

# The Use of Custodians as Part of Responsible Pension Plan Management

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# Agenda

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What is a Custodian?

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What Services do Custodians Provide?

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Regulatory Risks and Considerations

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# What is a Custodian?

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# What is a Custodian?

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- A Custodian is a specialized financial institution (typically, a regulated entity with granted authority like a bank) that holds a customers' securities for safekeeping
- Seeks to minimize the risks of misappropriation, misuse, theft, and/or loss of assets.



# What is a Custodian?

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- The Custodian is often referred to as the “gatekeeper” of assets
- Custodian’s function is to track monies and assets moving in to and out of the account
- Custodians are entrusted to render regular financial valuation of such assets held in custody

# What is a Custodian?

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A Custodian can be a non-depository or depository institution.

- It's important to understand the difference between the two types
- Not all Custodians are created equal

# What Services Does a Custodian Provide?

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A Custodian has 3 Primary Responsibilities

- Safekeeping of Assets
- Trade Processing
- Asset Servicing



# Services Custodians Provide

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## Safekeeping of Assets

- A Custodian holds securities and other assets in electronic (DTC, Fed Book Entry, etc.) or physical form (Vaulting of actual physical securities)

# Services Custodians Provide

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## Trade Processing

- A Custodian will track, settle and reconcile assets that are acquired and disposed of by the investor, either directly or indirectly

# Services Custodians Provide

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## Asset Servicing

- A Custodian maintains all economic benefits of ownership such as income collection, corporate actions and proxy issues.

# Regulatory Risks and Considerations

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## Primary Risks with Custody Services

- Transaction
  - Compliance
  - Credit
  - Strategic
  - Reputation
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# Risks in the Digital Age

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New Risks are emerging in the increasingly digital world

- Cyber Security Precautions
- New DOL guidance on Cyber Policies

# Thank You

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