

FEDERAL RESERVE BOARD

X-4587

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WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

April 16, 1926.

SUBJECT: Exercise of Trust Powers by National Banks.

Dear Sir:

There is enclosed herewith, copy of a letter received from the Chairman of the Federal Reserve Bank of Cleveland, which is self explanatory. The Board has been giving considerable thought to the question of the granting of authority to national banks to exercise fiduciary powers, the manner in which the departments in the banks are conducted and the method and extent of supervision and examination. The last mentioned phase of the question has been taken up with the Comptroller of the Currency, who likewise has been considering the matter, and it is hoped that within a short time some effective plan of examination will be worked out.

In the meantime, the Board would like to have your views and those of your directors on the suggestions contained in Mr. DeCamp's letter, which commend themselves to the Board. We would be pleased to receive in addition any other suggestions which you or your directors may care to offer.

Very truly yours,

Edmund Platt.
Vice Governor.

(Enclosure)

TO CHAIRMEN OF ALL FEDERAL RESERVE BANKS EXCEPT CLEVELAND.

FEDERAL RESERVE BANK
OF CLEVELAND

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X-4587-a

April 13, 1926

Federal Reserve Board,
Washington, D. C.

Gentlemen:

Under date of April 10 we forwarded to your Board applications of the - - and the - - for permission to exercise fiduciary powers, with the favorable recommendations of our Executive Committee.

In our recommendations we suggested that the trust departments of these institutions should be under the supervision of trust committees consisting of members of the Boards of Directors of the respective banks. In making this suggestion it is not the purpose of our committee to qualify its recommendations in any way.

At each meeting of our Executive Committee we consider from one to three applications for permission to exercise fiduciary powers. The frequency with which these applications come to us suggests the thought that the applying bank may not in every instance fully appreciate the importance of the functions which it seeks or perhaps the responsibilities involved. Regardless of whether or not the applying bank is in any way subjecting itself to criticism by the Department of Examination or the Comptroller's office, we believe that the granting of fiduciary powers should carry with it an urgent suggestion to the effect that the management of a trust department should meet with especially close supervision and that the importance of this department should be impressed upon the Board of Directors of the applying bank.

Another phase of this question which we think will come under the immediate concern of the Comptroller's office and the Department of Examination is the matter of providing for proper investigation or examination of the department after it is in operation. This applies, of course, to both national and state member banks.

It is not the disposition of our committee to suggest a method of procedure on the part of the office of the Comptroller of the Currency nor to outline a policy, but we are impressed with the very important place which a trust department occupies in the general conduct of the affairs of our banks.

These matters have had serious and detailed discussion at the last several meetings of our Executive Committee, and I have been requested by the committee to place in the hands of your Board its views with respect to the granting of these powers.

Very truly yours,

(s) Geo. DeCamp,

Chairman of the Board.