

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Friday, May 28, 1943, at 4:00 p.m.

PRESENT: Mr. Eccles, Chairman
Mr. Ransom, Vice Chairman
Mr. Szymczak
Mr. McKee
Mr. Draper

Mr. Morrill, Secretary
Mr. Bethea, Assistant Secretary
Mr. Carpenter, Assistant Secretary
Mr. Clayton, Assistant to the Chairman
Mr. Dreibelbis, General Attorney
Messrs. Cagle and Pollard, Assistant Chiefs
of the Division of Examinations

Before this meeting there had been several informal discussions by members of the Board of the information that had been received regarding the campaign of Transamerica Corporation to acquire 124,000 of the 250,000 outstanding shares of the Citizens National Trust & Savings Bank of Los Angeles, Los Angeles, California. At this meeting a draft of telegram to the President of the Federal Reserve Bank of San Francisco which had been prepared in the light of these informal discussions was read, and the whole matter was considered from the standpoint of whether it would be better to send the wire or to institute proceedings looking more directly toward possible revocation of the holding permit held by Transamerica Corporation.

It was the consensus of the members present that the telegram would be the best procedure as it would establish the facts and afford Transamerica Corporation an opportunity to present such information as it desired, following which the Board could determine what further action

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needed to be taken. There was also agreement that the sending of the telegram undoubtedly would be the beginning of a course of action by the Board which might result in formal action to revoke the Corporation's voting permit.

Several changes were suggested in the telegram, and at the conclusion of the discussion, upon motion by Mr. Szymczak, the wire was approved unanimously in the following form, with the understanding that a copy of the telegram would be sent to Mr. Crowley, Chairman of the Federal Deposit Insurance Corporation, and Mr. Delano, Comptroller of the Currency, for their information:

"The Board has received reports from various sources that the management of Transamerica Corporation has authorized and is sponsoring a campaign to acquire 124,000 of a total of 250,000 shares of Citizens National Trust & Savings Bank of Los Angeles. This campaign, as reported, bears a marked resemblance to previous campaigns conducted by the Corporation and particularly to the campaign which resulted finally in the Corporation acquiring control of First Trust & Savings Bank, Pasadena, California.

"The management of the Corporation is already aware of the Board's position with respect to the expansion policy pursued by the Corporation. If the Los Angeles case should turn out as the Pasadena case did the Board sooner or later would be called upon to take some kind of action in that case. Therefore, the Board in fairness to all concerned wishes once more to bring to the attention of the Corporation the Board's opposition to such expansion policy.

"In addition, information received by the Board of Governors indicates that since July 1941, the expansion policy pursued by the Corporation has extended into the industrial field. Since that date it has acquired all of the stock of Premier Insurance Company representing a dollar investment of approximately \$1,500,000; the controlling interest in Axton Fisher Tobacco Company representing a dollar investment of approximately \$2,300,000; substantially all of Adel Precision Products Corporation representing a dollar investment of approximately \$1,350,000; substantially all of Aerco Corporation representing a dollar investment of approximately \$290,000; and all of Enterprise Engine and Foundry Company representing a dollar investment of approximately \$379,000. During this

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"same period direct and inter-corporate indebtedness of Trans-america Corporation and its subsidiaries has continued unliquidated in substantial amounts. Permission of the Board for the changes in the character of Transamerica Corporation's assets brought about through the above mentioned acquisitions was neither sought nor given.

"The expansion policy pursued by the Corporation and the developments in connection therewith which have been commented upon in this wire have raised the question in the minds of the Board as to whether the Corporation has violated the agreement which it entered into with the Board on April 28, 1937, and particularly paragraph 5 thereof reading as follows:

'That the management of the undersigned will be, and the undersigned will take such action within its power as may be necessary to cause the management of each of its subsidiaries to be, conducted under sound policies governing its financial and other operations, including statements issued relating thereto; that the undersigned will maintain a sound financial condition; that its net capital and surplus funds shall be adequate in relation to the character and condition of its assets and to its liabilities and other corporate responsibilities; and that, except with the permission of the Board of Governors of the Federal Reserve System, it shall not cause or permit any change to be made in the general character of its business or investments;'

"Therefore, the Board, before reaching a conclusion as to the course of action to be pursued in these circumstances, would be glad to receive any expression of view which the Corporation may wish to offer on the question whether the Corporation has violated the terms of its agreement.

"Please convey the contents of this wire to Transamerica Corporation with the statement that the Board will appreciate an early reply through the Federal Reserve Bank of San Francisco."

In connection with the above matter, it was stated that a number of telegrams and letters had been received from independent bankers protesting the acquisition by Transamerica Corporation of stock of the Citizens National Trust & Savings Bank of Los Angeles.

It was unanimously agreed that on Monday, May 31, telegraphic replies to these telegrams and letters would be sent over Mr. Morrill's signature, stating that the Board of Governors of the Federal Reserve System was

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opposed to the expansion policy pursued by Transamerica Corporation and had so advised the Corporation.

At this point Messrs. Dreibelbis, Cagle, and Pollard withdrew from the meeting, and the action stated with respect to each of the matters hereinafter referred to was then taken by the Board:

The minutes of the meeting of the Board of Governors of the Federal Reserve System held on May 27, 1943, were approved unanimously.

Telegrams to Mr. Paddock, President of the Federal Reserve Bank of Boston, Mr. Treiber, Secretary of the Federal Reserve Bank of New York, Mr. Leach, President of the Federal Reserve Bank of Richmond, Mr. Frazer, Secretary pro tem of the Federal Reserve Bank of Atlanta, Mr. Hodge, Assistant Counsel of the Federal Reserve Bank of Chicago, Mr. Stewart, Secretary of the Federal Reserve Bank of St. Louis, Mr. Powell, First Vice President of the Federal Reserve Bank of Minneapolis, Mr. Gilbert, President of the Federal Reserve Bank of Dallas, and Mr. Hale, Vice President of the Federal Reserve Bank of San Francisco, stating that the Board approves the establishment without change by the Federal Reserve Banks of St. Louis and San Francisco on May 25, by the Federal Reserve Bank of Atlanta on May 26, by the Federal Reserve Banks of New York, Richmond, Chicago, Minneapolis, and Dallas on May 27, 1943, and by the Federal Reserve Bank of Boston today, of the rates of discount and purchase in their existing schedules.

Approved unanimously.

Memorandum of this date from Mr. Morrill, recommending that the temporary appointments of Alvin Bissett as a cook and of James Hayden

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as a cafeteria helper in the Secretary's Office be extended for additional periods of not to exceed 60 days each, effective as of the expiration of their present appointments at the close of business on May 31, 1943.

Approved unanimously.

Letter to the board of directors of the "Farmers Bank of Parkesburg", Parkesburg, Pennsylvania, stating that, subject to conditions of membership numbered 1 to 3 contained in the Board's Regulation H, the Board approves the bank's application for membership in the Federal Reserve System and for the appropriate amount of stock in the Federal Reserve Bank of Philadelphia.

The letter also contained the following special comment:

"It appears that the bank possesses certain powers which are not being exercised and which are not necessarily required in the conduct of a banking business, such as the power to act as surety in certain circumstances. Attention is invited to the fact that if the bank desires to exercise any powers not actually exercised at the time of admission to membership, it will be necessary under condition of membership numbered 1 to obtain the permission of the Board of Governors before exercising them. In this connection, the Board understands that there has been no change in the scope of the corporate powers exercised by the bank since the date of its application for membership."

Approved unanimously, for transmission through the Federal Reserve Bank of Philadelphia.

Telegram to Mr. Walter B. French, Deputy Manager of the American Bankers Association, New York, New York, reading as follows:

"Representatives of War Department, Navy Department and Board of Governors have been considering final proofs for proposed war loans book regarding war financing recently submitted by you for comment. It seems unlikely that suggestions can be

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"submitted today but it is expected that they will be submitted in time to reach you first part of next week."

Approved unanimously.

Letter to the Presidents of all the Federal Reserve Banks, reading as follows:

"You will recall that several months ago Governor Ransom, at a Presidents' Conference, called your attention to a pending request of the Department of Justice for access to registration statements of small loan companies under Regulation W and assistance in connection with a loan shark investigation under way by the Department. The original request contemplated active assistance from the banks in making inspections and in collecting data from the registration statements. The Board has now reached an understanding with the Department which is evidenced by the exchange of letters between Assistant Attorney General Tom C. Clark and Mr. Dreibelbis, copies of which are attached.

"You will note that the Department agrees that all data will be collected by its own staff through examinations of the statements by them and that it will treat confidentially any data so obtained. You will also note that it is the intention of the Department to use the information only as a lead to obtain evidence from other sources; that in the event of any change in the situation it will either subpoena the records or will work out the problem with the Board on some other satisfactory basis; that the information will be used only in connection with the loan shark investigation; and that the Board's action establishes no precedent.

"Under these circumstances and in conformity with this understanding, the Board requests that you give duly accredited representatives of the Department of Justice access to the registration statements of registrants within the classification set out in Mr. Dreibelbis' letter to Mr. Clark."

Approved unanimously.

Memorandum dated May 27, 1943, from Mr. Goldenweiser, Director of the Division of Research and Statistics, submitting a letter dated May 18, 1943, from Mr. J. C. Capt, Director of the Bureau of the Census, which approved the Board's request of May 7 to receive, under the terms of the Second War Powers Act, certain department store records of the

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1939 Census of Retail Trade and which stated that the cost of preparing this material for the Board would not exceed \$500. The memorandum stated that this material would enable the Division of Research and Statistics to test the representativeness of its current department store data, which were based on voluntary reports by selected stores, and to correct these data, when necessary, on the basis of the comprehensive biennial enumeration by the Census, and recommended that the Board approve the expenditure.

Approved unanimously, with the understanding that the appropriate account in the 1943 budget for the Division of Research and Statistics would be increased accordingly.

Thereupon the meeting adjourned.

Chester Morice
Secretary.

Approved:

W. S. ...
Chairman.