

From: Pitzer Risk Management Services, Beth Pitzer  
Proposal: 1438 (Ver 2)(RIN 7100-AD86)-Reg YY -Foreign Banking Organizations & Foreign Nonbank Financial Compan  
Subject: Regulation YY

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Comments:

[p]Public Comments on Enhanced Prudential Standards and Early Remediation Requirements: Foreign Banking Organizations and Foreign Nonbank Financial Companies:

Title: Enhanced Prudential Standards and Early Remediation Requirements: Foreign Banking Organizations and Foreign Nonbank Financial Companies

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[p]Comment: These are comments on the reporting of the Chief Risk Officer to the regulatory authorities or to the Board. [/p]

[p]Currently, banks already have a General Auditor who provides independent reporting to the Board. And, while several Board members may be part of the Audit Committee, most have no idea of the day to day operations that occur nor do they get paid to be involved in day to day activities.[/p]

[p]Risk management is part of day to day operations which is the responsibility of the President. The President is responsible for protecting earnings and capital and weighing the costs and benefits of risk management programs implemented.[/p]

[p]Reg YY states that the Risk Management Committee should be independent and that an independent Board member should chair the committee. This sends a message to employees that there are two masters involved in day to day activities and undermines the President. [/p]

[p]I actively facilitated a Risk Committee at a bank and saw where the President could be very effective as the Chairman of Risk Committee and how the Risk Committee had a very good effect upon him. [/p]

[p]If the President is not an effective Risk Manager or does not see the value in Risk Management, then the Bank should find a new President and not create an additional control committee to report independently on the company's daily operations to the Board.[/p]

[p]In addition, is the Chief Risk Officer reporting to the Regulatory Authorities or the Board? Are we trying to create another government run organization? Or, more control by the government (OCC, FRB)? I really do not think the regulators should be involved in day to day activities of the bank and I believe that the Chief Risk Officer would be less effective with this reporting structure to the Board.[/p]

[p]Please take my comments into consideration. [/p]