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# FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS REPLY TO  
FEDERAL RESERVE BOARD

September , 1915.

Federal Reserve Agent,

S i r :

By direction of the Board this letter is sent for your guidance in passing upon the applications of National banks for the privilege of exercising the powers of trustee, registrar, executor and administrator.

All applications from applying banks must be transmitted first to the Federal Reserve Agent of the district in which the bank is located, who will forward the applications with his recommendations, to the Federal Reserve Board. The Federal Reserve Agent in making his recommendations is expected to take into consideration the general standing of the bank, character of its management and its fitness to exercise the fiduciary powers applied for, as well as the benefits that the community in which the bank is located will be apt to receive from the exercise of such powers by the bank. Special weight will be given by the Federal Reserve Board to the approval or disapproval of the Federal Reserve Agent. Applications that are recommended by him for approval will be referred by the Board to a committee which, after a careful examination of the records on file in the office of the Comptroller of the Currency relating to the business and the management of the bank, will report to the Board favorably or adversely, as the case may be, upon the application.

In addition to the points above outlined, the Board's committee considers the strength of the bank as shown by its statements and by the examiner's reports, and especial weight is attached to the observance on the part of the bank of the requirements of law and of the regulations and admonitions which are sent out from time to time by the Comptroller's office.

It is not, as a rule, deemed advisable to grant permits for the exercise of fiduciary powers to a National bank,

- (1) Where its surplus does not amount to at least 20% of its capital stock;
- (2) Where reports show that it is carrying an excessive amount of past due or doubtful paper;
- (3) Where it is carrying real estate loans not authorized by law;
- (4) Where it is shown that the bank is in the habit of granting excessive overdrafts continuously;
- (5) Where the loans of the bank are not well distributed, by reason of an excessive proportion of the total loans having been granted to a few interests or where loans made to officers and directors are too large in proportion to the total amount of loans, or are not well secured.
- (6) Where the examiners have reported that the directors do not direct or are lax or negligent in their attendance at Board meetings or in giving attention to the bank's management and direction.

Federal Reserve agents, in making their recommendations, are expected to pay particular attention to the strength of the management of the bank from a moral standpoint, and should decline to recommend any application where they feel that the officers of the bank as individuals, would not be worthy of being entrusted with the management of trust funds or the administration of estates.

Respectfully,

Secretary.