

INTERPRETATION OF BANKING ACT OF 1933

(Copies to be sent to all Federal Reserve Banks.)

June 5, 1934.

Mr. John S. Wood,
Federal Reserve Agent,
Federal Reserve Bank of St. Louis,
St. Louis, Missouri.

Dear Mr. Wood:

This refers to your letter of May 25, 1934, with inclosures, with regard to the practice of the _____ National Bank and Trust Company of _____, _____, in respect to balances of the trust department carried in the commercial department of the bank.

It is understood from the information submitted that the trust department of the bank deposits in the commercial department small amounts which it is unable to invest; that as a matter of bookkeeping and in order to show the cost and profit in operating the several departments of the bank there is credited to the trust department 2 per cent of the average balances carried in the commercial department by the trust department; that no part of the amount thus credited to the trust department is, directly or indirectly, paid or credited to any trust estate or beneficiary thereof; and that the trust department in turn pays over to the bank all earnings of the department.

On the basis of these facts, it appears that the crediting to the trust department of 2 per cent of its average balances with the commercial department is merely a bookkeeping transaction, and, since no part of the amount is paid or credited to any person other than the bank, it is the view of the Board that no payment of interest within the meaning of Section 19

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of the Federal Reserve Act is involved. However, in a case of this kind especial care should be taken to comply with the provisions of Section VIII(a) of the Board's Regulation F in order that the officials of the trust department, in an endeavor to increase the apparent earnings of the department, may not keep balances of trust funds uninvested and on deposit in the commercial department for a longer time than is reasonably necessary.

Very truly yours,

(Signed) Chester Morrill

Chester Morrill,
Secretary.