

**FEDERAL RESERVE BANK  
OF NEW YORK**

[ Circular No. 7413 ]  
June 26, 1974 ]

**REVISED AMENDMENT TO REGULATION Y**

**Activities Permitted to Trust Company Subsidiaries of Bank Holding Companies**

*To All Bank Holding Companies, and Others Concerned,  
in the Second Federal Reserve District:*

Our Circular No. 7401, dated May 30, 1974, transmitted an amendment, effective June 24, 1974, to Regulation Y, "Bank Holding Companies," of the Board of Governors of the Federal Reserve System. That amendment clarified the deposit-taking and lending activities permissible to trust company subsidiaries of bank holding companies.

The Board of Governors has revised that amendment by deleting the phrase "sale of Federal funds" therefrom. In submitting the revised amendment for publication in the *Federal Register*, the Board made the following statement:

On May 24, 1974, (39 *Federal Register* 19774), the Board of Governors announced an amendment to section 225.4(a)(4) of Regulation Y that clarified the boundaries upon deposit-taking and investing activities that are properly incidental to trust company activities which the Board has determined to be so closely related to banking or managing or controlling banks as to be a proper incident thereto.

The amended regulation permits trust company subsidiaries of bank holding companies increased latitude in their deposit-taking activity but prohibits such trust companies from making loans or investments except the sale of Federal funds, the making of call loans to securities dealers or the purchase of money market instruments such as certificates of deposit, commercial paper, government or municipal securities, and bankers acceptances. Such limitations on permissible loans and investments are intended to insure that bank holding companies do not, in contravention of section 3(d) of the Act, engage in the business of accepting demand deposits and making commercial loans outside of the State in which a bank holding company has its principal banking operations. However, the enumeration in the regulation of the "sale of Federal funds" is not intended to supersede previous Board interpretations to the effect that the sales of funds by trust companies to member banks are subject (under Regulations D and Q) to reserve requirements and interest rate ceilings. Accordingly, to resolve any ambiguity concerning trust companies' participation in the Federal funds market, the phrase "sale of Federal funds" contained in section 225.4(a)(4)(iii) is hereby deleted.

Enclosed is a copy of the revised amendment to Regulation Y, which supersedes the copy you received with our Circular No. 7401. Additional copies of the enclosure will be furnished upon request.

ALFRED HAYES,  
*President.*

Board of Governors of the Federal Reserve System

BANK HOLDING COMPANIES

AMENDMENT TO REGULATION Y

Effective June 24, 1974, section 225.4(a) (4) is amended to read as follows:

SECTION 225.4 — NONBANKING  
ACTIVITIES

(a) **Activities closely related to banking or managing or controlling banks.** \* \* \* The following activities have been determined by the Board to be so closely related to banking or managing or controlling banks as to be a proper incident thereto:

\* \* \*

(4) Performing or carrying on any one or more of the functions or activities that may be performed or carried on by a trust company (including activities of a fiduciary, agency, or custodian nature), in the manner authorized by Federal or State law, so long as the institution does not make loans or investments or accept deposits other than (i) deposits that are generated from trust funds not currently invested and are properly secured to the extent required by law, or (ii) deposits representing funds received for a special use in the capacity of managing agent or custodian for an owner of, or investor in, real property, securities, or other personal property, or for such owner or investor as agent or custodian of funds held for investment or escrow agent, or for an issuer of, or broker or dealer in, securities, in a capacity such as paying agent, dividend disbursing agent, or securities clearing agent, and not employed by or for the account of the customer in the manner of a general purpose checking account or bearing interest, or (iii) making of call loans to securities dealers or purchase of money market instruments such as certificates of deposit, commercial paper, government or municipal securities, and bankers' acceptances (such authorized loans and investments, however, may not be used as a method of channeling funds to nonbanking affiliates of the trust company);