

January 21, 1935.

Mr. A. P. Giannini, Chairman,
Transamerica Corporation,
San Francisco, California.

Dear Mr. Giannini:

Mr. Hamlin had mimeographed the legal opinion of Mr. Collins regarding the policy of the Federal Reserve Board respecting the issuance of voting permits. I have read this opinion through and find that it is a very thoughtful presentation. On the other hand, I am quite sure that it is more in the nature of a brief for one party to a dispute than a judicial opinion. As I stated to you and Mr. Collins when you were here, this subject is susceptible to effective argument both ways and certainly a very good argument can be made, just as Mr. Collins has made it, that it was not intended through this particular legislation to give the Federal Reserve Board supervision of national banks or other member banks but only of holding companies holding stock in member banks either national or State. The prevailing opinion, however, was followed by the Federal Reserve Board and they have exercised a certain amount of control over member banks through regulations governing the matter of voting permits.

Inasmuch as the above interpretation of the Banking Act of 1933 respecting voting permits has been followed by the Board for about a year and a half, it is fair to assume that if the real intent of Congress has been misinterpreted, Congress will correct the situation by clarifying the section of the act bearing on this matter.

Meanwhile, as stated to you, very few general permits have been issued and it might interest you to know that the First Security Corporation has not yet received its general permit, even though all its subsidiary banks carry specific depreciation reserves set up on the asset side of published statements so as to reduce the carrying value of the lower grade securities. In addition to this practice, they also have generous reserves for contingencies. I am merely mentioning this matter so that

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you will feel reassured that the applications of Transamerica Corporation and your other holding company affiliates for general permits are receiving the same attention on the same basis as others which you stated while here was the thing you were most concerned about.

If there are, from time to time, any observations or comments which you desire to bring to the Governor's attention or to mine, I shall always be glad to hear from you.

Yours sincerely,

Lawrence Clayton,
Assistant to the Governor.

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