

Title I Resolution Plan Review Update

December 10, 2014

Title I Resolution Plan Submission Schedule and Status

- First 11 filers were provided feedback on their 2013 Resolution Plans August 5, 2014, with follow up meetings with firms in September and November. The 2014 Plans are being reviewed to determine the extent shortcomings noted in 2013 Plans are addressed in the 2014 Plans.
- Feedback letter to Wells Fargo provided November 25, 2014. Remaining Plan submissions still under review.

Evaluation of First 11 2013 Resolution Plans

- The Federal Reserve System Board of Governors and the FDIC jointly identified serious shortcomings in the plans and instructed the firms to take immediate action to improve their resolvability and reflect those improvements in their 2015 submissions.
- The firms were provided with both specifically identified shortcomings as well as expectations for their 2015 submissions. Some common features across the firms' submissions included:
 - Unrealistic or inadequately supported assumptions, such as the likely behavior of customers, counterparties, investors, central clearing facilities, and regulators
 - Failure to make, or even to identify, the kinds of changes in firm structure and practices that would be necessary to enhance the prospects for orderly resolution

Evaluation of First 11 2013 Resolution Plans (Con't)

- The FDIC Board determined the plans submitted did not facilitate an orderly resolution under the U.S. Bankruptcy Code. The Federal Reserve Board of Governors and the FDIC determined that the firms must take immediate action to improve their resolvability and reflect those improvements in their 2015 submissions.
- The agencies agreed that in the event that the firms have not, on or before July 1, 2015, submitted plans responsive to the identified shortcomings, the agencies expect to use their authority under section 165(d) to determine that a resolution plan does not meet the requirements of the Dodd-Frank Act.

Agency Expectations for the 2015 First 11 Plans

- The 2015 plan must demonstrate that the firm is making significant progress to improve its resolvability under bankruptcy by:
- Establishing a rational and less complex legal structure that would take into account the best alignment of legal entities and business lines to improve the firm's resolvability;
- Developing a holding company structure that supports resolvability;
- Amending, on an industry-wide and firm-specific basis, financial contracts to provide for a stay of certain early termination rights of external counterparties triggered by insolvency proceedings;
- Ensuring the continuity of shared services that support critical operations and core business lines throughout the resolution process;
- Demonstrating operational capabilities for resolution preparedness, such as the ability to produce reliable information in a timely manner;
- Increasing transparency of resolution plans by including more information in the public portion of the plans

Evaluation of Wells Fargo 2014 Resolution Plan

- The FDIC Board and the Federal Reserve System Board of Governors determined that the plan provided a basis for a resolution strategy under bankruptcy which, if fully developed in the future, could reduce the risk the firm's failure would pose to the stability of the U.S.
- The agencies identified specific shortcomings and expectations for the 2015 submission
- The firm's 2015 plan must demonstrate significant progress in addressing identified shortcomings