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# Investment Securities

## Questionnaire

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Yes No

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### GENERAL QUESTIONNAIRE

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|-----|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------|--------------------------|
| 1.  | Did the board of directors approve a written investment policy?                                                                                                       | <input type="checkbox"/> | <input type="checkbox"/> |
| 2.  | Does the savings association update its investment policy annually and whenever unanticipated conditions dictate?                                                     | <input type="checkbox"/> | <input type="checkbox"/> |
| 3.  | Does the investment policy address the assignment of responsibilities and duties?                                                                                     | <input type="checkbox"/> | <input type="checkbox"/> |
| 4.  | Do the investment policy and business plan confirm the following requirements:                                                                                        |                          |                          |
|     | • Safety and soundness?                                                                                                                                               | <input type="checkbox"/> | <input type="checkbox"/> |
|     | • Regulatory limitations?                                                                                                                                             | <input type="checkbox"/> | <input type="checkbox"/> |
|     | • The board of director's requirements?                                                                                                                               | <input type="checkbox"/> | <input type="checkbox"/> |
| 5.  | Does the savings association monitor adherence to the policy?                                                                                                         | <input type="checkbox"/> | <input type="checkbox"/> |
|     | • How often? _____                                                                                                                                                    |                          |                          |
| 6.  | Is the investment strategy appropriate based upon the savings association's investment portfolio, interest rate risk, profitability, and regulatory capital position? | <input type="checkbox"/> | <input type="checkbox"/> |
| 7.  | Does the policy define the acceptable level of risk?                                                                                                                  | <input type="checkbox"/> | <input type="checkbox"/> |
| 8.  | Does the association take the following considerations into account when looking at the composition of the portfolio:                                                 |                          |                          |
|     | • Investment objectives?                                                                                                                                              | <input type="checkbox"/> | <input type="checkbox"/> |
|     | • Investment strategy                                                                                                                                                 | <input type="checkbox"/> | <input type="checkbox"/> |
|     | • Types and level of allowable investments?                                                                                                                           | <input type="checkbox"/> | <input type="checkbox"/> |
|     | • The decision-making process?                                                                                                                                        | <input type="checkbox"/> | <input type="checkbox"/> |
|     | • Monitoring of investments?                                                                                                                                          | <input type="checkbox"/> | <input type="checkbox"/> |
|     | • Record keeping and documentation requirements?                                                                                                                      | <input type="checkbox"/> | <input type="checkbox"/> |
| 9.  | Does the savings association engage in speculative trading strategies?                                                                                                | <input type="checkbox"/> | <input type="checkbox"/> |
| 10. | Does the savings association engage in any unsuitable investment practices?                                                                                           | <input type="checkbox"/> | <input type="checkbox"/> |

**Exam Date:** \_\_\_\_\_

**Prepared By:** \_\_\_\_\_

**Reviewed By:** \_\_\_\_\_

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11. Is the savings association's trading activity appropriate based on the type and amount of activity?	<input type="checkbox"/>	<input type="checkbox"/>
12. Does the composition of the investment securities portfolio take into consideration the following items:		
• Quality levels?	<input type="checkbox"/>	<input type="checkbox"/>
• Diversification?	<input type="checkbox"/>	<input type="checkbox"/>
• Maturity structure?	<input type="checkbox"/>	<input type="checkbox"/>
• Liquidity?	<input type="checkbox"/>	<input type="checkbox"/>
13. Does the savings association have procedures in place to prevent over-collateralization?	<input type="checkbox"/>	<input type="checkbox"/>
14. Does the savings association maintain an adequate control register for its investment securities clearly showing the following information:		
• Types of securities?	<input type="checkbox"/>	<input type="checkbox"/>
• Outstanding position?	<input type="checkbox"/>	<input type="checkbox"/>
• Volume of purchases and sales?	<input type="checkbox"/>	<input type="checkbox"/>
• Realized and unrealized gains or losses on these positions?	<input type="checkbox"/>	<input type="checkbox"/>
15. Do subsidiary records of investment securities show all pertinent information, including the following items:		
• A description of the security?	<input type="checkbox"/>	<input type="checkbox"/>
• The safekeeping location of the security?	<input type="checkbox"/>	<input type="checkbox"/>
• Pledged or unpledged status of the security?	<input type="checkbox"/>	<input type="checkbox"/>
• Premium amortization?	<input type="checkbox"/>	<input type="checkbox"/>
• Discount accretion?	<input type="checkbox"/>	<input type="checkbox"/>
• Interest earned, collected, or accrued?	<input type="checkbox"/>	<input type="checkbox"/>
16. Does the savings association perform a price sensitivity analysis of complex securities prior to purchase?	<input type="checkbox"/>	<input type="checkbox"/>

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17. Does the savings association perform an internal analysis of its investment securities at least quarterly?	<input type="checkbox"/>	<input type="checkbox"/>
18. Does the savings association obtain periodic market valuations for the following investment securities:		
• Thinly traded investments?	<input type="checkbox"/>	<input type="checkbox"/>
• Issues not quoted daily on major markets?	<input type="checkbox"/>	<input type="checkbox"/>
19. Does the savings association perform credit analyses independently of the investment department?	<input type="checkbox"/>	<input type="checkbox"/>
20. Does the association obtain bond ratings from any of the well-known bond rating services?	<input type="checkbox"/>	<input type="checkbox"/>
• Which services? _____		
21. Does the savings association appropriately classify investment securities?	<input type="checkbox"/>	<input type="checkbox"/>
22. Did the savings association purchase any SMBSs or the residual interest in an MDP? If so:	<input type="checkbox"/>	<input type="checkbox"/>
• Did the board of directors approve the investment?	<input type="checkbox"/>	<input type="checkbox"/>
• Does the savings association analyze the investment prior to purchase, including the estimated yields under various interest-rate and prepayment scenarios?	<input type="checkbox"/>	<input type="checkbox"/>
• Does the savings association document the expected yield and the prepayment assumptions used?	<input type="checkbox"/>	<input type="checkbox"/>
• Are the initial prepayment assumptions reasonable considering the interest rate on the underlying collateral when compared with prevailing mortgage interest rates?	<input type="checkbox"/>	<input type="checkbox"/>
23. Does the savings association periodically adjust the yield or book value of an MBS or MDP based upon changes in the prepayment experience of the underlying collateral?	<input type="checkbox"/>	<input type="checkbox"/>
24. Does the savings association purchase commercial MBSs? If so, review the following question:	<input type="checkbox"/>	<input type="checkbox"/>
• Do any of these securities have teaser rates?	<input type="checkbox"/>	<input type="checkbox"/>
• If so, how close was the current interest rate to the lifetime cap: _____		

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25. Does the savings association issue CMOs or MDPs through a subsidiary?	<input type="checkbox"/>	<input type="checkbox"/>
26. Did the savings association purchase the senior interest of a senior/subordinated security structure? If so, answer the following questions:	<input type="checkbox"/>	<input type="checkbox"/>
• What was the investment rating? _____		
• What was the underlying collateral? _____		
27. Did the savings association purchase the subordinated interest in the security?	<input type="checkbox"/>	<input type="checkbox"/>
28. Is there adequate segregation between the individuals responsible for executing the transactions, accounting for the transactions and transferring funds?	<input type="checkbox"/>	<input type="checkbox"/>
29. Do trade tickets contain the following information:		
• Trade date?	<input type="checkbox"/>	<input type="checkbox"/>
• Settlement date?	<input type="checkbox"/>	<input type="checkbox"/>
• Purchase or sale transaction?	<input type="checkbox"/>	<input type="checkbox"/>
• Contract description?	<input type="checkbox"/>	<input type="checkbox"/>
• Quantity?	<input type="checkbox"/>	<input type="checkbox"/>
• Price?	<input type="checkbox"/>	<input type="checkbox"/>
• Reason for trade?	<input type="checkbox"/>	<input type="checkbox"/>
• Identity of person conducting transaction?	<input type="checkbox"/>	<input type="checkbox"/>
30. Does someone other than the person who authorizes, executes, or controls the securities record the transaction?	<input type="checkbox"/>	<input type="checkbox"/>
31. Does someone other than the person with custody or control of securities post transaction records?	<input type="checkbox"/>	<input type="checkbox"/>
32. Does the savings association reconcile subsidiary records at least monthly?	<input type="checkbox"/>	<input type="checkbox"/>
• How often? _____		
• Does the savings association test them for accuracy?	<input type="checkbox"/>	<input type="checkbox"/>

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