

SUPPLEMENTAL MEMORANDUM

Digest of Certain Information Relative to Expansion of
Transamerica Corporation's Banking Interests
During the Period January 1, 1942 - December 31, 1946

A recent inquiry from the Office of the Comptroller of the Currency relative to the proposed establishment of a branch of the First National Bank of Nevada at Wells, Nevada, raises a question as to the present status of the joint policy statement adopted on February 14, 1942, by the three Federal bank supervisory agencies with regard to expansion of the Transamerica group. The following paragraphs summarize certain information contained in the Board's files regarding the joint policy statement and significant occurrences during the period since February 14, 1942.

First Trust and Savings Bank of Pasadena, California

On February 14, 1942, the Board, as a result of the informal request of First Trust and Savings Bank of Pasadena, California, to establish additional branches, addressed a letter to Transamerica Corporation in which it was stated that there was unanimous agreement by the Board, the Comptroller of the Currency, and the Federal Deposit Insurance Corporation that the Federal bank supervisory agencies should, under existing circumstances, decline permission for the acquisition directly or indirectly of any additional banking offices or any substantial interest therein by Transamerica Corporation, Bank of America N. T. & S. A., or any other unit of the Transamerica group. The corporation was requested to advise the Board before any plans for further expansion of its interests in banks were consummated. A copy of this letter, which was initialed by Mr. Delano and Mr. Crowley, is attached (Exhibit I).

On March 17, 1942, Transamerica Corporation replied to the aforementioned letter, stating that the acquisition of banks appeared to be a matter within the responsibility and discretion of the directors and management of the corporation and they could not properly surrender that responsibility. The letter stated that, on the basis of present statutes, the corporation could not accept the ruling relative to the non-expansion of banking offices and it was difficult to understand upon what basis the Board or any group of Federal agencies could rule in advance on applications for additional offices. A copy of this letter is attached (Exhibit II).

On June 10, 1942, First Trust and Savings Bank of Pasadena submitted its formal application for the establishment of branches at Temple City and Alhambra, California. This application was denied by the Board in its letter of July 10, 1942, and the bank and Transamerica Corporation were so advised. On August 8, 1942, Transamerica addressed a letter to the Board, in which it was stated that they believed the Board's action was capricious, discriminatory, and without any basis in law. A copy of that letter is attached (Exhibit III).

On September 12, 1944, the First Trust and Savings Bank of Pasadena again requested approval of the establishment of a branch in Alhambra, California. This request was denied by the Board on September 26, 1944.

Transamerica Corporation purchased control of First National Bank of Lamanda Park, Pasadena, California, in October 1943. In August 1944, the Lamanda Park bank was taken over as a branch by First Trust and Savings Bank of Pasadena by the purchase of assets, excepting the building and fixtures. (Approval by the Board of the establishment of this branch was not required because both banks were located within the corporate limits of Pasadena. The absorption was not regarded as involving a change in the general character of the business or scope of the corporate powers within the meaning of the applicable condition of membership of First Trust and Savings Bank.)

Later, in accordance with its conditions of membership, First Trust and Savings Bank requested permission to buy the building and fixtures of the former Lamanda Park bank. In its letter of January 3, 1945, the Board advised the Pasadena bank and Transamerica Corporation that Transamerica, as the majority stockholder of both member banks, took the necessary action to consummate the take-over, even though it did not have a permit to vote the stock of either of these member banks or without having applied to the Board for voting permits, and under such circumstances the Board would not approve the transaction. A copy of this letter is attached (Exhibit IV).

Peoples Bank, Lakewood Village, California

On January 27, 1942, the application for membership in the Federal Reserve System of the newly organized Peoples Bank, Lakewood Village, California, was transmitted to the Board. The report of investigation submitted by the Reserve Bank showed that twenty per cent of the outstanding shares, to be owned by one director, were financed by Transamerica, and that other facts indicated a close relationship with the Transamerica group. After full consideration, and concurrently with the aforementioned letter of February 14, 1942, addressed to Transamerica Corporation, the Board refused to approve the Lakewood Village bank's application for membership. After a re-alignment of ownership of stock, and the apparent elimination of the Transamerica group's interest, the bank was admitted to membership in the System on May 15, 1942. The following special condition of membership was prescribed:

- "4. If, without prior written approval of the Board of Governors of the Federal Reserve System, Transamerica Corporation or any unit of the Transamerica group, including Bank of America National Trust and Savings

"Association, or any holding company affiliate or any subsidiary thereof, acquires, directly or indirectly, through the mechanism of extension of loans for the purpose of acquiring bank stock, or in any other manner, any interest in such bank, other than such as may arise out of usual correspondent bank relationships, such bank, within 60 days after written notice from the Board of Governors of the Federal Reserve System, shall withdraw from membership in the Federal Reserve System."

At a later date Transamerica Corporation acquired shares of the bank and legal proceedings followed which involved the above-quoted condition of membership. To date, the Board's right to impose such a condition has been upheld by the District Court of the United States for the District of Columbia and the case is now on appeal in the United States Court of Appeals for the District of Columbia.

Citizens National Trust and Savings Bank of Los Angeles, California

On May 18, 1943, Transamerica initiated a drive to acquire up to 124,000 shares (250,000 shares outstanding) of Citizens National Trust and Savings Bank of Los Angeles by means of an offer submitted to the Board of Directors of the Los Angeles bank together with a request that the offer be submitted by the directors to the shareholders of the bank. This request was denied by the bank's board. (The acquisition of 124,000 shares would have resulted in Transamerica's control of over 50 per cent of the outstanding stock of the bank, because of Occidental Life Insurance Company's ownership of 2,000 shares.) Transamerica immediately embarked upon a drive to obtain stock of the bank by means of newspaper advertising through their brokers, Nelson Douglass & Co., Los Angeles.

On May 28, 1943, the Board advised Transamerica Corporation that it had received reports of the campaign and that it wished once more to bring to the attention of the corporation its opposition to such expansion policy. A copy of the Board's telegram of May 28, 1943, is attached (Exhibit V).

In its reply of July 9, 1943, Transamerica stated that it had committed itself to make the offer prior to a conference between Mr. A. P. Giannini and the Board on February 18, 1943, and that the matter of the acquisition of stock of the Citizens National was not a subject within the jurisdiction of the Board.

While the drive did not succeed in its entirety, by December 31, 1943, Transamerica owned 54,933 shares of stock of the bank. Subsequent purchases increased this total to 55,678 shares as of December 31, 1945.

On August 21, 1946, Mr. Ivey, President of Citizens National Trust and Savings Bank, advised Mr. Eccles that Transamerica had sold 15,000 shares of Citizens stock to Transamerica's subsidiary, Occidental Life Insurance Company, and that Mr. A. P. Giannini had written a letter to Mr. Ivey indicating they were not satisfied with the management; they felt the management of the bank had not taken advantage of conditions; and, as a result the earnings of the bank were less than they should have been. Mr. Giannini's dissatisfaction with the management of the bank was publicized in the September 2, 1946, issue of "Time" magazine.

Voting Permit Matters

On May 12, 1944, the Federal Reserve Bank of San Francisco received an application for membership from Bank of Nevada, Las Vegas, a Transamerica subsidiary. After Mr. A. P. Giannini was advised that it was the Board's policy to consider membership and voting permit applications simultaneously, Bank of Nevada withdrew its application, because Transamerica would not file a voting permit application.

On December 15, 1944, Mr. Charles W. Collins, an attorney representing Transamerica, called at the Board's offices to ascertain if the Board would issue a temporary voting permit to Transamerica to enable it to vote its stock of Temple City National Bank, Temple City, California, for the purpose of increasing the bank's capital stock. Mr. Collins was advised that the Board discontinued issuing temporary voting permits when it decided to issue general voting permits to all bank holding companies that applied and could qualify. He was advised that this had been the policy maintained for the past three to five years, and Transamerica could, if it wished to vote its stock of the Temple City bank, file its application for a general voting permit. The holding company affiliate did not file an application for the general voting permit.

Efforts to Resolve Question of Expansion

At the request of Mr. A. P. Giannini, a conference was held at the Board's offices on February 18, 1943, at which Mr. Giannini and members of the Board were present. As a result, it was contemplated that a plan to resolve the differences between the Transamerica group and the Federal supervisory authorities would be worked out. On April 6, 1943, the Board's statement of policy was presented to Mr. Collins, attorney for Transamerica and Bank of America N. T. & S. A., by Mr. McKee. A copy of this statement is attached (Exhibit VI). In a letter dated April 13, 1943, Mr. Giannini indicated his refusal to comply with the program outlined. A copy of his letter is attached (Exhibit VII).

During 1944, several conferences were held between representatives of the Board and representatives of Willkie, Owen, Otis, Farr and Gallagher, counsel retained by Transamerica, in an endeavor to seek a solution to the expansion problem which would be satisfactory to both Transamerica and the Federal agencies involved. No success was attained through these efforts.

Miscellaneous Matters

Because of a request for the approval of the chartering of a new national bank in Alhambra, California, the office of which would be in the immediate vicinity of the branch previously sought by First Trust and Savings Bank of Pasadena, and in view of the establishment of de novo branches by Bank of America N. T. & S. A., the Federal Reserve Bank of San Francisco inquired by wire on May 7, 1946, as to the current position with regard to the policy outlined in the Board's letter of February 14, 1942, addressed to Transamerica Corporation (Exhibit I). On May 14, 1946, the Board replied in part as follows:

"Board understands that general policy indicated in February 1942 correspondence is still in effect and that permission to Bank of America to establish the branches mentioned in your wire was granted by Comptroller only in view of special circumstances involved."

Transamerica Corporation has acquired twenty-one banks (two of which have been merged into other Transamerica banks) since February 14, 1942, without prior advice to the Board, as requested in its letter of February 14, 1942 (Exhibit I).

No applications for general voting permits have been filed during the period January 1, 1942, to date with respect to the member banks acquired or any other matters in connection with the group.


Andrew N. Thompson,
Federal Reserve Examiner.

March 19, 1947.