

BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM  
WASHINGTON

R-79

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD



September 18, 1937.

SUBJECT: Proposed amendments to Regulation F  
relating to administration of Common  
Trust Funds and other matters.

Dear Sir:

There are inclosed herewith twelve copies of a tentative draft (L-501) of an amendment to the Board's Regulation F which would permit the operation of Common Trust Funds by national banks.

It is requested that the tentative draft of amendment be considered by the appropriate officers of your bank, including the counsel for the bank, and that you forward to the Board your comments and suggestions thereon at the earliest practicable date and not later than thirty days from the date of this letter.

Under the provisions of section 169 of the Revenue Act of 1936 not only national banks but any bank operating a Common Trust Fund in conformity with the Board's regulation applicable to national banks would be entitled to certain tax exemptions. Accordingly, it is requested that you furnish copies of the tentative draft of amendment to the State banking authorities in each of the States in your district for their information and comments and forward any comments received from the State banking authorities to the Board at the same time you forward your own comments.

It has been suggested that the provisions of subsection (b) of section 6 of Regulation F relating to a committee which may, among other things, approve the acceptance of trust accounts should be construed to the effect that such committee may be composed of officers or directors of the bank and not merely of directors. It is requested that this suggestion be considered by the appropriate officers of your bank, including the counsel for the bank, and that the Board be furnished with your comments as to whether or not subsection (b) should be amended so as clearly to provide that the committee referred to therein may be composed of capable and experienced officers as well as directors.

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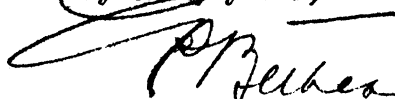
The provisions of subsection (c) of section 6 of Regulation F relating to a trust investment committee contemplate that there shall be only one such committee for each bank. It has been represented to the Board that in some instances the provisions of the regulation in this respect are impractical unless alternates may serve in place of regular members of the committee when the regular members are unable to serve on account of illness, vacations, or other duties. It has been suggested that it might be appropriate for the Board to amend the regulation by adding the following footnote to subsection (c) of section 6:

"It is contemplated that there shall be a committee the members of which shall have a continuity of responsibility for the discharge of the duties of the committee. However, alternates appointed by the board of directors may serve in place of regular members of the committee who are unable to serve on account of vacations, illness, or other good and sufficient reasons if the service is under such circumstances that it does not destroy continuity of responsibility of the members of the committee and if, whenever an alternate serves in the place of a regular member of the committee, the minutes of the committee show the reason for such service in place of the regular member."

It may be stated that this suggested amendment would represent an extension of a previous ruling of the Board permitting service by alternates when regular members of the committee are absent from the bank and that the suggested amendment would apply not only to cases where regular members are absent from the bank but also to cases where they are present in the bank but are unable to serve.

It is requested that the appropriate officers of your bank, including the counsel for the bank, consider this suggested amendment to subsection (c) and that you forward to the Board your comments and suggestions thereon.

Very truly yours,



L. P. Bethea,  
Assistant Secretary.

Inclosures.

TO PRESIDENTS OF ALL FEDERAL RESERVE BANKS.