

Department of the Treasury

Thrift Bulletin

TB 48-16Handbooks: **Thrift Activities**Subject: **Assessments****Section: 071****Assessments and Fees Under 12 CFR Part 502**

Summary: This bulletin revises the assessment rates charged by OTS under the complexity component at 12 CFR § 502.25 for trust assets administered by savings associations. This Thrift Bulletin partially supersedes TB 48-15, dated November 30, 1998, by substituting a new assessment schedule for the trust assets portion of the complexity component. This Bulletin is effective with the January 2000 assessment and shall remain in effect until further notice.

For Further Information Contact: Your Regional Office or Planning and Budget, Washington, DC.

Thrift Bulletin 48-16**Introduction**

The Office of Thrift Supervision imposes semiannual assessments on thrifts based on three components: the thrift's size, its condition, and the complexity of its portfolio. 12 CFR part 502. Today's Thrift Bulletin revises the rate schedule used to compute assessments under the complexity component at 12 CFR § 502.25. The only savings associations affected by today's revisions are those administering more than \$1 billion in trust assets.¹

OTS computes the complexity component based on trust assets administered by the savings association, loans serviced for others, and assets covered in full or in part by recourse obligations or direct credit substitutes. In this Thrift Bulletin, OTS has revised rates under the complexity component for trust assets administered by a thrift and reported on Schedule SI, line 350 of the Thrift Financial Report. OTS has not revised the rates for loans serviced by others and for recourse obligations and direct credit substitutes under the complexity component. OTS has not changed its assessment rates under the size or condition component and has not altered any fee schedule.

This change is effective for the January 2000 assessment. The revised assessment rates for trust assets set in this Bulletin supersede the rate for trust assets previously published in TB 48-15, dated November 30, 1998, and shall remain in effect until further notice.

Background

The revisions to the assessment rates on trust assets are based on a continuing review of OTS's experience with the complexity component. OTS implemented the complexity component with the January 1999 assessment. Since then, OTS has continued to collect and analyze data on its assessments and on the agency's costs of supervising the thrift industry. Based on preliminary analyses of its experience, OTS

¹ For purposes of 12 CFR part 502 and this Thrift Bulletin, "trust assets" refers to assets held in a variety of capacities, such as trustee, guardian, or custodian.

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has determined that its current assessment on trust assets administered by thrifts under the complexity component can be more closely tailored to OTS's costs of supervising thrifts with trust operations. More specifically, OTS believes that it should distinguish for assessment purposes between those assets reported on line 350 that are held in a fiduciary capacity as defined in 12 CFR § 550.30 and those held in a non-fiduciary capacity.² These assets do not require the same level of supervision. Further, OTS has found that it is appropriate to recognize economies of scale in trust assessment rates. OTS will continue to monitor this area, as well as the other areas covered by the complexity component, to determine if further modifications are appropriate. This includes whether possible further differentiation among types of trust assets may be appropriate and how best to calculate the appropriate assessment charges.

Revised Assessment Rates for Thrifts Administering Over \$ 1 Billion in Trust Assets

For thrifts that administer \$1 billion or more in trust assets,³ OTS's revised assessment will distinguish between those assets held in a fiduciary versus a non-fiduciary capacity. Specifically, OTS will assess assets reported on SI 350 and held in a fiduciary capacity according to the rates set forth in the attached chart. This chart recognizes economies of scale by lowering the assessment rate for higher levels of these assets. Separately, OTS will charge an hourly examination charge for the non-fiduciary capacity assets reported on SI 350 administered by thrifts that administer \$1 billion or more in trust assets. The number of hours charged will equal the total number of actual trust examination hours at a thrift, multiplied by the ratio of those trust assets held in a non-fiduciary capacity to total trust assets administered by the thrift. The hourly examination charge remains at \$89.

Example 1: Thrift A administers a total of \$1.2 billion in total trust assets, entirely held in a fiduciary capacity (e.g., trustee). OTS would assess the thrift \$16,000 under the complexity component (\$1 billion times 0.000015 (\$15,000) plus \$200 million times 0.000005 (\$1,000)) semiannually. Except in the case of the unusual circumstances covered in 12 CFR § 502.60(e), the thrift would not be separately charged for trust examinations.

Example 2: Thrift B administers a total of \$1.2 billion in total trust assets, but those assets comprise \$500 million in assets held in a fiduciary capacity (e.g., trustee) and \$700 million in assets held in a non-fiduciary capacity (e.g., custodian). OTS would assess Thrift B \$7,500 under the complexity component for its fiduciary capacity assets (\$500 million times 0.000015) semiannually. Separately, when the thrift undergoes a trust examination, OTS will charge an examination fee for the trust assets held in a non-fiduciary capacity. Thus, if the examination consumes 100 examiner hours, OTS would also charge an examination charge of \$5,192 for the assets held in a non-fiduciary capacity (100 examiner hours times (\$700 million/\$1.2 billion) times \$89 per hour). That fee would be charged after the examination, not as part of the semi-annual assessment.

Currently, the Thrift Financial Report does not differentiate among the types of trust assets each thrift institution administers. We expect to propose changes to the TFR shortly to collect such data. In the interim, institutions that administer more than \$1 billion in trust assets that believe some of those assets should be considered non-fiduciary assets under the above definition should contact their OTS Regional Office. OTS examiners will verify the amount of fiduciary and non-fiduciary assets involved.

²For purposes of this Thrift Bulletin, assets reported on SI 350 are held in a non-fiduciary capacity when the savings association provides solely custodial, safekeeping, escrow, or similar services for its customer.

³ The changes in this Thrift Bulletin affect thrifts that administer more than \$1 billion in trust assets. Thrifts that administer \$1 billion or less in trust assets continue to be subject only to an hourly charge for trust examinations.

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Based on that information, OTS will then determine how much of an adjustment in the assessment may be appropriate.

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REVISED ASSESSMENT SCHEDULE - COMPLEXITY COMPONENT – TRUST ASSETS

COMPLEXITY COMPONENT CATEGORY	ASSESSMENT RATE
Trust assets administered in a fiduciary capacity, up to but not over \$1 billion.	0.000015
Trust assets administered in a fiduciary capacity, over \$1 billion but not over \$10 billion.	0.000005
Trust assets administered in a fiduciary capacity, over \$10 billion.	0.000001