



**Federal Reserve Bank of Atlanta**

**SUPERVISORY THEMES  
2019 FIRMA Conference**

Date: May 6, 2019

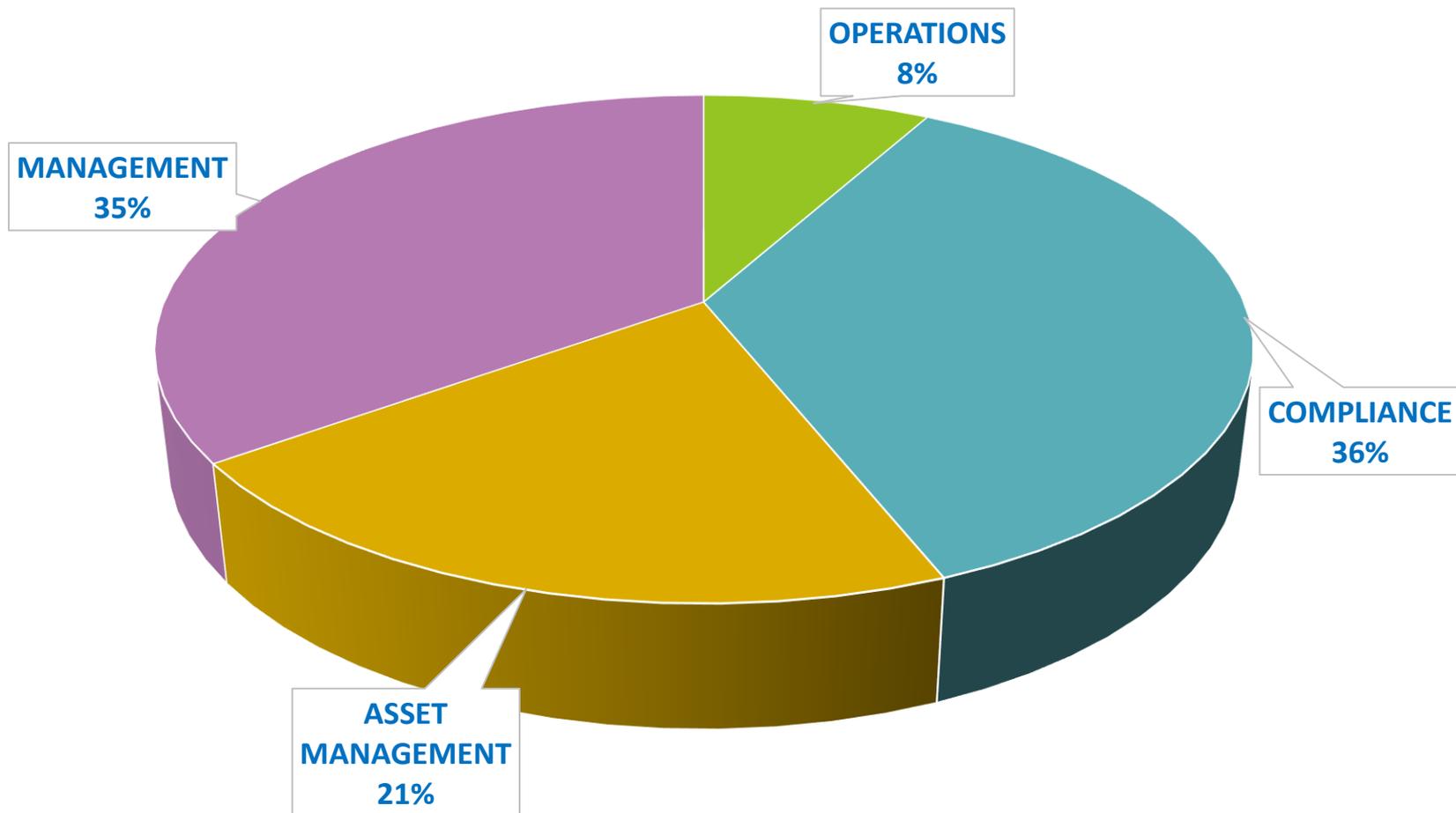
# Disclaimer:

*The views expressed here are my own and do not necessarily reflect the views of the Federal Reserve Bank of Atlanta, the Board of Governors of the Federal Reserve System, or the Federal Reserve System.*

# 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  - **Outdated references to staff positions and vendors**
  - **Lack of or outdated limits and authority levels**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?

## THANK YOU

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