

**PROPOSED REGULATION OF THE
COMMISSIONER OF FINANCIAL INSTITUTIONS**

LCB File No. R080-14

May 30, 2014

AUTHORITY: NRS 669A.090, NRS 669A.260, NRS 669A.270(1), and 658.101

A REGULATION to set forth requirements, processes, procedures, examination guidance and enforcement actions to be used by the Financial Institutions Division in connection with the Examination of a Licensed Family Trust Company, and the fees to be paid by the Licensed Family Trust Company in connection with the Examination.

Section 1. Chapter 669A of the Nevada Administrative Code (NAC) is hereby created to read as follows:

Section 2. *Definitions. For the purposes of this regulation, unless the context indicates otherwise, the following definitions apply:*

1. *“Applicable Committees” means committees which may be established by the Board such as an audit, trust, investment, distribution and amendment committee.*
2. *“Board” means the body of designated, elected, or appointed members of the Licensed Family Trust Company that jointly governs and oversees the activities of Management.*
3. *“Client” means a Family Member who has engaged the Licensed Family Trust Company to provide services authorized in NRS 669A.220.*
4. *“Client Complaint” means one or more written verified complaints by one or more Client(s) regarding the actions or omissions of a Licensed Family Trust Company which have been filed with the Financial Institutions Division and furnished to Management by the Financial Institutions Division for response.*
5. *“Committee” means a committee of the Board charged with oversight of a particular area or function of Licensed Family Trust Company. A Licensed Family Trust Company may, but is not required to have separate Committees from the Board.*
6. *“Corrective Action” means any action, plan or other undertaking by the Licensed Family Trust Company or Management reasonably required to address a Deficiency or material weakness identified in the Report of Examination issued pursuant to Section 8, in the Independent Review Report or in subsequent correspondence from the Financial Institutions Division.*

7. *“Commissioner” means the Commissioner of the Financial Institutions Division, Department of Business and Industry, State of Nevada.*
8. *“Deficiency” means an item, matter or condition with respect to the Licensed Family Trust Company, its organization and operation which does not meet the minimum requirements imposed by NRS Chapter 669A or this regulation.*
9. *“Examination” means Onsite or Offsite Examination of the Licensed Family Trust Company conducted by the Financial Institutions Division applying the Examination Guidance or an examination by the Financial Institutions Division of the Independent Review Report submitted to it by a Licensed Family Trust Company pursuant to Section 6.*
10. *“Examination Guidance” means the guidance embodied in the Request List, Internal Control Questionnaire and Examination Procedures issued pursuant to Section 10 including the Supplemental Examination Procedures.*
11. *“Examination Period” means the Licensed Family Trust Company’s activities since the last Independent Review or Examination conducted (unless otherwise specified) or licensure as a Licensed Family Trust Company, whichever is later.*
12. *“Examination Procedures” means a set of activities and inquiries reflected in Section 10, as augmented by Supplemental Examination Procedures issued, revised or reissued, from time to time, by the Financial Institution Division pursuant to Section 10, as part of the Examination Guidance to be undertaken by representatives of the Financial Institution Division or Qualified Firm in connection with an Examination or Independent Review of a Licensed Family Trust Company.*
13. *“Examination Ratings” means the ratings defined in Section 8.*
14. *“Family Trust Company Office” means the physical office location maintained by the Licensed Family Trust Company in accordance with NRS Chapter 669A.140~~12~~.*
15. *“Financial Institutions Division” means the Financial Institutions Division, Department of Business and Industry, State of Nevada.*
16. *“Independent Review” means a review of the Licensed Family Trust Company conducted by a Qualified Firm to assess the Licensed Family Trust Company’s compliance with the requirement of NRS Chapter 669A and this regulation applying the Examination Guidance pursuant to Section 6.*
17. *“Independent Review Report” means a written report issued by the Qualified Firm setting forth the results of the Independent Review.*

18. *“Internal Control Questionnaire” means a list of questions issued and revised or reissued, from time to time, by the Financial Institution Division pursuant to Section 10, and to be responded to in writing by the Licensed Family Trust Company in connection with its Examination or Independent Review pursuant to Section 10.*
19. *“Licensed Family Trust Company” means a licensed family trust company within the meaning ascribed in NRS § 669A.090.*
20. *“Management” means the Board, Applicable Committees, officers, and managers of a Licensed Family Trust Company .*
21. *“Multiple Client Complaints” means Client Complaints of a number, severity and credibility deemed by the Commissioner to be material.*
22. *“Nevada Statutory and Regulatory Compliance” means the Licensed Family Trust Company’s compliance with NRS 669A.080, NRS 669A.140, NRS 669A.150, NRS 669A.160, NRS 669A.170, NRS 669A.180, NRS 669A.210 and NRS 669A.250 and the regulations promulgated pursuant to NRS Chapter 669A.*
23. *“Notice of Examination” means a notice written by the Financial Institution Division and delivered to the Licensed Family Trust Company by certified mail with return receipt requested indicating that the Licensed Family Trust Company is subject to an Examination by the Financial Institution Division or Independent Review, setting forth the Examination Period, and referencing the current Examination Guidance.*
24. *“Offsite Examination” means an Examination of the Licensed Family Trust Company which is conducted by authorized representative(s) of the Financial Institutions Division from its offices in accordance with Section 5 applying the Examination Guidance through communication with Management.*
25. *“Onsite Examination” means an Examination of a Licensed Family Trust Company conducted by the authorized representative(s) of Financial Institutions Division at the Licensed Family Trust Company’s physical office maintained in the State of Nevada, designated pursuant to NRS § 669A.140(2) in accordance with Section 5 applying the Examination Guidance.*
26. *“Policies and Procedures” means written policies and procedures adopted by a Licensed Family Trust Company specific to the management, operations and administration of its trust business.*
27. *“Qualified Firm” means an independent firm that is qualified to perform an Independent Review of a Licensed Family Trust Company in accordance with Section 6.*

28. *“Report of Examination” means the written report prepared and issued by the Financial Institutions Division at the conclusion of an Examination or Independent Review of a Licensed Family Trust Company in accordance with Section 7 of this Regulation.*
29. *“Request List” is a list issued and revised or reissued, from time to time, by the Financial Institution Division pursuant to Section 10 of documents, instruments, and records to be provided by the Licensed Family Trust Company in connection with its Examination or Independent Review.*
30. *“Supplemental Examination Procedures” means a set of activities and inquiries not included in the Examination Procedures promulgated under Section 11, issued, revised or reissued, from time to time, by the Financial Institution Division pursuant to Section 10, as part of the Examination Guidance to be undertaken by representatives of the Financial Institution Division or Qualified Firm in connection with an Examination or Independent Review of a Licensed Family Trust Company.*

Unless otherwise defined, terms used in this regulation shall have the same meaning as provided in NRS Chapter 669A.

Section 3. Examination

1. *In addition to compliance by the Licensed Family Trust Company with the other requirements of NRS Chapter 669A, a Licensed Family Trust Company shall be periodically examined pursuant to one of three types of examinations or review as determined by the Financial Institutions Division:
 - (a) *Offsite Examination as set forth at Section 4;*
 - (b) *Onsite Examination as set forth at Section 5; or*
 - (c) *Independent Review as set forth at Section 6.**
2. *In determining the safety and soundness of the Licensed Family Trust Company which is a State of Nevada chartered and regulated non depository trust company that provides fiduciary services solely to Family Members and not the public, each Examination, or Independent Review of the Licensed Family Trust Company will be principally focused on an Examination of the Licensed Family Trust Company’s Nevada Statutory and Regulatory Compliance utilizing the Examination Guidance.*
3. *In conjunction with any Examination or Independent Review, the Financial Institutions Division shall deliver to the Licensed Family Trust Company a copy of the Examination Guidance which contain the Request List, the Internal Control Questionnaire and the Examination Procedures to be used by Financial Institutions*

Division in the Examination of the Licensed Family Trust Company and by a Qualified Firm in the Independent Review of the Licensed Family Trust Company.

4. *Fee for supervision and related activities during Examination: Amount; Collection; Failure to Pay:*
 - (a) *The Financial Institutions Division will charge and collect a fee of \$60 per hour from each Licensed Family Trust Company for each auditor employed by Financial Institutions Division for documented time expended in Examination pursuant to NRS 669A.260.*
 - (b) *The Financial Institutions Division will invoice each Licensed Family Trust Company upon the completion of the Examination for the fee established in subsection (a). The fee must be paid within 30 days after the date the bill is received by the Licensed Family Trust Company. Except as otherwise provided in this subsection, any payment received after that due date must include a penalty of 10 percent of the fee plus an additional 1 percent of the fee for each month, or portion of a month, that the fee is not paid. The Commissioner may waive the penalty for good cause.*
 - (c) *Failure of a Licensed Family Trust Company to pay the fee set forth in Subsection 4(a) constitutes grounds for revocation of its license.*
 - (d) *Licensed Family Trust Company shall be solely responsible for the fees and costs of the Qualified Firm engaged to conduct the Independent Review and to issue the Independent Review Report.*
5. *The Financial Institutions Division shall provide a Notice of Examination to a Licensed Family Trust Company that is eligible for Offsite Examination or Independent Review on or before November 15 of the year prior to the year in which the Examination or Independent Review shall take place.*

Section 4. Offsite Examination

1. *The Financial Institutions Division will periodically conduct an Offsite Examination of the Licensed Family Trust Company in accordance with the Examination Guidance unless the Licensed Family Trust Company is eligible for Independent Review and elects to submit to an Independent Review in accordance with Section 6, or if the Licensed Family Trust Company has a current Examination Rating of “Needs Improvement” or “Unsatisfactory”. A Licensed Family Trust Company which has no Examination Rating shall initially submit to an Offsite Examination unless the Licensed Family Trust Company has elected to submit to an Independent Review.*
2. *The Financial Institutions Division shall notify the Licensed Family Trust Company of the commencement of an Offsite Examination in the manner described in Section 3*

and include in such notice the Examination Guidance to the Licensed Family Trust Company issued pursuant to Section 10. The Financial Institution Division shall implement the Examination Guidance through communication(s) with Management.

- 3. If the Financial Institutions Division ascertains that incorrect or incomplete responses and/or documentation have been submitted, or disclosed by the Licensed Family Trust Company during the Offsite Examination in response to the Examination Guidance, the Financial Institutions Division will request a corrected or complete response and documentation be delivered to the Financial Institution Division within forty-five (45) days of such request unless extended by the Commissioner upon a showing of good cause.*
- 4. If the Licensed Family Trust Company fails to timely provide initial or additional responses or documentation requested by the Financial Institution Division during the Offsite Examination in accordance with Subsection 3 above, the Commissioner will determine whether such failure requires an Onsite Examination of the Licensed Family Trust Company, and/or impose a fee of \$25 per day for each day the Licensed Family Trust Company fails to provide a response or document requested by the Financial Institution Division in accordance with NRS Chapter 669A in absence of a showing of good cause by the Licensed Family Trust Company during the Offsite Examination.*

Section 5. Onsite Examination

- 1. The Financial Institutions Division will conduct an Onsite Examination of the Licensed Family Trust Company at the Family Trust Company Office if: (a) the Licensed Family Trust Company has a current Examination Rating of “Needs Improvement” or “Unsatisfactory” unless the Commissioner determines an Off-Site Examination is appropriate and so notifies the Licensed Family Trust Company to that effect, or (b) the Commissioner otherwise determines an Onsite Examination is necessary or appropriate under the circumstances to ensure the Licensed Family Trust Company’s compliance with NRS Chapter 669A. The Financial Institutions Division shall notify the Licensed Family Trust Company by certified mail of the commencement of an Onsite Examination unless the Commissioner deems it necessary to proceed without notice. The Financial Institutions Division shall furnish the Examination Guidance to the Licensed Family Trust Company in conjunction with the Onsite Examination with such notice, or in absence of such notice, at the commencement of the Onsite Examination*
- 2. If the Financial Institutions Division ascertains that incorrect or incomplete responses and/or documentation has been submitted, or disclosed by the Licensed Family Trust Company during the Onsite Examination in response to the Examination Guidance,*

the Financial Institutions Division will request corrected or complete responses and documentation be delivered to the Financial Institution Division within forty-five (45) days of such request unless extended by the Commissioner upon a showing of good cause.

- 3. If the Licensed Family Trust Company fails to timely provide initial or additional responses or documentation requested by the Financial Institution Division during the Onsite Examination in accordance with Subsection 2 above, the Commissioner will determine whether such failure requires the imposition of an additional fee of \$25 per day for each day the Licensed Family Trust Company fails to provide a response or document requested by the Financial Institution Division during the Onsite Examination in accordance with NRS 669A absence of a showing of good cause by the Licensed Family Trust Company during the Onsite Examination.*

Section 6. *Independent Review*

- 1. Any Licensed Family Trust Company that has a “Satisfactory” Rating pursuant to this regulation or that has previously not been examined by the Financial Institution Division is eligible to make an election to be examined through Independent Review. A Licensed Family Trust Company must provide the Financial Institutions Division written notification of its election to be subject to Independent Review within thirty (30) days of its receipt of the Examination Notice. The Financial Institutions Division shall confirm to the Licensed Family Trust Company in writing within thirty (30) days of its receipt of such election that the Licensed Family Trust Company will be subject to Independent Review for upcoming Examination. If the Licensed Family Trust Company is selected for Examination and qualifies for Independent Review, the Independent Review Report and required audited financial statements of the Licensed Family Trust Company based on the accounting method in use by the Licensed Family Trust Company prepared by a certified public accounting firm for the Examination Period must be filed by the Licensed Family Trust Company with the Financial Institutions Division on or before September 30 of that same calendar year.*

Unless otherwise notified by the Financial Institutions Division to the contrary, a Licensed Family Trust Company is not eligible for Independent Review if its current Examination Rating is either “Needs Improvement” or “Unsatisfactory” under Section 8. A Licensed Family Trust Company with no Examination Rating is eligible for Independent Review unless otherwise notified by the Financial Institutions Division.

- 2. An Independent Review shall be performed by a Qualified Firm utilizing professional standards promulgated by the American Institute of Certified Public Accountants, the Institute of Internal Auditors, or the Bank Administration Institute and in accordance*

with this regulation and the Examination Guidance. The Financial Institutions Division shall accept the Independent Review in lieu of conducting an Offsite or Onsite Examination of the Licensed Family Trust Company if the following conditions are satisfied:

- (a) The Qualified Firm is considered independent with respect to the Licensed Family Trust Company and is not otherwise owned, or controlled by the stockholders, members, owners, Affiliates, Family Affiliates, Family Members, Clients, or employees of the Licensed Family Trust Company;*
 - (b) The Qualified Firm does not share a material business or financial interest with the Licensed Family Trust Company;*
 - (c) The scope of the Independent Review to be conducted by the Qualified Firm meets or exceeds the scope of Examination Guidance promulgated by the Financial Institutions Division;*
 - (d) The personnel assigned by Qualified Firm to supervise the Independent Review are either licensed certified public accountant(s), certified internal auditor(s), certified financial services auditor(s), and/or certified bank auditor(s) in good standing with the governing organization and associated professional organization such as the American Institute of Certified Public Accounts (AICPA), the Institute of Internal Auditors (IIA), and the Banking Administration Institute (BAI) that regulate the personnel's practice, issue professional standards and provide professional certification; and*
 - (e) The Qualified Firm maintains all necessary and applicable licenses and permits to perform the services required in an Independent Review and is in good standing with the governmental organizations that regulate the Qualified Firm's business activities.*
- 3. Upon completion of the Independent Review, the Qualified Firm shall issue a written Independent Review Report. In the Independent Review Report, the Qualified Firm shall: (a) confirm the Qualified Firm undertook and completed the Independent Review by reviewing the Policies and Procedures, documents and information provided by the Licensed Family Trust Company in response to the Request List, the responses by the Licensed Family Trust Company to the Internal Control Questionnaire, and the results of the Examination in accordance with the Examination Guidance under the supervision of such qualified or permitted personnel; (b) identify any Deficiencies noted during the Independent Review; (c) identify Client Complaints; (d) identify matters within the Examination Guidance where the Licensed Family Trust Company*

failed to respond, (e) comment on the cooperation of Management during the Independent Review, (f) review the Licensed Family Trust Company's Nevada Statutory and Regulatory Compliance and (g) include Management's written response to any Deficiencies, Corrective Action and Client Complaints.

Section 7. *Administrative Review of Independent Review Report.*

Upon the filing of the Independent Review Report with the Financial Institutions Division, the Financial Institutions Division will examine the Independent Review Report conducted by the Qualified Firm to ensure the following requirements were met: (a) The firm engaged by the Licensed Family Trust Company to conduct the Independent Review qualifies as a Qualified Firm; (b) the Independent Review and the Independent Review Report complied with the Examination Guidance and the other requirements of this regulation; (c) the Deficiencies, Client Complaints and Corrective Action identified in the Independent Review Report were reported to Management; (d) Management's written response to any Corrective Action or Client Complaint is reasonably adequate to address the Licensed Family Trust Company's compliance with NRS Chapter 669A and this regulation; and (e) the Licensed Family Trust Company's Nevada Statutory and Regulatory Compliance. Financial Institutions Division shall charge a fee of \$1,000 for conducting such administrative review of the Independent Review Report.

Section 8. *Results of Examination or Independent Review*

- 1. At the completion of its Offsite Examination, its Onsite Examination, or its examination of the Independent Review Report, the Financial Institutions Division shall prepare and deliver a Report of Examination to the Licensed Family Trust Company identifying Deficiencies and/or weaknesses which require Corrective Actions and Client Complaints which require further response by Management, if any, and will assign each Licensed Family Trust Company an Examination Rating of "Satisfactory", "Needs Improvement" or "Unsatisfactory" based on the results of the Examination, its examination of the Independent Review Report, the Licensed Family Trust Company's Nevada Statutory and Regulatory Compliance and where applicable, the Board's and Management's capabilities and willingness to undertake Corrective Actions.*
- 2. A "Satisfactory" rating will be assigned by the Financial Institutions Division when the Licensed Family Trust Company is fundamentally sound, observes Nevada Statutory and Regulatory Compliance in all substantial respects and only moderate Deficiencies or minor weaknesses are present which are well within Management's capabilities and willingness to correct.*

3. *A “Needs Improvement” rating will be assigned by the Financial Institutions Division when the Licensed Family Trust Company exhibits some degrees of supervisory concern in one or more areas where moderate Deficiencies and weaknesses are present and are well within the Board’s and Management’s capabilities and willingness to correct and where the Licensed Family Trust Company generally meets Nevada Statutory and Regulatory Compliance.*
4. *An “Unsatisfactory” rating will be assigned by the Financial Institutions Division when the Licensed Family Trust Company exhibits some degrees of supervisory concern in one or more areas where a combination of Deficiencies and/or material weakness exists that may range from moderate to severe and the Licensed Family Trust Company is not generally meeting Nevada Statutory and Regulatory Compliance.*
5. *An “Unsatisfactory” rating may constitute sufficient cause for the Commissioner, in his or her discretion, to impose and collect an administrative fine under NRS 669A.290 and NRS 669A.320, or any regulation adopted pursuant thereto; to remove individuals from Management of the Licensed Family Trust Company in accordance with NRS Chapter 669A.300; to revoke the license of the Licensed Family Trust Company granted pursuant to NRS Chapter 669A.110(2)(b) as permitted by NRS 669A.280; or take other enforcement action(s) as permitted by law.*
6. *In order to enforce the any Corrective Action identified in the Examination, or Independent Review, the Commissioner may impose a self-administered or a third party administered compliance and periodic reporting plan on the Licensed Family Trust Company under such terms and conditions as the Commissioner may deem advisable and at the Licensed Family Trust Company’s sole cost and expense.*
7. *The Report of Findings will be issued and mailed by Financial Institutions Division to the Licensed Family Trust Company no later than sixty (60) days from the filing of the Independent Review Report, its completion of the Offsite Examination or Onsite Examination, or the expiration of a reasonable period of time for Management response(s) which shall not be less than sixty (60) days from the Licensed Family Trust Company’s receipt of a written notice of the Corrective Action issued by the Financial Institutions Division, whichever is later.*
8. *The Report of Examination shall be furnished to the Board by Management along with Management’s written response to any Corrective Action required by the Financial Institutions Division. In the case of a “Needs Improvement” or*

“Unsatisfactory” rating, the Report of Examination shall be furnished to the Board within thirty (30) days of receipt.

9. Upon completion of an Examination of a Licensed Family Trust Company or an Independent Review, all documentation submitted by the Licensed Family Trust Company to the Financial Institutions Division during the course of Examination and Independent Review (other than reports required to be filed with the Financial Institutions Division by the Licensed Family Trust Company) shall be securely and confidentially maintained or destroyed in accordance with the Financial Institutions Division retention and destruction policies if no action is pending against the Licensed Family Trust Company by the Financial Institutions Division as a result of the Examination, or Independent Review.

10. The Report of Examination and all documentation submitted by the Licensed Family Trust during the Examination or Independent Review remain subject to the provisions of NRS 669A.310.

Section 9. *Frequency of Examinations. The frequency of Examinations by the Financial Institutions Division or Independent Review shall be determined by the Financial Institutions Division based on previous Examination Rating of the Licensed Family Trust Company, the capabilities and willingness of Management to undertake Corrective Actions taken, or other factors deemed appropriate by the Commissioner. Unless otherwise notified by the Financial Institutions Division, any Licensed Family Trust Company will be initially subject to Examination pursuant to this regulation in calendar year 2016. Unless otherwise notified by the Financial Institutions Division, a Licensed Family Trust Company assigned an Examination Rating of “Unsatisfactory” or “Needs Improvement” under Section 8 shall be subject to annual Onsite Examination until the Licensed Family Trust Company achieves an Examination Rating of “Satisfactory” under Section 8. Thereafter, unless otherwise notified by the Financial Institution Division, a Licensed Family Trust Company assigned an Examination Rating of “Satisfactory” under Section 8 will be subject to Offsite Examination, or if elected, Independent Review every three years from the prior Examination.*

Section 10. *Examination Guidance. To facilitate and expedite the Independent Review, Off-Site Examination or On-Site Examination of a Licensed Family Trust Company, and to provide a Licensed Family Trust Company reliable guidance in its preparation, collection, maintenance, and retention of necessary information and recordkeeping to be used in connection with an Examination, in its development of Policies and Procedures, and in its maintenance of internal controls, the Financial Institutions Division shall provide to Licensed Family Trust Companies Examination Guidance in the form of the Request List, Internal Control Questionnaire, the Examination Procedures (as set forth in Section 11)*

and Supplemental Examination Procedures which can be relied upon by a Qualified Firm in its conduct of an Independent Review or by authorized representative(s) of the Financial Institutions Division in their conduct of an Off-Site Examination or On-Site Examination of a Licensed Family Trust Company. The Commissioner may also require such additional information, inquiries and procedures as may be deemed necessary to effectively examine the Licensed Family Trust Company. The Licensed Family Trust Company may seek further written guidance or modifications to the Examination Guidance by the Commissioner based on a showing of good cause, and the Commissioner, after due consideration, may permit such further guidance or modifications based on the Licensed Family Trust Company particular circumstances.

The Financial Institutions Division shall publish and post on its official website the Examination Guidance and Supplemental Examination Procedures issued and to be issued pursuant to this section, from time to time, but not later than 90 days prior to any Off-Site Examination, On-Site Examination or Independent Review in connection with which the Examination Guidance will be used. In the event the Financial Institutions Division deems it appropriate to revise or reissue the Examination Guidance, the Financial Institutions Division shall notice the proposed revision or reissuance by posting on its official website and provide a period of at least sixty (60) days prior to any revision or reissuance for review and comment by Licensed Family Trust Companies prior to final publication.

Examination Guidance issued, revised or reissued pursuant to this section shall be deemed to reflect the position of the Financial Institutions Division with respect to the appropriate scope of any Examination or Independent Review subsequent to its publication unless and until such Examination Guidance is revised or reissued pursuant to this section. Licensed Family Trust Companies and Qualified Firms may rely on the Examination Guidance available at the time of the Notice of Examination in preparing for any such Examination and engaging a Qualified Firm to conduct an Independent Review.

Section 11. Examination Procedures. *Examination Procedures are designed to be followed as part of an Independent Review conducted by a Qualified Firm, or as part of an Offsite or Onsite Examination by the Financial Institutions Division for Licensed Family Trust Companies. The Examination will encompass the Licensed Family Trust Company's activities during the Examination Period (unless otherwise specified). The Examination Procedures shall include the following:*

- 1. Review results of prior Independent Review and/or Examination, and confirm with Management that Corrective Action has been completed.*
- 2. Confirm submission to the Financial Institutions Division of the required financial information, including supplementary information requested.*

3. *Review and verify the Licensed Family Trust Company's Nevada Statutory and Regulatory Compliance.*
4. *Review the Board and Committees structure for compliance with governing instruments of the Licensed Family Trust Company.*
5. *Review Board and Trust Committee minutes and determine if the minutes are retained permanently at the Family Trust Company Office in physical or electronic form and in accordance with the Licensed Family Trust Company's governing instruments.*
6. *Determine if previous matters in the management letter for external financial audits of the Licensed Family Trust Company financial statements have been resolved, are being addressed by Management in a response to the external auditor, or do not require response or action. If a Licensed Family Trust Company does not elect to be examined by Independent Review, a Licensed Family Trust Company is not required to have external financial audits of its financial statements.*

When the Licensed Family Trust Company does not submit audited financial statements to the Financial Institutions Division as part of its Examination, such Licensed Family Trust Company shall complete the following additional procedures in addition to providing an annual report in accordance with NRS 669A.255:

7. *Make no more than five selections of a Licensed Family Trust Company account and Client accounts and test account transactions to ascertain that transactions are properly authorized and properly recorded.*
8. *Through documentation and review, confirm that there are established procedures in place addressing periodic and timely reconciliations of general ledger accounts and subsidiary ledgers of the Licensed Family Trust Company as appropriate.*
9. *Through documentation and review, test that controls are in place over suspense accounts, that the accounts are periodically reconciled, that the accounts reflect appropriate items, and that accounts are promptly cleared.*

Nothing in this section shall be construed to limit the Financial Institutions Division's issuance of Supplemental Examination Procedures in connection with the Examination or Independent Review generally or specifically with respect to a particular Licensed Family Trust Company pursuant to Section 10.

Section 12. Effective Date. This regulation shall be effective upon approval by the Legislative Commission and apply to an Examination of Licensed Family Trust Company occurring on or after January 1, 2016.