Nebraska Department of Banking and Finance
Financial Institutions Division
https://ndbf.nebraska.gov

1526 K Street
PO Box 95006
Lincoln, NE 68508-2732
(402) 471-2171

Statement of Principles of Trust Management

The minimum requirements to provide for sound fiduciary practices in the operation of a trust company fiduciary department and to provide safeguards for the protection of fiduciary beneficiaries, principals of agency relationships, creditors, stockholders, and the public, should include:

- Involvement by the board of directors in providing for the establishment and continuing operation of a fiduciary department;
- Operation of fiduciary activities separate and apart from every other activity of the company, with trust assets separated from other assets owned by the corporation, and the assets of each trust account separated from the assets of every other trust account; and
- Maintenance of separate books and records for the fiduciary department in sufficient detail to properly reflect all fiduciary activities.

Nothing herein is intended to prohibit the board of directors from acting as the trust committee, or from appointing additional committees and officers to oversee account administration and the operations of the trust company and its fiduciary activities. When delegating duties to subcommittees and/or officers, the board and the trust committee continue to be responsible for the oversight of all trust company and fiduciary activities. Sufficient reporting and monitoring procedures should be established to fulfill this responsibility.

The board of directors, by proper resolution included in its minutes, should:

1) Designate an officer, qualified and competent, to be responsible for and administer the activitiesof the fiduciary department. In addition, the board should define the officer's duties.

2) Name a trust committee consisting of at least three directors to be responsible for and supervise the activities of the fiduciary department. The committee should include, where possible,one or more directors who are not active officers of the trust company.

The trust committee should:

(a) Meet at least quarterly, and more frequently if considered necessary and prudent to fulfill its supervisory responsibilities;

(b) Approve and document the opening of all new fiduciary accounts; all purchases and sales of, and changes in, trust assets; and the closing of trust and agency relationship accounts;

(c) Provide for a comprehensive review of all new accounts for which the company has investment responsibility promptly following acceptance;

(d) Provide for a review of each fiduciary and agency account, including collective investment funds, at least once during each calendar year. The scope, frequency, and level of review (trust committee, subcommittee, or disinterested account officer) should be addressed in appropriate written policies which give consideration to the company's fiduciary responsibilities, type and size of account, and other relevant factors.

Generally, discretionary account reviews should cover both administration of the account and suitability of the account's investments, and nondiscretionary account reviews should address account administration;

(e) Keep comprehensive minutes of meetings held and actions taken; and

(f) Make periodic reports to the board of its actions.

3. Provide comprehensive written policies which address all important areas of the company's fiduciary activities.

4. Provide competent legal counsel to advise trust officers and the trust committee on legal matters pertaining to fiduciary activities.

5. Provide for adequate internal controls including appropriate controls over fiduciary assets.

6. Provide for an adequate audit (by internal or external auditors or a combination thereof) of all fiduciary activities, annually. The findings of the audit, including actions taken as a result of the audit, should be recorded in its minutes.

   If a trust company adopts a continuous audit process instead of performing annual audits, audits may be performed, on an activity-by-activity basis, at intervals commensurate with the level of risk associated with that activity. Audit intervals must be supported and reassessed regularly to ensure appropriateness given the current risk and volume of the activity.

7. Receive reports from the trust committee and record actions taken in its minutes.

8. Review the examination reports of the trust company by its supervisory agency(ies) and record actions taken in its minutes.