required same-day payment on cash letters sent by the Federal Reserve, and the November 1973 amendment to Federal Reserve Regulation D, which classified "other liability" accounts used for check clearing purposes as "deposits" against which reserves must be maintained.

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31. Reserves for Loans*

Reserves for expected but undetermined losses on loans.

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* These reserves—often called "valuation allowances," "unallocated charge-offs," "valuation reserves" or "reserves for bad debt losses"—are not deducted from loan accounts under assets but are listed here.

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32. Reserves on Securities*

Reserves for expected but undetermined losses on securities, including trading account securities—those banks hold for regular dealings with other banks or the public in a trading account.

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footnotes on next page

* These reserves are not deducted from security accounts but are listed here.

33. Total Capital Accounts

Total capital (the par value of reporting banks' common and preferred stock, and the total face value of capital notes and debentures), surplus, undivided profits, and depreciation and capital reserves of reporting banks.

Memoranda

34. Total Loans, Gross Adjusted

The sum of:

(1) Federal funds sold and securities purchased under agreements to resell—total (line 2),

(2) Other loans—total (line 3);

minus:

(1) Federal funds sold to and securities purchased under agreements to resell to domestic commercial banks (line 2a),

(2) Loans to domestic commercial banks (line 10).

35. Total Loans and Investments, Gross Adjusted

Total loans and investments, gross (line 1);

minus:

(1) Federal funds sold to and securities purchased under agreements to resell to domestic commercial banks (line 2a),

(2) Loans to domestic commercial banks (line 10).

36. Demand Deposits Adjusted*

Demand deposits—total (line 26);

minus:

(1) Cash items in the process of collection (line 19),

(2) Demand deposits of:

(a) U.S. Government (line 26c),

(b) Domestic interbank—commercial (line 26d).

* Total demand deposits are adjusted to approximate the demand deposit component of the money supply.

37. Time Deposits Issued in Denominations of $100,000 or More—Total

The sum of lines 37a and 37b.

a. Negotiable Time Certificates of Deposit

That part of total time deposits consisting of negotiable time certificates of deposit issued in denominations of $100,000 or more. These CDs are also counted in the appropriate time deposit category by owner in lines 27a through 27d.

To Individuals, Partnerships and Corporations

CDs issued to foreign and domestic individuals, partnerships and corporations, including nonbank financial and nonfinancial businesses.

To Others

CDs issued to:

(1) The U.S. Government and its agencies,

(2) States and political subdivisions,

(3) Foreign governments, official institutions, central banks and international organizations,

(4) U.S. commercial and mutual savings banks, and banks in foreign countries.

b. All Other Time Deposits

That part of total time deposits consisting of nonnegotiable time certificates of deposit and open accounts issued in denominations of $100,000 or more. These instruments are also counted in line 27.

To Individuals, Partnerships and Corporations

Nonnegotiable certificates and open accounts issued to foreign and domestic individuals, partnerships and corporations, including nonbank financial and nonfinancial businesses.

To Others

Nonnegotiable certificates and open accounts issued to:

(1) The U.S. Government and its agencies,

(2) States and political subdivisions,

(3) Foreign governments, official institutions, central banks and international organizations,

(4) U.S. commercial and mutual savings banks, and banks in foreign countries.

Note: The following item does not appear on the H.4.3 release. It is reported on the H.4.2 release and the condition report issued by the Federal Reserve Bank of New York.

38. Gross Liabilities of Banks to Their Foreign Branches

This item is often used as a proxy for "Eurodollar borrowings"—the borrowings of domestic banks from their branches outside the United States—even though several other types of transactions between domestic banks and their foreign branches are also reported here. "Eurodollar borrowings" are entered on the books of reporting banks as liabilities "due to" their own overseas branches (gross), not as deposits. The Federal Reserve Bank of New York's release on weekly reporting banks in New York City reports an average of daily "borrowings" from Wednesday through Tuesday.

Basic Reserve Position, and Federal Funds and Related Transactions of Eight Major Reserve City Banks in New York City

The *Basic Reserve Position, and Federal Funds and Related Transactions of Eight Major Reserve City Banks in New York City* is released at the Federal Reserve Bank of New York each Thursday afternoon. No mailing list is maintained; the release is available at the Bank.

The Board of Governors of the Federal Reserve System reports similar data in the H.5 release for 46 major reserve city banks, with breakdowns for the 8 in New York and 38 banks outside New York (5 in Chicago and 33 others outside New York City and Chicago). H.5 is issued each Friday and covers the week ended the Wednesday nine-days earlier. These figures are published with a one-month lag in the *Federal Reserve Bulletin* on the page headed "Basic Reserve Position, and Federal Funds and Related Transactions."

The basic reserve position data for the New York City banks released by the Federal Reserve Bank of New York are preliminary. They do not include "as of" adjustments (which can occasionally be very large) that may be reported after the statement week. Such adjustments represent corrections of errors made in posting, or the failure to post, credits or debits to member bank reserve accounts. The Board of Governors' H.5 release includes "as of" adjustments.

The Board's choice of 46 banks for the H.5 series was based on the findings of a three-year study completed in 1962 of Federal funds data submitted by about 240 banks. The study showed that a small, stable group of banks accounted for most of the dollar volume of Federal funds traded. A discussion of that study, including an explanation of the technical criteria used in selecting the reporting banks, can be found in an article, "New Series on Federal Funds," in the August 1964 *Federal Reserve Bulletin.* The article includes back data to September 1959, when the figures were first collected.

Contents

FEDERAL RESERVE BANK OF NEW YORK

For release at 4:00 p.m.
July 24, 1975

BASIC RESERVE POSITION, AND FEDERAL FUNDS AND RELATED TRANSACTIONS
OF EIGHT MAJOR RESERVE CITY BANKS IN NEW YORK CITY

(Daily average figures; in millions of dollars)

	Week ended July 23	Change from previous week
Basic reserve position[1]		
Excess reserves or deficit (-)	99	+ 157
Plus: Net carryover--excess, deficit (-)	- 38	- 64
Less: Borrowings at Federal Reserve Bank	151	+ 73
Net interbank Federal funds transactions	4,671	-1,800
Equals: Basic reserve surplus or deficit (-)	-4,761	+1,820
Interbank Federal funds transactions		
Gross purchases	5,347	-1,861
Gross sales	676	- 61
Two-way transactions	674	- 63
Net purchases of buying banks	4,673	-1,798
Net sales of selling banks	2	+ 2
Related transactions with U. S. Government securities dealers[2]		
Loans to dealers[3]	1,200	- 186
Borrowings from dealers	339	+ 47
Net loans	861	- 233

Federal funds rate (in percent)

Date	Effective	Trading Range
July 17	6.07%	6 - 6 1/8%
18	6.07	5 7/8 - 6 1/4
21	6.08	6 - 6 3/8
22	6.10	6 1/16- 6 3/8
23	6.50	6 3/8 - 6 7/8

1. Data are preliminary; they do not include all "as of adjustments".
2. Includes Federal funds transactions with dealers and funds acquired or supplied by clearing banks.
3. Includes loans made in Clearing House funds.

Market Statistics Division

The basic reserve position can be calculated in any of the following three ways:

(1) Total reserves minus required reserves, borrowings from Reserve Banks and net Federal funds* purchases,

(2) Nonborrowed reserves** minus required reserves and net Federal funds purchases,

(3) Excess reserves minus borrowings from Reserve Banks and net Federal funds purchases.

Only borrowings at Reserve Banks and Federal funds transactions among domestic commercial banks are counted in computing the basic reserve position, because these two types of transactions are clearly and immediately related to the reserve management of the large commercial banks. Money market banks also use other means to adjust reserve positions, such as posting a rate on demand loans to Government securities dealers to discourage further borrowing, telling dealers to finance elsewhere, selling short-term assets, and borrowing in the Eurodollar market. While adjustment in the Federal funds market is typical, the banks may use the other sources more or less frequently, depending primarily on cost. Those transactions are not counted in determining the basic reserve position. Also, the distinction between reserve adjustment and the management of liabilities and assets is not always clear-cut.

A member bank must hold for the seven days in each statement week ended Wednesday, reserves—vault cash and balances at its Federal Reserve Bank—equal at minimum to the sum of certain specified percentages of its net demand deposits, time deposits and other specified liabilities. The amount of required reserves that must be held in the current week (Thursday through Wednesday) is determined by applying the various reserve requirement percentages to the daily average of "reservable" balances for the seven days (Thursday through Wednesday) two weeks before.

In computing the amount of required reserves, banks can subtract from the total of demand deposits, cash items in the process of collection, and balances due from domestic banks that are subject to immediate withdrawal.

Banks have a profit incentive for keeping close tabs on reserve positions. There is an "opportunity cost" in holding excess reserves because reserve balances earn no income. Reserve deficiencies are subject to a penalty. The gap between reserves on hand and reserve requirements indicates the volume of excess reserves or the reserve deficiency that must be covered by borrowing in the Federal funds market, at the Reserve Bank and/or by other liability or asset adjustments.

The Reserve Bank sends member banks daily statements showing actual reserve balances at the close of business that day. Most banks receive the statement the following morning. By comparing the amount of reserves actually held, including vault cash, a bank can determine with reasonable accuracy whether it is running a deficit or has excess reserves.

Money market banks go a step further by preparing early morning estimates of their reserve positions for that day. Based on these estimates they make daily reserve position adjustments designed to minimize the cost of reserves during the week, and to avoid costly excesses or deficiencies.

Typically, money market banks buy large amounts of Federal funds each week. Bank management determines the proportion of Federal funds to be purchased, relative to sales of certificates of deposit or sales of assets, to expand reserves. On a day-to-day basis, many other banks use Federal funds transactions to balance out unforeseen changes in reserve positions due to changes in assets or liabilities, or to cover loan commitments.

The "basic reserve position" was developed to gauge pressure on a single money market bank or the entire group, by measuring the amount of residual borrowing in the Federal funds market or from the Federal Reserve needed to cover requirements.

Also, the basic reserve position of the New York City banks (or the level of their net purchases of Federal funds) viewed against the pattern of short-term interest rates can indicate pressure in the Federal funds market.

The Federal funds market is where residual supply and demand for reserves inter-

continued on next page

act. If banks are deficient, the Federal funds rate will rise and member bank borrowings at the discount window will likely rise also. If the basic reserve deficit of the major money market banks increases, this indicates a shift of reserves from these banks to others and, even though the level of nonborrowed reserves in the banking system remains the same, there is greater upward pressure on the Federal funds rate.

Knowledge of the basic reserve position of the major money market banks assists the trading desk at the Federal Reserve Bank of New York in evaluating whether operational policy targets, such as nonborrowed reserves, are performing as projected.

* The net Federal funds transactions referred to are borrowings and lendings (purchases and sales) of immediately available funds for one business day (including transactions made under continuing contracts). "Term" Federal funds transactions are interbank loans and are excluded from this report. Federal funds transactions (unlike borrowings from the Federal Reserve) do not affect the level of total reserves, excess or free reserves of the banking system but only redistribute reserves within the banking system.

** Nonborrowed reserves equal total reserves minus borrowings from Reserve Banks.

1. Excess Reserves or Deficit (—)

The difference between total reserves (eligible to meet reserve requirements) and required reserves (reserves that must be held).

Balances maintained by member banks at Federal Reserve Banks and coin and currency held by member banks are the only assets designated as legal reserves for member banks. A bank with more of these reserves than required has "excess reserves." If it has less, it has a "reserve deficit" (designated by a minus number).

2. Plus: Net Carryover—Excess, Deficit (—)

The amount of required reserves that must be held in any week (Thursday through Wednesday) is determined by applying reserve requirements to an average of daily deposit balances for the like seven-day period two weeks before. Any excess or deficiency of 2 percent or less of the required amount may be carried over and "used" in the following week. However, a surplus cannot be carried over for more than one week. If not "used," the surplus is lost.

An excess in one week may be used to offset a deficiency in the next. No penalty is imposed on a bank with a deficiency of 2 percent or less, if the deficiency is offset by excess reserves in the next period. Thus, a bank with an excess has an incentive to seek a deficiency in the following week, and vice versa. As a result, week to week, this figure for major money market banks often shows a saw-tooth pattern of excesses and deficits.

3. Less:

a. Borrowings at Federal Reserve Bank

Credit Federal Reserve Banks grant to member banks, usually on the member banks' own promissory notes secured by U.S. Government securities, customer loans or other acceptable collateral.

b. Net Interbank Federal Funds Transactions

(1) Gross purchases of all banks in the series (line 5) minus gross sales of all banks in the series (line 6),

or

(2) Net purchases of net buying banks (line 8) minus net sales of net selling banks (line 9).

4. Equals: Basic Reserve Surplus or Deficit (—)

The sum of lines 1 and 2 minus the sum of lines 3a and 3b.

Interbank Federal Funds Transactions

5. Gross Purchases

6. Gross Sales

In a given week, a bank may both buy and sell Federal funds, and these gross purchases and gross sales with domestic commercial banks are reported in these two lines. Such two-way transactions arise for a number of reasons. Banks may miscalculate their reserve needs for the week, so that on one day they may be buying (selling) funds and then on a subsequent day they may be selling (buying) funds. Some banks also arbitrage Federal funds on a same-day basis and/or intraweekly. In such transactions the banks may buy Federal funds in the hope that the funds can be sold at a higher rate, or sell Federal funds they hope to replace at a lower rate.

7. Two-Way Transactions

Reporting banks' purchases and sales of Federal funds with other banks that offset each other within the same statement week.

Gross purchases and sales figures do not reveal shifts in reserve needs or the availability of reserves to reporting banks, because a sizable amount of Federal funds transactions are made for the accommodation of other banks and other eligible customers. The two-way transactions data isolate and adjust for the large volume of transactions in which the reporting banks serve merely as intermediaries.

8. Net Purchases of Buying Banks

Gross purchases (line 5) minus two-way transactions (line 7).

9. Net Sales of Selling Banks*

Gross sales (line 6) minus two-way transactions (line 7).

* Net purchases and net sales of Federal funds are more significant than gross purchases and gross sales, because they reveal either shifts in reserve needs or in the availability of reporting banks' reserves.

Related Transactions With U.S. Government Securities Dealers

Includes collateral loans and Federal funds sales made by reporting banks to primary dealers in U.S. Government securities and any borrowings from such dealers.

There are about two-dozen primary U.S. Government securities dealers that trade in the "open market" through which monetary policy is transmitted. The Federal Reserve, by buying or selling U.S. Government and Federal agency securities in this open market, increases or decreases the level of nonborrowed bank reserves and affects the cost of short-term credit within the banking system (Federal funds rate) consistent with longer-run policy objectives.

More than half the dealers are nonbank institutions that finance most of their portfolios with borrowed funds. About half these funds come from nonfinancial cor-

continued on next page

porations to whom the dealers sell securities under repurchase agreements; most of the remainder comes from banks. Banks outside New York City supply about one-fifth at rates close to the Federal funds rate. The New York City banks also supply about one-fifth of the borrowed funds, the residual needs of the dealers, at rates somewhat higher than the Federal funds rate.

Bank dealer departments are typically financed by their banks—usually through purchases of Federal funds—and by selling securities to investors under repurchase agreements. The dealer departments are charged an internal cost-of-money rate that varies by institution.

The related transactions with U.S. Government securities dealers are not counted in the basic reserve position measure and are reported separately. This is done because a large and indeterminable portion of the credit reporting banks extend to dealers represents loans to accommodate the dealers and not to adjust the banks' reserve positions, and because these transactions are volatile and often related to U.S. Treasury financings. However, changes in dealer financing may frequently explain shifts in the basic reserve deficit that affect demand for Federal funds. Related transactions with U.S. Government securities dealers data are also significant in providing additional evidence of reserve availability among the large New York City banks and in the banking system.

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10. Loans to Dealers

Includes reporting banks':

(1) Collateral loans made to U.S. Government securities dealers,*

(2) Federal funds sold to dealers,

(3) Net funds supplied to dealers by reporting banks serving as clearing banks.**

"Loans to dealers" data include only loans to firms that make primary markets in U.S. Government securities. The loans must involve a specified type of collateral, such as Government securities, Federal agency issues, bankers' acceptances, certificates of deposit, or commercial paper. Loans to dealers against other types of collateral are excluded because interest rates on these loans tend to be somewhat higher and less sensitive to daily market conditions.

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* Collateral loans are generally made in "Federal funds." However, a small portion are made in "clearinghouse funds," which become available the next business day. Since dealers typically must borrow to finance a purchase of securities, and, in most instances, the seller will not give up the securities until "good" funds are received, the dealer generally must purchase Federal funds when he obtains a collateral loan in clearinghouse funds. The Federal funds borrowing is repaid the following day, when the proceeds from the collateral loan become available.

** Certain banks serve as clearing agents for the nonbank dealers, arranging for deliveries, payments and safekeeping of securities. As part of this service, the clearing banks may provide the Federal funds the dealers need. These transactions are not recorded on the clearing banks' books as Federal funds sold, or as loans of any kind. However, since the clearing banks pay immediately available funds for the dealers, such transactions represent a drain on their reserve balances and, therefore, are included in the totals for funds provided to dealers.

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11. Borrowings from Dealers

(1) Federal funds borrowed from nonbank dealers,*

(2) Net funds "acquired" from nonbank dealers by clearing banks,**

(3) Securities sold to dealers under agreements to repurchase the securities within a specified period (called "matched sale-purchase transactions," "reverse repurchase agreements," or "reverse repos"),

(4) Any other secured borrowings from nonbank dealers.

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* Dealers repay loans originally made in clearinghouse funds with the same type of funds. Since they receive immediately available funds when they sell securities financed by such loans, but are not required to make payment until the next day, they can sell Federal funds to banks whenever they repay "clearinghouse" loans.

** Dealers may elect to leave the Federal funds that become available when they repay a "clearinghouse" loan with their clearing banks. The acquisition of the funds by the clearing bank is not recorded as a borrowing or lending transaction, or a Federal funds purchase. Instead, it is reported as net funds acquired. Unlike a regular Federal funds transaction, where the interest cost is paid immediately, the clearing bank accumulates the charges for funds supplied, and the credits for funds acquired, and settles the net difference with each dealer. The charges and credits for funds supplied or acquired are based on the Federal funds rate prevailing at the time of each transaction.

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12. Net Loans

Line 10 minus line 11.

Note: The following data appear only on the "Basic Reserve Position" release of the Federal Reserve Bank of New York.

13. Federal Funds Rate (in percent)

Effective Rate

A weighted average of the rates (expressed in annual terms) at which different amounts of Federal funds were traded through brokers during the day.

The effective rate is determined daily by the Federal Reserve Bank of New York on the basis of direct contacts with Federal funds brokers in New York City. The rate is representative, however, of the cost of Federal funds throughout the country.

Trading Range

The lowest and highes rates brokers report to the New York Reserve Bank each day.

Weekly Summary of Banking and Credit Measures

The H.9 statistical release, made available each Thursday by the Board of Governors in Washington, reports averages of daily figures for principal reserve and monetary aggregates, and interest rates on major money market instruments.

The reserve aggregates include member bank total, nonborrowed and required reserves, and reserves available to support private nonbank deposits (RPD). The monetary aggregates include the money supply (M_1 and M_2), the adjusted member bank credit proxy, and other deposit totals. The level of member bank borrowings is also shown.

Changes in the reserve and monetary measures and interest rates over a number of months may indicate the direction in which monetary policy is moving or the pressure of operating factors against bank reserves. The Federal Open Market Committee often uses these measures and rates as operational or intermediate policy targets, as well as yardsticks of past performance.

Data on the aggregates are obtained from the weekly reports member banks file with district Federal Reserve Banks under reserve requirement regulations. These reports show daily deposit totals by type of deposit. The Board converts the data to weekly and monthly averages.

Reserve and monetary aggregates are reported in billions of dollars ($ bil.) and are seasonally adjusted (designated SA). Other reserve measures and interest rate data are not seasonally adjusted (designated NSA).

The release has seven columns of data for the reserve and monetary aggregates and four for the other reserve measures and interest rates. Column 1 shows reserve aggregate and interest rate statistics for the statement week ended the previous day (Wednesday). Data in column 1 for the monetary aggregates, however, are for the statement week ended one week earlier. Column 2 reports statistics for the week before those reported in column 1. Column 3 shows average data for the latest four weeks; column 4 average data for the four-week period ended four weeks earlier.

Columns 5, 6 and 7 report seasonally adjusted annual rates of change, not compounded, between the latest four-week period and averages for the four-week periods ended 13 weeks, 26 weeks and 52 weeks earlier. For the reserve aggregates, the weeks included in the latest average are the four weeks ended the previous day. For the monetary aggregates, the weeks included are the four ended one week earlier.

Contents

FEDERAL RESERVE

H.9
(Rev. 4/72)

WEEKLY SUMMARY OF BANKING AND CREDIT MEASURES
(Averages of daily figures)

	Levels			
	Week ended		4 Wks. ended	
	July 23	July 16	July 23	June 25
Reserve Aggregates 1/	($ Bil., SA)			
Total reserves	34.96	34.92	35.11	34.73
Nonborrowed reserves	34.57	34.72	34.69	34.63
Required reserves	34.69	34.85	34.90	34.53
Reserves Available to Support Pvt. Nonbank Deposits	32.87	32.89	33.00	32.96
	Week ended		4 Wks. ended	
	July 16	July 9	July 16	June 18
Monetary Aggregates	($ Bil., SA)			
M_1 (Currency plus demand deposits)	295.2	293.6	294.3	293.2
M_2 (M_1 plus time deposits at commercial banks other than large time CD's)	652.3	649.6	649.9	644.6
Adjusted credit proxy 3/	506.4	504.5	505.9	506.7
Time deposits, all commercial banks	440.1	439.7	439.4	435.6
U.S. Government demand deposits, member banks	2.9	2.9	2.4	4.2
	Week ended		4 Wks. ended	
	July 23	July 16	July 23	June 25
Other Reserve Measures & Interest Rates	(NSA)			
Member bank borrowings ($ mil.)	382	202	420	97
Includes seasonal borrowings of:	19	16	16	10
Federal funds rate	6.14	5.93	6.11	5.36
3-month Treasury bill rate	6.19	6.04	6.06	5.25
90-119 day dealer placed commercial paper rate 4/	6.35	6.25	6.27	5.57
3-month CD rate (secondary market) 5/	6.51	6.43	6.50	5.69
3-month Euro-dollar rate	7.09	7.11	7.10	6.04
U.S. Government bond rate 6/	p8.16	8.13	p8.15	8.06

NSA--Not Seasonally Adjusted. SA--Seasonally Adjusted.

Editor's note: *This copy of the H.9 release does not show three additional columns of data, which were deleted to permit more legible reproduction.*

Reserve Aggregates

1. Total Reserves

The sum of assets that member banks may count to meet their legal reserve requirements. These "reserve assets" are:

(1) Balances on deposit with Federal Reserve Banks,

(2) Currency and coin owned and held, including currency and coin in transit to or from Federal Reserve Banks.

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2. Nonborrowed Reserves

Total reserves minus borrowings from Federal Reserve Banks. See line 10 under Other Reserves Measures.

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3. Required Reserves

The amount of reserves that must be held to meet the Federal Reserve System's reserve requirements against deposits and certain other items.

The Federal Reserve System requires member banks to hold reserve assets equal to specified percentages of net demand deposits,* total time and savings deposits, and certain liabilities (classified as "deposits") used as a means of obtaining funds to be used in the banking business, such as funds received through sales of finance bills,** certain "Eurodollar borrowings"*** and funds channeled to the banks by their affiliates in forms other than regular deposits.

The amount of required reserves that must be held in the current week (Thursday through Wednesday) is determined by applying the various reserve requirement percentages to the daily average of "reservable" balances for the like seven-day period two weeks before.

Reserve requirement percentages for net demand deposits are graduated. Under the graduated schedule effective Sept. 1975, member banks were required to hold reserves equal to the sum of 7½ percent of the first $2 million of net demand deposits, 10 percent of net demand deposits over $2 million but less than $10 million, 12 percent of net demand deposits over $10 million but less than $100 million, 13 percent of net demand deposits over $100 million but less than $400 million and 16½ percent of net demand deposits over $400 million. Reserve requirements are published monthly in the *Federal Reserve Bulletin*.

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* Net demand deposits are gross demand deposits (as defined in Federal Reserve Regulation D), less the sum of cash items in the process of collection and balances subject to immediate withdrawal due from other banks (also as defined in Regulation D).

** Finance bills are bankers' acceptances ineligible for discount at a Federal Reserve Bank. These instruments are sometimes called "working capital acceptances."

*** See line 16 for an explanation of "Eurodollar borrowings."

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4. Reserves Available to Support Private Nonbank Deposits (RPD)

The sum of:

(1) Required reserves for

(a) private demand deposits,

(b) total time and savings deposits,

(c) nondeposit sources subject to reserve requirements,

continued on next page

(2) Excess reserves.

This measure excludes required reserves for net interbank and U.S. Government demand deposits.

In February 1972, the FOMC decided to experiment by placing greater emphasis on this reserve measure as an "operating target," a variable to guide day-to-day open market operations in Government securities. The Committee believed that doing so might enhance their ability to achieve desired intermediate monetary objectives.

The reserve aggregate levels reported on the H.9 release are not adjusted to eliminate the effects of increases or decreases in required reserves caused by changes in the reserve requirement percentages themselves. However, the annual rates of growth data for the reserve aggregates reported on the release are adjusted to remove the effects of any change in the requirements.

Monetary Aggregates

5. M_1 (currency plus demand deposits)

A commonly used measure of the money the public has immediately available for spending. Changes in the money supply are considered an important determinant of prices, spending, production and employment.

The narrowly defined money supply (M_1) consists of:

(1) Currency and coin outside the Treasury, Reserve Banks and commercial banks,

(2) Demand deposits at all commercial banks;

except:

(a) those due to domestic commercial banks,

(b) those due to the U.S. Government;

less:*

(a) cash items in the process of collection,

(b) Federal Reserve float,

(3) Foreign demand balances at Federal Reserve Banks.**

* These two items are subtracted from demand deposits to avoid double counting.

** Foreign demand balances at Federal Reserve Banks—due to central banks, international institutions and a few foreign governments—may be spent the same way as foreign demand balances at commercial banks. Hence, they are included in the money supply.

6. M_2 (M_1 plus time deposits at commercial banks other than large time CDs)

A broader measure of the money the public has available for spending.

M_2 consists of M_1 (line 5) plus the following deposits at commercial banks:

(1) Savings deposits,

(2) Time deposits, open account,

(3) Time certificates of deposit other than "large CDs"—negotiable certificates of deposit issued in denominations of $100,000 or more.*

Because of the highly liquid nature of time deposits,** some economists consider them part of the money supply and believe changes in time deposits have an influence on income and production comparable to changes in publicly held demand deposits and currency.

* Large CDs are excluded from M_2, because they are considered to be more like short-term investments, such as three-month Treasury bills, than money balances.

** See line 8 for a definition.

7. Adjusted Credit Proxy

Member bank deposit and certain other liabilities subject to reserve requirements. Deposits subject to reserve requirements consist of:

(1) Total time and savings deposits,

(2) Total demand deposits, including U.S. Government demand deposits;

less:

(a) cash items in the process of collection,

(b) demand balances due from domestic commercial banks.

Those "other liabilities" subject to reserve requirements that are counted in the proxy are:

(1) Net liabilities of member banks to their foreign branches and to branches in U.S. territories and possessions,

(2) Eurodollars borrowed from foreign banks,

(3) Loans sold by member banks to their affiliates,

(4) Certain loans or participations in pools of loans sold under repurchase agreements to investors other than banks.

This measure is referred to as the "adjusted credit proxy." Data on bank credit—total loans and investments of member banks—are available only on Wednesday. But data on deposits and nondeposit liabilities subject to reserve requirements for member banks are available on a daily average basis. Since these balances represent the bulk of liabilities, they can be used as a timely substitute or "proxy" for daily average bank credit data.

Changes in the proxy may nevertheless differ from shifts in total loans and investments and may reflect changes in bank assets not included in bank credit and in liabilities not included in the proxy.*

The data reported for member bank deposits are seasonally adjusted, but nondeposit liabilities are not. Nondeposit liabilities, which are expanded or contracted as money market conditions change, do not exhibit a stable seasonal pattern.

* Examples are changes in cash and fixed assets, nondeposit liabilities not subject to reserve requirements and capital accounts of member banks. In addition, changes in the relative proportion of total commercial bank credit accounted for by nonmember banks can cause divergence between loan and investment behavior and the proxy.

8. Time Deposits, all Commercial Banks

Time deposits are balances the depositor cannot withdraw on "demand" but only after a specified period.*

This item includes time deposits at all commercial banks other than deposits due to commercial banks and the U.S. Government.

A loss or gain of time deposits has a greater impact on the lending ability of a bank than an equal change in demand deposits. Because reserve balances required against time deposits are much lower than those required against demand deposits, time deposits provide banks with more funds for lending or investing than demand deposits.

* Time deposits are represented by "certificates of deposit" or are in "open accounts." Certificates of deposit, negotiable or nonnegotiable, are instruments evidencing deposits. A certificate states the amount on deposit and the terms of repayment. Open account balances may be added to or reduced by the depositor in accordance with a written contract specifying a minimum waiting period for repayment.

9. U.S. Government Demand Deposits, Member Banks

Demand balances maintained by the U.S. Government (Treasury) at member commercial banks, almost all in what are called "Treasury Tax and Loan accounts."

The management of U.S. Government demand deposits exerts an important influence on several monetary measures, such as the rate of growth of the narrow money supply and the reserves of commercial banks.

Tax and Loan accounts are used by the Treasury to receive taxes paid to the Federal Government and to receive the proceeds of certain sales of Government securities. As individuals and corporations pay taxes or buy Treasury securities on original issue, their demand deposits decrease and U.S. Government deposits increase. Then, as the Government spends the funds, its balances decrease and private balances increase. Since U.S. Government deposits are not included in the money supply, as Government balances are built up the money supply decreases; the money supply increases as Government balances are depleted.

Tax and Loan accounts, established by the Treasury in 1914, are used to manage the impact of Treasury receipts on bank reserves. Bank reserves are not affected by transfers of funds from privately held demand deposit accounts to the Government's accounts. However, as the Treasury makes expenditures from its accounts at the Federal Reserve Banks—adding to reserves—it replenishes these balances by "calling" on its Tax and Loan account balances—subtracting reserves.

The H.9 data include only Government demand deposits at member banks. Although the Treasury maintains Tax and Loan and other accounts at about 13,000 commercial banks, there are only about 5,800 member banks. However, member banks hold about 90 percent of all Tax and Loan account balances.

Other Reserve Measures and Interest Rates

10. Member Bank Borrowings

Borrowings by member banks from Federal Reserve Banks (in millions of dollars).

These borrowings are used to build balances to meet reserve requirements. Member banks pay an interest rate called the "discount rate."

An increasing level of borrowings implies banks are experiencing growing pressure on their reserve positions. Pressure can arise from policy, operational or seasonal factors, such as changes in cash or deposit flows, or open market operations. The Federal Reserve's lending facility is a "safety valve" banks can use to adjust day-to-day reserve positions. For example, the Federal Reserve, in attempting to reduce reserves available to the banking system, might sell Government securities. Bond dealers buying the securities pay by check. When the checks are cleared, the reserves of the banks on which they are drawn decrease and some banks may face reserve deficiencies. Therefore, borrowings usually increase when monetary policy is increasingly restrictive. Conversely, borrowings usually decline when policy eases.

11. Includes Seasonal Borrowings of:

The amount of borrowings by member banks from Federal Reserve Banks to meet specific seasonal needs for funds.*

In April 1973, the Federal Reserve established this new borrowing privilege for member banks that demonstrate a seasonal need for funds and lack access to national money markets. They can borrow for up to 90 days at the discount rate and renew these loans, if their seasonal need exceeds original expectations. Such credit is ordinarily limited to the amount by which banks' seasonal needs exceed 5 percent of average total deposits in the previous calendar year.

Since seasonal lending has no monetary policy significance, the Federal Reserve reports separately the seasonal borrowings (line 11) included in total borrowings (line

10). Thus, the pattern of increasing or shrinking use of traditional borrowings from the Federal Reserve can still be examined meaningfully as an indicator of the direction of credit conditions.

* A seasonal need is one arising from an expected pattern of movement in a bank's deposits and loans that will persist for at least eight consecutive weeks. For example, many small, rural banks heavily involved in farm loans need additional reserves at specific times. These banks tend to experience heavy loan demand in the spring and big deposit outflows in the fall.

12. Federal Funds Rate

The Federal funds rate is the cost of borrowing* immediately available balances for one business day.

Banks borrow reserve balances of other banks when they want immediately available funds to meet reserve requirements, commitments on short-term loans, or to offset unexpected drains of reserves. Banks may borrow from each other for any period, but only one-day transactions are classified as Federal funds transactions.

Banks do not necessarily lend just "excess" reserves. Banks may lend Federal funds even though such loans cause or increase daily reserve deficiencies. They expect to cover these deficiencies later in the settlement period.

The Federal funds rate is expressed in annual terms and is calculated on the basis of a 360-day year. The actual interest charge for one day would be 1/360 of the Federal funds rate. Through contacts with Federal funds brokers in New York City, the Federal Reserve Bank of New York each day determines an "effective rate," which is a weighted average of the rates at which different amounts of the day's trading has occurred. The average effective rate for the week reported on this line is a seven-day statement week average of daily effective rates. The rate on nonmarket days (Saturday, Sunday, holidays) is the same rate as on the prior market day. For example, in a typical week, Friday's rate is counted in the average three times to account for Saturday and Sunday.

The Federal funds rate is sensitive to shifts in the demand for, and supply of, reserves and lendable funds in the banking system. Because the funds market is used by many banks as a major, if not the prime, source of funds for adjusting reserve positions, conditions in this market are a key barometer of monetary policy.

* Banks report Federal funds transactions on their balance sheets as purchases and sales, not as borrowings and loans.

13. 3-Month Treasury Bill Rate

The five-day statement week average of the bid rates quoted by dealers at the close of the Government securities market on each day of the statement week. The rates are on a discount basis and, thus, understate the actual investment yield.*

Treasury bills are highly liquid. They can be sold for cash quickly and easily and offer investors an interest return with virtually no risk of loss due to default. For these reasons, Treasury bills are purchased by most financial institutions, major corporations and state and local governments with temporarily idle cash balances.

Treasury bills also play an important role in implementing monetary policy. Most of the System's transactions with primary dealers in U.S. Government securities are in Treasury bills.

Because the new issue bill rate is a basic indicator of the price the most risk-free borrower—the U.S. Government—must currently pay to borrow money, most other loan costs of comparable maturity tend to be scaled upward from this rate.

footnotes on next page

* Treasury bills are sold on a discount basis—at less than face value—rather than carrying a fixed coupon rate. This method, used since Treasury bills were first issued in 1929, had its roots in two problems the Treasury experienced in marketing fixed coupon rate certificates in the 1920s. The coupon rates had to be adjusted from issue to issue, and, because payments from banks purchasing the certificates were made by credits to special accounts, the Treasury often paid interest on idle balances. The Treasury bill eliminated the pricing problem, enabling the Treasury to match bill sales with cash needs, and avoid payment of interest on idle funds.

The "return" on a Treasury bill is the difference between the purchase price and the face amount received at maturity. This difference, or "discount" can be expressed in terms of an "annual rate of return" by dividing the result by the fraction of the year representing the bill's maturity. A 360-day year is used for computation.

This method of calculating the return on a Treasury bill, known as the "bank discount basis," understates the "investment yield" or "bond equivalent return" because only the amount paid—and not the face amount—is actually invested. On a coupon or bond equivalent yield basis—that is if the face amount of the bill was actually invested—the return would be somewhat higher. In addition, the coupon equivalent basis return is computed on a 365-day year, which also distorts the discount basis return slightly.

14. 90-119-Day Dealer-Placed Commercial Paper Rate

A five-day statement week average of the offering rates, on a discount basis, of commercial paper dealers for the unsecured promissory notes of corporations with "Aa" bond ratings that mature in three to four months.

Commercial paper is the designation for unsecured, short-term negotiable promissory notes issued by nonbank business institutions and sold to investors, usually other companies.

"Dealer-placed" commercial paper refers to the marketing method used by issuers. They sell notes to dealers, who then sell the notes on the secondary market. Most dealer-placed paper is issued by manufacturing corporations, public utilities and small finance companies, usually to meet short-term operating requirements.

Five primary dealers in commercial paper report offering rates, the rate at which they are willing to sell, to the Federal Reserve Bank of New York daily. The rate reported on the H.9 release is a five-day statement week average of the daily figures reported. The daily figure is the representative rate—the rate common to three of the five dealers. When no consensus is available, the midpoint of the range, rounded up to the nearest 1/8 percentage point, is used.

15. 3-Month CD Rate (secondary market)

A seven-day statement week average of dealer offering rates in the secondary market for negotiable certificates of deposit with a three-month maturity. Five dealers in Government securities who also handle CDs each quote a rate daily to the Federal Reserve Bank of New York. The midpoint between the highest and lowest quotes is selected as the rate for the day. Friday's midpoint is applied to Saturday and Sunday in determining the seven-day statement week average.

A negotiable certificate of deposit, or CD, is a marketable instrument evidencing funds deposited in a bank for a specified period of time at a fixed interest rate. The owner of the CD at the end of the time period receives the principal and the interest. Because these CDs are marketable, the owner may obtain the funds before maturity by selling the instrument in the secondary market. The negotiable CD was designed by the major money market banks to attract corporate deposits and enable the banks to compete more effectively for short-term funds.

The largest banks in New York City and Chicago are the major sellers of CDs in the "primary" market. Corporations, state and local governments, foreign governments and central banks, and individuals rank in order as the major buyers.

Since owners of short-term funds are responsive to interest rate differentials, the secondary market CD rate is a good indicator of the cost of short-term funds.

16. 3-Month Eurodollar Rate

A five-day statement week average of the interest rate banks outside the U.S. are paying for three-month dollar deposits. Eurodollars are dollar-denominated deposits, generally interest bearing, on the books of banking offices outside the United States. The Eurodollar market is a worldwide market in which buyers and sellers (borrowers and lenders) quote their bids and offers for the use of the dollars for varying time periods. The largest and most highly developed market is in London.

Commercial banks in the United States use the Eurodollar market as a source of funds to bolster reserve positions, particularly when monetary policy is restrictive and loan demand is high.

U.S. banks borrow Eurodollars primarily from their overseas branches. Head offices of the major money market banks instruct their overseas branches (mainly in London) to bid for Eurodollar deposits of a specific maturity. When the branch acquires the dollar deposits, it "lends" the funds to the head office, "charging" the head office the interest paid to secure the deposit. Eurodollars may also be borrowed from foreign banks.

Eurodollar borrowings are not entered as deposits on the books of U.S. banks. Banks borrowing Eurodollars from their own branches include them on their books in "liabilities to foreign branches." Eurodollars borrowed from others are included in "other liabilities."

Since October 1969, these borrowings have been subject to a special reserve requirement.

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17. U.S. Government Bond Rate

The average yield on 20-year U.S. Government bonds. The figure reported on this release is a five-day statement week average based on the daily closing "bids" of primary dealers in Government securities. The bid is the highest price the dealer is willing to pay; in effect, the lowest yield—or rate of return—acceptable.

U.S. Government bonds are long-term marketable obligations of the Treasury, with principal and interest guaranteed by the United States. The term "yield" refers to the effective investment return on the security—the percentage of the purchase price the annual fixed interest payments represent.

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