

(Clayton re-write of
Cagle draft) 10/30/42

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 by Mr. Clayton under date of August 21, 1942, after I had left, ^{immediately} ^{Wash.} for a vacation. ^{few weeks' trip}

^{to Washington} Since returning ^{great many} from my vacation, a number of pressing matters, including war financing, ^{taken up immediately} have had first claim upon my time. Consequently, I have only recently had an opportunity to consider with Governor McKee, to whom you referred in your letter, and the other Members of the Board and some of its staff certain statements and charges contained in your letter, with which we cannot possibly agree.

For some time prior to January, 1942, the Comptroller of the Currency had repeatedly refused to approve expansion in the number of branches of important national banks in the Transamerica Corporation group. Shortly before that date, Transamerica Corporation obtained control of the First Trust and Savings Bank of Pasadena. In January, 1942, that bank 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.

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 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.

The position of the Comptroller of the Currency in this matter has been referred to above. 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 a substantial interest or any bank in the group which may withdraw from the Federal Reserve System. ^{at St. Louis} As for the Board's position, so long as Transamerica Corporation and its affiliated institutions pursue their present financial policies, including their proposed methods of expansion, it will ^{look with disapproval upon} 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 proper restrictions or requirements of other Governmental agencies. The Board also feels that the establishment of a State branch banking organization in an area 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 these views. Accordingly, the Board does not propose to be used as a means of avoiding restrictions and requirements imposed by those agencies, 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. However, as you well know, whenever you or any of your associates feel that you have a just grievance to take up with the Board, you are always welcome to call on any of us, preferably without lawyers. This would permit a more complete and frank discussion than is practicable through correspondence.

Sincerely yours,

Chairman.

LC:jg