



NC Commissioner of Banks

Location: 316 W. Edenton Street, Raleigh, NC 27603

Mail Address: 4309 Mail Service Center, Raleigh, NC 27699-4309

Telephone: 919/733-3016 Fax: 919/733-6918 Internet: www.nccob.org

GUIDE TO PERFORMING DIRECTORS' EXAMINATION OF THE TRUST DEPARTMENT/TRUST COMPANY AND PREPARATION OF EXAMINING COMMITTEE REPORT (Form 8)

This guide may be used in conducting the annual Directors' Examination of the trust department/trust company, as required by Rule 3D .0302(l) of the North Carolina Administrative Code, Title 4, Chapter 3, and preparation of EXAMINING COMMITTEE REPORT OF TRUST DEPARTMENT/TRUST COMPANY, which is required to be filed annually with the Commissioner of Banks (Rule 3D .0201).

This guide is intended as a minimum procedure for conducting the examination. Directors, stockholders, certified public accountants or the internal audit department performing the examination are encouraged to expand the scope when considerations of generally accepted auditing procedures or their own judgment indicate the need.

- A. **FORM OF REPORTING** - Form 8 furnished by the Commissioner of Banks is a report reflecting the results of the required examination of a trust department/trust company. It contains a questionnaire covering various statutory and regulatory requirements. This report is to be made, attested, and verified under oath by the signature of at least three members of the Examining Committee and is required to be filed annually with the NC Office of the Commissioner of Banks. Should the Board provide for the examination to be performed by a certified public accountant, a copy of the management letter should be submitted along with Form 8.
- B. **SUGGESTED EXAMINATION PROCEDURES**
1. Balance the ledgers of trust assets and liabilities to the controls. If automated, reconcile computer reports to the general ledger controls.
 2. Reconcile trust cash accounts carried in own bank or another bank. Review and monitor all large reconciling items until cleared.
 3. Prepare a list of all overdrafts. Review overdraft policy and determine if overdrafts are cleared promptly. Review for compliance with State law.
 4. Read minutes of all committees to determine that all important fiduciary matters and actions taken are reported and properly recorded.
 5. Review cash balances to determine that funds in excess of the immediate needs of the account are being promptly invested.
 6. Review operations and internal control procedures to determine that proper segregation of duties is provided for, assets are under dual control, and there is an adequate program of proofs and verification by persons who do not post trust records.
 7. Review all common trust funds for compliance with Rule 3D .0304 of the North Carolina Administrative Code, Title 4, Chapter 3, and 12 C.F.R. 9.18.
 8. Review for transactions involving possible conflicts of interest, self-dealing and inter-account dealings.
 9. Review all written complaints and threatened, pending, or actual litigation.
 10. On a test basis:
 - (a) Examine or physically account for all assets on hand and confirm those held elsewhere. This may entail preparation at the beginning of the examination of a listing of securities in process of being purchased or sold.
 - (b) Review income and expense items and procedures for collection of fees, commissions, dividends, and interest.
 - (c) Review the administration of accounts to determine adequacy of documentation, compliance of assets with statutes, terms of instruments and court orders, propriety of distributions, approval of co-fiduciaries, existence of delayed administration, recordation of all assets on ledgers, and compliance with statutes and regulations. Accounts selected for review should include accounts by type, size, account officer, and branch. They should also include new accounts and a selected number of closed accounts.
 11. Prepare Form 8, including the Questionnaire.



NC Commissioner of Banks

Location: 316 W. Edenton Street, Raleigh, NC 27603
Mail Address: 4309 Mail Service Center, Raleigh, NC 27699-4309
Telephone: 919/733-3016 Fax: 919/733-6918 Internet: www.nccob.org

Office Use Only	
_____/_____ Initials Date	

EXAMINING COMMITTEE REPORT OF TRUST DEPARTMENT/TRUST COMPANY

BANK/TRUST COMPANY NAME _____ **at the close of business**
(Full and exact legal title of the bank/trust company)

Instructions: Refer to the attached guide. Form 8, as required by Title 4, Chapter 3, Rule 3D .0201 of the North Carolina Administrative Code, must be signed by three directors, notarized, and returned to the NC Office of the Commissioner of Banks annually by June 30.

We, the Examining Committee appointed by the Board of Directors to examine the assets and liabilities of the above named bank/trust company, and in compliance with Title 4, Chapter 3, Rule 3D .0302(1) of the North Carolina Administrative Code, hereby certify that examination was made as of the close of business on the above date, and a report of our findings is submitted herewith. Requirements for Title 4, Chapter 3, Rule 3D .0201 of the North Carolina Administrative Code are incorporated by reference in Schedule RC-T (Bank)/Form 29TC (Trust Company).

As part of our examination, a review was made of Schedule RC-T (Bank)/Form 29TC (Trust Company) as of the close of business on the above date and found to be accurate, or if inaccurate, discrepancies are listed below:

SECURITIES OF TRUST DEPARTMENT HELD TO SECURE UNINVESTED TRUST FUNDS
(not applicable for trust companies)

Description	Rate	Maturity	Par Value

Total of net uninvested balances not fully insured under provisions of Federal Deposit Insurance Corporation \$

List in detail advances (overdrafts) which do not comply with the provisions of Title 4, Chapter 3, Rule 3D .0302(h) of the North Carolina Administrative Code (which are not cleared within 10 business days of December 31):

Capacity	Name of Trust	Amount								Remarks

Questionnaire

Title 4, Chapter 3
Administrative
Code Reference

- 3D .0302 (a) Is the operation of the trust department separate and apart from every other department of the bank/trust company? ()Yes ()No
- (b) (1) Has the Board of Directors, by action duly entered in the minutes, assigned any of its fiduciary responsibilities to officers and employees qualified and competent to administer fiduciary responsibilities? ()Yes ()No
- (2) Has the Board of Directors appointed any committees to supervise the Trust Department/Trust Company? ()Yes ()No
- If yes, what are the committees?
- Trust Committee? ()Yes ()No
- Trust Investment Committee? ()Yes ()No
- Other: _____ ()Yes ()No
- To whom has the Board of Directors delegated the responsibility for approving the acceptance and closing of accounts?
- Is a written record maintained covering the acceptance and closing out of all fiduciary accounts? ()Yes ()No
- To whom has the Board of Directors delegated the responsibility for the review of accounts in which the trust department/trust company has investment responsibility?
- Are the assets of such accounts reviewed promptly following their acceptance? ()Yes ()No
- Are such accounts reviewed during each calendar year and within 15 months of the last review? ()Yes ()No
- List exceptions
- (c) Are all officers and employees taking part in the operation of the trust department/trust company adequately bonded? ()Yes ()No
- (d) Has competent legal counsel been designated, employed, or retained for the purpose of passing upon fiduciary matters and to advise the trust department/trust company? ()Yes ()No
- (e) Are trust assets of a negotiable nature held by the trust department/trust company in its own vaults under the joint custody of at least two bonded officers or employees designated by the Board of Directors? ()Yes ()No
- (i) Have trust investments been purchased from any trusts, its directors, officers, employees, or their interests? ()Yes ()No
- (j) Have trust investments been sold to the trust department/trust company, its directors, officers, employees, or their interests? ()Yes ()No
- (k) Does the trust department/trust company make a practice of selling trust assets from one trust to another? ()Yes ()No
- 3D.0303(a) (1) Does the trust department/trust company maintain a separate set of books showing in detail all transactions pertaining to trust business? ()Yes ()No
- (2) Do files contain original or properly authenticated copies of instruments creating each trust? ()Yes ()No
- (3) Is a permanent record kept of minutes of meetings for each committee?()Yes ()No

3D .0304 For each Collective Investment Fund maintained (if none, NA):
 Is fund operated pursuant to a written plan? ()Yes ()No
 Has the Plan been approved: By a resolution of the Board of Directors
 (Date)
 By competent legal counsel? (Date) Filed with
 Commissioner of Banks (Date)
 Has the fund been operated in conformity with the Plan and the Rules
 and Regulations issued by the State Banking Commission and/or
 Commissioner of Banks? ()Yes ()No

3C .1301 Are all officers and employees taking the required vacation? ()Yes ()No

GENERAL

Is opinion of competent counsel obtained and filed in connection with all important matters pertaining to trusts? ()Yes ()No
 Are available cash balances of trust funds promptly invested? ()Yes ()No
 Are proper releases secured for either partial or full distribution of trust assets? ()Yes ()No
 Are reports properly filed with courts or others entitled thereto? ()Yes ()No
 Has the trust department/trust company given any guarantees or assurances of any nature in connection with its trust activities? ()Yes ()No
 Is there pending or threatened litigation in which the trust department/trust company is involved on account of any fiduciary relationship? ()Yes ()No

List other comments pertinent to the affairs of the trust department/trust company:

CERTIFICATION:

We, directors serving on the Examining Committee, certify that this report is correct to the best of our knowledge and belief.

NAME	SIGNATURE	
_____	_____	}
_____	_____	
_____	_____	

**3 Examining
Committee
Members**

STATE OF _____, COUNTY OF _____, :

Sworn to and subscribed before me this _____ day of _____, in the year _____, and I hereby certify that I am not an officer or director of this bank/trust company.

 Notary Public

(Notary Seal)

My commission expires _____