FEDERAL DEPOSIT INSURANCE CORPORATION

ADVISORY COMMITTEE ON SYSTEMIC RESOLUTION

MEETING

THURSDAY,
OCTOBER 1, 2020

The Advisory Committee convened at 9:00 a.m. EDT via Video-Teleconference, Jelena McWilliams, Chairman, presiding.

PRESENT:

SHEILA BAIR, Former Chairman, Federal Deposit Insurance Corporation

DR. BEN S. BERNANKE, Distinguished Fellow in Residence with the Economic Studies Program at the Brookings Institution, Former Chairman of the Board of Governors of the Federal Reserve System

MICHAEL BODSON, President and Chief Executive Officer, Depository Trust & Clearing Corporation

HON. SHELLEY C. CHAPMAN, United States Bankruptcy Judge, Southern District of New York

H. RODGIN COHEN, Senior Chairman, Sullivan & Cromwell LLP

GARY COHN, Former Assistant to the President for Economic Policy and Director of the National Economic Council

WILLIAM H. DONALDSON, Former Chairman, U.S. Securities and Exchange Commission (SEC)
ROBERT DRAIN, United States Bankruptcy Judge, Southern District of New York
PETER R. FISHER, Senior Fellow, Center for Global Business and Government at the Tuck School of Business at Dartmouth University
RICHARD J. HERRING, Co-Director, The Wharton Financial Institutions Center and Professor of Finance, The Wharton School, University of Pennsylvania
DONALD KOHN, Former Vice Chairman, Board of Governors of the Federal Reserve System and Senior Fellow, Economic Studies Program, Brookings Institution
TIMOTHY J. MAYOPOULOS, President of Blend, Former President and Chief Executive Officer of Fannie Mae
SANDIE O'CONNOR, Former Chief Regulatory Affairs Officer for JPMorgan Chase & Co.
DOUGLAS L. PETERSON, President and Chief Executive Officer, S&P Global
JOHN S. REED, Former Chairman and CEO of Citigroup and Former Chairman, Corporation of Massachusetts Institute of Technology
GARY H. STERN, Former CEO and President, Federal Reserve Bank of Minneapolis and Presiding Director and Chair of the Board Risk Committee at the Depository Trust

FDIC PRESENT:

JELENA McWILLIAMS, Chairman, FDIC
MARTIN J. GRUENBERG, Board of Directors, FDIC
JASON CAVE, Senior Advisor to the Director for Policy, Division of Complex Institution Supervision and Resolution
ALEXANDRA BARRAGE, Associate Director for Policy, Policy and Data Analytics Branch, Division of Complex Institution Supervision and Resolution
RICARDO DELFIN, Director, Office of Complex Financial Institutions
ELIZABETH FALLON, Deputy Director, Office of Complex Financial Institutions
KRISTA HUGHES, Associate Director, Operations Branch, Division of Complex Institution Supervision and Resolution
JIM McGRAW, Deputy Director, Risk Assessment Branch, Division of Complex Institution Supervision and Resolution
LORI QUIGLEY, Corporate Expert, Risk Assessment Branch, Division of Complex Institution Supervision and Resolution
RYAN TETRICK, Deputy Director, Resolution Readiness Branch, Division of Complex Institution Supervision and Resolution
JENNY TRAILLE, Division of Complex Institution Supervision and Resolution
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CHAIRMAN MCWILLIAMS: Good morning, everybody. I'm pleased to welcome you to the 2020 meeting of the Systemic Resolution Advisory Committee.

I look forward to discussing our work in progress in navigating the challenges associated with resolving systemically important financial companies.

But first, I would be remiss if I didn't mention the passing of Paul Volcker. He worked with many of us on the Committee and he was the original Member of the Committee.

The SRAC was formed in 2011 as a forum for the FDIC to bring together expertise inside and outside the Agency to discuss the challenges, opportunities, and progress being made to implement our systemic resolution mission.

This year's meeting is another step forward in that effort. I'm honored to welcome five new Members with tremendous knowledge and
experience.

I would like to say that this Committee is a Committee of superstars. First, former Chairman of the Board of Governors of the Federal Reserve, Dr. Ben Bernanke who is currently a distinguished fellow in residence at the Brookings Institution.

I had the honor of serving as a staff attorney under Dr. Bernanke, Chairman Bernanke during the financial crisis and I think the world of him.

Second, Mr. Gary Cohn who recently served as Assistant to the President for Economic Policy and Director of the National Economic Council and prior to that was President and Chief Operating Officer of the Goldman Sachs.

Third, the Honorable Robert Drain, a United States bankruptcy judge for the Southern District of New York who is also the current Chair of the Bankruptcy Judge's Advisory Group.

Fourth, Mr. Tim Mayopoulos, President of Blend, a Silicon Valley technology company and
former president and CEO of Fannie Mae and
general counsel of Bank of America.

And fifth, it is my pleasure to
welcome Ms. Sandie O'Connor, former Chief
Regulatory Affairs Officer for JPMorgan Chase and
former member of the Alternative Reference Rates
Committee and the Federal Reserve Bank of New

Welcome and thank you all for joining
our Committee. I would also like to welcome back
our returning Committee Members, all superstars.
We greatly appreciate the time and efforts you
have committed to the SRAC and I couldn't be more
honored to have you as Members of this Committee.

I look forward to hearing your
thoughts and ideas on our progress and next
steps. I will now hand the microphone over to
Rick Delfin, Director of the Division of Complex
Institution Supervision and Resolution to provide
an overview of today's meeting agenda and discuss
the creation of this new division. Thank you.

MR. DELFIN: Great. Thank you,
Chairman McWilliams. And I hope you can all hear me okay.

I want to thank you all for joining us today. As the Chairman mentioned, my name is Ricardo Delfin.

I'm the Director of the FDIC's new Division of Complex Institution Supervision and Resolution, the group responsible for implementing the FDIC's systemic resolution mission.

I'm sorry we need to do this by video. But I very much appreciate everyone taking the time to participate today.

As you probably are used to by now in this era, there are a few sort of technology related items to start that I just wanted to flag. First, to improve the audio we ask that everyone please mute their microphones when they are not speaking, just to avoid feedback and help the others' audio.

Second, though there is a raise hand function on your screen if you would like to ask
a question, we also want you to please feel free
to just jump in at any point and ask a question.
We very much want to get your thoughts and
feedback today and wouldn't want the technology
to get in the way of any of that.

Finally, while there is also a chat
function we would ask that everyone only use the
chat function to request technical assistance.
Because this is a public event under the Federal
Advisory Committee Act, we encourage Members to
please share their substantive thoughts and
comments as part of the normal discussion.

Having gotten all of that out of the
way, we can now move on to the heart of the
meeting. Today we would like to update you on
the work that we've done here at the FDIC on the
systemic resolution as well as the progress we
have made and the topics still being tackled.

As you know, following the 2008 global
financial crisis, Congress established new
authorities for the FDIC to manage the orderly
resolution of large complex financial
institutions whose failure could threaten U.S. financial stability.

One authority under Title 1 of the Dodd-Frank Act requires that certain large complex bank holding companies and designated non-banks file resolution plans or living wills that outline how the firm might be resolved in an orderly way under the U.S. Bankruptcy Code, the statutory first option for failure.

These plans are reviewed by the FDIC and the Federal Reserve who can then identify deficiencies or shortcomings in the plan for remediation.

The second authority under Title 2 of the Act establishes the orderly liquidation authority or OLA. It is a backstop resolution regime run by the FDIC to resolve large complex financial institutions in circumstances when failure and bankruptcy could threaten U.S. financial stability.

This authority was based on the FDIC's longstanding tools for traditional bank
resolution. In the intervening years we have engaged with this Committee at length to test our thinking and solicit your thoughts and feedback and we look forward to doing that again today.

To help at this stage, especially for some of our newer Members, I thought I would look back briefly at the evolution of our work and the discussions within the SRAC.

We began the first SRAC meetings focusing largely on the establishment of the Orderly Liquidation Authority and a core resolution strategy called the single point of entry strategy.

The shorthand you might hear today is the phrase SPOE. Under this strategy the FDIC would put a failing G-SIBs holding company into receivership, use or bail in the firm's pre-funded resources to recapitalize its material entity subsidiaries, and transfer the subsidiaries and other assets to a new, stabilized bridge financial company.

Because firm's critical operations are
housed in the newly recapitalized material entity sub, the critical operations should be maintained and financial stability impacts can be mitigated.

As this strategy develops we then discussed a number of structural reforms and we put those in place in the U.S. and around the world to help operationalize this strategy. The reforms included the promulgation of a number of rules.

For example, ensuring that certain financial companies have a minimum amount of long-term debt or TLAC, total loss of absorbing capacity.

We also promulgated a role with the Federal Reserve to promote clean holding companies which would simplify the debt stack of these firms to better enable the bailing in of that debt and resolution.

And we also facilitated, passed rules to facilitate the orderly transfer of qualified financial contracts to a bridge entity in order
to help avoid early termination fostering financial stability.

Over time firms and regulators also began to recognize the potential benefits of the SPOE strategy to the bankruptcy planning or living will process that we discussed earlier.

We and our partners at the Federal Reserve identified key obstacles to SPOE resolution and bankruptcy and provided guidance to firms as to how these obstacles might be mitigated or addressed.

We continued to meet with this Committee as the process evolved and updated it on work being done by firms through their Title 1 resolution plans to improve resolvability under the Bankruptcy Code by addressing key obstacles.

Through the evolution of that work, the Agency has found that firms had made significant progress addressing these obstacles and areas for ongoing work. Through this engagement, we have also learned quite a bit about this challenge and this process and we have
adapted over the years based on the lessons we have learned.

For example, in the early years planning under bankruptcy and under OLA were viewed as two entirely different processes with different teams working on them.

Over time, however we found that though there are important differences in each process there is also a lot of overlap between a single point of entry strategy under the OLA and a single point of entry strategy in bankruptcy.

As a result, we changed our approach to these processes and started leveraging the best solutions to particular obstacles in our own planning. And we also found that these two efforts are complimentary.

That is the progress that firms make improving their resolvability in bankruptcy, also improves resolvability under OLA and vice versa. Our concept of resolution planning also changed.

Over the years we moved off of what people accused us of paper exercises and we
deemphasized specific failure scenarios, knowing
that we would never guess the right ones, and we
began focusing more on resolution related
capabilities that could be usable in any
scenario.

Now, I don't know if anyone has ever
compared systemic resolution to gardening before
so I'll be the first. But this is when things
really started to come together and bloom for
lack of a better word and sometimes in unexpected
ways.

Interestingly, in addition to the
synergies we saw between Title 1 and Title 2
planning we also started to see nice synergies
between resolution planning and recovery and good
old fashioned risk management.

That is there are resolution planning
efforts that firms can take that pay dividends
outside of resolution and actually improve firm's
resilience and flexibility in an actual crisis,
which is the best outcome of all. And we're
going to talk about some of those today.
These learnings and the changes we've been making based on them will be the foundation of our discussion today.

If all that sounds okay, I can get started by highlighting some of the other organizational changes we've made to strengthen our mission and specifically the establishment of the new Division of Complex Institution Supervision and Resolution before moving on to updates on the rest of the program.

With that, I'll just briefly pause for questions and see if there is anything out there and then I'll move on to talk about CISR. Okay.

Well, thanks.

So, CISR as I call it -- others have different names, some call it CISR, some call it CISR. C-I-S-R seems safest to me. CISR was established in July 2019 to bring together the FDIC's backup supervisory and resolution functions for the largest most complex financial institutions.

One of the early lessons we've learned
was that large institutions are different. Though the FDIC has incredible experience dating all the way back to the Great Depression with the smaller bank resolution, our experience with large institution resolution is far more limited.

We simply don't benefit from decades of trial and error with these firms or resolution strategies. The scope of their activities, the degree of complexity and the potential impact on financial stability means the resolution options and strategies are more constrained.

Given the unique characteristics of each firm and the need to maintain critical operations and avoid contagion, a deeper understanding and advanced planning and active cross-border coordination are critical.

Bringing together the supervision and resolution teams for these institutions has allowed us to leverage specialized skill sets, simplify our structure and I hope, foster collaborative interdisciplinary approach to this challenge, one that enhances both our supervision
and our resolution preparedness for the large, most complex financial institutions.

The discussions today led by this new team will display some of the practical benefits of this ongoing integration. Substantively, our agenda today is split among two broad sessions with a 15 minute break in between, basically based on the two statutory provisions, Title 1 and Title 2.

The first session will highlight the key changes and updates we’ve made to the living will process since our last meeting in 2018, including some interesting lessons from this spring's market volatility.

The second session will focus our work on strengthening the resolution framework for systemically important financial institutions under the backstop Orderly Liquidation Authority. There has been a lot of work to increase our operational readiness and I look forward to the input of this Panel.

This portion of the agenda will begin
to focus on our progress and planning for G-SIBs
and then shift to a few updates on the non-bank
space focusing on recent FDIC/SEC rulemaking for
broker dealers and resolution planning for CCPs.

So, over the years we have learned a
great deal from these SRAC sessions and
discussions and we very much welcome your
thoughts or questions at any time throughout the
session. And I mean it, please don’t hesitate at
all to raise your hand or frankly jump right in.

With that, I would be happy to take
any initial thoughts or questions that you may
have. And if not, I will hand it over to Lori
Quigley and Jason Cave, two of our corporate
experts who are leading the Title 1 process to
help talk through some of the work being done
with the Federal Reserve and specific
institutions on firm developed resolution plans.

So, unless there are any questions, I
just want to pause there. No, okay. Well,
thanks, everyone and I’ll hand it over to Lori
Quigley and Jason Cave. Lori?
MS. QUIGLEY: Thank you, Rick.

Hopefully you can hear me okay.

MR. DELFIN: Yes, sounds great.

MS. QUIGLEY: All right. So, Jason

and I will provide a brief update on a few Title
1 developments since the last meeting and then
we're going to turn it over to Jim McGraw who is
going to provide a meaningful discussion
regarding the lessons learned and on the COVID
response.

In our discussion this morning we're
going to touch upon the resolution plan process,
provide you a brief background on how the review
process works with the Federal Reserve. We're
also going to talk about the 2019 review and
findings for the eight U.S. G-SIBs.

There was also a critical ops,
critical operations project that occurred this
year that we'll just briefly talk about. And
then there was also an amended rule to the Title
1. So, we're just going to touch upon that as
well.
So, with that I believe we're on Slide 5. And I'm just going to spend a few minutes on the process when the plans come in. And this process mainly pertains to the G-SIBs.

You know, we've been reviewing these plans for about eight years now. And the Agency has learned early on in this process that coordinating jointly with the Federal Reserve on the submissions was the appropriate way to assess the credibility of these plans instead of working separately.

So, we have continued that process throughout. It starts by assembling joint teams of subject matter experts who are assigned to key aspects of the review in areas such as governance mechanisms, capital, liquidity, derivatives in trading, legal entity rationalization, areas like that.

Each of these areas would have a joint team that works together to assess the key vulnerabilities and prepare their findings and recommendations. The review typically takes
about three to four months, followed by a number of joint vetting sessions with senior leadership, and ultimately the findings are then reviewed and approved by the Board of both agencies.

During our review process we also have engagement with the firms. We typically would meet with them before the review starts. We interact with them during the review as we start looking at the plans and want to have some clarifying questions to them and then certainly when we provide the feedback letters which have been issued publicly for any additional content and feedback that we want to provide them.

So, the process has been fairly, I'm sorry. The process has been fairly, you know, consistent over these years. And, you know, with all these different rounds we have also seen that the firms continue to incorporate resolution preparedness as an ongoing part of their day-to-day management decisions, their processes and their systems. And this also improves upon their resolvability. So, we've seen this shift over
the years of what the banks have been doing.

Along with that shift, the agencies also have been evolving with these plan reviews. This also started as an academic exercise. And as we've gotten used the type of areas and obstacles that they've had to address we are now moving more towards capabilities type testing.

So, you'll hear that in the conversations as we move forward. So, Jason is going to discuss this as well. You know, we recently did the review last year and we did look at capabilities testing for governance mechanism.

So, with that I will turn it over to Jason to talk about Slide 6 about the findings of the 2019 U.S. G-SIB review.

MR. CAVE: Great. Thank you, Lori.

Can you hear me?

MS. QUIGLEY: Yes.

MR. CAVE: Okay, great. Well, good morning. Thank you. Again, my name is Jason Cave.

I'm going to take you briefly through
the highlights of the feedback letters that we provided to the eight U.S. G-SIBs last December. The 2019 letters to the firms and all previous letters as well are publicly available. I think that transparency really helps the process.

The letters lay out scope of our reviews. They note where the firms have made progress and where further work is necessary to enhance their resolvability.

As we note, on the slide there were no deficiencies cited in the recent review. However, as the letters note there were shortcomings identified at some of the firms and I'll discuss those briefly.

For the U.S. G-SIBs as a whole, the Agency has found the firms have made meaningful improvements since 2017. For some firms that meant addressing shortcomings related to derivative booking practices. For others it meant simplifying organizational structures to allow resources to flow where needed and stress.

For the group in general, firms developed better
plans to facilitate continuity of access in the payment clearing and settlement space, refine their assumptions to more accurately size liquidity needs and resolution, we call that RLEN, and created more actionable and flexible plans to divest of key businesses and operations. We call that objects of sale.

Now, as we said 2019 was the year in which we began in earnest to test the capabilities of firm's ability to execute on plan assumptions. And you really only have to look at the public letters to get a sense of the growing importance that we are placing on capabilities testing in the resolution planning space.

In 2017, we used the word capabilities once in the public letter to a particular firm. And for the same firm in 2019 we use that same word 20 times.

So, you know we like capabilities. Now, what does it mean?

In the 2018 proposed guidance we highlighted specific areas where capabilities or
optionality should be developed and maintained to demonstrate, and that's one of those key words, that each firm has considered fully and is able to mitigate obstacles to the successful implementation of the preferred strategy.

The guidance and it gave some specific examples, some areas that we focused on in our recent review. For example, the guidance said firms should have the capability to populate a data room with potential divestiture information and that we would be testing this capability by asking firms to produce selected sale related materials within a certain time frame and we did that in 2019.

The guidance also highlighted the fact that the ultimate success of the firm's preferred resolution strategy relied upon the sound governance mechanism framework, one that ensured Board actions were executed and capital and liquidity deployed at the appropriate time and place.

Guidance noted that firms should
demonstrate, there is that word again, that key
tions will be taken at the appropriate time in
order to mitigate financial, operational, legal
and regulatory vulnerabilities.

And that included triggers for one,
escalating information up the chain of command.
Two, for recapitalizing and funding key
subsidiaries before and during bankruptcy and
three, for ensuring the timely execution of
bankruptcy filings.

You'll see in the public letters that
we cited shortcomings in the governance mechanism
frameworks at some of the U.S. G-SIBs noting
concerns with some abilities, firm's abilities to
produce reliable and timely measures particularly
in stress.

And I think this illustrates the
importance that the Agencies are placing on a
firm's ability to demonstrate to us that the
enhancements made to the resolution framework
will work when called upon.

So, at this point Lori is going to
take us through the work that we did on critical operations. So, thank you.

MS. QUIGLEY: Thanks, Jason. So, yes, so the rest of this slide talks about critical operations which are those operations at certain firms whose failure or discontinuance would threaten the U.S. financial stability.

So, the critical ops determination is an important process for Title 1 purposes. The operations can be identified by either the company's own process or jointly by the Agency's.

The FDIC also leverages the critical operations identifications to inform our Title 2 strategies. We need to know what those critical operations are so we can focus for Title 2 purposes.

You know, the goal is orderly liquidation without any adverse impact on the financial stability. So, it's important for both sides of the house.

We also, the rule also addresses a refresh of the critical ops at least every six
years. Earlier this year in 2020, the FDIC and
the Federal Reserve jointly refreshed its
assessment of those markets and activities that
might give rise to a critical operation.

And then as we go forward the Agencies
also plan for the next review in the coming years
to include a broader evaluation of the framework
used to identify critical operations.

The last item that I’m going to
briefly talk about is Slide 7 and 8 which is the
Amended Resolution Plan Rule. As I mentioned
early, the amended rule was issued in October
2019 and became effective as of December 31,
2019.

The rule was implemented with a
graduated set of requirements based on the level
of risk posed by the U.S. financial system. We
specified new resolution plan submission
schedules which will reduce the frequency and
scope of the submission but it doesn't reduce the
high regulatory expectations for resolution
planning.
The rule also increased the asset threshold of firms that fall under the rule. And on Slide 7 you'll see that the rule also established three types of resolution plans.

Specifically, the full resolution plan, the targeted resolution plan which is a new resolution type, and it requires basically a subset of information from the full rule, and then there is a reduced resolution plan.

So, for the full resolution plan it's basically the same requirements as the old rule. We also introduced a process for the non-U.S. G-SIBs to waive certain informational content requirements at either the Agencies joint initiative or the firms can also send in an application to the Agencies for us to look at.

The targeted resolution plan is one that we've been working on a lot more this year. It's a subset of a full plan and it focuses on more of the material topics of a full plan.

So, there's core elements that are required in a targeted resolution plan. Those
core elements are capital, liquidity and then the firm's plan for executing a recapitalization. These are key elements we want to see in each submission.

There is also a part of the targeted plan is to have any material changes since the last plan submission.

And that would be significant changes to a firm's business or operations, changes to laws or regs. So, they would need to include that into any targeted resolution plan.

What you may have seen is at the end of June, the agencies issued a targeted plan letter to the U.S. G-SIBs. So, one other piece of the targeted plan is that the agencies can provide areas in addition to those that they feel are relevant and important.

So, at the end of June we did send targeted plan letters to the eight U.S. G-SIBs. The letter focused on the pandemic and the lessons learned from the pandemic.

So, along with the core elements that
they will submit in their targeted plan, which is scheduled for July of 2021, the firms will also be providing that additional content with their plan.

The last plan is called the reduced resolution plan. This is a very limited type plan. There basically are just a few questions that are asked of these firms basically around their material changes to their organization since the last review.

The next slide is a visual that shows various categories on the filing groups. And what I wanted to just focus on, on this slide are really just how the cycles work.

So, what you'll see here is biennial filers, triennial full filers and triennial reduced filers. The biennial filers are basically the U.S. G-SIBs.

They submit a resolution plan every two years. The difference here is that it is every two years. But they'll alternate between a full plan and a targeted plan during that period
of time.

   So, next year we will be receiving targeted plans from the U.S. G-SIBs and then two years from that we would be receiving the full plan.

   The next group is the triennial full filers. These are firms that are other than the U.S. G-SIBs and that meet certain financial risk based indicators that the Fed has created, which I'm not going to get into those calculations. But they're the other firms outside of the U.S. G-SIBs that meet the criteria for Category 2 and 3 firms. These firms which the picture will be more of the regional type firms and some FBOs, they submit a resolution plan every three years. And again, this will alternate between a full plan and a targeted plan.

   And then that last group, the triennial reduced filers, they'll submit this reduced resolution plan every three years. They won't have to do that. Their first plan submission will be in 2022. And again, that was
just -- they basically have just a few questions
that they will need to provide us on material
changes.

So, next year we will be getting
targeted plans for all U.S. G-SIBs in July. In
the fall we should be getting targeted plans for
all of the Category 2 and 3 firms and as I
mentioned, the reduced filers won't file until
July 2022.

The rule among other things also makes
a few other improvements. It formalizes a
process for the firms and the Agencies to
identify the critical ops which I mentioned
earlier.

They also provide the Agencies notice
of any, the Agencies would also provide notice of
any deficiencies, shortcomings, any type of
feedback. What we say is that it would be no
later than 12 months after the resolution plan is
submitted, absent any extenuating circumstances.
And typically, what we've been trying to do is
meet actually a six month target.
And then the agencies continue not to prescribe specific or identify any preferred resolution strategy for a firm.

So, those were the main points of the amended rule. And now I'm going to turn it over to Jim to discuss the lessons learned from COVID response.

MS. HUGHES: Hi, Lori. I believe we have a question from Mr. Kohn.

MS. QUIGLEY: Sure.

MR. REED: This is John Reed. Can I ask a question?

MR. DELFIN: Please, go ahead.

MS. QUIGLEY: Certainly.

MR. REED: I'm interested as you've been reading these plans can you tell that they've engaged the management and the board or are these plans being submitted from people who are simply experts at doing so?

In other words, did your interaction with the individual entities lead you to understand to what degree the actual management
is deeply engaged and to what extent their boards are?

MS. QUIGLEY: So, thank you for your question. And I'll start off and I'm sure Rick and others can chime in.

But the short answer to that is, yes. They are fully engaged. And we typically speak with the C-Suite of folks at these companies on their plans.

Around one of the areas that we focus on which is governance mechanisms there is a very big ask to make sure that the key decision makers within these organizations are aware of the processes and the reporting capabilities and getting right metrics to make their decisions to file for bankruptcy.

So, they have to prepare play books and understand what metrics they receive around capital and liquidity that they would need to make that decision to file bankruptcy at the right time, not too soon, not too late but at that right time.
So, they are truly engaged not only in
that process but across the whole resolution plan
process.

MR. DELFIN: I think Don Kohn had a
question too.

MR. KOHN: Actually, I hadn't, I
didn't deliberately raise my hand. But since I'm
on I'll ask a question.

And this is about content rather than
process. So, if you're going to get to this in
the next segment just put me off.

And it's about liquidity planning.

So, one of the things that we've heard through
the pandemic crisis but also even last, a year
ago September in the RP market spike is that the
ability to deploy liquidity by G-SIBs is
constrained in part by the resolution, the amount
of liquidity they need to hold for resolution.

And I would be interested in your
impressions as to, I'd like to know more about
that liquidity requirement and then your
impressions as to whether it's a constraint and
whether there is any way to keep the resolution system viable and the integrity of the resolution system with a different, looser liquidity constraint?

So, the interaction of the resolution liquidity constraint and market liquidity and how you see that. Thank you.

MR. DELFIN: Yes, that's a great question. And you're absolutely right.

Right around the time that there was the, you know, repo market volatility my recollection is it was sort of fall/winter last year, you know, BPI and others had highlighted, you know, whether there were regulatory requirements that might be complicating the repo markets' and financial institutions' willingness to participate.

Even though there was free money to be had by switching from reserves at the Fed over into repo for some reason during that period financial institutions had not done that. And that corresponded with, you know, changes in the
size of the Fed's balance sheet and others.

So, among the areas that people were
looking at were whether, you know, LCR, whether
CCAR, whether res planning had some limitation or
effect on those decisions. We did a lot of work,
you know, did a lot of outreach to firms and to
the trade associations to understand whether there
was anything that we had done that could
complicate that.

We've looked at our rules at length and
we have no preference whatsoever between reserves
and repo, treasury repo. It's the same under all
of our resolution related requirements.

I think some of the points folks raised
was whether regulators had sort of signaled that
they weren't, that they didn't want firms to
participate or they didn't want firms to affect
that.

Vice Chairman Randy Quarles, you know,
went up to the Hill and clarified this, you know,
pretty well. I think it was a testimony to the
House Financial Services Committee around that
time about making sure that, you know, regulators were aware of any concerns and were looking at it. And so, we haven't heard any problems since. So, we think -- I'm going to knock on wood as I say this, that there is nothing in the res space that causes this problem.

Whether folks have an implicit expectation, obviously we want to disavow them of that. And if there are things that we're doing that get in the way we want to know.

And we've asked that at length and we haven't heard anything that gives us any concern.

MR. KOHN: Thank you.

MR. DELFIN: Good question and we did look very closely at it, you know, during that period. I would like to just before we hand over unless there are any other questions out there. Yes.

MR. BERNANKE: Yes.

MS. BAIR: Ben, go ahead.

MR. BERNANKE: I'm sorry, Sheila. You talked about capabilities versus scenarios. And
I understand that reemphasis.

But a couple of questions. One is what about linkages to the stress testing? Is there any kind of complementarity between stress testing and your evaluations?

It seems like it would be useful information there. Secondly, the concern I most hear largely from uninformed people, but I often hear is that these approaches will work maybe for a single firm in stress but would not work in a generalized crisis where many firms are under stress.

And that seems like it would take some scenario planning on your part to think about both your resources and how those stresses would interact between firms, et cetera to just pushing a little harder on scenario versus capability.

MR. DELFIN: Absolutely. Thank you for the question. On the first point which is stress testing, so our res plan requirements do not directly link to things like CCAR.

But our standards let’s say for
determining the liquidity positioning of firms or also their liquidity needs tied to the firm's internal liquidity stress test. So, we don't impose an additional stress test on the firms. But we do ask them to use their current models and plug those in to resolution planning. And so, we do want to build off, piggy back on existing systems rather than create yet another, you know, stress testing requirement.

You know, our supervisory teams who are involved in the Title 1 process also participate with the Fed on their CCAR process. So, we do have a lot of learning just among the teams as the benefit from stress testing and the work we do here generally in terms of monitoring.

So, that's a nice synergy. But we don't tie, let's say how you do on CCAR to how to any requirements in Title 1, to be fair.

Second, your point about whether this process is built for one or more than one failures is an absolutely valid process. What we're talking about here is bankruptcy planning.
And, you know, we have to give the firms some basic world that they're operating in, in order to see if they can establish a credible resolution plan.

You know, we could always go to a darker and darker scenario and say well you have to come up with a world where two firms fail or five firms fail or you have to come up with a world where we're in a pandemic.

We didn't do that. We allowed the Title 1 process to be fairly idiosyncratic, that is an individual firm failing, you know, in a stressed but not, you know, not apocalyptic environment.

And so that, you know, could play itself out in terms of how policy makers think about resolvability under bankruptcy. That being said, there is no restriction or automatic limit on that other than, you know, policy maker's propensity to thinking about systemic risk transmission of a firm in bankruptcy.

We do have, you know, for those kinds
of scenarios the orderly liquidation backstop.
So, you know, you could imagine if one firm could fail in bankruptcy maybe there's multiple firms.
Do policy makers start to pause and think that maybe there is too much pressure being put on the market?

That's conceivable and that's why we have the OLA backstop so that the FDIC could step in and, you know, wind down that firm in an orderly way, you know, outside of bankruptcy with some of the tools that we have that don't exist in bankruptcy.

The OLA process has been questioned over the years about whether it's available for multiple firms. And I think that breaks down into sort of, let's say three components.

You know, one is in terms of a statute there is no limitation on our ability to do multiple firms. You know, OLA kicks in. It can kick in for a number of firms at the same time.

And it doesn't rely on a single pool of assets that we would need that might be drained.
That is our ability to access liquidity under the Orderly Liquidation Authority is a function of the assets available of the firm that's put into resolution.

So, if multiple firms go into resolution we have access to larger amounts of liquidity, you know, subject to any constraints that maybe the Treasury Department might impose. So, statutorily, you know, we don't have a challenge there.

In terms of, you know, how we operationalize this strategy there are pros and cons. You know, given the single point of entry strategy we don't imagine that we need hundreds or thousands of staff to be going through and managing these companies.

We want to leverage our processes which Ryan Tetrick will get into a little bit for hiring CEOs and new boards to manage core portions of these firms. Because we recapitalize the material entities those can be going on, you know, almost as they have subject to oversight by the FDIC,
obviously.

So, you know, under that core constraint there is again the ability to leverage and execute more than one. But I'm going to put a giant asterisk next to all of that.

And one of the issues, you know, with all these strategies is they are untested. And so, if we take a strategy that's untested and we, you know, want to apply it to multiple firms at the same time, that's going to reveal things that we haven't thought of certainly.

I will say one of the benefits of all of this planning is to avoid having to do more than one at a time. That is to say, you know, because of the lack of options available when Bear Stearns was failing then the government had to step in and provide support for, you know, JPMorgan's acquisition.

And that created or somehow created market expectations of additional support for future acquisitions like Lehman Brothers. And the idea is if the Orderly Resolution Authority exists
to address that failure at the beginning then we
won't create false market expectations and we
won't have to do additional failures because the
knock on effects of one failure won't be as great.

Now if everyone is suffering from the
same problem at the same time that's absolutely
valid and we have to prepare for that obviously.
That might be a very long-winded answer. I hope
that was helpful.

MR. BERNANKE: Thank you.

MR. DELFIN: Sure, thank you.

MS. BAIR: So, Rick, if I could jump in
here.

MR. DELFIN: Yes, Chairman Bair.

MS. BAIR: This has been great. It
really is good work. You know, if we have another
crisis it will probably be different from the last
crisis.

MR. DELFIN: Certainly.

MS. BAIR: You can't assume that what
we went through in 2008, 2009 is going to happen
again. I'm just looking at the, from the outside
looking in the impact on the financial system from this pandemic.

It seems to me this time around the very large complex institutions, because they have big trading and investment banking operations, they're benefitting from a lot of the interventions that the Fed has taken, whereas the regionals that are more bread and butter, take deposits, make loans, you know, they're under challenge with increasing credit losses, compressed net interest margins and there are more of them, to Ben's point about the risk of multiple failures.

MR. DELFIN: Right, right.

MS. BAIR: So, for that segment can you just reflect on your feeling of preparedness there and also the longer cycles for resolution planning for those firms, does that present any particular challenges in terms of making sure your information stays fresh and --

MR. DELFIN: Absolutely.

MS. BAIR: -- you will be nimble if you
get in a situation where you get distress in that sector?

MR. DELFIN: Yes, great question. Thanks, Sheila. And Ryan Tetrick can jump in, too.

So, there are a number of things we've been doing in that space. Let's call it the regional bank resolution space.

First, as part of the creation of CISR was to build synergies not just between supervision and resolution on the CEPI side but also between supervision and resolution on what we call large bank side. So, our portfolio now extends to, you know, all institutions above 100 billion assets in the U.S.

And the reason we did that was to make sure that we can use the best practices of resolution from FEIAC space and from, you know, OLA space. And that has come together quite nicely. And so, now we have longstanding work being done in the large bank space on let's say making deposit determinations under Part 370 or
QFC recordkeeping rules. We also had a great program going on to identify leaders for large IDIs and a contracting process so that we could leverage outsiders in order to effectuate, you know, those large IDI resolutions.

MS. BAIR: Right.

MR. DELFIN: On the CEPI world we developed, you know, great cross border interaction. We developed a process for thinking about, you know, the steps in resolution and exercises, test that. Now that we have that team together we are actively working on how to build those relationships better so that we can take the best of each to apply to, you know, large banks. It's true that there are different challenges there in large bank versus CEPI. The pros are, you know, they would be resolved under traditional FEIAC resolution which is something the FDIC has done, you know, since the Great Depression.

They are in many senses, you know, much less complex, much simpler, you know, classic. It's very, very, very large community banks but
with enormous deposit books. And those are operational challenges that we have worked through with our 370 Rule and others. So, there are pros and cons in that resolution relative to CEPI.

One of the benefits of our new structure is, you know, we can piggyback on our supervisory engagement as we have supervisors who look at these firms all the time. And now that the supervisory teams and the resolution teams are together we are much more agile in terms of talking to each other, sharing information and thinking about the challenges associated with these firms than we were before. So, that's been pretty positive.

MS. BAIR: So, is the working assumption underlying your approach to the large regional is that, so they all have holdcos though too, right?

MR. DELFIN: Sure, yes.

MS. BAIR: Most of the operations are run through subsidiaries. But would you bifurcate and put those in bank, the holding companies in
bankruptcy or are you anticipating using Title 2
so you can holistically approach or is it going to
depend?

MR. DELFIN: Yes. I think the key
question is, you know, is single point of entry
available for resolution? And so, for the CEPIs
we think of single point of entry as sort of the
foundational approach because they have large non-
bank books and there is, you know, a lot of TLAC,
loss absorbing capacity of the holdco. They have
clean holdco rules. And so, SPOE is available
there. You know, the larger banks that aren't
CEPIs, they are really large IDIs. They have a
holdco but they don't have a big non-bank book.

So, any losses or risk are likely to
flow, you know, from the IDI and without, you
know, significant loss of serving capacity at the
holdco. And that makes SPOE, you know, less
likely and traditional FEIAC resolution more
likely. Not impossible, but it's really a
function of whether there is loss absorbing
capacity available at the holdco to recapitalize
the bank.

MS. BAIR: Okay, thank you.

MR. DELFIN: Sure.

MS. HUGHES: Rick, we have a question from Rodgin Cohen.

MR. DELFIN: Yes. Hi, Rodgin.

MR. COHEN: Hey, Rick. And thank you so much for everything you and your colleagues have been doing. The question really goes back to Chairman Bernanke's point. And it really is this. There are similarities between what happened in the spring of this year and 2008 in that the Fed had to come in with massive intervention.

The difference was it intervened in the markets not with individual institutions. But the (audio interference) was getting the problem started out by (audio interference). This time the industry was strong enough to withstand. But it does seem to me that more needs to be done to the (audio interference) system (audio interference). I am not sure that (audio interference) is the answer. I think there is a
problem (audio interference).

MR. DELFIN: I think we lost you there at the end, Rodgin.

MR. COHEN: I'm sorry. There is a problem to (audio interference) in terms of how (audio interference) and I'm wondering (audio interference).

MR. DELFIN: So, it was a little faded on the audio. But I think the point was the difference between this crisis and the previous crisis or this, you know, current environment with the COVID crisis and, you know, the global financial crisis with the difference between whether the risk is flowing from the banking system or to the banking system and how folks are thinking about that.

And I think you know, Rodgin was suggesting that more work needs to be done, you know, outside the banking system there. I leave that issue to policy makers, you know, down Pennsylvania Avenue to determine, you know, what steps. I know that Congress has taken a number of
actions with the CARES Act and whatnot in order to provide support to the real economy. But whether more needs to be done or not that's above my station. I'm focusing on how we think about systemic resolution of banks if necessary and obviously everything we can do to avoid that.

MS. O'CONNOR: Rick.

MR. DELFIN: Yes.

MS. O'CONNOR: Sandie here. Thank you again for all of the great work that's gone on. I have a question for you. Clearly we're talking a lot about the resolvability under Title 1 or Title 2. But one of the important components before we get to that was the material change in the resiliency of the system individually and in aggregate.

And I guess the question I have for you is, you know, to the extent that what would take any of the particularly the largest firms to go into bankruptcy is substantially larger, has the thinking around resolution planning shifted away from a specific event that could push you into
bankruptcy but rather to what is the aggregate size that you want these organizations to be able to survive before they would ever have to go into Title 1 or Title 2?

MR. DELFIN: Sure. I think the answer is both. That is to say, you know, obviously on the supervisory side, you know, through CCAR and other groups, supervisors are doing a lot of work to talk about what stresses can firms survive and everything we can do to, you know, avoid failure all together and ensure that there are sources of strength for their financial system so that we don't spiral into any kind of financial crisis or breakdown in critical operations.

You know, our world is thinking about okay, if we get to the point where a firm fails basically how much reserve, how much loss absorbing capacity do they need to have in order to effectuate their strategy which I think is, the first part of your question. Like, how much of a buffer do they need? And so, you know, through the firms, you know, they use their internal
stresstests to think about how much loss
absorbing capacity do they have of each their
material entity subs which allows them to think
about when should they file the trigger on
bankruptcy because they know that at this point
they have sufficient resolution capital and
resolution liquidity to effectuate their SPOE
strategy in bankruptcy.

So, I think both aspects are happening.

That is work on avoiding failure all together
through stress testing and, you know, what is the
reserve amount, the TLAC amount that needs to be
held so that their strategy can be executed and
the firm can be recapitalized.

MS. O'CONNOR: Thank you. I just think
that those two together ultimately relate back to
what Chairman Bernanke's piece was these are
individual plans because of the shock absorbency
and resiliency and I think the incremental buffers
you actually do get some level of, you know,
protection against cross contamination although
it's getting better. Thank you.
MR. DELFIN: Thank you. Any other questions?

DIRECTOR GRUENBERG: Rick, if I could just make a follow up on Rodgin's point for a second. I think your reticence in terms of getting into the non-bank financial institution issue is understandable. But, you know, the fact is under Title 2 for better or worse the authority is broad so that it's not limited to bank holding companies. And indeed, you know, later in today's program you're going to talk about some of the work we've done relating to broker-dealers and to central clearing counterparties.

So, at the end of the day from a resolution standpoint any financial company, bank or non-bank, if it poses a systemic risk would end up under Dodd-Frank in a Title 2 scenario. So, I don't know that we can entirely avoid that issue and in fact we're having to spend some time on the resolution side of it which only indicates, comes back to I think the point that Rodgin is making is that the nature of these risks can't be limited to
the banking system and we're going to increasingly, I think, have to think about them in an interconnected and integrated way. I just thought I would raise that point because I thought it was a good one that Rodgin was raising.

MR. DELFIN: And we have done a lot of work on the non-bank space. Obviously, you know, not as much as on the G-SIB space and we'll get into that a little later in the agenda today. But I think that's, you know, actually a fair point. So, maybe just to recap from, you know, Lori and Jason's point on Title 1 before we hand off to Jim because we actually have a great segue to Jim McGraw dealing with, you know, how this process revealed itself through the recent market volatility.

You know, folks who were, you know, part of this even just watching it in the early stages, you know, there were a number of criticisms of the Title 1 process just to be blunt. One was, you know, firms didn't know what was expected of them. They also felt like, you
know, the FDIC and the Federal Reserve might be
expecting different things from them.

We had criticism about whether the
process was a black box that is, you know, they
file a plan and then they wouldn't hear anything
for a period of time and then the firms might get
something back. You know, we had people talk
about well what kind of scenario do you want here?
I mean, do you want us to imagine, you know, an
asteroid or do you want us to imagine something
that we don't think will ever happen? And there
was a lot of back and forth on that.

And we also got, you know, a fair
number of comments and Dick Herring here among
there who pointed out just the need for more
public transparency around the process. And so,
it's just important to point out the steps that
have been taken to address each of those
criticisms.

In terms of a firm's not knowing what
to expected of them the agencies really did a lot
of work to provide specific guidance to the firms
about expectations. You know, we heard also that
there might be this one size fits all approach.
And so, as this amended filing group show we
really took a close look at what requirements
should apply to what type of firms and that the
burden should go down, you know, as the firm, you
know, was much less risky to the financial system.

In terms of the black box, Lori talked
about how we did a lot of engagement and we
continue to do engagement with the firms so that
they understand, you know, what we're looking for
and why and that helps avoid a whole lot of, you
know, misunderstandings through the process.
Instead of focusing on scenarios we focus on
capabilities so that we can use these capabilities
in any scenario. And Jim will talk about how some
of these capabilities came in, you know, quite
useful and continue to be quite useful for
avoiding resolution all together.

On transparency, you know, we did a lot
of work, you know, not only to make the guidance
public but then put the guidance out for notice
and comment, but we also, you know, have pushed
the firms to do more on their public plans so that
the public can actually take a look and see, you
know, how does single point of entry in bankruptcy
work? You know, what kind of changes have firms
made? That's really helped us improve the
public's understanding of the process and that's
a place where people can go to ask firms specific
questions of, you know, we certainly otherwise
wouldn't be able to answer.

So, from this process we've had a lot
of benefits including a number of, you know,
unexpected benefits for Title 2 which Ryan will
get into later and also for just our general
supervision. And so, you know, with that sort of
background in mind, I was going to hand it over to
Jim McGraw who is our Deputy Director for Risk
Assessment and CISR. And Jim is going to talk
about just some of the lessons learned, you know,
from the recent market volatility and how some of
the Title 1 plan work and other supervisory work
really came into play to strengthen the financial
system. Jim?

MR. MCGRAW: Thanks, Rick.

MR. DELFIN: Sure.

MR. MCGRAW: Thanks, Lori and Jason, too for the previous segment. I assume everyone can hear me okay. So, welcome everyone. Good morning. My name is Jim McGraw. I'm the Deputy Director of the CISR Risk Assessment Branch.

We're more of the, we're the supervisory oversight and the risk monitoring side of the house.

So, if you think about the CISR mission of protecting and maintaining stability in the financial system by avoiding and if necessary managing the failure of a large complex institution, I kind of see our responsibility within the Risk Assessment Branch more of the, you know, the avoiding the failure part of the mission.

I will echo earlier comments that Rick had made. You know, there has been a significant benefit in bringing together the specialized supervisory staff within the Risk Assessment
Branch with the specialized resolution staff within the Resolution Readiness Branch, you know, into this one division in CISR.

And that point will be evident during this portion of the discussion this morning as we, you know, as we discuss the interconnections between supervision and resolutions and how the advances in both have proven beneficial during this most recent pandemic and corresponding economic stress. We'll be discussing lessons learned by both the industry and the agencies and how that will impact, you know, future supervisory and resolution planning efforts.

So, I'll start off highlighting, you know, the supervisory advances and Title 1 advances have been made since the passage and implementation of the Dodd-Frank Act. And what I want to do here is provide some background into how the, you know, the financial industry has benefitted from, you know, the supervisory gains and the Title 1 advances in terms of being more financially and operationally resilient heading
into this pandemic and corresponding market volatility.

We will also point out, you know, the current market and economic stress has highlighted some areas where both, you know, supervisory agencies and banking industry must continue to work. And we'll talk about, you know, next steps, looking to next steps that we need to take to ensure that firms remain viable and, you know, if needed have the capability to execute on their living will plans.

So, moving to Slide 10 and really 10 and 11 both. From the supervisor side of the house what I wanted to do is highlight evidence of the advances made in the areas of capital and liquidity post 2008 and focusing on the firms within the scope of the enhanced regulations. Both of these slides demonstrate that bank holding companies are much stronger both from a capital perspective and a liquidity perspective than they were going into the 2008 financial crisis.

As you can see on Slide 10, you know,
the bank holding companies looking at average CET1 ratios, you know, comparing Quarter 1, 2008. Now keep in mind those are proxy calculations that we're doing that CET1 wasn't part of the framework then. But if you look back at Quarter 1, 2008, you know, CET1 was around six percent for firms between 50 and 750 billion and about 5.25 for firms over 750 billion. That's increased to right at or just under 12 percent for both sets of firms heading into the first quarter of 2020.

These higher capital levels are the direct result of, you know, capital stress testing requirements. Rick has mentioned CCAR several times. You know, capital stress tests and requirements through supervisory programs such as CCAR, enhanced BASEL III standards, Collins Amendment, et cetera.

You know, these supervisory programs and regulations have moved institutions to strengthen capital management, strengthen capital planning programs and, you know, strengthen overall capital governance to ensure that, you
know, firms have sufficient capital to operate and maintain the ability to lend through times of economic crisis or stress.

We've also seen advances, you know, in stress testing. I know that came up in the Q&As just a little bit ago. You know, we've seen advances in stress testing and model risk management that have played a key role in the supervisory process. But those advances have also benefitted Title 1 planning as well both from the capital side and the liquidity side.

And then moving over to Slide 11 we can also see there, you know, from the liquidity side, liquidity levels when we look at this thinking of high quality liquid assets such as U.S. Treasury's and agency debt and then looking at that as a percent of total assets. You know, we're double at around 20 percent coming into this, you know, the pandemic where we were in the 2008 financial crisis. And again, you know, supervisory programs regulations looking at, you know, LCR rule, liquidity stress testing, that was mentioned
several times during the Q&A, the internal liquidity stress testing.

These have all played a key role in these enhanced liquidity positions helping to build similar to the capital side, you know, liquidity buffers for firms to absorb liquidity shocks caused by economic stress and again ensure that they're able to continue to lend and meet the needs of the broader economy.

Another point I'll make it's, you know, when we talk about stress testing, you know, whether it's related to capital or liquidity, you know, talking about lessons learned during this most recent pandemic and market volatility we've learned that, you know, through this period of stress it's important to reassess stress testing models to ensure that they're able to adequately incorporate, you know, current significant stress assumptions. You know, that we've had significant levels of consumer and client forbearance programs. We had a significant spike in unemployment that went to levels that weren't seen
during the prior crisis.

So, making sure that the firms are able to adjust and reassess their stress testing models to incorporate these new circumstances is very important. And as the firms strengthen their stress testing programs, you know, there is a benefit again not just to the risk management side but also to the resolution planning practices as well.

Moving to Slide 12. So, we talked about the benefits from the supervisory side focusing on capital and liquidity. What I wanted to do is focus a little bit of the discussion on the Title 1 living wills and, you know, noticeable advances that have been made in the areas of governance, liquidity and operational capabilities. Start off noting, you know, Title 1 advances over the past several years have been incorporated into the firm's governance process. And they've created a synergy or an interconnection with risk management functions.

On the governance side as part of Title
1 firms have developed or enhanced more holistic
2 crisis management processes that incorporate, you
3 know, capital and liquidity triggers, crisis
4 management play books, all for managing along the
5 crisis continuum. And this integration creates,
6 you know, a synergy between the firm's governance
7 process for managing increasing severity of stress
8 and its linkages to resolution preparations.

   During this spring's market volatility,
9 you know, Title 1 advances, you know, and shared
10 services, mapping of critical services, governance
11 play books all prove to be helpful for adapting to
12 the market uncertainty. Firm internal crisis
13 committees, crisis management play books, global
14 communication strategies all have played a key
15 role in dealing with the unprecedented operational
16 challenges that firms have faced over the last
17 several months.

   You know, during this period we saw
19 crisis management play books that were
20 supplemented with updated pandemic specific
21 content, again to address the operational
challenges that the firms have faced.

We also saw where, you know, firms global communication strategies were employed to provide proactive and frequent updates to key stakeholders, including regulators, us, you know. And the good and interesting news here is that, you know, the resolution tools and preparations prove to be helpful in an unexpected non-resolution crisis.

On the liquidity front, we've observed that firms now have a better understanding of key funding interdependencies between affiliated material entities as we have had to manage funding flows between affiliates during the market disruption. And this is a result of significant work over the years including but not exclusively just to Title 1. But where, you know, funds were required to identify and understand material inter-affiliate funding relationships and develop a process to manage those funding relationships. Title and liquidity developed metrics have proved helpful in tracking firm's liquidity positions.
1 through stress.

   During the height of the market stress, you know, in a period, you know, where there were significant margin calls we saw that additional information and liquidity including at the top of the house provided important flexibility for these firms to be able to downstream funds as needed or where needed to address liquidity mismatches.

   On the operational side, firms have over the years devoted significant resources and efforts to identifying and mapping critical services and the relationships between affiliates and third party service providers as part of their Title 1 planning. And understanding these relationships has helped firms develop, you know, adapt and develop more robust business continuity plans, you know, in the case of a severe business disruption which obviously we experienced at the start of the pandemic.

   For example, during the height of the market disruption back in the late winter, early spring, you know, key essential personnel the
firms were able to quickly identify those personnel which allowed the firms to develop and execute plans for transitioning to more remote work as opposed to needing to have personnel on site.

As part of the Title 1 work firms have been reviewing material entity structures and relationships with the goal of reducing complexities. And these efforts have resulted in a reduction of, you know, unnecessary funding paths through entities establishment of more consolidated funding hubs, consolidation of material service entities and ensuring that, you know, servicing contract arrangements between affiliates and third party service providers are more resilient.

In addition, firms have conducted reviews of third party service providers, their own resiliency plans which, you know, was something that was -- became a very important part of the process, you know, through this most recent market disruption.
So, in summary when looking at Slides 11 through 12 just, the point I wanted to make here really is, you know, the advances in supervision and the advances in Title 1 have strengthened the overall financial condition and operational resiliency of the bank holding companies going into the pandemic. The improvement in capital liquidity and the resolution plan reforms, you know, were designed to prevent an endogenous, you know, risk within the financial system from becoming systemic, you know, by strengthening the financial firms within the supervised U.S. system.

And for that I think there were positive signs during this period that we've been going through. We thankfully haven't reached any resolution related points. But while that's the case, you know, we have seen where governance indicators and protocols have improved communication flow and escalate decision making within the firms.

MR. FISHER: Jim, this is Peter Fisher
up at Dartmouth. I wonder if I could ask you to reflect a little bit on two different things it feels to me you're saying. One is evidence that before the COVID shock of March there were signs the financial system was stronger. But there is something else you're saying which is the fact that we didn't see any bad outcomes in the financial system afterwards proves the system was more resilient.

And I just wonder whether you really believe that, whether the bold actions by the Federal Reserve to liquify the system gave us the opportunity to observe whether the collective balance sheets and the banking system were or were not more resilient? I mean, I'm a little nervous about some hindsight by us going on here. Any thoughts on that?

MR. MCGRAW: Yes, I would agree. I mean, I think one of the things we're doing, you know, I would say we're not saying that we're fully, you know, we're still looking back and there are lessons that are going to need to be
learned. And we recognize that there was significant action taken by the Federal Reserve back in the spring. And the firms did benefit from those actions.

And I think we do have to look back and see, you know, are there lessons that we could learn from that where there is still room for these firms to improve? So, I don't want to make it sound like we're just, you know, that my view is that, you know, hey we made it through everything is fine. You know, I think there are things that we, there are lessons that are going to need to be learned through this. And one of those is, you know, the Federal Reserve did step in significantly and, you know, are there things there that we need to, you know, lessons we need to take from that as a supervisory agency?

MR. DELFIN: And, Jim, can I jump in real quick too?

MR. MCGRAW: Sure.

MR. DELFIN: You know, Peter, I think the point is actually a little simpler than you're
making it. I think just pointing out first that the fact is financial institutions and the firms in our portfolio had substantially more capital and liquidity going into the COVID crisis than they did into '08. That's just a fact. And when the crisis revealed itself it revealed itself in a number of risks that were unexpected. You know, everyone having to work from home at the same time was an enormous operational risk. It's not one that we would have directly planned for. But it's amazing that all worked.

And one thing Jim's pointing out is that along the way like, yes, the government stepped in and provided significant support and we're not minimizing, you know, what the causes of that were or its impact in helping to stabilize the system. But only that we also saw real benefits from the kind of resolution planning work that the firms did. That is to say, you know, through the Title 1 process firms had to map out their shared services.

Well, that was really helpful when they
had to think about whether people had to work from home in certain jurisdictions around the world. Now that they knew where their key employees were, they knew where the shared services were being provided they could adapt much more quickly than if they hadn't had that in place. Having clear lines for liquidity were really helpful in making sure that if you had to move money at the time when people were hoarding dollars that you could. That's a benefit. We're not making some sweeping statement that the financial system is suddenly safer than it was before.

But I think we are pointing out that the large institutions which are key cogs providing critical operations, knock on wood as I say this, you know, performed pretty well at providing those services.

MR. FISHER: I'm particularly anxious about the inference about liquidity that we learned something about how liquid the firms were in March and April. And I just emphasize liquidity in this sense is not a quantity, it's a
behavior. It's the willingness and ability of counterparties to do the other side of whatever you need to do. And we discovered that it was not there and that's where the Federal Reserve intervention made a big difference.

But I just don't think we can both say the Federal Reserve intervention made a huge difference and say we had a good test of the liquidity management practices of the firms. I just don't think we can say both of those things at the same time.

MR. DELFIN: That's fair. We don't have the, you know, we don't have the alternative time line obviously to go down to say what would have happened to liquidity management at the firms if the Fed hadn't stepped in. But we also don't know if, you know, Fed stepped in, in order to provide liquidity to other parts of the financial system, you know, that were, you know, under stress.

MR. FISHER: Thanks.

MR. DELFIN: So, that's fair. And
we're not opining on the financial system more
generally or, you know, the other spots, only
that, you know, we think these tools were more
useful in BAU than we would have expected.

MR. FISHER: Thank you.

MR. DELFIN: Sure.

MR. PETERSON: Jim, this is Doug
Peterson. One question I have, first of all I'm
very pleased to see so much collaboration and
cooperation and how far all this work has advanced
over the last five or six years. So,
congratulations on that. Related to the banking
system overall if you think about what has taken
place the last four or five years I believe that
the banks have also de-risked their balance sheets
in many, many ways.

They've sold off a lot of their riskier
assets. They shrank their balance sheets many
times as opposed to increasing their capital
directly. They went around it different ways.
So, one of my questions would be is one of the
benefits of what we're seeing now is that the
banks are actually not as risky as you look at
their balance sheets, the trading they're doing, the
quality of their assets?

And the second thing I would say is
that right now at least in our, what we're seeing
in our rating agency is that commercial real
estate is flashing red right now. And I think
that there could be a secondary impact coming
through on the bank's balance sheets, especially
those with a lot of commercial real estate on
their balance sheets.

MR. MCGRAW: Yes. I mean, we're
looking at, you know, all segments of the loan
portfolio. Obviously, you know, it's no secret to
anyone. I mean, there is -- with everything
that's going on within the economy credit risk is
something that, you know, all the agencies are
looking at closely.

And we're looking at all the sectors
that are being impacted by the pandemic. And that
would include, you know, commercial real estate
would be included in that for sure. And the
firms, you know, yes, I think if you look at firms
they have, you know, and part of this is, you
know, simplifying their structures, you know,
their risk profiles you have seen, you know,
improvement in that over the last several years.

MR. PETERSON: And so, do you follow
and track the non-banking organizations and the
potential impact they would have on banks that had
actually picked up that risk?

MR. MCGRAW: We do. We look at, you
know, exposure at our firms through non-bank
financial institutions both direct and indirect.
We look at that on a regular basis. You know,
we've done a lot of work around, you know,
leverage lending and looking at that, you know,
exposure on that front from the non-bank financial
institution side and how that could impact the
financial institutions.

MR. BODSON: This is Michael Bodson.
If I can jump in just on two comments. One in
terms of Doug's point about lower risk profiles.
As an example, we did a liquidation exercise three
years ago where we actually simulated the default sequentially of the five largest member firms which one can imagine who they are.

What was fascinating to see was that the size of the portfolio of those five firms equaled what we had to liquidate with Lehman alone back in 2008. But at the same time our margin levels were twice what they were back in 2008 for Lehman alone. So, you saw both a decrease of money where we're dealing with most of assets obviously. But you saw both a decrease in the risk presented to us as well as the massive increase in the level of protection that we had.

To your point also, Doug, in terms of non-bank exposure that's something we are also looking at and we have a Market Structure Subcommittee. And obviously, you see the rises in the firms. I refer to Citadel, James Street. You're seeing, you know, people like market access and the other ATS entities that are increasingly becoming critical parts of the market and that's something obviously we have to shift and
understand better how that's going to impact, the ripple impact through the financial system and whether that's the new source of exposure for us that historically has not been our focus.

MR. DELFIN: Thank you.

MR. HERRING: Could, this is Dick Herring. Could I refer back to Page 11 and the liquidity chart?

MR. DELFIN: Yes.

MR. HERRING: Thank you. As you pointed out, this is a very complicated picture. There are lots of things going on. We have regulated liquidity for the first time. Overtly, there have been the triggers instituted. Firms have become, I think, a lot more risk averse on their own. And as Peter pointed out our most recent encounter has a very ambiguous outcome with regard to just how resilient the system actually was under huge stress.

I'm curious about a point that I think Ben alluded to earlier about how the required liquidity ratios and the resolution triggers may
interact. Is there any reason to believe that firms are holding more liquidity than they otherwise would because of the resolution triggers? Do we know if, which was binding when they made decisions? There seems to be a pretty widespread huge reluctance among firms to go below the 100 percent ratio.

And I think it's been somewhat unclear about whether that's a buffer or something that is an absolute minimum. And so, I'm curious about your interpretation of exactly what are the factors that are leading to these increased levels of high quality liquid assets which on the whole is an encouraging thing. But I think it's important to understand why they are where they are. Thank you.

MR. DELFIN: Sure. So, on the resolution side, you know, we have looked at, you know, whether there is any, you know, binding constraint associated with, you know, the various resolution provisions. You know, that's been the subject of a lot of discussion. Obviously, our
goal here is just making sure that firms have
sufficient liquidity in order to execute their
strategy but not to set some floor.

That being said, you know, institutions
have said and this is where Quarles talked about
whether regulators were sort of, I think they used
the word putting a thumb on the scale and giving
the impression that people couldn't use this
liquidity. You know, we certainly have signaled
that firms should be using the liquidity and, you
know, if there is anything that we have done that
has given that impression that, you know, we would
like to fix that, we haven't heard anything that
we've done on that score. But I can't get into
the head of, you know, a particular trait as to
whether or not they're holding it for a resolution
purpose. I think that's unlikely given the other
much more significant requirements on liquidity.

But I don't want to begrudge that
because, you know, whether the number in, you
know, one test is higher than the other can change
on any given day. And so, folks might say well
that's a binding constraint because it certainly, it is suddenly the higher number. That more gets into how firms apply the test than our requirements on the firms. So, I think that was that point.

In terms of your second question which is, you know, what's giving rise to that, to the higher liquidity, you know, Jim knows more than I do on that score certainly. You know, my sense is that you have had a conditional regulatory requirement such as the LCR and others. Some of it is also, you know, firms, you know, wanting to hold liquidity when they feel constrained. And that might be another reason why, you know, policy makers took steps to make sure that there was additional liquidity in the system just because people were holding more of it and moving more into liquid assets like treasuries and dollars.

But, Jim, do you have more on that score?

MR. HERRING: Could I just have a quick follow up --
MR. DELFIN: Yes, please.

MR. HERRING: -- on a point you made.

You said that you wanted to encourage firms to use that liquidity. And it was unclear to me if that meant even if it meant going below the liquidity trigger.

MR. DELFIN: Yes. So, our liquidity trigger isn't some hard and fast trigger. Like if you meet x, you must do y. You know, the firms develop a governance mechanism. It's their own. We don't impose one on them. What are the indicia that you need in order to make good decisions so that you can be prepared for bankruptcy if you need to get there?

So, what we want through these escalation protocols is a conversation. If x happens I'm going to talk about whether I need to do y. So, we don't set some hard and fast if your liquidity means x, you need to do y. So, that's the key there.

The question about whether there's a binding constraint and resolution liquidity goes
between, there are two different types of resolution liquidity. And I hate to get too weedy here. But one is a measure of how much liquidity you have in each of your material entities at any given time.

MR. HERRING: Right.

MR. DELFIN: The lingo on that is called RLAP. It's resolution liquidity adequacy and positioning. When you think about how much liquidity do you have in each material entity and is it sufficient to handle, you know, a certain period of stress? And so, that's a measure of -- I call it how much you've got. Okay, I've got x. The resolution is not triggered by how much have you got as much as by how much do you need.

This is the RLEN trigger, resolution liquidity execution need. That number is obviously, you know, going to be lower and you know, that's an interesting trigger. But that's not where, that's not the question that we're talking about is the liquidity to execute your resolution. We're talking about the how much do
you currently have test.

    MR. HERRING: Except the two interact.

The two interact.

    MR. DELFIN: Well, they do. So, if you reach a point where the RLAP goes down to the RLEN right, if what you have is the point where you're RLEN that's an interesting moment in time that we need to think about. We're not at that point.

    MR. HERRING: Yes. But RLEN could also go up --

    MR. DELFIN: It could, it could.

    MR. HERRING: -- relative to RLAP especially in a troubled situation where people suddenly feel that they are unwilling to buy things that were liquid before.

    MR. DELFIN: Right. The very good news is we're not, you know, we have not been near those points.

    MR. HERRING: Yes, no. I mean this was the fortunate thing in that the --

    MR. DELFIN: Yes, yes.

    MR. HERRING: -- mainly to banks
instead of away from.

MR. DELFIN: Right.

MR. HERRING: It won't always be that way.

MR. DELFIN: Right.

MS. BAIR: If I could just add because I think it's a really good line of questioning and, you know, the inherent weakness of using bankruptcy, say they don't have a way to fund themselves under Title 2 or the FDIC has the ability to provide liquidity.

So, you've got these huge liquidity requirements that are at the ready if you go into a bankruptcy process. But in times of stress, you know, a bank -- that's a different reason than the liquidity rules from a supervisory standpoint, you know, you're not liquid and can't use your liquidity. And in times of stress we want banks to use liquidity. We want those credit lines open. We want that money going out. We want market interventions to stabilize.

So, you know, but if they're using
their liquidity in a stress situation they may be weakening their ability to sell funds in a bankruptcy. So, I think it's a very difficult challenge you have. And I agree with the other commentators that I think the regulator, on the supervisory side there should be better clarity about when you can and cannot use your liquidity.

I'm glad to see the Fed is finally going to be finalizing the next stable funding ratio because my view is that always should have been more the primary focus from a stability standpoint is duration mismatches not so much just holding massive amounts of so called liquid assets without the clarity about when you can use them because, you know, why do we want banks to be liquid?

We want them to be liquid so that they can, in a downturn they can provide that liquidity into the market. So, the Fed has been doing a lot of it now and good for them. But I also agree with Peter that we shouldn't be too comfortable that the banks have these, you know, huge balance sheets with all this liquidity they like to brag
about because, you know, I'm not sure if the Fed had'n't intervened, I mean they were able to up the credit lines because the Fed intervened in the corporate debt market.

So, the corporation could draw down a credit line and then it could go and issue debt and pay it back. So, you know, it all worked out. But none of that would have happened, I think without the Fed's massive interventions. So, and another really important question is do you plan your resolution planning around the assumption of massive Fed interventions? I kind of think you don't. But, you know, it's just another key challenge that you have is really how prepared will you be if you don't have kind of the extraordinary insertion of liquidity that the Fed provided during this pandemic?

MR. DELFIN: Mr. Reed.

MR. REED: This is John Reed again. And this is an off topic thought. But does it make sense that we have such large markets depending on overnight funding? You know, I'm so
old that I remember when you were very careful about spreading your funding requirements out so that you weren't just depending on overnight. And it seems to me the Fed had to step here in because we have colossal sums of money that basically require day-to-day funding. And that is inherently unstable.

MR. DELFIN: That's a great point, you know, a great observation. I think a lot of work has been done over the years about how regulators should treat short-term wholesale funding. You know, certainly on the capital side or in the, you know, resolution capital side in our TLAC rule you know, we make sure that there is sort of long-term debt available that is non-runnable debt to make sure that there is sufficient loss absorbing capacity to recapitalize the material entities.

To avoid the run on the capital side, if you will. So, you know, certainly there are challenges associated with reliance on short-term funding and we see those periodically. But those at the, you know, the Fed are probably better
positioned to talk about some of those dynamics.
I wouldn't want to get over my skis more than I
am.

MS. O'CONNOR: Ricardo, just to weigh
in on that a little bit, I think at least at the
G-SIB level given the liquidity requirements
around LCR as well as TLAC as well as the short-
term wholesale funding dynamics, there is no
longer -- my understanding is, there is no longer
because there can't be a reliance on overnight
funding in that sector. Now, I think in the most
recent volatility in the markets we've observed
there are other market participants that fall
outside of that perimeter where that can't
necessarily be said.

And I guess that's sort of the question
that I have now coming from that which is you talk
about the resiliency and safety and soundness of
the banking institutions. That said, much of the
planning around liquidity or even resolution is
the ability to liquidate certain types of assets,
in particular, high quality liquid assets. And
therein I think to what extent is, you know, the FDIC engaging with the Fed and others on market structure participants, changes in behavior and changes in available liquidity because well, you know, I take Peter's point on certain asset classes and Sheila's point on certain asset classes.

There should be and there can and should be an expectation of liquidity in the U.S. Treasury market. And that market is functioning differently than expected. And I think it was really positive and an appropriate move for the Fed to sort of ensure that, you know, repo and Treasury were functioning as robustly as possible. But how do we ensure that we are paying as much attention to the liquidity of the U.S. markets as we are to the safety and soundness to our banking institutions because it is that collective that gives us financial stability?

MR. DELFIN: It's a great question. You know, in terms of our relationship with the Fed, you know, the Fed is the -- they really have
the best vision into the relationship and the
liquidity in that market, you know, through their
open market operations, et cetera. But, you know,
we participate in liquidity examinations. You
know, of the largest firms we have a liquidity
team that has, you know, some vision into, you
know, the way the firm connects and as Jim pointed
out, how the firm connects with non-banks. But in
terms of the broader liquidity in that market, I
think that's more of a Federal Reserve issue than
an, you know, FDIC systemic resolution issue. But
I don't know, Jim, if you have anything to add to
that point.

MR. McGRAW: No, Rick. Just that, you
know, we are connected as you say on the
examination supervisory side with liquidity and
capital both and nothing else beyond that.

MR. DELFIN: It's a great question. I
just, I can only do damage by wading into it.

MR. McGRAW: Me too.

MR. DELFIN: So, unless there are any
questions we're 15 minutes behind schedule which
isn't terrible. But I just wanted to pause to see if there are any other questions before we take a little break. If not, you know, we want to thank Jim McGraw and everyone for their questions on this segment. We're going to take a break until quarter till.

So, we'll take a 15 minute break and then we'll come back and we'll do updates on our work using our Title 2 Orderly Liquidation Authority which as, you know, Chairman Bair and others pointed out that is an authority where we have different tools than in bankruptcy including the potential access to liquidity which is a different dynamic than the world we just talked about. So, thank you all. We'll see you again in 15 minutes.

(Whereupon, the above-entitled matter went off the record at 10:32 a.m. and resumed at 10:45 a.m.)

MR. DELFIN: Hi, everyone. Welcome back. So, we're right about quarter till so we thought we would get started.
You know, after our first session we now want to move on to a discussion on our work under the Orderly Liquidation Authority, the backup regime for circumstances when the failure of a large financial institution could threaten U.S. financial stability.

And this tool is obviously built on longstanding FDIC authority and under the FDI Act. But obviously, to be used in new and novel ways, particularly using the single point of entry strategy, as I talked about earlier.

So, with that I'm going to turn it over to Ryan Tetrick who is our Deputy Director for Resolution Readiness. Ryan, are you there?

MR. TETRICK: Great. Thanks, Rick. I'm here. And thanks to the Committee for your time.

There is a fair amount to get through in this segment so I'm going to jump right in on Slide 18. I'll pause a few times throughout. But please feel free to jump in and ask questions on the page or off the page.
This is just a quick overview of what we'll cover. You know, so first a recap of how far we've come on establishing single point of entry as a strategic framework for G-SIB resolution.

And then would like to spend most of the segment sharing some of the work that we've been doing to operationalize that framework. As we go through I'll touch on three simulations that we've conducted all this year, all during this COVID crisis and work from home circumstances.

These are pre-planned simulations not responsive to COVID. But we've carried them out in this situation.

We'll correspond to the three topics here on liquidity and funding and coordinating into resolution and then, you know, how do we stand up a bridge financial company in the context of a Title 2 resolution.

So, on Slide 19, you know, if you think back to, you know, where we started when the Title 2 authority was put in place we quickly recognized
that the single point of entry approach was the best strategy available to us.

Given the preexisting organization of these firms, the high degree of financial and operational interconnectedness among their major operating subsidiaries and the fact that they already, you know, were organized under non-operating holding companies it gave us, you know, a good strategic framework to start with and build on.

Since that time, I think, you know, this Committee may be well aware there has been an industry wide, global effort to make G-SIB resolution under single point of entry a credible and feasible and to create optionality within that framework so that we can respond to different situations.

You know, a key part of building that optionality for us, you know, has been the first part of, the first segment of this session using the planning that firms are doing under bankruptcy.
You know, importantly they provide us -- and you can see this in the public plans, a range of (audio interference) -- selling, winding down.

MR. STERN: I think he's disconnected.

MR. DELFIN: Okay. It looks like we lost him. Perfect, good to have you back. We lost you for a second, Ryan.

MR. TETRICK: Okay, am I here? Did I go on for long or did you miss much?

MR. DELFIN: No, just maybe three and half seconds.

MR. TETRICK: Okay. So, you know, I'm going to touch on, you know, this has also been something that's been, you know, the SPOE approach is a common approach globally now.

All the major G-SIB post jurisdictions and home jurisdictions are operationalizing, you know, a similar approach, slight differences. But it helps that, you know, notwithstanding being in different jurisdictions we're generally speaking the same language trying to solve the same
problems with different tools.

   It makes it much easier to communicate what our plans are and then to develop coordination around those plans.

   MR. HERRING: Excuse me, Ryan. May I pose a question here? The progress you've made has been amazing over time.

   But in the beginning we used to talk about two different strategies, the SPOE and multiple points of entry. And as I understand it there are still several countries that claim that multiple points of entry would be their preferred model.

   Are you saying that there has been convergence and that even the multiple points of entry countries are recognizing the importance of TLAC? I'm not sure to what extent the convergence has happened.

   Has it been an absolute triumph of SPOE?

   MR. TETRICK: Yes. So, there is a high degree of convergence. You're right that there
are, certain countries or at least certain G-SIBs for which the expected strategy is multiple point of entry.

None of the U.S. G-SIBs but in some other jurisdictions. It's really a function of, you know, from those jurisdictions view it as a function of the way those firms are organized that they're more subsidiarized and so they lend themselves more to a multiple point of entry approach.

There's not as much interconnection between the material entities in different jurisdictions for some of those firms. There's still, you know, a high degree of global coordination that would be needed.

And there's still importantly loss absorbing capacity that's needed. There might be, in fact in many cases it's higher because you've got to resolve the individual subsidiaries around the world and, you know, they're all in separate regimes and so they need to be resourced appropriately to support that.
So, it's not a universal approach. I think rightly so. It's right that we're tailoring strategies to the nature of the institutions.

But for most G-SIBs, you know, we're working up towards a single point of entry approach around the world and certainly for all the U.S. G-SIBs.

And, you know, you touched on one of the policy developments that really supports this strategy. But there's been a whole, you know, framework that's been put in place in addition to just the core resolution regimes.

You know, in the U.S. we were very fortunate to be starting from a point where we already had non-operating holding companies with large stocks of unsecured debt that we could use to bail in.

But importantly the clean holding company and TLAC requirements that the Federal Reserve has promulgated lock in that structure and simplify it further for the express purpose of making single point of entry more achievable.
And then, you know, the other developments here I think the group will be familiar with. You know, the ISDA resolution state protocol, you know, extends our financial contracts in Title 2 effectively to, you know, foreign contracts and contracts around the globe.

And because all jurisdictions are implementing that protocol it's also you change the prevailing expectation on the part of counterparties that when a firm goes into resolution contracts don't terminate, they continue. And that's an important change in expectations.

And then the last point here, you know, we talked a lot earlier today about industry resolution planning. And I just a few moments ago mentioned, you know, the optionality that gives us.

And I think Rick said this. You know, that's all true. But the plan, the paper is sort of the least important part of that process not just for the firm's own resolution planning but
for also, you know, how we would leverage that activity in connecting a resolution under our own authority.

You know, the bigger achievements are the structural changes, the rationalization of legal entity structures, the redundancies that have been built in around, you know, key services or critical operations that make the firms organize in a more resolvable way.

And then importantly, the capabilities that have been developed that, you know, while designed for bankruptcy we're forthright about our expectation that we would leverage those in Title 2. We talked to the institutions about that.

I'll go into some more depth on how we expect to leverage the financial modeling capabilities that firms have developed for resolution. But also, things like, you know, play books for maintaining continuity of access to financial market utilities, employee retention plans, communications plans.

We analyze all of those capabilities
that the firms have developed in advance and consider how we would adapt them in a Title 2 scenario.

And then, you know, in the sort of ongoing engagement on the supervisory side some of which, you know, touches on resolution planning we're keeping our eyes on, you know, how those capabilities are developing, how they're working in practice so we know, you know, where we would go to pick up on them and leverage them in Title 2.

So, that's, you know, really if you take all that together all the key pieces we think are in place from a conceptual and policy standpoint to support single point of entry.

I'll pause here briefly just before going into, you know, the work that we're doing to operationalize that framework to see if there are any remarks or questions on the strategic framework around SPOE as a whole.

Great, so, I'll move to Slide 20. So, obviously, you know, it all sounds great on single
point of entry. We've got a strong regime, a good framework supporting it, lots of coordination.

But operationalizing that is a huge challenge for the FDIC and I think we should be forthright about that. You know, I want to use this continuum here to sort of frame the rest of the discussion.

You know, everybody in the resolution planning space, the firms and the one, the other jurisdictions that are planning for resolving G-SIBs have a chart like this that depicts, you know, the stages of resolution and, you know, they plan around.

You know, one of the -- some of the points I want to make here just that this, you know, you can see there is no indication of precise amounts of time on the x axis. You know, we certainly talk about general time frames and expectations for this continuum.

But we know that there is going to be a high degree of variability around how a scenario unfolds. You know, a firm is, you know, likely to
move in and out of recovery.

There are case scenarios that, you know, recovery is successful and there is an off ramp from this time line. And, you know, and worse scenarios that it continues down the path.

We also know that, you know, we can predict how long we'll have at different stages. But at some point for G-SIBs, you know, there will be an abrupt shift in perception of the firm's liability and, you know, achieved liquidity outflows and we'll move through these stages with, you know, frightening rapidity and we expect that, you know, there will be a turn which we have to move very quickly.

Because of that expectation, you know, as depicted here in our view Title 2 planning doesn't start where recovery ends or where, you know, bankruptcy planning ends. You know, there are multiple processes going on concurrently.

We want to have a high tolerance for false positives and starting our internal planning and starting our external coordination around
resolution planning. And, you know, what will ultimately drive whether, you know, in particular which resolution regime is appropriate, you know, I think we've touched on it throughout the day.

We expect that's going to come down to liquidity, you know, the amount and rate of liquidity outflows.

How does that compare to what the firms expect that they will need to get through bankruptcy and what, you know, the agency's views are as to whether, you know, we can put a high degree of confidence that there is sufficient liquidity to carry out a firm's bankruptcy strategy or whether, you know, it's clear that it's a systemic environment and our backstop authority is going to be --

MR. PETERSON: Ryan.

MR. TETRICK: Yes.

MR. PETERSON: This is Doug Peterson.

As you've talked about capabilities as banks have become operationally more and more complex from a technology point of view, how do you measure and
manage the technology capability?

MR. TETRICK: So, it's a great question. You know, I think one of the things that, you know, we're focused on sort of the particular capabilities around supporting resolution function so the, you know, broad additional complexity on, you know, perhaps building out of technology and proprietary systems.

And, you know, certain of those connect directly to resolution functions. They all have, you know, systems that support their modeling capabilities, that support just, you know, general mapping of functions to material entities, to business lines.

They have, you know, just a range of, you know, both back office and front office capabilities all of which, you know, we're cognizant of. It's part of what we review.

It's part of what we expect to continue in a resolution and, you know, fortunately, you know, we've got a holding company structure that
allows that to continue since most of that activity is done at the operating subsidiaries.

    MR. PETERSON: Thank you.

    MR. DELFIN: And, Ryan, can I jump in real quick?

    MR. TETRICK: Yes.

    MR. DELFIN: Because it's such a good question. You know, maybe it's putting it too bluntly.

    But I think technology has been kind of a double edged sword in this space. You know, on the positive side, as Ryan points out, you know, we can and firms can harness technology to have much better information about let's say liquidity positioning or shared services.

    They can harness that information to make better decisions and more timely decisions, you know, by their board. That's all great.

    And we would expect an OLA to piggyback on those tools so that we can make better decisions and have better information. The down side, you know, obviously the world is moving a
lot faster.

So, we would expect, you know, this chart that Ryan points out, you know, this can be stretched or it can be pushed based on, you know, the speed of outflows. And, you know, technology is obviously speeding up the world.

And, you know, we have to be ready to, you know, jump certain steps in our continuum based on the speed with which, you know, technology has allowed counterparties and others to move.

So, that's to me kind of the tension and tradeoffs. But we certainly need to make sure that we're harnessing the technology so we keep up with the speed because the speed is happening no matter what.

So, if we don't have the capabilities to get information fast we're going to be, you know, at a disadvantage.

MR. TETRICK: Yes. And I'll say, you know, I've focused my response on stabilization upon entry if everything continues.
You know, the problems I hope we can get to are how do we exit and, you know, break up. And technology becomes a key factor there because you have to think about if you're, you know, separating parts of an institution is it reliant on some core technology that comes back, you know, in the lead bank or in another entity and how does that transition over time?

So, that's something that the firms have thought about in their, you know, analysis on optics of sale and break up it's something that we need to sort of piggyback on that analysis.

But we have the luxury of time to work through that if we got past that stabilization.

You know, just I'll move on to Slide 21. You can keep this schematic in mind.

We'll touch on it as we go through generally in these next three topics the points B, C, and D on that chart around the timing of entry. You know, first topic being liquidating and funding.

So, you know, of course, you know, this
is a key focus of our planning and we've touched on it throughout the day. It's likely to be the cause of failure and then upon entry addressing those liquidity stresses will be, you know, a key immediate goal of the FDIC, of the bridge to demonstrate that we can instill some stability right upon entry.

You know, first, you know, how do we know how much we'll need? And this is a particularly difficult question for, you know, any G-SIB resolution scenario and a Title 2 resolution scenario no different.

It will be sort of environment without precedent that you've got a single point of entry being deployed that, you know, frankly hasn't been deployed for an institution before.

We're, one thing we've increasingly turned our focus to in recent years is how can we leverage the resolution specific liquidity modeling that the firms are doing in our own Title 2 planning.

So, you know, it's been mentioned
throughout the day resolution liquidity and
execution need or RLEN which is, you know, it's a
capability, you know, unique. You think about all
the, it's built on the internal liquidity stress
testing that the firms do.

But importantly it goes past the point
of failure. You know, all stress testing is to
sort of demonstrate capacity to handle the stress.

This is built to show what happens
after a failure and what those liquidity needs
are.

And it's intended to be sort of a real
time modeling capability that when a firm goes
down its runway is updated, you know, daily,
regularly based on the scenario that's being
experienced, the actual outflows, the actual
stresses and then sort of augmented with firm
reporting and, you know, what's actually happening
on the ground with particular counterparties.

You know, one way to use that is just
as a general proxy. You know, this is the general
proportions of liquidity that's needed for a
resolution scenario.

But when we think about we know that there are certain things that are just going to change the situation if we're in Title 2.

So, the mere presence of the Orderly Liquidation Fund as a liquidity backstop, you know, will change the credit worthiness of the group which, you know, will result in potentially, you know, lower levels of collateral that's needed on the part of counterparties or financial market utilities.

And then we've also got different tools, right. We have the fund itself and we can also issue guarantees that are backed by the Orderly Liquidation Fund.

And so, we've thought about how do we adapt the modeling that's being done by these institutions to make projections for Title 2? We know that we're not going to get the number right.

We know that, you know, and I think the firms know that there is not precision here on these modeling capabilities. But it will give us
an understanding of what the key drivers of liquidity needs are and, you know, importantly breaks down that projection not just at an aggregate top of house number.

But, you know, what are the particular needs across material entities? What are the timing for those needs? You know, what counterparties or stresses or outflows are going to drive those?

And we've been thinking about how we make, you know, these estimates as we go through it, you know, the runway to an actual resolution not just in isolation. You know, we've been working with the institutions themselves.

We're forthright about our expectation that we've leveraged their bankruptcy capabilities and, you know, talking to them about, you know, how adaptable are your models for these types of scenarios? Can we, you know, apply our own in house overlays to them?

How can we work through your systems to modify your projections for a different type of
scenario? So, it's one tool to assist us how much liquidity we might need in resolution.

And then, you know, another part of this is, you know, actually providing the funding through the Orderly Liquidation Fund. And, you know, we also undertake work, you know, to validate and test the operational steps needed to access the Orderly Liquidation Fund to move funds from Treasury through, you know, receivership down to a bridge financial company.

You know, one way that we've done that earlier this year we conducted an interagency simulation with the Treasury Department and its Bureau of Fiscal Service, the New York Federal Reserve to practice these operational steps.

We had, you know, roughly 60 individuals involved. The actual practitioners of this practice go through and complete all the operational steps that would be needed, activate the systems.

As part of this work we, you know, within the FDIC completed the statutory required
legal documents that would be needed to gain
access to the fund, the orderly liquidation plan
and the mandatory repayment plan and then shared
those with Treasury.

That was actually the first step in the
simulation. And we made the request for funding
through those documents and kicked off all the
subsequent action among the practitioners to do
everything up to the point of actually sending
funds across the wires.

You know, we do this because, you know,
we know that we want the, any use of the Orderly
Liquidation Fund to be temporary and limited. But
we know that undertaking a Title 2 resolution we
absolutely have to be prepared to use it.

And, you know, we conducted this
simulation in a manner that, you know, had some
bold assumptions about, you know, how much we
would need and, you know, sort of testing the time
lines.

It helped us refine the process and it,
you know, I think importantly helped build the
muscle memory and relationships among, you know, the parties that are involved in this.

MR. KOHN: Ryan, it's Don Kohn. So, I would think that after recapitalization that the depository institution would have access to the Fed's discount window and the Orderly Liquidation Fund could then be focused on the non-DI pieces of the holding company since there was already a 1330 emergency declared.

But assuming that's not going to happen, is that a bad assumption Fed for DI, Orderly Liquidation for everything else?

MR. TETRICK: It's a really astute point. And, you know, I don't want to speak for the Federal Reserve or any other central bank for that matter.

You could think about other central banks around the world where, you know, you have an institution that's, you know, been recapitalized. You know, it's meeting all of the other terms of access importantly to its, you know, ordinary funding facilities that, you know,
potentially there could be access to those
facilities.

We expect like, you know, upon entering
the resolution the Orderly Liquidation Fund is
there for resolution and to meet those immediate
acute liquidity needs. But sort of an important
principle around resolution planning is, you know,
a Title 2 bridge financial company is a, you know,
somewhat exotic entity.

We want to make it as unexotic as
possible. And if it has access to all of the
ordinary facilities it otherwise has that's, even
if they're not needed it's reassuring that it
looks and operates like any other institution.

So, maybe moving to Slide 22 on and
moving down the time line and coordinating
entering the resolution. You know, real quick,
you know, I think it's remarkable the degree to
which the agencies are connected on resolution
planning just on a regular basis.

You know, we're sort of joined at the
hip certainly weekly if not daily with the Federal
Reserve on, you know, not just Title 1 planning but coordinating with board authorities through CMGs and FSB work stream.

So, there's strong relationships around, not just on the supervisory side but, you know, we're talking frequently about resolution planning. And then in addition, you know, there is the funding process that we're connected on and also the appointment process.

You know, we do regular updates around the statutory appointment process for Title 2, the so called three T's process that include, you know, all the key turning agencies not just us and the Fed but Treasury and the SEC as well.

It's on the domestic side that's ongoing with lots of strong relationships there. On the cross border front, I think many will be familiar here there is a variety of venues that we participate in.

There's annual crisis management group meetings for each of the G-SIBs. You know, a range of FSB work groups and work streams focused
on resolution and, you know, lots of bilateral engagement.

    I want to spotlight here one, you know, particularly powerful and unique program that we've maintained with the UK and the European Banking Union on G-SIB resolution.

    You know, the centerpiece of this program has been a series of principle level exercises in which the principles of all the major financial regulatory authorities in these three jurisdictions, the central banks, the finance ministries, the resolution authorities come together in person and, you know, hold an exercise roughly every two years and discuss, you know, core issues and challenges around coordinating a cross border resolution of a G-SIB.

    Things like how are we going to communicate the strategy that will be deployed and the timing that it will be deployed?

    How are we going to coordinate the recapitalization of subsidiaries through converting internal TLAC, the pre-placed debt at
operating subsidiaries abroad or down streaming a more fungible pool of contributable resources or unallocated resources?

How we coordinate, you know, external public communications? What messaging is needed, you know, from host authorities to support the home authority resolution?

It's been a particularly productive arrangement in large part because of the reciprocal nature of the relationships across these three jurisdictions. You know, if you think about it we're all major home authorities to multiple G-SIBs.

But importantly we're all also material host authorities to each other's G-SIBs. And so, when we're confronting principles with, you know, these challenges that they might have to face or the decisions that we want them to practice in advance everybody kind of has to think both with their home and host hat on and what's an arrangement, what's an action that we could be satisfied with if the shoe was on the other foot,
so to speak?

And it's really been productive in large part because of that. And then, you know, in between the principle level exercises, you know, we had one last spring, April 2019. We're planning for another one in 2020.

There is ongoing staff level work either on distributing work streams of on our own exercises.

I'll highlight that later this fall over the period of several weeks we'll be conducting a cross border simulation of the resolution of a hypothetical G-SIB placed in one of these three jurisdictions with senior staff from all of these authorities participating.

We'll be presented with a hypothetical failure scenario that unfolds over the course of these weeks and then be asked to react. I don't actually know what scenario is coming my way to react to.

We've got a team, a cross border team designing that. And we're going to use this to
sort of practice the, you know, protocols that
we've established for cross border coordination.

You know, how do we initiate
engagement? What sorts of information needs to be
exchanged to support decision making cross border?

How are we going to coordinate
recapitalization of posted entities? And then,
you know, how do we, you know, communicate and
facilitate a stable opening, you know, after
resolution weekend is completed?

So, excited for that and I think it
demonstrates, you know, a high degree of
involvement at senior levels across these
jurisdictions to really get down to the practical
level about how do we conduct a resolution of a G-
SIB.

So, we'll turn to governance of a
bridge financial company unless there are any
questions there.

MS. HUGHES: Ryan, I think Mr. -- thank
you, Dr. Bernanke, did you have a question?

MR. BERNANKE: Yes, sorry. Could you
review the criteria for choosing between Title 1 and Title 2? And isn't that going to be affected by foreign decisions if you have to coordinate with the foreign regulator?

MR. TETRICK: So, there is certainly nothing in the statute that suggests, you know, they don't have a statutory lever to pull or we're not required to in making a decision about deploying Title 2 or bankruptcy get foreign regulator approval or sign off.

But there is maybe a practical question of how will the host authorities react and will there, does the reaction function of foreign authorities make bankruptcy more or less viable? I think that's just a reality.

You know, the criteria for whether or not Title 2 is deployed, you know, there are eight of them. But the key criteria are, of course, is bankruptcy viable or would it create systemic disruption to the U.S.?

You know, what's the cause of failure?

And what actions would be taken under Title 2 to
address the potential systemic effects of a resolution under bankruptcy?

So, there is a direct tie in to deploying Title 2 and whether bankruptcy would be viable. You know, we expect that the approximate cause of failure is, you know, there are several.

But you can expect that would be, you know, the anticipated failure on the basis of an inability to meet payments as they come due, just based on the rate of liquidity outflows and the remaining liquidity in the firm.

And that will, you know, inform whether bankruptcy is viable or not, in our view. And, you know, there is, you know, I think we are, you know, they're connected with us in our Title 2 plan.

So, they generally have a higher degree of comfort because they're working with a single party that they're familiar with in the home authorities. But we also do, you know, connect our institutions with host authorities on Title 1 planning.
So, all of the host authorities receive the portions of the Title 1 plans that relate to the operations in their jurisdiction.

And then critically at crisis management group meetings, you know, all the material hosts attend, the firm attends and there is, you know, we spend half the day discussing how bankruptcy would work, what the host authorities would need to see from the firms and from the authorities in order to support a bankruptcy strategy.

I think they all understand that there is, you know, certain circumstances in which, you know, bankruptcy would be viable and others in which, you know, they're going to rely on FDIC and other U.S. authorities to step in with our backstop authority.

But they are familiar with the bankruptcy planning process and do have an opportunity to engage with it.

MR. BERNANKE: Thank you.

MS. O'CONNOR: Ryan, just a quick
question. You know, given such importance related
to planning and familiarity that you were just
talking through just curious that with respect to
bankruptcy are there specific, you know,
bankruptcy judges or lawyers that are engaged in
part of these simulations so that they too could
be familiar with plans and courses of action,
especially in the context of, I guess, European
counterparts sort of leaning toward, you know,
Title 2 given their familiarity with that?

MR. TETRICK: Yes. It's a great
question and, you know, a well-placed question and
I'll allow others to chime in, in a moment.

But just acknowledge that to
facilitate, you know, making bankruptcy achievable
we have directly engaged with a number of the
bankruptcy circuits that might be in a position of
taking on such a case to educate them about the
terms bankruptcy plans the industry has
participated in that.

You know, we've -- to the point of, you
know, developing, you know, thinking about what
packets of information, you know, the court would need upon a bankruptcy filing and we have hosted a number of workshops with bankruptcy judges to talk through, you know, with industry, with the authorities there to talk through, you know, what a bankruptcy filing for entities might look like.

Those sort of bankruptcy single point of entry strategy and how they might need to make decisions around that.

MS. O'CONNOR: Thank you.

MR. KOHN: We've talked about this before. But I think a risk here is that they're not from, the touring authorities are not familiar with bankruptcy although you've tried and our bankruptcy judges, some of which are on this panel have tried and the ring-fencing they would start grabbing assets.

Is that because they would be dealing with somebody they weren't comfortable dealing with make sure. Is that the risk? Is that the problem?

MR. TETRICK: So, that's a risk. I
think it would be great, you know, I'm glad you pointed out we do have some of those judges on this panel and it would be interesting to hear their perspective on this.

I think, you know, there is -- we always talk about ring-fencing risk and, you know, that's a term that encompasses a, you know, broad manner of sins, you know, from actually seizing and separately winding down operations to preventing the flow of, you know, more benign ring fencing where you're just preventing the flow of capital and liquidity across borders which could be a hindrance but wouldn't necessarily destroy a single point of entry strategy.

In fact, you know, we all expect that some of that is going to occur whether it's in bankruptcy or Title 2.


MR. TETRICK:  Yes, great.

MS. CHAPMAN:  Hi, how are you?

MR. TETRICK:  Good, how are you?
MS. CHAPMAN: I am on the phone with my colleague, Bob Drain from the Southern District of New York.

And just to elaborate on what you stated, we have had over the last, I would say four to five years comprehensive efforts to educate judges in some of the most sophisticated and key commercial jurisdictions, particularly the Southern District of New York where of course the Lehman case remains pending and other large financial institution cases are filed all the time increasingly more nowadays and also the judges in the District of Delaware which is another target, a magnet, if you will, for large sophisticated Chapter 11 cases.

That was the location of the Washington Mutual case some years ago. We've also extended the outreach to bankruptcy judges across the country and we are in the process, were in the process before COVID commenced of creating written materials, a handbook if you will so that any judge who got one of these cases would be well
versed in how to handle it.

We also felt that was important in the event that if a financial institution were to fail that wasn't a G-SIB but was perhaps a regional bank that the work that we've done would help inform the oversight of that.

I think both Judge Drain and I are firm believers that bankruptcy can and would work to handle these cases. There has been a lot of learning in the past 11 years since Lehman and I think a lot of that learning has been incorporated into the SPOE planning.

With respect to the foreign regulators we've also done outreach in that regard. There was a conference a year ago August. Chairman Gruenberg was there.

We participated with many regulators from across the world to get them comfortable with the concept of a U.S. bankruptcy. The ring-fencing issue remains out there.

We're optimistic that we've done a lot, frankly that FDIC has done a lot to potentially
mitigate those concerns. I don't know if Judge Drain has anything to add to that.

But I did want to chime in. Thank you.

MR. DRAIN: I agree with that. Although, I do have some concern that foreign courts might not have been brought in and educated the way that the regulators have and that might be a focus in the future to ensure that there isn't some filing of a subsidiary in Germany.

MR. DELFIN: Judge Drain, it's a little hard to hear you. I don't know if there is a way to --

MR. DRAIN: If there isn't a filing --

MR. DELFIN: Perfect.

MR. DRAIN: -- of a foreign subsidiary notwithstanding the single point of entry approach in Germany say or the UK that there is some outreach through their regulators to the foreign courts to sort of educate them on the overall process. I'm a little worried about that gap.

MR. TETRICK: Yes, thanks, Judge Drain and Judge Chapman. Those are, that's really
helpful and I think it's a good point about sort of the, you know, know myriad of hosts that we need to coordinate with.

That's true whether it's a Title 2 resolution or a bankruptcy. But there is certainly more that can be done particularly for the many sort of less material hosts that we haven't had as much engagement with to educate them on the process of what it would look like and what it should mean and not mean upon entering the resolution.

Moving on to just governance in a Title 2 resolution. You know, we would expect to stand up a bridge financial company.

And not unlike in bankruptcy, you know, we would hope to retain the vast majority of the staff including, you know, many of the executives and even highly compensated staff. We expect that we're going to have to implement staff retention plans.

But a key question is that leadership, governance, who is going to lead the bridge bank?
Who will constitute the board -- I'm sorry, bridge financial company. Who will constitute the board of that company? You know, what control provisions will the FDIC put in place and how will we exercise those controls?

So, we expect that, you know, the legacy board will be replaced, you know, the CEO and certain other C-suite executives would need to be removed. We have, you know, some statutory requirements to address and remove individuals who are partly the cause for the failure. We just need to put new leadership in place to create credibility for this institution that's just failed and we had to stand up and put on a different path.

You know, because, you know, we can foresee that need and it's a significant challenge we've established a proactive program to identify potential leadership candidates for our brokerage. I know some members of this panel are familiar with that program and, you know, it was recorded in a 2019 Wall Street Journal article that we were
building this program.

But basically it entails work that we do with a leading executive search firm to seek out candidates, meet with them in advance, understand, you know, their fit, motivation, you know, potential willingness to serve on the leadership team of a bridge financial company if we were to find ourselves in this situation and has allowed us to build at least a pool of candidates.

Working with, you know, a major executive search firm has allowed us to, you know, be in connection with the type of individuals who, you know, they're working with regularly to place in C-suite positions at financial institutions with the particular lens of what would be needed in this sort of scenario. And we're looking for people with obviously, you know, relevant and substantial operating experience, but also, you know, crisis and restructuring experience and an inclination towards government and public service.

You know, broadly speaking we've got a
pool of scores of individuals that are, you know, highly qualified for sort of different levels whether it's board or executive positions at different types of institutions that we're engaging with regularly. You know, we don't know -- it's pretty hard to say at the time who will be available. You know, individuals tend to take on new roles. So, it's important that we're building, kind of build depth into that pool and maintain some degree of occasional contact. And, you know, whether or not we can actually draw individuals from that pool it gives us a really good starting point.

It gives us a pool of contacts to build from. And we've learned a lot just from talking about, you know, this sort of transformational leadership with these candidates about what would be useful in terms of bridge governance and the relationship and sort of controls between the people that we might place and the FDIC who is overseeing it and running the process. It's one tool that we have and, you know, we know that the
people that we put in place, particularly the CEO that we put in place to stabilize the bridge and manage its exit from resolution will be, you know, as important as any other decision that we make around this process.

And then, you know, just touching here on the third simulation that I mentioned we conducted earlier this year. You know, the controls that we put in place for this new leadership will all be, you know, formally established in the chartering documents for a bridge financial company. So, we took, undertook an exercise just to, you know, fill out all the paperwork that we would need to stand up a bridge financial company. You know, the charter, the articles of association bylaws.

You know, the agreement between the FDIC receivership and the bridge company that would move assets and maybe some liabilities to that bridge financial company, employment documents, all the associated FDIC board cases. You know, we filled all that out. We actually
selected a particular G-SIB to animate the completion of those documents, sort of force us to make decisions about, you know, how that package would be put together.

And, you know, just I think a key outcome of that was not just the, you know, sort of stock of template documents that we've tested and been through but it, you know, forced us to ask a lot of questions around bridge governance and how that would be established as we went through the process. And, you know, would be interested, you know, moving on to Slide 24 for perspective from the Committee here on --

CHAIRMAN MCWILLIAMS: Ryan, I'm going to drop you for a second.

MR. TETRICK: Please.

CHAIRMAN MCWILLIAMS: Ryan, I'm going to drop you for a second so we may have judges here that may have to deal with those companies that come to that position. And what we didn't tell the rest of you is that we may pin you to serve on the board. So, good luck.
MR. TETRICK: Hopefully we can make it sound like a suitably attractive position and you can tell us --

CHAIRMAN MCWILLIAMS: It's going to be great.

MR. TETRICK: Thanks for that.

MR. MAYOPOULOS: Ryan, this is Tim Mayopoulos. Before you move on --

MR. TETRICK: Great, yes.

MR. MAYOPOULOS: -- I just wanted to commend the FDIC for the executive search program that you put in place. I've had the privilege of being involved in a number of the meetings associated with that and I think it's been extremely well conducted and very impressive. I think the partners you've picked to help you run it have been excellent. And I'm just curious as to how you're feeling about the breadth and depth of the pool that you've been able to build and whether you think it would likely be able to meet your needs if you had to actually go through a bridge bank resolution?
MR. TETRICK: So, first of all there is a pretty large pool that we've built out. And we're meeting with candidates, you know, constantly. So, you know, a couple of months and not everybody is in a position to say, yes, sign me up I'll be the CEO. As you're well aware some are interested in that sort of operating position. Others are, you know, expressing interest to serve on a board or just serve in an advisory capacity. And we know that the sort of disposition and availability of the candidates in this pool is going to change over time based on, you know, their obligations and based on the situation, the scenario.

So, we think it gives us a credible starting point. We've sort of cut our pool a number of different ways and though about, you know, institutions of different sizes or different types whether it's, you know, even banks or non-banks and we can find credible candidates in that pool for, you know, any type of institution that we look at.
We don't have people, you know, pre-committed with an agreement saying that they'll serve. But it gives us a great starting point and we think that there is the potential we could meet the leadership needs that we would have through that pool. And it certainly gives us, I think nearly uniformly everybody you engage with is -- wants to help in some way. And it certainly gives us a starting point on, you know, additional contacts or guidance to find candidates.

MR. MAYOPOULOS: Thank you very much.

MR. TETRICK: And appreciate your comments and your support for the program and certainly when you think about transformational leadership you've seen a little bit of that. Appreciate it. Yes --

MS. BAIR: This is Sheila, hi. Just a quick question. If we could go back to the earlier stages when you're setting up the bridge bank. I mean, when we sought after Title 2 one thought was, and you refer to a clean holding company and I guess I want to figure out what you
mean by that because I think one of the things we
wanted to do is have additional tools so we
weren't just going to be recapitalizing a, you
know, a mismanaged institution.

MR. DELFIN: Sheila, we lost you for a
second. I don't know if you could --

MS. BAIR: -- do a little bit of
restructuring and cleaning up.

MR. DELFIN: Hey, Sheila. We lost you
for about 30 seconds there. We lost you for about
30 seconds there.

MS. BAIR: Okay. How about now?

MR. DELFIN: Yes, I hear you perfectly
now. I think it was right around you were talking
about, you know, clean holding company and --

MS. BAIR: Clean holding company.

MR. DELFIN: Yes.

MS. BAIR: So, hopefully three is the
charm, so just quick question. Is your operating
assumption now you're just going to move
everything into the bridge or is there going to be
some effort to create a legacy bank and keep, you
know, distressed assets, risky business
activities, shut those down or leave them in
receivership to have a truly clean financial
organization moving into the bridge or is the
assumption you're just going to move everything
in?

MR. TETRICK: Yes, that's a great
question. And I think it starts with just
touching on a clean holding company a little bit.
So, you know, the clean holding company
requirements that have been put in place really
require very simple non-operating holding
companies where the liabilities are nearly
entirely plain vanilla, long-term unsecured debt.

MS. BAIR: Right.

MR. TETRICK: There is some portion
that, you know, might be less clean around that.
But the vast majority is plain vanilla unsecured
debt. And that way our starting point is that all
of that is left behind in receivership and, you
know, those creditors need to file claims.

On the asset side, the assets are
primarily, you know, investments in subsidiaries so that assets are mostly the subsidiaries of the holding company and then maybe, you know, operating cash, maybe some securities that are held at the holding company. So the real question comes down to if we're leaving something, assets behind is there a defunct subsidiary that the, you know, the stock of that subsidiary we don't transfer to the bridge financial company we want to wind that down separately.

But carving out assets from a particular subsidiary is a little bit harder to do. That's more accounted for in the capitalization of the entity and then maybe in the bridge you set up, you know, you segregate that and set up a wind down or, you know, dispose of those assets.

MS. BAIR: Right. So, if you have a severable sub where there is a lot of, you know, we're saving that can stay behind or I guess you could theoretically spin that into bankruptcy right or not? You would have to --
MR. TETRICK: Yes, you could. You could spin it into bankruptcy.

MS. BAIR: Just cut it off right.

MR. TETRICK: Yes.

MS. BAIR: Well, I can understand operationally that makes sense. But I just, you know, maybe that just is the way it has to be. But if you want to have a capacity to raise private capital not just rely on the recapitalization process your resolution planning could actually have a truly clean company where, you know, new investors are going to come in, you know, and then ability to kind of deal with some of those. Legacy assets seems to be might be an impediment. But, you know, operationally you just may have no other choice. But thank you for the clarification. I think I understand now how you would handle it.

MR. TETRICK: Yes, it's a fair point.

And, you know, the bridge is recapitalized by leaving behind all those liabilities.

MS. BAIR: Right.
MR. TETRICK: And it's going to take some time to, you know, size the problem. Part of the reason it's failing is because there is uncertainty around the assets on a balance sheet or its operations. And we expect to use the --

MS. BAIR: Please go ahead.

MR. TETRICK: -- expect to use that bridge period to, you know, identify those problems, separate them from, you know, the core operations of the bridge. And, you know, maybe those get moved into a wind down type entity or divested or just accounted for in the capitalization of the new bridge. I think you're starting to go into how long.

MS. BAIR: Exactly. I was curious how long you think these bridges are going to last or maybe another question.

MR. TETRICK: A bridge, as you know well of any duration is going to be an uncomfortably long duration no matter how short it is. But just to complete some of the processes that we expect there might be ways of doing it
quicker. But we generally expect that there is a
sort of floor of 270 days just to complete the
claims process, the reevaluation and then exit,
you know, potentially through issuing new
securities in a securities or claims exchange.

MS. BAIR: Right.

MR. TETRICK: It kind of depends on how
long we want to, how much we want to accomplish
during that bridge period or the circumstances in
the market. Is the market stabilized to a degree
that we want to push this new company back out or
is the strategy to wind it down further? It kind
of depends on the situation how much longer of the
270 days we need within the statutory limit of the
five years.

MS. BAIR: Right, okay. Thank you.

MR. TETRICK: You're welcome. So, on
Slide 24, just to kind of go over the construct
for bridge governance, you know, as the receiver
of the failed company we're accountable for, you
know, the successful resolution of the firm which
means we have to sufficient oversight and control
of it to guide that process.

You know, the types of controls that would be retained by the FDIC are those listed here. You know, approval of amendments to the articles and bylaws, appointment of officers and directors, you know, any major divestitures, the types of controls that are similar in many ways to the controls that shareholders would have over any other operating company.

At the same time the new bridge leadership needs to have, you know, the confidence of its customers and counterparties and its personnel and just the ability to operate. And so, to the maximum degree possible we want the day to day operations of a bridge to be the responsibility of bridge management, you know, subject to these certain approvals and oversights by the FDIC.

I guess, you know, we're depicting this here as sort of a clean break between the things that the FDIC controls and the activity that the bridge, board and CEO will be responsible for.
But some of the things that we've learned from, you know, investigating case studies of similar public sector interventions whether it's in the U.S. with AIG or the GSEs and FFA or, you know, in other jurisdictions, you know, be it ABN AMRO Bank or others and through talking with leadership candidates in this pool is that, yes, it's essential to establish a clear understanding of the roles of the regulators and the roles of new management as operators up front.

But there will also be a myriad of corporate decisions that don't fall easily into the construct that we sent up, you know, matters that require interpretation and guidance which means that it will be important for us to have, you know, a small on site presence with clear authority to provide guidance on behalf of the FDIC to coordinate with the FDIC Chairman and to support timely decision making especially around that period immediately upon entering the resolution.

MR. COHN: So --
MR. TETRICK: Yes, yes.

MR. COHN: It's Gary Cohn. So, I look at this and it makes sense on paper. But when you look at the FDIC controlling the bridge board of directors and then you look down at the report hire and terminate officers and officials other than designated by key officers, it does seem de facto that the FDIC retains complete control.

MR. TETRICK: Sure. I mean, and the FDIC does to a degree ultimately retain complete control in that it's the sole shareholder of this bridge institution.

MR. COHN: Right.

MR. TETRICK: Right. That said, I think what we're trying to do is specify certain boundaries within which, you know, the new bridge board and the executives at the bridge can operate the things that they can do independently, the things that they need to come back to us for non-objection and the things that need sort of express approval.

MR. COHN: I have no problem, this is
no different than an existing company today. The
management team works for the board and the board
can replace the management team at any time.

MR. TETRICK: Sure. And that's by
design. We want this to look similar. I guess a
way in which the general relationship between, you
know, the board and the management and then the
FDIC and shareholder is a lot like any other
company. We again, that's sort of a principle in
resolution planning. So, we want this to look
like any other company. But there are differences
of course.

You know, there are going to be certain
matters of just public perception that we need to
help, you know, respond to or guide. And then,
you know, we mention here decisions about, you
know, access to the backstop funding. And then
importantly, this sets up the construct. But
there is also, what's the charge for the bridge?
And in the first instance it's, you know,
stabilize the critical operations and mitigate
systemic risk.
But then it's to, you know, execute a plan to exit from resolution. And so, you know, we expect that, you know, we'll provide the bridge with a broad strategy going into resolution that will be consistent with, you know, some of the statutory provisions that require us to have a plan going in. And one of the first sort of directives for the bridge will be to implement that strategy, come back to us with a plan for implementing that strategy we're generally saying within 60 days. How are you going to carry out the strategy? What changes may need to be, you know, proposed to that subject to our approval so that they can then, you know, make the changes to the business and take the actions that they need to get out of resolution.

MR. DELFIN: Gary, are there any ideas for how we could make this better, a little more functioning? That's one of the things we think a lot about.

MR. COHN: No. It's very tough, right because this is -- you're trying to thread a
needle and I understand what you're trying to do because this is corporate America is a good board is responsible for the key hires and oversight of the company as a fiduciary for the shareholders. You are basically the shareholder. So your oversight of the management is important. But the more you have oversight as an entity and less you're a fiduciary for a third party it becomes more like it is in FDIC entity and resembles the FDIC. So, I understand the conundrum here.

MR. DELFIN: It's a real one and our team spends a lot of time trying to figure out this governance because this is a place we could easily, you know, trip up, you know, our internal governance or our governance with the firm. It looks like we may have lost Ryan for a little bit. We're running a bit late on time so hopefully Ryan won't mind. You know, we promised early on to take a few minutes at the end and talk about some of our work in the non-bank space.

You know, obviously, you know, G-SIBs has been a big priority for the FDIC over the last
few years particularly with the confluence between Title 1 and Title 2. But, you know, as Director Gruenberg and others have pointed out, you know, we do have a responsibility for resolving, you know, non-bank institutions if their failure could threaten U.S. financial stability. We don't have nearly the same tools there. But we have been doing work. And so, we wanted to talk about, you know, two things in particular.

One is a recent rule that we and the SEC put together on the broker-dealer side. This is very much a contingency effort. And then some work we're doing still at the early stages on clearing houses. So, I was going to hand it over to Alexandra Barrage who is associate director of our Policy and Data Analytics Group to talk a bit about the broker-dealer space and then Jenny Traille on CCPs. Alex? Are you out there? Maybe she's muted.

MS. BARRAGE: Can you all hear me now?

MR. DELFIN: Yes, perfect although there is a little echo.
MS. BARRAGE: Okay. Is that echo still there?

MR. DELFIN: No, it's gone. You're perfect.

MS. BARRAGE: Okay, great. So, when you think about these two examples there are some common challenges. And one of those challenges is just the fact that the FDIC does not have direct supervisory authority and access to certain data that we would need in a Title 2 scenario. In some cases we don't have Title 1 plans and we rely in the bank space certainly on these Title 1 plans for giving us key information. Some of that information we've already talked about, estimated liquidity and capital needs, modeling capabilities.

So, as if this wasn't hard enough we are even in some ways at a greater disadvantage not having those specific tools for that specific window into a broker-dealer or a CCP. So, how do we work around these challenges? First, I think as Ryan touched on pretty extensively, we work
very closely with our regulatory colleagues domestically and internationally. We are very mindful of the data sharing agreements we have with other regulators.

We always want to make sure they're managed and current. We also think a lot about different resolution strategies as they pertain to different types of entities or financial companies. We've talked about SPOE and multiple point of entry as different strategies. We think a lot about the value or the potential value that a bridge financial company and OLF liquidity could bring to any one of those resolution scenarios. And every day we work very closely with our data analytics and our risk assessment teams to monitor market events, including with our stakeholders. So, those are just some of the strategies we employ given those handicaps.

Next slide please, Dave. I'm going to quickly just touch on the broker-dealer role that Rick mentioned earlier. This broker-dealer role is actually required by the Dodd-Frank Act. And
last June we and the SEC issued that rule which is basically a rule that addresses the orderly liquidation of a broker-dealer. In that kind of scenario the FDIC is actually consulted. We are not technically a key turner, excuse me, as the SEC would be in that scenario.

But basically what the final rule does is it contains some clarifying provisions relating to this broker-dealer scenario which, you know, I think it's safe to say we don't see it as a likely scenario. We would hope that in any material financial distress single point of entry would work but that there could be circumstances where SPOE is not available. And so, basically these implementing provisions explain sort of the mechanics of what we have, what would occur. We would need to make sure that the resolution is accomplished in a way that ensures that the customers of that broker-dealer receive payments or property at least as beneficial to them as they would have received had that broker-dealer been liquidated under SIPA, under the Securities
Investor Protection Act.

So, a lot of those provisions are quite parallel to that other regime. In doing so we collaborated pretty closely with the SEC in issuing that final rule. And so, that's just one example of stakeholder engagement to make sure that we promulgate a rule and that we get, we address the potential and eventuality of that scenario which we hope is pretty minimal or we expect would be pretty minimal.

So, I'm going to turn it over to Jenny Traille to discuss CCPs. Jenny?

MS. TRAILLE: Great. Thank you, Alex. So, very much at the outset we did want to take some time to talk about some of our existing work and ongoing efforts to address the challenges of CCP resolution. So far today we've been focused on resolution response for G-SIBs. But the FDIC could also be called upon to resolve a CCP if its failure could threaten the U.S. financial stability.

And before getting into that work more
specifically, it is worth noting that CCPs have a long track record of resiliency of generally continuing to function with confidence during periods of financial stress. Systemically important U.S. CCPs are designed to be, for lack of a better word, solvency resilient from member failure because they have rule book arrangements that comprehensively allocate losses away from the CCP and provide an ability to call for additional resources from their members. And these tools are intended to protect the clearing function and to avoid the possibility that we reach a point a resolution is necessary. Nevertheless, it is important to recognize that many of these tools remain untested. And while we are grateful for the CCP's track record of resilience, it doesn't negate the need for our resolution planning. So with that we wanted to provide some quick overview of some of our key objectives and challenges to this work. So, given the CCP's important role in the financial system and specifically the fact
that they're clearing services are central to the
proper operation of U.S. financial markets, we are
keenly focused on resolution outcomes that both
avoid or mitigate serious adverse effects on U.S.
financial stability and that ensure that the
critical services that the CCP provided will
continue to be available to the financial market.
And to that end we were together and with our U.S.
interagency colleagues on advanced planning to
identify, understand and find ways to mitigate
obstacles to successful CCP resolution. This is
where we really want to spend some time by
outlining some of those key challenges.

So, as Alex mentioned earlier as part
of the challenges for non-banks generally we do
not have a back-up supervisory role with CCPs like
we do for G-SIBs. And so, our resolution planning
work has inherently been underpinned by strong
cooperation with our U.S. interagency colleagues.
And the FDIC's resolution planning tools for CCPs
are also quite different than for banks. And
although the CFTC and SEC do require CCPs to
prepare recovery and wind down plans, CCP's are not required to file Title 1 plans. So, therefore there is no equivalent process through which the FDIC can identify deficiencies to resolvability of the CCPs and have them remedied.

Another important key difference and challenge is timing. For CCPs we may have a very limited amount of time and run off or runways of failure unlike a G-SIB where there is runway that would be likely this event could happen more quickly. And if that were to happen it could require our resolution actions to occur within a very tight time frame. Compounding that difficulty is the fact that a short runway could also mean that information on losses or on financial position generally might be unavailable or unreliable.

And in addition, if resolution is appropriate and keys are turned strategies to promote the continuity of these critical services and orderly market functioning will be critical. So, the challenge is different than single point
of entry for G-SIBs for a variety of reasons. In
general, CCPs do not operate with pre-funded loss
absorbing resources that can be used to
recapitalize for the operations. Instead, they
rely on risk management tools like margin and T-
Funds and assessments from clearing numbers.

In a resolution context authorities may
be able to use some of these tools and resources
to the extent that they are still available and
were not exhausted throughout the recovery
process. But there could be tradeoffs such as the
potential that using those tools could be post-
cyclical and affect markets in unexpected ways
given the highly stressed state that would likely
exist in such a scenario.

So, as a result there are limited
choices for resolution. To scope this challenge
in our regular work we consider the adequacy of
the CCP's resources for resolution along with the
powers and resources available to the FDIC under
Title 2. And we aim to provide, develop and
provide strategies that would give us some degree
of optionality because we know that we won't know
in advance how the CCPs might feel. But we do a
number of the likely challenges.

And so, our work seeks to develop
options to increase our capability to invest in
scenarios and mitigate those likely obstacles.

So, our work is ongoing. And while we've made
meaningful progress we are still in early stages,
as Rick mentioned. And this is especially true
compared to the G-SIB resolution planning space.

So, with -- pause there and try to make it through
a little bit of how we work on some of these
issues. Is there a question or I'll move quickly?

MR. COHN: I have a really quick
question. So, the CCP is always interesting to me
because it's a socialization of the risk. And so,
and like a very important mechanism and so don't
ever want to underestimate it. But if you were
ever to have a very large default in a CCP, you
sort of have a prisoner's dilemma. You could go
out and assess members, broker-dealers and banks
and then potentially fail them or you could try
and confine the risk to the CCP. How do you guys think about that?

MS. TRAILLE: Rick, do you want to jump in?

MR. DELFIN: Sure, yes. I was muted. So, Gary, I think that's exactly right. So, we've taken a number of steps to minimize the risks to the CCP and then there is questions about what you do after it.

So, you know, first in the default loss worlds, right that is members failing to the degree these members are large G-SIBs and the single point entry strategy which would recapitalize the material entities and ensure that they can continue to service the CCPs itself supports CCP resilience, right. The first domino is not falling in nearly as destructive a way as you would have before. So, that should, you know, if SPOE is available for the clearing member move out the spectrum of probability of default or challenges in CCP land.

That's the good news. But, you know,
if we get to the scenario where nonetheless the losses exceed, you know, guaranteed funds there is this question, and this is something that we and international regulators are actively look at, about whether some of the tools that CCPs might use, that is assessments, et cetera are themselves pro-cyclical. That is whether there is a financial stability impact from asking for a great deal of money or doing variation margin gains hair cutting or doing partial tear up that itself transmits systemic risks from the CCP out to the clearing members and completes this pro-cyclical problem.

So, that's the key question that we're asking on the default loss side. And are there ways that resolution can step in and provide a different outcome to avoid that? And so, one of the ideas is well what if the resolution authority can provide liquidity so that you don't instantly have to go out and assess those members? Next question is, well on what basis would we provide liquidity?
Well, you know, maybe there are assets that we can use to provide liquidity for to change the outcome of that transmission channel. So, that's real. You know, alternatively there are potential non-default losses that aren't as clear about how they transmit into the system but are nonetheless issues that resolution authorities need to look at in the CCP space. So, we're looking at both of those. But I think you absolutely pointed at the exact issue that we're all struggling with.

MR. BODSON: I would add to that, sorry, this is Mike. I would add to that the complexity of that it's in very, in many ways a very closed system. So, my ownership structure, my margin, my liquidity providers are all the same. So, Gary, right to your point but at the end of the day it's almost, you know, it is the two prisoner's dilemma of sorts.

I think what you've raised on the FDIC's lend structure really is a critical factor because obviously we do have, you know, recovery
wind down plans. We have tools available to us to hopefully mitigate and in reality it would be a situation where multiple G-SIBs would be failing would, you know, create a default liquidity issue. But it would be good for us to sit down with the FDIC, with the SEC and work through those scenarios.

When it comes to broker-dealers just a last point, they have the resolution of broker-dealers in the past have gone very well be it in the Lehman, et cetera, non-banks. But again, as I said in the beginning it's not just the retail broker-dealers that you have to worry about. A lot of tools are in place because of SIPC because of bulk transfer, you know, exercise, et cetera, et cetera. I think it's the growth of the non-retail oriented broker-dealers in the industry as we spoke about before, that they would have on the market that really has to be examined.

MR. HERRING: Rick, I would also like to add that I'm delighted you're tackling this problem. It seems to me that it's one created in
large part by the post-crisis regulation that has shifted derivatives trading by and large out of banks into CCPs. So, however systemic they were before they're much more so now. And the FSB seems to be accomplishing almost nothing with regard to making systems safe for the failure of a CCP.

So, I think this is terrific work. I guess I would encourage you to think about incentives for proper risk management and whether there really are sufficient incentives in place in the structure of CCPs to have them act as really good stewards for controlling and limiting systemic risk. But also to try to think about making a separation between operational liabilities that really do need to be protected because it is the very life blood of the financial system and thinking about perhaps the category of financial liabilities that could be used to create a bit of a buffer.

But I think the point that there are huge interconnections here cannot be overlooked.
It really needs to be thought out in terms of repercussions for the members that will bear losses in the event of a bad outcome and what that means for the banking system, for other CCPs, for the whole system itself. So, I'm delighted to hear you're making progress and will look forward to hearing the next report.

MR. DELFIN: Thanks.

MR. REED: Can I say something? This is John Reed.

MR. DELFIN: Of course, please.

MR. REED: I'm very impressed by the work you're doing. I assume you've looked at the risk that a crisis would come from a digital hack and that you would find yourself with one of these clearing systems that could not function but it was not necessarily a financial failure, but you had some kind of interference digitally and what that might mean.

MR. DELFIN: Yes. So, cyber and the impact of cyber and resolution is an enormous issue and not just in CCP space. That is, you
know, we think about that challenge across our
traditional, you know, resolution world. You know,
obviously resolution isn't normally thought of as
a solution to a cyber problem. We don't have any
magic wand to unwind, you know, whatever might be
breaking down a system.

But nonetheless, you know, that is an
evolving risk and something that we are looking at
across, you know, various areas of responsibility
on the resolution side. It's a very real issue.
And maybe that should be a topic for future SRACs.
That's a good one.

MR. BODSON: My first day as the CEO of
DTCC was Knight Capital.

MR. DELFIN: Gosh.

MR. BODSON: So, cyber hack -- to
affect a technological failure it was a hell of
way to start my job. But, yes, if there is a non-
default situation it would be either inadvertent
or a, you know, a purposeful attack of technology
that creates a massive loss much beyond anything
we have ever seen. In that case, it was $400
million it was manageable. I hate to say $400 million is manageable but it was.

But, you know, it would be something that, you know, would spread risks throughout the NMS and, you know, cause havoc. So, that would be a great follow up.

MS. O'CONNOR: Yes. And, Rick, look I think the work here, you know, sort of early days is both impressive and it's great to see the level of understanding that you all have around this.

The second piece and, you know, Mike, you were talking about the mutualized model and the distinction between a non-fully mutualized model and a demutualized model where there is the difference between the ownership structure and who ultimately bears the risk of loss because that's sort of partially about the model and that actually creates some fundamental risks.

And I think, you know, a very worthy, good to hear you talking about the risks related to some of the recovery and resolution tools that could be at hand whether it's, you know, the
ability to assess in an unpredictable and
unlimited manner or pair ups of contracts both
partially or fully how they could be used and who,
I could say who should be using them.

I think that would be a very important
area to understand again back into that
demutualized model. If the year is capped under
FDIC, for example, that could have very different
market run implications hopefully not stability
implications rather than what's in the banks with
the original ownership. So, I just put those out
there. I'm sure you're thinking of them to come
back to at a future point.

MR. DELFIN: That's great. Thank you.
So, cognizant of time we have run over a little
bit. I wanted to, you know, first, you know,
thank all of you for your participation today.
You know, the conversation has been exceptional as
always. I have written down, you know, a number
of items on my to do list and I just wanted to,
Dr. Bernanke asked about, you know, multiple
failures and also the connection between stress
testing and resolution readiness.

You know, Chairman Bair talked about, you know, some of the challenges on the regional bank resolution side and also bridge duration. You know Sandie O’Connor talked about the relationship between, you know, financial resources available to avoid failure. That is the size of the hit you can take and still survive and also, you know, making sure that there are sufficient resources on the resolution side and how do those two connect to make sure that we have a more resilient system.

Director Gruenberg talked about the importance of non-bank work which we updated on. And then, you know, Judge Drain, Chapman and Don Kohn all talked about this relationship in bankruptcy between, you know, our planning here and how that works with foreign regulators and the role that foreign regulators play and the need for them to understand how bankruptcy would work in order to see if that process is available.

You know, Gary Cohn talked about the
challenges in bridge governance and that relationship between, you know, the FDIC a single shareholder and the new board and management and making sure that we get that right so that we're not tripping over ourselves when we come to actually running this institution. Dick Herring talked about, you know, liquidity and, you know, resolution liquidity making sure that's not a problem. Peter Fisher asked us about how to think about the relationships and risk in the market overall and whether we can draw any conclusions based on recent actions.

I want to just thank you all again for doing this, we have learned a lot. You know, the team has spent a great deal of time pulling this together. I hope you saw some of the benefits that came from this new collaboration which we think is pretty essential. And so, with that I'll hand it over to my Chairman McWilliams to just for any closing remarks.

CHAIRMAN MCWILLIAMS: Thank you, Rick, and thank you, everybody. It was a phenomenal
discussion and you delivered more than we expected. But now I'm wondering if we should add some members who are going to ask easier questions. In any case, you did exactly what we wanted you to do. Make us think about things that could happen that we're thinking about but need deeper and more complex investigation on our end and we look forward to continuing this discussion hopefully in person next time.

But until then, please keep safe and I cannot thank you enough for your contribution today. Thank you.

(Whereupon, the above-entitled matter went off the record at 12:09 p.m.)
CERTIFICATE

This is to certify that the foregoing transcript

In the matter of: Systemic Resolution
Advisory Committee

Before: FDIC

Date: 10-01-20

Place: teleconference

was duly recorded and accurately transcribed under
my direction; further, that said transcript is a
true and accurate record of the proceedings.

[Signature]
Court Reporter