INTERPRETATION OF LAW OR REGULATION

(Copies to be sent to all Federal Reserve Banks)

June 23, 1941

Mr. ____________,
First Vice President,
Federal Reserve Bank of ________,
________________, ______________.

Dear Mr. ________:

This refers further to your letter of June 6, 1941, in which you state that one of the trust companies in your district which is contemplating establishing a Common Trust Fund has requested advice as to whether, in the periodical valuation of the assets in a Common Trust Fund, Series G savings bonds of the United States should be valued at par which is their cost and ultimate maturity value, or at their redemption value at the time of each valuation. These bonds are not transferable and, therefore, their liquidation value at any particular time is the amount at which they can be redeemed at that time.

The Board's Regulation F relating to Common Trust Funds operated under the provisions of section 17(c) of Regulation F requires that the written plan for the operation of each such Fund shall include, among other things, detailed provisions relating to the basis and method of valuing assets in the Fund, but the regulation does not undertake to prescribe any precise method of valuation. However, one of the principal reasons for the requirement in the regulation that the assets of such a Common Trust Fund be valued periodically is to determine the amount which a participating trust may withdraw on the valuation date and to determine the basis upon which new participations may be issued to trusts on such date. In the circumstances, it would seem to the Board that the most appropriate basis for valuing Series G bonds for purposes of such a Common Trust Fund would be the redemption value of such bonds. This conclusion has been checked informally with officers of trust companies in other districts which are operating Common Trust Funds and they agreed with the conclusion.

Very truly yours,

(Signed) L. P. Bethea

L. P. Bethea,
Assistant Secretary.