

EX-OFFICIO MEMBERS

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

FEDERAL RESERVE BOARD

WASHINGTON

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
X-919 FEDERAL RESERVE BOARD

May 3, 1918.

Dear Sir:

I enclose herewith copy of a letter that has been sent to the Chairman of the Federal Reserve Bank of San Francisco, which may be of interest to your directors at sometime in the near future, if not at present.

Very truly yours,

Governor.

The Chairman,
Federal Reserve Bank,

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FEDERAL RESERVE BOARD

WASHINGTON

X-919-A

ADDRESS REPLY TO
FEDERAL RESERVE BOARD

May 2, 1918.

Dear Sir:-

The Board has carefully considered your letter of April 20th, referring to land which has been acquired by the Federal Reserve Bank of San Francisco on which it proposes, as conditions permit, to erect a building for its use.

You state that your present plans are to have your new bank building occupy only that part of the lots acquired which has no buildings upon it, and that it is your intention as to the remaining part of the block upon which there are buildings, to rent the property until such time as it may be needed for an extension of your bank building. You state that you would like to separate the ground value, estimated on a conservative basis, from the cost of that part of the property upon which the old buildings stand, and that on June 30th you propose to charge off the entire cost of the old buildings, and you ask if this will meet with the approval of the Board.

In view of the fact that you have acquired this block of land with the intention of covering it eventually with a building for the use of the bank, it appears that the present buildings represent no permanent value, as they will have to be torn down. When the buildings are removed your bank would necessarily have to charge off that proportion of the cost of the property which represents the value placed upon the buildings by the vendor, and the Board sees no objection, in case your earnings permit, to your directors anticipating this loss and making the proper deduction in the value of your real estate at the approaching dividend period.

The Board is not unmindful of the circular letter of December 7, 1917, X-555, which was sent to all Federal Reserve banks, in which it was stated that "on the cost of bank premises, depreciation allowance in any one year should be limited to 5% of the total cost" but this ruling was intended to apply to those Federal Reserve banks which were already occupying buildings of their own. There is, therefore, no inconsistency in authorizing you to carry your real estate acquired for building purposes at its ground value. The Board is not, in any event, barred from allowing more rapid amortization of the cost of bank premises than that suggested in its letter of December 7, 1917.

Very truly yours,

Governor.

Mr. John Perrin,
Chairman Federal Reserve Bank,
San Francisco, California.