

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

S-130
Sec. 15 F.R.A.-4

377

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

November 25, 1938.

Dear Sir:

In response to an inquiry from a Federal reserve bank, the Board of Governors recently advised the bank as follows:

"Reference is made to your letter of August 24, 1938, requesting advice as to whether, in view of the Board's letter of September 30, 1936, X-9709, your bank should maintain two accounts representing the deposit of uninvested trust funds by the _____ Trust Company, _____, a member institution which transacts no commercial banking business. It is understood that the two accounts opened on your books represent a segregation of uninvested court and private trust funds, as required by the laws of _____, and it is expected that the accounts will not be of a temporary nature.

"In view of the representations made regarding the accounts of the _____ Trust Company, the situation of a number of member banks which are subject to a condition of membership requiring the pledge of securities to cover trust funds deposited in their own commercial banking departments but are not permitted by State law to make such a pledge, and the possible temporary need of other member banks operating trust departments which was the basis for the Board's letter of September 30, 1936, X-9709, the Board will offer no objection to the receipt of deposits of uninvested trust funds in special accounts by the Federal Reserve banks from:

- (1) any member bank for a temporary period when, in the judgment of the Federal Reserve bank, circumstances render such service to the particular bank desirable,
- (2) any State member bank subject to the condition of membership that trust funds deposited by the bank in its banking department shall be secured by pledge of collateral with the trust

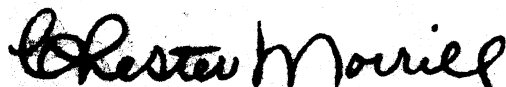
department and located in a State whose laws do not permit the pledge of collateral for the purpose, and

- (3) any member trust company which transacts no savings or commercial banking business.

"As indicated in the Board's letter of September 30, 1936, deposits of funds received by a member bank in a fiduciary capacity and deposited in a Federal Reserve bank in a special account may not be counted as a part of the member bank's reserve balance with the Federal Reserve bank.

"While the Board feels that the matter of requiring an agreement, as suggested in its letter of September 30, 1936, as well as the question of restrictions upon the source and disposition of trust funds received on deposit under the authority contained in this letter, are for the determination of each Federal Reserve bank in consideration of the laws and court decisions in the States included in its district, it is assumed that, in any case in which uninvested trust funds are received by a Federal Reserve bank, it will take such steps in consultation with its counsel as may be deemed necessary to eliminate or minimize any possibility of litigation or loss to the Federal Reserve bank."

Very truly yours,



Chester Morrill,
Secretary.

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS