

Feb. 14, 1942

Transamerica Corporation,
San Francisco, California.

Gentlemen:

The Board has recently received through the Federal Reserve Bank of San Francisco a copy of a letter from a member bank, control of which was recently acquired by your Corporation, stating that the member bank has under consideration the establishment of several branch banks and that the letter is written for the purpose of securing the necessary approval from the Federal Reserve Board. The member bank's letter set forth certain facts with respect to proposed branches at two locations and stated that the letter would be supplemented by such formal applications as Federal Reserve regulations may require.

The Board gave careful consideration to the information submitted and to other pertinent information in its files and reached the conclusion that it should not approve the establishment of the proposed branches on the basis of the information now before it. The Federal Reserve Bank of San Francisco was requested to advise the member bank accordingly.

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

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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.

Very truly yours,

(Signed) CHESTER MORRILL

Chester Morrill,
Secretary.

BMW:CED:edn

cc: Honorable Preston Delano, Comptroller of the Currency
Honorable Leo T. Crowley, Chairman, F. D. I. C.

TRANSAMERICA CORPORATION

Montgomery Street at Columbus Avenue
San Francisco, California

San Francisco, California,
March 17, 1942.

Board of Governors of the
Federal Reserve System,
Washington, D. C.

Gentlemen:

We have carefully considered, and have reviewed the statutes in connection with, your letter of February 14th forwarded to us by the Federal Reserve Bank of San Francisco in a letter dated February 21, 1942.

We note that it is desired that the Board of Governors be advised of any plans of this corporation to expand its interests in banks in any manner before such plans are consummated. We have always furnished any information requested respecting our investments and have permitted the examinations and have regularly rendered the reports required by law, but we are unable to find any requirement of law or regulation that information regarding our plans to acquire stock be communicated to the Board of Governors before any such plans are consummated. It does not seem to us that it would be practical to do so.

The acquisition of interests in banks, whether it be by the purchase of stock or otherwise, appears to be a matter within the responsibility and discretion of the directors and management of the corporation. It is believed that the directors and management could not properly surrender that responsibility because to do so would be to fail in their obligation to stockholders to conduct the affairs of the corporation according to their best judgment.

We note also the statement of the Board of Governors that "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."

While this corporation is not itself engaged in the banking business and therefore is not directly concerned with the establishment of additional banking offices, it cannot, on the basis of its present understanding of the statutes, accept such a ruling on behalf of itself or any bank

Board of Governors of the
Federal Reserve System.

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March 17, 1942.

in which it owns any interest.

We are one of a considerable number of bank holding companies doing business subject to laws enacted by Congress which were intended to have uniform application. Our present disposition would be not to object if Congress should determine to impose the death sentence on bank holding companies, even though it would be necessary to us to readjust our affairs in accordance with the law. We would even be willing to give consideration to some general plan which would contemplate that there would be no additional branches granted to any bank for the duration of the war. In the meantime, however, we believe that we are entitled to and are assured fair and impartial treatment, and we cannot acquiesce in special treatment which appears to be contrary to the policy of the law as it now exists.

Federal statutes provide that national banks and state member banks are entitled to establish new branches when the law of the state grants the right, subject only to the approval of the particular supervisory agency to which the application is required to be made and the statutes prescribe the matters to be considered upon each such application. It is difficult to understand upon what basis the Board of Governors or any group of Federal agencies can state in advance of any application that as to certain banks it will refuse to entertain an application to establish branches. It seems to us that the statutes require the respective Federal agencies to consider upon its merits any application made and there does not seem to be any basis for the advance rejection of any application for branches by any bank for the sole reason that this corporation has an interest in it.

Respectfully yours,

(Signed) W. L. ANDREWS,

W. L. Andrews,
Vice President and
Treasurer.

TRANSAMERICA CORPORATION

Montgomery Street at Columbus Avenue
San Francisco, California

August 8, 1942.

Board of Governors of the
Federal Reserve System,
Washington, D. C.

Gentlemen:

We have received a letter dated July 13, 1942, from the Federal Reserve Bank of San Francisco, in which it is stated that the Board of Governors of the Federal Reserve System has determined to deny the application of the First Trust and Savings Bank of Pasadena to establish branches at Temple City and Alhambra for the reason that it has come to the conclusion that circumstances do not justify any change in the policy referred to in its letter of February 14, 1942, to Transamerica Corporation. In that letter the Board of Governors stated that in conjunction with the Comptroller of the Currency and the Federal Deposit Insurance Corporation it had determined upon a policy to decline permission for the acquisition of any additional banking offices by Transamerica Corporation or by any bank in which Transamerica Corporation was interested.

As we stated in reply to the previous letter from the Board of Governors, there does not appear to us to be any proper basis in law upon which the Board of Governors can reject an application for branches by any bank for the sole reason that this corporation has an interest in it. This seems to be particularly true in the case of the First Trust and Savings Bank of Pasadena, in which this corporation owns but 60 per cent of the outstanding stock. We believe that the reason assigned is not a lawful one as a basis for the rejection of an application and for that reason is capricious and discriminatory and is prejudicial not only to the First Trust and Savings Bank of Pasadena but also to the shareholders of that bank, whether they be Transamerica Corporation or the owners of the minority interest in the bank.

Yours very truly,

(Signed) W. L. ANDREWS

W. L. Andrews,
Vice President and
Treasurer.

January 3, 1945

Mr. H. N. Mangels, Vice President,
Federal Reserve Bank of San Francisco,
San Francisco 20 , California.

Dear Mr. Mangels:

This is in response to your letter of December 5, 1944 and to your subsequent telegram of December 21, 1944, both having to do with a proposed purchase by First Trust and Savings Bank of Pasadena of the banking premises, furniture and fixtures of First National Bank of Lamanda Park. In your letter of December 5th there was enclosed a letter from First Trust and Savings Bank of Pasadena, dated December 1, 1944, which stated that the matter was being submitted for consideration, in accordance with Article 8 of the Conditions of Membership, and that the proposed purchase price was \$36,794.59. Your wire of December 21, 1944, indicates a possible reduction in the purchase price to \$20,500 of which \$16,500 is the purchase price of the land and building.

Under date of February 14, 1942, First Trust and Savings Bank of Pasadena, which was then seeking to establish a branch at Alhambra and to acquire the assets of the Temple City National Bank and establish a branch at that point, was advised that the Board had concluded that it should not approve the establishment of the proposed branches. At the same time the Board communicated with Transamerica Corporation, since it owned a large majority of the shares of both of these banks, stating its opposition to this and any further expansion of Transamerica Corporation, under existing circumstances, and requesting that Transamerica Corporation advise the Board before consummating any plans for the further expansion of its interest in banks. Nevertheless, Transamerica Corporation, without any prior consultation with the Board, subsequently acquired the First National Bank of Lamanda Park. Later, without having a permit to vote the stock of either of these member banks, and without having applied to the Board of Governors for such voting permit or otherwise advising the Board of the proposed action, the Lamanda Park bank was taken over by the Pasadena bank by a sale of assets, excepting the building and fixtures.

Mr. H. N. Mangels

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The sale now proposed involves a transfer of the building and fixtures from First National Bank of Lamanda Park, in liquidation, almost wholly owned by Transamerica Corporation, to First Trust and Savings Bank of Pasadena, the stock of which is also almost wholly, if not entirely, owned by Transamerica Corporation. Moreover, since Transamerica Corporation has not obtained a voting permit to vote the shares it owns in First Trust and Savings Bank of Pasadena, the result is that the stockholder of all or almost all of the Pasadena bank's stock is legally disqualified to take any action as stockholder other than to put the bank in voluntary liquidation, although it appears that, notwithstanding the absence of any such voting permit, Transamerica Corporation undertook to take action as a stockholder of First Trust and Savings Bank of Pasadena apparently to validate, under California law, its purchase of the assets of First National Bank of Lamanda Park.

In these circumstances, the Board does not approve the transaction. The Board will appreciate your advising First Trust and Savings Bank of Pasadena and Transamerica Corporation of the Board's conclusion, and copies of this letter are enclosed for that purpose.

Very truly yours,

(Signed) S. R. Carpenter

S. R. Carpenter,
Assistant Secretary.

JPD:CEC:msk

cc: First Trust and Savings Bank of Pasadena) Enclosed with original
Transamerica Corporation) for transmittal by F.R. Bank
Mr. Neth L. Leachman, Special Counsel

BOARD OF GOVERNORS
of the
FEDERAL RESERVE SYSTEM
Leased Wire Service

WASHINGTON

May 28, 1943.

Day - San Francisco

The Board has received reports from various sources that the management of Transamerica Corporation has authorized and is sponsoring a campaign to acquire 124,000 of a total of 250,000 shares of Citizens National Trust & Savings Bank of Los Angeles. This campaign, as reported, bears a marked resemblance to previous campaigns conducted by the Corporation and particularly to the campaign which resulted finally in the Corporation acquiring control of First Trust & Savings Bank, Pasadena, California.

The management of the Corporation is already aware of the Board's position with respect to the expansion policy pursued by the Corporation. If the Los Angeles case should turn out as the Pasadena case did the Board sooner or later would be called upon to take some kind of action in that case. Therefore, the Board in fairness to all concerned wishes once more to bring to the attention of the Corporation the Board's opposition to such expansion policy.

In addition, information received by the Board of Governors indicates that since July 1941, the expansion policy pursued by the Corporation has extended into the industrial field. Since that date it has acquired all of the stock of Premier Insurance Company representing a dollar investment of approximately \$1,500,000; the controlling interest in Axton Fisher Tobacco Company representing a dollar investment of approximately \$2,300,000; substantially all of Adel Precision Products

BOARD OF GOVERNORS
of the
FEDERAL RESERVE SYSTEM
Leased Wire Service

WASHINGTON

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Corporation representing a dollar investment of approximately \$1,350,000; substantially all of Aerco Corporation representing a dollar investment of approximately \$290,000; and all of Enterprise Engine and Foundry Company representing a dollar investment of approximately \$379,000. During this same period direct and inter-corporate indebtedness of Transamerica Corporation and its subsidiaries has continued unliquidated in substantial amounts. Permission of the Board for the changes in the character of Transamerica Corporation's assets brought about through the above mentioned acquisitions was neither sought nor given.

The expansion policy pursued by the Corporation and the developments in connection therewith which have been commented upon in this wire have raised the question in the minds of the Board as to whether the Corporation has violated the agreement which it entered into with the Board on April 28, 1937, and particularly paragraph 5 thereof reading as follows:

"That the management of the undersigned will be, and the undersigned will take such action within its power as may be necessary to cause the management of each of its subsidiaries to be, conducted under sound policies governing its financial and other operations, including statements issued relating thereto; that the undersigned will maintain a sound financial condition; that its net capital and surplus funds shall be adequate in relation to the character and condition of its assets and to its liabilities and other corporate responsibilities; and that, except with the permission of the Board of Governors of the Federal Reserve System, it shall not cause or permit any change to be made in the general character of its business or investments;"

Therefore, the Board, before reaching a conclusion as to the course of action to be pursued in these circumstances, would be glad to receive any expression of view which the Corporation may wish to offer on the question whether the

Corporation has violated the terms of its agreement.

BOARD OF GOVERNORS
of the
FEDERAL RESERVE SYSTEM
Leased Wire Service

WASHINGTON

Day - (Page 3)

Please convey the contents of this wire to Transamerica Corporation with the statement that the Board will appreciate an early reply through the Federal Reserve Bank of San Francisco.

Morrill.

CC: Hon. Preston Delano
Comptroller of the Currency

Hon. Leo T. Crowley, Chairman,
Federal Deposit Insurance Corporation

SRC:gg

Summary of statement of policy April 6, 1943, by Governor John K. McKee (with whom was Mr. J. P. Dreibelbis, General Attorney) of the Board of Governors of the Federal Reserve System to Mr. Charles W. Collins, Counsel for Transamerica Corporation and Bank of America, N. T. & S. A.

I. TRANSAMERICA CORPORATION

1. That Transamerica Corporation agree to cease to acquire holdings of stock in additional banks except upon the recommendation and approval of the Board of Governors of the Federal Reserve System.

2. That within a reasonable time Transamerica Corporation will eliminate or segregate its investments in the recently acquired corporations; that in this procedure due allowances shall be made for questions of tax adjustment and the possible presence of a forced market which might involve the sacrifice of stockholder's rights and interests.

3. That Transamerica Corporation in contractual procedure with the appropriate parent bank, would be permitted to dispose of each of its controlled banks in order that such banks might be integrated into the branch banking systems in Oregon, California, and Nevada; that in addition the existing commitments of Transamerica Corporation to acquire other banks would be permitted likewise to be so integrated.

(Note: It appeared that the question of these commitments needed further discussion and clarification. Governor McKee said ordinary commitments would be recognized but if there were undisclosed commitments of large proportions he thought it would be impossible for him to convince the other two agencies to agree to let them in, particularly if it involved only a question of oral commitments. These commitments should be listed in the resolution for purposes of identification. (sic)

Governor McKee said he expected to have a very difficult time in his attempt to persuade the Treasury and Crowley to agree to the conversion of the Transamerica banks into branches and the burden of his efforts would be greatly increased if he had to deal, in his discussion with the other agencies, with new and important banking situations with which they were not now familiar.)

4. There will be no necessity for negotiations with the other bank holding companies. Upon the acceptance by Transamerica Corporation and Bank

of America of the policy herein enunciated by the Board, and upon its adoption by the Treasury and the Federal Deposit Insurance Corporation, the Board of Governors acting in its jurisdictional capacity over bank holding companies, will issue a public freeze policy applicable to all bank holding companies, (sic) which policy will be indetical/with that herein described.

5. That upon the agreement by Transamerica Corporation and Bank of America to the policy desired by the Board of Governors, thenceforth the Board would proceed to attempt to persuade the Treasury (Comptroller of the Currency) and the Federal Deposit Insurance Corporation to adopt it, thus establishing it as a unanimous policy of the three bank supervising agencies.

II. BANK OF AMERICA NATIONAL TRUST AND SAVINGS ASSOCIATION

1. While the Board of Governors concedes the legal right of the Bank to acquire the assets and to assume the liabilities of existing banks situated in the same place where the Bank has an office, the Board desires that the Bank include all such procedures in the freeze policy herein discussed; that is to say, that the Bank should adopt a resolution in which it would agree not to acquire the assets or assume the liabilities of any other bank except upon the recommendation and approval of the Comptroller of the Currency.

2. That as to the question of new branches by Bank of America based upon applications heretofore categorically denied, the office of the Comptroller of the Currency would be the deciding factor.

III. TERM OF POLICY

The freeze policy hereinabove described is not intended to have any termination but is a continuous policy subject to modifications or repeal at the discretion of the appropriate supervising authorities.

BANK OF AMERICA
NATIONAL TRUST AND SAVINGS ASSOCIATION

A. P. Giannini
Chairman of the Board of Directors

San Francisco, California
April 13, 1943.

Mr. Charles W. Collins,
Attorney-at-Law,
National Press Building,
Washington, D. C.

Dear Charlie:

Your letter of April 7, which arrived here on Saturday, the 10th, and your telegram of April 12 are strong indications of the practical impossibility of carrying out the program which was agreed to in the friendly conference with certain members of the Board of Governors of the Federal Reserve System on February 18.

After your first talk with Gov. McKee following the conference you will recall your report to me that it was understood that I had agreed to certain "freezing" proposals provided the same would be equally applicable to other banks and holding companies; that I was to endeavor to secure the commitment to that effect by corporations with which I am associated; that Chairman Eccles would undertake to obtain like commitments from other corporations concerned; and that the Board would also endeavor to obtain the cooperation of the other two banking agencies.

Pursuant to this understanding and preliminary to a formal commitment on the part of Transamerica Corporation and Bank of America, I expressed to you my recollection of the elements of our agreement. After going over them with Gov. McKee and his counsel you report in a memorandum accompanying your last letter and in your telegram of yesterday, certain vital changes in the agreement. For instance, it is proposed that Transamerica Corporation should agree to cease acquiring holdings of stock in additional banks except upon the recommendation and approval of the Board of Governors of the Federal Reserve System. It was distinctly understood that upon the consummation of the program neither Transamerica Corporation nor any other bank holding company would acquire any

Mr. Charles W. Collins

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interest in any other bank or banks without obtaining the prior approval or consent of the Board of Governors of the Federal Reserve System. Now a further restriction is proposed to the effect that such acquisitions must await the "recommendation" of the Board of Governors. Such a restriction is obviously improper and was not agreed to.

I recall stating at the conference that we were not especially fearful of the anticipated effects of anti-holding company legislation and that we assumed that any such legislation would have reasonable regard for existing situations.

It appears that Gov. McKee now assumes that it is unnecessary to secure commitments from other bank holding companies such as is desired from Transamerica Corporation and from Bank of America. If such commitments are not necessary from other bank holding companies and other banks, they are, of course, not necessary from Transamerica Corporation or Bank of America. We have never sought and do not now seek any exceptional treatment. As I stated at the conference, we ask only to be placed upon a plane of equality with others. It was my understanding that any commitment of Transamerica Corporation and the bank would be conditioned upon similar commitments by others, and that the Board was to present the program to the other supervisory agencies. Any lawful declaration of policy by the Board or other supervisory authority applicable to all banks and holding companies will of course be respected by us in the future as all such expressions have been observed in the past. I repeat, we have no especial interest in anti-holding company legislation, and we would not think of surrendering our equal rights as American citizens as an inducement to the avoidance of legislation which may be thought by some to be undesirable. What is sauce for the goose is sauce for the gander so far as we are concerned.

Another point of difference is that while it is conceded that banks have a legal right to acquire assets and assume liabilities of other banks in the place where the bank has an office, it is now desired to discriminate against Bank of America in this respect by requiring it to agree formally that it will not so exercise its charter power. I recall very definitely that there was no such agreement at the conference, and I think all who were there will remember that the legal rights of any existing bank or banks were not to be curtailed in this respect so long as there would be no resulting increase in banking offices of the purchasing bank in the particular location. This is the exercise of a charter power which is common to all banks and which they may have occasion to exercise at any time. We have not assented and will never assent to any attempt to discriminate against Bank of America in this

Mr. Charles W. Collins

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respect nor will we ever concede that public authorities may properly favor the exercise of such a charter power by certain types of unit or branch banks only.

I am perfectly willing to carry out all of the agreements to which I expressed assent during our February conference, but achievement of the purposes there expressed cannot be attained if vital changes are insisted upon. I am mindful, too, that the comments made by Hon. Leo T. Crowley, Chairman of the Federal Deposit Insurance Corporation, and Hon. Marriner S. Eccles, Chairman of the Board of Governors of the Federal Reserve System, concerning Transamerica Corporation and Bank of America at recent hearings before the Banking and Currency Committees of the Senate and the House of Representatives do not promote the spirit of accord which seemed to prevail at that conference. Consequently, these appearances only add to the difficulty of removing the elements which have engendered friction in the past. The impressions left by them are so distorted and unfair that perhaps thorough airing all along the line would be a good thing.

Altogether, Charlie, it would appear, notwithstanding my accustomed urbanity and the earnestness of my desires for constructive cooperation, that as an emissary of peace and harmony I am a dismal failure. I am somewhat chagrined to have to go before our Board of Directors today and confess to them that the enterprise upon which I voluntarily engaged with glowing prospects of success has come to naught. If they will act on my recommendation it will be that efforts at further understandings be committed to other hands.

You are authorized to convey these sentiments to Gov. McKee and the other gentlemen who were present at the conference.

Kind regards.

Sincerely,

(Signed)

A. P. Giannini