



FEDERAL RESERVE BANK *of* ST. LOUIS  
CENTRAL TO AMERICA'S ECONOMY®

# Regulatory Panel Federal Reserve Bank

2023 FIRMA Conference

Jamie Bazarow

Supervisory Examiner

# Disclaimer

The views and opinions expressed in this presentation are intended for informational purposes, and are not opinions of, nor binding on, the Federal Reserve Bank of St. Louis or the Board of Governors of the Federal Reserve System.

# Overview

- Examination Focus and Priorities
- Fiduciary Activities Examination Findings
- Appendix I: Federal Reserve System Supervision
- Appendix II: Selected Federal Reserve Asset & Wealth Management Supervisory Guidance

# Examination Focus and Priorities

# Focus and Priorities

- Vendor Management
- Operational Risk & Resiliency
- Investment Risk
- Cryptoasset Activities
- Trending Topics

# Vendor Management

- Supervision and Regulation (SR) Letter 21-15: Guide for Community Banking Organizations Conducting Due Diligence on Financial Technology Companies
  - Focuses on six key due diligence matters
    - Business experience/qualifications, financial condition, legal and regulatory compliance, risk management and controls, information security, and operational resilience
- SR Letter 13-19: Guidance on Managing Outsourcing Risk
  - Life Cycle: due diligence and ongoing monitoring

# Operational Risk & Resiliency

- Criticality of Activities/Controls
- Outsourcing
  - Third-party's management of their own risks
- Cybersecurity – SR 22-4: Computer-Security Incident Notification
  - Requires notice to Federal Reserve for materially disruptive incidents within 36 hours.
- Specialized
- Succession

# Investment Risk

- Market Volatility/Uncertainty
- Inflationary Pressure
- Reach for Yield
- Conflicts of Interest
  - Use of proprietary products
  - Use of affiliate services
- Delegated asset management function

# Cryptoasset Activities

- SR 22-6: Engagement in Crypto-Asset-Related Activities by Federal Reserve-Supervised Banking Organizations
  - All Federal Reserve-supervised banking organizations engaging or seeking to engage in crypto-asset-related activities should notify its lead supervisory central point of contact.
  - Prior to engaging in any activity, a supervised banking organization:
    - Must ensure such activity is legally permissible and determine whether any filings are required under applicable federal or state laws.
    - Must have adequate systems, risk management, and controls in place to conduct such activities in a safe and sound manner consistent with applicable laws, consumer protection statutes, and regulations.

# Trending Topics

- Discretionary Decisions
  - Distributions
  - Power to Adjust
- Cryptoasset Risk Management Practices
- ESG/SRI Measurement
- Elder Abuse

# Fiduciary Activities Examination Findings

# Examination Findings

- **Management**
  - Succession Planning, Committee Charter, Vendor Due Diligence
- **Conflicts of Interest**
  - Reporting, Policy Adherence, Suppressed Transactions
- **Complex Administrative Matters**
- **Risk Management Lines of Defense**
  - Audit Scope and Risk Assessment Deficiencies

# Appendix I: Federal Reserve System Supervision

# Federal Reserve System Supervision

- As of 12/31/22, Federal Reserve System supervises approximately 701 State Member Banks and 3,577 holding companies.
  - Approximately \$4.0 trillion in bank assets
  - 46 SMB with over \$10 billion in assets; 157 with \$1-10 billion in assets; and 498 with less than \$1 billion in assets.
- As of 12/31/22, Federal Reserve System supervises approximately \$10.0 trillion in fiduciary assets and \$71.5 trillion in custody assets.
  - 110 Federal Reserve System fiduciary examiners supervising 195 banks with fiduciary activities.

# Federal Reserve System Supervised Banks

	Managed	Non-Managed	Total Assets
Personal Trust and Agency Accounts	\$ 171,099,865	\$ 113,618,375	\$ 284,718,240
Employee Benefit - Defined Contribution	\$ 543,538,471	\$ 1,284,884,621	\$ 1,828,423,092
Employee Benefit - Defined Benefit	\$ 478,238,558	\$ 1,858,916,482	\$ 2,337,155,040
Other Employee Benefit and Retirement Related	\$ 154,448,649	\$ 428,635,360	\$ 583,084,009
Corporate Trust and Agency Account	\$ 3,006,611	\$ 1,690,894,324	\$ 1,693,900,935
Investment Management and Investment Advisory	\$ 970,826,352	\$ 69,678,188	\$ 1,040,504,540
Foundation and Endowment	\$ 171,288,974	\$ 67,060,696	\$ 238,349,670
Other Fiduciary Accounts	\$ 77,204,280	\$ 1,936,255,342	\$ 2,013,459,622
Total Fiduciary Accounts	\$ 2,569,651,760	\$ 7,449,943,388	\$ 10,019,595,148
Custody and Safekeeping Accounts		\$ 71,520,495,559	\$ 71,520,495,559
Total Fiduciary and Custody/Safekeeping			\$ 81,540,090,707

In thousands

Source: Call Report Schedule RC-T as of 12/31/2022. Includes all FRS-supervised institutions.

# Appendix II: Selected Federal Reserve System Asset & Wealth Management Guidance

# Federal Reserve System Guidance

- [SR 94-11](#): Interagency Statement on the Retail Sales of Non-deposit Investment Products
- [SR 95-51](#): Rating the Adequacy of Risk Management Processes and Internal Controls State Member Banks and Bank Holding Companies (\$50 Billion and Larger)
- [SR 96-10](#): Risk-Focused Fiduciary Examinations
- [SR 98-37](#): Uniform Interagency Trust Rating System
- [SR 99-07](#): Supervisory Guidance Regarding the Investment of Fiduciary Assets in Mutual Funds and Potential Conflicts of Interest
- [SR 00-17](#): Guidance on the Risk Management of Outsourced Technology Services
- [SR 01-05](#): Examination of Fiduciary Activities
- [SR 03-05](#): Amended Interagency Guidance on the Internal Audit Function and its Outsourcing

# Federal Reserve System Guidance

- [SR 08-08](#): Compliance Risk Management Programs and Oversight at Large Banking Organizations with Complex Compliance Profiles
- [SR 12-17](#): Consolidated Supervision Framework for Large Financial Institutions
- [SR 13-01](#): Supplemental Policy Statement on the Internal Audit Function and Its Outsourcing
- [SR 13-19](#): Guidance on Managing Outsourcing Risk (Vendor Risk Management)
- [SR 16-11](#): Supervisory Guidance for Assessing Risk Management at Supervised Institutions with Total Consolidated Assets Less than \$50 Billion
- [SR 21-15](#): Guide for Community Banking Organizations Conducting Due Diligence on Financial Technology Companies
- [SR 22-6](#): Engagement in Crypto-Asset-Related Activities by Federal Reserve-Supervised Banking Organizations

## Contact Information:

**Jamie Bazarow**

Supervisory Examiner

Federal Reserve Bank of St. Louis

[Jamie.A.Bazarow@stls.frb.org](mailto:Jamie.A.Bazarow@stls.frb.org)

501-515-1593

# Connect with Us

DISCOVER [STLOUISFED.ORG](https://stlouisfed.org)

---

## NEWS & VIEWS



Stay informed of our world-renowned economic research through blogs, podcasts and publications.

## FRED® Federal Reserve Economic Data



Graph, transform and share hundreds of thousands of data series from trusted sources around the world.

## ECONOMIC EDUCATION



Find award-winning activities, videos, lessons and more, with publicly available resources for all ages.

## COMMUNITY DEVELOPMENT



Learn how the St. Louis Fed works to support an economy in which everyone can benefit.

## EXPLORE THE EXHIBITS

---



## SUBSCRIBE & STAY IN TOUCH

---

Subscribe to e-newsletters 

Follow us on social      