

November 7, 1939

Mr. Eccles

Mr. Clayton

With reference to Mr. Everard's letter of November 3, the letter from Mario Giannini to the Comptroller under date of October 10 shows that the Comptroller has mailed to each director of the Bank of America a multi-lithed copy of a 26 page letter. Presumably this letter again calls attention to the responsibility of the directors for the condition and the policies of the bank and Mario charges that it is not "responsive" to either of the letters addressed to the Comptroller by the board of directors of the bank on August 8 and September 12, copies of which you have previously been furnished. These letters, you will recall, refer to a letter from the Comptroller dated July 29 which presumably is a letter of detailed criticism based upon the report of examination completed just prior thereto.

The letter from A. P. Giannini to the Comptroller dated November 2 shows that the Comptroller addressed another letter under date of October 27 to the board of directors of the bank. While one can only guess what this second letter contained, it no doubt included criticism of the bank's dividend policy since A.P. claims in the second paragraph of his letter that the Comptroller is using a different yardstick for Bank of America from that used for other banks. Also there was likely renewed criticism of the carrying value of banking premises at Los Angeles which A.P. discusses in the third paragraph of his letter.

The most interesting part of A.P.'s letter is the notification to the Comptroller that he and Mario will be in Washington for several days beginning November 12 and as he says "would appreciate the opportunity of appearing before the Federal Reserve Board or the Federal Deposit Insurance Corporation or a committee of either body, either formally or informally, for the purpose of presenting our views on the questions at issue."

Obviously there is little sense in making a request to the Comptroller for permission to appear before the Federal Reserve Board. In the first place, the Comptroller would not wish to make such a request since it would be an admission on his part that the bank is entitled to having a third party adjudicate the dispute and obviously the Comptroller cannot admit any such thing. The only circumstances in which he would agree to have a third party adjudicate is in the event of a section 30 proceeding. In the second place, the Board would not care to hear any evidence unless it were presented under a section 30 proceeding.

If the Gianninis request an audience or a conference with members of the Board I should suppose that the request would be granted since the Board has always accorded any banker the privilege of a conference. But such a

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conference should not be called a "hearing" and no documents or evidence of any kind, in my opinion, should be received. The Bank of America is a member bank and I believe our Division of Examinations takes the position that it is still a subsidiary of Transamerica Corporation and hence subject to the voting permit agreement. On this basis there is no good reason why we should not be interested in learning from the officers of the bank anything bearing upon the condition of the bank and its policies as being a source of information supplementary to the Comptroller's report of examination.

I presume you will wish to furnish the other Board Members with the extra copies furnished you by Mr. Everard.

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