

CORPORATE TRUST REFERENCE

Core Analysis Procedures

Examiners are to consider these procedures but are not expected to perform every procedure at every institution. Examiners should complete only the procedures relevant for the institution's activities, business model, risk profile, and complexity. If needed, based on other identified risks, examiners can complete additional procedures not included below. References to laws, regulations, supervisory guidance, and other resources are not all-inclusive.

Findings and Conclusions

Document findings and conclusions here, and include a summary of these findings and conclusions in the appropriate Primary or Supplemental modules.

General Administrative

1. Evaluate pre-acceptance procedures for corporate appointments. Ascertain whether the following factors are considered:

- Due diligence, including financial strength of the obligor and sources of other backup funding
- Size and complexity of the issue and applicability of the Trust Indenture Act of 1939 (15 U.S.C. § 77aaa *et. seq.*) (TIA)
- The issuer's track record
- Capacity and expertise of the department to handle the issue, including information systems
- Potential conflicts of interest
- Potential liability factors, such as environmental impact

2. Determine whether synoptic records are appropriate for the size/complexity of accounts and provide necessary administrative information. Consider the following:

- Events of default
- Sinking fund or special account requirements
- Requirements of the TIA
- Investment of temporary funds
- Investment powers, restrictions, limitations or mandatory investments
- Collateral provisions
- Maturity or payment dates
- Co-trustees or agents

3. Determine whether appropriate ticklers are maintained with respect to matters of periodic performance of both obligor and trustee. Consider the following items:

<ul style="list-style-type: none"> • Maturity and interest payment dates, including call dates • Financial reporting requirements • Annual non-default certification by issuer • UCC and insurance renewal dates • Fee collections
4. Determine whether transactions are promptly and accurately posted.
5. Determine whether corporate accounts receive annual administrative and investment reviews.
Corporate (Bond) Trusteeships
GENERAL ACCOUNT ADMINISTRATION
6. Determine whether documentation is complete. Common documents include the following: <ul style="list-style-type: none"> • Original or certified copy of trust indentures • Original or certified copy of any mortgages • Original or certified copy of all supplements to original instruments • Certified copy of certificate of incorporation and amendments • Certified copy of the by-laws and all amendments • Certificate of consent of stockholders, where required • Certified copy of resolution approving issue and authorizing its creation • Specimen signatures of officers of obligor corporation with signatory authority • Opinion of counsel as to legality of issue, provisions of indenture, and sufficiency of supporting documents • Stockholders' resolution authorizing the issue, if required by state law • Approval of regulatory authorities if required
7. Determine whether accounts are administered in compliance with indenture covenants, which may involve: <ul style="list-style-type: none"> • Maintaining insurance coverage • Recording and perfecting mortgage and collateral liens • Filing and renewing UCC forms • Obtaining annual opinions of counsel

<ul style="list-style-type: none"> • Disbursing construction funds • Maintaining separate accounts for reserves, maintenance, depreciation, construction, and sinking funds • Investing temporary funds • Maintaining, replacing, or renewing property or equipment • Obtaining and reviewing financial statements • Obtaining engineers' maintenance certificates • Obtaining annual non-default certification from the issuer • Monitoring bond covenants such as creating additional debt/liens and required financial ratios • Assessing events of default
8. For issues secured by real estate, determine whether environmental risk has been appropriately addressed, including, when needed, a Phase I or Phase II environmental audit.
9. Assess the trustee's duties with respect to and compliance with any credit enhancements, such as letters of credit or municipal bond insurance.
10. Assess potential conflicts of interest involving the institution or its affiliates. Consider the following: <ul style="list-style-type: none"> • Acting as trustee for obligations involving insiders or for more than one debt issue • Extending credit to the obligor • Owning in its own capacity or as fiduciary a portion of the outstanding bonds • Serving as underwriter
DEFAULT ADMINISTRATION
11. Assess procedures for detecting and reporting events of default, including technical default, which may include: <ul style="list-style-type: none"> • Failure to pay principal or interest when due or to comply with sinking fund provisions • Failure to pay principal or interest on any prior liens • Filing bankruptcy • Cross default on other bonds or loans • Failure to comply with bond covenants
12. Evaluate default administration practices and procedures. Generally, the board or senior management should: <ul style="list-style-type: none"> • Obtain the advice of legal counsel

<ul style="list-style-type: none"> • Approve waivers on an issuer's failure to comply with bond covenants (within contractual guidelines) • Notify bondholders of all significant events and decisions • Implement appropriate procedures and legal remedies to ensure that bondholders' interests are adequately protected • Initiate foreclosure proceedings when appropriate • Publish notices of material events (for municipal issues) to Electronic Municipal Market Access (also commonly referred to as EMMA)
<p>13. Determine whether the institution maintains adequate policies and procedures addressing foreclosure on real estate. Consider the following:</p> <ul style="list-style-type: none"> • Performance of a new Phase I or Phase II environmental audit before taking title to real estate • Indemnification from bondholders • Recent appraisals
<p>ACCOUNT ADMINISTRATION CONTROLS</p>
<p>14. Determine whether the institution can reconcile all outstanding, cancelled and destroyed bonds back to the original issuance.</p>
<p>15. Determine whether there are operational controls assigning responsibility and providing proper safeguards for processed items, such as coupons, bonds in process, unissued bonds, and cancelled bonds.</p>
<p>16. Determine whether authorized signatures are affixed to newly issued securities certificates (to maintain appropriate controls over the authentication of securities certificates upon issuance).</p>
<p>17. Determine whether receipts are obtained for:</p> <ul style="list-style-type: none"> • Authenticated and delivered bonds • Bonds cancelled and returned to obligor • Destroyed bonds
<p>TRUST INDENTURE ACT</p>
<p>18. Determine whether any corporate trust accounts are subject to the TIA. Issues subject to the TIA generally include:</p>

<ul style="list-style-type: none"> • Bonds that exceed \$10 million outstanding at any one time • Bonds issued by private corporations (excluding securities issued by federal and state governments and subdivisions; banks, savings and loan associations, and nonprofit organizations; and intrastate issues)
<p>19. Determine whether all qualified indentures have at least one eligible trustee that meets all of the following requirements [TIA Section 310]:</p> <ul style="list-style-type: none"> • Authorized to exercise corporate trust powers • Subject to supervision, examination, and regulation under the laws of the United States, any state or territory, or the District of Columbia • Has a combined capital and surplus at a specified minimum of not less than \$150,000
<p>20. Determine whether co-trustees have the same rights, powers, duties, and obligations as the institutional trustee. [TIA Section 310]</p>
<p>21. Determine whether the trustee has no direct or indirect relationship with the obligor. [TIA Section 310]</p>
<p>22. Determine whether the trustee obtains a list of bondholders at stated intervals of not more than six months. [TIA Section 312]</p>
<p>23. Determine whether the trustee responds to requests for information from three or more bondholders within 5 business days. [TIA Section 312(b)]</p>
<p>24. Determine whether the trustee reports at stated intervals of not more than 12 months the following events to bondholders, the Securities Exchange Commission, and the securities exchange where the issue is listed [TIA Section 313]:</p> <ul style="list-style-type: none"> • Changes in eligibility under TIA Section 310 • Unpaid advances involving prior liens that aggregate more than ½ percent of the outstanding principal • Other indebtedness owed to it in its individual capacity • Collateral changes (i.e. any change to the property or funds physically in its possession; or any change in, release of or substitution of collateral) • Trustee actions • Additional security issues not previously reported

<ul style="list-style-type: none"> • Disqualification factors under TIA Section 310(b)
25. Determine whether the trustee obtains periodic reports from each obligor. [TIA Section 314]
26. For secured issues, determine whether the trustee obtains the following: [TIA Section 314(b)] <ul style="list-style-type: none"> • An opinion of counsel stating that the lien was properly recorded • An annual opinion from counsel stating that action necessary to maintain the lien was taken or no such action is necessary
27. Determine whether the trustee, prior to releasing collateral, obtains an independent valuation, by an engineer, appraiser, or other expert, of the fair market value of the collateral to be released. [TIA Section 314(d)]
28. Determine whether the trustee obtains evidence of compliance with the following: [TIA Section 314(c)] <ul style="list-style-type: none"> • Authentication and delivery of securities • Release and substitution of collateral • Satisfaction and discharge of the indenture • Other action taken by the trustee at the request of the obligor
29. Determine whether indentures do not contain provisions relieving the trustee from liability for negligent actions, failure to act, or willful misconduct. [TIA Section 315(d)]
TRUST INDENTURE ACT - DEFAULT
30. For issues in default due to failure to meet principal and interest or sinking fund requirements, determine whether the trustee either eliminates specified conflicts of interest or resigns within 90 days. [TIA Section 310]
31. Determine whether bondholders receive notice of default within 90 days if the default is due to failure to make principal and interest or sinking-fund payments. [TIA Section 315(b)]

32. Where the trustee becomes a creditor, determine whether any monies received within 3 months of default are appropriately set aside. [TIA Section 311]
Corporate Agencies
SECURITIES TRANSFER AGENT OR REGISTRAR
33. Determine whether stock certificates are properly issued and accurate for original issues, stock dividends, and stock splits.
34. Determine whether accurate records are maintained for securities ownership, including the number of shares outstanding and the par value of debt.
35. Determine whether cancelled certificates are appropriately controlled and recorded.
36. Determine whether there are controls to prevent the over- or under-issuance of a security.
37. Determine whether there is a process for checking the accuracy of all transfers performed by the stock transfer agent. Specifically, determine whether the process includes verification that: <ul style="list-style-type: none"> • Certificates presented for transfer are genuine • Old certificates have been cancelled • The number of shares represented by new certificates does not exceed the number of shares represented by cancelled certificates
38. Determine whether cancelled certificates and newly issued certificates are sent for verification if an outside registrar is used.
39. Determine whether deficiencies in the most recent registered transfer agent examination report have been corrected (if the institution is a registered transfer agent).
40. Determine whether deficiencies in recent internal or external audit reports have been corrected.

LOST AND STOLEN SECURITIES
41. Determine whether the institution is registered as either a direct or an indirect inquirer with the Securities Information Center.
42. Determine whether the institution reports the following events to the Securities Information Center [SEC Rule 17f-1 (c) and (e), 17 CFR 240.17f-1(c) and (e)]: <ul style="list-style-type: none"> • A security holder notifies the institution of a lost or stolen certificate(s) • During the securities transfer process, the transfer agent identifies: <ul style="list-style-type: none"> ○ Counterfeit securities certificates ○ Valid securities previously reported as lost or stolen ○ Valid certificates listed as paid or canceled on the transfer agent's books • The institution determines that securities certificates are missing from the blank certificate inventory [SEC Rule 17f-1 (e)]
43. Determine whether the institution filed a Suspicious Activity Report for each instance involving the theft or loss of securities certificates where there is a substantial basis for believing that criminal activity is involved.
FISCAL, PAYING, OR DIVIDEND DISBURSING AGENT
44. Determine whether the institution maintains adequate controls over the issuance of checks or other payments.
45. Determine whether funds held for payment of principal, interest, or dividends can be identified or reconciled to individual payment dates.
46. Evaluate the reconciliation procedures for disbursement accounts and consider the: <ul style="list-style-type: none"> • Frequency of reconciliations • Independence of personnel • Timely resolution of outstanding items • Appropriateness of management oversight

47. Determine whether adequate controls are maintained over checks spoiled or mutilated during processing, or returned as undeliverable.
48. Evaluate controls over dormant funds.
49. Evaluate management's policies and procedures for escheating funds by: <ul style="list-style-type: none"> • Identifying accounts holding unclaimed or stale funds • Determining whether the institution is in compliance with state law • Evaluating the appropriateness of any funds transferred to the institution's revenue or other accounts • Determining the appropriateness of management oversight
50. Evaluate the controls over principal and interest payments on bearer bonds if the institution is a registered transfer agent.
51. If the institution allows overdrafts in disbursement accounts, determine whether appropriate credit reviews are performed, and overdrafts are resolved in a timely manner.
52. Determine whether automated systems used in the disbursement process are periodically audited, including appropriate transaction testing.
Trustee For Asset-Backed/Securitized Debt Securities
53. Assess the adequacy of the pre-acceptance reviews of applicable issues. In particular, ascertain whether the following issues are considered: <ul style="list-style-type: none"> • The quality of underlying assets, • The institution's ability to monitor the assets, • The institution's ability to monitor and control servicing risk, • The availability of substitute servicers, • The requirements of computer systems, and • The complexity of the issue's structure.

54. Assess the administration of asset-backed and securitized debt issues, including compliance with governing instruments.
55. Determine whether the board performs adequate due diligence when selecting and retaining a servicer.
56. Evaluate back-up servicers. Consider whether back-up servicers: <ul style="list-style-type: none"> • Use hardware and software compatible with the original servicer, • Have adequate capacity to service the loan portfolio, • Perform under a written contract, • Periodically test their contingency and business resumption plans, and • Are examined by a regulatory agency whose reports are available to the institution
Global Custody
57. Evaluate the board's oversight and management's administration of global custody activities, and consider: <ul style="list-style-type: none"> • The adequacy of and compliance with the policies governing global custody activities • The effectiveness of systems used to identify, measure, monitor, and control global custody risks • The adequacy of data security measures, including data access, transmission, and storage controls • Whether management seeks legal advice concerning tax regulations of foreign countries • The adequacy of internal and external audit coverage of global custody activities • The appropriateness and testing of contingency and business resumption plans
58. Assess the practices and procedures governing global custody services, which should generally include: <ul style="list-style-type: none"> • Accurate and timely reconciliation and prompt resolution of out-of-proof conditions • Prompt identification and resolution of unsettled trades • Prompt communication of corporate actions to clients (with client inquiries receiving prompt action) • Appropriate allocation of income to client accounts and prompt action if funds are not received when due • Accurate securities pricing • Adequate tax-reclaim procedures and practices
59. Evaluate the custodian's accounting practices and the process for capturing income declared or distributed for securities.

60. Assess the profitability of the global custody business and its contribution to the institution's earnings.
61. If sub-custodians are used, determine whether: <ul style="list-style-type: none">• Adequate due diligence was performed when selecting and retaining a sub-custodian• Sub-custodians perform pursuant to written agreements• Management periodically reviews the sub-custodian's financial condition, internal controls operational performance, and contingency plans
End of Core Analysis.