



REGULATORY GUIDANCE

CLARIFICATION OF AN INDEPENDENT TRUST COMPANY “PRINCIPAL OFFICE”

Pursuant to Section 58-9-8.1(A) NMSA 1978, a “trust company may establish its principal office in any county”. Given the requirements of Section 58-9-4 NMSA 1978 that “no person, legal entity or corporation shall engage in the trust business without first obtaining a certificate from the director” and Section 58-9-6.1 NMSA 1978 that a “certificate shall not be issued to an applicant other than a corporation organized under the laws of” New Mexico, it is the opinion of the Director of the Financial Institutions Division (FID) that any New Mexico certified independent trust company **must** have its principle office located in any county **in New Mexico**. As “principal office” is not a defined term within the “Trust Company Act” (Section 58-9-1 *et seq.* NMSA 1978), the Director of the FID has provided the following clarification of the requirements and definitions as to what constitutes a principal office with respect to trust companies operating in New Mexico.

The **principal office** of a trust company refers to the **primary location** where the company conducts its central operations, management, and business activities. It is typically the place where the corporate governance, decision-making, and overall management of the company take place, and **where key personnel such as the CEO and senior executives are based**.

Key Characteristics of a Principal Office:

1. **Central Operations Hub:** This is where the main administrative and operational activities are conducted, including trust management, client services, compliance, financial reporting, and governance functions.



2. **Legal Significance:** The principal office is often the address listed in the company's legal documents, regulatory filings, and official correspondence. It is also the location where the company is registered with the relevant regulatory authorities.
3. **Business and Regulatory Correspondence:** It serves as the main contact point for the company's correspondence with regulators, clients, and other stakeholders. It is also the address where official communications, such as audits, notices, and filings, are sent.
4. **Operational and Compliance Oversight:** The principal office is responsible for ensuring compliance with applicable laws and regulations, including those related to trust administration, fiduciary responsibilities, and financial reporting.
5. **Not Necessarily the Only Location of Client Services:** While the principal office is the central location, trust companies may also operate additional branch offices or satellite locations for client-facing services, such as branch offices for wealth management or fiduciary services.

Examples of the Principal Office:

- **Corporate Headquarters:** This is the address of the trust company's corporate headquarters, where executive management and support functions are based.
- **Main Operational Location:** The principal office is likely also the primary physical location for the custodial and trust services offered by the company.

Importance:

- **Regulatory Compliance:** Regulatory authorities require trust companies to designate and maintain a principal office. For example, when filing annual reports, financial statements, or regulatory disclosures, the company must specify the address of its principal office.



- **Service of Legal Process:** The principal office is also the location where legal documents, such as subpoenas, notices, or litigation filings, are served to the company.

What a Principal Office is Not:

- **Not a Branch Office:** A branch office is a separate location where the company may offer services, manage client relationships, or provide specific types of services such as wealth management, investment advisory, or trust administration. Unlike a principal office, a branch office is typically a satellite operation and not the company's **principal place of business**. While a branch may handle client-facing or data processing activities, it does not serve as the hub for overall management and decision-making.
- **Not a Registered Agent Office:** A trust company, like other businesses, may designate a registered agent – a third-party service responsible for receiving legal documents, such as court orders or official correspondence from government agencies, on behalf of the company. The registered agent's office is typically located in the state or jurisdiction where the trust company is incorporated. However, this is often different than the company's principal office, which is where the core operations of the business occur.
- **Not a Virtual Office or Shared Workspace:** While some businesses operate using virtual offices or shared workspaces, a principal office is not a temporary, non-physical location used primarily for mail forwarding or meeting clients in rented space. The principal office must be a physical location where key management activities, business operations, and governance are conducted.
- **Not a Satellite Office or Remote Location:** Satellite offices or remote locations, where employees may work remotely or from secondary locations (such as home offices or temporary sites), are distinct from the principal office. The principal office is the company's main operational hub, and remote or satellite offices may only handle specific client services or specialized tasks but do not constitute the main point of corporate operations.
- **Not a Location for Holding Client Funds:** Although a trust company may have separate locations where it manages or holds assets on behalf of clients (e.g.,



trust accounts or custodial services), the principal office is not necessarily the location where client assets or funds are held or managed. Client assets are often managed at separate custody facilities, such as bank custodians or other secure locations, or through electronic means (e.g., online or blockchain-based wallets for crypto assets). The principal office focuses on the overall governance, administration, and management of the business.

- **Not a Physical Location Exclusively for Compliance or Legal Services:** While regulatory and legal departments may operate out of the principal office, it is not limited to these functions. The principal office encompasses all the central management and business activities of the company, not just legal or compliance functions. Legal departments, while critical, may operate in different physical locations or be part of the primary office.
- **Not the Location of a Specific Service Desk:** While there may be dedicated desks or counters in various company offices to address specific client services, like account openings or transaction inquiries, the principal office is not defined as a service desk location. Rather, it is the primary business address where all strategic, managerial, and operational decisions are made.

In short, the **principal office** is the central location from which a trust company operates and manages its trust and fiduciary services, and it plays a critical role in regulatory compliance, governance, and business operations. **The principal office is the primary location where a trust company's key management, administration, and operational functions are conducted.** It is not a branch office, a shared workspace, a registered agent's office, a satellite office, or any other location that is secondary to the core business operations. It serves as the company's corporate headquarters and legal and business address for regulatory, governance, and strategic purposes. The FID Director will make the final determination regarding whether the adequacy and activities of a proposed or existing primary location meets the minimum requirements of the FID and associated statutes and/or rules.

Issued November 8, 2024

