

10/26/42

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

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 for a vacation, as Mr. Clayton advised you under date of August 21, 1942.

Since returning from my vacation, a number of pressing matters, including war financing, have had first claim upon my time. Consequently, I have only recently had an opportunity to consider with Governor McKee and the other Members of the Board and certain of its staff the statements and charges contained in your letter, with which we flatly disagree.

a) 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. For some time prior thereto, the Comptroller of the Currency had repeatedly refused to permit expansion in the number of branches of important national banks in the Transamerica Corporation group. On February 14, 1942, the Board requested the Federal Reserve Bank, as well as Transamerica Corporation, 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. Accordingly, it was considered desirable for the Board to express again 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."

Nevertheless, the First Trust and Savings Bank of Pasadena thereafter 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

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" Please see that persons of the group concerned to advise."

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 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 Transamerica system. We are advised that the Federal Deposit Insurance Corporation has indicated its unwillingness to insure any newly organized State nonmember bank in which Transamerica Corporation has <sup>a substantial</sup> interest or any bank in the group which may withdraw from the Federal Reserve System. As for the Board's position, so long as Transamerica Corporation and its affiliated institutions pursue their present financial policies <sup>proposed</sup> and methods of expansion, it will consider as unsound 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. This is particularly true if the change or conversion from one jurisdiction to another is for the purpose of avoiding <sup>the</sup> restrictions or requirements of other Governmental agencies, charged <sup>proper</sup> with the responsibility of supervising such banks. The Board also feels that the establishment of a State branch banking organization in an area

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already covered by a national branch banking organization connected with it is unsound and could easily lead to a repetition of the unhealthy type of expansion used in the twenties.

It is understood that both the Comptroller of the Currency and the F.D.I.C. are in complete agreement with this view. Accordingly, the Board does not propose to be used as a means of avoiding the restrictions and requirements imposed <sup>those</sup> by another supervisory agency, <sup>ies</sup> considered by the Board to be justified under existing circumstances.

The foregoing will indicate some of the more important considerations underlying the Board's position in this matter. In view of our previous discussions with you and other representatives of your organizations, it is felt unnecessary to go into further detail.

Yours sincerely,

M. S. Eccles,  
Chairman.