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ADDRESS REQUEST TO
FEDERAL RESERVE BOARD

July 6, 1915.

S I R :

Under date of January 7th, a letter was addressed to each Federal Reserve Bank with regard to the subdivision of Expense Account. The Banks were advised that the following division was considered a fair one by the Board :

" CURRENT EXPENSE, should include all disbursements for expenses incurred in the operation of the bank since November 16, 1914.

ORGANIZATION EXPENSE, should include extraordinary expenses incurred in the organization of the bank and also the assessments made by the Federal Reserve Board. A considerable portion of the money raised by the initial assessment will be used to defray expenses incurred for the engraving and printing of Federal Reserve notes.

The item Organization Expense should be reduced as quickly as the earnings of the bank will permit. "

At the Conference of Governors held June 14, 15 and 16, the following resolution was passed :

"RESOLVED, that it is the sense of this conference that each Federal reserve bank submit to the Federal Reserve Board a complete detail of the items which have been included in the organization expenses, as set up by the respective banks, and that this data be analyzed by the accountants of the Federal Reserve Board, and that if it is found necessary, a suggested adjustment be made to the banks where certain items have not been included that they should be properly included in the organization expenses, so that the items may be uniform as nearly as possible with all banks, and that effective July 1, 1915, a general form of carrying the expense accounts of the banks be recommended by the Board."

Within a day or two thereafter, letters were addressed to each of the Federal reserve banks, requesting detailed memoranda of items included in the "Organization Expense", as reported on the daily statement. All answers were received by July 2nd.

At the present time the diversity in handling the items makes comparison impossible. For instance, some of the banks include as Organization Expense only payments made to the Federal Reserve Board. The majority of the banks, however, have included a number of other items in Organization Expense, in line with the division suggested on January 7th. Again, some banks have set up a special account, "Cost of Federal Reserve Notes", and most of the banks have set up an account "Furniture and Equipment", while other banks include both the cost of Federal reserve notes and Furniture and Equipment account in Organization Expense.

As a result of the examination of the various accounts, the following suggestions are made, with a view of securing uniformity in treatment of items which may properly be included in Organization Expense :

1. FEDERAL RESERVE NOTES, COST, to be set up as a special asset, -- to include payments for printing, shipping, expressage, postage, insurance and engraving plates.

(The method of reducing this item will be taken up at a later period.)

2. FURNITURE AND EQUIPMENT, to include expenditures for furniture, rugs, safes, machines and office appliances.

3. ORGANIZATION EXPENSE ACCOUNT, to include expenses incurred prior to November 16, 1914, extraordinary payments incident to the organization of the bank, and payments made to defray the general expenses of the Federal Reserve Board. The following items may properly be included in Organization Expense :

1. Assessments to meet the general expenses of the Federal Reserve Board. (Not to include any part of the cost of printing Federal reserve notes.)
2. Repairs and alterations.
3. Expressage, - - charges on initial payments; - - expense of transferring gold.
4. Gold abrasion - - on initial deposits of capital and reserves.
5. Rent up to November 16, 1914.
6. Stationery, representing the cost of that portion of the supplies ordered prior to November 16, 1914, which have not yet been used. The cost of supplies used should be charged as current expense.
7. Salaries, - - payments for services prior to November 16, 1914, and payments to temporary officers and employees whose services were used in connection with the organization of the bank.
8. Traveling expenses incurred by officers and employees prior to November 16, 1914.
9. Directors' fees and mileage- - expenses of directors attending Washington conference, October, 1914. Fees per diem and mileage in connection with the meetings of directors and Executive Committee, prior to November 16, 1914.
10. Sundry - - other actual expenses incurred prior to November 16, 1914.

Payments for premiums on fidelity bonds, insurance and burglar alarm service should be charged to Current Expense. In figuring the earnings and expenses of a given period, allowances should be made for unexpired terms.

Organization Expenses should be decreased as rapidly as the earnings of the Institution will permit. Assessments made to meet the general expenses of the Federal Reserve Board for the period beginning July 1, 1915, should be charged to Current Expenses, but in computing the earnings and expenses of a given period, one-sixth of the entire assessment should be charged against Current Earnings each month. It is very desirable that at as early a date as possible, a method of amortizing the cost of printing Federal reserve notes should be adopted. It is thought that this account should eventually represent the actual cost of the notes unissued and the notes on hand.

Respectfully,

Secretary.