
RESCINDED

Trust and Asset Management Examinations

This document and any attachments are superseded by Comptroller's Handbook - Bank Supervision Process.

The Office of Thrift Supervision has established a specialized examination program for trust and asset management activities.

The significant features of the trust and asset management examination program are:

- It uses a risk-focused approach.
- Specially trained examination personnel conduct examinations of trust and asset management activities.
- OTS uses the Uniform Interagency Trust Rating System (UITRS) to evaluate an institution's trust and asset management activities. This rating system is also used by the other federal bank regulatory agencies.

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, examination approach, and philosophy.

EXAMINATION COVERAGE

Trust and asset management examinations are conducted using a "top-down, risk-focused" examination approach, which focuses on the areas of greatest risk. This approach shifts the examination focus away from individual transactions to a review of internal policies, procedures and compliance programs. The review may include an evaluation of the integrity of these internal programs through periodic testing.

TYPES OF EXAMINATIONS

There are two types of trust and asset management examinations.

1. A risk focus “*regular*” examination is an examination that addresses all of the UTRS’ MOLEA components. You should always assign a composite and component rating at the completion of a regular examination.
2. A risk focus “*limited*” trust examination may be performed at the region’s discretion and will be considered an examination for purposes of complying with minimum frequency guidelines. These examinations focus on the areas of primary risk to the savings association arising from its trust and asset management activities. The only UTRS component rating required in a “limited” trust examination is the rating for Management. Other component ratings may be applied as appropriate. You may use the standard examination report format Type 73 – Trust Limited, Type 77 – Trust Only Limited, or a memo format.

EXAMINATION FREQUENCY – TRUST-ONLY INSTITUTIONS

OTS must conduct a full-scope, on-site examination of every savings association (including trust-only institutions) once during each 12-month period. OTS may conduct a full-scope, on-site examination of a savings association (including trust-only institutions) once during each 18-month period if the association meets certain conditions.

OTS measures the 12-month and 18-month cycles from the “close date” of the last examination to the “start date” of the next examination. The “close date” is the date OTS transmits the Report of Examination (ROE) to the association.

You must perform an initial examination within 12 months of the date the savings association first accepts trust or related business.

OTS will conduct an examination of a trust-only institution sufficient to address CAMELS, Compliance, and UTRS ratings, at least once during each 18-month period, rather than each 12-month period, if all of the following conditions are satisfied:

- The savings association has total nontrust assets of less than \$500 million.
- The savings association’s composite CAMELS and UTRS ratings were “1” or “2” at the last examination.
- The savings association’s CAMELS and UTRS “Management” ratings were either “1” or “2” at the last examination.
- The savings association is well capitalized as defined under Section 38 of the Federal Deposit Insurance Act (FDIA) and 12 CFR § 565.4.
- The savings association is not subject to a formal enforcement action by OTS or the FDIC.
- The savings association has not undergone a change of control since the last examination.

EXAMINATION FREQUENCY – TRUST DEPARTMENTS

In order to provide and ensure a better overall consolidated assessment of the condition of a savings association, OCS will coordinate trust department examinations that result in a UTRS rating with the comprehensive examination. OCS will perform the trust department examination concurrently with the comprehensive examination so that you can meaningfully reflect and address significant findings or concerns in the comprehensive examination report and factor them into the savings association’s CAMELS assessment and rating.

EXAMINATION FREQUENCY – TRUST-ONLYS AND TRUST DEPARTMENTS

Except for the statutory examination requirements affecting trust-only institutions, the trust examination frequency guidelines reflect minimum frequencies. You may increase the frequency of any trust examination based on the assessment of risk to the savings association from its trust and related activities. For example, trust examination managers may consider a more frequent review when discretionary trust assets are \$1 billion or greater, there are no other activities, the trust activities are materially larger than the banking activities, or the rating of the trust activities is materially worse than the banking activities.

For both trust-only and trust department examinations, the dollar amount of trust assets under administration does not mandate a specific examination frequency.