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BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

Office Correspondence

Date October 31, 1947.

To Board of Governors

Subject: _____

From Mr. Townsend

This memorandum is submitted in response to Chairman Eccles' recent request that I prepare for Board consideration a brief analysis of the over-all Transamerica situation, together with any suggestions which I may have for dealing with the problem.

Statistically, the situation is this: As of December 31, 1946, Transamerica controlled 41 banks having 578 branches with deposits of \$6,585,000,000 and served 379 towns. Its total banking offices comprised 40 per cent of all the banking offices in the five-State area of Arizona, California, Nevada, Oregon and Washington. Its deposits comprised 38 per cent of all the deposits in that area. These percentages would be considerably higher if we eliminated the States of Arizona and Washington, where the Transamerica controlled banking offices and deposits are relatively small.

This situation may be compared with that which existed in 1933 when Transamerica controlled only 7 banks having 429 branches with deposits of \$878,861,000 and served 242 towns. Since that time Transamerica has acquired 56 independent banks by direct purchase, and 73 more by absorption into its various controlled banks. In addition, it has received permission to establish 79 de novo branches.

The fact of this startling increase in banking offices and controlled deposits is not surprising, for the expansion policy of the Transamerica management has been common knowledge among the bank supervisory agencies for many years. Indeed, there seems to have been a period between 1939 and 1944 when those agencies were united in their opinion that Transamerica should be discouraged by every means from continuing such expansion. That no effective method has yet been devised for preventing this expansion may, however, be surprising to those who realize the extent to which it has caused genuine alarm among the banking agencies over this period.

We have been aware, of course, that the Antitrust Division of the Justice Department has had the Transamerica situation under review for some time. In fact the Board supplied much of the background material for this investigation. However, indications give little promise that any action will be taken by Justice in the near future. Almost two years ago we were advised by the Attorney General that his Department felt that, while its investigation had developed a good statistical case of monopoly against Transamerica, nevertheless it was felt that there was insufficient provable evidence of abuse of power to justify commencement of such an action at that

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time. Later on, following the decision of the Supreme Court in the American Tobacco Case the Chairman wrote the Attorney General and inquired if his Department had considered whether the decision in that case might not have eliminated proof of abuse of power as an indispensable element of proof in such a case as the one against Transamerica appeared to be. In reply the Attorney General advised that the Department was studying the matter and later advised that he had requested the Secretary of the Treasury to consider the entire matter and to advise him of his views. Immediately upon receipt of this information the Chairman wrote the Secretary asking that he expedite action upon the Attorney General's request. That, I believe, is the last that has been heard in the matter.

Meanwhile, the Transamerica banking acquisitions have been proceeding apace. In 1945 it bought 5 banks having deposits of 44 million. In 1946 it bought 5 banks with deposits of 31 millions. Already in 1947 it has acquired 3 banks with deposits of 15 millions. In addition, in 1945 two de novo branches of the Transamerica banks were established with the approval of the Comptroller. Last year 7 approvals were obtained and, since the first of this year, the Comptroller has granted 10 such approvals. The likelihood that bank holding company legislation might shortly be passed no doubt has accelerated the Transamerica expansion program. In fact it now appears to be racing against time. (Incidentally, it is understood that the Transamerica acquisition of shares of the Citizens of Los Angeles has been stepped up to a considerable degree during the year.)

In the light of this over-all situation there are a number of pertinent considerations which the Board might wish to discuss.

The first is that the proposed bank holding company legislation does not purport to deal with banks which a bank holding company already owns, except, of course, in a supervisory manner. Hence that legislation, if passed, will not help solve the problem of whether or not Transamerica should be permitted to keep all of the banks which it now owns.

The second is that any ultimate official action looking to the divorcement of Transamerica from some or all of its non-branched institutions might well be prevented if Transamerica should obtain approval to branch them. The Board has known for some time that Transamerica had made application to branch most if not all of these banks.

A third consideration is that the Comptroller, in passing upon such applications, might not feel justified in refusing them solely on the ground that the Transamerica banking empire is already too large, particularly as the Attorney General has failed to take action against Transamerica on that ground and the Board has asserted no official position or interest in the matter.

Read to Messrs. 11/10/47

The questions which these considerations pose, therefore, are whether the Board now possesses any power for dealing with the monopolistic aspects of this situation, and, if so, what steps are necessary to be taken in order for it to exercise such power.

The answer to the first question is that the Board does have the direct power as well as the duty to carry out certain aspects of the national policy against restraint of trade and monopolies. Under Section 11 of the Clayton Act the Board is authorized to require a company to divest itself of the stocks of any banks which that company might have acquired if the Board finds, after hearing, that the effect of such acquisitions may be to substantially lessen competition between the banks so acquired and those already owned by such company, or if such acquisitions tend to create a banking monopoly.

It is true, of course, that the Board has never exercised the power just referred to, notwithstanding the fact that it has been on the statute books since the passage of the Clayton Act in 1914. Nevertheless, there can be no doubt that Congress intended the Board to have primary responsibility for enforcing this phase of national policy in the banking field. That the Department of Justice shares this view is attested by the fact that only recently a representative from that Department discussed with the writer the extent to which the Board had considered this responsibility in relation to a somewhat substantial banking acquisition which occurred in the Philadelphia District.

Whether the Board should commence a Clayton Act proceeding against Transamerica is, of course, basically a matter of policy for Board determination. Before it can decide that question, however, it must first determine the facts known to be provable in such a proceeding, and decide whether those facts constitute just cause for issuing the complaint. As the Board is aware, it does not possess the power of subpoena -- hence, in considering this question the fact must be faced that all evidence necessary to establish a case would have to be produced without resort to compulsory process. Examination of the voluminous files and reports of the Board, together with an appraisal of such voluntary testimony as may be available both here and in the West, would in the writer's judgment consume a period from two to three months. However, when it is considered that the Board has repeatedly stressed, both before the Attorney General and the Congress, that the size of the Transamerica banking group has assumed dangerous if not monopolistic proportions, it is the writer's view that the Board should exhaust the full reach of its powers for dealing with the problem. It is my recommendation that the Board direct such an investigation to be undertaken.

Read to Wiggins 11/10/47

*Copy left with
Lee Wiggins
11/10/47*

FACTS RE TRANSAMERICA CONTROLLED BANKS

As of December 31, 1933, Transamerica controlled 7 banks having 429 branches with deposits of \$878,861,000 and served 242 towns. As of December 31, 1946, it controlled 41 banks having 578 branches with deposits of \$6,585,000,000 and served 379 towns. Since 1933 Transamerica has obtained approval to establish de novo branches and branches to take over banks bought by the Transamerica group as follows:

Branches Authorized Since December 31, 1933, to Take Over Banks Bought by the Transamerica Group Since That Date

De Novo Branches Established

Bank of America	Other National	
N. T. & S. A.	Banks ^{1/}	Others ^{2/}

Bank of America	Other National	
N. T. & S. A.	Banks ^{1/}	Others ^{2/}

1934	2	1		3	1	2
1935	2	6		8	4	
1936	26	4		20		
1937	6	18		14	3	1
1938		4	3	3		
1939				1		
1940						
1941						
1942						1
1943						
1944	1			2	1	
1945		1		2		
1946				7		1
1947				7	3	1
	<u>37</u>	<u>34</u>	<u>3</u>	<u>67</u>	<u>12</u>	<u>6</u>

^{1/} These include First National Bank of Nevada, Reno, Nevada; First National Bank, Portland, Oregon; First National Bank of Arizona, Phoenix, Arizona; National Bank of Washington, Seattle, Washington.

^{2/} These include Bank of America, San Francisco, California (nonmember); Central Bank, Oakland, California (nonmember); Bank of Nevada, Las Vegas, Nevada (nonmember).

Note: As of December 31, 1946, Transamerica also owned 46,798 out of the 250,000 outstanding shares of the Citizens National Trust and Savings Association of Los Angeles, California. This bank has 33 branches in the City of Los Angeles and deposits of \$344,752,000.

The following is a list of the banks which Transamerica now controls and their deposits as of December 31, 1946:

<u>Name</u>	<u>Deposits</u>
<u>Arizona</u>	
First National Bank of Arizona, Phoenix	\$ 68,487,942
Phoenix Savings Bank & Trust Company, Phoenix	12,784,431
<u>California</u>	
Bank of America, N. T. & S. A., San Francisco	5,382,571,060
First National Bank, Bellflower	8,337,839
First National Bank, Corcoran	4,329,130
Bank of Pinole, Crockett	8,697,709
First National Bank, Crows Landing	3,120,741
First National Bank, Fairfield	3,234,750
First National Bank, Garden Grove	5,553,672
First National Bank, Los Altos	2,082,882
Farmers and Merchants Bank of Watts, Los Angeles	4,936,013
First National Bank, Mountain View	4,045,167
Bank of Newman Newman	8,009,341
First National Bank, Oakdale	7,392,650
Stanislaus County Savings Bank, Oakdale	4,135,106
Central Bank, Oakland	116,430,865
First Trust and Savings Bank, Pasadena	44,765,802
Central Bank of Calaveras, San Andreas	2,936,564
First National Bank, San Jacinto	1,403,428

<u>Name</u>	<u>Deposits</u>
<u>California (continued)</u>	
First Savings Bank, San Jacinto	\$ 944,544
First National Bank, Santa Ana	32,893,088
First National Trust and Savings Bank, Santa Barbara	13,816,017
Bank of Tehachapi, Tehachapi	1,529,986
Temple City National Bank, Temple City	4,533,110
First National Bank, Turlock	7,315,947
First National Bank, Weed	2,469,821
<u>Nevada</u>	
First National Bank of Nevada, Reno	116,471,781
Bank of Nevada, Las Vegas	9,435,086
Farmers Bank of Carson Valley Minden	3,536,271
<u>Oregon</u>	
First National Bank, Portland	511,400,230
First National Bank, Cottage Grove	6,444,433
First National Bank, Eugene	47,590,004
First National Bank, Forest Grove	3,982,443
Moreland-Sellwood Bank, Portland	4,603,753
First National Bank, Prineville	3,844,707
Scio State Bank, Scio	1,312,331
Clatsop County Bank, Seaside	4,113,656
Coolidge and McClaine, Silverton	5,030,857
Bank of Sweet Home, Sweet Home	2,510,205
Benton County State Bank, Corvallis	10,764,942
<u>Washington</u>	
National Bank of Washington, Tacoma	97,689,801
Total	\$6,585,488,105

TRANSAMERICA CORPORATION
SAN FRANCISCO, CALIFORNIA

Nonbanking subsidiaries - December 31, 1946

<u>Name</u>	<u>Business</u>	<u>Total assets 12-31-46</u>
Adel Precision Products Corp., Burbank, Calif.	Manufacture of hydraulic controls and line supports for aircraft, and other products.	\$ 4,215,462 ^{1/}
Aerco Corporation, Hollydale, Calif.	Manufacture of agricultural implements and other products.	^{1/}
Allied Building Credits, Inc., Los Angeles, Calif.	Home financing.	49,808,492
American Brokerage, Inc., San Francisco, Calif.	Inactive.	16,397
Axton-Fisher Tobacco Company, Louisville, Ky.	In liquidation.	68,710
Banca Immobiliare Italiana, Milan, Italy	Real estate.	^{2/}
California Foundries, Inc., ^{7/} Oakland, Calif.	Iron and brass foundry.	^{3/}
Capital Company, San Francisco, Calif.	Real estate.	20,908,684
Coast Service Company, San Francisco, Calif.	Insurance brokerage.	61,873
Columbia River Packers Assn., Inc., Astoria, Oreg.	Catching, buying, processing and selling fish and seafood.	5,677,150 ^{5/}
Corporation of America, San Francisco, Calif.	Trustee under deeds of trust.	454,160
Del Mar Corporation, ^{7/} Los Angeles, Calif.	In liquidation.	^{3/}
Enterprise Engine & Foundry Co., San Francisco, Calif.	Manufacture of Diesel engines and other products.	5,584,036 ^{4/}
Enterprise Engine Company, Inc., San Francisco, Calif.	(Subsidiary of Enterprise Engine & Foundry Company).	^{4/}
First Holding Company, Pasadena, Calif.	Holding real estate and acting as trustee under deeds of trust.	543,738
First Securities Company, Portland, Oregon	Liquidation of assets.	307,669
General Metals Corporation, Oakland, Calif.	Nonferrous and aluminum castings and forgings.	3,970,550
Inter-America Corp. (California), San Francisco, Calif.	Insurance brokerage.	763,113
Merchants National Realty Corp., ^{7/} Wilmington, Del.	Owens bank premises under lease to Bank of America, N. T. & S. A.	^{3/}

<u>Name</u>	<u>Business</u>	<u>Total assets 12-31-46</u>
National Insurance Agency, Phoenix, Ariz.	Insurance brokerage.	\$ 64,708
Occidental Corporation, San Francisco, Calif.	Proposed investments in Philippines and Far East.	241,868
Occidental Life Insurance Company of California, Los Angeles, Calif.	Life, health, and accident insurance.	160,603,190
Olympic Frozen Foods, Inc., Seattle, Wash.	Not in operation as yet	189,994
Pacific National Fire Insurance Co., San Francisco, Calif.	Writes fire, automobile, inland marine and ocean marine insurance.	16,617,059
Premier Insurance Company, San Francisco, Calif.	Writes automobile insurance.	4,964,602
Societa Immobiliare Lombardi, Milan, Italy	In liquidation	2/
Thompson Salmon Company, Astoria, Oregon	(Subsidiary of Columbia River Packers Assn., Inc.)	5/
Pimeplan, Incorporated San Francisco, Calif.	Inactive.	14,116
Western Merchandise Mart, San Francisco, Calif.	Real estate.	2,912,405
Total (29)		<u>\$277,987,976^{6/}</u>

- 1/ Figures for Aerco Corporation were consolidated with those of its parent, Adel Precision Products Corp.
- 2/ Figures not given. An Italian organization.
- 3/ Information not readily available.
- 4/ Figures for Enterprise Engine Company, Inc., were consolidated with those of its parent, Enterprise Engine & Foundry Company.
- 5/ Figures for Thompson Salmon Company were consolidated with those of its parent, Columbia River Packers Association, Inc.
- 6/ As indicated, the total assets of some subsidiaries are not included.
- 7/ Owned or controlled by Bank of America, N. T. & S. A.