Resolution Readiness and Lessons Learned from Recent Large Bank Failures

Remarks by FDIC Acting Chairman Travis Hill Before the Single Resolution Board, Single Resolution Mechanism's 10th Anniversary Conference

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Introduction

I want to start by thanking the Single Resolution Board (SRB) for inviting me to speak at this important and timely conference. This year's conference is especially noteworthy because we are commemorating the 10th anniversary of the Single Resolution Mechanism (SRM). Together, the SRB and SRM form an important pillar of the European banking union and have made great progress in building resolution capabilities and enhancing the resolvability of European financial institutions. The FDIC has been proud to partner with the SRB in planning for potential cross-border resolution and to help ensure we are as prepared as possible to successfully resolve financial institutions that operate in our respective jurisdictions.

Today, I am going to focus my remarks on some of the lessons learned from a resolution perspective from the 2023 banking turmoil, which included, in the United States, the failures of three large banks and, in Europe, the first post-financial crisis collapse of a global systemically important bank (GSIB). I will also provide updates on some key changes we have made to our resolution framework and discuss additional actions we are planning or contemplating.

Resolution Planning

The FDIC requires resolution planning from large banks under two separate frameworks. First, pursuant to Title I of the Dodd-Frank Act, large bank holding companies submit resolution plans to the FDIC and the Federal Reserve (Title I Rule).[1] Second, under the FDIC's regulations, large insured depository institutions (IDIs) submit resolution plans to the FDIC (IDI Rule).[2] The Title I Rule requires looking at the entire banking organization, envisions a resolution under the U.S. Bankruptcy Code, and is focused on financial stability and mitigating systemic risk, while the IDI Rule concentrates specifically on the IDI, envisions a resolution under the Federal Deposit Insurance Act, and is more focused on the operational aspects of executing a resolution.

[1] 12 U.S.C. 5365(d). The Title I Rule also applies to certain nonbank financial companies supervised by the Federal Reserve.

[2] 12 C.F.R. 360.10.

Under the current IDI Rule, institutions are required to develop a resolution plan based on an "identified strategy," with a strong bias in favor of a bridge bank strategy.[3] I have on several occasions in the past expressed my view that this approach stands in contrast to a key lesson from the failures of 2023 – that a post-failure bridge bank is generally a costly, undesirable outcome.[4] Silicon Valley Bank and Signature Bank both experienced significant outflows of deposits and value destruction *after* they failed, as the bridge banks suffered from the "melting ice cube" problem that is often typical of bridge banks and conservatorships.[5]

Thus, given the plethora of challenges and costs associated with running a bridge bank, in my view, the primary goal for resolution planning for large regional banks should be to maximize the likelihood of the optimal resolution outcome, which is generally a weekend sale. As I will explain, we are taking a number of steps to execute on this goal. At the same time, it is also true that a weekend sale might not be available, and so our secondary objective should be to be prepared to operate an institution for a short period of time post-failure, if needed, while at the same time actively pursuing a sale.

Consistent with these objectives, in April, the FDIC issued FAQs that modified its approach to implementing the IDI Rule.[6] Among other items, we waived the requirement that institutions build the plans around a bridge bank strategy and, instead, allowed filers to "describe the potential suitable resolution strategy or strategies that reasonably could be executed by the FDIC."[7]

Overall, the FAQs were intended to "focus the IDI resolution planning process on the operational information most relevant for the FDIC to (1) resolve a large bank through a weekend sale or (2) operate the institution for a short period of time while rapidly marketing the institution."[8] We also waived a number of content elements that may be obtained from other sources or simply were not of high value to planning for and executing an orderly resolution. The FAQs also waived (1) requirements that banks produce a large amount of speculative

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[3] 12 CFR 360.10(d)(1).

[4] *See, e.g.*, Travis Hill, View from the FDIC: Update on Key Policy Issues (Apr. 8, 2025) ("…I think a key lesson of the 2023 bank failures is how costly a bridge bank solution can be.").

[5] *See, e.g.*, Federal Deposit Insurance Corporation, Crisis and Response: An FDIC History, 2008-2013, at 197 (2017) ("During the first two weeks after IndyMac's failure, a run on deposits led to the withdrawal of almost $3 billion from the newly chartered bridge institution, IndyMac Federal. The unprecedented deposit withdrawals likely reduced IndyMac Federal's franchise value and clearly signaled to the FDIC that a much deeper issue was lack of trust in the financial system.").

[6] *See* Press Release, FDIC Modifies Approach to Resolution Planning for Large Banks (Apr. 18, 2025) ("IDI Rule Press Release").

[7] Federal Deposit Insurance Corporation, IDI Resolution Planning Rule Frequently Asked Questions (FAQs) (last updated Aug. 15, 2025).

[8] IDI Rule Press Release, *supra* note 6.

analysis about hypothetical failure scenarios and (2) a highly subjective credibility standard by which plans would be judged.

Still, the modified approach established by the FAQs retains certain beneficial elements of the IDI Rule. An example is the rule's emphasis on a firm's capability to quickly set up a virtual data room (VDR), which, as discussed below, is key for potential bidders to perform due diligence and offer competitive bids.

We made these modifications swiftly through FAQs so they would apply to plan filings due in July of this year. While those filings are still under review, the result is that the banks have been able to focus their attention more closely on the most critical elements the FDIC would need to market a failed bank, as well as those that would enable us, or a potential bidder, to understand its internal operations.

We have also begun work on a proposal to make amendments to the underlying rule. At a minimum, we plan to propose codifying the FAQs from earlier this year into the regulation. We are also looking carefully at the interplay between the IDI Rule and the Title I Rule. For example, is it a good use of time and resources for domestic Title I filers that have adopted a single point of entry (SPOE) strategy – which envisions a parent company filing for bankruptcy while bank subsidiaries continue operating – to continue to file IDI plans?[9] Are there ways to address overlap for filers with multiple point of entry (MPOE) strategies? We are also evaluating other content elements that could be adjusted or streamlined to further improve the value of these filings, and we will remain focused on what is most critical for the FDIC's ability to successfully execute a resolution. Finally, we will continue to consider ways to shift the IDI Rule process towards engagement and capabilities testing, focusing on operational capabilities, and away from static plans.[10]

Bidding process

[9] The Title I process alone for U.S. GSIBs is significantly more burdensome than the combined resolution planning burden for any other filers.

[10] *See, e.g.*, Travis Hill, Proposed Amendments to the IDI Resolution Planning Rule (Aug. 23, 2023) ("Two years ago, the FDIC issued a policy statement on IDI resolution planning that signaled a shift in focus and emphasis towards engagement and capabilities testing conducted by the FDIC with firms. I continue to think that shift was warranted. While periodic resolution plans can provide valuable high-level information to help the FDIC better understand a bank and its business lines, engagement with firms is in some cases a more valuable part of the process. To give one example, the IDI Rule requires firms to submit a list of key employees, as knowing whom to talk to is critical when a bank fails. But the list included in the plan itself is less valuable than a firm's capability to provide an accurate, up-to-date list of key employees at the time of failure. … I think we should continue to shift our focus toward firm engagement.").

In parallel to reviewing the various IDI resolution requirements imposed on banks, we have also been working to improve the FDIC's own capabilities. Consistent with the objective of maximizing the likelihood of a quick sale, we are developing a better-understood, competitive, and nimble failed-bank marketing process so that we can be as prepared as possible to rapidly market a failed institution, even with little advance notice.

As we work to update our internal processes, we have been engaging with institutions in their capacity as potential acquirers to seek their input on how to improve the bidding process and remove potential obstacles to lower-cost bids. This engagement is ongoing, but it has already helped identify key areas for improvement and has generated a number of useful ideas.

For example, we heard that the FDIC needs to be more transparent before and during the failed-bank marketing process and that more transparency – including with respect to the type of financing the FDIC is able to provide – would encourage more participation in the bidding process. In addition, we must improve our communication with potential bidders leading up to and during a resolution. As we update our marketing process, we expect to find ways to be more proactive in expanding engagement—to educate bidders about our process, gauge acquisitive interest, and seek ongoing input on areas where we can improve.

Additionally, institutions observed that the transaction tools and documentation we use to sell failed banks are not sufficiently flexible to easily accommodate the range of transaction types that might be needed in connection with the sale of larger or more complex institutions, such as by readily allowing for bank and nonbank partnerships. We have been working on a range of updates to transaction documents and are considering various options for next steps.

Nearly all institutions with whom we have engaged highlighted the importance of due diligence and emphasized the value of VDRs with complete, well-organized, and timely information. We have heard that – in addition to core information about a failed bank's operations, deposit franchise, loan portfolio, and other assets – there are some "low-cost," "high-value-add" items that would be useful for potential bidders, such as internal risk management reports and up-to-date liquidity data. This kind of off-the-shelf reporting would provide a more complete and current view into the failed bank's condition. The faster we can provide information, and the higher quality the information is, the more likely it is we will receive competitive bids, and the lower the "uncertainty premium" that ultimately comes out of the Deposit Insurance Fund (DIF).

Another consistent theme we heard is the significant challenges that come with bidding on a failed institution when there is a very short runway. Given the potential speed of modern-day bank failures, this feedback underscores the importance of advance preparation during

peacetime and clear, consistent, and frequent communication leading up to and during a resolution.

Concurrently, we continue to work on a range of operational improvements across a multitude of areas. For example, we have enhanced various internal systems, primarily in the areas of customer service and asset management, to ensure they can scale for large failures. Mission-critical contracts have been consolidated and updated to ensure the FDIC has the necessary tools and expertise to rapidly resolve complex institutions. We have also implemented a Large Bank Ready Reserve training program that involves cross-training staff across FDIC divisions on various aspects of the resolution process, to ensure our resolution divisions may tap resources within and across the Corporation during either a large bank resolution or a large volume of failures.

We have also made improvements to our least-cost test model, which the FDIC uses to estimate the cost of different resolution options to determine which is the least costly to the DIF. The legacy model ran on outdated coding and required extensive manual inputs from calculations and data sources outside the model. It often took staff days to process bids using this model to determine the least costly resolution transaction. The rapid failures of 2023 demonstrated the need for a new, faster model. The new model allows for the analysis of failing bank transactions in hours instead of days and improves our ability to conduct valuations of more complex transactions, incorporating additional lessons learned from the 2023 failures.

Furthermore, we also plan to reevaluate our bidder eligibility criteria. While there is a balance to be struck between (1) maximizing the number of bidders and (2) ensuring that bidders have the financial and operational capacity to take on a failed bank transaction, my general view is that our existing criteria is too restrictive when it comes to large failures. The downside risk of not finding an acquirer, or of the best bid coming at a substantial cost to the DIF, may outweigh the downside risk of potential future problems at certain potential bidders. Of course, maintaining criteria that exclude institutions with immediate vulnerabilities remains critical, but the smaller the number of potential acquirers, the less luxury there is to be selective in setting eligibility criteria.[11]

We also continue to explore ways to expand participation from nonbanks in the marketing process. Today, nonbanks control substantial pools of capital that can be deployed to bid on assets of failed institutions and can be used in partnership with banks to bid on entire institutions. As an example of our work in this area, the FDIC has developed a seller-financing program for

[11] Our parallel efforts to reform supervision will also help address this problem, as we reduce the number of institutions with unsatisfactory supervisory ratings without true safety and soundness weaknesses.

nonbank bidders, to increase competition by including private equity firms and other nonbank entities in the marketing process, and thereby ultimately reduce costs to the DIF.

On a go-forward basis, we have developed a pre-qualification process for nonbank bidders, with the intent of qualifying nonbank bidders in advance of any offering. The FDIC plans to pilot this qualification process with bidders who participated in the bidding process for the April 2024 failure of Republic First Bank and the 2023 asset sales following the failure of Signature Bank, as well as with other nonbank firms that have expressed interest in pre-failure loan sales. This pilot process will start in January 2026 and will be revised based on feedback. The FDIC expects to publicly release the pre-failure qualification process and application after receiving feedback from the pilot program.

Receivership Funding

Another key issue that arose following the 2023 failures is how the FDIC finances receiverships (1) when large banks fail or (2) when a large number of banks fail. The 2023 failures imposed significant short-term liquidity demands on the FDIC in its capacity as receiver, demands that were met through borrowings from the Federal Reserve.[12] These borrowings were extremely costly and, in numerous respects, unprecedented, as the Federal Reserve charged a penalty rate on the borrowings[13] and the FDIC did not pay them off in full for nearly nine months.

I have spoken in detail in the past about the need to be better prepared to meet significant liquidity demands in the future,[14] and the FDIC is actively working to move in this direction. For example, the FDIC has engaged with the Federal Financing Bank (FFB)[15] to implement a rapid process for securitizing assets assumed from large failed IDIs. These assets could include purchase money notes used (1) to cover asset/liability mismatches of a failed IDI or (2) to provide leverage for asset purchases to facilitate the sale of large complex transactions. In 2023, the FDIC twice securitized positions through the FFB, but the first did not occur until six months

[12] More precisely, Silicon Valley Bridge Bank and Signature Bridge Bank borrowed heavily from the Federal Reserve Banks of San Francisco and New York, respectively, following the failure of Silicon Valley Bank and Signature Bank, while First Republic Bank borrowed heavily from the Federal Reserve Bank of San Francisco leading up to failure, before all of these borrowings were assumed by the FDIC in its capacity as receiver.

[13] The Federal Reserve charged the FDIC a penalty rate of 100 basis points. The total borrowings assumed by the receiverships equaled $273 billion, and the 100 basis point penalty rate alone cost the DIF roughly $1 billion.

[14] *See* Travis Hill, Reflections on Bank Regulatory and Resolution Issues (July 24, 2024).

[15] The FFB is a government corporation under the general supervision and direction of the Treasury Secretary that provides funding to other government agencies.

after the failures.[16] Securitizing assets through the FFB represents a lower-cost option than borrowing from the Federal Reserve to meet significant liquidity demands – if it can be done much more quickly than in 2023.[17] In the meantime, the FDIC appreciates the ongoing constructive dialogue with the FFB.

Bail-in

Another lesson from the 2023 bank failures, with significant cross-border implications, was the challenge identified with bailing in certain bonds issued by Credit Suisse to U.S. investors in a manner consistent with U.S. securities laws.[18] According to the Financial Stability Board (FSB), staff from the Securities and Exchange Commission (SEC) at the time noted "there would have been legal challenges relating to US securities laws in executing a bail-in."[19] If there is legal uncertainty regarding the ability to bail in debt that constitutes a part of a bank's total loss absorbing capacity (TLAC), the entire SPOE resolution could be called into question. Of course, the issue became moot in Credit Suisse's case, but it demonstrated a significant potential obstacle to the successful resolution of GSIBs located in certain jurisdictions that utilize an open-bank bail-in approach to GSIB resolution.

Compliance with securities laws in the United States is under the exclusive jurisdiction of the SEC, but, as the resolution authority, the FDIC has a keen interest in the issue. Internationally, the FSB's Resolution Steering Group (ReSG) is setting up a new task force with the FDIC serving as chair to focus on the issue, while domestically, under SEC Chairman Atkins's leadership, the SEC has been working to address it, after little material progress during the previous administration. More generally, I am pleased to see that the ReSG, under the leadership of SRB Chair Dominque Laboureix, continues to focus on resolution authorities' preparation to execute bail-in, particularly in the cross-border context.

Central Counterparties

Another important area is our resolution readiness for other types of systemically important institutions, including central counterparties (CCPs). These institutions play an

[16] The FDIC securitized $50 billion in a single day in September 2023 and $43 billion in a single day in January 2024.

[17] *See* Reflections on Bank Regulatory and Resolution Issues, *supra* note 14 ("[Securitizing through FFB] could be a useful option in the future – if the FDIC and FFB can execute such transactions *much* more quickly, ideally over resolution weekend, or if not within a few days of failure.").

[18] *See, e.g.*, Financial Stability Board, *2023 Bank Failures*, at 16-18 (Oct. 10, 2023).

[19] *Id*. at 17.

essential role in some of our most important markets and provide critical services that, if a CCP were to fail, must be continued in resolution.

The FDIC continues its firm-specific planning in this area and, in doing so, leverages the plans that are received by the CCPs' supervisors. These "recovery and wind-down" plans help the FDIC better understand CCPs and their business lines and consider how the agency might operationalize a resolution if called upon to do so. We also engage with the firms regularly, and that dialogue is a valuable contribution to our readiness. However, the FDIC does not play a role in supervising these institutions and does not engage in the type of capabilities development that it does with the largest U.S. banks through the Title I resolution planning process.

Over the years we have participated in a series of exercises and structured discussions with a group of regulators – the Bank of England, Federal Reserve, SEC, and Commodity Futures Trading Commission – to share views on the challenges in this space and review progress in addressing those challenges. We hope to hold another such meeting in the near future.

Conclusion

The FDIC and the SRB have a long track record of collaboration in advancing preparedness for the resolution of a large financial institution operating in one of our jurisdictions. Together, the United States and the European banking union are home jurisdictions for over half of the GSIBs identified by the FSB, and each of us is an important host jurisdiction to the other. For an orderly GSIB resolution to occur, we will need to continue to closely collaborate with each other and other international authorities.

Meanwhile, domestically, we will continue to incorporate key lessons from recent bank failures into our regulatory and resolution frameworks, and we will remain mindful of the many lessons we have learned over the course of our 92-year history.

Thank you.