

INTERPRETATION OF LAW OR REGULATION

(Copies to be sent to all Federal Reserve Banks)

May 16, 1941

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

Dear Mr. _____:

Enclosed is a copy of a letter of April 3, 1941, from Mr. _____, Trust Department, _____ Trust Company, _____, _____, relating to the interpretation of the underscored portion of the following provisions of section 17(c)(5) of 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. * * * In applying the limitations contained in this paragraph, if two or more trusts are created by the same settlor or settlors and as much as one-half of the income or principal or both of each trust is payable or applicable to the use of the same person or persons, such trust shall be considered as one."

After a careful study of the questions presented by Mr. _____ and other related questions, which has necessitated some delay, it is the Board's conclusion that the two trusts should not be considered as one for the purpose of the above-quoted provisions of the regulation in either of the following situations described by him:

"(1) A settlor creates two trusts of \$25,000 each. In one trust the life tenant is 'A', and in the other the life tenant is 'B'. Upon the death of each life tenant, the principal in each trust is payable to 'C'.

"(2) A settlor creates two trusts of \$25,000 each. In one trust the life tenant is 'A', upon whose death the principal is payable to 'C'. The life tenant of the other is 'B', upon whose death the principal is payable to 'D', or if 'D' be not living, to 'C'."

It is understood, of course, that the information submitted was complete and that there are no additional facts with respect to powers of revocation or otherwise which might have a bearing on the matter.

It will be appreciated if you will advise Mr. _____ in accordance with the foregoing. He has been advised of this reference.

Very truly yours,

(Signed) L. P. Bethea

L. P. Bethea,
Assistant Secretary.