

listings of its security holdings. This would represent only minimum interference with the carrying out of investment programs while providing the necessary data for monitoring investment performance. Competition among investment managers would be encouraged and this would enhance the operation of the system rather than detract from it as some have suggested.

C. WADSWORTH FARNUM: CORPORATE FIDUCIARIES OF EMPLOYEE BENEFIT FUNDS

Banks in the United States have a very great responsibility for the management and safeguarding of pension and profit sharing funds under private, tax-qualified plans. Banks serve as trustee for more than two-thirds of all accumulated reserves under such plans. We believe that the extent of existing governmental, legal and internal safeguards of pension and profit sharing funds held by bank trustees for the protection of varied interests should be seriously considered in any new study of the need for new legislation.

A trustee is required to employ such diligence and such prudence in the care and management trust property as in general prudent men of discretion and intelligence employ in their own affairs. A bank trustee may in some important respects be held to an even higher degree of care since it holds itself out to be an expert and because it is better equipped than the ordinary man.

In our experience with employee benefit trusts and the experience of other banks, the company is taking an increasing interest in checking, auditing, and appraising the work of the trustee: (1) It has become universal practice for the banks to give the company a statement at each month end of all receipts, disbursements investment changes, and other transactions in employee benefit trusts during the month. (2) The bank renders a formal annual accounting to the company after each year end covering all its activities during the year. (3) The bank's records of an employee benefit trust are open to examination by the company and its auditors at all times. (4) As a result of various research projects, accepted methods are being established to measure the investment performance of employee benefit trusts.

Internal auditing has as its basic purpose the prevention and detection of loss. Significant in the audit program set forth by the Association for Bank Audit, Control and Operation for pension and profit-sharing trusts functions are the following:

(1) Verification of authority for action taken under the trust instrument.

(2) Compliance with applicable statutes and regulations.

(3) Determination that assets are adequately safeguarded and properly presented in financial reports.

(4) Determination that liabilities are completely disclosed and any pending litigation affecting trust accounts reviewed.

(5) Audit of trust income, expenses and acquisitions and disposal of assets.

(6) Evaluation of insurance coverage of trust assets.

Regulation 9 issued by the Controller of the Currency enumerates in considerable detail the fiduciary powers of national banks and collec-