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VIA ELECTRONIC SUBMISSION

February 15, 2018

Ann E. Misback
Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue NW
Washington, D.C. 20551
By email: regs.comments@federalreserve.gov

Re: Docket No. OP–1570; Proposed Guidance on Supervisory Expectation for Boards of Directors

Dear Ms. Misback,

The Depository Trust & Clearing Company ("DTCC") appreciates the opportunity to submit comments on the Proposed Guidance on Supervisory Expectation for Boards of Directors (the "Proposed Guidance" or "Proposal"), published by the Board of Governors of the Federal Reserve System ("Federal Reserve Board").[1] We applaud the Federal Reserve Board's efforts to provide guidance on the responsibilities of effective boards, particularly as the guidance seeks to recalibrate the responsibilities of boards versus the role of senior management. Comments with respect to the Proposal and the questions posed by the Federal Reserve Board are discussed below.

AN OVERVIEW OF DTCC's GOVERNANCE STRUCTURE

DTCC is a non-public holding company that owns three clearing agency subsidiaries registered with the U.S. Securities and Exchange Commission ("SEC"): National Securities Clearing Corporation, Fixed Income Clearing Corporation and The Depository Trust Company[2], and related businesses. DTCC is user-owned and governed pursuant to a shareholders' agreement. The DTCC common shareholders include approximately 283 banks, broker dealers, and other companies in the financial services industry that are participants of one or more of

[1] 82 FR 37219 published August 9, 2017.

[2] In addition to being a registered clearing agency, DTC is a member of the U.S. Federal Reserve System and a limited-purpose trust company under New York State banking law.

DTCC's clearing agency subsidiaries. The DTCC board is currently composed of 19 directors and includes representation from clearing agency participants, including international broker/dealers, custodian and clearing banks, and investment institutions, as well as non-participant directors. The non-participant directors are individuals with specialized knowledge of financial services, but who bring an independent perspective since they are not affiliated with firms that use DTCC services.

GENERAL COMMENTS

DTCC commends the Federal Reserve Board for reviewing the topic of corporate governance and agrees that greater clarity regarding Federal Reserve staff supervisory expectations "could improve corporate governance overall, increase efficiency, support greater accountability, and promote compliance with laws and regulations."[3] DTCC further agrees with the assessment that boards of directors spend a significant amount of time satisfying supervisory expectations that do not directly relate to their core responsibilities. These responsibilities have escalated over the past decade, as regulations and guidance have led to the need for boards to review granular detail, distracting from their core function. Additionally, the varying obligations themselves are often subject to interpretation. As a result, and in practice, directors are tasked with reviewing large quantities of complex and often granular information, a burden which risks detracting the board from its primary strategic and risk management functions.

DTCC also agrees that these increased expectations have blurred the lines between board and management responsibilities. Providing further clarity to distinguish the role of the board from the role of management will help ensure that the board is not entrenched in functions that are properly the purview of management. This Proposal provides welcome clarity by using a principles-based approach to defining characteristics of an effective board and delineating between senior management and the board. Moreover, as discussed in more detail below, we hope that other regulators support these efforts and we encourage the Federal Reserve Board to promote regulatory harmonization in this regard domestically as well as through its work on international standard setting bodies.

In summary, DTCC supports the Federal Reserve Board's efforts to clarify supervisory expectations to "improve corporate governance overall, increase efficiency, support greater accountability, and promote compliance with laws and regulations." To help further these important objectives, DTCC also offers the following specific comments for your consideration.

SPECIFIC COMMENTS

Five key attributes of effective boards of directors

DTCC agrees that the attributes set forth in the Proposed Guidance are indicative of an effective board of directors. This principles-based approach provides useful guidance without

[3] Id. at 37219.

imposing unnecessarily prescriptive requirements on a board of directors.[4] The more prescriptive the requirements imposed on the board, the more the line between board oversight and enterprise management is blurred, corroding the independence of the board necessary to achieve appropriate challenge and oversight. The most valuable directors bring their seasoned business judgment to their oversight role. This judgment is honed from their own business experience (whether in the financial industry, the public sector or otherwise). For example, in the case of DTCC, the board plays an integral role in the oversight of the firm, guiding DTCC to provide services that continue to meet the evolving needs of its participants while promoting safety and security across the global financial markets. It is DTCC's view that the attributes described in the Proposal provide the right balance of responsibility at the board level.

Harmonization

Given the complexity and interconnectedness of financial institutions, many entities that are covered by the Proposal are subject to regulations in several jurisdictions. DTCC acknowledges the work completed to evaluate the current supervisory expectations and believes that other regulators within the regulatory community would support this Proposal and adopt a similar approach. Accordingly, DTCC encourages the Federal Reserve Board to expand this dialogue to include other regulators to promote a standard approach across jurisdictions.

Applicability

The Proposal as currently drafted applies solely to domestic bank and savings and loan holding companies with total consolidated assets of $50 billion or more. Subject to the comments above, DTCC supports the Federal Reserve Board adopting substantively similar guidance for state member banks.

CONCLUSION

DTCC commends the Federal Reserve Board for this Proposal and agrees that a board's focus should be on its core responsibilities as well as promoting the safety and soundness of the firm. This goal will be furthered by revising or eliminating unnecessary, redundant, or outdated expectations, as appropriate, to allow boards to focus more of their time and resources on fulfilling these responsibilities.

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[4] DTCC believes that carrying forward the flexibility set forth in the attributes will permit an institution to incorporate them in a manner that addresses the institution's risk profile, size, complexity, ownership structure, and other factors, as appropriate.

We appreciate the opportunity to comment on the Proposed Guidance. Should you wish to discuss these comments further, please contact the undersigned using the contact information below.

Yours sincerely,

Bob Druskin

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Non-Executive Chairman
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