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Comptroller of the Currency  
Administrator of National Banks

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Washington, DC 20219

January 21, 1993

**Interpretive Letter #1042**  
**December 2005**  
**12 USC 29**

Dear [ ]:

Your letter to Randall M. Ryskamp, Senior Attorney, Securities, Investments, and Fiduciary Practices Division has been referred to me for response. You inquired whether the bank's retention of a condominium, which was contributed to the bank by its now-dissolved holding company and is used for bank purposes only, is permissible under 12 U.S.C. § 29. Subject to the conditions discussed below, I believe the bank may legally retain the condominium for business use.

[ ] ("Bank") is becoming once again a free-standing national bank by virtue of the dissolution of its holding company. As part of that dissolution, the holding company contributed at no cost, and the Bank accepted, a certain condominium, which has been used exclusively for purposes of the Bank's business. At certain times of the year, [ ] is so crowded that commercial accommodations are not available for the Bank's auditors, consultants and certain off-island customers or potential customers. The Bank wishes to continue its past practice of using the condominium property exclusively for the accommodation of such parties as necessary for the business purposes of the Bank. The Bank intends to carry the condominium on its books at no more than \$1.00 and will claim the condominium fee, which includes virtually all amounts necessary for upkeep, as a business deduction on its tax return.

A national may purchase, hold and convey real estate only for purposes specified in 12 U.S.C. § 29. One such purposes is "[s]uch as shall be necessary for its accommodation in the transaction of its business." 12 U.S.C. § 29 (First). Real estate necessary to the accommodation of the bank's business includes real estate other than that upon which bank buildings are located. See 12 C.F.R. § 7.3005. Because providing accommodations for outside consultants, auditors and customers especially when other commercial lodging is not readily available, is a legitimate

business concern of the Bank, the property in this case would fall within the meaning contemplated by the statute.

In light of the foregoing, I would pose no legal objection to retaining the condominium for business purposes. Please note, however, that this position is subject to the following conditions. If at any time the Revenue Service disallows as a deductible business expense to the Bank any expense incurred in connection with the condominium on the ground that the property was not used exclusively for bank purposes, the total amount of such expenses should be reimbursed by any Bank personnel whose personal use of the property was a cause of the disallowance. In addition, if the Bank discontinues using the condominium for business purposes, it must dispose of the property in a manner consistent with 12 C.F.R. § 7.3025.

I trust this letter is responsive to your inquiry.

Sincerely,

*/s/ William B. Glidden*

William B. Glidden  
Assistant Director  
Bank Operations and Assets Division