

INVESTIGATION INTO CERTAIN ASPECTS OF THE REPUBLICAN
CAMPAIGN FINANCING RELATING TO THE "WATERGATE" CASE
AND APPROVAL OF A NATIONAL BANK CHARTER

B-130961
10-26-72



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RESTRICTED

Report to the Chairman, House Committee on Banking and Currency, pursuant to his request. The report contained information on allegations that political contributions had influenced the approval of an application for a National bank charter. The report also contained information on cash withdrawals and deposits which banks are required to report to the Government.

No index prepared.

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WASHINGTON, D.C. 20548

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OCT 27 1972

Dear Mr. Chairman:

In a meeting with your staff today, we were asked to supply additional information relating to approval of the application for charter by the Ridgedale National Bank of Minnetonka, Minnesota-- specifically, did the Comptroller and the Deputy Comptroller of the Currency associate newspaper articles appearing about August 1 relating to Kenneth Dahlberg and the \$25,000 contribution to the Committee for Re-Election of the President with the fact that Mr. Dahlberg was named as a director of the bank in its application which was then pending. DLG020B

We were informed by the Comptroller that he may have read the press accounts in early August but that, at the time he reviewed and approved the application for the Ridgedale National Bank, he was unaware that one of the proposed directors had been linked in the press to the \$25,000 contribution. The Deputy Comptroller also told us that he read the press stories in early August but did not associate the name, Dahlberg, or the contribution with a proposed director of the Ridgedale National Bank.

As mentioned during our meeting today, there was an inadvertent omission from our letter of October 26, 1972, to you. The words "Mr. Dahlberg or" should have appeared after the word "by" on page 8, paragraph 3, line 6.

If we can be of further assistance, please advise us.

Sincerely yours,

R.F. KELLER

Deputy, Comptroller General
of the United States

The Honorable Wright Patman, Chairman
Committee on Banking and Currency
House of Representatives



COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON, D.C. 20548

B-130961

OCT 26 1972

Dear Mr. Chairman:

Your letters of October 4, 1972, and October 10, 1972, requested us to conduct an investigation into various financial aspects of the Republican campaign financing particularly as they relate to the Watergate case and to the banking system of the United States. Our letter to you dated October 11, 1972, outlined some of the steps we were taking to comply with your request and the results of our review are summarized below.

As stated in our letter to you dated October 11, 1972, our report of August 26, 1972, by the Office of Federal Elections included essentially all the information available to the Office of Federal Elections at that time with respect to the four Mexican bank checks totaling \$89,000 and the Kenneth Dahlberg cashiers check for \$25,000, the political contributions which were the subject of your letters. This report was based on information which could be obtained under authority of the Federal Election Campaign Act of 1971, which became effective on April 7, 1972, and was not retroactive in its application.

APPROVAL OF APPLICATION OF RIDGEDALE NATIONAL BANK

In reviewing the procedures followed by the Comptroller of the Currency in approving an application for the Ridgedale National Bank at Minnetonka, Minnesota, we requested the Comptroller of the Currency to make available to us all files, memorandums, and correspondence relating to the Ridgedale National Bank and to the applications for any other National bank charters which in our opinion were necessary to enable us to carry out our review. We also requested that we be provided with the names and titles of all Comptroller of the Currency employees who were involved in processing and approving the Ridgedale National Bank's application.

By letter dated October 12, 1972, the Comptroller of the Currency stated that his office would make available their complete files on the Ridgedale National Bank application and he listed the names and job titles of all employees involved in approving the application of the Ridgedale National Bank. The Comptroller did not specifically state in his letter whether the application files for other National bank charters would be made available to us. However, officials of the Office of the Comptroller agreed verbally to make available any files we wanted on other applications for National bank charters.

During our review, we examined the Comptroller of the Currency files on the Ridgedale National Bank and two other recent applications for National bank charters in Minnesota. We held discussions with all Comptroller of the Currency personnel involved in processing the Ridgedale National Bank application, and with the Commissioner of Banks for the State of Minnesota. We also analyzed data furnished by the Comptroller of the Currency on the amount of time required to process and approve or disapprove applications for National bank charters since January 1967.

Factors considered and procedures used
in considering applications for
National bank charters

In conducting an investigation of an application for a National bank charter, the primary factors affecting the decision whether to approve or disapprove the application include the following:

1. Is there adequate capitalization?
2. Is there adequate banking experience reflected in the proposed board of directors and/or in top bank management positions?
3. The proposed board of directors--are they successful, competent persons of integrity and honesty?
4. Is there an adequate population to support the bank or will anticipated population growth result in the need for the bank?
5. Does it appear likely that the proposed bank will be able to carry out a successful and profitable banking activity? and
6. Is there an "over-banked" situation, i.e., are there already too many banks, or will another bank result in there being too many banks?

Our review of the files on the Ridgedale National Bank and the Minnetonka National Bank both located in Minnetonka, Minnesota, and the Shelard National Bank, St. Louis Park, Minnesota, showed that the primary factors evaluated in each application appeared to be the same.

For example, in each of these three cases, the population and the expected population growth of each area where the bank was to be located was evaluated in relation to the existing banks in the area and the need for additional banking facilities.

Our review also showed that the procedures used in reviewing an application for a National bank charter generally are as follows. After an application for a National bank charter has been filed with the field office of the Comptroller of the Currency, a bank examiner performs an investigation inquiring into the factors discussed above. The examination includes independent checking and verification of the data and claims made by the bank's proposed directors. After the bank examiner has completed his investigation, he makes his report together with a recommendation for approval or disapproval to the Regional Comptroller of the Currency. If an interested party so requests in writing, a hearing will be held at which time interested persons may present evidence and arguments in favor of or opposed to the proposed new bank charter. A record is made of any hearings held, and this record is made a part of the official application file.

After evaluating the bank examiner's report and recommendation and other information in the file, the Regional Comptroller of the Currency or his designee forwards the file to Washington together with his comments and recommended approval or disapproval. The Director of the Bank Organization Division and the Senior Economist in Washington then review the file and make their comments and recommended decisions.

The application file, together with written comments and recommended decisions, is then reviewed by the Deputy Comptroller of the Currency who adds his comments and recommended decision to the file. The entire file is then forwarded to the Comptroller of the Currency for his final approval or disapproval of the application.

Our review of the three files (Ridgedale National Bank, Minnetonka National Bank, and Shelard National Bank) showed that the same general procedures were followed in processing each application. Formal hearings were not held in connection with the Ridgedale National Bank's application but were held in connection with the application of the Minnetonka National Bank and the Shelard National Bank. Officials of the Comptroller of the Currency said that hearings were not held on the Ridgedale application because no interested party requested that hearings be held.

Our review of the file showed that seven banks sent letters to the Regional Administrator of National banks protesting the application of the Ridgedale National Bank. Two of these protesting banks indicated in their letters that they wished to be advised if hearings were held on Ridgedale National Bank's application. The file also shows that these two banks were informed by the Deputy Regional Administrator of National Banks that hearings had not been scheduled because no one had requested that hearings be held. Our review of the file confirmed that there was no record of an interested party having requested a hearing.

We also observed that, in the case of the Ridgedale National Bank, the Office of the Comptroller did not correspond with the personal references given in the application by the proposed directors but that in the case of the Minnetonka National Bank and the Shelard National Bank, the personal references given by the proposed directors were asked to comment on the suitability of the proposed directors to act as bank directors.

Time required to process applications

Our review showed that the application for the Ridgedale National Bank was received on May 26, 1972, and that the application was approved on August 22, 1972--87 days later. Based on information furnished by the Office of the Comptroller, the Comptroller of the Currency since January 1967 has approved or disapproved a total of 397 applications, excluding applications withdrawn from consideration by the applicants. The time required to process these applications ranged from 2 to 1,089 days. (There were three applications approved on an emergency basis within a very short period of time; one within 2 days; one within 3 days; and one within 5 days. These emergency situations involved existing banks in distress being taken over by newly chartered banks.) The average time required to process these 397 applications was 182 days. Also, there were a total of 29 banks whose applications were approved within 87 days or less.

We asked officials of the Office of the Comptroller why the application for the Ridgedale National Bank was processed so much faster than the average time required to process all 397 applications. We were informed that the primary reason for the difference is the fact that the Minneapolis Office of Regional Administrator of National Banks has a relatively lighter workload than other field offices and that, as a result, this field office is able to process applications for National bank charters faster than many other field offices.

Our review confirmed that the Minnesota field office processes applications for National bank charters faster than the national average time. Since January 1967, the Minnesota field office has processed 24 applications for National bank charters. The following shows the range of the number of days used by the Minnesota field office to process 24 applications since January 1967, as well as the mean (simple average) and the median (the mid-point in a listing arranged in order from the smallest number to the largest number). The data is arranged to show separate data for applications on which hearings were and were not held.

	<u>Days required to process applications</u>		
	<u>Cases with no hearings</u>	<u>Cases with hearings</u>	<u>All cases</u>
Range of days	√2-227	101-340	√2-340
Mean number of days	113	182	133
Median number of days	112	153	115

Officials of the Office of the Comptroller also informed us that another factor contributing to the expeditious processing of the Ridgedale National Bank's application was the fact that the proposed directors of the Ridgedale National Bank were the directors of another National bank. They said that this contributed to expeditious processing of Ridgedale National Bank's application in two ways (1) certain facts were already known about the proposed directors because they had previously been investigated by the Office of the Comptroller of the Currency and it was already known that these persons were qualified to act as directors of a National bank and (2) since the proposed directors already had certain experience in dealing with the Office of the Comptroller, they probably knew what information and evidence was required to be submitted with the application thereby minimizing the time required to obtain additional or clarifying information.

√ Includes one emergency bank organization. Excluding the emergency case, the range would begin at 69 days.

Reasons for granting charter

In your letter of October 4, 1972, you asked us to determine, as nearly as possible, the reasons for the granting of the charter to the Ridgedale National Bank.

Our review of the file showed that the application was approved after considering the factors previously mentioned, but in summary, the two primary reasons for approving the application were as follows:

1. The bank is to be located in or adjacent to a large shopping center under development and it was believed that this shopping center together with the trade it would generate, would support a commercial banking operation.
2. The organizers (proposed directors) were considered to be successful, respected, responsible business men with successful banking experience and the proposed capital base was adequate to serve as a sound financial base for a new bank.

Our review did not disclose any other factors which appeared to influence the approving of this application.

As noted previously, seven banks protested the approval of Ridgedale National Bank's application. Two of these seven banks were the Minnetonka National Bank and the Shelard National Bank-- whose application files we reviewed. The Minnetonka National Bank application was received on December 23, 1971, and was approved on August 22, 1972, a period of 242 days. Our review of the file indicated that processing of this application was delayed from March 24, 1972, to August 22, 1972, because the organizers were required to provide additional information to substantiate their application. Also, two new proposed bank directors were added to the originally proposed board of directors, and additional time was required to investigate these two proposed directors.

The Shelard National Bank application was received on March 9, 1972, and was approved on June 21, 1972, a period of 103 days. Hearings were held on the applications of both the Shelard National Bank and the Minnetonka National Bank.

The Ridgedale National Bank file showed that the protest of the Minnetonka National Bank was considered in reviewing the Ridgedale National Bank application. The Minnetonka National Bank was to have been located about 6 miles distant from the Ridgedale bank and the Minnetonka National Bank was to have an initial capital of \$1,015,000. According to the Ridgedale National Bank file, the service areas of the Ridgedale National Bank and the Minnetonka National Bank would overlap, but the two banks would not be in direct competition with one another. The bank examiner concluded that the Ridgedale National Bank application had more merit due to its larger initial capitalization (\$2 million) and its preferable location. He also concluded that both banks could survive if both applications were approved.

The Ridgedale National Bank file also showed that the protest of the Shelard National Bank was considered in reviewing the Ridgedale National Bank application. The Shelard National Bank was to be located just 2-1/2 miles away from the Ridgedale National Bank site. The bank examiner decided, however, that a bank was needed in the shopping center where the Ridgedale National Bank was to be located. Also, at the time they filed their application, the organizers of the Shelard National Bank were aware of the expected Ridgedale National Bank application. On this basis, the bank examiner concluded that the protest of the Shelard National Bank had little merit.

Possible connection between political contributions and approval of bank application

In your letter of October 4, 1972, you asked us to determine, as nearly as possible, the connection between political contributions made by Messrs. Wayne Andreas and Kenneth Dahlberg to any procedures or actions taken on the application of Ridgedale National Bank.

Our review of the files made available to us showed no indication that any representatives of the Office of the Comptroller of the Currency were aware of the role of either Mr. Andreas or Mr. Dahlberg in connection with the \$25,000 political contribution. We discussed this matter with the Comptroller of the Currency, the Deputy Comptroller, and the other representatives of the Office of the Comptroller who participated in processing this application. Each of these officials stated that, at the time they reviewed and approved the subject application, they were unaware of the allegations connecting either Mr. Andreas or Mr. Dahlberg to the \$25,000 political contribution.

Checking of personal references.

In applying for a National bank charter, each proposed director of the bank must complete forms giving certain information such as assets, liabilities, income; job history, etc. The application forms also provide space for the proposed bank directors to list personal references.

During our review, we noted that Mr. Dahlberg gave as his personal references the names of two prominent Republicans, Mr. Maurice Stans and Mr. Clark MacGregor, together with the name of a resident of Minnesota. We noted, however, that the file on the Ridgedale National Bank did not contain any letters of reference or any other evidence that the personal references listed by any of the other proposed directors of the Ridgedale National Bank had been contacted. We also observed that the personal references listed by the proposed directors of the Minnetonka National Bank and the Shelard National Bank had been contacted and asked to give a personal reference.

We discussed this matter with officials of the Office of the Comptroller of the Currency, and we were informed that personal references listed by proposed directors on the application form are not asked to give a reference if the proposed directors are already serving as a director of another National bank. The officials informed us, and our review of the Ridgedale National Bank file confirmed, that each of the proposed directors of the Ridgedale National Bank was serving as the director of another National bank in Minnesota.

Comptroller of the Currency officials explained that if a person is serving as a director of a National bank, his personal references have been checked previously. In this connection, we noted that, in his memorandum of July 17, 1972, transmitting the Ridgedale National Bank

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application file to Washington, the Deputy Regional Administrator stated, in part, that "Based on our existing knowledge of the organizers, and their established reputations as well as that of the references which they have given, reference letters were not requested."

REVIEW OF RECORDS OF CASH WITHDRAWALS AND DEPOSITS

Your letter of October 4, 1972, requested that we determine whether commercial banks, the Federal Reserve District Banks, and the Internal Revenue Service have submitted and/or maintained the records required by law and regulation on any cash withdrawals in connection with certain transactions noted in your letter or any other transactions involving the Finance Committee to Re-Elect the President. As we advised you on October 11, 1972, we wrote to the Chairman, Board of Governors, Federal Reserve System, and the Secretary of the Treasury requesting access to the necessary records for the period January 1, 1972, to June 30, 1972, in order that we could comply with your request.

On October 17, 1972, we were advised by the Chairman of the Board of Governors, Federal Reserve System, that the only records relating to cash deposits and withdrawals received by district banks during this period were reports of currency transactions submitted by financial institutions on Form TCR-1. He advised us that these reports were not kept by the Federal Reserve District Banks but were shipped to the Internal Revenue Service.

On October 16, 1972, the Secretary of the Treasury advised us that the records for the period from January 1, 1972, to June 30, 1972, required by Part 102 of Title 31 of the Code of Federal Regulations (TCR-1's) were in the field offices of the Internal Revenue Service and designated an official on his staff who could be contacted to secure access to these records. On October 18, 1972, we informed your office that the Secretary of the Treasury had agreed to make the reports of currency transactions available to us and requested instructions as to the reports and names to be checked. Your office advised us that we were to review the reports from banks in Florida and Texas and we were furnished the names of 10 individuals to check for cash transactions with Florida banks and 20 names to check for cash transactions with Texas banks.

On October 18, 1972, we made arrangements for our Dallas and Atlanta Regional Offices to examine the TCR-1's for Florida and Texas. We were advised, however, on October 19, 1972, that the Commissioner of Internal Revenue Service, apparently without the knowledge of the Office of the Secretary, had ordered copies of all the TCR-1's for the period January 1, 1972, to June 30, 1972, sent to the Internal Revenue Service in Washington, D.C. The copies

of the TCR-1's were then sent by IRS to the Main Treasury Building where they were made available to us. We were advised by an IRS official that before the copies of the TCR-1's were sent to the Main Treasury Building they were sorted to place them in alphabetical order by surname of the individuals involved in the transactions and that one tax return had been detached from one of the TCR-1's. He assured us that none of the TCR-1's had been removed before they were sent to the Main Treasury Building for our review.

We examined the 1,268 copies of the TCR-1's submitted by the Jacksonville District of IRS (which should include all reports for Florida) and the 196 and 354 submitted by the Austin and Dallas, Texas, districts, respectively (which should include all reports for Texas), for the period from January 1, to June 30, 1972. There were no TCR-1's for any of the names we obtained from your staff.

Our review of these reports indicates that either the First Bank and Trust Company of Boca Ration did not comply with the regulations in effect prior to July 1, 1972, for the filing of these forms or, if they were filed, they were not forwarded to us for examination. This conclusion is based on the fact that we found no TCR-1's for the exchange by Kenneth Dahlberg of \$25,000 in currency for a cashier's check on April 10, 1972, as described in the August 26, 1972, report of the Office of Federal Elections of the General Accounting Office concerning the Finance Committee to Re-Elect the President. Also, we found no TCR-1 reports by the Republic National Bank of Miami, the bank at which Bernard Barker maintained an account, as noted in our August 26, 1972, report.

ATTEMPTS TO CONTACT MESSRS. ALLEN AND HAYNES

Your letter of October 10, 1972, requested that we contact Mr. Robert Allen of Houston, Texas, and his attorney Mr. Richard Haynes in connection with the financial affairs involving the so-called Watergate incident.

Your office furnished us with Mr. Haynes' telephone number in Houston and suggested that we set up a meeting with him and Mr. Allen to obtain the answers to several questions included in your October 10, 1972, letter. A member of our staff called Mr. Haynes' office twice on October 12, 1972, and once on October 13, 1972, but was advised on all three occasions that Mr. Haynes was not in his office but would be in later in the day. We left a number for Mr. Haynes to call but he did not return our calls.

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On October 16, 1972, we advised your office that Mr. Haynes had not returned our calls. Your office advised us that we take no further action on attempting to set up a meeting with Mr. Haynes and Mr. Allen unless we were advised differently or unless Mr. Haynes returned our call. We have not heard from Mr. Haynes as of this date.

We trust that the foregoing information is responsive to your requests. However, if you wish for us to obtain additional information, please advise us.

Due to your request that we report to you by October 26, 1972, we did not have sufficient time to obtain written comments from the Federal or non-Federal organizations on the matters discussed in the report. We plan to make no further distribution of this report unless copies are specifically requested, and then we shall make distribution only after your agreement has been obtained or public announcement has been made by you concerning the contents of this report.

Sincerely yours,

R.F.KELLER

Deputy Comptroller General
of the United States

The Honorable Wright Patman, Chairman
Committee on Banking and Currency
House of Representatives