

Cagle

Dear A. P.:

This is in reply to your letter of August 17, 1942, with reference to the action of the Board of Governors in denying the application for the establishment of branches at Temple City and Alhambra by the First Trust and Savings Bank of Pasadena, which is controlled by Transamerica Corporation through the ownership of a majority of the capital stock. Your letter ^{*was acknowledged after I had left*} ~~came in just as I was leaving for a much needed vacation, as~~ ^{*under date of*} Mr. Clayton advised you ~~in his acknowledgment of~~ August 21, 1942.

Since returning from my vacation, it has been necessary for me and the other members of the Board to devote practically all of our time to pressing problems concerned with Treasury financing and steps to combat inflationary developments. Consequently, I have only recently had an opportunity to consider with Governor McKee, to whom you refer in your letter, and the other members of the Board and members of the Board's staff, certain statements and impressions contained in your letter, with which we can not possibly agree.

You will recall that in January 1942 the First Trust and Savings Bank of Pasadena wrote a letter to the Federal Reserve Bank of San Francisco stating, among other things, that it had "under consideration the establishment of several branch banks", Temple City and Alhambra being mentioned specifically. This was shortly after Transamerica Corporation obtained control of the bank, ^{*and*} ~~and~~ ^{*For some time prior thereto the Comptroller of the Currency had repeatedly denied the expansion of branches*} ~~and~~ ^{*refused to permit the number of*} ~~activities~~ ^{*of*} of important national banks in the Transamerica Corporation group. On February 14, 1942, the Board requested ^{*that*} ~~that~~ the bank be advised, before it took any further steps to consummate its plans, that the Board had given careful consideration to the information submitted and to other pertinent information in its files and had reached the conclusion

that it should not approve the establishment of the proposed branches on the basis of the information before it.

In view of previous discussions and understandings, the Board was somewhat surprised to learn of these ^{plans for} expansion ~~activities~~. Accordingly it was considered desirable for the Board to again express its views in the matter. This was done in its letter of February 14, 1942, in which the Board advised Transamerica Corporation of the action taken and stated:

"Should your Corporation have any plans for the further expansion of its interests in banks, either directly or indirectly, through the mechanism of extending loans to others for the purpose of acquiring bank stock, or in any other manner, you are requested to advise the Board through the Federal Reserve Bank of San Francisco before any such plans are consummated.

"The Board's position in this matter is in accord with the policy, upon which there is unanimous agreement by the Board, the Comptroller of the Currency, and the Federal Deposit Insurance Corporation, that the Federal bank supervisory agencies should, under existing circumstances, decline permission 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."

Transamerica
Thereafter, the First Trust and Savings Bank of Pasadena ~~and~~ ~~partially~~ continued its plans and on February 28, 1942, entered into a contract to assume deposits and take over assets of the Temple City National Bank with a view to operating a branch at that location. On June 10, 1942, the bank filed a formal application for the establishment of branches at Temple City and Alhambra. On July 10, 1942, the Board declined this application and requested that the bank and Transamerica Corporation be advised accordingly.

For some time the Comptroller of the Currency, ~~for reasons~~ ~~which he considered adequate~~, has been unwilling to approve further

expansion, through the establishment of additional branches, by the Bank of America N. T. & S. A., and other important national banks in the Trans-
america system. ^{we are} ~~I am~~ advised that the Federal Deposit Insurance Corpora-
tion has declined to insure any newly organized State nonmember bank in
which Transamerica Corporation has an interest or any bank in the group
which may withdraw from the Federal Reserve System. It is our understanding
that both the Comptroller of the Currency and the Federal Deposit Insurance
Corporation consider ^{advisable} ~~the~~ efforts of Transamerica Corporation to continue
its expansion program through the organization of new State banks, the
acquisition of control of existing State banks, or the conversion of
national banks to State banks and the establishment of branches thereof,
~~as being completely unnecessary and unsound.~~ Neither of these agencies
has felt that it has been necessary or sound for banks to convert or
change from one jurisdiction to another in order to avoid restrictions
or requirements of any governmental agency charged with the responsibility
of supervising such bank. The other members of the Board and I are in
thorough accord with this view.

This view and the action of the Board upon each application has
been based solely upon what it believed to be the best interests of all
concerned, in the light of the information before it and the intent and
purposes which Congress apparently intended should be carried out when it
placed upon the Board certain important responsibilities for the super-
vision of bank holding company groups. I am sure that the Comptroller of
the Currency and the Federal Deposit Insurance Corporation likewise have
acted solely on the basis of what they believed to be the best interests
of all concerned under the circumstances involved.

The Board has not been convinced up to this time that the needs of the communities involved cannot be served adequately by existing facilities or by the provision of facilities that would be wholly independent in ownership and management of Transamerica control, or that the public interest would be served best by the approval of these applications. Until a showing is made that is convincing, it will continue to withhold favorable action.

Very truly yours,

CEC
10-24-42