



Appendix H, Highlights from OCC Comptrollers Handbook for Fiduciary Activities

The OCC offers thorough guidelines and recommendations related to the performance of fiduciary activities. The following are key points made in the OCC Comptrollers Handbook for Fiduciary Activities:

- **Trust Responsibility** - Directors are ultimately responsible for directing and reviewing the actions of all employees involved in the exercise of fiduciary powers; their responsibility cannot be delegated to other members of their administration.
- **Management** - The effect that management will have on future fiduciary activities is highly significant. The depth of planning and the forward-looking attitude of executive officers are relevant in assessing that impact. Evaluate management personnel based on education, training, experience and character OCC –10
- **Board Leadership** – If the board chooses to assign particular functions to individuals or committees, it must be informed about how the assignments are performed. Boards should conduct a yearly assessment of trust department organization and administration to ensure that fiduciary powers are being properly exercised.
- **Policies and Procedures** – Well-developed policies, procedures and internal controls are necessary to maintain an efficient environment and ensure compliance with law and 12 CRF 9.

Policies should be constructed to convey a clear framework within which the trust officers can operate and administer all aspects of the fiduciary business. Some of the more important areas noted by OCC where policies, procedures and internal controls are needed include:

- Investments
- Self-dealing/conflict of interest
- Personnel (This includes such elements as the amount of trust department staff, qualifications, organizational structure, employee ethics, salary administration, and employee benefits.)
- Profitability
- **Auditing Activities** – The trust department should be audited at least one time every calendar year and within no more than 15 months of the last audit. When the internal staff lacks the necessary knowledge of trust audit techniques and procedures, the OCC encourages boards to employ outside auditors to conduct audits on their behalf. The specific responsibilities and qualifications of internal auditors varies depending upon the size and complexity of a bank's trust activities and on the importance placed on the audit function by management.
- **Regulation** - Trust administration is regulated by the following
 - Prudent person standards
 - Common law principles
 - State and federal laws and regulations



- Industry practices
- **Organizational Structure** – Characteristics of a strong organizational plan include:
 - Scalable - The organizational structure and related plans should accommodate the current types and workloads of business handled, plans for future growth, and other local circumstances.
 - Flexible – The plan should promote an orderly flow of work and be sufficiently flexible to accommodate peak work loads
 - Definition of Functions - Functions should be clearly defined and effectively executed
 - Procedures - Procedures for recruitment, training, evaluation and salary administration should be included.
 - Equal opportunity – All personnel should be granted equal opportunity in the administration of procedures.
 - Sizing – There should be enough staff to handle the volume of work. Lines of authority and responsibility should be clearly defined and effectively communicated
 - Controls – A program of internal controls and a system of checks and balances should be integrated
 - Communication - Procedures for effective communication should be in place
- **Corporate planning** –long range planning consists of making current decisions involving the future. All levels of management should participate in the planning process.
- **Trust Agreement** - The trust agreement should provide for:
 - Duties of the trustee
 - The use of nominee names
 - Safekeeping
 - Allocation of principal and income
 - Payment of fees
 - Power of the trustee to resign, if necessary, with provisions for a successor trustee
 - Investment objectives or restrictions
 - Provisions for asset disposition upon termination of trust