

C O P Y

CONFIDENTIAL

Draft of Report of Informal Conference with  
A. P. Giannini on February 18, 1943.

In accordance with a request which had been made in a letter from Mr. A. P. Giannini to Chairman Eccles, there was an informal conference of the members of the Board and Mr. Giannini on Thursday, February 18, 1943, beginning at 10:30 a.m. and lasting until 3 p.m., except for a recess for lunch. In addition to Mr. Giannini, those present were Messrs. Eccles, Ransom, Szymczak, Evans and McKee, except that Mr. Szymczak, by reason of a previous engagement, was not a participant in the luncheon.

Aside from having indicated in a general way that he wanted information about the Board's policy in relation to the expansion of Transamerica's banking interests, Mr. Giannini had not stated specifically or in detail what particular phases of the general question he wished to discuss and it was understood that the conference was to be on a purely informal basis. In his opening statement, he took the position that he could not understand why the Federal supervisory agencies had made decisions against expansion of Transamerica's banking interests and he showed that he was entirely out of sympathy with their point of view. His discussion had the tone of one who felt that he was "boxed" at every turn of the road. It seemed to him that the supervisory authorities must have little or no confidence in the management of the Bank of America or Transamerica. In typical "A. P." fashion he wanted to know why, under such circumstances, we didn't take over the banks and run the outfit. He accepted, apparently without reservation, the idea that he was the dominant or controlling figure in the Transamerica group and

its banking interests, regardless of any technical or legal question of control, and that when he spoke, he represented any or all of them to which he might be referring. He had lost none of his desire for freedom to expand in the banking or any other field wherever he thought it would be beneficial to do so. He contended that he had been discriminated against, but maintained that he was willing to operate under any laws or regulations that were applied to all bankholding companies alike. He had nothing to say, however, by way of explanation when figures as to branch bank expansion in the territory of the Transamerica group for the period from 1933 to 1942 were called to his attention. He referred a number of times to what he regarded as the critical character of letters emanating from the office of the Comptroller of the Currency, the F. D. I. C., and the Board as applied to the management of the Giannini interests, which he said had been harmful to his interests. However, when his attention was directed to the facts of the Board's participation in the negotiations leading up to the 1939-1940 agreement and to the promises of the Giannini interests in that connection he had little to say.

It was made plain to him that the members of the Board were unanimous in the position which had been taken in each case where the Board had been called upon to act with relation to Transamerica and that there was full accord among the three supervisory agencies on the position they had taken with respect to expansion of the Transamerica group in the banking field. It was also made clear that the Board would favor legislation freezing the situation of bankholding companies, with the exception of instances where they might be requested by the appropriate supervisory authorities to save or protect particular situations. In that connection Mr. Ransom said

that he had been in favor of something along the lines of the "death sentence" legislation proposed in 1938. Mr. Giannini said that he had been in favor of that particular proposal, and in fact that its introduction was at his suggestion through the influence of ex-Senator McAdoo with Senator Glass. He did not argue for the continuation of bankholding companies but would like to see branch banking permitted throughout a Federal Reserve district. In any event, he would like to be free to have a branch banking system in each state in which Transamerica now has banks. He would be ready to liquidate the bankholdings of Transamerica, saying that it could be done through the distribution of its stockholdings among its stockholders, that he would like to see this done, and that, given a reasonable period, say five years, the liquidation could be completed and Transamerica eliminated as a bankholding company. It was indicated, however, that a holding company which was not involved in other businesses or ventures and was merely for the purpose of holding a group of banks together would not necessarily be objectionable to the Board, but that there was opposition to the continued acquisition of varied interests by Transamerica, that the complicated corporate relations were a matter of real concern to the Board, and that the use of the holding company affiliations as an indirect means of circumventing the supervisory policies of the Federal agencies was highly objectionable.

Whatever plan might be adopted, he would like to be permitted to carry out commitments in two situations which had not been brought to the attention of the Board, one apparently in written form involving an exchange of National City stock now held by Transamerica and another not in writing,

where, he felt, nevertheless, a moral obligation which he thought was fully as binding as a written commitment. If he could have all the banking units in California which are affiliated with Transamerica converted to branches of the Bank of America and could follow a similar course in other states where he had banks, including the two situations where he felt he had outstanding commitments, he would be 100 per cent in favor of a plan which would not permit any further expansion except when requested by the supervisory authorities. He would have to "clear it with my boys first", but he was so enthusiastic about it that he wanted to follow up this line of thought immediately with the other supervisory authorities in Washington. At the same time he said that he personally couldn't approach Morgenthau or Crowley in view of his letter of February 1, 1943, to Mr. Crowley, a copy of which is in our files. At one moment he thought that his son "L. M." might come on and work out such an arrangement and at another time he wanted the Board or a Board committee to undertake the task. At the conclusion of the conference it was understood that he expected to discuss the possibilities of the situation with his son and others to whom he referred as "his boys". It was also understood that the Board or some of its members would advise Mr. Crowley and Mr. Delano regarding the discussions at this meeting, and that if these agencies could agree upon a plan that would be feasible, the Board would be glad to act as the medium through which Mr. Giannini would be informed.

It appeared to the Board members who had known Mr. Giannini in the past that he retained much of his old vigor and aggressiveness, but on

the other hand, that there was something of a tendency towards relaxation and a desire to be conciliatory, even at the sacrifice of his ideas of further expansion. He was concerned about the burden that "L. M." was carrying and would like to find some relief for him.

The following seemed to the members of the Board to be substantially the conclusions that could be drawn from the discussions during the conference:

(1) That Mr. Giannini's underlying desire was for untrammelled freedom of expansion;

(2) That it was made clear to Mr. Giannini that the Federal supervisory authorities were in accord against expansion of Transamerica interests in the banking field;

(3) That it had become apparent to him that he and "his boys" had no place else to go;

(4) That, confronted with the possibility of "freezing" or a "death sentence" for bankholding companies, he was willing to accept some sort of arrangement which would restrict further expansion of the Transamerica group unless requested by the Federal supervisory authorities, provided all the banks which they now have could be retained, together with the two regarding which Mr. Giannini said he had outstanding commitments;

(5) That such an arrangement was contingent in his mind upon all other bankholding companies being subject to corresponding restrictions.

The conference ended without any directives, as Mr. Giannini stated that he wanted to report the conversations to his associates and it

was understood that the Board or a committee of Board members would likewise report the discussions to the other Federal supervisory agencies.

Aside from reporting to the other Federal agencies the substance of these conversations, the Board felt that the matter should rest, unless there is a further indication from Mr. Giannini that he would be willing to carry out a plan by which Transamerica would divest itself of its non-banking interests and be nothing more than a bankholding company.