



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

R-366

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ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

December 22, 1938.

Dear Sir:

There have been forwarded to you today under separate cover copies of Form FR 107 to be used by State bank members in submitting their reports of earnings and dividends for the six months ending December 31, 1938.

The form has been revised by eliminating three interest items, and by rearranging the reserve items in sections 2 and 3 so as to conform to the revised form of condition report, FR 105.

The amount of "Reserves for contingencies" reported against item 16(d) of revised Form FR 107 should agree with the amount of the corresponding item in Schedule G of the revised form of condition report. If the amount heretofore reported as "Reserves for contingencies" in earnings and dividends reports has included any valuation allowances which in the condition reports have been deducted from assets, an appropriate adjustment should be made in the next report on Form FR 107. The adjustment may be reported under item 6(d) of Form FR 107 against such a caption as "Valuation allowances heretofore included in reserves for contingencies". If, however, the amount is substantial and the bank so desires, the adjustment may be effected by interlining a new item following item 9 reading "Deduction on account of valuation allowances heretofore included in reserves for contingencies". In either case the amount withdrawn from "Reserves for contingencies" should be included in item 10(d). Definitions of the terms "Reserves for contingencies" and "Valuation allowances" are contained in the pamphlet of instructions, Form FR 105a, governing the preparation of reports of condition of State bank members, copies of which are being sent to you for use in connection with the next call for condition reports.

Very truly yours,

L. P. Bethea,
Assistant Secretary.

TO PRESIDENTS OF ALL FEDERAL RESERVE BANKS