

## The Clearing House Releases Report on the Core Functions of the Board of Directors

*Report identifies board-related regulatory requirements and related supervisory guidance*

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**Washington D.C.** – May 6, 2016 –Late yesterday, The Clearing House (TCH) issued a [report](#), *The Role of the Board of Directors in Promoting Effective Governance and Safety and Soundness for Large U.S. Banking Organizations*, to serve as a resource to both banks and their supervisors about the respective roles of directors and management. The report highlights the growing responsibilities and emphasis being placed on banking organizations' board of directors by U.S. regulators. It also provides recommendations to regulators on how best to address what is often seen as a divergence between the role of the board, which is one of oversight, and regulatory compliance-related expectations for directors which at times may overlap with management's responsibility.

"Sound board governance is critical to promoting the safety and soundness of banks," said Gregg Rozansky, Managing Director at The Clearing House. "As the role of the board has become an increasingly important focus of U.S. bank supervision, we hope this report will be viewed as a constructive resource that provides thoughtful recommendations aimed at encouraging strong board governance and consistent and appropriately focused supervisory guidance."

The report individually identifies the hundreds of existing requirements directed at boards of directors under U.S. federal banking laws, regulations and agency interpretive guidance statements, including examination guidance. Based on a review of these requirements, the report outlines five core board oversight functions and provides four overarching recommendations aimed at ensuring that regulation and supervisions of bank board governance is both robust and appropriately focused on these core functions. In particular, the report recommends that:

- Regulatory pronouncements on board governance be specifically directed to boards' performance of their core oversight functions

- Regulators generally recognize that boards may utilize board committees to address board responsibilities where a regulatory pronouncement generically uses the term “board”
- Regulators conduct periodic reviews of the board requirements and standards they promulgate; and
- Regulators, directors and the industry participate in a continuing dialogue to advance their common interest in promotion of effective board governance at large U.S. banking organizations.

Global regulators issued updated international bank governance standards last year, the Office of the Comptroller of the Currency (OCC) established “heightened standards” for directors of large national banks in 2014, and additional U.S. bank supervisory guidance on board effectiveness is expected in the near future. The report is intended to constructively inform important policy decisions about bank governance in these and other regulatory pronouncements.

**About The Clearing House.** The Clearing House is a banking association and payments company that is owned by the largest commercial banks and dates back to 1853. The Clearing House Payments Company L.L.C. owns and operates core payments system infrastructure in the United States and is currently working to modernize that infrastructure by building a new, ubiquitous, real-time payment system. The Payments Company is the only private-sector ACH and wire operator in the United States, clearing and settling nearly \$2 trillion in U.S. dollar payments each day, representing half of all commercial ACH and wire volume. Its affiliate, The Clearing House Association L.L.C., is a nonpartisan organization that engages in research, analysis, advocacy and litigation focused on financial regulation that supports a safe, sound and competitive banking system.