

FEDERAL RESERVE BOARD

WASHINGTON

X-7688

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

November 17, 1933.

SUBJECT: Employment of Trust Examiners.

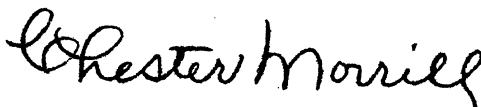
Dear Sir:

In connection with the employment by the Federal Reserve Agents of trust examiners, referred to in the Board's letter dated August 31, 1933, X-7576, the Federal Reserve Agent at Dallas has raised the following questions:

1. Am I correct in assuming that the person appointed to the position of Federal reserve trust examiner should possess all three of the following qualifications?
 - (a) Broad experience (preferably executive) in trust company or trust department work.
 - (b) Broad and specialized experience in examination of trust companies and/or trust departments.
 - (c) Extensive legal training or education.
2. Does the Board desire us to make regular periodical examinations of the trust departments of all member banks in our district, or does it prefer that we confine these examinations to those member banks whose trust departments we have reason to believe are in need of special attention?

There is attached hereto for your information a copy of a letter addressed by the Board to the Federal Reserve Agent at Dallas in reply.

Very truly yours,



Chester Morrill,
Secretary.

Mr. C. C. Walsh,
Federal Reserve Agent,
Federal Reserve Bank of Dallas,
Dallas, Texas.

November 17, 1933.

Dear Mr. Walsh:

Reference is made to your letter of October 16 in regard to the employment of a trust examiner at each Federal reserve bank and particularly the qualifications of such an examiner and the scope of his duties.

Assuming that the person who may be under consideration for selection as a trust examiner is familiar with the principles of accountancy and auditing, it is believed that in order to accomplish the best results in trust examination work he should have the qualifications set out in your letter. Of course, the number of men possessing all these qualifications is somewhat limited, and in the circumstances it might be found necessary to forego the requirement of broad experience gained as an executive in a trust department and to select an individual with sound legal training and broad experience in examining trust departments, or it might be necessary to select a man who has not had a great deal of experience in trust examination work. In such a case, however, it would be essential to select one who not only possesses the qualifications as to legal background and experience in operation of a trust department, but also evidences by training, experience and otherwise an aptitude for examination work.

The entire scope of the duties of a trust examiner, of course, cannot be sharply defined, but it is the view of the Board that when an examination is made of a State bank applying for membership in the system which has a trust department, there should be an examination of that department by a qualified trust examiner, and that the trust department of every State member bank should be examined periodically. As to national

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banks, the responsibility of examining the trust departments lies, of course, primarily with the Comptroller of the Currency, but in some cases trust departments of national banks may require special attention and it may be found mutually advantageous to have your trust examiner cooperate with the national bank examiners. In addition, there may be cases of national banks applying for permits to exercise trust powers in order that they may be able to take over trust business previously handled by State institutions, and in such instances you should arrange for examinations of the trust departments of the State institutions by your trust examiner, unless the necessary examinations have been made by other competent examiners whose reports are entirely satisfactory.

Aside from the question of responsibility for making examinations in the first instance, the trust examiner should be charged with the duty of reviewing carefully the reports of examination of both State and national banks which have trust powers and of familiarizing himself with the quality of management and methods of operation of such trust departments. He should also draft for your consideration such reports and recommendations as should be made by you to the Federal Reserve Board in connection with trust matters. If, after these duties are performed efficiently, the trust examiner has any spare time, he should be able to render valuable assistance in other work of your office, particularly that relating to affiliates and the handling of applications for voting permits. On the whole, it would seem that a properly qualified trust examiner could be so useful in the Federal Reserve Agent's department in all of the more important phases of examination work that his time would be occupied fully.

Very truly yours,

(Signed) Chester Morrill

Chester Morrill,
Secretary.