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The National City Bank of New York.

With which is affiliated the International Banking Corporation

ESTABLISHED 1812.
CABLES: CITIBANK.

36. Bishopsgate.
London, E.C.2.

IN REPLYING PLEASE QUOTE INITIALS.

Hon. Risto Ryti,
Governor,
Finlands Bank,
Helsingfors, Finland.

September 23, 1929

Dear Governor Ryti,

Mr. Nelson has returned from Finland and advised us fully of his recent conferences. While I may have the pleasure of a personal conference with you shortly, the submission in writing of a few observations will perhaps assist in the formulation of practical plans for the solution of the financial problems of our greatly esteemed Finnish clients.

In the first place, permit me to say that I think we all understand the viewpoint of Professor Gebhardt, of The Central Bank for the Co-operative Agricultural Credit Societies Ltd., and the responsible members of the Government, relative to the financial assistance they feel they should secure. I quite realise that some of these gentlemen, seeing the Statement of Resources of The National City Bank, should think that a disposition to serve our clients in Finland would result in allocating the necessary amount from these resources at a figure bearable by Finnish Agriculture. There is exactly the same viewpoint among the Agrarian elements of the United States, and we know by experience that it is impossible to persuade men impressed by the needs of Agriculture and the zeal to aid in the development of the country, with the practical limitations of sound finance. Nevertheless, as you yourself will be the first to realise, it is our primary duty, in conducting the business of our bank, to adhere to sound financial principles, and we must do so even at the cost, if needs be, of the dissatisfaction of friends and clients.

If we have Institutionally erred in this entire situation I feel it is through having allowed these short-term advances of a finance character to grow to their present proportions and to be extended from time to time as has been the case. It has been a fundamental policy of The National City Bank for generations to maintain a strong and liquid position, to specialise in financing the movement of commodities to market, and other commercial business of a self-liquidating character, and to finance capital expenditure only as securities can be sold to genuine investors on a satisfactory basis. We have somewhat departed from these principles in permitting the banking advances to the City of Helsingfors and to The Central Bank for the Co-operative Agricultural Credit Societies Ltd., to grow to their present magnitude only because of the pressure exerted from Finland, and because of our extreme

anxiety to give the Finnish Government every possible support. Thus, while we consider, in principle, that Municipalities and Institutes of this sort should not make capital investments until they have funds in hand to finance them, we have, somewhat against our better judgment, and in order not to force too many Finnish securities on the market in a short period, acquiesced in the building up of these particular banking advances. It is, however, as you well realise, impossible to carry such advances indefinitely, - nor is it conservative to figure that conditions for permanent financing will be better in the future than they are in the present. Therefore, I feel we must both face the problem of the reasonably early liquidation of the banking advances now running.

In emphasizing our Institutional dislike of unliquid advances which can only be funded from the proceeds of Long-Term borrowing I know you will fully appreciate that my remarks do not apply in the slightest extent to Export Credits of the sort which we have arranged through the medium of Finland's Bank. This we consider sound and desirable commercial banking business, and you will realise that, in spite of the abnormal stringency of the money market in New York this Autumn, we have been not only ready but anxious to renew these Export Credits on a basis similar to that heretofore ruling. I emphasize this point because I remember, in the early days of our negotiation, that you raised the question whether the New York Market in general and our Institution in particular would be prepared in bad times as well as good to extend to Finland, through the instrumentality of your Bank, Credits of this sort. I think the experience of the present year is a sufficient demonstration that, as regards business which we regard as the proper function of a commercial bank of exceptional liquidity such as ours, we are second to none in our readiness to continue accommodation extended to established clients.

From this reference to the general principles involved we must come to the practical problems which confront the Central Bank for the Co-operative Agricultural Credit Societies Ltd., and the City of Helsingfors. To aid in the solution of these problems we put forward, through Mr. Nelson, certain experimental ideas in the nature of short-term Notes convertible into longer term securities. You will appreciate that any financing in an abnormal money market like the present, and particularly financing of a new type, can only be issued successfully if the market is approached in exactly the right way at exactly the right moment. I do not anticipate, therefore, that at any time during the next few weeks, it will be practical for us to present a firm bid for financing of this special type. Therefore, I think it proper to say frankly that, if you find it convenient to come to Berlin, as suggested below, it will not, in my opinion, be possible to go beyond a mutual elucidation of our respective viewpoints and an agreement in principle as to the lines along which financing mutually desired may be done. To permit of actual business I believe it will be necessary first to reach a thorough agreement in principle on a type of financing which appears suitable for the present market, and the general price basis of market quotations for similar securities. With this understanding reached I think it will be essential that our Company in

New York be given business firm in hand for at least a week or so, with the understanding that we will only proceed at the moment when our Executives consider a successful Issue can be made. After the unfortunate incident of the Finlands Residential Mortgage Bank Loan, all subscribers to which have, of course, lost rather heavily, our Executives are firmly of the opinion that it would be most serious to Finnish credit in the American Market if we should attempt another Issue which cannot be made a genuine market success.

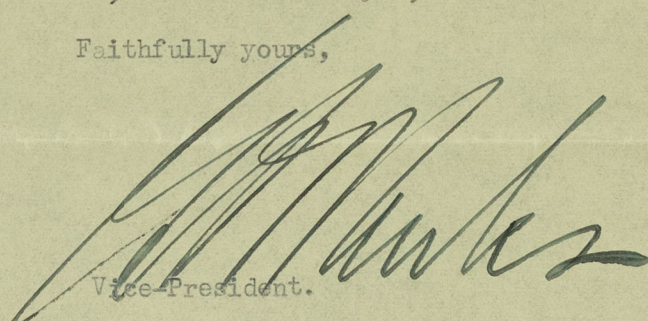
Our Chairman, Mr. Mitchell, is now on the ocean en route for Paris, where I expect to meet him on Friday of this week. He is to be in Europe only a little over two weeks and has not planned to make any general business engagements. He does expect, however, to spend three or four days in Berlin in special consultations, and if it would be convenient for you to be in Berlin on October 7th or 8th, I know he would be glad personally to join in consultations which we might have in regard to the best method of handling financing which you consider should be done for Finnish account.

Perhaps you will be good enough to send me a wire addressed "CITIBANK PARIS," advising whether you find it convenient and personally desire to have a meeting in Berlin along the lines indicated above. Should this not be convenient we will, in any event, have a thorough discussion of the needs of our Finnish clients, and Mr. Nelson will return to Helsingfors with the result of our best thought.

Regretting that market conditions should be such as to hamper the development desired by our Finnish friends, but with every confidence that you will thoroughly appreciate the necessity of our adhering to sound fiscal policies, and looking forward to the pleasure of a personal meeting, should you find this quite convenient,

Believe me, dear Governor Ryti,

Faithfully yours,



Vice-President.