

Martin J. Gruenberg

Chairman, Federal Deposit Insurance Corporation

**Determinations on Resolution Plan Submissions of Eight Systemically Important, Domestic
Banking Institutions**

FDIC Board Meeting

December 19, 2017

The Dodd-Frank Act gave the FDIC and the Federal Reserve Board important new authority to review resolution plans submitted by systemically important financial institutions (SIFIs) for their rapid and orderly resolution under the U.S. Bankruptcy Code. The statutory standard for reviewing the plans is whether the plan is not credible or would not facilitate an orderly resolution of the firm under the Bankruptcy Code.

In April 2016, the Federal Reserve and FDIC Board provided important feedback to the eight largest, and most complex, U.S. bank holding companies regarding their resolution plans. That feedback included a number of joint deficiencies and shortcomings as well as specific guidance regarding key vulnerabilities to orderly resolution in bankruptcy.

Since that time, staffs of the FDIC and Federal Reserve have had extensive engagement with the firms as they worked to address – in their July 2017 submissions – the shortcomings and vulnerabilities previously identified.

As noted in the proposed feedback letters to the firms, staff found that they made substantial progress in this effort. Staff identified no deficiencies but did identify shortcomings in the plans of four firms: Bank of America, Goldman Sachs, Morgan Stanley, and Wells Fargo. While the agencies agreed these weaknesses did not necessitate an immediate plan resubmission, they are important enough to highlight and have addressed in the firms' 2019 plans.

Among other things, the firms have taken steps to rationalize their corporate structures; establish clean holding companies with market-funded, loss-absorbing capacity; develop frameworks for identifying their resource availability and needs in resolution; and identify and mitigate key legal and operational obstacles.

While significant progress has been made, there are inherent challenges and uncertainties associated with the resolution of a systemically important financial institution. Toward that end, the agencies identified four areas in which more work may need to be done by all eight firms to continue to improve their resolvability: intra-group liquidity; internal loss-absorbing capacity; derivatives; and payment, clearing, and settlement activities.

Moreover, the resolvability of firms will change as markets change and as firms' activities, structures, and risk profiles change. As noted in the feedback letters, the agencies expect the firms to remain vigilant in considering the resolution consequences of their management decisions.

The agencies continue to explore ways to improve the resolution planning process and are considering extending the cycle for resolution plan submissions from annual to once every two years, reflecting the agencies' experience regarding the time needed to prepare and review the plans.

In addition to the progress made by the firms, I also want to highlight the way the staff at both the FDIC and the Federal Reserve worked together on this review. In addition to meeting jointly with firms in the planning and pre-filing period, the agencies developed joint resolution plan review teams, performed joint training, utilized joint assessment materials, and engaged in a joint vetting process leading to today's recommendations.

The staff recommendations before the Board today are an important step in continuing to promote the orderly resolution under the Bankruptcy Code without cost to taxpayers and with accountability for the shareholders, creditors, and culpable management of the firms.

I would like to thank the staff of both agencies for an outstanding job in bringing forward the recommendations presented today. I would like to thank the FDIC staff in particular for the dedication and commitment they brought to this very challenging task. I am pleased to support the recommendations being presented to the Board.