

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Saturday, June 24, 1939, at 11:45 a. m.

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

Mr. Bethea, Assistant Secretary  
Mr. Clayton, Assistant to the Chairman

The action stated with respect to each of the matters hereinafter referred to was taken by the Board:

The minutes of the meeting of the Board of Governors of the Federal Reserve System held on June 23, 1939, were approved unanimously.

Letter to Mr. Parker, President of the Federal Reserve Bank of Atlanta, reading as follows:

"In accordance with the request contained in your letter of June 12, the Board approves the appointment, effective July 1, 1939, of Robert M. Stephenson as an examiner for the Federal Reserve Bank of Atlanta."

Approved unanimously.

Letter to Mr. Day, President of the Federal Reserve Bank of San Francisco, reading as follows:

"This refers to your letter of April 12, 1939, and its enclosures, relating to the question whether Seattle Trust and Savings Bank, Seattle, Washington, must pledge securities with its trust department to secure any trust funds deposited by it in its savings department, the bank being subject to the following condition of membership:

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"If trust funds held by such bank are deposited in its banking department or otherwise used in the conduct of its business, it shall deposit with its trust department security in the same manner and to the same extent as is required of national banks exercising fiduciary powers.'

"Pursuant to the provisions of section 11(k) of the Federal Reserve Act, section 9(b) of Regulation F provides that funds received or held by a national bank as fiduciary awaiting investment or distribution shall not be used by the bank in the conduct of its business unless the bank delivers to its trust department as security for such funds certain kinds of securities having a market value at least equal to the amount of the trust funds so used.

"In the ruling contained in its letter of November 8, 1938 (S-127), and published in the Federal Reserve Bulletin for January 1939, at page 12, the Board expressed the opinion that trust funds invested by a national bank by deposit in its own savings department are not required to be secured because they are not funds awaiting investment or distribution and, accordingly, it is the Board's opinion that the above-quoted condition of membership does not require that trust funds invested by Seattle Trust and Savings Bank by deposit in its own savings department be secured.

"The Board has not attempted to lay down any precise rule by which it shall be determined whether funds deposited by a State or national bank in its own savings department are invested; but, with regard to national banks, the Board's Regulation F, as stated in its letter (S-127), prohibits an investment of trust funds in the national bank's own savings department unless such investment is required by the trust instrument or court order. However, the Seattle Trust and Savings Bank is not subject to a condition of membership prescribing such a prohibition and funds of a trust administered by the Seattle Trust and Savings Bank might be properly invested in its savings department even though such investment is not required by the trust instrument or court order. In determining whether particular trust funds carried in the savings department of a bank are invested in such department and therefore need not be secured, consideration should be given to the applicable State statutes, trust instruments, court orders, and any other

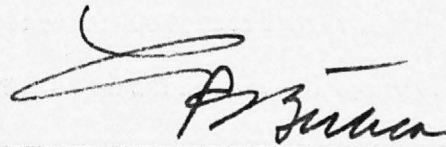
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"facts and circumstances which indicate whether or not the funds are carried in the savings department as investments."

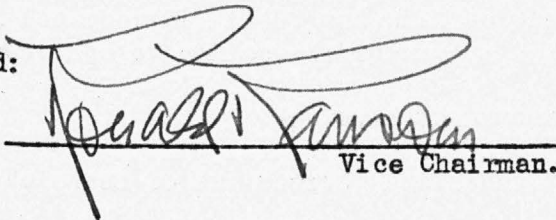
Approved unanimously.

Thereupon the meeting adjourned.



Assistant Secretary.

Approved:



Vice Chairman.