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STATEMENT OF J. LEONARD TOWNSEND, SOLICITOR OF THE  
BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM,  
MADE IN CONNECTION WITH THE TRANSAMERICA PROCEEDING.

It is a familiar technique, much used by those called upon to defend against public charges, to challenge the motives and good faith of the officials whose duty it is to bring such charges. Another favorite tactic in such cases is to castigate the ones whose job it is to try the charges. Still another is to create as much diversion as possible during the actual trial in the hope that the real issues in the case may be lost to public view. Each of these ancient stratagems has been worked over-time in the present proceeding against Transamerica. In fact, a casual observer at the trial might well wonder at times who is being tried, Transamerica or individual members of the Board, particularly ex-Chairman Eccles who has disqualified himself from sitting in judgment on the case. For obvious reasons it is not fitting for me to reply in kind to the Transamerica name calling. On the other hand, I can attempt for the benefit of those who have a genuine interest in the proceeding to restore the issues of the case to their proper perspective, free from the twisted and distorted meanings which have been ascribed to them in recent weeks.

The fundamental issue in this case is very simple. It is this: Should a holding company be permitted without restraint of any kind to buy out banking competitors over a large and important economic area of

our country to the extent that such acquisitions threaten the competitive banking structure of the area?

In the Transamerica case the Board, acting pursuant to the duty imposed upon it by the Clayton Antitrust Act, instituted a proceeding to determine whether the number of banks acquired by Transamerica Corporation in the States of California, Oregon, Washington, Nevada and Arizona is tending to the development of a banking monopoly in those states or any part of them.

The record thus far shows that for over 40 years, ever since A. P. Giannini caused the Bank of Italy to be formed in 1904, he has used first one company and then another to acquire existing competitive commercial banking institutions in these five states. It shows that Transamerica is but the latest company to be fitted into this pattern of bank expansion by buying out competitors. Almost 700 existing banking offices have been thus gobbled up over the years, of which approximately 250 have been acquired by Transamerica since its organization by A. P. Giannini in 1928. Today Transamerica controls approximately 645 banking offices in the five states, having aggregate deposits of six and one-half billion dollars, and commercial loans amounting to approximately three billion dollars. This means that Transamerica now controls about 40 per cent of all banking offices, 38 per cent of all deposits and approximately 50 per cent of all bank loans in this entire area. If the figures for Arizona and Washington were eliminated (where Transamerica's banking interests are relatively small), these percentages would show that in the

three States of California, Oregon and Nevada Transamerica controls 48 per cent of the total banking offices, 55 per cent of the total deposits, and 60 per cent of the total loans.

The record further shows that the federal bank supervisory agencies have been growing increasingly alarmed by the expansion activities of Transamerica in the banking field. As early as 1938 the then Secretary of the Treasury Morgantheau and Chairman Crowley of the Federal Deposit Insurance Corporation initiated a series of conferences to consider how the subject might be dealt with through legislation. These meetings in turn led to President Roosevelt's recommendation to Congress in 1938 that it enact a law containing a "death sentence" for bank holding companies, that is, to have them dissolved over a period of years as Congress already had done with respect to public utility holding companies.

Another evidence of this official state of mind is to be found in 1942, when the Comptroller's office, the Federal Deposit Insurance Corporation and the Board agreed upon a uniform "policy" for dealing with the Transamerica bank expansion policy. They then undertook, so far as they were able within their separate jurisdictions, to discourage such expansion by agreeing to "decline permission for the acquisitions 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". Transamerica was notified of this agreement. Later in the same year this attitude of the supervisory

agencies was repeated in a letter from then Chairman Eccles to A. P. Giannini. He stated:

"It is our understanding that the position of the Comptroller of the Currency in this matter, referred to above, remains the same. We are advised that the Federal Deposit Insurance Corporation has indicated its unwillingness under existing circumstances to insure any newly organized State nonmember bank in which Transamerica Corporation has a substantial interest or any bank in the group which may withdraw from the Federal Reserve System. As for the Board's position, until it is satisfied that the financial policies pursued by Transamerica Corporation and its affiliated institutions are consistent with the public interest, it will consider as unsound their efforts to continue an expansion program by whatever means, including the organization of new State banks, the acquisition of control of existing State banks, or the conversion of national banks to State banks, and the establishment of branches thereof."

Again in 1943 all of the members of the Board met with A. P. Giannini personally and again outlined their opposition to Transamerica's continued expansion in the banking field.

Notwithstanding these efforts Transamerica has continued in its policy of buying up additional banking offices. Since the beginning of 1938 Transamerica has bought over 50 banks, having deposits at the time of acquisition of approximately \$200,000,000. In addition, the banks in the Transamerica group have established over 40 de novo branches.