

The December 1994 Senior Financial Officer Survey¹

In 1994, the share of commercial bank credit funded with retail deposits declined sharply. Banks relied more heavily on a variety of managed liabilities to fund domestic credit, especially net borrowing from their overseas branches and increased issuance of senior bank notes. The Federal Reserve conducted a Senior Financial Officer Survey in December 1994 to identify factors contributing to this shift in funding strategy. Banks were asked to provide information on the direct costs and other factors affecting funding with retail and wholesale liabilities. In addition, banks also provided information on bank investment contracts and liability management practices with Repurchase Agreements (RPs).

Retail Deposit Funding²

During 1994, the spread of Treasury bill rates over interest rates offered on retail CDs widened by about 1-1/2 percentage points.³ A pattern of widening spreads between short-term market interest rates and rates on retail CDs is typical during periods of rising market interest rates. However, most surveyed banks noted that their retail CD rates were not as responsive to changes in market interest rates during 1994 as in the past. Even for CDs with minimum balance requirements exceeding \$10,000—those for which Treasury bills are likely to be close substitutes—reported deposit interest rates were well below comparable market interest rates. For example, the median rate on six-month retail CDs with minimum balances of more than \$10,000 was 4.32 percent at the end of November—about 160 basis points below the six-month Treasury bill rate.

When asked to rate the importance of various determinants of their retail CD offering rates, nearly all banks reported that the deposit rates posted by their local market competitors were either somewhat or very important. Yields on Treasury securities were also cited as an important factor determining retail CD rates but not as important as local competitors' rates. In

¹ This document was prepared in the Division of Monetary Affairs (Brian Reid and James Clouse with research assistance by Pam Gerbino and James Park). In the footnotes that follow, Appendix A refers to the responses of domestically chartered banks and Appendix B refers to those of the U.S. branches and agencies of foreign banks.

² Appendix A, questions 1-4.

³ Retail certificates of deposit are non-negotiable instruments issued in denominations of less than \$100,000 and are typically marketed to households and other non-institutional investors.

addition, banks reported that the yields offered on money market mutual funds and by stock and bond mutual funds were of only secondary importance. Many banks noted that the volume of loan demand at their banks had a considerable bearing on their retail CD rates. On balance, these responses could be interpreted as suggesting that individual banks have some discretion in setting the levels of their CD rates relative to national money market rates.

Banks' responses indicated that one category of retail CDs—those issued through brokers—is heavily influenced by national money market yields. Reported rates paid on brokered retail CDs tracked the yields on comparable Treasury securities quite closely. For example, in contrast to the 160 basis point spread of Treasury bill yields over six-month retail CD rates noted above, the median spread for brokered CDs with maturities less than one year was only 8 basis points. Differences in the behavior of brokered CD rates relative to other retail CD rates likely owes to both demand and supply factors. On the demand side, households purchasing CDs through deposit brokers are likely to have ready access to alternative investments, thus forcing banks to offer more competitive interest rates on brokered deposits.

On the supply side, banks likely view brokered retail deposits as a type of "wholesale funding." This is particularly true for cases in which the bank receives a large deposit from a broker that, in turn, participates the banks' liability out to its customer base in shares of \$100,000 or less. In this case, the bank avoids the costs associated with managing a large number of smaller accounts and may pay a higher interest rate as a result. In addition, banks likely value the brokered retail CD market, in part, as means of targeting retail CD customers that are the most interest rate sensitive.

Managed Liabilities

The counterpart of the sluggish adjustment of retail deposit rates (and therefore weak retail deposit growth) on bank balance sheets last year was more rapid growth of managed liabilities. Banks relied heavily on managed liabilities to fund strong domestic asset growth, especially borrowing from their overseas branches and issuing large time deposits in the form of "senior bank notes." In addition, although quantitatively less important, banks increased their borrowing from Federal Home Loan Banks (FHLBanks), issued so-called structured notes, and tapped other managed liabilities.

Eurodollar Deposits and Borrowing from Overseas Branches.⁴ Deposits at the foreign offices of U.S. banks increased substantially last year. U.S. banks effectively funded a portion of their domestic asset growth with these deposits by borrowing from their foreign branches. Indeed, aggregate net borrowing by all domestic commercial banks from their overseas branches increased by more than \$75 billion from December 1993 to December 1994.⁵ U.S. banks responding to the survey increased their borrowing from foreign branches by about \$58 billion over the same period.

The survey posed several questions regarding the relative cost and access to funding in the Eurodollar time deposit markets. The median spreads of rates offered on three-month Eurodollar liabilities over Treasury bill rates reported for U.S. and foreign banks were 40 and 53 basis points, respectively.

Banks noted several factors affecting their access to and cost of borrowing in the Eurodollar market. Most banks reported that maintaining active customer relationships allowed them to borrow readily and in desired quantities in the Eurodollar market. Both U.S. and foreign banks cited their credit ratings as being very important in determining the rates that they paid—more so than their regulatory capital ratios or the average spread of interest rates on private debt securities over Treasury yields.

One factor that could affect the cost and access to the Eurodollar market for U.S. banks is the National Depositor Preference Provision incorporated in the Omnibus Budget Act of 1993. This provision places the claims of domestic depositors ahead of other general creditors (including Eurodollar deposits) in FDIC failed-bank resolution proceedings. However, survey responses indicated that, to date, this regulatory development has had little market impact. Presumably, the financial strength of U.S. banks has muted the effects of this regulatory development.

Finally, U.S. banks noted that the absence of deposit insurance premiums on Eurodollar deposits and borrowing from overseas branches was a significant factor influencing their funding

⁴ Appendix A, questions 5-9; appendix B, questions 1-4.

⁵ Data from the Federal Reserve Statistical Release H.8.

decisions. Not surprisingly, foreign banks did not assign much weight to deposit insurance premiums because very few foreign banks are federally insured.

Banks were not asked directly whether the reduction in reserve requirements on net Eurocurrency liabilities in December of 1990 was an important factor explaining the recent growth of Eurodollar deposits and borrowing from foreign branches. Banks were given the opportunity to list factors they believed were important determinants of these trends but none listed the reduction in reserve requirements.⁶

Domestic Large Time Deposits and Senior Bank Notes.⁷ In addition to issuing large volumes of Eurodollar liabilities, U.S. and foreign banks increased their funding with domestic large time deposits. Indeed, aggregate domestic large time deposits at U.S. and foreign banks increased about \$22-1/2 and \$5 billion respectively in 1994. The bulk of the growth in U.S. banks' domestic large time deposit liabilities took the form of "senior bank notes."⁸ The outstanding volume of senior bank notes reported by U.S. banks on the survey increased by about \$20 billion from December 1993 to November 1994, accounting for about 80 percent of the increase in total gross domestic large time deposits at these banks.⁹

U.S. banks' responses to survey questions indicated that the absence of deposit insurance premiums on senior bank notes was key to decisions to issue such liabilities. In addition, many banks indicated that senior bank notes were useful in tailoring the maturity structure of their liabilities. Most banks reported that the bulk of their senior bank notes were issued with original

⁶ Nonetheless, other things equal, this factor almost certainly boosted the level of borrowing from foreign branches over what otherwise would have been the case. It's unclear whether this factor can explain a large portion of the increase in net borrowing from foreign branches last year. For example, a portion of the aggregate increase in domestic banks' net borrowing from foreign offices was attributable to institutions that reduced their net lending position to their overseas branches. Institutions reducing a net lending position would not have incurred additional reserve requirements under the previous reserve requirement structure.

⁷ The discussion in this section references the statistical results presented in appendix A (questions 5-6, 9, 12-14) and appendix B (questions 1-3, 5-7).

⁸ These liabilities are debt instruments issued by banks in the so-called medium-term note market. They are "senior" debt in the sense that their claims rank ahead of subordinated debt. The FDIC does not classify such liabilities as deposits and hence they are not subject to deposit insurance premiums. Senior bank notes are classified as deposits in the monetary aggregates and accounted for a substantial share of the growth of large time deposits at domestic banks during 1994.

⁹ Data for gross domestic large time deposits is computed from the weekly FR 2900 deposit data submitted separately by these banks.

maturities of two years or less. However, some banks reported issuing notes with maturities up to five years or more.

Only a handful of foreign banks reported issuing senior bank notes. The aggregate amount outstanding for those institutions that did issue these liabilities edged down during 1994. Foreign banks reported issuing somewhat longer maturities for their senior bank notes and cited the ability to lengthen the average maturity of their liabilities as a prime reason for issuing senior bank notes.

In contrast to senior bank notes, U.S. banks' issuance of other domestic large time deposits was quite weak. For example, only half of the banks on the survey reported issuing three-month large time deposits recently. For those banks that did issue these liabilities, most reported yields that were below other money market rates: The median spread between the three-month domestic large time deposit rate and the three-month Treasury bill rate was a minus 35 basis points. These data are consistent with anecdotal reports that many banks issue these liabilities primarily to accommodate demands from customers other than institutional investors.

Funding with Other Managed Liabilities.¹⁰ The survey also posed questions addressing the growth of other managed liabilities including borrowings from Federal Home Loan Banks, structured notes, and borrowings from non-bank affiliates including the bank holding company.

- *Borrowing From Federal Home Loan Banks:* Since the passage of Financial Institutions Reform, Recovery, and Enforcement Act (FIRREA) in 1989, commercial banks have been eligible to become members of the Federal Home Loan Bank (FHLB) system and to obtain advances from their regional FHLBank. More than 3,000 commercial banks are now FHLB members. In aggregate, FHLB advances to commercial banks as of December 1994 stood at about \$25.5 billion—an increase of about \$9 billion from December 1993. The aggregate trend toward increased borrowing from FHLBanks was also present in banks responding to the survey. The total amount of FHLB advances outstanding to banks in the survey increased from \$3.3 billion on December 31, 1993 to about \$3.7 billion on November 30, 1994—a fairly small portion of the aggregate increase in FHLB

¹⁰ Appendix A, question 12; appendix B, question 5.

advances to all commercial banks. The survey included mostly larger banks while FHLB members overall tend to be relatively small institutions. Evidently, smaller FHLB members were responsible for the bulk of the increase in FHLB advances to commercial banks last year.

- *Borrowing with Structured Notes:* A few large banks reported increased funding with so-called structured notes. Structured notes are debt securities with cash flow characteristics that depend upon one or more indices or that have embedded forwards and options.¹¹ For the banks in the sample, the total volume of structured notes outstanding increased from about \$2.1 billion in December 1993 to \$3.8 billion in November 1994. Structured notes were issued by both U.S. and foreign banks.
- *Borrowing from Nonbank Affiliates:* U.S. banks indicated that this funding category edged up from about \$16 billion in December 1993 to \$18.2 billion on November 30 last year. Foreign banks on the survey reported a substantial decline in this category.

Other Funding Developments

Bank Investment Contracts.¹² As a followup to a previous Senior Financial Officer Survey, two questions addressed banks' presence in the market for bank investment contracts (BICs). These guaranteed contracts are generally long-term, fixed-horizon agreements between banks and pension plans. Few banks on the survey indicated that they offered these contracts: those that did reported an amount outstanding at the end of 1993 of \$760 million. Call Report data for these same banks indicate that the level of these contracts had fallen to \$68 million as of September 30, 1994.¹³ Banks reported that the FDIC's recent rulings removing eligibility for pass-through deposit insurance for these contracts would have little effect.

¹¹ Examples include "inverse floaters" (debt securities with returns that vary inversely with the level of interest rates) and "index amortizing notes" (securities with a principal repayment schedule tied to a market index).

¹² Appendix A, questions 10-11.

¹³ Information on BICs became available on the commercial bank Call Report beginning in September 1994. New items on the Call Report are frequently subject to revisions. As a result, the \$68 million total for BICs in September 1994 cited here should be regarded as preliminary.

Repurchase Agreements.¹⁴ The final section of the survey questioned banks about their use of repurchase agreements in funding their government securities portfolios and for overall liability management. About half of the banks fund a substantial portion of their Treasury securities in trading accounts with overnight RPs. By contrast, most banks reported that overnight RPs were not a primary funding source for Treasury securities in available-for-sale or held-to-maturity accounts. Term RPs were not a common source of funding for any of the categories.

Survey responses indicated wide variation across banks in the factors driving the daily fluctuations in their volume of overnight RPs. For example, about one-third or so of the banks indicated that runoffs of other managed liabilities, end-of-day sweeps of demand deposits, and daily movements in the spread between RP rates and the federal funds rate were important determinants of short-run movements in overnight RPs. However, a majority of banks indicated that these factors were unimportant. Few banks noted that daily fluctuations in trading account securities or loan portfolios influenced day-to-day changes in overnight RPs.

¹⁴ Appendix A, questions 14-16; appendix B, questions 7-9.

Appendix A: Domestic Bank Version

**December 1994
Senior Financial Officer Survey**

1. If your institution issued brokered certificates of deposit within the last year, please list the date of issuance, maturity, interest rate, and all-in cost of your bank's most recent issue of brokered CDs.

	Median Spread	Total Banks
Spread of T-bill rate over brokered CD rate (for maturities less than 12 months)	0.08	7

2. If your bank offers higher rates on CDs with higher minimum balance requirements, please list the interest rate and estimated all-in cost for 6-month retail CDs offered by your bank as of November 30, 1994 by minimum balance category.

Minimum Balance	Median Rate (percent)	Memo: 6-month T-bill Rate	Total Banks
<\$10,000	4.15	5.96	28
>\$10,000	4.32	5.96	28

3. How would you describe the responsiveness of your bank's retail CD rates to changes in market interest rates in 1994 compared with the responsiveness of your bank's retail CD rates to changes in market interest rates in past years?

Number of Banks

1 (Much Less)	2 (Somewhat Less)	3 (About the Same)	4 (Somewhat More)	5 (Much More)	Total
9	22	16	7	0	54

4. Please characterize the importance of the following factors in determining how your bank sets interest rates offered on retail CDs.

Number of Banks

	1 (Not Important)	2	3	4	5 (Very Important)	Total
Yields on Treasury securities of comparable maturities	4	6	13	28	5	56
Yields offered on money market mutual funds	7	23	20	6	0	56
Recently realized returns on stock and bond mutual funds	30	19	5	2	0	56
Yields on CDs offered by your bank's competitors	0	1	5	21	29	56
Yields on your bank's other retail deposits	1	6	22	21	5	55
Volume of loan demand at your bank	7	7	19	17	6	56

5. For your bank's most recent issue of 3-month domestic and Eurodollar large time deposits, please report the date of issuance, interest rate, and all-in cost.

	25th percentile	Median	75th percentile	Total Banks
Spread between domestic 3-month large time deposits and 3-month T-bill	-1.09	-0.35	-0.01	24
Spread between 3-month Eurodollar time deposits (non-negotiable) and 3-month T-bill	0.21	0.40	0.50	26

6. How important is it to maintain a customer base in order to borrow readily and in large quantities in the domestic and Eurodollar large time deposit markets?

Number of Banks

	1 (Not Important)	2	3	4	5 (Very Important)	Total
Domestic large time deposits	6	9	11	17	9	52
Eurodollar time deposits	2	5	9	11	12	39

7. Please indicate the importance of the following factors in determining the quantity of net borrowing or lending with your overseas branches.

Number of Banks

	1 (Not Important)	2	3	4	5 (Very Important)	Total
Opportunities for profitable investments in loans or securities at your bank's domestic offices relative to those at your bank's offices abroad.	15	10	2	5	5	37
Interest costs on domestic deposits relative to interest costs on Eurodollar deposits.	3	3	4	12	16	38
Absence of deposit insurance premiums on Eurodollar deposits	3	1	8	13	14	39

8. What has been the impact of the national depositor preference provision (included in the Omnibus Budget Reconciliation Act of 1993) on the cost of Eurodollar funding?

Number of Banks

1 (None)	2	3	4	5 (Large Increase)	Total
31	5	2	0	0	38

9. How would you characterize the importance of the following factors in determining the spread of the interest rate on your bank's domestic and Eurodollar large time deposits over yields on Treasury securities of comparable maturity?

Number of Banks

	1 (Not Important)	2	3	4	5 (Very Important)	Total
Your bank's regulatory capital ratios	4	7	12	23	7	53
Your bank's credit ratings	2	2	10	17	22	53
The market-average spread of interest rates on private debt securities over yields on Treasury securities of comparable maturity (e.g. spread of commercial paper rates over T-Bill rates, etc.)	4	7	13	21	7	52

10. Please report the quantity of Bank Investment Contracts (BICs) your bank had outstanding for the date listed.

Mean Amount Outstanding (\$Thousands)	Total Banks
76,187	10

11. How do you expect your bank's issuance of BICs to change in light of recent rulings by the FDIC that removed pass-through deposit insurance for these liabilities and allowed for the deduction of BICs from the deposit insurance assessment base?

Number of Banks

1 (Large Decrease)	2 (Small Decrease)	3 (About the Same)	4 (Small Increase)	5 (Large Increase)	Total
1	1	7	1	0	10

12. For each type or liability listed below, please report the amounts that your bank had outstanding for the dates listed.

	December 31, 1993 (Mean, \$Thousands)	November 30, 1994 (Mean, \$Thousands)	Total Banks (Number)
Senior bank notes issued by your bank	702,453	1,460,724	27
Structured notes issued by your bank	222,047	416,625	8
Borrowing from Federal Home Loan Banks	191,652	216,723	17
Borrowing from non-bank affiliates including your bank's holding company	633,608	728,192	25

13. Approximately what share of senior bank notes issued by your bank during the period December 31, 1993 to November 30, 1994 fell in the following original maturity categories?

	Mean Share (in percent)
Less than 1 year	39.75
Greater than or equal to 1 year and less than 2 years	38.16
Greater than or equal to 2 years and less than 3 years	12.23
Greater than or equal to 3 years and less than 5 years	6.77
5 years or more	3.08

14. Please indicate the importance of the following factors in determining the quantity of senior bank notes issued by your bank during 1994.

Number of Banks

	1 (Not Important)	2	3	4	5 (Very Important)	Total
Absence of deposit insurance premiums on senior bank notes	0	2	4	10	11	27
Ability to change the maturity of your bank's liabilities	0	1	11	11	4	27
Your bank's improved regulatory capital ratios have encouraged a shift from subordinated debt issuance to less expensive senior bank notes	8	7	9	3	0	27
Strong demand for senior bank notes from institutional investors	1	2	6	12	6	27

15. For the following categories of your bank's U.S. Treasury securities, what fraction would you estimate has generally been directly funded by overnight- and term-RPs during 1994?

a. Fraction Generally Funded with Overnight RPs During 1994

Number of Banks

U.S. Treasury Securities Maintained in:	<20%	21-40%	41-60%	>60%	Total
Trading Accounts	18	3	6	18	45
Available-for-Sale Accounts	26	8	5	9	48
Held-to-Maturity Accounts	25	6	3	5	39

b. Fraction Generally Funded with Term RPs During 1994

Number of Banks

U.S. Treasury Securities Maintained in:	<20%	21-40%	41-60%	>60%	Total
Trading Accounts	27	9	2	5	43
Available-for-Sale Accounts	34	9	2	1	46
Held-to-Maturity Accounts	31	6	0	2	39

16. Please characterize the importance of the following factors in explaining day-to-day movements in your bank's volume of funding with overnight RPs?

Number of Banks

	1 (Not Important)	2	3	4	5 (Very Important)	Total
Runoffs of other managed liabilities	18	13	12	13	1	57
Demand deposit account balances that are swept into RPs at the end of the day	17	12	5	15	5	54
Daily movements in RP rates versus the federal funds rate	10	19	5	11	12	57
Daily fluctuations in trading account securities	22	12	6	6	3	49
Daily fluctuations in your bank's loan portfolio	27	17	10	2	1	57

Glossary: The following definitions apply to terms used in the survey.

All-in Cost: The total interest and non-interest costs incurred at the margin when issuing deposits and other liabilities.

Bank Investment Contract: Obligations issued by banks typically to pension funds and other large institutional investors acting as fiduciaries for many small investors. Until July 11, 1994, such obligations were eligible for pass-through deposit insurance from the FDIC and were also subject to FDIC deposit insurance premiums.

Brokered Certificate of Deposit: Certificates of deposit issued through a broker in denominations of less than \$100,000 or in denominations of \$100,000 or more that are participated out to retail investors in shares of less than \$100,000. These items are reported on schedule RC-E of the bank Call Report.

Domestic Large Time Deposit: Negotiable and non-negotiable time deposits issued in the United States in amounts of \$100,000 or more.

Eurodollar Time Deposit: Non-negotiable, dollar denominated time deposits booked by the foreign branches or international business facilities of U.S. banks or by foreign banks outside the United States. Eurodollar time deposits do not include negotiable certificates of deposits issued in Eurodollar markets (Euro CDs).

Interest Rate: Uncompounded annual interest rate.

National Depositor Preference Provision: Provision of the Omnibus Budget Reconciliation Act of 1993 that places the claims of domestic depositors ahead of other general creditors of a failed bank in FDIC resolutions.

Retail Certificate of Deposit: Non-negotiable certificates of deposit issued in denominations of less than \$100,000 of the type that are typically marketed directly (without a broker) to households and other non-institutional investors.

Securities, Trading Account: Securities that are reported under "Assets Held in Trading Accounts" in schedule RC of the bank Call Report. These securities are marked-to-market with unrealized gains and losses reflected in the income statement

Securities, Available-for-Sale: Securities that are reported as "Available-for-Sale" in schedules RC and RC-B of the bank Call Report. These securities are reported at "fair value" with unrealized gains and losses reflected in a special component of bank equity but not reflected in the income statement.

Securities, Held-to-Maturity: Securities that are reported as "Held-to-Maturity" at "amortize cost" in schedules RC and RC-B of the bank Call Report.

Senior Bank Notes: Debt obligations of commercial banks that are typically issued in the medium term note market. These instruments are "senior" to subordinated debt and are not included in measures of regulatory capital. Such instruments are not considered deposits by the FDIC and hence are not included in the assessment base for deposit insurance premiums. Senior bank notes are classified by the Federal Reserve as large time deposits for reporting purposes.

Structured Notes: Debt securities whose cash flow characteristics (coupon, redemption amount, or stated maturity) depend upon one or more indices or that have embedded forwards or options. Common examples of structured notes include *inverse floaters* (coupons increase as interest rates decline), *index amortizing notes* (principal repayment tied to a market index), and range *bonds* (investor receives an above market coupon when a reference rate lies within a specified range but receives no interest payments when the reference rate moves outside the range). There are many other types of structured notes.

Appendix B: Foreign Branch Version

December 1994 Senior Financial Officer Survey

1. For your bank's most recent issue of 3-month large time deposits issued in the United States and Eurodollar large time deposits, please report the date of issuance, interest rate, and all-in cost.

	25th Percentile	Median	75th Percentile	Total Banks
Spread between domestic 3-month large time deposits and 3-month T-bill	0.43	0.53	0.61	16
Spread between 3-month Eurodollar time deposits (non-negotiable) and 3-month T-bill	0.40	0.53	.58	16

2. How would you characterize the importance of the following factors in determining the spread of the interest rate on your bank's large time deposits issued in the United States and in Eurodollar markets over yields on Treasury securities of comparable maturity?

Number of Banks

	1 (Not Important)	2	3	4	5 (Very Important)	Total
Your bank's regulatory capital ratios	5	1	2	7	3	18
Your bank's credit ratings	2	0	2	7	7	18
The market-average spread of interest rates on private debt securities over yields on Treasury securities of comparable maturity (e.g. spread of commercial paper rates over T-Bill rates, etc.)	4	0	1	9	4	18

3. How important is it to maintain a customer base in order to borrow readily and in large quantities in the U.S. large time deposit and Eurodollar large time deposit markets?

Number of Banks

	1 (Not Important)	2	3	4	5 (Very Important)	Total
U.S. large time deposit market	1	3	4	1	8	17
Eurodollar large time deposit market	0	4	3	2	8	17

4. Please indicate the importance of the following factors in determining the quantity of net borrowing or lending with your overseas parent office.

Number of Banks

	1 (Not Important)	2	3	4	5 (Very Important)	Total
Opportunities for profitable investments in loans or securities at your bank's domestic offices relative to those at your bank's offices abroad	2	4	5	7	2	20
Interest costs on deposits in U.S. markets relative to interest costs on Eurodollar deposits	1	1	4	10	4	20
Absence of deposit insurance premiums on Eurodollar deposits	6	0	6	4	3	19

5. For each type or liability listed below, please report the amounts that your branch had outstanding for the dates listed.

	December 31, 1993 (Mean, \$Thousands)	November 30, 1994 (Mean, \$Thousands)	Total Banks (Number)
Senior bank notes issued by your branch	402,641	313,984	5
Structured notes issued by your branch	80,750	131,875	4
Borrowing from non-bank affiliates including your bank's holding company	1,056,817	823,224	6

6. Approximately what share of senior bank notes issued by your branch during the period December 31, 1993 to November 30, 1994 fell in the following original maturity categories?

	Mean Share (in percent)
Less than 1 year	19.38
Greater than or equal to 1 year and less than 2 years	22.25
Greater than or equal to 2 years and less than 3 years	23.80
Greater than or equal to 3 years and less than 5 years	33.33
5 years or more	1.25

7. Please indicate the importance of the following factors in determining the quantity of senior bank notes issued by your branch during 1994.

Number of Banks

	1 (Not Important)	2	3	4	5 (Very Important)	Total
Absence of deposit insurance premiums on senior bank notes	2	1	1	0	0	4
Ability to lengthen the maturity of your branch's liabilities	0	0	2	2	0	4
Your bank's improved regulatory capital ratios have encouraged a shift from subordinated debt issuance to less expensive senior bank notes	4	0	0	0	0	4
Strong demand for senior bank notes from institutional investors	0	2	2	0	0	4

8. For the following categories of your branch's U.S. Treasury securities, what fraction would you estimate has generally been directly funded by overnight- and term-RPs during 1994?

a. Fraction Generally Funded with Overnight RPs During 1994

Number of Banks

US. Treasury Securities Maintained in:	<20%	21-40%	41-60%	>60%	Total
Trading Accounts	3	0	0	3	6
Available-for-Sale Accounts	5	0	0	0	5
Held-to-Maturity Accounts	5	0	0	0	5

b. Fraction Generally Funded with Term RPs During 1994

Number of Banks

US. Treasury Securities Maintained in:	<20%	21-40%	41-60%	>60%	Total
Trading Accounts	3	2	0	0	5
Available-for-Sale Accounts	4	1	0	0	5
Held-to-Maturity Accounts	3	2	0	0	5

9. Please characterize the importance of the following factors in explaining day-to-day movements in your branch's volume of funding with overnight RPs?

Number of Banks

	1 (Not Important)	2	3	4	5 (Very Important)	Total
Runoffs of other managed liabilities	4	2	2	1	0	9
Demand deposit account balances that are swept into RPs at the end of the day	9	0	0	0	0	9
Daily movements in RP rates versus the federal funds rate	2	0	3	1	3	9
Daily fluctuations in trading account securities	6	0	0	1	2	9
Daily fluctuations in your branch's loan portfolio	7	1	1	0	0	9

Glossary: The following definitions apply to terms used in the survey

All-in Cost: The total interest and non-interest costs incurred at the margin when issuing deposits and other liabilities.

Eurodollar Time Deposit: Non-negotiable, dollar denominated time deposits booked by the foreign branches or international business facilities of U.S. banks or by foreign banks outside the United States. Eurodollar time deposits do not include negotiable certificates of deposits issued in Eurodollar markets (Euro CDs).

Large Time Deposit (U.S.): Negotiable and non-negotiable time deposits issued in the United States in amounts of \$100,000 or more.

Interest Rate: Uncompounded annual interest rate.

Securities, Trading Account: Securities that would be reported as "Assets Held in Trading Accounts" in schedule RC of the bank Call Report. These securities are marked-to-market with unrealized gains and losses reflected in the income statement.

Securities, Available-for-Sale: Securities that would be reported as "Available-for-Sale" in schedules RC and RC-B of the bank Call Report. These securities are reported at "fair value" with unrealized gains and losses reflected in a special component of bank equity but not reflected in the income statement.

Securities, Held-to-Maturity: Securities that would be reported as "Held-to-Maturity" at "amortized cost" in schedules RC and RC-B of the bank Call Report.

Senior Bank Notes: Debt obligations of commercial banks that are typically issued in the medium-term note market. These instruments are "senior" to subordinated debt and are not included in measures of regulatory capital. Such instruments are not considered deposits by the FDIC and hence are not included in the assessment base for deposit insurance premiums. Senior bank notes are classified by the Federal Reserve as large time deposits for reporting purposes.

Structured Notes: Debt securities whose cash flow characteristics (coupon, redemption amount, or stated maturity) depend upon one or more indices or that have embedded forwards or options. Common examples of structured notes include *inverse floaters* (coupons increase as interest rates decline), *index amortizing notes* (principal repayment tied to a market index), and *range bonds* (investor receives an above market coupon when a reference rate lies within a specified range but receives no interest payments when the reference rate moves outside the range). There are many other types of structured notes.