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## **CHAPTER: Examination Administration**

### **SECTION: Examination Programs for Trust And Asset Management**

**Section 020**

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#### **Introduction**

The Office of Thrift Supervision established a specialized examination program for trust and asset management activities in January 1989. Examinations for these activities are conducted by a specialized, dedicated, career-professional examination force. The significant features of this program are discussed below. This program reinforces the importance that OTS places on the trust and asset management area as well as strengthens the overall approach to examination and supervision of savings associations.

#### **Significant Features of the Specialized Program**

The significant features of the examination program are:

- Specialized trust and asset management examinations are conducted using the “Supervision by Risk” examination approach (see Section 030).
- Specially trained examination personnel conduct separate examinations for trust and asset management activities.
- Separate reports of examination are presented to an institution’s board of directors.
- OTS uses the Uniform Interagency Trust Rating System to evaluate an institution’s trust and asset management activities. This rating system is also used by the other federal regulatory agencies.

#### **Handbook**

This trust and asset management activities handbook, which is part of the regulatory handbook series, reflects the principles and procedures of the specialized examination program. It is designed to assist examiners in planning and conducting examinations of trust and asset management activities provided by an OTS regulated institution to its customers. The handbook is also designed to aide in fulfilling the OTS’s responsibilities to ensure that trust and asset management activities of supervised institutions are conducted in a manner that determines and ensures that trust powers are exercised in a manner consistent with current laws, regulations and OTS policies.

#### **Training**

OTS has a staff of specialists to conduct trust and asset management examinations. Examination personnel involved in the specialized program receive training regarding trust and asset management activities and examination approach and philosophy.

#### **Examination Coverage**

Specialized trust and asset management examinations are conducted using a “top-down, risk-focused” examination approach. This approach shifts the examination focus away from individual transactions to a review of internal policies, procedures and compliance programs. The approach also focuses on the areas of greatest risk, as outlined in Section 030, Supervision by Risk. This approach may be supplemented by an evaluation of the integrity of these internal programs through periodic testing and general examination oversight.

### **Reports of Examination**

A separate report to an institution's board of directors is prepared for examinations conducted under this specialized program. The report details examination findings in a narrative format that gives the reader a thorough analysis of the integrity of the institution's management oversight; systems and controls; and its strengths and weaknesses. Only examiners that have received accreditation in the OTS accreditation program may lead the trust and asset management exam and sign the examination report.

### **Ratings**

The Uniform Interagency Trust Rating system, which the OTS uses, assigns an overall rating to the trust and asset management area and a rating for each of the five component subjects. The rating system uses a five point grading scale with "1" representing the best rating and "5" the poorest.

### **Examination Frequency**

The frequency of examinations is primarily dependent upon the rating assigned at the previous examination. The lower the rating, the more frequently the institution is to be examined, thus assuring that examination resources are directed to those institutions that are in most need of examination and supervisory attention. Examinations under this specialized program are generally conducted separately but can be conducted concurrently with safety and soundness or compliance examinations when practicable.