FDIC Should Withdraw Fatally Flawed Corporate Governance Mandates

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Washington, D.C. – The FDIC's proposed corporate governance guidelines for certain state-chartered banks are so fatally flawed that they should be withdrawn, state financial regulators said in a **comment letter** filed by the Conference of State Bank Supervisors (CSBS).

"With little justification and no analysis, the FDIC proposal tramples on the historic role of the states in corporate governance," said CSBS President and CEO Brandon Milhorn. "The FDIC guidelines would micromanage how a bank's board functions, imposing a tangle of organizational requirements and procedural checklists."

Approximately 60 of the nation's more than 3,600 state-chartered banks would be explicitly subject to the guidelines, which would apply to FDIC-supervised, state-chartered banks with more than $10 billion in assets. The FDIC, however, could also extend the guidelines to smaller banks if it deems them to be "highly complex or present a heightened risk." For state-chartered banks that are not members of the Federal Reserve System, the FDIC shares supervisory responsibility with state regulators.

The proposed guidelines would conflict with state corporate governance laws, introduce overly complex and unnecessary board independence requirements, and confuse the roles and responsibilities of directors and management. The requirements also would create an unlevel playing field for covered banks, as institutions supervised by the Federal Reserve and Office of the Comptroller of the Currency would not be subject to similarly strict mandates.

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The Conference of State Bank Supervisors (CSBS) is the national organization of financial regulators from all 50 states, American Samoa, District of Columbia, Guam, Puerto Rico, and U.S. Virgin Islands. State regulators supervise 79% of all U.S. banks and a variety of *non-depository financial services. CSBS, on behalf of state regulators, also operates the Nationwide Multistate Licensing System to license and register non-depository financial service providers in the mortgage, money services businesses, consumer finance and debt industries.*

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