

**FINANCIAL INSTITUTION BOND
UNDERWRITING QUESTIONNAIRE**

APPLICATION(S) NAME AND ADDRESS _____

I. GENERAL

1. Indicate the date and the Regulatory Agency conducting the last three regulatory exams, **excluding** compliance, trust, and EDP exams:

Date		
By		

2. During the past three years has there been in force or is there now pending any regulatory action levied against the institution or any of its Officers or Directors, including but not limited to the following: (identify below as applicable) Yes No

- | | | |
|--|--|--|
| <input type="checkbox"/> Cease and Desist Order | <input type="checkbox"/> Supervisory Agreement | <input type="checkbox"/> Letter of Agreement |
| <input type="checkbox"/> Memorandum of Understanding | <input type="checkbox"/> Specific Action Directive | <input type="checkbox"/> Other _____ |

3. During the past three years have assets classified by Regulators as Substandard, Doubtful and Loss totaled more than 40% of equity? Yes No

4. Are any loans to employees, officers, directors and affiliated interests past due or have they been classified by a Regulatory Agency? Yes No

If yes, furnish details including corrective action _____

5. Has there been a change in senior management during the last three years other than promotions from within? Yes No

If yes, furnish details _____

6. During the past three years has there been a change in ownership of the Financial Institution or of the controlling Holding Company that resulted in ownership of 10% or more of the outstanding voting stock? If yes, furnish details: Yes No

7. Are procedures in place for the special routing of all mail which is returned undeliverable? Yes No

II. AUDIT/DIRECTORS' EXAM

1. (a) Are there direct annual verifications of at least 10% of the total number and the total dollar amount within each category of deposit accounts and loan accounts? Yes No
- (b) If less than 10%, are statistical sampling techniques used? Yes No
2. Are alternative audit procedures performed on all:
 - (a) Positive confirmations which are not returned? Yes No
 - (b) Confirmations which are returned undeliverable? Yes No
 - (c) Confirmations designated as "Bank as Addressee" or "Hold/Do Not Send"? Yes No
3. If there is an internal audit department, answer the following:
 - (a) Are all members of the audit staff prohibited from originating or correcting entries? Yes No
 - (b) Are all direct confirmations clearly marked so that replies are routed directly to a member of the audit staff?? Yes No

III. LOANS

1. Is the individual and group lending authority (if applicable) of all lending personnel established in writing? Yes No
2. Is a list of all new and renewed loans reviewed by the Board or the Loan Committee at least monthly? Yes No
3. Is a list of past due loans made available to the Board or the Loan Committee for review at least monthly? Yes No
4. Are charged-off loan entries reviewed by someone independent of the lending function for proper Board or Loan Committee approval? Yes No
5. Does the loan file contain documentation as to who originated and approved the loan? Yes No
6. Are official checks issued for disbursement of loan proceeds prepared by someone other than the officer approving the loan? Yes No
7. If installment paper is acquired from dealers, are coupon books delivered directly to the borrower? Yes No
8. Are loan payments, excluding participations, permitted to be made to anyone other than the Financial Institution? Yes No

If yes, furnish details: _____

9. (a) Are signed blank notes held for customers? Yes No
- (b) If so, are they held under dual control? Yes No
10. If signatures of cosigners are not obtained in the presence of lending personnel, are such cosigners contacted before the loan proceeds are disbursed? Yes No

11. If registered securities are accepted or assigned as security, are they verified directly with the issuer or through its transfer agent before loan proceeds are disbursed? Yes No
12. Are all paid notes cancelled and returned directly to the borrower by someone other than the loan officer? Yes No
13. Does the Institution "floor plan" dealers, i.e. - autos, boats, etc.?
 If yes, answer the following
- (a) Are physical inventories conducted at least monthly and on a surprise basis? Yes No
- (a) Are individuals performing floor plan checks rotated? Yes No
14. Does the institution make loans, excluding participations, outside of its normal trade territory? Yes No
- If yes, state aggregate amount and furnish details \$ _____

IV. INVESTMENTS

1. Are security purchases, exchanges and sales ratified by the Board of Directors or Investment Committee and recorded in the minutes at least monthly? Yes No
2. Is the posting of subsidiary records performed by persons who do not have sole custody of securities or authorization to execute trades? Yes No
3. (a) Are a securities accounts, both for the bank and its customers, reconciled with brokers', security dealers' or issuing agencies' trade confirmations at least monthly? Yes No
- (b) Are said accounts reconciled by someone other than the employee who is authorized to place orders or execute trades? Yes No
4. Do you have a Trust Department? Yes No
5. Does the Financial Institution record any investments in a separate ledger account entitled "Trading Account Securities"? Yes No
6. Does the Financial Institution buy or sell securities on behalf of its customer and receive commission or fee income from such agency transactions? Yes No
7. Does the Financial Institution purchase, as principal, securities with the primary intent to generate capital gains from the fluctuation in the market price of the security? Yes No
8. Does the Financial Institution's investment activity entail buying and selling qualified securities wherein the purchase and sale originates on the same day? Yes No

V. BOOKKEEPING/PROOF

1. Is there daily review by an officer of all transactions affecting dormant accounts? Yes No
2. Does the Financial Institution microfilm:
- (a) Items enclosed in cash letters? Yes No
- (b) "On-us" checks? Yes No

- (c) Items sent to a third party data processor? Yes No
3. Are hold harmless agreements obtained from customers who use mechanically reproduced facsimile signatures? Yes No
4. Are "due from bank" accounts reconciled by a person who does not have authority to sign checks on, or post entries to such accounts? Yes No
5. Are note ledger trial balances prepared and reconciled to control accounts by employees who do not process or record loan transactions? Yes No
6. Is the bookkeeping department prohibited from carrying checks and other transaction account items which, if posted, would create overdrafts? Yes No
7. Are payments of overdrafts approved by an officer or branch manager? Yes No
8. Are deposit accounts of all officers and employees reviewed at least annually by an internal auditor or experienced officer for unusual account activity and frequent overdrafts? Yes No
9. Are subsidiary bankers' acceptance records balanced daily with the appropriate general ledger accounts and reconciling item investigated by persons who do not normally handle acceptances and post records? Yes No

VI. TELLERS

1. Is there a rule against cashing checks bearing rubber stamp endorsements? Yes No
2. Are tellers prohibited from cashing checks that are drawn to the order of a depositor for employees of that depositor? Yes No
3. Are tellers instructed that they should not cash any official check at the instruction of any officer or employee, unless the payee is in their presence? Yes No

VII. ELECTRONIC DATA PROCESSING

1. Are individual IDs and passwords required for all persons who have update capabilities?
If so, note the frequency of password changes. Yes No

_____ Monthly _____
(frequency)
2. Are employee attempts to access information for which they are not authorized reported and reviewed, with the employee's supervisor? Yes No
3. (a) Do application system exception reports exist which identify transactions with monetary impact that may not be controlled by balancing procedures such as changes to due dates, interest rates, interest amounts, cash transfers, and the like? Yes No
- (b) If so, are they reviewed? Yes No
4. Are dollar control totals of input established before processing and checked after processing? Yes No

(Do not answer questions 5-13 of this section if all data is processed by a service bureau under contract with the Applicant unless such service bureau is owned by the Applicant.)

5. Are source programs inaccessible to operators? Yes No
6. Do programmers function as schedulers or operators? Yes No
7. Do programmers have access to production data files? Yes No
- (Do not answer questions 8-13 of this section if the Applicant does not employ programmers and purchases all application and system software from third party vendors.)*
8. Do employee termination procedures include?
- (a) Collecting access cards and keys, employee cards, and other sensitive information? Yes No
- (b) The immediate deletion of terminated **employee's passwords and access codes**? Yes No
9. Is written authorization by someone other than those making changes to application and system programs required prior to placing into a live status? Yes No
10. (a) Is testing required for all changes to application and system programs? Yes No
- (b) Are test results reviewed by someone other than those making the change? Yes No
11. Does someone other than the application programmers place application programs into live status? Yes No
12. Are emergency changes to application or system programs subsequently reviewed and approved by someone other than the individual(s) making the change? Yes No
13. If the data processing department personnel are responsible for correcting rejected input, is supervisory review required? Yes No

VIII.COMPUTER/COMPUTER, RELATED THEFT

If you do not wish to purchase Computer/Computer Related Theft Coverage - Do not complete the following section.

Identify which of the following Payment System Transactions are utilized by your institution.

- | | |
|---|--|
| <input type="checkbox"/> Point of Sale Terminals | <input type="checkbox"/> Telephone Transfer (<i>Intra-bank Transactions</i>) |
| <input type="checkbox"/> Automated Teller Machines | <input type="checkbox"/> Check Factoring (<i>Guarantee</i>) |
| <input type="checkbox"/> Merchant Courtesy Counter Bank Terminals | <input type="checkbox"/> Check Truncation |
| <input type="checkbox"/> Preauthorized Debit/Credit | <input type="checkbox"/> Wire Transfer through correspondent bank |
| <input type="checkbox"/> Wire Transfer through direct link | <input type="checkbox"/> |

1. Does the Financial Institution utilize the services of an outside data processor? Yes No
2. Does the Financial Institution provide data processing services for others? Yes No
3. Does the Financial Institution have in-house data processing capabilities? Yes No
4. Do locations listed below have the following capabilities with regards to your system? Yes No

	Inquiry		Update	
Main Location	<input type="checkbox"/> Yes	<input type="checkbox"/> No	<input type="checkbox"/> Yes	<input type="checkbox"/> No
Branch Location	<input type="checkbox"/> Yes	<input type="checkbox"/> No	<input type="checkbox"/> Yes	<input type="checkbox"/> No

Non-bank Location Yes No Yes No

If question 3 and 4 are answered "NO," do not complete #5-15 of this section.

5. Is the ability to initiate monetary transactions from non-bank-controlled locations, other than ATMs, restricted through the use of a password or code word? If so, complete the following questions. Yes No
- (a) Are unique passwords assigned to specific individuals? If not, describe how passwords are assigned. Yes No
- _____
- (b) Are passwords changed periodically to ensure their integrity? If so, how often? Yes No
- _____
- (c) Are password assignments and changes securely communicated? Yes No
6. Are passwords immediately deleted upon the termination of:
- (a) Bank employees using in-house supported application systems?. Yes No
- (b) Bank employees using service bureau or Federal Reserve-supported application systems? Yes No
- (c) External user's employees? Yes No
7. Is there immediate reporting and follow-up of unauthorized or unsuccessful attempts to:
- (a) Establish dial-up communications?. Yes No
- (b) Sign on the the system? Yes No
- (c) Access specific information? Yes No
8. Is a maximum number of sign-on attempts established after which the dial-up line, computer terminal, or user is suspended Yes No
9. If multiple institutions use the same application system(s), are special precautions taken to prevent one institution from accessing another institution's customer accounts? Yes No
10. Have standard vendor supplied user identification codes and passwords been deleted or changed? Yes No
11. Are manual call-back procedures or call-back equipment used to establish all dial-up access to the computer system? Yes No
12. Do computer terminals automatically supply terminal number and location as a part of each message? Yes No
13. Are on-line transactions limited to normal business hours excluding ATM transactions? Yes No
14. Are the following categories of electronic transactions confirmed on a daily basis:
- (a) Transactions initiated by the applicant which are transmitted to externally supported systems?. Yes No
- (b) Transactions initiated by external users which are submitted to the applicant's in-house supported system? Yes No
15. If repetitive customer initiated wire transfers are established, do procedures for changes or deviations require supervisor approval and appropriate confirmation Yes No

IX. WIRE TRANSFER REQUESTS

1. Which of the following methods are used to confirm the authenticity of customer and internal wire transfer requests initiated by telephone:
 - (a) Voice recognition?. Yes No
 - (b) Password/PINs?. Yes No
 - (c) Callbacks to an individual other than the initiating party for corporate wire transfer requests?. Yes No
 - (d) Callbacks to a predetermined telephone number for personal wire transfer requests?. Yes No
2. In the case of telefacsimile message requests to wire transfer funds, are call back procedures utilized to confirm the authenticity of the telefacsimile message prior to the release of funds Yes No
3. Indicate the dollar amount above which callback procedures are required:

Telephone		Telefacsimile	
(Corporate)	\$ _____	(Corporate)	\$ _____
	-		-
(Personal)	\$ _____	(Personal)	\$ _____
	-		-

4. Are transaction verifications mailed to customers daily? Yes No

KENTUCKY FRAUD WARNING: Any person who knowingly and with intent to defraud any insurance company or other person files an application for insurance containing any materially false information or conceals for the purpose of misleading, information concerning any fact material thereto commits a fraudulent insurance act, which is a crime.

MINNESOTA FRAUD WARNING: A person who submits an application or files a claim with intent to defraud or helps commit a fraud against an insurer is guilty of a crime

NEW JERSEY FRAUD WARNING: Any person who Includes any false or misleading information on an application for an insurance policy is subject to criminal and civil penalties

NEW YORK FRAUD WARNING: Any person who knowingly and with intent to defraud any insurance company or other person files an application for insurance or statement of claim containing any materially false information, or conceals for the purpose of misleading information concerning any fact material thereto, commits a fraudulent insurance act, which is a crime, and shall also be subject to a civil penalty not to exceed five thousand dollars and the stated value of the claim for each such violation.

OHIO FRAUD WARNING: Any person who, with Intent to defraud or knowing that he Is facilitating a fraud against an Insurer, submits an application or files a claim containing a false or deceptive statement is guilty of insurance l mud.

PENNSYLVANIA FRAUD WARNING: Any person who knowingly and with intent to defraud any insurance company or other person files an application for insurance or statement of claim containing any materially false information or conceals for the purpose of misleading, information concerning any fact material thereto commits a fraudulent insurance act, which Is a crime and subjects such person to criminal and civil penalties.

