

## BANK MANAGEMENT: SUCCESSION PLANNING

***Q: What should we consider in our succession planning process? Who should be included?***

**A:** The OCC addresses that issue for national banks in their [Corporate and Risk Governance handbook](#), and the FDIC provided clear guidance and expectations for all banks in [FDIC Consent Order 09-367b](#). Things have become much more complicated since the Consent Order was issued. It is hard to see how a Compliance Officer, Chief Risk Officer, or an IT professional is not a ‘key’ individual that should be included in succession planning.

When developing a succession plan, the board and management should consider the following items set forth in the Consent Order:

- (1) obtaining qualified people to replace those key individuals who resign or retire;
- (2) developing proposed qualifications for key individuals;
- (3) outlining a plan of action for soliciting key individuals;
- (4) considering needed compensation to attract key individuals; and
- (5) setting a time frame for completing the plan and hiring key individuals.

While not mentioned in the Consent Order, the board should also consider the following issues in developing an effective succession plan:

- (1) defining the roles and responsibilities of each key position in the plan, now and for the future;
- (2) assessing the bank's future needs by analyzing data;
- (3) becoming familiar with candidates being considered for the plan; and
- (4) having a clear understanding of the transition process.

After a plan is adopted, it is imperative that the board of directors evaluate and modify, when necessary, the succession plan at least on an annual basis.

After any triggering event under the succession, the board of directors should immediately take steps to update and modify the succession plan.

It's important to ensure that you have successors in place for all key positions in your organization. To determine who should be included, management and the board should do an analysis of the strategic positions within the organization and assess the duties and

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responsibilities, of the people holding those positions. This will help the bank to insure it has the personnel in place to continue strategic operations of the bank when a triggering event occurs.