Who We Are and What We Do

Federal Reserve Bank of St. Louis
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Sketches the structure of the Federal Reserve System and the operations of the St. Louis Fed. Photographs, diagrams, and drawings.

This document may be printed.
Who We Are And What We Do
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The Federal Reserve System

Like most highly developed nations, the United States has a "central bank" to meet the needs of its complex financial system. Our central bank, the Federal Reserve System, was established in 1913 by the Federal Reserve Act. Unlike the central banks of most other countries (which are single institutions), the Federal Reserve System is a nationwide network of 12 District Banks with 37 additional branches and offices.

At the hub of this network is a Board of Governors, headquartered in Washington, D.C. The seven members of the Board of Governors are appointed by the President of the United States and confirmed by the Senate for 14-year terms, which are staggered to insulate the governors from day-to-day political pressure.

Each of the 12 Districts is headed by a president appointed by the Bank's board of directors, which represents the varied economic activity in that District. The Board of Governors has the general responsi-
bility for coordinating the System; the Banks and their offices are responsible for operations within their Districts.

The operations of a Federal Reserve Bank affect the general public, depository institutions and the U.S. Treasury. Each Reserve Bank plays a part in the System’s effort to contribute to a healthy national economy by managing the nation’s money and credit, by acting as a regulator of the banking industry, and by serving as a bank for depository institutions and the federal government.

All national banks are required by law to be members of the Federal Reserve System; state-chartered banks may join if they meet certain requirements. In the past, only member banks maintained reserve accounts with the Fed and had access to its services.

With the passage of the Depository Institutions Deregulation and Monetary Control Act in 1980, however, all depository institutions (commercial banks, savings and loan associations and credit unions) now have access to the System’s services, which include providing cash, check clearing and collection, transfer of funds, settlement services and securities safekeeping.

**THE EIGHTH DISTRICT**

The Federal Reserve Bank of St. Louis, with branches in Little Rock, Arkansas, Louisville, Kentucky, and Memphis, Tennessee, serves the Eighth District, which includes all of Arkansas, eastern Missouri, western Kentucky and Tennessee, southern Illinois and Indiana, and northern Mississippi. The economy of the District is highly diverse, with a wide range of industrial and agricultural activities. There is a moderate concentration in the transportation and defense-related industries in the St. Louis metropolitan area. Leading industries throughout the District include the manufacturing of chemical and petroleum products, electrical equipment, and lumber and furniture.

In the agricultural sector, the northern portion of the District is known for its corn, soybean and hog production. The southern portion is concentrated in cotton, soybeans and wheat. Tobacco production and horsebreeding in Kentucky are vital components of that state’s economy.
The Fed
As
Manager
Of the
Nation's
Monetary
System

The Federal Reserve System is charged with formulating and implementing the nation’s monetary policy in order to bring about sustainable economic growth and stable prices. To achieve these goals, it must conduct research on basic macroeconomic relationships and have current and accurate information on the economic and financial conditions of our region, the nation and the world.

Economic activity is covered by the print and broadcast news media every day. The St. Louis Fed’s role in the monetary policy process involves the analysis of this activity within the framework of economic models developed by our economists. This research is used to advise our Bank president on various policy options. The president then represents the St. Louis District on the Federal Open Market Committee (FOMC), the Federal Reserve System’s chief monetary policymaking body. The membership of this Committee consists of the seven members of the Board of Governors plus five Reserve Bank presidents, one of whom is the president of the New York Fed. The other Bank presidents serve one-year terms on a rotating basis.
Eight times a year, the FOMC meets in Washington, D.C., to discuss the direction of economic activity and to set objectives for key measures of the money supply and credit. At the end of each meeting the FOMC issues a “directive” that guides the trading desk at the New York Fed in conducting open market operations—the buying and selling of government securities in the open market. Open market operations are the most important and most frequently used method of implementing monetary policy.

The other two methods of implementing monetary policy decisions involve setting the discount rate and changing reserve requirement ratios for depository institutions. The discount rate is the interest rate that we charge depository institutions when they borrow money to offset their reserve deficiencies. Reserve requirement ratios are the percentage of reserves that financial institutions must hold against their deposits.

These three monetary policy tools affect the availability of reserves for depository institutions, thus affecting the amount of credit and money growth in the economy. Through the appropriate use of these tools, the Fed attempts to provide the monetary growth necessary for stable prices and a growing economy. Excessive money growth could lead to inflation and slow money growth could cause recession.
The Fed
As
Regulator
Of the
Banking
System

In the interest of maintaining a strong financial network in which the public can place its confidence, we supervise and regulate banks to ensure that they operate safely, soundly and within the confines of the law.

Our Bank has the responsibility of examining state-chartered Fed member banks and bank holding companies within the Eighth District to see that they are being managed properly. Foreign operations of member banks are monitored to ensure they are consistent with the objectives of the domestic banking system.

Other financial institutions are under the jurisdiction of various regulatory agencies: Comptroller of the Currency (national banks), Federal Deposit Insurance Corporation (nonmember state-chartered banks), Federal Home Loan Bank Board (federally chartered savings and loan associations), National Credit Union Administration (credit unions) and various other state authorities.

When Congress passed “Truth-in-Lending” legislation in 1968, requiring creditors to provide clear and accurate information to borrowers, we were directed to establish detailed regulations to put the law into effect, providing consumers with new and better ways to shop for credit. Other consumer protection regulations—such as the mandate that lenders offer credit on a nondiscriminatory basis and use fair billing and debt collection practices—have been enacted since then.
The Fed
As
Banker
For
Depository
Institutions

We perform many of the same services for depository institutions that they perform for their customers, such as clearing their checks, taking in their extra cash and supplying cash when they need more, transferring funds between institutions, safekeeping of securities and lending them money.

CHECKS

The largest operation of the Bank is the nationwide check clearing service. Nine out of every 10 dollars spent by Americans are in the form of a check. Every day, millions of pieces of paper must be moved around the country, sorted, tabulated and credited or debited to the proper financial institution's account. Some 4.2 million checks enter our Bank and its branches every business day.

RCPC

To handle the growing volume of checks more efficiently, the System has established Regional Check Processing Centers
(RCPCs), which are designed to provide overnight processing and collection of checks.

CASH

All new money that the U.S. Treasury Department prints or mints is put into circulation by a Federal Reserve Bank. The Bank removes from circulation coins and bills that are damaged or worn, in addition to sorting out any counterfeits, which are sent to the U.S. Secret Service.

TRANSFER OF FUNDS

An electronic funds transfer system provides a link among Reserve Banks, financial institutions and some government agencies. Our system, known as FEDWIRE, allows institutions to transfer funds to another institution anywhere in the country within minutes. Many financial institutions in the Eighth District have online connections that communicate directly with the computer at the St. Louis Bank. Our computer is linked to the nationwide FED-
WIRE system so funds are transferred without any intervention by our Bank staff.

ACH

The continuous increase in the number of checks led to the development of Automated Clearing Houses, which provide electronic methods for transferring funds.

You may already be familiar with the banking industry's electronic payments system. For example, if your employer automatically deposits your paycheck in your bank account, he is using ACH instead of issuing a check. Both consumers and businesses use ACH for various types of electronic payments to and from accounts at financial institutions. Through this payment system, many paper checks are being eliminated.

SAFEKEEPING OF SECURITIES

Depository institutions may store securities safely and conveniently at our Bank. The method of safekeeping depends partly on the type of securities. For example, Treasury issues and federal agency securities are held in a book-entry form only (a computer record). Municipal and other miscellaneous securities are held in paper form. As coupons attached to municipal securities come due, we clip and present them for payment.
This safekeeping service offers institutions a convenient method of holding collateral for certain transactions. Certain deposits of public funds held at depository institutions, such as Treasury Tax and Loan accounts, must be collateralized. The securities may be used as collateral for borrowing from the Federal Reserve if necessary.

CREDIT

Our Bank also makes loans to depository institutions. Most of these loans are short-term—usually for overnight or a few days—to permit institutions to adjust to unexpected situations. A smaller number of loans are either long-term loans, which help cushion the impact of seasonal fluctuations, or emergency loans, which the Fed extends in exceptional circumstances only.
The Fed
As
Banker
For the
Government
We maintain the world's largest bank account—that of the U.S. government. Most federal tax payments (including payroll withholdings and checks to the Internal Revenue Service) eventually are deposited in the government's account at a Federal Reserve Bank. Government agencies draw checks on these accounts to pay for their expenses.

We also sell marketable securities to the public to assist the Treasury Department in financing the national debt. Government securities include Treasury bills, bonds and notes. Treasury bills, which are sold in minimum amounts of $10,000, are securities with maturities of 13 weeks, 26 weeks or 52 weeks. Notes and bonds have longer maturity periods.

We also issue, exchange and redeem savings bonds for the Treasury and supply unissued savings bonds to banks and other financial institutions who then sell them to the public. Savings bonds also are issued to individuals when they apply or through payroll savings plans offered by many companies.
For
More
Information

The Federal Reserve Bank of St. Louis and its Branches strive to promote a better understanding of central bank operations, monetary and economic issues and the Federal Reserve System. If you would like to learn more about Who We Are And What We Do, please contact the Public Information Office at the St. Louis Bank or one of our Branches.

AUDIOVISUALS AND TOURS

A wide selection of audiovisual materials on various economic and banking topics is available to Eighth District residents.

Tours of the St. Louis Bank are offered to high school and college students, teachers, bankers and the general public. Tours begin at 9:30 a.m. and 1:30 p.m. Monday through Friday. Please note that reservations are required.

To reserve an audiovisual or plan a tour, please contact our tour coordinator at (314) 444-8421 or write us at:

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