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FEDERAL RESERVE BOARD

WASHINGTON

June 9, 1920.  
St.1207

SUBJECT: Closing of books on June 30, 1920.

Dear Sir:

The Board requests that the books of all Federal Reserve Banks be closed on June 30, 1920, and in order to insure uniformity of practice the following method of treatment of net earnings, reserves and depreciation allowances has been approved by the Federal Reserve Board:

1. Cost of Federal Reserve and Federal Reserve Bank notes, also of Furniture and Equipment:  
Charge balance of accounts as shown by books on June 30 to current expense account.
2. Reserve for Taxes.  
Set aside sufficient amounts to take care of all taxes accrued.
3. Extraordinary Charge-offs or Depreciation Allowances:  
Defer all action regarding extraordinary charge-offs or depreciation allowances including depreciation charges on account of bank premises, until closing of books on December 31, 1920.
4. Distribution of Net Earnings after making Allowance for Dividend Payments.
  - (a) Transfer 10 per cent to profit and loss account.
  - (b) Transfer balance of 90 per cent to surplus account, provided the surplus account would not as a result exceed the bank's subscribed capital, in which case only such amount should be transferred as is necessary to increase the normal surplus to an amount equal to the bank's subscribed capital.
  - (c) Transfer 90 per cent of remainder, if any, to account "Reserved for Government Franchise Tax", and 10 per cent to an account on the books of your bank to be known as "Super-surplus".

It is the Board's desire that the normal surplus account of each Federal Reserve Bank, i. e., the surplus account which, according to law, may reach a maximum equivalent to the bank's subscribed capital, be kept separate on the bank's books from the "Super-surplus" to be accumulated from net profits retained by the bank after the normal surplus account shall have reached 100 per cent of the bank's subscribed capital.

On Form 34 and in all published statements, however, the two accounts, surplus and super-surplus, should be combined under the general heading "Surplus".

May we request that you present this letter to your Board of Directors at an early date so that their resolution in the matter of closing the books and payment of dividends on June 30, together with a statement of the estimated amount of gross and net earnings, also of dividends accrued for the six months ending June 30, 1920, may reach the Board not later than June 26, 1920.

Very truly yours,

Governor

(Copy of this letter sent to Chairman of each F. R. Bank.)