**Statement by Vice Chairman Travis Hill regarding the Proposed Amendments to the IDI Resolution Planning Rule**

August 29, 2023

I support the high-level objectives of resolution planning for large insured depository institutions (IDIs), but I plan to vote against today's proposed amendments.

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.[1] 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.[2] 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. Rather than adding a number of new items to the plan requirements, as contemplated under the proposal, I think we should continue to shift our focus toward firm engagement.[3]

In addition to intensifying plan submissions, the proposal would also shorten the plan cycle from three years to two, with additional submissions every year a plan is not due. Historically, the FDIC has repeatedly struggled to provide firms meaningful, timely feedback on IDI resolution plans. Moving the submission cycle from three years to two virtually guarantees the FDIC will not be able to engage with, and provide meaningful feedback to, every firm each cycle, and also means the FDIC staff will devote more time to reviewing plans, and less time to firm engagement.

The proposal would also elevate the importance of each firm developing an "identified strategy" for resolution, which must include entry into and exit from a bridge bank. I am generally skeptical that this is the best way to approach resolution planning. The ideal resolution outcome is almost always a quick whole bank or all deposit sale concurrent with or shortly after the FDIC's appointment as receiver, as occurred when First Republic failed in May. I think the focus of resolution planning for most of the firms in scope should first and foremost be on maximizing the likelihood of such an outcome. And in addition to imposing expectations on

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[1] Federal Deposit Insurance Corporation, FDIC Outlines Modified Approach for Insured Depository Institution Resolution Planning Rule (2021), available at https://www.fdic.gov/news/press-releases/2021/pr21058.html.

[2] 12 C.F.R. 360.10(c)(2)(ii).

[3] While I believe engagement with firms should be a key component of the resolution planning process, I am skeptical that the FDIC's authority in this area extends to requiring divestitures or other major business or structural changes for the purpose of making a bank more resolvable.

firms,[4] we should also consider what the FDIC could do better, such as potential improvements to the bidding process.

Secondarily, the FDIC also needs to be prepared for the possibility that a quick sale may not be viable, in which case the primary focus should be on entering into and opening a bridge bank, seeking to stabilize the bridge to the extent possible, and trying to exit the bridge as quickly as possible. As was demonstrated by the Silicon Valley and Signature bridge banks, once a bridge bank opens, the franchise value of the institution is likely to deteriorate quickly. Generally, I think the planning process should be focused more on what might happen in the first two to four days post-failure, and less on what might happen four weeks or four months later.

I also dislike the proposed “enhanced credibility” standard. The proposed standard – particularly the first prong[5] – is subjective and speculative, and puts the FDIC Board in the position of making definitive predictions related to highly unpredictable theoretical bank failures. In the 2021 policy statement, the FDIC moved away from credibility determinations, a move that I continue to support. I think the FDIC should provide specific feedback to banks on particular issues as they arise, similar to the existing supervisory process, rather than putting every plan in its entirety up for a thumbs-up thumbs-down vote.

Finally, I think it is disingenuous to call the submissions that would be required of firms with between $50 billion and $100 billion in assets “informational filings,” rather than resolution plans. These *filings* would still include almost all the elements required of resolution plans,[6] and, according to the economic analysis in the proposal, would be *more burdensome* than the resolution plans that banks above $100 billion in assets currently file under the existing rule.[7] I am open to the possibility that it would be worthwhile to receive some sort of periodic resolution-related information from a class of banks with less than $100 billion in assets, but I think we should consider whether further streamlining is warranted, and if not, we at least should not pretend these are something other than resolution plans.

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[4] I am generally supportive of the proposal’s enhanced expectations around capabilities to stand up a data room, which is important for potential acquirers to conduct due diligence, but think more broadly that the rule should be reoriented toward prioritizing capabilities that maximize the likelihood of a timely transaction.

[5] *See* Federal Deposit Insurance Corporation, Proposed Rule: Resolution Plans Required for Insured Depository Institutions with $100 Billion or More in Total Assets; Informational Filings Required for Insured Depository Institutions with At Least $50 Billion but Less Than $100 Billion in Total Assets, at section 3601.10(f)(1)(i) (providing that the FDIC may find a submission not credible if “[t]he identified strategy would not provide timely access to insured deposits, maximize value from the sale or disposition of assets, minimize any losses realized by creditors of the CIDI in resolution, and address potential risk of adverse effects on U.S. economic conditions or financial stability.”)

[6] The economic analysis in the proposal estimates the burden associated with informational filings would be 93 percent of the burden associated with resolution plans (67 hours per billion dollars in assets compared to 72 hours per billion dollars in assets).

[7] The economic analysis in the proposal estimates the burden associated with informational filings would be 67 hours per billion dollars in assets, compared to 57.6 hours per billion dollars in assets for G-SIBs under the current rule and 48 hours per billion dollars in assets for non-GSIBs under the current rule.

Overall, I fear this proposal is trying to do much all at once, rather than focusing on and prioritizing key aspects of resolution readiness. I will vote against the proposal, but am thankful to the staff for all their hard work. I look forward to the comments.