Huntington

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Via Email: regs.comments@federalreserve.gov

Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, N.W.
Washington, D.C. 20551

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

Ladies and Gentleman:

Huntington Bancshares Incorporated ("Huntington")[1] appreciates the opportunity to provide comments to the Board of Governors of the Federal Reserve System (the "Federal Reserve") on the Federal Reserve's proposed guidance on supervisory expectations for boards of directors for bank holding companies and various other banking organizations supervised by the Federal Reserve (the "Proposed Guidance").[2] Huntington also supports the comments submitted on the Proposed Guidance by the American Bankers Association and the Financial Services Roundtable.

Introduction

Huntington applauds the Federal Reserve's willingness to tackle the regulatory thicket that currently burdens the boards of directors of bank holding companies with unnecessary, redundant, outdated and irrelevant supervisory expectations that are unrelated to the core oversight responsibilities of an effective board of directors. The litany of laws, regulations and guidance that currently overburdens the boards of directors of banking organizations is well documented. A 2014 survey entitled "Bank Director Regulatory Burden Report" published by the American Association of Bank Directors (the "AABD Report") found in excess of eight hundred federal banking laws, regulations and guidance provisions that impose separate responsibilities on bank boards of directors. The AABD Report noted that these provisions "were not easy to find, spread over numerous issuances and pronouncements, with no instructions to bank directors on how to find them" and that "bank boards have become 'compliance boards' where their attention has been forced to turn toward satisfying laws, regulations, and regulatory guidance that often pertain to minutia and duties that typically should be left to management."[3]

[1] Huntington is a publicly-traded financial holding company with approximately $100 billion in total consolidated assets. Huntington is the parent holding company of The Huntington National Bank, a national banking association headquartered in Columbus, Ohio.
[2] 82 Fed. Reg. 37219 (August 9, 2017).
[3] AABD Report at pages 13 and 14, respectively.

Any supervisory framework that distracts a board of directors from focusing on its core oversight responsibilities is counterproductive to an effective corporate governance structure and ultimately the safety and soundness of the organization. A board of directors should neither be distracted by nor burdened with matters that are best left to senior management. Furthermore, the board of directors should not be expected to be involved in the day-to-day management of the organization. We therefore support the Federal Reserve's proposal to refocus the supervisory expectations for boards of directors on core oversight responsibilities and to better distinguish between the roles and responsibilities of an institution's board of directors and those of senior management.

Over the past eight years, Huntington has worked tirelessly to strengthen its corporate governance, especially with respect to risk oversight. In addition to the efforts of our board committees, the full Board of Directors provides direct oversight on risks related to company strategy and leadership and holds an off-site session each year devoted to review of strategic priorities. At the beginning of each board meeting, time is reserved to discuss priorities and, at the conclusion of each board meeting, an executive session is led by our lead director to ensure that directors have ample opportunities to debate corporate strategy and priorities. Periodically, special board sessions are held to discuss and analyze specific identified risk scenarios, such as a hypothetical cybersecurity incident.

Huntington has established a formal training program for its Board of Directors to assist the board in its risk oversight function. The chief risk officer leads the training which covers a variety of regulatory matters and other topics identified by management or the board, such as complex products and services or lines of business that have the potential to significantly impact the company. All board members are encouraged to participate in relevant external director education opportunities. Insights gained from these programs are shared with the full board of directors. In 2017, all of the non-employee directors attended conferences or seminars.

The Nominating and Corporate Governance Committee regularly reviews the composition of Huntington's Board of Directors to ensure that its members represent the strongest knowledge and experience aligned with our business strategy. By way of example, in 2016, Chris Inglis, a renowned cyber-security expert and leader, was elected to serve on Huntington's Board of Directors.

I. Proposed Board Effectiveness Guidance

Huntington welcomes the Federal Reserve's development of a principles-based set of attributes for evaluating the effectiveness of a board of directors. It is important, however, that these attributes do not harden over time into overly-prescriptive requirements that impair the ability of the board and management to develop and implement effective corporate governance processes that are tailored to the unique risk profile and structure of the organization. Publicly-traded banking organizations are already subject to numerous statutory, listing, and regulatory authorities that impose a myriad of requirements and expectations concerning the roles and responsibilities of a firm's board of directors. It is critical that the Federal Reserve's requirements or expectations for a board of directors works seamlessly within this existing framework.

We understand that the Federal Reserve is proposing to measure board effectiveness using five key attributes under the separately proposed large financial institution rating system.[4] It is critical, therefore, that the Federal Reserve develop a clear and transparent set of criteria for measuring compliance with these attributes, and to ensure that examiners and supervisory staff are properly trained to interpret the guidance in a consistent manner. Other banking agencies should be encouraged to adopt the same set of attributes in measuring the effectiveness of the board of directors of a bank, in order to ensure consistency of application and approach both at the holding company and bank board level.

With respect to self-assessments, our experience is that the boards of directors of publicly-traded bank holding companies, including Huntington, already generally conduct annual board self-assessments or evaluations for various purposes. In addition, the boards of directors of certain national banks, including the board of directors of The Huntington National Bank, are expected to periodically undertake some form of self-assessment under the Office of the Comptroller of the Currency's heightened standards for large financial institutions.[5] Accordingly, the Federal Reserve should make it clear that any self-assessment or evaluation conducted by a board of directors with respect to the five attributes described in the Proposed Guidance may be part of a broader self-assessment process conducted by the board of directors for other purposes. Moreover, given this context, it is important that the board of directors retain full control over all aspects of the self-assessment process, including its timing, design, conduct and documentation, and also the initial decision of whether or not to conduct a self-assessment.

As a general matter, the results of self-assessments or evaluations conducted by the board of directors are not shared outside of the organization. Thus, to the extent that such results are shared with the Federal Reserve in connection with the Federal Reserve's evaluation or assessment of a board's effectiveness, the Federal Reserve should clarify how the results of such self-assessments or evaluations would remain confidential and would not be subject to release to the public, including pursuant to a request under the Freedom of Information Act.

Huntington agrees that the board of directors of large financial institutions face significant information flow challenges, especially in preparing for and participating in board meetings, and that, in certain circumstances, board members may feel overwhelmed by the quantity and complexity of information they receive. While this is a challenge faced by boards of directors across various industries, it is particularly acute in the highly-regulated banking sector. To address this issue, the Proposed Guidance states that an effective board has "practices and processes" in place to evaluate information flows and engage senior management on improvements. Huntington would welcome any further guidance from the Federal Reserve with respect to the specific types of "practices or policies" that a board should adopt to evaluate information flows.

Huntington agrees with the Federal Reserve that an effective board generally is composed of directors with a diverse set of skills, knowledge, experience, and perspectives. Equally important, however, is that the board is composed of directors that have the knowledge, skills,

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[4] 82 Fed. Reg. 39049 (August 17, 2017).
[5] 12 C.F.R. Appendix D to Part 30.

expertise, and experience tailored to the particular firm's asset size, activities, operations, risk profile and other specific characteristics, which may evolve over time as the institution grows, as markets change, and as new risks develop. Ultimately, the election of specific individuals to the board of directors of a banking organization is a matter for the institution's shareholders. It should be sufficient for the Federal Reserve to evaluate the organization's process for selecting and nominating directors. The Federal Reserve should not become embroiled in the selection process itself, or second-guess shareholder decisions to elect specific individual directors.

The Proposed Guidance states that an effective board can "identify specific instances or decisions where the independence and stature—or lack thereof—of the independent risk management and internal audit have materially impacted business deliberations, decisions, practices, and/or the firm's strategy." The Federal Reserve should clarify that it is not requiring or expecting the board of directors to document such specific instances or decisions in the board minutes or elsewhere.

II. Refocusing Existing Supervisory Guidance

Huntington fully supports the Federal Reserve's efforts to eliminate redundant, outdated, or irrelevant supervisory expectations for boards of directors. In particular, we fully support the Federal Reserve's proposals to modify specific portions of the Supervision and Regulation (SR) letters to more clearly delineate the roles and responsibilities of boards from those of senior management, and to generally revise existing supervisory expectations that ascribe the same roles and responsibilities to both the "board and senior management" to refer only to senior management. In addition to revising SR letters, we encourage the Federal Reserve to review other sources of supervisory expectations contained in Federal Reserve materials, guidance, publications, and manuals.

Huntington understands that the second phase of the Federal Reserve's review will focus on requirements and supervisory expectations set forth in Federal Reserve's regulations or in various forms of interagency guidance and that this second phase will take longer based on the need for consultation and collaboration. Huntington fully supports this effort and believes that other banking agencies should follow the Federal Reserve's lead in this area to examine their regulations, policies, and guidance.

III. Proposed Guidance on the Communication of Supervisory Findings

Huntington supports the Federal Reserve's proposal to replace SR letter 13-13/CA letter 13-10 and require Federal Reserve examiners and supervisory staff to refer most Matters Requiring Immediate Attention ("MRIAs") and Matters Requiring Attention ("MRAs") to an institution's senior management, rather than to its board of directors itself, for corrective action. We agree that, in general, taking corrective action with respect to MRIAs and MRAs should be undertaken by an institution's senior management and not its board of directors. Huntington believes, however, that the Proposed Guidance could offer greater clarity on whether senior management is expected to keep the board apprised of receipt of *all* MRIAs and MRAs, and management's progress and efforts to remediate *all* MRIAs and MRAs, or only the most significant MRAs and MRIAs.

Furthermore, as the Federal Reserve works through SR letters and collaborates with other supervisory agencies to revise interagency guidance, Huntington recommends the agencies work to establish consistent interagency MRIA and MRA standards. We support the recommendation in the U.S. Treasury Report on Core Economic Principles that agencies reassess the volume and nature of MRIAs and MRAs.[6] Coordination of requirements and expectations will increase clarity and allow more time for the board to focus on enterprise risk and strategy.

IV. Conclusion

Huntington shares the Federal Reserve's desire to add clarity to supervisory expectations in order to improve corporate governance, increase board and senior management efficiency, support greater accountability, and promote compliance with laws and regulations. To that end, we thank you for the opportunity to provide these comments.

Sincerely,

Stephen D. Steinour
Chairman, President and Chief Executive Officer

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[6] See *A Financial System that Creates Economic Opportunities: Banks and Credit Unions. U.S. Department of the Treasury.* June 2017, at page 65.