

Resolution Framework for Global Systemically Important Banks

Overview

The **Single Point of Entry (SPoE) strategy** remains the foundational framework for resolving GSIBs, bolstered by 10 years of domestic and international policy and planning developments.

FDIC readiness efforts in recent years have focused on **operationalization and testing** of key Orderly Liquidation Authority (OLA) readiness processes:

- Liquidity analysis and funding operations
- Coordinating entry into resolution
- Bridge governance and oversight

Maturation of SPoE

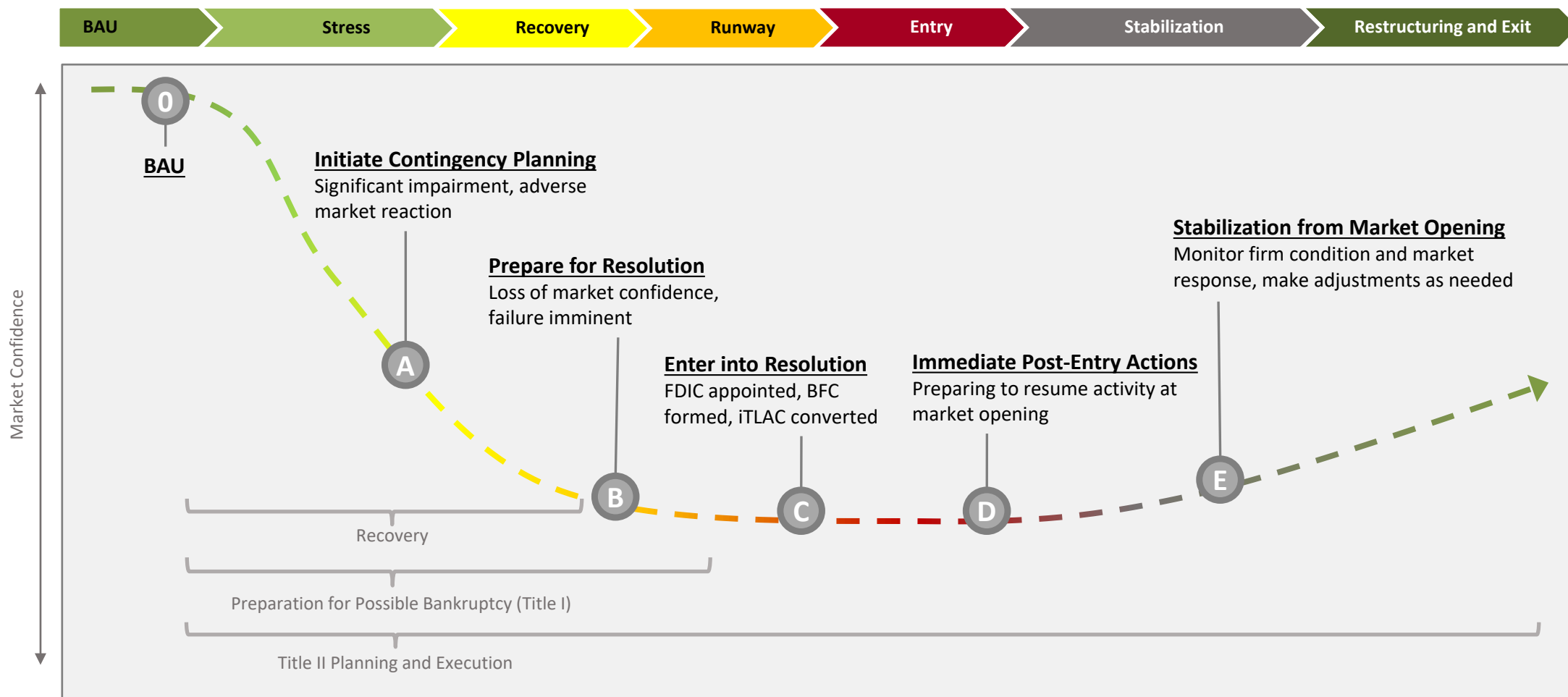
Adoption of the SPoE strategy **across regimes** has created planning synergies and facilitated coordination:

- Title I planning for SPoE in bankruptcy (all eight U.S. GSIBs)
- Foreign jurisdictions adopting variants of the SPoE “bail-in” strategy

Policy developments and structural changes post-2008 have addressed several core challenges to resolution:

- Loss absorbency: clean holding company and TLAC requirements
- Financial contract termination: ISDA resolution stay protocol
- Industry resolution planning: legal entity rationalization, operational continuity, and resolution capabilities

Illustrative Crisis Continuum: Title II Scenario



FDIC Readiness: Liquidity and Funding Needs

GSIB **resolution liquidity modeling capabilities** (Resolution Liquidity Execution Need (RLEN)) provide a mechanism for projecting liquidity needs in Title II.

- The Title I liquidity triggers will inform FDIC escalation actions and timing of entry
- The FDIC has developed approaches for adapting RLEN models for Title II scenarios

Ongoing interagency work is conducted to maintain preparedness for operationalizing the **Orderly Liquidation Fund**, including through a recent **interagency simulation**:

- Drafted and exchanged examples of statutorily required funding documents
- Tested funding processes and systems; simulated disbursements
- Practiced interagency coordination and communication

FDIC Readiness: Coordinating Entry Into Resolution

The **U.S. authorities coordinate regularly** on GSIB resolution planning:

- Joint work with the Federal Reserve on resolution plan review and conducting Crisis Management Group meetings
- Periodic refresh of the “3 keys” appointment process

Authorities in the U.S., UK, and European Banking Union maintain a **cross-border work program on GSIB resolution** focusing on key resolution challenges and coordination during “resolution weekend”.

- Seven years of principal and senior staff-level engagement
- Most recent principal exercise in April 2019; next principal exercise in 2021
- Senior staff-level cross-border simulation to be conducted fall 2020

FDIC Readiness: Bridge Governance and Oversight

In an OLA resolution a **Bridge Financial Company chartered by the FDIC** will be led by directors and officers approved by FDIC, subject to certain controls established upon the formation of the Bridge.

The FDIC maintains an **executive search program** and conducts regular outreach to identify qualified candidates for executive and board member positions.

The FDIC recently conducted an internal **Bridge formation simulation**, completing the chartering process, requisite legal documents, and associated board cases for a selected U.S. GSIB.

Bridge Governance Paradigm

Balanced Approach

FDIC retains
key controls

Approval of:

- Orderly Liquidation Plan (OLP) for reorganization of the Bridge
- Amendments to articles of association and bylaws
- Bridge Board of Directors
- Appointment of CEO or other designated senior executive officers
- Material divestitures
- Any mergers, consolidation or reorganization of Bridge
- Oversight of funding plan, including approach to use of Orderly Liquidation Fund (OLF), if necessary
- Independent auditor, valuation consultant

New Bridge Board
and CEO oversee
day-to-day operations

- Manage operations consistent with governing documents and OLP
- Continued oversight of subsidiaries, which continue to operate under their existing regulatory structures
- Retain approved consultants for valuation and audits
- Manage funding and make intercompany advances
- Hire and terminate officers and employees (other than designated key officers)