

TRANSFER

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FEDERAL RESERVE BANK OF ST. LOUIS

ST. LOUIS 2, MO.

September 23, 1949

*To All Banks in the Eighth
Federal Reserve District:*

The Board of Governors of the Federal Reserve System and the directors and officers of this Bank consider that it is desirable and that it may be helpful to invite your attention to the lending authority conferred upon the Federal Reserve Banks by the provisions of Section 13b of the Federal Reserve Act and Regulation S of the Board of Governors.

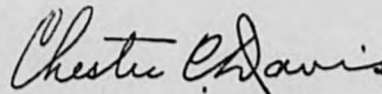
Generally speaking, under these provisions the Federal Reserve Banks are authorized to extend credit for the purpose of providing working capital to established industrial or commercial businesses either (1) in conjunction with banks and other lending institutions or (2) in exceptional circumstances, by direct loans or commitments to such businesses. The terms and conditions under which this credit may be so extended are set forth and explained in Regulation S and the Operating Letter, copies of which are enclosed for your information and use.

With banks and other lending institutions in such a strong, liquid condition, industry and business generally should be able to obtain the credit needed to provide ample working capital from private sources. There may be instances, however, in which credit is needed for this purpose and in the interests of the community and the general economy should be provided, but in which banks and other private sources are unable or unwilling to do so unless they can be assured of the loan's convertibility into cash or can share the risk. Under the provisions of Section 13b Federal Reserve Banks may enter into arrangements which provide for sharing the risk and converting the loan into cash before maturity.

This Federal Reserve Bank will continue its policy of considering direct loans to business only in those cases where no bank or other lending institution is willing to provide the needed financial assistance either solely by itself, in participation with another financing institution or with the participation of this Bank. The continuance of this policy is for the purpose of encouraging the use of private credit sources wherever possible and to eliminate all possibility of competition with such sources.

Inquiries and applications will receive prompt and due consideration.

Yours very truly,



CHESTER C. DAVIS

President