

Proposed letter to -

(C.E.C. Draft)

Mr. A. P. Giannini, Chairman,
Transamerica Corporation,
San Francisco, California.

Dear Mr. Giannini:

This is in reply to your letter received on August 18, 1942, in which you indicated your disapproval of the action of the Board of Governors on July 10, 1942, in denying the application for the establishment of branches at Temple City and Alhambra by the First Trust and Savings Bank of Pasadena, which is controlled by Transamerica Corporation through the ownership of a majority of the capital stock.

You will recall that in January 1942 this bank wrote a letter to the Federal Reserve Bank of San Francisco stating, among other things, that it had "under consideration the establishment of several branch banks", Temple City and Alhambra being mentioned specifically. This was shortly after Transamerica Corporation obtained control of the bank and the Comptroller of the Currency had repeatedly denied the expansion of branch activities of important national banks in the Transamerica Corporation group. On February 14, 1942, the Board requested that the bank be advised, before it took any further steps to consummate its plans, that the Board had given careful consideration to the information submitted 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 before it. On February 14, 1942, Transamerica Corporation was advised of the action taken and the reason for such action.

Mr Clayton

Thereafter the First Trust and Savings Bank of Pasadena apparently continued its plans and on February 28, 1942, entered into a contract to assume deposits and take over assets of the Temple City National Bank with a view to operating a branch at that location. On June 10, 1942, the bank filed a formal application for the establishment of branches at Temple City and Alhambra. On July 10, 1942, the Board declined this application and requested that the bank and Transamerica Corporation be advised accordingly.

This action was in accord with the policy outlined in the Board's letter to Transamerica Corporation under date of February 14, 1942, upon which there is unanimous agreement by the Board, the Comptroller of the Currency, and the Federal Deposit Insurance Corporation. The Board reached its conclusions because it was not satisfied that the management and financial policies of Transamerica Corporation have been in accord with the intent and purposes which Congress apparently intended should be carried out when it placed upon the Board certain important responsibilities for the supervision of bank holding company groups. Various pertinent facts and circumstances have been discussed with you on more than one occasion and as far back as our discussions leading up to the agreement reached by the Bank of America N.T. & S.A. and the Comptroller of the Currency in March 1940. Some of the more important of these are:

1. The condition of Transamerica Corporation and certain of its affiliated banks during and subsequent to the Banking Holiday of 1933.

2. The inability or unwillingness of the management to improve the financial condition of the corporation and its banks through the conservation of earnings or the issuance of additional stock and to eliminate other unsatisfactory conditions and the resort to dilatory tactics in connection therewith.
3. The failure of the holding company through its dividend and expansion policies to maintain itself in a financial position to supply adequate capital for its affiliated institutions.
4. The necessity for resorting to the Government for capital funds and the premature repayment thereof.
5. Continued expansion through the purchasing of controlled banks and other institutions by means of funds advanced by affiliated banks.
6. Expansion of the holding company in various fields of activities, thus increasing potential risks and thinning out capital cushion available to banks.
7. Concentrating or increasing deposit insurance exposure through expansion of operations and without adequate increase of capital through conservation of earnings, etc.
8. Policies of the management with respect to compliance with laws or regulations, and the requirements of or agreements with supervisory authorities.
9. The attempt of the management to evade the requirements or restrictions of one supervisory agency by resorting to charters, permits, etc., from another supervisory agency.
10. Nature and purposes of enacted and proposed legislation with respect to bank holding companies.

Although a considerable portion of your letter deals with the condition and operations of Bank of America N.T. & S.A., it does not seem to include any facts that would warrant a reversal of the position taken by the Board and the other Federal supervisory agencies.

Very truly yours,

Chester Morrill,
Secretary.