

COPY

FEDERAL RESERVE BANK OF SAN FRANCISCO

May 8, 1940.

Mr. J. P. Dreibelbis,
Assistant General Counsel,
Board of Governors of the Federal Reserve System,
Washington, D. C.

Dear Mr. Dreibelbis:

Because I felt the Committee appointed to adjust the carrying value of certain banking premises criticised in the August 31, 1939, report of examination of the Bank of America N. T. & S. A., was drifting away from the understanding reached in Washington, I have again thoroughly gone over what might be called a history of Paragraph 5 of the Comptroller's Requirements.

Unless the Committee revises its present understanding, I fear that there will be an unwarranted breach with the bank. In all my discussions, I have avoided instructing the Committee and have made it clear that I was merely conveying to it such knowledge as its members would have acquired had they joined in our deliberations in Washington. I have made it clear, however, that the Committee should bear in mind that it would be exceedingly embarrassing to the Comptroller if the Committee should provoke a warranted protest from the bank and the Comptroller were obliged to capitulate in another so-called victory for the bank. This is not intended to excite any alarm at this time, but merely to keep you informed as to events in case we find ourselves once again locked in a controversy. The enclosed memorandum was presented to the Committee at its meeting today.

I think the trouble lies in the fact that the Committee finds it hard to eliminate from its deliberations the present market value of the properties criticised. However, as you well know, premises represented only one phase of the negotiations and, in this regard, the committee supporting the Comptroller was more concerned with rehabilitating the bank's capital and preventing its dissipation by an improper use of profits, and with checking certain practices and abuses in using the bank's facilities for supporting allied institutions and their enterprises, than with writing down the bank's premises except to the degree to which they were improperly written up and inadequately depreciated.

Unless you find something herein which is inconsistent with your understanding, you may forego any acknowledgment.

Yours very truly,

(Signed) Ira Clark,
First Vice President.

P.S. Since dictating the foregoing, I have dropped in to see the Committee, which meets here daily, and find that it has determined to make two calculations, one based on the theory of its own understanding from the Agreement itself, and the other based on the understanding expressed by me. No conclusion will be reached as to which procedure will be decided upon until the Committee has compared the results. I feel that this is progress.

(Signed) Clark