

EX-OFFICIO MEMBERS

WILLIAM G. MCADOO
SECRETARY OF THE TREASURY
CHAIRMAN
JOHN SKELTON WILLIAMS
COMPTROLLER OF THE CURRENCY

FEDERAL RESERVE BOARD
WASHINGTON

X-566
W. P. G. HARDING, GOVERNOR
PAUL M. WARBURG, VICE GOVERNOR
FREDERIC A. DELANO
ADOLPH C. MILLER
CHARLES S. HAMLIN
H. PARKER WILLIS, SECRETARY
SHERMAN P. ALLEN, ASST. SECRETARY
AND FISCAL AGENT

ADDRESS REPLY TO
FEDERAL RESERVE BOARD

December 13, 1917.

Dear Sir:

Section 7 of the Federal Reserve Act provides in part
as follows:

"After all necessary expenses of a Federal Reserve Bank have been paid or provided for, the stockholders shall be entitled to receive an annual dividend of six per centum on the paid-in capital stock, which dividend shall be cumulative. After the aforesaid dividend claims have been fully met, all the net earnings shall be paid to the United States as a franchise tax, except that one-half of such net earnings shall be paid into a surplus fund until it shall amount to forty per centum of the paid-in capital stock of such bank."

Inasmuch as on December 31, your bank will have remaining out of undivided profits, after charging off all current expenses, and providing a reserve for depreciation, a sum sufficient to pay all accumulated dividends on capital stock, it will become necessary for your bank to make a payment to the United States as a franchise tax, in an amount equal to one-half of the net earnings in excess of the required dividend, the other half of such excess to be paid into a surplus fund. It is suggested, therefore, that after the necessary entries have been made upon the books of your bank, that the Federal Reserve Board be authorized to transfer from your account in the Gold Settlement Fund, to the Treasurer of the United States, an amount equal to one-half of

- 2 -

the net earnings in excess of all accumulated dividends, the remaining half of the excess earnings to be carried to a surplus fund in a ledger account to be opened for that purpose. It is desired that payments to the Treasurer be made on the same day, on behalf of all the Federal Reserve Banks which have excess earnings, and that any announcements made may be simultaneous. The Board will telegraph your bank when this transfer from the Gold Settlement Fund to the Treasurer of the United States is made, and you are requested to make no public announcement until you receive the Board's telegraphic advice.

Very truly yours,

Governor.