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Board of Governors of the Federal Reserve System

Via email: regs.comments@federalreserve.gov

RE: Docket Number OP-1570

Proposed Guidance on Supervisory Expectations for Board of Directors

Ladies and Gentlemen:

The following comments are submitted on behalf of the Independent Bankers Association of Texas ("IBAT"). IBAT is a trade association with membership comprised of more than 2,000 banks and branches in 700 Texas communities. Member bank assets range in size from \$10 million to \$20 billion. The portion of this proposal that only applies to banks with consolidated assets exceeding \$50 billion does not directly apply to its members. However, the balance of the proposal is very important to its members that are either state chartered bank members of the Federal Reserve or which are held by bank holding companies. In Texas, the vast majority of community banks are in fact owned by regulated bank holding companies. Our specific comments follow.

First, anecdotal evidence received by IBAT indicates that typical community bank boards are composed of local community leaders and representatives of families with significant ownership interests. They are not—and need not be—professional financial institution managers but rather individuals who bring common sense and sound business acumen to their role as director. As "institution affiliated parties," they are responsible for their decisions. Under Texas law, they may, however, rely upon the "business judgment rule" and make decisions in good faith that rely on the input of experts.

Accordingly, the second part of the proposal, which recognizes the difference in roles of management and boards, is welcome and long overdue. We look forward to seeing the text for the revised supervisory guidances and hope to provide comments on these.

Furthermore, IBAT strongly supports the review of the listed SR Letters. Many of the ones listed in this request were promulgated many years ago and would benefit from a fresh review. In particular, changes in technology and in products and services offered by financial institutions support appropriate revisions.

Finally, IBAT strongly supports the third part of the proposal, which clarifies the expectations with regard to management's response to supervisory findings. Certainly, the board of directors is ultimately responsible for the policies and procedures put in place to guide the actions of the bank or holding company. However, in many cases, the senior management is the correct party to assure that "Matters Requiring Attention" or "Matters Requiring Immediate Attention" are in fact addressed promptly and effectively.

Thank you for this opportunity to comment. This proposal on corporate governance truly represents a meaningful attempt to allocate responsibilities more appropriately and thus reduce regulatory burden.

Respectfully,

CHRISTOPHER L. WILLISTON, CAE
President and CEO