



Title I Resolution Plans

December 10, 2012

Agenda

- Background
- Objectives
- Overview of Plans
- Next Steps

Background

- The Dodd-Frank Act requires all domestic BHCs and foreign banking organizations (FBOs) with total consolidated assets of \$50 billion or more and non-bank financial companies designated by FSOC (covered companies) to report periodically on their plans for rapid and orderly resolution under the U.S. Bankruptcy Code in the event of material financial distress or failure
- Federal Reserve and FDIC issued implementing regulations in November 2011

Background

- Regulations require covered companies to submit annually a plan (resolution plan or living will) for rapid and orderly resolution
- Federal Reserve and FDIC may find a plan is not credible or would not facilitate an orderly resolution in bankruptcy
- If plan is so found, the covered company has 90 days to resubmit a plan; if deficiencies are not corrected, the firm may be subjected to more stringent capital, leverage, or liquidity requirements, or restrictions on growth, activities, or operations
- Plan may not rely on extraordinary government support

Objectives of 2012 Resolution Plans

- Identify each firm's critical operations and its strategy to maintain them in a crisis situation
- Map critical operations and core business lines to material legal entities
- Map cross-guarantees, service level agreements, shared employees, intellectual property, and vendor contracts across material legal entities
- Identify and improve understanding of the resolution regimes for material legal entities
- Identify key obstacles to rapid and orderly resolution
- Direct firms to remediate obstacles to resolution
- Use plan information to aid in Title II resolution planning and to enhance ongoing firm supervision

2012 Resolution Plans

- **First Wave Filers:**
 - Eleven firms submitted firm-developed resolution plans in 2012
 - July 1, 2012: Bank of America, Citigroup, JP Morgan Chase, Goldman Sachs, Morgan Stanley, Deutsche Bank, UBS, Credit Suisse, and Barclays
 - October 1, 2012: Bank of New York Mellon, State Street
 - Federal Reserve and FDIC have been reviewing and analyzing the plans since early July
- **Second Wave Filers:**
 - Four firms are expected to submit plans on July 1, 2013
- **Third Wave Filers:**
 - Approximately 115 firms are expected to file on December 31, 2013 (~75 firms may qualify for tailored plans)

2012 Resolution Plans

- Plan review process:
 - Each plan was reviewed for informational completeness to ensure that all regulatory requirements were addressed in the plans
 - Federal Reserve and FDIC have been evaluating each plan's content and analysis -- the Federal Reserve and FDIC may jointly determine that a plan is not credible
- Assumptions provided by supervisors:
 - Idiosyncratic failure
 - A firm's failure does not significantly disrupt the market -- other participants could take on activities
 - No access to unsecured funding
 - No extraordinary government support
 - All material entities fail

2012 Resolution Plans

- Strategies presented by the firms included:
 - Sale of whole company or specific legal entities
 - Liquidation of assets or wind-down of positions and operations
 - FDIC receivership and bridge bank for IDIs
 - Orderly close-out of positions at broker-dealers; counterparties hold on to collateral

2012 Resolution Plans

- Potential impediments to resolution
 - Complexity and interconnectedness of firm internal organizational structure
 - Interconnections to other G-SIFIs
 - Management Information System limitations (e.g., related to collateral management and derivatives booking practices at the legal entity level)
 - QFC closeouts
 - Shared services and service level agreements among affiliates
 - Uncertain international regimes and actions
 - Liquidity needs/funding mechanisms

Next Steps

- Federal Reserve and FDIC are looking to provide feedback to the firms about their 2012 plans.
- Provide additional guidance on assumptions and strategies
- Revised plans submitted July 1st, 2013 will be subject to informational completeness and credibility reviews