

To friends of the Mutual Private Bank project:

This is the sixth monthly project update to friends of the [Mutual Private Bank project](#). Our distribution list has grown to over 350 recipients since we started our monthly newsletter. If you were not on the mailing list for previous monthly reports, you can view past reports, as well as see project background and additional material on the [project website](#).

Last month, I reported on our steps to obtain capital commitments and develop the business plan, as well as concerns about availability of federal deposit insurance. This month, my focus is on the results of our meeting with the FDIC, and the implications for our plan.

In this message:

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- Where we go from here
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FDIC meeting

We (I was accompanied by five members of our team) met the FDIC in New York on September 28 for a pre-filing discussion. The purpose was to assess the feasibility of proceeding with a de novo bank application. On the whole, we were satisfied by the results of the meeting. However, instead of proceeding with a de novo application, the FDIC officials encouraged us to consider acquiring an existing charter, suggesting this may be quicker and require less capital.

Where we go from here

We are in contact with OTS to discuss our application options. We believe we have two to consider:

1. as suggested by the FDIC, acquire a charter by buying an existing bank;
or,
2. prepare an application for a de novo non-depository trust company, which can be converted to a depository charter in the future when conditions are more favorable.

Even though a number of questions remain to be answered by OTS, our team met over the last week to discuss these options, and agreed on two important points:

1. we are determined to continue pursuing the vision of mutual private bank because we believe it has significant potential to meet needs in the market;
2. we prefer to proceed with the most expedient and cost-efficient start-up plan that will be accepted by the regulators.

On this basis, we currently believe that acquiring a charter will be the best approach. Based on our research, we believe a charter can be acquired at a relatively low cost, and we believe an acquisition can be executed more quickly than a de novo application.

Opportunity to acquire a charter

Coincident to this development with the FDIC, I was alerted to availability of a small community bank for sale. Preliminary research suggests that it is sound, so this may be a very timely opportunity for us to pursue. I have had discussions with the team and we have asked the families for feedback on the proposal.

Suggested reading

George and I recently submitted a paper entitled [Conflicts of Interest in Private Banking](#) to [Family Office Exchange](#) that they plan to publish in their upcoming edition of FOX Connects. You can see it on our website by clicking on the article title above.

Also, this [recent article in The Economist](#) points to the classic principal-agent problem in banks as a factor leading to overexpansion of the finance industry. It suggests that agents (ie, banks) have an information advantage over clients (principals), and so can over charge and sell complex, and socially useless, finance products.

Next Steps

Our most immediate next steps are to:

- receive guidance from OTS regarding our options;
- obtain support from the principal families to pursue an acquisition strategy.

Travel Plans

I tentatively plan to travel the following dates:

- October 28-30 - New York
- November 11-12 – Southern California

Please contact me if you would like to meet or discuss our project by phone. I would be happy to meet you when and where it is convenient for you.

Many thanks,

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See Mutual Private Bank project website:

www.mutualprivatebank.com

Read about Mutual Private Bank project in CNBC European Business magazine:

<http://cnbceb.com/banking-managed-funds-and-investments/bank-balancers/968/>

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