

October 31, 1945

Honorable Marriner S. Eccles
Chairman, Board of Governors
of the Federal Reserve System
Washington, D. C.

My dear Mr. Chairman:

I desire to set out briefly the status of the Government's investigation of the Transamerica Corporation, for the purpose of affording background for our conference on the matter. The date of such conference will be set at a time mutually satisfactory to the interested government agencies.

The Department's investigation to date discloses that the Transamerica Corporation, a holding company, controls 35 banks in the States of California, Nevada, Arizona, Oregon and Washington, the largest of which is the Bank of America; that many of these 35 banks have numerous branches; that these banks control approximately 40% of the banking offices and approximately 36% of the commercial banking deposits in the five-state area; that the Transamerica-controlled banks control approximately 80% of deposits in the State of Nevada and 61% of the commercial banking offices; in California, 42% of the deposits and 49% of the commercial banking offices; in Oregon, 39% of the deposits and 13% of the commercial banking offices; and in Washington, 5% of the deposits and 4% of the commercial banking offices. In many counties within this five-state area the percentage control of deposits and commercial banking offices is much greater. In California, for example, there are thirteen counties in which the Transamerica Corporation controls 100% of the commercial banking facilities. This expansion program has been effected over a period of approximately twenty years. In many instances the holding company financed the acquisitions by borrowing funds from its banking subsidiaries, using the assets of the purchased bank as security for the loan.

Apparently there has been a desire on the part of Transamerica Corporation to build good will among the banks in the five-state area by offering very liberal terms in its purchases. In many cases the price paid exceeded the book value of a bank's assets. Frequently the personnel of acquired banks was put on the pay roll of Transamerica and the ranking officials were either retained or liberally pensioned.

In addition, the investigation discloses that the Transamerica Corporation controls two investment banking companies, several insurance companies, several metal fabrication companies, and a large real estate company of particular significance in the State of California.

An antitrust suit might be based upon a charge of conspiracy between the holding company and its banking subsidiaries to monopolize a substantial part of the commercial banking and credit facilities in the five-state area. The difficulty with the case at this time lies in the fact that we have not been able to develop substantial evidence either that the Transamerica Corporation achieved its present dominating position in the commercial banking field through illegal trade practices as those terms are defined in court decisions interpreting the Sherman Act, or that it abused its dominant position once it was achieved. In the absence of complete monopoly, evidence of one or both of these types of abuse is essential to make a case under the Sherman Act. We have a few illustrations indicating the use of coercive tactics by Transamerica in the acquisition of independent banks, such as creating a run on a bank through collection by agents of Transamerica of passbooks which were presented for payment over the counter in a single day, thus causing large withdrawals; threats to establish a branch in an area already adequately served by independent banking interests, one of which the Transamerica Corporation desired to buy; promotion of internal dissension in the management of the desired bank, coupled with the purchase of a sufficient amount of stock to place the purchaser in a strong bargaining position with the stockholders owning substantial interests. There are many rumors that such practices were followed regularly in acquiring independent banks. It has been impossible, however, to pin down a sufficient number of them to make a prima facie case on the theory suggested. It is possible that such testimony could be secured through grand jury proceedings. In view of the experience of the agents of the Federal Bureau of Investigation, however, this appears somewhat doubtful.

If sufficient evidence could be secured to support either abuses in achieving its present position or abuse of the position once achieved, there apparently would be no difficulty in proving restraints on commercial competition. Certainly the commerce of acquired banks and of independent banks which might and probably would have been organized except for fear of being assimilated by the Transamerica group, would be restrained. In addition, borrowers conducting interstate commercial enterprises are deprived of competitive sources of banking facilities. The commerce of enterprises competing with commercial businesses owned by the Transamerica Corporation in situations where the former must secure their financial requirements from Transamerica banks, is restrained, since such independent enterprises must reveal their confidential operations in securing credit from the Transamerica banks.

If a case of attempt to monopolize commercial banking facilities could be developed, it is suggested that relief might take the form of requiring the holding company to dispose of all interest in and control over subsidiary banks owned by it, including the stock of its largest subsidiary, the Bank of America. Since the Bank of America, through its branches, comprises approximately 90% of the commercial banking interests of the Transamerica Corporation, it would appear that effective competition in the commercial banking field in the five-state area would require some type of reorganization of the Bank of America which would provide for the creation of several distinct and competing units to be carved out of the existing Bank of America organization. Whether divestiture should be sought of some of the non-banking enterprises owned by the Bank of America, such as insurance companies, real estate companies, etc., would depend upon the development of the data which is at the present time inconclusive and fragmentary.

I trust this brief description of the status of our investigation will afford a basis for discussion at the coming conference.

Sincerely yours,

Attorney General