

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Tuesday, September 5, 1944, at 11:00 a.m.

PRESENT: Mr. Eccles, Chairman  
Mr. Ransom, Vice Chairman  
Mr. Draper  
Mr. Evans

Mr. Bethea, Assistant Secretary  
Mr. Carpenter, 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 September 4, 1944, were approved unanimously.

Memorandum dated September 4, 1944, from Mr. Bethea recommending that Miss Margaret M. McGarvey be appointed as a file clerk in the Secretary's Office on a temporary basis for a period of not to exceed six months, with basic salary at the rate of \$1,440 per annum, effective as of the date upon which she enters upon the performance of her duties after having passed satisfactorily the usual physical examination, with the understanding that if her services are satisfactory she will be recommended for a permanent appointment.

Approved unanimously.

Letter to the board of directors of the "Union County Trust Company", Elizabeth, New Jersey, stating that, subject to conditions

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of membership numbered 1 to 6 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 New York. 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 and trust business, such as the powers to act as surety and to guarantee real estate titles. 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, together with a letter to Mr. Sproul, President of the Federal Reserve Bank of New York, reading as follows:

"The Board of Governors of the Federal Reserve System approves the application of the 'Union County Trust Company', Elizabeth, New Jersey, for membership in the Federal Reserve System, subject to the conditions prescribed in the enclosed letter which you are requested to forward to the Board of Directors of the institution. Two copies of such letter are also enclosed, one of which is for your files and the other of which you are requested to forward to the Commissioner of Banking and Insurance for the State of New Jersey, for his information.

"Enclosed is a letter approving the retention and operation of the branch at Cranford, New Jersey, which you are requested to forward to the board of directors of the applicant bank. Enclosed also is a copy of the letter for your files.

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"It is assumed that you will follow the matter of the bank's bringing into conformity with the provisions of law and the Board's regulations the savings accounts and time deposits, open account, listed on page 16(1) of the report of examination for membership."

Unanimous approval was also given to the following additional letter to the board of directors of the Union County Trust Company:

"In connection with the application for membership in the Federal Reserve System, the Board of Governors of the Federal Reserve System approves the retention and operation by the Union County Trust Company, Elizabeth, New Jersey, after admission to membership, of the branch at Cranford, New Jersey, the establishment of such branch having been approved by the Commissioner of Banking and Insurance of the State of New Jersey on November 23, 1936."

Letter to the "Brattleboro Trust Company", Brattleboro, Vermont, reading as follows:

"The Board is glad to learn that you have completed all arrangements for the admission of your bank to the Federal Reserve System and takes pleasure in transmitting herewith a formal certificate of your membership.

"It will be appreciated if you will acknowledge receipt of this certificate."

Approved unanimously.

Letter to Mr. Harris, Vice President, Detroit Branch of the Federal Reserve Bank of Chicago, reading as follows:

"This refers to your letter of August 21, 1944, enclosing a copy of a letter from The Manufacturers National Bank of Detroit inquiring whether escrow funds held in connection with the servicing of FHA Title II mortgages are trust funds under section 11(k) of the Federal Reserve Act and if so, whether collateral is required to be pledged

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"as security with the trust department if such funds are deposited in the bank's commercial department.

"The answer to this inquiry depends upon whether or not the funds involved are held by the bank in a fiduciary capacity. It is recognized that as a matter of economy or convenience, national banks sometimes handle in their trust departments certain transactions which they could legally handle in another department without having been granted authority to exercise trust powers under the provisions of section 11(k) of the Federal Reserve Act, and in certain circumstances this may be true of escrow accounts. Accordingly, it is possible that the funds under consideration are not trust funds and therefore are not required to be secured when they are deposited in the commercial department. However, it is the Board's view that funds of any account handled in the trust department of a national bank should be regarded as trust funds and therefore should be secured if they are deposited in the banking department awaiting investment or distribution unless the facts and circumstances indicating the character of the particular transaction and the intention of the parties thereto are such as to clearly establish that the funds are not held by the bank in a fiduciary capacity within the meaning of the pertinent statutory and regulatory provisions. In this connection your attention is called to the ruling published in the 1936 Federal Reserve Bulletin at page 691 (F.R. L.S. #4132).

"With reference to the insurance of trust funds by the Federal Deposit Insurance Corporation, please advise the bank that the provisions of section 11(k) do not permit an exception to be made with respect to funds so protected."


Approved unanimously.

Thereupon the meeting adjourned.



Assistant Secretary.

Approved:



Chairman.