

On the other hand, where securities are not included in one of the rating manuals, but the bank has evidence that the securities meet requirements as to marketability and are not distinctly and predominantly speculative, and the directors are satisfied that they meet the requirements of the statute and investment securities regulations, this office will not take exceptions to the securities merely from the standpoint of their rating (or absence of rating) in a rating manual. In the last analysis the burden of proof of eligibility rests upon the bank and such proof of eligibility should be on file in the bank and available to the examiner. However, it must be borne in mind that in determining the eligibility of securities not rated in one of the first brackets of recognized rating manuals, there will be a correspondingly greater burden upon the bank to satisfy the examiner that the particular security is in fact eligible.

In August 1957, the Comptroller of the Currency issued a ruling concerning bank investment in public bonds which:

(1) Specifies that an "investment security" must be a marketable obligation, i.e., it must be salable under ordinary circumstances with reasonable promptness at a fair value, and there must be present one or both of the following characteristics:

(a) A public distribution of the securities must have been provided for or made in a manner to protect or insure marketability of the issue; or,

(b) Other existing securities of the obligor must have such a public distribution as to protect or insure marketability of the issue under consideration;

(2) Provided, however, that special revenue obligations of States or local governments or of duly constituted public authorities thereof which possess a high degree of credit soundness, so as to assure sale under ordinary circumstances, with reasonable promptness at a fair value may also be considered to constitute investment securities even though they may not meet the above distribution standards;

(3) Prohibits the purchase of investment securities in which the investment characteristics are distinctly or predominantly speculative, or the purchase of securities which are in default, whether as to principal or interest;

(4) Requires that all investment securities shall be supported by adequate information in the files of the bank as to their investment quality. The Comptroller's Digest of Opinions states that retaining adequate financial information "is just as important with respect to general obligations of municipalities even though exempt from the restrictive provisions of Revised Statute 5136. The minimum information to be retained and analyzed in support of a proper credit judgment of municipal obligations is as follows:

(a) Statement of debt, including overlapping, floating and full faith, and credit obligations;

(b) Assessed valuation, including basis of assessment;

(c) Property tax rates;

(d) Tax collection record;

(e) Receipts and disbursements;

(f) Sinking fund operation and requirement;

(g) Future debt service requirement;

(h) Population (whether well balanced or otherwise);

(i) Economic background;

(j) Default record;

(k) Per capita debt.