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## CHAPTER: Examination Administration

### SECTION: PERK

### Section 041

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The following is a summary schedule of information to be provided to the Examiner in Charge at the commencement of the trust and asset management examination. The information will help ensure an efficient review of the savings association and minimize additional requests. Information from the institution's internal sources that gather the requested information in a manner practical for the institution should be considered adequate.

#### Management

1. Provide an organization chart of the trust and asset management department, the financial institution, its subsidiaries, affiliates and the parent holding company (if any) showing major divisions and principal officers.
2. Provide a list of the board of directors showing elected term, place of residence and employment.
3. Provide a list of all senior trust and asset management officers, showing title, salary and any additional bonus paid. Also include a resume and job description for each of these individuals including principal functions and amount of time devoted to the trust and asset management function with telephone numbers and office locations. Include a summary of the number and total salaries for all other trust and asset management personnel.
4. Provide a list of trust and asset management committees or other official groups responsible for the supervision or implementation of trust and asset management activities. Include purpose or function, frequency of meeting, present composition and qualifications of members serving on the committees.
5. Provide access to the board of directors meeting minutes along with related reports and attachments. Also, provide access to all trust and asset management committee minutes and/or minutes of other official groups responsible for supervising or implementing trust activities. Please provide the name of the individual(s) from whom the minutes should be requested.
6. Provide access to trust and asset management's new business or marketing plans including types of business solicited, minimum dollar size of accounts accepted, nature of new business efforts, competition, market potential and projected growth. Describe significant risks that the trust and asset management function faces, how those risks are communicated internally and to the board of directors as well as the mechanisms used to identify and address those risks.
7. Provide a letter from legal counsel describing any litigation, threatened or pending, against the institution in connection with its trust or asset management activities that has occurred since the last examination. Include the accounts concerned, the nature of the action, the amount involved, the present status and a statement as to the probable outcome and the cost to the institution.
8. Provide copies of or access to the trust and asset management policies and procedures manual(s).
9. Provide a copy of the insurance policies carried by the institution to cover trust and asset management activity errors and surcharge liabilities, and other applicable insurance policies, e.g. blanket bond, directors and officers liability insurance. Provide the date of the board's last review and approval.
10. Provide a list of the institution's assets pledged or deposited with state authorities (§550.490). Also, provide a list of the institution's assets to be used as collateral for fiduciary account assets awaiting investment or distribution that have been deposited with the savings association or an affiliate and the deposits are not covered by FDIC insurance policies (§550.310). Indicate market values for each security.

**Operations**

1. Describe the trust and asset management accounting system(s) and the related system(s) of internal controls. Provide a copy of any audits performed since the last examination.
2. Provide the names and describe any accounting, data processing, custody, or other support or operations related services performed by third parties (including affiliates). Provide copies of servicing agreements between the institution and such third parties.
3. Provide copies of the trust and asset management's data processing disaster contingency plan and/or a copy of the contract for disaster recovery services. Include the results of the most recent test of the plan.
4. Describe the system or process used to ensure that trust and asset management assets are physically segregated from the assets of the institution and that the assets are maintained under an effective system of joint custody and control.
5. Provide a list of any assets not in the possession of the trust and asset management department's. Include assets in possession of the department but not entered on its records. Exclude normal deliveries and exchanges.
6. Provide a list of all general ledger accounts utilized by the trust and asset management department's.
7. Provide reconcilements of demand and time deposits as of each month end for the three months preceding the examination.
8. Provide monthly overdraft reports for the past three months indicating accounts concerned and dates of inception. Provide the reason(s) for any overdrafts over 30 days and for any overdrafts greater than \$1,000.
9. Provide a list of cash management vehicles currently utilized.
10. Describe the institution's web site (transactional or nontransactional, products or services offered, services offered directly or indirectly, etc.) with specific reference to trust and asset management activities. If transactional, provide a copy of the web site notice filed with the OTS.
11. Provide a list of signature authorities for signing checks, executing documents, effecting asset sales and transfers, etc.

**Internal Controls**

1. Provide a copy of the institution's risk management program and the name of the individual responsible for the program. Describe the risk management process.
2. Provide copies of any risk assessments performed since the last examination.
3. Describe management's outsourcing oversight program and the process for the review of each service provider's controls, condition and performance.
4. Provide copies of independent audits and/or SAS 70's performed on any outsourced services.
5. Provide copies of the trust and asset management business continuity plans.
6. Provide copies of the trust and asset management compliance program and copies of any compliance audits or reports performed.

**Audits**

1. Provide a copy(s) of any trust and asset management audits conducted since the prior examination. Include auditor work programs used and management's response to audit findings. Provide a list of any outstanding audit items.
2. Describe the frequency and scheduling of trust and asset management audits and factors that influence audit frequency and scope.
3. Provide a copy of the most recent audit plan and the date that it was approved by the board of directors or the audit committee.
4. Provide a list of the audit committee members. Provide access to the audit committee minutes and the name of the individual to contact for reviewing the minutes.
5. Provide the name(s) of the company(s) or division(s) that conduct the internal and external audits. Provide any engagement letters.
6. Provide a list of the audit staff and describe its trust and asset management expertise and training. Also, provide an organization chart of the audit department. Describe the reporting and accountability relationship of the audit function within the institution.

**Earnings**

1. Provide a statement of condition of the trust and asset management department listing assets and liabilities.
2. Provide income statements of the trust and asset management department's earnings and expenses for the last three calendar years as well as budgeted amounts for the last three calendar years.
3. Provide the trust and asset management's budget for the current year. Also provide a year-to-date income statement.
4. Provide a copy of the institution's business and/or strategic plan. Also provide a description of the department's new business development efforts including types of business solicited, minimum dollar size of accounts that will be accepted, marketing strategies, competition, market potential and projected growth.
5. Describe any factors that had a significant impact on earnings and expenses since the last onsite examination.
6. Provide a list of any cash settlements, surcharges, losses, charge-offs and/or recoveries in excess of \$1,000 for the past three calendar years by calendar year. Identify and provide an explanation for any material (\$5,000) losses incurred.
7. Provide copies of the prescribed fee schedules for trust and asset management services and the date approved by the board or the appropriate committee. If fee schedules are not formalized, provide a statement as to the general practice in determining charges.
8. Provide a list of any fees billed but unpaid for six months or more.
9. Provide a list of accounts on which no fees or commissions are charged, and reasons why.
10. Provide a package or copies of marketing materials used for trust products.
11. Provide a copy of the most recent annual report for the institution or parent company.

12. Provide a copy of the institutions most recent thrift financial report.
13. Provide copies of the last three FFIEC Annual Reports of Trust Assets, including Schedule E.

### Compliance

1. Describe the method used to identify and monitor potential conflicts of interest. Describe the nature of information maintained on potential conflict relationships (i.e., affiliates, directors' business interests, large commercial customers, etc.).
2. Describe whether the trust and asset management department, its subsidiaries or its affiliates receive any fees from affiliated or unaffiliated mutual funds (i.e., 12b-1 fees, shareholder servicing fees, subtransfer agent fees and shelf space). Does the pertinent state(s) statutes permit fiduciary account investment in mutual funds that pay fees to the savings association or its affiliates? Provide policies and procedures governing the acceptance of such fees as well as the use of proprietary products.
3. Provide a list of all holdings in the trust and asset management department of any stock or other obligations of the institution, or its affiliates. Show the accounts in which held, book and market values and the dates and manner of acquisition by account type and class. Identify all accounts originated since the prior examination.
4. Provide a list of all holdings in the trust and asset management department of any obligations of directors, officers or employees. Show the accounts concerned, book and market values, and the dates and manner of acquisition.
5. Provide a list of all holdings in the trust and asset management department of any securities of organizations in which directors, officers or employees has a substantial (i.e., over 10 percent) interest. List the accounts concerned, book and market values and the dates and manner of acquisition.
6. Provide a list of any organizations of which the shares held by the institution as fiduciary represent effective voting control by the institution, or of which the majority or controlling directors of the organization are directors or officers of this institution.
7. Provide copies of the most recent ethics disclosures for senior management.
8. Provide a copy(s) of referral fee disclosure documents provided to prospective customers. Also provide a copy(s) of written referral agreements between the institution and persons or entities making the referrals.
9. Provide access to customer complaints since the previous examination, with the status of resolution, if any.
10. Provide a trial balance listing major account categories and their total market value of assets and cash.
11. Provide a master list of accounts organized by type, account, and office. List the account administrator, investment manager, investment authorization, book and market values.
12. Provide a list of codes used to identify account type, office, class, investment authority, account administrator, investment manager, etc.
13. Provide a list of closed accounts since the prior examination, including the reason(s).
14. Provide a list of estates in the process of administration longer than 18 months for which the institution has not filed an accounting. Also, list all estates for which administration has exceeded 36 months.

15. Provide a list of all mortgages, notes receivable, and other obligation for which principal, interest or other payments such as rent are delinquent sixty days or more, for which taxes are delinquent and/or for which required insurance coverage is not currently in effect.
16. Provide a list of pending foreclosures involving mortgages held as trust and asset management assets.
17. Provide a list of real estate held as trust and asset management assets subject to prior liens.
18. Provide a list of real estate held by accounts where there are delinquencies in rental income.
19. Provide a list of accounts having liabilities, such as outstanding loan indebtedness or other borrowings. Indicate where account assets are pledged.
20. Provide a list of closely held companies, limited and general partnership interests, interests in unincorporated businesses and securities having limited marketability. Identify accounts concerned and discuss pricing and valuation policies.

### Asset Management

1. Provide a list of accounts for which the trust and asset management department has any level of discretionary investment authority.
2. Provide a copy of the trust and asset management department's approved list of investments, if any. Include a list of any deviations from the list and explanations of those deviations in accounts for which the department has discretionary investment authority.
3. Describe how investment decisions are made and evaluated and the source of investment research information utilized by the trust and asset management department. Describe the process used to ensure that investment decisions are supported by adequate research and documentation and to determine that investment decisions made by third parties are properly authorized and documented.
4. Provide a list of individuals or institutions used on a regular basis to provide investment advisory or research information, asset-pricing services or to assist in the operation and management of real estate, etc. Please provide a copy(s) of service agreements.
5. Provide a list of brokers utilized and fees and commissions, including cost of trading on a per share basis, paid during the last calendar year.
6. Describe any soft dollar arrangements that exist. Provide a copy(s) of any service agreement between the broker(s) and the institution.
7. Provide a list of any client accounts with loans secured by margin stock pledged for the purpose of purchasing or carrying securities. If the institution is subject to Federal Reserve registration, provide copies of respective Reg U filings.
8. If you are a registered investment adviser, provide a copy(s) of the ADV and any amendments filed since the prior trust and asset management department examination.
9. Provide a list of all common and collective funds in which trust assets are invested. Also, provide a description of each fund, market value, most recent valuation report, financial performance, and the most recent audit date. Provide a list of the participating trust accounts in each common and collective fund.
10. Provide a list of all proprietary mutual funds in which trust and asset management assets are invested. Include a recent prospectus and any supplemental information (i.e., statement of additional information) for each fund, plus a one year, three year and five year performance comparison with like

indices. Provide a list of the participating discretionary fiduciary accounts invested in each proprietary mutual fund.

11. Provide a list of all other mutual funds in which trust and asset management assets are invested. Provide the most recent prospectuses, plus a one year, three year, and five year performance comparison with like indices.
12. Has the state(s) where you conduct fiduciary activities adopted a version of the Prudent Investor Rule, or has the state(s) retained its version of the model prudent man rule? Describe your process for determining that discretionary account investments meet the appropriate state prudent statute.