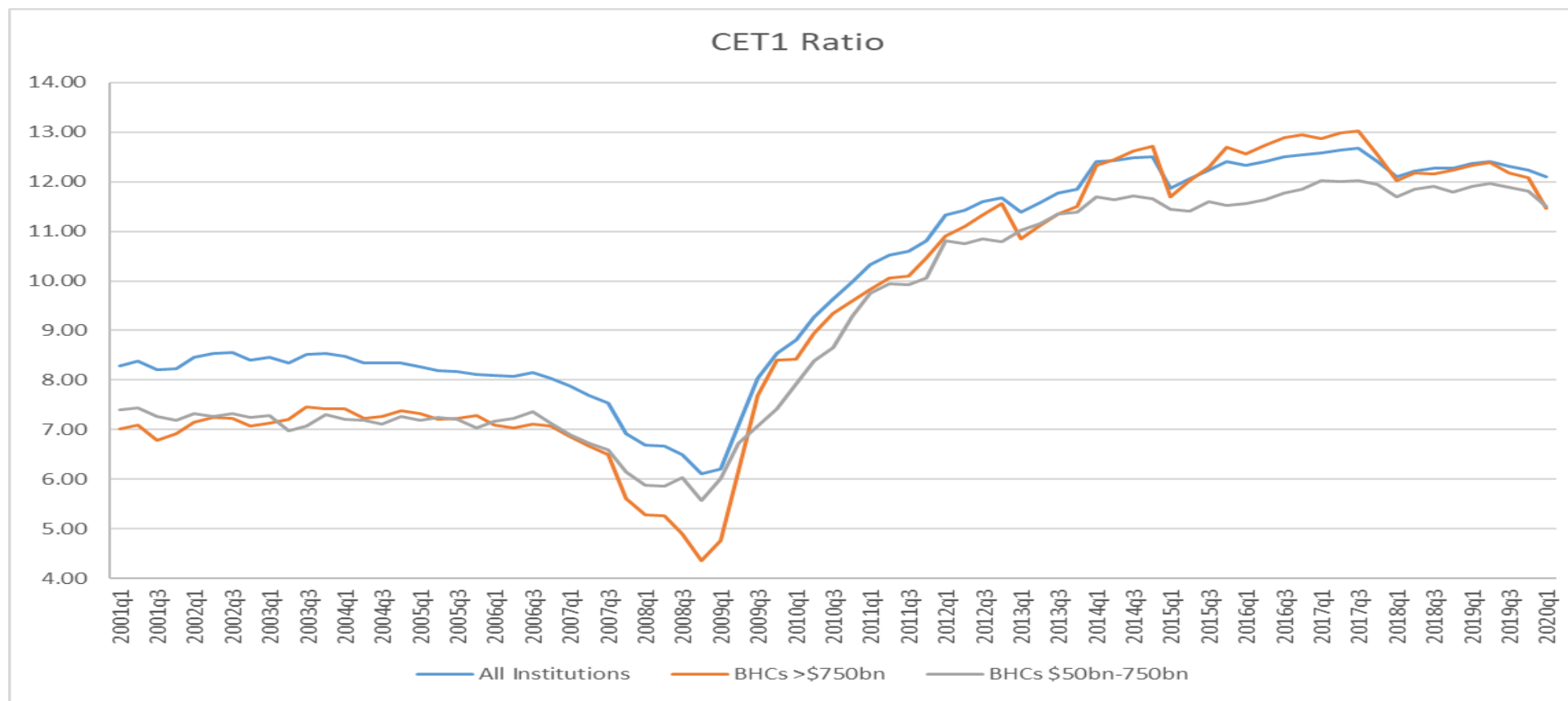


# Lessons Learned From Firms' COVID-19 Pandemic Response

# Synergy: Post-2008 Supervision & Title I Advances

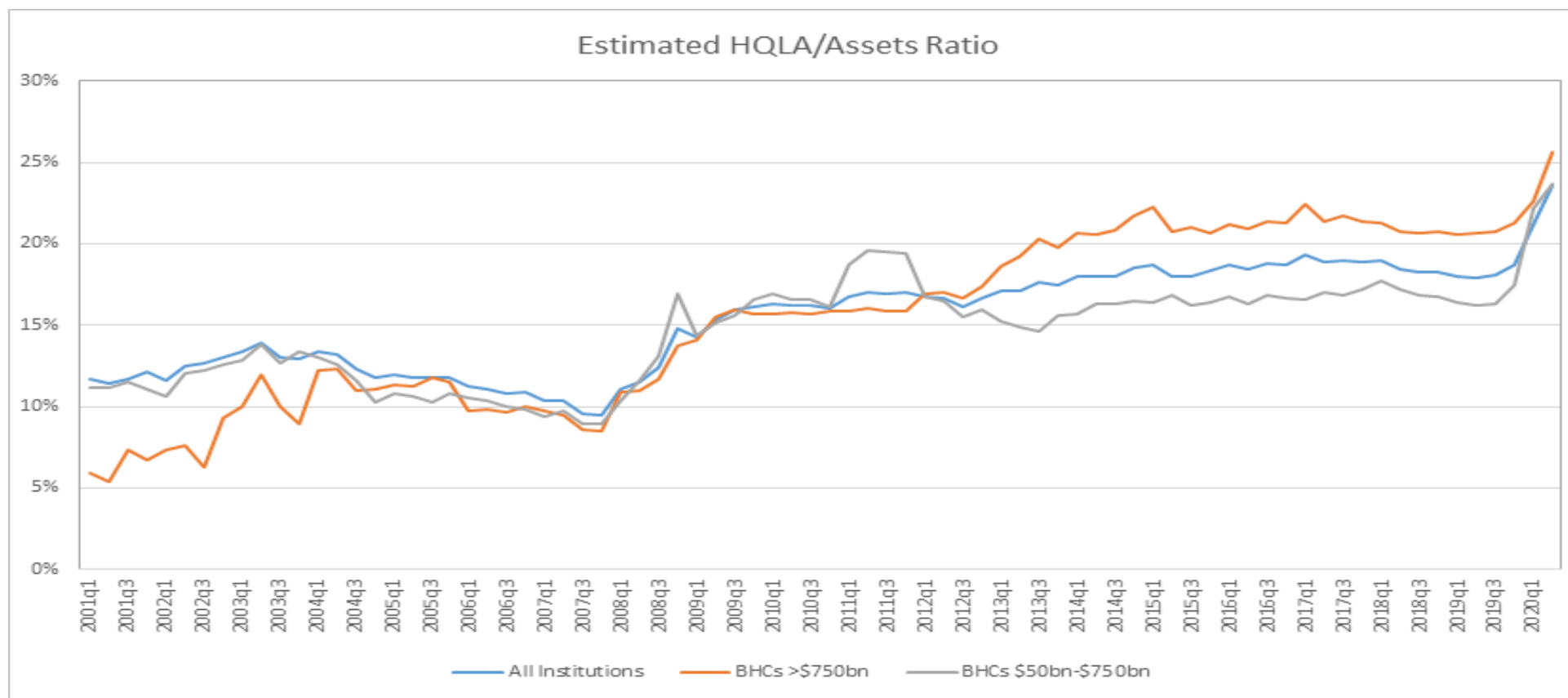
## Capital: Post - 2008 and Basel Reforms



Source: FDIC analysis of FR Y-9C

# Synergy: Post-2008 Supervision & Title I Advances

## Liquidity: Post - 2008 and Basel Reforms



Source: FDIC analysis of FR Y-9C

# Synergy: Post-2008 Supervision & Title I Advances

## **Title I Advances:**

### **Governance**

- Integration of resolution-related process into the crisis continuum governance process and playbooks.

### **Liquidity**

- Understanding key funding inter-dependencies between affiliates and the management of those dependencies.

### **Operational**

- Identification and mapping of critical service relationships were key to the development of business continuity processes and enhancement of infrastructure to support operations during business disruption.
- Reduction in the complexity and number of legal entities within the firm (e.g., unnecessary pass-through funding entities; consolidation of shared services into fewer entities).
- Ensuring contractual arrangements (e.g., servicing needs) between subsidiary affiliates and between affiliates with 3rd party vendors are resilient in the event of parent company failure.

# Key challenges for firms and regulators

- Market price volatility
- Liquidity outflows and inflows
- Extraordinary trading volumes
- Global migration from in-person to work-from-home
- Maintenance of critical services/substitutability
- Credit Risk

Ongoing analysis, communication, and flexibility remain critical

# Regulators' Initial Responses

- Wide ranging government support
  - Legislative and supervisory relief
  - Resolution related: e.g., extension of plan deadlines, areas of focus
- Heightened supervisory engagement with firms and regulators worldwide
  - Monitoring of financial industry risk profiles related to market risk, liquidity risk, operational risk, and credit risk as well as the ability to maintain adequate levels of capital commensurate with that risk.
- Refocused existing bilateral and multilateral engagement
  - Emphasis on effects of the crisis and initial firm responses
- Monitoring, analysis, and communication with firms and between agencies remain critical

# Next Steps

- Crisis and response continue to evolve
  - Ongoing supervisory engagement and risk monitoring
  - Continued focus within Crisis Management Group meetings
  - July 2021 Targeted Title I Plans
    - Submissions to focus on lessons learned from pandemic, in addition to core elements
    - Firms' responses will inform the Agencies' assessment of resolution-related capabilities and infrastructures