

U.S.C. §§ 347b and 248(a)(2) and (i) and is given confidential treatment (5 U.S.C. 552(b)(4)).

Abstract: The Federal Reserve's Regulation A, "Extensions of Credit by Federal Reserve Banks," (12 CFR 201) requires that Reserve Banks review balance sheet data in order to guard against inappropriate discount window borrowing situations. Currently, borrowers are requested to report certain balance sheet data for a period that encompasses the dates of borrowing. There is considerable variation across Districts in the specific data elements collected, in the time periods for which data are requested, and in the formats in which data are reported. The proposed FR 2046 would standardize these aspects of data collection across Reserve Banks.

Board of Governors of the Federal Reserve System, June 3, 1998.

Jennifer J. Johnson,

Secretary of the Board.

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FEDERAL RESERVE SYSTEM

Notice of Proposals to Engage in Permissible Nonbanking Activities or to Acquire Companies that are Engaged in Permissible Nonbanking Activities

The companies listed in this notice have given notice under section 4 of the Bank Holding Company Act (12 U.S.C. 1843) (BHC Act) and Regulation Y, (12 CFR Part 225) to engage *de novo*, or to acquire or control voting securities or assets of a company, including the companies listed below, that engages either directly or through a subsidiary or other company, in a nonbanking activity that is listed in § 225.28 of Regulation Y (12 CFR 225.28) or that the Board has determined by Order to be closely related to banking and permissible for bank holding companies. Unless otherwise noted, these activities will be conducted throughout the United States.

Each notice is available for inspection at the Federal Reserve Bank indicated. The notice also will be available for inspection at the offices of the Board of Governors. Interested persons may express their views in writing on the question whether the proposal complies with the standards of section 4 of the BHC Act.

Unless otherwise noted, comments regarding the applications must be received at the Reserve Bank indicated or the offices of the Board of Governors not later than June 24, 1998.

A. Federal Reserve Bank of St. Louis (Randall C. Sumner, Vice President) 411 Locust Street, St. Louis, Missouri 63102-2034:

1. *Farmers Bancshares, Inc.*, Hardinsburg, Kentucky; to acquire Leitchfield Deposit Bancshares Insurance, Inc., Leitchfield, Kentucky, and thereby engage in acting as principal, agent, or broker for insurance that is directly related to an extension of credit by the bank holding company or any of its subsidiaries pursuant to § 225.28(b)(11) of Regulation Y.

Board of Governors of the Federal Reserve System, June 4, 1998.

Robert deV. Frierson,

Associate Secretary of the Board.

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FEDERAL RESERVE SYSTEM

Federal Open Market Committee; Domestic Policy Directive of March 31, 1998.

In accordance with § 271.5 of its rules regarding availability of information (12 CFR part 271), there is set forth below the domestic policy directive issued by the Federal Open Market Committee at its meeting held on March 31, 1998.¹ The directive was issued to the Federal Reserve Bank of New York as follows:

The information reviewed at this meeting suggests that economic activity continued to grow rapidly during the early months of 1998. Nonfarm payroll employment increased sharply further in January and February, and the civilian unemployment rate, at 4.6 percent in February, equaled its low for the current economic expansion. However, growth in manufacturing payroll employment was down over the first two months of the year, and factory output decelerated appreciably. Consumer spending has risen considerably further since year-end, and housing activity also has strengthened in recent months. Available indicators point to a sharp rebound in business fixed investment following a small decline in the fourth quarter. Fragmentary data on nonfarm inventories suggest a slower rate of accumulation early in the year. The nominal deficit on U.S. trade in goods and services widened substantially in

¹ Copies of the Minutes of the Federal Open Market Committee meeting of March 31, 1998, which include the domestic policy directive issued at that meeting, are available upon request to the Board of Governors of the Federal Reserve System, Washington, D.C. 20551. The minutes are published in the Federal Reserve Bulletin and in the Board's annual report.

January from its average monthly rate in the fourth quarter. Despite indications of persisting pressures on employment costs associated with tight labor markets, price inflation has abated further, primarily as a consequence of large declines in energy prices.

Interest rates generally have risen somewhat on balance over the intermeeting period. Share prices in U.S. equity markets have moved up substantially further over the period. In foreign exchange markets, the value of the dollar has increased somewhat over the period in relation to the currencies of other major industrial nations, but it has depreciated relative to the currencies of most emerging market economies in Asia.

Growth of M2 and M3 picked up somewhat in the first quarter from already robust rates in the fourth quarter. Expansion of total domestic nonfinancial debt also has strengthened over recent months.

The Federal Open Market Committee seeks monetary and financial conditions that will foster price stability and promote sustainable growth in output. In furtherance of these objectives, the Committee at its meeting in February established ranges for growth of M2 and M3 of 1 to 5 percent and 2 to 6 percent respectively, measured from the fourth quarter of 1997 to the fourth quarter of 1998. The range for growth of total domestic nonfinancial debt was set at 3 to 7 percent for the year. The behavior of the monetary aggregates will continue to be evaluated in the light of progress toward price level stability, movements in their velocities, and developments in the economy and financial markets.

In the implementation of policy for the immediate future, the Committee seeks conditions in reserve markets consistent with maintaining the federal funds rate at an average of around 5-1/2 percent. In the context of the Committee's long-run objectives for price stability and sustainable economic growth, and giving careful consideration to economic, financial, and monetary developments, a somewhat higher federal funds rate would or a slightly lower federal funds rate might be acceptable in the intermeeting period. The contemplated reserve conditions are expected to be consistent with considerable moderation in the growth in M2 and M3 over coming months.

By order of the Federal Open Market Committee, May 29, 1998.

Donald L. Kohn,

Secretary, Federal Open Market Committee.

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