

INTERPRETATION OF LAW OR REGULATION

(Copies to be sent to all Federal Reserve banks)

April 11, 1938.

Mr. _____, Chief Examiner,
Federal Reserve Bank of _____,
_____, _____.

Dear Mr. _____:

The December 31, 1937 condition report of the _____ Trust Company, _____, showed in Schedule L, "Other Assets", an amount of \$50,000 "Pledged with the _____ National Bank of _____ to secure excess deposits of the Town of _____". The condition report was accompanied with a copy of a letter from the president of the member bank to the effect that in accordance with a telephone conversation with your Examination Division the condition report had been changed by transferring the \$50,000 in question from "Other Assets" to item 1(b) of Schedule I, "Due from banks elsewhere in the United States". It is our understanding that your bank also requested that the \$50,000 be shown as "Cash pledged" against memorandum items 34 and 36(b) below liabilities.

It is assumed that, under an arrangement between the banks and the Town of _____, the _____ Trust Company has certain funds on deposit with the _____ National Bank of _____ which it does not have the right to withdraw without the consent of the Town of _____. On the basis of this assumption, it is the Board's view that the funds on deposit under this arrangement do not constitute "Balances due from other banks (except Federal Reserve banks and foreign banks)" within the meaning of the tenth paragraph of Section 19 of the Federal Reserve Act, as amended. As you know, the amounts reported against items 1 and 2 of Schedule I of condition reports of both national and State bank members are intended to represent the aggregate "amount deductible from demand deposits in determining amounts subject to reserve". This is indicated by the text matter appearing in parentheses following the caption of item 2.

In the circumstances, unless there are other facts which you feel should be called to our attention, it is suggested that the _____ Trust Company be advised that in the future such pledged correspondent balances should be reported in Schedule L, "Other Assets".

Very truly yours,

(Signed) L. P. Bethea

L. P. Bethea,
Assistant Secretary.