



**BOARD OF GOVERNORS**  
OF THE  
**FEDERAL RESERVE SYSTEM**

WASHINGTON, D.C. 20551

DIVISION OF SUPERVISION  
AND REGULATION  
DIVISION OF CONSUMER AND  
COMMUNITY AFFAIRS

**SR 21-4/CA 21-2**

**February 26, 2021**

**TO THE OFFICER IN CHARGE OF SUPERVISION AT EACH FEDERAL RESERVE  
BANK AND TO FINANCIAL INSTITUTIONS SUPERVISED BY THE FEDERAL  
RESERVE**

**SUBJECT:** Inactive or Revised SR Letters Related to the Federal Reserve’s Supervisory  
Expectations for a Firm’s Boards of Directors

**Applicability:** This guidance applies to domestic bank and savings and loan holding companies (including insurance and commercial savings and loan holding companies), regardless of asset size.

The purpose of this letter is to present the results of the Federal Reserve’s review of supervisory expectations for boards of directors<sup>1</sup> of bank and savings and loan holding companies (hereafter referred to as “firm”) that are presented in certain existing Supervision and Regulation and Consumer Affairs letters (“SR/CA letters”). The purpose of the initiative was to review and revise, as appropriate, supervisory views on boards of directors for all domestic bank holding companies and savings and loan holding companies contained in certain existing Supervision and Regulation (SR) and Consumer Affairs (CA) letters to better align with the Board’s supervisory framework.

The review identified supervisory expectations for boards of directors that may not align with their core responsibilities.<sup>2</sup> The review also identified supervisory expectations that did not clearly distinguish responsibilities of a firm’s board from those of the firm’s senior management. The results of the review and accompanying revisions to or rescissions of Federal Reserve guidance are discussed in more detail below.<sup>3</sup>

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<sup>1</sup> The terms “board” or “board of directors” also refer to committees of the board of directors, as appropriate.

<sup>2</sup> Refer to SR letter 21-3/CA letter 21-1, “Supervisory Guidance on Board of Directors’ Effectiveness,” (board effectiveness guidance).

<sup>3</sup> This review focused on supervisory expectations for boards of directors. The Board periodically reviews existing guidance it issues for accuracy and relevance. See, for example SR letter 16-9, “Inactive Supervisory Guidance.” In subsequent guidance reviews, the Federal Reserve will assess language on supervisory expectations for boards of directors for alignment with SR letter 18-5/CA letter 18-7, “Interagency Statement Clarifying the Role of Supervisory Guidance.”

## Review Results

In reviewing the supervisory letters, the Federal Reserve identified 27 SR/CA letters for potential elimination or revision. The Federal Reserve considered whether it would be appropriate to either revise those expectations to better align with the attributes of effective boards set forth in the board effectiveness guidance or SR letter 16-11, “Supervisory Guidance for Assessing Risk Management at Supervised Institutions with Total Consolidated Assets Less than \$100 Billion.” In some cases, the review indicated that a letter should be made inactive as the letter was no longer used in the supervisory process.

After seeking public comment on the review of these 27 SR/CA letters as part of the proposal on the “Board Effectiveness Guidance,”<sup>4</sup> the Board decided to revise twelve letters, make inactive nine letters, and retain six letters without change. The attachment sets forth the disposition of the letters that were revised or made inactive. While the revisions to the 12 SR/CA letters align the board effectiveness guidance and SR letter 16-11, the Federal Reserve did not make any other changes to these letters.

To the extent that the content of a revised or inactive letter appears in the *Bank Holding Company Supervision Manual* or *Commercial Bank Examination Manual*, the Federal Reserve intends to revise the manual content at a later date. In the meantime, firms are not expected to rely on the manuals for board expectations, and the Federal Reserve does not intend to refer to the board expectations included in the manuals in conducting a supervisory assessment of a firm’s governance and controls.

Reserve Banks are asked to distribute this letter to the appropriate supervised institutions in their districts, as well as to supervisory and examination staff. In addition, supervised institutions may send questions regarding the guidance via the Board’s public website.<sup>5</sup>

Michael S. Gibson  
Director  
Division of Supervision  
and Regulation

Eric S. Belsky  
Director  
Division of Consumer and  
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## Attachment

- *Table with Results of Supervisory Letter Review*

## Cross references

- SR letter 21-3/CA letter 21-1, “Supervisory Guidance on Board of Directors’ Effectiveness”
- SR letter 16-11, “Supervisory Guidance for Assessing Risk Management at Supervised Institutions with Total Consolidated Assets Less than \$100 Billion”

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<sup>4</sup> See <https://www.federalreserve.gov/newsevents/pressreleases/bcreg20180104a.htm>

<sup>5</sup> See <http://www.federalreserve.gov/apps/contactus/feedback.aspx>.

**Table with Results of Supervisory Letter Review  
Letters in Which Guidance on the Roles and Responsibilities  
For Boards of Directors of Holding Companies  
Have Been Made Inactive, Revised, or Retained**

SR/CA letter No.	Title	Disposition <sup>1</sup>	Comment	Institution Applicability
<a href="#">SR 16-17</a>	Supervisory Expectations for Risk Management of Reserve-Based Energy Lending Risk	Retained without change	Expectations related to the responsibilities of the board of directors in this letter are consistent with the board effectiveness guidance and SR letter 16-11.	Activities based. State member banks, U.S. branches and agencies of foreign banking organizations, and depository institution holding companies and nonbank subsidiaries of such holding companies involved in energy lending.
<a href="#">SR 14-8</a>	Consolidated Recovery Planning for Certain Large Domestic Bank Holding Companies	Retained without change	Expectations related to the responsibilities of board of directors in this letter are consistent with the board effectiveness guidance.	Eight domestic bank holding companies that may pose elevated risk to U.S. financial stability. <sup>2</sup>
<a href="#">SR 13-19 / CA 13-21</a>	Guidance on Managing Outsourcing Risk	Content revised	Expectations related to the responsibilities of board of directors in this letter were revised to be consistent with the board effectiveness guidance and SR letter 16-11.	All financial institutions supervised by the Federal Reserve.

<sup>1</sup> “Content revised” means that the expectations relating to boards of directors contained in the letter have been revised to better align with either the final board effectiveness guidance in SR letter 21-3/CA letter 21-1, “Supervisory Guidance on Board of Directors’ Effectiveness,” (final board effectiveness guidance) and SR letter 16-11, “Supervisory Guidance for Assessing Risk Management at Supervised Institutions with Total Consolidated Assets Less than \$100 Billion.” The letters are otherwise unchanged. “Retain without change” means that the supervisory expectations for boards of directors described in the letter are consistent with the final board effectiveness guidance and SR letter 16-11. “Made inactive” means the supervisory letter, in its entirety, was no longer relevant to the Federal Reserve’s current supervision because it contained guidance that was outdated, unnecessary, or redundant. Relevant elements of supervisory letters which are made inactive may be retained in the *Commercial Bank Examination Manual* (CBEM) or the *Bank Holding Company Supervision Manual*.

<sup>2</sup> See footnote 1 to SR letter 14-8, “Consolidated Recovery Planning for Certain Large Domestic Bank Holding Companies,” for the list of eight domestic bank holding companies that may pose elevated risk to U.S. financial stability.

<b>SR/CA letter No.</b>	<b>Title</b>	<b>Disposition<sup>1</sup></b>	<b>Comment</b>	<b>Institution Applicability</b>
<a href="#">SR 13-13 / CA 13-10</a>	Supervisory Considerations for the Communication of Supervisory Findings	Retained without change	The Board continues to consider comments to the proposed supervisory communications guidance and therefore is not adopting guidance to replace SR letter 13-13/CA 13-10 at this time.	SR 13-13/CA 13-10 applies to all financial institutions supervised by the Federal Reserve.
<a href="#">SR 12-17 / CA 12-14</a>	Consolidated Supervision Framework for Large Institutions	Retained without change	Expectations related to the responsibilities of board of directors in this letter are consistent with the board effectiveness guidance.	SR 12-17/CA 12-14 remains applicable to: <ul style="list-style-type: none"> <li>• Large Institution Supervision Coordinating Committee (LISCC) firms;</li> <li>• Domestic bank and savings and loan holding companies with consolidated assets of \$50 billion or more that are not included in the LISCC portfolio; and</li> <li>• Foreign banking organizations with combined assets of U.S. operations of \$50 billion or more that are not included in the LISCC portfolio.</li> </ul>
<a href="#">SR 11-15</a>	Disposal of Problem Assets through Exchanges	Content revised	Expectations related to the responsibilities of board of directors in this letter were revised to be consistent with the board effectiveness guidance and SR letter 16-11.	Activities based. All state member banks, bank holding companies, and their nonbank subsidiaries, and savings and loan holding companies that engage in asset exchange transactions.
<a href="#">SR 11-14</a>	Supervisory Expectations for Risk Management of Agricultural Credit Risk	Content revised	Expectations related to the responsibilities of board of directors in this letter were revised to be consistent with the board effectiveness guidance and SR letter 16-11.	Activities based. All financial institutions supervised by the Federal Reserve with significant exposure to agriculture-related credit risk.
<a href="#">SR 09-4</a>	Applying Supervisory Guidance and Regulations on the Payment of Dividends, Stock Redemptions, and Stock Repurchases at Bank Holding Companies	Retained without change	Expectations related to the responsibilities of board of directors in this letter are consistent with the board effectiveness guidance and SR letter 16-11.	Bank and savings and loan holding companies with less than \$50 billion in assets.

SR/CA letter No.	Title	Disposition <sup>1</sup>	Comment	Institution Applicability
<a href="#">SR 08-9 / CA 08-12</a>	Consolidated Supervision of Bank Holding Companies and the Combined U.S. Operations of Foreign Banking Organizations	Retained without change	Expectations related to the responsibilities of board of directors in this letter are consistent with the board effectiveness guidance and SR letter 16-11.	Attachment A.2 applies to regional banking organizations.
<a href="#">SR 08-8 / CA 08-11</a>	Compliance Risk Management Programs and Oversight at Large Banking Organizations with Complex Compliance Profiles	Content revised	Expectations related to the responsibilities of board of directors were revised to be consistent with the board effectiveness guidance.	Applies to banking organizations with \$50 billion or more in total consolidated and have multiple legal entities. Extended to appropriate savings and loan holding companies per SR letter 14-9.
SR 01-13	Supervisory Guidance Relating to a Change to Permissible Securities Activities of State Member Banks	Made inactive	Outdated guidance. Refer to the <i>Commercial Bank Examination Manual</i> for information on securities activities. Expectations related to the responsibilities of board of directors will be revised in the <i>Commercial Bank Examination Manual</i> consistent with the board effectiveness guidance and SR letter 16-11.	Activities based. State member banks meeting certain criteria as described in the Gramm-Leach-Bliley Act.
SR 01-8	Supervisory Guidance on Complex Wholesale Borrowings	Made inactive	Outdated guidance. Refer to the Trading and Capital Markets Activities Manual sections on Liquidity Risk and Interest-Rate Risk Management; SR letter 10-6, “Interagency Policy Statement on Funding and Liquidity Risk Management,” and Regulation YY, as relevant.	Not applicable.
<a href="#">SR 00-9</a>	Supervisory Guidance on Equity Investment and Merchant Banking Activities	Content revised	Expectations related to the responsibilities of board of directors in this letter were revised to be consistent with the board effectiveness guidance and SR letter 16-11.	Activities based. Applies to equity investment activities of bank holding companies, state member banks, and their subsidiaries and affiliates— regardless of the statutory or regulatory authority under which investments are made. Extended to savings and loan holding companies per SR letter 14-9.

SR/CA letter No.	Title	Disposition <sup>1</sup>	Comment	Institution Applicability
<a href="#">SR 99-7</a>	Supervisory Guidance Regarding the Investment of Fiduciary Assets in Mutual Funds and Potential Conflicts of Interest	Content revised	Expectations related to the responsibilities of board of directors in this letter were revised to be consistent with the board effectiveness guidance and SR letter 16-11.	Activities based. Domestic and foreign banking organizations with asset and wealth management activities supervised by the Federal Reserve.
<a href="#">SR 98-25</a>	Sound Credit Risk Management and the Use of Internal Credit Risk Ratings at Large Banking Organizations	Content revised	Expectations related to the responsibilities of board of directors in this letter were revised to be consistent with the board effectiveness guidance and SR letter 16-11.	The letter notes that the guidance applies to “large and complex banking organizations.” Extended to savings and loan holding companies per SR letter 14-9.
SR 98-18	Lending Standards for Commercial Loans	Made inactive	Outdated guidance.	Activities based.
<a href="#">SR 98-9</a>	Assessment of Information Technology in the Risk-Focused Frameworks for the Supervision of Community Banks and Large Complex Banking Organizations	Content revised	Expectations related to the responsibilities of board of directors in this letter were revised to be consistent with the board effectiveness guidance and SR letter 16-11.	State member banks, bank holding companies, and foreign banking organizations. Extended to savings and loan holding companies as per SR letter 14-9.
SR 97-25	Risk-Focused Framework for the Supervision of Community Banks	Made inactive	Outdated guidance. Refer to the <i>Commercial Bank Examination Manual</i> for information on the supervisory framework of community banks.	SR letter 97-25 applies to community banks.

SR/CA letter No.	Title	Disposition <sup>1</sup>	Comment	Institution Applicability
SR 97-24	Risk-Focused Framework for Supervision of Large Complex Institutions	Made inactive	Outdated guidance. Refer to the Bank Holding Company Supervision Manual for information on the supervisory framework of banks and holding companies in the regional and large and foreign banking supervision portfolios.	SR letter 97-24 applies to large complex institutions are defined as those that generally have a functional management structure; broad array of products, services, and activities; operations that span multiple supervisory jurisdictions; and consolidated assets of \$1 billion or more. These institutions may be domestic or foreign in origin, and include U.S. bank holding companies (together with their nonbank and foreign subsidiaries), state member banks, Edge Act and agreement corporations, and branches and agencies of foreign banks.
SR 97-21	Risk Management and Capital Adequacy of Exposures Arising from Secondary Market Credit Activities	Made inactive	The letter will be made inactive and the expectations related to the responsibilities of board of directors will be revised in the Bank Holding Company Supervision Manual to be consistent with the board effectiveness guidance and SR letter 16-11.	Activities based. Institutions supervised by the Federal Reserve that conduct secondary market credit activities. Extended to savings and loan holding companies per SR letter 14-9
<a href="#">SR 97-3</a>	Conversion of Common Trust Funds to Mutual Funds	Content revised	Expectations related to the responsibilities of board of directors in this letter were revised to be consistent with the board effectiveness guidance and SR letter 16-11.	Activities based. State member banks and bank holding companies. Extended to savings and loan holding companies per SR letter 14-9.
<a href="#">SR 96-10</a>	Risk-Focused Fiduciary Examinations	Content revised	Expectations related to the responsibilities of board of directors in this letter were revised to be consistent with the board effectiveness guidance and SR letter 16-11.	Activities based. Institutions supervised by the Federal Reserve that conduct asset and wealth management activities. Extended to savings and loan holding companies per SR letter 14-9.
<a href="#">SR 95-51</a>	Rating the Adequacy of Risk Management Processes and Internal Controls at State Member Banks and Bank Holding Companies	Content revised	Expectations related to the responsibilities of board of directors in this letter were revised to be consistent with the board effectiveness guidance.	SR letter 95-51 applies to state member banks and bank holding companies with consolidated assets of \$100 billion or more. <sup>3</sup> The Board is reviewing the existing guidance applicable to firms with total consolidated assets between \$50 billion and \$100 billion.

<sup>3</sup> See SR 21-3/CA letter 21-1, “Supervisory Guidance on Board of Directors’ Effectiveness” for more information regarding how the Federal Reserve will use the guidance to inform its supervision of firm practices.

<b>SR/CA letter No.</b>	<b>Title</b>	<b>Disposition<sup>1</sup></b>	<b>Comment</b>	<b>Institution Applicability</b>
<a href="#">SR 94-53</a>	Investment Adviser Activities	Content revised	Expectations related to the responsibilities of board of directors in this letter were revised to be consistent with the board effectiveness guidance and SR letter 16-11	Activities based. Bank holding companies, state member banks, and state-licensed U.S. branches and agencies of foreign banks that provide investment advisory services to mutual funds or trust department common investment funds.
SR 93-69	Examining Risk Management and Internal Controls for Trading Activities of Banking Organizations	Made inactive	Outdated guidance.	SR letter 93-69 specifically targets trading, market making, and customer accommodation activities in cash and derivative instruments at State member banks, branches and agencies of foreign banks, and Edge corporations.
SR 90-22	Policy Statement on the Use of "Points" in Settling Foreign Exchange Contracts	Made inactive	Outdated guidance.	SR letter 90-22 is applicable to U.S. commercial bank, Edge or Agreement corporation, and branch, agency and commercial lending company associated with a foreign bank, subject to U.S. federal bank regulatory agencies' supervisory jurisdiction that deals in foreign exchange.
SR 90-16	Implementation of Examination Guidelines for the Review of Asset Securitization Activities	Made inactive	Outdated guidance.	Activities based.