

GROUP NO. 1

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FIRST TRUST AND SAVINGS BANK  
OF  
PASADENA, CALIFORNIA

January 15, 1942

Mr. William A. Day, President,  
Federal Reserve Bank of San Francisco,  
San Francisco, California.

Dear Sir:

First Trust and Savings Bank of Pasadena has under consideration certain changes in its corporate structure; also has under consideration the establishment of several branch banks, and this letter is written for the purpose of securing the necessary approval through you from Federal Reserve Board. It will, of course, be supplemented by such formal applications as Federal Reserve regulations may require.

FIRST: As to the changes in the corporate structure: In 1934 the articles of incorporation of this bank were amended to provide for the issuance of 30,000 shares of preferred stock and of 40,000 shares of common stock, both classes having a par value of \$25.00 per share. The number of shares presently outstanding of the two classes are 13,000 shares of preferred and 27,000 shares of common, a total capital stock structure of \$1,000,000.00.

The stockholders of this bank have in writing agreed upon the retirement of the preferred stock, funds therefor to be raised by the sale of 6750 shares of the \$25.00 per value common stock at \$50.00 per share. The said agreement also contemplates the declaration of a stock dividend of 6250 shares of common stock, said stock to be issued to the common stockholders concurrently with retirement of the preferred stock. These three steps, namely, retirement of the preferred stock, sale of the new common stock, and declaration of a stock dividend, will result in a capital stock structure of 40,000 shares of common stock having a \$25.00 par value, thus leaving the total amount of capital unchanged. It is proposed that the preferred stock should be retired, the new stock sold and the stock dividend distributed on February 5th, and proper resolutions to support such action will be adopted by the Board of Directors on January 20, 1942, immediately following the annual stockholders' meeting. It is also proposed that the stockholders, at their annual meeting, amend the articles of incorporation to delete all reference to preferred stock, but make no other changes therein.

The present status of the matter is that the above plan has been outlined to the Superintendent of Banks and to the Reconstruction Finance Corporation, and it is expected that their approval of this procedure will be received in time for action on January 20th.

For your information, the preferred stock retirement fund now contains \$9,125.00; the surplus of this bank is \$550,000.00, and as of December 31, 1941 the undivided profits stood at \$312,670.69. As above noted, the sale of the additional 6750 shares of common stock will produce \$337,500.00, and it is proposed to carry th

difference between the aggregate of this sum and the amount in the preferred stock retirement fund on the one hand, and the redemption price, including obligatory dividends, of the preferred stock to surplus. This will amount to approximately \$16,000.00.

Also as above explained, it is planned that the preferred stock will actually be retired and paid for on February 5th, 1942, and your approval of this retirement, if required, will be desired at that time. We have examined the National Banking Act and regulations of the Federal Reserve Board and the requirements laid down for admission of First Trust and Savings Bank of Pasadena to the Federal Reserve System and do not find that there is any requirement of approval by the Federal Reserve Board of the amendment of the articles of incorporation under the circumstances herein set forth.

SECOND: As to the matter of establishment of branch banks: First Trust and Savings Bank of Pasadena presently has one branch located in the City of Pasadena. It desires at this time to acquire the assets of The Temple City National Bank in Temple City, and likewise to establish a branch in Alhambra. The Superintendent of Banks has heretofore issued a permit for the establishment of a branch on Valley Boulevard in Alhambra to another institution, but tentative arrangements have been made for the withdrawal of this permit in favor of First Trust and Savings Bank of Pasadena.

The terms of the purchase agreement for the assets of The Temple City National Bank are now being worked out and the proposal to acquire such assets will be submitted to our stockholders at a special meeting which is being called for January 30th, 1942. These matters have also been taken up with the Superintendent of Banks, whose approval of the contract of purchase will necessarily be required, and it is hoped that your examination of the assets of The Temple City National Bank, assuming that such approval by our stockholders is forthcoming, can be made a joint examination with that of the State banking authorities.

A careful examination of your regulations and those of the State Bank Act would appear to disclose that the capital requirements for the establishment of these contemplated branches are now fulfilled.

It would be appreciated if you will transmit to the undersigned the requisite forms for the establishment of said branches at Temple City and Alhambra, it being the expectation that these applications will be filed with you within the next thirty days.

Very truly yours,  
FIRST TRUST AND SAVINGS BANK OF PASADENA

By T. W. Smith (signed)  
President.

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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

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.

C O P Y

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. Y. & 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

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.

COPY

FEDERAL RESERVE BANK OF SAN FRANCISCO  
July 13, 1942

Transamerica Corporation,  
San Francisco, California.

Dear Sirs:

Reference is made to the formal application, dated June 10, 1942, of the First Trust and Savings Bank of Pasadena to the Board of Governors of the Federal Reserve System for its approval of the establishment of branches at Temple City and Alhambra, California.

The First Trust and Savings Bank of Pasadena first wrote to us in January, 1942 concerning its plans for the establishment of branches at these places, which letter was forwarded to the Board of Governors for its information and consideration. After careful consideration, the Board reached the conclusion that it should not approve the establishment of the proposed branches, and in its letter to you, dated February 14, 1942, the Board informed you of the action taken.

We are now advised by the Board that it has given careful consideration to the present application of the First Trust and Savings Bank of Pasadena for the establishment of branches at Temple City and Alhambra, and to the data submitted, but it does not feel that the facts submitted and the circumstances in the case justify any change in its policy as outlined in the previous correspondence above referred to. The Board further states that this matter has been fully discussed with Mr. Leo T. Crowley, Chairman of the Federal Deposit Insurance Corporation, and that he is in complete accord with this conclusion.

The views expressed above are transmitted to you at the request of the Board of Governors of the Federal Reserve System.

Yours very truly,

(Signed) R. B. WEST

Vice President.



C O P Y

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.

COPY

BANK OF AMERICA  
NATIONAL TRUST AND ASSOCIATION  
SAVINGS

LOS ANGELES  
CALIFORNIA  
August 17, 1942

A.P. GIANNINI  
CHAIRMAN OF THE BOARD OF DIRECTORS

LOS ANGELES MAIN OFFICE  
660 SOUTH SPRING STREET

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

Dear Marriner:

I have been thinking over the communications that we have received from the Federal Reserve System during recent months and I find it difficult to reconcile the position taken by you and your associates with the assurances given to us when we had occasion to discuss the possibility of converting the Bank of America from the national to the state system. Both you and John McFee properly stated that our interests could count upon receiving the same fair and impartial treatment from the Federal Reserve Board as is accorded to any other institutions. This conflicts sharply with the views expressed in the Board's letter of February 14, 1942, addressed to Transamerica Corporation, in which the Board takes the position that, regardless of its merits, an application from any institution in the Transamerica group, or in any way connected with it, would receive an adverse ruling from the Board, this decision as to procedure having been reached in collaboration with the Comptroller and the Federal Deposit Insurance Corporation. In a subsequent letter to the Corporation from the Federal Reserve Bank, dated July 13, this arbitrary position of the Board is confirmed by the rejection of the applications of the First Trust and Savings Bank of Pasadena without any apparent reason even though the Superintendent of Banks of California had granted unconditional permits for the branches after finding that public convenience and advantage would be promoted thereby.

It must be obvious to you that such a position is not only discriminatory, but also injurious to Transamerica Corporation, and causes an adverse reflection on it, and it is also injurious to the minority stockholders in banks in which Transamerica Corporation holds an interest, as well as to the banks themselves.

We do not know of any legal justification for such action, and you failed in your letter to indicate what information, if any, you have in your files that would warrant it.

Practically all the members of the Board know me well enough, I think, to realize that when I have anything on my mind I do not hesitate to speak it out as frankly and directly as I can, and I feel it is only reasonable to expect the Board to adopt the same attitude toward me and tell me frankly what is the

basis for its discriminatory treatment of the interests with which I am so closely connected. I doubt if there is any bank of comparable size in the country that is any more liquid or in a more sound and healthy condition than Bank of America, and I think that a careful review of the last examination made of Transamerica Corporation by the Federal Reserve System will indicate that this Corporation also is in a sound condition, and the same applies to all of the banks in which it has an interest. At least, we did not note any serious criticism in reviewing the examination of Transamerica Corporation. Frankly, I should like to know what is the cause, imaginary or otherwise, of this discrimination; whether it be the condition of our institutions, their managements, or any other circumstance.

In the past ten years during which I have been responsible for the direction of the affairs of the Bank of America, on the national bank examiner's basis, exclusive of the preferred stock issue, it has added more than \$57,500,000 to its net sound capital structure over and above dividends paid in that period which aggregated \$74,214,042.14, and which were fully justified.

While the growth of the bank has been rapid, other banks have grown rapidly too, some, in fact, more rapidly than our bank; and yet there is no apparent attempt to discriminate against those other banks. It should be obvious that our position, if anything, is stronger than that of most of the other rapidly growing banks, due to the fact that to a large extent our business is made up of a great number of small accounts, over 2,500,000 an over-all average of less than \$765.00 per account, and deposits of more than \$900,000,000 are in the time category where they are not subject to withdrawal without notice in an emergency. I am sure you will recognize that this condition does not exist in the other large banks which have relatively few accounts, but which are subject to having practically all their deposits withdrawn over night. Most of these other large banks have few, if any, savings or time deposits, and, therefore, are more vulnerable. The greater portion of this bank's assets is represented by cash, investments in securities of the United States Government, and loans guaranteed by the Government, such as FHA and guaranteed defense loans. In all of our more than \$2,000,000,000 of assets, we have approximately only \$250,000,000 in commercial loans, a substantial portion of which is supported by government guaranties. Our real estate loans are relatively small loans averaging less than \$5000 each, and virtually all of them are on an installment basis. The total of our investments and loans which are obligations of the United States Government and political sub-divisions, or are guaranteed by them, amounts to approximately \$1,038,000,000, and we have in addition, cash and cash items approximating \$400,000,000. Practically all of our assets could be sold at a premium which is not true of the other great banks of the country.

The banking premises which we own and occupy are <sup>all</sup> well situated in the center of the business districts of their respective communities, and in the most valuable locations. The American Appraisal Company valued our premises toward the close of 1939, and arrived at a valuation figure greatly in excess

of the carrying value of the properties on our books. We must not lose sight of the facts that our premises are not all located in one community; that they are in the most desirable locations spread over the most rapidly growing and prosperous State in the Union, which State has experienced extraordinary population growth since the last census in 1940.

It is obvious that with such growth as is taking place in California, and that will continue to take place, additional banking facilities are necessary. I cannot understand why there should be this discrimination against us and our attempt to extend our services where the need has been definitely established when other institutions have no difficulty in opening new branches when they desire to do so.

The Bank of America, since its organization in 1904, has weathered all sorts of economic storms; I have seen it through several depressions and a bitterly contested proxy fight. Our correspondent banks and large commercial clients will testify to the fact that their experience in doing business with us has demonstrated to them that we have the best banking organization in the country, and I defy anyone to point out a more sound bank or competent management anywhere. With the greatest portion of our assets in cash, or guaranteed by, or consisting of, obligations of the United States Government and political sub-divisions, and a proven earning power I challenge any of the bank supervisory agencies to point out a comparable situation.

Our other real estate owned amounts to the relatively insignificant figure of \$4,800,000. The land contracts of Capital Company have a present balance of \$16,670,530.74 and are the unconditional obligations of the company, which has a net capital structure of more than \$33,459,000. Through such contracts, real estate of more than \$55,000,000 has been liquidated, and most of this was acquired through loans made by institutions taken over by us, in many cases at the request of banking authorities and to save the depositors from loss.

You are familiar with the fact that the Bank of America was compelled to take preferred stock when it did not need it, as we contended at the time, and our arguments in this respect have been overwhelmingly substantiated by subsequent events. Our institution took no advantage of charging off its assets at the time of the moratorium and offsetting such charge offs with preferred stock because we knew that such action was not necessary and that it imposed an unnecessary burden on the Government and an unjustifiable charge against the earnings of the bank. On the preferred stock that we were compelled to take, we have paid approximately \$2,000,000 in dividends and have derived no benefit in return. The bank would certainly have been much better off to have added that \$2,000,000 to the more than \$40,000,000 added to the net sound capital structure, on the examiner's basis, in the past three years.

The only reason that I can ascribe to the Board's continued refusal, outside the law, to permit the normal extension of our services to places where banking service is obviously needed, is because it does not like the management. In my opinion there is certainly no justification for this

attitude. This management took over the bank after the bitter proxy fight I have mentioned, and all of the losses which during the time of the moratorium would have been charged off by other banks through the medium of preferred stock were subsequently charged off by us out of earnings. We have had the extraordinary experience of surviving earthquakes, fire, panics, depressions, the moratorium, conspiracies, and a bitter proxy battle, and have stood up under constant harassment on the part of bank supervisory authorities, and other Federal Agencies, and yet here we are today with capital funds, exclusive of preferred stock, the greatest in the history of the bank, and our earning capacity unexcelled by any other bank. Only a sound and properly managed institution could have survived.

No bank in the country has cooperated more fully with the Government than the Bank of America, and in recognition of this fact the Treasury Department, despite the strenuous controversies of the past, has seen fit to award it the first citation to be issued to any bank in the United States for merit in promoting the war effort. We have sold more individual defense and war bonds than any other bank, at a continuing cost to this institution of more than \$30,000 a month. Enclosed is the most recent report showing daily sales of bonds. We have financed war industries before and after Regulation V became operative to an extent not exceeded by any other bank. In the FHA program, we led the field and showed the way for other banks to cooperate; and, today, we lead the Nation in the volume of all types of FHA loans made and in cooperating with this administration in its other programs; and we are 100% behind the Government's program to win the war.

I do not think that any bank in the history of this country has been more persistently persecuted than the Bank of America. Can it be due to the fact that we do not represent the vested interests, and that throughout its history it has been a bank of the people, owned by many thousands of small stockholders? Or can it be that there is a more sinister motive? I hope for the sake of the future well-being of our country that this is not the case.

I must state to you frankly, Marriner, that I think the position of the supervisory agencies is not sound and in the long run cannot be sustained under our American system of free enterprise. Let us not expend our time and energies in contending over that fundamental of freedom-loving people of equality under the law. It seems inappropriate that governmental agencies should at this time be reaching out to usurp the legislative prerogatives, when there is so much need for the exercise of administrative functions to preserve the very existence of the Nation. If you do not like the existing laws, let us try to change them by constitutional means. We should not in these times resort to Nazi-Fascist methods of dictatorship.

This institution is certainly no instrument of evil, as the action of the Board toward it would seem to imply. Through the years, it has exercised consistently a beneficent and constructive influence on the

Marriner Eccles - 5

welfare of the state and nation and the great number of Californians that it serves.

I think that in justice you should exert your influence to have the Federal Reserve Board subscribe to the spirit of fair and impartial treatment to which you have so frequently subscribed in the past. Won't you please let me know what you can do about it? If it is a matter of some technicality that is involved, can we not resolve that by agreeing to a friendly legal proceeding for a declaratory judgment defining the powers and authority of the Board, or for clarification of the statutes if they are ambiguous?

I should like to have your cooperation in seeking freedom from prejudice and discrimination and the attainment of the liberties which we as a nation are sacrificing and fighting to preserve for ourselves, and to secure for others.

With kindest personal regards to you.

Yours very sincerely,

(Signed) A.P. Giannini

BANK OF AMERICA  
NATIONAL TRUST AND SAVINGS ASSOCIATION

WAR SAVINGS BOND SALES FOR FRIDAY  
AUGUST 14, 1942

SERIES E -	\$528,731.25
SERIES F -	21,848.50
SERIES G -	<u>65,800.00</u>
TOTAL	\$616,379.75

TOTAL AMOUNT TO DATE AS OF THE CLOSE OF  
BUSINESS AUGUST 14, 1942 - \$131,532,860.75

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November 13, 1942.

Dear A.P.:

This is in reply to your letter of August 17, 1942, with reference to the action of the Board of Governors in denying the application for the establishment of branches at Temple City and Alhambra by the First Trust and Savings Bank of Pasadena, which is controlled by Transamerica Corporation through the ownership of a majority of the capital stock. Your letter was acknowledged by Mr. Clayton under date of August 21, 1942, immediately after I had left Washington for a few weeks' trip to the West.

Since returning to Washington, a great many pressing matters, including war financing, have taken up my entire time. Consequently, I have only recently had an opportunity to consider with Governor McKee, to whom you referred in your letter, and the other Members of the Board and some of its staff certain statements and charges contained in your letter, with which we cannot possibly agree.

For some time prior to January, 1942, the Comptroller of the Currency had repeatedly refused to approve expansion in the number of branches of important national banks in the Transamerica Corporation group. Shortly before that date, Transamerica Corporation obtained control of the First Trust and Savings Bank of Pasadena. In January, 1942, that bank wrote a letter to the Federal Reserve Bank of San Francisco, stating, among other things, that it had "under consideration the establishment of several branch banks," Temple City and Alhambra being mentioned specifically.

In view of previous discussions and understandings, the Board was surprised to learn of these plans for expansion. On February 14, 1942, it requested of the Federal Reserve Bank that the First Trust and Savings Bank of Pasadena be advised, before it took any further steps to consummate its plans, that the Board had given careful consideration to the information submitted and to other pertinent information in its files and had reached the conclusion that it should



not approve the establishment of the proposed branches on the basis of the information before it. The Board also considered it desirable to inform Transamerica Corporation directly of the action on the Pasadena application and to express again to its management the Board's views in the matter of expansion. Accordingly, on the same date it addressed a letter to the Corporation in which it was stated:

"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 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."

Nevertheless, the First Trust and Savings Bank of Pasadena thereafter continued its plans and on February 28, 1942, entered into a contract to assume deposits and take over assets of the Temple City National Bank, with a view to operating a branch at that location. On June 10, 1942, the bank filed a formal application for the establishment of branches at Temple City and Alhambra. On July 10, 1942, the Board declined this application and requested that the bank and Transamerica Corporation be advised accordingly,

It is our understanding that the position of the Comptroller of the Currency in this matter, referred to above, remains the same. We are advised that the Federal Deposit Insurance Corporation has

indicated its unwillingness under existing circumstances to insure any newly organized State nonmember bank in which Transamerica Corporation has a substantial interest or any bank in the group which may withdraw from the Federal Reserve System. As for the Board's position, until it is satisfied that the financial policies pursued by Transamerica Corporation and its affiliated institutions are consistent with the public interest, it will consider as unsound their efforts to continue an expansion program by whatever means, including the organization of new State banks, the acquisition of control of existing State banks, or the conversion of national banks to State banks, and the establishment of branches thereof. In addition, where the change or conversion from one jurisdiction to another is for the purpose of avoiding proper restrictions or requirements of other Governmental agencies, the Board does not propose to be used as a means of avoiding such restrictions or requirements, considered by the Board to be justified under existing circumstances.

The foregoing will indicate some of the more important considerations underlying the Board's position in this matter. In view of our previous discussions with representatives of your organizations, it is felt unnecessary to go into further detail. However, as you well know, whenever you or any of your associates feel that you have a just grievance to take up with the Board, or that you have some additional information to assist the Board in its deliberations, you are always welcome to call in person for a more complete and frank discussion than is practicable through correspondence.

Sincerely yours,

(Signed) M. S. Eccles

M. S. Eccles,  
Chairman.

Mr. A. P. Giannini,  
Chairman of the Board,  
Transamerica Corporation,  
San Francisco, California.

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TRANSAMERICA CORPORATION

Montgomery Street at Columbus Avenue  
San Francisco, Calif.

San Francisco, California  
November 25, 1942

Hon. Marriner S. Ecales, Chairman,  
Board of Governors of Federal Reserve System,  
Washington, D. C.

Dear Marriners:

I wish to acknowledge receipt of your letter of November 13, which was written in reply to my letter of August 17, 1942. I trust that in what I shall have to say concerning your reply I shall not seem to be unduly critical for I have no other thought than that of sincerely attempting to arrive at a basis of understanding.

In so far as your letter reviews correspondence which has taken place between the Board of Governors and Transamerica Corporation, and in so far as it recites the now historical facts with reference to the Comptroller's repeated refusals to approve branches of important national banks in the Transamerica group, while granting them to competitive institutions, it recites facts with which we are both entirely familiar. But these matters are somewhat beside the main point of the inquiry which I addressed to you in August.

I think if you will read my letter again you will be impressed with the earnestness of my desire to know why and upon what basis, legal or otherwise, action has been taken which precludes banks in which Transamerica Corporation has an interest from transacting their business upon the same terms and upon an equality with other banks. The correspondence to which you refer, some of which you quote in your letter, appears to me to show that the Board of Governors of the Federal Reserve System, the Board of Directors of the Federal Deposit Insurance Corporation and the Comptroller of the Currency have entered upon a course of arbitrary and discriminatory action where Transamerica is concerned. I was hopeful that your reply, instead of reiterating the circumstances which appear to show this, would enlighten me as to any existing foundation which might be relied upon to justify the course which has been pursued for some time.

You quote from the Board's letter to Transamerica of February 14, 1942, in which your Board advises Transamerica that on the basis of information submitted and other pertinent information in its files it has reached the conclusion that it should not approve the establishment of proposed branches of the First Trust and Savings Bank of Pasadena. We have as yet no knowledge of what the "other pertinent information" referred to by the Board consists, and we regard the facts accompanying the application to show beyond question a basis for approval such as would be granted in the case of any other applicant.

You also quote that portion of this letter of notification which states that the Board's position is in accord with the policy which has been agreed to by the Board, the Comptroller and the Federal Deposit Insurance Corporation to deprive Transamerica Corporation or any bank in which it has an interest of the benefit of the law under which a bank may properly conduct its business, including the laws providing for the establishment of additional branches for the convenience of patrons and the public. I am still at a loss to know the basis for this policy and I have been amazed to find that it would be agreed upon, declared and put into effect without any opportunity for the interested parties to be heard or even to know the circumstances relied upon to justify it. I wish that you would write me and enlighten me upon this score.

Instead of aiding in an effort to reach common ground, your letter would seem to introduce an additional obstacle to mutual understanding. You say: "As for the Board's position, until it is satisfied that the financial policies pursued by Transamerica Corporation and its affiliated institutions are consistent with the public interest" it will consider as unsound any effort to expand its banking business. Perhaps we have been mistaken in believing that matters of public policy were the primary concern of the legislative bodies rather than of the administrative boards or officers. We have always earnestly endeavored to bring our activities into accord with the public policy evidenced by the various statutes applicable to the particular business. It would seem that if in order for banks in which Transamerica Corporation is interested as a stockholder to conduct a banking business on terms of equality with others engaged in the same business we must first satisfy the Board of Governors of the Federal Reserve System that the financial policies of the Corporation are consistent with the Board's view of the public interest, we should at least be advised as to what that view is.

Your letter contains a sentence, the implications of which are so utterly foreign to any purposes of mine, that I cannot let it pass unchallenged. You say: "In addition, where the change or conversion from one jurisdiction to another is for the purpose of avoiding proper restrictions or requirements of other Governmental agencies, the Board does not propose to be used as a means of avoiding such restrictions or requirements, considered by the Board to be justified under existing circumstances." I am completely at a loss to understand what you are driving at. I know I have never even remotely suggested to you or to the Board that there was any thought of using it as a means of avoiding any proper restrictions or requirements of other governmental agencies. In my experience with governmental agencies I confess I have at times felt -- yes, been convinced to the point of firm conviction--that improper restrictions and requirements have been attempted to be imposed and that at times institutions with which I have been connected have been victims of arbitrary and discriminatory action. I recall expressing such convictions to you. I have always attempted to correct such unfortunate situations in so far as it was possible to do so, but I have never objected to the full and proper exercise of supervisory discretion legally vested in any public supervisory authority. I well know that I have never suggested to you or to any one else in authority a proposal to use the Board or any other authority for the purpose of avoiding any proper

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restrictions or requirements. I think you will recall, too, that at one time when we were contemplating converting to a state member bank your attention was specifically directed to the various provisions of the law with respect to approval of branches and inquiry was made as to whether or not the Board would be likely to be governed by the standards stated in passing upon such a matter or whether foreign considerations would be deemed controlling. But I have never at any time suggested that legal standards for the exercise of discretionary action by supervisory authorities be departed from.

While your letter is distinctly disappointing in the respects which I have indicated above, you may rest assured that I shall exert every effort to bring about such an adjustment in the relations of the institutions with which I am associated and all appropriate supervisory authorities as may be consistent with justice and fairness to all.

As stated before, Transamerica Corporation cannot submit to discrimination. As a basis for mutual understanding in which all thought of discrimination would be permanently eliminated, it would seem proper that you should advise me of any information which your Board has regarded as pertinent in deciding the matters referred to in your communications. May I hear from you soon?

Sincerely yours,

(Sgd.) A. P. Giannini

P.S. With regard to the references in your correspondence to the expansion of the interests of Transamerica in banks, you might be interested in taking note of the fact that on December 31, 1931, shortly before I was returned to its management, the investments of Transamerica Corporation in national banks, member banks and state nonmember banks aggregated \$139,488,939.53 and that as of September 30, 1942, the similar investment was \$65,067,736.87. It had decreased 53%. You might also be interested in noting that as of December 31, 1940, the investment stood at \$83,521,086.49 and that since that time it has decreased approximately \$9,000,000 per year to the present amount of \$65,067,736.87, or a decrease in the past two years of 22%.

A.P.G.

C O P Y

December 19, 1942.

Mr. A. P. Giannini,  
Chairman of the Board,  
Transamerica Corporation,  
San Francisco, California.

Dear A. P.:

I have yours of November 25 in which you acknowledge receipt of my letter of November 13 respecting the position of the Board in the matter of expansion of banking institutions in the Transamerica group.

I could not possibly agree with you that the Board, the Federal Deposit Insurance Corporation, and the Comptroller of the Currency have entered upon a course of arbitrary and discriminatory action where Transamerica is concerned nor could I possibly agree that any policy has been declared and put into effect without any opportunity for the interested parties to be heard. I believe that you are fully informed as to the Board's position and of all the facts upon which it is based, and I am convinced that continued discussion would only involve us in lengthy arguments as to the correctness of your impressions regarding the soundness of the Board's position and the sincerity of its motives. However, any time you or any of your senior associates are in Washington, I shall be glad to arrange further conferences on this matter.

With kind personal regards, I am

Sincerely yours,

(Signed) Marriner S. Eccles

M. S. Eccles,  
Chairman.