Proposed Guidance on Supervisory Expectations for Boards of Directors (Docket No. OP-1570)

Members of the Federal Reserve Board met with the Federal Advisory Council (FAC) on September 7, 2018. During the meeting, Council members provided written comments on several aspects of regulatory reform, including the following comments on the proposed guidance on supervisory expectations for boards of directors. (The complete FAC Record of Meeting is available at https://www.federalreserve.gov/aboutthefed/files/fac-20180907.pdf.)

Boards of directors for U.S. banking organizations are critical to the companies' successful and sound operation. As noted in the June 2017 U.S. Treasury report,[1] "The duties imposed on Boards are too voluminous, lack appropriate tailoring, and undermine the important distinction between the role of management and that of Boards of Directors. A significant shift in the nature and structure of Board involvement in regulatory matters could be made with little or no increase in risks posed to the financial system." To that end, the Council recommends regulators ensure that supervisory guidance on governance and controls does not result in unnecessary, inefficient processes or constrain a board's business judgment in performing its oversight responsibilities.

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[1] U.S. Treasury, "A Financial System That Creates Economic Opportunities: Banks and Credit Unions," Executive Order 13772 on Core Principles for Regulating the United States Financial System, June 2017.