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[Draft of BMW -- 10/14/42]

Dear Mr. Giannini:

This refers further to your letter of August ____, 1942, in which you request information as to the reason for the Board's action in declining to grant the application of First Trust and Savings Bank of Pasadena for permission to establish branches at Temple City and Alhambra, California.

In acting upon an application of a member bank for permission to establish branches, the Board must act in the public interest and approve the application only if it is satisfied by the applicant that the establishment of the branches applied for would be in the public interest. If the applicant bank is a member of a holding company group, the Board must take into consideration not only the effect of its action on the bank itself but also the effect on the group of which the bank is a member.

We have believed that ⁱⁿ view of our numerous conferences with you and other representatives of Transamerica Corporation during the past several years it should be apparent to you why the Board has not been satisfied that it would be warranted in taking any action which would ^{result in} ~~facilitate~~ the further expansion of Transamerica Corporation.

Without referring to all of the matters that have been discussed from time to time relating to Transamerica Corporation, it may be appropriate to mention a few of the more important ones.

You will recall that the Board was willing to grant a general voting permit to Transamerica Corporation only after prolonged discussion of what requirements should be made of the Corporation and what action should be taken to correct unsatisfactory conditions existing in the Corporation at that time.

When the Comptroller of the Currency felt that it was necessary for the largest bank in the Transamerica group to take steps to effect obviously necessary corrections, it was clear to us that the management of Transamerica Corporation was not willing to take the necessary steps to effect such corrections in its subsidiary bank. It was equally clear that Transamerica Corporation was not in financial condition to render the necessary assistance to this member of its group. After prolonged efforts to induce the management to effect corrections, the Federal supervisory agencies finally agreed to a program of improvement over a period of years. Spreading this program over a period of years was accepted by the supervisory authorities because it was obvious that the eliminations and other corrections would not or could not be made in their entirety at the time.

The record clearly indicates that many of the unsatisfactory assets and other situations in the largest bank in the group resulted from the policies and practices of the management during its rapid expansion program. Since the beginning of our negotiations with respect to the corrections in this bank, it has been our view that the supervisory agencies would be remiss in the discharge of their

responsibilities if they authorized the continued expansion of the Transamerica group without the Corporation's being in position to render whatever aid might be necessary to any of its banks in times of stress.

Prior to April 1941, as you know, the Comptroller of the Currency had placed restrictions upon further expansion of branch banking activities of national banks in the Transamerica group. In the latter part of April 1941, application was made to us for admission to membership of a State bank that would result from the acquisition by your Corporation of the Temple City National Bank, Temple City, California. Feeling that this was a plan whereby Transamerica Corporation could avoid the restrictions of the Comptroller of the Currency upon further expansion of branch banking, the Board declined to approve membership of the proposed State bank. At that time our views were again fully explained in conferences with your son Mario, and we understood that plans to take over the Temple City National Bank would be abandoned and that Transamerica Corporation would not attempt to expand its control over banking facilities. However, we learned that shortly thereafter Transamerica Corporation purchased most of the stock of the Temple City National Bank. Subsequently, Transamerica Corporation obtained control of a majority of the stock of the First Trust and Savings Bank of Pasadena; and it also has appeared in connection with an application for membership of a new State bank at Lakewood Village, California, that the Transamerica group was interested, directly or indirectly, in several respects in the organization of this bank.

In all the circumstances, it has appeared that the Trans-america group is intent on expansion of its banking facilities without undertaking to satisfy the responsible Federal supervisory authorities that such expansion of the group is justified in the public interest.

The Board feels that you have been fully advised of the reasons for its position, which is concurred in by the Comptroller of the Currency and the FDIC, that under existing circumstances each of these agencies should decline permission for the acquisition, directly or indirectly, of any additional banking offices or any substantial interest therein by the Transamerica group.

Very truly yours,

Chester Morrill,
Secretary.

EMW/mg
10/14/42