

Visual Memoranda: The Federal Reserve's Proposed Governance Guidance for Boards and Management and Proposed Large Financial Institution Rating System

By [The Davis Polk FIG Team](#) on June 18, 2018

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On June 19, 2018, Margaret E. Tahyar will moderate the “Supervisory and Examination Issues and Updates” panel at the 2018 Prudential Regulation Conference hosted by SIFMA and The Clearing House in Washington, D.C. In connection with Ms. Tahyar’s participation in this event, we are today releasing two interrelated visual memoranda examining certain key developments in Federal Reserve supervision over the past several months.

As discussed in previous *FinReg* posts, the Federal Reserve has issued a series of three proposals as part of its efforts to clarify and better distinguish between the roles of boards of directors and the management of large financial institutions (LFIs).

- In January 2018, the Federal Reserve issued proposed guidance (Management Guidance) describing core principles of effective senior management, the management of business lines, and independent risk management and controls that would apply to LFIs. Our original *FinReg* post discussing the Management Guidance is available [here](#).
- In August 2017, the Federal Reserve issued proposed guidance (Governance Proposal) on corporate governance for banking organizations. The Governance Proposal focuses on the supervisory expectations for boards of directors, distinguishes more clearly the roles and responsibilities of boards and senior management, eliminates redundant and outdated SR letters and guidance, and more closely aligns corporate governance expectations with the Federal Reserve’s supervisory framework. Our original *FinReg* posts discussing the Governance Proposal are available [here](#) and [here](#).

- Also in August 2017, the Federal Reserve proposed a new rating system for LFIs (LFI Rating Proposal) to more closely align the Federal Reserve’s supervisory rating system with its supervisory program for LFIs. Our original *FinReg* post discussing the LFI Rating Proposal is available [here](#).

We discuss the application of the Management Guidance, Governance Proposal and LFI Rating Proposal to LFIs in two companion visual memoranda:

Corporate Governance and Controls: The Federal Reserve’s Governance and Management Proposals – Application to a Large U.S. Financial Institution is available [here](#).

The Federal Reserve’s Proposed Large Financial Institution Rating System – Application to a Large U.S. Financial Institution is available [here](#).