



## **Investment Policy Guidance**

Investment policies should clearly set forth a framework for the selection, retention, review, and management of assets over which the financial institution holds investment discretion. Written guidance should discuss the overall structure of the investment management responsibilities providing for: appointing qualified officers to supervise daily investment activities; the monitoring of discretionary transactions, including the reporting of such transactions to the appropriate supervisory officers and board/committees; procedures for handling exceptions; and formal procedures for reviewing and revising investment policies and practices. Depending on the financial institution's size, complexity, and the types of appointments accepted, the following elements may also need to be addressed:

- Management's investment philosophy and standards of practice.
- Investments and investment practices deemed appropriate, or inappropriate, with respect to the management of discretionary accounts.
- The nature and size of accounts the financial institution is qualified to administer, and the minimum standards required for the acceptance of new accounts.
- Pre- and post-acceptance reviews ensuring adequate documentation and confirming timely transfer of assets.
- The initial investment review of newly accepted accounts and account-level investment review of existing accounts.
- Procedures for documenting investment reviews.
- Whether the financial institution will prepare its own research in-house, or purchase investment research from outside investment advisors.
- Guidelines governing the use of outside investment advisors, including:
  - Procedures for adopting and/or amending an approved list of investments recommended by outside advisors, if appropriate.
  - Procedures for diverging from outside advisor recommendations when appropriate.
  - Procedures for monitoring purchases and sales to ensure compliance with the approved lists.
- Procedures for adopting and amending an approved list of equity investments based on in-house research, including:
  - Criteria for selecting the investments to be included on approved lists.
  - Criteria for monitoring the investments included on approved lists.
  - Description of the approval process for adding or deleting investments from approved lists, including specifying the person(s) having authority to make such additions or deletions.
  - Monitoring purchases and sales to ensure compliance with the approved lists.
  - Procedures for making exceptions to the approved lists.
- Procedures for adopting and amending an approved list of mutual fund investments including:
  - Justification for the selection of a load fund over a no-load fund.
  - Criteria for the selection of the mutual funds to be included on approved lists.

- Criteria for monitoring the mutual funds on the approved lists.
- Description of the approval process for adding or deleting mutual funds from the approved lists.
- Criteria for diverging from the approved lists.
- Establishment of procedures for adopting and amending an approved list of obligors (e.g. corporate and municipal) of fixed income debt investments, if applicable, including:
  - Criteria for evaluating the credit risk of the obligors to be included on the approved lists.
  - Criteria for monitoring the credit risk of the obligors on the approved lists.
  - Description of the approval process for adding or deleting obligors from the approved lists.
  - Monitoring purchases and sales to ensure compliance with the approved lists.
  - Criteria for making exceptions to the approved list.
- Guidelines for the development and use of asset allocation models, including:
  - Criteria or methodology for creating and modifying asset allocation models.
  - Description of the process for supervisory review and approval of the models.
- Guidelines for the holding, purchasing, and managing of real property, including:
  - The evaluation of environmental risk, initially, and on an ongoing basis.
  - Initial and periodic reappraisals/inspections of real property.
- Guidelines and procedures for holding closely held businesses, including:
  - Identification of conditions under which the financial institution would administer such assets.
  - Criteria for contracting with a third party to run a closely-held business.
  - Methods and procedures for the initial and periodic evaluation of such assets.
  - Whether the trust officer should serve on the board.
- Guidelines and procedures employed in the selection and use of money market mutual funds, including:
  - Periodic reviews of fund performance.
  - Methods for monitoring the use of and reliance on derivative products by such funds.
  - Guidelines for the selection and use of funds paying 12b-1 fees, including: the appropriateness of such funds for each type of account administered, disclosure to customers of such fees, the solicitation of customer approvals when appropriate, and the routine disclosure to customers of such fees earned by investment of their accounts in such funds.
- Guidelines for the evaluation and management of assets deemed worthless.
- Guidelines and procedures for evaluating and monitoring exceptions.
- Guidelines and procedures regarding lending to, and permitted indebtedness of, managed accounts.
- Guidelines providing for the prompt investment of income and principal cash, unless the governing instrument, local law, or parties properly authorized to direct investments provide otherwise.