



## Safety and Soundness

### August 2017

The safety and soundness of National Advisors Trust Company (NATC) and its clients' assets are of primary concern to the company's board of directors, management and staff. Accordingly, NATC conducts its daily activities with vigilance and risk awareness of the economic, administrative and operational issues that could potentially expose NATC to financial loss or otherwise negatively impact its reputation.

#### Who Regulates Us

As a national trust bank, NATC is a member of the Federal Reserve, and subject to regulation and examination by the Office of the Comptroller of the Currency (OCC), a division of the U.S. Treasury. NATC provides quarterly financial reports to the OCC and the Federal Deposit Insurance Corporation (FDIC). The OCC also interviews NATC on a quarterly basis regarding any changes in our business activities or financial status as disclosed in our reports. Every eighteen months, or more frequently if ordered, NATC undergoes a full safety and soundness examination by the OCC. The examination covers a wide range of our business practices, including capital adequacy, liquidity, asset quality, management, earnings, sensitivity to market risk, information technology, consumer compliance, trust administration and third-party relationships.

To independently verify the effectiveness of management controls and procedures, the Board of Directors annually authorizes a SOC-1 Type 2 report on systems and control effectiveness and retains a public accounting firm to produce audited financial reports for NATC, its holding company, and its affiliates. NATC's holding company also staffs an internal auditor who reports directly to the audit committee of NATC's Board of Directors; and provides continuous testing of NATC's operational control environment in conformity with 12 CFR 9.9. NATC contracts annually with an independent auditing firm to review Bank Secrecy Act and Anti-Money Laundering compliance. NATC uses an independent information technology firm to perform an information technology systems audit with periodic intrusion testing. The Compliance Officer provides a quarterly report to the audit committee of the Board on the results of internal compliance activity and training, as well as the results of intrusion and privacy testing.

#### How We Protect You

As not every event can be foreseen or tested, NATC maintains a "layered" series of insurance policies and bonding to protect client accounts. NATC maintains aggregate \$10 million blanket fidelity bonds on trust company activities against loss due to dishonesty or the decisions of the Board of Directors, management or staff. In addition, NATC maintains standard business lines' coverage and fiduciary liability coverage at levels consistent with NATC's benchmarked peer group. NATC's comprehensive insurance coverage program is applicable to all losses that occur in the ordinary course of business.

Fidelity Brokerage Services, LLC (Fidelity) provides sub-custodial services to NATC, which results in additional insurance protection for our client account assets under Fidelity's control. This additional protection includes Securities Investor Protection Corporation (SIPC) coverage to the maximum SIPC limits, Fidelity's aggregate excess insurance of \$1 billion, and insurance of up to \$1.9 million per client account respecting cash awaiting investment.

UMB Bank serves as NATC's cash custodian. Cash positions pending investment or distribution are protected by UMB's capital, the FDIC and substantial additional insurance on our deposit accounts. In addition, investments in NATC's Cash Liquidity Program are insured up to \$25 million per account, and up to \$50 million for joint accounts.

NATC's capital position is consistent with all regulatory requirements and results in NATC's definition as a 'well capitalized' institution pursuant to applicable OCC guidance. As a national trust bank, none of our client account assets are held on NATC's or any of its affiliates' balance sheets. In the unlikely event at some future date our capital did not meet the OCC requirements, and it commenced action regarding NATC, all of our client assets and account records are meticulously segregated from all corporate accounts and transferable to a successor institution or another appropriate institution of our clients' choice.

#### Who We Are

National Advisors Trust Company is a premier, independent national trust company providing expert trust services and solutions to trusted advisors and the families they serve. NATC is a wholly-owned subsidiary of National Advisors Holdings, Inc. Founded in 2001; NATC continues to be the largest independent trust company in the United States owned by Registered Investment Advisors.

The safety and soundness of National Advisors Trust and its client accounts are of the foremost concern to its Board of Directors, management, and staff. Our policies and activities are continually assessed for possible risk and control of risk. Nevertheless, in the event of an incident, NATC and its sub-custodians maintain a range of insurance and bonding to protect against client account loss wherever possible.