

DRAFT OF SUGGESTED LETTER TO MR. A. P. GIANNINI

This will have reference to your letter of August 17 to Chairman Eccles, which was acknowledged in his absence. This reply has been delayed until opportunity was afforded for a discussion of the matter by the Members of the Board and those of its staff primarily concerned. Meanwhile, the Board has been preoccupied with pressing problems concerned with Treasury financing and other phases of its work closely related to the war effort.

In your letter you speak for both Transamerica Corporation and Bank of America N. T. & S. A. While you dwell at some length upon various aspects of the financial condition of Transamerica Corporation and Bank of America N. T. & S. A., your chief burden is the charge that in its letter of February 14, 1942, addressed to the Transamerica Corporation, the Board takes the position that, regardless of its merits, an application from any institution in the Transamerica group, or in any way connected with it, would receive an adverse ruling from the Board. A fair and careful reading of the pertinent portion of the Board's letter referred to makes it apparent that you have misstated its position.

The Board flatly disagrees with all of the broad conclusions of your letter and with a large portion of the detail. It cannot agree that Transamerica Corporation or Bank of America is being accorded different treatment than that which would be accorded any other institution similarly situated, or that either is being discriminated

against. On the contrary, the Board believes that it and the other Federal banking agencies have at numerous times exercised unusual patience in their dealings with the management of these institutions. Time and again attention has been called to the unsound character of proposed expansion through the absorption of existing banks or the establishment of de novo branches, without a corresponding increase in capital structure. Time and again attention has been called to unsatisfactory situations in the Bank of America resulting from the policies and practices of the management during its rapid expansion program. These same Federal agencies have been greatly concerned with and hindered by the complex corporate structure of the Trans-america group and the unsatisfactory manner in which funds to expand and carry out other activities have been obtained by financing within the group.

As you know, Members of the Board have on several occasions tried to reach informal understandings with respect to the expansion policy of these two institutions but the effectiveness of these efforts, in the light of experience, seems doubtful, to say the least. We refer to the events which took place in connection with acquisitions of interest in the Temple City National Bank, the Peoples Bank of Lakewood Village, and the First Trust and Savings Bank of Pasadena.

In conclusion, the Board is not satisfied with the financial policy pursued by these institutions in their efforts further to expand their facilities. In considering past applications, the Board has been guided by the public interest involved and it will continue to be so

guided. Until it is satisfied that the public interest will be served thereby and that the condition and policies of the applicant warrant its being granted the privilege asked for, the Board, in accordance with the statement in its letter of February 14, 1942, will not approve applications for the acquisition directly or indirectly of any additional banking offices or any substantial interest therein by Transamerica Corporation, Bank of America N. T. & S. A., or any other unit of the Transamerica group.

Very truly yours,

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