



Federal Reserve Bank of Atlanta

SUPERVISORY THEMES 2019 FIRMA Conference



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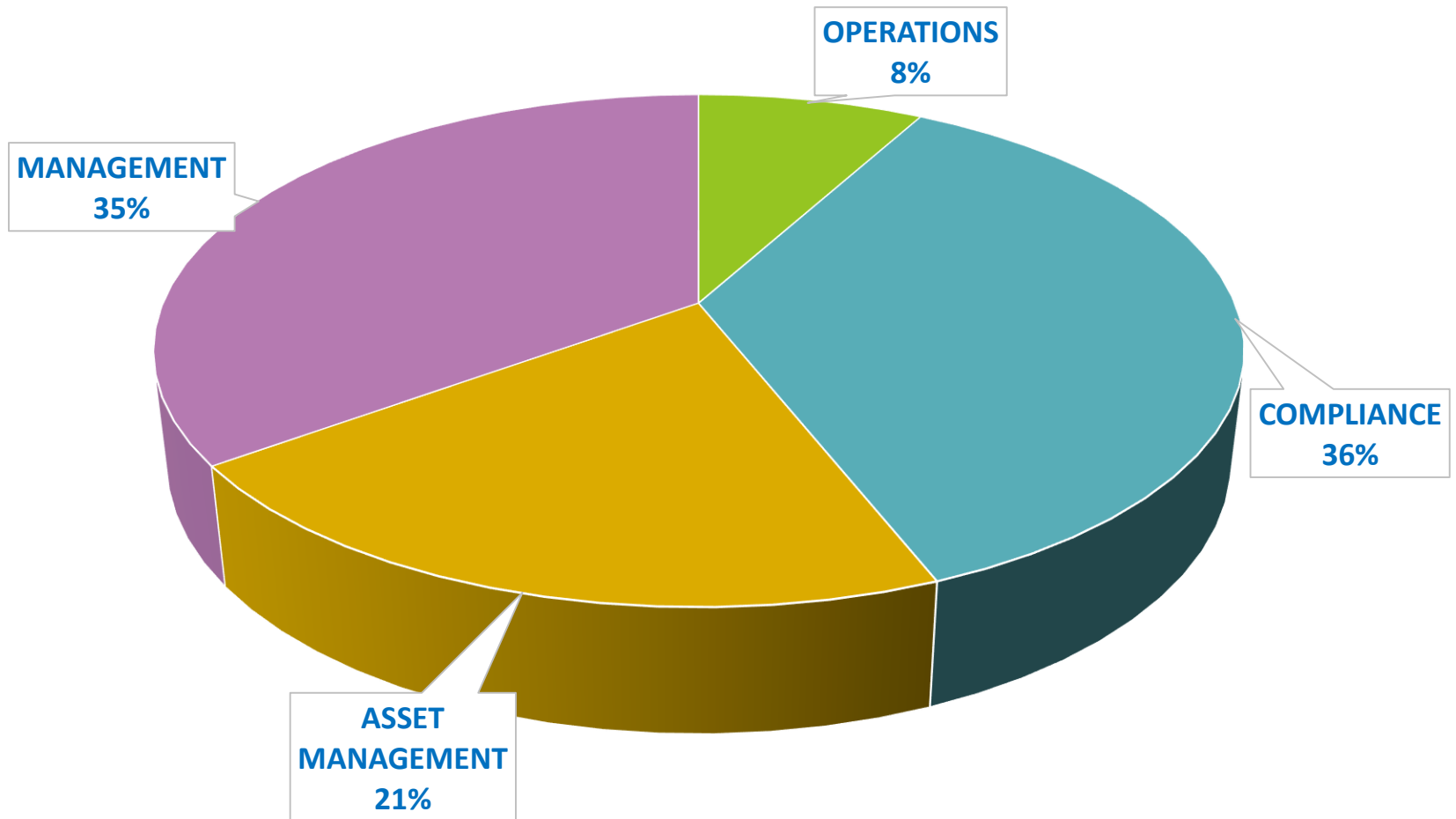
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Fiduciary Supervisory Themes...

- **Supervisory Themes we have identified while supervising Community and Regional Banks across the nation.**
- **Issues were identified in the following categories:**
 - **Management**
 - **Operations**
 - **Compliance**
 - **Asset Portfolio Management**

Overall Issues



Management

Management

- **General Oversight**
 - **Management Reporting and Follow-up**
 - **Risk Assessment**
 - **Committee Oversight and Documentation**
 - **Monitoring of Control Exceptions**
- **Policies and Procedures**
 - **Lack of annual reviews and approval**
 - **Inconsistent across all business lines**
 - **Inadequate referencing of procedures to policies**
 - **Outdated references to staff positions and vendors**
 - **Lack of or outdated limits and authority levels**

Management

- **Vendor Management**
- **Call Report Accuracy**
- **Compliance Program**
- **Disaster Recovery**
- **Strategic Plan**
- **Conflicts of Interest**
- **Staffing**

Operations, Controls, & Audits

Operations, Controls, and Audit

- **Internal Controls weaknesses**
- **Reconcilements stale, inaccurate, or not performed**
- **Audit weaknesses**

Compliance

Compliance

- **Conflicts of Interest**
 - Oversight over inherent conflicts of interest
 - Need for competitive rates on own bank products
 - Policies and procedures for use of own bank investments
- **Laws and Regulations**
 - Lack of current/recent valuations as required
 - Lack of proper allocation Principal and Income
 - Lack of court accountings required by some state laws
 - Escheat account – stale items
 - Regulation R: Incorrect exemption calculations
 - Non-timely filings for lost/missing securities
 - Regulation H: Non-timely/incomplete reporting of personal securities transactions

Compliance

- **Administrative Reviews**
- **Account Administration**
- **Discretionary Distributions**
- **Oversight**
- **Disclosures**

Asset Management

Asset Management

- **Investment Procedures**
- **Unique Asset Administration**
- **Investment Review Process**

Active Federal Reserve System Guidance

- **SR 95-51:** Rating the Adequacy of Risk Management Processes and Internal Controls State Member Banks and Bank Holding Companies (\$50 Billion and Larger)
- **SR 96-10:** Risk-Focused Fiduciary Examinations
- **SR 98-37:** Uniform Interagency Trust Rating System
- **SR 99-07:** Supervisory Guidance Regarding the Investment of Fiduciary Assets in Mutual Funds and Potential Conflicts of Interest
- **SR 00-17:** Guidance on the Risk Management of Outsourced Technology Services
- **SR 01-05:** Examination of Fiduciary Activities
- **SR 03-05:** Amended Interagency Guidance on the Internal Audit Function and its Outsourcing
- **SR 08-08:** Compliance Risk Management Programs and Oversight at Large Banking Organizations with Complex Compliance Profiles
- **SR 13-01:** Supplemental Policy Statement on the Internal Audit Function and Its Outsourcing
- **SR 13-19:** Guidance on Managing Outsourcing Risk (Vendor Risk Management)
- **SR 16-11:** Supervisory Guidance for Assessing Risk Management at Supervised Institutions with Total Consolidated Assets Less than \$50 Billion

Questions?

Contact Information

THANK YOU

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