

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

Date June 7, 1949

To Governor Eccles

From M. S. Szymczak

MESSAGE:

For your information

COPY

June 2, 1949

Mr. L. M. Giannini, President
Bank of America National Trust
and Savings Association
San Francisco California

My dear Mr. Giannini:

Supplementing our general letter on the subject of capitalization which is today being addressed to your board of directors, may I say to you personally that the question of additional capital for the bank was discussed by me with Mr. Beise in February of this year.

I understand that the management of the bank is in general agreement that the capital structure should be materially strengthened. It is appreciated that market conditions have an important bearing on your policy in this respect but we ask you to give the matter early and earnest consideration and to advise ~~xxx~~ us as soon as practicable as to your plans.

With my personal good wishes,

Very sincerely yours,

(signed) Preston Delano

Preston Delano

COPY

June 2, 1949

Board of Directors,
Bank of America National Trust
and Savings Association,
San Francisco, California.

Gentlemen:

Our review of your bank's report of examination dated November 30, 1948 serves only to increase the strength of our conviction that action should be taken to provide your institution with an adequate capitalization. The determination or measuring of capital structure inadequacy may be approached in various ways, the degree of conservatism evidenced in the approach depending somewhat on the extent to which the rights and interests of depositors are accorded a fair preeminence over the rights and interests of the shareholders.

Your institution is unique in that it holds 41% of all bank deposits in the State of California, and its depositors outnumber and its total deposits exceed those of any other bank in the United States. The responsibility to provide your depositors with an adequate protective capitalization must be measured in the light of this unique position, as well as by the relationship of your bank's capital structure to the nature and volume of assets in which its depositors' funds have been invested.

Your bank is undercapitalized on the basis of its invested position alone in relation to capital structure. If we apply a more conservative approach suitable to its depositor responsibilities, which in a sense must be joined with the inherent responsibilities of the largest bank in the country to banking generally, we only emphasize the degree of undercapitalization.

We think the largest bank in the United States should be one of the country's best capitalized banks. We believe that its capital adequacy should not be open to question in

relation to its volume of domestic business or its expanding foreign interests. The Bank of America's position in the foreign field is not enhanced by capital comparisons with other American banks doing an international business. It seems obvious to us that your measure of depositor protection should be well within the bounds of a generous protection and not a marginal one.

Very truly yours,

(Signed) J. L. Robertson

J. L. ROBERTSON
Deputy Comptroller of the Currency