

November 13, 1942.

Dear A. P.:

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, immediately after I had left Washington for a few weeks' trip to the West.

Since returning to Washington, a great many pressing matters, including war financing, have taken up my entire 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.

In view of previous discussions and understandings, the Board was surprised to learn of these plans for expansion. On February 14, 1942, it requested of the Federal Reserve Bank that the First Trust and Savings Bank of Pasadena 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. The Board also considered it desirable to inform Transamerica Corporation directly

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of the action on the Pasadena application and to express again to its management the Board's views in the matter of expansion. Accordingly, on the same date it addressed a letter to the Corporation in which it was 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.

"Please see that all persons in the Transamerica group who may be concerned with this policy are advised accordingly."

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.

It is our understanding that the position of the Comptroller of the Currency in this matter, referred to above, remains the same. We are advised that the Federal Deposit Insurance Corporation has indicated its unwillingness under existing circumstances 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. As for the Board's position, until

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it is satisfied that the financial policies pursued by Transamerica Corporation and its affiliated institutions are consistent with the public interest, it will consider as unsound their efforts to continue an expansion program by whatever means, including 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. In addition, where 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 does not propose to be used as a means of avoiding such restrictions or requirements, 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 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, or that you have some additional information to assist the Board in its deliberations, you are always welcome to call in person for a more complete and frank discussion than is practicable through correspondence.

Sincerely yours,

M. S. Eccles,
Chairman.

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