

FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

October 11, 1924.

X-4169

SUBJECT: Deposits of Uninvested Trust Funds.

Dear Sir:

You are advised that the Federal Reserve Board has recently ruled that a member bank legally authorized to act as trustee, etc., may deposit trust funds awaiting investment or distribution in its savings department, as well as in its strictly commercial department, provided that the terms of the trust permit and that appropriate collateral security is deposited in the bank's trust department, as provided in Section V of the Board's Regulation F, Series of 1924, and that such deposits may be treated as time deposits for reserve purposes, provided they conform to the relevant provisions of the Board's Regulation D, Series of 1924.

Whether or not deposits of uninvested trust funds in the banking department of the trustee bank give rise to demand, or to time deposit liabilities will depend upon the conditions under which such deposits are made, and this question is to be determined in the light of the Board's rulings and regulations defining demand and time deposits.

It is to be remembered, of course, that such deposits should not be permitted to remain in the savings or commercial department of the trustee bank for an unreasonable time, since the law clearly contemplates and the Board's Regulation F provides that only trust funds awaiting investment or distribution may be employed in the trustee bank's banking department. All such deposits should, therefore, be withdrawn from the banking department when ready for distribution or as soon as an opportunity to invest them in more appropriate and remunerative channels arises. In view of these considerations, it would seem inappropriate in most cases to make deposits of trust funds subject to notice of withdrawal.

Very truly yours,

TO GOVERNORS
OF ALL F. R. BANKS.

Walter L. Eddy,
Secretary.