RESCINDED

OCC 1996-16

Subject: Fiduciary Income Statement: Addition of Schedule E to the Annual Report of Trust Assets
Date: February 8, 1996

To: Chief Executive Officers of all National Banks, Department and Division Heads, all Examining Personnel, and Other Interested Parties

Description: Addition of Schedule E to the Annual Report of Trust Assets

OCC 1996-16 has been replaced by FFIEC Call Report Instructions.

but aggregate data will be included in the Examination Council's annual publication, Trust Assets of Financial Institutions.

The trust income statement was issued in proposed form for public comment on June 30, 1995. The version of this new schedule adopted by the Examination Council incorporates changes made to the proposal to address concerns expressed by commenters about the reporting burden.

Under the trust income schedule, institutions will generally report trust fees by type of account, by three general categories of expense, and by the amount of settlements, surcharges, and other losses, gross and net, of recoveries. If an institution's aggregate losses are $100,000 or more in any year, individual losses of $10,000 or more must be reported by type of account. The new trust income statement will be included in the annual report of trust assets for the first time for the 1996 reporting year and must be received by February 15, 1997. However, because of the short lead time, institutions may report reasonable estimates in Schedule E for 1996 if the requested information is not readily available.

For further information, please contact Compliance Management at (202) 874-4447.

Bert A. Otto
Acting Deputy Comptroller for Compliance Management

Related Links

- FFIEC Press Release on Fiduciary Income Statement Dated December 18, 1995

FFIEC
Press Release
For immediate release December 18, 1995

The Federal Financial Institutions Examination Council (FFIEC) announced today that it has approved the addition of Schedule E, "Fiduciary Income Statement," to the Annual Report of Trust Assets (form FFIEC 001), effective for the December 31, 1996, report date. While the Annual Report of Trust Assets is completed each year by all financial institutions with trust powers that are supervised by the federal banking and thrift agencies, the new trust income statement must be completed only by those institutions with $100 million or more in total trust assets and by all nondeposit trust companies. The information reported by individual institutions in Schedule E will not be publicly available, but aggregate data will be included in the Examination Council's annual publication, Trust Assets of Financial Institutions.

The trust income statement was issued in proposed form for public comment on June 30, 1995. The version of this new schedule adopted by the Examination Council incorporates changes made to the proposal to address commenters' concerns about reporting burden.

In approving the trust income reporting requirement, the Examination Council noted that the trust activities of federally-suptrvised financial institutions have grown substantially in recent years, both in terms of the types and volume of assets administered and the variety and sophistication of investment services offered. Trust assets administered by the industry have grown by 74 percent over the five years from 1989 to 1994, including increases of 12 percent from 1992 to 1993 and 10 percent from 1993 to 1994.

At year-end 1994, 2,892 institutions administered total trust assets of $11.6 trillion, with the 886 institutions with $100 million or more in trust assets holding more than 99 percent of this total. Trust activities have also been an important source of fee income for financial institutions with trust powers. For the 50 largest bank holding companies, gross trust fee income of $10.8 billion was nearly 20 percent of noninterest income in 1994, and this dollar amount was 83 percent higher than the $5.9 billion in trust fee income earned in 1989.

The new trust income schedule should enable the agencies to better target their supervision of trust activities to those areas that pose greater risks to institutions. In general, in the new trust income statement, institutions will report trust fees by type of trust account, three general categories of expense, and the amount of settlements, surcharges, and other losses gross and net of recoveries. If an institution's aggregate losses are $100,000 or more in any year, individual losses of $10,000 or more must be reported by type of account. The new trust income statement will be included in the Annual Report of Trust Assets for the first time for the 1996 reporting year and must be received by February 15, 1997. However, in recognition of the limited amount of time before the beginning of the initial year for which trust income statement data must be compiled, the Examination Council agreed that institutions may report reasonable estimates in Schedule E for 1996 if the requested information is not readily available.

A copy of Schedule E and its instructions is attached.

-------------------------------Attachment---------------------------------

Board of Governors of the Federal Reserve System, Federal Deposit Insurance Corporation, National Credit Union Adminbtration, Office of the Comptroller of the Currency, Office of Thrift Supervision

SCHEDULE E - FIDUCIARY INCOME STATEMENT
Reporting Year 199   (Confidential Information)

Dollar Amounts in Thousands

1. GROSS FEES, COMMISSIONS AND OTHER FIDUCIARY INCOME

(a) Employee Benefit Trust Accounts
(b) Personal Trust & Estate Accounts
(c) Employee Benefit Agencies
(d) Other Agency Accounts
(e) Corporate Trust & Agency Accounts
(f) All Other Fiduciary Income
(g) Total Fiduciary Income (Sum of items 1(a) through 1(f))

2. EXPENSES
(a) Salaries and Employee Benefits
(b) Other Direct Expense
(c) Allocated Indirect Expense
(d) Total Expense (Sum of items 2(a) through 2(c))

3. SETTLEMENTS, SURCHARGES & OTHER LOSSES
(a) Gross Settlements, Surcharges & Other Losses *
(b) Recoveries to Reported Losses
(c) Net Settlements, Surcharges & Losses
*(If total exceeds $10 thousand, details of this item to be provided in the box below)

4. NET OPERATING INCOME (LOSS) (Item l(g) minus items 2(d) and 3(c))

5. CREDIT FOR OWN-INSTITUTION DEPOSITS

6. NET TRUST INCOME (LOSS) (Item 4 plus item 5)

7. Settlements, Surcharges & Other Losses

By Type of Account   Discretionary   Non-Discretionary

Employee Benefit Trust Accounts	(a)	(e)
Personal Trust & Estate Accounts	(b)	(f)
Employee Benefit Agencies	(c)	(g)
Other Agency Accounts	(d)	(h)
Corporate Trust & Agency Accounts (i)		
All Other Activities (j)		

(Total of amounts in items 7 (a) through 7 (j) must equal line 3 (a) above)

MEMO ITEM FOR ENTRY BY NON-DEPOSIT TRUST COMPANIES ONLY - SEE INSTRUCTIONS

8. NON FIDUCIARY INCOME

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ANNUAL REPORT OF TRUST ASSETS - FORM FFIEC 001
SPECIFIC INSTRUCTIONS
SCHEDULE E - FIDUCIARY INCOME STATEMENT

Who Must Report: This Schedule must be completed by each financial institution with more than $100 million in Total Trust Assets as reported on Schedule A (Line 18, Column F). In addition, all non-deposit trust companies, whether or not they report any assets on Schedule A, must also file Schedule E. Institutions which are not required to file Schedule E are encouraged to file it on a voluntary basis.

PubliC Availability of Schedule E: The information on Schedule E is confidential and will not be publicly available. The aggregate information will be included in the annual FFIEC publication, Trust Assets of Financial Institutions.

Instructions: Institutions filing Schedule E must complete all portions of the Schedule. Enter a zero on any line item that does not apply to your institution.

1. GROSS FEES, COMMISSIONS AND OTHER FIDUCIARY INCOME

1 (a through e) Trust and Agency Accounts

Gross fees, commissions and other fiduciary income data is to be reported by line of business. Please refer to the instructions for Schedules A and C for guidance in defining these lines of business. For employee benefit trust accounts, see Schedule A, column A; for personal trust & estate accounts, see Schedule A, columns B and C; for other agency accounts, see Schedule A, column E; and for corporate trust and agency accounts, see Schedule C.

Fees received for IRA, Keogh Plan or other accounts that are not administered by the trust department should be excluded from this Schedule. If these accounts require the bank to have trust powers, then their fees should be reported on this Schedule.

1 (f) All Other Fiduciary Income

Report all other direct income derived from other fiduciary sources not included in any of the above categories (e.g. 12b-1 fees and income from providing fiduciary services under agreement with another institution). Include all internal allocations of income to the trust function (such as transfer agent or pension plan administration credits), except for credits for deposits held in own or affiliated institutions, which are to be reported on line 5.

1 (g) Total Fiduciary Income

The total of lines l(a) through l(f).

(It should be noted that banks with more than $100 million in commercial bank assets are required to itemize "Income from fiduciary activities" in the quarterly FFIEC Report of Condition and Income ("Call Report") on line 5(a) of Schedule RI. Instructions for fiduciary income to be reported on line 5(a) of Call Report Schedule RI differ from those for line l(g) of this Schedule with respect to allocated income. Consequently, banks should be aware that the amounts reported in these two items will differ by the amount of such allocated income.)

2. EXPENSES

2 (a} Salaries and Employee Benefits

Include salaries, bonuses, hourly wages, overtime pay, and incentive pay for officers and employees of the trust department. If officers or employees spend only a portion of their time in the trust department, allocate that proportional share of their salaries and employee benefits. Expenses associated with employee benefit plans (pension, profit-sharing, 401(k), ESOP, etc.), health and life insurance, Social Security and unemployment taxes, tuition reimbursement, and all other so-called fringe benefits, should be included on this line.

(b) Other Direct Expense

In general, direct expenses are immediately identifiable as costs expended for and under the control of the trust function. These include expenses related to the use of trust premises, furniture, fixtures, and equipment, as well as depreciation/amortization, ordinary repairs and maintenance, service or maintenance contracts, utilities, lease or rental payments, insurance coverage, and real estate and other property taxes if they are directly chargeable to the trust function.

2(c) Allocated Indirect Expense

Allocated indirect expenses are those charged to the trust function from other departments of the institution as reflected in the institution's internal management accounting system. These include any allocation for the trust function's proportionate share of corporate expenses that cannot be directly charged to particular departments or functions. If the institution's internal accounting system is not able to provide this information, the institution may use a reasonable alternate method to estimate indirect expenses.

Indirect expenses include audit and examination fees, marketing, charitable contributions, customer parking, holding company overhead, and, in many cases, functions such as personnel, corporate planning, and corporate financial staff. Other indirect expenses include the trust function's proportionate share of building rent or depreciation, utilities, real estatc taxes, and insurance.

If no direct expense is shown for occupancy on line 2(b), and the institution's internal accounting system does not provide an allocated amount, an allocated occupancy expense based on proportionate floor space used by the trust function or some other reasonable alternate method should be shown on line 2(c).

2(d) Total Expense

The total of lines 2(a) through 2(c).

3. SETTLEMENTS, SURCHARGES & OTHER LOSSES

See the instructions for line 7 for information about the reporting of settlements, surcharges and other losses.

3(a) Gross Settlements, Surcharges & Other Losses

Report the total losses prior to any adjustments for recoveries. If the amount shown on this line is $100,000 or more, a breakdown of this amount should be shown on line 7 below. The amount shown on this line should then agree to the total of the details shown in that box.

3(b) Recoveries to Reported Losses

Show all recoveries received on reported losses.

3(c) Net Settlements. Surcharges & Losses

Line 3(a) less 3(b).

4. NET OPERATING INCOME (Loss)

Line l(g) minus lines 2(d) and 3. If the result is less than zero, the figure should be shown in parentheses.

5. CREDIT FOR OWN-INSTITUTION DEPOSITS

Uninvested cash belonging to fiduciary accounts is available to the commercial banking side of the institution for investment, trust functions are often given credit for the use of these monies. When this credit is given to the trust department or trust company as part of the bank's profit tracking system, it should be reported on line 5. Do not include actual interest earned on fiduciary funds on deposit, as this income would normally belong to the fiduciary account.

6. NET TRUST INCOME (LOSS)

Report the total amount of trust income or loss, prior to any income taxes, experienced by the trust function for the full year. The number for this line is the result of adding line 5 to the sub-total shown on line 4. If the total on line 6 is less than zero, the resulting figure should be shown in parentheses.

7. SETTLEMENTS, SURCHARGES & OTHER LOSSES

This box should only be completed where total settlements, surcharges and other losses for the reporting year on line 3(a) are $100,000 or more. If they are, report individual gross losses in excess of $10,000 on lines (a) through (j). Report individual gross losses of less than $10,000 on line (j). These amounts should not be shown net of any recoveries or insurance payments. Legal expenses should be included on line 2(b) or 2(c). Do not include contingent liabilities related to outstanding litigation.

Report settlements, surcharges, and other losses arising from errors, misfeasance or malfeasance according to the type of account and capacity.
The sum of lines 7(a) through 7(j) should equal the total shown on line 3(a) above.

MEMO ITEM TO BE COMPLETED BY NON-DEPOSIT TRUST COMPANIES ONLY

8. NON-FIDUCIARY INCOME

Stand alone or non-deposit trust companies, whose activities are limited to providing fiduciary services, may have income not directly attributable to the furnishing of fiduciary services. This income should be reported on this

line 8 as a memo figure and should not be included in the data shown on lines
1 through 6.