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San Francisco -4

June 18, 1947

Honorable Charles W. Tobey  
United States Senator  
Senate Office Building  
Washington, D. C.

Dear Senator Tobey:

I have just received a transcript of the hearing before your committee on June 11 on S. 829, as transcribed by the Alderson Reporting Company. Inasmuch as it contains some material in purported response to my telegram to you which you were good enough to read into the record, it appears that an added statement is necessary to center attention on the issues raised by my telegram and the altogether inadequate answers of Mr. Eccles and Mr. Townsend to a specific inquiry. As I will not willingly be responsible for allowing others possibly to mislead the committee concerning any issues that I might have raised, I find it necessary to clarify the record.

The transcript shows that Senator Robertson inquired of Mr. Eccles concerning the charge made in my telegram to you that the language of the Public Utility Holding Company Act was not followed, and Mr. Eccles asked Mr. Townsend to answer. Mr. Townsend answered from the viewpoint of one who had had considerable experience under the Securities and Exchange Commission in the application of the definition contained in the Public Utility Holding Company Act; but his answer, for the benefit of your committee, dealt with only half of the definition contained in the Public Utility Holding Company Act and in the Bank Holding Company Act. Had he referred to the second half of the definition in each instance he would have found that the Public Utility Holding Company Act says that a holding company is "(B) any person which the Commission determines, after notice and opportunity for hearing, directly or indirectly to exercise (either alone or pursuant to an arrangement or understanding with one or more other persons) such a controlling influence over the management or policies of any public-utility or holding company as to make it necessary or appropriate, etc." Then, had he turned to the second half of the definition of a bank holding company in the bill which he is reputed to have drafted for the Federal Reserve Board, he would have found that it defines a bank holding company as being "any company which the Board determines, after notice and opportunity for hearing, directly or indirectly exercises (either alone or pursuant to an arrangement or understanding with one or more other persons) such a controlling

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influence over the management or policies of two or more banks as to make it necessary or appropriate, etc." You will notice that in this definition "person" becomes "company." You will also notice that a person who holds a controlling influence over a holding company under the Public Utility Holding Company Act is likewise a holding company, but under the Eccles-Townsend version a person can exercise a controlling influence over the management of a bank holding company and will not himself be a holding company. At least, that is the way it appears to me.

It would seem that this gives some pertinency to the suggestion in my telegrams to you relating to the closely held voting shares of the First Security Corporation of Ogden, Utah, and of Mr. Eccles' interest in the Eccles Investment Company and the several other companies mentioned in my telegram.

It has been my experience with lawyers that when they do a job of legal drafting using some existing law as a guide, they have some reason for such differences as might appear between the guide and their finished product. Why Mr. Townsend in this instance, when specifically called upon by Senator Robertson to explain the changes referred to in my telegram, contented himself with an explanation that did not explain and covered at most only half the criticized definition while purporting on its face to give a full explanation, I leave to Mr. Townsend and Mr. Eccles. To me the explanation smacks of a deliberate deception and I am not willing to share any of the responsibility for it.

I am enclosing a copy of this letter for Senator Robertson because of his inquiry at the hearing on June 11.

I trust that I have not unduly presumed on your patience, and again with sentiments of high esteem, I am

Sincerely yours,

(Signed) L. M. Giannini