To the State Member Bank Addressed:

Since writing all State member banks on October 13 concerning proposed direct verification in connection with Federal Reserve examinations, we have received a number of comments, both favorable and unfavorable, from the banks. It had been our intention to offer this service as a means of improving the examination procedures and providing additional assistance to our member banks. We believe that direct verification would be of considerable value and would not create major problems of customer concern.

However, we do not wish to require State member banks to participate in this program of direct verification if they envision it as a major problem of customer relationships or creating a significant competitive problem between themselves and other banks in their cities. For this reason, we are rescinding our instructions concerning direct verification as stated in our letter of October 13. It will not be necessary for you to notify your customers of the proposed program.

We continue to believe that this program has sufficient merit to warrant the offer of direct verification to any State member bank which desires it. Thus, we will place this program into effect as a special service of this Bank to those State member banks wishing to avail themselves of it.

There have been a number of comments received, but many of the State member banks have not responded thus far. I would personally appreciate your frank comments on the program of direct verification and an expression of whether or not your bank would like to have this special service.

Sincerely yours,

Watrous H. Irons  
President