Statement of Jelena McWilliams, Chairman
Notice of Proposed Rulemaking:
Dodd-Frank Act Resolution Planning

One of the key lessons that emerged from the financial crisis was the need to have better tools to resolve large financial institutions. Large institutions must be able to fail without taxpayer bailouts and without destabilizing the broader market.

The Dodd-Frank Act, when initially passed into law, required all bank holding companies with more than $50 billion in total consolidated assets to submit resolution plans providing for their rapid and orderly resolution under the U.S. Bankruptcy Code. The resolution planning process is intended to help ensure that a firm’s failure would not have serious adverse effects on financial stability in the United States.

In May of 2018, Congress passed the Economic Growth, Regulatory Relief, and Consumer Protection Act (the “Act”), which raised the asset threshold for Dodd-Frank resolution planning from $50 billion to $250 billion, while giving the Federal Reserve Board the authority to apply enhanced standards to firms with total consolidated assets between $100 billion and $250 billion under certain conditions. This allows the FDIC and the Federal Reserve Board (the “agencies”) to exempt smaller institutions less likely to pose risks to financial stability from the Dodd-Frank resolution planning requirement.

Resolution plans have been a valuable tool for improving resolvability through bankruptcy. The planning process has helped ensure that firms can better project resource availability and needs in resolution, understand and simplify their legal structures, work through their internal governance processes, and address
core obstacles to resolution in bankruptcy. Firms have made significant progress in this regard.

Before the Board today is a proposal to modify the Dodd-Frank resolution plan rule. Consistent with the Act, this proposal is intended to streamline, clarify, and improve the Dodd-Frank resolution plan processes and timelines, considering the relative risks to U.S. financial stability that a firm’s failure may pose.

Under this proposal, content requirements would be tailored to reflect the varying degrees of systemic risk posed by different types of firms. The most systemically important covered companies would remain subject to the most frequent submission requirement, which is a biennial filing cycle. All other filers would move to a triennial filing cycle. Under the staggered cycles, the agencies would be able to concentrate resources on addressing systemic risks and those areas more closely associated with building greater resilience and resolvability. Additionally, firms that do not meet certain size or risk criteria would no longer be subject to the rule.

Under the proposal, firms would submit more focused or “targeted” plan submissions every other submission. The targeted plans would be designed to capture the core elements and key informational content most critical to helping ensure orderly resolution in bankruptcy, thus providing firms a streamlined submission that still includes key aspects of the full plan. The proposal also establishes a process for firm-initiated waiver requests, providing firms the opportunity to bring to the agencies’ attention certain information that may not be needed for an upcoming submission, and if the agencies do not object, permitting firms to omit that information from their plan submissions. For instance, a waiver
could be utilized when certain aspects of a firm’s resolution plan reach a steady state or become less material. This would allow for more efficiency and better use of firm and agency resources.

The proposal also recognizes and emphasizes the importance of firms’ critical operations, which are those activities likely to have an adverse effect on U.S. financial stability if interrupted or discontinued. The proposal describes processes for the agencies, and appropriate firms, to follow to periodically review critical operations based on the size, complexity, and scope of a firm’s operations. This allows the resolution planning process to accommodate the evolution of the markets and the firms’ participation in those markets or activities.

Importantly, the proposal ensures rigorous resolution planning will continue at the largest, most complex firms; meaningfully tailors the rule for firms still subject to the rule that do not pose the same systemic risk as the largest institutions; and exempts a number of smaller, simpler firms that have less than the statutory $250 billion in total consolidated assets. These smaller, simpler firms will not necessarily be exempt from all resolution planning requirements, however, as we will discuss next when the Board considers the IDI Rule.

I would like to thank the staff of both agencies and, in particular, I would like to thank the staff of the FDIC for all of their hard work. I look forward to receiving comments on the proposal and finding additional opportunities to improve transparency and the process wherever we can.