

**TRUST - ABBREVIATED**

**Core Analysis Decision Factors**

*Examiners should evaluate the Core Analysis in this section to determine if an Expanded Analysis is necessary. Click on the hyperlinks found within each of the Core Analysis Decision Factors to reference the applicable Core Analysis Procedures.*

*Note: This module is intended for use in non-complex trust departments. The nature and extent of fiduciary activities vary greatly among banks and it is not always necessary to perform all procedures. Some procedures may not be applicable for institutions that engage in limited fiduciary activities or administer a limited number or type of trust accounts.*

**Do Core Analysis and Decision Factors indicate that risks are appropriately identified, measured, monitored, and controlled?**

**C.1. Are policies, procedures, and other methods for limiting risk effective? Refer to Core Analysis [Procedures #5-10](#) & [Procedures #14-16](#).**

**C.2. Are internal controls effective? Refer to Core Analysis [Procedure #9](#).**

**C.3. Are the audit or independent review functions effective? Refer to Core Analysis [Procedure #5](#).**

**C.4. Are information and communication systems effective and accurate? Refer to Core Analysis [Procedure #10](#) & [Procedure #30](#).**

**C.5. Are trust department earnings effectively managed and sufficient to support the institution's fiduciary activities? Refer to Core Analysis [Procedures #11-13](#). (Note: Generally, the Earnings component rating is not assessed if the department has < \$100 million in discretionary trust assets under management. This item should be answered as "Not Reviewed" if earnings are not assessed.)**

**C.6. Does the institution follow internal bank policies and procedures, governing instruments, and sound fiduciary principles and comply with applicable laws and regulations? Refer to Core Analysis [Procedure #14-16](#) & [Procedures #17-22](#).**

**C.7. Are asset management and investment advisory practices effective? Refer to Core Analysis [Procedures #21-23](#).**

**C.8. Do the board and senior management effectively supervise fiduciary activities? Refer to Core Analysis [Procedures #24-30](#).**

<b>TRUST - ABBREVIATED</b>
<b>Core Analysis Procedures</b>

*Examiners are to consider the following procedures but are not expected to perform every procedure at every bank. Examiners should complete only the procedures relevant for the bank's activities, business model, risk profile, and complexity. If needed, based on other identified risks, examiners can complete additional procedures. References to laws, regulations, supervisory guidance, and other resources are not all-inclusive.*

<b>Preliminary Review</b>
<p><b>1. Review prior examination reports, pre-examination memorandum, and file correspondence for an overview of any previously identified trust concerns and trends. Also, review Consolidated Reports of Condition and Income, Schedule RC-T - Fiduciary and Related Services.</b></p>
<p><b>2. Identify the types of accounts and the fiduciary capacity of the accounts, including the following:</b></p> <ul style="list-style-type: none"> <li>• <b>Accounts:</b> <ul style="list-style-type: none"> <li>○ Personal,</li> <li>○ Corporate,</li> <li>○ Employee benefit,</li> <li>○ Investment management, and</li> <li>○ Estates.</li> </ul> </li> <li>• <b>Capacity:</b> <ul style="list-style-type: none"> <li>○ Custodian, and</li> <li>○ Trustee.</li> </ul> </li> </ul>
<p><b>3. Review publicly available bank information, including the bank's website, for any trust-related information.</b></p>
<p><b>4. Discuss with management, any significant changes that may have taken place such as:</b></p> <ul style="list-style-type: none"> <li>• Changes in risk profile, such as new business lines, products or personnel;</li> <li>• Changes in governance or committee structures;</li> <li>• Pending or threatened litigation and customer complaints;</li> <li>• Mergers, acquisitions, or significant growth; and</li> <li>• Changes in third party, fee-sharing, or outsourcing agreements.</li> </ul>
<b>Operations, Internal Controls, and Audits</b>
<p><b>5. Determine whether the board maintains an effective trust audit program and follow-up procedures.</b></p>

<p><b>Ensure:</b></p> <ul style="list-style-type: none"> <li>• <b>Audit scope is commensurate with level of risk (including cyber-security risks),</b></li> <li>• <b>Audit activities are appropriate, and</b></li> <li>• <b>Audit reporting functions and procedures are adequate.</b></li> </ul>
<p><b>6. Determine whether trust activities are accurately reported in Consolidated Reports of Condition and Income (Schedule RC-T).</b></p>
<p><b>7. Determine whether recordkeeping and reconciliation practices are effective and there is appropriate segregation of duties.</b></p> <ul style="list-style-type: none"> <li>• <b>Ensure that recordkeeping is accurate and reliable.</b></li> <li>• <b>Review reconciliation policies and procedures.</b></li> </ul>
<p><b>8. Review net overdrafts and clearing procedures.</b></p>
<p><b>9. Evaluate the effectiveness of the internal control environment and ensure account administrators are not involved in statement generation or distribution. Assess the adequacy of:</b></p> <ul style="list-style-type: none"> <li>• <b>Staffing,</b></li> <li>• <b>Lines of authority,</b></li> <li>• <b>Reporting,</b></li> <li>• <b>Procedural guidance, and</b></li> <li>• <b>Segregation of operational duties.</b></li> </ul>
<p><b>10. Consider the effectiveness of the management information systems used to support trust activities and the timeliness and accuracy of management reporting.</b></p>
<p><b>Earnings</b></p>
<p><b>11. Determine whether trust department earnings have a significant impact on the earnings and capital of the bank.</b></p>

<b>12. Consider how future events (such as new products or services) may affect trust department earnings.</b>
<b>13. Determine whether procedures for monitoring fiduciary income and expenses are commensurate with the impact on bank-wide earnings.</b>
<b>Compliance</b>
<b>14. Determine whether trust and investment policies and procedures adequately address account and investment administration functions.</b>
<b>15. Determine whether the trust department effectively identifies and monitors conflicts of interest.</b>
<b>16. Review and assess compliance with SEC/FRB Regulation R and other state and federal regulations pertinent to trust activities.</b>
<b>Asset Management</b>
<b>17. Evaluate the investment process by reviewing the trust department's internal policies and holding discussions with management.</b>
<b>18. Assess management's procedures for promptly investing liquid assets.</b>
<b>19. Evaluate any outside investment services used and the trust department's oversight of those services.</b> <b>Review:</b> <ul style="list-style-type: none"><li>• <b>Contracts,</b></li><li>• <b>Ongoing due diligence,</b></li><li>• <b>Management reports, and</b></li><li>• <b>Trust committee minutes.</b></li></ul>
<b>20. Determine whether account investments conform with governing instruments and comply with</b>

<p><b>applicable laws.</b></p>
<p><b>21. Determine whether account investments are diversified in accordance with the account’s investment objectives, unless directed by the governing instrument, grantor/beneficiary(s), or court order.</b></p>
<p><b>22. Ensure that client accounts are rebalanced when necessary.</b></p>
<p><b>INDIVIDUAL ACCOUNT REVIEWS</b></p>
<p><i>Note: At the EIC's discretion, a discuss-only technique may be used to evaluate the bank’s remediation of issues identified by examiners or management. For example, where prior examination reports contain account write-ups with similar weaknesses, examiners may wish to discuss actions management has taken to correct and prevent such weaknesses in general, rather than reviewing each individual account that was included in the previous report. A discuss-only technique may also be appropriate when assessing corrective actions or audit recommendations implemented by management.</i></p>
<p><b>23. Review individual accounts only to the extent necessary to assess the compliance and asset management components.</b></p> <ul style="list-style-type: none"> <li>• <b>Non-managed (non-discretionary) accounts should receive equal consideration for review as managed (discretionary) accounts.</b></li> <li>• <b>Maximize the use of internal account reviews where possible.</b></li> </ul>
<p><b>Management</b></p>
<p><b>24. Review and assess the governance framework to identify, measure, monitor and control the risks inherent in fiduciary activities, and respond appropriately to changing business conditions.</b></p> <p><i>(Note for FDIC: For more information see the Statement of Principles of Trust Department Management in the Trust Examination Manual.)</i></p>
<p><b>25. Assess management’s use of exception reports to measure, monitor, and control risk.</b></p>
<p><b>26. Assess management’s education, training, and expertise.</b></p>

<b>27. Assess the impact of client complaints and pending litigation.</b>
<b>28. Assess third-party, fee-sharing, or outsourcing agreements entered into since the previous examination.</b> <b>Review:</b> <ul style="list-style-type: none"><li>• <b>Contracts,</b></li><li>• <b>Ongoing due diligence,</b></li><li>• <b>Management reports, and</b></li><li>• <b>Trust committee minutes</b></li></ul>
<b>29. Consider the department’s practices regarding information security, backup planning, and safeguarding against cyber-attacks. (Contact the IT examiners if any concerns are identified.)</b>
<b>30. Evaluate the effectiveness of the governance and management reporting structure, including committee and governance processes. Consider items such as:</b> <ul style="list-style-type: none"><li>• <b>Minutes,</b></li><li>• <b>Committee structure,</b></li><li>• <b>Authority and responsibility,</b></li><li>• <b>Attendance,</b></li><li>• <b>Strategic planning process, and</b></li><li>• <b>Response to audit and regulatory recommendations.</b></li></ul>
<b>End of Core Analysis.</b>