

Mr. T. W. Smith, President,
First Trust and Savings Bank of Pasadena,
Pasadena, California.

Dear Mr. Smith:

This is in reply to your letter of August 17, 1942, with reference to the Board's unfavorable action on the application of First Trust and Savings Bank of Pasadena for a permit to locate branches at Temple City and Alhambra, California. You refer to the letter of the Federal Reserve Bank of San Francisco of July 13, 1942, and state that you do not find in the previous correspondence on the subject anything which satisfactorily enlightens you on the grounds or reasons for such action. You ask first, on what grounds or matters of policy is the permit refused, and second, what other facts you may submit or showing you may make in addition to what is already contained in the present application which may persuade the Board to change its view.

With respect to your first question, the Federal Reserve Bank of San Francisco wrote you on February 20, 1942, pursuant to a request made by the Board in its letter of February 14, 1942, stating that the Board had given careful consideration to information submitted in your letter, outlining what appeared to be your tentative plans, and to other pertinent information in its files and had reached the conclusion that it should not approve the establishment of the proposed branches on the basis of the information then before it. The Reserve Bank added that the Board's views were being transmitted to you before further action was taken to consummate your plans. Under date of February 14, 1942, also the Board wrote Transamerica Corporation, which owns a majority of the capital stock of your bank, with respect to the above action and also added the following:

"Should your Corporation have any plans for the further expansion of its interests in banks, either directly or indirectly, through the mechanism of extending loans to others for the purpose of acquiring bank stock, or in any other manner, you are requested to advise the Board through the Federal Reserve Bank of San Francisco before any such plans are consummated.

"The Board's position in this matter is in accord with the policy, upon which there is 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.

"Please see that all persons in the Transamerica group who may be concerned with this policy are advised accordingly."

We have assumed that you were informed by Transamerica Corporation of the Board's position pursuant to the above request. However, your bank apparently decided to continue its plans to establish these branches. On February 28, 1942, it entered into a contract to assume deposits and take over assets of the Temple City National Bank, with the view to operating a branch at that location. On July 13, 1942, the Federal Reserve Bank of San Francisco, at the request of the Board, wrote you that the data submitted in your formal application, dated June 10, 1942, for the approval of the establishment of branches at Temple City and Alhambra, had been fully considered and the Board did not feel that the facts submitted and the circumstances in this case justified any change in its policy as outlined in previous correspondence above referred to, and that it did not feel warranted, on the information in its possession, in granting the application of your bank for branches at Temple City and Alhambra, California.

With regard to your second question, the Board does not know what additional facts you may have to submit or what showing you would be in a position to make so long as your bank is owned and controlled by Transamerica Corporation and is used as a medium for further expansion. However, we will be glad to consider any information which you feel it is desirable to submit in the light of the Board's policy as described above. In this connection, attention is called to the fact that we have received an inquiry from the Chairman of the Board of Transamerica Corporation with regard to the Board's policy against further expansion by that Corporation and you will undoubtedly be advised of any action taken by the Board in connection with this inquiry.

Very truly yours,

Chester Morrill,
Secretary.