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Site  
MAY 17 1976

William L. Rutherford, Esq.  
4801 Prospect Road  
Peoria Heights, Illinois 61614

Dear Mr. Rutherford:

I have learned of your concern about the Federal Reserve's emergency currency storage vault near Culpeper, Virginia. This letter is intended to explain the need for this facility and respond to questions about it posed by the television editorial aired in Peoria, Illinois.

In an Executive Order signed in 1969, the President directed the Federal Reserve to develop emergency plans to cope with the economic effects of a nuclear attack, as well as the aftermath of mobilization in a limited war. One of the specific preparedness responsibilities assigned to the Federal Reserve Board was the acquisition and decentralized storage of an adequate supply of currency for use in a post-attack emergency. In carrying out this responsibility, the Board decided to provide for a two-year emergency supply of currency. This amount was based on the assumption that it might take two years to resume production of currency if the present source of supply were destroyed by enemy action. The Culpeper facility houses that portion of the emergency supply required for the eastern part of the United States. In addition, the vault provides capacity needed to store coins required to avert a coin shortage which might develop in normal times.

However, the storage vault is not the major activity located at the Culpeper facility. This site also houses the switching center that is the core of a nation-wide communications network which transmits information vital to the functioning of our banking and credit system. This network permits the smooth transfer of funds and government securities among Federal Reserve member commercial banks throughout the country. The bulk of the facility's operating expenses support this activity. Of the approximately \$2.5 million required to operate the Culpeper facility each year, \$1.3 million is required for telecommunications costs and another \$1.0 million provides security protecting both the communications network and the storage vault.



I hope this explanation is adequate to respond to the questions raised about the necessity for this Federal Reserve activity. Please let me know if I can provide any additional information.

Sincerely yours,

(signed) Paul H. O'Neill

Paul H. O'Neill  
Deputy Director

cc: DO Records  
Chron  
Director  
Deputy Director  
EG:GKundahl

PA:AWade/dp 4/21/76

Retyped for O'Neill sig: AD/EG:DPKearney:gad 5/14/76

*Mike Alaval ✓  
White House*

