From: Springs Valley Bank & Trust, Jamie R. Shinabarger

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

Subject: OP-1570

Comments:

To Whom It May Concern:
I am writing on behalf of my community bank, Springs Valley Bank & Trust, a 115-year-old, $370M asset size, four-location bank in Southern Indiana.
While I realize that the Fed's groundbreaking corporate governance proposal to enhance effectiveness of bank holding company boards is aimed at $50B and bigger institutions, simplification and role clarity would also be a big benefit to those of us in the smaller, community bank holding company space.
A recent Wall Street Journal article landed on my desk from a couple of my board members entitled, Why Would Anyone Sane Be A Bank Director? Their point was unmistakably clear: The world of financial regulation has become drastically more complex and the demands on the board of directors have correspondingly morphed. I think I do fully understand the gravity of the director role from the context of holding a Bank Officer role for over 35 years and having served on a community bank board for over 20 years (though never as an outside director). For example, of particular concern from past discussions was the personal liability created by a director participating in direct loan approvals when their professional expertise is almost always law, accounting, manufacturing, or some other business capacity (not banking). Further, for purposes of providing context, please understand that the compensation for a board member of a community bank our size averages less than $20K annually.
The best I could do to address board member liability concerns was to cite what I believe to be the four pillars of business protocol-that is to say, if board members follow these general fiduciary business rules, individual director liability is minimized when:

* the board hires good management and provides adequate oversight;
* the board requires management to follow good governance practices (i.e. maintain good corporate records via reports, minutes, governing documents, QM, polices, processes, etc.)
* the board verifies that management establish good review systems which assist the board in their oversight role (internal and external audit functions, third-party loan reviews, third-party compensation consultant, regulatory examinations, etc.);
* the board consistently demonstrates a knowledge of, and strict adherence to, the "business judgment rule" which assumes that the directors of a corporation will act in the corporation's best interests (meet their duties of loyalty, care and good faith).

So in conclusion, I support refocusing the Fed's supervisory expectations for the largest firms' boards of directors on their core responsibilities, which include setting a clear and consistent strategic direction for the firm; supporting independent risk management; and holding management accountable. Further, I would just like to go on the record to encourage you and other Federal Regulators to adopt the revised guidance for those institutions below the $50B threshold. I support clarification of the distinction between boards of directors and management, which, under current guidance, is often confused or treated as if there is no distinction. I support identifying existing supervisory guidance that could be eliminated or revised.
Sincerely,
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President/CEO
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