United States

I. Institutional coverage

The statistics published in *Banking Statistics – Financial Statements of Banks* relate to domestic depository institutions including commercial banks, savings institutions, and credit unions. All of these institutions have deposit liabilities that are included in the national monetary aggregates. Commercial banks make a variety of business, real estate, and personal loans, financed mainly by time, savings, and demand and other checkable deposits. Savings institutions lend primarily for housing; their funding sources are similar to those for banks. Credit unions provide personal savings and borrowing products and are not subject to US corporate taxes.

Before 1980, only banks that were members of the Federal Reserve System were subject to its reserve requirements. Under the Monetary Control Act of 1980, all depository institutions, including US branches and agencies of foreign banks are subject to reserve requirements set by the Federal Reserve. The Monetary Control Act also provides that all institutions subject to reserve requirements have access to the Federal Reserve's discount window and its payment services.

II. Geographical coverage and degree of consolidation

These statistics cover the domestic and foreign financial statements of domestically chartered banks. For purposes of this report, domestic includes the US 50 states and the US territories and possessions. Data for foreign-controlled banks that are chartered under United States laws are included. Institutions operating in the United States as branches and agencies of foreign banks are not included.

III. Summary description of activities of banks

Payment facilities

Payment vehicles include non-interest-bearing demand or sight deposits, with optional overdraft facilities offered by many institutions, and interest-bearing other checkable deposits, consisting of negotiable orders of withdrawal (NOW) and automatic transfer service (ATS) accounts. These accounts appear in the M1 monetary aggregate published by the Federal Reserve Board. Interest-bearing savings accounts allow a limited number of transactions each month. Along with small time deposits, they are included in M2. Funds in savings and checkable accounts may be accessed by Automated Teller Machines (ATMs). A growing number of banks offer arrangements whereby excess funds in demand accounts are automatically transferred into savings accounts. In addition, other services such as wire transfer of funds, automatic deduction of personal contractual payments, payroll account services, and interbank correspondent services are widely available.

Deposit business with non-banks

Deposits of all types are offered to individuals, businesses, and governmental units. A large variety of types of deposits, maturities, and rate structures are available. Large time certificates of deposit (USD 250 000 or more) are often negotiable and can be sold in a secondary market. The terms of accounts, such as minimum balance requirements, and the interest rates paid, if any, depend on the sise of the account and the liquidity of the funds.

Issues of non-marketable and/or marketable savings instruments

Savings bonds are not issued by private financial institutions in the United States. Both commercial banks and savings institutions issue marketable bonds and debentures as part of their long-term financing arrangements, but these are not understood as savings instruments, which take the form of non-negotiable certificates and deposits.

Money market instruments

Both commercial banks and savings institutions are active as lenders in the market for "federal funds", amounts that are available immediately rather than on the next business day and are generally borrowed for very short periods of time, principally by commercial banks.

In addition, both of these institutions deal in various types of money market paper. They are major purchasers of short-term Treasury securities and Federal agency securities and hold bankers' acceptances and commercial paper. Commercial banks invest in state and local government short-term securities.

Various types of lending business

Savings institutions are primarily engaged in mortgage lending but also make smaller amounts of personal loans both on instalment and non-instalment bases. Commercial banks make many different types of loans, including overdraft facilities or lines or credit connected with demand deposits and acceptance financing. They make short and medium-term commercial and industrial loans; commercial, residential, and agricultural mortgages; instalment and non-instalment personal loans; agricultural loans; loans to other financial institutions including banks in foreign countries; and loans to finance the purchase of securities. Banks also provide lease financing.

Some banks specialise in certain types of loans: banks in rural areas hold high proportions of agricultural loans, for instance, while other banks have emphasised loans to large business. Banks in the United States do not make direct loans to the public sector, but instead contribute to public sector finance by the purchase of public securities.

Security business, portfolio management, and trust business

Many commercial banks provide trust services for clients. As part of these services they purchase and sell securities and administer clients' portfolios. Trust operations, however, are completely separate from lending and deposit operations of banks, although fees generated from trust services are part of bank income reported here.

In the United States there is a tradition going back to the 1930s of separation of commercial banking from investment banking. Commercial banks themselves are not allowed to underwrite securities, except those issued by state and local governments, and they may not invest in equity securities for their own account. However, bank holding companies may underwrite corporate bonds and equities, under certain restrictions, through "section 20"* subsidiaries.

Foreign exchange trading and foreign payments

Commercial banks provide facilities for trading in foreign exchange and in gold and other precious metals, both for their own account and for client.

IV. Reconciliation of national data with the OECD presentation

Types of institutions

Large commercial banks: the largest 100 commercial banks by total assets.

Foreign commercial banks: commercial banks whose regulated top holder is considered a Foreign Banking Organisation (FBO) under the Bank Holding Company Act, International Banking Act, or Regulation K.

Savings banks: state-chartered and federal savings banks.

Other banks: credit unions and savings and loan institutions.

Income statement

Net non-interest income: total non-interest income, *i.e.* gains or losses on securities held in investment accounts, and extraordinary items.

- Fees and commissions include service charges on deposit accounts in domestic offices, income from fiduciary activities, and other fee income.
- Net profit or loss on financial operations includes trading revenue, and gains (losses) on securities held in investment accounts.
- Other net non-interest income: residual.
- Credit unions reported interest and fee income as a single item from 1980 through 1986. Consequently, Interest Income and Net Interest Income include fee income, and Net Non-Interest Income excludes fee income for these years. This affects the "Other Banks" category only.

Operating expenses: total non-interest expenses, excluding provisions and taxes.

- Staff costs include salaries and employee benefits.
- Property costs include cost of premises and fixed assets.
- Other operating expenses: residual.

Net provisions:

- Provisions on loans include provision against loan and lease losses (includes any provisions against losses on securities), and provision for allocated transfer risk.
- Provisions on securities are included with Provisions on loans.

Income tax: taxes on ordinary and extraordinary income.

Distributed profits: cash dividends.

Retained profit: retained income.

* Glass-Steagall Act, 1933.

Balance sheet

Assets

Cash and balance with Central bank: cash and non-interest earning balances due from depository institutions less non-interest earning balances due from depository institutions in the US.

Interbank deposits: interest earning balances due from depository institutions and non-interest earning balances due from depository institutions in the US.

Loans: interest earning loans less loss reserves, and Federal funds sold.

Securities: securities held in investment accounts and securities held in trading accounts.

Other assets: residual.

Liabilities:

Capital and reserves: capital account (limited life preferred stock and related surplus plus total equity capital).

Interbank deposits: demand and non-transaction deposits at commercial banks and other depository institutions in the US and at banks in foreign countries.

Customer deposits: deposits less interbank deposits.

Bonds: subordinated notes and debentures.

Other liabilities: total liabilities plus capital, less deposits, bonds and capital.

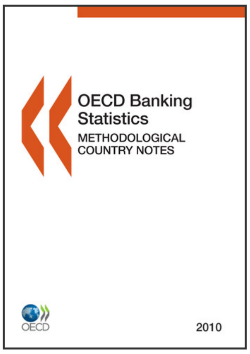
Capital adequacy

Total regulatory capital: sum of Tier 1, Tier 2, and Tier 3 capital.

V. Sources

Authority that collects or publishes the data are:

- For commercial banks: Federal Reserve Board, Federal Deposit Insurance Corporation, Controller of the Currency.
- For savings institutions: Federal Deposit Insurance Corporation and the Office of Thrift Supervision.
- For credit unions: National Credit Union Association.



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