

BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM  
WASHINGTON



ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

X-9549

April 15, 1936.

Subject: Deposits of Uninvested Trust  
Funds in Federal Reserve Banks.

Dear Sir:

At the conference of Governors of the Federal Reserve banks on October 23, 1935, the matter of the acceptance of deposits of uninvested trust funds from member banks by Federal Reserve banks was discussed, and the conference expressed itself as favoring such a practice with the qualification that transactions in an account in which such trust funds are received be confined to transfers to and from the reserve account of the member bank. Four of the Governors voted in the negative.

This matter had been placed upon the program of the Governors' conference pursuant to a suggestion contained in a letter addressed by the Board to the Deputy Governor of the Federal Reserve Bank of San Francisco, a copy of which was inclosed with the Board's letter of July 1, 1935 (X-9253). The Board's letter suggested that the Governor and Counsel for each Federal Reserve bank give careful consideration to the practical and legal aspects of the problem involved.

Since the action of the Governors' conference this matter has been receiving study, but before any conclusions are reached by the Board it is desired to have the benefit of the consideration which has been given to the problem by the Federal Reserve banks. Accordingly, it will be appreciated if you will furnish to the Board copies of any opinions or memoranda (not previously submitted to the Board) which may have been prepared by Counsel or other officers of your bank, either prior to the consideration of this question at the Governors' conference in October or since that time, with regard to the authority of your bank to receive such deposits of uninvested trust funds or as to the legal or practical responsibilities which may be assumed by the bank in accepting such deposits.

It will also be appreciated if you will advise the Board of your views, after consulting with Counsel, on the question whether, if deposits of uninvested trust funds are received from member banks by Federal Reserve banks, a member bank should be permitted to deposit in one account with the Federal Reserve bank the funds of any number of trust estates held by the member bank without earmarking or segregation, or whether it is necessary or advisable from the standpoint either of the Federal Reserve bank or member bank that a separate account be opened for each trust estate whose funds are deposited in the Federal Reserve bank. In this connection attention is invited to the principle that a fiduciary should keep the properties of various trusts separate and distinct one from another.

The action of the Governors' conference appears to contemplate the possibility of a Federal Reserve bank receiving trust funds awaiting investment or distribution not only from a member bank but also from a trust company engaged exclusively in conducting a trust business and owned by a member bank. Such a trust company, it is assumed, would not be a member of the Federal Reserve System and it does not appear on what basis the receipt by a Federal Reserve bank of uninvested trust funds from such an institution could be legally justified, even if the receipt of such funds from a member bank is legally authorized. The Board will be glad to have any comments you may care to offer with respect to this or any other aspect of the problem which you feel might well be considered in arriving at a conclusion in this matter.

Very truly yours,



Chester Morrill,  
Secretary.

TO THE PRESIDENTS OF ALL F. R. BANKS