

**FEDERAL RESERVE BANK  
OF NEW YORK**

[Circular No. 4973]  
December 12, 1960]

**Member of Federal Advisory Council**

*To All Member Banks of the  
Second Federal Reserve District:*

The board of directors of this Bank has selected GEORGE A. MURPHY, Chairman of the Board of Directors of Irving Trust Company, New York, N. Y., to serve during the year 1961 as the member of the Federal Advisory Council from the Second Federal Reserve District.

**ALFRED HAYES,**  
*President.*

FEDERAL RESERVE BANK  
OF NEW YORK

December 13, 1960

PROPOSED AMENDMENT TO REGULATION F

To All Trust Companies and Other Banks Having Trust  
Powers in the Second Federal Reserve District:

The Board of Governors of the Federal Reserve System is undertaking a comprehensive study of all features of its Common Trust Fund regulations against the background of the history of Common Trust Funds and their administration, and in the light of changing concepts of their purpose and use. In this effort the Board will seek views representative of institutions and individuals concerned with the appropriate use of Common Trust Funds by banks and trust companies.

Incident to its study, the Board is currently considering a proposed amendment of the Common Trust Fund provisions of its Regulation F. The amendment would prohibit investment in a Common Trust Fund of the funds of an inter vivos trust revocable by the settlor and providing for the payment of the principal of the trust to the settlor's estate at his death.

There is printed on the reverse side of this letter an excerpt from the Federal Register of December 6, 1960, containing a Notice of Proposed Rule Making by the Board of Governors of the Federal Reserve System, setting forth reasons for, and the text of, the proposed amendment.

The Board of Governors will be glad to receive in writing, not later than January 13, 1961, the views of interested persons on the proposed amendment. Comments from persons in the Second Federal Reserve District should be sent to this Bank for transmittal to the Board of Governors.

HOWARD D. CROSSE,  
Vice President.

(over)

# FEDERAL RESERVE SYSTEM

[ 12 CFR Part 206 ]

[Reg. F]

## TRUST POWERS OF NATIONAL BANKS

### Common Trust Funds

Part 206 (Regulation F), which relates to trust powers of national banks, contains provisions prohibiting the collective investment of trust funds except as permitted in § 206.17. Common Trust Funds as regulated by the Board of Governors by § 206.17, were intended to aid banks and trust companies establishing such Common Trust Funds to administer more effectively and economically certain accounts for which the bank or trust company held an appointment as trustee, executor, administrator or guardian, provided such accounts were created and used for bona fide fiduciary purposes. The Regulation prohibits "the operation of such Common Trust Funds \* \* \* for other than strictly fiduciary purposes."

Questions have arisen from time to time as to the eligibility of various kinds of trusts for participation in Common Trust Funds so established and regulated. In order to emphasize the special purposes and restricted use of Common Trust Funds, to make more specific the types of trusts which may not be properly invested in participations in Common Trust Funds and to prohibit the use of such funds as a medium attracting individuals primarily seeking investment management of their funds, the Board currently is considering an amendment of the Common Trust Fund provisions of its Regulation F by adding a new sentence fol-

lowing the third sentence of subparagraph (3) of paragraph (a) of § 206.17, as follows: "The funds of an inter vivos trust revocable by the settlor and providing for the payment of the principal of the trust to the settlor's estate at his death may not be invested in a Common Trust Fund established and maintained under this section."

This notice is published pursuant to section 4 of the Administrative Procedure Act and section 2 of the rules of procedure of the Board of Governors of the Federal Reserve System (12 CFR 262.2). The proposed amendment is authorized under the authority cited at 12 CFR Part 206.

To aid in the consideration of this matter the Board will be glad to receive from interested persons any relevant data, views or arguments. Although such material may be sent directly to the Board, it is preferable that it be sent to the Federal Reserve Bank of the district which will forward it to the Board to be considered. All such material should be submitted in writing to be received not later than January 13, 1961.

BOARD OF GOVERNORS OF THE  
FEDERAL RESERVE SYSTEM,

[SEAL] MERRITT SHERMAN,  
*Secretary.*

[F.R. Doc. 60-11288; Filed, Dec. 5, 1960; 8:52 a.m.]