



Statement of Principles of Trust Management

The organizers/managers must adopt the following Statement of Principles of Trust Management (Statement) at the first board meeting. The Statement oversight structure may be revised as appropriate based on the size, complexity, and risk profile of the proposed trust company. However, each principle must be identified and addressed.

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Nothing herein is intended to prohibit the board of directors/managers from acting as the trust committee, or from appointing additional committees and officers to administer the operations of the trust company. When delegating duties to subcommittees and/or officers, the board and the trust committee continue to be responsible for the oversight of all trust activities. Sufficient reporting and monitoring procedures should be established to fulfill this responsibility.

The board, by proper resolution included in its minutes, should:

1. Designate an officer, qualified and competent, to be responsible for and administer the activities of the trust company. In addition, the board should define the officer's duties.
2. Name a trust committee consisting of at least three directors/managers to be responsible for and supervise the activities of the trust company. The committee should include, where possible, one or more directors who are not active officers of the company.

The trust committee should:

- a. Meet at least quarterly, and more frequently if considered necessary and prudent to fulfill its supervisory responsibilities;
- b. Approve and document the opening of all new trust accounts; all purchases and sales of, and changes in, trust assets; and the closing of trust accounts;
- c. Provide for a comprehensive review of all new accounts for which the company has investment responsibility promptly following acceptance;
- d. Provide for a review of each trust account, including collective investment funds, at least once during each calendar year. The scope, frequency, and level of review (trust committee, subcommittee, or disinterested account officer) should be addressed in appropriate written policies which give consideration to the company's fiduciary responsibilities, type and size of account, and other relevant factors. *Generally, discretionary account reviews should cover both administration of the account and suitability of the account's investments, while non-discretionary account reviews should only address account administration;*
- e. Keep comprehensive minutes of meetings held and actions taken; and
- f. Make periodic reports to the board of its actions.

3. Provide comprehensive written policies which address all important areas of trust company activities.
4. Provide competent legal counsel to advise trust officers and the trust committee on legal matters pertaining to fiduciary activities.
5. Provide for adequate internal controls including appropriate controls over trust assets.
6. Provide for an adequate audit (by internal or external auditors or a combination thereof) of all fiduciary activities, annually. The findings of the audit, including actions taken as a result of the audit, should be recorded in its minutes.

If a trust company adopts a continuous audit process in lieu of performing an annual external audit, management must report a thorough internal review of company operations and administration to the board quarterly. The internal review should include, but is not limited to, documentation of company assets, liabilities, and equity position; company financial performance; assets held in trust accounts, both discretionary and non-discretionary; and any non-ordinary transactions. Additionally, internal controls and segregation of duties must be periodically assessed if the trust company adopts a continuous audit process in lieu of annual audit engagements. Internal audits may be performed, on an activity-by-activity basis, at intervals commensurate with the level of risk associated with that activity. Audit intervals must be supported and reassessed regularly to ensure appropriateness given the current risk and volume of the activity. Activity examples include account reconciliations, safekeeping/vault reconciliations, trading transactions, distribution timeliness and accuracy, account acceptance/closing procedures, adequate review of written policies and procedures, duty segregations, service provider due diligence reviews, account compliance reviews, information system assessments, fee assessments, tax return preparation, etc.

7. Receive reports from the trust committee and record actions taken in its minutes.
8. Review the examination reports of the trust company by supervisory agencies and record actions taken in its minutes.