



PRIVATE TRUST GROUP OF AMERICA



Sharing Ideas ~ Building Relationships

A quarterly newsletter written by and for trust professionals, and dedicated to addressing the administrative and operational needs of the personal trust and wealth management profession. Issued quarterly, except when special circumstances require a more immediate timeframe.

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Bank of America Acquires FleetBoston

Bank of America, already the largest U.S. retail bank (deposits), will become the world's third largest bank (assets) when the recently announced acquisition of FleetBoston is finalized in June 2004. On the surface, it would appear that the acquisition will have little impact on the local banking community since FleetBoston's lucrative branch banking system is expected to remain intact. In reality, however, it may have created a unique business opportunity for smaller banks in the New England area.

Based on a small, unscientific Internet poll taken yesterday, 35% of 3,265 respondents said they would leave the bank as a result of the acquisition. Only 3% said they would be joining the bank as a new customer. Those banks within the geographic area of the Fleet branch network should seize this opportunity to extol the virtues of small, locally owned banks that understand the needs of the local community.

The acquisition presents a narrow window of opportunity in which small, regional banks should capitalize on the perception that the acquisition has created just another large institution managed from afar – with no real ties to the local economy.

The acquisition should also serve as a reminder that the banking industry is consolidating at an unprecedented rate. Among the leading causes are shrinking profit margins resulting from the ever-mounting competition for banking services provided by a variety of non-banking entities. This phenomenon crosses all lines of traditional banking services and requires a fresh look at exploring new opportunities, as well as more efficient methods for delivering vital bank services.

PTG and Maine Bank Complete Outsourcing Conversion

Private Trust Group of America (PTG) has just completed the initial conversion phase of several accounts for a central Maine bank. PTG will provide a seamless private label outsourcing solution for the Bank's trust products and related services. According to one Bank official, "The conversion was, without question, the smoothest I have ever been involved with." According to another Bank official, "PTG's rigorous performance standards were instrumental in satisfying the Bank that our customers'

information could be transferred safely and accurately.”

FASB Excludes Personal Trusts from Consolidation Rules

The Financial Accounting and Standards Board decided this week to exclude personal trusts and some mutual funds that reside in bank trust departments from consolidation rules issued in January 2003 (FASB Interpretation No. 46).

PTG Signs Licensing Agreement with AccuTech Computer Systems Corp.

Private Trust Group of America (PTG) recently signed an agreement with AccuTech Computer Systems Corp. (ACS) to sub-license its AccuTrust Gold Trust Accounting System as its primary software architecture for providing Outsourcing, Service Bureau and Consulting Services to the personal trust and wealth management industry. ACS is a trust accounting software development company located in Muncie, Indiana. Its AccuTrust Gold Trust Accounting System is a state-of-the-art modular system that allows trust departments to begin with a core software application and add or reduce functionality as business needs change.

Administration and Operational Tips

Is Your Trust Department in Balance?

A common pitfall that occurs with both small and large trust departments with alarming frequency is the method of balancing client assets. Daily balancing of client assets is a must, but the method of balancing is critical in order to maintain the overall integrity of the department and avoid unnecessary risks.

Balancing the department’s client checkbook without also balancing the client accounts to the department’s accounting system on a daily basis runs the risk of creating irreconcilable differences that could expose the bank to significant losses as well as regulatory non-compliance.

A safe way to avoid an unexpected and costly surprise caused by an irreconcilable difference in balancing client funds is to always reconcile to the system first, and then reconcile to the checkbook for cash and to the custodian’s statement for other assets.

How to Prepare for an Audit:

This is the first of a five-part series designed to assist trust department personnel with preparing for an announced audit. The series was developed by Les Revzon, who has over 35 years’ experience in providing auditing, regulatory, operational and compliance services to financial institutions.

Part I – Assembling the Requested Information

Except in unusual circumstances, auditors will generally provide the department manager with a “Request for Information” highlighting some of the basic issues they will be reviewing during the course of their engagement. Assembling the requested information carefully and accurately often sets the tone for the audit and can have a significant impact on costs and overall results.

Review the Request for Information carefully to be sure that the requests are appropriate and fully understood.

Clarify any ambiguities prior to the time the auditors arrive.

Assign relevant sections of the Request for Information to appropriate staff members for review and follow-up.

Prepare information concisely and accurately. Straying too far from the requested information invites additional questions and may open the department up to further unnecessary scrutiny.

Monitor the progress of the audit daily. This helps keep costs down and keeps the staff and auditors focused on completing the task as quickly as possible.

Information, together with appropriate backup, should be assembled and presented in the same order in which it was requested.

Next Installment: Logistical Considerations

Private Trust Group of America specializes in providing administrative and operational support to small and medium sized trust departments. Our executive staff has over 75 years of combined trust and related technology experience, and our professional staff’s average experience exceeds 22 years. Please take a moment to review our website at www.privatetrustgroup.com for an overview of our services.