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ADDRESS REPLY TO  
FEDERAL RESERVE BOARD

October 5, 1918.

X-1245

SUBJECT: RESERVE REQUIREMENTS OF BANKS LOCATED IN OUTLYING  
DISTRICTS OF CENTRAL RESERVE AND RESERVE CITIES.

Dear Sir:

The Board now has authority under the Act of September 26, 1918, amending the Federal Reserve Act to reduce the reserve requirements of banks located in outlying districts of Central Reserve and Reserve Cities. There is now under consideration a regulation covering this matter, but before issuing the regulation your opinion is desired as to the general rule which should be adopted.

You are requested to advise this office at your earliest convenience of your view of the matter based upon local conditions in your own city and other reserve cities of your district. The question is should the Board establish a definite territorial limit or should cognizance be taken also of the character of business engaged in by the banks involved - that is, the proportion of bank balances to individual deposits carried by the respective banks.

It should be borne in mind, however, that the Board is without authority to reduce the reserve required of any bank which is located within the recognized business and financial center, as direct reference is made to "outlying districts". The principal problem involved, therefore, seems to be whether all banks located in "outlying districts" outside of the business center should be classified alike.

Very truly yours,

Governor.