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Bank of America
NATIONAL TRUST & SAVINGS ASSOCIATION

A. P. GIANNINI
CHAIRMAN OF THE BOARD OF DIRECTORS

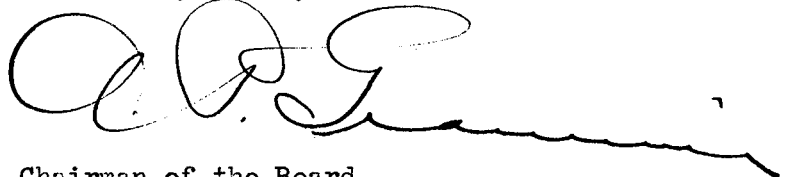
San Francisco, California
April 27, 1943

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

Dear Marriner:

For your information I am enclosing
herewith a copy of a letter which I have
recently written to Honorable Robert F. Wagner.
A similar letter has been written to Honorable
Henry B. Steagall.

Sincerely yours,



Chairman of the Board.

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CHAIRMAN OF THE BOARD OF DIRECTORS

April 26, 1943

Honorable Robert F. Wagner,
Chairman of Committee on Banking and Currency,
United States Senate,
Washington, D. C.

My dear Senator:

At a hearing of your Committee on February 17, 1943, upon S. 700, a bill to amend Section 12B and Section 19 of the Federal Reserve Act in such a manner as to relieve from deposit insurance assessment and remove reserve requirements from war loan accounts of the Federal Government established in banks throughout the country, there appeared as witnesses in support of the bill Hon. Mariner S. Eccles and Hon. Leo T. Crowley. According to the transcript of the testimony given at the hearing, Mr. Crowley made some remarks which can be construed only as seriously reflecting upon Bank of America and Transamerica Corporation, and they were later so construed during the debate in the Senate upon the bill. Mr. Crowley remarked:

"This has been kind of a thorn in our sides for a long, long time, and we feel quite definite about it, since all of the supervisory forces and the Securities and Exchange Commission are in accord, and if this committee has any requests, we would be glad to prepare our testimony and our charts and show you why we have taken the stand we have taken on that matter.***"

"I think you would find, Senator, if you knew the whole picture, and I am sure this committee would agree with us, that our program has been very constructive, and we have treated everyone fairly, and I am sure we are carrying out the intent of Congress in the history of banking legislation over a period of 25 years."

When he later appeared before the Banking and Currency Committee of the House of Representatives he is reported to have expressed himself as being opposed to branch banking and to bank holding companies, which he regarded as a menace. According to the report in the American

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Banker, he expressed the opinion that the interests of the Federal Deposit Insurance Corporation would be adversely affected by extensions of holding companies or branches of banks in that the risk of the Corporation, as insurer of deposits, would be increased. The only holding company mentioned in the report is Transamerica Corporation and Bank of America the only bank.

On both occasions Mr. Crowley generously offered to supply the Committee with information to support the position he has taken. Since we were not represented at the hearing and since we have no means of knowing when additional statements of the same character may be made before your Committee, I should like you and your Committee to have access to additional facts not likely to be presented by Mr. Crowley. I know your Committee will want the true picture and that it will not pronounce judgment without a full hearing. In any event, however, this letter is being sent for your information and the information of the members of your Committee. The facts stated are believed to be as pertinent to any issue of concern to your Committee as are the conclusions of Mr. Crowley. The institutions affected have been built to serve the people of this area and they are serving them well. The fact that many years of my life have been devoted to these institutions imposes an obligation to vindicate them whenever and wherever they are assailed -- hence this letter.

We are not particularly concerned with Mr. Crowley's personal views of the matters mentioned by him, but we do not hesitate to say that if his views are as reflected in his quoted remarks and in the report above referred to, they are so patently erroneous that it is rather surprising they would be voiced by the responsible head of an important Federal supervisory agency. We are concerned, however, with the fact that these personal views as to a particular holding company and a particular bank would be expressed by the Chairman of a Federal corporation in which the bank criticized by him and banks in which the named holding company is interested are members in good standing -- having become members on the same basis as all others, having abided by all regulations and fully subjected themselves to all control and supervision which the Congress of the United States has authorized, in addition to contributing many millions of dollars to the funds of such Corporation. We are further concerned with the fact that the Chairman of such Corporation has permitted his personal erroneous views to affect the action of the Corporation where these banks are involved, instead of determining their lawful applications according to the standard prescribed by Congress to govern action on such matters. The whim or caprice of a public official may furnish a safer guide for the protection of the public than the deliberate judgment of the Congress of the United States, expressed as the law of the land, but I am so old-fashioned as to prefer the latter. (Parenthetically, I might add that I have on appropriate occasions in the past publicly commended the wisdom of Congress in adopting the Banking Act of 1933 and of 1935, but my praise was for the law -- not for its autocratic distortion.)

Fortunately, the business organizations at which such attacks have been directed have long and honorable careers in the area where they do business, and it is not contemplated that any serious adverse effects will result. However, the impropriety of such a course of official conduct is none the less evident.

As occasion has arisen in the past to call to Mr. Crowley's attention the fundamental error of his position and the impropriety of his official action we have not hesitated to do so. One instance of this, which now has some historical significance, is the occasion of his being invited to address the convention of the California Bankers Association held in May of 1938. He came to California for that purpose and brought with him an address which was critical of branch banking as developed in California, but this portion of his talk was deleted during actual delivery. I wrote him quite fully on the subject at the time, not only offering to cooperate to the limit with any action he might take to discharge his public responsibility in safeguarding the soundness of the banking structure of the country, but offering to submit as well the record of this bank for service and soundness in any effort to establish the truth with regard to it. No reply was received to my letter. However, in December of 1942 and January of 1943 Mr. Crowley, in explaining to the Senators from Nevada the adverse action of the Federal Deposit Insurance Corporation upon an application of a new State bank in Nevada for insurance, reiterated substantially the arguments contained in the deleted portion of his address. (No explanation whatsoever was given to the bank.) Upon learning of his letters to the Senators I, as Chairman of the Board of this bank, wrote to him on February 1 of this year, calling his attention to the impropriety and illegal character of the action of the Corporation. A copy of that letter is attached hereto for your information and the information of the members of your Committee. No reply has been received. Many of the facts stated in the letter are pertinent to the matters in which your Committee has manifested an interest, but no more so than the additional facts hereinafter stated.

The Congress of the United States has very properly made available to the Federal Deposit Insurance Corporation the reports of examination of national banks, and we understand they are systematically reviewed by the Corporation. Mr. Crowley is doubtless aware of the formula according to which national bank examiners estimate the net sound capital of banks examined by them. If he would refer to their reports of examination and apply the formula he would find that from the date of the first examination in 1942 (January 16) to the end of the year the net sound capital of Bank of America increased approximately \$7,400,000. In the period from April 1938 to the end of 1942 its net sound capital structure, on the basis of the examiner's formula, increased more than \$40,000,000 and this is exclusive of preferred stock.

If comparisons are in order, the Committee might be interested in the figures given by Moody's Banks, Insurance, Real Estate, Investment Trust Manual for the five largest national banks in the United States, in which group Bank of America ranks third. It will find that, with preferred stock added, Bank of America from the expiration of the first full year following the banking holiday, December 31, 1934, to December 31, 1942, increased its capital funds \$60,465,000 or 60.5%. The bank ranking next was the Continental Illinois National Bank and Trust Company of Chicago with an increase of \$36,115,000 or 35.4%. The other increases were as follows: First National Bank of Chicago - \$16,706,000 or 25.17%; Chase National - \$19,720,000 or 8.37%; and National City Bank - \$13,020,000 or 7.9%. So if Bank of America should do as all of these other large national banks have done and pay off its preferred stock in full, it would still have made a net capital contribution from its own funds of \$37,425,200 or 37.4% increase and would still be the Number One national bank in the country with respect to dollar increase in its capital structure since December 31, 1934, and it would still have exceeded any of the other four large national banks in the percentage of its increase.

Your Committee, too, might be interested to learn more of the policies of Bank of America which have made it in many respects the leading bank of the United States. For some years it has had the largest volume of loans of any bank in the United States. It has had also the greatest number of loans of any bank in the United States. It directly serves more people than any bank in the United States. The people who are served are the small business man, the professional man, the manufacturer, the fruit grower and the farmer, the home builder -- in fact, people in every worthy enterprise regardless of size. Its deposit accounts number more than 2,500,000, with the average balance per account being less than \$1,000. This is certainly not of capitalistic size. It is the small man's bank to a greater extent than any other large bank. It pays out more money as interest on savings than any other bank. Last year it paid out as interest on time deposits \$10,814,962. It is owned by more people than any other bank, having 150,000 stockholders. It has nothing to sell but banking service and it operates on the principle that everyone within its reach is equally entitled to that service. It takes pride in living up to its slogan, "Banking That is Building California."

While Transamerica Corporation is not greatly interested in maintaining the holding company function, we should like it to be distinctly understood that we offer no apologies for the record the corporation has made in this field. It is one of outstanding achievement, and no depositor in any Transamerica bank has ever lost a dollar. As a matter of fact, millions of dollars have been saved to depositors of banks in distress which were taken over by Transamerica or its banks -- many at the request of supervisory authorities. This is such an obvious fact in the area where Transamerica has operated that it is a little surprising it would be ignored in a center even as remote as Washington. We have no doubt that many other holding companies present a similarly creditable record.

While on this subject, why not take a look at the records of the Federal Deposit Insurance Corporation? If holding company ownership of bank stock is a "menace," or if a branch banking system by operating in an area large enough to give to it a healthy diversification of assets, increases the hazard of deposit insurance, it would seem that there would be some such indication in the eight-year insurance experience of the Federal Deposit Insurance Corporation. Yet the reports of that Corporation to Congress fail to show a single instance of failure of any sizable branch bank or of any bank controlled by a holding company. These reports, on the contrary, affirmatively show that the Insurance Corporation has had a very favorable experience in the States where these banking policies prevail. (See Table 135, page 174, Annual Report of the Federal Deposit Insurance Corporation for the Year Ended December 31, 1941, the last published report.) This is not surprising in view of the excellent record of such banks and companies in protecting the interests of their depositors during the worst depression years.

If deposits exist in an area it is reasonable to assume they will be insured, whether in one strong bank with branches or in many individual banks -- and this without regard to the character of the ownership of the stock in such banks. Where banks which are members of the Federal Reserve System are controlled by holding companies, the Banking Act of 1933 renders such companies affiliates of the banks, and the companies as well as the banks are subject to examination and supervision by the Board of Governors of the Federal Reserve System. Any suggestion that such ownership of stock in a bank increases the deposit insurance hazard is sheer nonsense.

Our institutions have never asked for and have never received any special privileges. They ask only fair and equal treatment under the law, but instead of receiving merited consideration at the hands of supervisory authorities in Washington they are constantly met with discrimination and made the victims of vituperative assaults that would be ruinous except for the fact that the public in this area -- and in fact throughout the United States -- has learned how to discount misguided and ill-advised expressions of administrative officers where these institutions are concerned. Many examples of such treatment could be given if your Committee is interested in pursuing the subject. We could also present for the consideration of your Committee some rather striking examples of bureaucratic action on the part of Federal agencies which have apparently preferred policies of their own making to those that have been embodied in the law of the land.

I have a keen realization, Mr. Chairman, of the great responsibility which rests upon you and the members of your Committee to lead in providing the country with a sound banking structure. If your and their

Honorable Robert F. Wagner

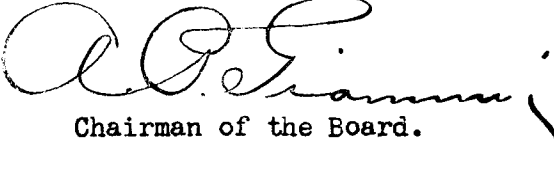
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efforts are to be constructive and truly progressive, a thorough understanding is an essential prerequisite. I always welcome an opportunity to contribute to such an understanding to the extent of my experience and ability.

I am sending a copy of this letter to Mr. Crowley, and I respectfully request that the additional copies enclosed be made available to the members of your Committee.

Very truly yours,



Chairman of the Board.