

FIRST PERIOD -- HOLDING COMPANY PERMIT

November 29, 1933

On this date Transamerica filed its application for a voting permit. This application was pending when you took office on November 15, 1934. It remained pending until April 28, 1937, at which time the voting permit was issued. In the interim the Board was engaged in much activity in processing this and other similar applications. The Board had examined reports of examination of B. of A. and wanted certain corrections made. Comptroller O'Connor objected to the Board's thus attempting to perform a function which he said was the sole function of the Comptroller. Also, A. P. Giannini appeared before the Board to discuss proposed standard conditions. Just prior to the granting of the voting permit Transamerica, apparently having made up its mind to distribute 58 per cent of its B. of A. stock holdings, sought a declaration by the Board that, following such distribution, Transamerica would not be a holding company affiliate of B. of A. any longer. The Board refused to make this commitment saying, in substance, that until Transamerica surrendered its voting permit or circumstances were called to the Board's attention which required the conclusion that Transamerica was no longer a holding company affiliate of B. of A., the Board would consider Transamerica to continue to be a holding company affiliate of the bank.

SECOND PERIOD -- BEGINNING OF ACTIVITY IN
WASHINGTON OFFICIAL CIRCLES FOR REVISED
BANK HOLDING COMPANY LEGISLATION

January 31, 1938

Crowley wrote a memorandum to Morgenthau outlining his position to be that holding company should be prohibited from further expansion. A copy of this memorandum appears to have been received by Clayton. (Copy of Crowley memorandum attached)

March 17, 1938

Jesse Jones wrote a memorandum to Morgenthau on bank holding companies suggesting material for the President's message to Congress. (Copy attached)

There appears to have been quite a few conferences between the various agencies, in a number of which you participated. Attached hereto are excerpts from diary of Clayton and blue sheet press comments which may recall these conferences to your mind.

THIRD PERIOD -- TREASURY DIFFICULTIES WITH B. OF A.

The Board does not appear to have participated in any of the events leading up to the sending of the famous wire to B. of A. of September 13, 1938. On the day the wire was sent Ransom attended a meeting with Treasury officials and was informed that the telegram was going to be sent.

September 15, 1938

Ransom attended another meeting at the Treasury late in the afternoon. (Among others, Haley, S.E.C. member, was present.) At this meeting the Secretary stated that on the 13th the Comptroller had sent the telegram; that in spite of this fact B. of A. had declared the dividend; and that the Treasury was preparing some 30 or 40 charges against the officers of B. of A. which it was expected would be filed with the Board for trial under a Section 30 proceeding.

On this same date A. P. Giannini appears to have sent you a copy of his letter to the Comptroller of the same date discussing the Comptroller's telegram and the action of the B. of A. directors in connection therewith. Later on L. M. Giannini kept you advised as to various communications had between B. of A. and the Comptroller's office regarding this subject. On one occasion L. M. asked that the Board take over the entire matter for decision. During all of this period the Board took the position that it ought not to take any position in the matter inasmuch as the Board would have to try the case if and when it was brought by the Treasury Department.

In the latter part of 1939, the Treasury and the Gianninis meanwhile having been unable to reach any satisfactory adjustment of their differences, the Board, apparently at the direct request of the Gianninis, intervened at the Treasury Department. It did so on the ground that the Board had a direct responsibility because B. of A. was a member bank. The Treasury was told that the Board was contemplating making a separate examination of the bank's affairs. (This had been requested of the Board by the Gianninis.)

You communicated the Board's point of view to the Secretary, whose reaction, as you stated, was not too good. Shortly afterwards (in January 1940) the Treasury issued an order to show cause why the Treasury should not publish

the report of examination of the B. of A. This upset the Board because you had been sitting in conferences with the Comptroller and the Secretary, and the Board's opinion had been asked as to the course of future Treasury action. Nevertheless, the show cause order was issued without the Board's knowledge.

About this time the Gianninis and Cushing, their lawyer, were in Washington a good part of the time. A series of conferences then commenced at the Treasury Department leading up to the development of a program to settle the B. of A. difficulties. The Comptroller submitted his "requirements" as to what B. of A. must do. The Board studied these "requirements" and after many drafts of its position finally presented one which was the basis upon which the entire controversy was settled. This occurred in the early part of March 1940. On March 22nd you wrote L. M. Giannini expressing your gratification at the successful conclusion of the negotiations. On April 1st Giannini acknowledged your letter and stated, in part, as follows: "As a result of the conferences I feel that I came to know you and John McKee better and to appreciate the breadth and soundness of your views and the fact that no personalities entered into the formation of your opinions and the rendering of your judgments. I know that both of you did very constructive work in bringing about a solution of the perplexing problems that had developed."

FOURTH PERIOD -- EXPANSION ACTIVITIES OF TRANSAMERICA

As stated by you the other day, during the entire course of the Treasury-B. of A. difficulties the Board had made clear to the Gianninis its opposition to their continued expansion in the banking field, as had also the Comptroller. In fact, as you further mentioned, it was at first contemplated that a specific agreement be entered into between the Gianninis and the Treasury that no further applications for branches would be presented. This idea was discarded, you said, because it was not felt that under the statute such an agreement would have any binding force. However, as you indicated, it was understood on all sides that the successful settlement of the Treasury proceedings betokened also an end to the Transamerica bank expansion activities.

June 12, 1941

The first Transamerica bank expansion activity following the Treasury settlement appears to have taken place in the early part of 1941. The record shows that at that time Transamerica obtained an option to buy the controlling stock interest of Temple City National Bank, Temple City, California. Apparently the Giannini plan was to convert this bank into a State bank and to use the institution, after admission to System membership, to test the authority of the Secretary of the Treasury to refuse to issue a license to do business. The whole

subject was discussed at great length at a meeting of the Board on June 12, 1941, and the Board took the position that it ought to refuse to be a party to this program and that you and Governor McKee should communicate the Board's views respecting Transamerica bank expansion to Mr. Giannini who was coming in the next day. Your appointment diary shows that you met on June 13th at 11:50 a.m. with Messrs. Giannini and McKee.

At or about this time Transamerica first began its efforts to buy out the First Trust & Savings Bank of Pasadena. There was a period over several months when the management of that bank strenuously resisted Transamerica taking over. In November, however, Transamerica meanwhile having induced McDonnell, the president of the bank, to recommend its offer to the stockholders, Transamerica obtained control. At or about this time the Bank of Lakewood Village was organized, and the Board first rejected its application for membership in the System on the ground that it appeared to be a Giannini inspired bank. Later, however, the Board admitted it to membership upon the condition, among others, that if Transamerica obtained any stock interest in the bank, the Board could request the bank to withdraw from membership. (This is the condition which was the subject of the Lakewood Village Bank suit.)

In January 194² First Trust & Savings notified our San Francisco Bank of its intention to apply for permission to establish branches at Temple City and Alhambra. The minutes of the Board meeting of February 6, 1942, discloses that you and Governor McKee took up both of these matters with Messrs. Crowley and Delano. (An extract from these minutes is attached herewith.)

January 18, 1942

On this date Leo Crowley addressed a letter to the Board of Governors (copy attached) opposing the admission of Peoples Bank of Lakewood Village on the ground that Transamerica was already over-extended.

February 14, 1942

The Board addressed a communication to Transamerica outlining a policy-agreement reached between the three federal bank supervisory agencies, the sum and substance of which was that all agencies would thereafter resist the bank expansion of the Transamerica group by any means whatsoever. This letter is initialed by both Crowley and Delano. The sending of this letter touched off considerable correspondence, all of which was put into the record by Transamerica in the Peoples Bank case. They are set forth beginning at page 69 of the joint appendix in the Court of Appeals in that case, which is attached herewith.

February 18, 1943

On this date A. P. Giannini met with Board Members, no members of the staff being present. (A copy of the report of this meeting is attached.) A memorandum for consideration by the Board Members prior to the meeting with A. P. Giannini was prepared by Messrs. Clayton and Dreibelbis. (A copy of this memorandum is attached.) This memorandum was considered by the Board at a meeting on February 17, 1943.

May 28, 1943

On this date the Board sent a long wire to the San Francisco Bank for relay to Transamerica, calling attention to the fact that the Board had received reports that Transamerica was then sponsoring a campaign to acquire the stock of the Citizens National Trust & Savings Bank of Los Angeles. The Board requested that Transamerica submit its views as to whether or not such activity was not in violation of Paragraph 5 of the agreement executed in connection with the issuance of the voting permit in 1937. Transamerica replied under date of July 9th, indicating that it had sought the advice of the Willkie firm. (These communications are not attached, but it is expected to introduce them at the trial.) Following this exchange the Board instructed Messrs. Dreibelbis and Cagle (together with Neth Leachman) to supervise the examination of Transamerica Corporation which commenced on July 31st. The purpose of this was to secure their recommendations as to possible Board action which might be taken in view of Transamerica's continued bank expansion activities.

July 26, 1944

Dreibelbis drafted a memorandum to the Board which, in part, outlined the possibility of the Board commencing a Clayton Act proceeding against Transamerica as one possible method of dealing with the situation. (Copy attached)

A few months earlier the Board had been requested by the Antitrust Division of the Department of Justice to make its files available for a study there in progress looking to the institution of a Sherman Act case. I think it is a fair statement for you to say that the Board's failure to follow the Clayton Act suggestion in 1944 was due to the belief that the Department of Justice would follow through and commence a proceeding under the Sherman Act. It was not until after a series of meetings which you had with the Attorney General, and the exchange of certain correspondence concerning the Department's views as to the deficiencies of its case against Transamerica, that the Board in the latter part of 1947 requested a memorandum from me as to its powers for dealing with the continued expansion activities of Transamerica.