

OCC Asset Management Policy Group Update

March 27, 2012

Recent AM Group Guidance

- Asset Management Operations and Controls Handbook
 - Provides a single, comprehensive source for AM ops issues and guidance
- Unique and Hard-to Value Assets Handbook
 - To be released shortly – real estate; oil & gas; ranch & farmland; timber; insurance; and closely held businesses
- CNBE Policy Guidance 2011-01
 - DTC Principal and Interest Payment Change
 - Metrics/Monitoring

Additional AM Group Guidance

- Potentially issue guidance that compares annual review requirements of 12 CFR 9.6 with laws in effect in some states that are designed to limit a fiduciary's liability -
 - ILIT statutes that relieve trustees of any obligation to perform due diligence on insurance carrier
 - Directed trusts established in permissive states including Delaware, Alaska, Nevada, and South Dakota

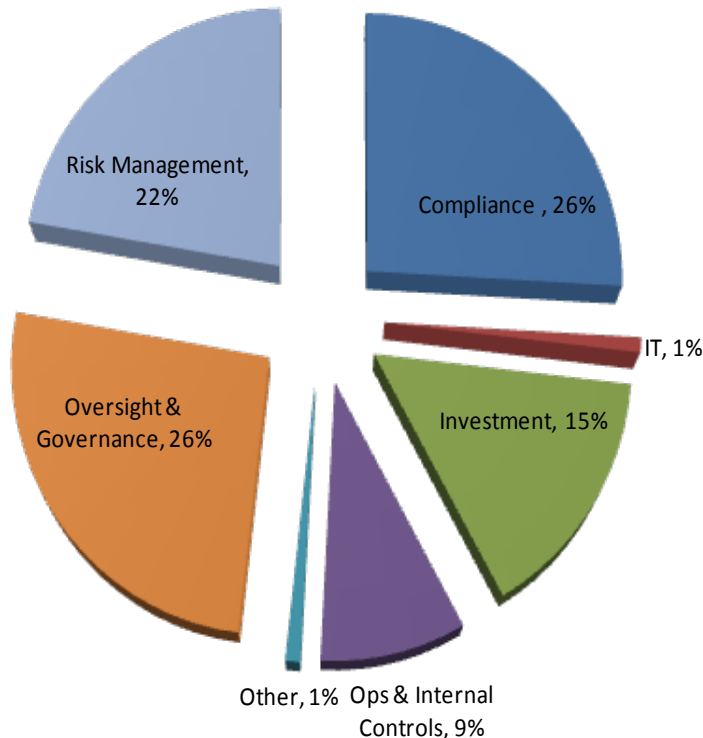
Additional AM Group Guidance

- Will likely issue AM Model validation guidance:
 - Would supplement OCC Bulletin 2011- 12 “Sound Practices for Model Risk Management.”
 - Purpose of guidance would be to identify, measure and manage risk in the AM area. Focus would be on those models used by asset managers that combine –
 - An information input component which delivers assumptions and data to the model;
 - A processing component which transforms inputs into estimates; and
 - A reporting component that translates the estimates into useful information

OCC Supervision Issues

**Matters Requiring
Attention**

Summary of Theme Categories



Oversight & Governance:

- Fiduciary Oversight & Administrative Process
- Board Oversight
- Policies & Procedures

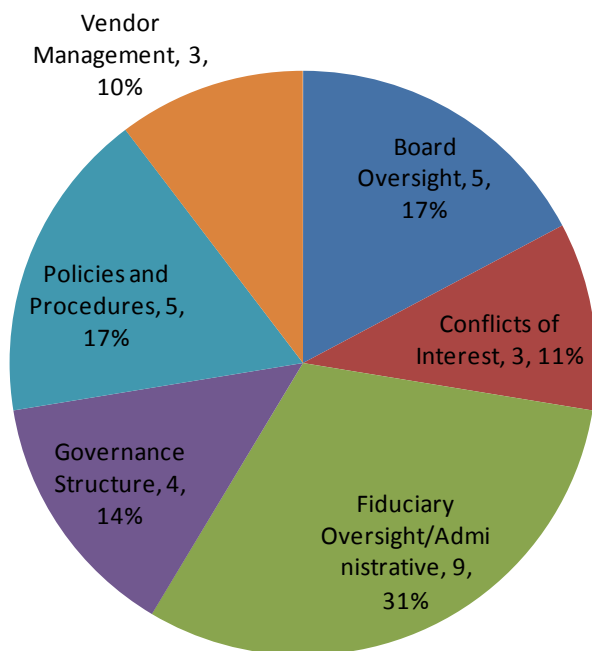
Compliance:

- Account Administration
- Regulation R
- Conflicts of Interest

Risk Management:

- Account Acceptance & Monitoring
- Staffing

Oversight & Governance



■ Fiduciary Oversight

- Specific product procedures or training not in place or outdated (IRAs, ILITs, EB)
- Oversight of Fiduciary Responsibilities of Administrators (discretionary disbursements, co-trustee approvals)

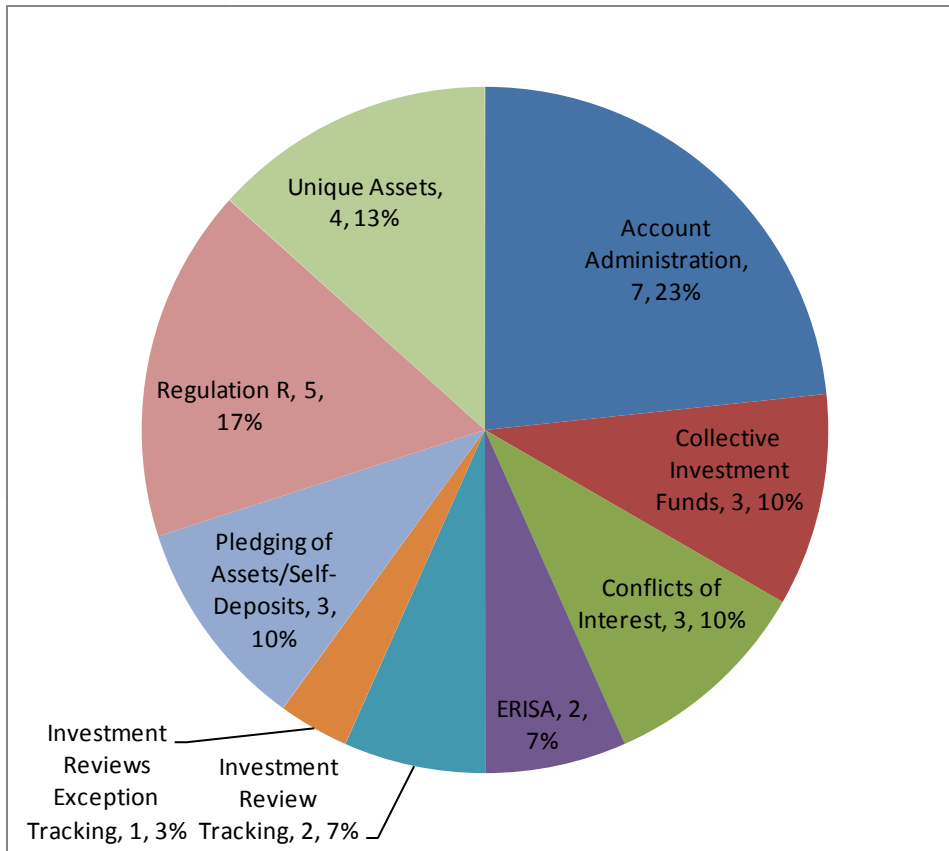
■ Board Oversight

- Structure of Board or sub-committees
- Inadequate supervision of fiduciary activities

■ Policies & Procedure

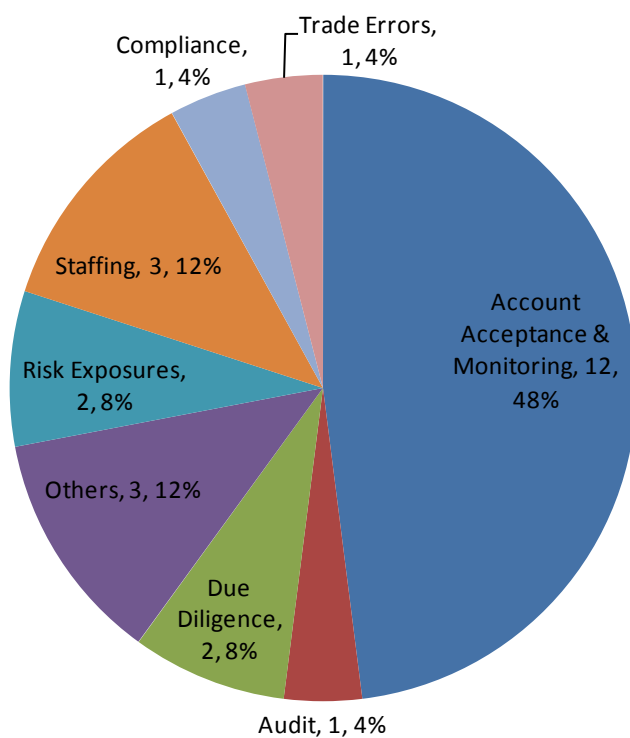
- Insufficient or lack of policies & procedures

Compliance



- **Account Administration**
 - Account Acceptance
 - Inadequate Account Administration
 - Documentation
- **Regulation R**
 - Compliance with the requirements
- **Unique Assets**
 - Administration
 - Valuation

Risk Management



Acceptance & Monitoring

- Due diligence
- Account Coding
- Tools/Reporting

■ Staffing

- Resources & Experience

■ Others

- Risk limits
- Regulatory Reporting

OCC Strategy/Risk Considerations

Strategy/Risk Considerations

- Investment Issues
 - Investment Objectives
 - Third Party Investment Managers
 - Unique Investment Products or Strategies
 - Investment Performance
 - Fixed Income Strategies
 - Operational Issues

Strategy/Risk Considerations

- Other Supervision Issues
 - Impact of earnings pressure on internal controls
 - Staffing
 - Compliance/Risk Management functions
 - Audit Coverage

OCC/OTS Consolidation AM Issues

OTS Fiduciary Activities & Regulations

- Fiduciary Powers – Thrifts vs. National Banks
 - OCC - about 30% of national banks have fiduciary powers.
 - OTS - about 10% of thrifts have fiduciary powers; certain EB activities do not require fiduciary powers.
- OTS Fiduciary Regulations:
 - In July '11, OTS fiduciary regs converted from 12 CFR Parts 550 and 551 to Parts 150 and 151.
 - Consolidation of Parts 9 and 150 and parts 12 and 151 part of a comprehensive regulatory rewrite.
- The “Crosswalk” also underway to consolidate policy handbooks, bulletins and other guidance.

Comments and Questions



OCC Asset Management Handbooks

- ☐ Asset Management
- ☐ Asset Mgt. Operations & Controls
- ☐ Collective Investment Funds
- ☐ Conflicts of Interest
- ☐ Custody Services
- ☐ Insurance Activities
- ☐ Investment Management Services
- ☐ Personal Fiduciary Services
- ☐ Retail Non-deposit Investment Products
- ☐ Retirement Plan Services
- ☐ Unique and Hard-to-Value Assets (Q1 '12)

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