

## ACCOUNT REVIEWS: HOW MANY CAN YOU NAME?

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## Account Reviews

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6-Lines of Defense

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## Types of Account Reviews

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- Pre-Acceptance Review
- Post Initial Acceptance Review
- Annual Investment Review
- Periodic/Annual Administrative Review
- Account Closing Review
- Watch List Review



## Regulation 12 CFR 9

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“Best Practices”  
Scott on Trusts

## § 9.6 Review of Fiduciary Accounts

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- a) *Pre-acceptance review.*** Before accepting a fiduciary account, a national bank shall review the prospective account to determine whether it can properly administer the account. (10-P's)
- b) *Initial post-acceptance review.*** Upon the acceptance of a fiduciary account for which a national bank has investment discretion, the bank shall conduct a prompt review of all assets of the account to evaluate whether they are appropriate for the account.
- c) *Annual review.*** At least once during every calendar year, a bank shall conduct a review of all assets of each fiduciary account for which the bank has investment discretion to evaluate whether they are appropriate, individually and collectively, for the account.  
(2008-10)



## Scope of Annual Account Reviews

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## Scope of Annual Account Reviews

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- The scope of the account review primarily depends on the department's fiduciary responsibilities and the type of account under review.
- An account review should generally cover the administration of the account (administrative review) and the suitability of the account's assets (investment review).
- Departments that provide services to third parties, or who obtain services from third parties, should ensure that all affected accounts are reviewed by the appropriate party as outlined in the written agreements.
- The scope of an account review is dependent upon the nature of fiduciary responsibilities and types of account, as outlined below.

## Scope of Annual Account Reviews

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- Discretionary Personal and Employee Benefit Accounts –
  - ◆ In personal and employee benefit accounts where the institution has investment discretion, an account review generally should consist of both an administrative and investment review.
  - ◆ The administrative review will differ according to the type and purpose of a given account.

## Scope of Annual Account Reviews

- Nondiscretionary Personal Accounts –
  - ◆ The account review should primarily focus on the appropriateness of account administration, which will differ according to the type and purpose of a given account.
  - ◆ There may be no requirement or responsibility to review investments, but as in all nondiscretionary accounts, a corporate fiduciary may be held accountable for the actions of a co-fiduciary, due to bank's professional corporate trust status.

## Scope of Annual Account Reviews

- Nondiscretionary ERISA Employee Benefit Accounts –
  - ◆ Review of self-directed employee benefit accounts is normally limited to coverage of administrative matters. These will differ according to the type of responsibilities (such as participant record keeping, participant loan programs, etc.) administered by the bank.
  - ◆ In these accounts, a cursory review of the investments is also in order to avoid flagrant violation of the insider and prohibited transaction provisions of ERISA.
  - ◆ Trustees directed by named fiduciaries have liability to determine whether directions are proper, meaning that they are in accordance with the plan, and not contrary to ERISA and/or applicable regulations.
  - ◆ A corporate fiduciary is held to a higher standard because of its purported knowledge and expertise in fiduciary matters.

## Scope of Annual Account Reviews

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- Nondiscretionary non-ERISA Employee Benefit Accounts –
  - ◆ These accounts are generally sponsored by church organizations or state, county, or municipal governments and their agencies.
  - ◆ Only the administrative reviews, as covered above for nondiscretionary ERISA employee benefit accounts, need to be performed.

## Scope of Annual Account Reviews

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- Self-Directed IRAs and Keoghs –
  - ◆ Self-directed IRA and Keogh accounts are considered trust accounts under Internal Revenue Code Section 408(h).
  - ◆ Therefore, examiners should ensure that an administrative review is performed and that proper controls are in place to limit liability.
  - ◆ For a discussion of the proper controls, refer to the FDIC Trust Examination Handbook-Operations, Internal Controls and Auditing section regarding [Self-Directed IRAs and Keoghs](#).

## Scope of Annual Account Reviews

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### ■ Custodial Accounts –

- ◆ Although custodial accounts are not always considered fiduciary accounts (the classification depends on state law), administrative reviews should be performed on all custodial accounts.
- ◆ This also applies to custodial accounts for ERISA employee benefit plans.
- ◆ Management has the responsibility of ensuring that custodial relationships are being administered in accordance with signed agreements.

## Scope of Annual Account Reviews

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### ■ Discretionary Corporate Bond Trusteeships –

- ◆ Bond indentures for corporate and municipal debt issues (bonds, debentures, notes, etc.) usually delineate how available funds are to be invested.
- ◆ Nonetheless, the bank may have discretion in selecting the actual investments. In such cases, the investments held for the account should be reviewed, as well as the administration of the account.

## Scope of Annual Account Reviews

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### ■ Collective Investment Funds –

- ◆ The review of collective investment funds should include both an administrative and an investment review.
- ◆ The administrative review should ensure that the operation of each collective investment fund complies with applicable laws, and regulations (e.g. OCC Regulation 9, SEC regulations, ERISA and DOL regulations, the Internal Revenue Code and IRS regulations, etc.) and standard industry practice.
- ◆ The investment review should ensure that investments are consistent with the stated investment purpose of each fund. Fund performance for each collective investment fund should also be included in the annual review.

## Scope of Annual Account Reviews

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### ■ Nondiscretionary Corporate Bond Trusteeships and Agencies –

- ◆ These accounts generally involve corporate and municipal debt issues, securities transfer agencies, paying agencies, etc. Since there are either no assets on hand or the bank has no discretion over their investment, only administrative reviews need to be conducted.



## Types of Account Reviews

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- Pre-Acceptance Review
  - ◆ 12 CFR 9.6(a) & FDIC Trust Examination Handbook
  - ◆ Fiduciary Account
- Formal acknowledgment of new accounts should be noted in Board or committee minutes.
- The Board has the authority to delegate approval of accounts to a junior committee.
- However, this practice should be used judiciously as the Board continues to remain responsible for all accounts accepted.

## Types of Account Reviews

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- Management should delineate standards for the acceptance of new business to control potential risks.
- The standards should define criteria for accepting or declining new business, given management's administrative capabilities.
- The ability of the trust institution's staff, systems, and facilities to handle the proposed duties must be considered, when accepting new accounts.

## 10-P's of Account Acceptance

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- Pre-acceptance Review Evaluation Criteria
  - ♦ Place (Situs)
  - ♦ Purpose (Intent)
  - ♦ Provisions (Instrument)
  - ♦ Principles (Interested Parties)
  - ♦ Potential Conflicts
  - ♦ Performance (Administrative Responsibilities)
  - ♦ Portfolio
    - Current
    - Future
  - ♦ Processing Requirements
  - ♦ Pricing
  - ♦ Profitability

## Types of Account Reviews

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- Post Initial Acceptance Review
  - ♦ 12 CFR 9.6(b) & FDIC Trust Examination Handbook
  - ♦ Fiduciary Account, bank has investment discretion
  - ♦ The initial review of new accounts for which the bank has investment responsibility should be conducted promptly following acceptance.
  - ♦ Industry practice is to complete the review within 60-90 days of opening.
  - ♦ The initial review should **establish an investment program** consistent with the needs and objectives of the account, and ensure that the **synoptic record is complete and accurate.**

## Types of Account Reviews

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- Annual Investment Review
  - ◆ 12 CFR 9.6(c) & FDIC Trust Examination Handbook
  - ◆ Fiduciary Account, bank has investment discretion
  - ◆ See OCC Bulletin 2008-10
- An investment review may include, but is not limited to, the following items:
  - ◆ Investment objectives - Are they consistent with the objectives of the trust? Are assets held consistent with the chosen investment objectives and/or asset allocation models?
  - ◆ Diversification of discretionary investments - Is the account properly diversified consistent with either the [Prudent Investor Act](#) or [Prudent Man Rule](#), as applicable?

## Types of Account Reviews

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- ◆ Concentrations - Are there any undue concentrations, either within a type of security, industry, or specific obligation?
- ◆ Own-bank or affiliate obligations - Is the purchase appropriate, yield adequate, and authorization documented?
- ◆ Investments in companies related to, or loans made to, bank insiders - Are there any conflict of interest or self-dealing concerns?
- ◆ Approved hold, buy, and sell lists - Is the account in compliance?
- ◆ Maturity of assets - Are there excess funds invested in short-term (lower yielding) investments? Is there adequate liquidity?

## Types of Account Reviews

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- ♦ Asset valuations - Are assets including real estate, limited partnerships, closely held businesses, real estate syndications, and derivatives valued accurately?
- ♦ Insurance coverage - Is it adequate?
- ♦ Environmental risk factors - Are there any environmental risk concerns?
- ♦ Complaints - Are complaints by grantors, beneficiaries, plan administrators, etc. being reviewed? Have previous complaints been resolved?
- ♦ Criticisms - Is corrective action being taken in regards to criticisms noted by internal and external auditors and regulatory authorities?

## Types of Account Reviews

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- Periodic/Annual Administrative Review
  - ♦ FDIC Trust Examination Manual
  - ♦ Performance
    - Self-assessment
    - Peer-assessment
    - Third-party assessment
  - ♦ See Sample Account Admin Review Form

## Administrative Review

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- A comprehensive account review includes both an administrative and an investment review.
- Management may choose to address both aspects in one review or perform two separate and distinct reviews.
- Both methods are acceptable as long as each review, by itself, is complete in nature.
- Whether performed separately or together, the reviewing authority (trust committee, subcommittee, or disinterested account officer) should perform the review in light of the governing instruments, applicable laws and regulations, fiduciary responsibilities, and needs of the beneficiaries.

## Administrative Review

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- No listing can appropriately denote every item which should be considered in an account review since the reviews vary based on the department's fiduciary responsibilities, type of account, assets held, and other circumstances.
- Nonetheless, the general areas noted below are illustrative of the areas that should receive coverage in either an administrative or investment account review.
  - ♦ Administrative Review
    - An administrative review may include, but is not limited to, the following items:
      - ♦ Governing instrument (trust, will, plan, indenture, etc.) - Is a copy on file?

## Administrative Review

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- ♦ Synoptic record - Is the record complete, accurate, current, and reliable?
- ♦ Tickler system - Is the system up-to-date and accurate?
- ♦ Cash transactions - Are remittances, disbursements, and overdrafts posted correctly to income and principal? Is there any evidence of unusual cash flow activity, such as free riding? Is there any suspicion of money laundering? If so, has management filed, or considered filing, a Suspicious Activity Report (SAR)
- ♦ Securities transactions - Were appropriate approvals and authorizations obtained for non-discretionary and discretionary transactions? As applicable, were confirmations sent within the prescribed time frames? Did the confirmations or account statements contain the appropriate disclosure documentation?

## Administrative Review

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- ♦ Own-bank and affiliate obligations - Are purchases properly authorized?
- ♦ Accountings and statements - Are they accurate and timely?
- ♦ Commissions and fees - Are they accurate, consistent with the established fee schedule, and being collected?
- ♦ Co-fiduciary approvals/denials - Are approvals/denials documented?
- ♦ Committee approvals/denials - Are approvals/denials documented?
- ♦ Internal policies and procedures - Is the account in compliance?

## Administrative Review

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- ♦ Complaints - Are complaints by grantors, beneficiaries, plan administrators, etc. being reviewed? Have previous complaints been resolved?
- ♦ Criticisms - Is corrective action being taken with regard to criticisms noted by internal and/or external auditors and regulatory authorities?

## Types of Account Reviews

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- Account Closing Review
  - ♦ 12 CFR 9.8(a) & FDIC Trust Examination Manual
  - ♦ Closed accounts should be reviewed to determine if the responsibilities under the instrument have been properly discharged and account administration was in accordance with the department's policies and procedures.
  - ♦ The improper administration of an account can potentially expose the bank to reputation risk and financial liability.
  - ♦ A significant increase in the number of closed accounts may be indicative of other underlying operational or administrative issues.
  - ♦ Formal acknowledgement of closed accounts should be noted in the Board or committee minutes, along with the reason the account was closed. Furthermore, trust department records must contain receipt for assets transferred from the successor trustee, administrator or beneficiaries.

## Risk-Rating Accounts

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- Application of Risk Rating
  - ◆ Account Acceptance
  - ◆ Pricing
  - ◆ Account Assignment
  - ◆ Workload Balancing
  - ◆ Administrative Review Frequency
  - ◆ Watch List
  - ◆ Quintile Ranking
  - ◆ Risk Trends (Increasing, Stable, Decreasing)
  - ◆ Sources of Risk



## Account Risk Rating

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## Account Type

	Risk Value	Account Score
<b>Custody/Escrow</b>	1	
<b>Agent</b>		
Investment Advisory	3	
Investment Management	2	
<b>Trust</b>		
▪ Revocable	3	
▪ Irrevocable		
Non-charitable	4	
Charitable	5	
<b>Court</b>		
▪ Guardian	3	
▪ Executor	3	
<b>IRA</b>		
▪ Self-Directed	4	
▪ Managed	3	
<b>Retirement</b>		
▪ Custodian	2	
▪ Investment Manager		
321	3	
328	4	
▪ Directed Trustee	4	
▪ Discretionary Trustee	5	
Corporate Trust		
Trustee Under the Indenture	4	
Paying Agent	2	
Transfer Agent	3	

## Asset Size

	Risk Value	Account Score
< \$500,000	1	
500<001 – 2,000,000	2	
2,000,001 – 5,000,000	3	
5,000,000 – 10,000,000	4	
> 10,000,000	5	

## Investment Discretion

	Risk Value	Account Score
<b>Sole</b>	2	
<b>Shared</b>	3	
Delegated	4	
<b>Directed</b>	1	
Investment Policy Statement – None	2	
Investment Policy Statement – Signed	1	

## Co-Trustee

	Risk Value	Account Score
<b>Individual</b>	3	
<b>Multiple Individuals</b>	4	
Committee	5	
<b>Professional – Individual Attorney/Accountant</b>	2	
<b>Professional – Corporate Fiduciary</b>	1	
Trustee Protector/Advisor	5	

## Discretionary Powers

	Risk Value	Account Score
<b>Simple</b>	2	
<b>Complex</b>	3	
<b>Spray</b>	4	
Conversion to Total Return Trust	5	
Exercise Power to Adjust	4	
<b>Principal Invasion (w/Ascertainable Standard)</b>	2	
<b>Principal Invasion (Trustees Discretion)</b>	3	

## Unique Assets

	Risk Value	Account Score
<b>Concentration</b>	5	
<b>Off-list Securities</b>	4	
Life Insurance	3	
Annuities	3	
Alternative Investments	3	
Tangible Personal Property	3	
Natural Resources		
▪ Renewable	3	
▪ Non-renewable	3	
RE (w/ Reciprocity)	3	
RE (w/o Reciprocity)	4	
CH	4	
LP	1	
MI	2	

## Unusual Governing Instrument Language

	Risk Value	Account Score
Trust Decanted	5	
Total Return Trust	3	
Crummey Powers	2	
Perpetual Trust	1	

## Situs

	Risk Value	Account Score
	State:	
In-Footprint	0	
Out-of-Footprint w/ Reciprocity	1	
Out-of-Footprint w/o Reciprocity	2	

## Potential Conflicts of Interest

	Risk Value	Account Score
Trustee Stock	3	
Trustee Deposits	1	
Trustee Repo's	1	
Proprietary Mutual Funds	2	
Collateral Assigned to Bank	3	
Unsecured Loans	2	

## Complaint/Litigation

	Risk Value	Account Score
Complaint		
Pending	2	
Resolved	1	
Pending/Threatened Litigation	3	
Current Litigation	4	

## Sensitive Issues

	Risk Value	Account Score
Person	2	
Geographic Location	1	
Foreign-domiciled Interested Party (NRA)	3	

## Account Milestones

	Risk Value	Account Score
Amendment (<2 years)	1	
Death		
Grantor (<2 years)	2	
Income Beneficiary (< 2 years)	2	
Remainder (<2 years)	2	
Termination (<2 years)	1	
New Account (<2 years)	2	
Administrator/Investment Officer Turnover (<2 years)	2	
New RIA Appointed (<2 years)	2	
Successor Trustee (<3 years)	3	
Account Received via Merger/Acquisition (<3 years)	3	
Significant Additions/Withdraws (<2 years)	2	
Examination/Audit Report Issue (most recent)	3	

	Risk Value	Account Score
Max Risk Level	151	
Risk Level:		

## Watch List

- FDIC Trust Examination Handbook
- A written watch list of accounts and assets meriting special attention provides a measure of control that can assist the department in limiting contingent liability and mitigating loss.
- To be effective, the watch list should be comprehensive, well documented, and periodically reviewed by the trust committee.
- Management actions, including decisions made, contacts with interested parties, and legal discussions should also be noted and documented in writing.
- The level of detail provided by the watch list and the depth of the follow-up procedures will vary with the size and complexity of the trust department.

## Watch List

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- However, at a minimum, the watch list should:
  - ♦ Identify trust accounts, groups of trust accounts, or assets that warrant the special attention of management; and
  - ♦ Provide a summary of each account or asset identified, indicating the reason(s) why the particular account or asset merits special attention, and to the extent feasible, quantify the amount of risk.
  - ♦ Accounts or assets that involve pending or threatened litigation, customer complaints, waived fees, criticisms by regulatory authorities at prior examinations, large overdrafts, default or bankruptcy, or other situations may warrant inclusion on the department's watch list.

## Watch List

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- Finally, watch lists also serve as a valuable reference point for auditors, who can compare the findings of their own account review with the accounts identified by management as warranting special attention.
- This should assist management in assessing the adequacy of the risk management program.
- Finally, reliable watch lists can be used by examiners to determine the scope of account review.



## **Investment Reviews**

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OCC Bulletin 2008-10

## **OCC BULLETIN 2008-10**

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## Background and Purpose

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- The Office of the Comptroller of the Currency (OCC) is providing guidance to national banks on the annual review requirement contained in OCC fiduciary regulation 12 CFR 9.6(c).
- Under the regulation, at least **once during every calendar year**, a national bank is required to conduct a review of all assets of each fiduciary account for which the bank has investment discretion to evaluate whether they are **appropriate, individually and collectively, for the account**.
- These annual reviews are commonly referred to as “annual investment reviews.”

## Background and Purpose

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- The OCC has developed this guidance to clarify the agency’s expectations for the **depth and breadth of annual investment reviews**.
- Specifically, the guidance will:
  - ♦ Identify **information that should be considered** in a bank’s annual investment review process;
  - ♦ Address the importance of **ensuring that all account assets**, including unique and hard-to-value assets, **are reviewed for appropriateness** and consistency with account investment objectives;

## Elements of an Effective Annual Investment Review Process

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- ♦ Provide information on the different types of reviews currently used by the industry, including an overview of their strengths and limitations; and
- ♦ Emphasize the need for **thorough documentation** of reviews and a **strong “exception” tracking system**.
- ♦ In addition to being **a regulatory requirement**, annual investment reviews are among the **most useful tools bank fiduciaries have to ensure they meet their fiduciary responsibilities** and properly administer their customers’ accounts.

## Elements of an Effective Annual Investment Review Process

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- ♦ An annual investment review is a point-in-time **evaluation of both account assets and objectives**.
- ♦ Regardless of the tools employed by a particular institution, **management supervision, information systems, and follow-up are all critical to an effective investment review process**.
- ♦ An effective investment review process should be based upon **policies and procedures that provide clear standards for scope, documentation, and exception reporting and tracking**.

## Elements of an Effective Annual Investment Review Process

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- The process should:
  - ♦ Ensure that account **investment objectives are current and appropriate**, and that **investments are consistent with those objectives**.
  - ♦ Ensure that the investment review provides for an annual **assessment of the portfolio in its entirety**. This is particularly important when unique assets make up a portion of the account.

## Elements of an Effective Annual Investment Review Process

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- The process should:
  - ♦ **Include exception tracking that identifies and provides for follow up and resolution of exceptions such as securities not included on “approved” or “retention” lists, assets posing potential conflicts of interest, or asset concentrations.**
  - ♦ **Include performance measurements and a process for handling performance outliers.**
  - ♦ **Ensure that each asset is valued using an appropriate valuation process.**

## Elements of an Effective Annual Investment Review Process

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- Exception tracking systems are essential to a strong investment review process.
- An effective tracking system should provide notification to management of items such as investment reviews coming due, identification of reviews that are past due, and
- The bank should have a process for reporting and escalating issues/exceptions to appropriate management or committee levels.
- Exceptions should be properly addressed and corrective action should be implemented in a timely manner.
- Any waivers granted by administrators or portfolio managers should be based upon clearly defined parameters.

## Elements of an Effective Annual Investment Review Process

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- Unique or hard-to-value assets such as real estate, oil, gas and mineral interests, farms and ranches, timberland, closely held businesses, loans, and personal property should be included as part of the annual investment review.

## Elements of an Effective Annual Investment Review Process

- The review of these assets should:
  - ♦ Be sufficiently detailed to document the bank's determination that the asset is appropriate for the investment objectives of the account and should be retained.
  - ♦ Include a careful review of Asset Retention letters because these investment directions can require a bank to hold assets that may be inconsistent with the bank's investment strategies. A bank should accept Asset Retention letters only from authorized parties.
  - ♦ Provide updated asset valuations appropriate for the type of asset and nature of account.
  - ♦ Ensure that proper insurance coverage is maintained on assets that warrant protection.

## Elements of an Effective Annual Investment Review Process

- Various types of assets, including unique assets, held in a single account may be reviewed at different times.
- However, the investment review process must ensure that an assessment of the account as a whole is made at least annually.
- This is particularly important when unique assets make up a substantial portion of the account.
- Appropriate document retention policies and procedures should be in place to ensure that the bank maintains adequate documentation of each annual investment review.
- This will provide evidence of the bank's review process in the event complaints are lodged against the fiduciary, or litigation issues arise.

## Automated and Manual Investment Review Processes

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- The annual investment review process has evolved over time. In an effort to increase efficiencies, many banks are increasing their use of automation to facilitate investment reviews.
- Some banks have acquired investment review packages from vendors, while others
- Some automated systems have the ability to screen an account's marketable securities on a daily basis.
- Many banks use hybrid processes that encompass features of both automated and traditional manual investment reviews.

## Automated and Manual Investment Review Processes

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- A manual investment review process provides a more hands-on approach to investment reviews.
- Marketable securities and unique assets are usually reviewed at the same time, which can allow for more dialogue among administrators, portfolio managers, and unique asset managers.
- However, manual reviews can be more labor intensive, and some banks use a risk-based approach that relies upon a higher level of oversight (e.g., an asset review committee) for higher risk accounts and asset types, and for accounts with exceptions.

## Automated and Manual Investment Review Processes

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- *Factors to consider in using a manual review process:*
  - ♦ Manual investment reviews can be time consuming, particularly if the department has a large number of discretionary accounts with an array of unique assets.
  - ♦ As the number of reviews becomes larger, the risk level becomes higher of a bank's review becoming a "rubber stamp," or of reviews not being completed in a timely manner.
  - ♦ The quality of reviews may vary with the individual(s) performing the review.

## Automated and Manual Investment Review Processes

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- Automated investment reviews can also be a useful investment management and compliance tool.
- Lower risk accounts, such as those invested in model portfolios comprised of mutual funds or collective investment funds, lend themselves well to an automated process.
- **Automated systems allow marketable securities to be screened efficiently and frequently to identify assets not on an approved list, concentrations, own-bank securities, or accounts with allocations inconsistent with account objectives.**
- While automation can provide efficient identification, reporting, escalation, and ongoing monitoring of many types of exceptions, an automated investment review is not a substitute for good portfolio management or committee oversight and accountability.



## Automated and Manual Investment Review Processes

### ▪ ***Factors to consider in using an automated review process:***

- ♦ A wholly automated screening process **may not provide for the independent perspective** customarily provided by an effective committee review process.
- ♦ Automated systems **may not address whether an account's investment objectives have, or need to be, changed over time.**
- ♦ If account administrators are not included in the automated investment review process, **key information such as account objectives, cash needs, grantor intent, and beneficiary requests may not be properly considered.**
- ♦ Vendor systems may **only identify exceptions to a limited number of pre-set parameters.**

## Supervisory Considerations

- The OCC expects annual 12 CFR 9.6(c) investment reviews to be performed in a timely and comprehensive manner.
- Banks may use manual, automated, or a combination of tools to facilitate a review process that complies with the requirements of 12 CFR 9.6(c).
- During the normal course of the supervisory process, examiners will evaluate the adequacy of annual investment reviews to determine compliance with the requirements of the regulation and this interpretive guidance.
- Examiners will seek corrective action for significant weaknesses or unwarranted risks.

## **Automated Investment Reviews by Exception**

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### **Automated Investment Reviews**

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- Account assigned an Investment Objective, updated within last 15 months.
- Investment Policy Statement reviewed, signed and dated within last 15 months.
- Asset Allocation within Guidelines for Investment Objective (Min/Max by Asset Class and sub-class)
- Industry/Sector Allocation within Guidelines for Investment Objective (Min/Max by Industry/Sector)
- Fixed Income at above Quality Guidelines ( $\geq$ BBB+)
- Fixed Income within Duration/Maturity Guidelines (7-15 years maturity or 3-10 years duration)

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## Automated Investment Reviews

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- Equities Holdings
  - ♦ On Approved List
  - ♦ Rated Strong Buy, Buy or Hold
- Mutual Funds Holdings on Approved List
- Situations requiring special attention:
  - ♦ Concentrations in Portfolio (>7.5%)
    - Instrumental Language
    - Reduction Plan in place and on schedule
  - ♦ Off-list Securities in Portfolio
    - Investment Analysis performed

## Automated Investment Reviews

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- ♦ Unique Assets in Portfolio (see specific checklist for each asset type)
  - Real Estate
  - Closely-Held Companies
  - Royalty Interests
  - Loans & Mortgages
- One, three and five-year performance is within one standard deviation of the assigned Investment Objective's Mean over same time-frames.
- Recommended actions from last review implemented within 15 days of review date.