

September 3, 1975

Honorable George W. Mitchell
Vice Chairman
Board of Governors of the
Federal Reserve System
Washington, D.C. 20551

Dear George:

I wish to assure you that I am in full agreement with the conclusions expressed in your letter of August 28 to the effect that early action on the banking disclosure guidelines is desirable and that we should get together soon in order to further this end. I am hopeful that we will be able to meet next week to discuss the staff's forthcoming draft of the proposed guidelines.

Although I fully concur with your conclusions, several aspects of your letter cause me some concern. You stated that my comments in Montreal suggested that I thought that capital raised by U. S. banks and bank holding companies in recent months was on a scale which could be viewed as consistent with their need for external finance. I certainly did not intend to convey such an impression or, in fact, to make any evaluation of bank capital needs or the problems that banks have or may have in raising the capital that is needed to help finance the nation's economic recovery. In discussing recent bank holding company offerings, I was merely trying to illustrate that the disclosures that the Commission staff has been obtaining have apparently not adversely affected the ability of those bank holding companies that have registered offerings to raise the capital that they sought.

My other concern relates to your apparent belief that once we have published guidelines, the need for a case-by-case determination will cease. As you are aware, each bank and bank holding company has a unique set of financial characteristics. In addition, changes in the economic situation and the business environment may affect different banks in different ways. It is not possible to determine in advance exactly what disclosures are appropriate for each bank or bank holding company. After the guidelines are published, our staff will continue to have an obligation to review registration statements and reports filed to help attain meaningful disclosure. We hope and anticipate that the guidelines will substantially reduce the need for extensive comments and will help registrants to provide meaningful comparable data. However, you must realize, as we have clearly stated publicly and at meetings of the bank disclosure coordinating group, that the guidelines cannot and will not take the place of case-by-case review. I am certain that the guidelines will expedite the review and will enable registrants to develop appropriate disclosure more easily, but the guidelines will not preempt the staff review process.

Honorable George W. Mitchell
Page Two

The staff has now been able to review the Haskins & Sells Study of the Office of the Comptroller of the Currency which was not available to us when we sent the most recent draft of proposed guidelines to you and the other banking agencies on August 7 and which it was agreed would be made available for review before final proposed guidelines were drafted by the staff. I understand that the staff will send such a draft to you and the other banking agencies either tomorrow or Friday and, as I mentioned above, we are hoping to arrange a meeting of our agencies to discuss that draft next week.

Sincerely

John R. Evans
Commissioner