

L. M. GIANNINI
THREE HUNDRED MONTGOMERY STREET
SAN FRANCISCO

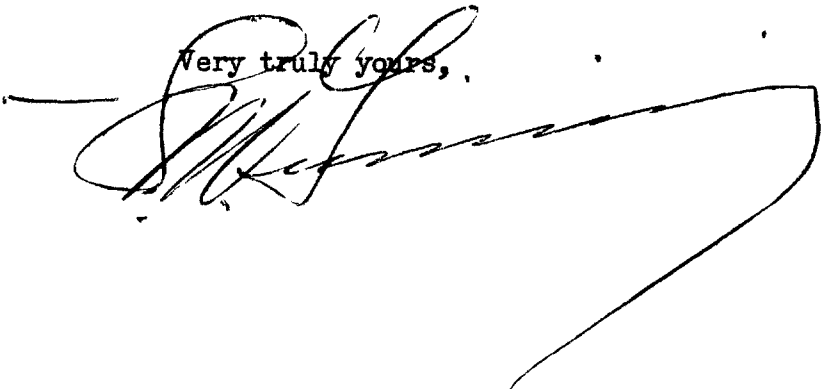
June 28, 1947

To the Chairman and Members of the
Board of Governors of the Federal
Reserve System
Washington, D. C.

Dear Sirs:

In order to avoid the possibility
of any unnecessary misunderstanding, I am
enclosing herewith copies of correspondence
with regard to S.829, which I am also send-
ing to the members of the Senate Committee
on Banking and Currency, the Secretary of
the Treasury, the Comptroller of the Currency,
the Directors of the Federal Deposit Insurance
Corporation, as well as each member of the
Board of Governors of the Federal Reserve
System.

Very truly yours,



Enclosure

L. M. GIANNINI
Three Hundred Montgomery Street
San Francisco - 4

(COPY OF LETTER SENT TO SENATORS WHO ARE MEMBERS
OF THE COMMITTEE ON BANKING AND CURRENCY)

June 28, 1947

Honorable C. Douglass Buck
United States Senator
Senate Office Building
Washington, D. C.

Dear Senator Buck:

As you are already aware, Transamerica Corporation was not asked to appear before the Committee on Banking and Currency during its consideration of S. 829. During the hearings that were held, however, it was noted that its attitude with regard to the bill as I understood it was misstated and I took the trouble promptly to notify the Chairman of the committee of that fact. I also suggested that Mr. Eccles, who had given misleading testimony regarding Transamerica Corporation, could furnish accurate information concerning companies in which he has substantial interests and explain how the bill he was sponsoring would operate with regard to them. The bill as sponsored by Mr. Eccles and as presently before the Senate would, according to his own statement, immunize the Eccles Investment Company, a company owning 44% of the voting stock of the First Security Corporation (a bank holding company) from regulation under the bill. He finally, after the hearings had closed, undertook to explain the matters to which I had directed attention.

For your convenience, the full text of my communications on this subject and Mr. Eccles' letter, in the form received by me, written after the close of the hearings are reproduced and enclosed herewith.

Yours very sincerely

(signed) L. M. Giannini

L. M. GIANNINI
Three Hundred Montgomery Street
San Francisco -4

June 10, 1947

Honorable Chas. W. Tobey
United States Senator
Senate Office Building
Washington, D.C.

Dear Senator Tobey:

This will confirm my telegram to
you of even date, a copy of which is enclosed.

In view of your reply to my letter
of June 2, 1947, I thought that in the interests
of clarity, I owed it to you to make a more de-
finite statement than apparently I had succeeded
in making in the first instance. I trust that
this telegram makes the situation clear.

My kindest regards to you!

Yours very sincerely

L. M. Giannini

Enclosure

TELEGRAM

JUNE 10, 1947

HONORABLE CHARLES W. TOBEY
UNITED STATES SENATOR
SENATE OFFICE BUILDING
WASHINGTON, D.C.

I TRUST MY LETTER TO YOU OF JUNE 2 HAS NOT LEFT IN YOUR MIND THE IMPRESSION THAT TRANSAMERICA CORPORATION HAS SIGNIFIED APPROVAL OF S.829. I RAISE THIS QUESTION ON ACCOUNT OF THE FOLLOWING STATEMENT IN YOUR LETTER OF JUNE 6 QUOTE THE POINT OF VIEW WHICH YOU EXPRESS REFLECTED WHAT I WAS TOLD, AS I SAID, BY A RESPONSIBLE PARTY UNQUOTE APPARENTLY I EXPRESSED MYSELF BADLY BUT I INTENDED TO EXPRESS NO POINT OF VIEW WHICH WOULD COINCIDE WITH WHAT YOU HAD BEEN TOLD. I SHOULD LIKE TO REPEAT THAT YOU HAVE NOT BEEN GIVEN A CORRECT REPRESENTATION OF TRANSAMERICA'S ATTITUDE AS I UNDERSTAND IT, AND THIS IS NOW CONFIRMED BY CHAIRMAN A. P. GIANNINI WHO HAS JUST RETURNED FROM EUROPE. IT IS HIS VIEW THAT THE ECCLES PROGRAM IS NOT IN THE PUBLIC INTEREST AND THAT IT IS AN ATTEMPT BY A BUREAUCRATIC DESPOT TO SUPPRESS FREE INSTITUTIONS THROUGH THE EXERCISE OF DICTATORIAL POWERS MASQUERADING AS ADMINISTRATIVE DISCRETION. BOTH TRANSAMERICA'S ATTITUDE AND FACTS RESPECTING ITS OPERATIONS HAVE BEEN GROSSLY MISREPRESENTED TO YOUR COMMITTEE BY WITNESSES. WE ARE NOT SURPRISED BY MR. ECCLES' ATTITUDE IN VIEW OF HIS HAVING BEEN STOPPED RECENTLY BY THE COURTS FROM EXERCISING DESPOTIC POWERS WHERE TRANSAMERICA WAS CONCERNED. THE GROSSLY MISLEADING CHARACTER OF SOME OF HIS STATEMENTS IS SO PATENT AS TO MAKE A VOLUNTEERED REPLY SEEM UNNECESSARY. AT THE PROPER TIME THE REAL STORY WILL BE TOLD. THERE IS ONE COMPANY, THE FIRST SECURITY CORPORATION OF OGDEN, UTAH, WITH RESPECT TO WHICH MR. ECCLES CAN GIVE FULL INFORMATION. IN THREE STATES IN THIS RESERVE DISTRICT IT OPERATES QUOTE THE LARGEST INTER-MOUNTAIN CHAIN OF BANKS UNQUOTE MR. ECCLES CAN EXPLAIN THE CLASSIFICATION OF ITS STOCK WHICH MIGHT SHOW THAT THE VOTING RIGHTS ARE RESTRICTED TO LESS THAN ONE-ELEVENTH OF THE OUTSTANDING SHARES, REPRESENTING LESS THAN FOUR PERCENT OF THE NET WORTH AND COLLECTING OVER EIGHT PERCENT OF THE DIVIDENDS,

ON THE OTHER HAND TRANSAMERICA SHARES ARE OWNED IN SMALL AMOUNTS BY APPROXIMATELY 150,000 SHAREHOLDERS, EACH OF WHOM PARTICIPATES PROPORTIONATELY IN OWNERSHIP, PROFITS AND VOTING RIGHTS. PERHAPS HE CAN EXPLAIN WHY THE BILL IS SILENT ON THIS SUBJECT; ALSO HOW AND BY WHOM CONTROL OF THIS COMPANY AND ITS BANKS IS ACTUALLY EXERCISED. HE CAN PROBABLY ALSO EXPLAIN THE INTEREST OF A REPUTEDLY CLOSELY HELD INVESTMENT COMPANY, SAID TO BE DOMINATED BY HIM, IN TWO LUMBER COMPANIES, A CONSTRUCTION COMPANY, A SUGAR COMPANY, MILK, HOTEL AND IMPLEMENT COMPANIES AND PERHAPS SOME OTHERS, AND HOW THESE COMPANIES WOULD BE AFFECTED BY S. 829 AND FORMER VERSIONS OF IT OR IF IT HAD FOLLOWED THE PUBLIC UTILITY HOLDING COMPANY ACT IN ITS DEFINITIONS. WITH SENTIMENTS OF ESTEEM

L. M. GIANNINI

TELEGRAM

JUNE 12, 1947

HONORABLE CHARLES W. TOBEY
UNITED STATES SENATOR
SENATE OFFICE BUILDING
WASHINGTON, D.C.

FROM WASHINGTON NEWS DISPATCHES IT APPEARS THAT ALTHOUGH MY TELEGRAM TO YOU OF JUNE 10 NAMED THE FIRST SECURITY CORPORATION OF OGDEN, UTAH AND REFERRED ALSO TO AN INVESTMENT COMPANY MR ECCLES IS REPORTED TO HAVE SAID THAT THE INVESTMENT COMPANY REFERRED TO WAS THE FIRST SECURITY CORPORATION. ASSUMING THAT MR ECCLES' STATEMENT IS CORRECTLY REPORTED AND TO AVOID ANY POSSIBLE QUESTION CONCERNING MY TELEGRAM THE INVESTMENT COMPANY REFERRED TO IS THE ECCLES INVESTMENT COMPANY OF WHICH MR ECCLES IS PRESIDENT AND A DIRECTOR AND NOT THE FIRST SECURITY CORPORATION.

KIND REGARDS

L. M. GIANNINI

COPY

TELEGRAM

AA88 A. FA133 NL PD San Francisco, Calif., Jun 18, 1947

Honorable Charles W. Tobey
United States Senator
Senate Office Building
Washington, D. C.

Am mailing a letter to clarify the record concerning misleading answers of Messrs. Eccles and Townsend to inquiry by Senator Robertson as shown beginning on page 237 to 240 inclusive of June 11th transcript just received kind regards.

L. M. Giannini

L. M. GIANNINI
Three Hundred Montgomery Street
San Francisco -4

June 18, 1947

Honorable Charles W. Tobey
United States Senator
Senate Office Building
Washington, D.C.

Dear Senator Tobey:

I have just received a transcript of the hearing before your committee on June 11 on S. 829, as transcribed by the Alderson Reporting Company. Inasmuch as it contains some material in purported response to my telegram to you which you were good enough to read into the record, it appears that an added statement is necessary to center attention on the issues raised by my telegram and the altogether inadequate answers of Mr. Eccles and Mr. Townsend to a specific inquiry. As I will not willingly be responsible for allowing others possibly to mislead the committee concerning any issues that I might have raised, I find it necessary to clarify the record.

The transcript shows that Senator Robertson inquired of Mr. Eccles concerning the charge made in my telegram to you that the language of the Public Utility Holding Company Act was not followed, and Mr. Eccles asked Mr. Townsend to answer. Mr. Townsend answered from the viewpoint of one who had had considerable experience under the Securities and Exchange Commission in the application of the definition contained in the Public Utility Holding Company Act; but his answer, for the benefit of your committee, dealt with only half of the definition contained in the Public Utility Holding Company Act and in the Bank Holding Company Act. Had he referred to the second half of the definition in each instance he would have found that the Public Utility Holding Company Act says that a holding company is "(B) any person which the Commission determines, after notice and opportunity for hearing, directly or indirectly to exercise (either alone or pursuant to an arrangement or understanding with one or more other persons) such a controlling influence over the management or policies of any public-utility or holding company as to make it necessary or appropriate, etc." Then, had he turned to the second half of the definition of a bank holding company in the bill which he is reputed to have drafted for the Federal Reserve Board, he would have found that it defines a bank holding company as being "any company which the Board determines, after notice and opportunity for hearing, directly or indirectly exercises (either alone or pursuant to an arrangement or understanding with one or more other persons) such a controlling

June 18, 1947

influence over the management or policies of two or more banks as to make it necessary or appropriate, etc." You will notice that in this definition "person" becomes "company." You will also notice that a person who holds a controlling influence over a holding company under the Public Utility Holding Company Act is likewise a holding company, but under the Eccles-Townsend version a person can exercise a controlling influence over the management of a bank holding company and will not himself be a holding company. At least, that is the way it appears to me.

It would seem that this gives some pertinency to the suggestion in my telegram to you relating to the closely held voting shares of the First Security Corporation of Ogden, Utah, and of Mr. Eccles' interest in the Eccles Investment Company and the several other companies mentioned in my telegram.

It has been my experience with lawyers that when they do a job of legal drafting using some existing law as a guide, they have some reason for such differences as might appear between the guide and their finished product. Why Mr. Townsend in this instance, when specifically called upon by Senator Robertson to explain the changes referred to in my telegram, contented himself with an explanation that did not explain and covered at most only half the criticized definition while purporting on its face to give a full explanation, I leave to Mr. Townsend and Mr. Eccles. To me the explanation smacks of a deliberate deception and I am not willing to share any of the responsibility for it.

I am enclosing a copy of this letter for Senator Robertson because of his inquiry at the hearing on June 11.

I trust that I have not unduly presumed on your patience, and again with sentiments of high esteem, I am

Sincerely yours,

L. M. Giannini