

INTERPRETATION OF LAW OR REGULATION

(Copies to be sent to all Federal reserve banks)

July 19, 1938.

Mr. _____, Vice President,
Federal Reserve Bank of _____,
_____, _____.

Dear Mr. _____:

This refers to your letter of June 15, 1938, inclosing a letter from Mr. _____, Assistant Trust Officer, _____ Trust Company of _____, _____, presenting a question which arises in connection with a common trust fund operated by his institution and which involves an interpretation of the following provisions of section 17(e)(5) of the Board's Regulation F:

"No funds of any trust shall be invested in a participation in a Common Trust Fund if such investment would result in such trust having an interest in the Common Trust Fund in excess of 10 per cent of the value of the assets of the Common Trust Fund, as determined by the trust investment committee, or the sum of \$25,000, whichever is less at the time of investment."

The Board is of the opinion that in the situation outlined by Mr. _____, where the present value of the units of participation in a common trust fund which are held by a trust is \$25,000 or more, the regulation does not permit the investment of additional funds of the trust in the common trust fund, although the amount of funds of the trust previously invested therein is less than \$25,000.

Very truly yours,

(Signed) L. P. Bethea

L. P. Bethea,
Assistant Secretary.