the fund based on the audit required by paragraph (b)(6)(i) of this section. The report must disclose fees and expenses charged to the fund. This report must contain a list of investments in the fund showing the cost and current market value of each investment, and a statement covering the period after the previous report showing the following (organized by type of investment):

(A) Summaries of all purchases (with costs);

(B) Summaries of all sales (with profit or loss and any other investment changes);

(C) Income and disbursements; and

(D) An appropriate notation as to any investments in default.

(iii) *Limitation on representations.* A bank may include in the financial report a description of the fund's value on previous dates, as well as its income and disbursements during previous accounting periods. A bank shall not publish in the financial report any predictions or representations as to future results. In addition, with respect to funds described in paragraph (a)(1) of this section, a bank shall not publish the performance of funds other than those administered by the bank or its affiliates.

(iv) *Availability of the report.* A bank administering a collective investment fund shall provide a copy of the financial report, or shall provide notice that a copy of the report is available upon request without charge, to each person who ordinarily would receive a regular periodic accounting with respect to each participating account. The bank may provide a copy of the financial report to prospective customers. In addition, the bank shall provide a copy of the report upon request to any person for a reasonable charge.

(7) *Advertising prohibition for common trust funds.* A bank shall not advertise or publicize any fund authorized under paragraph (a)(1) of this section, except in connection with the advertisement of the general fiduciary services of the bank.

(8) *Self-dealing and conflicts of interest*—(i) *Bank interests.* A bank administering a collective investment fund shall not have an interest in that fund other than in its fiduciary capacity. Except for temporary net cash overdrafts or as otherwise specifically provided in this paragraph, the bank shall not lend to, sell assets to, or purchase assets from a fund. The bank shall not invest fund assets in stock or obligations, including time or savings deposits, of the bank or any of its affiliates, except for funds awaiting investment or distribution. If, because of a creditor relationship or otherwise, the bank acquires an interest in a participating account, the participating account must be withdrawn on the next withdrawal date. However, a bank may invest assets that it holds as fiduciary for its own employees in a collective investment fund.

(ii) *Loans to participating accounts.* A bank administering a collective investment fund shall not make any loan on the security of a participant's interest in the fund. An unsecured advance to a fiduciary account participating in the fund until the time of the next valuation date does not constitute the acquisition of an interest in a participating account by the bank.

(iii) *Purchase of defaulted fixed-income investments.* A bank administering a collective investment fund may purchase for its own account any defaulted fixed-income investment held by the fund if, in the judgment of the bank, the cost of segregation of the investment is greater than the difference between its market value and its principal amount plus interest and penalty charges due. If the bank elects to purchase a defaulted fixed-income investment, it shall do so at the greater of market value or the sum of cost, accrued unpaid interest, and penalty charges.

(9) *Mortgage reserve account*—(i) *In general.* A bank administering a collective investment fund may transfer to a reserve account up to 5 percent of the net income derived by the fund from mortgages held by the fund during any regular accounting period. The amount held in the reserve account must not exceed 1 percent of the outstanding principal amount of all mortgages held in the fund. The bank shall deduct the amount of the reserve account from the fund's assets in determining the fair market value of the fund for the purposes of admissions and withdrawals.

(ii) *Charges against reserve account.* At the end of each accounting period, the bank shall charge all interest payments that are due but unpaid with respect to mortgages in the fund against the reserve account to the extent available, and shall credit the payments to income distributed to participating accounts. In the event of subsequent recovery of the payments by the fund, the bank shall credit the reserve account with the amounts recovered.

(10) *Fees and expenses*—(i) *Fund management fees.* A bank administering a collective investment fund may charge a fund management fee if the total fees charged to a participating account (including the fund management fee) does not exceed the total fees that the bank would have charged had it not invested assets of the account in the fund.

(ii) *Reasonable expenses.* A bank administering a collective investment fund may charge reasonable expenses incurred in operating the collective investment fund, to the extent not prohibited by applicable law. However, a bank shall absorb the expenses of establishing or reorganizing a collective investment fund.

(11) *Prohibition against certificates.* A bank administering a collective investment fund shall not issue any certificate or other document evidencing a direct or indirect interest in the fund.

(12) *Good faith mistakes.* No mistake made in good faith and in the exercise of due care in connection with the administration of a collective investment fund will be deemed to be a violation of this part if, promptly after the discovery of the mistake, the bank takes whatever action is practicable under the circumstances to remedy the mistake.

(c) *Other collective investments.* In addition to the collective investment funds authorized under paragraph (a) of this section, a national bank may invest assets that it holds as fiduciary, to the extent not prohibited by applicable law, as follows:

(1) *Bank fiduciary funds.* In shares of a mutual trust investment company, organized and operated pursuant to a statute that specifically authorizes the organization of those companies exclusively for the investment of funds held by corporate fiduciaries.

(2) *Single loans or obligations.* In the following loans or obligations, if the bank's only interest in the loans or obligations is its capacity as fiduciary:

(i) A single real estate loan, a direct obligation of the United States, or an obligation fully guaranteed by the United States, or a single fixed amount security, obligation, or other property, either real, personal, or mixed, of a single issuer; or

(ii) A variable amount note of a borrower of prime credit, if the bank uses the note solely for investment of funds held in its fiduciary accounts.

(3) *Mini-funds.* In a fund maintained by the bank for the collective investment of cash balances received or held by a bank in its capacity as trustee, executor, administrator, or guardian, or custodian under a uniform gifts to minors act, that the bank considers to be too small to be invested separately to advantage. The total assets in the fund must not exceed $1,000,000, and the number of participating accounts must not exceed 100.

(4) *Trust funds of corporations and closely-related settlors.* In any