

MEMO# 2005

July 3, 1990

COMPTROLLER PROPOSES CHANGES TO RULES GOVERNING INVESTMENT OF IDLE TRUST FUNDS

July 3, 1990 TO: INSTITUTIONAL FUNDS COMMITTEE NO. 1-90 RE: COMPTROLLER PROPOSES CHANGES TO RULES GOVERNING INVESTMENT OF IDLE TRUST FUNDS

The Office of the Comptroller of the Currency has proposed amendments to its regulations governing idle funds awaiting investment or distribution by national bank fiduciaries. A copy of the proposal is attached. The proposal is meant to clarify how soon idle funds must be made productive and what rate of return must be obtained. Specifically, funds would be required to be invested "as expeditiously as possible" and, in any event, within five days. In addition, banks would be required to obtain "a competitive market rate" on funds awaiting investment. The proposal would not change the provision of the OCC regulations that permits idle funds to be invested in the fiduciary bank's deposit accounts unless prohibited by the trust instrument or local law. Perhaps the most interesting aspect of the proposal is its clarification of the role of local law. The proposed standards for investing idle funds would apply "[u]nless otherwise provided by specific reference in the governing instrument or by language in local statutory law which specifically refers to the investment of trust funds awaiting investment or distribution." Thus, contrary judicial decisions or case law would not govern. Comments on the proposal are due by August 27. Craig S. Tyle Associate General Counsel
Attachment

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