

## How to Use This Manual

After Sheshunoff Information Services published the *Trust Department Management Manual*, we received a steady stream of requests for a complementary trust policies and procedures manual. Trust department executives told us that federal examiners were increasingly requiring them to have a comprehensive set of policies and procedures in place for managing their departments.

The guidelines contained in the *Comptroller's Handbook for Fiduciary Activities* (CHFA) represented a major overhaul of the regulation of trust banking. The CHFA recommended numerous and significant changes in how trust departments operate, and it was the impetus for writing this manual. Over the past decade, the regulatory agencies issued additional explanations and data support that expand on the foundations of the CHFA. As you begin working with the policies and procedures, you will see references to the CHFA as well as other regulatory-related publications that affect trust department operations, including:

- Banking Circulars
- Code of Federal Regulations
- Comptroller's Handbook
  - Asset Management
  - Collective Investment Funds
  - Community Bank Fiduciary Activities Supervision
  - Conflicts of Interest
  - Custody Services
  - Investment Management Services
  - Personal Fiduciary Services
  - Retirement Plan Services
- Comptroller's Handbook for Compliance
- Precedents and Opinions
- Trust Banking Circulars

Our goal of this manual is twofold: (1) to deliver on our original promise for a comprehensive set of policies and procedures for managing your trust department; and (2) to incorporate in these policies and procedures the regulatory requirements contained in the CHFA and subsequent booklets. The result is the *Trust Department Policies and Procedures Manual*, which contains a complete set of sample policies and procedures for your trust department that reflect current regulatory requirements.

Remember that not every procedure will necessarily apply to your trust department. Therefore, before you adopt any of the policies or procedures, we recommend that you read them in their entirety and, where necessary, adapt them to fit the particular circumstances of your bank's trust department. Also, in situations where you already have policies and procedures in place for a particular area, you should compare your policy to the comparable policy included in this manual to make sure that yours is current with the latest regulatory guidelines and management techniques.

## **Organization of the Manual**

*Part 1: Strategic Planning and Organization* focuses on strategic planning and trust department organization. Strategic planning is given high priority by the OCC. In this part, we focus on the step-by-step procedures for developing a trust department strategic plan. Related to strategic planning is organizing the trust department in the best fashion to deliver on the goals and objectives outlined in the department's strategic plan. Part 1, therefore, also considers procedures for measuring the effectiveness of alternative organizational structures.

*Part 2: Marketing and Business Development* contains a complete set of policies and procedures relating to trust department marketing activities. The OCC is also interested in seeing trust departments expand their activities in this area in a safe and responsible manner.

*Part 3: Administration* deals with trust department administration. The major topics covered include directors' oversight, legal considerations, and account administration.

*Part 4: Investments* focuses in a comprehensive manner on the investment of funds by trust departments. This area continues to top the list of examiners' concerns. The general areas covered include types of investments, fiduciary responsibilities, and investment monitoring.

*Part 5: Ethical Standards* discusses the OCC's concern that trust department executives consistently behave in an ethical manner and demonstrate this in part by following a set of clear policies and procedures.

*Part 6: Mutual Fund Retail Sales* focuses on whether banks should offer for sale mutual funds, annuities, and other nondeposit investments and the policies and procedures the bank should consider in operating these activities.

*Part 7: Fiduciary Activities of National Banks* contains the complete text of the revised 12 CFR 9. This part deals with the fiduciary activities of national banks, as well as state banks governed by OCC fiduciary standards and banks that maintain tax-qualified common trust funds under section 584 of the Internal Revenue Code. Part 7 also contains supplementary information published by the OCC that provides the background of the revision with a section-by-section discussion.

*Part 8: Compliance Management* is an approach to managing key compliance issues in today's regulatory environment. The current underlying theme behind banking regulation is risk management. Banking regulation should be interpreted with this concept in mind. Part 8 covers management and personal trust, employee benefit accounts, security laws and regulations, corporate trustee law and regulation, transfer agent law and regulation, the Investment Company Act, the Investment Advisors Act, the Bank Secrecy Act, Regulation Y, and retail nondeposit investment sales.

*Part 9: Legal and Regulatory Issues* discusses the Uniform Interagency Trust Rating System, trust fees, soft dollar practices, the prudent investor rule, ERISA issues, conversion of common trust funds to mutual funds, mediation, and mutual funds.

*Part 10: Internal Controls* focuses on management, operations, trading, employee benefit administration, and personal trust administration. The following major elements of an internal control system are discussed: control environment; risk assessment; control activities; accounting, information, and communication systems; and self-assessment or monitoring.

## **Your Companion CD**

As part of your purchase of *Trust Department Policies and Procedures Manual* you receive a companion CD. This disc contains all of the information in your print manual as well as government documents relating to trusts that do not appear in print. Insert your CD into your desktop computer, and the Autoplay feature will assist you in navigating the files. You can search quickly and easily for specific guidance and policies.

These policies and procedures represent a comprehensive set of policies and procedures for managing your bank's trust department. As suggested earlier, the sample policies and procedures in certain instances may be adopted "as is," but more likely they must be adapted to suit your trust department or serve as a check on an existing policy. You can easily customize the documents on the accompanying CD using Microsoft Word® so that you keep your trust policies current with the latest compliance issues.