BMO Financial Group
U.S. Resolution Plan

165(d)

Chapter Revision History 3
1.0 Introduction 4
1.1 BMO 165(d) Resolution Plan 6
1.1.1 Overview of Resolution Plan 6
1.1.2 Material Entities 6
1.1.3 Core Business Lines 9
1.1.4 Summary Financial Information 11
1.1.4.1 Balance Sheet 11
1.1.4.2 Major Funding Sources 12
1.1.4.3 Capital 13
1.1.5 Derivative and Hedging Activities 14
1.1.6 Memberships in Material Payment, Clearing and Settlement Systems 18
1.1.7 Foreign Operations 19
1.1.8 Material Supervisory Authorities 19
1.1.9 Principal Officers 20
1.1.10 Corporate Governance Structure and Processes Related to Resolution Planning 21
1.1.11 Material Management Information Systems 24
1.1.12 Resolution Strategy 25

Chapter Revision History

Section	2018 Plan Section Update/Addition	Content/Data As of Date
All sections in this chapter	Reviewed / updated for the 2018 Plan submission	July 1, 2018

1.0 Introduction

Bank of Montreal (BMO) is a foreign bank, a bank holding company and a financial holding company under the Bank Holding Company Act of 1956, as amended. BMO uses a unified branding approach that links the organization's member companies under the brand "BMO Financial Group" (BMOFG). BMO's head office is in Montreal, Canada, with executive offices in Toronto, Canada, and it has U.S. branch offices in New York, New York, and Chicago, Illinois, as well as an agency office in Houston, Texas. BMO Financial Corp. (BFC), a Delaware corporation, bank holding company and financial holding company, is a wholly-owned subsidiary of BMO and is the top-tier U.S. holding company for most of BMO's U.S. subsidiaries, including two insured depository institutions (IDIs), BMO Harris Bank N.A. (BMO Harris Bank or BHB) and BMO Harris Central N.A. (BMO Harris Central), each a national bank.

BMO and BFC are considered bank holding companies in the U.S. and have in excess of $50B in total assets (individually and combined) and are, therefore, considered a covered company under 12 C.F.R. Part 243 and 12 C.F.R. Part 381 (the 165(d) Rule). Under the 165(d) Rule, a covered company is required to submit a resolution plan to the Board of Governors of the Federal Reserve System (the Federal Reserve) and the Federal Deposit Insurance Corporation (the FDIC) that details a plan for the rapid and orderly resolution of the covered company in the event of financial distress or failure. However, the 165(d) Rule defines a covered company as only the top-tier of a multi-tiered holding company structure. Therefore, for purposes of the 165(d) Rule, a single, consolidated resolution plan for BMO (the covered company) covering all of its U.S. operations (BMO U.S.) has been filed.

BMO's 165(d) Resolution Plan (RP) contemplates a resolution strategy in which BMO's U.S. banking subsidiaries, BMO Harris Bank and BMO Harris Central, under a hypothetical resolution scenario, would be placed into FDIC receiverships. Certain assets and liabilities would be transferred to a bridge bank that would, subject to various assumptions, be sold to a third party. BMO's other material U.S. entities would be wound down in an orderly manner, subject to certain assumptions. In addition, the 165(d) RP includes strategies designed to ensure continuity of certain businesses during the hypothetical resolution process. The strategies take into account the importance of continued access to services including, but not limited to, technology, employees, facilities, intellectual property and supplier relationships.

The FDIC and the Federal Reserve have, by rule and through the supervisory process, prescribed the assumptions, required approach, and scope for these resolution plans, and have required that certain information be included in a Public Section of the 165(d) RP. BMO, on behalf of itself and its subsidiaries, submits this Public Section in compliance with the 165(d) Rule and related guidance. BMO believes that the 165(d) RP would achieve a rapid and orderly resolution of its U.S. operations in a manner that would avoid serious adverse effects on the financial stability of the U.S. In addition, it would enable the FDIC, as receiver, to resolve BMO Harris Bank in a manner that would ensure that depositors receive access to their insured deposits within one business day if BMO Harris Bank were to fail, and would maximize the net present value return from the sale or disposition of its assets, and minimize the amount of any loss realized by BMO Harris Bank's creditors.

Overview of BMOFG

Established in 1817, BMOFG is a highly diversified financial services provider based in North America. With total assets of $728B (Canadian) as of January 31, 2018, and approximately 45,000 employees, BMOFG provides a broad range of retail banking, wealth management and investment banking products and services to its Canadian customers through its Canadian retail arm, BMO Bank of Montreal, and to retail, small business and commercial customers in the U.S. through BMO Harris Bank. BMOFG also serves customers through its wealth management businesses: BMO Nesbitt Burns, BMO InvestorLine, BMO Private Bank, BMO Global Asset Management and BMO Insurance. BMO Capital Markets, its investment and corporate banking division, provides a full suite of financial products and services to North American and international clients.

BMOFG's vision is *to be the bank that defines great customer experience*. BMO is structured to support that vision by providing customers integrated access to services across the organization through three Operating Groups: Personal and Commercial Banking (P&C), comprised of Canadian P&C and U.S. P&C; Wealth Management (WM) including Insurance; and BMO Capital Markets (BMO CM). In addition, the Corporate Support Areas (CSAs), which include Technology and Operations, provide risk management, information technology and other corporate services to the three Operating Groups.

Canadian P&C operates across Canada, offering banking, financing, and investing solutions as well as card and payment services. Customers are served through more than 900 branches and over 3,300 ATMs. Operating predominantly in the U.S. Midwest under the BMO Harris Bank brand, U.S. P&C provides personal and commercial clients with banking, lending, and treasury management services. BMO Harris Bank customers are served through approximately 600 branches, contact centers, online and mobile banking platforms and approximately 1400 ATMs across nine states, including the contiguous states of Illinois, Wisconsin, Indiana, Minnesota, Missouri, and Kansas.

WM, BMO's wealth management business, serves a full range of client segments from mainstream to ultra-high net worth and institutional, with a broad offering of wealth management products and solutions, including insurance products. WM operates in both Canada and the U.S., as well as in Asia and Europe. In the U.S., our wealth management businesses compete primarily in the private banking and asset management sectors, drawing on our strategic presence in the Chicago and Milwaukee areas, and in select high-growth wealth management markets across the U.S.

BMO CM provides capital raising, investing, advisory, treasury and research services to corporate, institutional, and government clients in Canada, the U.S., South America, Europe, Asia and Australia. Through Investment & Corporate Banking (I&CB), BMO Capital Markets offers advisory and execution services with concentrated efforts in selected industry sectors. Clients are primarily large Canadian and mid-market U.S. companies, as well as government agencies, that need to raise capital through equity, debt and/or loans. I&CB also provides advisory and execution services to clients engaging in M&A transactions, and treasury and trade services to help clients manage their working capital effectively. The U.S. segment of BMO Capital Markets Trading Products business, U.S. Trading Products (USTP), offers capital raising, advisory, treasury, research and execution services in the exchange traded and over-the-counter marketplaces. USTP is comprised of the Sales and Trading function that is typically a hybrid activity comprised of customer facilitation and market making activities, organized by product line. Clients are issuers and investors who need to access capital markets and manage risk associated with foreign exchange rates, interest rates, equity and commodity prices.

1.1 BMO 165(d) Resolution Plan

1.1.1 Overview of Resolution Plan

BMO's 165(d) RP provides the Federal Reserve and the FDIC with a plan for the rapid and orderly resolution of BMO's U.S. operations in the event of material financial distress or failure of its six material entities (MEs) in the U.S., as they are defined and identified below in Section 1.1.2. The 165(d) RP provides information required in the 165(d) Rule with respect to BMO U.S. and its core business lines (CBLs) that are conducted in whole or material part in the U.S. These activities are conducted through BMO U.S.'s three Operating Groups, U.S. P&C, WM, and BMO Capital Markets, as described above in Section 1.0.

BMO's objective is to address any specific requirements in the different jurisdictions in which it operates and to satisfy the regulators' key goals for recovery and resolution planning. The RP presented here is focused only on planning for the resolution of BMO's U.S. operations; other plans exist, however, or are being formulated in other jurisdictions, which also contain strategies for the recovery or resolution of BMO entities according to the rules and laws in those jurisdictions. The definitions used for, and approach taken in, the RP presented here may, therefore, differ from those used in similar plans filed by BMO with non-U.S. regulators. Further, the CBLs identified in this RP are for consideration only with respect to BMO's U.S. operations and may not necessarily be considered CBLs in other jurisdictions.

1.1.2 Material Entities

The 165(d) Rule defines a material entity (ME) as "a subsidiary or foreign office of the covered company that is significant to the activities of a critical operation or core business line."

The 165(d) RP identifies certain BMO subsidiaries and other entities as MEs for the purpose of resolution planning. The 165(d) RP includes an analysis of each ME and the resolution regime and strategy that would be applicable to each ME. The following MEs are identified:

BMO Financial Corp.

BMO Financial Corp. (BFC), a Delaware corporation, is a wholly-owned U.S. subsidiary of BMO. BFC is a holding company that provides commercial banking, investment banking, trust and other services domestically and internationally through two direct bank subsidiaries, BMO Harris Bank N.A. (BHB) and BMO Harris Central N.A. (BHCNA) and many direct and indirect non-bank subsidiaries.

BMO Harris Bank N.A.

BMO Harris Bank N.A (BHB) is a wholly-owned subsidiary of BMO Financial Corp. (BFC), a Delaware corporation, which is a wholly-owned U.S. subsidiary of BMO. Established in 1882 as Harris Bank, and owned by BMOFG since 1984. The Bank conducts business through two primary operating groups: U.S. Personal Banking and Commercial Banking, and U.S. Wealth Management serving personal, commercial and affluent customers. Additionally certain Capital Markets (CM) activities are booked into BHB from the two CM related core business lines (CBLs): Trading Products (TP) and Investment and Corporate Banking (I&CB). The Bank provides a variety of banking and financial services to commercial and industrial companies, financial institutions, governmental units, not-for-profit organizations and individuals throughout the U.S., primarily the Midwest. Services rendered and products sold to customers include demand and time deposit accounts including certificates of deposit; various types of loans; sales and purchases of foreign currencies; interest rate management products; cash management services; investment banking services; financial consulting; and personal trust and trust related services.

BMO Harris Central N.A.

BMO Harris Central N.A. (BHCNA) is a direct, wholly-owned bank subsidiary of BFC, and operates as a national bank under a charter issued by the Office of the Comptroller of the Currency. Its headquarters is located in Roselle, Illinois. BHCNA is a special purpose bank whose sole business purpose and activity is to act as a disbursing bank in the delivery of controlled disbursement account services for corporate and commercial customers of BHB. It has no subsidiaries and does not generate any loan activity. The primary purpose for establishing a separate bank/legal entity for the controlled disbursement service is to allow the corporate customers to issue checks drawn on a smaller bank which, because of its size and location and separate routing number, receives limited check presentments from the Federal Reserve.

BMO Capital Markets Corp.

BMO CMC is a wholly-owned subsidiary of BFC that is incorporated under the laws of the State of Delaware. As of December 2017, it had 911 employees located in thirteen branch locations (including the OSJs). On September 4, 2018, BMO Capital Markets Corp. (CMC) completed the acquisition of KGS-Alpha Capital Markets, L.P. (KGS) which will increase both the number of employees, OSJ and branch locations. These changes will be reflected in the 2019 plan.

BMO CMC operates as a self-clearing, institutional broker-dealer that mainly consists of RVP/DVP business and does not custody client assets. BMO CMC focuses on mid and large-sized institutional clients, large financial sponsors (>$500MM AUM), and mid-cap and growth companies (enterprise value $200MM-$5B) while leveraging the strength and size of the Canadian parent bank.

BMO CMC is registered with the U.S. Securities and Exchange Commission (SEC) as a U.S. securities broker-dealer and investment advisor, is a member of the Financial Industry Regulatory Authority (FINRA) and is a designated Primary Dealer with the Federal Reserve Bank of New York. BMO CMC is registered to do business in all 50 states. BMO CMC is a member of a number of fixed-income, equities and derivatives exchanges, and clearing organizations and is supervised and subject to examination by FINRA, its primary regulator, various exchanges, the Federal Reserve Banks of Chicago and New York, and the SEC.

Bank of Montreal Chicago Branch

The Bank of Montreal Chicago Branch (BMO Chicago Branch) is an Illinois state-licensed branch office of BMO. It is a legal and operational extension of BMO and is not a separate legal entity.

The presence of Bank of Montreal in Chicago dates back to 1861 when an office was established to facilitate the cross border grain trade. The current legal structure of the BMO Chicago Branch as a State of Illinois licensed foreign banking office of Bank of Montreal was effective as of August 20, 1984. The physical location of the BMO Chicago Branch at 111 W. Monroe St., Floor 4 East, Chicago, IL 60603, is based on where the Chicago Branch management team is located. The Chicago Branch is customer facing through the lines of business booking through the Branch. The organizational structure of and governance over the Chicago Branch is dependent on interconnections with both business groups and support functions guided by centralized oversight provided by the Chicago Branch management team.

Operating Groups that book to or through the Chicago Branch are Capital Markets, Trading Products and Investment & Corporate Banking (I&CB), along with P&C Commercial Banking, both U.S. and Canada.

The Branch management team includes five employees filling the roles of Branch Manager, Branch Operating Officer, Branch Risk Officer, Branch Regulatory & Controls Oversight Officer and an Administrative Support person. Additionally, there is a Branch Chief Financial Officer, who is also the U.S. Controller and Chief Accountant. The Branch management team was established in September 2006 to facilitate day-to-day governance oversight, supported by a management committee and key support functions, including Finance, Legal, Risk Management, Compliance, Anti-Money Laundering Office and Audit. The Branch relies on

BMO, BHB, CMC and BFC to provide business, operational, regulatory, and administrative services, subject to various service agreements. However, the BMO Chicago Branch also facilitates the payroll for certain BMO employees working in the U.S. which includes both lines of business and support function areas. There are service agreements between the Branch and other entities whereby the Branch serves as a provider to allocate the payroll costs and associated expenses appropriately.

BMO Harris Financing Inc.

BHFI is a direct wholly-owned non-bank subsidiary of BFC. It was established in 2001 to serve as a booking location for certain U.S. originated loans. BHFI books Commercial Banking and I&CB corporate loans. BHFI has three direct and indirect subsidiaries. BMO (U.S.) Credit, LLC holds impaired loans, while Monroe Street Holdings, LLC and Clark Street Holdings, LLC hold properties (OREO) resulting from prior commercial real estate workout situations.

1.1.3 Core Business Lines

The 165(d) Rule defines Core Business Lines as "those business lines of the covered company, including associated operations, services, functions and support, that, in the view of the covered company, upon failure would result in a material loss of revenue, profit, or franchise value."

BMO has identified five CBLs based on the criteria of the 165(d) Rule that fall within BMO's three Operating Groups.

U.S. P&C is a multi-channel operating group that offers a full range of client banking solutions. Two of the five CBLs reside within U.S. P&C.

- U.S. Personal and Business Banking serves retail banking customers with a full suite of deposit, lending, and credit card products delivered through over 600 branches, customer contact centers, online and mobile banking platforms and approximately 1,400 ATMs across nine states. U.S Personal Banking, with approximately $19.7B in loans and approximately $37B in deposits, serves approximately 2.2MM retail customers and approximately 119,000 small and mid-sized businesses. U.S. Personal Banking also has cross-referral synergies with BMO Private Bank, and to a lesser extent U.S. Commercial Banking and Canadian Banking businesses.

- U.S. Commercial Banking operates primarily within BHB and BMO Chicago Branch, and is headquartered in Chicago, IL. BHB provides a broad range of banking products and solutions through over 600 branches and approximately 1,400 ATMs in Arizona, Florida, Illinois, Indiana, Kansas, Minnesota, Missouri, Washington and Wisconsin. These include solutions for everyday banking, financing, investing, as well as a full suite of integrated commercial and financial advisory services. U.S. Commercial Banking services clients through a combination of sector expertise, local knowledge and mid-market focus throughout the U.S. Generally, U.S. Commercial Banking serves clients with annual revenues of $20MM or more. Commercial Banking also partners closely with BMO Private Bank to serve a full range of client segments, from mainstream to ultra-high net worth, with a broad offering of wealth management products and solutions offered through offices across the United States.

Wealth Management is an Operating Group that serves a full range of client segments, from mainstream to ultra-high net worth and institutional, with a broad offering of wealth management products and solutions. Among its U.S. activities, one has been identified as a CBL.

- In the U.S., BMO Private Bank is a brand name used primarily by BHB and includes the activities conducted under BHB (Personal Trust Administration, Personal Investment Management, and Private Banking). The activities conducted by non-bank legal entities that provide advisory services to the High Net Worth and Ultra-High Net worth clients support and are often associated with activities conducted through BHB. Accordingly, although these non-bank entities are not part of the BHB legal entity, they are included under the BMO Private Bank umbrella of product and service offerings. Thus, non-bank businesses Stoker Ostler and CTC| myCFO are reflected in this overview.

BMO CM is an Operating Group that provides corporate, institutional and government clients with a full range of products and services. These include equity and debt underwriting, corporate lending and project financing, mergers and acquisitions advisory services, securitization, treasury management, market risk management, debt and equity research and institutional sales and trading. Among its U.S. activities, two have been identified as CBLs.

- U.S. Investment and Corporate Banking (I&CB U.S.) is the U.S. division of the Global I&CB business of BMO Capital Markets. I&CB U.S. is comprised of two complementary businesses: The first, Investment Banking (IB), provides advisory and capital raising (private placement, loan origination and syndicated, and equity and debt underwriting services) to Corporate and Financial Sponsor clients through a combination of its Sector Coverage teams and its Product Groups. The second business, Corporate Banking (CB), offers corporate lending and cash management services through the Corporate Banking group and Treasury and Payment Solutions (T&PS), respectively. I&CB U.S. is closely aligned with our Canadian and International I&CB business, often working with them on cross-border transactions as well as with Capital Market's sales and distribution team, Trading Products.

- BMO Capital Markets Trading Products (TP) delivers a comprehensive integrated trading and distribution platform, capable of meeting the needs of core Canadian dollar and U.S. dollar issuers, as well as a broad base of North American and select global investors. Trading Products offers research and access to global markets for institutional, corporate and government clients through an integrated suite of sales and trading solutions that include debt, foreign exchange, interest rate, credit, equity, securitization and commodities. Trading Products offers new product development and origination services as well as risk management (derivatives) advice and services to hedge against price fluctuations on a variety of key inputs. In addition, TP also provides funding and liquidity management to clients. TP also performs activities on behalf of other parts of the broader BMO organization. Business is conducted within both MEs and non-MEs, with the former including BHB, BMO CMC, and BMO Chicago Branch.

1.1.4 Summary Financial Information

The following summary financial information for BMO was prepared in accordance with International Financial Reporting Standards (IFRS) as of and for BMO's fiscal quarter ended January 31, 2018. This information is taken from the unaudited consolidated financial statements included in BMO's quarterly financial information.

1.1.4.1 Balance Sheet

Figure 1.1.4.1-1 BMO Financial Group Balance Sheet

BMO Financial Group Consolidated Balance Sheet		2018
(C$ millions)		Q1
As At Balances		
Cash and Cash Equivalents	$	41,159
Interest Bearing Deposits with Banks		6,740
Securities		163,551
Securities Borrowed or Purchased Under Resale Agreements		83,194
Loans		
Residential mortgages		117,186
Non-residential mortgages		11,608
Consumer installment and other personal		61,118
Credit cards		7,994
Businesses and government		160,380
		358,286
Allowance for credit losses		(1,624)
Total net loans		356,662
Other Assets		
Derivative instruments		31,756
Customers' liability under acceptances		16,705
Premises and equipment		1,965
Goodwill		6,056
Intangible assets		2,144
Other		17,977
Total Assets	$	727,909
Deposits		
Banks	$	28,481
Businesses and government		279,550
Individuals		167,534

Figure 1.1.4.1-1 BMO Financial Group Balance Sheet

BMO Financial Group Consolidated Balance Sheet	2018
(C$ millions)	Q1
Total Deposits	475,565
Other Liabilities	
Derivative instruments	31,079
Acceptances	16,705
Securities sold but not yet purchased	26,367
Securities lent or sold under repurchase agreements	72,260
Securitization and structured entities' liabilities	23,503
Other	33,139
Subordinated Debt	6,463
Share Capital	
Preferred shares	4,240
Common shares	13,020
Contributed surplus	306
Retained earnings	23,902
Accumulated other comprehensive income	1,360
Total shareholder's equity	$ 42,828
Non-controlling interest in subsidiaries	—
Total Liabilities and Equity	$ 727,909

Source: BMO Financial Group 2018 Q1 Financial Results

1.1.4.2 Major Funding Sources

Managing liquidity and funding risk is essential to maintaining the safety and soundness of the organization, depositor confidence and earning stability. It is BMO's policy to ensure that sufficient liquid assets and funding capacity are available to meet financial commitments, even in times of stress.

BMO maintains a robust liquidity and funding risk management framework, supported by limits that define the risk appetite of the enterprise. Board and senior management committees approve the management framework including related policies and regularly review liquidity and funding positions. An enterprise-wide contingency plan that will facilitate effective management in the event of a disruption is also in place.

BMO's largest source of funding is its customer deposit base. Customer deposits include retail and commercial core deposits and larger fixed-rate retail and commercial customer deposits. This deposit base, along with the Bank's strong capital base, supports the maintenance of a sound liquidity position and is a source of strength. BMO customer deposits and total capital[1] totaled $302.7B and $49.3B (Canadian) respectively as of January 31, 2018. Total deposits including customer deposits and wholesale deposits totaled $475.6B

[1] Shareholder's equity plus non-controlling interest in subsidiaries and subordinated debt

(Canadian) as of January 31, 2018. Other major sources of funding include securities lent or sold under repurchase agreements, securities sold but not yet purchased, and securitization and structured entities' liabilities which totaled $72.3B, $26.4B and $23.5B (all Canadian), respectively, as of January 31, 2018. Together these funding sources represent 89% of the total liabilities and equity of BMO. Remaining liabilities include unrealized losses on derivatives which are largely offset by unrealized gains reported as assets on the balance sheet, bankers' acceptances, and other liabilities.

BMO's funding philosophy requires that secured and unsecured wholesale funding used to support loans and less liquid assets must be of a term (typically maturing in two to ten years) which will support the effective term to maturity of these assets. Wholesale secured and unsecured funding for liquid trading assets is largely shorter term (maturing in one year or less), is aligned with the liquidity of the assets being funded, and is subject to limits on aggregate maturities that are permitted across different time periods. BMO also maintains supplemental liquidity pools that are maintained for contingent liquidity management purposes. These pools are funded with a mix of wholesale term funding.

Diversification of wholesale funding sources is an important part of the overall liquidity management strategy. BMO maintains access to both shorter-term and longer-term secured and unsecured funding. Secured and unsecured money market funding is primarily raised in Canada and the U.S. and to a lesser extent through BMO's European operations. Term secured and unsecured funding is also raised in the Canadian and international markets. BMO has the ability to raise long-term funding through various platforms, including a European Note Issuance Program, Canadian, Australian and U.S. Medium-Term Note programs, Canadian and U.S. mortgage securitizations, credit card, auto, and home equity line of credit securitizations, covered bonds and Canadian and U.S. senior unsecured deposits.

BMO maintains a robust stress testing program to ensure its liquidity and funding needs can be met under stress. Liquid assets held to ensure that BMO's liquidity and funding objectives are met include unencumbered, high-quality assets that are marketable, can be pledged as security for borrowings, and can be converted to cash in a time frame that meets liquidity and funding requirements. BMO maintains liquid assets in both its trading businesses and in its supplemental liquidity pools. Net unencumbered liquid assets, defined as on-balance sheet assets such as BMO-owned cash and securities and securities borrowed or purchased under resale agreements plus other off-balance sheet eligible collateral received less collateral encumbered securities, totaled $213.5B (Canadian) as of January 31, 2018.

1.1.4.3 Capital

BMO's Common Equity Tier 1 (CET1) Ratio of 11.1% at January 31, 2018 was strong and exceeded regulatory requirements. BMO's Tier 1 Capital Ratio and Total Capital Ratio at January 31, 2018 were 12.8% and 15.2%, respectively. Regulatory capital requirements for BMO are determined on a Basel III all-in basis.

The minimum Basel III capital ratios are 4.5% CET1 Ratio, 6.0% Tier 1 Capital Ratio, and 8.0% Total Capital Ratio which are calculated using a five-year transitional phase-in of regulatory adjustments and a nine-year transitional phase-out of non-qualifying capital instruments. The Office of the Superintendent of Financial Institutions Canada (OSFI) required Canadian deposit-taking institutions to meet the 2019 Basel III capital requirements in 2013, other than the phase-out of non-qualifying capital instruments, and expected banks to attain a target Basel III CET1 Ratio of at least 8.0% (4.5% minimum plus 2.5% Capital Conservation Buffer, 1.0% Common Equity surcharge for domestic systemically important banks (D-SIBs) and 0.0% countercyclical buffer (CCyB)). This is also referred to as the "all-in" requirement. Since November 2016, this target includes bank-specific CCyB requirements, which were immaterial[2] as at January 31, 2018. In March 2013, OSFI issued guidance designating the six largest Canadian banks, including BMO, as D-SIBs. Only one Canadian bank, the Royal Bank of Canada, is designated as a global systemically important bank.

The Basel III Leverage Ratio was implemented effective January 2015, replacing the Assets-to-Capital Multiple. The Leverage Ratio is defined as Basel III Tier 1 Capital divided by leverage exposures (the sum of on-balance sheet items and specified off-balance sheet items, net of specified adjustments). At January 31 2018, BMO's leverage ratio was 4.3%, in excess of the 3.0% minimum requirement established by OSFI.

1.1.5 Derivative and Hedging Activities

Derivative instruments are financial contracts that derive their value from underlying changes in interest rates, foreign exchange rates or other financial or commodity prices or indices. Derivative instruments are either regulated exchange-traded contracts or negotiated over-the-counter contracts. BMO uses these instruments for trading purposes, as well as to manage exposures, mainly to foreign currency and interest rate fluctuations, as part of its asset/liability management program.

Types of Derivatives

Swaps

Swaps are contractual agreements between two parties to exchange a series of cash flows. The various swap agreements that BMO enters into are as follows:

- Interest rate swaps – counterparties generally exchange fixed and floating rate interest payments based on the notional value in a single currency.
- Cross-currency swaps – fixed rate interest payments and principal amounts are exchanged in different currencies.
- Cross-currency interest rate swaps – fixed and/or floating rate interest payments and principal amounts are exchanged in different currencies.

[2] CCyB implemented effective Q1'17 and the impact is immaterial (~0.0052% as of Q1'18).

- Commodity swaps - counterparties generally exchange fixed and floating rate payments based on a notional value of a single commodity.
- Equity swaps – counterparties exchange the return on an equity security or a group of equity securities for a return based on a fixed or floating interest rate or the return on another equity security or group of equity securities.
- Credit default swaps – one counterparty pays the other a fee in exchange for that other counterparty agreeing to make a payment if a credit event occurs, such as bankruptcy or failure to pay.
- Total return swaps – one counterparty agrees to pay or receive from the other cash amounts based on changes in the value of a reference asset or group of assets, including any returns such as interest earned on these assets, in exchange for amounts that are based on prevailing market funding rates.

The main risks associated with these instruments are related to exposure to movements in interest rates, foreign exchange rates, credit quality, securities values or commodities prices, as applicable, and the possible inability of counterparties to meet the terms of the contracts.

Forwards and Futures

Forwards and futures are contractual agreements to either buy or sell a specified amount of a currency, commodity, interest-rate-sensitive financial instrument or security at a specific price and date in the future. Forwards are customized contracts transacted in the over-the-counter market. Futures are transacted in standardized amounts on regulated exchanges and are subject to daily cash margining.

The main risks associated with these instruments are related to exposure to movements in interest rates, foreign exchange rates, credit quality, securities values or commodities prices, as applicable, and the possible inability of counterparties to meet the terms of the contracts.

Options

Options are contractual agreements that convey to the purchaser the right but not the obligation to either buy or sell a specified amount of a currency, commodity, interest-rate-sensitive financial instrument or security at a fixed future date or at any time within a fixed future period. For options written by BMO, BMO receives a premium from the purchaser for accepting market risk. For options purchased by BMO, BMO pays a premium for the right to exercise the option. Since BMO has no obligation to exercise the option, the primary exposure to risk is the potential credit risk if the writer of an over-the-counter contract fails to meet the terms of the contract.

Caps, collars and floors are specialized types of written and purchased options. They are contractual agreements in which the writer agrees to pay the purchaser, based on a specified notional amount, the difference between the market rate and the prescribed rate of the cap, collar or floor. The writer receives a premium for selling this instrument.

A swaption is an option that conveys to the purchaser the right but not the obligation to enter into an underlying swap. A future option is an option contract in which the underlying instrument is a single futures contract.

The main risks associated with these instruments are related to exposure to movements in interest rates, foreign exchange rates, credit quality, value of the underlying financial instrument or commodity, as applicable, and the possible inability of counterparties to meet the terms of the contracts.

Use of Derivatives

Trading Derivatives

Trading derivatives include derivatives entered into with customers to accommodate their risk management needs, market-making to facilitate customer-driven demand for derivatives, derivatives transacted on a limited basis to generate trading income from BMO's own principal trading positions and certain derivatives that are executed as part of a risk management strategy that do not qualify as hedges for accounting purposes. BMO structures and markets derivative products to enable customers to transfer, modify or reduce current or expected risks.

Hedging Derivatives

In accordance with its risk management strategy, BMO enters into various derivative contracts to hedge interest rate and foreign currency exposures.

Risks Hedged

Interest Rate Risk

BMO manages interest rate risk through bonds, interest rate futures, interest rate swaps and options, which are linked to and adjust the interest rate sensitivity of a specific asset, liability, forecasted transaction or firm commitment, or a specific pool of transactions with similar risk characteristics.

Foreign Currency Risk

BMO manages foreign currency risk through currency futures, foreign currency options, cross-currency swaps, spot foreign exchange and forward contracts. It also sometimes economically hedge U.S. dollar earnings through forward foreign exchange contracts and/or options to minimize fluctuations in Canadian dollar earnings due to the translation of U.S. dollar earnings.

Accounting Hedges

In order for a derivative to qualify as an accounting hedge, the hedging relationship must be designated and formally documented at its inception, detailing the particular risk management objective and strategy for the hedge and the specific asset, liability or cash flow being hedged, as well as how its effectiveness is being assessed. Changes in the fair value of the derivative must be highly effective in offsetting changes in the fair value or changes in the amount of the future cash flows of the hedged item. Hedge effectiveness is evaluated at the inception of the hedging relationship and on an ongoing basis, retrospectively and prospectively, primarily using quantitative statistical measures of correlation.

Cash Flow Hedges

Cash flow hedges modify exposure to variability in cash flows for variable rate interest bearing instruments, foreign currency denominated assets and liabilities and certain cash-settled share-based payment grants subject to equity price risk. Variable interest rate bearing instruments include floating rate loans and deposits.

Fair Value Hedges

Fair value hedges modify exposure to changes in a fixed rate instrument's fair value caused by changes in interest rates. These hedges economically convert fixed rate assets and liabilities to floating rate. BMO's fair value hedges include hedges of fixed rate securities, loans, deposits, subordinated debt, and other liabilities.

Net Investment Hedges

Net investment hedges mitigate BMO's exposure to foreign currency exchange rate fluctuations in BMO's net investment in foreign operations. Deposit liabilities denominated in foreign currencies are designated as hedges for a portion of this exposure.

Embedded Derivatives

From time to time, BMO purchases or issues financial instruments containing embedded derivatives.

Contingent Features

Certain over-the-counter derivative instruments contain provisions that link the amount of collateral BMO is required to post or pay to its credit ratings (as determined by the major credit rating agencies). If BMO's credit ratings were to be downgraded, certain counterparties to the derivative instruments could demand immediate and ongoing collateralization on derivative liability positions or request immediate payment.

Derivative-Related Market Risk

Derivative instruments are subject to market risk. Market risk arises from the potential for a negative impact on the balance sheet and/or income statement due to adverse changes in the value of derivative instruments as a result of changes in certain market variables. These variables include interest rates, foreign exchange rates, equity and commodity prices and their implied volatilities, as well as credit spreads, credit migration and default. BMO strives to limit market risk by employing comprehensive governance and management processes for all market risk-taking activities.

Derivative-Related Credit Risk

Over-the-counter derivative instruments are subject to credit risk arising from the possibility that counterparties may default on their obligations. The credit risk associated with derivatives is normally a small fraction of the notional amount of the derivative instrument. Derivative contracts generally expose BMO to potential credit loss if changes in market rates affect a counterparty's position unfavorably and the counterparty defaults on payment. The credit risk is represented by the positive fair value of the derivative instrument. BMO strives to limit credit risk by dealing with counterparties that it believes are creditworthy, and BMO manages its credit risk for derivatives using the same credit risk process that is applied to loans and other credit assets.

BMO also pursues opportunities to reduce exposure to credit losses on derivative instruments, including through collateral and entering into master netting agreements with counterparties. The credit risk associated with favorable contracts is mitigated by legally enforceable master netting agreements to the extent that unfavorable contracts with the same counterparty must be settled concurrently with favorable contracts. Exchange-traded derivatives have limited potential for credit exposure as they are settled net daily with each exchange.

1.1.6 Memberships in Material Payment, Clearing and Settlement Systems

BMO uses a wide array of memberships in Payment, Clearing and Settlement Systems (PCSS), including payment systems, clearinghouses, securities depositories, and central counterparties. The following table enumerates material PCSS memberships used by BMO's U.S. operations:

Figure 1.1.6-1 Material Payment, Clearing and Settlement Systems

Payment/ Clearing/ Settlement System	Description
Canadian Derivatives Clearing Corporation (CDCC)	Clearing and settlement services for exchange-traded derivative products (options, futures) and OTC instruments (fixed income, Forex) in Canada
CDS Clearing and Depository Services Inc. (CDS/CDSX)	Major fixed income and equity clearing and depository organization in Canada
CLS Bank	Clearing for FX spot, swap and forward agreements
CME Group	Clearing and settlement services for futures, options and OTC derivatives. (BMO CMC – Futures membership, BMO – OTC Membership)
The Depository Trust Company (DTC)	Clearing and settlement and depository services for securities and derivatives
Federal Reserve Wire Network (Fedwire Funds / Fedline Advantage) / FedACH	Wire transfer and electronic payment processing, and cash and securities settlement services
Fixed Income Clearing Corporation (FICC)	Clearing organization for U.S. treasury securities

Figure 1.1.6-1 Material Payment, Clearing and Settlement Systems

Payment/ Clearing/ Settlement System	Description
LCH Ltd	Clearing services for OTC interested rate swaps and depository services for commodities, equities, fixed income, swaps and Forex contracts
National Securities Clearing Corporation (NSCC)	Clearing and settlement for equities, corporate and municipal debt, ADRs, ETFs and UITs
Options Clearing Corporation (OCC)	Clearing and settlement services for equity, index, foreign exchange, interest rate derivatives and equity futures
Society of Worldwide Interbank Financial Telecommunications (SWIFT)	Interbank financial telecommunications and messaging between financial institutions, FMUs and businesses

1.1.7 Foreign Operations

BMO is a leading North American provider of financial services, with select services provided through offices in multiple jurisdictions outside of the U.S. BMO employs approximately 45,000 people and its services are delivered through the Operating Groups of Personal and Commercial Banking (Canada and U.S.), BMO CM and Wealth Management. Canadian P&C is the largest Operating Group in terms of employees and revenues, and operates throughout Canada, offering banking, financing, and investing solutions, as well as card and payment services. BMO Capital Markets is the largest Operating Group in terms of assets, and provides capital raising, investing, advisory, treasury and research services to corporate, institutional, and government clients in Canada, the U.S., South America, Europe, Asia and Australia. WM, BMO's wealth management business, serves a full range of client segments from mainstream to ultra-high net worth and institutional, with a broad offering of wealth management products and solutions including insurance products; WM operates in both Canada and the U.S., as well as in Asia and Europe.

As of January 31, 2018, Canadian and other non-U.S. operations represented 65% of total average assets and 77% of reported net income; U.S. operations represented 35% and 23%, respectively. Of its total workforce, BMO had approximately 30,000 full-time equivalent employees in Canada, 13,500 in the U.S., and 1,500 in other jurisdictions as of January 31, 2018.

1.1.8 Material Supervisory Authorities

The Office of the Superintendent of Financial Institutions (OSFI) is the prudential supervisor of the Canadian-based covered company, the Bank of Montreal (BMO). As such, OSFI is the umbrella supervisor for BMO and its operations. The table below includes material U.S. supervisory authorities related to the MEs identified in the 165(d) RP.

Figure 1.1.8-1 Material Supervisory Authorities

Material Entity	Regulatory Agency
BMO Financial Corp.	Federal Reserve Bank of Chicago
BMO Harris Bank N.A.	Office of the Comptroller of the Currency
	Federal Deposit Insurance Corp.
	Consumer Financial Protection Bureau
BMO Harris Central N.A.	Office of the Comptroller of the Currency
	Federal Deposit Insurance Corp.
BMO Capital Markets Corp.	Securities and Exchange Commission
	Financial Industry Regulatory Authority
	Commodity Futures Trading Commission
BMO Chicago Branch	Illinois Department of Financial and Professional Regulation
	Federal Reserve Bank of Chicago
BMO Harris Financing, Inc.	Federal Reserve Bank of Chicago (as regulator of holding company and non-bank subsidiaries)

1.1.9 Principal Officers

The table below identifies BMO's Principal Officers, all of which are members of the BMO Executive Committee:

Figure 1.1.9-1 BMO's Principal Officers

	BMO Executive Committee
Name	Role/Title
Darryl White	Chief Executive Officer, BMOFG
Dan Barclay	Chief Executive Officer & Group Head, BMO Capital Markets
David R. Casper	U.S. Chief Executive Officer, BMOFG, Chair and Chief Executive Officer, BHB, and Group Head, North American Commercial Banking
Patrick Cronin	Chief Risk Officer, BMOFG
Simon A. Fish	General Counsel, BMOFG
Thomas E. Flynn	Chief Financial Officer, BMOFG
Cameron Fowler	President, North American Personal & Business Banking, BMOFG
Ernie Johannson	Group Head, U.S. Personal and Business Banking, BHB
Gilles G. Ouellette	Chairman of the Board, BMO NB, Group Head, BMO Asset Management and Vice-Chair, International, BMOFG
Surjit Rajpal	Advisor, BMOFG
Catherine Roche	Head, Marketing and Strategy, BMOFG
Joanna Rotenberg	Group Head, BMO Wealth Management, BMOFG
Richard Rudderham	Chief Human Resources Officer, BMOFG
Luke Seabrook	Global Head, Enterprise Initiatives, Infrastructure and Innovation, BMOFG
Frank Techar	Vice-Chair, BMOFG
Steve Tennyson	Chief Technology & Operations Officer, BMOFG

1.1.10 Corporate Governance Structure and Processes Related to Resolution Planning

Governance Structure

Within the U.S., BMO has a robust corporate governance structure to direct its legal entities, lines of business, critical operation, and corporate support areas. As BMO's U.S. operations have grown, representing approximately one third of the Bank of Montreal's group of companies' (BMOFG) total revenue, BMO's U.S. governance structure has continued to mature. At BMO, U.S. Governance is the management of rights, authorities, and control through defined checks and balances. The governance structure provides oversight, in which leadership ensures clear accountability, establishes transparency, streamlines decisions, and promotes and maintains a disciplined and unified culture.

BMO U.S. further aligned and integrated its U.S. recovery and resolution efforts with the formal (BAU) U.S. governance model by establishing and approving the Financial Crisis Management, U.S. (FCM US) committee as a sub-committee of the U.S. Risk Management Committee

The purpose of the U.S. Risk Management Committee (U.S. RMC) is to review, discuss, monitor, challenge, and where appropriate, approve or recommend approval of significant risk issues and action plans addressing current and emerging risks that arise in the course of executing bank's business strategy. The U.S. RMC provides the independent oversight and governance to ensure that all risk-taking activities are within the Risk Appetite and limits the Board has granted to the overall business and operations of Bank of Montreal (BMO or Enterprise) in the U.S.

The purpose of the Financial Crisis Management, U.S. Committee (“FCM U.S. Committee”) is to ensure that management is positioned (resources, processes and execution) to meet expectations for recovery and resolution planning. The FCM U.S. Committee effectively supports new and amended guidance from U.S. regulators and their impacts to U.S. recovery and resolution planning. Additionally, the FCM U.S. Committee ensures that impediments and/or obstacles identified during recovery and resolution planning are efficiently and effectively addressed. Its membership includes senior leaders from the material entities (MEs), core business lines (CBLs) and corporate support areas (CSAs).

FCM U.S. leverages the existing BMO U.S. governance framework and oversees the entire process of Recovery and Resolution Plan analysis, content development, review, approval and submission (for the resolution plans), pursuant to Section 165(d) of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the 165(d) Plan), the 12 C.F.R. §360.10 (the IDI Plan). As documented in the 12 CFR Part 30 - Appendix E from the Office of the Comptroller of the Currency, the Recovery Plan is made available to the OCC.

The FCM U.S. Committee is established by the Managing Director; Financial Crisis Management (MD FCM) through authorities delegated by the U.S. Risk Management

Committee (U.S. RMC). In addition, BMO U.S. designated the following senior officers as primary executives for U.S. Recovery and Resolution Plans:

- BMO U.S. Chief Financial Officer (main point of contact for the Recovery, IDI and 165(d) Resolution Plans); and
- U.S. Treasurer, BMO Financial Corp. (BFC).
- Both are accountable executives for Financial Crisis Management (in the U.S.) and all U.S. deliverables. They are responsible for overseeing the Recovery Plan and Resolution Plans, which include: ensuring that BMO U.S. complies with the regulatory rules governing resolution plans and their required annual filings; as well as ensuring that BMO U.S. also complies with the regulatory rules governing the preparation of the 165(d) Resolution Plan.

The Managing Director of Financial Crisis Management (MD FCM) leads the Financial Crisis Management, U.S. (FCM U.S.) and Enterprise (i.e. FCMO Enterprise) teams. The MD FCM works with his/her Financial Crisis Management teams to coordinate (to the degree necessary) the collaboration / sharing of various productional data and analysis to ensure consistency across jurisdictions. The MD FCM dually reports to the Treasurer of BMO Financial Group and the U.S. Treasurer, BMO Financial Corp. (BFC).

During the initial creation of the BMO U.S. resolution plans, the BMO U.S. Resolution Planning Design Sub-Committee was created to provide guidance on the resolution plan strategies. The Design Sub-Committee also provided interim decision making and issue escalations needing to occur outside of monthly FCM U.S. Committee meetings. The sub-committee comprised executives from finance, risk, legal and BMOFG's Financial Crisis Management Office (FCMO). This team met as needed. As the resolution plans have matured in their development, the Design Sub-Committee has not needed to be activated.

The Financial Crisis Management U.S. Core team (FCM U.S. Core Team or FCM U.S. team), is responsible for coordinating the analysis, planning, content development, reporting, quality assurance/validation, sign-offs/approvals and file submissions for the 165(d) and IDI Resolution Plans. It is also responsible for making the BHB Recovery Plan available to the OCC.

Processes and Support Structures for Resolution Planning - Day-to-Day

Day-to-day recovery and resolution plan activities and deliverables are managed by the FCM U.S. Core team. The FCM U.S. Core team leads the day-to-day governance, analysis, data elicitation and content development representing: foundational elements' BMO U.S. business overviews' operational and financial interconnections' strategic analysis and funding and liquidity, enterprise-wide functions, and supervisory and regulatory contact information. In addition, the FCM U.S. Core team manages regulatory interaction concerning recovery and resolution planning.

Given the broad nature of scope for BHB Recovery and U.S. Resolution Planning; the FCM US meets frequently with a diverse group of stakeholders to develop Recovery and Resolution Plans. These meetings include discussing materials that are informative and necessitate decision-making. Meeting presentations contain guidance updates on Recovery and Resolution Plan rules (when available), Plan progress, governance updates, and applicable dashboards.

The scheduled meetings are as follows:

- Quarterly: Board of Directors BHB and BFC;
- Quarterly: U.S. Risk Management Committee;
- Monthly: Financial Crisis Management, U.S. Committee;
- As needed: BMO U.S. Resolution Plan - Design Sub-Committee;
- Bi-weekly: Functional Lead and SME program updates;

Additionally:

- Weekly FCM U.S. Core Team;
- Bi-weekly (or as needed): Touch-points with the Accountable Executives
  Weekly (or as needed): One-on-one Senior Management and SME working group meetings, and as needed meetings with respective FCM U.S. Core Team members;

Periodically: BMO CFO updates

Processes and Support Structures for Resolution Planning - Reviews and Approvals

The U.S. RMC and the Board of Directors of BMO Financial Corp. (BFC) oversee the 165(d) Resolution Plan through regular updates via the Sr. Leadership of Financial Crisis Management, U.S. The Board of Directors of BFC review the final 165(d) Resolution Plan document. As additional effective U.S. Governance, the BMO Financial Corp. Board of Directors recommends, to the BFC CEO, the approval of the 165(d) Resolution Plan. At the October 30, 2018 BMO Board meeting, members of the BMO Board authorized and delegated authority to the BFC CEO to approve the 165(d) Resolution Plan for filing. This delegation remains in effect in perpetuity. Prior to this final step, Plan approvals are based on individual reviews and recommendations from the respective MEs, CBLs, Critical Operation (CO) and Corporate Support Areas (CSAs). The approval of the 165(d) Resolution Plan is based on a robust review, certification and approval process(to ensure consistency and accuracy of information contained within the 165(d) Resolution Plan). Additionally, the comprehensive reviews include Sr. Leaders / members of the FCM US Management Committee and the FCM US Core Team.

At the conclusion of these review cycles, the 165(d) Resolution Plan is subject to review and recommendation by:

- The BFC Board of Directors (for recommendation of approval to the BFC CEO);
- The U.S. RMC (reviews and approves all Plans for go forward approvals by the respective Boards of Directors; ;
- The FCM U.S. Committee
- The Accountable Executives; and
- The executives of each of the relevant MEs, CBLs, and CSA groups.

1.1.11 Material Management Information Systems

Access to relevant data at the appropriate frequency is important to being able to successfully resolve or restructure in the event of failure. Within BMO U.S., this data typically resides on MIS that are collectively designed to pull information from source systems, feed into analytical systems and produce specified outputs.

BMO's MIS Management Reporting enable users to aggregate data at the level of product or operational process, business line or function, or legal entity. The majority of the key MIS applications are vendor provided solutions with hosting either in-house or outsourced to the vendor. They are highly automated and used for risk management, accounting / financial, regulatory and management reporting.

Capabilities

Approximately 38% of all the key systems are vendor-provided solutions with hosting either in-house or outsourced to the vendor. In general, software ownership / licensee rights are held by one legal entity that serves as the main relationship manager for that contract. The standard used when negotiating material software license agreements with software suppliers is to establish an enterprise-wide agreement with BMO or BHB as signatory, and participation agreements for subsidiaries or other jurisdictions. This standard entitles all business lines and legal entities to share the software without the need to negotiate a new agreement. When enterprise agreements are negotiated with these software suppliers, transfer rights are included in the discussion. The discussion traditionally has focused on the ability of the contract signatories to transfer the contract to another entity or buyer in case of a sale.

Technology Governance

The objective of the Information Risk and Technology Risk Management Corporate Standard is to establish the framework for managing and safeguarding Information and Technology Assets throughout their Life-Cycles within the Enterprise Information Risk Appetite and Technology Risk Appetite. This Standard is aligned with the Operational Risk Management Framework and defines the principles, framework, and roles and responsibilities for identifying, measuring, managing, monitoring and reporting Information Management Risks, Information Security Risks and Technology Risks across the Enterprise, including at suppliers.

The Policy sets expectations that information is a corporate asset and must be identified, classified, protected, used and managed consistently throughout its Life-Cycle, commensurate to its value and risk, and at a minimum, to support compliance with applicable legal, regulatory, industry, association and standards requirements, including meeting required levels of Information Quality.

1.1.12 Resolution Strategy

Consistent with the requirements outlined in the 165(d) Rule, BMO has prepared a strategic analysis consisting of resolution strategies for its MEs in the event of the failure of BMO and its MEs.

The strategic analysis has been developed under the assumptions required by the Federal Reserve and the FDIC. This strategy addresses how the U.S. operations of BMO may undergo an orderly resolution that minimizes any market disruptions and occurs without recourse to any assistance from U.S. taxpayers.

The 165(d) RP provides a detailed analysis of how BMO's material operations in the U.S. could be resolved in a rapid and orderly manner that would not create serious adverse effects on U.S. financial stability and that would otherwise meet the requirements of the 165(d) Rule. The strategy to resolve BMO’s operations in the U.S. is organized around the resolution of the MEs – BFC, BMO Harris Bank, BMO CMC, BMO Chicago Branch, BHFI, and BMO Harris Central. The resolution of the CBLs would occur through the MEs in which they operate. The MEs would be resolved as follows:

- BMO Harris Bank and BMO Harris Central would be resolved under the Federal Deposit Insurance Act by the FDIC, following its appointment as receiver. While BMO believes this can best be accomplished through either an immediate whole bank purchase and assumption (P&A) transaction transferring their respective operations to another bank, or through a transfer to a bridge bank and a subsequent P&A transaction to another bank, we acknowledge that other options are available to the Federal Reserve and the FDIC. These options include selling various portfolios and businesses in order to reduce the size of BHB. This downsizing could then be followed by either an Initial Public Offering or a P&A transaction. Alternatively, it is possible that BHB is not sold, but rather its operations are shut down and its assets are liquidated.
- The assets of BMO Chicago Branch would be resolved by the Superintendent of the Illinois Department of Financial and Professional Regulation, which would then commence liquidation.
- BMO CMC would be wound down after the initiation of a Securities Investor Protection Act proceeding by a trustee appointed by Securities Investor Protection Corporation (the SIPC Trustee). The SIPC Trustee would transfer customer accounts to a solvent broker

dealer and transfer Futures Clearing Merchant (FCM) customer accounts to a solvent FCM. The SIPC Trustee would then liquidate the remainder of BMO CMC's broker dealer business.

- BFC and BHFI would be resolved under Chapter 11 of the U.S. Bankruptcy Code. The limited amount of services that flow through BFC are likely to continue to be provided by BFC to the other MEs in insolvency on a cost-plus basis under inter-affiliate service agreements subject to BFC continuing to be paid for such services by the relevant ME (or their successors). BHFI is primarily a booking location for commercial loans and would be liquidated by selling its loan portfolio in the open market.