Statement by Martin J. Gruenberg

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Final Rule: Title I Resolution Plans

October 15, 2019

The FDIC Board today is considering a final rule that would significantly weaken the resolution plan requirements under Title I of the Dodd-Frank Act for large U.S. and foreign banking organizations with assets between $700 billion and $100 billion. For that reason I will vote against this final rule.

Title I of the Dodd-Frank Act directed each bank holding company with assets of $50 billion or more to report periodically to the Federal Reserve and the FDIC the plan for their rapid and orderly resolution under the Bankruptcy Code in the event of material financial distress or failure.

The Economic Growth, Regulatory Relief, and Consumer Protection Act, signed into law last year, made a number of amendments to the Dodd-Frank Act. The changes included raising the asset threshold for resolution plans to $100 billion, and authorizing the Federal Reserve to identify the firms with $100 billion or more but less than $250 billion in total consolidated assets that would continue to have a resolution planning requirement.

The final rule before the FDIC Board today would implement the provisions of the new law. However, it would go beyond the requirements of the new law to weaken significantly the resolution plan framework for large banks with assets between $700 billion and $100 billion.

The rule would extend the submission of plans by U.S. firms with $250 billion to $700 billion in consolidated assets, and foreign banking organizations with $250 billion or more in combined U.S. assets, from annually to every three years, with a full plan required only every six years. This would attenuate the review process for these plans to an extreme and put their meaningfulness in doubt.

In addition, the final rule would remove entirely the resolution plan requirement for U.S. firms with assets between $100 billion and $250 billion, with one exception, even though the Federal Reserve retains authority to preserve the requirement for those institutions.

I believe this final rule reflects a serious failure to recognize the very significant resolution challenges and potential for systemic disruption posed by the failure of these firms. These were hard lessons that should have been learned from the financial crisis, when firms of this size, and even smaller, presented major resolution challenges to the FDIC.

For these reasons, I will vote against this final rule.