



Comptroller of the Currency
Administrator of National Banks

US Department of the Treasury

Activities of Effective Boards

Workshop *for Community
Bank Directors*



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Objective

**Understand the key activities
that make boards effective**

Main Topics



Board Responsibilities
Risk Management Process
Strategic planning
Policies
Performance management
Succession



Board Responsibilities



Provide competent management

Develop strategic plan

Set proper tone at the top

Provide effective oversight

Maintain reasonable capitalization

Represent the community

Your Individual Responsibilities

The seal of the Comptroller of the Currency is visible in the top right corner. It features a central shield with a scale of justice, flanked by two smaller scales. Above the shield is a banner with stars. The text "COMPTROLLER OF THE CURRENCY" is written around the perimeter of the seal.

Be informed

Credible challenge to management

Comply with laws, rulings, and regulations

Positively influence the community

Risk Management Process



Elements of a Good Strategic Plan



Long-term (3-5 years)

Strategic goals

Major targets

New Branch Proposal



Exercise: AEB, Exercise 1

What do you think of the proposal?

What additional questions should the board be asking?

Planning



Policy Framework



Detailed points of reference

Acceptable and unacceptable risks

Measurement criteria

Reporting requirements

Four Common Policies



Audit

Loans

Compliance/Bank Secrecy (BSA)

Asset/liability management

Policies



- **Certain policies are required, such as**
 - ✓ **Trust** (12 CFR 9)
 - ✓ **Real estate** (12 CFR 34)
 - ✓ **BSA policy** (12 CFR 21.21)
 - ✓ **Info security** (12 CFR 30)
- **Other sources of policy information:**
 - ✓ ***Comptroller's Handbook for National Bank Examiners***

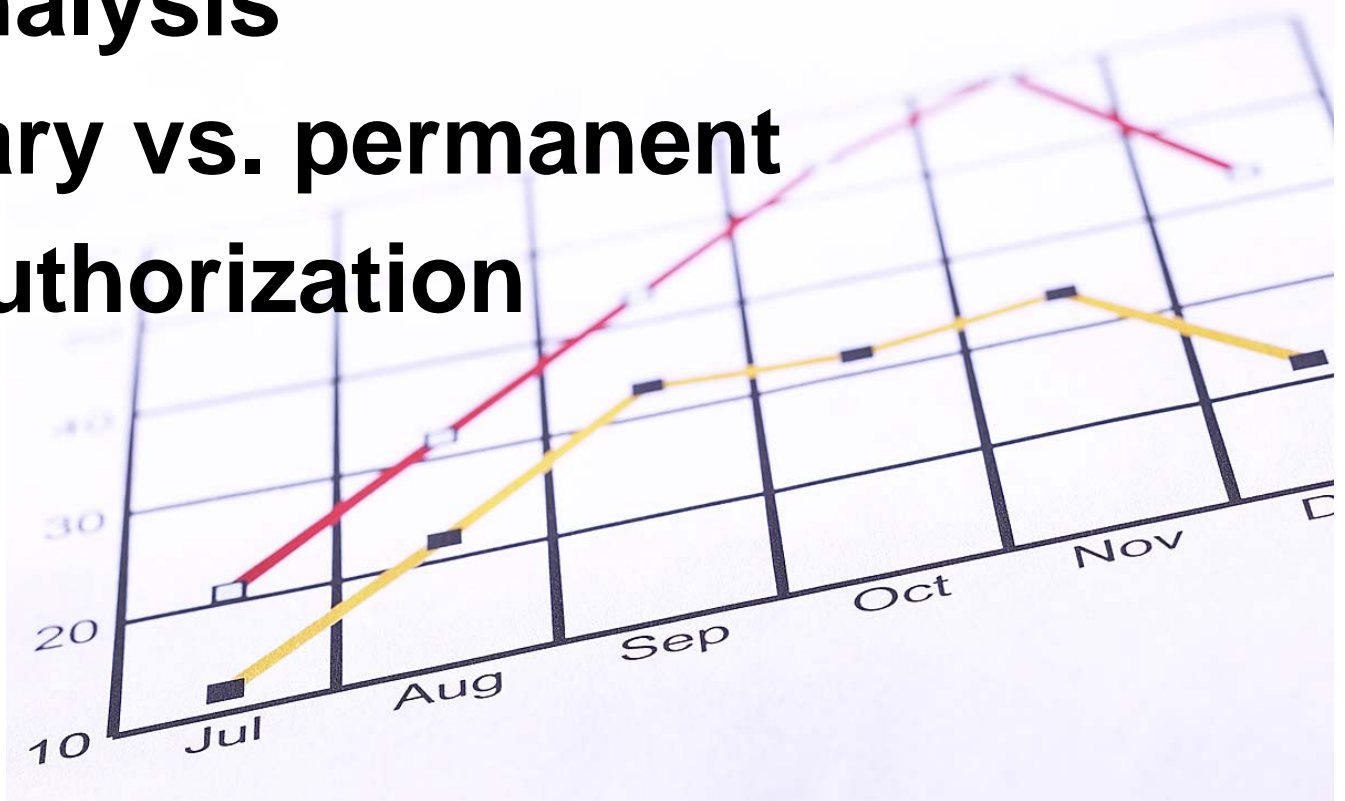
Policy Exceptions



Trend analysis

Temporary vs. permanent

Tiered authorization



Questions



Hiring Competent Management



Competent management is the #1 priority
Management selection process
Philosophical compatibility



Hiring Competent Management



Compensation



**Rewards safe and sound performance
only**

Is fair and equitable

Compensation Best Practices Exercise



Discuss Best Practices at Table:

- **Written evaluation?**
- **Prepared by board/committee?
Chairman?**
- **Use of consultant?**
- **Employment contracts?**
- **Best practices?**

Succession Planning



Continuity of the board

Continuity of management

Critical positions throughout the bank

Succession Planning



Exercise: AEB, Exercise 2

Does the bank have adequate management succession?

- Chief Executive Officer
- Chief Financial Officer
- EVP/ Senior Lending Officer

Does YOUR bank have adequate management succession?

Self-Assessment



Not required, but an emerging best practice

Can be performed at the full board or committee level

Benefits:

- **Objective view of your effectiveness**
- **Identify areas for improvement**
- **May help improve operational efficiency**

Self-Assessment Components



Common self-assessment topics include:

- **Oversight of the financial condition**
- **Effectiveness of the committee function**
- **Quality of internal and external board communications**
- **Independence and ethics**
- **Qualifications and continuing education**

Activities of Effective Boards



Key Points



Hiring competent management is most important

Strategic planning sets the goals

Policies help control risk.

Policy exceptions help you monitor