

## Press Release

January 04, 2018

### Federal Reserve Board requests comment on proposed guidance that would clarify Board's supervisory expectations related to risk management for large financial institutions

For release at 3:30 p.m. EST

The Federal Reserve Board on Thursday requested comment on proposed guidance that would clarify the Board's supervisory expectations related to risk management for large financial institutions.

The guidance is part of a broader initiative to develop a new rating system for large financial institutions that will align with the post-crisis supervisory program. In August 2017, the Board invited comment on the proposed rating system, which would reflect assessments of a firm's capital, liquidity, and governance and controls. Also in August 2017, the Board issued a proposal identifying attributes of effective boards of directors. The supervisory expectations described in today's proposed guidance, as well as those for boards of directors, would help inform the Federal Reserve's overall supervisory evaluation of a firm's governance and controls.

The proposed guidance released today identifies core principles for effective senior management, who are directly accountable to the firm's board of directors for the day-to-day management of the firm. The core principles include ensuring that the firm manages its risk in a way that is prudent and consistent with its business strategy and risk management capabilities.

The proposed guidance also identifies core principles for a firm's business line management and independent risk management. Business line management is responsible for the day-to-day management of specific business lines, such as residential mortgage operations. Independent risk management is responsible for conducting ongoing objective and critical assessments of a firm's risks using personnel independent of the firm's business line managers.

The proposed guidance would apply to large financial institutions, including: domestic bank holding companies and savings and loan holding companies with \$50 billion or more in total consolidated assets; foreign banks operating in the United States with \$50 billion or more in combined U.S. assets; and nonbank financial companies designated by the Financial Stability Oversight Council for supervision by the Board.

Comments on this proposal will be accepted until March 15, 2018. The Board previously extended the comment periods for the rating system and board effectiveness guidance until February 15, 2018, so that the public could comment on and understand these components together.

For media inquiries, call 202-452-2955.