



20 June 2019

Via e-mail: [regs.comments@federalreserve.gov](mailto:regs.comments@federalreserve.gov) and [comments@fdic.gov](mailto:comments@fdic.gov)

Board of Governors of the Federal Reserve System  
20th Street and Constitution Avenue, NW  
Attention: Ann E. Misback, Esq., Secretary  
Washington, DC 20551  
Docket No. 2019-07895

Federal Deposit Insurance Corporation  
550 17th Street, NW  
Attention: Robert E. Feldman, Executive Secretary  
Washington, DC 20429  
RIN 3064-AE93

**Re: Proposal to Modify U.S. Resolution Planning Requirements**

Ladies and Gentlemen:

Barclays appreciates the opportunity to provide comments on the joint notice of proposed rulemaking (the Proposed Rule)<sup>1</sup> by the Board of Governors of the Federal Reserve System (Federal Reserve) and the Federal Deposit Insurance Corporation (FDIC) (collectively, the Agencies) to amend certain provisions implementing Section 165(d) of the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act).

During the comment period, Barclays reviewed the Proposed Rule in coordination with the Institute of International Bankers (IIB), the Bank Policy Institute (BPI) and Securities Industry and Financial Markets Association (SIFMA). Barclays generally supports the recommendations included in their letters with the additional clarifications made herein.

[Executive Summary](#)

Barclays recognizes the imperative of having a credible resolution plan. Barclays has taken, and continues to take, numerous actions to improve its resolvability and develop coordinated global resolution strategies, while at the same time adhering to all local resolution planning requirements. Barclays is committed to enhancing our resolvability and resolution preparedness; strengthening our financial, structural and operational resiliency; and developing capabilities to support an orderly resolution.

---

<sup>1</sup> Federal Reserve and FDIC, Notice of Proposed Rulemaking, "Resolution Plans Required." 84 FR 21600 (May 14, 2019).

Barclays appreciates that the Agencies have recognized that the preferred outcome for most foreign banking organizations (FBOs) is a successful home country resolution that encompasses their U.S. operations, not the separate U.S. resolution approach described in their U.S. resolution plan.<sup>2</sup>

The approach in the Proposed Rule is a step towards strengthening the U.S. financial system by focusing resolution planning requirements on institutions whose failure would most likely present a material risk to the U.S. financial system. Barclays strongly supports the Agencies' progress in tailoring resolution planning requirements to size, complexity and risk profile of the institutions.

Aligning the FBOs into "tailoring categories" identified in the proposed revised framework for determining the prudential standards that apply to FBOs (FBO Tailoring Proposal)<sup>3</sup> takes into account each firm's U.S. geographic footprint, operations and activities. The FBO Tailoring Proposal designates certain FBOs, including Barclays, as Category II<sup>4</sup>/III<sup>5</sup> institutions. Consistent with the FBO Tailoring Proposal, the Proposed Rule designates Barclays and other Category II/III institutions as Triennial Full Filers for resolution planning purposes.<sup>6</sup> These designations reflect the Agencies' recognition that many FBOs, including Barclays, have significantly reduced the systemic risk profile of their U.S. operations and increased their capital and liquidity levels thereby ensuring that they pose less risk to U.S. financial stability. Barclays appreciates the Agencies' clear statement that the "longer filing cycle is appropriate in light of the lesser degree of systemic risk posed by the failure of a firm in this group [i.e., the Triennial Full Filers]".<sup>7</sup>

Barclays recommends that the following principles, as elaborated in the sections that follow, be considered as part of the final rule making.

- I. **Further tailoring of requirements based on size and complexity of institutions:** Resolution plan content and expectations should be further tailored to focus on the largest most systemically important institutions whose failure would pose the most threat to U.S. financial stability. This also includes tailoring previous guidance applicable to the FBOs<sup>8</sup> to ensure the supervisory guidance reflects the size and risk of the institution. The final rule should include a more meaningful difference between Category I and Category II/III institutions. This is consistent with previous U.S. resolution plan submissions where the Agencies have been able to assess the credibility and resolution preparedness of all institutions while holding institutions to different resolution planning expectations.
- II. **Provide reasonable time for institutions to address feedback and to develop interim updates or full submissions off-cycle:** Agencies should communicate a defined timeline for post-resolution plan submission clarifications and feedback similar to other supervisory review processes, with final feedback provided no later than 12 months after the previous plan submission. Further, the Agencies should provide at least 12 months' notice for requiring an interim update or full plan submission off-cycle.
- III. **Exclude U.S. branches of the foreign parent for U.S. resolution planning requirements and Risk Based Indicators (RBIs):** Branch assets should not be included as part of U.S. resolution plans or as part of the

---

<sup>2</sup> Resolution Plan Board Memo, From Board Staff to Board or Governors; April 1, 2019 (Board Staff includes: Michael Gibson, Michael Hsu, Catherine Tilford, and Kathryn Ballintine (Division of Supervision and Regulation); Mark Van Der Weide, Laurie Schaffer, Jay Schwarz, Steve Bowne, and Sarah Podrygula (Legal Division); and Dianne Dobbeck and Kristin Malcarney (LISCC Recovery and Resolution Program)).

<sup>3</sup> Prudential Standards for Large Foreign Banking Organizations; Revisions to Proposed Prudential Standards for Large Domestic Bank Holding Companies and Savings and Loan Holding Companies, 84 FR 21988 (May 15, 2019).

<sup>4</sup> Institutions subject to Category II standards would be: (1) U.S. firms with (a)  $\geq$  \$700b total consolidated assets; or (b)  $\geq$  \$100b total consolidated assets with  $\geq$  \$75b in cross-jurisdictional activity and (2) foreign banking organizations (FBOs) with (a)  $\geq$  \$700b combined U.S. assets; or (b)  $\geq$  \$100b combined U.S. assets with  $\geq$  \$75b in cross jurisdictional activity.

<sup>5</sup> Institutions subject to Category III standards would be: (1) U.S. firms with (a)  $\geq$  \$250b and  $<$  \$700b total consolidated assets; or (b)  $\geq$  \$100b total consolidated assets with  $\geq$  \$75b in nonbank assets, weighted short-term wholesale funding (wSTWF), or off-balance sheet exposure and (2) FBOs with (a)  $\geq$  \$250b and  $<$  \$700b combined U.S. assets; or (b)  $\geq$  \$100b combined U.S. assets with  $\geq$  \$75b in nonbank assets, wSTWF, or off-balance sheet exposure.

<sup>6</sup> Triennial full filers, comprised of covered companies that would be subject to Category II or III Standards under the FBO Tailoring Proposal, would submit a resolution plan every three years, alternating between full and targeted plans.

<sup>7</sup> Proposed Rule, 84 FR 21600, 21607.

<sup>8</sup> Guidance for 2018 §165(d) Annual Resolution Plan Submissions By Foreign-based Covered Companies that Submitted Resolution Plans in July 2015 is only applicable to Barclays, Credit Suisse, Deutsche Bank, and UBS.

calculation of RBIs. Removal of branch assets as part of the calculation of RBIs is consistent with Barclays and industry comment letters on the FBO Tailoring Proposal.

#### I. Further tailoring of requirements based on size and complexity of institutions

The Agencies have identified the Biennial Filers as the U.S G-SIBs (Category I Institutions) as the “...largest, most systemically important U.S. bank holding companies, as well as nonbank financial company supervised by the Board... The failure of a firm in this group would pose the most serious threat to U.S. financial stability, and accordingly the proposal provides that this group be subject to the most stringent resolution planning requirements in terms of both submission frequency and information content.”<sup>9</sup>

To date, the U.S. G-SIBs have received detailed guidance related to informational requirements to be included in the plan and capabilities expected to support the institutions' readiness for Resolution.<sup>10</sup> The U.S. G-SIBs have received feedback on the credibility of their 2015 and 2017 U.S. resolution plans and remain subject to the Heightened Supervisory Expectations for Recovery and Resolution Preparedness outlined in SR 14-1.<sup>11</sup> The U.S. G-SIBs, among other capabilities, are expected to develop methodologies to forecast capital and liquidity positioning and needs, and implement governance mechanisms to monitor and address capital and liquidity shortfalls, including any plans for executing the recapitalization of material entities.

Similar to the U.S. G-SIBs, Barclays along with three other FBOs (collectively and formerly known as the Group 1 FBOs<sup>12</sup>), received detailed guidance from the Agencies prior to the 2018 U.S. resolution plan submission.<sup>13</sup> The guidance provided to the Group 1 FBOs is analogous with the guidance provided to the U.S. G-SIBs and incorporates aspects of SR 14-1. Based on the Proposed Rule and the FBO Tailoring Proposal, these four FBOs have been designated as Category II/III institutions for the purpose of calibrating requirements, reflecting a lesser degree of systemic risk; however these FBOs remain subject to the most stringent resolution planning expectations applicable to the U.S. G-SIBs (Category I institutions). Developing and maintaining such capabilities, that not all Category II/ III institutions are subject to, requires significant investment in personnel, technology, governance and infrastructure. Among other capabilities, this includes the development of: methodologies to forecast resolution capital and liquidity needs and positioning; playbooks (e.g., Governance playbooks, playbooks related to continued access to payment, clearing and settlement (PCS) activities, etc.); Legal Entity Rationalization Criteria; and capabilities for resolution preparedness aligned to SR 14-1 (e.g., ability to produce specific management information on a legal entity basis).

While the intent of the Proposed Rule is to ensure the most stringent requirements are applied to the U.S. G-SIBs, former Group 1 FBOs (i.e., a sub-set of the Triennial Full Filers) remain subject to previously issued guidance. This inherently keeps these FBOs subject to the same informational requirement as the U.S. G-SIBs. As noted in the Agencies' feedback letters to the Group 1 FBOs<sup>14</sup>, these FBOs have reduced their size considerably in the U.S. following the 2007-2008 financial crisis and in response to Regulation YY.<sup>15</sup> The U.S. intermediate holding companies (IHC) of these FBOs are organized as a parent of the U.S. subsidiaries and required to comply with the Federal Reserve enhanced prudential standards, which mandate certain capital, liquidity, stress-testing and risk management standards to ensure safety and soundness. In addition, these companies have pre-positioned capital and liquidity in the U.S. to satisfy these requirements.

---

<sup>9</sup> Proposed Rule, 84 FR 21600, 21605.

<sup>10</sup> Final Guidance for the 2019, 84 Fed. Reg. 1438 (Feb. 4, 2018).

<sup>11</sup> SR 14-1: Heightened Supervisory Expectations for Recovery and Resolution Preparedness for Certain Large Bank Holding Companies - Supplemental Guidance on Consolidated Supervision Framework for Large Financial Institutions (SR letter 12-17/CA letter 12-14).

<sup>12</sup> The Final Rule (12 C.F.R. 243, 12 C.F.R. 381), defines the first group comprises the largest, most complex covered companies, i.e., any covered company that has \$250 billion or more in total nonbank assets (or, in the case of a foreign-based covered company, \$250 billion or more in total U.S. nonbank assets) \$250 billion or more in total U.S. nonbank assets.

<sup>13</sup> Guidance for 2018§16(d) Annual Resolution Plan Submissions by Foreign-based Covered Companies that Submitted Resolution Plans in July 2015.

<sup>14</sup> <https://www.federalreserve.gov/supervisionreg/resolution-plans.htm>.

<sup>15</sup> 12 C.F.R. Part 252.

As the Agencies highlighted in Barclays' 2018 U.S. Resolution Plan Feedback Letter<sup>16</sup> and outlined in Barclays' 2018 U.S. Resolution Plan Public Section<sup>17</sup>, Barclays has undertaken initiatives to enhance its resolvability since 2008. This includes considerably reducing the size and complexity of Barclays' combined assets of U.S. Operations (i.e., Combined U.S. Operations (CUSO)) which includes both the IHC and U.S. branches. As of March 31, 2019 Barclays' CUSO assets were approximately \$214 billion, of which the consolidated IHC represented approximately \$156 billion.

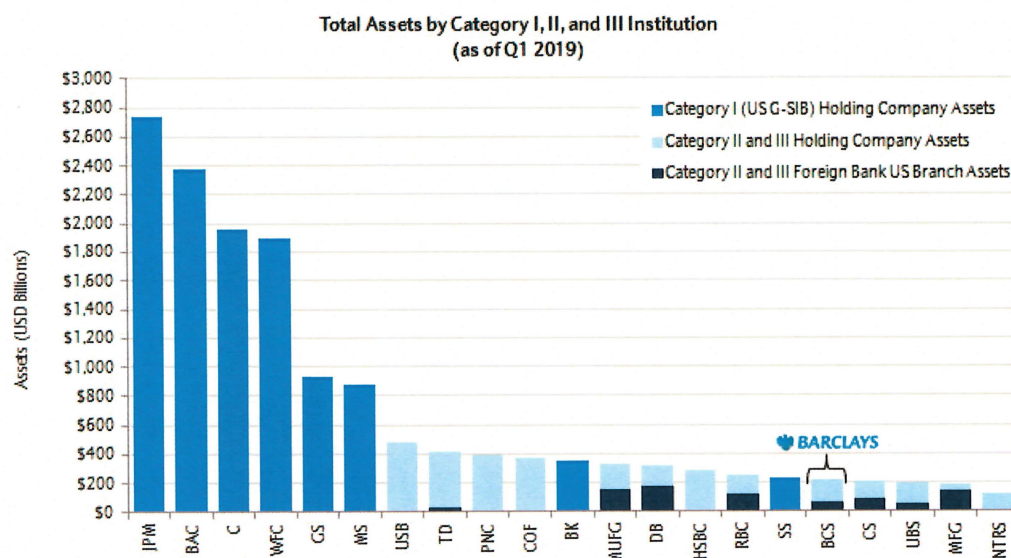
Barclays Capital Inc. (BCI), Barclays' broker dealer and futures commission merchant and Barclays Bank Delaware (BBDE), Barclays' insured depository institution, represented approximately 90% of the U.S. IHC's assets. Barclays U.S. activities pose minimal systemic risk as BCI's assets are comprised primarily of U.S. dollar-denominated securities associated with trading and financing activities (e.g., liquid money market and government and agency securities), listed options, futures on options and forwards (the majority of which are to-be-announced (TBA) contracts). BBDE's U.S. activities primarily include high quality credit card portfolios.

As outlined in Exhibit 1, Barclays was ranked 17th out of the 21 Category I, II and III institutions in terms of Combined U.S. Operations assets.

As of March 31, 2019 Barclays' CUSO assets were approximately:

- Eight percent of the size of the largest Category I U.S. G-SIB (i.e., JPM).
- Fifteen percent of the size of the average Category I U.S. G-SIBs.

*Exhibit 1 Total Assets of the Category I, II, III Institutions*



Sources: Public Federal Reserve FRY-9C and FFIEC 002 reports

Requirements for the Group 1 FBOs who submitted resolution plans in 2018 should be re-aligned to be comparable to the other Triennial Full Filers who are of the same size, complexity and risk profile. This would ensure that all institutions in this category develop detailed resolution strategies and “.... would be required to describe the capital and liquidity needed to execute the firm’s resolution strategy consistent with §11.5(c),

<sup>16</sup> Agencies Feedback on Barclays 2018 U.S. Resolution Plan <https://www.federalreserve.gov/newsevents/pressreleases/files/bcreg20181220c1.pdf>.

<sup>17</sup> <https://www.fdic.gov/regulations/reform/resplans/plans/barclays-165-1807.pdf> and <https://www.federalreserve.gov/supervisionreg/resolution-plans/barclays-plc-1g-20180701.pdf>.

(d) ... and (g) of the proposal and, to the extent its resolution plan contemplates recapitalization, the covered company’s plan for executing the recapitalization consistent with §II.5(c)(5) of the proposal.”<sup>18</sup> As outlined in Exhibit 2, Triennial Full Filers are subject to various resolution plan capabilities requirements, which puts the former Group 1 FBOs at a competitive disadvantage to the other banks in the same category. While all Triennial Full Filers have received public feedback letters on previous resolution plans, the letters apply different expectations for future resolution plans and capabilities across the category.

*Exhibit 2 Summary of U.S. Resolution Planning Supervisory Expectations*

	Category I (Biennial Filers)	Category II/III (Triennial Full Filers)		
	U.S. G-SIBs (8 institutions)	Group 1 FBOs (4 institutions)	Other FBOs (5 institutions)	Domestic Banks (4 institutions)
Previous applicable public supervisory guidance	Yes	Yes	-	-
Agencies issued feedback letters on Previous Plan Submissions	Yes	Yes	Yes	Yes
SR 14-1: Heightened Supervisory Expectations for Recovery and Resolution Preparedness for Certain Large Bank Holding Companies	Yes	.*	-	-

\* While the Group 1 FBOs are not subject to SR 14-1, elements of SR 14-1 have been incorporated into supervisory guidance applicable to the Group 1 FBOs.

On March 29, 2019, the Agencies completed their evaluation of the 2017 resolution plans for 14 large domestic banks and did not identify any deficiencies or shortcomings.<sup>19</sup> While these 14 large domestic banks were not subject to supervisory guidance, the Agencies determined that they had sufficient information to evaluate the credibility of the institutions’ resolution preparedness to facilitate an orderly resolution strategy.<sup>20</sup>

Inherently there are now different expectations applied across Triennial Full Filers of similar risk profiles. However, the Agencies have been able to achieve the same outcome of assessing the credibility and resolution preparedness of all such institutions. Barclays recommends that the Agencies consider these requirements and align treatment for all institutions within the same category in light of Vice Chair Quarles comments: “if we have a choice between two methods of equal effectiveness in achieving a goal, we should strive to choose the one that is less burdensome for both the system and regulators.”<sup>21</sup>

**II. Provide reasonable time for institutions to address feedback and to develop interim updates or full submissions off-cycle**

*Feedback and Off-cycle Submission Timing*

Barclays believes that the Proposed Rule should define a timeline for the Agencies’ resolution plan engagements with institutions and feedback on plans that have been submitted. While the Agencies plan to lengthen its own time period for review of plan submissions and development of meaningful feedback, the

<sup>18</sup> Proposed Rule, 84 FR 21600, 21609.

<sup>19</sup> <https://www.federalreserve.gov/newsevents/pressreleases/bcreg20190329a.htm>.

<sup>20</sup> Four of the 14 domestic banks are currently proposed as Category II/III Triennial Full Plan Filers as defined in the Proposed Rule, the other ten domestic banks are Category IV institutions and no longer are required to submit resolution plans per Economic Growth, Regulatory Relief, and Consumer Protection Act (EGRRCPA) and the Proposed Rule.

<sup>21</sup> Randal K. Quarles, Vice Chairman for Supervision, Federal Reserve, Early Observations on Improving the Effectiveness of Post-Crisis Regulation (Jan. 19, 2018).

Agencies also need to ensure that institutions have sufficient time to understand and address feedback and make meaningful changes prior to the next plan submission.

To ensure optimal communication and engagement with the institutions, Barclays recommends that the Agencies communicate a timeline that details the timeframe for the Agencies' planned post-submission meetings with the institutions and the date by which feedback will be delivered, similar to other supervisory review processes.<sup>22</sup> Barclays recommends the Agencies take into account the substantial time needed to address resource allocation, systems changes or development of capabilities. Barclays recommends that the feedback be provided no later than 12 months after the previous plan's submission. This recommendation is in excess of the nine months on average the Agencies have taken to review resolution plans and to provide feedback<sup>23</sup> and would also provide the institutions with an adequate amount of time to make meaningful changes or improvements to their resolution capabilities.

The Agencies have proposed including the flexibility to move filing dates or to require interim updates or full plan submissions off-cycle. The Proposed Rule requires that the Agencies notify the institutions at least 180 days in advance of the new submission date when moving a filing date. This timeline may create challenges for filers expected to develop full or targeted plans or provide off-cycle submissions. Institutions typically begin to gather resources at least 12 months in advance of a filing. Barclays recognizes that circumstances exist where the Agencies find it helpful to maintain flexibility to move submission dates or receive off-cycle submissions, but believe at least 12 months' notice should be required. Further, the Proposed Rule states that the Agencies retain authority to require a full resolution plan submission or interim updates "within a reasonable amount of time". The Agencies should define a "reasonable amount of time". Consistent with statements above, Barclays believes that at least 12 months' notice should be required.

#### Transition Period

Barclays would appreciate clarity related to the transition period identified in the Proposed Rule. The Proposed Rule states that, if adopted, each Triennial Full Plan Filer would submit its first full resolution plan by July 1, 2021. In Barclays' 2018 U.S. Resolution Plan Feedback Letter (received December 20, 2018), the Agencies state they will review Barclays' next resolution plan submission, presently due July 1, 2020 (2020 Plan). The letter also states that for institutions in this filing group with outstanding shortcomings or deficiencies, it is expected that remediation and related timelines established by the Agencies should continue to apply. These requirements should be re-assessed based on the above comments related to aligning requirements and capabilities to institutions of equal size, complexity and risk profile. Barclays also suggests the Agencies provide written clarification on the next full filing date and/or expectations for submissions and interactions with the Agencies in 2020.

### III. Exclude U.S. branches of the foreign parent for U.S. resolution planning requirements and RBIs

Although consideration for branches is appropriate for certain regulatory purposes, the Agencies should not include branch assets for the purpose of U.S. resolution planning or for calculating RBIs. Removal of branch assets as part of the calculation of RBIs is consistent with Barclays and industry comment letters on the FBO Tailoring Proposal. U.S. branches of FBOs are subject to U.S. state law and supervision and would not be resolved through the U.S. bankruptcy process. Branches are addressed under the FBO parent's resolution plan.

Barclays' U.S. branches have limited financial and operational interconnections with the U.S. IHC. As outlined in Exhibit 3, the U.S. branches hold a stable portfolio predominantly consisting of cash on deposit at the Federal Reserve Bank of New York and wholesale loans. These branch activities are separate and distinct

---

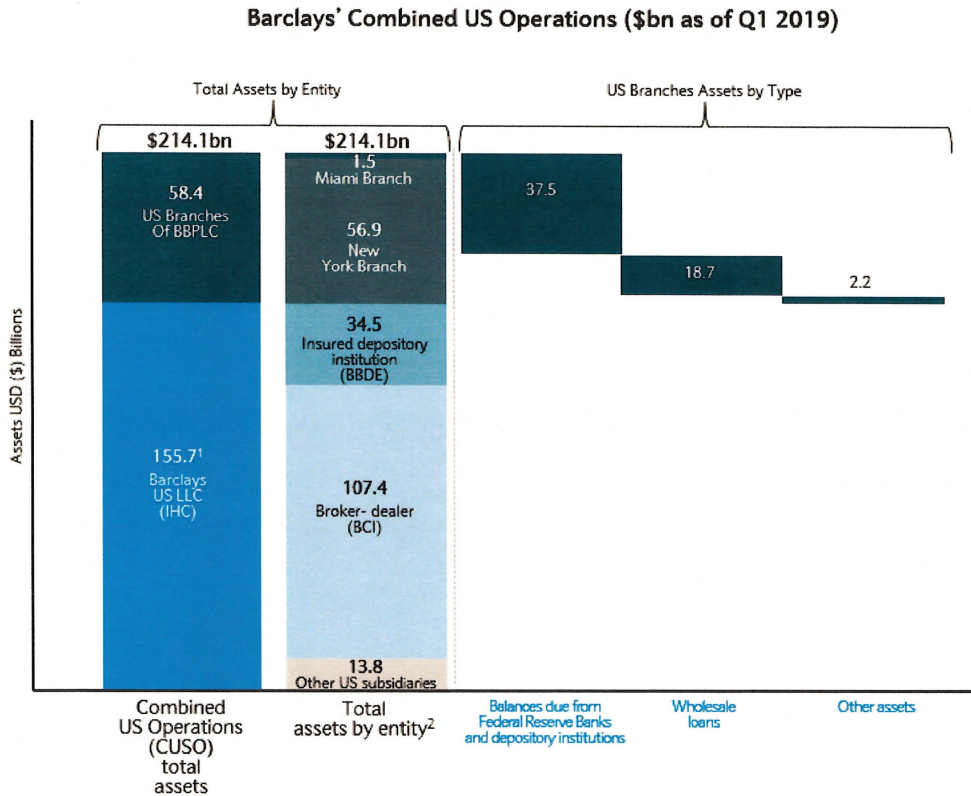
<sup>22</sup> For example, the Comprehensive Capital Analysis and Review (CCAR) summary instructions issued by the Federal Reserve for each submission cycle and establishes defined dates for the start of the cycle (typically January 1), the submission deadline (typically April 5) and the date by which the Federal Reserve will publish their results documents (typically by June 30).

<sup>23</sup> U.S. Government Accountability Office. Resolution Plans: Regulators Have Refined Their Review Processes but Could Improve Transparency and Timeliness. <https://www.gao.gov/products/GAO-16-341>.

from the U.S. IHC. Barclays utilizes the U.S. branches as access points to USD-denominated funding for overseas activities. In the event of resolution in the U.S., the U.S. branches can and would be expected to continue to operate to support global activities.

Barclays U.S. branches do not hold operations where "(a) a market or activity engaged in by the firm is significant to U.S. financial stability and (b) the firm is a significant provider or participant in such a market or activity,"<sup>24</sup> in line with the guidelines in the Proposed Rule.

*Exhibit 3 Barclays Combined U.S. Operations and a breakout of U.S. Branch Assets*



- 1- Includes approximately \$3bn of non-U.S. domiciled subsidiaries
- 2- Includes elimination of intra-IHC transactions

### Conclusion

Barclays supports the Proposed Rule's inclusion of a process whereby critical operations are identified by the covered companies (filers). Utilizing an internal process and methodology to identify critical operations will allow Barclays to build on previously submitted analysis and conduct a periodic review to ensure that the designations align to business practices, taxonomy and management information. This will allow Barclays to focus activities and improve transparency related to U.S. resolvability as part of the U.S. resolution planning process.

Barclays appreciates the opportunity to comment on the Proposed Rule and believes it is a step towards focusing requirements on the institutions whose failure would most likely pose a systemic risk to the U.S. financial system. As highlighted in this letter, Barclays believes that further considerations should be made to tailor resolution content requirements to the level of systemic risk posed by the institutions, define timelines for the Agencies' feedback and to remove U.S. branches from the scope and metrics used for resolution planning requirements.

<sup>24</sup> Proposed Rule, 84 FR 21610.

\* \* \*

Barclays would be pleased to provide further information or assistance to the Agencies. Please contact us if we can provide any additional information.

Sincerely,



Richard Haworth  
US Chief Executive Officer

CC:

Gerard LaRocca, US Chief Administrative Officer  
Adina Brownstein, Head of Americas Recovery and Resolution Planning  
Francesca Turquet, Head of Regulatory Relations, Americas  
Brendan Reilly, Head of U.S. Government Relations & Regulatory Policy