

Press Releases

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OTS 01-54 - As Growth in Trust Activities Increases, OTS Focuses on Risk-Based Exams

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As Growth Trust Activities Increases, OTS Focuses on Risk-Based Exams

WASHINGTON - The Office of Thrift Supervision (OTS) has released its updated Trust and Asset Management Handbook, designed to assist OTS examiners in planning and conducting examinations of trust and asset management products and services provided by savings associations.

The handbook has been revised to reflect OTS's risk-focused approach to examinations. In addition to providing detailed guidance for examiners, the Handbook provides trust officials at thrifts with an in-depth overview of the products and services, laws and regulations, and risks and fiduciary duties applicable to savings associations that engage in trust and asset management activities.

Trust and asset management services are generally grouped into one of three categories: trust administration, such as personal, corporate or employee benefit trusts; estate administration; and agency services, including investment management, safekeeping, custodial or transfer agent and escrow services.

Demand for trust and asset management-related services has increased dramatically in recent years, driven in large part by increased accumulations of individual wealth arising from, for example, transfers of wealth between generations, the retirement of the Baby Boom generation, the creation of new wealth related to the technology boom and the wider availability of mutual funds and online trading. As a result, there has been a commensurate increase in the number of thrifts and other financial services entities offering trust services. These entities are able to offer wealthy customers one-stop, virtually cradle-to-grave shopping for financial services.

Prior OTS approval is required before a thrift may engage in most trust and asset management activities. For the most part, savings associations administer trust and asset management activities through a separate trust department. Since 1997, however, OTS has approved applications from a number of entities to establish trust-only thrift institutions.

Applications from traditional thrifts to add trust departments also experienced a dramatic increase in the late 1990s.

Some of the new trust-only thrift charters represented insurance companies and investment management firms that growing numbers of customers seeking estate planning services. By setting up a trust-only shop, these companies can retain their clients' asset management business by referring them to their trust-only thrift affiliate.

These institutions generally conduct little on-balance sheet activity. Instead, the bulk of their business consists of offering trust services to individuals who are already clients of the parent company or an affiliate. Recently, some of these companies have applied to convert their trust-only charters to full service thrift charters, retaining their trust business but using it as a springboard to offering other thrift services.

The increase in trust activity at thrifts over the past three years required a matching increase in the examination staff OTS requires to monitor trust activity. The agency now fields 25 examiners who are dedicated solely to trust activities. Regions also share examiners and other resources to cope with the growth in trust activity.

The OTS also recently implemented a new accreditation program specifically for trust examiners, who will be known as "Federal Trust Regulators." The program includes skillset development and classroom training exercises. The classroom training consists of a series of tests that must be passed, and is supplemented by in-the-field experience.

The handbook is available on the OTS's website, at www.ots.treas.gov.

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The Office of Thrift Supervision (OTS), a bureau of the U.S. Treasury, regulates and supervises the nation's thrift industry. OTS's mission is to ensure the safety and soundness of thrift institutions and to support their role as home mortgage lenders and providers of other community credit and financial services. For copies of news releases or other documents visit the OTS web page at www.ots.treas.gov.