

**Docket No. OP-1594**

**Ann E. Misback, Secretary**

**Board of Governors of the Federal Reserve System**

**20th Street and Constitution Avenue NW**

**Washington, DC 20551**

**Re: Docket No. OP-1594**

**Agency: Board of Governors Federal Reserve System**

**Proposed Supervisory Guidance on Management of Business Lines and Independent Risk Management and Controls for Large Financial Institutions**

**Opportunity to express comments on the following:**

Proposed guidance setting forth core principles of effective senior management, the management of business lines, and independent risk management (“IRM”) and controls for large financial institutions (“LFIs”).

**Risk IFL Institutions/ Rating System:**

Beyond Risk measures that can be implemented within the IFL’s we must improve risk continuously to move ahead of measures currently based upon the Institutions growth and operational capacity.

*Control measures that consist of internal / external operational whether compliance related or impacted for risks. Control assessments.*

*Intolerance vs risk appetite they are not similar or the same.*

*Inapplicable to the compliance, risk and laws and stated regulations set forth within the rules and lack thereof effective policies, procedures that adhere to federal and state principles and guidelines.*

*Knowledge of accounting and auditing principles, Knowledge of financial guidelines, Place **Specialty audits** for accountability along with due diligence and compliance programs.*

*SOX compliance measures and the recognized of Fraud, Losses, theft, System attacks and any other non-classified or stated exception that has not been covered or written within the plans*

*that may arise. Most companies used SOX within the Financial process, Statements, Balance sheets, accounting functional/operational policies and procedures that include the Board, C Level executives and Financial management staff.*

***Does it mean the way the U.S. operations support the global strategy? Yes, with an explanation.***

***Supervisory and or Remedial action can be rectified based upon improvement being shown in affected areas stated within the examination findings over a set period of review and time. Mitigation activities must be part of the overall oversight planning process.***

*Risk Appetite is a method to help guide an organization's approach to risk and risk management. The level of risk that an organization is prepared to accept in pursuit of its objectives, and before action is deemed necessary to reduce the risk. It represents a balance between the potential benefits of innovation and the threats that change inevitably brings.*

*risk tolerance is about what an organization can cope with the degree of variability in which an organization can handle or stand*

*Risk Appetite statements and Risk tolerance statements should be formed and written approved by the Board or Directors, Sr. Management and as the statements are not the same they work in conjunction with each other and are not interchangeable.*

## **VII. Request for Comments**

The Board invites comments on all aspects of the proposed guidance, including responses to the following questions:

- 1) What considerations beyond those outlined in this proposal should be considered in the Federal Reserve's assessment of whether an LFI has sound governance and controls such that the firm has sufficient financial and operational strength and resilience to maintain safe operations?

*The goal if a risk occurrence incident or event happens proper controls should be placed within the organization to lessen the impact therefore reducing the loss or the burden cost to the business.*

*Risk governance applies the principles of good governance to the identification, assessment, management, and communication of risks*

*Emerging risks are issues that are perceived to be potentially significant, but which may not be fully understood and assessed.*

- 2) Other thoughts beyond those outlined within the proposals should reflect and placed within the assessment to maintain safety and soundness of operations and display strength and resilience within the firms are.

*By assisting financial institutions and evaluating their historical risk management, compliance practices, as well as building out sustainable safety and soundness frameworks as we move*

*toward the future. Having Financial and Operational strength and Resilience within the company.*

*to establish safety and soundness standards IFL may be required to submit a compliance plan if it is not in compliance with a safety and soundness standard prescribed by guideline under section 39(a) or (b). An enforceable order under section 8 of the FDI Act, 12 U.S.C. 1818(b), may be issued if, after being notified that it is in violation of a safety and soundness standard prescribed under section 39, the national bank or Federal savings association fails to submit an acceptable compliance plan or fails in any material respect to implement an accepted plan. This part establishes procedures for requiring submission of a compliance plan and issuing an enforceable order pursuant to section*

2b) How could the roles and responsibilities between the board of directors set forth in the proposed board effectiveness guidance, and between the senior management, business line management, and IRM be clarified?

*Roles and responsibilities should be clearly defined, and an organization chart prepared with job titles aligned by authorization levels of each Sr. Management position. **Education of staff / external assistance, systems, screening, business model.** Two key responsibilities of senior management are overseeing the activities of the firm's business lines (individually and collectively) and the firm's IRM and controls*

3) What, if any, aspects of the structure and coverage of IRM and controls should be addressed more specifically by the guidance?

*Further discussion should be placed on the following IRM and controls and having Sr. Management signoff in compliant of assessments which results are align to the organizations purpose and planning. Documentation and data quality checks data integrity.*

4) The proposal tailor's expectations for FBOs, recognizing that the U.S. operations are part of a larger organization. How could this tailoring be improved?

*The tailored approach is addressing the organizational structure and design created especially for the company only among the strategic goals, work plans, governance, a variety of operations assessments to gain efficiencies involving checks and balances, improve reporting, include management are signing off on the high-level work.*

5) In what ways, if any, does the guidance diverge from industry practice? How could the guidance better reflect industry practice while facilitating effective risk management and controls? Are there any existing standards for internal control frameworks to which the guidance should follow more closely? *Yes, for elaboration on the Internal control framework and the COSO (see Below a few listed)*

6) Other supervisory communications have used the term "risk appetite" instead of risk tolerance. Are the terms "risk appetite" and "risk tolerance" used interchangeably within the industry, and what confusion, if any, is created by the terminology used in this guidance?

*risk tolerance is a **financial industry measure**. It refers to an investor's willingness to take risks and ability to stomach losses. A high-risk tolerance means an investor is aggressive and will find satisfaction in taking higher levels of risk in exchange for the possibility of higher rewards*

7) The proposal would adopt different terminology than is used in the proposed LFI rating system, and the Board expects to align the terminology so the element in the governance and controls component would change from "management of core business lines" to "management of business lines." Does this proposal clearly explain this expected change? Do commenters anticipate any impact from this change?

*The expected change from "management of core business lines" to "management of business lines"*

*The proposal does explain the expected change there should be no impact due to the change only a more detail listing of each business line to be managed.*

*In an "effective" internal control system, the following components work to support the achievement of an entity's mission, strategies, and related business objectives ( COSO)*

Effectiveness and efficiency of operations, Reliability of financial reporting, Compliance with applicable laws and regulations"

### ***Control Environment***

- Integrity and Ethical Values
- Commitment to Competence
- Board of Directors and Audit Committee
- Management's Philosophy and Operating Style
- Organizational Structure
- Assignment of Authority and Responsibility
- Human Resource Policies and Procedures

### ***Control Activities***

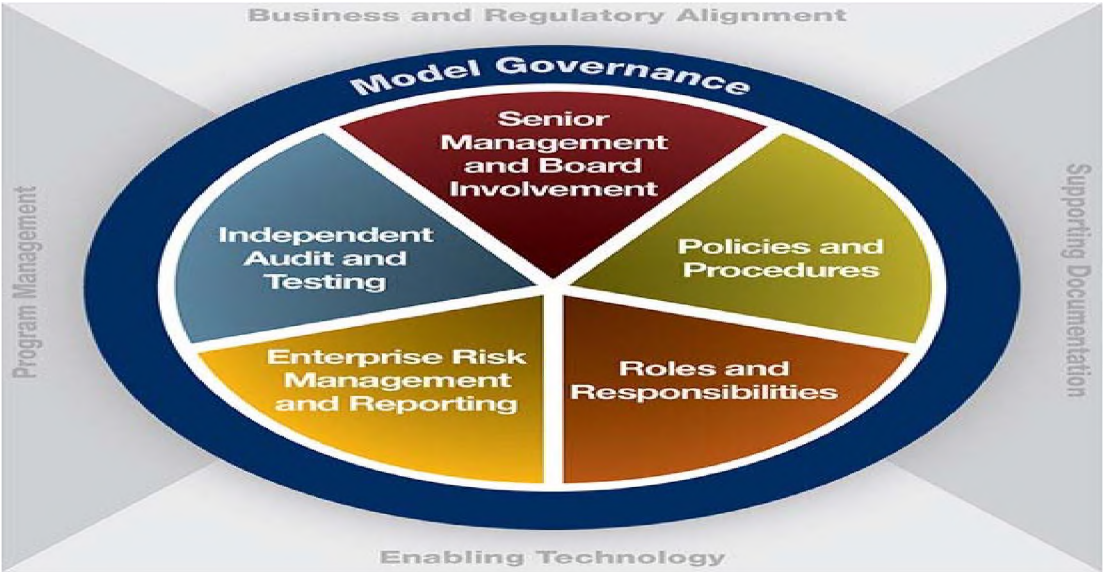
*Policy, Procedures, Security, Change, Business Continuity, Outsourcing*

### ***Risk Assessment***

- Company-wide Objectives
- Process-level Objectives
- Risk Identification and Analysis
- Managing Change

These components work to establish the foundation for sound internal control within the company through directed leadership, shared values and a culture that emphasizes accountability for control. The various risks facing the company are identified and assessed routinely at all levels and within all functions in the organization. Control activities and other mechanisms are proactively designed to address and mitigate the significant risks. Information critical to identifying risks and meeting business objectives is communicated through established channels up, down and across the company. The entire system of internal control is monitored continuously, and problems are addressed timely.

*control environment, risk assessment, control activities, information and communication, and monitoring activities. The effective functioning of these components, which is brought about by an institution's board of directors, management, and other personnel, is essential to achieving the internal control objectives.*



**Governance > Compliance > Enterprise wide risk Management > Control > Audits**  
**COSO - SOX- ISO** Resilience-Compliance + performance

Respectively,  
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