At. Circular No. 7648

FEDERAL RESERVE BANK
OF NEW YORK

June 5, 1975

HANDLING OF RETIREMENT TRUSTS BY STATE MEMBER BANKS

*To All State Member Banks
in the Second Federal Reserve District:*

Following is the text of a statement issued May 21 by the Board of Governors of the Federal Reserve System:

The Board of Governors of the Federal Reserve System announced today that State member banks not exercising trust powers may act as trustees of Individual Retirement Accounts and Self-Employed Retirement plans in certain circumstances, without prior Board approval.

The Employee Retirement Income Security Act of 1974 provides that individuals not covered by an employer retirement plan, a self-employed retirement plan, or a charitable annuity, may establish Individual Retirement Accounts into which they may deposit, for retirement purposes, tax-free contributions up to $1,500 yearly. The Self-Employed Individuals Retirement Act of 1962 (Keogh Act) provides the same benefits, for contributions up to $7,500 annually, for self-employed individuals and their employees. Both plans require that a bank, or other person or institution capable of administering such plans according to the Act, be appointed trustee.

State member banks permitted by this action of the Board to act as trustees for such retirement plans may invest these funds only in a savings account or time deposit of the bank. The authority is limited to cases where it is not contrary to State law.

The Comptroller of the Currency has granted similar authority to national banks.

The Board of Governors has informed us that collective investment funds for these accounts may not be established and operated by State member banks without the prior permission of the Board. Questions regarding this matter may be directed to our Bank Examinations Department (Telephone No. 212-791-5894).

ALFRED HAYES,
President.