

## TCH Updates Guiding Principles on Corporate Governance and Anti-Money Laundering

*Welcomes public comment on efforts to promote practices designed to strengthen safety and soundness in banking and deter financial crimes*

SEAN OBLACK  
Office: 202.368.4629  
[sean.oblack@theclearinghouse.org](mailto:sean.oblack@theclearinghouse.org)

New York, NY – September 10, 2014 – The Clearing House Association (TCH) today released two updated guiding principles drafts as part of an effort to assist banks as they work to address two timely issues facing the industry. The first, [Guiding Principles for Enhancing Banking Organizations' Corporate Governance](#), updates TCH's previous guiding principles on the issue published in 2012. The guiding principles are intended to provide banking organizations direction on core corporate governance issues. The second, [Guiding Principles for Anti-Money Laundering Policies and Procedures in Correspondent Banking](#), last published in 2002, is intended to provide guidance to U.S. banks engaged in foreign correspondent banking and to assist U.S. banks in implementing key anti-money laundering (AML) obligations.

"The Clearing House continues to take a leading role in charting a path forward for the banking industry," said Paul Saltzman, President of The Clearing House Association. "These documents provide important guidance to banks on two key challenges of today's evolving marketplace, corporate governance and prevention of financial crimes, and they are important milestones in our longstanding commitment to promoting and improving practices that make the banking system safer, sounder, and more efficient."

### **Corporate Governance**

A central tenet of good corporate governance is the distinction between the board's responsibility for oversight of the business and affairs of the bank holding company (BHC) and the board's delegation to management of the responsibility for the day-to-day operations of the BHC. Excessive board involvement in the day-to-day affairs of a banking organization could compromise the board's independence, which is a hallmark of sound corporate governance. TCH's guiding principles not only outline key legal and regulatory requirements and guidance but also incorporate enhancements to governance practices that go beyond what is required by applicable laws and regulations. Among the areas the guiding principles address are:

- board makeup and voting;
- board oversight of duties and responsibilities;

- the “tone at the top;”
- board approval of an organization’s strategic objectives;
- audit committee expertise; and
- board outreach to bank regulators.

“In the wake of the financial crisis, bank regulators, investors, and other market participants have been increasing their emphasis on corporate governance as a crucial element in promoting safety and soundness,” continued Mr. Saltzman. “With this document, TCH has developed a foundational framework for corporate governance that will facilitate more effective board oversight, promote confidence in banking organizations, and encourage consistent supervisory guidance—ultimately resulting in a stronger, more accountable banking system.”

### **Anti-Money Laundering and Correspondent Banking**

Correspondent banking is essential to global finance, trade flows, and cross-border economic development, but it can also pose AML risks that are increasingly the subject of regulatory and industry scrutiny. The guiding principles are intended to build upon U.S. banks’ existing AML and sanctions compliance programs and to assist U.S. banks in the continuing redesign and development of comprehensive due diligence programs to identify and manage particular AML and sanctions risks. The guiding principles also seek to support compliance with the most current AML and sanctions statutes, orders, rules, regulations, and guidance.

“These guiding principles demonstrate how seriously the banking industry takes the need for sound business conduct in correspondent banking,” Mr. Saltzman added. “These principles will help supplement the fight against money laundering and other financial crimes and assist U.S. banks in complying with evolving regulations.”

Recognizing that correspondent banking continues to remain not only an integral part of the international payment system but also vulnerable to the risks of money laundering and terrorist financing, the guiding principles also encourage transparency in payment messages, so banks can take preventive and precautionary measures to comply with the AML and sanctions statutes, orders, rules, regulations, guidance, and expectations.

Some of the areas covered by the AML and correspondent banking guiding principles include:

- establishment of foreign correspondent banking accounts, including due diligence and enhanced due diligence;
- risk assessment of foreign correspondent banking customers;
- identification and reporting of suspicious activity;
- increased transparency for cross-border payments;
- sanctions compliance;
- information sharing; and
- government requests for information.

Comments on either the draft *Guiding Principles for Enhancing Banking Organizations Corporate Governance* or the draft *Guiding Principles for Anti-Money Laundering Policies and Procedures in Correspondent Banking* can be provided at [comments@theclearinghouse.org](mailto:comments@theclearinghouse.org).

**About The Clearing House** Established in 1853, The Clearing House is the oldest banking association and payments company in the United States. It is owned by the world’s largest commercial banks, which hold more than half of all U.S. deposits. The Clearing House Association L.L.C. is a nonpartisan advocacy organization representing – through regulatory comment letters, amicus briefs and white papers – the interests of its owner banks on a variety of important

banking issues. Its affiliate, The Clearing House Payments Company L.L.C., provides payment, clearing and settlement services to its member banks and other financial institutions, clearing almost \$2 trillion daily which represents nearly half of the automated clearing-house, funds transfer, and check-image payments made in the U.S. See The Clearing House's web page at [www.theclearinghouse.org](http://www.theclearinghouse.org).