

C O P Y

Mr. S. G. Sargent,
Assistant Federal Reserve Agent,
Federal Reserve Bank of San Francisco,
San Francisco, California.

Dear Mr. Sargent:

There is inclosed herewith for your information a copy of a letter which the Board has addressed to Mr. A. P. Giannini with regard to a possible hearing on the applications of the Transamerica Corporation and the Inter-America Corporation for permits to vote the stock of certain member banks. The Board will be glad to have you or your representative attend such hearing if it is held, and you will be advised as soon as possible of the date fixed for any such hearing.

Very truly yours,

Chester Morrill,
Secretary.

Inclosure.

C O P Y

Mr. A. P. Giannini, Chairman,
Bank of America National Trust and Savings Association,
San Francisco, California.

Dear Mr. Giannini:

This refers to my letter to you of January 9, 1935, in which you were advised, in response to a request from you, that the Board will afford you an opportunity for a hearing before it reaches a conclusion as to the action it should take on the application of the Transamerica Corporation for a permit to vote the stock of certain member banks.

The Board is giving consideration to the applications of Transamerica Corporation and its subsidiary, Inter-America Corporation, for voting permits, and to the question whether certain conditions should be prescribed. The tentative conditions provide that Transamerica Corporation shall execute an agreement containing the following provisions:

1. That, as soon as practicable and, in any event, within two years from the date such voting permit is granted, the undersigned will charge off or otherwise eliminate from its assets, (a) the part of the carrying value on its books of its investments in stocks of subsidiary and/or affiliated organizations which is in excess of the adjusted value of such stocks, after effect shall have been given to the deduction of all estimated losses of such subsidiary and/or affiliated organizations, all depreciation in stocks and defaulted securities, and all depreciation in all other securities not of the four highest grades, as classified by a recognized investment service organization regularly engaged in the business of rating or grading

*carrying
value of
stocks of
subsidiaries
and affiliated*

securities, as shown by the latest available reports of examination of such organizations by the appropriate supervisory authorities and/or as shown by the latest appraisal of their assets by other examiners, auditors or appraisers satisfactory to the Federal Reserve Agent, (b) all depreciation in securities not of the four highest grades, as classified by a recognized investment service organization regularly engaged in the business of rating or grading securities, as shown by such reports of examination and/or appraisals, (c) all losses in all other assets as shown by such reports of examination and/or appraisals, (d) all other known losses;

2. That the undersigned will take such action within its power as may be necessary to cause each of its subsidiary State banking institutions to charge off or otherwise eliminate from its assets as soon as practicable and, in any event, within two years from the date such voting permit is granted, (a) all estimated losses in loans and discounts, (b) all depreciation in stocks and defaulted securities, (c) all depreciation in securities not of the four highest grades, as classified by a recognized investment service organization regularly engaged in the business of rating or grading securities, (d) all other losses, all such charge-offs or eliminations to be based upon the latest available reports of examination of the banks by the appropriate supervisory authorities;
3. That the undersigned will take such action within its power as may be necessary to cause each of its subsidiary banking institutions to maintain a sound financial condition and to cause the net capital and surplus funds of each such subsidiary banking institution to be ~~reasonable~~ ^{adequate} in relation to the deposit liabilities and other corporate responsibilities of such subsidiary banking institution;
4. That the undersigned will take such action within its power as may be necessary to cause each subsidiary national bank or affiliate thereof to comply with the recommendations or suggestions of the Comptroller of the Currency based upon any report of examination of such bank or affiliate made to him pursuant to authority conferred by law and to comply with the regulations or

*Subsidiary
State Banks
& charge
off etc*

Cap. Ratio

*Character
and condition
of its assets
and to its*

*Comptroller's
field*

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requirements of the Board of Governors of the Federal Reserve System made pursuant to authority vested in it by law;

5. That the undersigned will take such action within its power as may be necessary to cause each subsidiary State banking institution or affiliate thereof to comply with the recommendations or suggestions of the Federal Reserve Agent at the Federal Reserve bank of the district in which the institution is located based upon any report of examination of such institution or affiliate made pursuant to authority conferred by law and to comply with the regulations or requirements of the Board of Governors of the Federal Reserve System made pursuant to authority vested in it by law;
6. That the undersigned will not make, and will take all necessary action within its power to prevent any of its subsidiaries and ~~any other organizations~~ with which the undersigned or any of its subsidiaries is affiliated from making, any loans or extensions of credit to, or purchases of securities under repurchase agreements from, the undersigned or any of its subsidiaries or any other organizations with which the undersigned or any of its subsidiaries is affiliated, or any investments in, or advances against, securities of the undersigned or any of its subsidiaries or any other organizations with which the undersigned or any of its subsidiaries is affiliated, except within the same limitations and subject to the same conditions and provisions as are applicable under section 23A of the Federal Reserve Act to such transactions involving member banks and their affiliates; except that this paragraph shall not apply to loans or extensions of credit by any organization to its own subsidiaries, or the purchase of securities under repurchase agreements by any organization from its own subsidiaries, or the investment by any organization in the securities of its own subsidiaries, where such transactions would not otherwise be subject to the limitations, conditions and provisions of section 23A of the Federal Reserve Act;
7. That the management of the undersigned and its subsidiaries will be conducted under sound policies

Comply with Fed. Res. Act's requirements

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governing their financial and other operations, including statements issued relating thereto; that the undersigned will maintain a sound financial condition; that its net capital and surplus funds shall be reasonable in relation to its liabilities and other corporate responsibilities; and that, except with the permission of the Board of Governors of the Federal Reserve System, it shall not cause or permit any change to be made in the general character of its business ^{or in the} ~~scope of its activities~~ either through the acquisition of ownership or control of any other organization or in any other manner;

- 8.. That until all present or future obligations of Inter-America Corporation, the undersigned, and/or any organization affiliated with the undersigned or any of its subsidiaries to Bank of America National Trust and Savings Association and/or any bank affiliated with the undersigned or with any of its subsidiaries, growing directly or indirectly out of contracts heretofore entered into by Inter-America Corporation and Corporation of America with Bank of America National Trust and Savings Association for the purpose of eliminating objectionable assets and/or losses from such bank, have been paid in full, the undersigned will not, during any calendar year, pay dividends exceeding in the aggregate an amount equivalent to thirty cents per share for each share of the stock of the undersigned outstanding on November 1, 1935.

Under the tentative conditions, Inter-America Corporation would be required to execute an agreement containing all of the above provisions except provision numbered 8.

The Board has requested me to advise you that before it reaches any conclusion in these matters, it will be glad to afford you an opportunity to be heard at the earliest date convenient to you and the Board, if you still desire such a hearing, but the Board requests that

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any such hearing be held not later than fifteen days after the date of this letter.

Very truly yours,

Chester Morrill,
Secretary.

Copies to Federal Reserve Agent at San Francisco
Mr. Cagle