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**Bank of America**  
NATIONAL TRUST AND SAVINGS ASSOCIATION

**SAN FRANCISCO HEADQUARTERS**

**A. P. GIANNINI**  
CHAIRMAN OF THE BOARD OF DIRECTORS

**SAN FRANCISCO, CALIFORNIA**

November 28, 1936

Mr. Lawrence Clayton,  
Assistant to the Chairman,  
Board of Governors,  
Federal Reserve System,  
Washington, D. C.

Dear Mr. Clayton:

No doubt you have heard of the situation in connection with the Pacific Mutual Life Insurance Company and inasmuch as through our subsidiary, the Occidental Life, we have submitted a plan for rehabilitation of that Company, and in addition have but recently acquired the Seaboard National Bank of Los Angeles, it has been and will continue to be necessary for me to spend a great deal of time in Los Angeles and it will be impossible for me to get away to attend the meeting of the Committee on Banking Studies on December 3rd.

However, Mr. Clary is going to represent me at the meeting and, in this connection, I have asked him to call on you with the view of discussing with you some ideas that I believe will aid in the furtherance of the Administration's banking and agricultural program.

If you can conveniently arrange it, I should like Mr. Clary to meet your Chief, Governor Eccles, while he is there, as I don't think he has had this privilege and pleasure.

Just as soon as a decision is handed down in the Pacific Mutual case, I hope to be free to go to Florida as I have planned. I shall go directly to New York first and then shall stop off in Washington and avail myself of the opportunity to call on you.

Mr. Lawrence Clayton  
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As I may not see you before the Holidays, I am taking this opportunity to wish you and yours, and also your Chief and his family a very Merry Christmas and a Happy and Healthful New Year.

Cordially yours,

A handwritten signature in cursive script, appearing to read "O. G. Jennings". The signature is written in dark ink and is positioned to the right of the typed name "Cordially yours,".

December 9, 1936

Mr. A. P. Giannini  
Bank of America  
San Francisco, California

Dear Mr. Giannini:

I was glad to have yours of November 28th, but sorry that you couldn't find time to make the New York meeting of the ABA committee for banking studies. I note you are very busy with Los Angeles affairs, particularly negotiations for the Pacific Mutual Life Insurance Company. In this connection I noticed a very prominent display ad in the local newspaper on Sunday regarding the soundness of the company and its recent increase of dividends to policyholders. I am wondering how this increase benefit to the policyholders has been accomplished by a company which is in need of rehabilitation as suggested in your letter.

Mr. Clary was here for the better part of the day on Monday and had separate conferences with Mr. McKee, Mr. Cagle and myself. He outlined to me the practical difficulties involved in accommodating yourselves to the standard conditions in connection with general voting permits as now amended and I can fully appreciate that it would be difficult to get quick action by your various boards so as to acquire a general voting permit before the end of the year. I understand however, that this was the suggestion made to Mr. Clary by Mr. McKee and that we are to await advice on this particular point before taking action on the application for a limited permit to take care of the Portland situations. However, I am discussing this matter in a personal way and I assume that any official correspondence from either side will be conducted between Mr. Clary and the Board proper.

I note with pleasure your plan to stop off in Washington on your way to New York and hope that your program will permit you to drop by my office. You were kind to send Christmas wishes to myself and family and to Mr. Eccles and I cordially wish you the same.

Sincerely yours,

Lawrence Clayton  
Assistant to the Chairman

LC/fgr

CABLE ADDRESS - BAKERICAL

13044

# Bank of America

NATIONAL SAVINGS ASSOCIATION

A CONSOLIDATION OF  
BANK OF ITALY, N. T. & S. A. AND BANK OF AMERICA OF CALIFORNIA

LOS ANGELES  
CALIFORNIA

A. P. GIANNINI  
CHAIRMAN OF THE BOARD OF DIRECTORS

December 15, 1936

LOS ANGELES MAIN OFFICE  
660 SOUTH SPRING STREET

Mr. Lawrence Clayton  
Assistant to the Chairman  
Board of Governors, Federal Reserve System  
Washington, D. C.

Dear Mr. Clayton:

I have for acknowledgement your very kind letter of the 9th. I, too, noticed the ad that you refer to regarding the Pacific Mutual Life Insurance Company. Am wondering just as you have how this increased benefit has been accomplished. Apparently the Pacific Mutual crowd has altogether too much influence here in Los Angeles for any one from San Francisco to be able to block their well preconceived plans to retain control of their organization.

As to the matter of the general voting permits referred to in your letter, I am sending this portion of your comments to Mr. Clary with the request that he and our other executives at Head Office give same their attention.

There is apparently one obstacle which, I think, would prevent our signing up if it is true as Clary reported that the Federal Reserve Board have retained in their conditions the clause giving them the privilege of ordering a national bank to increase its capital. This would certainly place us at a disadvantage with State banks, whose requirements are considerably less. It seems to me that if the Board of Governors want to insist upon having said right, that we will have to begin to think of taking steps to reduce our banks holdings to below control either through distribution of stock dividends to our stockholders or sale. I hope, however, this course will be found to be unnecessary.

However, I am satisfied that this important matter will have the careful attention of our people and if there is any way at all of seeing our way clear to accept all of these conditions without detriment to ourselves, we shall be glad to do so.

I will certainly avail myself of your kind invitation to drop in on you on my way East.

With the season's best wishes and my warmest personal regards, I am

Yours sincerely,



A. P. Giannini  
Chairman of the Board of Directors

Bank of America  
NATIONAL BANK ASSOCIATION  
LOS ANGELES

A. P. GIANNINI  
CHAIRMAN OF THE BOARD OF DIRECTORS

December 19th  
1936

*Per. File*

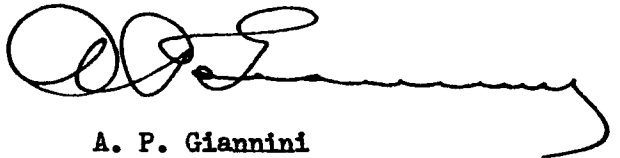
Honorable Lawrence Clayton  
Assistant to the Governor  
Board of Governors  
Federal Reserve Board  
Washington, D. C.

Dear Mr. Clayton:

I am enclosing excerpt from letter which I received this morning from Mr. Clary, which was prompted by receipt by him of copy of letter I sent to you the other day.

You will note from Mr. Clary's letter that I misunderstood his statement to me concerning the voting permit, hence my sending this information along to you with the idea of placing him right with you and the Federal Reserve Board.

Yours sincerely,



A. P. Giannini  
Chairman of the Board of Directors

I would like to clarify in your mind that part of your letter to Clayton in which you state that the Federal Reserve Board have retained in their conditions the clause giving them the privilege of ordering a national bank to increase its capital. This statement is true, but it needs some qualification as it seems to imply that the Board is retaining some special jurisdiction over national banks. There was only one section in the previous agreement which applied directly or specifically to national banks; this was Section 4 and provided that the holding company would cause its subsidiary national bank to comply with the recommendations and suggestions of the Comptroller of the Currency. The effect of this section would have been to make the Federal Reserve Board the enforcement agency for rulings of the Comptroller of the Currency as to capital or other matters concerning national banks. For instance, if the Comptroller should say that a national bank needed more capital then the Federal Reserve Board would have to cancel the voting permit unless the holding company used every means within its power to make the national bank comply. This section was eliminated and there is now no legal means by which the Comptroller can enforce any capital requirement. He can, however, as we have discussed, refuse to grant branches, and use his consent as a trading point to secure capital increase.

The Board did, however, retain Section 3 of the previous agreement under which it can request the holding company to take such action within its power as may be necessary to cause the net capital and surplus funds of each subsidiary banking institution to be adequate in relation to the character and condition of its assets and to the deposit liabilities and other corporate responsibilities of such subsidiary banking institution. This would apply to both national and state banks and would be independent of any requirement which might be made by the state or national banking department. However, it is important to remember that state capital requirements are less than national capital requirements and that the Federal Reserve Examining Department has primarily had to do exclusively with state member banks. Their ideas on capital are not as stringent as those of the national banking department, and since they have both banks under their jurisdiction they are not likely to establish more stringent capital requirements for national banks than for state banks. Therefore, the agreement does not, as your statement might seem to imply, establish some particular capital requirements for national bank subsidiaries as distinguished from other banking subsidiaries. This differentiation was previously in the agreement but it has been removed.