

FEDERAL RESERVE BOARD

WASHINGTON

October 6, 1925.
St. 4672ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

SUBJECT: Functional Expense Reports.

Dear Sir:

From time to time in recent months informal suggestions have been made by various bank officials regarding the quarterly functional expense reports, form E, and in order that the whole question might be thoroughly considered the Board recently decided to appoint a committee of representatives of the member banks to meet with members of the Board's staff to review the functional expense reports and to make such recommendations in regard thereto as it might see fit. This committee met at the Board's offices on September 28 and 29, and after carefully reviewing the reports and the results accomplished through them it reached the unanimous conclusion that the reports should be continued in approximately their present form but that they could be somewhat simplified and reduced in size, also that equally good results could be obtained by submitting them semi-annually instead of quarterly. The committee's report, a copy of which is enclosed, has been approved by the Board, and revised forms E for use beginning next year will shortly be printed and a supply furnished to each Federal reserve bank.

The changes in form E recommended by the committee and approved by the Board consist principally of the consolidation into one item of the present three-fold classification of employees' salaries, i. e., assigned staff, employees loaned or borrowed (Dr. or Cr.), and extra help; the consolidation of printing and stationery with other supplies, and of telephone with telegraph; and the elimination of separate figures for certain items of expense wherever the amounts involved are relatively small, for example on the new form the items of postage, stenographic, duplicating, overtime and supper money, will in practically all cases be included with "All other expenses." There will, however, be no change in the total amount of expenses reported for any expense unit, and the figures will therefore be comparable with those reported at present.

Very truly yours,

Walter L. Eddy,
Secretary.

Enclosure.

LETTER TO CHAIRMAN OF EACH FEDERAL RESERVE BANK
COPIES TO GOVERNORS AND TO CHAIRMEN OF PROCEDURE COMMITTEES

REPORT TO FEDERAL RESERVE BOARD OF SPECIAL COMMITTEE CONCERNING
FUNCTIONAL EXPENSE REPORTS.

At the request of the Federal Reserve Board the following met in Washington September 28 and 29, 1925 as a special committee to consider what changes if any would be desirable in Form E, Functional expense report:

Mr. E. L. Smead and Mr. J. F. Herson representing the Federal Reserve Board
Mr. M. J. Fleming of Cleveland
Mr. J. S. Walden of Richmond
Mr. W. G. McCreedy of Philadelphia
Mr. L. R. Rounds of New York

After a lengthy discussion of the value and use of the Form E functional expense reports and of the exhibit prepared by the Federal Reserve Board quarterly it was the opinion of the committee that while such reports and exhibits are of doubtful value as a basis for comparing expenses and operating efficiency at the several banks, it was nevertheless felt by all present that these reports have made a valuable contribution to the program for greater economy and efficiency in the operation of the banks and it was the view that the reports should be continued. In this connection it was recognized that the reports give valuable information with respect to the cost of operating the various functions and services conducted by the Federal Reserve System entirely apart from any value they may have as a basis for the comparison of expenses by the banks. It was felt, however, that the reports could be somewhat simplified and reduced in size.

The committee made a detailed study of the report, considering each unit separately, with a view to eliminating a number of the detailed items of expenses where the amounts allocated were small. It also recommended the consolidation of a few units with a view to reducing the number of such units. Such changes as have been made will not require changes in the manual of instructions and will not affect the comparison of the figures of future periods with those past.

St. 4672

- 2 -

Following the consideration of these detailed changes the committee made definite recommendations,

1. That the report hereafter be prepared semi-annually instead of quarterly.
2. That in preparing the exhibit of these reports the section at the foot of each page in which it has been the practice to show the figures of each head office combined with its branches be eliminated as it was felt that these figures were of small value compared with the work involved in their preparation.

It was also suggested that occasionally there be submitted as a supplemental report a more detailed statement in comparable form of the expenses of some one unit or function in which comparative figures should be of value.

Signed E. L. Snead
J. F. Herson
M. J. Fleming
W. G. McCreedy
L. R. Rounds
J. S. Walden, Jr.

Committee.

St. 4672.