



**BANK OF AMERICA**

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Bank Tax Department #3245

SAN FRANCISCO HEADQUARTERS

October 25, 1973

Howard P. Willens, Esq.  
Wilmer, Cutler & Pickering  
Parragut Building  
900-17th Street, N. W.  
Washington, D. C. 20006

Dear Mr. Willens:

It was a pleasure talking with you on the flight to London a few weeks ago. I have just returned from my trip and would now like to pursue with you the possibility of some favorable tax and corporate/banking legislation for the Mariana Islands.

I promised to send you some thoughts on the type of legislative incentive which would encourage a bank to begin or expand branch or subsidiary operations in the Marianas. From a tax point of view we would particularly want to have offshore income (that is, loans to borrowers outside of the Marianas) not subject to income tax. Loans to borrowers within the jurisdiction would normally be subject to the local income tax, and we would hope for as low a tax rate as possible. This is the situation which prevails, for example, in Hong Kong. Our Hong Kong Branch is subject to a 15% income tax on its Hong Kong business, but offshore income is not subject to any Hong Kong income tax.

We would also desire lenient capitalization requirements. In some of our foreign branches there is no requirement for any capital at all with a "due from" account with San Francisco Headquarters sufficient to meet the capitalization requirement. Obviously, this is the ultimate from our point of view, and we would hope for legislation keeping the amount of capital required to a minimum. Also, we would like to see the broadest possible banking powers.

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Howard P. Willens, Esq.

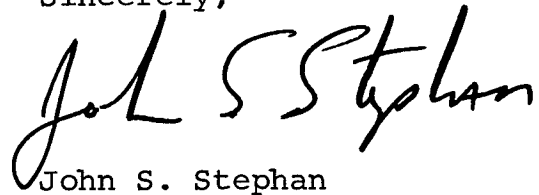
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I hope these general comments will be useful to you, and I would be very interested in knowing if there is any real possibility to achieve the above objectives.

I mentioned that Bruce Koppe of our office had worked for your firm while he was in law school, and Bruce has asked that I send his regards to David Lake.

Sincerely,

A handwritten signature in black ink that reads "John S. Stephan". The signature is written in a cursive style with a large, prominent "J" and "S".

John S. Stephan  
International Tax Counsel

JSS/lh

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