

FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

X-9250

June 28, 1935

SUBJECT: Exemption of member banks
acting in fiduciary capacities
from liability

Dear Sir:

The Federal Reserve Board understands that in some instances member banks acting in fiduciary capacities may have accepted appointments to act under agreements containing unwarranted provisions exempting the banks or their officers, directors or employees from liability on account of their acts in the management and administration of the trusts. For example, it is understood that in some cases such provisions are to the effect that the bank shall be liable only in the event of gross negligence or wilful misconduct.

The Board would like to obtain such information as is available relating to the question whether it is ordinarily the practice of member banks to act in fiduciary capacities under exemptions from liability which are substantially in excess of those exemptions to which trustees are ordinarily entitled. It is assumed that banks generally use more or less standardized clauses in forms used in connection with their various classes of trust business, and you are requested to have

the examiners for the Federal Reserve bank, in connection with the next examinations of State member banks in your district, obtain copies of the standard forms used by various banks in connection with the different classes of trust business administered and information from each bank as to any unusual provisions exempting the bank from liability which it might be the practice to include in particular forms. When the next examinations of the State member banks in your district have been completed, please advise the Board in detail of the information developed by the examiners together with the comments of the examiners and advise the Board of your views as to what action by the Board, if any, would seem to be desirable in the circumstances. The Board, of course, would be glad to receive any information which may be developed with regard to any other provisions of trust agreements under which member banks are operating which appear to be unwarranted and subject to criticism and any suggestions you deem desirable with regard to any such provisions. If, pending the completion of the next examinations of the State member banks in your district, there should be a conference of trust examiners for the Federal Reserve banks, it would seem desirable for such examiners to discuss at that conference any unwarranted exemptions from liability by trust companies which may have come to their attention with a view to developing all information available with regard to existing practices of fiduciaries in restricting their responsibilities as such fiduciaries.

Very truly yours,

Chester Morrill

Chester Morrill,
Secretary.

TO ALL FEDERAL RESERVE AGENTS