

The board must insure that trust accounts are periodically reviewed to determine the advisability of retaining or disposing of assets. The Comptroller requires that the trust records be kept separate and distinct from other records of the bank. A record must be kept of all pending litigation in connection with the exercise of fiduciary powers.

A committee of directors, excluding officers of the bank, must cause suitable audits at least once during each year to be made by auditors responsible only to the board. The purpose is to ascertain whether the trust department has been administered in accordance with law, the Comptroller's regulations, and sound fiduciary principles. Among other things, the regulations set forth powers of banks relating to investments, self-dealing, custody of investments, and collective investments.

FEDERAL RESERVE

All member banks are subject to examination by the Federal Reserve examining staff. The Federal Reserve assists the Comptroller of the Currency in carrying out examinations in accordance with the provisions of Regulation 9. A concept of the extent of the examination is set forth in the following statement:

"The scope of the examinations of pension trusts held by banks includes a survey of overall policies, practices and procedures in connection with new-business solicitation and acceptance of accounts, legal opinions and other documentation, investments, fees and internal controls and audits. In addition, individual pension trusts are reviewed as to investments and administration. Particular attention is given to unusual investments, investment concentrations, and investments in stock or obligations of the employer corporation. Investments held are scrutinized to determine conformity to the provisions of the governing trust instruments and the provisions of the Internal Revenue Code and regulations of the Treasury Department. In the case of investments in securities of the employer, the examiner ascertains that proper disclosures have been made to the Treasury Department."

STATE BANKING DEPARTMENTS

In addition to internal and Federal audits, State banking departments examine trust departments of State banks. For instance, in New York State a special trust examining staff of the State banking department makes a comprehensive examination each year of the administrative and operating policies, procedures and acts of all divisions of trust departments. The usual scope of audit functions involving principal, income and expenses is covered. Further, the examination by State examiners includes, among other items, the following:

- (1) Investigation of matters involving ineligible investments, self-dealing, holdings of stock in close corporations, etc.
- (2) Verification that investment reviews are made by the board of directors and the recording of minutes for each trust fund.
- (3) Verification of any objections to filing of trustees' reports.
- (4) A check on any threatened litigation against the bank based on its fiduciary activities.
- (5) Verifications of commissions charged to trust.