



Statement on Resolution Plans for Insured Depository Institutions

June 25, 2021

Introduction

The FDIC's regulation "Resolution plans required for insured depository institutions with \$50 billion or more in total assets," issued in 2012 ("Rule"),¹ requires an insured depository institution ("IDI") with \$50 billion or more in total assets ("CIDs") to submit resolution plans to the FDIC. This Rule was established to facilitate the FDIC's readiness to resolve a CID under the Federal Deposit Insurance Act ("FDI Act").² These resolution plans are distinct from those submitted under section 165(d) of the Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank Act"),³ which requires plans for a covered company's⁴ resolution under the U.S. Bankruptcy Code in a manner that substantially mitigates the risk that the failure of the covered company would have serious adverse effects on financial stability in the United States.

Since issuing the Rule in 2012, the FDIC and CIDs have been through multiple resolution plan submission cycles. Through this experience, the FDIC has learned what aspects of the resolution planning process are most valuable and what could be clarified or exempted. Furthermore, the FDIC has gained additional resolution capabilities relevant to IDI resolution through separate rulemakings subsequent to the issuance of the IDI Rule.⁵

The FDIC is issuing this policy statement ("Statement") to describe how it will implement certain aspects of the Rule with respect to CIDs with \$100 billion or more in total assets ("specified CIDs").⁶ The Statement provides details on the FDIC's plans to streamline content requirements for these resolution plan submissions and emphasize periodic engagement, in an effort to provide greater utility in planning for a resolution. In implementing the Rule, the FDIC will focus on obtaining information necessary to inform its ability to resolve a specified CID, and on confirming that the specified CID has the capability to provide the information and analyses required by the Rule. A key goal is to assist the FDIC in preparing to meet the operational challenges of resolving a specified CID, particularly those that must be addressed during the resolution weekend and, if applicable, to initiate operations in a bridge depository institution ("BDI") in a way that best preserves value and minimizes disruption.

Part I discusses the FDIC's modified approach to implementing the Rule, and Part II provides information regarding certain content requirements and exemptions. Part II.A incorporates certain aspects of prior guidance and feedback issued to CIDs; otherwise, all prior guidance and feedback⁷ are superseded by this Statement.

¹ 12 CFR § 360.10.

² 12 U.S.C. 1811 *et seq.*

³ Pub.L. 111-203 (2010), as amended; section 165(d) is codified at 12 U.S.C. 5365(d).

⁴ For the definition of covered company, see 12 CFR § 381.2.

⁵ See, e.g., 12 CFR parts 370 & 371.

⁶ See FDIC Announces Lifting IDI Plan Moratorium (Jan. 19, 2021), <https://www.fdic.gov/resauthority/idi-statement-01-19-2021.pdf>.

⁷ *Guidance for Covered Insured Depository Institution Resolution Plan Submissions* (Dec. 17, 2014), <https://www.fdic.gov/news/press-releases/2014/pr14109a.pdf>, feedback letters provided to the CIDs (most recently in 2017), and information communicated orally by FDIC staff in response to questions about the guidance and feedback letter.

I. Modified Approach to Implementation

A. Scope; Timing of Submissions; Baseline Assumption

The FDIC's overall approach to implementing the Rule includes several elements. First, the FDIC Board of Directors determined to resume requiring resolution plan submissions under the Rule from specified CIDs,⁸ a group determined by the threshold used in parts of the Dodd-Frank Act, as amended,⁹ and certain relevant rulemakings applicable to large banking organizations.¹⁰ Second, the approach extends the submission frequency for specified CIDs to a three-year cycle,¹¹ with specified CIDs submitting resolution plans in two groups; expands the sources from which specified CIDs may incorporate information; and allows specified CIDs that are affiliates to submit a single, combined submission. Third, it focuses on obtaining the information most relevant to the FDIC's resolution readiness in the event of a specified CIDI's failure; the FDIC will similarly focus its future engagement with specified CIDs on this information. In addition, the FDIC's approach will continue to require resolution plan strategies to take into account that failure of the specified CIDI may occur under the severely adverse economic conditions developed by the Board of Governors of the Federal Reserve System pursuant to 12 U.S.C. 5365(i)(1)(B), but the FDIC will exempt the specified CIDs from the requirement to take into account baseline and adverse economic conditions for the specified CIDI's resolution plan submissions.¹²

B. Additional Information

Prior to each plan submission cycle, the FDIC will send a written communication to each specified CIDI advising it of the timing of its next submission, which will be required no earlier than 12 months after the date of the communication, and which the FDIC expects will be required by the first business day in December of an applicable year. The FDIC expects to require resolution plans to be submitted in two groups, with the first group consisting of specified CIDs whose top tier parent company is not a U.S. global systemically important bank (U.S. GSIB) or a category II banking organization as defined in 12 CFR § 252.5. The second group will be all other CIDs with \$100 billion or more in total assets. The communication will specify the requirements exempted¹³ for the next resolution plan submission of that specified CIDI.

⁸ Consistent with the Rule's approach to calculating total assets, a CIDI becomes a specified CIDI, and will be required to submit resolution plans, when it has \$100 billion or more in total assets as determined based upon the average of the CIDI's four most recent Reports of Condition and Income. See 12 CFR § 360.10(b)(4). A CIDI will cease to be a specified CIDI, and the current moratorium on resolution plan submissions will resume, when a CIDI has reported less than \$100 billion in total assets in four consecutive Reports of Condition and Income.

⁹ See 12 U.S.C. 5365(a)(2)(C).

¹⁰ See, e.g., 84 FR 59230 (Nov. 1, 2019) (codified at 12 CFR pts. 3, 50, 217, 249, 324 & 329).

¹¹ The Rule's default annual cycle has not historically provided sufficient time for submission review, the development of meaningful feedback, and a CIDI's incorporation of that input into its next submission. In recognition of the challenges associated with an annual submission, the FDIC extended the submission cycle to more than two years for all CIDs that provided submissions in 2015, requiring them to next make submissions in 2018.

¹² See 12 CFR § 360.10(c)(2). The Rule permits a CIDI submitting its initial resolution plan to take into account that failure of the CIDI may occur under the baseline economic conditions only. See 12 CFR § 360.10(c)(2). The FDIC will continue to permit a specified CIDI submitting its initial resolution plan to take into account the baseline economic conditions only, but will also permit such a specified CIDI to take into account the severely adverse economic conditions rather than the baseline conditions in its initial resolution plan if the specified CIDI chooses. Subsequent resolution plan strategies must take into account that failure of the specified CIDI may occur under the severely adverse economic conditions.

¹³ See discussion of exempted content in Part II.B of this Statement.

C. Post-Submission Process

The FDIC will complete a review of a specified CIDI's resolution plan and provide a resolution plan review conclusion letter within 12 months of receipt of the submission or the submission due date, whichever is later.

The resolution plan review conclusion letter may identify areas for further attention by the specified CIDI, including (i) the need to enhance or more fully support information in subsequent resolution plan submissions or (ii) areas for further engagement with the specified CIDI. As part of the engagement, the FDIC may undertake capabilities testing to assess the specified CIDI's capability to produce, in a time frame and format acceptable to the FDIC, identified elements of the information and data underlying its resolution plan.¹⁴ Except in certain unique cases, such as when a specified CIDI is experiencing stress, the FDIC expects engagement to occur not more than once in each resolution plan submission cycle; to be coordinated with the ordinary supervisory processes and schedules to the fullest extent possible, with reasonable notice provided; and to conclude at least 12 months before the specified CIDI's next resolution plan submission is due.

The engagement and capabilities testing may identify areas for further attention by the specified CIDI, including the need to enhance or more fully support information in subsequent resolution plan submissions. The FDIC will send a written communication to each specified CIDI advising it of any such areas for further attention at least 12 months before the specified CIDI's next resolution plan submission is due.

D. Information Timeliness

The FDIC generally expects a resolution plan, to the greatest extent practicable, to include information as of the most recent fiscal year end for which the specified CIDI has financial statements. However, if information as of a more recent date would more accurately reflect, on the date the specified CIDI submits a resolution plan, the operations of the specified CIDI in a way material to that resolution plan, the FDIC generally expects information as of that more recent date to be used. For example, more recent information may be appropriate if the specified CIDI is party to a material merger, acquisition or divestiture of assets or business lines, or other similar transaction consummated after its most recent fiscal year end.

E. Incorporating Information from Parent Company's Section 165(d) Plan

The Rule allows a CIDI to incorporate data and other information from a resolution plan filed pursuant to section 165(d) of the Dodd-Frank Act ("section 165(d) plan") by its parent company.¹⁵ If the information included in a parent company's most recent section 165(d) plan meets the content requirements of the Rule, the specified CIDI may incorporate the information from the section 165(d) plan into the specified CIDI's resolution plan and describe in the specified CIDI's resolution plan any material differences.

Because the section 165(d) plan is focused on information related to the parent company and its plan for rapid and orderly resolution under the U.S. Bankruptcy Code, if a specified CIDI incorporates information from its parent company's section 165(d) plan, it must be clear that such information pertains to the specified CIDI rather than to the group.

F. Incorporating Information from Other Sources

The FDIC will also consider information from any of the following sources to be part of a resolution plan if the resolution plan clearly indicates that the information from that source is incorporated; identifies the specific location of the information in that source; and includes a certification that the incorporated information remains accurate in all respects that are material to the specified CIDI's resolution plan:

- A resolution plan submitted previously by the specified CIDI or a resolution plan submitted by an affiliate of the specified CIDI.

¹⁴ See 12 CFR § 360.10(d)(2).

¹⁵ 12 CFR § 360.10(c)(1)(vi).

- A regulatory filing by the specified CIDI with the FDIC.¹⁶
- A publicly-available regulatory filing by the specified CIDI or any of its affiliates with any Federal or State regulator.¹⁷

G. Combined Resolution Plan Submissions by Affiliates

Affiliated specified CIDs may submit a single, combined submission. The combined submission must satisfy the content requirements for each affiliated specified CIDI’s resolution plan, and the FDIC must be able to readily identify the portions of a combined submission that comprise each specified CIDI’s resolution plan.¹⁸ An integrated discussion may be appropriate when information responsive to content requirements—such as those related to critical services or interconnections—is the same for each affiliated specified CIDI.

II. Submission Content and Exemptions

A. Resolution Plan Content

The appropriate overall resolution strategy for an IDI depends on the facts and circumstances when the FDIC is appointed receiver. The information obtained from the resolution plans and through follow-up engagement with a specified CIDI will assist the FDIC in evaluating strategic options, including the possibility of—and challenges to—executing a timely sale of the specified CIDI to a third-party acquirer, or planning to establish a BDI to continue the specified CIDI’s operations. The FDIC’s modified approach to implementing the Rule is therefore designed to assist the FDIC in meeting the operational challenges of resolving a specified CIDI—in particular, those challenges that must be addressed during the resolution weekend and, if applicable, to initiate the operations of a BDI—in a way that best preserves value and minimizes disruption. Under this approach, the FDIC has focused its expectations with respect to plan content on the information and analysis most useful to the FDIC’s development of its strategic options and its readiness to execute a resolution if necessary.

The following provides additional clarity regarding certain resolution plan content areas required under the Rule. As discussed in Part II.B.2, the FDIC plans to exempt certain specified CIDs from some of the content areas described below; in such cases, the expectations described would not apply.

1. *Strategy to Separate from Parent Company’s Organization:* The Rule requires a resolution plan to include a strategy to unwind or separate the CIDI and its subsidiaries from the organizational structure of its parent company in a cost-effective and timely fashion, and describe remediation or mitigating steps that could be taken to eliminate or mitigate obstacles to such separation.¹⁹ As part of meeting these requirements, the FDIC expects a resolution plan to describe the actions necessary to separate the CIDI and its subsidiaries from the organizational structure of its parent company in a cost-effective and timely fashion. The FDIC also expects a resolution plan to address any need for cooperation with the parent company or any parent company affiliate, including foreign companies, or any resolution authority; describe any significant cross-default or default rights arising from the separation from the parent company’s organization; and address any loss of access to financial market utilities and other impacts arising from the separation from the parent company’s organization. The FDIC expects this component of a resolution plan to include a detailed description of actions the FDIC as receiver or a BDI may need to take to ensure continuity of critical services and the services of key personnel in the event of the CIDI’s failure if, and to the extent, these services are impacted by the separation of the CIDI and its subsidiaries from the parent company’s organization.

¹⁶ This may include information provided to the FDIC in Reports of Condition and Income.

¹⁷ This may include information filed or furnished by the parent company to the Securities and Exchange Commission (e.g., information in an annual report on Form 10-K).

¹⁸ A combined resolution plan submission must be separately approved by each specified CIDI’s board of directors. See 12 CFR § 360.10(c)(3).

¹⁹ 12 CFR § 360.10(c)(2)(v).

2. Interconnectedness to Parent Company's Organization; Potential Barriers or Material Obstacles to Orderly Resolution. The Rule requires a resolution plan to identify the elements or aspects of the parent company's organizational structure, the interconnectedness of its legal entities, the structure of legal or contractual arrangements, or its overall business operations that would, in the event the CIDI were placed in receivership, diminish the CIDI's franchise value, obstruct its continued business operations, or increase the operational complexity to the FDIC of resolution of the CIDI.²⁰ The Rule also requires a resolution plan to identify potential barriers or other material obstacles to an orderly resolution of the CIDI, inter-connections and inter-dependencies that hinder the timely and effective resolution of the CIDI, and include the remediation steps or mitigating responses necessary to eliminate or minimize such barriers or obstacles.²¹

As part of meeting these requirements, the FDIC expects a resolution plan to address the impact of the CIDI's separation from its parent company's organizational structure on interaffiliate funding, parent support, and the continued operation of the CIDI.

In addition, the FDIC has found that, during a resolution, the timely provision of accurate information can reduce adverse market reaction and address employee and other stakeholder concerns about an IDI's failure and resolution that could impede an orderly resolution. Therefore, an understanding of the IDI's current crisis communications capabilities is important as these capabilities would be leveraged in the FDIC's communications plan to mitigate material obstacles to an orderly resolution of an IDI. Accordingly, the FDIC expects a resolution plan to describe the CIDI's current capabilities that could be used to communicate with key stakeholders in a crisis, including categories of key stakeholders (e.g., counterparties, regulatory authorities, market participants, customers, and employees); the positions responsible for communications with key stakeholders; and the primary messaging channels for each key stakeholder group (e.g., social media, email, call centers, press releases).

3. Strategy for the Sale or Disposition of Deposit Franchise, Business Lines and Assets: The Rule requires a resolution plan to provide a strategy for the sale or disposition of the deposit franchise, including branches, core business lines²² and major assets of the CIDI in the manner specified in the Rule.²³ An appropriate strategy includes meaningful optionality to provide the FDIC with flexibility to address the potential range of facts and circumstances that may exist at the time of a CIDI's resolution.

Letters sent to CIDs in 2017 introduced the concept of franchise component, defined as each major asset category, core business line, or other key component of a CIDI's franchise value. The identification of these components of a CIDI's franchise value provides building blocks for the development of an appropriate strategy with meaningful optionality. Accordingly, the FDIC's resolution planning for a CIDI depends on the identification of these components of franchise value so that the FDIC can understand how these various components may impact the resolution options available to the FDIC.

To facilitate the FDIC's planning to maximize the net present value return from the sale or disposition of the franchise components and minimize the amount of any loss realized in the resolution of the CIDI, the FDIC expects a resolution plan to describe the drivers of value of each franchise component on a going-concern basis and provide metrics that depict the size and significance of each franchise component. The FDIC also expects a resolution plan to present the approach to resolution that, in the view of the CIDI, would maximize the net present value return from the sale or disposition of its assets and minimize the amount of loss realized by the

²⁰ 12 CFR § 360.10(c)(2)(iv).

²¹ *Id.*

²² The Rule defines core business lines as those business lines of the CIDI, including associated operations, services, functions and support that, in the view of the CIDI, upon failure would result in a material loss of revenue, profit, or franchise value. 12 CFR § 360.10(b)(3).

²³ 12 CFR § 360.10(c)(2)(vi).

creditors in the resolution of the CIDI by presenting a sequence and process to sell or dispose of one or more combinations of franchise components that maximizes return through their sale or disposition.

Historically, nearly all IDI resolutions conducted by the FDIC involve a purchase and assumption transaction. This generally involves a single acquirer assuming nearly all of the IDI's liabilities, including all of the IDI's deposits. A purchase and assumption transaction is often both the easiest for the FDIC to execute and the least disruptive to the depositors of the failed IDI. While a purchase and assumption transaction is not always available to the FDIC,²⁴ given the significant potential for a purchase and assumption transaction to be, if available, the best approach to resolution of a CIDI, the FDIC expects a resolution plan to discuss material obstacles to such a transaction during the resolution weekend and potential remediation steps or mitigating responses necessary to eliminate or minimize those obstacles.²⁵ As part of this discussion, the FDIC expects a resolution plan to describe the CIDI's current capabilities to assemble and make available to potential buyers—for example through a digital data room—information sufficient for a potential buyer to prepare a well-informed initial bid, such as carve-out financial statements, valuation analysis, and a legal risk analysis.

The CIDI's analysis as to how to evaluate franchise components and sequence sale and divestiture actions to maximize net present value return, as well as the CIDI's analysis of a potential transaction during the resolution weekend, will help the FDIC to develop its readiness and, in the event the need to resolve a CIDI begins to appear likely, to prepare a scenario-specific plan for resolution. The FDIC expects a resolution plan to provide sufficient information for the FDIC to understand the impact on value of other actions if neither the sequence and process presented by the CIDI to maximize value nor a resolution-weekend transaction is available. Therefore, the FDIC expects a resolution plan to describe the extent to which franchise components are separable from one another; any specialized characteristics or capabilities that affect separation or limit potential acquirers; and sequencing, integration, and separation matters that add to or diminish value. The FDIC also expects a resolution plan to identify the actions that would be needed to facilitate the sale or disposition of each franchise component and, based on the CIDI's capabilities, estimate the time required for each action.

4. *Critical Services*: The Rule requires a resolution plan to identify critical services²⁶ and providers of critical services, provide a mapping of critical services to material entities and core business lines, and describe the CIDI's strategy for continuing critical services in the event of the CIDI's failure.²⁷

As part of meeting these requirements, the FDIC expects a resolution plan to (1) describe the CIDI's process for identifying critical services, which may include how this process has been developed in comparison with other internal recovery, resiliency, and continuity processes; (2) identify the critical services that may be at risk of interruption and the criteria used to make this determination; (3) describe any actions the FDIC as receiver or a BDI may need to take to continue critical services in the event of the CIDI's failure; (4) describe current service level agreements or other arrangements for the provision of these services among affiliates and third parties; and (5) if contractual agreements such as transition services agreements would be needed to continue critical services, describe the services that would be covered by those contractual arrangements. A resolution plan must describe any actions the CIDI has taken since the filing of the previous resolution plan to improve the

²⁴ For example, a purchase and assumption transaction may only be conducted following a determination that the transaction results in the least cost to the Deposit Insurance Fund of all possible resolution options, including paying out the insured deposits of the IDI. See 12 U.S.C. 1823(c)(4)(A). Further, a purchase and assumption transaction requires lead time to identify potential buyers and allow investigation and auction of the IDI's assets and business. Additionally, the larger and more complex a CIDI is, the less likely a purchase and assumption transaction will be practicable.

²⁵ See 12 CFR § 360.10(c)(2)(iv).

²⁶ The Rule defines critical services as services and operations of the CIDI, such as servicing, information technology support and operations, human resources and personnel that are necessary to continue the day-to-day operation of the CIDI. 12 CFR § 360.10(b)(5).

²⁷ 12 CFR § 360.10(c)(2)(iii).

effectiveness of critical service continuity or remediate or otherwise mitigate any material weaknesses or impediments to effective critical service continuity.²⁸

The FDIC has found that understanding the process by which critical services are identified is useful for understanding key interdependencies and the significance of the various critical services identified in resolution planning. In identifying critical services and those at risk of interruption, CIDs may consider how services align with those identified in internal recovery, resiliency, or continuity plans; the potential for contract disputes; and the ability to substitute alternate providers. Information regarding critical services in resolution plans assists the FDIC in planning to continue critical services in connection with their transfer to a BDI, or the sale or disposition of the CID's franchise value.

Pursuant to the Rule, as part of a strategy for continuing critical services in the event of a CID's failure, the FDIC expects a resolution plan to discuss potential obstacles to maintaining critical services in resolution, as well as steps that could be taken to remediate or otherwise mitigate the risk of interruption (e.g., by identifying potential alternative providers).²⁹ Potential obstacles may include:

- Loss of access to data, management information systems, or other information technology, including the inability to produce timely and accurate financial reporting and reports detailing insured and uninsured deposit account data.
- Loss of access to financial market utilities or payment and clearing capabilities.
- Loss of key personnel, access to facilities, or rights to intellectual property.
- Failure of affiliates or third parties to perform under service level agreements or transition services agreements.
- Divestitures of franchise components that include infrastructure supporting other franchise components.

5. *Key Personnel Identification and Retention*: The Rule requires a resolution plan to identify key personnel tasked with managing core business lines and deposit activities and the CID's branch activities.³⁰ These key personnel may include personnel tasked with playing an essential role in support of a core business line, franchise component, or critical service, or having a function, responsibility, or knowledge that may be important for the FDIC's resolution of the CID. Examples of key personnel include employees with specialized knowledge of systems or processes; employees who have key relationships with clients or customers; and operational personnel, executive management, and independent contractors, including personnel involved in trading, booking, liquidity risk management, information technology and support services, operations, and asset and liability management functions. As part of meeting the Rule's requirements, the FDIC expects a resolution plan to describe the CID's process for identifying key personnel. In developing its process, a CID may consider how key personnel align with those identified in internal recovery and resiliency plans, and the substitutability of other employees or contractors. Providing titles, functions, locations, and employing entities is an appropriate method of key employee identification; providing individual names is not required. One way to present this information in a resolution plan is to map key business function and front office employees to core business lines and legal entities, and key support and back office employees to critical services and legal entities.

To remediate or otherwise mitigate the risk of loss of key personnel, which could impede the resolution of a CID, the FDIC expects a resolution plan to include a framework for establishment of retention bonuses, incentives for those key personnel in consideration of their continued employment during resolution, or another effective framework for facilitating employee retention. An employee retention framework premised on financial incentives generally includes a description of the CID's approach to determining appropriate retention

²⁸ See 12 CFR § 360.10(c)(2)(i)(C).

²⁹ See 12 CFR § 360.10(c)(2)(iv).

³⁰ 12 CFR § 360.10(c)(2)(ii).

compensation, with metrics provided in ranges for key employees or categories of key employees. A CIDI may include in its resolution plan its employee retention framework for all personnel rather than providing a framework limited to key personnel.

6. *Management Information Systems*: The Rule requires a resolution plan to provide a detailed inventory and description of the key management information systems and applications, including systems and applications for risk management, accounting, and financial and regulatory reporting, used by the CIDI and its subsidiaries.³¹ As part of meeting these requirements, the FDIC expects a resolution plan to describe the CIDI's current systems and applications for (i) contract management, including the degree to which contracts are accessible and searchable digitally; (ii) asset management; (iii) deposit management; and (iv) human resources management. The Rule also requires a resolution plan to describe the capabilities of the CIDI's processes and systems to collect, maintain, and report the information and other data underlying the resolution plan to management of the CIDI and, upon request, to the FDIC.³² As part of meeting these requirements, the FDIC expects a resolution plan to describe the current capabilities of the CIDI's processes and systems to collect, maintain, and report its (i) nondeposit claimants (i.e., unsecured creditors that are not depositors), including long- and short-term bond, commercial paper, and subordinated debt issuances; and (ii) funding and liquidity needs (e.g., next day, cumulative next five days, cumulative next 30 days).³³

7. *Asset Valuation and Sales*. The Rule requires a resolution plan to provide a detailed description of the processes the CIDI employs for determining the current market values and marketability of core business lines and material asset holdings.³⁴ As part of meeting these requirements, the FDIC expects a resolution plan to describe any key metrics the CIDI employs for determining the current market values and marketability of its core business lines and material asset holdings; for the deposit franchise, this may include deposit characteristics and behaviors.³⁵ The objective is to understand the drivers of value and potential risks to that value. The FDIC does not require CIDs to provide actual valuations.

8. *Capital Structure; Funding Sources*: The Rule requires a resolution plan to provide detailed descriptions of the funding, liquidity and capital needs of, and resources available to, the CIDI and its material entities, which must be mapped to core business lines and critical services.³⁶ This description can be limited to the CIDI's ordinary course of business. As part of meeting these requirements, the FDIC expects a resolution plan to describe the CIDI's current processes for determining the drivers of liquidity needs.

9. *Unconsolidated Balance Sheet for CIDI and Consolidating Schedule*. The Rule requires a resolution plan to provide an unconsolidated balance sheet for the CIDI and a consolidating schedule for all material entities that are subject to consolidation with the CIDI.³⁷ Amounts attributed to entities that are not material may be aggregated on the consolidating schedule.

10. *Trading, Derivatives and Hedges*. The Rule requires a resolution plan to describe the practices of the CIDI and its core business lines related to the booking of trading and derivative activities; identify each system on which the CIDI conducts a material number or value amount of trades; map each trading system to the CIDI's legal entities and core business lines; identify material hedges of the CIDI and its core business lines related to trading and derivative activities, including a mapping to legal entity; and describe hedging strategies of the

³¹ 12 CFR § 360.10(c)(2)(xix).

³² *Id.*

³³ See 12 CFR § 360.10(c)(2)(xv).

³⁴ See 12 CFR § 360.10(c)(2)(viii)(A).

³⁵ As discussed below, the FDIC will exempt all specified CIDs from the two other subparagraphs of this content requirement, i.e., 12 CFR § 360.10(c)(2)(viii)(B) & (C).

³⁶ 12 CFR § 360.10(c)(2)(xv).

³⁷ 12 CFR § 360.10(c)(2)(xiii). As discussed below under *Material Entity Financial Statements* in Part II.B.1, the FDIC will exempt all specified CIDs in part from the requirements of this section.

CIDI.³⁸ A CIDI's trading systems generally include order management systems, risk management systems, and collateral management systems. In describing hedging strategies, the FDIC expects CIDs to provide a narrative description of how the products and asset classes in which the CIDI is active are used to hedge the risks associated with key elements the IDI's core business lines, such as a mortgage servicing rights portfolio, a portfolio of loans, or foreign currency transactions.

B. Exempted Content

The Rule permits the FDIC to exempt a CIDI from one or more of the Rule's requirements;³⁹ this includes exempting a CIDI from any information content requirement for a resolution plan submission. Content requirements in the Rule not expressly exempted for a specific resolution plan submission are required for that submission.

1. Content Exempted for All Specified CIDs

The FDIC will expressly exempt all specified CIDs' resolution plans from certain content requirements for which the burden currently exceeds their utility for the FDIC in planning for a specified CIDI's resolution, or for which the FDIC has access to the same or similar information through other supervisory processes. The content requirements to be exempted are those that require the provision, identification, description, or discussion of each of the following:

- *Least Costly Resolution Method.* How the strategies for the separation of the CIDI and its subsidiaries from its parent company's organization and sale or disposition of deposit franchise, core business lines and major assets can be demonstrated to be the least costly to the Deposit Insurance Fund of all possible methods for resolving the CIDI.⁴⁰
- *Asset Valuation and Sales.* The processes the CIDI employs for assessing the feasibility of the CIDI's plans, under baseline, adverse and severely adverse economic condition scenarios for executing any sales, divestitures, restructurings, recapitalizations, or similar actions contemplated in the CIDI's resolution plan; and assessing the impact of any sales, divestitures, restructurings, recapitalizations, or other similar actions on the value, funding and operations of the CIDI and its core business lines.⁴¹
- *Major Counterparties.* The CIDI's major counterparties; the interconnections, interdependencies and relationships with such major counterparties; and whether the failure of each major counterparty would likely have an adverse impact on or result in the material financial distress or failure of the CIDI.⁴²
- *Material Entity Financial Statements.* Financial statements for material entities.⁴³

³⁸ 12 CFR § 360.10(c)(2)(xii).

³⁹ 12 CFR § 360.10(d)(4).

⁴⁰ 12 CFR § 360.10(c)(2)(vii). As a consequence of this exemption, the FDIC does not expect a resolution plan to include a failure scenario or apply losses to the specified CIDI's creditor stack.

⁴¹ 12 CFR § 360.10(c)(2)(viii)(B)—(C). As noted above, a specified CIDI must continue to provide in its resolution plan a detailed description of the processes the specified CIDI employs for determining the current market values and marketability of core business lines and material asset holdings, as discussed above. 12 CFR § 360.10(c)(2)(viii)(A).

⁴² 12 CFR § 360.10(c)(2)(ix).

⁴³ 12 CFR § 360.10(c)(2)(xiii). As discussed above, a specified CIDI must continue to provide in its resolution plan an unconsolidated balance sheet for the specified CIDI and a consolidating schedule for all material entities that are subject to consolidation with the specified CIDI.

- *Systemically Important Functions*. Systemically important functions that the specified CIDI, its subsidiaries and affiliates provide; critical vulnerabilities, estimated exposures and potential losses, and why any attributes of the business could pose a systemic risk to the broader economy.⁴⁴
- *Backup Plans*. Disaster recovery or other backup plans.⁴⁵
- *Assessment of the Resolution Plan*. The nature, extent, and results of any contingency planning or similar exercise conducted by the CIDI since the date of the most recently filed resolution plan to assess the viability of or improve the resolution plan.⁴⁶
- *High-Level Description of Resolution Strategy*. At a high level in the public section, the CIDI's resolution strategy, covering such items as the range of potential purchasers of the CIDI, its material entities, and core business lines.⁴⁷

2. *Additional Content Exempted for Certain Specified CIDs*

On a case-by-case basis, the FDIC plans to expressly exempt certain content requirements based on the FDIC's evaluation of how useful or material the information would be in planning to resolve the specified CIDI. Those content requirements include, but are not limited to, those related to off-balance-sheet exposures; collateral pledged; trading, derivatives, and hedges; unconsolidated balance sheet and consolidating schedules; payment, clearing and settlement systems; capital structure and funding sources; affiliate funding, transactions, accounts, exposures, and concentrations; and cross-border elements.⁴⁸ In some instances, the FDIC may conclude that responsive information would be unlikely to materially assist the FDIC in planning to resolve the specified CIDI because of the specified CIDI's operations or business model. In other instances, the FDIC may exempt a content requirement because similar responsive information sufficient for the FDIC's planning purposes should be available to the FDIC through the supervisory process, or because that content requirement was recently the subject of a more in-depth review as part of the FDIC's engagement with the specified CIDI.

While the FDIC plans to exempt these content requirements on its own initiative, specified CIDs may also submit written exemption requests to the FDIC, which may include a description of why the information would not be useful or material to the FDIC in planning to resolve the specified CIDI. The FDIC will consider any exemption request for a specified CIDI's next resolution plan if it is submitted at least 18 months before that plan is due⁴⁹ or no later than two months after the FDIC sends written communication to a specified CIDI after the conclusion of any engagement, whichever is later. The FDIC will respond no later than 12 months prior to the next plan submission date to any request submitted at least 18 months before the next resolution plan is due. The FDIC will respond within two months to any timely request received following the engagement communication.

⁴⁴ 12 CFR § 360.10(c)(2)(xvii).

⁴⁵ 12 CFR § 360.10(c)(2)(xix).

⁴⁶ 12 CFR § 360.10(c)(2)(xxi).

⁴⁷ 12 CFR § 360.10(f)(1)(xi).

⁴⁸ 12 CFR § 360.10(c)(2)(x)-(xvi) & (xvii).

⁴⁹ The FDIC will communicate a shorter period to specified CIDs whose next resolution plans are due in 2022.