From: Dennis J. Wall

Proposal: 1570, Guidance on Supervisory expectations for Boards of Directors

Subject: OP-1570

Comments:

To the Board of Governors of the Federal Reserve System:

The following Comments apply to the third part of your captioned proposal, to the extent that it would replace SR letter 13-13/CA letter 13-10. Your description of it contains the advice that it pertains to "the execution of boards' core responsibilities[.]"

However, your proposal would require that MRIAs and MRAs would only be cc'd to the board of directors "for corrective action when the board needs to address its corporate governance responsibilities or when senior management fails to take appropriate remedial action." (Page 6 of 29 of your proposal.)

The board of directors would remain responsible at all financial institutions supervised by the Fed, "for holding senior management accountable for remediating supervisory findings" that the board may not even know about under your proposal. (Id.) However, the decision of when to advise the board of matters for which they remain responsible is not a decision that the board gets to make under your proposal.

Rather, you are proposing to leave the decision of whether to cc the board to "Federal Reserve examiners and supervisory staff"; otherwise, "most" supervisory findings will be directed only to "senior management staff," i.e., to the staff of the group for which the board is to be held responsible.

It is manifestly unfair to hold the board responsible for matters about which they may not have been aware, either because the Fed's "examiners and supervisory staff" did not inform them by the simple expedient of a "cc" on a letter, and "senior management staff" did not inform them, either, for whatever reason.

This is also inefficient. Instead of encouraging the "corrective action" addressed in this proposal, your proposal lowers the chances that corrective action will be taken in a timely way, if corrective action is taken at all.

I would like to conclude my Comments by sharing two observations made by other persons which are to the same effect as the Comments I have made here. First, as Ms. Sheila Bair has succinctly observed, your proposal would be better if it were tightly focused on corporate governance:

If the board is accountable for management remediation of supervisory findings, the board needs to know what those findings are. On the other hand, boards shouldn't be directly involved unless the findings relate to governance. If that is the distinction the Fed wants to make clear, perhaps a better approach would be to address the letters to management, but copy the board or, at least, the risk and compliance committee.

The second observation I would like to share with you also supports the

Comments I make here. It comes from Ms. Gretchen Morgenson in her New York Times column posted online on Friday, August 11, 2017, "Business Day / The Fed Wants to Make Life Easier for Big-Bank Directors" (in which she also quoted Ms. Sheila Bair, above):

During the mortgage debacle that began about a decade ago, we learned just how little some bank directors knew about the looming problems at their institutions.

I would add: Or cared to know.

Thank you for your consideration.

Respectfully,

Dennis Wall

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