

Investment Securities Questionnaire

Yes No

GENERAL QUESTIONNAIRE

- | | | | |
|----|--|--------------------------|--------------------------|
| 1. | Did the board of directors approve a written investment policy? | <input type="checkbox"/> | <input type="checkbox"/> |
| 2. | Does the savings association update its investment policy annually and whenever unanticipated conditions dictate? | <input type="checkbox"/> | <input type="checkbox"/> |
| 3. | Does the investment policy address the assignment of responsibilities and duties? | <input type="checkbox"/> | <input type="checkbox"/> |
| 4. | Do the investment policy and business plan confirm the following requirements: | | |
| | • Safety and soundness? | <input type="checkbox"/> | <input type="checkbox"/> |
| | • Regulatory limitations? | <input type="checkbox"/> | <input type="checkbox"/> |
| | • The board of director's requirements? | <input type="checkbox"/> | <input type="checkbox"/> |
| 5. | Does the savings association monitor adherence to the policy? | <input type="checkbox"/> | <input type="checkbox"/> |
| | • How often? [click&type] | | |
| 6. | Is the investment strategy appropriate based upon the savings association's investment portfolio, liquidity risk management, interest rate risk, profitability, and regulatory capital position? | <input type="checkbox"/> | <input type="checkbox"/> |
| 7. | Does the policy define the acceptable level of risk? | <input type="checkbox"/> | <input type="checkbox"/> |
| 8. | Does the savings association take the following considerations into account when building the portfolio: | | |
| | • Investment objectives? | <input type="checkbox"/> | <input type="checkbox"/> |
| | • Investment strategy? | <input type="checkbox"/> | <input type="checkbox"/> |
| | • Price sensitivity analysis of complex securities? | | |
| | • Results of stress testing and scenario analysis? | <input type="checkbox"/> | <input type="checkbox"/> |
| | • Contingency funding plan (CFP)? | <input type="checkbox"/> | <input type="checkbox"/> |
| | • Types and level of allowable investments? | <input type="checkbox"/> | <input type="checkbox"/> |
| | • The decision-making process? | <input type="checkbox"/> | <input type="checkbox"/> |
| | • Monitoring of investments? | <input type="checkbox"/> | <input type="checkbox"/> |

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• Recordkeeping and documentation requirements?	<input type="checkbox"/>	<input type="checkbox"/>
9. Does the savings association engage in speculative trading strategies?	<input type="checkbox"/>	<input type="checkbox"/>
10. Does the savings association engage in any unsuitable investment practices?	<input type="checkbox"/>	<input type="checkbox"/>
11. Is the savings association's trading activity appropriate based on the type and amount of activity?	<input type="checkbox"/>	<input type="checkbox"/>
12. Does the composition of the investment securities portfolio take into consideration the following items:		
• Quality levels?	<input type="checkbox"/>	<input type="checkbox"/>
• Diversification?	<input type="checkbox"/>	<input type="checkbox"/>
• Maturity structure?	<input type="checkbox"/>	<input type="checkbox"/>
• Liquidity?	<input type="checkbox"/>	<input type="checkbox"/>
13. Does the savings association have procedures in place to prevent over-collateralization on securitized transactions?	<input type="checkbox"/>	<input type="checkbox"/>
14. Does the savings association maintain an adequate control register for its investment securities clearly showing the following information? (<i>Note: In a full accrual system the control accounts are a part of the general ledger accounts and the association must establish separate subsidiary records.</i>):		
• Types of securities?	<input type="checkbox"/>	<input type="checkbox"/>
• Outstanding position?	<input type="checkbox"/>	<input type="checkbox"/>
• Volume of purchases and sales?	<input type="checkbox"/>	<input type="checkbox"/>
• Realized and unrealized gains or losses on these positions?	<input type="checkbox"/>	<input type="checkbox"/>
15. Do subsidiary records of investment securities show all pertinent information, including the following items:		
• A description of the security?	<input type="checkbox"/>	<input type="checkbox"/>
• The safekeeping location of the security?	<input type="checkbox"/>	<input type="checkbox"/>
• Pledged or unpledged status of the security?	<input type="checkbox"/>	<input type="checkbox"/>
• Premium amortization?	<input type="checkbox"/>	<input type="checkbox"/>
• Discount accretion?	<input type="checkbox"/>	<input type="checkbox"/>

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<ul style="list-style-type: none"> • Interest earned, collected, or accrued? 	<input type="checkbox"/>	<input type="checkbox"/>
17. Does the savings association perform an internal analysis (including interest rate risk, credit and liquidity spreads) of its investment securities at least quarterly?	<input type="checkbox"/>	<input type="checkbox"/>
18. How does the savings association obtain periodic market valuations from a third party for monitoring investment securities? [click&type]		
19. How does the association value thinly traded investments and issues not quoted daily on major markets? [click&type]		
20. Does the association obtain bond ratings from any of the well-known bond rating services? • Which services? [click&type]	<input type="checkbox"/>	<input type="checkbox"/>
21. Does the savings association appropriately classify investment securities?	<input type="checkbox"/>	<input type="checkbox"/>
22. Did the savings association purchase any stripped mortgage-backed securities (SMBSs) or the residual interest in a mortgage derivative product (MDP)? If so:	<input type="checkbox"/>	<input type="checkbox"/>
<ul style="list-style-type: none"> • Did the board of directors approve the investment? • Does the savings association analyze the investment prior to purchase, including the estimated yields under various interest-rate and prepayment scenarios? • Does the savings association document the expected yield and the prepayment assumptions used? • Are the initial prepayment assumptions reasonable considering the interest rate on the underlying collateral when compared with prevailing mortgage interest rates? 	<input type="checkbox"/>	<input type="checkbox"/>
23. Does the savings association periodically adjust the yield or book value of a mortgage-backed security (MBS) or MDP based upon changes in the prepayment experience of the underlying collateral?	<input type="checkbox"/>	<input type="checkbox"/>
24. Does the savings association purchase commercial MBSs? If so, review the following question:	<input type="checkbox"/>	<input type="checkbox"/>
<ul style="list-style-type: none"> • Do any of the underlying securities have teaser rates? • If so, how close was the current interest rate to the lifetime cap: [click&type] 	<input type="checkbox"/>	<input type="checkbox"/>

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25. Does the savings association issue collateralized mortgage obligations (CMOs) or MDPs through a subsidiary?	<input type="checkbox"/>	<input type="checkbox"/>
26. Did the savings association purchase the non-agency securities? If so, answer the following questions:	<input type="checkbox"/>	<input type="checkbox"/>
• What was the investment rating? [click&type]		
• What was the underlying collateral? [click&type]		
27. Did the savings association purchase the subordinated interest in the security?	<input type="checkbox"/>	<input type="checkbox"/>
28. Is there adequate segregation between the individuals responsible for executing the transactions, accounting for the transactions and transferring funds?	<input type="checkbox"/>	<input type="checkbox"/>
29. Do trade tickets contain the following information:		
• Trade date?	<input type="checkbox"/>	<input type="checkbox"/>
• Settlement date?	<input type="checkbox"/>	<input type="checkbox"/>
• Purchase or sale transaction?	<input type="checkbox"/>	<input type="checkbox"/>
• Contract description?	<input type="checkbox"/>	<input type="checkbox"/>
• Quantity?	<input type="checkbox"/>	<input type="checkbox"/>
• Price?	<input type="checkbox"/>	<input type="checkbox"/>
• Reason for trade?	<input type="checkbox"/>	<input type="checkbox"/>
• Identity of person conducting transaction?	<input type="checkbox"/>	<input type="checkbox"/>
30. Does someone other than the person who authorizes, executes, or controls the securities record the transaction?	<input type="checkbox"/>	<input type="checkbox"/>
31. Does someone other than the person with custody or control of securities post transaction records?	<input type="checkbox"/>	<input type="checkbox"/>
32. Does the savings association reconcile subsidiary records at least monthly?	<input type="checkbox"/>	<input type="checkbox"/>
• How often? [click&type]		
• Does the savings association test them for accuracy?	<input type="checkbox"/>	<input type="checkbox"/>
33. Does an independent party, not connected with the transaction, review commitments and advices?	<input type="checkbox"/>	<input type="checkbox"/>

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34. Does the savings association verify delivery or safekeeping records?	<input type="checkbox"/>	<input type="checkbox"/>
35. Who has custody or control of securities? [click&type]		
36. Does the savings association obtain comparative price quotes from at least two broker/dealers other than the broker/dealer that executed the transaction?	<input type="checkbox"/>	<input type="checkbox"/>
37. Does the savings association use reputable dealers?	<input type="checkbox"/>	<input type="checkbox"/>
38. Is there a concentration of activity with one broker/dealer?	<input type="checkbox"/>	<input type="checkbox"/>
39. Does the association properly safeguard the physical securities?	<input type="checkbox"/>	<input type="checkbox"/>
40. Does the savings association have procedures in place to ensure proper access and control?	<input type="checkbox"/>	<input type="checkbox"/>
41. Does the savings association review safe keeping records for accuracy?	<input type="checkbox"/>	<input type="checkbox"/>

COMMENTS